

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

**27<sup>th</sup> February 2023**

**Status: For Information**

**2022/23 Budget Monitoring – Report to the end of December 2023**

**1. Executive Summary**

**1.1 Purpose of the Report**

On the 24<sup>th</sup> February 2022 the PCC agreed the revenue Budget for 2022/23 which was based on the receipt of income totalling £169,375k. This report is to provide the PCC with an update on all areas of the budget, including forecasts of how much income will 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 £960k is expected to underspend by £70k during 2022/23.
- 2.2 The Corporate Services budget of £10,300k is expected to underspend by £690k during 2022/23.
- 2.3 The original £2,650k to support PCC Community Safety Initiatives and Victims and Witnesses Services has increased to £5,141k, as a result of additional funding received in year, and is forecast to underspend by £185k.
- 2.4 It is currently forecast that the income received by the PCC will be £880k more than the revised budget.
- 2.5 The Force is currently forecasting to overspend by £340k, further details are set out in the report from the Force. Although this is subject to final costs of the Police Staff Pay Award.
- 2.6 The total forecast outturn at the end of December is that there will be an overall underspend of £1,485k for 2022/23, although this is subject to the final costs of the Police Staff Pay Award.

- 2.7 It is recommended that this underspend is used as follows:
- £175k is added to the PFI 'sinking fund' as the underspend is from the PFI contracts
  - £600k is added to the Pay and Price Reserve to help manage any unexpected costs next year – this is effectively using the additional £600k of grant from the higher-than-expected Police Officer Uplift grant due to overrecruiting against targets. If the full additional grant is not achieved, then this transfer will be reduced accordingly.
  - The remaining underspend, currently forecast at £710k is added to the Capital Reserve to support future spend in this area and keep borrowing levels down.
- 2.8 In addition to this it is recommended that if any underspend materialises on the Medical/Injury Pensions budget within the Force that this is added to the Injury Pension Reserve.

### **3. Reasons**

- 3.1 When setting the budget for the financial year 2022/23 the PCC allocated the income forecast to be received during the year, of £169,355k, into the following areas:
- £960k to run the Office of the PCC
  - £2,650k to support PCC Initiatives and Victims and Witnesses Services
  - £10,300k for Corporate Services
  - £151,315k to the Police Force
  - £4,420k to the Capital Programme
  - This will be supported by £290k from Earmarked 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 £169,355k during 2022/23 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 2021/22 is also shown.

2021/22 Budget	In Year Changes	2021/22 Revised Budget	2021/22 Final Outturn	Variance	Summary of Income to be Received by the PCC	2022/23 Budget	In Year Changes	2022/23 Revised Budget	2022/23 Forecast Outturn	2022/23 Forecast (Under)/Over spend
£000s	£000s	£000s	£000s	£000s	<b>Funding</b>	£000s	£000s	£000s	£000s	£000s
(53,582)	0	(53,582)	(53,582)	(0)	Police Grant	(56,542)	0	(56,542)	(56,542)	0
(43,828)	0	(43,828)	(43,828)	(0)	RSG/National Non Domestic Rate	(46,278)	0	(46,278)	(46,278)	0
<b>(97,410)</b>	<b>0</b>	<b>(97,410)</b>	<b>(97,410)</b>	<b>(0)</b>	<b>Government Grants</b>	<b>(102,821)</b>	<b>0</b>	<b>(102,821)</b>	<b>(102,821)</b>	<b>0</b>
(40,947)	0	(40,947)	(40,947)	(0)	Precept	(43,401)	0	(43,401)	(43,401)	0
(800)	0	(800)	(800)	0	Council Tax Freeze Grant	(800)	0	(800)	(800)	0
(8,263)	0	(8,263)	(8,264)	(1)	Council Tax Support Grant	(6,868)	0	(6,868)	(6,868)	0
<b>(50,010)</b>	<b>0</b>	<b>(50,010)</b>	<b>(50,011)</b>	<b>(1)</b>	<b>Precept related funding</b>	<b>(51,069)</b>	<b>0</b>	<b>(51,069)</b>	<b>(51,069)</b>	<b>0</b>
(8,030)	(1,545)	(9,576)	(9,564)	12	Specific Grants	(8,572)	(3,161)	(11,732)	(12,277)	(545)
(3,199)	(1,756)	(4,956)	(6,104)	(1,148)	Partnership Income/Fees and Charges/Misc Income	(4,094)	(29)	(4,122)	(4,458)	(335)
<b>(11,230)</b>	<b>(3,302)</b>	<b>(14,532)</b>	<b>(15,668)</b>	<b>(1,137)</b>	<b>Other Funding</b>	<b>(12,665)</b>	<b>(3,189)</b>	<b>(15,855)</b>	<b>(16,734)</b>	<b>(880)</b>
<b>(158,649)</b>	<b>(3,302)</b>	<b>(161,951)</b>	<b>(163,089)</b>	<b>(1,137)</b>	<b>Total</b>	<b>(166,555)</b>	<b>(3,189)</b>	<b>(169,744)</b>	<b>(170,624)</b>	<b>(880)</b>
(3,500)	274	(3,226)	(3,226)	0	Special Grant	(2,800)	0	(2,800)	(2,800)	0
<b>(162,149)</b>	<b>(3,028)</b>	<b>(165,177)</b>	<b>(166,314)</b>	<b>(1,137)</b>	<b>Total Overall Funding</b>	<b>(169,355)</b>	<b>(3,189)</b>	<b>(172,544)</b>	<b>(173,424)</b>	<b>(880)</b>

