



Office of the
**Police & Crime
Commissioner**
West Yorkshire

POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE

REVENUE AND CAPITAL BUDGET 2019/20

EXECUTIVE SUMMARY

- The Police and Crime Commissioner (PCC) is required to determine the contribution to the council tax requirement for 2019/20, calculate the Band D police council tax and issue the precept to the Billing Authorities by 1 March 2019.
- The settlement, announced by Government, was a one year only settlement which for West Yorkshire was a flat cash settlement.
- Levels of capital support were notified with the provisional settlement maintaining the West Yorkshire capital allocation at £1.8m.
- Strategic planning has been based upon the PCC's refreshed Police and Crime Plan 2016-2021, the West Yorkshire Police Strategic Assessment, based on threat, risk and harm, and organisational transformation being managed through the internal Programme of Change. The Police and Crime Plan was designed in partnership and then refined following consultation with a wide range of third sector, criminal justice, community safety and policing partners. The Police and Crime Plan is used for planning, commissioning and performance management purposes in holding the Chief Constable and West Yorkshire Police to account.
- Utilisation of surplus balances, available through early achievement of savings in previous years, has been targeted on community safety and investment in West Yorkshire Police to facilitate the delivery of the transformational change required to ensure its continuing efficiency and effectiveness in the face of the very significant budget reductions required.
- The PCC is working with partners to look at how we work better together to make the best use of diminishing resources and continue to provide improved services to the public.
- After consideration of the draft revenue budget and capital programme for 2019/20, the PCC evaluated two options, namely a £12 (in line with 2018/19) on the Band D equivalent increase in Police Council Tax and a £24 increase on the Band D before notifying the Police and Crime Panel of his intention to increase the Band D council tax by £24 per annum, to £186.95 allowed under the Government's revised referendum criteria, with the expectation that PCCs would utilise this flexibility to secure local investment into Policing.
- £2.242m of reserve funding is planned to be used for the revenue costs of the "Fusion Programme" in 2019/20. This will deliver the transformation of support services to operational staff and officers contributing to the continuing savings and re-investment into front-line policing that needs to be made.
- The Police and Crime Panel unanimously supported the PCC's £24 on the Band D equivalent precept proposal at their meeting on 1 February 2019.
- This will result in a budget of £445.476m. The budget allows for the recruitment of an additional 264 police officers and staff and maintain PCSO numbers at 603 by the end of March 2020.

CONTENTS

1. Purpose of the Report
2. Recommendations
3. Statutory Requirements
4. Forecast Outturn 2018/19
5. Revenue Resources 2019/20
6. Council Tax Referendum Limits
7. Capital Resources 2019/20
8. Revenue Budget 2019/20
9. Capital Programme 2019/20
10. Strategic Planning
11. Operational Context
12. Provisions, Reserves and Balances
13. Longer Term Projections
14. Council Tax Options
15. The Precept Proposal
16. Robustness of the Estimates and Adequacy of Reserves
17. Notification to the West Yorkshire Police and Crime Panel

Appendices

- A PCC's Budget 2019/20
- B Summary Movement Statement 2018/19 to 2019/20
- C Anticipated Impact on Force Strength 2019/20
- D Capital Forecast 2018/19 to 2021/22
- E Reserves and Balances
- F Medium Term Financial Forecast 2018/19 to 2022/23
- G Protocol for Earmarked Reserves
- H Budget Survey Results
- I PCC's Response to the Police and Crime Panel
- J Operational Benefits

1. PURPOSE OF THE REPORT

- 1.1 To provide the relevant information to allow the PCC to approve the revenue budget, capital budget, precept and council tax for 2019/20.

2. RECOMMENDATIONS

- 2.1 It is recommended that:

Revenue

- i) The proposed budget for the Office of Police and Crime Commissioner for 2019/20, as set out in Appendix A, be approved.
- ii) The proposed budget for force requirements and the Chief Constable's proposed allocation of resources for 2019/20, as set out in the Medium Term Financial Forecast at Appendix F, be approved.
- iii) The County's taxbase (the total number of properties expressed in term of Band D equivalents) for the year 2019/20, as calculated and notified by the five District Councils, be noted at 652,678.56.
- iv) The PCC agrees the statutory calculations for the year 2019/20, as required by the Localism Act, 2011, as follows:

		£
	2019/20	
a)	The Commissioner's council tax requirement for the year. The aggregate of the amounts which the authority estimates for the items set out in section 42B of the Local Government Finance Act 1992 (as amended by section 75 of the Localism Act 2011) (gross expenditure less gross income)	122,017,800
b)	The basic amount of council tax for the year - council tax requirement divided by the taxbase. Calculated in accordance with the formula set out in section 42B of the Local government Finance Act 1992 (as amended by section 75 of the Localism Act 2011)	186.9493

