



Meeting Date	5 December 2022
Report of	Chief Finance Officer, OPCC
Subject	QUARTER 2 – CONSOLIDATED BUDGET MONITORING REPORT 2022/23

This report sets out the consolidated financial position for the period 1 April 2022 to 30 September 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 – Forecast position as at 30 September 2022

Appendix A – Force budget monitoring report as at 30 September 2022.

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

Purpose of the report

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

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 £22.77m 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 July 27th 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 £2.370m. The breakdown is as follows:

	Approved Budget	Forecast out-turn 30.09.22	Projected (Under)/ Overspend
	£000	£000	£000
Chief Constable's Budget	297.439	295.640	(1.799)
PCC and OPCC Budget	1.990	1.993	0.003
Commissioning and Partnerships	3.343	3.343	0.000
Capital Financing Costs	2.491	1.917	(0.574)
Potential Legacy Cost issues	5.406	5.406	0.000
Total:	310.669	308.299	(2.370)

4. Explanation of Variances

4.1 Chief Constable Budget

At 30 September the projected year end outturn position is a £1.799m 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	Projected Outturn £000	(Under) / Overspend £000	% of budget
Police Pay and Overtime	161,247	162,886	1,639	1.02%
PCSO Pay and Overtime	4,852	4,089	(763)	(15.7%)
Staff Pay and Overtime	86,287	85,325	(962)	(1.1%)
Other Employee Expenses	7,314	7,200	(114)	(1.6%)
Premises	11,201	11,796	594	5.3%
Transport	5,165	5,177	12	0.2%
Supplies and Services	26,622	26,122	(500)	(1.9%)
Agency	18,822	17,989	(833)	(4.4%)
Income	(16,502)	(17,112)	(610)	3.7%
Specific Grant Funding	(7,520)	(7,764)	(0.24)	3.24%
Grant Expenditure	2	(67)	(69)	(3937.4%)
Net Expenditure Before Legacy	297,439	295,640	(1,799)	(0.60%)

Key Points to note are a follows:

- The £1.80m projected underspend is 0.60% of the total budget before legacy costs.
- In year the force has direct revenue financed £1.80m of Officer Uplift capital costs.
- The projected underspend does not include any adjustments that may be required for the reopened staff pay award or the reversal of the 1.25% National Insurance increase as we have not as yet received any certainty or clarification. For the NI adjustment the additional underspend is expected to be in the region of £0.77m.
- There have been significant changes to the Officer Workforce Plan and staff/PCSO vacancies due to the continuing recruitment challenges:
 - The Officer 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. 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, summer surge activity and additional overtime to backfill the vacancies. This projected underspend in pay is now offset by an overspend in overtime.
 - Underspends of £3.19m 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. In addition there is an overspend on overtime to backfill vacancies and demand.
 - Underspends of £0.76m 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.

4.2 PCC and OPCC budget

In February 2022 the PCC approved a budget of £7.859m for the OPCC. This included £3.343m for Commissioning and Partnerships, £2.491m for capital financing costs, as well as a net zero budget for the Violence Reduction Unit which is funded through Home Office grant.

The OPCC core budget has been adjusted subsequently from £2.025m to £1.991m due to external funding and budget transfers to the Force. The forecast out turn position is an underspend of £572k, based on information available as at 30 September 2022, the position being as follows:

	Original Budget £000	Revised Budget £000	Year To Date £000	Forecast £000	Overspend; (Underspend) £000
2022/23					
Total Employees	1,432	1,397	676	1,355	(42)
Total LCJB	128	128	58	128	0
Total Premises	0	0	0	0	0
Total Transport	14	14	1	13	(1)
Total Supplies & Services	491	492	111	537	45
Sub Total OPCC & PCC	2,065	2,031	846	2,033	2
VRU Expenditure	0	2,891	665	2,891	0
VRU Income	0	(2,891)	(237)	(2,891)	0
Total VRU	0	0	428	0	0
External Funding	(40)	(40)	(44)	(40)	0
Overall OPCC Total	2,025	1,991	1,230	1,993	2
Commissioning & Partnership	5,128	7,471	936	7,582	111
Commissioning Income	(1,786)	(4,128)	(1,618)	(4,239)	(111)
Total Commissioning	3,343	3,343	(682)	3,343	0
Capital Financing Costs	2,491	2,491	438	1,917	(574)
Grand Total	7,859	7,825	986	7,253	(572)

Since the budget was set, it has been updated to include:

- £619k increase in MOJ funding (including Core, Expression of Interest and Critical Support)

Partnerships and Commissioning - increase in both income and expenditure of £2.223m.