### 3.3 In Year Changes

The revised budget reflects several additional elements of funding that the PCC either expects to receive during 2022/23 or has already received, in comparison to the original budget for 2022/23.

### 3.4 This additional income predominantly relates to the following:

- £447k – additional Independent Sexual and Domestic Violence Advisors funding to support increased services across Cleveland.
- £472k - from the Safer Streets Fund for 2022/23 with a further £225k already allocated for 2023/24.
- £157k – For Domestic Abuse/Perpetrator services.
- £1,414k – For year 1 of the Cleveland Violence Reduction Unit
- £840k – Additional Government Grant/Funding to mitigate the higher costs of Pay Awards for 2022/23, although only £620k is reflected in the budget so far.

### 3.5 Income Forecasts

As you would expect, much of the income the PCC will receive during 2022/23 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.

3.6 The areas where variances may occur will predominantly be in relation to Partnership Funding, Fees and Charges and Miscellaneous Income with some variances possible against Specific Grants.

### 3.7 Specific Grants

3.8 The forecast additional income forecast in this area of £545k relates to the £60k additional funding that the Home Office have agreed to provide the PCC should the Force exceed their Police Officer Uplift Target by 30, which is in line with the proposal put forward by the Force.

3.9 This is offset by £56k of Prevent income which is no longer expected to be received.

### 3.10 Other Income

3.11 There are a number of small overspends and underspend forecasts within Other Income at this stage of the financial year and they will be closely monitored as the year progresses.

3.12 The £335k forecast underspend is being predominantly driven by higher levels of forecast interest receivable given the quicker than expected increases in interest rates – the current forecast is that £225k more income will be received although this is likely to increase if interest rates continue to increase.

3.13 At this stage therefore an overall over recovery of £880k is forecast against income.

### 3.14 The Office of the PCC

The 2022-23 budget of £960k for the Office of the PCC is split into the following areas:

	Original 2021/22 Budget	Budget YTD	Actual Spend in 2021/22	Over/ (Under) spend to Date	2022-23 Forecast Spend	2022-23 Forecast Over/(Under)
<b>PCC Budget</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Category of Spend						
Staff Pay and Allowances (Incl. NI and Pension)	808	603	529	(74)	648	(160)
Other Pay and Training	5	4	27	23	30	25
Supplies and Services	234	176	177	1	289	54
Transport	5	4	7	3	9	4
Miscellaneous Income	(92)	(69)	(42)	26	(85)	7
<b>Total Budget</b>	<b>960</b>	<b>717</b>	<b>696</b>	<b>(21)</b>	<b>890</b>	<b>(70)</b>

### 3.15 Position as at the end of December 2022

The table above shows the forecast position for 2022-23. Forecasts show that expenditure for 2022/23 is expected to be around £70k below budget primarily as a result of some turnover in staff leading to an under spend while vacancies are filled but also around £70k of the staff costs are being charged to CURV as staff have supported this area while it was being established.

3.16 This is being partially offset by higher costs across Supplies and Services and Other Pay and Training, although these costs are not expected to be recurring.

### 3.17 Corporate Services

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

3.18 The Corporate Services budget for 2022/23 is £10,300k, as per the table below which also shows the forecast spend and outturn at this stage of the year.

