

# S25 Local Government Act 2003 Chief Constables Revenue Budget 2017/18

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## 1 BACKGROUND

- 1.1 Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Section 151 Officer under the local Government Act 1972) to report to the Chief Constable when determining his or her annual budget on:
  - The robustness of the estimates in the budget and
  - The adequacy of the proposed reserves
- 1.2 The Director of Finance is the statutory officer for South Yorkshire Police and the Chief Constable must have regard to this report when making decisions in respect of the revenue budget.
- 1.3 Under the current interpretation of the legislation relating to the financial arrangements of the Force, the Chief Constable cannot hold reserves and provisions.

## 2 BUDGET DOCUMENTS

- 2.1 The principal budget documents that I have used to support my assessment of the robustness of the budget are attached as annexes to this report.
  - Annex A The Plan on a Page
  - Annex B Subjective Revenue Budget 2017/18
  - Annex C Managerial Revenue Budget 2017/18
  - Annex D Medium Term Resource Strategy 2017/18 – 2020/21
  - Annex E Budget Assumptions
  - Annex F Capital Strategy
  - Annex G Capital Programme
  - Annex H Workforce Strategy

## 3 THE 2017/18 REVENUE BUDGET – ROBUSTNESS AND RISK ASSESSMENT

- 3.1 The Revenue Budget of the Chief Constable needs to be viewed within the context of the funding received from the Police and Crime Commissioner, to ensure the efficient and effective operation of the Force. The Autumn Statement on the 23 November 2016 set out details of how government funding is being allocated to governmental departments, such as the Home Office, for the next 5 years.
- 3.2 In terms of policing, the statement stated, “*The Government will protect overall police spending in real terms over the spending review period, an*

*increase of £900m in cash terms by 2019/20. This will provide funding to maintain overall police force budgets at current cash levels.”*

- 3.3 In making this statement, the Chancellor of the Exchequer had assumed that Police and Crime Commissioners would increase the Council Tax precept by the maximum amount allowable in accordance with the referendum principles.
- 3.4 In line with this guidance the Dr. Billings, Police and Crime Commissioner, intends to increase the precept by £5 for a band D property, which is the maximum, allowed.
- 3.5 The Commissioner has protected the resources available to the force in cash terms; but the full cost of inflation, changes in service levels and service development will have to be met by reallocating resources, delivering efficiencies or by use of reserves.
- 3.6 In order to produce the MTRS we have assumed that the funding received from the Home Office and Council Tax income will be in consistent with the principles set-out above for the complete period of the Strategy .
- 3.7 The budget set for 2016/17 required significant savings to be made to balance the budget. On the 27 April 2016, following the Hillsborough Inquest verdict, the Police and Crime Commissioner suspended the Chief Constable. The Force as a result had two interim Chief Constables and a peer review, which could have derailed the Force savings plans. Whilst there was a review of the medium term resource strategy, through effective implementation of the identified savings projects, the savings achieved have exceeded those needed to maintain the budget in balance.
- 3.8 As a result of action taken during 2016/17, including a review of all non-pay expenditure, the Force took action to further reduce its expenditure during the year. The purpose of which is to enable resources to be available in reserves to support non-recurrent legacy costs in 2017/18.
- 3.9 During 2016/17 the continued costs of supporting the legacy issues of the Hillsborough Inquest and Operation Stovewood continued to be a major factor affecting the financial management of the Force. Operation Stovewood is an investigation, at the Chief Constables request, by the National Crime Agency (NCA) into Child Sexual Exploitation (CSE) within the County. The Commissioner has made Special Grant applications to the Home Office to part fund these costs.
- 3.10 In determining the revenue budget the Chief Constable has relied upon the existing plans and last year’s medium-term resource strategy updated because of actions taken in 2017/18. In particular, I have undertaken a comprehensive review of the existing savings programme and where the plans have been delivered built them into the base budget.
- 3.11 The Force has robust budget monitoring arrangements in place, which gives reassurance around the revenue budget. The base budget was prepared using sound assumptions and the comprehensive budget monitoring undertaken by the Force.
- 3.12 As a significant proportion of the force budget is in relation to staff costs, the base budget is highly dependent on the force establishment and

workforce plan prepared by the Assistant Chief Officer (Human Resources). In recent months, he has undertaken a complete review of the force establishment and produced a new workforce plan. I have used this workforce plan as the basis of the staff budgets. Furthermore, an exercise has examined in detail the construction of the pay budgets to further improve their accuracy. The base pay budget is in my opinion robust and based upon prudent assumptions.

