

PRELIMINARY REVENUE BUDGET AND CAPITAL PROGRAMME PROPOSALS 2013/14 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 6 February 2013, 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.

2013/14 SETTLEMENT

6. The provisional grant settlement for West Midlands Police was announced on 19 December 2012 and was a one year only settlement. This provisional settlement was as follows:-
- 7.

| 2012/13 | | 2013/14 | % change |
|----------------|----------------------------------------------------------|----------------|-----------------|
| £m | | £m | |
| 268.8 | <i>Police Grant (incl. Neighbourhood Policing Fund)*</i> | 275.3 | 2.4 |
| 211.6 | <i>RSG and NNDR</i> | 197.5 | -7.1 |
| 1.9 | <i>11/12 Council Tax Freeze Grant**</i> | 1.9 | 0.0 |
| 482.3 | Total | 474.7 | -1.6 |

* *Neighbourhood Policing Fund now part of Police grant paid as a specific grant in 2012/13*

** *Freeze grant in RSG & NNDR in 12/13 but separate in 13/14*

8. In addition, the Home Office has also announced details of a new Community Safety Fund (CSF), about which further information is detailed in paragraph 4(d).
9. The main points arising from the 2013/14 grant settlement are detailed below:-
 - a. The Neighbourhood Policing Fund (NPF) grant which part-funded PCSOs was a ring-fenced specific grant but from 2013/14 it forms part of the main Police Grant and is no longer ring-fenced.
 - b. Formula damping has been applied along similar lines to previous years, meaning all police force areas received the same decrease in central funding after adjustments to the baseline to reflect changes in specific grants. The cost to West Midlands Police of formula damping in 2013/14 is £44m. The Commissioner continues to make representations to the Home Secretary about the unfairness and inequality of the damping arrangements and will continue to seek support for his Fairer Funding campaign.
 - c. The Council Tax freeze grant taken in 2011/12 which had previously been paid as part of the main grant will be paid as a specific grant in 2013/14.
 - d. The provisional grant arrangements for 2013/14 also include some details about the new CSF, for which the West Midlands allocation is £7m. The "vast majority" of drugs, crime and community safety funding that the Home Office provides to a range of partners will cease at the end of the current financial year and move to Commissioners. The CSF is a transitional and non ring-fenced grant. The Home Office has not yet been prepared to provide details at a local level of existing funding streams in this area but has indicated that nationally, in broad terms overall Home Office funding for drugs, crime and

community safety was around £120m in 2012/13, compared to the total of £90m for the CSF in 2013/14. The Commissioner has given a commitment to “passport” this funding, subject to the establishment of local policing and crime boards, with officers are currently working on the details. The establishment of the boards will be included in the Plan.

10. Notwithstanding the issues related to the CSF, the funding settlement announced was broadly in line with the assumption made in the former West Midlands Police Authority’s Medium Term Financial Strategy, which requires savings of £25m in 2013/14. In addition, there is still uncertainty into the medium term and the expectation is that savings in the region of £20 - £25m per year are likely to be required each year from 2014/15 onwards.

BUDGET PRINCIPLES

11. In framing these outline budget and precept proposals the Commissioner has had regard to:-
 - the emerging priorities for the Police and Crime Plan (see paragraph 7);
 - the provisional funding settlement and the likely further reductions in Government funding in future years;
 - opportunities to release police officers for more operational roles;
 - the prudent use of the Budget Reserve;
 - what it is reasonable to ask local Council Tax Payers to pay;

POLICE AND CRIME PLAN

11. The Commissioner wants to ensure that his Plan captures the voice of the public in how it is set and develops. It is vital that the Plan enables effective local working and builds upon the strong sense of civic identity in each of the seven local authority areas and their neighbourhoods. For this reason the Plan will have West Midland’s wide outcomes and measures but will be built upon local policing and crime plans for each of the areas. The establishment of local police and crime boards, a manifesto commitment by the Commissioner, will enable the public to shape police and crime priorities.
12. While the police and crime objectives set by the Commissioner in the West Midlands’ wide plan are intended to be relevant for the Plan’s duration, as stated earlier, the development of the plan will be reviewed each year with annual priorities reflecting the public voice and the professional assessment of the police and partners. Attached at **Annex A** is a diagrammatic representation of how the Commissioner intends the planning process to operate, reflecting his commitment to the public driving the work of the Force. This is to deliver the Commissioner’s ambition and vision that the public of the West Midlands have pride in their police service believing it to ‘their’ service.
13. The Commissioner and the Chief Constable believe that the Plan should also reflect the development of the Force. Therefore the Plan will reflect this together with the necessary operational focus and the resources required to support operational policing. This includes the key work conducted by the Force with partners across the West Midlands
14. 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 Commissioner is required to have regard to the Strategic Policing Requirement (SPR) which is issued by the Home Secretary and sets out her view of the national threats that the police must address. In addition to counter-terrorism the SPR deals with civil contingencies, organised crime, public order and cyber-attacks. The Strategic Policing Requirement aspect of the plan will detail how the Commissioner will ensure that the Chief Constable can meet this national requirement.
15. As stated earlier, the detailed Plan will be considered by the Panel in February. However the Commissioner hopes that the Panel would find it helpful to know that his West Midlands wide

