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PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016



Cumbria Constabulary

Police and Crime Panel: 11 October 2016

TITLE OF REPORT:	Revenue Budget Monitoring 2016/17 to June 2016
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DATE OF MEETING:	Public Accountability Conference 7 September 2016
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ORIGINATING OFFICERS:	Roger Marshall, Constabulary Chief Finance Officer Michelle Bellis, Deputy Chief Finance Officer
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PART 1 or PART 2 PAPER:	PART 1 (OPEN)
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Executive Summary:

The attached report provides an update of the financial position for 2016/17 based on the actual and committed spending for the first three months, to June 2016, plus a forecast for the remainder of the year.

The current forecast of net expenditure on Constabulary controlled and managed budgets amounts to £108.267m, which represents an overspend of £1,110k (1.04%) against the approved adjusted budget of £107.157m.

The projected overspend is made up of a forecast overspend on expenditure budgets of £901k (0.80%) plus a forecast of under recovery of income of £209k (3.99%).

Recommendation:

The Police and Crime Panel are asked to note the latest estimate of the Constabulary revenue budget position for 2016/17.

The panel are also asked to note that, in accordance with the funding arrangement between the Commissioner and Chief Constable, there has been dialogue with the Commissioner's Chief Finance Officer (PCC CFO) regarding the budget pressures faced by the Constabulary and the financial impact on the 2016/17 budget. The Constabulary will continue to seek to manage expenditure during 2016/17 within the funding envelope provided by the Commissioner. In the event that this is not possible, a number of options are being developed including the use of the Chief Constable's contingency, virement of capital underspends and draw down of reserves which will be subject to further discussion with the PCC CFO.

NOT PROTECTIVELY MARKED

PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016

MAIN SECTION**1. Introduction and Background**

- 1.1 The purpose of this report is to provide an update of the forecast financial position for 2016/17, based on actual spending and commitments for the first three months of the year as at the end of June 2016.
- 1.2 The current forecast against Constabulary delegated and managed budgets, as at June 2016, is for an overspend of £1,110k.
- 1.3 The total budget is based on the funding arrangement between the Commissioner and the Chief Constable. This was approved and signed off by both the Chief Constable and Police & Crime Commissioner on 29 March 2016.
- 1.4 The approved funding amounted to £111.244m, which is made up of a net revenue budget of £106.605m plus a plant and equipment capital budget of £5.239m. This report deals solely with the revenue funding. The original approved funding has subsequently been amended by a number of budget adjustments. The revised net revenue budget currently stands at £107.155m.

2. Revenue Expenditure

- 2.1 The current prediction for net revenue expenditure during 2016/17 is £108.267m, which is £1,110k (1.04%) above the approved adjusted budget of £107.157m. The forecast position is made up of a forecast overspend on expenditure of £901k (0.80%) plus a forecast under recovery of income of £209k (3.99%).

The report incorporates the anticipated financial impact of a number of Chief Officer decisions since the budget was set to respond to emerging service pressures including criminal justice, training and development, ICT and staffing in a number of functions.

NOT PROTECTIVELY MARKED

PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016

2.2 The principal variances as at June 2016 are outlined in the table below:

Description	Revised Budget	Forecast Outturn	Forecast (Under)/Overspend	Forecast (Under)/Overspend	Explanation Paragraph
	2016/17	2016/17	2016/17	2016/17	
	£'000s	£'000s	£'000s	%	
Constabulary Funding					
Police Officers	75,510	76,468	958	1.27%	2.3
Police Community Support Officers	2,814	2,722	(92)	-3.27%	2.4
Police Staff	18,969	18,625	(344)	-1.81%	2.5
Other Employee Budgets	1,378	1,555	177	12.84%	2.6
Transport Related Expenditure	2,142	2,098	(44)	-2.05%	2.7
Supplies & Services	9,633	9,857	224	2.33%	2.8
Third Party Related Expenses	1,947	1,969	22	1.13%	2.9
Total Constabulary Funding	112,393	113,294	901	0.80%	
Income	(5,236)	(5,027)	209	-3.99%	2.10
Total Constabulary Funding Net of Income	107,157	108,267	1,110	1.04%	

A more detailed analysis of the figures in the above table is provided at **Appendix A**.

