



Cumbria Office of the Police and Crime Commissioner Report

Title: Commissioner's Revenue Budget Monitoring 2015/16 Quarter 4 and Provisional Outturn 2015/16

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Report of the PCC Chief Finance Officer

1. Purpose of the Report

- 1.1. The purpose of this report is to provide information on the provisional revenue outturn for 2015/16. Total net expenditure, before applications to carry forward budget, amounts to £94.385m compared to an approved budget of £96.871m. This is a net variance of £0.486m (0.51%), and comprises £778k over recovery of income and £292k overspend on expenditure. The forecast variation of £486k represents an increase in the forecast underspend of £389k compared to the £97k reported as at 31 December 2015.

- 1.2. Whilst the position at out-turn is a financial underspend total applications to carry forward budget exceed the amount of that underspend. There is also a risk in respect of accrued income that is currently being applied for to offset expenditure arising from the December floods. The cumulative impact of these financial pressures is £988k which would result in an overspend of £502k were they applied in full to the 2015/16 budget. As a result of the total demand for resources exceeding the budget, this report proposes that the underspend should be ringfenced to offset these pressures with further consideration then being given to wider options for resourcing this expenditure in 2016/17. Further information is set out in paragraph 3.6.

2. Recommendation

- 2.1. The Commissioner is asked to note the combined provisional outturn position, before applications to carry forward budget, of an underspend of £486k, for the financial year 2015/16.
- 2.2. The Commissioner is asked to approve the year end appropriation of this balance into a single budget carry forward reserve.

3. Revenue Expenditure

- 3.1. The provisional outturn for net expenditure, after taking account of movements to and from earmarked reserves, amounts to £94.385m, and is £0.486m (0.51%) under the approved budget of £96.871m. The forecast position is made up of £325k in respect of funding provided to the Constabulary (made up of anticipated over recovery of income of £808k offset by a forecast overspend on expenditure of £483k) plus a £161k underspend in respect of budgets controlled by the Commissioner (made up of a forecast underspend on expenditure of £191k offset by under recovery of income of £30k).
- 3.2. The principal variances at the end of the financial year are outlined in the table below with comparative figures reported as at December 2015:

Description	Revised Budget 2015/16 £	Provisional Outturn 2015/16 £	Provisional Variance 2015/16 £	Provisional Variance 2015/16 %	Explanation Paragraph	Projected Variance @ Dec'15 £	Change Dec'15 to Yr End £
Office of the Police and Crime Commissioner	794	768	(25)	-3.18%	3.3	(7)	(18)
Other PCC Budgets	(10,396)	(10,542)	(146)	1.40%	3.4	264	(410)
Funding Provided to the Constabulary	108,577	108,253	(325)	-0.30%	3.5	(354)	29
Movements To / (From) Reserves	(4,104)	(4,094)	10	-0.24%		0	10
Net Expenditure	94,871	94,385	(486)	-0.51%		(97)	(389)
External Funding	(94,871)	(94,871)	(0)	0.00%		0	(0)
Total	0	(486)	(486)	0.51%		(97)	(389)

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.

3.3. The budget for the Office of the Police and Crime Commissioner came in under budget by £25k or 3.18% (previously £7k 0.88% at December). The underspend is largely as a result of the OPCC contingency budget of £15k which was not required to be used in the year and the utilisation of capital receipts to fund costs of disposal of fixed assets as allowed by capital financing regulations. The contingency budget has been removed for 2016/17 and reliance will be placed on reserves to manage any unplanned expenditure.