objectives will be set to achieve the following outcomes:

- Crime and offending are reduced.
- People are protected from harm.
- Communities are strong and successful.
- People receive a good and caring service.
- Policing becomes more productive and effective.
- Strong partnerships are built to increase safety.
- Confidence in policing is high.

COUNCIL TAX ISSUES

16. For 2013/14 & 2014/15 the government has offered a Council Tax freeze grant equivalent to a 1% increase in Band D council tax if the basic amount of council tax is frozen.
17. On 19 December 2012 the Secretary of State announced that as a general rule a 2% referendum principle would apply to all principal local authorities, PCCs and Fire and Rescue authorities, meaning that a positive local referendum result would be needed for council tax increases above 2%, with exceptions for those local authorities, PCCs and Fire and Rescue authorities where their Band D council tax was in the lower quartile for their category of authority. West Midlands Police is within this category and the exception means that a referendum needs only to be held where the 2013/14 council tax increase is more than 2% **and** there is a cash increase of more than £5. For West Midlands Police a cash increase of £5 at Band D would be equivalent to a Precept increase of 5%.
18. The Commissioner has given careful consideration to the offer of the Council Tax freeze grant, and if that offer is not accepted, what the level of precept increase might be, given the factors outlined in paragraph 6. The former Police Authority accepted freeze grant, equivalent to a 2.5% precept increase in 2011/12, which as things currently stand will only be paid until 2014/15, and a one off freeze grant in 2012/13, worth the equivalent of 3%. If the Commissioner were to accept a further freeze grant for 2013/14 and 2014/15 it is estimated that by 2015/16, when the freeze grant would no longer be paid, there would have to be a precept increase in the order of 10% to replace the “lost” spending power. The Commissioner does not believe that is a prudent and responsible approach to take and action should be taken as soon as possible to establish a stable resource base for precept reasons and an appropriate proportion of total spending funded by local council tax payers. The Commissioner is minded, therefore, not to accept the freeze grant in 2013/14 but instead to consider a precept increase above 1%. The “referendum rules” would allow an increase of up to 5%, but, given the overall financial position and subject to detailed budget proposals and the final tax base figures, the Commissioner does not think it would be unreasonable to increase precept in line with current inflation rates i.e. 3%. This would also be consistent with the former Police Authority’s Medium Term Financial Strategy. The following table sets out what that would mean for local Council Tax Bands:-

| Band | Statutory Proportion | 2012/13 | 2013/14 | Change Annual | Change Weekly |
|-------------|-----------------------------|----------------|-------------------------|----------------------|----------------------|
| | | Precept | Proposed Precept | | |
| | | £ : p | £ : p | £ : p | £ : p |
| A | 6/9 | 66.30 | 68.29 | 1.99 | 0.04 |
| B | 7/9 | 77.35 | 79.67 | 2.32 | 0.04 |
| C | 8/9 | 88.40 | 91.05 | 2.65 | 0.05 |
| D | 9/9 | 99.45 | 102.43 | 2.98 | 0.06 |
| E | 11/9 | 121.54 | 125.20 | 3.65 | 0.07 |
| F | 13/9 | 143.64 | 147.96 | 4.31 | 0.08 |
| G | 15/9 | 165.74 | 170.72 | 4.97 | 0.10 |
| H | 18/9 | 198.89 | 204.87 | 5.97 | 0.11 |

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

RESERVES

20. The Budget Reserve currently stands at £51m, however there are a number of issues that should be taken into consideration when deciding how much of these reserves should be used in 2013/14 and later years including:-

- retaining the maximum levels possible to support spending in 2014/15 and later years when resource levels will be significantly constrained;
- funding invest to save schemes that will deliver revenue cost reductions in the future, especially through the capital programme;
- risks and uncertainties in key budget assumptions, given that any over or additional spending in 2013/14 which cannot be met from in year redirections would have to be met from the Budget Reserve.

