

 South Yorkshire POLICE & CRIME PANEL	
Meeting Date	4th February 2022
Report of	Chief Finance Officer, OPCC

Proposed Council Tax Precept and Revenue Budget for 2022/23

1. PURPOSE OF REPORT

- 1.1 To notify the Police and Crime Panel of the South Yorkshire Police and Crime Commissioner's proposal for the policing element of the Council Tax precept for 2022/23.

2. RECOMMENDATION

The Police and Crime Panel is asked

- (a) to consider and support a proposed annual increase in the policing element of the Council Tax (the precept) for 2022/23 of £10 for a Band D property. This is an increase of 4.69%; and
- (b) to note that most properties in South Yorkshire are in Bands A (57%) and B (17%) and C (12%) where the increase would be A 13p per week; B 15p, and C 17p.

3. POLICE AND CRIME PLAN

- 3.1 The Police and Crime Plan (Plan) is the key document that sets out the policing priorities for the area. The PCC has produced a new Plan to last until the year beyond the end of his term of office (i.e. to 2025). The draft Plan is also being presented to the Police and Crime Panel at its meeting on 4 February 2022. While keeping the same overall priorities – protecting vulnerable people, tackling crime and anti-social behaviour and treating people fairly – there are also some particular areas of focus in the coming year, such as:

- violence against women and girls (VAWG)
- drugs – and the gangs and serious violence associated with them
- better representation of the communities of SY – male/female, ethnic minorities
- Road Safety and speeding

4. 2022/23 NATIONAL FUNDING SETTLEMENT

- 4.1 The Home Office police funding settlement for 2022/23 announced additional funding of £795.8m, for policing areas, with 31% of this expected to come from increased local taxation, i.e. council tax (£246m). The settlement gives Police and Crime Commissioners (PCCs) in England flexibility to increase the policing element of council tax precept locally up to a limit of £10 on a Band D property. Government allocation calculations have assumed the maximum precept increase. The core grant for South Yorkshire amounts to £233.8m, a cash increase of 5.8%, which covers the current cost of the additional police officer uplift, national insurance increase, and contribution towards pay inflation. Future funding of the police officer uplift, beyond the spending review period, remains uncertain.

- 4.2 The funding settlement continues to be for one year, despite the three year comprehensive spending review (CSR) period. It is generally felt that the Home Office (and so policing) did as well as any department in the three-year Spending Review. But the Treasury has pushed back hard and wants to see empirically based results for spending decisions.
- 4.3 As mentioned above, the Home Office has assumed a £10 increase in precept. Based on the latest taxbase estimates from the four Local Authorities in South Yorkshire (which are not yet finalised), after a £10 increase, the MTRS includes planned savings of £1.7m in 2022/23, with continuing savings plans for the whole of the MTRS period. Despite these savings, we will have to use £2.3m of reserves in 2022/23 to balance.
- 4.4 The pensions grant (£2.6m), council tax support and freeze grants continue at 'flat cash' rates, but the capital grant allocation (previously £0.3m) has now been abolished, and therefore PCCs are expected to fund all capital investment.
- 4.5 The Violence Reduction Unit funding (previously £1.6m) has not yet been announced, and there is some uncertainty as to whether an element of local match funding will be required.

5. POLICE OFFICER NUMBERS

- 5.1 The government has committed to increase police officer numbers nationally by 20,000 before the next general election. The funding settlement is predicated on each police force playing its part. Our number for 2022/23 is 202 (of which 11 must go to the Regional Organised Crime Unit). Last year, we committed to increase numbers by a further 79 from our own resources, with 18 officers being planned for 2022/23. This is in addition to recruiting to fill vacancies that arise from the 'business as usual' existing police officer workforce. The recruitment profile is shown in the table below:

Recruitment type	To March 2020	To March 2021	To March 2022	To March 2023	Total
Assumed National Allocation	2,000	4,000	6,000	8,000	20,000
Business as usual (i.e. to replace leavers)	154	218	170	178	720
Local uplift	50	73	79	18	220
National Uplift	30	121	151	202	504
Total in year	234	412	400	398	1,444

- 5.2 All new police officers must either have a degree already, or gain one in training. Sheffield Hallam University has been contracted to teach these programmes *based on the full uplift of police numbers*.