- v) The Commissioner, in accordance with section 40(2) of the Local Government Finance Act 1992 (as amended by schedule 7 of the Localism Act, 2011), sets the following amounts of council tax for the year 2019/20 for the valuation bands shown below:

Valuation Band	(£)
A	124.6329
B	145.4050
C	166.1772
D	186.9493
E	228.4936
F	270.0379
G	311.5822
H	373.8986

vi) The PCC issues a precept of £122,017,800 for the financial year ending 31 March 2020 and authorises his Chief Finance Officer to issue a formal precept demand as follows:

a) to pay the following amounts, calculated in accordance with section 48 of the Local Government Finance Act 1992:

	£
Bradford	26,584,190
Calderdale	11,589,716
Kirklees	22,192,482
Leeds	42,663,532
Wakefield	18,987,880

b) and to make 12 equal payments to the PCC around the 15th day of each month or the following banking day.

vii) **Use of Balances**

The level of balances and reserves as set out at Appendix E be approved.

Capital

- viii) The revised capital budget for 2018/19 and the capital budget for 2019/20 set out at Appendix D be approved.

Section 25 Report

- ix) The Chief Finance Officer's report on the robustness of estimates and adequacy of reserves be accepted.

Earmarked Reserves

- x) The protocol for earmarked reserves at Appendix G be approved.

3. STATUTORY REQUIREMENTS

- 3.1 The PCC is required by the Local Government Finance Act 1992 as amended by the Localism Act 2011 to set a Policing Council Tax Requirement and issue a Precept for the following financial year prior to 1 March. In setting a Council Tax Requirement, the PCC must calculate and agree the aggregate of revenue expenditure, contingency provision and level of reserves.
- 3.2 The Council Tax Requirement, which for the PCC is identical to the Police Precept, is calculated by deducting the sum of Formula Funding Grant including any addition to or contribution from reserves and after taking account of any surplus or deficit on the Billing Authorities' Collection Funds.
- 3.3 The Precept may only be issued following the conclusion of the scrutiny process by the West Yorkshire Police and Crime Panel. The PCC was required under Schedule 5 of the Police Reform and Social Responsibility Act 2011 and associated regulations to notify the Police and Crime Panel of the proposed precept for 2019/20 by 1 February 2019.
- 3.4 The Panel must have reviewed the proposed precept by 8 February and make a report to the PCC. The Panel has a right to veto the proposed precept if at least two thirds of the persons who are members of the Panel at the time when the decision is made vote in favour of making that decision.
- 3.5 The PCC must have regard to and give the Panel a response to their report. Where no veto is exercised the PCC may issue the precept. If the PCC's proposal is vetoed by the Panel, a revised proposal must be notified to the Panel by 15 February.
- 3.6 The Panel must review the revised proposal and make a report to the PCC by 22 February. The PCC must respond to the report and issue his precept by 1 March.
- 3.7 Rejection by the Panel of the revised precept does not prevent the PCC issuing it as his precept for the forthcoming financial year.
- 3.8 The Local Government Act 2003 places a duty on the PCC's Chief Finance Officer to make a report to him on the robustness of the estimates and the adequacy of the reserves, and this is included later in this paper.

4. FORECAST OUTTURN 2018/19

PCC's budget

- 4.1 The forecast outturn for the Office of the Police and Crime Commissioner is set out at Appendix A.

West Yorkshire Police Delegated Budget

- 4.2. The latest budget monitoring report covers the period 1 April 2018 to 31 January 2019. The updated Force Revenue Budget for the year at outturn prices is £423.738m (excluding collaboration) At 31 January 2019 there was an underspend of £0.233m (0.06%) against profiled budgets to date. This reflects the significant work during the year to achieve savings plans and comprises of £1.072m early savings on other running costs and income budgets offset by an overspend of £0.836m in pay, overtime and pensions costs.
- 4.3. All individual departmental and district savings targets are on track to be achieved by 31 March 2019.
- 4.4. The latest year end forecast position is an overspend of around £0.589m, which will be funded through reserves, but much depends on staff turnover rates, organisational change costs, operational pressures and the scale of any spending pressures bids approved by the Chief Officer Team.
- 4.5. Tight financial management continues in an effort to ensure that any emerging spending pressures are funded by in-year savings. The overspend will ensure a smoother stream of recruitment for 2019/20 as we look to rebuild frontline policing in line with the key PCC budget commitments.
- 4.6. The Capital Budget 2018/19 at 31 January 2019, excluding the National Police Air Service (NPAS), is £16.144m. Expenditure as at 31 January 2019 was £9.2m.

