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PCC 24-02-16 Constabulary Revenue Budget Monitoring Qtr 3 (agenda item 07)



Constabulary Report to OPCC

TITLE OF REPORT:	Revenue Budget Monitoring 2015/16 Quarter 3 to December 2015
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DATE OF MEETING:	24 February 2016
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ORIGINATING OFFICERS:	Michelle Bellis, Deputy Chief Finance Officer
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PART 1 or PART 2 PAPER:	PART 1 (OPEN)
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<p>Executive Summary:</p> <p>The attached report provides an update of the financial position for 2015/16 based on the actual and committed spending for the first nine months, to December 2015, plus a forecast for the remainder of the year.</p> <p>The current forecast of net expenditure on Constabulary controlled and managed budgets amounts to £106.7428m, which represents an underspend of £354k (against the approved revised budget of £106.425m). The forecast underspend at December of £354k is higher than the forecast position as at the end of September of £188k.</p> <p>The projected underspend is made up of a forecast underspend on expenditure budgets of £36k (0.03%) plus forecast of additional income of £318k (7.22%).</p>

<p>Recommendation:</p> <p>The Commissioner is asked to note the latest estimate of the Constabulary revenue budget position for 2015/16.</p>

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MAIN SECTION**1. Introduction and Background**

- 1.1 The purpose of this report is to provide an update of the forecast financial position for 2015/16, based on actual spending and commitments for the first nine months of the year as at the end of December 2015 plus a forecast for the remainder of the year.
- 1.2 The current forecast as at December 2015 on Constabulary funding and managed budgets is for an underspend of £354k, which compares to an underspend of £188k forecast at the end of September (Qtr. 2).
- 1.3 The total budget is based on the funding arrangement between the Commissioner and the Chief Constable which was approved in April 2015.
- 1.4 The approved funding amounted to £113.647m, which is made up of a net revenue budget of £108.513m plus a plant and equipment capital budget of £5.134m. This report deals solely with the revenue funding. The current revised budget for revenue expenditure is £106.425m. The original approved funding has subsequently been amended by a number of budget adjustments, principally in relation to a decrease in police officer pensions, for which there is a corresponding decrease in Home Office top up grant funding which is shown in the Commissioner's budgets.

2. Revenue Expenditure

- 2.1 The current prediction for net revenue expenditure during 2015/16 is £106.428m, which is £354k (0.33%) below the approved revised budget of £106.425m, this compares to an underspend of £188k forecast at the end of September (Qtr. 2). The forecast position is made up of a forecast underspend on expenditure of £36k (previously £138k at September) plus a forecast over recovery of income of £318k (previously £50k at September).
- 2.2 The principal variances as at December 2015 together with comparatives as reported at the end of September (Qtr. 2), are outlined in the table below:

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Description	Revised Budget	Provisional Outturn	Provisional (Under)/Overspend	Provisional (Under)/Overspend	Explanation Paragraph	Forecast (Under)/Overspend	Change in Forecast
	2015/16	2015/16	2015/16	2015/16		at Sep-15	to Dec-15
	£'000s	£'000s	£'000s	%		£'000s	£'000s
Constabulary Funding							
Police Officers	74,086	73,384	(702)	-0.95%	2.4	(263)	(438)
Police Community Support Officers	2,627	2,606	(21)	-0.80%	2.5	(20)	(1)
Police Staff	18,982	19,011	29	0.15%	2.6	173	(144)
Other Employee Budgets	1,284	1,860	576	44.87%	2.7	(41)	617
Transport Related Expenditure	2,304	2,126	(178)	-7.71%	2.8	(103)	(75)
Supplies & Services	10,119	10,392	273	2.70%	2.9	163	110
Third Party Related Expenses	1,785	1,772	(13)	-0.75%	2.10	(48)	35
Total Constabulary Funding	111,186	111,150	(36)	-0.03%		(138)	102
Income	(4,405)	(4,723)	(318)	7.22%	2.11	(50)	(267)
Total Constabulary Funding Net of Income	106,781	106,428	(354)	-0.33%		(188)	(165)

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 forecast variance reported at the end of December (Qtr. 3) is higher than that reported as at the end of September (Qtr. 2). The main reasons for the increase in underspend are in relation to: changes to workforce planning; changes in accounting policy in relation to overtime, changes to forecast transport expenditure as a result of falling fuel prices and a reduction to forecast mileage figures for the year and increased income in respect of escorting abnormal loads.

