

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

12th June 2024

Status: For Information

2023/24 Budget Monitoring Outturn Report

1. Executive Summary

1.1 Purpose of the Report

On the 27th February 2023 the former PCC agreed the revenue Budget for 2023/24 which was based on the receipt of income totalling £177,775k. This report is to provide the new PCC with the final position of the financial performance against the budget for the financial year 2023/24. The financial information contained within the report could be subject to change as a result of the annual audit, if any changes are required an update will be provided to the PCC

2. Recommendations

The PCC is asked to agree:

- 2.1 That the Force brings a paper to the next Joint Strategic Board setting out how the Force plan to manage the financial aspects of legal and insurance claims against the Force to ensure that the situation that has occurred with the significant additional overspend in 2023/24 does not happen in future years.

The PCC is asked to note:

- 2.2 The OPCC's budget of £1,065k had a **small overspend of £14k** during 2023/24.
- 2.3 The Corporate Services budget of £10,730k, which was revised down to £10,484k has a **small underspend of £8k**.
- 2.4 The £4,415k to support PCC Community Safety Initiatives, Victims and Witnesses Services and Violence Reduction, which increased by £1,234k, to £5,649k, due to the receipt of additional income, **underspent by £435k**.
- 2.5 The PCC **received £8,473k of additional income during the year that resulted in increased expenditure** over and above that which was envisaged when the budget was set.

- 2.6 The PCC **received a further £4,401k of income in 2023/24, which led to an under spend of the same amount**, which was neither included within the original budget nor used for additional expenditure during the year.
- 2.7 **The Force have reported an overspend for the year of £2,586k.** This is £1,545k higher than the position reported to the PCC in December 2023. The Force financial performance is covered within a separate report.
- 2.8 **The Outturn before Year End Reserves movement and AFTER total in-year transfer to reserves and Capital of £3,474k, was an underspend of £730k.**
- 2.9 **The overall underspend of £730k was however £1,400k lower than expected, and lower than included within the LTFP that was approved in February**, due to the significantly higher overspend reported by the Force. These funds were due to transfer to the General Reserves balance to support the future financial plans and will therefore need to be replaced.
- 2.10 As highlighted throughout the year the delivery of the Capital programme looked challenging. The approved Capital Budget on 1 April 2023 was £9,181k. This was revised to £5,896k by the year end, due to approved in-year changes but predominantly due to £3,198k of schemes that have been carried forward into 2024/25.
- 2.11 Against this revised final capital budget of £5,896k the Force underspent by £249k.

3. Reasons

- 3.1 When setting the budget for the financial year 2023/24 the former PCC allocated the income forecast to be received during the year, of £177,775k, into the following areas:
- £1,065k to run the Office of the PCC
 - £3,239k to support PCC Initiatives and Victims and Witnesses Services
 - £1,176k to support the Violence Reduction Unit and Serious Violence Duty
 - £10,730k for Corporate Services
 - £160,580k to the Police Force
 - £1,565k to the Capital Programme
 - This was to be supported by £580k from Earmarked Reserves

The following sections will look at the above areas in more detail and provide analysis and commentary for each area based on the actual levels of spend against the budget.

3.2 Income and Funding

The former PCC set the budget based on receiving income and funding of £177,775k during 2023/24 from the areas summarised in the table below, the in-year changes, the actual levels of income received in 2023/24 and variances are shown below. In addition to current year figures the comparator figures for 2022/23 is also shown.