6. 2022/23 BUDGET SUMMARY AND PRECEPT PROPOSAL

- 6.1 The PCC’s proposal is to levy an annual increase in the precept equivalent to £10.00 per annum on a Band D property. It is worth noting that, although in South Yorkshire 74% of properties are in Bands A or B (57.1% and 17.3% respectively), 33% of Band A households, and 17% of Band B households claim a reduction in council tax through the council tax reduction schemes¹, and these people will be impacted to a lesser extent. The following table shows the proposed precept and weekly increase for each council tax band:

	Proposed Precept 2022/23	Weekly Increase	Properties in each band
	£	£	%
Band A	148.69	0.13	57.1
Band B	173.48	0.15	17.3
Band C	198.26	0.17	12.2
Band D	223.04	0.19	7.2
Band E	272.60	0.24	3.7
Band F	322.17	0.28	1.6
Band G	371.73	0.32	0.8
Band H	446.08	0.38	0.1
Total:			100.0

- 6.2 As part of our annual planning and budget-setting process, Chief Constable Poultney has recently submitted her assessment of policing need in South Yorkshire. It starts,

“The key driver is around stability for the force with a key focus on getting the basics right rather than radical change - we want our foundations to be deep across all areas of our organisation. This doesn’t mean that the force is limiting its vision or ambition, rather that it recognises that there has been substantial change over a short period and, add to this the largest change to officers numbers, the focus needs to be on consolidation and stability.”

- 6.3 South Yorkshire Police’s (SYP’s) approach will complement the work of partner organisations and service providers commissioned through the PCC’s partnerships and commissioning budget.
- 6.4 A copy of the MTRS can be found at **Appendix A**. The proposed budget of £310.7m includes investment to support the further increase in police officer posts of 220 (18+202) in 2022/23 identified in the table above. Also included is investment into prioritised growth relating to essential core and uplift delivery, enhancement of the operating model and SYP’s priorities with the key areas highlighted below:

Officer Uplift

The officer uplift is supported by a detailed and dynamic programme underpinned by demand, priority and need. SYP is looking to reinforce its core functions of response, neighbourhoods and Protecting Vulnerable People (PVP) first, with further investments in local teams around Child Criminal Exploitation (CCE) / Child sexual Exploitation (CSE), rape and other PVP areas. This will allow SYP to look at further aligning its service provision with that of local authorities. It recognises the importance of the growth in specialist functions, but will sequence this later in the uplift programme to safeguard its core functions. This ensures resilience in these areas, and ensures that the neighbourhood service remains at full strength and able to deliver a proactive problem-solving service directly to the people of South Yorkshire.

¹ Based on band D equivalents

SYP is investing in the required infrastructure to ensure that all the new officers are fully supported in their journey into the force – with further planned investment in both accommodation, Central Assessment and Practice Education (CAPE) assessment and tutoring support. These tutors maintain and set the standards required for the officers of the future.

Police Community Support Officers (PCSOs)

Linked to the above priority of reinforcing its core neighbourhood function, SYP is investing in PCSOs and maintaining the numbers at 126, an additional 10 PCSOs over and above the current planned post numbers.

Savings Team

SYP recognises the need for savings in the medium term and are investing in a multi-disciplinary savings team to work with senior management to identify and drive out savings to bridge the future gaps and ensure the budget is balanced over the CSR period.

Projects

SYP has some key projects including Oracle Cloud, smarter ways of working and Connect Express, plus others such as Emergency Services Network (ESN). These are a mixture of national programmes, where SYP has limited control over the investments required and programmes that are key enablers that support further transformation and efficiency and all will be robustly challenged in terms of benefits against costs.

Estate

Investment is also being made to bring the estate up to an acceptable standard and addressing a backlog of compliance and maintenance issues, which have built up over many years.

SYP is striking the balance between some smart investments required to further develop SYP, support uplift, address changing risks and demands and be cognisant of the financial challenge.

- 6.5 Savings of £1.7m in 2022/23 are reflected but SYP will have to find recurrent savings of £6.8m to balance in the CSR period, this is on top of the £3.4m already built in taking it to £10.2m. Note it rises further towards the end of the MTRS. SYP has gained a better understanding of demand and is developing its workforce strategy; future savings plans will be based on work being undertaken by a dedicated team based in business change and innovation.
- 6.6 There are **Legacy costs** arising from three issues:
- Civil claims against SYP as a result of the Hillsborough football disaster
 - Civil claims against SYP as a result of non-recent child sexual exploitation (CSE) in Rotherham
 - The National Crime Agency's on-going investigations into non-recent CSE.
- 6.7 The best estimate at the moment is that the *total* legacy costs will be a further £121m by 2026/27, of which £18m will have to be borne by us. This assumes that the Home Secretary will continue to fund most of the costs through Special Grant funding. But this is discretionary, and one reason why good relations with the Home Office and Home Secretary have to be maintained. In 2022/23, the cost of our legacy issues is anticipated to be £5.4m.

