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PCC 15-07-16 Constabulary Revenue Budget Monitoring Quarter 4 to March 2016 and Provisional Outturn 2015-16 (with WRM changes)



Cumbria Constabulary

Police and Crime Panel: 15 July 2016

TITLE OF REPORT:	Revenue Budget Monitoring 2015/16 Quarter 4 to March 2016 and Provisional Outturn
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PART 1 or PART 2 PAPER:	PART 1 (OPEN)
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Executive Summary:

The attached report provides details of the provisional outturn on the Constabulary's revenue budget for 2015/16. The figures quoted at this stage are reported as provisional as the final accounts are still subject to audit but it is not envisaged that there will be any significant changes.

The figures show net revenue expenditure on Constabulary controlled and managed budgets amounting to £108.258m which represents an underspend of £319k (0.29%) against the approved adjusted budget of £108.577m.

The underspend is made up of an overspend on expenditure budgets of £487k (0.43%) less an over achievement of income of £806k (18.36%).

The final underspend of £319k represents a decrease of £35k compared to that reported at the end of Quarter 3 of £354k and a decrease of £36k compared to that reported at February 2016 of £355k.

Recommendation:

The Police and Crime Panel are asked to note the Quarter 4 Provisional Outturn position of the revenue budget for 2015/16.

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MAIN SECTION**1. Introduction and Background**

- 1.1 The purpose of this report is to provide information on the provisional revenue outturn for 2015/16. Total net expenditure amounts to £108.258m which is £319k under the approved budget. This represents a decrease in the underspend of £35k when compared to the forecast reported at the end of Quarter 3 of £354k.
- 1.1 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 1 April 2015.
- 1.2 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 original approved funding has subsequently been amended by a number of budget adjustments. The revised net revenue budget currently stands at £108.577m.

2. Revenue Expenditure

- 2.1 The provisional outturn of net revenue expenditure for 2015/16 is £108.258m, which is £319k (0.29%) below the approved adjusted budget of £108.577m, this represents a decrease in the underspend of £35k compared to that forecast as at 31 December 2015 (£354k). The provisional outturn is made up of an overspend on expenditure of £487k (0.43%) and an over achievement in income of £806k (18.36%).
- 2.2 The principal variances at the end of the financial year, together with comparatives as reported at December, 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 Dec'15
	2015/16 £'000s	2015/16 £'000s	2015/16 £'000s	2015/16 %		at Dec'15 £'000s	to year end £'000s
Constabulary Funding							
Police Officers	76,104	75,800	(304)	-0.40%	2.3	(702)	398
Police Community Support Officers	2,627	2,630	3	0.11%	2.4	(21)	24
Police Staff	18,900	18,988	88	0.47%	2.5	29	59
Other Employee Budgets	1,272	1,954	682	53.62%	2.6	576	106
Transport Related Expenditure	2,191	2,140	(51)	-2.33%	2.7	(178)	127
Supplies & Services	10,125	10,243	118	1.17%	2.8	273	(155)
Third Party Related Expenses	1,749	1,700	(49)	-2.80%	2.9	(13)	(36)
Total Constabulary Funding	112,968	113,455	487	0.43%		(36)	523
Income	(4,391)	(5,197)	(806)	18.36%	2.10	(318)	(488)
Total Constabulary Funding Net of Income	108,577	108,258	(319)	-0.29%		(354)	35

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 provisional outturn variance reported for 2015/16 is only £35k different to the variance forecast as at the end of December (Qtr 3). The main reasons for this difference will be explained in the remainder of Section 2 heading by heading.

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

Constabulary Reported Variance	(Under)/Overspend	
	2014/15 £'000s	2015/16 £'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)	(319)

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The provisional outturn incorporates the decisions to fund additional pressures on the 2015/16 budget from within the overall funding envelope provided by the Commissioner rather than drawing down the contingency (see Efficiency Savings section in 2.9). These pressures have principally arisen from the unforeseen costs arising from the implementation of the change programme reviews, additional requirements of projects and changes to the custody medical contract.

The provisional outturn also incorporates expenditure associated with the December 2015 floods, this includes both the policing of the floods and the damage caused to Constabulary property together with income received in relation to our insurance claims. It should be noted that some of the expenditure in relation to the flood recovery appears in the management accounts of the Constabulary and some in the accounts of the Commissioner. All of the income in respect of projected insurance receipts has been included in the accounts of the Constabulary. The net effect of the flooding for the combined position of the Constabulary and Commissioner is a credit of £27k, this is broken down into net income for the Constabulary of £171k and expenditure for the Commissioner of £144k.

2.4 Police Officer Pay, Allowances and Overtime came in under budget by £304k (£702k as at December).

The underspend of £304k is the combined impact of higher than anticipated leavers in the year, reduced payments in relation to unsocial hours and a reduction in intakes of new recruits which have resulted in an overall underspend on police pay. These underspends are being offset to a degree by an overspend on police officer overtime, largely attributable to the policing response to the December 2015 floods and a number of other specific operations.

During 2015/16 the Constabulary was on average 17.63 FTE below establishment and, on average, 16.15 FTE below the original workforce plan created at the time the 2015/16 budget was set.

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.

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- 2.5 PCSO Pay, Allowances and Overtime came in over budget by £3k (£21k under budget as at December). It should be noted that £200k of the original PCSO funding has previously been returned to the Police & Crime Commissioner following the Constabulary's projection that PCSO recruitment for the year would be lower than expected. The overspend is largely as a result of increased overtime incurred responding to the December 2015 flooding. At the end of March there were 84.64 FTE in post (10.36 FTE under establishment). Recruitment through two intakes is planned for 2016/17 which will see the numbers increase to match the establishment of 95 FTE.
- 2.6 Police Staff Pay & Allowances came in over budget by £88k (£29k as at December). The overspend has arisen through a combination of circumstances but is largely as a result of some delays in the implementation of the change programme. These overspends have been offset to a degree by reduced expenditure in respect of overtime and other change programme reviews delivering higher/earlier than anticipated savings.
- 2.7 Other Employee Expenditure came in over budget by £682k (£576k as at December). The primary reason for the overspend is that during the budget setting process for 2016/17 the decision was taken to fund termination (redundancy and pension) costs in 2015/16 from the overall envelope of funding provided by the Commissioner rather than drawing down funds from the management of change reserve.
- 2.8 Transport related expenditure came in under budget by £51k (£178k as at December). It should be noted that £220k of the transport related budget has previously also been reallocated to other budgets to fund additional budget pressures (see Efficiency Savings section in 2.9).

The main reason for the underspend is in relation to a reduction of expenditure on vehicle fuel due to lower fuel prices during the year. This has been offset, to a degree, by increased expenditure on vehicle repair and maintenance, principally as a result of the flooding for which an insurance claim has been submitted. The income arising from the insurance claim is shown within the income section (2.11).

- 2.9 Supplies & Services related expenditure came in over budget by £118k (£273k over as at December). This heading covers a wide range of budgets. The principal reasons for the overspend are twofold. Firstly additional costs were incurred to replace office equipment and furniture damaged in the December 2015, for which insurance claims have been submitted and the income is shown within the income section (2.11). In

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addition, other expenditure pressures emerged in 2015/16 amounting to £366k (for example on custody medical contract, NPT restructure, command and control review and training). The decision was taken to fund these additional costs from within existing budgets rather than drawing down the Chief Constable's Contingency, Savings were realigned from Transport (£220k); Third Party Expenditure (£80k) and Income (£100k) for this purpose.