2022/23 Budget	In Year Changes	2022/23 Final Budget	2022/23 Actual Income Received	2022/23 Actual (Under)/Over spend	Summary of Income to be Received by the PCC	2023/24 Budget	In Year Changes	2023/24 Revised Budget	2023/24 Forecast Income	2023/24 Forecast (Under)/Over spend
£000s	£000s	£000s	£000s	£000s		£000s	£000s	£000s	£000s	£000s
(56,542)	0	(56,542)	(56,394)	149	Funding	(56,591)	0	(56,591)	(56,591)	(0)
(46,278)	0	(46,278)	(46,427)	(149)	Police Grant	(46,588)	0	(46,588)	(46,588)	(0)
(102,821)	0	(102,821)	(102,820)	0	RSG/National Non Domestic Rate	(103,179)	0	(103,179)	(103,179)	(0)
(43,401)	0	(43,401)	(43,401)	0	Government Grants					
(800)	0	(800)	(800)	(0)	Precept	(46,379)	0	(46,379)	(46,379)	0
(6,868)	0	(6,868)	(6,868)	(0)	Council Tax Freeze Grant	(800)	0	(800)	(800)	(0)
(51,069)	0	(51,069)	(51,069)	(0)	Council Tax Support Grant	(6,868)	0	(6,868)	(6,868)	(0)
(8,572)	(3,562)	(12,134)	(12,539)	(405)	Precept related funding	(54,047)	0	(54,047)	(54,047)	(0)
(4,094)	(1,234)	(5,328)	(7,493)	(2,166)	Specific Grants	(12,577)	(6,385)	(18,962)	(22,281)	(3,320)
(12,665)	(4,796)	(17,462)	(20,032)	(2,571)	Partnership Income/Fees and Charges/Misc Income	(4,847)	(2,088)	(6,935)	(8,153)	(1,218)
(166,555)	(4,796)	(171,351)	(173,922)	(2,571)	Other Funding	(17,424)	(8,473)	(25,897)	(30,434)	(4,538)
(2,800)	74	(2,726)	(2,485)	241	Total	(174,650)	(8,473)	(183,123)	(187,661)	(4,538)
(169,355)	(4,722)	(174,077)	(176,407)	(2,330)	Special Grant	(3,125)	0	(3,125)	(2,988)	137
					Total Overall Funding	(177,775)	(8,473)	(186,248)	(190,649)	(4,401)

3.3 In terms of overall income, the PCC received £190,649k during 2023/24 which was £14,241k (or 8.1%) higher than 2022/23.

3.4 The total income received was £12,874k (or 7.2%) more than the original 2023/24 budget was based on. It is therefore really important to understand where this funding has come from.

3.5 In Year Changes

Of the £8,473k of additional income that was received and spent in year this additional income predominantly related to the following:

- The allocation of £2,960k of the additional funding to be provided from the government to support a higher pay award,
- A £2,000k one-off Special Grant that was secured in year.
- £465k to Support Safer Streets projects
- £644k to support Anti-Social Behaviour and Immediate Justice projects
- £296k of Proceed of Crime income
- £208k of apprenticeship levy income
- £241k of additional to support implementation on National IT schemes
- £102k of additional secondment income allocated to pay,
- £398k of income received for the costs of providing mutual aid and special services,
- £250k of income to support Police Integrity project,
- £11k from the MoJ in relation to a small extension to a Victim Service.
- £512k of income from the Home Office to provide cell capacity at police stations as accommodation for prisoners when the number of cells in prisons becomes critically low, has been provided to the Force to cover the costs of providing this.

3.6 Over-recovery of Income by £4,401k

In addition to the £8,473k of income that was received and added to the budget in 2023/24 there was a further £4,401k of income that was received that was not spent and therefore it is important to understand where this income came from too.

3.7 The significant elements were as follows:

- £1,575k of additional income to exceed the Police Officer Recruitment Uplift Target by 35 Police Officers.
- A further £624k of additional income to exceed the Police Officer Recruitment Uplift Target by a further 26 Police Officers
- The Home Office funded PCC's for the difference between a 2.5% pay award and a 7% pay award. As we had budgeted for a 4% pay award this provided £998k of income above the level needed to fund the additional pay award.
- Higher levels of interest receivable of were achieved given the quicker than expected increases in interest rates – this resulted in £737k more income than initially budgeted.
- Operation Safeguard, which is a contingency plan to deal with prison overcrowding involving using cells at police stations as accommodation for prisoners when the number of cells in prisons becomes critically low, was operating within Cleveland. £307k more income was be received in 2023/24 than the costs incurred in providing this additional cell capacity, leading to the underspend.
- The Home Office notified the PCC late in March 2024 that £240k would be allocated to Cleveland for 'Software Licence Costs' which were not known about/expected.

3.8 There were other small movements on income beyond the above however the major movements have been set out above.

3.9 Much of the above income could not really have been forecast or factored into the budget in February 2023 and resulted from in-year changes and/or unexpected/unknown factors.

3.10 Higher interest rates have been factored into the 2024/25 budget and a full review of income will be undertaken as part of the 2024/25 budget monitoring reporting.

3.11 The Office of the PCC

The 2023-24 budget of £1,065k for the Office of the PCC is split into the following areas:

Original 2022/23 Budget	Final 2022/23 Budget	Actual Spend in 2022/23	Actual Over/ (Under) spend		Original 2023/24 Budget	Final 2023/24 Budget	Actual Spend in 2023/24	Actual Over/ (Under) spend
£000	£000	£000	£000	PCC Budget	£000	£000	£000	£000
808	808	643	(165)	Category of Spend	839	839	725	(114)
5	5	36	31	Staff Pay and Allowances (Incl. NI and Pension)	5	5	9	4
234	234	288	54	Other Pay and Training	305	305	424	119
5	5	9	4	Supplies and Services	5	5	7	2
(92)	(92)	(85)	7	Transport	(89)	(89)	(87)	1
960	960	890	(70)	Miscellaneous Income	1,065	1,065	1,079	14
				Total Budget				

3.12 Actual expenditure during the year was £1,079k, which was £14k higher than budget.

3.13 The small overspend was driven by non-recurring professional fee costs that were predominantly offset from staff vacancies that occurred throughout the year.