6.8 The assumptions above produced the following proposed budget and MTRS for the CSR period:

2022/23 Budget & Medium Term Financial Plan			
	2022/23	2023/24	2024/25
	£m	£m	£m
SY Police Force	307.4	316.8	325.0
SY PCC	2.1	2.2	2.2
Commissioning & P'ships	3.3	3.3	3.3
Capital Financing	2.5	3.4	4.4
Legacy Costs (net)	5.4	4.1	3.6
External Funding	-10.0	-9.2	-9.2
Total Expenditure	310.7	320.6	329.3
Funding	-310.5	-316.2	-322.5
Net (Surplus) or Deficit	0.2	4.3	6.8

Note small differences are due to rounding's

6.9 The impact of this position means that the 2022/23 requires the use of £0.2m from reserves to balance the budget in 2022/23, and a combination of savings and use of reserves amounting to £11.3m throughout the CSR MTRS period. This is not a sustainable approach, as the prudent minimum reserve balance could only be sustained until 2024/25 (see **Appendix B**).

6.10 Therefore, balancing the medium term financial position to ensure recurrent financial balance will require some, or all, of the following:

- Achieving clarity regarding the level of grant funding to increase 'Uplift' police officer numbers beyond 2022/23,
- SYP's future integrated planning to balance demand and growth pressures and the need for efficiency savings,
- an improved deal on Legacy cost funding from the Home Office
- Precept flexibility.

7. RISKS AND UNCERTAINTIES

7.1 Funding settlement

The budget has been prepared on the basis of the funding settlement for 2022/23. There is further uncertainty within the Medium Term Resource Strategy (MTRS), as the government is currently undertaking a funding formula review. It is expected to be conclude by the end of the year, and transitional arrangements are likely to be put in place to smooth the changes. However, there will be winners and losers in future years.

The violence reduction unit and 'Grip' funding have not been announced yet for the 2022/23 financial year, this is expected to be contained in the final settlement information. The funding has not been included in the MTRS. Late notification of grant funding is not helpful for financial planning, and can impact on the project delivery.

In recognition of the above we have reviewed our external funding and a less prudent approach has been taken. The assumption has been made that the ARV grant (£0.75m) will continue for another year, if it does not materialise it will leave a gap in the budget.

7.2 Taxbase and collection fund balances

The final tax base and collection fund positions have not yet been formalised with the Local Authorities. The position is extremely complicated due to Covid-19 and the current economic situation. The funding included in the budget has been based on the latest assessments by Local Authority staff, but could be subject to change. This may impact on the funding outlined in the MTRS.

7.3 Covid 19

There is uncertainty whether ongoing Covid-19 costs will be re-imbursed by the Home Office. Currently Covid-19 expenditure are still being incurred and minimal indemnity is in the form of the Covid enforcement grant of £1.46m which sits in reserves.

7.4 National charges

The Home Office top slices for some nationally provided functions, but separate charges are levied for others.

Charges for the National Police Air Service (NPAS) are being reviewed at the end of January 2022 and we are awaiting further information around the detail of the options. The NPAS budget in the MTRS assumes inflation on the current charges.

There has been recent notification that the emergency services network (ESN) business case has been revised. The aim to deliver remains very challenging. Based on the Gwent model we have included £7.6m in the capital programme.

7.5 Oracle System

To support the efficiency and development of key business systems, such as payroll, SYP has invested into upgrading its Oracle system to be on an Enterprise Resource Planning (ERP) platform, utilising the Cloud rather than local hosting and storage. This programme commenced in March 2020 and was paused in early July 2021. There were a number of issues relating to data quality and migration that resulted in progress being paused. An independent review of the programme occurred in October 2021 which resulted in a re-planning of the programme. Subsequently, additional funding was secured that would achieve on-premise ERP upgrades and tax compliance, providing a more stable environment with which to eventually migrate to the Oracle Cloud product. This involves fundamental changes to the configuration of the current ERP product across Finance, HR, Procurement, Payroll and Duties and remains ongoing at January 2022. There remains a risk in relation to accounting for cloud based products which could see a requirement to recognise these capital costs as revenue during 2022/23.

