



Police & Crime Commissioner for Cleveland
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Chief Executive & Monitoring Officer:

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PCC Scrutiny, Delivery & Performance Meeting

Date: Wednesday 29 November 2017
Time: 10am-12pm
Venue: PCC Conference Room

Agenda

		Presented by
1.	Apologies For Absence	
2.	Declaration of conflict of interest/disclosable pecuniary interest	
3.	Notes of the previous meeting – 3 October and 25 October 2017	
4.	Financial Information a) Cleveland Police – Corporate Financial Monitoring Report to 31 st October 2017 b) PCC Budget Monitoring Report to 31 st October 2017 c) Long Term Financial Plan (LTFP) 2018/19 to 2021/22 and Capital Plans 2018/19 to 2021/22 Update d) Cleveland Police Long Term Financial Plan (LTFP) 2017/18 to 2020/21	OPCC and Cleveland Police
5.	PCC Scrutiny Questions	Cleveland Police
6.	Any Other Business	
7.	Date of next meeting – 28 February 2018	



Scrutiny, Delivery & Performance Meeting
Tuesday 3 October 2017
1.00pm
PCC Conference Room, Police Headquarters, Ladgate Lane

Present

Barry Coppinger, Police and Crime Commissioner
Julie Cowen, Learning and Development Manager
Denise Curtis-Haigh, Head of People and Development
Simon Dennis, Chief Executive and Monitoring Officer, OPCC
Joanne Hodgkinson, Assistant Chief Executive, OPCC
Karen Lindberg, Head of HR
Judith Nellist, Commissioner's Officer for Policy and Scrutiny
Simon Nickless, Deputy Chief Constable, Cleveland Police
Elise Pout, Standards and Scrutiny Manager, OPCC
Kathy Prudom, Chief Inspector
Brian Thomas, ACO
Nicky Watson, Organisational Development Manager
Lindsey Wrigglesworth, ER Manager
Paul Young, Recruitment Manager

Apologies for absence

1. No apologies were received.

Declarations of Conflict of Interest/Disclosable Pecuniary Interest.

2. None declared

Human Resources (HR)

3. At the Scrutiny, Delivery and Performance meeting on 3 October the PCC focussed on Cleveland Police's HR Strategies and the progress being made towards delivering them. In order for the PCC to be informed about this, a detailed presentation was given to establish the HR plans that were in place, along with the key milestones and programmes that had been established in order to deliver them.
4. The information required from the meeting covered the following specific HR areas:
 - Attract
 - Develop
 - Retain
5. The meeting took the format of a presentation by HR representatives and it began by setting out the strategic context and how the People Strategy 2017/20 aimed to attract, develop and retain the right people to have the right skills and maintain a healthy and inclusive workforce. HR representatives outlined how they were supporting the Force to become an employer of choice through a number of ways such as recognising and rewarding positive contributions, providing a supportive and inclusive work environment and developing excellence in leadership.

Attract

6. *The Force was asked the following questions:*

- i. What work is being undertaken to promote Cleveland Police as an employer of choice, what publications have been prepared and how is its success being measured?*
- ii. How are Cleveland Police promoting the role of PCSO as a career option?*
- iii. What communication is taking place to deliver a consistent message to our communities and prospective candidates about the Force's commitment to Equality and Diversity and the aim to attract a rich, diverse pool of candidates?*
- iv. How are Cleveland Police's recruitment practices developed and evaluated?*
- v. What work is taking place to examine barriers to recruitment and how they can be overcome?*
- vi. In order to build a diverse workforce, what work has been undertaken in partnership with staff and communities?*
- vii. Have community outreach opportunities been developed to build positive relations with potential candidates?*
- viii. How is the network of recruiting sources such as community colleges, community youth schemes and diversity projects growing?*
- ix. Has there been an exploration of candidate support programmes and have they been piloted yet?*
- x. What plans are in place regarding the use of volunteers? What has been done to grow the volunteer base, have numbers risen over the last two years and if so how are they being utilised?*
- xi. How does the Force actively encourage applications from women, BME groups?*
- xii. Recruitment windows – why does it take so long from the police applicant being successful in getting a place to their start date with the Force? What process is in place to communicate start dates and lengthy waits to successful candidates?*
- xiii. Are there any collaborative opportunities that can be undertaken in these areas and if so what are they and how far have they been developed?*

Attract

7. The Strategic Workforce Plan 2017-20 set out how the Force would attract police officers, staff and volunteers. The PCC heard about the 3 year recruitment plan which was reviewed regularly and how recruitment campaigns were undertaken on a rolling basis.
8. There were a number of ways the force undertook to attract applicants including: adverts on Black, Asian and Minority Ethnic group's (BAME) radio stations; flyers and publications had been produced; events had taken place at the university; and the Force had used social media to bring information to different audiences. It was noted that the Force only attracted 3-6% of the available BAME population with the full potential being 12% and work was on-going with Equality North East and an e-recruitment solution was planned for January 2018. Neighbourhood officers and staff also acted as recruitment champions to provide a link between the Force and potential applicants.
9. In order to promote employment opportunities Community Engagement work had taken place in the form of community events, marketing and on-line community events. Since the beginning of the Everyone Matters programme in February 2016 continuous improvement of relationships with communities had taken place, including community and cultural awareness sessions, building rapport with communities and gaining a better understanding of their needs.
10. The impact of that work undertaken to date had shown that in PCSO recruitment there had been a shift towards female officers and there had been positive indications that people from BAME communities wanted to work for the Force. A snapshot of the organisation between September 2015 and September 2017 had shown that there had been a drop in male representation, an increase in women PCSOs and no overall change in BAME. Workforce diversity statistics presented at the meeting showed that in order to improve BAME levels it would take an additional 40 officers at 20 per year for 2 years and to increase the number of female officers by 30% it would take approximately an additional 20 officers per year for 3 years.

11. A number of methods had been used to attract applicants from protected categories to help them through the recruitment process, including a scheme linked with Gateshead College that advised applicants about application forms and interviews. It was noted that the Force had previously struggled to attract good quality candidates to the PCSO role and the attrition rate had been around 50%, so work had been undertaken with Gateshead College and Equality North East to help applicants reach the standards required. However, the Force had a high conversion rate from PCSOs to police officer and the Force had retained staff in that way.
12. The recruitment of special constables had been a challenge, most people who were attracted to the Force applied as a police officer as a first choice and National College of Policing guidelines stated that applicants could only apply through one route at a time. Similarly volunteers had been difficult to recruit, again because of the recent recruitment of police officers. That experience had been mirrored across all forces.
13. The volunteer programme had 3 distinct areas that involved volunteers: community support; vehicle checking; and duty support. There were 25 volunteers and a new campaign was underway which aimed to attract another 30 volunteers. Which along with the 'citizens in policing' agenda, was now being developed by ACC Harwin who had taken the portfolio lead. The current volunteer campaign had been positive and the Force was looking at attracting younger people, possibly via the university in order to develop the profile of the people who are generally attracted to apply. Cadets ensured engagement with young people but it was recognised that new and innovative ways were needed to develop the way the Force could involve young people.
14. In order to manage diversity within the Force, consideration had been given to the make-up of service units to ensure that they were reflective of the population and the workforce and that there was a right mix of staff. Officers had been given the opportunity to undertake various attachments with different service units, such as the major crime team, to gain an insight into different areas of work.
15. The PCC was concerned about the length of time it took for a person to go through the full recruitment process from applying to starting as a police officer. It was explained that it took 38 weeks end to end, managing such independencies as vetting and medicals. The best case recruitment scenario should take 26 weeks but that involved higher costs. It was noted that the workforce plan was dynamic and subject to monthly review. One of the main challenges to recruitment was where there had been changes to financial planning that meant that the cohort of 80 was reduced to 20, which then left successful applicants waiting for the next intake.
16. In order to manage candidates' expectations about start dates, the Force informed all applicants about the process, outlining that it can be lengthy and time consuming. Systematic reviews were undertaken about how candidates were communicated with and monthly updates to candidates had been introduced. Candidates would also be asked to provide feedback on the recruitment process.
17. The PCC will take a keen interest in this area to ensure that the force work to improve waiting times for candidates.

Develop

18. *Personal Development Review (PDR) - Cleveland Police regards PDRs as critical to the effective management of performance and to recognise the valuable contribution that the workforce makes to keep communities safe. The PDR process and its documentation have been recently reviewed.*
19. *The PCC was interested in receiving information on the following*
 - *What support is given to staff to help them make the most of their PDRs?*
 - *What support are line managers given to help them undertake successful PDRs?*
 - *How many PDRs have been completed this year and is the number on target?*
 - *Is an assessment undertaken of the quality of PDRs?*

- *Following the completion of PDRs, how are officer/staff training needs collated, provided for and monitored to ensure it links to people's Continuing Professional Development (CPD)?*
 - *Does HR share information with PSD to ensure that they have a whole picture of an officer's performance and CDP?*
20. To date an improved paper based system that incorporated the CVF (Competency and Values Framework) and mandatory objectives, had been introduced. Advice and support had been given to managers, individuals and teams and a monitoring tool had been introduced to enable the reporting of compliance. The target of all members of the workforce to have commenced their PDR by March 2017 was set and an 80% compliance was achieved in the timescale. The Force recognised the challenges of the PDR and CPD culture in that the system was not e-based and that there was a lack of quantitative and qualitative management information. The Force also acknowledged career progression, succession planning and personal development plans needed further development to be undertaken, improving the understanding and the 'buy-in' of the value and benefits of PDR and CDP.
21. In order to address the issues above, a PDR project had been set up to work on the procurement of an e-based PDR solution. Work had also taken place to develop the PDR and CPD culture in the Force that included linking individual career progression and succession planning with personal development and plans to embed a cultural shift that saw PDRs as a positive rather than a negative. In order to develop Managers for PDR, organisational briefing sessions had taken place, along with training on challenging conversations, action learning and coaching. New initiatives included redesigned sergeant and inspector programmes, CPD for managers and a leadership intranet site.
22. Workforce Planning – The workforce plan made reference to talent management processes being the key to feeding the recruitment pipeline. The PCC asked the following questions:
- *What is taking place in terms of skills assessments/personality profiling, high potential talent, talent pool and a talent management scheme?*
 - *Do all commands and service units have a succession plan in place, and if so are they being managed quarterly through the strategic workforce planning meetings? Are any critical skills gaps emerging and if so, what plans are in place to address those?*
 - *What creative approaches have been developed as a result of the Apprenticeship Levy?*
 - *What plans are in place for the increasing requirement for the development of highly specialised skills such as in the cybercrime arena?*
 - *What developments have taken place to address the number of operational staff who are working in non-operational roles?*
23. The PCC was interested in how the Force was managing its workforce modernisation, especially in relation to future skill requirements such as dealing with new and emerging types of crime such as cybercrime. In order to manage succession planning the Force's strategic HR advisors held quarterly reviews to review structures, analyse intelligence around retirement profiles or people's movement around the organisation. The team also worked with service unit managers to plan the workforce in the longer term.
24. In order to develop talent with the Force, there were a number of existing programmes such as fast track, secondments, champion roles, promotion support, reflect programme, 360 feedback and MBTI. New initiatives such as the talent development programme and continuous improvement partners were detailed. The Force's objective was to retain and accelerate the development of the most talented people in the organisation. Through the Talent Development Programme, it would ensure that the participants grow in capability and confidence, that line managers 'stretch' high performers and ultimately ensured that the Force retained its best performers.
25. The PCC was informed about the professionalisation agenda which demonstrated the proposed education qualification framework for policing. Including the three routes of entry for a police constable: a degree apprenticeship; Graduate entry programme; and pre-join professional policing degree. The Force had worked in partnership with Higher Education Institutes to develop delivery models and there was a potential to set up a Centre of Excellence. It was anticipated that one of the benefits of the police constable degree course would

be that it might attract different candidates as there wouldn't be any up-front costs to be paid as they would be paid with the Apprenticeship Levy. The Force wanted to be ahead of the game in this area and were working with providers to do so.

26. In considering collaboration opportunities, work had been undertaken with the University of Teesside, Gateshead College, Job centre Plus, Stockton College, PD Ports, Redcar and Cleveland Council and 2 forces within the region.
27. The Force were considering the use of a cloud based system which was a database that would provide a mechanism to be able to interrogate HR information effectively about, for example, why people drop out of the employment process and it could also provide a skills gap analysis. Option appraisals for the system were being developed and it was agreed that further information on the timeline for the procurement process would be brought back to the PCC
28. HR Policies Under Review - The flexi time and annual leave schemes were currently under review by the Force. The Force were asked the following questions:
- *How is the Force reviewing those schemes to ensure that they fit with agile working policies?*
 - *Have the current policies been assessed to ensure they are enabling managers to get the best from their teams and be used as a tool for managers to discuss improving team productivity.*
 - *Has any benchmarking been undertaken with other public sector organisations to compare staff conditions, flexi time leave, the number of days annual leave, the purchase of extra annual leave etc.?*
 - *There are a number of initiatives that have been put in place to help improve the provision for staff who are absent from work due to sickness and specifically long term absences including: an occupational health review; attendance management workshops with supervisors; and work undertaken by the employee relations team in conjunction with HR to identify key cases of absence. What effect have the measures to combat high levels of sickness had to date?*
 - *How is sickness absence data used to manage and monitor absence? It would be useful to have a breakdown of the sickness statistics including types of illness and length of time away from their position.*
 - *What barriers have been experienced by staff and line managers in implementing current absence management policy and how are those being addressed by the Force?*
 - *What initiatives have been introduced to promote wellbeing amongst their staff, what impacts they are expected to make and what progress has been made to date?*
 - *Are the Force using/or planning to use the online toolkit – Oscar Kilo?*
 - *What kind of support is offered to staff following major incidents, how do staff access it and is there any feedback on the results of such a service?*

Retain

29. The Force were also asked the following questions with regard to staff retention.
- *What are the themes and trends in internal grievances? Are there any patterns in the claims that have arisen and what has or can be learnt from them to ensure future issues don't arise?*
 - *Given recent reports about police officer morale, what work is undertaken to capture the number of officers, and staff, who have left and their reasons for leaving. For example do exit interviews take place? What is then being done within the organisation to address the issues that arise from that information?*
30. A number of HR policies had been under review, including: maternity, flexible working, annual and other leave and flexible benefits. It was noted that only 10% of the organisation were able to work flexibly and work was on-going to develop agile working facilities across the Force estate. The policies being reviewed were being linked with the staff reference group and the Force was looking at issues such as the purchase of annual leave.

31. Employee relations (ER) – An ER case management system had recently been introduced which tracked cases and allowed for greater visibility of the cases, volumes and compliance. It also enabled the Force to be able to identify trends and the lessons that had been learnt.
32. The tactical people intelligence board (PIB) had been introduced. To which there were 2 parts, the strategic and the tactical. The strategic PIB considered trends, emerging issues, risk and lessons learnt, the tactical PIB brought together key intelligence people in a closed session for constructive discussions about the cases that were being dealt with, some cases were quite complex and cross over was sought with the aim of linking the Directorate of Standards and Ethics agenda, information about complaints and serious conduct, links with OPCC referrals and notifiable associations etc. Service unit managers were brought in where serious causes for concern were brought to light. The PIB had been operational for 3 months and it was producing a rich picture of information, the de-escalation of certain cases and the return to work of some officers/staff.
33. The PCC was informed that staff sickness had started to rise since April 2015 and there was an average of 12 days per officer days lost due to sickness and 11 days per staff member. In police officers and staff the biggest cause was stress, depression/anxiety. Work had therefore been undertaken to understand the problem and its impact on the individual and the organisations. A new holistic approach to wellness that was under development was presented to the PCC.
34. Wellbeing – a number of initiatives regarding staff physical, psychological, organisational and financial wellbeing have been introduced in recent years. For example
- Force health initiative programmes
 - Flu jabs and immunisation programmes
 - Everyone matters programme
 - Employee relations transformation programme
 - Blue light champions
 - Employee assistance programme
 - Financial awareness programmes
 - Police Mutual
35. The national wellbeing resource, Oscar Kilo, a national initiative to share learning and best practice from across the emergency and blue light services, was to be embedded into the Force's daily business.
36. Where staff had been involved in major incidents there was access to support from a welfare officer, immediate welfare response and following assessment referrals to the employee assistance programme, counselling services, the Force psychologist or a GP. There had been a number of challenges in the past such as inconsistency from supervision in the notification of incidents to welfare however proposals were presented that would involve the implementation of a Critical Incident Aftercare Programme, developed by the Force psychologist. Training would be delivered to managers, clear definitions of critical incidents would be applied and clear steps to be taken in the aftermath of an incident.
37. The PCC was informed about the current position with the take up of the pensions scheme, it was noted that only 4 out of 20 new starters joined the pension scheme with some existing members withdrawing from the scheme citing economic reasons.
38. **Actions** – to ensure that the PCC is kept informed of on-going developments further updates are sought at an appropriate time on the following: diversity, recruitment systems and timescales, volunteering, collaboration, education/development framework, PDRs and the wellness centre.