Commentary on specific variances is provided in the paragraphs below.

2.3 The budget for Police Officer Pay, Allowances and Overtime is £76m and is currently forecast to come in over budget by £958k (1.27%). Of the forecast overspend, £360k arises from the cumulative effect of changes in the workforce plan (WFP), £532k is as a result of increased expenditure on overtime with the remainder £66k being as a result of higher than expected Injury Allowance payments including a one off backdated payment following an appeal.

In relation to overall officer numbers, current forecasts are very close to the assumptions which were incorporated in the budget. The graphical representation in **Appendix B**, which compares WFP assumptions with the original WFP budget and budgeted establishment, illustrates this well, with a very close correlation between the latest WFP forecast (red line) and the original WFP budget (green line).

NOT PROTECTIVELY MARKED

PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016

However, changes in the profile of officers, which have occurred since the budget was constructed, have given rise to additional expenditure including:

- A number of temporary increases in higher ranks (Sergeants, Inspectors, Chief Inspectors etc.)
- More transferees and officers returning from secondment during the last half of 2015/16 than expected.
- More leavers than originally expected during 2016/17 (0.9 FTE).
- Transferees / Re-joiners (2.5 FTE) at the start of the 2016/17 financial year.
- Increased Employers National Insurance contributions related to a forecast overspend on Police Overtime.

Police Overtime is forecast to overspend by £532k and has two principal explanations.

- Non-public holiday overtime is forecast to exceed the budget by £335k. This arises principally from additional expenditure in Territorial Policing (£353k) and in particular Operational Support. Investigation of the overtime position is on-going, but early analysis suggests that the majority of additional costs have been incurred in the operational support department and have resulted from a combination of covering abstractions, special policing activities and a high level of operations.
- The second element of the overtime overspend, amounting to £172k, relates to bank holiday overtime, resulting from the decision to account for duties worked during Easter 2016 within the 2016/17 financial year as part of measures to streamline the accounts closure process as agreed by Chief Officers.

2.4 The budget for PCSO Pay, Allowances and Overtime is £2.7m and is currently forecast to come in under budget by £92k (3.27%). The current forecast underspend is as a result in year changes to the WFP for PCSOs including increased levels of maternity (£43k), changes in hours (£29k), shift and weekend working allowances £13k and other WFP changes (£7k).

2.5 The budget for Police Staff Pay & Allowances is £19m and is currently forecast to come in under budget by £344k (1.81%).

NOT PROTECTIVELY MARKED

PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016

The forecast underspend has arisen through a combination of circumstances but primarily relates to in year changes against the WFP for example starting the year below the originally forecast number of police staff employees (£407k), increased levels of maternity leave (£36k), changes in the profile of starters and leavers (£104k) and additional savings generated as part of the change programme (£66k). These underspends are being offset to a degree by transfer of budget to agency staffing budgets (£128k), funding additional posts (£59k) and other changes in hours grades etc.

- 2.6 The budget for Other Employee Expenditure is £1.4m and is currently forecast to come in over budget by £177k (12.84%).

The primary reasons for the overspend are an increase in agency staffing costs to cover police staff vacancies as outlined in paragraph 2.5 above (£39k), redundancy and actuarial strain costs (£94k) which relate to termination costs as a result of Constabulary decisions for which there is no budget and increased expenditure on staff an officer recruitment and welfare costs (£38k) due to the relatively large number of recruits in 2016/17.

- 2.7 The Transport related expenditure budget is £2.1m and is currently forecast to come in under budget by £44k (2.05%). The primary reason for the underspend is in relation to lower fuel costs as a result of both lower fuel prices and lower overall anticipated mileage (£94k), these underspends are being offset by increases in car hire, car allowances and travel (£43k) and increased costs of vehicle repair and maintenance (£7k).