3.14 Corporate Services

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

3.15 The Corporate Services budget for 2023/24 was initially set at £10,730k, as per the table below, this was reduced by £246k in year to reflect an allocation of £106k to the Force and £140k added to reserves.

	Original 2023/24 Budget	Revised and Final 2023/24 Budget	Actual 2023/24 Spend	Actual Over/ (Under) spend
Corporate Services Budget	£000s	£000s	£000s	£000s
Category of Spend				
Staff Pay and Allowances (Incl. NI and Pension)	885	779	590	(189)
Supplies and Services	84	-56	38	94
Transport	1	1	1	(0)
PFI - Uraly Nook	2,160	2,160	2,177	17
PFI - Action Stations	6,025	6,025	6,139	114
Asset Management	1,575	1,575	1,531	(44)
Total Budget	10,730	10,484	10,476	(8)

3.16 A small underspend of £8k is reported after the £246k budget changes referred to above. The underspend resulted from a number of elements:

- A number of staff vacancies within the team lead to an underspend of £189k on pay.
- Offset by higher inflation costs feeding through to both of the PFI contracts - £131k
- Lower than forecast interest payable and capital charges (£44k) being required in year as a planned loan was not required in year.

3.17 Community Safety, Victims and Witnesses and Violence Reduction

The former PCC initially allocated £4,415k to support Community Safety, Victims and Witnesses services and Violence Reduction measures. This increased by £1,234k predominantly because of the receipt of the following additional income:

- £465k to spend on Safer Streets
- £437k to increase ASB visible patrols
- £207k to spend on ASB immediate justice
- £84k from the NHS England Sexual Assault and Abuse Strategy Funding
- £40k more than budgeted towards the Domestic Violence Perpetrator Programme

The final spend against the revised budget is shown in the table below:

	Original 2023/24 Budget	Revised and Final 2023/24 Budget	Actual 2023/24 Spend	Actual (Under) / Over spend YTD
<u>PCC Initiatives and Victims and Witnesses</u>				
Category of Spend	£000s	£000s	£000s	£000s
Community Safety Initiatives	1,069	2,913	2,646	(267)
Victims and Witnesses Services	2,170	1,560	1,404	(156)
Cleveland VRU and Serious Violence Duty	1,176	1,176	1,164	(12)
Total Budget	4,415	5,649	5,214	(435)

3.18 Underspends occurred across a number of budgeted lines however none above £45k.

4. Police Force

4.1 The vast majority of the funding available to the former PCC was provided to the Police Force. The Force was allocated an initial budget of £160,580k for 2023/24 however this was increased by £6,510k, predominantly as a result of the below:

- £2,265k for the additional costs of the pay award,
- £1,295 for the additional funding for inflationary pressures as agreed in year,
- The allocation of £456k of income from the Home Office to provide cell capacity,
- The allocation of £596k of additional income from mutual aid, secondments and special services.
- The release of £755k from Earmarked Reserves.
- £551k of specific grant funding provided from Government
- The allocation of £595k of other income.

4.2 The summary of how this was spent, including the final actual outturns are included in the table below:

Police Force Financial Summary	Original 2023/24 Budget	Revised 2023/24 Budget	Forecast Spend in 2023/24	2023/24 Forecast (Under)/ Overspend
<u>Police Force Planned Expenditure</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<u>Pay</u>				
Police Pay	86,863	88,517	88,882	365
Police Overtime	2,696	3,791	4,089	297
Staff Pay	35,450	36,330	36,826	496
Police Community Support Officer Pay	3,926	3,825	3,469	(356)
Pay Total	128,935	132,464	133,265	802
<u>Non-Pay Budgets</u>				
Other Pay and Training	1,151	1,982	2,117	135
Injury and Medical Police Pensions	3,958	4,204	3,902	(301)
Premises	5,048	5,243	5,125	(117)
Supplies and Services	15,749	16,989	18,720	1,731
Transport	1,886	2,078	2,345	266
External Support	3,854	4,131	4,202	71
Non-Pay Total	31,645	34,627	36,411	1,784
Total Planned Force Expenditure	160,580	167,091	169,676	2,586