3.4. The Other PCC Controlled Budgets came in under budget by £146k or 1.40% (previously over budget by £264k 3.64% at December). The net underspend is made up of underspends on the following expenditure lines:

- Commissioned services (£582k) as a result of longer than anticipated lead in times on a number of project initiatives during the year. The significant areas that have impacted on this are: mental health triage - this is a partnership project to triage 24/7 access to mental health nurses. During 2015/16 the opportunity was recognised to expand this area into a bigger proof of concept project with potential to bid for innovation funding from the Home Office. This has resulted in a longer lead in time for the expenditure to commence however that project has been successful and mental health nurses are now part of a wider project that has attracted central government matched funding; Vulnerable Localities Index & Positive Action Youth Engagement Scheme (PAYES): These are multi-agency projects that commenced in June as planned but have experienced slippage as a result of the timescales needed to comply with the governance arrangements for approval of the projects in partner organisations. There are also a number of smaller schemes that were temporarily put on hold during 2015/16 as a consequence of the then planned reduction to formula funding from 2016/17. Schemes have been reinstated following the announced delay to changes in funding. Collectively these factors have resulted in expenditure being lower than planned for 2015/16 with an application being made to carry forward the budget into 2016/17 to meet the continued costs of these projects.
- A reduced contribution at year end to the Constabulary balance sheet provision in respect of legal claims as a result of amounts set aside in 2014/15 that are no longer required which has resulted in an underspend of £214k.
- A reduction in technical accounting charges in respect of the minimum revenue provision £21k.

These underspends are being partially offset by overspends on various budget lines. Significantly:

- Increased estates costs as a result of expenditure incurred to re-instate commissioners assets damaged as a result of the flooding in December 2015, for which a credit appears in the constabulary income lines with regard to expected insurance receipts of £305k
- Increased expenditure on insurance as a result of the increase in the rate of insurance premium tax from 6% to 9.5% that was announced in the Chancellor's emergency budget in July 2015 and became effective from November 2015 of £21k. The budget for 2016/17 has been adjusted to cover the full year effect of this increase.
- Increased expenditure on termination costs over and above the amount that was agreed to be funded through the use of the management of change reserve £315k
- A reduction in the amount of specific grant received £28k.

3.5. The Commissioner provides funding to the Chief Constable to operate the Constabulary under the terms of a funding arrangement. The Chief Constable has reported a provisional outturn position of an underspend against this budget of £325k or 0.30% (£354k 0.33% at December). The forecast underspend is made up of an anticipated over recovery of income of £808k (previously £318k at December) partially offset by a forecast overspend on expenditure budgets of £483k (previously £36k at December). The underspend has in the main arisen through a combination of savings on police officer pay, transport related expenses and forecast receipts in respect of the insurance claims in respect of the December 2015 flooding. These underspends are being offset by overspends in respect of termination/redundancy costs and increased supplies and services. The Chief Constable has provided a separate report elsewhere on this agenda which provides a specific update regarding funding provided to the Constabulary.

3.6. The combined provisional outturn position, ahead of applications to carry forward budget, is a forecast underspend of £486k. The underspend has arisen as a result of the net effect a number of under and overspends. In some areas of budget, the underspend has arisen as a result of delays to delivering specific projects and schemes that were due to complete during 2015/16 and will now complete in 2016/17. This means that there is still a requirement for those resources without which budget pressures will materialise in the 2016/17 budget. Further to this, the outturn position includes income accruals in respect of insurance applications made to recover costs arising from the December 2015 floods and an application in respect of an unavailability fee for the PFI building. Whilst it is reasonably assured that the

significant proportion of this income will be received, there is estimated to be a risk in respect of some of this income. In total, budget carry forward requests and income risk present a cumulative budget pressure of £988k. This exceeds the resources of £486k within the 2015/16 budget that are available to fund this expenditure. To manage this, this report recommends ring-fencing the £486k underspend to a budget carry forward reserve that will then be available to meet a proportion of these costs. Further work will then be undertaken by the Constabulary and OPCC to determine wider options for resourcing the balance of £502k expenditure in 2016/17.

