

S25 Local Government Act 2003 Chief Constables Revenue Budget 2016/17

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 is not permitted to hold reserves and provisions.

2 BUDGET DOCUMENTS

- 2.1 The principal budget documents that have been used to form the assessment are attached as annexes to this report.
 - Annex A Policing South Yorkshire in 2020
 - Annex B Subjective Revenue Budget 2016/17
 - Annex C Managerial Revenue Budget 2016/17
 - Annex D Medium Term Resource Strategy 2016/17 -2020/21
 - Annex E Budget Assumptions
 - Annex F Capital Strategy
 - Annex G Capital Programme
 - Annex H Reserves Strategy (report of the Chief Finance and Commissioning Officer)

3 THE 2016/17 REVENUE BUDGET – ROBUSTNESS AND RISK ASSESSMENT

- 3.1 The Revenue Budget of the Chief Constable has 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 25 November 2015 whilst only setting out in detail one year funding plans has materially changed the funding assumptions for the new Comprehensive Spending Review Period as it has indicated

police funding in total should remain consistent with that received in 2015/16.

- 3.2 The grant funding received by the Commissioner for 2016/17, a 0.6% reduction is better than anticipated. Whilst the Commissioner has not yet determined his precept for the forthcoming year, it is anticipated that the total resources to the force for the day-to-day operation of the Force will be consistent with that received in 2015/16.
- 3.3 The Autumn Statement also gave details of additional funding in connection with increasing firearms capacity, innovation and transformation. The Force has not yet received any details of how these funds are to be allocated and as a consequence no provision has been made in either the revenue or capital budgets.
- 3.4 Whilst the budget set for 2015/16 required significant savings to be made the Force has through its Diamond 2 review programme, principally the Local Policing Review, continued to methodically review the structure of the force.
- 3.5 The Force has continued to have tight control over its finances, which have enabled it to fund from in-year resources the voluntary early retirement of police staff associated with the Diamond reviews. This action has enabled additional recurrent savings to be made which have facilitated the setting of the revenue budget 2016/17.
- 3.6 During 2015/16 a significant amount of unplanned costs were incurred because of the continued costs of supporting the legacy issues of the Hillsborough Inquest and Operation Stovewood. 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. It is forecast that the actions taken into delivering our savings plan will result in the force underspending, prior to legacy issues, in 2015/16. This underspend will be used to minimise the impact of the legacy issues on the Force budget.
- 3.7 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 2016/17. In particular, I have undertaken a comprehensive review of the existing savings programme and where the plans haven't been comprehensively delivered taken a prudent view of the impact on both the 2015/16 revenue outturn and 2016/17 base budget. As a result I haven't built into the 2016/17 budget the anticipated savings from the training, NPAS or mounted budgets. In relation to NPAS and the co-location of the mounted section work should continue to realise the anticipated savings.
- 3.8 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. 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 order to refine these costs the Deputy Chief Constable has overseen a review of all vacant posts, which has resulted in additional posts being deleted from the staff establishment. Furthermore, an exercise has been undertaken to examine in detail the construction of the pay budgets to further improve its accuracy. The base budget is in my opinion robust and based upon prudent assumptions.

- 3.9 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 calculated based on an average year. Should the Force experience a significant increase in such operational activity from that budgeted, it would be anticipated that the Chief Constable would seek from the PCC use of Reserves and if appropriate, a Special Grant application made to the Home Office.
- 3.10 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 2016/17.
- 3.11 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.
- 3.12 South Yorkshire Police has made revenue savings in the past eight years totalling in excess of £74m per annum. These recurrent savings are now built into the revenue budget 2016/17. The continued real-term reduction in funding thus means that it becomes harder to identify savings without influencing service delivery. The Local Policing Review programme is delivering a transformational restructuring of the Force to deliver some of these savings whilst maintaining performance. As a consequence of the action taken in previous years a significant proportion of the savings from these reviews will be available from 1 April 2016. This significantly reduces the risk that the savings will not be delivered.
- 3.13 The impact of the Voluntary Early Redundancy programme in 2015/16 has been built into the revenue budget. This programme delivered fewer saving than was initially anticipated. There are therefore staff savings in the forthcoming budget which have not yet been fully identified. As it is probable that these savings will not all be able to be met without a redundancy programme the revenue budget contains a prudent amount to fund the anticipated cost.
- 3.14 The forthcoming years will see greater reliance on collaborative work with the other three forces in the Yorkshire and Humberside Region to deliver financial savings. Regional working has often taken longer to