	Original 2022/23 Budget	Revised 2021/22 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	2022/23 Forecast Spend	2022-23 Forecast Over/ (Under)
<b>Corporate Services Budget</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Category of Spend							
Staff Pay and Allowances (Incl. NI and Pension)	830	830	620	380	(239)	431	(400)
Supplies and Services	84	84	63	50	(13)	64	(20)
Transport	1	1	1	0	(1)	0	(1)
PFI - Urray Nook	2,000	2,000	1,500	1,456	(44)	1,991	(9)
PFI - Action Stations	5,670	5,670	4,253	4,104	(149)	5,505	(165)
Asset Management	1,715	1,715	1,286	1,152	(134)	1,620	(95)
<b>Total Budget</b>	<b>10,300</b>	<b>10,300</b>	<b>7,722</b>	<b>7,142</b>	<b>(580)</b>	<b>9,610</b>	<b>(690)</b>

3.19 An underspend of £470k is currently forecast in this area predominantly for 3 reasons:

- A number of staff vacancies within the team plus support from the team in the CURV team leading to a forecast underspend of £400k
- The negotiation of a refund on one of the PFI contracts in relation to insurance for £145k
- Lower than forecast interest payable and capital charges (£95k) being required in year after a decision not to take out any loans last year to fund capital expenditure and an expectation that one of these loans will not be required in this year either.

### 3.20 PCC Initiatives and Victims and Witnesses Services

The PCC initially allocated £2,650k to support Community Safety and PCC Initiatives and deliver Victims and Witnesses services. This has increased significantly during the year to reflect the additional income that was referred to earlier in this report. The current forecasts of spend against the revised budget, which also includes the CURV funding, are shown in the table below:

	Original 2022/23 Budget	Revised 2022/23 Budget	Budget YTD	Spend YTD	(Under) / Over spend YTD	2022/23 Forecast Spend	2022/23 Forecast Over/ (Under) spend
<b>PCC Initiatives and Victims and Witnesses</b>							
<b>Category of Spend</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Community Safety Initiatives	1,079	2,288	1,716	1,062	(654)	2,128	(160)
Victims and Witnesses Services	1,571	1,438	1,078	973	(106)	1,413	(25)
Cleveland VRU	0	1,414	1,059	490	(569)	1,414	0
<b>Total Budget</b>	<b>2,650</b>	<b>5,141</b>	<b>3,853</b>	<b>2,525</b>	<b>(1,328)</b>	<b>4,956</b>	<b>(185)</b>

3.21 Other than some switches between categories most plans are progressing in line with expectations.

3.22 The overall underspend of £185k is predominantly made up from lower spend on the Domestic Violence Perpetrator Programme (£70k), lower costs on the Divert Scheme (£50k) and the costs for the accreditation of the SARC being split across 2 financial years, therefore £30k is not required in 2022/23 but will be required in 2023/24.

3.23 In addition to this the funding set aside to fund contractual price inflation across Commissioned Services has not all been used yet and therefore an underspend of £30k is forecast.

#### 4. Police Force

- 4.1 The vast majority of the funding available to the PCC has been provided to the Police Force. The Force was allocated a budget of £151,315k for 2022/23, this has subsequently increased by £649k, to £151,935k to reflect the additional funding required in 2022/23 to pay for the higher-than-expected pay award for Police Officers and some additional mutual aid income.
- 4.2 The summary of how this is forecast to be spent, including forecast outturns are included in the table below:

<b>Police Force Financial Summary</b>	<b>Original 2022/23 Budget</b>	<b>Revised 2022/23 Budget</b>	<b>Forecast Spend in 2022/23</b>	<b>2022/23 Forecast (Under)/ Overspend</b>
<b><u>Police Force Planned Expenditure</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>
<b><u>Pay</u></b>				
Police Pay	83,253	83,619	82,732	(887)
Police Overtime	2,172	2,832	3,374	542
Staff Pay	33,268	31,888	31,708	(180)
Police Community Support Officer Pay	3,830	3,725	3,379	(346)
<b>Pay Total</b>	<b>122,523</b>	<b>122,065</b>	<b>121,194</b>	<b>(871)</b>
<b><u>Non-Pay Budgets</u></b>				
Other Pay and Training	1,081	1,741	1,830	89
Injury and Medical Police Pensions	3,678	3,678	3,716	38
Premises	4,400	4,354	4,729	375
Supplies and Services	14,126	14,550	15,060	510
Transport	1,668	1,750	2,044	294
External Support	3,838	3,825	3,730	(95)
<b>Non-Pay Total</b>	<b>28,792</b>	<b>29,899</b>	<b>31,110</b>	<b>1,211</b>
<b>Total Planned Force Expenditure</b>	<b>151,315</b>	<b>151,964</b>	<b>152,304</b>	<b>340</b>

- 4.3 The details underpinning these forecasts are included within the report from the Force which accompanies this report.