Any Other Business -

39. None.



Scrutiny, Delivery & Performance Meeting

Wednesday 25 October 2017

10.00pm

PCC Conference Room, Police Headquarters, Ladgate Lane

Present

John Armstrong, Consultant, Transforming PSD

Barry Coppinger - Police and Crime Commissioner

Louise Drummond – Head of Performance, Quality and Review, Cleveland Police

Joanne Hodgkinson – Assistant Chief Executive, OPCC

Judith Nellist – Commissioners Officer for Scrutiny and Policy, OPCC

Simon Nickless -Deputy Chief Constable, Cleveland Police

Elise Pout - Standards and Scrutiny Manager, OPCC

Anne-Marie Salwey – Superintendent, Specialist Crime

1. **Apologies for absence**

Simon Dennis, Chief Executive and Monitoring Officer, OPCC

2. **Declarations of Conflict of Interest/Disclosable Pecuniary Interest.**

None declared.

3. **Notes of the Previous Meeting**

The notes of the following meeting were approved for publication.

- i. 26 July 2017

Investigatory Powers Tribunal – Update

4. At the Scrutiny, Delivery and Performance meeting on 31 January 2017 the PCC sought assurance that the systems and processes in place were lawful and appropriate following the Investigatory Powers Tribunal (IPT). The IPT had found that Cleveland Police had acted unlawfully in respect of several authorisations for the acquisition of communications data granted under the provisions of the Regulation of Investigatory Powers Act 2000. At that meeting the PCC agreed his full support to work with the Force to deal rigorously with the issues which arose from the IPT, including receiving regular updates from the Force. Therefore a general update was required on the following
 - a) What improvements have been made to the Force's processes in this area and if so what has been the effect of those changes;
 - b) Covert Human Intelligence Sources (CHIS) – How many CHISs are there and how many of those are registered sex offenders;
 - c) What succession planning is taking place to ensure the smooth handover of the service when the current incumbent retires; and
 - d) The PCC commissioned a specialist legal services provider, Weightmans LLP, to audit every case over the past six years involving the use of RIPA by Professional Standards. An update is sought on how this audit is progressing.
5. The PCC took assurances from the last update and it was noted that the only major piece of work that was still taking place was the Weightmans review which was close to completion. Once that review was complete it

would provide assurances on areas that are in place that work well and where areas for learning were to be identified they would be adopted.

6. The PCC was assured that a clear succession planning was in place, the current deputy would be taking over and a replacement deputy would be sought.

Actions – Where any recommendations are made as a result of the review, that the force updates the PCC on what they have done to implement such recommendations at an appropriate opportunity.

Transforming PSD – Update

7. Regular updates on the transformation of PSD are programmed in to the Scrutiny, Delivery and Performance Meetings, information was requested on the following:
 - a. Any relevant developments in this area since the last update to this meeting on 12 June.
 - b. Details of the PSD Reference Group which took place on 7 September.
 - c. Details of the next milestones and their timescales.
8. Since the last update, significant work had been completed on the recruitment and selection of Head of Directorate of Standards and Ethics. It was noted that other forces were starting to look at the work Cleveland Police had undertaken in the area. Once the successful candidate was appointed then the next phase of the programme would begin, including support for the new Head which would be provided by John Armstrong for a temporary period of time.
9. The next area of focus was the development of the next tier of the department - administration and assessment. Two additional posts had been suggested in that area and were being graded by HR.
10. It was noted that assessments were now being done to a higher standard and after a period of fine tuning there was now an improved sense of proportionality and organisational justice. Legacy cases are finished and the final ones being written up
11. The move to Hartlepool had gone well and the accommodation was fit for purpose.
12. Work had been undertaken with senior managers on performance management in the department and how to present data and use that data in helping them to understand their area of business. It was hoped that this would be embedded by the end of the year.
13. It was important that the transformation of PSD was seen in conjunction with other force initiatives such as everyone matters and wellbeing. Feedback from staff associations had been significant. Openness and transparency was being felt by officers, staff training continued and then that training was being rolled out to the departments.

Actions – That the information was noted

Community Safety Hub – Update

14. Regular updates about the on-going work on the Community Safety Hub project have been programmed in to the Scrutiny, Delivery and Performance work programme. At this meeting the PCC received an update on the following issues:
 - a. Financial Update
 - b. Progress against targets
 - c. Programme control/quality management
 - d. Risk update and actions
 - e. Partnership working and added value update
 - f. Community engagement

15. A written submission was received on the progress with the CSH . It was noted that the project was on track. Work had been undertaken around the transfer of the control room to provide assurances about the technical specifications. There had already been team moves to other buildings with the estate in compliance with the long term estate strategy. Familiarity sessions had taken place with staff and work was on-going with stakeholders including neighbours and schools.
16. There was an amber status noted on spend and it was explained that this was due to the review of the IT costs and remaining funding requirements.

Actions – That the information was noted

Audit and Inspections Update – National Child Protection Inspection September 2017

17. Updates from Inspection Reports are a standard item on the Scrutiny, Delivery and Performance meeting agenda in order to ensure that the PCC is kept up to date with any issues/actions arising from such inspections.
18. Her Majesty's Inspection of Constabulary Fire and Rescue Service (HMICFRS) recently published a report on 21 September regarding a national inspection of child protection. HMICFRS inspectors found that the force was committed to protecting children and this was reflected in the police and crime plan. This strong commitment was seen in chief constable, the chief officer team and the PCC.
19. However, HMICFRS discovered some weaknesses in the force's approach to child protection. As a result of the inspection the PCC sought, in the first instance, an assurance that the areas for concern that were highlighted for immediate action had been dealt with and information on the force's plans to address the recommendations.
20. It was noted that the inspection had been largely positive but that there were a number of recommendations for the Force to implement. Work was on-going to consider what work other forces were doing to address those recommendations to use best practice.
21. The main area of progress on the recommendations had been with children in detention. The number of children in custody had reduced and the relationship between social care and police was good. A host of training had taken place around missing and CSE links, including 'adopt a shift', each sergeant was responsible as a SPOC and would undertake continual briefings which had started to be delivered immediately. There were also initiatives in the pipeline, for example working with Barnardos on the 'through the eyes of a child' presentation which was to be completed in December. It was recognised that more work needed to be done in the control room in terms of recognising risk and ensuring that staff were released staff for training.
22. The PCC considered the action plan that had been produced and was satisfied significant effort had been put in to creating the action plan and was assured that any immediate concerns, as highlighted within the inspection report, had been dealt with swiftly.

Actions – That the information was noted

PCC Scrutiny Questions

23. The PCC sought information on the following:

Crime Levels

24. At the Police and Crime Panel on 4 July, Members had questions about the policy relating to how resources were allocated in different policing areas. Members noted that crime levels in Hartlepool and Stockton are very different to crime levels in Middlesbrough and Redcar and Cleveland, and had concerns that the North/South policing model had been responsible for this. It was explained to the Panel that this was an operational decision for the Chief Constable and he did use a resource model that helped with this. The Commissioner indicated he

would raise this issue through his scrutiny process and would then provide an update to the Panel. The PCC therefore seeks a position statement on this subject that he could take back to the Panel.

25. It was noted that the position was not a fixed one and evaluation was on-going. The process had begun from gaining information from the vulnerable localities index (VLI) and analysing that information. Therefore an evidence base had been gained about such things as vulnerability, burglary, damage, arson, income and employment deprivation, demographics and education attainment in order to gain a level of broad risk of the area. The force also looked at what was different about Cleveland and added information about rates such as shoplifting. The approach was a risk based one and allocated PCSOs to develop solutions to long standing issues. The Force had been working with Local Authorities since the policing model had been established in 2015 and it was being reviewed for 18/19.
26. It was noted that resource allocation was just the beginning, whilst the force made sure allocations were right and response teams were moving flexibly, its aim was to build on the strength of the communities that was already there. The PPC took a close interest in the issue as it was at the core of the PPCs role.

Actions – It was agreed to provide a broader context for the panel, for example showcasing some of the social media that the teams do and to give an idea of what a day looks like based on a geographical context with a view to presenting this information as part of the panel's induction.

Track My Crime

27. The PCC asked if the force could provide an update on whether or not they plan to sign up to 'Track my Crime' and if not why?
28. It was the Force's intention to give the public access, but it required an upgrade to the Niche system which was to take place in 2018. A working group had been set up in order to develop the project.

Actions – That the information was noted

Use of Drones

29. The Force was asked if they could provide a position statement on the use of drones and if there were plans to develop their use in the future?
30. A report about investment in, and the use of, drones had been submitted to the 2020 Board and it was agreed that further work should be undertaken on the broader implications such as staffing, training, hours of operation, ICT infrastructure, partnership opportunities, what was needed in the small geographical area, how it could save time and money and how effective it would be in terms of catching criminality and finding missing people. With so many competing issues the Force wanted to ensure that it would provide the right benefit. The PCCs view was that there was a benefit to the use of drones, in that it would act as a deterrent as well as being used evidence gathering. Including bringing real benefits to the area of community safety.

Actions – DCC to brief the PCC when further work is undertaken.

Any Other Business

31. None

Final

Report of the Chief Finance Officer to the Chief Constable



CLEVELAND POLICE

16th November 2017

Corporate Financial Monitoring Report to 31st October 2017

Introduction

This report provides assurance that the revenue and capital plans for 2017/18 are being delivered, that financial risks to the plan are being monitored and managed, and that remedial action is being taken where necessary.

Summary Headlines

The tables below set out the forecast outturn position as at 31st October 2017. The forecast incorporates the impact of actions agreed to deliver financial targets.

Budget Monitoring Summaries to 31st October 2017

The overall year-end forecast is an overspend of £520k.

Revenue	Annual Budget	Forecast Outturn		Previous Forecast	Change
	£000s	£000s	%	£000s	£000s
Pay Budgets					
Police Pay & Allowances	68,101	370	0.5%	370	0
PCSO Pay & Allowances	4,147	(35)	(0.8%)	(35)	0
Staff Pay & Allowances	9,856	(150)	(1.5%)	(150)	0
Total Pay & Allowances	82,104	185	0.2%	185	0
Total Non-Pay Budgets	37,424	335	0.9%	335	0
Total Expenditure	119,528	520	0.4%	520	0

The pressure on Police pay and allowances relates to both the cost of the extra 1% bonus payment to Police Officers that was approved by the Home Office in September along with the overtime costs associated with reassurance patrols and general overtime pressures within commands. The 2017/18 cost of the Police Officer bonus is approximately £320k. This cannot be absorbed within the current spending and is therefore shown as an overspend against the Police Pay and Allowances budget. The overspend on the bonus has been partially mitigated against savings made on Police Officer pay due in the main to early retirements and the move of officers into collaborative roles.

2017/18 Police Pay breakdown

Description	Amount
	£000s
Non-Consolidated Bonus	320
Reassurance Patrols Overtime	75
Other Overtime	75
Pay Savings identified	(100)
Total	370

The forecasted saving of £150k against staff pay has remained stable from that of the previous reporting period due to the leavers identified in previous months and the timing of filling these roles with replacements.

The Forecasted underspend of £35k against PCSO pay has remained stable from that of the previous reporting period as a result of the timing of the additional leavers against the original profile.

The in-year pressures on Professional Fees, Insurance and Sopra Steria have remained as per previous months reports (£225k, £200k & £47k). Additional pressures have been identified with Police Pensions (£60k), due to backdated pension claims and Training (£50k) for additional requests for training courses and conferences. Work still continues to address the in-year budget pressures and savings of £256k have already been identified in other non-pay areas to mitigate these pressures.

Capital Monitoring Statement to 31st Oct 2017

Capital	Annual Budget £000s	Forecast £000s	Outturn %	Previous Forecast £000s	Change £000s
Estates Schemes	12,124	0	0.0%	0	0
Equipment Replacement	350	0	0.0%	0	0
ICT Schemes	3,093	17	0.5%	49	(32)
Fleet Replacement	1,996	0	0.0%	0	0
Innovation Fund Schemes	0	0	0.0%	0	0
Provision for Business Cases	10	0	0.0%	0	0
Total Capital	17,573	17	0.1%	49	(32)

As can be seen from the table above the forecast as at the end of October is for a small overspend on capital. There has been a change in forecast of £32k from that reported in period 6 relating to the final invoice price in the Blade Architecture ICT scheme and the reduction in the forecasted overspend on ESMCP as clarification of the rechargeable costs have been confirmed.

At present there are 5 schemes totalling £345k which have been identified as being deferrable and will be re-provided for in 2018/19 through a revised business case and a further £80k of saving identified against the Control Room Fallback and the Fleet programme.

2017/ 18 Capital amendments	£000s
CORE VET	(40)
Stockton HQ Rewire	(40)
Billingham Station Rewire	(40)
Livelihoods (CJS)	(20)
IL4 Confidential Network	(205)
Total Deferred Schemes	(345)
Control Room Fallback	(50)
Fleet Replacement Savings	(30)
Grand Total	(425)

The PCC has approved an additional £20k capital scheme for 2017/18 to provide additional functionality to the Experian system.

ICT are currently reviewing the Mobile Device Replacement, Microsoft licensing and Oracle schemes with a view of either withdrawing from these scheme or submitting revised business cases depending on the strategic direction of the force. The remaining schemes are achievable in this financial year. Close financial monitoring will continue to ensure that this is delivered.

Revenue Budget

On 27th February 2017, the PCC allocated the Force a revenue budget of £119,835k for 2017/18. Changes to the budget are set out at Appendix 1 resulting in a revised budget of £119,528k. A detailed analysis of expenditure for the year is given at Appendix 2.

Key Risks

The key risks to the delivery of a balanced revenue budget were set out in the LTFP and are restated at Appendix 3. These risks will be monitored at least monthly through the year. The major risks are:

- The Chief Constable of Cleveland currently has 93 claims lodged against him with the Central London Employment Tribunal in respect of the challenge to the Police Pension Scheme 2015. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until later in 2017/18.
- The number and cost of historic case reviews in any one year is unpredictable.
- The Employment Tribunal ruling that the use of Regulation A19 was discriminatory was successfully upheld by the Court of Appeals. However, the Staff Side have applied to the Supreme Court for leave to appeal the ruling.
- The additional revenue costs should pay awards be higher than those assumed within the LTFP.

Police Pay & Allowances

The forecast year-end position against the police pay budget is for an overspend of £220k (excluding the £150k attributed to overtime), unchanged from Period 6.

