



**STRATEGIC POLICING AND CRIME BOARD
20th November 2018**

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| Revised Budget and Financial Monitoring 2018/19 |
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PURPOSE OF REPORT

1. This report details the revised revenue and capital budget for 2018/19 and a predicted outturn compared to the revised budget.

BACKGROUND

2. The report details revisions to the revenue & capital budgets for 2018/19 following allocations of project budgets in line with Organisational Change Board (OCB) decisions and the effects of other changes since the original budget was set.
3. The budget set in February 2018 made provision for all projects within the live Programme of work. As we have moved through the first half of the financial year, many projects have begun full implementation meaning that a number of change requests have been presented to OCB. The budget has now been revised to show the impacts of these change requests and to restate the contribution from reserves to reflect some of the project and other savings which have already been identified.

REVISED REVENUE BUDGET 2018/19

4. The revised budget is shown in paragraph 19 and the reasons for the main changes are detailed in the following paragraphs.
5. The revised budget for Police Officer pay has decreased by £5.7m. The main reason for this is the movement of Police Officer pensions of £5.1m from Officer pay into other employee expenses. This brings the reporting in line with CIPFA standard guidelines and is purely a re-alignment of budget.
6. The other changes within Police Officer pay which represent a net £0.6m decrease are one-off savings being achieved in year as a result of vacancies arising and recruitment being slightly behind plans. There are also some permanent increases to the firearms budget which is funded via external income.
7. Within Police overtime there is a one-off increase in the revised budget of £2.3m. This is due to Firearms uplift budgets, mutual aid and Operation Pelkin budgets being realigned and is matched by the external income grant funding.
8. The Force has seen a higher than anticipated number of Police Community Support Officer (PCSO) vacancies. This has resulted in the PCSO pay budget being revised to be £0.9m less.
9. Within Police staff pay there is an increase in budget of £10.5m. £0.6m of this relates to Regional Organised Crime Unit (ROCU) posts and carry forwards from 2017/18. Of the remaining £9.9m, £5.3m is the correction to the turnover factor applied in the budget as detailed in the September 2018 report to this Board. External secondments have increased by £0.5m which is reflected in this budget and offset by external income. The remaining increase of £4.1m reflects an increase in enabling services which are temporary (not fixed) resources to continue the support and delivery of the change programme. These posts are delivering a number of projects notably detained property, the estates strategy, a variety of IT&D projects and business transformation processes (project management and delivery). This temporary uplift in revised budgets for 2018/19 results from the retention of key roles over and above the original budgeted establishment to ensure the successful delivery of both new and existing projects. The costs of these WMP internal resources were clarified as the medium term financial plan was constructed in September 2018 and revised the projected assumptions that were set almost 12 months previously when the 18/19 budget was produced. These costs are closely managed and resources deployed by Business Transformation are reported and agreed through business cases and change requests via the internal governance of OCB. The posts are regularly reviewed and are profiled across the medium term financial plan.
10. As verbally reported to this Board in September 2018, corrective action has been introduced. All police staff vacancies now go through a process of challenge at the Workforce Planning and Resourcing Group (WPARG) and formal approval must be sought prior to recruitment to vacant posts. This will reduce the expenditure on police staff pay and will be reviewed at quarter 3 when further action may be taken if necessary.
11. The increase of £0.3m in police staff overtime reflects a one-off in year adjustment to cover operational areas which have seen high levels of demand in the early part of 2018/19. Budget has been transferred from officer overtime into police staff overtime to recognise that departments such as Contact and Forensics have operational police staff.

12. The change to other employee expenses is mostly the movement of officer and staff pensions from pay into expenses in line with the Chartered Institute of Public Finance and Accountancy (CIPFA) standard reporting (£5.4m). There is a £2.1m movement of the Apprenticeship levy budget from Supplies and Services into other employee expenses to reflect how the expenditure is charged. The remaining £1.2m budget increase reflects redundancy costs originally provided for within project budgets being transferred into other employee expenses where the charges are actually made.
13. The slight decrease in the premises budget is a reduction in the firearms premises budget which is matched by a reduced income and the transfer project benefits into business as usual.
14. The reduction in budget for transport reflects the transfer of benefits from the Driver Behaviour project, following its closure, into business as usual. There are also some increased in year costs which are offset by income for externally funded areas such as ROCU, Pelkin and mutual aid.
15. The supplies and services budget has decreased by £4.2m which is largely as a result of budget being realigned into third party payments.
16. The increase in external income of £8.0m is made up income for Firearms, mutual aid and Pelkin which would not have had values confirmed at the time of setting the original budget. These income streams are offset by increased expenditure budgets as referred to earlier in this report.
17. The WMP2020 project budgets have been increased by £14.2m which is mostly as a result of the allocation of £10.2m carry forwards from 2017/18. The remaining £4.0m increase reflects changes that have been made since the original budget was set and that have been approved through the Force governance Organisational Change Board (OCB) and predominantly relates to the agreed increase in scope of the Connect project (Express and Go). OCB recognised that this would be funded by additional use of reserve which would be reflected at the time the 2018/19 budget was revised.
18. Within reserves £16.8m of the movement is due to the allocation into 2018/19 budgets of items that were agreed carry forward from 2017/18. The contribution of £0.7m from the uniform and equipment reserve is the planned additional desktop replacements. The remaining £9.8m increase in use of reserves is the net additional funding needed in year for the additional project and pay costs.

19. The 2018/19 revised revenue budget position is shown in the table below:

| | 2018/19 Base Budget | 2018/19 Budget Adjs | 2018/19 Revised Budget | 2018/19 Forecast Outturn | 2018/19 Variance to Revised Budget |
|---|------------------------------------|------------------------------------|---------------------------------------|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| <i>Police pay</i> | 340,061 | -5,670 | 334,391 | 334,632 | 241 |
| <i>Police overtime</i> | 12,420 | 2,287 | 14,707 | 14,875 | 168 |
| <i>Police Community Support Officers pay</i> | 14,038 | -948 | 13,090 | 13,049 | -41 |
| <i>Police Community Support Officers overtime</i> | 10 | 0 | 10 | 12 | 2 |
| <i>Support Staff pay</i> | 105,964 | 10,521 | 116,485 | 115,941 | -544 |
| <i>Support Staff overtime</i> | 738 | 300 | 1,038 | 1,142 | 104 |
| <i>Temporary Staff</i> | 1,300 | 33 | 1,333 | 1,366 | 33 |
| <i>Other employees expenses</i> | 1,805 | 8,700 | 10,505 | 10,336 | -169 |
| Sub total | 476,636 | 15,223 | 491,559 | 491,353 | -206 |
| <i>Premises</i> | 17,308 | -245 | 17,063 | 16,853 | -210 |
| <i>Transport</i> | 6,844 | -480 | 6,364 | 6,472 | 108 |
| <i>Supplies and services</i> | 40,497 | -4,154 | 36,343 | 36,714 | 371 |
| <i>Third party payments</i> | 4,980 | 5,381 | 10,361 | 10,452 | 91 |
| <i>Capital financing costs</i> | 4,049 | 200 | 4,249 | 4,262 | 13 |
| <i>External income</i> | -27,734 | -8,047 | -35,781 | -35,973 | -192 |
| Sub Total Police Force (Exc WMP2020) | 522,280 | 7,878 | 530,158 | 530,133 | -25 |
| <i>WMP2020 Project Costs</i> | 17,550 | 14,225 | 31,775 | 31,763 | -12 |
| Sub Total Police Force (Inc WMP2020) | 539,830 | 22,103 | 561,933 | 561,896 | -37 |
| <i>Police & Crime Commissioner</i> | 2,357 | 0 | 2,357 | 2,357 | 0 |
| <i>Community Safety Funding</i> | 3,863 | 0 | 3,863 | 3,863 | 0 |
| <i>Active Citizens</i> | 800 | 834 | 1,634 | 802 | -832 |
| <i>Grant Expenditure</i> | 1,288 | 4,325 | 5,613 | 5,613 | 0 |
| <i>Victim Services Expenditure</i> | 3,330 | 0 | 3,330 | 3,330 | 0 |
| <i>Victim Service Income</i> | -3,330 | 0 | -3,330 | -3,330 | 0 |
| Total | 8,308 | 5,159 | 13,467 | 12,635 | -832 |
| Total Revenue Budget Before carry Forward | 548,138 | 27,262 | 575,400 | 574,531 | -869 |
| <i>PCC Invest to Save Opportunities</i> | 0 | -2,039 | -2,039 | -1,207 | 832 |
| <i>PCC Carry Forward from 2017/18</i> | 0 | -3,120 | -3,120 | -3,120 | 0 |
| <i>Project Carry Forward from 2017/18</i> | 0 | -10,200 | -10,200 | -10,200 | 0 |
| <i>Other Carry Forward from 2017/18</i> | 0 | -1,410 | -1,410 | -1,410 | 0 |
| <i>Contribution from U&E Reserve</i> | 0 | -706 | -706 | -706 | 0 |
| <i>Contribution from Budget Reserve</i> | -12,850 | -9,787 | -22,637 | -22,600 | 37 |
| Sub Total Reserves | -12,850 | -27,262 | -40,112 | -39,243 | 869 |
| Total Revenue Budget after Carry Forward | 535,288 | 0 | 535,288 | 535,288 | 0 |

FORECAST OUTTURN 2018/19

20. The small variances that are forecast compared to the revised budget predominantly relate to variances that arise in the externally funded areas of CTU and ROCU. The underspend shown on the Office of the Police and Crime Commissioner reflects the fact that spending has not matched budgets for Active Citizens.

SUMMARY AND FINANCIAL FORECAST

21. This report sets out a number of financial challenges and there are also emerging issues that affect the Forces ability to financially plan across the medium term. These include employers' contributions to the Police Officer pension scheme which could have a material impact. As part of budget setting for 2019/20 these costs will be fully assessed and options for funding will be presented. This will include a full review of the use of reserves to ensure the financial sustainability of the Force.

REVISED CAPITAL BUDGET AND OUTTURN 2018/19

22. The capital programme, shown in paragraph 31, has been refreshed and reflects all changes approved via the force governance to the change programme. It must be noted that the revised programme only reflects agreed changes to the project budgets.
23. The decrease in the Connect project is due to some of the implementation costs being re-profiled into later years.
24. The change to the ESMCP budget reflects the infrastructure costs relating to the Integrated Communications Control System (ICCS) upgrade, additional servers and licences.
25. The budget adjustments for Data Driven Insights (DDI), New Ways of responding, Smarter responding and Next Generation Enabling Services (NGES) were all due to slippage as reported at outturn in 2017/18 and reflect the re-profiling of the expenditure.
26. The budgets for ANPR and Taser replacement have been added in following OCB approval.
27. The increased fleet budget is offset by a revenue contribution and relates to the replacement of vehicles that have been written off. As the Force has self-funded fleet insurance they do not form part of the normal replacement programme and therefore need additional investment to replace them ensuring that the vehicle fleet is maintained at a suitable level to meet operational requirements.
28. The CTU budget is funded via specific grants which are not confirmed until later in the financial year, hence them being included at revised not original budget.
29. The most significant underspend compared to the revised programme is within ESMCP this reflects the level of uncertainty within the programme nationally and the anticipation that no spend will occur within this financial year, particularly as most of the budget is for devises.
30. Within equipment the predicted underspend of £1.0m is due to delays in implementing the new security measures. The expected spend is being re-profiled into 2019/20 and the budget should be carried forward at the end of the year.

31. The 2018/19 capital budget and outturn forecast are detailed below:-

| | 2018/19 Original Budget £000 | 2018/19 Adjs £000 | 2018/19 Revised Budget £000 | 2018/19 Outturn Forecast £000 | 2018/19 Variance to Revised Budget £000 |
|-----------------------------------|---|----------------------------------|--|--|--|
| WMP2020 | | | | | |
| Connect | 3,389 | -868 | 2,521 | 2,521 | 0 |
| ESMCP | 5,446 | 828 | 6,274 | 0 | -6,274 |
| Data Driven Insight | 460 | 1,276 | 1,736 | 1,736 | 0 |
| New Ways of Investigating | 1,219 | -923 | 296 | 52 | -244 |
| New Ways of Responding | 303 | 853 | 1,156 | 1,726 | 570 |
| Next Generation Enabling Services | 0 | 329 | 329 | 329 | 0 |
| Command & Control | 750 | -750 | 0 | 0 | 0 |
| Smarter Responding | 0 | 1,476 | 1,476 | 1,341 | -135 |
| Redesigning Investigations | 0 | 0 | 0 | 0 | 0 |
| ANPR | 0 | 811 | 811 | 680 | -131 |
| Taser Replacement | 0 | 375 | 375 | 375 | 0 |
| Total WMP 2020 | 11,567 | 3,407 | 14,974 | 8,760 | -6,214 |
| Business As Usual | | | | | |
| Fleet | 3,000 | 598 | 3,598 | 3,598 | 0 |
| IT & Digital | 1,830 | 350 | 2,180 | 2,180 | 0 |
| Equipment | 1,200 | 0 | 1,200 | 200 | -1,000 |
| CTU | 0 | 1,534 | 1,534 | 1,534 | 0 |
| Total Business As Usual | 6,030 | 2,482 | 8,512 | 7,512 | -1,000 |
| Estates Strategy | | | | | |
| Logistics Centre | 0 | 10,000 | 10,000 | 10,000 | 0 |
| Park Lane Phase 1 | 0 | 1,600 | 1,600 | 1,600 | 0 |
| Total Estates Strategy | | 11,600 | 11,600 | 11,600 | 0 |
| Total Capital Spend | 17,597 | 17,489 | 35,086 | 27,872 | -7,214 |

FINANCIAL IMPLICATIONS-

32. This report solely deals with financial issues.

LEGAL IMPLICATIONS

33. The production of the PCC's Accounts is governed by the Local Government Act 1982 and Regulations made under that Act. The Local Government Act 1988 requires the PCC to make arrangements for the proper administration of its financial affairs

RECOMMENDATION

34. The Board is asked to note and comment on the contents of this report.

Mark Kenyon
CFO to the PCC

Neil Chamberlain
Director of Commercial Services