

**Report of the Chief Finance Officer of the PCC
To the Police and Crime Commissioner for Cleveland**

27th February 2017

Status: For Information

2016/17 Budget Monitoring – Report to the end of January 2017

1. Executive Summary

1.1 Purpose of the Report

On the 24th February 2016 the PCC agreed the revenue Budget for 2016/17 which was based on the receipt of income totalling £133,260k. This report is to provide the PCC with an update on all areas of the budget, including forecasts of how much income will actually be received during the year, the progress against the budget to date and forecasts on the expenditure for the remainder of the financial year.

2. Recommendations

The PCC is asked to note:

- 2.1 The Office of the PCC's budget of £850k is expected to spend all funds allocated to it during 2016/17.
- 2.2 The Corporate Services budget of £8,858k is expected to underspend slightly, by £40k.
- 2.3 The PCC Initiatives and Victims & Witnesses Services is forecast to underspend by £850k as a result of a few underspends on commissioned/granted services, but predominantly as the Force have been unable to recruit any of the necessary resources to deliver the additional investment in Neighbourhood Policing that the PCC set aside £750k for in 2016/17.
- 2.4 It is currently forecast that the PCC will receive £452k more income in 2016/17 than per the original budget. However lower than expected income from some specific Government grants is expected to lead to small pressure of £20k in this area.
- 2.5 The Force is currently forecasting to overspend by £400k which is covered in more detail elsewhere on today's agenda.
- 2.6 The total forecast after with only 2 months of the financial year remaining is that there will be an overall underspend of £470k, which equates to around 0.4% of the overall budget for 2016/17. However there are a number of pressures that are currently being risk managed that could reduce this position over the remainder of the financial year.

3. Reasons

3.1 When setting the budget for the financial year 2016/17 the PCC allocated the income forecast to be received during the year, of £133,260k, into the following areas:

- £850k to run the Office of the PCC
- £8,850k for Corporate Services
- £2,810k to support PCC Initiatives and Victims and Witnesses Services
- £119,410k to the Police Force
- £2,225k to the Capital Programme

This will be supported by £885k from Reserves

The following sections will look at the above areas in more detail and provide updates and forecasts for each area, including any changes that have been made since the original budget was approved and set.

3.2 Income and Funding

The PCC set the budget based on receiving income and funding of £133,260k during 2016/17 from the areas summarised in the table below, the in-year changes, the actual levels of income forecast to be received and variances are shown below. In addition to current year figures the comparator figures for 2015/16 is also shown.

| 2015/16 Budget | In Year Changes | 2015/16 Revised Budget | 2015/16 Outturn | Variance | Summary of Income to be Received by the PCC | 2016/17 Budget | In Year Changes | 2016/17 Revised Budget | 2016/17 Forecast Outturn | Variance |
|------------------|-----------------|------------------------|------------------|--------------|---|------------------|-----------------|------------------------|--------------------------|-----------|
| £000s | £000s | £000s | £000s | £000s | | £000s | £000s | £000s | £000s | £000s |
| (47,883) | 1,466 | (46,417) | (46,417) | 0 | Funding | (46,152) | 0 | (46,152) | (46,152) | 0 |
| (37,287) | (1,466) | (38,753) | (38,753) | 0 | Police Grant | (38,532) | 0 | (38,532) | (38,532) | 0 |
| (85,170) | 0 | (85,170) | (85,170) | 0 | RSG/National Non Domestic Rate | (84,684) | 0 | (84,684) | (84,684) | 0 |
| | | | | | Government Grants | | | | | |
| (30,590) | 0 | (30,590) | (30,590) | 0 | Precept | (31,642) | 0 | (31,642) | (31,642) | 0 |
| (800) | 0 | (800) | (800) | 0 | Council Tax Freeze Grant | (800) | 0 | (800) | (800) | 0 |
| (6,868) | 0 | (6,868) | (6,868) | 0 | Council Tax Support Grant | (6,868) | 0 | (6,868) | (6,868) | 0 |
| (38,258) | 0 | (38,258) | (38,258) | 0 | Precept related funding | (39,310) | 0 | (39,310) | (39,310) | 0 |
| (6,239) | (48) | (6,287) | (6,078) | 209 | Specific Grants | (6,506) | (175) | (6,681) | (6,379) | 302 |
| (2,153) | (1,670) | (3,822) | (4,564) | (741) | Partnership Income/Fees and Charges/Misc Income | (2,760) | (297) | (3,057) | (3,340) | (283) |
| (8,392) | (1,718) | (10,110) | (10,642) | (532) | Other Funding | (9,266) | (472) | (9,738) | (9,719) | 20 |
| (131,820) | (1,718) | (133,538) | (134,071) | (532) | Total | (133,260) | (472) | (133,733) | (133,713) | 20 |

