



PRELIMINARY REVENUE BUDGET AND CAPITAL PROGRAMME PROPOSALS 2014/15 AND OUTLINE APPROACH TO THE POLICE AND CRIME PLAN

Report of the Police and Crime Commissioner

PURPOSE

1. This report sets out the preliminary revenue budget, capital programme and Precept proposals for consideration by the West Midlands Police and Crime Panel. Further details will be presented to the Panel at its meeting on 3 February 2014, when the final grant figures and council tax base details are available. This paper also outlines the approach being taken to the Police and Crime Commissioner's (the Commissioner) Police and Crime Plan.

BACKGROUND

2. Under section 5 of the Police Reform and Social Responsibility Act 2011 the Commissioner is required to issue a police and crime plan (the Plan) within the financial year in which the election is held i.e. 31 March 2013. The plan is required to cover the:
 - Commissioner's police and crime objectives
 - policing which the Chief Constable is to provide
 - financial and other resources which the Commissioner will provide to the Chief Constable
 - means by which the Chief Constable will report to the Commissioner on the provision of policing
 - means by which the Chief Constable's performance will be measured
 - crime and disorder reduction grants which the Commissioner is to make and the conditions to which such grants are to be made
3. The Plan is required to cover the term of office of the Commissioner, although it is possible to vary the Plan during this period. The Commissioner does expect to revisit the Plan annually to take account of future financial settlements and ensure that the Plan continues to reflect the needs of local people. The Police and Crime Panel is required to review the draft Plan and to make a report or recommendations having conducted its review. The

Commissioner must have regard to any report or recommendations and provide and publish his response to the Panel's report.

4. This report focuses on financial considerations being taken into account by the Commissioner as he prepares his Plan. This is because of the need to ensure that the Precept is set by the end of February as statutorily required. However the report does provide an outline of the approach that the Commissioner is taking to the production of the Plan. The detail Plan will be provided to the Panel in February. The Commissioner welcomes any comments that the Panel may wish to make at this stage on the Plan in the light of the information that is contained within this report.
5. In respect of the Precept the Commissioner is required to notify the Panel of the proposed precept by 1 February. The Panel is required to review the Precept by 8 February. The Panel does have a power to veto the proposed level and if exercised the Commissioner would need to submit a revised Precept by 15 February for review by the Panel by 22 February. This timetable has been established to allow the Precept to be settled by the end of February. The Panel's schedule of meetings in January and February of this year accommodate this timetable should it be needed.

BUDGET CONSULTATION

6. The Commissioner believes that a "Tipping Point" between reduced policing resources (as a result of reductions in Government Grant) and the levels of crime and anti-social behaviour in in danger of being reached and action needs to be taken to redress the balance and in November launched a public consultation about a set of budget proposals for 2014/15 as follows:

In the context of:

- a) Increasing crime levels and public demand for services
- b) The demographic of the current workforce, where by 2014 there will be no serving police officer under twenty five years of age, and the need to continue to ensure the workforce appropriately reflects the community it serves
- c) The current workforce mix of police officers and police staff and opportunities for further civilianisation to release more officers for operational duties
- d) The need to provide "pump priming" support for the Innovation and Improvement Partnership (IIP) Project
- e) The opportunities for Invest to Save Schemes

The Commissioner is proposing to make provision in the 2014/15 Revenue Budget for:

- a) The recruitment of up to 250 police officers in 2014/15 (including transferees from other forces), and subject to the actual number of retirements and other leavers during 2014/15, the recruitment of up to a further 200 police officers in 2015/16
- b) The recruitment of up to 100 police staff posts to release police officers for operational duties
- c) The creation of a reserve of £10M to support the IIP Project and a similar amount for Invest to Save Schemes

This would be financed by the prudent use of reserves (which have increased due to the fact that savings have been achieved earlier than budgeted in 2013/14 and earlier years and which are likely to amount to about £75M at the end of March 2014) , together with a modest precept increase broadly in line with inflation, worth approximately £3 per year (or the equivalent of 6p per week) for most households in the West Midlands.

7. The results of the Consultation are set out in Appendix 2. 85.5% of respondents supported the proposals, including a precept increase of 3% or more.

8. Representatives of the Commissioner also attended meetings of Scrutiny Committees in Birmingham and Sandwell to discuss the proposals and both Committees supported the proposals, although in Sandwell attention was drawn to the effects of the proposed precept increase on low income families.