- 3.13 Policing can be highly unpredictable and as a result, major crime or public order activity can consume significant resources. This is especially so should the Force use mutual aid from other police forces. The budgets for major incidents are based on an average year. A limited operational contingency is available to meet these costs. Should the Force experience a significant increase in such operational activity from that budgeted, the Chief Constable would seek from the PCC use of Reserves and if appropriate, a Special Grant application made to the Home Office.
- 3.14 Similarly, it has been assumed that the cost of the legacy issues relating to Hillsborough and Operation Stovewood will largely be met outside of the current force revenue budget by being supported by Special Grant Applications to the Home Secretary or use of Reserves. For each of these legacy issues the amount of expenditure not eligible for Special Grant has been budgeted for in the revenue budget 2017/18.
- 3.15 The latest funding forecast in the Autumn Statement indicates that grant and precept funding should be consistent in cash terms across the Comprehensive Spending Review Period. The cost of pay awards, inflation and service developments will therefore have to be met from additional revenue savings.
- 3.16 South Yorkshire Police has made revenue savings in the past six years totalling in excess of £73m per annum. These recurrent savings are now built into the revenue budget 2017/18. The continued real-term reduction in funding means that it becomes harder to identify savings without influencing service delivery.
- 3.17 During 2016/17, the Force has not had a stable Senior Leadership Team. Through necessity, it has had several interim appointments and substantive members of the team have had changing responsibilities. This has influenced the strategic planning and budget setting process and has meant that some of our future savings plans are not as robustly prepared as would be customary. Because of this, I have worked with the current Senior Leadership team to assess in some depth the robustness of savings that need delivering to ensure they are realistic and sustainable.
- 3.18 At the present time the later years of the MTRS remain unbalanced as the newly enhanced Business Change and Innovation team haven't completed the base-lining and demand work which will determine their future work programme in line with the priorities set out by the Chief Constable in the Plan on the Page. . Many of the changes in service provision in the future years of the MTRS will be dependent upon the work led by the ACC (Business Change and Innovation) identifying and promptly delivering revised service levels at reduced cost.

- 3.19 The forthcoming years will see greater reliance on collaborative work with both the police forces in the Yorkshire and Humberside Region and other partners such as the South Yorkshire Fire and Rescue Service, to deliver financial savings and improved levels of service. In determining the budget a cautionary approach has been taken for new collaborative services as they have often taken longer to deliver their objectives than reviews taken solely by the Force.
- 3.20 As is customary, the Senior Leadership Group on a monthly basis will comprehensively monitor the financial and operational performance of the Force. Because of the legacy issues affecting both the Commissioner and the Force, this monitoring becomes more important as Reserves cannot be relied upon to underpin underachievement of reviews and planned savings or their late delivery. This will particularly necessitate greater linkages to workforce planning and establishment control, led and managed by the ACO (HR). There is an ever greater need to facilitate an improvement in forecasting changes on staff budgets. Similarly, there will need to be more robust monitoring of the implementation of work undertaken by the Business Change and Innovation Team, together with other savings approved by the Senior Leadership Group to facilitate our delivery of balanced budgets in future years. By enhancing our forecasting capability we can take, where necessary, quicker remedial action to ensure our plans are delivered.
- 3.21 The medium term resourcing strategy is based around sound assumptions, which are checked with Office of Budget Responsibility data and where appropriate peers within the police service.
- 3.22 Our medium-term planning is hindered as increasingly the Home Office is offering additional funding streams through competitive bidding processes which require a degree of match funding. Such initiatives make it very difficult to plan resources to facilitate the initiatives and the opportunities presented. The budget strategy assumes that in the first instance such opportunities will need reserves to be made available to commence them.
- 3.23 In 2015/16 the Home Office commenced a review and consultation process on the distribution of the Police Grant. As there were data quality issues this process got halted temporarily. This work has recommenced but it will be several months before we know the impact on South Yorkshire Police. Until we have a clearer idea of the impact the MTRS has assumed a consistent level of Home Office Support.
- 3.24 In conclusion I am satisfied that the base budget and budget assumptions used to prepare the budget and MTRS are robust. I believe the majority of forecast savings in the forthcoming year, whilst ambitious, will be delivered without a high degree of risk as there are already good implementation plans. It is now important that for the remaining savings implementation plans are prepared in a timely manner. Furthermore, the importance of sound workforce planning becomes ever more important. Provided these actions occur, I can assure you that the revenue budget for 2017/18 is robust.

3.25 Policing has never previously undergone such a lengthy period of budget reductions that in real-terms is set to continue. The Force has an outline plan to achieve this through the investment in the business change and innovation team and through transformational technology. The level of savings in future years is such though that the pace of change is accelerating and the Force will have less financial flexibility to underwrite delays in project implementation. The change programmes are dependent on the Force having sufficient capability to undertake and implement the transformational activity yet at the same time retain operational performance. The Chief Constable and his Senior Leadership Group, of which I am a member, will need to proactively balance operational need, business redesign and delivery of the savings plans. The complexity and magnitude of the challenge means it is probably inevitable that some re-phasing will occur. In such circumstances, there will be a potential need to seek to temporarily make use of reserves from the PCC to smooth out implementation plans.

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