The quarterly reported variances for 2015/16 together with comparators for 2014/15 are summarised in the table below:

Constabulary Reported Variance	(Under)/Overspend	
	2014/15	2015/16
	£'000s	£'000s
Quarter 1 (to 30 June)	(167)	(51)
Quarter 2 (to 30 September)	(175)	(188)
Quarter 3 (to 31 December)	(245)	(354)
Quarter 4 (to 31 March)	(258)	-

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- 2.4 The budget for police officer pay is £73m and is currently forecast to come in under budget by £702k (0.95%), previously £263k (0.36%) as at September.

The principal reason for the underspend relates to minor changes the workforce plan (WFP) which gives rise to a forecast underspend of £452k (£138k as at September). Police officer retirements and resignations for the year have both exceeded the forecast. In January an intake of 13 police officer transferees was completed with a further intake of 18 recruits planned for March, it is anticipated that this will mean by the end of the financial year actual officer numbers will be within 2 posts of full the establishment.

The forecast underspend is also partly attributable to lower than anticipated expenditure on police allowances, in particular in relation to unsociable hours £159k (£145k at September).

Police Overtime is projected to underspend by £91k (previously an overspend of £50k was forecast at September). The underspend has arisen as a result of a change in accounting policy (agreed by Chief Officers in December) concerning the accounting accrual of overtime paid in April back into the accounts of the previous year. The change is designed to help streamline the accounts closure process in response to tighter statutory deadlines for issuing the Statement of Accounts. This underspend is being partially offset by additional spend in Crime Command due to several major operations and cases coming to court (£21k) and additional spend in Territorial Policing on providing cover for vacancies.

Appendix B provides a graphical representation of the current HR WFP assumptions compared with the original WFP budget and budgeted establishment. Where the latest WFP forecast (red line) falls below the original WFP budget (green line) an underspend will result, where the workforce plan rises above the adjusted budget line an overspend will result.

- 2.5 The budget for PCSO pay is £2.6m and is currently forecast to underspend by £21k (0.80%), previously £20k (0.75%) under as at September.

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The forecast underspend is as a result of in-year changes to the WFP for PCSOs. More leavers are now forecast for the year and are also being weighted to the earlier part of the year. The Constabulary has experienced some difficulties in recruiting PCSOs with the result that there is now only one intake planned for the year which took place in September. For 2016/17 the establishment for PCSOs has been maintained at 95 FTE and plans are in place for two intakes of PCSOs in the year which will take place in May 2016 and January 2017, these intakes will see actual numbers of PCSOs increase to the establishment level by the end of 2016/17.

- 2.6 The budget for Police Staff Pay & Allowances is £19m and is currently forecast to come in over budget by £29k (0.15%), previously £173k (0.92%) over as at September.

The primary reason for the overspend is as previously reported, that following the research and consultation phases of the change programme reviews being undertaken, there have been some delays in the implementation schedule and changes to planned savings, with the result that several of the reviews will not deliver as much first year savings as expected. These forecast overspends are being partially offset by a reduction in overtime (particularly in the Communications Centre) and by the removal from the establishment of a number of vacant posts in advance of reviews.

- 2.7 The budget for Other Employee Expenditure is £1.3m and is currently forecast to come in over budget by £576k (44.87%), previously £41k (3.26%) under as at September. The primary reason for the overspend is as a result of the decision to finance some of the termination costs incurred in the year from the core 2015/16 budget rather than draw down reserves earmarked for this purpose, which may be required in future years.

- 2.8 The budget for transport related expenditure is £2.3m and is currently forecast to come in under budget by £178k (7.71%), previously £103k (4.61%) as at September. The reason for the underspend is twofold, firstly the Constabulary continues to benefit from lower fuel prices and secondly reductions in overall vehicle mileage are adding to the fuel savings and providing reduced repair and maintenance costs.