3.3 In Year Changes

The income budget has increased by £472k since the start of the year as a result of allocating £60k to set the non-pay budgets relating to the Driver Training Income, the Police Officer secondment income budget has been increased by £140k, due to the additional secondment of 2 Police Officer's out of the Force area, the increased income budget has enable this £140k to be provided to the Force to backfill those roles vacated by the secondments. A budget of £175k of income was set for income received from the NHS to undertake some work around Vulnerable Victims with a corresponding expenditure budget also established. The overall income budget has increase by a further £97k due to the receipt of a funding in relation to Mutual Aid and Special Services income, where in both instance the receipt of the income has enabled the budget of the Force to be increased to pay for these services without the need to draw resources from core work.

3.4 Income Forecasts

As you would expect, the vast majority of the income the PCC will receive during 2016/17 has already been agreed and little or no variances will be expected against the originally budgeted figures for Government Grant funding or Precept related funding.

3.5 The areas where variances may occur will predominantly be in relation to Partnership Funding, Fees and Charges and Miscellaneous Income with some minor variances possible against Specific Grants. In 2015-16, for instance, £2,251k (2014-15 - £3,216k) more income than budgeted was received and £532k (2014-15 - £1,157k) was due to over recovery of income.

3.6 So far income is being forecast much closer to the budgeted figures than in the last couple of years as the learning from previous years has been factored into the original budget. As expected some minor variances have occurred as the year developed but at this stage a small pressure of £20k is being forecast.

3.7 The Office of the PCC

The 2016-17 budget of £850k for the Office of the PCC is split into the following areas:

| Original 2015/16 Budget | 2015-16 Outturn | 2015-16 Over/(Under) Spend | PCC Budget | Original 2016/17 Budget | Budget YTD | Spend YTD | Over/ (Under) spend YTD | 2016-17 Forecast Outturn | 2016-17 Forecast Over/(Under) |
|-------------------------|-----------------|----------------------------|---|-------------------------|------------|------------|-------------------------|--------------------------|-------------------------------|
| £000 | £000 | £000 | Category of Spend | £000 | £000 | £000 | £000 | £000 | £000 |
| 585 | 732 | 147 | Staff Pay and Allowances (Incl. NI and Pension) | 620 | 517 | 547 | 31 | 667 | 47 |
| 0 | 3 | 2 | Other Pay and Training | 5 | 4 | 3 | (1) | 3 | (2) |
| 1 | 1 | (0) | Premises | 0 | 0 | 0 | 0 | 0 | 0 |
| 293 | 262 | (31) | Supplies and Services | 262 | 218 | 198 | (20) | 229 | (33) |
| 11 | 12 | 1 | Transport | 11 | 9 | 10 | 0 | 11 | 0 |
| (40) | (172) | (132) | Miscellaneous Income | (48) | (40) | (39) | 1 | (60) | (12) |
| 850 | 837 | (13) | Total Budget | 850 | 708 | 719 | 10 | 850 | 0 |

3.8 Position as at the end of January 2017

The table at 3.7 above shows the forecast position for 2016-17. Forecasts continue to show that expenditure for 2016-17 is expected to be in line with the budget of £850k and therefore there is a current forecast outturn of breakeven.

3.9 Corporate Services

Corporate Services budgets include the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.

3.10 The Corporate Services budget for 2016/17 was set at £8,850k, as per the table below, however £189k was transferred to the Force to fund the Everyone Matters Programme and to cover the increased costs of our contribution to NPAS given that the full level of savings were not passed through in 2016/17. Subsequent to this, £197k has been released from the PFI sinking fund, which is in place to deal with peaks in Lifecycle and Maintenance costs throughout the 25year Action Stations contract, to deal with the peak that happens in the 10th year of this PFI scheme. The table below reflects these changes and also shows the forecast spend and outturn at this stage of the year.