2014/15 PROVISIONAL GRANT SETTLEMENT

9. The provisional grant settlement for the West Midlands was announced on 18 December 2013 and was a one year only settlement. This provisional settlement is as follows:-

	2013/14	2014/15	Difference	
	£m	£m	£m	%
Police Grant*	282.3	268.7	-13.6	-4.8
DCLG Formula Funding	197.5	188.2	-9.3	-4.7
Council Tax Grants	19.0	19.0	0.0	0.0
	498.8	475.9	-22.9	-4.6

* Includes Community Safety Fund (CSF) which was paid as a separate grant in 2012/13

10. The main points to note are as follows:

- Although the total level of Government Revenue Funding for Police in 2014/15 is 3.3% less than 2013/14, the reduction in core Government funding (i.e. funding that is subject to damping) is 4.8%.
- This is because of “top slicing” for the Innovation Fund (£50M) and the IPCC (£18M) and new funding streams for the College of Policing (£3M for direct entry schemes), HMIC (£9.4M to fund a new annual programme of all force inspections) and the City of London Police (£2M in recognition of the national and international capital city functions carried out).
- As the table in paragraph 6 shows, the total funding allocated to West Midlands is £475.9m, a reduction of £22.9m or 4.6% compared to 2013/14.
- As expected the Community Safety Fund has been subsumed into Main Police Grant.
- For 2014/15 existing formula damping arrangements remain unchanged.
- The Home Secretary expects it to take three years for the IPCC to reach full capacity, so it is likely that there will be further additional “top slicing” in 2015/16 and 2016/17.
- Despite the Chancellor’s announcement in his Autumn Statement of further reductions to Departmental Budgets in 2014/15 and 2015/16, the Home Secretary has decided that Government funding to the police will be protected in 2014/15 from further reductions, but decisions on the impact of the Autumn Statement on police funding in 2015/16 will be made “at a later date after careful consideration of all Home Office Budgets”.
- From 2014/15 council tax freeze grants relating to the 2011/12 and 2013/14 schemes and Local Council Tax Support Grant of £19m will be paid to the PCC by the Home Office rather than the DCLG as in previous years.
- Council tax referendum principles for 2014/15 are likely to be issued with the final report on the Local Government Finance Settlement expected around end of January to early February 2014.

RESPONDING TO THE PROVISIONAL SETTLEMENT

11. The consultation period on the Provisional Funding Settlement ends on 23rd January 2014, after which Final Allocations and the Council Tax Referendum principles for 2014/15 will be

confirmed. The Commissioner intends to make representations along the following lines, that:

- The existing grant damping arrangements are unfair and iniquitous, particularly to those policing areas which currently rely on significant proportions of police grant, and the effects are exacerbated by the transfer of Community Safety Funds into Main police Grant.
- The review of the existing funding formula, which was announced last summer, should commence without further delay, with a commitment from Government that the outcome should be fully implemented without any damping or similar arrangements.
- The Innovation Fund, which seems designed to provide incentives for police collaboration and which have not progressed since the introduction of PCCs, will be of more value to smaller and less efficient forces, rather than large forces like the West Midlands.
- Rather than provide additional funding for the IPCC, the IPCC should be abolished and replaced by a new organisation that has the credibility to investigate serious complaints against the police.
- The direct entry scheme for superintendents and inspectors is an unnecessary and expensive scheme which will be used only by a small number of forces.
- Increasing the funding for HMIC runs counter to the Government's promise to make inspection leaner and reduce bureaucracy.

DEVELOPMENT OF VARIATIONS TO THE POLICE AND CRIME PLAN

12. The Commissioner intends to continue with his commitment to a Plan that captures the voice of the public in how it is set and develops. The Plan is intended to enable effective local working, building upon the strong sense of civic identity in each of the seven local authority areas and their neighbourhoods. For this reason the Plan will be built upon local policing and crime priorities together with West Midlands' wide outcomes and measures. Local policing and crime boards have been asked to identify key local priorities. In addition the Force conducted an online survey seeking the identification of priorities. These were reported to the Commissioner at his Partnership Summit held on 29 November 2013. The areas identified were:

- Antisocial behaviour
- Speeding
- Inconsiderate parking
- Off road motorbikes
- Drugs
- Vehicle crime and burglary

13. The police and crime strategic framework at **Appendix A** set by the Commissioner in the West Midlands' wide plan in March 2013 is intended to be relevant for the Plan's duration. It has been reviewed informally by the Strategic Policing and Crime Board who support its continuance with proposals for differing emphases on the objectives and priorities which form the substantive content of the plan. The issues raised included:

- a need to reflect the local priorities identified above
- the need for greater reference to the significance of and the need for partnership working with health colleagues