21. The use of the Budget Reserve will be pivotal in balancing the budget in future years given the scale of reductions that are likely to continue after 2013/14, the magnitude of organisational change required to deliver savings in that timeframe and the ongoing uncertainty over funding levels over medium term.

REVENUE BUDGET PROPOSALS

22. To balance the budget for 2013/14 full year savings of £20m will be achieved through the police force's change programme, which includes the application of Regulation A19, and the Priority Based Budgeting programme. This programme has involved detailed budget reviews across the entire force and has identified savings predominantly from productivity improvements, with limited service level reductions in non front line areas. Examples of savings for 2013/14 include the move to a force-wide shared service centre, suppression of vacant posts, reductions in overtime and other running costs and tighter contract management arrangements. Over the last two financial years savings in excess of £50m have been realised and the police force has strived hard to maintain service levels and protect frontline services. Given the overall financial position, it will be necessary to continue the application of Regulation A19, although consideration will be given to limited police officer recruitment in due course, subject to legal advice and the financial implications.

23. While cost reduction programmes have worked well there is now a need to invest in new approaches that will enable a lower cost operating model into the future to continue to effectively prioritise and allocate limited resources. In this spirit, there is an intention to invest in around 100 new police staff posts funded from existing police officer vacancies, that could be used to undertake roles currently carried out by a mixture of police officers and police staff that do not require the full powers of a police constable. This would enable the serving police officers in these roles to be re-allocated to more operational roles and help to maintain current service levels in key front line areas that do require police powers. The new police staff posts will also provide redeployment opportunities for existing police staff who would otherwise be made redundant, thereby saving recruitment and redundancy costs.
24. The capital programme is key to enabling invest to save schemes and projects such as the new more efficient custody facilities are a good example of this. There is also a need to invest in key areas of infrastructure to enable lower cost solutions to be implemented, such as exiting expensive building lease arrangements, releasing significant revenue savings in the future. As such, it is planned that around £25m - £30m of the current Budget Reserve will be used to support the capital programme over the next four years which will also deliver capital financing savings as the need to borrow will be reduced. Full details of the capital programme will be included in a report to the February Panel meeting.
25. Subject to further review of detailed budgets and the final council tax base figures, the revenue budget gap for 2013/14 can be summarised as:-

| | 2013/14 £m |
|----------------------------------------------------------|-----------------------|
| Gap | 25 |
| <i>Savings Programme (PBB)</i> | -20 |
| <i>Other (incl. additional police leavers)</i> | -2 |
| Remaining gap to fund via reserves and/or precept | 3 |

26. Subject to details of the revised taxbase a 3% precept increase would generate approximately £1.5m.

KEY ISSUES FOR PANEL CONSIDERATION

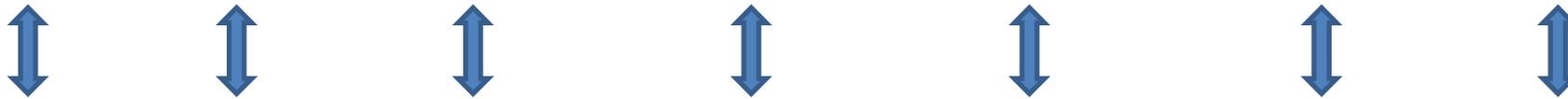
27. The Panel is asked to consider the following:-
1. That the Commissioner is minded to refuse the 2013/14 freeze grant and set a precept increase of 3%, in line with inflation;
 2. To match the increased yield from the precept increase by an appropriation of the Budget Reserve
 3. The allocation of £25m-£30m from the Budget Reserve to support invest to save capital schemes
 4. The endorsement of the existing savings programme which will provide full year saving of £20m in 2013/14
 5. The releasing of police officers for operational duties by establishing around 100 new police staff posts funded from existing police officer vacancies.

Pride in our police

- Crime and offending is reduced
- People are protected from harm
- Communities are strong and successful
- People receive a good and caring service
- Policing becomes more productive and effective
- There are strong partnerships for safety
- Confidence in policing is high



Commissioner's manifesto, engagement with WMP partners, strategic policing requirement and strategic assessment



- Birmingham Policing and Crime Board
- Coventry Policing and Crime Board
- Solihull Policing and Crime Board
- Walsall Policing and Crime Board
- Dudley Policing and Crime Board
- Wolverhampton Policing and Crime Board
- Sandwell Policing and Crime Board



Neighbourhood priorities