| Original 2015/16 Budget | Revised 2015/16 Budget | 2015/16 Outturn | 2015-16 Actual Over/(Under) | Corporate Services Budget | Original 2016/17 Budget | Revised 2016/17 Budget | Budget YTD | Spend YTD | Over/ (Under) spend YTD | 2016/17 Forecast Outturn | 2016-17 Forecast Over/ (Under) |
|-------------------------------|------------------------------|--------------------|-----------------------------------|---|-------------------------------|------------------------------|---------------|--------------|----------------------------------|--------------------------------|---|
| £000s | £ | £000s | £000s | Category of Spend | £000s | £ | £000s | £000s | £000s | £000s | £000s |
| 195 | 195 | 186 | (9) | Staff Pay and Allowances (Incl. NI and Pension) | 295 | 253 | 211 | 188 | (23) | 242 | (11) |
| 39 | 39 | 90 | 51 | Supplies and Services | 39 | 39 | 33 | 165 | 132 | 203 | 163 |
| 1 | 1 | 1 | 0 | Transport | 1 | 1 | 1 | 1 | 0 | 1 | 0 |
| 1,735 | 583 | 554 | (29) | PFI - Uraly Nook | 1,770 | 1,720 | 1,433 | 1,431 | (2) | 1,717 | (3) |
| 5,070 | 1,566 | 1,565 | (1) | PFI - Action Stations | 5,120 | 5,317 | 4,431 | 4,256 | (175) | 5,143 | (174) |
| 1,950 | 5,802 | 5,767 | (35) | Asset Management | 1,625 | 1,528 | 1,273 | 1,261 | (12) | 1,513 | (15) |
| 8,990 | 8,186 | 8,163 | (23) | Total Budget | 8,850 | 8,858 | 7,382 | 7,301 | (80) | 8,818 | (40) |

3.11 A small underspend is now currently forecast as a result of the changes made in year and this will be monitored over the final few months of the financial year.

3.12 PCC Initiatives and Victims and Witnesses Services

The PCC has allocated a budget of £2,810k to support Community Safety and PCC Initiatives and deliver Victims and Witnesses services during 2016/17. £2,077k was allocated to the Community Safety and PCC Initiatives budget and £733k to Victims and Witnesses Services. The position as at the end of January 2017 is as per the below table:

| PCC Initiatives and Victims and Witnesses | Original 2016/17 Budget | Current 2016/17 Budget | Budget YTD | Spend YTD | Over/ (Under) spend YTD | 2016/17 Forecast Outturn | 2016-17 Forecast Over/ (Under) |
|--|--|---------------------------------------|-------------------|------------------|--|---|---|
| Category of Spend | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| PCC Initiatives | 2,077 | 2,227 | 1,856 | 916 | (939) | 1,036 | (1,041) |
| Victims and Witnesses Services | 733 | 908 | 757 | 735 | (22) | 840 | 107 |
| Community Safety Fund | 150 | 150 | 125 | 233 | 108 | 233 | 83 |
| Total Budget | 2,960 | 3,285 | 2,737 | 1,885 | (853) | 2,110 | (850) |

3.13 In addition to the original allocations to this area the PCC has a Community Safety Fund Earmarked Reserve of £600k. The intention is to release £150k per annum from this reserve over the next 4 years. The first £150k has been released in 2016/17 which is the reason for increase in the budget in this area.

3.14 The £2,077k allocated to PCC initiatives includes £750k, to be spent in the second half of the financial year, to increase investment to reduce harm and strengthen communities across the Cleveland Police area. A recruitment event was held at Teesside University on Tuesday 6th December 2016 in relation to the staff posts that will aid delivery of this investment. The increases in Police Officers and PCSOs to deliver this investment will not occur during the current financial year as the current numbers employed, as indicated within the Force's financial report, are below their original budgeted level. It is therefore unlikely that any of the £750k set aside for this development will be spent in the current financial year which is reflected in the current forecast.

4. Police Force

4.1 The vast majority of the funding available to the PCC has been provided to the Police Force. The Force was initially allocated a budget of £119,410k for 2016/17; this has increased by £683k, to £120,093k. This results from the receipt of the £297k additional income as mentioned in section 3.3, the £189k referenced in section 3.10, the transfer of £121k from the 'Cloud' capital budget to the Capital revenue budget to reflect the nature of the final contract for this area of development and the release of £75k from the Estates Earmarked reserve to facilitate some of the costs associated with the Estates Strategy. The summary of how this is forecast to be spent, including forecast outturns are included in the table below:

