

## REPORT TO SOUTH YORKSHIRE POLICE AND CRIME PANEL

1.	<b>Meeting:</b>	<b>SOUTH YORKSHIRE POLICE AND CRIME PANEL</b>
2.	<b>Date:</b>	<b>27 JANUARY 2016</b>
3.	<b>Title:</b>	<b>PRECEPT PROPOSAL FOR 2016/17</b>
4.	<b>Organisation:</b>	<b>POLICE &amp; CRIME COMMISSIONER</b>

### **Purpose of the Report**

5. To NOTIFY THE Police and Crime Panel ("the Panel") of South Yorkshire Police and Crime Commissioner's proposed council tax precept for 2016/17

### **Recommendation**

6. It is recommended that the Panel considers a proposed annual increase in council tax for 2016/17 of £5 for a Band D property (a 3.3% increase) to £153.16. This is equivalent to an increase of 10p per week.

## **Background**

7. The Police and Crime Panels (Precepts and Chief Constable's Appointments) Regulations 2012 require that The Police and Crime Commissioner (PCC) shall comply with the duty under paragraph 2 of schedule 5 of the Police Reform and Social Responsibility Act 2011, to notify the Panel of the proposed precept by 1<sup>st</sup> February of the relevant financial year.

## **National Context**

8. The Chancellor announced the outcome of the Spending Review on 25 November 2015 and stated that "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".
9. The Spending Review also provided some Police and Crime Commissioners (PCCs) greater flexibility in their local funding decisions by allowing those areas that have historically kept council tax levels low to increase the band D council tax by £5. The 2015/16 council tax for policing in South Yorkshire is the eighth lowest policing council tax in England and therefore this "greater flexibility" is available to the PCC.
10. The Police Minister announced details of the Police Grant for 2016/17 on Thursday 17 December. The statement included the following paragraph:  
  
"For 2016/17, direct resource funding for each PCC, including precept, will be protected at flat cash levels, assuming that precept income is increased to the maximum amount available. This means that no PCC will face a reduction in cash funding next year compared to this year, and the majority will see marginal increases in their spending power".

## **Impact of Finance Settlement on South Yorkshire**

11. An analysis of the grant funding position for Policing in South Yorkshire shows that funding from the Government, in respect of Police Grant and Formula Grant, will fall by approximately £1m in 2016/17. However the Police Minister is able to suggest that funding for South Yorkshire will actually increase by £0.9m by assuming that council tax income will increase by £5 on a Band D property and that additional income will be generated by a small rise in the tax base.
12. Unlike the Local Government Finance Settlement which provides details of funding for the next 4 years, the Police Funding Settlement is only for one year. This makes it difficult to undertake medium term financial planning and means that we will have to make assumptions of the potential levels of funding for years beyond 2017 linked to the overall Home Office totals shown in the Spending Review document.
13. As part of the Local Government Finance Settlement, the draft Council Tax Referendum Principles for 2016/17 have been issued which confirm that the

council tax to be agreed by the South Yorkshire PCC will only be regarded as excessive if the “relevant basic amount of council tax for 2016/17 is more than £5.00 greater than the relevant basic amount of council tax for 2015/16”. The relevant basic amount of tax is effectively the Band D council tax.

14. The net revenue budget for 2015/16 was £240.128m. On the basis of the funding settlement and assuming a council tax increase of £5 for a band D property, the overall net revenue budget for 2016/17 will be – based on the current tax base and with no inclusion of the Collection Fund position – no more than £239.724m: i.e. an overall reduction in resources of about £0.4m. The final position will depend on the tax base and Collection Fund position which are not known at the present time.

	Budget 2015/16	Forecast 2016/17	Difference
	£'000	£'000	£'000
Police Grant (HO Core)	-101,174	-100,597	577
Revenue Support Grant (Ex DCLG Formula)	-77,909	-77,465	444
Council Tax Freeze Grant 2011/12	-1,269	-1,269	0
Council Tax Support Scheme compensation	-9,591	-9,591	0
<b>Grant Funding</b>	<b>-189,943</b>	<b>-188,922</b>	<b>1,021</b>
Council Tax income	-49,144	-50,802	-1,658
Collection Fund surplus	-1,041	0	1,041
<b>FINANCING OF BUDGET REQUIREMENT</b>	<b>-240,128</b>	<b>-239,724</b>	<b>404</b>

### Revenue budget gap for 2016/17

15. There are a number of additions that need to be made to the budget and there will need to be offsetting savings to meet these costs. The amounts that will need to be added to the budget include the following:

- Additions for inflation, pay awards and demand pressures: these amount to about £5.5m;
- Expenditure that was met from reserves in 2015/16 amounts to £1.4m;
- Legacy issues (Hillsborough and investigations into child sexual abuse allegations) have been a significant feature of the financial position in policing in South Yorkshire over the last 12 months. Applications for additional funding have been made to the Home Secretary and these have secured funding that has been crucial to balancing the financing position. There is the potential for these costs to continue into 2016/17, although the scale of such costs is difficult to determine accurately and the likely levels of any further funding from Government is also unknown. At the

present time an indicative figure of approximately £5m is included in the draft budget, and a potential further £2.4m to be funded from general reserves.

16. The overall forecast budget gap amounts to £10.5m. There is the potential for this to reduce following the determination of the tax base and collection fund position by the district councils. This gap will therefore need to be met from savings in revenue expenditure in 2016/17.

