

<b>Meeting Date</b>	<b>7 July 2017</b>
<b>Report of</b>	<b>The Police and Crime Commissioner</b>
<b>Subject</b>	<b>Budget Monitoring Report: 2016/17 Outturn Position</b>

## EXECUTIVE SUMMARY

1. The purpose of the report is to inform Members of the Panel of the outturn position in respect of the revenue budget and capital programme, at the end of the 2016/17 financial year.
2. The report indicates that the year end position is that revenue expenditure is £3m less than budget, when legacy issue costs are excluded. The spending on legacy issues has slipped into future financial years and has meant that £6m has been held in financial reserves. The reasons for the spending variations are set out later in this report.
3. In terms of capital expenditure, the report indicates that spending totalled £11.9m compared to a capital programme of £15.2m.

## RECOMMENDATION

4. Members of the Police and Crime Panel are recommended to note the report on the outturn position at the end of the 2016/17 financial year.

## REVENUE BUDGET FOR 2016/17

5. On 26 February 2016 the Police and Crime Commissioner (PCC) approved a net revenue budget of £241.963m, which is the amount financed by government grant and Council Tax income. How this overall spending was financed is shown below:

	<b>Budget 2016/17</b>
	<b>£'000</b>
Police Grant (HO Core)	-100,597
Revenue Support Grant (Ex DCLG Formula)	-77,465
Council Tax Freeze Grant 2011/12	-1,269
Council Tax Support Scheme compensation	-9,591
<b>Total Grant Funding</b>	<b>-188,922</b>
Council Tax income	-51,569
Collection Fund surplus	-1,472
<b>FINANCING OF BUDGET REQUIREMENT</b>	<b>-241,963</b>

6. During the financial year the revenue budget was revised to reflect a number of approved changes. The original budget included savings proposals that would be delivered through an employee severance programme involving potential costs of approximately £2m which would be met from reserves. However following the conclusion of a Peer Review in May 2016, it was agreed that this would not take place and the budget was adjusted to reflect this.
7. The majority of the revenue budget is allocated to the Chief Constable. Other revenue budgets include those held by the PCC to meet the costs of his office (the OPCC) and to support his partnership and commissioning activity. There have also been budgets to meet the potential costs of legacy issues, which relate to: the investigation into historic allegations of child sexual exploitation (CSE) conducted by the National Crime Agency (referred to as Operation Stovewood); potential civil compensation claims from those affected by the Hillsborough Disaster and potential civil compensation claims from victims of CSE.

## REVENUE OUTTURN AT 31 MARCH 2017

8. The table below summarises the overall financial position at the end of the 2016/17 financial year. This is followed by commentary on the main reasons for variations in spending.

	<b>Revised Budget £'000</b>	<b>Outturn £'000</b>	<b>Variation £'000</b>
Chief Constable Budget	236,872	233,928	2,944
PCC and OPCC Budget	2,118	1,662	456
Partnerships & Commissioning	3,714	3,446	268
Capital Financing	3,040	3,100	-60
External Funding	-7,794	-7,219	-575
Contribution from Reserves	-3,187	-154	-3,033
<b>Total Net Expenditure</b>	<b>234,763</b>	<b>234,763</b>	<b>0</b>
<u>Legacy Issues</u>			
Potential Costs (net of special grant income)	7,200	984	6,216
Contribution to Reserves	0	6,216	-6,216
<b>Total Legacy Issues</b>	<b>7,200</b>	<b>7,200</b>	<b>0</b>
<b>Total Net Expenditure</b>	<b>241,963</b>	<b>241,963</b>	<b>0</b>

### Chief Constable budget

9. The final outturn is an underspend of £2.9m. The amended financial strategy for the year required South Yorkshire Police to reduce spending as a contribution to balancing the 2017/18 budget. At the year end the main spending reductions were:
- Premises: reduced spending of £0.8m on energy and water costs.
  - Transport: reduced spending of £0.6m on fuel, vehicle parts and mileage expenses.
  - Supplies & Services: reduced spending of £1.6m. This mostly relates to reduced contract expenditure as a result of the work of the Regional Procurement Unit securing more advantageous contracts.

### Legacy issue costs

10. The costs of legacy issues – the Hillsborough Inquests and historic allegations of child sexual exploitation (CSE) - have had a significant impact on the financial position of the PCC and South Yorkshire Police in recent years. The costs would have had a detrimental effect on operational policing budgets had the PCC not secured additional 'special grant' funding from the Home Office for both the Hillsborough Inquests costs and Operation Stovewood. It is likely that legacy issues will continue. However it is difficult to determine accurately the potential scale of such costs and the level of special grant funding. For the purposes of the budget for 2016/17 it was assumed that if legacy costs were to be incurred that these would be substantially offset by Home Office special grant funding. The Home Office usually require policing bodies to meet some of these costs from their own resources – based on the Home Office "1% rule" – and therefore the revenue budget included approximately £7m for such potential costs.
11. There continues to be considerable uncertainty about the degree to which South Yorkshire Police may be liable for such costs, when any liability may arise and the extent to which these may be offset by Home Office Special Grant. At the end of the year, an assessment by the South Yorkshire Police Legal Services Department suggests that if such costs were to materialise, these are likely to fall in future financial years. To mitigate the impact of these potential costs on future financial years, £6m had been held in reserves for possible future use.

### **CAPITAL OUTTURN AT 31 MARCH 2017**

12. The PCC approved a capital programme for 2016/17 of £15m. At the end of the financial year, the level of capital spending totalled approximately £12m. This variation of £3m will slip into future financial years. The amount spent in 2016/17 was on the following:
- There was capital expenditure of £1.8m spent improving existing buildings.
  - £1m was spent on new vehicles purchased in accordance with the vehicle replacement program.
  - £1.5m was spent on information, communications and operational equipment, including joint projects with Humberside Police.

- £7.7m was spent on assets under construction, of which £4m was spent on construction costs for the new Barnsley custody suite.

## RESERVES POSITION

13. At the end of the 2016/17 financial year, the overall level of revenue reserves is approximately is £39m. The revenue budget for 2017/18 will use approximately £8m of reserves to fund expenditure in the current financial year. The forecast level of reserves at 31 March 2018 is therefore approximately £31m. This has to be seen in the context of potential significant liabilities in future years and considerable uncertainty about the level of additional funding from Government for those costs.

<b>Revenue Reserves</b>	<b>Balance at 31/3/16 £'000</b>	<b>Movement in year £'000</b>	<b>Balance at 31/3/17 £'000</b>
General Reserves	17,597	36	17,633
Earmarked Reserves	15,246	6,027	21,273
<b>Total Revenue Reserves</b>	<b><u>32,843</u></b>	<b><u>6,063</u></b>	<b><u>38,906</u></b>

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