- 2.9 The Supplies & Services budget is £10.1m and is currently forecast to overspend by £273k (2.70%), previously £163k (1.56%) as at September.

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At the time of setting the budget for 2015/16 a number of potential budget pressures were identified that could impact in 2015/16. As part of the budget process an amount of £500k was set aside in a contingency reserve to cover the risks associated with these budget pressures. It was however agreed that these budget pressures should in the first instance be met from the in-year revenue budget where possible.

It is projected that a number of these identified pressures will give rise to additional expenditure in 2015/16 as a result of implementation of the Constabulary's Change Programme and a new contract for custody medical services, with the result that the supplies and services section is forecast to overspend by £273k. At this point in time these pressures can be accommodated within the overall funding provided to the Constabulary, if however the position changes a drawdown from the contingency reserve will be requested.

- 2.10 The budget for Third Party related expenditure is £1.8m and is currently forecast to come in under budget by £13k (0.75%), previously £48k (2.73%) as at September. The forecast underspend arises from a number of smaller variances in relation to contracts.
- 2.11 The Income budget is £4.4m and is currently forecast to exceed the budget by £318k (7.22%), previously £50k (1.22%) as at September. The primary reasons for the increase in income are in respect of additional income secured as a result of a contract for escorting abnormal loads (£190k) and an increase in receipts in respect of the sale of end of life vehicles (£40k).
- 2.12 In December Cumbria was hit by widespread flooding which involved a significant police response. Information is still being collated regarding the financial cost of policing the emergency but it is felt that this cost will not exceed the £200k threshold for a claim to be made under the Government's "Bellwin" emergency assistance scheme.

In addition to the above emergency response, the Constabulary also suffered damage to a number of police premises and vehicles. The costs of the reinstatements will largely be covered by insurance claims although policy excesses will apply. The 2015/16 financial outturn report to be provided in May 2016 will contain further details.

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3. Supplementary Information

3.1 Appendices to this report are provided as follows:

- Appendix A - Constabulary Revenue Budget monitoring as at December 2015.
- Appendix B - Graph showing current WFP assumptions compared to original/budget for 2015/16.

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Appendix A**The Chief Constable for Cumbria Constabulary****Revenue Budget Monitoring to December 2015**

Description	Base Budget	Revised Budget	Budget To Date	Actual To Date	Provisional Outturn	Forecast (Under)/ Overspend	Forecast (Under)/ Overspend	Projected (Under) / Overspend @ Sep-15	Change Sep-15 to Dec-15
	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16	2015/16		
	£	£	£	£	£	£	%	£	£
Constabulary Funding									
Police Officers	76,347,224	74,085,569	43,464,585	41,977,234	73,383,822	(701,747)	-0.95%	(263,443)	(438,305)
Police Community Support Officers	2,810,501	2,626,741	1,986,389	1,952,318	2,605,696	(21,045)	-0.80%	(19,735)	(1,310)
Police Staff	18,555,500	18,982,131	14,348,092	14,400,061	19,011,051	28,920	0.15%	173,350	(144,429)
Other Employee Budgets	803,280	1,284,015	821,001	881,873	1,860,164	576,149	44.87%	(40,644)	616,793
Transport Related Expenditure	2,469,876	2,303,727	1,343,122	1,390,035	2,126,124	(177,603)	-7.71%	(102,686)	(74,918)
Supplies & Services	9,877,535	10,118,620	8,153,092	8,126,530	10,391,585	272,966	2.70%	163,250	109,716
Third Party Related Expenses	1,615,709	1,785,162	963,808	920,828	1,771,854	(13,308)	-0.75%	(47,854)	34,546
Total Constabulary Funding	112,479,625	111,185,965	71,080,089	69,648,877	111,150,297	(35,668)	-0.03%	(137,761)	102,093
Income	(3,966,595)	(4,404,659)	(3,005,852)	(3,304,970)	(4,722,544)	(317,885)	7.22%	(50,397)	(267,488)
Total Constabulary Funding Net of Incom	108,513,030	106,781,306	68,074,237	66,343,907	106,427,753	(353,553)	-0.33%	(188,159)	(165,395)

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Appendix B

The Chief Constable for Cumbria Constabulary

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