	£000
Reduction in funding from Government	1,021
Removal of Collection Fund surplus	1,041
Operational Cost Pressures in 2016/17	5,501
Expenditure met from reserves in 2015/16	1,423
Legacy issues - potential costs	4,800
Ongoing savings from previous strategies	-1,623
<b>Total additional expenditure in 2016/17</b>	<b>12,163</b>
LESS	
Additional Council Tax income (from proposed £5 increase)	-1,658
<b>Budget Gap for 2016/17</b>	<b>10,505</b>

### Approach to securing savings

17. With employee costs representing approximately 90% of the revenue budget it is likely that the majority of the savings will be found from reductions in employee numbers. Where such reductions involve severance / redundancy payments, the cost of these will be a feature of the Reserves Strategy for 2016/17.
18. The approach to reducing employee numbers will, in part, be determined by the review of operating structures which is being carried out and guided by the working assumptions set out in the Police and Crime Plan 2016-20 document, referred to in paragraph 19 below.

### Putting Safety First – Police and Crime Plan 2016-20

19. Attached at Appendix A is a paper which sets out how South Yorkshire Police is being developed in order to create an efficient, effective and sustainable policing model that can meet the changing patterns of crime, rising demand and the difficult financial environment.

### Reserves

20. The PCC will need financial reserves in order to ensure funding is available to meet future commitments and avoid unplanned reductions in activity as a result

of unforeseen or unbudgeted expenditure. The costs associated with legacy issues was not included in the revenue budget previously, meaning the reserves position has been crucial in managing and financing such legacy issues before receipt of further government funding.

	General Reserves £000	Earmarked Reserves £000
Balance at 1 April 2015	16,412	28,404
Use in 2015/16	-1,119	-7,742
Forecast balance at 31 March 2016	15,293	20,662
Planned use in 2016/17	-6,047	-6,114
Estimated Balance at 31 March 2017	9,246	14,548

21. There is no nationally recognised measure of the level of reserves that should be maintained. As a broad rule of thumb, the Audit Commission (in its 2012 report "Striking a Balance") suggested that most Chief Finance Officers regard an amount of "between 3% and 5%" of net revenue spending as a prudent level for general reserves. However, the required level is a matter of judgement based on known / estimated risks, budgetary pressures and local factors.
22. The PCC's Reserves Strategy will be finalised as part of the budget process, however during the current financial year the PCC has changed the planned strategy, of using general reserves to contribute to funding the capital programme, to preserving reserve levels for potential future legacy costs. This has resulted in planned revenue contributions to capital for 2015/16 being released back into reserves and the financing of capital spending replaced with borrowing.
23. The forecast balance as at 31 March 2016 is 6.3% of net revenue of spending, however planned contributions in 2016/17 will reduce this to 3.8% of net revenue of spending at 31 March 2017. Planned contributions for 2016/17 includes an estimate of £2.4m for some potential legacy costs, however as the scale of such costs is difficult to determine accurately this may increase.

### **Partnership & Commissioning**

24. Provision has been made in previous budgets to provide funding for partner organisations to support the delivery of objectives in the Police & Crime Plan. The budget provisions have been supported by contributions from reserves and the medium term financial strategy envisaged the use of £1.5m each year from reserves to support this funding up to and including 2015/16.

25. The current Reserves Strategy assumes that this funding will end in March 2016 and therefore the Partnership and Commissioning budget will reduce by £1.5m in 2016/17. Further reductions are being considered as part of the approach to balancing the overall budget.
26. The final decision on this issue will take into account the potential impact on partner organisations, the priority that will be attached to particular outcomes, and the degree to which commitments have already been entered into. The impact of budget reductions will also be mitigated by utilising under-spends in 2015/16 and carrying these resources forward into the 2016/17 financial year.
27. The PCC currently receives a grant from the Ministry of Justice (MOJ) amounting to £1.5m and this is used for partnership activity. The MOJ have not announced what the level of grant will be for 2016/17 but this is likely to reduce, perhaps substantially. The level of activity funded by this grant will also need to be reviewed when the grant is known.

### Council Tax Proposal

28. The PCC has consulted on a council tax increase of £5 (or 3.3%) on a Band D council tax. The final results are not known at the time of writing this report, but the majority of respondents, so far, have indicated support for the proposed increase.
29. The proposed increase of £5 per annum on the council tax for a band D property would represent a weekly increase of about 10p. The amounts for the other tax bands are shown below.

	Precept for 2015/16		Precept for 2016/17		Increase	
	Annual	Weekly	Annual	Weekly	Annual	Weekly
	£	£	£	£	£	£
Band A	98.77	1.90	102.11	1.96	3.34	0.06
Band B	115.24	2.22	119.12	2.29	3.88	0.07
Band C	131.70	2.53	136.14	2.62	4.44	0.09
<b>Band D</b>	<b>148.16</b>	<b>2.85</b>	<b>153.16</b>	<b>2.95</b>	<b>5.00</b>	<b>0.10</b>
Band E	181.08	3.48	187.20	3.60	6.12	0.12
Band F	214.01	4.12	221.23	4.25	7.22	0.13
Band G	246.93	4.75	255.27	4.91	8.34	0.16
Band H	296.32	5.70	306.32	5.89	10.00	0.19

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