| Police Force Financial Summary | Original 2016/17 Budget | Revised 2016/17 Budget | Forecast Spend in 2016/17 | 2016/17 Forecast (Under)/ Overspend |
|---|--|---------------------------------------|--|--|
| Police Force Planned Expenditure | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| Pay | | | | |
| Police Pay | 66,769 | 66,917 | 67,182 | 265 |
| Police Overtime | 1,575 | 1,664 | 2,129 | 465 |
| Staff Pay | 7,949 | 8,705 | 8,810 | 105 |
| Police Community Support Officer Pay | 4,077 | 4,072 | 3,802 | (270) |
| Pay Total | 80,370 | 81,359 | 81,924 | 565 |
| Major Contracts | | | | |
| Outsourcing Contract | 18,395 | 17,667 | 17,667 | 0 |
| Custody and Medical Contract | 3,190 | 3,167 | 2,987 | (180) |
| Major Contracts Total | 21,585 | 20,835 | 20,655 | (180) |
| Non-Pay Budgets | | | | |
| Other Pay and Training | 287 | 451 | 490 | 38 |
| Injury and Medical Police Pensions | 2,775 | 2,753 | 2,513 | (240) |
| Premises | 3,740 | 3,851 | 3,751 | (100) |
| Supplies and Services | 6,423 | 6,530 | 6,831 | 302 |
| Transport | 1,635 | 1,574 | 1,514 | (60) |
| External Support | 2,595 | 2,740 | 2,815 | 75 |
| Non-Pay Total | 17,455 | 17,899 | 17,914 | 15 |
| Total Planned Force Expenditure | 119,410 | 120,093 | 120,493 | 400 |

4.2 Full details of the expenditure of the Force and the financial performance against their plans are outlined elsewhere on today's agenda.

4.3 Reserves

The 2016/17 budget was to be supported by £885k from Reserves. This is made up of the following transactions:

- £40k to the PFI Reserve.
- £1,550k from the General Fund.
- £625k to Earmarked Reserves to support strategic contract transformation costs.

4.4 These transactions will occur as a matter of course during the 2016/17 financial year. Current forecast for movements on Earmarked and General Reserves to the end of 2016/17 are included within the table below:

| | Balance at 31 March 2016 £000 | Tranfers In 2016/17 £000 | Tranfers Out 2016/17 £000 | Balance at 31 March 2017 £000 |
|-----------------------------------|--|---|--|--|
| Direct Revenue Funding of Capital | (3,228) | (2,104) | 2,832 | (2,500) |
| Injury Pension Reserve | (640) | | | (640) |
| PFI Sinking Fund | (295) | (40) | 197 | (138) |
| Incentivisation Grant | (193) | (80) | 180 | (93) |
| Specials | (39) | | 39 | 0 |
| Uraly Nook TTC | (81) | | | (81) |
| NERSOU | (3) | | | (3) |
| Estates Reserve | (173) | | 75 | (98) |
| Job Evaluation Reserve | (550) | | | (550) |
| Police Property Act Fund | (17) | | 17 | (0) |
| ER/VR/CR Reserve | 0 | (625) | 625 | 0 |
| Community Safety Initiatives | (600) | | 150 | (450) |
| Road Safety Initiatives Fund | (449) | (240) | 150 | (539) |
| Collaboration Reserve | (204) | | | (204) |
| Revenue Grants Unapplied | (137) | | 137 | (0) |
| Total Earmarked Reserves | (6,608) | (3,089) | 4,402 | (5,295) |
| General Reserves | (8,627) | (975) | 1,550 | (8,052) |
| Total Usable Reserves | (15,235) | | | (13,347) |

5. Overall Budget Summary

5.1 At the end of January 2017 the follow table summarises the finances of the PCC, including forecasts of the expected outturn in each area.

