



Meeting Date	24 APRIL 2023
Report of	Chief Finance Officer, OPCC
Subject	QUARTER 3 – CONSOLIDATED BUDGET MONITORING REPORT 2022/23.

This report sets out the consolidated financial position for the period 1 April 2022 to 31 December 2022 along with the *forecast* position at the end of the financial year.

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 31 December 2022.

Appendix A – Force budget monitoring report as at 31 December 2022.

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CONSOLIDATED BUDGET MONITORING REPORT 2022/23 AS AT 31 DECEMBER 2022.

Purpose of the report

1. This report sets out the *forecast* financial position based on the period 1 April 2022 to 31 December 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 £22.770m 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 July 27th 2022.

Consolidated Revenue Budget Position

3. The budget position as at 31.12.22 is as follows:

	£m	£m
Net approved budget 2022/23		310.67
Comprising as at Dec 22:		
CC Budget	297.425	
PCC Budget	2.006	
Commissioning and Partnerships	3.343	
Capital Financing Costs	2.491	
Potential Legacy Costs	5.406	
Total:	<u>310.67</u>	<u>310.67</u>

Based on what is known currently, the forecast out turn position for the revenue budget is an underspend of £4.067m. The breakdown is as follows:

	Approved Budget	Forecast out-turn 31.12.22	Projected (Under)/ Overspend
	£000	£000	£000
Chief Constable's Budget	297.425	297.377	(0.048)
PCC and OPCC Budget	2.006	1.978	(0.028)
Commissioning and Partnerships	3.343	3.343	(0.000)
Capital Financing Costs	2.491	1.366	(1.125)
Potential Legacy Cost issues	5.406	2.540	(2.866)
Total:	<u>310.671</u>	<u>306.604</u>	<u>(4.067)</u>

4. Explanation of Variances

4.1 Chief Constable Budget

At 31 December the projected year end out turn position is a £0.048m 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	162,451	165,837	3,386	2.1%
PCSO Pay and Overtime	4,852	4,179	(674)	-13.9%
Staff Pay and Overtime	85,087	85,737	651	0.8%
Other Employee Expenses	7,275	7,164	(112)	-1.5%
Premises	10,971	11,297	326	3.0%
Transport	5,147	5,345	198	3.8%
Supplies and Services	25,309	23,478	(1,830)	-7.2%
Agency	18,822	17,871	(950)	-5.0%
Income	(17,393)	(18,933)	(1,540)	8.9%
Specific Grant Funding	(8,243)	(7,764)	479	-5.8%
Capital Adjustments	3,146	3,146	0	0.0%
Grant Expenditure	2	20	18	1035.6%
Net Expenditure Before Legacy	297,425	297,377	(48)	-0.02%

Key Points

- The £0.05m projected underspend is 0.02% of the total budget before legacy costs.
- In year, the Force has direct revenue financed £1.80m of officer uplift capital costs and £1.2m to the Oracle Cloud project. In addition, it has also had the flexibility to invest in the Detective Now Programme, Summer Surge activity and to contain additional overtime for Her Majesty the Queen's State Funeral and to cover vacancies and abstractions.
- The projected overspend includes the reopened staff pay award and the reduction of 1.25% National Insurance contribution from November.
- 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 to address the 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.
 - Underspends of £1.58m 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 £0.70m 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

The PCC approved a budget of £2.025m for the OPCC in February 2022, which has been adjusted subsequently to £2.006m due to external funding and budget transfers to the Force. The forecast out turn position is an underspend of £28k, based on information as at 31 December 2022.

Details of forecast variances from the budget are as follows:

4.2.1 **Employee Costs** £51k forecast underspend.

The OPCC has benefited from additional contributions for staff time from externally funded projects (£23k), reflecting additional work undertaken by the Commissioning and Finance Team.

Further underspend relates to the inclusion of additional budget for a Deputy PCC (£55k). The remainder balance relates to under/overs throughout the rest of the other posts, and training. This is offset by increased costs in relation to pension deficit being reflected (£46k) in addition to budgeted costs.

4.2.2 **LCJB** £11k forecast underspend.

The LCJB has an ongoing programme which is monitored through the board. Variances from budget feed into the LCJB reserve.

4.2.3 **Transport** £7k forecast underspend.

Underspend as a result of new ways of working post covid.

4.2.4 **Supplies & Services** £42k forecast overspend.

The auditors have indicated an overspend on External (£10k), and Internal (£6k) Audit. A revised SLA has been agreed with our IT services provider confirming the pricing schedule, and the upgrade of hardware for the office reconfiguration (£14k). This has been offset by underspend in subscriptions. Spend on governance related areas (£26k) has been earmarked for improvements to systems used in this area.

There are areas at risk of underspending which have been highlighted to the Senior Leadership Team. These will need to be managed to minimise their forecast impact.

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

This is linked directly to the LCJB. All partners have been invoiced their allocation towards the LCJB, no payments are outstanding. Any underspend that crystallises will be transferred to the associated reserve to reduce future contributions (note the link to 4.2.2 above).

4.3 **Commissioning and Partnerships** No variance.

The team has successfully secured income (£4.7m) in this financial year, for use within the county. Also, they successfully submitted a £1m bid which will be delivered by local authority partners in Doncaster and Sheffield. External funding has been prioritised for spending to maximise the medium-term benefits for the region. This carries on the year-to-year success that this area has in securing extra resources.

There has been an unprecedented over achievement of POCA income (£179k) and therefore a ringfenced reserve is being considered. This will be dependent on the position at the year end as the grants programme has been oversubscribed and may mitigate the underspend if appropriately aligned to the police and crime plan priorities. The current forecast underspend may change.

4.4 Capital Financing Costs £1.125k underspend forecast.

This area is being kept under review due to the current economic uncertainty, and the impact on borrowing rates. This is in line with the approved strategy. It is likely that no borrowing will be taken within the financial year therefore a £281k saving on interest payments is likely. The improved cashflow, and favourable interest rates have significantly overachieved on income which has contributed to a further net £844k shift in the outturn. The position is being reviewed and changes will be reflected in the 23/24 budget.

4.4 Capital Programme

The PCC approved the revised £16.48m capital programme in July 2022. It was further revised upwards by £1.29m for directly revenue funding for Oracle project. Expenditure to date amounts to £8.78m, it is anticipated that the full budget will be spent by year end. This position is being monitored.

5. Reserves Position – including Legacy Costs Impact

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 movement in year, based on the end of March 2022, is shown in the table below.

Hillsborough, the Stovewood enquiry, and CSE civil claims are projecting full year outturn of £2.54m which is an underspend of £2.87m budget. Note any underspends will be put into the relevant reserve to account for the slippage for this year and be available for spend in future years.

The draft and forecast reserves position 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	6,481	43,400
Earmarked Reserves	25,445	-2,538	22,907
Total Revenue Reserves	62,364	3,942	66,306
Insurance Reserve	5,352	591	5,943
Total Insurance Reserve	5,352	591	5,943
Total Reserves	67,716	4,533	72,249

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 is currently significant uncertainty within the economy, which is being monitored closely. There are significant impacts on interest and inflation rates, which could impact on capital financing costs, pay and inflation, and in the medium terms employers contributions to the pension fund (due to fluctuations in actuarial valuations). This ties in with difficulties within the employment market in terms of staff recruitment and retention.
- There are a number of uncertainties around long term funding for McCloud and ESN.
- A fundamental review of the funding formula is ongoing and an activity survey is ongoing nationally. The next stage will be to run the activity data against the formula and begin national consultation. When completed, 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 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 as well as being reported formally in the formal budget proposal papers.

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