

ORIGINATOR: CHIEF CONSTABLE

PAPER NO: AP17/67

**SUBMITTED TO: ACCOUNTABILITY AND PERFORMANCE PANEL
15 DECEMBER 2017**

SUBJECT: REVENUE AND CAPITAL MONITORING AS AT 31 OCTOBER 2017

SUMMARY:

1. This report provides a financial overview of the PCC Budget, Constabulary Revenue Budget, Capital Budget and Investments and Reserves as at 31 October 2017.
2. The forecast revenue year-end position is an overspend of £1.908m, comprising an overspend of £1.782m for the Constabulary, £0.016m for the OPCC and £0.110m for Commissioning.
3. The forecast capital position provides a forecast year end under-spend of £0.758m.

RECOMMENDATION:

1. It is recommended that the Accountability and Performance Panel consider the contents of this report.

1. OVERVIEW

1.1 Based on the position as at 31 October 2017, the Suffolk Group Revenue Budget is forecast to overspend by £1.908m (1.86%) at year end (Appendix A).

1.2 The split across the Group is as follows:

	Budget 2017/18 £000	Full Year Outturn £000	(Over)/Under spend £000
Officer of the Police and Crime Commissioner for Suffolk	928	944	(16)
PCC Commissioning	765	875	(110)
Chief Constable Operational Spending	117,168	118,950	(1,782)
PFI Grant	(2,734)	(2,734)	0
Transfer to / (from) Reserves	(2,609)	(2,609)	0
Total	113,518	115,426	(1,908)

Constabulary Financial Context

1.3 The PCC's Medium Term Financial Plan (MTFP) 2017-18 to 2020-21 was developed following the announcement by The Minister of State for Fire and Policing in December 2016 of the police funding settlement for 2017-18, which stated that 'direct resource funding for each PCC, including precept will be protected at flat cash levels compared to 2015-16, assuming that precept income is increased to the maximum amount available in both 2016-17 and 2017-18'.

1.4 The MTFP also incorporated the PCC's decision to raise the precept by just under 2% following consultation with the public.

1.5 A significant financial consequence of the 'flat cash' grant settlement is that recurring savings of £1.7m are required to be delivered, in order to contribute to funding the cost of nationally agreed pay awards for officers and staff (see 1.6 and 1.7 below), and other unavoidable inflationary cost pressures.

1.6 The Police Officer pay settlement has recently been announced. This is a 1% permanent uplift in pay, plus a non-consolidated 1% payment for one year. These payments commence from 1 September 2017.

1.7 The 1% permanent increase had been built into the budgets in line with the government's approach to public sector pay. The 1% non-consolidated payment is over and above what had been budgeted, and will add £0.265m of additional pressure onto spending in 2017/18. This additional cost has been built into the forecast overspend shown in the above table.

1.8 The settlement for police staff pay has yet to be agreed, however, for the purpose of projecting the year-end financial position, it has been assumed that police staff will also receive a consolidated increase of 1%, and a non-consolidated 1% increase (£0.202m) and this is also built into the year-end forecast. In total, £0.467m of the overall overspend is due to the non-consolidated and unfunded pay increase for officers and staff.

- 1.9 There has been a significant increase in demand in a number of key business areas, resulting in the need to cover vacant posts through the use of overtime. In addition, deployment of additional resources has been necessary to maintain operational performance, resulting in additional overtime and agency costs being incurred. Mutual aid from neighbouring forces in support of on-going major operations continues to be called upon, as and when required.

2. PCC REVENUE BUDGET

- 2.1 The Office of the PCC Budget for 2017/18 is £0.928m (Appendix A (i)). The forecast year-end over-spend of £0.088m in Supplies and Services is primarily due to consultancy costs incurred in respect of an options appraisal to assess the opportunities for police and fire governance integration in Suffolk. This expenditure is currently being off-set by savings elsewhere in the budget and the contingency, resulting in an overall forecast overspend of £16k. Any year-end overspend resulting from this is expected to be funded from PCC reserves.
- 2.2 The PCC's Commissioning budget is £1.635m which includes a grant of £0.870m from the Ministry of Justice (Appendix A (ii)). The Ministry of Justice grant has been fully allocated to victim services providing the Victim Advice and Referral Service (VARC) and the Independent Domestic Violence Advice (IDVA) Service.
- 2.3 Grants totalling £1.6m have been awarded during 2017/18, including £0.300m to the PCC's Fund. The PCC is expecting to use the Crime and Disorder Reduction reserve to fund the Counselling Service pilot (£0.150m) and Stay Safe Online Fund (£0.100m). The Accountability and Performance Panel will review the operational and financial performance of large grants approved by the PCC, at its meetings scheduled in 2017-18.

3. CONSTABULARY REVENUE BUDGET

- 3.1 The total Constabulary Revenue Budget (Appendix A(iii)) forecasts a year-end overspend of £1.782m as at month 7. The main variances producing the current forecast underspend are explained below.