5. REVENUE RESOURCES 2019/20

Police Grant Settlement 2019/20

5.1 The Police Settlement was announced on 13 December 2018 in a written ministerial statement and included the following key points:

- The settlement was a one year only settlement
- Of the additional £11.726m per year employer pension costs through the change in the calculation of charges by Treasury, £5.107m will be funded through a one-off pensions grant
- The remaining £6.620m will be funded through the increase in grant to cover inflation costs and pay increases
- The funding settlement therefore requires inflation and pay increases to be funded through a combination of efficiencies and an increase in the policing element of Council Tax
- An increase in national top slicing of overall police funding from £945m in 2018/19 to £1,029m in 2019/20 (9% increase):

Police Funding	2018/19 (£m)	2019/20 (£m)
Total Reallocations and adjustments, made up of:	945	1029
PFI	73	73
Police technology programmes (including the Emergency Services Mobile Communication Programme)	495	495
Arm's length bodies (HMICFRS, College of Policing, IPCC)	63	63
Strengthening the response to Organised Crime	42	90
Top Ups to NCA and ROCUs	0	56
Police transformation fund	175	175
Special Grant	93	73
Pre-charge bail	4	4

- Damping of the police funding formula remains unchanged for 2019/20, that is, all PCCs receive the same average cut in government funding. This hits areas like West Yorkshire, with some of the greatest needs, the hardest, due to our greater reliance on government grant (over 70% of our direct resource allocation).
- Capping criteria has had additional flexibility built in so that Police and Crime Commissioners are able to increase the band D equivalent charge by up to £24 a year without triggering a local referendum. West Yorkshire remains the 3rd lowest Police Council Tax in England and Wales and Government forecasts have assumed that all PCCs will utilise this flexibility locally to achieve investment.

Funding

5.2 Core Funding

	2018/19 £000	2019/20 £000
DCLG/Formula Funding	127,500	130,051
Home Office Police Grant	169,131	172,809
Total Formula Funding	296,631	302,860

5.3. Localised Police Council Tax Support and Legacy Council Tax Freeze Grant

Payment of localised police council tax support and legacy freeze grant is now funded through the Home Office. West Yorkshire's allocation for 2019/20 is **£16.69m**, which is in line in cash terms with the 2018/19 allocation. At this stage we do not know if the legacy council tax freeze grant will be built into the core grant in future years which adds uncertainty. The £302.860m core funding shown above added to the £16.69m referred to in this paragraph gives the total external support shown in the MTFF of £319.552m.

5.4 The 2019/20 budget includes the Community Safety Fund (CSF), the grant for which was £5.292m in 2013/14 (base line). The PCC has agreed to continue to ring-fence and passport the CSF to local government partners for an additional year continuing his strong commitment to partnership working and joint working through each of the Community Safety Partnerships in each Council district.

Other Grants

5.5 Counter Terrorism Specific Grant

Allocations to Counter Terrorism units will be announced further into the year by Government, but will not be made public. Funding will be increased from £757m to £816m overall nationally.

5.6 Capital Grant

The capital budget provisional settlement is £1.8m which is the same level in cash terms as 2018/19. This is a continuation of the reduced level of funding for capital which again requires use of phased reserves to help continue to transform the organisation, making it fit for the future.

5.7 Other Resources

The PCC has been notified of monies due from the District Councils' Collection Funds. There will be an estimated surplus of £0.2m to be carried to 2019/20 and this has been included in the figures presented.

5.8 Council Taxbase

The taxbase, which represents the number of Band D equivalent properties in the county, was notified to the PCC by the Billing Authorities at 652,678.56 as compared with the 2018/19 figure of 643,236.5.

6. COUNCIL TAX REFERENDUM LIMITS

- 6.1 On 13 December, the Secretary of State for Communities and Local Government published details of the referendum principles for English local government alongside the provisional settlement. He announced that all PCCs would have the flexibility to increase their Band D precept by up to £24 (and therefore all other bands with the £24 adjusted by the proportion of Band D that their band makes up).

This revised principle is used to determine whether a police council tax increase is “excessive” which would hence trigger a local referendum.

The PCC has recently undertaken a ‘Budget Survey’ to gain views from members of the public around policing. The survey results provide a clear indication on the part of the majority of respondents that they support the PCC in raising the band D equivalent of the policing element of Council Tax by £24 to provide investment into additional front line policing. **72% of respondents said they would be prepared to increase their contribution on the proposal set out.**

7. CAPITAL RESOURCES 2019/20

- 7.1 Capital expenditure may be financed in the year it is incurred by a variety of means including the application of capital grants, use of capital receipts or by a charge directly on the revenue budget. Financing expenditure by loan allows the capital cost to be charged to revenue over a number of years, the charge being the minimum revenue provision or MRP. The interest due on external borrowing undertaken in support of the loan financing is also a charge to the annual revenue budget.
- 7.2 West Yorkshire’s capital allocation is as follows:

	2018/19 £m	2019/20 £m
Capital Grant Allocation	1.8	1.8

- 7.3 There is no restriction, other than affordability, on the amount of capital expenditure that may be financed immediately from the revenue budget, referred to as direct revenue support.
- 7.4 Under the Local Government Act 2003, the PCC is able to determine how much capital expenditure he can afford to finance by unsupported or prudential borrowing (which does not attract any government grant) having regard to the Prudential Code issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Act requires that the Police and Crime Commissioner set an affordable limit for borrowing each year in accordance with the Code, subject to the scrutiny of the external auditor. The prudential indicators, including the authorised limit for borrowing, are set out in the Chief Finance Officer’s report on treasury management.