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

- 4.4 **Areas to draw to the PCC's attention in relation to the Force**
- 4.5 Despite the former PCC providing the Force with additional funding of £1,295k during the year to deal with cost pressures, the Force was still forecasting to overspend by £1,041k when they last reported to the former PCC with their December report.
- 4.6 These pressures were not driven by the pay award, as this had been fully funded, and the Force had been provided with the additional funds to ensure that this was the case. Despite this the majority of the overspend was forecast within the pay budgets.
- 4.7 The overspend has increased significantly since the December position, with the final overspend from the Force reported as £2,586k.
- 4.8 The increase in the overspend by over £1.5m has been driven by the significant costs that the Force has incurred during the year on legal costs, predominantly in relation to legal claims against the Force.
- 4.9 While a provision was made for known cases and an estimate of potential/likely costs of these cases at the 31st March 2023, the Force spent significantly more than was set aside within the provision but did not reflect that this would impact on their outturn.
- 4.10 This raises a number of questions around how such significant levels of expenditure could be incurred without this being approved by, and/or having significant levels of oversight within the Chief Officer Team.
- 4.11 With this in mind a recommendation has been made to provide assurance/re-assurance around this area going forward.

5 Reserves

The 2023/24 budget was to be supported by £580k from Reserves. This was made up of the following transactions:

- £45k to the PFI reserve
- £160k from the Change Reserve
- £240k from the WAN Reserve
- £35k from the Commissioning Reserve
- £28k from the Collaboration Reserve
- £162k from the Pension Reserve

5.1 In addition to this, £1,565k was to be used to support the Capital Programme during 2023/24.

5.2 When setting the budget for 2023/24, in February 2023, it was forecast that Total Reserves as at the end of 2023/24 would be £16,709k, the actual outturn position is £23,662k.

5.3 It is important to recognise that while reserves are significantly higher than planned in February 2023, they are only £996k higher than expected when the current financial plans were updated in February 2024. This results from the higher level of slippage on the Capital Programme, offset by the higher than forecast overspend on the Force budgets.

5.4 As a result, the higher levels of reserves at this point does not provide an additional funds to spend.

5.5 **The current approved plans of the organisation would still see the overall level of reserves reduce to around £10m in 3 years' time – therefore there is no scope to draw further on these reserves without a plan to replenish them.**

5.6 Overall reserves have reduced by £1,415k during 2023/24, as per the summary below, which shows all reserves held by the PCC:

	Balance at 31 March 2023 £000	Tranfers In 2023/24 £000	Tranfers Out 2023/24 £000	Balance at 31 March 2024 £000
Funding for projects & programmes over the period of the current MTFP				
Direct Revenue Funding of Capital	(2,436)	(4,519)	2,311	(4,643)
PCC Change Reserve	(129)			(129)
Airwaves Project	(294)		27	(267)
CP Change Reserve	(992)	(470)	160	(1,302)
EDI Reserve	(50)			(50)
Wide Area Network Reserve	(724)		264	(460)
Recruitment Reserve	(502)		291	(211)
Commissioning Reserves	(259)	(46)	35	(270)
Road Safety Initiatives Fund	(132)			(132)
Sub Total	(5,516)	(5,035)	3,088	(7,463)
Funding for projects & programmes beyond the current MTFP				
PFI Sinking Fund	(413)	(215)	30	(598)
Incentivisation Grant	(552)	(235)		(787)
Police Property Act Fund	(101)		66	(35)
Sub Total	(1,066)	(450)	96	(1,420)
General Contingency				
Legal/Insurance Fund	(23)			(23)
Injury Pension Reserve	(1,267)		438	(829)
Uralay Nook TTC	(81)			(81)
NEROCU	(180)			(180)
Collaboration Reserve	(28)		28	0
Pay, Price and Grant Reserve	(1,674)		600	(1,074)
Major Incident Reserve	(907)		139	(768)
Sub Total	(4,159)	0	1,205	(2,955)
Total Earmarked Reserves	(10,741)	(5,485)	4,388	(11,838)
General Reserves	(5,042)	(730)		(5,772)
Total Usable Reserves	(15,783)			(17,609)
Capital Receipts Reserve	(9,293)	(95)	3,336	(6,052)
Total Reserves	(25,077)			(23,662)
Movement	(3,278)			1,415

5.7 Current forecasts for movements on Earmarked and General Reserves to the end of 2023/24 are included within the table below, **with overall reserves planned to reduce by circa £2.4m during the year.**

6. Overall Budget Summary for 2023/24

6.1 The following table summarises the finances for 2023/24 showing the original budget, the revised budget, spend against the revised budget and ultimately the (under) and overspends against the revised budget.

