



South Yorkshire POLICE & CRIME PANEL

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| Meeting Date | 10 October 2022 |
| Report of | Chief Finance Officer, OPCC. |
| Subject | Quarter one - Consolidated Budget Monitoring Report 2022/23. |

EXECUTIVE SUMMARY

This report sets out the consolidated financial position for the period 1 April 2022 to 30 June 2022. It shows the anticipated year end position, updated with information available up to 30 June 2022.

RECOMMENDATION(S)

Members of the Panel are recommended to:

- a) note the contents of this report and comment on any matters arising.

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Main Report – As at 30 June 2022.

Appendix A – Force budget monitoring report as 30 June 2022.

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CONSOLIDATED BUDGET MONITORING REPORT 2022/23 AS AT 30 JUNE 2022.

Purpose of the report

1. This report sets out the forecast financial position based on the period 1 April 2022 to 30 June 2022.

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 forecast expenditure. In line with good practice, and given the current economic uncertainties and volatility of the jobs market, the forecasts continue to be updated regularly to provide the most up to date information to inform decision making.

Background

2. On 28th February 2022, the PCC approved a revenue budget of £310.7m. The PCC also approved a capital programme of £24.920m for 2022/23, anticipating that £22.770m borrowing would need to be undertaken in-the year to fund the programme. The programme was decreased to £16.48m in July 2022 to take account of slippage, re-phasing, and adjustments. The PCC approved this revised programme on 27 July 2022.

Consolidated Revenue Budget Position

3. The current budget position is as follows:

| | | |
|--------------------------------|---------|---------|
| | £m | £m |
| Net approved budget 2022/23 | | 310.669 |
| Comprising as at June 22: | | |
| CC Budget | 297.439 | |
| PCC Budget | 1.990 | |
| Commissioning and Partnerships | 3.343 | |
| Capital Financing Costs | 2.491 | |
| Potential Legacy Costs | 5.406 | |
| Total: | 310.669 | 310.669 |

Based on what is known currently, the forecast out turn position for the revenue budget is an underspend of £4.621m. The breakdown is as follows:

| | Approved Budget | Forecast out-turn 30.06.22 | Projected (Under)/ Overspend |
|--------------------------------|----------------------------|---|---|
| | £000 | £000 | £000 |
| Chief Constable's Budget | 297.439 | 293.402 | (4.037) |
| PCC and OPCC Budget | 1.990 | 1.977 | (0.013) |
| Commissioning and Partnerships | 3.343 | 2.858 | (0.485) |
| Capital Financing Costs | 2.491 | 2.405 | (0.086) |
| Potential Legacy Cost issues | 5.406 | 5.406 | 0.000 |
| Total: | 310.669 | 306.048 | (4.621) |

4. Explanation of Variances

4.1 Chief Constable Budget

At 30 June the projected year end out turn position is a £4.04m 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.

| | Approved Budget £000 | Final Outturn £000 | (Under) / Overspend £000 | % of budget |
|--------------------------------------|-----------------------------|---------------------------|---------------------------------|--------------------|
| Police Pay and Overtime | 161,687 | 160,957 | (730) | (0.45%) |
| PCSO Pay and Overtime | 4,852 | 4,143 | (709) | (14.61%) |
| Staff Pay and Overtime | 85,877 | 85,475 | (402) | (0.47%) |
| Other Employee Expenses | 7,169 | 6,847 | (322) | (4.49%) |
| Premises | 11,200 | 10,740 | (460) | (4.11%) |
| Transport | 5,109 | 5,083 | (26) | (0.30%) |
| Supplies and Services | 26,023 | 25,456 | (567) | (2.07%) |
| Agency | 18,076 | 17,496 | (580) | (3.21%) |
| Income | (15,782) | (16,032) | (250) | 1.83% |
| Specific Grant Funding | (6,772) | (6,765) | 7 | (0.11%) |
| Grant Expenditure | 2 | 2 | 0 | 0.00% |
| Net Expenditure Before Legacy | 297,439 | 293,402 | (4,037) | (1.36%) |