- 2.10 Third Party related expenditure came in under budget by £49k (£13k under budget as at December). It should be noted that £80k of the third party related expenditure budget has also been reallocated to fund additional budget pressures (see Efficiency Savings section in 2.9). This relates to lower than anticipated contributions to a number of collaborative operational policing arrangements, which are offset by the costs of a period of dual running following the change of provider for police pensions administration.
- 2.11 Income has exceeded the budget by £806k (£318k as at December). It should be noted that £100k of the income budget has also been reallocated to fund additional budget pressures (see Efficiency Savings section in 2.9). In addition, a decision was taken (under delegated limits) for a virement in respect of additional income of £150k be made into the estates budget (part of PCC budget) to help fund additional costs associated with the upgrade of the power supply to HQ to provide greater resilience and reduce risks associated with the power supply. The main areas of additional income are in respect of forecast insurance receipts following the December 2015 flooding and additional income in respect of Private Hire / Special Police Services in particular in relation to policing of events and concerts and escorting abnormal loads.
- 2.12 As reported in Sections 1 and 2 above, the Constabulary underspend for 2015/16 amounts to £319k. This figure can be adjusted to £175k if the distorting effects of the flood (whereby insurance income is included within the Constabulary budget to offset estates related spend within the Commissioners budget) is removed. A number of requests were made to carry forward budget underspend from 2015/16 into 2016/17 to meet specific requirements. These requests are summarised in the table below:

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Budget Carry Forward Requests	£'s
Finance Team - MBTI Training & Feedback	2,800
Marketing - Web Design & Running Costs	8,000
Marketing - Training	500
Legal Services - Training	1,000
Operation Tweed - Agency Staff	47,000
Mobile & Digital - Staff	80,900
Mobile & Digital - Non Staff	74,000
Fitness Room - Workington	4,000
Fitness Room - HQ	16,000
Drones - Training & Equipment	33,000
Occ Health Unit - Digital Recording System	33,000
Durranhill - Works to Aircon System	4,500
Total	304,700

The overall provisional outturn position for the Constabulary and Commissioner was for a combined underspend of £481k. Whilst the position at out-turn is a financial underspend, total applications to carry forward budget for the Constabulary and Commissioner combined 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 £507k if were they applied in full to the 2015/16 budget. As a result of the total demand for resources exceeding the budget, the Commissioner's provisional outturn report proposes that the underspend should be ring-fenced to offset these pressures with further consideration then being given to wider options for resourcing this expenditure in 2016/17.

3. Summary Financial Statements

3.1 The full financial position as at 31 March 2016 is presented for police and crime panel members at Appendix C, within the summary financial statements.

4. Supplementary Information

4.1 Appendices to this report are provided as follows:

- Appendix A – Constabulary Revenue Budget monitoring as at the end of 2015/16.
- Appendix B – Graph showing current WFP assumptions compared to original/budget for 2015/16.
- Appendix C – Summary Financial Statements 2015/16.

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Appendix A**The Chief Constable for Cumbria Constabulary****Revenue Budget Monitoring Full Year 2015/16**

Description	Base Budget	Revised Budget	Provisional Outturn	Provisional (Under)/ Overspend	Forecast (Under)/ Overspend		Forecast (Under) / Overspend	Change Dec'15 to year end
	2015/16	2015/16	2015/16	2015/16	2015/16		@ Dec'15	year end
	£	£	£	£	%		£	£
Constabulary Funding								
Police Officers	76,347,224	76,103,613	75,799,754	(303,859)	-0.40%		(701,747)	397,888
Police Community Support Officers	2,810,501	2,626,741	2,630,377	3,636	0.14%		(21,045)	24,681
Police Staff	18,555,500	18,899,751	18,987,955	88,204	0.47%		28,920	59,284
Other Employee Budgets	803,280	1,272,012	1,954,003	681,991	53.62%		576,149	105,842
Transport Related Expenditure	2,469,876	2,190,963	2,140,299	(50,664)	-2.31%		(177,603)	126,939
Supplies & Services	9,877,535	10,125,098	10,242,876	117,778	1.16%		272,966	(155,188)
Third Party Related Expenses	1,615,709	1,749,399	1,700,309	(49,090)	-2.81%		(13,308)	(35,782)
Total Constabulary Funding	112,479,625	112,967,577	113,455,573	487,996	0.43%		(35,668)	523,664
Income	(3,966,595)	(4,390,227)	(5,197,132)	(806,905)	18.38%		(317,885)	(489,020)
Total Constabulary Funding Net of Income	108,513,030	108,577,350	108,258,441	(318,909)	-0.29%		(353,553)	34,644

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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)