- 3.7. Total expenditure in 2015/16 has been supported by the use of £4.1m of reserves. The significant proportion of the reserves drawn down to support the budget are capital reserves. This has supported £4.3m of capital financing costs, provided for through the revenue budget as a result of the limited resources available from capital grants. The use of reserves has supported significant investment in ICT, the estate and fleet with the aim of facilitating reductions in future revenue expenditure to meet decreases in external funding. The difference of £0.2m reflects a reduction in the general reserve balance of £2.1m from £5.1m to £3.0m which is being offset by increased to earmarked revenue reserves of £2.3m.
- 3.8. The Commissioner maintains the police property act fund. This fund has been accumulated over a period of time as a result of the disposal of property coming into the possession of the police under the Police Property Act 1987 and the Powers of Criminal Courts Act 1973. On a quarterly basis community groups or individuals can submit applications for funding to the Commissioner, the proposals should support priorities within the Commissioner's Police and Crime Plan, have an impact on community safety and crime reduction or contribute to the delivery of the Constabulary youth strategy (e.g. diversionary activities for young people). At 31 March 2016, the fund amounted to £66k. In June, September and December, awards to successful applicants totalling £6.2k were made. In March further awards totalling £4k were made and details of these are shown in **Appendix B**. Further details of the funding allocations can be found on the Commissioner's website <http://www.cumbria-pcc.gov.uk/working-for-you/property-fund.aspx>

Revenue Budget Monitoring 2015/16 – Provisional Outturn

Description	Revised Budget 2015/16 £	Provisional Outturn 2015/16 £	Variance (Under)/Overspend 2015/16 £	Projected (Under)/Overspend @ Dec'15 £	Change Dec'16 to Year End £
Office of the Police and Crime Commissioner	793,586	768,388	(25,198)	(7,019)	(18,179)
Other PCC Budgets					
Commissioned Services Budget	2,311,145	1,729,484	(581,661)	462	(582,123)
Sexual Assault Support Services	349,379	349,337	(42)	(24,411)	24,369
Estates	3,493,652	3,799,121	305,469	(62,640)	368,109
Insurances	506,816	527,679	20,863	20,648	215
Redundancies	623,540	938,710	315,170	300,001	15,169
Provision for Insurance Liability	131,802	(82,197)	(213,999)	0	(213,999)
Technical Accounting	1,304,943	1,304,941	(2)	1	(3)
Capital Financing	7,423,100	7,401,765	(21,335)	(21,335)	0
Grants & Contributions	(26,415,125)	(26,386,837)	28,288	43,210	(14,922)
Interest/Investment Income	(125,000)	(123,795)	1,205	8,000	(6,795)
	(10,395,748)	(10,541,792)	(146,044)	263,936	(409,980)
Total Police & Crime Commissioner Directly Controlled	(9,602,162)	(9,773,404)	(171,241)	256,917	(428,158)
Constabulary Funding	112,967,577	113,451,377	483,801	(35,668)	519,469
Constabulary Income	(4,390,227)	(5,198,632)	(808,405)	(317,885)	(490,520)
Total Constabulary Funding	108,577,350	108,252,746	(324,604)	(353,553)	28,949
Total Approved Budget	98,975,188	98,479,342	(495,846)	(96,636)	(399,210)
Transfers To/(From) Earmarked Revenue Reserves	2,357,734	2,367,687	9,953	0	9,953
Transfers To/(From) Capital Reserves	(4,312,825)	(4,312,825)	0	0	0
Transfers To/(From) General Revenue Reserves	(2,148,917)	(2,148,917)	0	0	0
Aggregated External Financing	(94,871,180)	(94,871,181)	(1)	(0)	(1)
Net Requirement	0	(485,894)	(485,894)	(96,636)	(389,258)

Police Property Act Awards - Quarter 4 March 2016

Award To	Amount Awarded £
Baylife Community Association	300
Millom Recreation Centre	695
The Bowness and Windermere Community Care Trust	625
Millom BeSPOKE Biking	500
Dalton Community Policing Team	500
1862 (City of Carlisle) Squadron Air Training Corps	500
Heathlands Community Gardens	900