Key Points

- The £4.04m underspend is 1.36% of the total budget before legacy costs.
- The biggest contributing factor to the projected underspend is changes to the Officer Workforce Plan and staff/PCSO vacancies due to the continuing recruitment challenges:
 - The Workforce Plan has changed significantly since budget setting. The PCC approved changes to the Plan which reduced projected officer strength by 68 resulting in an underspend in Police Pay of £2.58m. Since then, further reductions in strength have resulted in additional underspends. This is temporary, due to lower attraction to the Police Constable Degree Apprenticeship (PCDA) pipeline and an increase in the leaver population. The workforce plan is projected to bring officer numbers back in line in 2023/24. This change has allowed the Force to fund the Detective Now Programme and summer surge activity.
 - Underspends of £2.4m on staff pay are due to current and expected vacancies within existing and growth roles. This is an area of focus for the Force, linked to the Savings Programme. This underspend is offset by the staff lump sum pension prepayment (£1.2m) which has been consistently charged to the revenue account, but this was not included in the budget.
 - Underspends of £0.73m are projected on PCSOs due to vacancies and shift and weekend working changes not yet implemented. Numbers are expected to be brought back in line when the PCSO apprenticeship is introduced early next year.
- The officer pay award has recently been announced at an average of 5% across all ranks. This is not anticipated to be a cost pressure in the current year, but the future financial implications need to be assessed.

4.2 **PCC and OPCC budget**

The PCC approved a budget of £2.025m for the OPCC in February 2022, which has been adjusted subsequently to £1.990m due to external funding and budget transfers to the Force. The forecast out turn position is an underspend of £13k, based on information as at 30 June 2022.

Key points relating to the OPCC variances are as follows:

- **Employee Costs** - £67k underspend projected.

The OPCC has benefited from additional contributions for staff time from externally funded projects (£23k). The recharge of this time reflects the pull on the resources of the Commissioning and Finance Team to distribute funds.

The remainder of the underspend relates to the inclusion of additional budget for a Deputy PCC (£55k), the balance relating to fluctuations in OPCC staff posts, and training.

- **Supplies & Services** - £54k overspend projected.

This relates mainly to the confirmation of internal and external audit fees, and a revised agreement with our IT services provider, which includes some additional hardware improvements.

The OPCC senior leadership team continues to monitor and manage the budget, and associated risks, on a monthly basis.

4.2 **Commissioning and Partnerships** £485k underspend forecast.

The team has successfully secured £3.8m income in this financial year and external funding has been prioritised for spending to maximise the medium-term benefits for the region as well as supporting the priorities of the police and crime plan. The team continues to build on its previous success in securing extra resources.

The approach is to manage resources effectively, maintain value for money, and to utilise time bound external funding first. The team is looking to mitigate risk and the underspend by exploring further opportunities which meet Police and Crime Plan priorities, this includes reprofiling. Therefore, the current forecast underspend may change.

4.3 **Capital Financing Costs** £86k underspend forecast.

No borrowing has yet been taken, due to the management of the cashflow and external funding that has been received; this is in line with the approved treasury management strategy. The position is being monitored closely to ensure that any borrowing is taken at the optimum time. The improved cashflow, and favourable interest rates have contributed to the £86k shift in the forecast outturn.

4.4 **Capital Programme**

The PCC approved the revised £16.48m capital programme in July 2022. Expenditure to date amounted to £1.87m, it is anticipated that the full budget will be spent by year end.

5. **Reserves Position**

At 31 March 2022, the overall level of revenue reserves available was £67.716m. This included general reserves of £36.9m, earmarked, and insurance reserves of £25.4m and £5.3m respectively. The forecast movement in year is shown in the table below.

| | Opening Balance 31/3/22 £'000 | Forecast Movement in year £'000 | Forecast Closing balance 31/3/23 £'000 |
|--------------------------------|--|--|---|
| General Reserves | 36,919 | 9,900 | 46,819 |
| Earmarked Reserves | 25,445 | -8,525 | 16,920 |
| Total Revenue Reserves | 62,364 | 1,375 | 63,739 |
| Insurance Reserve | 5,352 | 591 | 5,943 |
| Total Insurance Reserve | 5,352 | 591 | 5,943 |
| Total Reserves | 67,716 | 1,966 | 69,682 |

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 previously and are largely unchanged:

- There are a number of uncertainties around long term funding for McCloud and ESN.
- There are significant factors that will have an impact on the risks that the financial bottom line will be exposed to such as increases in energy costs, inflation, and the consequence of the war in Ukraine.
- The impact of the opening of pay negotiations on Police staff pay following the conclusion of the Police Officers pay award.
- A fundamental review of the funding formula is ongoing. This will likely 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 CFO 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.