The budget was set on the basis of having an average of 1,274 FTE police officers throughout the year with a changing number each month in accordance with the leaver and recruitment profiles. Further funding has been confirmed from the PCC for an additional 6 posts to bring the total budget to 1280 FTE. The split including the PCC funded posts is 1120 FTE in Core Policing and 160 in collaborations. As at the 31st October the total number of officers in post is 1,269 FTE with 1121 FTE in Core Policing, 137 FTE in collaborations and 11 on secondments.

Core Police Officer Attrition	As At 31/10/17	Forecast to March	As At 31/03/18 Total	To 31/03/18 LTFP	Variance to LTFP
LTFP at 1st April	1130		1130	1120	10
Retirements	-26	-29	-55	-50	-5
Medical Retirements	-5	-3	-8	-8	0
Other Leavers	-7	-5	-12	-12	0
Recruitment	29	20	49	70	-21
Total	1121	-17	1104	1120	-16

The current variance against Police Officer overtime is £478k over budget to date, with a forecasted year end position of £150k overspend. This is partly due to the extra patrols linked with the Manchester & London incidents. It has been confirmed that the costs of extra patrols which accounts for approximately £75k will not be recovered from the Government. Business Partners have worked with Budget Holders to set targets for overtime in line with the forecasted year end position. This will be monitored closely as it is a volatile area and a risk to the forecast.

Police Community Support Officers Pay & Allowances

The forecast year-end position against the PCSO pay budget is for an underspend of £35k as a result of leavers being identified during the year and the reduction in recruitment numbers.

The budget was set on the basis of having an average of 132 FTE PCSOs (plus an additional 15 FTE funded by the PCC) throughout the year with a changing number each month in accordance with the leaver and recruitment profiles. The actual number of PCSOs in post as at 31st October was 144 FTE.

The PCC holds funding for an additional 15 FTE roles that have been agreed to enhance neighbourhood policing. This funding will be called down now that the October Cohort is in post.

PCSO Attrition	As At 31/10/17	Forecast to March	As At 31/03/18 Total	01/04/17 to 31/03/18 LTFP	Variance to LTFP
LTFP at 1st April	125		125	122	3
Leavers	-11	0	-11	-12	1
Recruitment	30	0	30	48	-18
Total	144	0	144	158	-14

Police Staff

The forecast year-end position against the police staff pay budget is for an underspend of £150k. (Unchanged from Period 6).

The staff pay budget was set based on having 285 FTE police staff in post at the 1st April (plus an additional 22 FTE funded by the PCC). As at the 31st October actual FTE in post were 281. This includes 19 of the 22 additional posts that the PCC holds funding for to enhance neighbourhood

policing. The funding for these posts are being called down from the PCC, with the remaining 3 posts forecasted to be filled by the end of December.

The recruitment for the other vacant posts identified in the budget, for other vacancies that have arisen during the year and additional posts that have been agreed at the Towards 2020 board as part of workforce modernisation are underway with forecasted start dates throughout the remainder of the year.

Non-Pay Budgets

The forecast year-end position against the non-pay budget is an overall overspending of £335k. The major variances are set out below:

Sopra Steria - £47k overspend

The forecasted year-end position is an overspend of £47k due to post implementation inflationary factors identified as part of the strategic contract that was brought in during the 2016/17 financial year.

Premises, Fuel, Light and Power - £65k underspend

The forecasted year-end position is an underspend of £65k. The £65k underspend are savings identified by the Estates Team due to capacity issues whilst they prioritise the work associated with bringing the CSH on line within the timeframes required. The remaining resources will be used to address day-to-day repairs and maintenance issues, should any significant issues arise this forecast saving may have to be revisited.

Custody - £25k overspend

The forecasted year-end position is for an overspend of £25k due to the new contract price for the outsourced medical services.

Other Police Pension Costs - £60k overspend

The forecasted year-end position is for an overspend of £60k due to several large backdated pension claims charged in this financial year.

Transport - £60k underspend

The forecasted year-end position is for an underspend of £60k. This is due to an anticipated saving against petrol on top of the reduction in the number of officers requiring car allowances and vehicle hire.

External Support - £15k underspend

The forecasted year-end position for External Support is for an underspend of £15k as a result of reduced charges for North East Fingerprint Bureau Automatic Fingerprint Recognition and South Tees CHUB.

National IT Charges - £36k underspend

The forecasted year-end position for National IT charges is for an underspend of £36k as a result of reduced Home Office charges for ACPO Criminal Records Office (ACRO) and Prison Recalls & Licences.

Insurance - £200k overspend

The forecasted year-end position for insurance is an overspend of £200k. This is due to the increase in the renewal premiums as a result of the Ogden ruling that took effect from the end of March 2017 and has had a major impact on our insurance premiums in regards to our public and employer liability premiums.

Communications - £50k underspend

The forecasted year-end position for Communications is for an underspend of £50k as a result of a credit for the mobile telecommunications line rental charges.

Computing - £30k underspend

The forecasted year-end position for Computing is for an underspend of £30k due to a reduction in the number of IT Health checks to be carried out this year.

Professional Fees - £225k overspend

The forecasted year-end position for professional fees is for an overspend of £225k as a result of further legal advice and associated barristers fees.

External Training, Seminars - £50k overspend

The forecasted year-end position for External Training is for an overspend of £50k, as a result of additional requests for courses as a result of the reorganisation of the commands and succession requirements following retirements of key Police Officers.

Collaborations

A detailed analysis of the expenditure split for the collaborations in the year is given at Appendix 6.

Cleveland, Durham and North Yorkshire Dogs Unit (CDNYDU)

The Cleveland budget for the joint unit was £862k. The forecasted year-end position is for breakeven.

Cleveland Durham Specialist Operations Unit (CDSOU)

The Cleveland budget for the joint unit is £5,057k. The forecasted year-end position has reduced to approximately a £50k overspend, the overall cost is split 50/50 between both the Cleveland and Durham Force and Cleveland has sufficient budget to cover these costs and as a result forecasts a breakeven position.

Cleveland and North Yorkshire Major Incident Team (CNYMIT)

The Cleveland budget for the joint unit was £1,760k. The forecasted year-end position is for breakeven.

North East Region Specialist Operations Unit (NERSOU)

The Cleveland budget for NERSOU was set at £1,834k. The forecasted year-end position for NERSOU is to breakeven.

National Police Air Services (NPAS)

The Cleveland budget for NPAS was set at £826k. The forecasted year-end position for NPAS is to breakeven.

Capital Budget

On 27th February 2017, the PCC allocated the Force a capital budget of £14,615k for 2017/18. Two Schemes totalling £429k were utilised from this budget in 2016/17. In addition, schemes totalling £3,792k were brought forward from 2016/17 bringing the approved 2017/18 budget to £17,978k. Changes approved by the PCC (or the Chief Constable's CFO under delegated authority) in year resulting in a revised capital budget of £17,573k are set out at Appendix 4, with a full breakdown of schemes shown at Appendix 5.

Key Risk

The key risk to delivery of the capital programme has been slippage against the delivery plan. Although funding is earmarked for each scheme and can be re-provided the following year, the resources required to deliver the schemes in the new financial year places a greater burden on the delivery teams. £1.8m of ICT capital budget was brought forward from 2016/17 across 3 schemes that were not fully completed in 2016/17. Of the 2017/18 ICT programme 34% (£1.12m) is profiled for the last 3 months of the year, raising concerns on the timing of the delivery of the associated schemes.

ICT are currently reviewing the Mobile Device Replacement, Microsoft licensing and Oracle schemes with a total capital budget of £470k with a view of either withdrawing from these schemes, reprioritising the capital funding or submitting revised business cases depending on the strategic direction of the force. The remaining schemes are achievable in this financial year. Close financial monitoring will continue to ensure that is delivered.

Update on Key Schemes

Points to note are:

Cleveland Community Safety Hub (CCSH) – Total budget of £11.4m

Building works for the CCSH commenced in March and the building is planned to be operational in September/October 2018. The budget is closely monitored by the Project Board and expenditure follows contractual obligations which have now been re-phased to mirror the changes in the scope of the scheme. The majority of this year's budget is linked to the construction and IT infrastructure, with current spending mirroring the re-phased budget.

Other Estates Schemes

Learning & Development Centre – Budget £465k

A total of £271k of charges and purchase orders has been raised for the work to commence on the first phase of the refurbishment programme. The timing of when the second phase will begin will be determined by December with indications that the full remaining £194k of the capital budget will be spent by the end of the financial year and the centre will be available for use by March 2018.

Force Armoury – Budget £35k

Work has commenced on the relocation of the Force Armoury, with completion expected to be by the end of November. Indications are that this will be within the allocated budget.

Thornaby Fire Station – Budget £155k

Work is on-going with the Thornaby Fire station, with the internal decoration to commence in November and the procurement of the Furniture & Fittings in December, with a view to a completion by February 2018.

Equipment Schemes

ANPR Equipment – Budget £140k

There has been £11k spent year to date, with £84k in commitments. The project manager has requested quotes from suppliers and will provide an update by the end of Q3 on the final costs of the scheme.

Key Management System – Budget £80k

There has been £4k spent year to date with £67k in commitments. Additional cabinets at the CSH and Thornaby fire station are to be clarified with any revised costings being taken to the Towards 2020 board if required.

ICT schemes

As in previous years the complexities involved with the CSH and the ICT requirements will have an effect on the delivery of the key ICT schemes.

LAN Refresh (Non HQ) – Budget £465k

This scheme is now completed with a total spend of £470k against the budget of £465k leaving a small overspend of £5k in this financial year as a result of additional resource costs.

Oracle Upgrade – Budget £150k

A health check of the Oracle system to ascertain the requirements and associated risks needed to maintain or upgrade the system has now been completed, with the review highlighting a risk with a server at the Disaster Recovery site which has been repaired. An Oracle business consultant has been procured to provide a strategic view of the Oracle system and the future needs, with a decision by the end of Q3. It is anticipated that there may be an underspend on this capital project, with all underspends being returned to the OPCC.

ESMCP – Budget £50k

Current costs of £12k have been incurred on regional ESMCP resources, with a further £70k of purchase order raised for links required at Kirkleatham and the CSH. Of these orders £36k is for rental charges which can be reclaimed from the national program.

Blade Architecture – Budget £260k

The remaining kit required to complete the scheme has been delivered, resulting in a minor underspend of £1k. The ICT team are to begin the build & test phase for the M8 servers, with the build of the CSH servers linked to the CSH Datacentre migration plan.

ICCS – Budget £395k

A revised option paper was presented to the Towards 2020 board to assess the cost and risk involved with this scheme. The recommended option of installing the ICCS system in the CSH would result in a delay in the implementation of the scheme and an overall forecasted overspend of £50k, with a proportion of the costs to be deferred into the next financial year. 40% of the charges have been paid this period on award of the contract with the remainder split over the rest of the contract which will slip into 2018/19. Additional licencing costs, which are currently being quantified, have been identified that will increase the budget requirement for 2018/19.

Cloud Based Data Centre – Budget £967k

Work on the cloud based data centre is progressing with migration of applications due to commence early November. This is in line with the CCSH development and forecast to be delivered during 2017/18.

Mobile Device replacement – Budget £220k

Following a review of the strategic options, ICT are looking to purchase 420 tablets at an estimated cost of £180k from this year's capital programme, leaving a potential underspend from this year's budget, depending on the procurement exercise.

Microsoft Licensing – Budget £100k

ICT are to submit a revised business case for additional capital requirements in relation to a gap in the SCCM licensing. This would enable the ICT team to push back the £500k capital scheme that was in place for 2018/19 for the Microsoft enterprise agreement until 2020/21. Final costs will be confirmed when the business case is returned to the OPCC for ratification.

CCSH Phone Licences – Budget £85k

A revised business case was submitted and approved by the management board to amend this capital scheme to an Intelligent Call Handling & Call-back system. The forecasted costs from the business case are £116k and a procurement exercise will be carried out in November. The business case will have to be approved by the OPCC once final costs are confirmed.

National Image Transfer Project – Budget £15k

This scheme has now been completed with a small underspend of £3k as a result of less expensive equipment found during the procurement process.

E-Recruitment – Budget £20k

The ICT security check has been completed and work is underway on the procurement of the E-Recruitment system.

PSD Audit Capability – Budget £50k

A small overspend of £6k is forecasted, but final confirmation will depend on the procurement exercise in the final quarter of the year.

Fleet Replacement – Budget £1.6m

Of the 2017/18 fleet programme, all of the vehicles have been ordered. Thirty-Nine have now been received and the remaining to be delivered during the financial year.

Joanne Gleeson
Chief Finance Officer
16th November 2017

Changes to Revenue Funding	Decision Ref	Month Added	Change
			£000s
Initial Funding Allocation			119,835
Camera Safety Partnership		Apr-17	63
Custody Contract	2017-35176	May-17	(415)
Mutual Aid - Football & Operations Newtown & Custodian	2017-44024	Sep-17	45
Funding allocation at Month 7			119,528

Appendix 2

Budget Monitoring Statement to 31st Oct 2017

	Annual Budget	Budget to Date	Actual to date	Variance to Date	Forecast Outturn
	£000s	£000s	£000s	£000s	£000s
Pay Budgets					
Police Pay & Allowances	66,665	38,922	39,069	147	220
Police Overtime	1,436	818	1,296	478	150
Total Police Pay & Allowances	68,101	39,740	40,365	625	370
PCSO Pay & Allowances	4,142	2,416	2,322	(94)	(35)
PCSO Overtime	5	3	1	(2)	0
Total PCSO Pay & Allowances	4,147	2,419	2,323	(96)	(35)
Staff Pay & Allowances	9,780	5,705	5,872	167	(150)
Staff Overtime	76	45	52	7	0
Total Staff Pay & Allowances	9,856	5,750	5,924	174	(150)
Total Pay & Allowances	82,104	47,909	48,612	703	185
Non Pay Budgets					
Sterea Charges	17,162	10,011	9,958	(53)	47
Premises	3,531	2,063	1,912	(151)	(65)
Custody	2,543	1,484	1,598	114	25
Other Police Pension Costs	2,457	1,433	1,597	164	60
Transport	1,502	876	788	(88)	(60)
External Support	1,408	822	569	(253)	(15)
National IT Charges	823	480	470	(10)	(36)
Insurance	990	577	980	403	200
Change & Contingency	489	285	219	(66)	(16)
Communications	831	485	292	(193)	(50)
National Police Air Service	391	228	228	0	0
Forensics	817	477	424	(53)	0
Maintenance Agreements	289	168	121	(47)	0
Computing	850	496	358	(138)	(30)
Surgeons & Medical Costs	291	170	185	15	0
Professional Fees	647	377	431	54	225
Other Equipment & Furniture	652	380	239	(141)	0
External Training, Seminars	764	446	395	(51)	50
Office Equipment & Expenses	237	138	90	(48)	0
Agency Staff	15	9	18	9	0
Other	434	253	188	(65)	0
Savings Programme	0	0	0	0	0
Uniform	301	176	199	23	0
Total Non-Pay	37,424	21,834	21,259	(575)	335
Total Expenditure	119,528	69,743	69,871	128	520
Memo Information					
CDNYDU	862	503	485	(18)	0
CDSOU	5,057	2,953	2,873	(80)	0
CNYMIT	1,760	980	789	(191)	0
NERSOU	1,834	1,072	1,068	(4)	0
NPAS	826	483	494	11	0