deliver its objectives than reviews taken solely by the Force. During 2013/14 the Force saw significant staff savings being delivered from the IS and HR collaborations with Humberside Police. These services are maturing and so the base savings are recurrent. IS are continuing to deliver increased recurrent savings through integration of the IS infrastructure and use of contracts entered into jointly with Local Government Yorkshire and Humberside. I have assessed the predicted savings and it is prudent to include them in the base budget

- 3.15 In 2015/16 the collaboration with Humberside increased as a result of Commissioners Billings and Grove agreeing to establish a Strategic Partnership to share operational and support services with the aim of protecting community policing. The budget for 2016/17 includes a prudent level of new savings because of the Joint Special Operations Unit going live on the 1 April 2016. The full savings from this joint service will be available in subsequent years. In relation to the other aspects of the strategic partnership it has been assumed very prudently that the initial costs of establishing the programme team will be met from savings which accrue from their work during the year. Similarly to support the Strategic Partnership Programme a pilot of Priority Based Budgeting supported by the consultancy EY is to be undertaken. The initial cost of this work is being met from the savings that accrue from it. In the coming months the Programme Director will have completed the initial scoping and visioning work and it is probable that the assumptions around savings accruing from the Strategic Partnership Programme can be amended to one with greater budgetary ambition.
- 3.16 As is customary, the Senior Leadership Group on a monthly basis will comprehensively monitor the financial and operational performance of the Force. As a consequence of the legacy issues impacting upon the Commissioner and the Force this monitoring becomes more important as Reserves cannot be relied upon to underpin underachievement of reviews or their late delivery. The Force is to enhance our monitoring arrangements with a dedicated monthly meeting for operational and financial performance. This will include greater linkages to workforce planning and establishment control, led and managed by the ACO (HR), to facilitate an improvement in forecasting changes on staff budgets. Similarly, there will need to be more robust monitoring of the implementation of Local Reviews and those undertaken by the Strategic Partnership Programme, 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.
- 3.17 As a consequence of the proven financial management systems operating within the force and the ongoing implications of completed reviews, I believe the majority of forecast savings in the forthcoming year, whilst ambitious, will be delivered without risk. The anticipated savings from police staff because of VER are £3m less than originally forecast. The Senior Leadership Group is to undertake a comprehensive review of the holistic budget to identify, especially non-pay heads, where

the £3m that was anticipated can be realised. As I have taken a cautious approach to setting budget savings from the Strategic Partnership Programme, Priority Based Budgeting and new Local Reviews together with in particular the savings from NPAS and the joint mounted unit I believe these additional savings whilst challenging can be delivered. It is essential however that there is active monitoring of implementation plans. In the unlikely event that these savings don't materialise the recent decision to invest in additional frontline officers may have to be delayed. Furthermore the importance of sound workforce planning becomes ever more important. Provided this occurs I believe the revenue budget is robust.

- 3.18 The Force together with its partner Humberside Police are at an important time in both the development of the Strategic Partnership and the implementation of its Strategic Information Systems Strategy. The development of both Forces and their ability to deliver future savings is dependent upon their success. It is important that a clear vision and roadmap is agreed in the next few months to facilitate the development of a sound medium term resourcing strategy.
- 3.19 The medium term resourcing strategy is based around sound assumptions, which are checked with Office of Budget Responsibility data and were appropriate peers within the police service. Our medium-term planning is hindered however, in that unlike local government, we do not have four year funding forecasts from the Government. Furthermore we do not have full details of additional funding streams which makes it very difficult to plan resources to facilitate the initiatives. 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. There is thus much uncertainty at a local level on long-term funding.
- 3.20 Policing has never previously undergone such a lengthy period of budget reductions which in real-terms is set to continue. The Force has an outline plan to achieve this through the investment in transformational technology and the Strategic Partnership with Humberside. The level of savings 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 Command Team will need to proactively balance operational need and delivery of the savings plans. The complexity and magnitude of the challenge means it is probably inevitable that some rephasing 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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South Yorkshire Police