	Original 2023/24 Budget	Final 2023/24 Budget	Actual Spend in 2023/24	Actual 2023/24 (Under)/ Overspend
Funding	£000s	£000s	£000s	£000s
Funding for Net Budget Requirement	(157,226)	(157,226)	(157,226)	(0)
Specific Grants	(12,577)	(18,962)	(22,281)	(3,320)
Partnership Income/Fees and Charges	(4,847)	(6,935)	(8,153)	(1,218)
Total Funding	(174,650)	(183,123)	(187,661)	(4,538)
Special Grant	(3,125)	(3,125)	(2,988)	137
Total Overall Funding	(177,775)	(186,248)	(190,649)	(4,401)
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,065	1,065	1,079	14
PCC Initiatives/Victims and Witness	£000s	£000s	£000s	£000s
PCC Initiatives	1,069	2,913	2,646	(267)
Victims and Witnesses Services	2,170	1,560	1,404	(156)
Cleveland VRU and Serious Violence Duty	1,176	1,176	1,164	(12)
Total Planned Expenditure	4,415	5,649	5,214	(435)
Corporate Costs	£000s	£000s	£000s	£000s
Staff Pay	885	779	590	(190)
Non Pay Expenditure	85	(55)	40	95
PFI's	8,185	8,185	8,316	131
Asset Management	1,575	1,575	1,531	(44)
Total Corporate Costs	10,730	10,484	10,476	(8)
Police Force Planned Expenditure	£000s	£000s	£000s	£000s
Pay				
Police Pay	87,334	88,517	88,882	365
Police Overtime	2,226	3,791	4,089	297
Staff Pay	35,450	36,330	36,826	496
Police Community Support Officer Pay	3,925	3,825	3,469	(356)
Pay Total	128,935	132,464	133,265	802
Non-Pay Budgets				
Other Pay and Training	1,151	1,982	2,117	135
Injury and Medical Police Pensions	3,958	4,204	3,902	(301)
Premises	5,048	5,243	5,125	(117)
Supplies and Services	15,749	16,989	18,720	1,731
Transport	1,886	2,078	2,345	266
External Support	3,854	4,131	4,202	71
Non-Pay	31,645	34,627	36,411	1,784
Total Planned Force Expenditure	160,580	167,091	169,676	2,586
(Surplus)/ Deficit	£000s	£000s	£000s	£000s
(985)	(1,959)	(4,204)	(2,245)	
Planned Transfers to/(from) General Fund	0	0	0	0
Contribution to Capital Programme	1,565	4,216	5,731	1,515
Planned Transfers to/(from) Earmarked Reserves	(580)	(2,258)	(2,258)	0
Net (Surplus)/Deficit After Planned Reserves	0	(0)	(730)	(730)

6.2 The overall underspend after planned/approved reserves transfers was £730k.

6.3 This has been added to General Reserves however it is important to reflect that this final underspend was £1,400k lower than the level that has been factored into the Long-Term Financial Plan that was approved in February 2024 as a result of the significant additional overspend within the Force.

- 6.4 This shortfall will result in less funds being available to support service delivery across the next 4 years of £350k per year.
- 6.5 This will need to be worked through and factored into future financial plans.

7 Conclusion

- 7.1 Additional income has materialised during the financial year, which could not have been forecast at the start of the year, such as:
- £1,575k additional income from the Government to exceed the Police Officer Uplift Targets.
 - £624k additional income from the Government to further exceed the Police Officer Uplift Targets.
 - £1,693k of additional income above the amount needed to fund the 7% pay award
 - £770k more income from the continued rise in interest rates.
 - £300k of income from making cells at police stations available as accommodation for prisoners when the number of cells in prisons becomes critically low.
- 7.2 This has provided the opportunity to mitigate some of the inflationary pressures that are being felt by the Force and has also provided the PCC with the opportunity to permanently fund additional Police Officers within the Force, although all pressures will need to be closely managed to ensure this can be afforded.
- 7.3 These pressures however continue to materialise, and the Force continue to forecast to overspend by just over £1,000k. This will need to be managed otherwise future plans will become more difficult to deliver.
- 7.4 As highlighted throughout this year there needs to be continued focus on the Capital programme. While good progress was reported at the end of October this seems to have stalled with only £4,095k (50% of the revised budget) having been spend in the 9 months to 31st December 2023.

Michael Porter
PCC Chief Finance Officer