Appendix 3

Long Term Financial Plan (LTFP) 2017/18 to 2020/21 – Assessment of Risks

Risk	Detail	Mitigation
<p>Future year's funding cuts assumed in the LTFP are too low.</p>	<p>The Police settlement was one year only so no certainty about future funding at Force level has been received.</p>	<p>More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.</p>
<p>Changes to the future funding formulas for Police Forces.</p>	<p>The Policing Minister is committed to reforming the police funding formula and will bring forward proposals for public consultation.</p> <p>The current assumptions do not factor in any adverse impact as a result of a revised formula.</p> <p>Based on what is currently known of the proposals, this is a prudent assumption; however, it does present a potential risk.</p> <p>Current indications are that no changes will be made before 2018/19.</p>	<p>More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.</p>
<p>Pay awards are higher than those assumed in the LTFP.</p>	<p>The LTFP assumes that pay will rise by 1% from September 2017.</p> <p>A movement of 1% would have an impact on pay and contracts of approximately £1M.</p>	<p>The Emergency Budget in 2015 announced that public sector pay increases would be capped at 1% for the following four years.</p> <p>Unison has proposed a 5% pay award for Police Staff to be applicable from September 2017. This would result in a total extra cost to the Force of approximately £600k in 2017/18 and £1,100k in 2018/19 onwards.</p> <p>The Home Office have confirmed that there will be a 1% pay raise for Police Officers and included an additional 1% bonus to be taken from existing budgets. The 1% pay cap will also be lifted for future years. Any in year pressure will be subsidised by the OPCC via the use of reserves and underspends.</p> <p>More radical options will be developed including further reductions in officer, PCSO and</p>

Risk	Detail	Mitigation
		staff numbers, inter-force collaboration and blue light collaboration should this pay award be accepted without the requisite additional government grant to cover these future costs.
The costs of Job Evaluation is in excess of the budget and earmarked reserve.	An earmarked reserve has been set up to cover the cost of implementation.	More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.
A higher than forecast level of costly major incidents.	The number and cost of major incidents in any one year is unpredictable.	<p>There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known.</p> <p>The CNY Joint MIT has introduced additional resilience into the system.</p> <p>The PCC may absorb any additional costs in total or part through the use of reserves or other income.</p>
The continued acceleration of Police Officer and PCSO leavers above the planned profile outstripping our ability to recruit.	Pay budgets have been set based on assumptions in respect of officers and staff leaving and additional recruits being brought in. Should the number of leavers outstrip our ability to recruit this could result in capacity gaps and generate a material under spending.	Should a capacity gap emerge, service levels will be delivered through targeted overtime and the continued employment of police staff investigators.
National mandation.	In recent years there has been national mandation of systems e.g. Pentip, resulting in unplanned costs to the Force.	<p>There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known.</p> <p>The PCC may absorb any additional costs in total or part through the use of reserves or other income.</p>
Police Pension Scheme 2015	National test case on new pension scheme with risk due to Gender/Race inequality	Cleveland has contributed to the NPCC legal defence of this case. Cleveland has at present 93 claims from Police Officers. This case is not likely to be heard until late 2017.
Employment Tribunals	An earmarked reserve has been set up to cover the cost of	More radical options will be developed including further

Risk	Detail	Mitigation
	implementation.	reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.
Allard V the Chief Constable of Cornwall	A recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a significant financial pressure for forces nationally.	More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.
Historic Case Reviews	Further work will be take place in regards to historic case reviews following the establishment of the Cold Case Unit within the CNYMIT.	More radical options will be developed including further reductions in officers, PCSO and staff numbers and the use of further inter-force collaborations.
Employment Tribunal ruling that A19 retirements are unlawful due to age discrimination.	Cleveland has 49 appeals by ex-officers that are currently stayed pending the appeal hearing. Any damages awarded by the Tribunal may be of sufficient magnitude to result in the General fund support to revenue not being available and future allocations being reduced. Although, the recent Court of Appeals Tribunal upheld that the use of regulation A19 was lawful, the Staff Side has applied to the Supreme Court for leave to appeal the ruling.	<p>The Force has achieved its target officer numbers, is recruiting again and no longer needs to use A19.</p> <p>The circumstances in Cleveland were different to those forces involved in the test case.</p> <p>Negotiate with the Home Office for additional funding should appeal be lost.</p> <p>More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.</p>

Appendix 4

Changes to Capital Funding	Month Added	Change
		£000s
Funding Allocation in LTFP		14,615
Schemes bfwd from 2016/17		3,792
Schemes allocated to 2016/17 from 2017/18 Budget		(429)
Total Capital funding		17,978
CORE VET	Apr-17	(40)
Stockton HQ Rewire	May-17	(40)
Fleet Replacement	May-17	(30)
Livelinks (CJS)	Jun-17	(20)
IL4 Confidential Network	Jun-17	(205)
Experian - Date of Birth Appendage	Aug-17	20
Billingham Station Rewire	Aug-17	(40)
Control Room Fallback	Sep-17	(50)
Funding allocation at Month 7		17,573

Appendix 5

Capital Monitoring Statement to 31st Oct 2017					
	Annual Budget	Budget to Date	Actual to Date	Variance to Date	Forecast Outturn
	£000s	£000s	£000s	£000s	£000s
Estates Schemes					
Cleveland Community Safety Hub	11,423	5,000	5,267	267	0
Grangetown LDC	465	330	271	(59)	0
Armoury Relocation	35	35	3	(32)	0
Control Room Fallback	0	0	0	0	0
NERSOU Accomodation	46	46	46	0	0
Thornaby Fire Station	155	0	0	0	0
Billingham Station Rewire	0	0	0	0	0
Total Estates Schemes	12,124	5,411	5,587	176	0
Equipment Replacement					
TSU Equipment - NERSOU	25	13	13	0	0
ANPR	140	140	11	(129)	0
Body Worn Video Replacement	50	50	31	(19)	0
Investigative Analytical Software	40	0	0	0	0
Key Management System	80	0	4	4	0
Kinesense	15	0	0	0	0
Total Equipment Schemes	350	203	59	(144)	0
ICT Schemes					
Public Service Network for Policing (PSNP)	0	0	0	0	0
Telephony Refresh	0	0	2	2	10
ICCS Replacement	395	0	177	177	0
LAN Refresh (Non HQ)	465	465	470	5	5
iMap Development	1	1	1	(0)	0
Cloud Based Data Centre	967	448	353	(95)	0
VM Ware	50	50	0	(50)	0
Blade Architecture	260	260	259	(1)	(1)
Oracle Upgrade	150	0	11	11	0
EMSCP	50	0	12	12	0
Mobile Device Replacement	220	0	0	0	0
Interview Training Equipment	10	10	0	(10)	0
2017/18 Desk Top Replacement Programme	125	70	80	10	0
Microsoft Licensing	100	100	0	(100)	0
Smartworks Mobile Applications	55	43	43	0	0
LIMA (Scientific Support)	30	30	28	(2)	0
CCSH Phone Licenses	85	0	0	0	0
National Image Transfer Project	15	8	12	4	(3)
Thin Client Improvement	25	13	0	(13)	0
E-Recruitment	20	0	0	0	0
PSD Audit Capability	50	0	0	0	6
Experian - Date of Birth Appendage	20	0	2	2	0
Total ICT Schemes	3,093	1,498	1,450	(48)	17
Fleet Replacement					
Write off / Uneconomical Repairs	196	107	56	(52)	0
Black Box Replacement	168	31	24	(7)	0
Fleet Replacement	1,632	898	740	(157)	0
Fleet Replacement - Camera Safety Partnership	0	0	30	30	0
Total Fleet Replacement	1,996	1,036	850	(186)	0
Provision for Business Cases	10	0	0	0	0
TOTAL CAPITAL	17,573	8,148	7,946	(202)	17

Appendix 6

Budget Monitoring Statement to 31st Oct 2017					
	Annual Budget	Budget to Date	Actual to date	Variance to Date	Forecast Outturn
	£000s	£000s	£000s	£000s	£000s
Core					
<u>Pay Budgets</u>					
Total Police Pay	60,168	35,154	35,733	579	370
Total PCSO Pay	4,147	2,419	2,322	(97)	(35)
Total Staff Pay	8,834	5,153	5,380	227	(150)
Total Pay & Allowances	73,149	42,726	43,435	709	185
<u>Non Pay Budgets</u>					
Total Non-Pay	36,040	21,026	20,727	(299)	335
Total Core Expenditure	109,189	63,752	64,162	410	520
CDNYDU					
<u>Pay Budgets</u>					
Total Police Pay	782	456	455	(1)	0
<u>Non Pay Budgets</u>					
Total Non-Pay	80	47	30	(17)	0
Total CDNYDU Expenditure	862	503	485	(18)	0
CDSOU					
<u>Pay Budgets</u>					
Total Police Pay	4,448	2,597	2,578	(19)	0
Total Staff Pay	171	100	86	(14)	0
	4,619	2,697	2,664	(33)	0
<u>Non Pay Budgets</u>					
Total Non-Pay	438	256	209	(47)	0
Total CDSOU Expenditure	5,057	2,953	2,873	(80)	0
CNYMIT					
<u>Pay Budgets</u>					
Total Police Pay	790	414	518	104	0
Total Staff Pay	521	304	256	(48)	0
	1,311	718	774	56	0
<u>Non Pay Budgets</u>					
Total Non-Pay	449	262	15	(247)	0
Total CNYMIT Expenditure	1,760	980	789	(191)	0
NERSOU					
<u>Pay Budgets</u>					
Total Police Pay	1,477	863	819	(44)	0
Total Staff Pay	331	194	203	9	0
	1,808	1,057	1,022	(35)	0
<u>Non Pay Budgets</u>					
Total Non-Pay	26	15	46	31	0
Total NERSOU Expenditure	1,834	1,072	1,068	(4)	0
NPAS					
<u>Pay Budgets</u>					
Total Police Pay	435	255	262	7	0
<u>Non Pay Budgets</u>					
Total Non-Pay	391	228	232	4	0
Total Expenditure	826	483	494	11	0
Total Collaboration					
<u>Pay Budgets</u>	8,955	5,183	5,177	(6)	0
<u>Non Pay Budgets</u>	1,384	808	532	(276)	0
Total Expenditure	10,339	5,991	5,709	(282)	0
Grand Total	119,528	69,743	69,871	128	520

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

29th November 2017

Status: For Information

2017/18 Budget Monitoring – Report to the end of October 2017

1. Executive Summary

1.1 Purpose of the Report

On the 27th February 2017 the PCC agreed the revenue Budget for 2017/18 which was based on the receipt of income totalling £131,705k. 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 2017/18.
- 2.2 The Corporate Services budget of £8,950k is expected to underspend slightly, by £85k, at this point of the financial year.
- 2.3 The £3,245k to support PCC Initiatives and Victims and Witnesses Services, including £1,250k to invest in Neighbourhood Policing is forecast to underspend by £325k as it continues to take longer than expected to recruit and fill these new posts.
- 2.4 It is currently forecast that the income received by the PCC will be £250k more than the original budget.
- 2.5 The Force is currently forecasting to overspend by £520k, with around £320k of this resulting from the 1% non-consolidated unfunded bonus awarded to Police Officers, by the Government, from September 2017. Plans continue to be put in place to contain all others areas within the original budget provided to the Force, by the PCC, however the £320k cannot be contained within the Force budget.
- 2.6 The total forecast outturn after the first 7 months of the financial year is that there will be a small overall underspend of £140k. There are however a number of pressures that are currently being risk managed that could change this position over the remainder of the financial year.

3. Reasons

3.1 When setting the budget for the financial year 2017/17 the PCC allocated the income forecast to be received during the year, of £131,705k, into the following areas:

- £850k to run the Office of the PCC
- £8,950k for Corporate Services
- £3,245k to support PCC Initiatives and Victims and Witnesses Services, including £1,250k to invest in Neighbourhood Policing.
- £119,835k to the Police Force
- £750k to the Capital Programme

This will be supported by £1,925k 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 £131,705k during 2017/18 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 2016/17 is also shown.

2016/17 Budget	In Year Changes	2016/17 Revised Budget	2016/17 Outturn	Variance	Summary of Income to be Received by the PCC	2017/18 Budget	In Year Changes	2017/18 Revised Budget	2017/18 Forecast Outturn	Variance
£000s	£000s	£000s	£000s	£000s	Funding	£000s	£000s	£000s	£000s	£000s
(46,152)	0	(46,152)	(46,152)	0	Police Grant	(46,973)	1,466	(45,508)	(45,508)	0
(38,532)	0	(38,532)	(38,532)	0	RSG/National Non Domestic Rate	(36,526)	(1,466)	(37,992)	(37,992)	0
(84,684)	0	(84,684)	(84,684)	0	Government Grants	(83,500)	0	(83,500)	(83,500)	0
(31,642)	0	(31,642)	(31,641)	1	Precept	(32,656)	0	(32,656)	(32,656)	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
(39,310)	0	(39,310)	(39,310)	1	Precept related funding	(40,324)	0	(40,324)	(40,324)	0
(6,506)	(373)	(6,879)	(6,675)	204	Specific Grants	(5,217)	0	(5,217)	(5,317)	(100)
(2,760)	(2,376)	(5,136)	(5,625)	(489)	Partnership Income/Fees and Charges/Misc Income	(2,664)	(108)	(2,773)	(2,923)	(150)
(9,266)	(2,749)	(12,015)	(12,300)	(285)	Other Funding	(7,881)	(108)	(7,990)	(8,240)	(250)
(133,260)	(2,749)	(136,009)	(136,294)	(285)	Total	(131,705)	(108)	(131,813)	(132,064)	(250)

3.3 In Year Changes

Only minor changes, totalling £108k, have been made to the income budget, at this stage, resulting primarily from an increase of £63k, relating to the Driver Training Income to set the non-pay budget for this area of work.

3.4 Income Forecasts

As you would expect, the vast majority of the income the PCC will receive during 2017/18 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. These variances have reduced significantly in recent years and it is currently expected that overall there will be limited variances on these budgets at this stage.

3.6 The small forecast over recovery of income of £250k relates to higher than usual receipts of Proceed of Crime Act income, and a number of sundry higher income receipts such as Criminal Records Bureau Income and Legal Fees Income.

3.7 The Office of the PCC

The 2017-18 budget of £850k for the Office of the PCC is split into the following areas:

Original 2016/17 Budget	Budget YTD	Actual Outturn	2016-17 Actual Over/(Under)	PCC Budget	Original 2017/18 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	2017-18 Forecast Outturn	2017-18 Forecast Over/(Under)
£000	£000	£000	£000	Category of Spend	£000	£000	£000	£000	£000	£000
620	620	657	37	Staff Pay and Allowances (Incl. NI and Pension)	645	376	372	(4)	645	0
5	5	18	13	Other Pay and Training	5	3	6	3	5	0
0	0	0	0	Premises	0	0	0	0	0	0
262	262	238	(23)	Supplies and Services	239	139	80	(59)	239	(0)
11	11	13	2	Transport	11	6	3	(3)	11	0
(48)	(73)	(89)	(16)	Miscellaneous Income	(50)	(32)	(47)	(15)	(50)	0
850	825	838	13	Total Budget	850	493	414	(79)	850	0

3.8 Position as at the end of October 2017

The table at 3.7 above shows the forecast position for 2017-18. Forecasts show that expenditure for 2017-18 is expected to be in line with the budget of £850k and therefore there is a current forecast outturn of breakeven.

3.9 The budget is increasingly tight having reduced by £350k (or 30% in cash terms) over the last 5 years. Staff pay increase in both the current year and future years will make it more difficult to contain expenditure within the current budget.

3.10 Corporate Services

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

3.11 The Corporate Services budget for 2017/18 was set at £8,950k, as per the table below and also shows the forecast spend and outturn at this stage of the year.

Original 2016/17 Budget	Revised 2016/17 Budget	Budget YTD	2016/17 Actual Outturn	2016-17 Actual Over/(Under)	Corporate Services Budget	Original 2017/18 Budget	Revised 2017/18 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	2017/18 Forecast Outturn	2017-18 Forecast Over/(Under)
£000s	£000s	£000s	£000s	£000s	Category of Spend	£000s	£000s	£000s	£000s	£000s	£000s	£000s
295	253	253	241	(12)	Staff Pay and Allowances (Incl. NI and Pension)	330	330	192	190	(3)	330	0
39	39	39	195	156	Supplies and Services	99	99	58	64	6	102	3
1	1	1	1	(0)	Transport	1	1	1	1	1	2	1
1,770	555	555	552	(3)	PFI - Urlay Nook	1,770	1,770	1,033	1,022	(11)	1,752	(18)
5,120	1,787	1,787	1,614	(173)	PFI - Action Stations	5,145	5,145	3,001	3,014	13	5,145	0
1,625	5,268	5,268	5,252	(16)	Asset Management	1,605	1,605	936	863	(73)	1,534	(71)
8,850	7,903	7,903	7,855	(48)	Total Budget	8,950	8,950	5,221	5,154	(67)	8,865	(85)

3.12 A small underspend of £85k is currently forecast in this area as a result of taking out loans to fund the capital programme later in the year than initially planned when setting the 2017/18, leading to lower interest payable, and some minor variances on the PFI contracts based on small differences between actual inflation levels and those forecast when setting the budgets.

3.13 Given that the PFI contracts are linked to national inflation indexes the costs in these area will grow at a quicker rate than previously forecast and are likely to create an additional pressure in future years budgets.

3.14 PCC Initiatives and Victims and Witnesses Services

The PCC has allocated a budget of £3,245k to support Community Safety and PCC Initiatives, deliver Victims and Witnesses services and also invest in Neighbourhood Policing during 2017/18. £1,156k was allocated to the Community Safety and PCC Initiatives budget, £839k to Victims and Witnesses Services and £1,250k to invest in Neighbourhood Policing. The position as at the end of June is as per the below table:

PCC Initiatives and Victims and Witnesses	Original 2017/18 Budget	Current 2017/18 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	2017/18 Forecast Outturn	2017-18 Forecast Over/ (Under)
Category of Spend	£000s	£000s	£000s	£000s	£000s	£000s	£000s
PCC Initiatives	1,156	1,156	675	272	(403)	1,101	(55)
Investment in Neighbourhood Policing	1,250	1,250	729	395	(334)	1,012	(238)
Victims and Witnesses Services	839	839	489	366	(123)	807	(31)
Community Safety Fund	0	0	0	93	93	0	0
Total Budget	3,245	3,245	1,893	1,126	(767)	2,920	(325)

3.15 In addition to the original allocations to this area the PCC has a Community Safety Fund Earmarked Reserve of £450k. The intention is to release £150k per annum from this reserve over the next 3 years.

3.16 Plans, including Grant agreements, where appropriate, are in place to deliver most of PCC Initiatives for 2017/18. In terms of the investment of £1,250k into Neighbourhood Policing for 2017/18 this will result in the recruitment of 21 additional people into 'staff' roles, 16 additional PCSOs and 6 additional Police Officers.

3.17 Based on the timing of the recruitment into these posts, which is covered in more detail with the budget monitoring report from the Force, it is expected that this budget will underspend by £238k however this will depend on actual recruitment dates and starting salaries.

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 £119,835k for 2017/18; this has then reduced by £415k as the savings from the recent procurement for Custody has been set aside to replenish reserves that were unexpectedly used in 2016/17. There has then been an increase of £108k, to £119,528k. This is as a result of setting the expenditure budget for costs associated with the Driving Training scheme and other small amounts of income received. The summary of how

this is forecast to be spent, including forecast outturns are included in the table below:

Police Force Financial Summary	Original 2017/18 Budget	Revised 2017/18 Budget	Forecast Spend in 2017/18	2017/18 Forecast (Under)/ Overspend
Police Force Planned Expenditure	£000s	£000s	£000s	£000s
Pay				
Police Pay	66,740	66,665	66,885	220
Police Overtime	1,375	1,436	1,586	150
Staff Pay	9,755	9,780	9,630	(150)
Police Community Support Officer Pay	4,255	4,142	4,107	(35)
Pay Total	82,125	82,023	82,208	185
Major Contracts				
Outsourcing Contract	17,139	17,162	17,209	47
Custody and Medical Contract	2,938	2,523	2,548	25
Major Contracts Total	20,077	19,685	19,757	72
Non-Pay Budgets				
Other Pay and Training	380	797	847	50
Injury and Medical Police Pensions	2,435	2,433	2,493	60
Premises	3,620	3,531	3,466	(65)
Supplies and Services	7,035	6,970	7,299	329
Transport	1,576	1,502	1,442	(60)
External Support	2,587	2,587	2,536	(51)
Non-Pay Total	17,633	17,820	18,083	263
Total Planned Force Expenditure	119,835	119,528	120,048	520

- 4.2 To meet the financial targets set by the PCC in setting the 2017/18 budget, the Force's budget included a requirement to deliver savings of £500k to balance.
- 4.3 Further details on how the Force are proposing to make these savings, and progress to date, are included elsewhere on today's agenda along with details of their financial performance against their plans for 2017/18.
- 4.4 Reserves
The 2017/18 budget was to be supported by £1,925k from Reserves. This is made up of the following transactions:
- £75k to the PFI Reserve.
 - £2,000k from the General Fund.
- 4.5 In addition to this £750k was to be used to support the Capital Programme during 2017/18.
- 4.6 In 2016/17 £2,635k was set aside to fund provisions as referred to in the Force's outturn report. To be able to fund these provisions it was not possible to transfer the budgeted £2,225k into the Capital Programme in 2016/17. It has therefore

been agreed that the savings from the revised Custody Contract will re-imburse the Capital Programme over the coming years. The first tranche of this will be in 2017/18 and the Force's budget has therefore been reduced by £415k to reflect this. This £415k will be transferred into the capital programme to support the initial plans.

- 4.7 These transactions will occur as a matter of course during the 2017/18 financial year. Current forecast for movements on Earmarked and General Reserves to the end of 2017/18 are included within the table below:

	Balance at 31 March 2017 £000	Tranfers In 2017/18 £000	Tranfers Out 2017/18 £000	Balance at 31 March 2018 £000
Direct Revenue Funding of Capital	(3,241)	(1,165)	4,385	(21)
Injury Pension Reserve	(320)			(320)
PFI Sinking Fund	(138)	(75)		(213)
Incentivisation Grant	(271)	(80)	173	(178)
Urray Nook TTC	(81)			(81)
NERSOU	(153)			(153)
Job Evaluation Reserve	(550)		250	(300)
Police Property Act Fund	(43)			(43)
Community Safety Initiatives Fund	(450)		150	(300)
Road Safety Initiatives Fund	(629)		150	(479)
Collaboration Reserve	(389)			(389)
Revenue Grants Unapplied	(137)		137	(0)
Total Earmarked Reserves	(6,401)	(1,320)	5,245	(2,476)
General Reserves	(8,015)	0	2,000	(6,015)
Total Usable Reserves	(14,416)			(8,491)

5. Overall Budget Summary

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

	Original 2017/18 Budget	Revised 2017/18 Budget	Forecast Spend in 2017/18	2017/18 Forecast (Under)/ Overspend
Funding	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(83,500)	(83,500)	(83,500)	0
Council Tax Precept	(32,656)	(32,656)	(32,656)	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	(123,824)	(123,824)	(123,824)	0
Specific Grants	(5,217)	(5,217)	(5,317)	(100)
Partnership Income/Fees and Charges	(2,664)	(2,773)	(2,923)	(150)
Total Funding	(131,705)	(131,813)	(132,064)	(250)
Office of the PCC Planned Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	645	645	645	0
Non Pay Expenditure	205	200	200	0
Total Planned Expenditure	850	845	845	0
PCC Initiatives/Victims and Witness	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
PCC Initiatives	2,406	2,406	2,113	(294)
Victims and Witnesses Services	839	839	807	(31)
Total Planned Expenditure	3,245	3,245	2,920	(325)
Corporate Costs	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	330	330	330	0
Non Pay Expenditure	100	100	105	4
PFI's	6,915	6,915	6,897	(18)
Asset Management	1,605	1,605	1,534	(71)
Total Corporate Costs	8,950	8,950	8,865	(85)
Police Force Planned Expenditure	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Police Pay	66,740	66,665	66,885	220
Police Overtime	1,375	1,436	1,586	150
Staff Pay	9,755	9,780	9,630	(150)
Police Community Support Officer Pay	4,255	4,142	4,107	(35)
Pay Total	82,125	82,023	82,208	185
Major Contracts Total	20,077	19,685	19,757	72
Non-Pay Budgets				
Other Pay and Training	380	797	847	50
Injury and Medical Police Pensions	2,435	2,433	2,493	60
Premises	3,620	3,531	3,466	(65)
Supplies and Services	7,035	6,970	7,299	329
Transport	1,576	1,502	1,442	(60)
External Support	2,587	2,587	2,536	(51)
Non-Pay	17,633	17,820	18,083	263
Total Planned Force Expenditure	119,835	119,528	120,048	520
(Surplus)/Deficit	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
	1,175	755	615	(140)
Planned Transfers to/(from) General Fund	(2,000)	(2,000)	(2,000)	0
Contribution to Capital Programme	750	1,170	1,170	0
Planned Transfers to/(from) Earmarked Reserves	75	75	75	0
Net (Surplus)/Deficit After Reserves	0	0	(140)	(140)

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 unexpected costs and pressures is therefore very limited.

7. Conclusion

7.1 The proposed 2017/18 budget underpins the PCC's objectives of:

- Investing in Our Police
- A Better Deal for Victims and Witnesses
- Tackling Re-offending
- Working together to make Cleveland safer
- Securing the future of our Communities

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.

At this stage of the financial year a small under spend position is projected for the organisation overall, however there are a number of areas which are already under pressure and these will need to be closely monitored as the year progresses. In addition to these the Staff Pay award has not yet been concluded and is expected to result in an additional pressure for the organisation. The current proposal from the Employer's side mirrors that awarded to Police Officers and if agreed the additional 1% 'bonus' element is expected to create a pressure of £150k in 2017/18 and a further £110k in 2018/19.

Michael Porter
PCC Chief Finance Officer

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

29th November 2017

Status: For Information

Long Term Financial Plan (LTFP) 2018/19 to 2021/22 and Capital Plans 2018/19 to 2021/22 Update

2. Executive Summary

1.2 Purpose of the Report

The purpose of this report is to provide the PCC with an update on changes that have taken place since the LTFP was approved in February 2017 and an update on both the planning assumptions and the expenditure plans of the organisation.

2. Recommendations

The PCC is requested to note:

2.1 The contents of the report.

2.2 The plans rely on assumptions and estimates about what will happen in the future. There are a significant number of unknowns that are outside of the control of the organisation and as such there are a number of risks to the organisation. The main risks are set out within the report and will be kept under review.

2.3 There are a number of pressures that are beginning to emerge. This will necessitate the need to develop as of yet unidentified savings to make them affordable within the expected funding constraints.

2.4 Of particular note in that now that the 'Pay Cap' has been removed it is realistic that the organisation budgets for these higher pay awards however there has been no indication that these higher pay awards will be funded by higher grant awards and therefore this has created some significant gaps in the financial plans.

2.5 A further update will be provided to the PCC when the actual Government Grant settlement figures in December

3. Planning and Funding Assumptions

3.18 National Budget

On 22 November the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2017 announcement in the House of Commons. This was the Chancellor's first Autumn Budget. A briefing is attached at Appendix A for information.

- 3.19 In relation to Policing and Crime there was no specific reference to these areas, from a Budgeting/Finance perspective, that related to England.
- 3.20 The Budget contained the same Departmental Expenditure Limits for the Home Office for the next 2 years for both Revenue and Capital and therefore there is no additional funding for Policing.
- 3.21 It is worth noting that the overall budget for the Home Office increases by £0.1bn between 2017/18 and 2018/19 to £10.7bn, in terms of Revenue, and therefore the amount that will be received by PCC's will be dependent of how the Home Office allocates this funding and how much funding it retains centrally for national investment in Policing and Crime and also how much it needs to fund other areas under its responsibility.
- 3.22 It may also be of interest to note that of the £10.6bn in Revenue funding available to the Home Office in 2017/18 that £7.7bn (about 72.5%) was allocated directly to PCC's. A summary of the key points of the November Budget are provided at Appendix A focusing on those areas of particular interest to Policing and Local Government.
- 3.23 APCC Submission to HM Treasury
Ahead of the budget, the APCC and NPCC have worked together, with PWC, to present evidence to HM Treasury on the demands facing the service as well as issues around resources. PCCs and Chief Constables have received full copies of the final submissions.
- 3.24 The summary of the current circumstances is that forces are still feeling the effects of inflation, despite flat cash settlements and that costs are also being shunted from other public services. The submission also adds that 999 calls are at record levels, demand is increasing, recorded crime has increased, crime is more complicated, and the risk of terror attacks has also risen. This is against the landscape of falling officer numbers: since 2010, the workforce has reduced by nearly 19%.
- 3.25 The submission asserted that the police service cannot continue to sustainably respond to an increase in demand, changes to the national security environment and provide a preventative model of policing.
- 3.26 APCC and NPCC asked for real terms protection for the police (3.4% in 18-19 and 6.5% in 19-20) and additional funding for unanticipated cost rises as well as strategic investment in the service and resolution of identified "cliff edges" (i.e. transformation fund, ESMCP, firearms). In return, the submission said that the service would continue with the Policing Vision 2025 reform programme, produce a stronger service model and continue to make efficiency savings.
- 3.27 Reserves Survey

Over the summer current and forecast levels of reserves held by PCC's were collated. These were also matched to the figures published in the 2016-17 statement of accounts for each PCC.

3.28 Headlines from the survey were:

- Revenue reserves at March 2015 were £2.1bn but have already fallen by 22% to £1.6bn in the 2 years to March 2017
- Reserves are forecast to fall by a further 50% by March 2020 to just £806m
- The pattern of decline is not just unsustainable but is also consistent with trends identified in past surveys

3.29 Funding Formula Review

The formula review, which had been progressing well at the beginning of the year, has now halted following the general election. The understanding is that the analytical work by Bristol University had been completed and was on track to be consulted on over the summer.

3.30 However there remained a number of areas that still required a decision to be made, including; transitional arrangements, treatment of resources, NICC and area cost adjustments.

3.31 As these areas have not progressed it is expected that the provisional police settlement will follow the same pattern as recent years, i.e. flat rate grant cuts for all PCC's.

3.32 Although nothing has previously been included within the LTFP in relation to the Funding Formula review previous indications were that Cleveland would more than likely gain from a Review of the Funding Formula. It would appear that this opportunity is unlikely to occur.

3.33 Efficiency Review

The Efficiency Review was originally announced in the 2016 Budget and was expected to publish an update report this autumn. The review was tasked to find ways for the government to save an additional £3.5bn by 2019-20. Due to changes in Official Development Assistance (ODA) spending as well as potential new spending and administrative pressures faced by departments in 2019-20, this has been revised to £1.4bn

3.34 2018-19 Provisional Settlement

The 2018-19 Provisional Police Settlement is expected to be published at least 2 weeks after the autumn budget. Whilst that does mean it could be the week of 4 December, it is expected to be the week of 11 December.

3.35 Government Funding for 2018/19 and beyond

While no additional detailed information has been made available from the Government in relation to future funding levels further information is now available about what a "flat cash" settlement might mean for 2018/19.