## 5.0 Reserves

The 2022/23 budget was to be supported by £290k from Reserves. This is made up of the following transactions:

- £75k to the PFI reserve
- £340k from the Change Reserve
- £25k from the Road Safety Reserve

5.1 In addition to this, £4,420k was to be used to support the Capital Programme during 2022/23.

5.2 Current forecast for movements on Earmarked and General Reserves to the end of 2022/23 are included within the table below, which show an expected increase in Reserves of just over £1.2m. This is higher than expected given the forecast underspends reflected within this report.

5.3 These forecasts reflect the latest position of the Capital Programme and also the proposals made within this report on the proposed allocation of the forecast 2022/23 underspend to Reserves.

	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000
<b>Funding for projects &amp; programmes over the period of the current MTFP</b>				
Direct Revenue Funding of Capital	(2,645)	(5,130)	7,500	(275)
PCC Change Reserve	(129)			(129)
Airwaves Project	(256)		166	(90)
CP Change Reserve	(1,332)		340	(992)
EDI Reserve	(50)		50	0
Wide Area Network Reserve	(724)		241	(483)
Recruitment Reserve	(270)			(270)
Commissioning Reserves	(259)			(259)
Road Safety Initiatives Fund	(157)		0	(157)
<b>Sub Total</b>	<b>(5,820)</b>	<b>(5,130)</b>	<b>8,297</b>	<b>(2,653)</b>
<b>Funding for projects &amp; programmes beyond the current MTFP</b>				
PFI Sinking Fund	(163)	(250)		(413)
Incentivisation Grant	(589)	(80)		(669)
Police Property Act Fund	(209)			(209)
<b>Sub Total</b>	<b>(961)</b>	<b>(330)</b>	<b>0</b>	<b>(1,291)</b>
<b>General Contingency</b>				
Legal/Insurance Fund	(630)			(630)
Injury Pension Reserve	(862)	(270)		(1,132)
Urday Nook TTC	(81)			(81)
NERSOU	(213)			(213)
Collaboration Reserve	(28)			(28)
Pay and Price Reserve	(1,000)	(600)		(1,600)
Major Incident Reserve	(1,000)			(1,000)
<b>Sub Total</b>	<b>(3,813)</b>	<b>(870)</b>	<b>0</b>	<b>(4,683)</b>
<b>Total Earmarked Reserves</b>	<b>(10,594)</b>	<b>(6,330)</b>	<b>8,297</b>	<b>(8,627)</b>
<b>General Reserves</b>	<b>(5,042)</b>	<b>0</b>	<b>0</b>	<b>(5,042)</b>
<b>Total Usable Reserves</b>	<b>(15,636)</b>			<b>(13,669)</b>
<b>Capital Receipts Reserve</b>	<b>(6,163)</b>	<b>(3,206)</b>		<b>(9,369)</b>
<b>Total Reserves</b>	<b>(21,799)</b>			<b>(23,038)</b>



## 6. Overall Budget Summary for 2022/23

6.1 At the end of December 2022, the follow table summarises the finances of the PCC, including forecasts of the expected outturn in each area.