	Budget 2017/18 £000	Full Year Forecast £000	In-year (Over)/Under spend £000
Pay Related Costs	93,765	95,008	(1,243)
Property Related Costs	8,783	8,574	209
Transport	1,983	2,215	(232)
Supplies and Services	9,619	10,066	(447)
Third Party Payments	3,312	3,398	(86)
Capital Financing	2,843	2,843	0
Corporate including contingency and inflation	1,128	912	216
Income	(4,265)	(4,066)	(199)
Total	117,168	118,950	(1,782)

3.2 Pay Related Costs

The forecast overspend of £1.243m includes the following variances:

- Underspend in PCSO pay (£0.556m) due to vacancies. This underspend has increased since last month due to the reduction in the planned number of recruits (14 reduced to 5).
- Overspend in staff pay (£0.583m) including the non-consolidated pay award (£0.170k), overtime and use of agency staff. In some instances agency staff are being used to fill established posts as opposed to being over and above funded posts.
- Overspend in police overtime (£1.393m) due to high expenditure within the Neighbourhood Response Teams, Protecting Vulnerable People and Local Investigation, offset by an underspend in Police Pay (£0.780m) due to average strength being lower than establishment. This accounts for the additional 1% awarded to officers from 1 September 2017.
- Forecast overspend relating to 5 projected ill health retirements (£0.667m)

3.3 **Property Related Costs**

The forecast underspend of £0.209m primarily relates to reduced rental and energy costs.

3.4 **Transport Related Costs**

The forecast overspend of £0.232m primarily relates to an increase in value of vehicle insurance claims.

3.5 **Supplies and Services**

The forecast overspend of £0.447m is primarily due to additional expenditure in relation to additional operational demand within forensics (£0.172m), legal costs in respect of ongoing claims (£0.424m) and the extension of security services for Operation Phonetic (£0.230m), offset by underspends within ICT contracts (£0.180m) and equipment & consumables (£0.200m).

There are also a number of public liability insurance claims under review that may cause significant additional pressure on the budget. Should the liability on these claims becomes more certain the estimates will be included in the forecast outturn and reported in future months, as appropriate.

3.6 **Third Party Payments**

The forecast overspend of £0.086m primarily relates to mutual aid costs in respect of Operation Graduate.

3.7 **Contingencies**

The forecast underspend of £0.216m assumes that there will be no further use of the Chief Officer Contingency Fund (£0.450m), and is utilised to offset some of the in- year cost pressures.

3.8 **Income**

The forecast under-achievement of £0.199m primarily relates to reduced match funded PCSO income (£0.188m), reduced Incentivisation income (£0.112m) and an assumption that the Force is unable to directly draw down from the apprenticeship levy (£0.100m), as previously forecast. The national strategy for police apprenticeship schemes is taking longer to develop than expected. This is therefore

delaying draw down of these funds. This is partly offset by local partnership funding and collaborative arrangements (£0.200m).

4. SAVINGS

4.1 The total planned savings requirement for 2017/18 is £1.714m, which is as per the Medium Term Financial Plan (MTFP) (February 2017), with budgets having been reduced in line with the agreed savings profiles set out in the MTFP.

5. TRANSFER FROM RESERVES

5.1 The budgeted transfer from reserves of £2.609m primarily relates to capital funding, together with some temporary revenue items such as the cost of change, seven force collaboration team costs and temporary posts.

5.2 In addition to the planned use of reserves referred to above, it will be necessary to utilise reserves to cover in-year cost pressures, including, for example;

- the unfunded element of the officer and staff pay awards
- the cost of ill health retirements |
- the costs associated with major incidents
- the costs associated with ongoing claims, and
- clarification of financial liability of items classified as contingent liabilities in the 2016-17 Statements of Accounts.

5.3 An application for Special Grant Funding to the Home Office is currently being progressed, in recognition of the significant costs associated with a major operation and an on-going claim.

5.4 The actual contribution from reserves required to achieve a break-even position for the year ending 31 March 2018 will be based on the final revenue and capital outturn position, which will (amongst other items) take account of the financial impact of the above, as appropriate.

6. CAPITAL PROGRAMME

6.1 The Capital budget for 2017/18 is £5.890m, comprising the current programme (approved schemes) of £2.920m plus slippage from 2016/17 of £1.185m, plus approved schemes in-year including:

- £0.517m for Mobile Devices;
- £0.517m for Body Worn Video
- £0.017m for Business Data Management
- £0.215m for Leiston downsizing
- £0.295m for Beccles Downsizing
- £0.224 for ICCS upgrade (grant funded)

6.2 A summary of capital schemes is provided at Appendix B(i) and B(ii). The forecast under-spend at year-end is £0.758m, which includes ICT Replacements (Desktop Services) (£0.250m), Beccles downsizing (£0.275m), Newmarket downsizing (£0.110m) and joint projects (£0.163m).

7. INVESTMENTS

7.1 At the end of October, investments totalled £15.612m, the breakdown of which is provided in Appendix C.

8 FINANCIAL IMPLICATIONS

8.1 As per the report.

9 OTHER IMPLICATIONS AND RISK

9.1 There are no other implications and risks. No changes are required to the PCC Risk Register.

ORIGINATOR CHECKLIST (MUST BE COMPLETED)	PLEASE STATE 'YES' OR 'NO'
Has legal advice been sought on this submission?	No
Has the PCC's Chief Finance Officer been consulted?	Yes- author of the report
Have equality, diversity and human rights implications been considered including equality analysis, as appropriate?	Yes
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	N/A
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes