

ORIGINATOR: CHIEF CONSTABLE

PAPER NO: AP17/45

**SUBMITTED TO: ACCOUNTABILITY AND PERFORMANCE PANEL
1 SEPTEMBER 2017**

SUBJECT: REVENUE AND CAPITAL MONITORING AS AT 31 JULY 2017

SUMMARY:

1. This report covers the financial overview of the PCC Budget, Constabulary Revenue Budget, Capital Budget and Investments and Reserves as at 31 July 2017. This report at month 4 is therefore an early forecast and subject to change.
2. The forecast revenue position provides a forecast year-end overspend of £0.850m, comprising an overspend of £0.715m for the Constabulary, £0.025m for the OPCC and £0.110m for PCC Commissioning.
3. The forecast capital position provides a forecast year end over-spend of £0.207m.

RECOMMENDATION:

1. It is recommended that the Accountability and Performance Panel consider the content of this report, and endorse the actions set out in paragraph 7.3.

1. OVERVIEW

- 1.1 Based on the position as at 31 July 2017, the Suffolk Group Revenue Budget is forecast to overspend by £0.850m (0.75%) at year end (Appendix A).
- 1.2 The split across the Group is as follows:

	Budget 2017/18 £000	Full Year Outturn £000	(Over)/Under spend £000
Officer of the Police and Crime Commissioner for Suffolk	928	953	(25)
PCC Commissioning	765	875	(110)
Chief Constable Operational Spending	117,147	117,862	(715)
PFI Grant	(2,734)	(2,734)	0
Transfer to / (from) Reserves	(2,588)	(2,588)	0
Total	113,518	114,368	(850)

Constabulary Financial Context

- 1.3 The PCC's Medium Term Financial Plan (MTFP) 2017-18 to 2020-21 was developed following the announcement by The Minister of State for Fire and Policing in December 2016 of the police funding settlement for 2017-18, which stated that 'direct resource funding for each PCC, including precept will be protected at flat cash levels compared to 2015-16, assuming that precept income is increased to the maximum amount available in both 2016-17 and 2017-18'.
- 1.4 The MTFP also incorporated the PCC's decision to raise the precept by just under 2% following consultation with the public.
- 1.5 A significant financial consequence of the 'flat cash' grant settlement is that recurring savings of £1.7m are required to be delivered, in order to fund the cost of nationally agreed pay awards for officers and staff, and other unavoidable inflationary cost pressures.
- 1.6 There has been a significant increase in demand in a number of key business areas, resulting in the need to cover vacant posts through the use of overtime. In addition, deployment of additional resources has been necessary to maintain operational performance, resulting in additional overtime and agency costs being incurred. Mutual aid from neighbouring forces in support of on-going major operations has also been called upon, as and when required.

2. PCC REVENUE BUDGET

- 2.1 The Office of the PCC Budget for 2017/18 is £0.928m (Appendix A (i)). The forecast year-end over-spend of £0.075m in Supplies and Services is primarily due to consultancy costs incurred in respect of an options appraisal to assess the opportunities for police and fire governance integration in Suffolk. This expenditure is currently being off-set by savings elsewhere in the budget and the contingency,

resulting in an overall forecast overspend of £25k. Any year-end overspend resulting from this is expected to be funded from PCC reserves.

- 2.2 The PCC's Commissioning budget is £1.635m which includes a grant of £0.870m from the Ministry of Justice (Appendix A (ii)). The Ministry of Justice grant has been fully allocated to victim services providing the Victim Advice and Referral Service (VARC) and the Independent Domestic Violence Advice (IDVA) Service.
- 2.3 Grants totalling £1.6m have been awarded during 2017/18, including £300k to the Safer Suffolk Fund. The PCC is expecting to use the Crime and Disorder Reduction reserve to fund the Counselling Service pilot (£150k) and Stay Safe Online Fund (£100k). The Accountability and Performance Panel will review the operational and financial performance of large grants 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)) forecasts a year-end overspend of £0.715m as at month 4. The main variances producing the current forecast underspend are explained below.

