

ORIGINATOR: CHIEF CONSTABLE

PAPER NO: AP17/28

**SUBMITTED TO: ACCOUNTABILITY AND PERFORMANCE PANEL
16 JUNE 2017**

SUBJECT: REVENUE AND CAPITAL OUTTURN AS AT 31 MARCH 2017

SUMMARY:

1. This report covers the financial overview of the PCC Budget, Constabulary Revenue Budget, Capital Budget and Investments and Reserves for the year to 31 March 2017.
2. The total revenue outturn for the Group, after the use of reserves, is an underspend of £0.228m; comprising underspends of £0.019m for the Constabulary, £0.086m for the OPCC and £0.123m for PCC Commissioning.
3. The capital outturn is an under-spend of £1.198m, which primarily relates to joint ICT schemes continuing into 2017/18.

RECOMMENDATION:

1. The Accountability and Performance Panel is asked to consider the contents of this report and the recommendations on the movement on reserves.

1. OVERVIEW

- 1.1 In April 2016, in addition to a number of cost saving initiatives, the Constabulary implemented the new Suffolk Local Policing Model, which delivered planned recurring savings of £2.7m, as part of the PCC's approved savings plans of £5.0m for 2016-17.
- 1.2 Appendix A shows the financial position for the Group, comprising of the PCC and Constabulary. The revenue outturn of the Group, after the use of specific and earmarked reserves, is an under-spend of £0.228m (0.21% of the net revenue budget), comprising variances shown in the table below. This has improved from the position reported in February due to an underspend arising in pay and supplies and services compared to the February forecast.
- 1.3 The split across the Group is as follows:

	Budget 2016/17 £000	Full Year Outturn £000	(Over)/Under spend £000
Officer of the Police and Crime Commissioner for Suffolk	928	842	86
PCC Commissioning	765	642	123
Chief Constable Operational Spending	115,991	115,414	577
PFI Grant	(2,733)	(2,733)	0
Transfer to / (from) Reserves	(1,855)	(1,297)	(558)
Total	113,096	112,868	228

- 1.4 The recommended movement on reserves to balance the budget underspend of £0.228m is a transfer of £0.019m to the budget reserve and transfer of £0.209m to the PCC's reserve.

Constabulary Financial Context

- 1.5 The PCC's Medium Term Financial Plan (MTFP) 2016-17 to 2019-20 was developed following announcement of the improved police funding settlement for 2016/17, and also incorporated the PCC's decision to raise the precept by just under 2% following consultation with the public.
- 1.6 The precept increase raised recurring income of around £830k, which was ring-fenced for additional investment in the priority areas of protecting vulnerable people, supporting the county's cyber-crime investigations, and liaison with schools across the county.
- 1.7 The improved settlement, together with the delivery of the ambitious £5m planned savings programme in 2016/17, enabled a further £940k to be available for investment in priority areas.
- 1.8 Following agreement with the PCC on the areas for further investment, a comprehensive recruitment and training programme for the additional police officers, police staff and PCSOs commenced earlier in this financial year, which has resulted in non-recurring savings in police officer and PCSO pay during the period of recruitment and training.
- 1.9 In a number of key business areas it has been necessary to cover vacant posts through the use of overtime and employment of agency staff. In addition, deployment of additional resources has been necessary to maintain operational performance, which has resulted in additional overtime and agency cost being incurred.

1.10 Particularly in the latter part of the financial year, there has been the need to secure mutual aid from neighbouring forces in support of on-going major operations.

2. PCC REVENUE BUDGET

2.1 The Office of the PCC Budget for 2016/17 is £0.928m (Appendix A (i)). The year-end under-spend of £0.086m is primarily due to savings in pay and employment costs (£39k), and the contingency budget (£25k).

2.2 The PCC's Commissioning budget is £1.638m which includes a grant of £0.873m from the Ministry of Justice (Appendix A (ii)). The Ministry of Justice grant has been fully allocated to victim services including services for victims of childhood sexual abuse.

2.3 Grants totalling £1.515m have been awarded during 2016/17, including £300k to the Safer Suffolk Fund. The Accountability and Performance Panel will review the operational and financial performance of those grants over £50k approved by the PCC, at its meetings scheduled in 2017/18.

3. CONSTABULARY REVENUE BUDGET

3.1 The total Constabulary Revenue Budget (Appendix A(iii)) net under-spend is £0.019m (excluding Safecam), supported by the planned specific use of reserves of £1.297m. The main variances producing this underspend are provided in the following table and explained below.