- 3.36 Previous reports have discussed the range of outcomes that occur at Police Force Area level as a result of the policy to ensure a 'flat cash' settlement, when taking into account maximising precept increases, without triggering a referendum, combined with straight line grant reductions at the same percentage level for each area. The result is that some areas get actual 'flat cash' settlements and thereafter there are various degrees of increases depending on the ratio of funding a PCC receives from Government Grant and Local Precept.
- 3.37 Based on the budget and precept position for 2017/18 then Merseyside is likely to be the hardest hit in terms of a 'flat cash' settlement. It has been calculated that the biggest reduction that they can receive, based on the current interpretation of what 'Flat cash' means, is -0.88%.
- 3.38 This new information has been factored into the revised Government Grant assumptions as per the following table:

Assumed Government Grant Reductions		
	Feb 2017 LTFP	July 2017 LTFP
	%	%
2018/19	-1.4%	-0.9%
2019/20	-1.4%	-0.9%
2020/21	1.0%	2.0%
2021/22	N/A	2.0%

- 3.39 The impact of these revised assumptions is that more Government Grant would be provided than previously projected, in February 2017, as follows:

Assumed Government Grant Amounts			
	Feb 2017 LTFP	Nov 2017 LTFP	Movement
	£000	£000	£000
2018/19	82,331	82,765	434
2019/20	81,178	82,037	859
2020/21	81,990	83,677	1,687

- 3.40 It is important to recognise that these are assumptions and as such could easily change. It is also important to recognise that the LTFP approved in February didn't balance in either 2019/20 nor beyond.
- 3.41 Precept
Only 25% of the Net Budget Requirement within Cleveland is funded by the local precept and therefore this means there is less capacity to raise funds locally to cushion the cuts in government grants than in most Police Force areas.
- 3.42 The assumption throughout this plan, for planning purposes, is that this element will continue to increase at a rate of 1.99% per annum, although this will be subject to an annual decision.

- 3.43 The Government have informed PCC's that 'You should plan on the basis that the overall referendum limit for police precept will be maintained at 2% over the Spending review period for Police and Crime Commissioners in England.' Therefore the risk in relation to this assumption going forward is manageable locally and subject to local decision and consultation annually.
- 3.44 There have been no changes to the assumptions within this area since the February LTFP was approved.
- 3.45 Over the last 4 years there have been significant increases in both the number of calculated Band D properties within Cleveland and also significant Collection Surplus' to which the PCC has benefited from.
- 3.46 In line with Government projections and based on historic trends the financial plans now include a 1.0% increase in the underlying tax base on an annual basis and a £300k per annum collection surplus. These assumptions will be kept under review as details for 2018/19 become available and projections amended accordingly.
- 3.47 DCLG has recently published a technical consultation on the 2018-19 Local Government Finance Settlement. The consultation, which closed on 26 October 2017, included details of the 2018-19 council tax referendum principles for police.
- 3.48 The Government's proposals for the council tax referendum principles for 2018/19 are:
- A core principle of less than 2%. This would apply to shire counties, unitary authorities, London boroughs, the Greater London Authority, fire authorities, and Police and Crime Commissioners except those whose Band D precept is in the lower quartile of that category.
 - Police precepts in the lowest quartile (which isn't Cleveland) would be allowed increases of less than 2% or up to and including £5, whichever is higher.
- 3.49 There have therefore been no changes to the assumptions within this area since the February LTFP was approved.
- 3.50 Specific Grants, Other Income and Partnership Fees and Charges
These sources of income and funding are forecast to provide between £7.9m and £8.9m across the life of the plan.
- 3.51 The entire funding therefore expected to be available to the PCC for the next 4 years, in comparison to both 2016/17 and 2017/18, is as follows:

	Actual	Actual	Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Funding	£000s	£000s	£000s	£000s	£000s	£000s
Government Grant	(84,684)	(83,500)	(82,765)	(82,037)	(83,677)	(85,351)
Council Tax Precept	(31,642)	(32,656)	(33,240)	(34,220)	(35,221)	(36,244)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(123,994)	(123,824)	(123,673)	(123,925)	(126,566)	(129,263)
Specific Grants	(5,843)	(4,558)	(4,911)	(4,436)	(5,436)	(4,336)
Witness and Victims Funding	(663)	(659)	(656)	(656)	(669)	(682)
Partnership Income/Fees and Charges	(2,760)	(2,664)	(2,790)	(2,869)	(2,840)	(2,824)
Total Funding	(133,260)	(131,705)	(132,029)	(131,885)	(135,511)	(137,105)
%age Change in Funding	1.1%	-1.2%	0.2%	-0.1%	2.7%	1.2%

4. Expenditure Plans

4.8 When setting the budget for 2018-19 the PCC will need to make decisions on how the overall funding discussed in Section 3 is allocated. The PCC will need to provide funding/budgets to the areas discussed in the following sections:

4.9 Office of the PCC

The PCC set a budget of £850k for 2017-18 which was £350k (or 29.2%) less than the budget inherited from the former Police Authority. The PCC set an original target to save £350k per annum from the budget inherited from the former Police Authority by the end of the first term of the PCC. This was achieved in 2015/16 which was a year earlier than expected.

4.10 The impact of both pay inflation and general inflation makes it more difficult each year to maintain the budget at this level. Small increases for pay inflation are therefore factored in to the current plans for 2018/19 with an indicative budget of £855k included within this update.

4.11 Community Safety and Victims and Witnesses Commissioning

The role and responsibilities of the PCC is wider than Policing and this has been acknowledged with the addition of responsibilities around Community Safety and Victims and Witnesses services.

4.12 The Ministry of Justice have confirmed the level of the Victims and Witnesses Grant for 2018/19, and while the overall amount allocated to PCC's has remained static at £63,150k, the grant is allocated based on population.

4.13 As the population of Cleveland is not growing as quickly as other areas of the country the amount that will be received by the PCC in 2018/19 will be £3,015 (or 0.5%) lower than the amount received in 2017/18, with the total grant being £656k.

4.14 Work continues to develop in this area and the Commissioning of services is becoming more prevalent and work is done to move away from a grant based system, with key contracts now in place and/or being developed for:

- Victim Referral Services, now including ASB Victims
- Sexual Assault Referral Centre services
- IDVA and ISVA services
- Restorative Justice services

4.15 The current plans expect that £2.0m per annum is provided in this area across the life of the plan which is as per 2017/18.

4.16 In addition to this the PCC has identified additional funding, of £1.5m, to support the delivery of neighbourhood policing with the specific objective of making our communities safer; helping them to be stronger.

4.17 This funding will be made available to the Chief Constable as needed to create additional police officer, PCSO and police staff posts to enhance existing or develop new capabilities across the Force with a particular focus on:

- The 'strengthen' areas of the Force
- Areas of community vulnerability - e.g. hate crime, refugee and asylum seekers
- Supporting schools in 'strengthen' areas of the Force
- Providing coordination and support for virtual communities – e.g. rural/business/students
- Enhancing Integrated Offender Management capability
- Improving the investigation of volume crime, in particular hate crime

4.18 It is expected that all of these new roles will be filled during the 2017/18 financial year.

4.19 The indicative budget for these areas are set out in the table below:

	Actual	Actual	Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Community Safety/Victims and Witness	£000s	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	1,345	986	1,040	1,040	1,040	1,040
Service Improvement and Development	750	1,250	1,450	1,500	1,500	1,550
Victims and Witnesses Services	715	1,009	955	955	955	955
Total Planned Expenditure	2,810	3,245	3,445	3,495	3,495	3,545

4.20 Corporate Services

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

4.21 The areas of expenditure incorporated in this area and the forecasts for the life of the plan are included in the table below:

	Actual	Actual	Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Corporate Services	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	295	330	340	350	360	370
Non Pay Expenditure	40	100	100	100	100	100
PFI Action Stations	5,120	5,145	5,240	5,325	5,410	5,500
PFI Uralay Nook	1,770	1,770	1,820	1,855	1,915	1,946
Asset Management	1,625	1,605	1,875	2,175	1,650	1,650
Total Corporate Costs	8,850	8,950	9,375	9,805	9,435	9,565

4.22 Over £500k of cashable savings was delivered from this area over the 5 years to 2017/18. This has enabled the PCC to focus resources on front line services with the vast majority of the savings coming from the decision made by the PCC to change the way that Capital is financed within the organisation and also the conscious decision to reduce the amount of debt the organisation has.

4.23 Further savings will be difficult to deliver from this area as the lack of funding means that more borrowing than previously expected will impact on asset management costs while higher inflation will feed through to the PFI contract costs.

5. Police Force

5.1 The vast majority of the funding available to the PCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PCC expects the Force to work within, in delivering against the Police and Crime Plan.

5.2 The PCC tries to provide a stable financial platform for the Force to work to and within, despite the significant level of unknowns around various areas of future funding. The aim of this approach is to support and enable good strategic planning, decision making and ultimately service delivery by the Force. In line with the above approach the table below sets out the indicative funding, and the movements over the last year or so, for the Force to work within when planning both financially and operationally.

5.3

Forecast Force Funding	Forecasts					
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Total at July 2015	(118,105)	(117,160)	(115,300)	(110,300)		
Additional Funds allocated to Force	(795)	(1,290)	(1,850)	(7,550)		
Accounting Change re: NPAS	(510)	(500)	(500)	(500)		
Apprentices Levy	0	(400)	(400)	(400)		
Revised Total - Feb 2016	(119,410)	(119,350)	(118,050)	(118,750)	(120,000)	(121,200)
Switch of funds for Cloud between Revenue and Capital		(450)	(450)	(450)	(450)	(450)
PCC Funding for Children's Hub Coordinator Post		(35)	(35)	(35)	(35)	(35)
Total - February 2017	(119,410)	(119,835)	(118,535)	(119,235)	(120,485)	(121,685)
Overspend supported in 2016/17 repaid to General Reserves		415	500	500	500	500
Revised Total - November 2017	(119,410)	(119,420)	(118,035)	(118,735)	(119,985)	(121,185)

5.4 These figures exclude the £1.5m for investment in Neighbourhood Policing, which the PCC will provide to the Force as these costs are incurred and around £150k of costs that the PCC has agreed to fund around Arrest Referral and Restorative Justice but similarly these funds will be provided to the Force as the costs are incurred.

5.5 Details of the Force's plans are provided on a separate report, which is also on today's agenda however a summary of the finances are included below:

	Actual		Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
	£000s	£000s	£000s	£000s	£000s	£000s
Police Force Planned Expenditure						
Pay						
Police Pay	66,552	66,740	65,059	65,774	66,609	67,941
Police Overtime	1,792	1,375	1,506	1,591	1,671	1,704
Police Community Support Officer Pay	4,077	4,255	4,660	4,835	4,920	5,019
Staff Pay	7,949	9,755	10,220	10,597	10,889	11,104
Pay Total	80,370	82,125	81,445	82,797	84,089	85,769
Major Contracts						
Custody and Medical Contract	3,190	2,523	2,446	2,520	2,570	2,630
Outsourcing Contract	18,395	17,139	17,904	18,308	18,148	18,515
Major Contracts Total	21,585	19,662	20,350	20,828	20,718	21,145
Non-Pay Budgets						
Other Pay and Training	287	380	374	374	374	381
Injury and Medical Police Pensions	2,775	2,435	2,750	2,753	2,753	2,808
Premises	3,740	3,620	3,530	3,308	3,331	3,398
Supplies and Services	6,423	7,035	7,671	7,748	8,118	8,280
Transport	1,635	1,576	1,576	1,576	1,576	1,608
External Support	2,595	2,587	2,589	2,591	2,591	2,643
Non-Pay Total	17,455	17,633	18,490	18,350	18,743	19,118
Total Planned Force Expenditure	119,410	119,420	120,285	121,975	123,550	126,031
%age Change in Expenditure	1.9%	0.0%	0.7%	1.4%	1.3%	2.0%

5.6 At this stage is it important to recognise that unless funding is higher than set out elsewhere within this update that these proposals are unaffordable and difficult

decisions will need to be made in the coming months to enable a balanced budget to be set for 2018/19 and beyond.

- 5.7** The table in the section below shows the overall financial position and the forecast gaps in the budget for the LTFP based on current assumptions and plans.

6. Overall Financial Summary

- 6.1 The table below shows the current projected position of the overall finances available to the PCC, however this is based on a significant number of assumptions, including that the Force can contain costs and deliver the level of services required within the financial constraints that were outlined above.

	Actual		Forecasts			
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Funding	£000s	£000s	£000s	£000s	£000s	£000s
Government Grant	(84,684)	(83,500)	(82,765)	(82,037)	(83,677)	(85,351)
Council Tax Precept	(31,642)	(32,656)	(33,240)	(34,220)	(35,221)	(36,244)
Council Tax Freeze Grant	(800)	(800)	(800)	(800)	(800)	(800)
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)	(6,868)
Funding for Net Budget Requirement	(123,994)	(123,824)	(123,673)	(123,925)	(126,566)	(129,263)
Specific Grants	(5,843)	(4,558)	(4,911)	(4,436)	(5,436)	(4,336)
Witness and Victims Funding	(663)	(659)	(656)	(656)	(669)	(682)
Partnership Income/Fees and Charges	(2,760)	(2,664)	(2,790)	(2,869)	(2,840)	(2,824)
Total Funding	(133,260)	(131,705)	(132,029)	(131,885)	(135,511)	(137,105)
%age Change in Funding	1.1%	-1.2%	0.2%	-0.1%	2.7%	1.2%
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	620	645	665	680	695	710
Non Pay Expenditure	230	205	190	190	190	190
Total Planned Expenditure	850	850	855	870	885	900
%age Change in Expenditure	0.0%	0.0%	0.6%	1.8%	1.8%	1.7%
Community Safety/Victims and Witness	£000s	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	1,345	986	1,040	1,040	1,040	1,040
Service Improvement and Development	750	1,250	1,450	1,500	1,500	1,550
Victims and Witnesses Services	715	1,009	955	955	955	955
Total Planned Expenditure	2,810	3,245	3,445	3,495	3,495	3,545
Corporate Services	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	295	330	340	350	360	370
Non Pay Expenditure	40	100	100	100	100	100
PFI Action Stations	5,120	5,145	5,240	5,325	5,410	5,500
PFI Urlay Nook	1,770	1,770	1,820	1,855	1,915	1,946
Asset Management	1,625	1,605	1,875	2,175	1,650	1,650
Total Corporate Costs	8,850	8,950	9,375	9,805	9,435	9,565
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Pay						
Police Pay	66,552	66,740	65,059	65,774	66,609	67,941
Police Overtime	1,792	1,375	1,506	1,591	1,671	1,704
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Pay Total	80,370	82,125	81,445	82,797	84,089	85,769
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Major Contracts Total	21,585	19,662	20,350	20,828	20,718	21,145
Non-Pay Budgets						
Other Pay and Training	287	380	374	374	374	381
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Transport	1,635	1,576	1,576	1,576	1,576	1,608
External Support	2,595	2,587	2,589	2,591	2,591	2,643
Non-Pay Total	17,455	17,633	18,490	18,350	18,743	19,118
Total Planned Force Expenditure	119,410	119,420	120,285	121,975	123,550	126,031
%age Change in Expenditure	1.9%	0.0%	0.7%	1.4%	1.3%	2.0%
(Surplus)/Deficit	£000s	£000s	£000s	£000s	£000s	£000s
(1,340)	760	1,930	4,260	1,855	2,937	
Planned Transfers to/(from) General Fund	(1,550)	(2,000)	(600)	(1,200)	0	0
Contribution to Capital Programme	2,225	1,165	835	100	1,000	1,000
Planned Transfers to/(from) Earmarked Reserves	665	75	150	150	150	150
Net (Surplus)/Deficit After Reserves	0	(0)	2,315	3,310	3,005	4,087
General Reserves	£000s	£000s	£000s	£000s	£000s	£000s
General Fund Balance b/f	8,627	8,016	6,016	5,416	4,216	4,216
General Fund Movements	(1,550)	(2,000)	(600)	(1,200)	0	0
In Year General Fund movements	939	0	0	0	0	0
General Fund Balance c/f	8,016	6,016	5,416	4,216	4,216	4,216