8. REVENUE BUDGET 2019/20

PCC Budget

8.1. The draft budget for the Office of Police and Crime Commissioner is set out at Appendix A.

West Yorkshire Police Delegated Budget

- 8.2 The medium term financial forecast reflects the following key issues and assumptions:
- A change in the way that Police Office employer pensions costs are calculated by the Treasury has resulted in an estimated annual cost pressure of £11.726m
 - £5.1m of this cost in 2019/20 is being covered by a specific grant from the Home Office. It is not clear at this stage whether or not this grant will be received annually.
 - Government funding is assumed to raise in line with inflation.
 - Pay inflation assumed at 2%
 - Non Pay inflation assumed at 2% per annum.
 - Precept increase at £24 on the band D for 2019/20
 - Back Office transformation (Fusion) costs and benefits have been taken from the latest estimates from the Fusion Board.
- 8.3 The summary movement statement from 2018/19 to 2019/20 is attached at Appendix B, and the impact on force strength is shown at Appendix C.

9. CAPITAL PROGRAMME 2019/20

9.1 The draft Capital Budget for 2019/20 and forecast through to 2021/22 with associated funding is attached at Appendix D. The draft budget only includes schemes/projects that have already been considered and included in the 2018/19 budget and beyond. This includes:

- Investment in a new District Headquarters in Kirklees
- a continuing programme of Minor Works and Health and Safety works;
- a continuing programme of Estates/Asset Rationalisation works;
- IT replacement programme; and
- Vehicle Equipment replacement programmes.

9.2 Bids for new capital expenditure are subject to business case approval through the PCC's Joint Executive Group with final sign off from the PCC.

9.3 A funding strategy for the period of the forecast is shown at the bottom of Appendix D. It includes Capital Grant of £1.8m for each year of the programme beyond 2018/19. The level of capital receipts assumed post 2018/19 in the programme totals £12.3m and reflects the Estates Department's latest assessment based on planned disposals over the period of the forecast. Direct Revenue Support for 2019/20 is £3.7m reflecting the need to use revenue funding to supplement the Capital Programme as the level of capital grant continues at the reduced level of £1.8m. It is anticipated that by 2019/20 an element of prudential borrowing will be required, currently forecast at £10.487m for 2019/20 and £20.6m for 2020/21.

9.4 Prudential borrowing is used where it is prudent to do so, however this is predominantly for build projects and refurbishments that enhance the life of assets. In order to continue the digital transformation of West Yorkshire Police and maintain modern policing practices, future years will see additional revenue contributions required to the Capital Programme unless the Comprehensive Spending Review addresses the deficiencies of the current level of capital grant funding.

10. STRATEGIC PLANNING

10.1 Strategic planning has been based upon the PCC's refreshed Police and Crime Plan 2016-2021, the Force Strategic Assessment (based on threat risk and harm), and organisational transformation being managed through the Programme of Change. The Police and Crime Plan was designed in partnership and then refined following consultation with a wide range of third sector, criminal justice, community safety and policing partners. The Police and Crime Plan is used for planning, commissioning and performance management purposes.

11. OPERATIONAL CONTEXT AND WORKFORCE PLANNING

11.1 The 2019/20 budget is based upon the following numbers at 31 March 2020:

	Officers	Staff	PCSOs	Total:
Total FTEs	5198	3629	603	9430
National or Regional Commitments including, NECTU, Regional Crime NPAS, Regional Scientific Support, VIPER and national firearms.	377	808	0	1185
WY core availability	4,821	2821	603	8245

11.2 West Yorkshire Police have appointed 299 new student officers this financial year to date and there are plans to appoint a further 120 before the end of March 2019. In addition West Yorkshire Police have appointed 58 transferees since 1 April 2018 and a further ten are to be appointed by the end of the financial year. This takes the total number of new police officers appointed in 2018/19 to 487 and meets the recruitment commitments made for the 2018/19 budget.

11.3 PCSO recruitment has continued throughout the year, with 48 new appointments being made to date and a further 28 being appointed by 31st March 19 and therefore forecast to be 603 FTEs by 31st March 19.