	In-year (Over)/Under spend £000
Pay Related Costs	298
Property Related Costs	499
Transport	144
Supplies and Services	(692)
Third Party Payments	(407)
Capital Financing	155
Movements from Reserves	(558)
Income	580
Total	19

3.2 Pay Related Costs

The underspend of £0.298m includes the following variances:

- Underspend in Police Pay (£1.651m) due to strength forecast to be lower than establishment by an average of 30 officers throughout the year (see para 1.8 above)
- Underspend in PCSO pay (£0.302m) due to strength being lower than establishment by an average of 13 FTE (see para 1.8 above).
- Underspend in staff pay (0.990m) due to vacancies offset by agency costs and overtime (see below).
- Overspend in police overtime (£1.138m) due to high expenditure within the Control Room, Neighbourhood Response Teams and Protecting Vulnerable People directorate (see para 1.9 above).

- Higher than budgeted spend in staff pay due to agency costs (£0.313m) within Justice, ICT, Media & Comms and HR (see para 1.9 above).
- Higher than budgeted overtime in staff pay (£0.199m) primarily within the Control Room, Justice and ICT. (see para 1.9 above)
- Higher than budgeted expenditure on injury pension liabilities (£0.206m) and ill health lump sums (£0.538m)
- Overspend in other employee costs (£0.250m) due to higher than budgeted external training and assessment centres.

3.3 **Property Related Costs**

The underspend of £0.499m includes £0.353m relating to a refund in Business Rates received in February due to the reduction in the rateable value for PHQ and the PIC (2010 – 2016), together with lower costs than budgeted within utilities (£0.107m) and the facilities management contract (£0.043m).

3.4 **Transport Related Costs**

The under-spend of £0.144m includes offsetting variances, primarily an underspend in vehicle fuel (£0.216m) offset by overspends within vehicle hire and car allowances (£0.055m) and vehicle spares and repairs (£0.017m).

3.5 **Supplies and Services**

The overspend of £0.680m is due to additional expenditure in relation to Insurance Costs (£0.425m), Forensic costs (£0.152m), Legal costs (£0.170m), Clothing and Uniforms (0.130m), Firearms Equipment (£0.062m), offset by underspends within ICT (£0.260m).

3.6 **Third Party Payments**

The overspend of £0.407m relates to additional costs in relation to mutual aid for recent operations, plus additional ERSOU contributions over and above those budgeted. The latter includes additional costs relating to last financial year.

3.7 **Capital Financing**

The underspend of £0.155m primarily relates to a lower minimum revenue provision requirement (£82k) and lower interest payments than budgeted (£0.079m).

3.8 **Income**

There is a surplus of £0.580m in income, which includes additional income relating to recovery of costs, partnership arrangements and collaborative activity offset by a shortfall in sponsorship income.

4. **SAVINGS**

- 4.1 The total savings requirement for 2016/17 is £5.035m, as per the approved Medium Term Financial Plan (February 2016). The savings achieved were £5.038m, the breakdown of which is provided within Appendix B.

5. CAPITAL PROGRAMME

5.1 The Capital budget for 2016/17 is £5.235m, comprising the current programme (approved schemes) of £2.521m plus slippage from 2015/16 of £1.098m, plus approved schemes in-year including:

- £0.095m for the Intranet project;
- £0.198m for CCR Telephony;
- £0.100m relating to the PHQ site;
- £0.100m for the TSU move to Halesworth;
- £0.050m for PHQ Security and;
- £0.630m for Estates downsizing schemes (Felixstowe £0.379m and Saxmundham £0.251m);
- £0.432m for Body Worn Video;
- £0.011m for ERP.

5.2 A summary of capital schemes is provided at Appendix C(i) and C(ii). Actual expenditure totals £4.037m as at the end of March. The under-spend at year-end is £1.198m, primarily due to slippage within joint schemes including ANPR Cameras and CCR Telephony, Intranet, Body Worn Video and WAN contract renewal.

6. INVESTMENTS

6.1 At the end of March, investments totalled £8.9m, the breakdown of which is provided in Appendix D.

7. RESERVES INCLUDING SAFECAM

7.1 Appendix A(iv) provides a summary of the income and expenditure position in respect of the Safecam scheme, which generated a surplus of £511k in 2016/17. Appendix E provides a detailed breakdown of the movements of reserves, including the detailed changes to the earmarked reserves

8. FINANCIAL IMPLICATIONS

8.1 As per the report.

9. OTHER IMPLICATIONS AND RISK

9.1 There are a number of significant contingent liabilities in the draft 2016/17 Statement of Accounts due to be published by 30 June 2017. Should the circumstances relating to these contingent liabilities change, the Constabulary may need to fund these liabilities in accordance with accounting standards. If the obligation becomes more certain, this will have a potential impact on the 2016/17 outturn position. The accounts will be available on the PCC's and Constabulary's websites on 30 June 2017. The PCC and Chief Constable will be informed of the impact on 2016/17 and 2017/18 in future budget monitoring reports.

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