6.2 The report from the Force provides an indication of the challenges that will be faced in being able to deliver this.

7. Capital Financing and Expenditure

- 7.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 7.2 Significant loans will be taken out during 2017/18 and the current plan is to use the Capital Receipt from the sale of Ladgate to repay these loans. The continued constraints on funding of both Revenue and Capital may however mean that these plans will have to change.
- 7.3 This will be kept under review as part of the LTFP process and decisions made in line with affordability and planning.
- 7.4 Over the next 7 years all of the current loans that the PCC has, excluding those that will be taken out in 2017/18, which underpin the capital expenditure of the organisation, which total £18.16m and incur interest charges of £767k per annum, will gradually be due for repayment.
- 7.5 These loans will be reviewed on expirations and where needed new loans taken out to replace them.
- 7.6 The PCC will only have sufficient funds available to support the current plans of the Police Force over the current year and the next 5 years provided that some resources can be provided to the Capital programme from the revenue budget. Given that the current revenue budget does not yet balance there is further work to do between now and setting the budget in February to establish the balance of priorities between Revenue services and Capital investment.
- 7.7 The current Capital Plans, which will be subject to review and development over the final few months of the financial year, are set out below:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Future Funding Levels	£000s	£000s	£000s	£000s	£000s	£000s
Earmarked Reserve/Funding b/f	3,924	11	87	162	985	833
Capital Grant	515	500	500	500	500	500
Contribution to/from Revenue	1,165	835	100	1,000	1,000	1,000
Capital Receipts (from Vehicle sales)	100	100	100	100	100	100
Capital Receipts (from Property sales)		2,767	325	3,109	2,988	3,109
New Prudential Borrowing	11,000	1,000	2,000	-3,272	-4,000	-4,772
Supported Capital Borrowing	760	760	760	760	760	760
Projected In-year funding Available	13,540	5,962	3,785	2,197	1,348	697
Community Safety Hub	11,423	2,956				
IT Replacement programme/Data Centre move	967					
Police Force New Capital Schemes	5,063	2,930	3,710	1,375	1,500	1,500
Total Capital Programme	17,453	5,885	3,710	1,375	1,500	1,500
Earmarked Capital Reserve/Funding c/f	11	87	162	985	833	30

8. Reserves

8.1 As at the end of 2016/17 the PCC had Usable Reserves of £14.4m. The main reserves currently being held are for the following reasons:

- General Reserves - £8.0m
- Capital Reserves - £3.2m
- Community Safety Initiatives Reserve - £0.6m
- Job Evaluation Reserve - £0.55m

8.2 The expected movements on all reserves held by the PCC will be kept under review in line with the development of the LTFP, current projections are included within the table below:

	Balance at 31 March 2017 £000	Tranfers In 2017/18 £000	Tranfers Out 2017/18 £000	Balance at 31 March 2018 £000	Tranfers In 2018/19 £000	Tranfers Out 2018/19 £000	Balance at 31 March 2019 £000	Tranfers In 2019/20 £000	Tranfers Out 2019/20 £000	Balance at 31 March 2020 £000
Direct Revenue Funding of Capital	(3,241)	(1,165)	4,395	(11)	(835)	759	(87)	(100)	25	(162)
Injury Pension Reserve	(320)		320	0			0			0
PFI Sinking Fund	(138)	(75)		(213)	(75)		(288)	(75)		(363)
Incentivisation Grant	(271)	(80)	173	(178)	(80)	80	(178)	(80)	80	(178)
Urray Nook TTC	(81)			(81)			(81)			(81)
NERSOU	(153)			(153)			(153)			(153)
Job Evaluation Reserve	(550)			(550)		250	(300)		300	0
Police Property Act Fund	(43)			(43)			(43)			(43)
Community Safety Initiatives Fund	(450)		150	(300)		150	(150)		150	0
Road Safety Initiatives Fund	(629)		150	(479)		150	(329)		150	(179)
Collaboration Reserve	(389)			(389)			(389)			(389)
Revenue Grants Unapplied	(137)		137	(0)			(0)			(0)
Total Earmarked Reserves	(6,401)	(1,320)	5,325	(2,396)	(990)	1,389	(1,997)	(255)	705	(1,547)
General Reserves	(8,015)	0	2,000	(6,015)	0	600	(5,415)	0	1,200	(4,215)
Total Usable Reserves	(14,416)			(8,411)			(7,412)			(5,762)

8.3 Subject to timely delivery of the Capital Programme in 2017/18 then overall Reserves are approaching the lowest point that I would suggest that the organisation goes to, particularly in light of the risks and unknowns that exist.

8.4 It is important therefore to realise that the use of reserves will not be the answer to supporting the current imbalance in the financial plans.

8.5 A full review of reserves and the robustness of the assumptions within the LTFP will be prepared for consideration by the PCC before the 2018/19 budget is set.

9. Risks

9.1 The major risks and unknowns surrounding the figures presented here are:

- Pay Awards are higher than the assumptions within the plan
- Any differences between the future years' actual Government Grant settlements and the estimated figures.
- The impact of the funding formula review on the Government Grant received in Cleveland.
- That Legacy Council Tax grants are reduced in the future.
- Variations in future years between the estimated tax base used and the actual declared tax base.
- Changes in the referendum limits for Precept increases below the currently anticipated 2% pa.
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service

PACCTS Briefing - Autumn Budget 2017

22 November 2017

INTRODUCTION

On 22 November the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2017 announcement in the House of Commons. This was the Chancellor's first *Autumn Budget*.

Alongside the Autumn Budget the OBR published its [Economic and Fiscal Outlook](#) (EFO), containing its forecasts for the economy and the public finances.

This briefing outlines the key announcements in the Budget, in particular those of interest to policing and police finance. References to the relevant paragraphs in the Budget [report](#) for each announcement are included in square brackets.

BACKGROUND

Before the Budget, there was little talk of any major police and crime announcements. Instead, it was expected that the Chancellor would focus his Budget speech on **housing**. The Independent stated that it expected Hammond to allow some LAs to borrow more to build homes whilst the Times stated that "A stamp duty holiday or [the] raising of the threshold before the duty is paid is being strongly mooted for certain buyers".

Regarding **social care**, the Government faced many calls from local government, think-tanks and charities for increased funding.

The Times reported that Hammond was looking to find extra money for the **NHS** in the Budget causing other services to miss out due to the Chancellor's wish not to increase borrowing. Hammond was said to believe the NHS is different from other public services because it cannot turn away people who need care.

The Observer reported that the Chancellor will increase **business rates** in line with the Consumer Price Index (CPI – 3.0%) rather than the Retail Price Index (RPI – 3.9%) following business groups' calls to drop the planned rise entirely.

The BBC reported that **other** announcements would include a drive to increase productivity, investment in driverless cars and a new 26-30 railcard.

ECONOMY

GDP – GDP is predicted to grow by 1.5% in 2017. This is 0.5 percentage points less than the 2.0% predicted in the 2017 Spring Budget (the first post-Brexit forecast). For each year to 2021, growth forecasts have been revised down from those in the 2017 Spring Budget. These revisions mainly reflect revisions to productivity forecasts [1.19].

OBR	2016 Autumn Statement	2017 Spring Budget	2017 Autumn Budget
2017	1.4%	2.0%	1.5%
2018	1.7%	1.6%	1.4%
2019	2.1%	1.7%	1.3%
2020	2.1%	1.9%	1.3%
2021	2.0%	2.0%	1.5%
2022			1.6%

Inflation – CPI inflation has been revised up for 2017 but aligns with previous medium term forecasts. In 2017, CPI Inflation is now forecasted at 2.7%; this is expected to be followed by rates of 2.4% and 1.9% in 2018 and 2019 respectively and 2.0% thereafter. [Table 1.1]

Employment – The Budget highlights that “Employment remains near the record high set earlier this year and unemployment is at its lowest rate since 1975”. Wage growth is slightly higher than forecasted in the Spring Budget at 3.4% for 2017; falling to 2.6% in 2019 before regaining to 3.3% in 2022. Hammond stated that “Income inequality is at its lowest level in 30 years”. [1.1; EFO T3.8]

Debt, Deficit and Borrowing – The OBR forecasts that debt will peak at 86.5% of GDP in 2017-18, the highest it’s been in 50 years. It is then forecasted to be 86.4%, 86.1%, 83.1%, 79.3%, 79.1% from 2018-19 to 2022-23. This corresponds to deficit forecasts of 2.4%, 1.9%, 1.6%, 1.5%, 1.3% and 1.1% of GDP for 2017-18 to 2022-23. Borrowing is lower in the near term than that planned in the Spring Budget but is higher in the medium term.

	Borrowing – 2017 Spring Budget	Borrowing – 2017 Autumn Budget
2017-18	£58.3bn	£49.9bn
2018-19	£40.8bn	£39.5bn
2019-20	£21.4bn	£34.7bn
2020-21	£20.6bn	£32.8bn
2021-22	£16.8bn	£30.1bn

PUBLIC SPENDING

Brexit preparations – £3bn has been set aside over the next two years to ensure a smooth Brexit transition. This is in addition to the £700m already invested. [1.51 – 1.53]

National Productivity Investment Fund – The 2017 Autumn Budget announced the expansion of the NPIF to support innovation, upgrade the UK's infrastructure and to underpin the government's modern Industrial Strategy. The NPIF will total over £31bn. Plans to boost productivity were announced including a new transforming cities fund (£1.7bn), the creation of advanced regulatory framework for driverless cars and plans for a new Cambridge, Oxford and Milton Keynes corridor. [4.6]

NPIF Forecasts [Table 4.1]	2017-18	2018-19	2019-20	2020-21
Roads and local transport	£365m	£360m	£290m	£415m
Next generation vehicles	£75m	£145m	£155m	£115m
Digital railway enhancements	£30m	£55m	£165m	£285m
Cambridge - Milton Keynes - Oxford corridor	£5m	£135m	£0m	£0m
Transforming Cities Fund	£0m	£140m	£355m	£485m
Tyne & Wear Metro	£0m	£0m	£25m	£35m
Fibre and 5G investment	£25m	£150m	£275m	£290m
Total*	£1.570b	£3.215b	£5.885b	£7.045b
	n	n	n	n

**Some parts of the NPIF are excluded above.*

Departmental Spending Cuts – Total Managed Expenditure as a share of GDP is forecast to fall from 38.9% in 2017-18 to 37.7% in 2022-23. This compares to 44.9% in 2010-11. [Table 1.6]

Efficiency Savings – Budget 2016 set out plans to make efficiency savings of £3.5bn in public spending by 2019-20. Due to changes in Official Development Assistance (ODA) spending as well as potential new spending and administrative pressures faced by departments in 2019-20, this has been revised to £1.4bn. [1.54-1.56]

Protected Spending - As set out in Spending Review 2016, commitments to priority public services, to defence and to international development will be maintained. [1.49]

PAY AND PENSIONS

Public Sector Pay – In September 2017 the government announced its intention to move away from the 1% basic public sector pay award policy. In 2018-19 the relevant Secretary of State will make final pay awards decisions, taking into account their affordability and feedback from the independent Pay Review Body reports. This process will commence shortly with the relevant Secretary of State writing to the PRB Chair to initiate the 2018-19 pay round. Each PRB will then make its recommendations in the spring or summer. [6.27]

National Living Wage and National Minimum Wage – NLW will rise by 4.4% from £7.50 per hour to £7.83 from April 2018 [4.31]. The National Minimum Wage rates will be increased to £7.38 for 21-24 year olds, £5.90 for 18 to 20 year olds, £4.20 for 16-17 year olds and £3.70 for apprentices, an increase of 4.7%, 5.4%, 3.7% and 5.7% respectively. [4.31]

National Insurance – As previously announced, to ensure that there is enough time to work with Parliament and stakeholders on the detail of reforms that will simplify the NICs system, the government has announced that it will delay implementing a series of NICs policies by one year. These are the abolition of Class 2 NICs, reforms to the NICs treatment of termination payments, and changes to the NICs treatment of sporting testimonials. [3.10]

The government will also no longer proceed with an increase to the main rate of Class 4 NICs to 10% in April 2018, and 11% in April 2019. [3.18]

COUNCIL TAX

Council Tax Forecasts – Forecasted council tax receipts, levels and taxbase are below. Each of these are forecasted slightly higher than the corresponding March 2017 forecasts (please see Annex). [EFO 2.15]

England	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Receipts	£26.1bn	£27.6bn	£29.1bn	£30.2bn	£31.1bn	£32.0bn	£32.9bn
Change in CT level	3.1%	4.0%	4.0%	2.4%	1.9%	1.9%	1.9%
Change in CT base	2.3%	1.8%	1.3%	1.3%	1.1%	1.0%	0.9%

BUSINESS RATES

Up-rating of Business Rates – The business rates multiplier (the tax rate) is increased each April in line with inflation. The figure used is the Retail Price Index (RPI) from the preceding September. Plans, originally announced in Budget 2016, to switch to the Consumer Price Index (CPI) have been brought forward by two years so that from April 2018 CPI rather than RPI will be used. Local government will be fully compensated for the loss of income as a result of these measures. [3.27]

The RPI forecast on which business rates forecasts are based in 2018-19 and 2019-20 is replaced with the CPI forecast. The costs will grow in the first two years of implementation as the multiplier each year is dependent on the previous year's multiplier, thereafter the costs will stay flat as the baseline is already uprated by CPI. [[Policy Costing](#) page 18]

	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23
Exchequer impact	£0	-£240m	-£530m	-£525m	-£520m	-£520m

Changes to the Revaluation Process – Following the next revaluation process (currently due in 2022), revaluations will take place every three years (currently every five years). This follows a consultation announced at the 2017 Spring Budget. To enable this, ratepayers will be required to provide regular information to the VOA on who is responsible for business rates and property characteristics including use and rent. The government will consult on the implementation of these changes in the spring. Local government will be fully compensated for the loss of income as a result of these measures. [3.27]

POLICE AND CRIME

Departmental Budgets – The Home Office’s Resource and Capital DELs are included in the Autumn Budget [Table 1.7 and Table 1.8]. These are:

Home Office DELs	2017- 18	2018- 19	2019- 20	2020- 21
Resource	£10.6bn	£10.7bn	£10.7bn	NA
Capital	£0.6bn	£0.5bn	£0.5bn	£0.4bn

Banking fines – The government will allocate over £5m in Scotland, Wales and Northern Ireland from banking fines. Projects supported include mental health support for veterans in the Scottish Highlands, training and work opportunities for veterans in North East Wales and support for injured police officers and their families in Northern Ireland. [4.94]

£m	2017- 18	2018- 19	2019- 20	2020- 21	2021- 22	2022- 23
Exchequer impact	0	-40	-40	-40	-45	-45

HEALTH AND SOCIAL CARE

Mental health – In December, a green paper will be published setting out the government’s plans to transform mental health services for children and young people. [6.10]

NHS Funding – An additional £2.8bn has been allocated to help the NHS “meet its performance targets on waiting times both in A&E and after patients are referred to treatment”. This includes £350m immediate funding, £1.6bn for 2018-19 and the remainder (£850m) in 2019-20. [6.5]

TRANSPORT

Motoring – For the eighth year in succession Fuel Duty has been frozen, for petrol and diesel this is at 57.95p per litre. [3.40]

REACTION

Labour – Leader of the opposition Jeremy Corbyn described responded to the Chancellor's statement saying "The reality test of this budget has to be how it affects ordinary people's lives... The reality is that ordinary people will be no better off"

2.15 Council tax receipts									
	2016-17			2017-18 (forecasted)			2018-19 (forecasted)		
	Spring (forecasted)	Autumn (outturn)	Change	Spring	Autumn	Change	Spring	Autumn	Change
<i>£bn</i>									
England council tax receipts	26.1	26.1	0%	27.5	27.6	1%	28.9	29.1	1%
Change in council tax level (%)	3.1	3.1	0%	3.9	4.0	4%	3.9	4.0	4%
Change in council tax base (%)	2.3	2.3	0%	1.4	1.8	29%	1.3	1.3	5%

2.15 Council tax receipts (cont.)											
	2019-20 (forecasted)			2020-21 (forecasted)			2021-22 (forecasted)			2022-23 (forecasted)	
	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn	Change	Spring	Autumn
<i>£bn</i>											
Receipts	30.0	30.2	1%	30.9	31.1	1%	31.7	32.0	1%	n/a	32.9
Level	2.6	2.4	-8%	1.9	1.9	0%	1.9	1.9	0%	n/a	1.9
Taxbase	1.1	1.3	14%	1.0	1.1	14%	0.9	1.0	8%	n/a	0.9

Report of the Chief Finance Officer of the Chief Constable to the Police and Crime Commissioner for Cleveland

23rd November 2017

Status: For Information

Cleveland Police Long Term Financial Plan (LTFP) 2017/18 to 2020/21

1. Purpose

- 1.1 A stable financial position for the Force is a key enabler in order to help our communities become safer and stronger. The Long Term Financial Plan (LTFP) supports longer term planning for sustainable service delivery and demonstrates that 'Towards 2020 – Our Plan for the Future' and our operational plans are affordable.
- 1.2 This purpose of this report is to provide the Scrutiny Panel with an update on the current LTFP which was approved by the PCC in February 2017 and to highlight any significant changes in the plan and assumptions that have taken place.
- 1.3 An update on delivering the 2017/18 budget is covered by a separate paper on today's agenda.