	Budget 2017/18 £000	Full Year Forecast £000	In-year (Over)/Under spend £000
Pay Related Costs	93,549	94,065	(516)
Property Related Costs	8,783	8,639	144
Transport	1,989	2,109	(120)
Supplies and Services	9,587	9,737	(150)
Third Party Payments	3,312	3,465	(153)
Capital Financing	2,843	2,843	0
Corporate including contingency and inflation	1,596	1,225	371
Income	(4,512)	(4,221)	(291)
Total	117,147	117,862	(715)

3.2 Pay Related Costs

The forecast overspend of £0.516m includes the following variances:

- Underspend in PCSO pay (£0.371m) due to vacancies.
- Overspend in staff pay (£0.346m) including overtime and use of agency staff. In some instances agency staff are currently being used to fill established posts as opposed to being over and above funded posts.
- Overspend in police overtime (£1.189m) due to high expenditure within the Neighbourhood Response Teams, Protecting Vulnerable People and Local Investigation, offset by an underspend in Police Pay (£1.158m) due to average strength being lower than establishment.
- Forecast overspend relating to 5 projected ill health retirements (£0.604m)
- Underspend in Other Employee Costs (£0.094m) due to internal training and lower costs in relation to the apprenticeship levy than originally budgeted.

3.3 Property Related Costs

The forecast underspend of £0.144m primarily relates to reduced rental and energy costs.

3.4 Transport Related Costs

The forecast overspend of £0.120m primarily relates to an increase in volume of vehicle insurance claims.

3.5 Supplies and Services

The forecast overspend of £0.150m is primarily due to additional expenditure in relation to additional demand within forensics (£0.126m), legal costs in respect of ongoing claims (£0.200m) and the extension of security services for Operation Phonetic (£0.272m), offset by underspends within ICT contracts (£0.230m) and equipment & consumables (£0.200m).

3.6 Third Party Payments

The forecast overspend of £153k primarily relates to mutual aid costs in respect of Operation Graduate. These costs are under review and subject to change.

3.7 Contingencies

The forecast underspend of £0.371m assumes that the Chief Officer Contingency Fund remains unallocated and is therefore utilised to offset in year pressures.

3.8 Income

The forecast under-achievement of £0.291m primarily relates to reduced match funded PCSO income (£0.188m) and an assumption that the Force is unable to directly draw down from the apprenticeship levy (£0.100m), as previously planned.

4. SAVINGS

4.1 The total savings requirement for 2017/18 is £1.714m, as per the Medium Term Financial Plan (February 2017), with the budgeted savings plans having been applied to the relevant budget areas with effect from 1 April 2017.

5. CAPITAL PROGRAMME

5.1 The Capital budget for 2017/18 is £5.371m, comprising the current programme (approved schemes) of £2.920m plus slippage from 2016/17 of £1.185m, plus approved schemes in-year including:

- £0.517m for Mobile Devices;
- £0.517m for Body Worn Video
- £0.017m for Business Data Management
- £0.215m for Leiston police station downsizing

5.2 A summary of capital schemes is provided at Appendix B(i) and B(ii). The forecast over-spend at year-end is £0.207m, primarily due to insufficient budget allocated to

the network project and PHQ site. A review of ICT schemes is currently underway in order to identify potential slippage in the replacement programme.

6. INVESTMENTS

- 6.1 At the end of July, investments totalled £22.101m, the breakdown of which is provided in Appendix C.

7. FINANCIAL IMPLICATIONS

- 7.1 It is recognised that the year-end forecast position of the Constabulary will fluctuate as a consequence of responding to changing operational priorities and demands, resulting in the need to review the year-end projection on a monthly basis throughout 2017-18, and when necessary, put in place steps to contribute to delivering finance balance within the 2017-18 budget delegated by the PCC to the Chief Constable.
- 7.2 Following discussion between the Suffolk and Norfolk Chief Officer Teams, it has been concluded that action is required to mitigate and reduce the projected year-end overspend and come as close to the budget as possible for both Constabularies. While this will be challenging, it is important that the level of reserves is protected as far as possible, as there are still significant operational and financial challenges to be overcome in future years.
- 7.3 Steps being considered to reduce the forecast overspend include:
- Vacancy management- recruiting to business critical posts;
 - Overtime- limit to meeting essential business and operational needs;
 - Non-pay expenditure- travel, external training, and supplies and services to be limited to critical or essential requirements.

8. OTHER IMPLICATIONS AND RISK

- 8.1 There are no other implications and risks. No changes are required to the PCC Risk Register.

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?	Yes
Have human resource implications been considered?	Yes
Is the recommendation consistent with the objectives in the Police and Crime Plan?	Yes
Has consultation been undertaken with people or agencies likely to be affected by the recommendation?	Yes
Has communications advice been sought on areas of likely media interest and how they might be managed?	Yes
Have all relevant ethical factors been taken into consideration in developing this submission?	Yes