- £427k Additional ISVA/IDVA allocations
- £220k Domestic Abuse Perpetrator Programme Fund 2022-23 – Non MATAAC
- £297k Domestic Abuse Perpetrator Programme Fund 2022-23 – MATAAC
- £637k Domestic Abuse/Sexual Abuse victim support services
- £142k Victim Support Core Uplift
- £500k Safer Streets 4

Key points include the following:

4.2.1 Employee Costs £42k underspend forecast

The underspend is due to a mixture of factors, including vacancies and the impact of external funding.

4.2.4 Supplies & Services £45k overspend forecast.

The main overspend is in relation to the OPCC IT reconfiguration and update. This was considered to be a priority and has been funded through underspends. Due to problems in the external audit market, and an increasing demand from audit regulators, external audit charges has increased significantly, which has also led of an overspend of £10k in that area. There are a number of smaller forecast under and over spends in different areas within this category which make up the remaining balance.

4.3 Commissioning and Partnerships

The team has successfully secured income (£4.7m) in this financial year, and also submitted a £1m bid which was successful, for delivery by local authority partners in Doncaster and Sheffield. External funding has been prioritised to maximise the medium-term benefits for the region, continuing the year-to-year success in this area when securing extra resources.

4.4 Capital Financing Costs £574k forecast underspend.

This area is under review as the capital programme is monitored throughout the year. At this stage it is anticipated that no borrowing will be needed in 2022/23 therefore a £281k saving on interest costs is projected. The improved cashflow and significantly increased interest rates have resulted on an overachievement on budgeted income which has contributed further to the projected out turn. The CFO and Deputy are monitoring the position as the PCC is significantly under borrowed currently (in line with the treasury management strategy), and, dependant on the economic circumstances and future budgets, there may be a need to take some of this borrowing.

4.5 Capital Programme

- The PCC has approved a revised 2022/23 capital programme of £16.48m (£24.62m reduced by £8.24m to reflect past trends in spending).
- Year to Date expenditure against this programme is £4.21m, this reflects 26% of the full year budget.
- The Accountancy team are working closely with the Project Managers to improve the accuracy of projections and have provided training to the majority. The most recent training session was 20th July 2022.

More detailed information around the progress of the programme can be found in section 3.6 of Appendix A - the Force budget monitoring report.

5. Reserves Position – including Legacy Costs Impact

At 31 March 2021, 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 expected movement in year, based on projections at the end of September 2022, is shown in the table below. It should be noted however that this position is likely to change due to updated legacy projections which are due shortly.

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

	Opening Balance at 31/3/22 £'000	Movement in year £'000	Closing balance at 31/3/23 £'000
General Reserves	36,919	7,650	44,569
Earmarked Reserves*	25,445	-8,525	16,920
Total Revenue Reserves	62,364	-875	61,489
Insurance Reserve	5,352	591	5,943
Total Insurance Reserve	5,352	591	5,943
Total Reserves	67,716	-284	67,432

7. Risks and Uncertainties

There are a number of risks and uncertainties in the reported financial position, the main ones currently being around rising inflationary costs including pay awards, interest rates and the potential impact of current economic circumstances e.g. on the council tax base and collection rates. These are being monitored closely by the two CFO's, along with the political situation, and government policy for the budget moving forwards and the impact of government funding decisions on South Yorkshire.

With regard to the longer term financial position, the following specifics have been reported before and remain 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.
- The impact of government policy on police uplift.
- The ongoing fundamental review of the funding formula. 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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