



<b>Meeting Date</b>	<b>25 April 2022.</b>
<b>Report of</b>	<b>Chief Finance Officer, OPCC</b>
<b>Subject</b>	<b>QUARTER 3 – CONSOLIDATED BUDGET MONITORING REPORT 2021/22</b>

This report sets out the consolidated financial position for the period 1 April 2021 to 31 December 2021. It shows the forecasts of the year end position as at 31<sup>st</sup> December 2021.

## **RECOMMENDATION(S)**

Members of the Budget Working Group are recommended to:

- a) Note the contents of this report and comment on any matters arising.
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Main Report – As at 31 December 2021

Appendix A – Force budget monitoring report as at 31 December 2021.

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# CONSOLIDATED BUDGET MONITORING REPORT 2021/22 AS AT 31 DECEMBER 2021.

## Purpose of the report

1. This report sets out the forecast financial position based on the period 1 April 2021 to 31 December 2021.

The report covers the budget managed by the Chief Constable (CC) of the South Yorkshire Police force (SYP) and budgets managed by the Office of the Police and Crime Commissioner (OPCC), such as partnerships and commissioning, capital financing charges and the office of the PCC, and presents a consolidated position of the current budget and expenditure.

## Background

2. On 24<sup>th</sup> February 2021, the PCC approved a revenue budget of £296.0m. The PCC also approved a capital programme of £17.799m for 2021/22, anticipating that £17.412m borrowing would need to be undertaken in-the year to fund the programme. The programme was increased to £19.6m in July 2021 to take account of slippage, re-phasing and adjustments. The PCC approved this revised programme on July 8<sup>th</sup> 2021.

## Consolidated Revenue Budget Position

3. The current budget position is as follows:

	£m	£m
Net approved budget 2021/22		296.030
Comprising as at December 21:		
CC Budget	282.443	
PCC Budget	2.039	
Commissioning and Partnerships	3.343	
Capital Financing Costs	2.401	
Potential Legacy Costs	5.804	
<b>Total:</b>	296.030	296.030

Based on what is known currently, the forecast out-turn position for the revenue budget is an underspend of £1.267m. The breakdown is as follows:

	<b>Approved Budget</b>	<b>Forecast out-turn 31.12.21</b>	<b>Projected (Under)/ Over spend</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Constable's Budget	282.443	282.177	(0.266)
PCC and OPCC Budget	2.039	1.717	(0.322)
Commissioning and Partnerships	3.343	2.983	(0.360)
Capital Financing Costs	2.401	2.256	(0.145)
Potential Legacy Cost issues	5.804	5.629	(0.175)
<b>Total:</b>	<b>296.030</b>	<b>294.763</b>	<b>(1.267)</b>

## 4. Explanation of Variances

### 4.1 Chief Constable Budget

At 31 December the projected year end outturn position is a £266k underspend on the Chief Constable's budget, net of external funding. A summary of each area is shown below, and full details are outlined in the Chief Constable's budget monitoring paper, which is attached as Appendix A.

	<b>Approved Budget £000</b>	<b>Projected Outturn £000</b>	<b>(Under) / Overspend £000</b>	<b>% of budget</b>
Police Pay and Overtime	154,953	157,490	2,537	0.84%
PCSO Pay and Overtime	4,508	4,549	41	0.91%
Staff Pay and Overtime	82,361	78,314	(4,046)	(4.91%)
Other Employee Expenses	7,258	7,214	(44)	(0.61%)
Premises	9,925	9,914	(10)	(0.11%)
Transport	5,438	6,109	671	12.34%
Supplies and Services	23,374	23,538	165	0.70%
Agency	16,479	16,925	446	2.71%
Income	(15,112)	(15,098)	14	(0.09%)
Specific Grant Funding	(6,772)	(6,868)	(96)	1.41%
Debt Charges	0	0	0	0
Grant Expenditure	2	60	58	2714.00%
<b>Net Expenditure Before Legacy</b>	<b>282,443</b>	<b>282,177</b>	<b>(266)</b>	<b>(0.09%)</b>

#### Key Points

- The £0.266m projected underspend is 0.09% of the total budget before legacy costs.
- Total year to date Covid-19 spend is £1.0m.
- The Force is required to underspend by £1.2m to repay the amount paid out last year from reserves to South Yorkshire Pensions Authority for the staff pension lump sum prepayment.
- There are underspends in staff pay due to vacancies, particularly within growth areas and Force Control Room.

### 4.2 PCC and OPCC budget

The PCC approved a budget of £2.039m for the OPCC in February 2021. The forecast year end position is an underspend of £322k, based on information as at 31 December 2021.