	Original 2022/23 Budget	Revised 2022/23 Budget	Forecast Spend in 2022/23	2022/23 Forecast (Under)/ Overspend
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(102,820)	(102,821)	(102,821)	0
Council Tax Precept	(43,401)	(43,401)	(43,401)	0
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
<b>Funding for Net Budget Requirement</b>	<b>(153,890)</b>	<b>(153,890)</b>	<b>(153,890)</b>	<b>0</b>
Specific Grants	(8,572)	(11,732)	(12,277)	(545)
Partnership Income/Fees and Charges	(4,094)	(4,122)	(4,458)	(335)
<b>Total Funding</b>	<b>(166,555)</b>	<b>(169,744)</b>	<b>(170,624)</b>	<b>(880)</b>
Special Grant	(2,800)	(2,800)	(2,800)	0
<b>Total Overall Funding</b>	<b>(169,355)</b>	<b>(172,544)</b>	<b>(173,424)</b>	<b>(880)</b>
<b>Office of the PCC Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Total Planned Expenditure</b>	<b>960</b>	<b>960</b>	<b>890</b>	<b>(70)</b>
<b>PCC Initiatives/Victims and Witness</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
PCC Initiatives	1,079	2,288	2,128	(160)
Victims and Witnesses Services	1,571	1,438	1,413	(25)
Cleveland VRU		1,414	1,414	0
<b>Total Planned Expenditure</b>	<b>2,650</b>	<b>5,141</b>	<b>4,956</b>	<b>(185)</b>
<b>Corporate Costs</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	830	830	430	(400)
Non Pay Expenditure	85	85	65	(20)
PFI's	7,670	7,670	7,495	(175)
Asset Management	1,715	1,715	1,620	(95)
<b>Total Corporate Costs</b>	<b>10,300</b>	<b>10,300</b>	<b>9,610</b>	<b>(690)</b>
<b>Police Force Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>Pay</b>				
Police Pay	83,253	83,619	82,732	(887)
Police Overtime	2,172	2,832	3,374	542
Staff Pay	33,268	31,888	31,708	(180)
Police Community Support Officer Pay	3,830	3,725	3,379	(346)
<b>Pay Total</b>	<b>122,523</b>	<b>122,065</b>	<b>121,194</b>	<b>(871)</b>
<b>Non-Pay Budgets</b>				
Other Pay and Training	1,081	1,741	1,830	89
Injury and Medical Police Pensions	3,678	3,678	3,716	38
Premises	4,400	4,354	4,729	375
Supplies and Services	14,126	14,550	15,060	510
Transport	1,668	1,750	2,044	294
External Support	3,838	3,825	3,730	(95)
<b>Non-Pay</b>	<b>28,792</b>	<b>29,899</b>	<b>31,110</b>	<b>1,211</b>
<b>Total Planned Force Expenditure</b>	<b>151,315</b>	<b>151,964</b>	<b>152,304</b>	<b>340</b>
<b>(Surplus)/Deficit</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<b>(4,130)</b>	<b>(4,180)</b>	<b>(5,665)</b>	<b>(1,485)</b>	
Planned Transfers to/(from) General Fund	0	0	0	0
Contribution to Capital Programme	4,420	4,470	5,180	710
Planned Transfers to/(from) Earmarked Reserves	(290)	(290)	485	775
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>0</b>	<b>(0)</b>	<b>(0)</b>

6.2 As we move into the last quarter of the financial year an overall underspend of £1,485k is forecast. This is £670k higher than the last report.

### 6.3 This reflects the following:

- Higher funding now forecast to be received from the Government as a result of plans to recruit even more Police Officers by the 31<sup>st</sup> March 2023 (£200k)
- The reallocations of costs in relation to CURV, that was referred to in the last report, is now predominantly reflected (£200k)
- Continued vacancies across PCC roles (£130k)
- Continued increases in interest rates leading to higher level of interest receivable (£85k)

## 7 Conclusion

- 7.1 A number of areas of underspend/additional income have materialised during the first 9 months of the financial year, which could not have been forecast at the start of the year, such as:
- £600k additional income from the Government to exceed the Police Officer Uplift Targets
  - £225k more income from the quicker than expected rise in interest rates
  - £145k insurance rebate on one of the PFI schemes
- 7.2 These along with staff vacancies within both the OPCC and Corporate services are providing much of the forecast underspend of £1,485k.
- 7.3 The Force have reallocated £1.1m of their original pay budget into areas of non-pay expenditure, however pay is still forecast to underspend by nearly £0.9m, whereas non-pay is forecast to still overspend by £1.2m. The overall position from the Force is therefore for an underspend of £340k at this point in the financial year.
- 7.4 The Force reported underspends on Police, Staff and PCSO Pay during 2021/22, with the total amount spent on these areas being £2.4m less than the initial 2021/22 budget. The same is happening in 2022/23 and highlights the continuing challenge to resource the Force to its required level.
- 7.5 Until these resourcing challenges are addressed however there is a risk that the Force will be unable to make the changes and improvements that are both needed and expected.
- 7.6 Another area that will need additional focus over the remainder of this financial year is the Capital programme. Of the original £8,304k Capital programme, £792k has been returned as no longer required, or slipped to 2023/24, leaving the current capital budget as £7,512k. However just over half £3,973k (53%) has been spent in the first 9 months of the financial year.

Michael Porter  
PCC Chief Finance Officer