- that while creating stronger partnerships remains a key element of the framework, the pervasive nature of partnership working should be reflected throughout the plan, for example with reference to the National Crime Agency and Action Fraud in the Force's contribution to national policing
 - greater emphasis to be placed on the achievement of the Plan's vision through the inclusion of a section on 'Pride in our Police'.
 - the need for a more granular narrative on measures associated with crime. The Board would wish to see a return to the lowest level of recorded crime but acknowledged that for some crime types, particularly those associated with vulnerability, increased reporting would be viewed positively. For example for crimes such as child sexual exploitation and domestic violence where there is known under-reporting.
 - support for areas identified through the Force's own strategic assessment which include:
 - Harm and vulnerability, particularly violent crime where injury is caused
 - Property related crime, in particular Burglary, Robbery, Thefts relating to vehicles and theft from businesses
 - Locations and people that contribute the highest crime levels and demands on public services
 - The Force would welcome the inclusion of work to develop greater understanding of confidence, particularly to understand how national and major local incidents impact on confidence at force and neighbourhood level
 - The approach to the setting of milestones should consider making use of some or all of comparisons with 'most similar forces' (West Yorkshire, Greater Manchester and Merseyside), numeric targets, including 'per 1000 population' and narrative.
14. The Commissioner and the Chief Constable continue to believe that the Plan should also reflect the development of the Force. This will be reflected in the updated plan, including the proposed recruitment of police officers and police staff.
15. The Commissioner and Chief Constable will continue with their statutory duty to have regard to the strategic policing requirement (SPR). As the largest force outside of London, West Midlands Police contributes heavily to the safety of the whole country not just the West Midlands. The Force provides national counter terrorism capability and a large proportion of operational assets that support UK policing at times of need. The Strategic Policing Requirement aspect of the plan will detail how the Commissioner will ensure that the Chief Constable can meet this national requirement.
16. The Plan will be varied to make reference to the individual local police and crime plans which are being developed based on the priorities identified by local people. In addition reference will also be made to the action plans arising from the various summits held by the Commissioner throughout the year.

BUDGET PROPOSALS

17. In framing these outline budget and precept proposals the Commissioner has had regard to:-
- the emerging priorities for the Police and Crime Plan ;

- the implications of the provisional funding settlement and the likely further reductions in Government funding in future years;
 - the level of the budget reserve available (which is estimated to be about £75M at the end of March 2014) to support the medium term financial strategy;
 - the results of the public consultation exercise.
18. Although the provisional settlement is broadly in line with financial planning assumptions, the actual level of Government support in 2014/15 is about £4M less than anticipated, largely because the impact of the “top slicing” for the Innovation Fund and the IPCC is greater than forecast, and the new funding streams for the College of Policing, HMIC and the City of London Police were not anticipated. It now also appears that previous assumptions about further grant reductions in 2015/16 and 2016/17 need to be revised because of the likelihood of further “top slicing” for the IPCC and the potential impact on Main Police Grant of the Autumn Statement.
19. Despite funding levels in 2014/15 and (potentially) later years being lower than previously forecast, there is no reason at this stage to change the principles of the budget proposals about which the Commissioner consulted during November and December, and about which the vast majority of respondents were supportive. Nevertheless the lower than anticipated grant levels in 2014/15 and the likelihood of further significant grant reductions in later years, the actual levels of which are extremely difficult to accurately predict, may mean that it will be necessary to review police officer and police staff recruitment levels as and when further information about grant levels in 2015/16 and later years are available, the actual spending position in 2014/15 becomes apparent and opportunities to further supplement the level of the budget reserve emerge. In the meantime it would be appropriate to reduce the proposed allocation for Invest to Save schemes from £10m to £5m in 2014/15. Further allocations could then be considered if resources become available.
20. The key budget proposals will therefore be:
- a) The recruitment of 250 additional police officers in 2014/15 (although the phasing of recruitment will be later in the year than previously assumed) and a further 200 additional police officers in 2015/16.
 - b) The recruitment of 100 additional police staff posts to release officers for front line duties.
 - c) £10m for the IIP Project and £5m for Invest to Save Schemes.
 - d) Allocations of Community Safety Funding protected at the same cash levels as 2013/14 (excluding the one off allocations) , despite reductions in Government support.
 - e) Precept increases broadly in line with inflation, together with the prudent use of reserves.

21. The implications of the 2014/15 provisional settlement, and latest resource forecasts for later years, together with budgeted and forecast spending levels and savings targets for the period up to 2016/17 is set out in the following table:

	<i>2014/15</i>	<i>2015/16</i>	<i>2016/17</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Base Budget	533	518	508
Police Officer Recruitment	3	9	13
Police Staff Recruitment	3	3	3
IIP	10		
Invest to Save Reserve	5		
Gross Spending	554	530	524
Government Grants	-476	-453	-440
Precept	-67	-69	-71
Use of Reserves	11	8	13

22. Over the period it is forecast that some £32m (out of the £73m-£75M now expected to be available in the Budget Reserve at 31 March 2014) will be required to support the MTFP. It will be necessary to monitor and revise the MTFP as further information about Government funding levels, spending pressures and opportunities for savings become available. Given the use of the Budget Reserve over the medium term it is, of course, likely that there will continue to be a gap between underlying spending levels and Government funding and precept income in the years after 2016/17. There should, however, be sufficient flexibility from continuing police officer and staff turnover levels, other savings including those from the IIP, and the balance of the Budget Reserve, to manage the MTFP into the longer term.

