



South Yorkshire POLICE & CRIME PANEL

Meeting Date	3 February 2023
Report of	Chief Finance Officer, OPCC

Proposed Council Tax Precept and Revenue Budget for 2023/24

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 2023/24.

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 2023/24 of £15 for a Band D property. This is an increase of 6.73%; 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 19p per week; B 22p, and C 26p.

3. POLICE AND CRIME PLAN

- 3.1 This is the key document that sets out policing priorities and the content is currently being finalised. The plan is being re-issued to cover the period to the end of the PCC's term of office. While keeping the same overall priorities – Protecting Vulnerable People, Tackling Crime and Anti-Social Behaviour and Treating People Fairly – the Plan will also include some underlying principles:

- Put victims first
- Improve trust and confidence in the Police
- Demonstrate Value for Money

- 3.2 There will be some particular areas of focus under the priorities in the coming year, such as:

- violence against women and girls (VAWG)
- drugs – and the gangs and serious violence associated with them
- improving SYP's initial response to calls for service
- ensuring better representation of the communities of SY – male/female, ethnic minorities

4. 2023/24 NATIONAL FUNDING SETTLEMENT

- 4.1 The Home Office provisional funding settlement for 2023/24 announced additional funding of £523.4m, for policing areas, with 67% of this increase expected to come from local taxation, i.e. council tax (£349m). 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 £15 on a Band D property. Government allocation calculations have assumed the maximum precept increase is applied in each area.
- 4.2 There is also a focus on efficiency from the Home Office and a productivity review is underway. Initial returns on efficiency and savings programmes were submitted to the Home Office in mid-January.
- 4.3 In South Yorkshire the core grant amounts to £228.6m with an additional £9.5m for pensions and ringfenced uplift grants (total £238.1m), the expectation being that a further £88m (37%) will be raised through council tax.
- 4.4 The provisional settlement was in line with the previous CSR announcement i.e., a 'flat cash' settlement adjusted for police uplift targets and changes to national insurance levies, the overall increase being 3.4%.
- 4.5 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.
- 4.6 As mentioned above, the Home Office has assumed a £15 increase in precept. Based on the latest taxbase estimates from the four Local Authorities in South Yorkshire (which are not yet finalised), after a £15 increase, the MTRS includes planned savings of £4.5m in 2023/24, with further savings of £26.2m being necessary to balance the budget throughout the MTRS period (some of which are still to be identified). Despite these savings, we will have to use £5.8m of reserves in 2023/24 to balance.
- 4.7 The pensions grant (£2.6m), council tax support and freeze grants continue at 'flat cash' rates. There is no allocation for capital investment, so this has to be funded locally. The ringfenced police uplift grant has been doubled to £6.9m to protect policing numbers, and the terms of this grant will be released with the final settlement in February.
- 4.8 The Violence Reduction Unit received a multi-year grant from the Home Office for the period 22/23 to 24/25. Whilst there was a significant increase in this funding (from £1.6m in 21/22 to £2.9m in 22/23, £2.2m in 23/24 and £2.1m in 24/25), there was an expectation of an increasing match funding contribution which is an additional call on resources (10% in 23/24, 15% in 24/25 and 20% in 25/26).

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. The targets set by for South Yorkshire are as follows:

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

* includes some officers that have to be provided to the Regional and Organised Crime Unit.

- 5.2 In addition to the above, in 2022/23 South Yorkshire has agreed to take a further eight officers, as additional funding was offered by the Home Office. We are on track to recruit those officers in line with the 3,039 Home Office target and may well exceed it.
- 5.3 It should be noted that all new officers in South Yorkshire 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 £15.00 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% and 17% respectively), 33% of Band A households, and 16% 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 23/24	Weekly Increase	Properties in each band
	£	£	%
Band A	158.69	0.19	57.0
Band B	185.14	0.22	17.3
Band C	211.59	0.26	12.3
Band D	238.04	0.29	7.2
Band E	290.93	0.35	3.7
Band F	343.83	0.42	1.6
Band G	396.73	0.48	0.8
Band H	476.08	0.58	0.1
Total:			100.0

- 6.2 As part of our annual planning and budget-setting process, the Chief Constable has recently submitted her assessment of policing need in South Yorkshire. The key ambition remains the same as reported last year:

“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 In order to achieve this, core priority areas are around response, protecting vulnerable people (PVP) and Neighbourhoods, and ensuring that there are the right resources in these areas to support delivery. Delivery of the police officer uplift programme also continues to be a key focus, and being on track to meet the Home Office target numbers..
- 6.4 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.
- 6.5 A copy of the MTRS can be found at **Appendix A**. The proposed budget of £317.6m includes some investment to maintain the national uplift in police officer posts, as well as the local recruitment enabling us to reach 3,111 officers (based on the Home Office's headcount method).

With the changing demands and expectations on policing some growth has been necessary. This has been limited however to that which is absolutely essential to address a specific need, that which makes the most impact to the public, benefits the organisation or to enable compliance with legislative change.

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:

¹ Based on band D equivalents

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. It recognises the importance of the growth in specialist functions, but will sequence this later 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.

SYP has invested in the required infrastructure to ensure that all the new officers are fully supported in their journey into the force – with continued investment in both accommodation, Central Assessment and Practice Education (CAPE) assessment and tutoring support. The uplift programme results in a significant number of officers that are young in service. These tutors will maintain and set the standards required for the officers of the future.

Savings Team

SYP recognises the need for savings and have invested 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.

Priority based Budgeting

Professional support for the Force to undertake and complete a full priority based budgeting exercise has been built in to the budget as part of the savings and efficiencies programme. The Force anticipates adopting a PBB approach in its future budget setting.

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, balanced against the agile working project.