- 2.8 The budget for Supplies & Services related expenditure is £9.6m and covers a wide range of activities. Overall supplies and services expenditure is currently forecast to overspend by £224k (2.33%). The principal reasons for the overspend are a forecast increase in accommodation costs in respect of training courses once existing accommodation at The Green is not available due to the commencement of the SCC project (£110k), increased costs of looking after confiscated animals (£32k), increased charges in respect of the police ICT company (£35k), increased costs of catering for training/meetings (£48k), increased costs of ICT (£18k) and increased expenditure on operational equipment (£37k). These overspends are being offset to a degree by reduced expenditure on clothing uniform and laundry (£31k) and custody costs (£22k).

NOT PROTECTIVELY MARKED

PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016

- 2.9 The budget for Third Party related expenditure is £1.9m and is currently forecast to come in over budget by £22k (1.13%). The primary reasons for the forecast overspend are in relation to increased collaboration payments.
- 2.10 The budget for income is £5.2m and the current forecast is that there will be a shortfall against this target of £209k (3.99%). During the budget setting process for 2016/17, although income budgets are difficult to predict, a stretching target for was set in an attempt to prevent underspends arising as a result of 'windfall' income arising in year. Unfortunately, as a consequence of the delay of some special policing events, for which a charge is levied, this income budget is now showing a reduced forecast. In addition, proceeds of crime income is also forecast to be reduced. These predicted shortfalls are offset to a degree by forecast increases of income in respect of driver awareness, firearms licensing, vehicle recovery and costs awarded.

3. Supplementary Information

- 3.1 Appendices to this report are provided as follows:
- Appendix A – Constabulary Revenue Budget monitoring as at June 2016.
 - Appendix B – Graph showing current WFP assumptions compared to original/budget for 2016/17.

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Appendix A

The Chief Constable for Cumbria Constabulary

Revenue Budget Monitoring to June 2016

Description	Base Budget	Revised Budget	Budget To Date	Actual To Date	Forecast Outturn	Forecast (Under)/Overspend	Forecast (Under)/Overspend	Forecast (Under) / Overspend @ MAY-16	Change MAY-16 to JUN-16
	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17	2016/17		
	£	£	£	£	£	£	%		
Constabulary Funding									
Police Officers	75,325,919	75,510,004	14,142,896	14,403,349	76,468,274	958,270	1.27%	764,861	193,409
Police Community Support Officers	2,814,191	2,814,191	668,665	666,161	2,722,376	(91,815)	-3.26%	(69,354)	(22,461)
Police Staff	18,992,719	18,969,285	4,726,949	4,503,776	18,625,429	(343,855)	-1.81%	(456,643)	112,787
Other Employee Budgets	672,214	1,378,132	189,605	200,535	1,554,608	176,476	12.81%	466,378	(289,902)
Transport Related Expenditure	2,134,198	2,141,494	403,440	349,236	2,097,741	(43,753)	-2.04%	(44,585)	832
Supplies & Services	9,674,807	9,633,337	2,869,025	3,628,215	9,856,863	223,527	2.32%	223,911	(384)
Third Party Related Expenses	1,629,508	1,946,813	683,969	540,449	1,969,065	22,252	1.14%	15,945	6,307
Total Constabulary Funding	111,243,556	112,393,254	23,684,548	24,291,720	113,294,357	901,102	0.80%	900,515	588
Income	(4,638,551)	(5,236,590)	(1,184,339)	(933,860)	(5,027,453)	209,137	-3.99%	(22,114)	231,251
Total Constabulary Funding Net of Income	106,605,005	107,156,664	22,500,209	23,357,860	108,266,904	1,110,240	1.04%	878,401	231,839

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PCP 11-10-16 Constabulary Revenue Budget Monitoring Quarter 1 to June 2016

Appendix B

The Chief Constable for Cumbria Constabulary

Current Workforce Plan (WFP) Assumptions Compared to Budget & Original WFP Budget (Police Officers)