2. Recommendations

- 2.1 The Scrutiny Panel is asked to:
- 2.2 Note the contents of the report and the emerging financial risks.

3. Background

- 3.1 On the 27th February 2017 the PCC approved the LTFP 2017/18-2020/21. The LTFP is based on a series of assumptions about the future, consequently it is prudent to continually re-examine some of the key assumptions and plan for any adverse scenarios. This will provide a blend of options that build resilience into the LTFP and provide flexibility in responding to any emerging pressures.
- 3.2 This approach is consistent with our stated policy of maintaining financial stability and protecting service provision through identifying sufficient savings in order to provide the Force with the time and space to work up well considered savings plans for more challenging future years.
- 3.3 The Chief Finance Officer of the PCC has prepared a detailed update on the funding assumptions underpinning both the PCC and Force's financial planning. As there has been no mention of police funding in the Autumn Statement on the 22nd

November 2017 it is expected that there will be no changes to future years' planned allocations to the Force as set out in the February 2017 LTFP at this time other than the agreed increase in funding for the additional investment in neighbourhood policing (approx. £1.5m per annum) provided by the PCC for Cleveland.

- 3.4 It should be noted that we continue to reflect a nil affect in our funding in regards to the revised police funding formula as this work has currently stalled. Work is underway with ministers to review the totality of the police funding pot rather than how it is distributed at this time.
- 3.5 The Police Transformation Fund is expected to continue although at a recent Director of Finance meeting in Liverpool a Home Office representative confirmed that this pot is expected to shrink and as they have to take cognisance of future funding of successful current bids the future pot is expected to be smaller again resulting in only large scale or scalable schemes that can provide future savings being successful.
- 3.6 The assumptions in respect of precept uplift, growth in the tax base and collection surplus remain unchanged.
- 3.7 The impact of Brexit on the economy is still being evaluated and the Treasury have indicated that they need to build a "war chest" to aid smooth transition leading to the announcement to provide £3bn worth of investment which will aid the Brexit preparations in the Autumn Statement. This will undoubtedly impact on all government departments funding not least the Home Office and as such both local Chief Officers, their PCC's as well as collective groups such as the National Police Chiefs Council and the Association of Police and Crime Commissioners have continued to canvas the Home Secretary and the Policing Minister in regards to the difficult financial position that police forces find themselves in.
- 3.8 In September 2017 the government announced the removal of the public sector pay cap indicating that future pay awards would and could be above the current 1% provided within the LTFP. Very soon after the announcement the police officers were awarded a 1% bonus payment on top of the 1% pay rise. This increase in pay cost did not come with the associated grant increase and the impact of this increase has been funded by the PCC's General Fund Reserve. This will impact on the PCC's ability to use the General Reserve for other more prudent activities such as the uplift of the current grant in order to ensure that our operational plans are affordable now and over the next few years.

4. Current Challenges

- 4.1 The Force set a balanced budget for 2017/18 onwards which incorporated the need to make large scale savings. The plan was balanced by identifying the need for the Force to make £0.5m worth of cashable savings in 2017/18 rising to £2.9m worth of cashable savings by 2019/20.

4.2 Along with the LTFP 2017/18-2020/21 the PCC approved the Force’s Financial Sustainability Plan 2017. Within this plan it highlighted the areas of expenditure that the Force was going to review in order to realise the savings required within the LTFP.

4.3 The Force has worked extremely hard to ensure that the £500k worth of cashable savings in this current financial year has been identified and realised. The table below highlights where the savings have been made:

Description	Amount £000s
Police pay	82
Reduction in contingency funding	85
Reduction to Fleet Repairs & Maintenance	75
Reduction in cost of Apprentice levy	70
Reduction in Learning Development centre costs	60
Reduction in Cloud based budget	33
Reduction to JE provision	50
Savings in relation to EBP	45
Total	500

4.4 The savings above are built into future years plans and are supplemented by other pay savings identified in 2018/19 onwards. This has not been an easy solution and has required all of our budget holders to review their financial needs in terms of the Force as a whole rather than individual silo thinking. Financial Regulation training was given to Management Board colleagues earlier in the year to remind budget holders of their corporate responsibilities and reinforce the message that any savings identified are first required to address overall Force pressures rather than offset another overspend or be used to fund additional expenditure plans without the approval of the CFO to the Force. This has resulted in all areas of the Force coming together in terms of sharing financial problems as well as sharing financial savings. This form of working will continue allowing for both non pay and pay savings to be realised.

5. Future Challenges

5.1 As stated above the force is also required to make savings in the current LTFP in future years; £2.5m 2018/19 and £2.9m 2019/20. These savings were identified at a time when both inflation was considerably more stable and the government’s public sector pay cap of 1% was still in force.

5.2 Both of these assumptions on the stability of inflation and the pay cap have now changed. Inflation has begun to increase reaching over 3% in the last few months and the pay cap has been lifted resulting in actual higher pay settlements for police officers and anticipated higher pay settlements for police staff (the current

employer offer for staff pay is the same as the police officers). Therefore it is now necessary to review these assumptions against the current and future savings targets that we have already identified.

5.3 Officer Numbers

As identified within the Financial Sustainability Plan 2017 the Force has undertaken several reviews on areas of the business that had not previously been reviewed. This has allowed the Force to re-look at workforce modernisation. Reviews within the Intelligence department, the then Business Transformation Unit and the PQR department has allowed 18 officers to be returned to front line duties as it was identified that non-warranted officers could and should undertake these new roles.

5.4 Coupled to this a further 9 retirements were identified within the current year that will not be re-filled (8 Sgts/1 Inspector) and finally a further 7 officer posts have been deleted from the establishment due to changes within collaborative arrangements, the cessation of secondments and the deletion of the 3 contingency growth posts that were assigned in the 2017/18 budget.

5.5 This has resulted in an anticipated end of year police officer establishment of 1246 fte. The table below shows the movement of establishment in officer numbers from the beginning of the current financial year to the end of the current financial year.

		In Year Movements					
	Start 17/18	BTU Review	PQR Review	Intell Review	Misc	Sgt & Insp retirem'ts	End 17/18
ACPO	4	0	0	0	0	0	4
Chief Superintendent	3	0	0	0	0	0	3
Superintendent	10	-1	0	0	-2	0	7
Chief Inspector	16	0	0	0	0	0	16
Inspector	60	-1	0	0	-2	-1	56
Sergeant	200	-1	-3	-1	2	-8	189
PC	987	0	-2	-9	-5	0	971
Total**	1280	-3	-5	-10	-7	-9	1246

**NB Please note the above FTE's include the 6 funded OPCC posts for Neighbourhood policing

5.6 Further work has taken place to review the police officer rank mix/establishment in order to achieve the savings identified in the Financial Sustainability Plan 2017 for future years. The review has identified an additional 20 retirements in 2018/19

that can be deleted from the establishment. The table below shows the reduction in police officer rank mix that will occur during 2018/19.

		In Year Movements	
	Start 18/19	Sgt & Insp retirem'ts	End 18/19
ACPO	4	0	4
Chief Superintendent	3	0	3
Superintendent	7	-1	6
Chief Inspector	16	-1	15
Inspector	56	-5	51
Sergeant	189	-13	176
PC	971	0	971
Total**	1246	-20	1226

**NB Please note the above FTE's include the 6 funded OPCC posts for Neighbourhood policing

- 5.7 The savings achieved through changes in Police Officer numbers offset by the extra cost of Police Staff (due to workforce modernisation) would have been sufficient to address the savings in the current LTFP. However the impact of pay and price inflation present us with an additional challenge.
- 5.8 Price Inflation
The assumption within the LTFP in regards to price inflation is based on 1.5%. This is to cover non-pay inflation in line with contractual arrangements and general non-pay expenditure such as council tax and fuel costs. In line with known inflationary pressures it would not be prudent to keep our estimate at 1.5% but to raise it to at least 2.0%. With a 0.5% increase this would incur a pressure on the Force of approximately £200k per annum.
- 5.9 Pay Inflation
As has been already stated the current LTFP reflects the then agreed public sector pay cap of 1%. This cap has been lifted and for every 1% increase in pay award the cost to the Force for staff, officer and contractual arrangements is approximately £1m (full year effect).
- 5.10 These increases in pay costs cannot be ignored and if they continue will have a major impact on the Force's ability to provide the PCC with a balanced and costed future plan.
- 5.11 This will mean that further cuts in both staff and officer numbers may have to be investigated but it should be noted that the Force and HMICFRS feel that should these extra cost pressures arise and no further grant be forthcoming the Force

cannot take further cuts in number of officers/staff without there being a requisite cut in work undertaken or a major impact on service delivery.

5.12 Non-Pay Pressures and Savings

During the current year much work has been undertaken between finance staff and commanders to ascertain what savings can be made under non-pay headings. Earlier within the report it has been stated how the required current savings have been made and it is intended that these savings be made on an on-going basis and not be a "one-off" arrangement.

5.13 These include savings made against the newly procured custody contract, the re-calculation of the apprenticeship levy and the reduction in the cost of maintenance of our fleet. Some of the savings made this year are one off savings and these include the delay in the use of the LDC (start date anticipated to be February 2018 rather than the summer of 2017), the delay by Teesside University in the Evidence Based Practice work and the delay in the new cloud arrangements. These savings will not be able to be realised next year so further work with commanders is underway to reduce all unnecessary non-pay spend. It should be noted that non contractual non-pay spend is now less than 15% of the total budget so large scale reductions in this spend category is harder year on year.

5.14 Non-pay savings are being made but at the same time there are further non-pay pressures arising. These include inflationary pressure (already discussed within the report) as well as legislation and policy changes that impact on budgets. These include the increase of over £200k per annum in insurance costs post the implementation of the Ogden Ruling as well as increases in national insurance (over £1.6m from 2016/17). These do have a massive impact on any savings identified whether they are pay or non-pay costs due to the fact that as quickly as savings are being realised further costs are being added into the base.

5.15 Therefore with the pay cap being lifted and the anticipated future pay rises being at least 2% coupled with clearly higher inflation costs and non-pay pressures outside of our control even with the above savings in pay and non-pay costs it is anticipated that even more savings will have to be made if no further government grant is forthcoming.

6. Future Years Costs

- 6.1 The assumptions we will take forward into 2018/19 and beyond will be:
- Officer establishment 2018/19 1236 fte (the average between the start and end of the year)
 - Officer establishment 2019/20 onwards 1226 fte
 - Rebasing the staff establishment to take account of the investment in the new neighbourhood posts and workforce modernisation
 - Allowing 2% pay award for 2018/19 onwards for both staff and officers
 - Additional 0.5% inflation each year

- Additional pressures in non-pay costs including insurance costs, legal fee costs, collaborative arrangements, ill health retirement costs and pay awards for contractual obligations
- Additional savings identified under non-pay costs including the savings made under the new contracted custody contract and fleet maintenance reductions

6.2 Taking the above assumptions and recasting the current funding allocated from the OPCC the following deficit(s) are being forecasted for the Force.

	2018/19 £000's	2019/20 £000's	2020/21 £000's
Pay and Allowances			
Total Police Pay (inc overtime)	66,515	67,312	68,229
Total PCSO/Staff Pay (inc overtime)	14,883	15,434	15,812
Current Non Pay Budgets 17/ 18 Base	37,708	37,708	37,708
Inflation Pressures	606	1107	1,020
Estates Related Pressures / Savings	57	-406	-406
Insurance Premiums	200	200	200
Professional Fees Legal	165	165	165
Bank Holiday Resources	50	50	50
Ill Health Recruitment	320	320	320
Collaborations	374	579	783
Other Pressures / savings	221	319	486
Total Additional Non-Pay Pressures	39,701	40,042	40,326
Additional Savings;			
Custody Contract Savings	-540	-540	-540
Other Non-Pay savings	-275	-275	-275
Total Additional Non-Pay Savings	-815	-815	-815
Total Force Spend:	120,284	121,973	123,552
Funding			
Original PCC Grant 17/18 onwards	-118,535	-119,235	-120,485
Grant reduction (Custody)	500	500	500
Total Funding Expected	-118,035	-118,735	-119,985

-Deficit / +Surplus	-2,249	-3,238	-3,567
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6.3 Therefore it can be seen that by using the assumptions above the Force will need to make a further £2.2m worth of saving in 2018/19 should no further grant be forthcoming from the government rising to £3.6m by the end of 2020/21.

6.4 As already stated the Force will find this further savings target extremely challenging as a reduction in officers of 34 this year rising to 54 officers next year will have already been deleted, deep dives into other non-reviewed areas of business will have been completed, workforce modernisation will be well underway and any unnecessary non-pay costs will have been removed. This only leaves a further review of what services we currently provide and whether these services can be reduced or deleted with minimal impact on our communities. Any such options will have to be fully discussed between the Force and the Office of the Police and Crime Commissioner before any such options are implemented.

7 Implications

7.1 Finance

7.1.1 All financial implications are highlighted within the report.

7.2 Legal

7.2.1 There are no legal implications arising from this report.

7.3 Diversity & Equal Opportunities

7.3.1 There are no diversity and equal opportunities implications arising from this report.

7.4 Human Rights Act

7.4.1 There are no Humans Rights implications arising from this report.

7.5 Sustainability

7.5.1 There are no further sustainability implications arising from this report that are not already discussed.

7.6 Risk

7.6.1 There are inherent risks associated within the costings of this report. Not least the pay and inflation increases but also the ability of the Force to be able to reduce

their overall spend without either the equal and opposite grant increase or the cut in services offered by the Force.

Joanne Gleeson
CFO to the Chief Constable
23rd November 2017



Scrutiny, Delivery & Performance Meeting

29 November 2017

PCC Questions

Radox

1. At the Scrutiny, Delivery and Performance meetings in March and July the PCC sought information on the implications of the recent reports into the manipulation of drug tests undertaken by the Radox company. Could the Force provide an update on the position as it stands to date?

Hate Crime

2. In October 2017, it was reported in national media that there had been a four month spike in hate crime. The increase was thought to reflect both a genuine rise of hate crime incidents and improvements in crime recording made by the police. Could the Force provide an updated position on recent hate crime statistics in Cleveland?

Redesign of the Force Website

3. The Cleveland Police website has been refreshed. The PCC had received some feedback regarding accessibility issues with the translation into different languages. Could the Force provide some assurances that they are confident the website is accessible to people whose first language is not English.

Volunteer Recruitment

4. Could the Force provide an update on the recent Volunteers' Fair and its outcome?

Complaints

5. In the most recent IPCC statistics the Force has the longest number of days taken to finalise allegations by local investigation, 620 days, compared with all other forces. (1 April to 30 September 2017). Could the Force provide an explanation for this and what improvements will be made to improve on this statistic?