11.4 The 2019/20 proposed budget allows **additional budgeted posts for West Yorkshire** as at 31/3/2020 of:

- 264 Officer equivalents (officer equivalents is the term used as some specialist roles for example in Cyber Crime may not require warranted officers).
- PCSO numbers protected at 603

The Medium Term Financial Forecast has been prepared alongside current workforce planning. The continuing Programme of Change initiatives also feed into the workforce plan and may result in the re-assessment of the workforce mix going forward to meet the outcomes and priorities included in the Police and Crime Plan.

Workforce planning includes predicting police officer leavers of each rank, PCSO and police staff leavers, workforce modernisation plans and recruitment plans, including probationers and transferees. Other variables that may impact on the recruitment strategy continue to be monitored i.e. career breaks, and secondees returns.

- 11.5 Despite the Government rhetoric that policing has been protected (around 2000 police jobs lost following cuts of £140m in West Yorkshire since 2010), a serious concern remains about the longer term pressures given the very significant reduction in the size of West Yorkshire Police's budget and the increasing demand and complexity of policing activity. The following table provides further information around the types of threats, risks and harm facing West Yorkshire Police (captured in the most recent Force Management Statement), its partners and our communities as set out in the Police and Crime Plan.

Total Crime	Total crime per 1,000 population has increased within West Yorkshire. Recorded crime for the first eight months of 2018/19 (to November 2018) is 13.3% higher than in the same period last year. Analysis indicates that around 6% of this increase is associated with a genuine risk of victimisation in areas such as possession of weapons, personal robbery, violence with or without injury and theft of motor vehicle. The remainder of the increase is associated with improved crime recording processes. West Yorkshire Police does record more crime per 1000 population than most other forces nationally, however, the crime increases in West Yorkshire are now much more consistent with the average increases reported nationally.
Missing Persons	There has been an increase of 208% in Missing People investigations since 2013 (with over 19,000 missing people investigations recorded in 2018). The Force Management Statement (FMS) predicts an increase of 14.5% for missing and absent occurrences by 2021 (an additional 3216 incidents). Around two thirds of misper occurrences involve children and over a third of these are at risk of CSEA. A recent reduction in missing persons and the number of people who go missing repeatedly, offers encouragement that problem solving activity is having a positive effect on those people who are particularly vulnerable.
Mental Health	Protecting the vulnerable continues to place a great deal of demand on the police who are working in improving partnerships to provide the right support to those with mental health issues at the right time from the right partner. Over 21,000 incidents were reported in 2018 where mental health was identified as being a factor. This is a 65% increase compared to 2013. The

	<p>FMS shows that in 2017 around 43% of all arrestees had an entry on their mental health risk assessment. The FMS predicts a continuing increase in mental health incidents, given the strong correlation with other areas of vulnerability such as missing persons (around 22% of missing person occurrences involve mental health, which increases to 60% for those over 65). In addition to volume there are capacity and capability issues with insufficient health based places of safety.</p>
Child Sexual Exploitation	<p>This continues to be a key resource risk for West Yorkshire Police and partners, with investment in non-recent investigations, improved confidence to report, and large scale investigations leading to significant increases in reports of Child Sexual Exploitation and Abuse (CSEA). There has been a 176% increase in CSEA offences since 2013 (5828 offences). The FMS predicts that CSEA offences could increase to over 11,000 incidents by 2022. Non-recent investigations account for around a third of all offences recorded and work at a national level (Independent Inquiry into Child Sexual Abuse) suggests the increase will continue. The FMS highlights in particular, concern around on-line CSE and livestreaming which nationally are predicted to increase.</p>
Modern Slavery/ Human Trafficking (MSHT)	<p>This issue continues to gather momentum in a similar way to Child Sexual Exploitation. West Yorkshire is one of the highest referrers of Potential Victims of Trafficking to the National Referral Mechanism with significant increases over the last few years. These offences result in particularly complex investigations and have increased from 19 offences in 2013 to 537 in 2018 (398 of which were in the West Yorkshire). The FMS predicts that the volume of reported offences will more than double by 2021 as it is widely recognised that the true scale and nature of MSHT is not known. The NCA estimate there are around 13,000 victims of MSHT.</p>
Cyber Crime	<p>The nature and scale of both cyber-enabled and cyber dependent crime is still not fully understood and as such both are predicted to increase in light of the proliferation of technology and the increasing prevalence of the 'online world'. There is an increasing use of technology to facilitate a wide range of organised crime including CSEA, Human Trafficking, Fraud, Radicalisation and Cyber enabled/dependent crime and we predict that this will continue to increase.</p>
Domestic Abuse	<p>Improved recording, victim confidence and better identification of vulnerability by officers has resulted in a 51% increase in domestic abuse reports since 2013 (58,000 incidents). The FMS highlights domestic abuse as a particular area of concern, predicting a 44% increase (or an additional 26,000 incidents) by 2022. The analysis also shows that the repeat rate for both</p>