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

Savings of £6.1m are included, but SYP will have to find recurrent savings of £19.8m to balance over the MTRS period. Although there are potential savings plans in place, these need further work and as such deficits are shown in the MTRS as use of reserves as they are still areas of risk. This would be the worst case scenario, the savings moving up the MTRS to reduce the budget in future years once plans are firmed up.

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 £85m by 2027/28, of which £15m 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 2023/24, the cost of our legacy issues is anticipated to be £5.8m.
- 6.8 Another area of legacy costs arises from SYP's aim to publish all material it controls relating to the policing at the Orgreave coking plant in 1984, to help wider public understanding of the political and social history surrounding the miners' strikes in the 1980s. Although this is important work, and laudable for reasons of transparency and accountability of the police, it is difficult for many South Yorkshire residents to understand why such costs are still having to be paid for now, and through local taxation as well as central government funding.
- 6.9 The assumptions above produced the following proposed budget and MTRS for the CSR period:

2023/24 Budget & Medium Term Financial Plan

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
SY Police Force	324.3	325.3	330.7	340.3	351.1
SY PCC	2.0	2.1	2.1	2.2	2.3
Commissioning & P'ships	3.3	3.3	3.3	3.3	3.3
Capital Financing	1.5	3.3	4.3	5.4	6.3
Legacy Costs (net)	5.8	5.2	4.3	0.0	0.0
External Funding	-13.6	-13.6	-13.5	-12.5	-12.5
Total Expenditure	323.3	325.6	331.2	338.7	350.4
Funding	-317.5	-322.0	-324.6	-327.4	-330.4
Net (Surplus) or Deficit	5.8	3.5	6.6	11.3	20.0

Note small differences are due to rounding's

- 6.10 The impact of this position means that the 2023/24 requires the use of £5.8m from reserves to balance the budget in 2023/24, and a combination of savings and use of reserves amounting to £47.3m throughout the CSR MTRS period. This is not a sustainable approach, as the prudent minimum reserve balance could only be sustained until 2026/27 (see **Appendix B**).
- 6.11 Therefore, balancing the medium to longer term financial position to ensure recurrent financial balance will require following:
- Achieving clarity around the level of grant funding to support 'Uplift' police officer numbers beyond 2023/24,
 - The conditions applied by the Home Office to maintaining those uplift numbers in 2023/24 and beyond,
 - SYP's integrated planning to balance demand and growth pressures and the need for efficiency savings delivery throughout the MTRS period,
 - The continuance of significant Legacy cost support from the Home Office,
 - Clarity on any proposed funding formula changes,
 - Precept flexibility.

7. RISKS AND UNCERTAINTIES

7.1 Funding settlement

The budget has been prepared on the basis of the provisional funding settlement for 2023/24. 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 concluded 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.

7.2 Uplift Grant

The uplift grant conditions have not yet been announced by the Home Office and will form part of the final settlement to be announced in February. It is anticipated that officer numbers will have to be maintained for the foreseeable future as the ring-fenced uplift grant has been doubled to £6.9m in 2023/24 to protect police officer numbers.

7.2 Taxbase and collection fund balances

The final tax base and collection fund positions have not yet been formalised with the Local Authorities, due to Local Authority statutory finalisation dates being after the PCC's budget setting has been completed. 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 The Economy

There has been much volatility and uncertainty in the economy recently. General inflation is moving adversely at present and increasing interest rates make borrowing for capital investment more expensive. Until this position stabilises there will still be volatility in utilities, fuel, and other supply and services prices. Pay inflation is subject to negotiation, and currently the impact on the budget is uncertain.

Assumptions have been made around forecast economic circumstances, based on information available from the Office of Budget Responsibility forecasts, and other expert advice. These factors are however challenging to predict and could cause unanticipated financial impact on the MTRS.

7.4 National charges

The Home Office top slices for some nationally provided functions, but separate charges are levied for others. The CFO is part of a national working group scrutinising the levied charges, and the MTRS has been based around those in the provisional settlement. Short term final figures will be confirmed in the final settlement, but there may be changes nationally towards the back end of the MTRS that we are unaware of at present.

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 2023/24.

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 be unlikely to cover all costs, 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.

8. RESERVES POSITION

- 8.1 If the precept is increased by £15 for the year, the proposed budget position for 2023/24 would show a £5.8m 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 £15m of the funding of historic Legacy costs, it is necessary to hold additional reserves. The Reserves Strategy will be refreshed for approval at the PAB meeting of 27 February.
- 8.3 The attached **Appendix B** reflects the reserves position over the life of the MTRS to 2027/28, maintaining a level of general reserve at or above 5% of the net revenue budget until the end of 2026/27. As detailed in 6.5 above, this is the worst case scenario, assuming that required savings are not delivered and that reserves are used to maintain services in the medium to long term (three to five year period). This continues to be a risk until savings plans are firmed up and delivered.

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 cover for the forecast financial position based on the estimates and assumptions outlined above, before the impact of the other measures in section 6.11 are quantified and approved.

9. Conclusion

- 9.1 It is recommended that the increase in precept of £15.00 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) and tutoring support
 - Maintenance of the operating model and investment in SYP priorities:
 - Maintaining the current levels of police officers, and
 - Improving the assets e.g. technology and estates

Despite the precept increase, there would still have to be some significant 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**. 2,870 residents have engaged and expressed their views. The responses were positive, with 57% (1,618) of respondents saying that they would be willing to pay £10 more per year, and 26% (740) confirming that they would be willing to accept a rise in line with inflation. Further information can be found at **Appendix C**.

Attachments:

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

Sophie Abbott
Chief Finance Officer
Office of the South Yorkshire Police & Crime Commissioner