| | Original 2016/17 Budget | Revised 2016/17 Budget | Forecast Spend in 2016/17 | 2016/17 Forecast (Under)/ Overspend |
|--|--|---------------------------------------|--|--|
| Funding | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| Government Grant | (84,684) | (84,684) | (84,684) | 0 |
| Council Tax Precept | (31,642) | (31,642) | (31,642) | 0 |
| Council Tax Freeze Grant | (800) | (800) | (800) | 0 |
| Council Tax Support Grant | (6,868) | (6,868) | (6,868) | 0 |
| Funding for Net Budget Requirement | (123,994) | (123,994) | (123,994) | 0 |
| Specific Grants | (6,506) | (6,681) | (6,379) | 302 |
| Partnership Income/Fees and Charges | (2,760) | (3,057) | (3,340) | (283) |
| Total Funding | (133,260) | (133,733) | (133,713) | 20 |
| Office of the PCC Planned Expenditure | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| Staff Pay | 620 | 620 | 667 | 47 |
| Non Pay Expenditure | 230 | 230 | 183 | (47) |
| Total Planned Expenditure | 850 | 850 | 850 | 0 |
| PCC Initiatives/Victims and Witness | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| PCC Initiatives | 2,077 | 2,227 | 1,270 | (957) |
| Victims and Witnesses Services | 733 | 908 | 1,015 | 107 |
| Total Planned Expenditure | 2,810 | 3,135 | 2,285 | (850) |
| Corporate Costs | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| Staff Pay | 295 | 253 | 242 | (11) |
| Non Pay Expenditure | 40 | 40 | 204 | 163 |
| PFI's | 6,890 | 7,037 | 6,860 | (177) |
| Asset Management | 1,625 | 1,528 | 1,513 | (15) |
| Total Corporate Costs | 8,850 | 8,858 | 8,818 | (40) |
| Police Force Planned Expenditure | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| Police Pay | 66,769 | 66,917 | 67,182 | 265 |
| Police Overtime | 1,575 | 1,664 | 2,129 | 465 |
| Staff Pay | 7,949 | 8,705 | 8,810 | 105 |
| Police Community Support Officer Pay | 4,077 | 4,072 | 3,802 | (270) |
| Pay Total | 80,370 | 81,359 | 81,924 | 565 |
| Major Contracts Total | 21,585 | 20,835 | 20,655 | (180) |
| Non-Pay Budgets | | | | |
| Other Pay and Training | 287 | 451 | 490 | 38 |
| Injury and Medical Police Pensions | 2,775 | 2,753 | 2,513 | (240) |
| Premises | 3,740 | 3,851 | 3,751 | (100) |
| Supplies and Services | 6,423 | 6,530 | 6,831 | 302 |
| Transport | 1,635 | 1,574 | 1,514 | (60) |
| External Support | 2,595 | 2,740 | 2,815 | 75 |
| Non-Pay | 17,455 | 17,899 | 17,914 | 15 |
| Total Planned Force Expenditure | 119,410 | 120,093 | 120,493 | 400 |
| (Surplus)/Deficit | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> | <u>£000s</u> |
| (1,340) | (797) | (1,267) | (470) | |
| Planned Transfers to/(from) General Fund | (1,550) | (925) | (925) | 0 |
| Contribution to Capital Programme | 2,850 | 1,682 | 1,682 | 0 |
| Planned Transfers to/(from) Earmarked Reserves | 40 | 40 | 40 | 0 |
| Net (Surplus)/Deficit After Reserves | 0 | (0) | (470) | (470) |

6. Implications

6.1 Finance

There are no financial implications other than those mentioned above.

6.2 Diversity & Equal Opportunities

There are no issues arising from this report to bring to the attention of the PCC.

6.3 Human Rights Act

There are no Human Rights Act implications arising from this report.

6.4 Sustainability

This report is part of the process to establish sustainable annual and medium term financial plans and maintain prudent financial management.

6.5 Risk

At this stage of the financial year budgets are very tight and are being actively managed to deliver against the priorities and plans whilst staying within budget. The capacity to absorb further unexpected costs and pressures is therefore very limited.

7. Conclusion

7.1 The proposed 2016/17 budget underpins the PCC's objectives of:

- Retain and develop Neighbourhood Policing
- Ensure a better deal for victims and witnesses
- Divert people from offending, with a focus on rehabilitation and the prevention of reoffending
- Develop better coordination, communication and partnership between agencies to make the best use of resources
- Working for better industrial and community relations

7.2 As you would hope and expect the finances of the organisation are very tight, with the best service possible trying to be delivered within the budgetary constraints.

7.3 There have been a number of high profile unbudgeted costs that have impacted on the Force expenditure during 2016-17. Despite attempts to curtail expenditure in the second half of the year it has not been possible for the Force to absorb these costs, resulting from Employment Tribunal judgements and associated payments, within their overall budget for 2016-17.

7.4 The challenges for the Force in being able to recruit resources to deliver new areas of investment, particularly in relation to Neighbourhood Policing, is not going to be delivered in 2016/17 with a subsequent underspend of £750k

likely in this area. This is an area that will need to be closely monitored as we move into 2017/18.

- 7.5 The financial performance of the organisation will continue to be closely monitored throughout the financial year as there are a number of pressures that are currently being risk managed that could impact on the position in this report, to ensure it is well controlled and also any impact from the 2016/17 financial performance feeds into the financial plans for 2017/18 and beyond.

Michael Porter
PCC Chief Finance Officer