	victims and offenders is increasing and that the level of risk has increased. Of concern is that in around 30% of incidents a child is present, which is a key predictor for future offending and a recognised Adverse Childhood Experience.
Sexual Offences	Increased victim confidence in reporting sexual offences has contributed to a significant increase in offences (to 7,690) since 2013, an increase of 173%. The FMS predicts that by 2021 over 12,000 incidents will be recorded each year.
Anti - Social Behaviour	ASB is a key concern for communities and presents high volume demand for West Yorkshire Police. Last year there were around 60,000 incidents of which over half were attended, the remainder supported by other means. Analysis shows that there are almost 900 locations across West Yorkshire that have at least five incidents of ASB reported (six months to August 2017). These are high demand generators for the police and partners and therefore require multi-agency problem solving. The FMS predicts that ASB is likely to increase over the next four years, although the stronger focus on Neighbourhood Policing and Early Intervention given recent investment, is aimed at long term demand reduction through effective problem solving.
Road Safety	Road Safety is a key concern for communities and a priority area in the Police and Crime Plan. Our recent assessment shows that the numbers of people who are killed or seriously injured has increased by 2.7% in the first nine months of the year, to 640. Fatal accidents have increased more significantly, with 56 fatalities from January-September 2018 compared to 21 in same period last year. ASB related to road safety (inconsiderate parking for example) continues to be an issue raised in confidence surveys across all Districts.
Economic Crime / Fraud	Fraud is predicted to increase and whilst it is now reported to be the most frequently experienced crime it is still significantly under reported. The National Audit Office predict that online fraud could increase to 2.9m incidents nationally by 2021. In particular the FMS predicts that the cyber element of fraud will increase and that the 11% we record does not reflect the true scale of the problem. Money laundering remains a cross cutting threat area relied upon to facilitate all serious and organised crime and is therefore an ongoing threat
Residential Burglary	West Yorkshire has a high rate of residential burglary, although over the last year there has been a small reduction in offences. There is also an element of burglary which is associated with organised crime.
Violent Crime	Whilst the level of violent crime resulting in physical injury remains low in comparison to other crime types, over the last two years and in line with most other

	forces, there has been an increase, which is also associated with an increase in knife crime.
Registered Sex Offenders	The number of Registered Sex Offenders has increased by 91% from 1859 in 2013 to 3981 in 2018 and it is predicted that this increase will continue over the next few years. The FMS predicts a 32% increase in RSOs by 2021 significantly increasing demand on West Yorkshire Police.
Child Criminal Exploitation and County Lines	Forces are starting to uncover new threats around the criminal exploitation of children and vulnerable adults. This is associated with a number of crime types including drugs distribution, preparation and storage (county lines) and organised theft. This is an area of increasing focus for West Yorkshire Police as we seek to both address and understand the complex relationship between organised crime and the exploitation of vulnerable people.
Calls for Service	In 2017 West Yorkshire Police received just over 1.5m calls for service. The FMS predicts that over the next four years this will increase by 10.7% to over 1.6m, with particular concerns around the predicted increase in 999 calls (predicted to increase by 20.2% to 83,627).

- 11.6 Other issues for a large metropolitan force such as West Yorkshire include the high level of threat presented by organised crime (and the links between drugs and firearms). With the threat level for terrorism raised to CRITICAL twice in 2017, and West Yorkshire Police being the lead for the North East Counter Terrorism Unit; terrorism and the impact it can have on community cohesion, public order and hate crime remains a very real threat. All these areas require either significant or continued investment as demand for service remains high.
- 11.7 The longer term position also needs to ensure that the operating model remains fit for purpose for the future and growing operational challenges, e.g. cybercrime, child sexual exploitation, human trafficking, domestic abuse, violent crime, criminal exploitation of children and vulnerable adults and Registered Sex Offenders. It also needs to take into account of the Strategic Policing Requirement (which covers organised crime, public order, civil contingencies, terrorism, CSEA and major cyber incidents).
- 11.8 The above threats and risks are reflected in the budget through increased resources being allocated to:
- District Policing (including Neighbourhood Policing)
 - Cyber Crime and Digital Investigations, including Fraud
 - Safeguarding
 - Organised Crime
 - Operational Support
- 11.9 The operational benefit sought by increasing resource in each of these are detailed in Appendix J.

12. PROVISIONS, RESERVES AND BALANCES

- 12.1. The adequacy of provisions, reserves and general balances is reviewed as part of the budget planning process and again at the year-end during the closure of accounts. The current position is shown at Appendix E.
- 12.2 Local Authority Accounting Panel Bulletin (LAAP) 77 recommends using a risk-based approach to determine the minimum prudent amount which should be held in general balances. An exercise has been undertaken to identify the main risks likely to be faced by the force, strategic, operational and financial. An assessment is made of the likely impact on force budgets and the probability of each event occurring. The overall total resulting from this exercise is around £10.7m for 2019/20.
- 12.3 The LAAP Bulletin also requires that for each earmarked reserve there should be a clear protocol setting out the reason for the reserve, how and when it can be used, and management, control and review processes. A protocol for the PCC's earmarked reserves is set out at Appendix G for approval.
- 12.4 The PCC has agreed a strategy to utilise surplus balances (generated from the early achievement of savings required) to balance the budget during the transition to the reduced levels anticipated at the end of 2019/20.
- 12.5 The Chief Constable of West Yorkshire Police continues to implement the Programme of Change to help transform the organisation to make the required savings and meet the challenging and changing policing requirements in West Yorkshire.
- 12.6 The investment in the future of policing and community safety is of paramount importance to all of us as we face unprecedented cuts and work towards the shared outcome of making sure our communities are safer and feeling safer.
- 12.7 The PCC has earmarked from the general reserve an additional £1m for Community Safety initiatives across West Yorkshire and £1m for the Partnership working to continue to drive collaboration across agencies in West Yorkshire particularly around prevention and early intervention.
- 12.8 The PCC has allocated £2.24m of reserve funding in 2019/20 to deliver the revenue costs of the "Fusion Programme" to transform the functions that support operational staff and officers.

13 LONGER TERM PROJECTIONS

- 13.1 The longer term funding picture is unclear, with a number of significant factors that may impact on the level of funding allocated from the Home Office:
- The outcome of the 2019 Comprehensive Spending Review
 - The impact of Brexit
 - Any change to the Home Office Funding Formula for allocated core grant to Police and Crime Commissioners

At this stage it is very difficult to model the impact of any of the above. In order to provide an element of sensitivity analysis a range of scenarios were considered for planning for the Medium Term Financial Forecast.

13.2 The Medium Term Financial Forecast presented today shows a balanced position for 2019/20 following the use of £3.7m of revenue reserves and the position for future years, if the significant saving plans in place are met, as:

- 2020/21 £0.385m shortfall
- 2021/22 £2.068m shortfall
- 2022/23 £0.188m shortfall

13.3 It is important to note that in planning for future years, at this point in time due to uncertainty around funding, only 50 additional officers have been forecast for 2020/21 and beyond despite current and increasing demand pressures on the police, and the increasing complexities of policing.

14. COUNCIL TAX OPTIONS

14.1 Two options have been considered by the PCC in relation to the precept:

- 1) Increasing the Police Precept by £12 on the Band D equivalent (based on the 2018/19 flexibility)
- 2) Increasing the Police Precept by £24 (46 pence per week) on a band D property to exercise the additional flexibility given to all PCCs for 2019/20

Key to the discussions was the consideration of future demands on West Yorkshire Police, feedback from the budget survey and the uncertainty that remains over funding for West Yorkshire in the medium to long term, set out within the report.

The PCC continues to work closely with partners to look at how we can work better together to make the best use of diminishing resources and continue to provide improved community safety and policing services to the people of West Yorkshire.

14.2 The PCC has recently undertaken a 'Budget Survey' to gain views from members of the public around policing. The survey results provide a clear indication on the part of the majority of respondents that they support the PCC in raising the band D equivalent of the policing element of Council Tax by £24 to provide investment into additional front line policing. **72% of respondents said they would be prepared to increase their contribution on the proposal set out.**

14.3 The results are shown at **Appendix H** and summarised below:

Q: Respondents' Council Tax Band	% of all respondents	No. of respondents	% supporting precept increase
A	19%	533	67%
B	15%	412	69%
C	16%	436	74%
D	21%	577	73%
E	7%	206	68%
F	3%	92	71%
G	2%	65	78%
H	1%	27	67%
Don't know	15%	407	73%
Total	100%	2755	-

14.4 A £24 increase would take the Band D police council tax for 2019/20 to £186.95 a year. Approximately 61% of households in West Yorkshire are in Bands A and B, and would pay £124.63 and £145.41 a year respectively, an increase of approximately 31 pence per week for band A, 36 pence per week for band B and 46 pence per week for band D.

*Third lowest Council tax in England and Wales (see Appendix E)

14.5 Support was also given at a recent West Yorkshire Leaders meeting for the recommended precept increase in January 2019.