COUNCIL TAX ISSUES

23. To maintain the prudent approach and to maintain a stable resource base, as identified when setting the 2013/14 budget, the Commissioner is minded to increase the precept by 3% in 2014/15.
24. Although 3% is slightly above current inflation rates, it remains consistent with the increase levied in 2013/14 and is below the anticipated referendum level of a 5% increase in recognition of the current financial climate. The 3% increase will seek to go some way to mitigating the effects of reduced police funding and the use of police reserves and would give protection to the resource base for the future, meaning that precept increases can be maintained within manageable levels rather than the potential for a large increase of around 10% when existing freeze grant arrangements come to an end. Precept levels incorporating the proposed increases for 2014/15 will still mean that the West Midlands has the second lowest Precept in the country and will still be some way off the level of West Yorkshire at £138, which is the next lowest Precept. The following table sets out what that would mean for local Council Tax Bands:-

Band	Statutory Proportion	2013/14	2014/15	Change Annual	Change Weekly
		Precept	Proposed Precept		
		£ : p	£ : p	£ : p	£ : p
A	6/9	68.29	70.34	2.05	0.04
B	7/9	79.67	82.06	2.39	0.05
C	8/9	91.05	93.78	2.73	0.05
D	9/9	102.43	105.50	3.07	0.06
E	11/9	125.20	128.96	3.76	0.07
F	13/9	147.96	152.40	4.44	0.09
G	15/9	170.72	175.84	5.12	0.10
H	18/9	204.87	211.02	6.15	0.12

25. For most Council Taxpayers in the West Midlands the increase would be only 5p per week or less and the Police precept in the West Midlands would still be amongst the lowest in the country.

CAPITAL PROGRAMME

26. The main items in the capital programme include the provision of new purpose built custody facilities and significant rationalisation of the Central Birmingham Estate (details of which have previously been reported to the Panel), both of which will produce revenue savings; funding for the vehicle and plant replacement programme; and investment in ICT. It is currently anticipated that the capital programme can be financed by a combination of revenue reserves, capital grants and capital receipts, avoiding the need to incur borrowing costs. Further details will be included in the report to the 3 February Panel meeting.

KEY ISSUES FOR PANEL CONSIDERATION

27. The Panel is asked to consider the following:-

(a)The Commissioner's Revenue Budget proposals which provide for:

- the recruitment of 450 new police officers over the two years 2014/15 to 2015/16
- the recruitment of 100 new police staff posts to release police officers for operational duties
- the creation of reserves to support the IIP project and Invest to save schemes
- the allocation of Community Safety Funding in 2014/15 at the same cash levels in 2013/14 (excluding the one off allocation)

(b) The prudent use of the budget reserve across the medium term

(c) That the Commissioner is minded to set a precept increase of 3% for 2014/15



West Midlands Police and Crime Commissioner's Strategic Outcomes Framework

Budget and Precept 2014-15 consultation: Headline analysis

254 responses received (there were twenty or so duplicates etc which have not been counted)

123 respondents (48.5%) said that the precept should increase by more than 3%

94 respondents (37%) said that 3% was “about right”

13 respondents (5.1%) said the precept should increase, but by less than 3%.

24 respondents (9.5%) said the precept should be reduced

Therefore a total of 85.5% supported a 3% increase or more.

Key themes from free text

171 respondents (67.5%) added comments.

- Police officer recruitment was mentioned by 25 respondents, all of whom supported additional recruitment
- Priority for recruitment of existing candidates / PCSOs / Specials was raised by 27 respondents. Responses often include specific reference to individuals who applied to join the Force around 2009, usually arguing that these people should be considered first.
- 15 respondents argued that the precept should rise above inflation to become comparable to similar forces
- About ten respondents expressed concern at the compulsory retirement of officers. The Chief Constable announced his decision to end use of A19 during the consultation period.
- Four respondents raised concerns about the introduction of police and crime commissioners
- Few comments on use of reserves (3), with questions about how the reserves had accumulated and whether it was prudent to use them now. Four respondents mentioned new technology.
- Among respondents opposed to the proposals, key themes were perceptions of existing police waste and inefficiency, and the proposed rise in the context of wider pressures on family budgets.

Respondents

IP addresses were checked to minimise the risk of multiple submissions.

This analysis revealed that approximately 60% of responses were made from police computers and are therefore likely to be from police officers or police staff.