7.6 McCloud pensions

The McCloud and Sargeant Judgements concerned the introduction of career average revalued earnings (CARE) pension schemes to replace the former final salary based pension schemes as part of the Hutton recommendation to reform public service pension schemes. Under the changes introduced to each scheme, members were required to transfer to the new schemes from specific transition dates. There was protection provided for older members under each scheme.

The McCloud and Sargeant Judgements have upheld the claimants' cases that the method of implementation of the new schemes discriminated against younger members.

In July 2020 the Government published its consultation setting out its proposals for addressing the discrimination that was found to be upheld. The Treasury published the outcomes of the consultation in February 2021, resulting in the 'Deferred Choice Underpin (DCU)' method being chosen. Eligible members would get, upon retiring after implementation, would get to choose between legacy and reform benefits. To supplement this, the Home Office and Treasury issued 'immediate detriment' guidance for those officers approaching retirement; this was not mandatory and Scheme Managers were free to choose whether to adhere or not. SYP chose not to. In late 2021 the guidance was effectively rescinded due to legal and taxation-complexity concerns.

The costs of the ruling are likely to be significant, however work is ongoing nationally with the Home Office around the implications of it. SYP has commenced resourcing for this demand and has also received some one-off government funding. This will unlikely cover all costs to be incurred, and significant activity, via the NPCC, is still being managed in relation to future costs of remedy. Aside from Staffing, this would also cover software costs and any compensatory costs that fall due. In this regard, there are ongoing actions by Staff Associations relating to 'injury to feelings' where the potential for costs remains high.

7.7 Pay and inflation

2022/23 is the final year of the superannuation actuarial revaluation and only general inflation has been built into the MTRS. If the next revaluation provides figures which depart from assumption used there could be a significant variance that has to be contained.

With the pay award for Police staff not being finalised for 2021/22 with the Unions this causes an unusual platform to base future assumptions upon. Therefore, forward negotiations may have a bigger impact than previously anticipated, especially as inflation is running at 5.1%, and a pay freeze has been in operation during 2021/22 for those earning over £24k.

Based on the current inflation levels running higher than recent years, and other economic factors this has caused some significant increases in cost pressures. Until this stabilises it will create volatility in utilities, fuel, and other supply and services prices, they are challenging to predict thus could cause unanticipated financial impact to the MTRS.

8. RESERVES POSITION

- 8.1 If the precept is increased by £10 for the year, the proposed budget position for 2022/23 would show a £0.2m deficit, but will need to come from reserves.
- 8.2 Reserves can only be used once and, given the range of pressures and risks that SYP face, in particular to have to cover £13.1m of the funding of historic Legacy costs in the CSR period, it is necessary to hold additional reserves. The 2022/23 Reserves Strategy will be refreshed for approval at the PAB meeting of 23rd February.
- 8.3 The attached **Appendix C** reflects the reserves position over the life of the MTRS to 2026/27, maintaining a level of general reserve at or above 5% of the net revenue budget until the end of 2024/25. It is recognised that reliance on reserves to balance annual budgets and medium term financial plans is not a sustainable position and is only referred to here as a means of providing very short term cover for the forecasted financial position based on the estimates and assumptions outlined above, before either certainty of further Uplift grant, or the impact of the other measures in section 6.10 are quantified and approved.

9. Conclusion

- 9.1 It is recommended that the increase in precept of £10.00 on a Band D property, is levied to support:
- The investment in the required infrastructure to ensure all officers are fully supported in their journey into the force with further planned investment in both accommodation, Central Assessment and Practice Education (CAPE) assessment and tutoring support
 - Enhancement of the operating model and investment in SYP priorities:
 - Maintaining the current levels of PCSO numbers at 126, and
 - Improving the assets e.g. technology and estates

It is recognised that despite the precept increase, there would still have to be some savings and use of reserves.

- 9.2 The outcomes of consultation exercises with the public regarding the policing priorities and policing precept are attached at **Appendix C**. Over 2,000 residents have engaged and expressed their views. The responses have been mixed and changed from over two thirds of respondents supporting an increase in precept in the priorities survey from October to just under half supporting an increase during the precept consultation in recent weeks. For more detailed information please see **Appendix C**.

Attachments:

Appendix A	MTRS
Appendix B	Reserves Position
Appendix C	Public Consultation report

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