15. The Precept Proposal

15.1 Relevant considerations for the PCC in making his decision included:

- Police and Crime Plan consultation feedback
- Operational resilience
- Public views obtained from the Budget Survey
- The impact on frontline policing and the potential for recruitment of police officers in 2019/20 and beyond
- The impact on council taxpayers
- Future financial health, including the adequacy and utilisation of reserves and balances
- The robustness of financial and organisational management processes in place
- Savings made to date and the capacity for future savings
- The uncertainty of future funding for the change in pensions costs
- The uncertainty of funding in the next Comprehensive Spending Review (CSR) including the impact of BREXIT
- The uncertainty of the outcome to a change in the police funding formula which accounts for over 70% of the West Yorkshire budget

15.2 The PCC was conscious of the current level of the police council tax which is the third lowest in England and Wales, the current difficult economic climate facing the public, and the longer term requirement to make significant additional savings in the budget.

15.3 Continuing the recruitment of police officers and specialist staff, protecting the current number of PCSOs to support the frontline as far as possible are priorities for the PCC, they were election pledges and require a sustainable source of revenue funding underpinned by the Specials and police volunteers strategy going forward.

This has been a difficult decision given the current economic climate, and the PCC is acutely aware of the potential financial impact on individuals within the community, but also takes note of the public feedback with a majority supporting the level of increase proposed to secure the local investment required.

Given the continued financial pressures faced in this CSR period, the only means of allowing for significant police officer recruitment in the short to medium term is to increase the police precept as proposed in the absence of any real increases in core grant.

The PCC feels that, despite personal impacts in communities, maintaining core operational resilience is imperative in order to keep the communities of West Yorkshire safe, and feeling safe.

- 15.4 The PCC has therefore decided to support Option 2 (page 19), and the MTFF and summary movement statement from 2018/19 to 2019/20 are attached at **Appendices C and D**.

16. ROBUSTNESS OF THE ESTIMATES AND ADEQUACY OF RESERVES

- 16.1 Section 25 of the Local Government Act 2003 requires that a report be made by the Responsible Financial Officer to the Police and Crime Commissioner when he is considering his budget and council tax. The report must deal with the robustness of estimates and the adequacy of reserves allowed for in the proposals.

- 16.2 As the council tax is set before the year begins and may not be increased during the year the Commissioner must consider risks and uncertainties which might result in spending more than planned. These risks and uncertainties include

- The delivery of the significant level of savings identified to balance the budget.
- The global economic climate and in particular, levels of inflation, interest rates for borrowing and investment, security of investments, availability and viability of competitive suppliers and so on.
- A high degree of uncertainty surrounding future funding assumptions
- Risk sharing in respect of the localisation of council tax benefit
- Potential reduction in external funding from partners.
- The impact of unforeseen events which would fall initially on general balances.
- The need to meet new national standards and demands.
- The impact of increasing mandate of national contracts.

- 16.3 Allowance is made for these risks by:

- Making prudent allowance in the estimates on each of the budget headings.
- Ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient.
- Robust financial management processes throughout the year to identify emerging spending pressures and manage them appropriately.

- 16.4 With reference to robustness, the budget estimates are prepared and validated by qualified staff in the force Finance Department with due care and attention and in accordance with appropriate professional standards. The estimates are consistent with the latest assumptions on timescales for delivery of the programme of change as agreed by the Chief Officer Team.

- 16.5. Known spending pressures have been identified and provided for within the base budget. Provision has been made for specific inflationary pressures on both pay and prices, although some budget heads have been cash limited. Savings identified have been deducted from the budget and these have been phased in such a way that there is a justifiable expectation that they will be achieved, although the assumptions made are more significant than in previous spending review periods.

- 16.6. The costs of borrowing and the estimate of investment interest are based on latest forecasts of interest rate movements during the year in accordance with the Treasury Management Strategy.
- 16.7 The position faced by the PCC in the Government's current Spending Review period is very challenging based on the scale of the real term reductions required, and this is likely to continue beyond this current Spending Review period. Substantial effort and resources have been committed to achieving a balanced budget with least impact on service delivery. The longer term strategic planning process and organisational change programme will continue to consume significant levels of resource alongside the ongoing requirements of daily business.
- 16.8 On adequacy of reserves, an appropriate level of general balances has been assessed using a risk-based approach in accordance with CIPFA guidance, and the budget proposals allow for this level to be maintained. While balances are currently adequate, there are significant uncertainties in the medium term forecast as outlined above. The adequacy of the insurance provision against estimated known liabilities is assessed throughout the year and at the year-end.

17. NOTIFICATION TO THE WEST YORKSHIRE POLICE AND CRIME PANEL

- 17.1 On 27th January 2019 the PCC notified the Police and Crime Panel for West Yorkshire of his proposed precept for 2019/20. The Panel formally considered the proposal on 1st February 2019, and, as it is required to do by law, has issued a report on that proposal.
- 17.2 The Panel considered the Commissioner's proposal and supported a £24 (14.7%) per annum increase at Band D. A copy of the Panel's report, including the recommendations made to the PCC, and the PCC's response is included at Appendix I.