Additional in year funding of £5.330m (including £1.6m for the VRU) has also been received since the budget was set.

The forecast position for the PCC's budget is shown below:

Details of variances from the budget are as follows:

#### 4.2.1 **Employee Costs** £249k underspend forecast.

- The underspend primarily relates to a pension lump sum deficit. The accounting treatment of this has been subject to discussion with the external auditors, who have reviewed it and deem that this should not be recorded as in year expenditure, but taken through reserves. The net position will remain the same, but the accounting treatment results in an underspend. The OPCC is therefore required to underspend by £50k to repay the amount paid out last year from reserves to South Yorkshire Pensions Authority for the staff pension lump sum prepayment.

Other projected underspends are the result of recharges for staff supported by external funding which has been confirmed since budget setting, savings from recruitment costs, vacancies and scale point differences for staff offset by increased costs in relation to maternity pay and cover.

**4.2.2 LCJB** £7k underspend forecast.

The variance is due to the structural changes in the probations service affecting contributions, and will be a one off occurrence. Also, a change of planned work practices/activities due to the Covid-19 pandemic.

**4.2.3 Transport** £12k underspend forecast.

The underspend is mainly due to changes in working practices due to Covid-19.

**4.2.4 Supplies & Services** £57k underspend forecast.

Variances are due to impact of changes in working arrangements due to Covid-19, member's recruitment, and the changing needs of the team.

**4.2.5 External Funding** £4k under recovery.

This is due to a reduced contribution towards the LCJB due to the changes with the CRC and probation. The value may change once the Probation financial mechanism has been finalised (see 4.2.2 above).

**4.3 Commissioning and Partnerships** £360k underspend forecast.

This is currently projected to underspend by £360k. This is mainly due to additional external funding that was confirmed after budget setting which has had a knock on effect on the work of the section.

**4.4 Capital Financing Costs** £144k underspend forecast.

The mid-year review undertaken on capital financing costs, based on existing debt, interest on revenue balances and the estimates of the capital programme for the remainder of the year confirmed the anticipated underspend position. This is in line with the strategy of utilising internal borrowing for as long as possible. Long term borrowing is likely to be needed in the new financial year, and in line with the strategy will be taken at optimal interest rates.

**4.4 Capital Programme**

The PCC approved the revised £19.63m capital programme in July 2021. Expenditure to date amounts to £10.76m, and the programme is currently projected to spend in full.

**5. Reserves Position – including Legacy Costs Impact**

At 31 March 2021, the overall level of revenue reserves available was £64.98m. This included general reserves of £42.2m, earmarked, and insurance reserves of £10.6m and £12.1m respectively. The expected movement in year, based on projections at the end of December 2021, is shown in the table below.

Hillsborough, the Stovewood enquiry, and CSE civil claims are currently showing a combined underspend of £0.175m. This is due to the timing of expenditure being fluid and will be carried forward into 2022/23 through the legacy reserve at the end of the financial year. The legacy financial position is currently being updated with legal section in preparation for the special grant submission.

The forecast reserves position (current estimate) is as follows:

	<b>Opening Balance at 31/3/21 £'000</b>	<b>Movement in year £'000</b>	<b>Closing balance at 31/3/22 £'000</b>
General Reserves	42,247	-156	42,091
Earmarked Reserves	10,624	-4,477	6,147
<b>Total Revenue Reserves</b>	<b>52,871</b>	<b>-4,633</b>	<b>48,238</b>
Insurance Reserve	12,114	0	12,114
<b>Total Insurance Reserve</b>	<b>12,114</b>	<b>0</b>	<b>12,114</b>
<b>Total Reserves</b>	<b>64,985</b>	<b>-4,633</b>	<b>60,352</b>

## 7. Risks and Uncertainties

There are a number of risks and uncertainties in the reported financial position. With regard to the longer term financial position, the following have been reported before and are largely unchanged:

- There are a number of uncertainties around long term funding for Grip, VRU, McCloud, and ESN.
- The significant increases in energy costs may affect the Force and PCC, and will need working through at budget time.
- A fundamental review of the funding formula has recently been announced. This will impact on the amount of grant that South Yorkshire receives and could make medium to longer term planning difficult. The PCC is a member of the senior sector group, and will therefore be in a position of influence. The two CFO's will work with the PCC in order to try and get an early indication of the impact on South Yorkshire.

Risks are consistently monitored by the OPCC and Force Finance teams and discussed at the appropriate senior leadership groups. Key risks and areas of uncertainty will be highlighted in the budget setting report.

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