

Meeting Date	11 December 2023
Report of	Chief Finance Officer, OPCC
Subject	QUARTER 2 – CONSOLIDATED BUDGET MONITORING REPORT 2023/24

This report sets out the consolidated financial position for the period 1 April 2022 to 30 September 2023.

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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CONTENTS

Main Report – Forecast position as at 30 September 2023

Appendix A – Force budget monitoring report as at 30 September 2023.

Contact Officer: S Abbott
Designation: Chief Finance and Commissioning Officer
Contact detail: SAbbott@southyorkshire-pcc.gov.uk

CONSOLIDATED BUDGET MONITORING REPORT 2023/24 AS AT 30 SEPTEMBER 2023.

Purpose of the report

1. This report sets out the forecast financial position based on the period 1 April 2023 to 30 September 2023.

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 27th February 2023, the PCC approved a revenue budget of £323.317m (£317.567m + £5.750m legacy costs). The PCC also approved a capital programme of £19.655m for 2023/24, anticipating that £18.454m borrowing would need to be undertaken in-the year to fund the programme. The programme was decreased to £17.35m in June 2023 to take account of slippage, re-phasing and adjustments. The PCC approved this revised programme on June 16th 2023.

Consolidated Revenue Budget Position

3. The current budget position is as follows:

	£m	£m
Net approved budget 2023/24		323.317
Adjustments since approved budget		0.329
Comprising as at Jun 23:		
CC Budget	311.110	
PCC Budget	1.964	
Commissioning and Partnerships	3.343	
Capital Financing Costs	1.479	
Potential Legacy Costs	5.750	
Total:	323.646	323.646

The adjustment in the budget is the addition of grant funding. Based on what is known currently, the provisional outturn position for the revenue budget is an underspend of £4.420m. The breakdown is as follows:

	Approved Budget £000	Forecast out-turn 30.09.23 £000	Projected (Under)/ Overspend £000
Chief Constable's Budget	311.11	307.603	(3.507)
PCC and OPCC Budget	1.964	1.817	(0.147)
Commissioning and Partnerships	3.343	3.343	(0.000)
Capital Financing Costs	1.4790	0.713	(0.766)
Potential Legacy Cost issues	5.75	5.750	0.000
Total:	323.65	319.226	(4.420)

4. Explanation of Variances

4.1 Chief Constable Budget

At 30 September the projected year end outturn position is a £3.507m underspend on the Chief Constable's budget, net of external funding. This is 1.13% of the total budget before legacy costs. 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.

	Full Year Budget £000	Full Year Projected Outturn £000	(Under) / Overspend £000	% of budget
Police Pay incl. Overtime	177,626	176,233	(1,393)	-0.78%
PCSO Pay incl. Overtime	4,371	4,233	(139)	-3.17%
Staff Pay incl. Overtime	93,592	90,904	(2,688)	-2.87%
Other Employee Expenses	6,664	6,790	125	1.88%
Premises	13,856	13,238	(618)	-4.46%
Transport	5,114	5,355	241	4.72%
Supplies and Services	23,567	24,536	969	4.11%
Agency	20,020	19,631	(388)	-1.94%
Income	(16,016)	(16,627)	(611)	3.82%
Specific Grant Funding	(17,750)	(17,756)	5	0.00%
Capital Adjustments	64	1,064	1,000	1,556%
Grant Expenditure	2	2	0	0.00%
Net Expenditure Before Legacy	311,110	307,603	(3,507)	-1.13%

Key Points

4.1.1 The projected underspend is made up of net underspends of £6.5m plus emerging in year pressures totalling £3.2m.

a. Underspends

Business area	Short description	£ m
Utilities	The budget was based on professional advice at the time, in volatile circumstances. Actual costs have been less than anticipated.	1.40
Income	This is due to additional Home Office funding for the pay award, additional one off funding for uplift, and one off funding for Operation Safeguard (for use of custody cells for prisons).	2.55
In year savings	Effective contract management of IT licences and subscriptions	0.80
Growth	This is a temporary underspend due to the ongoing review of the IT collaboration, along with difficulties recruiting in other growth areas.	1.60
Workforce Plan	Change in the staff mix due to amended workforce plans.	0.20
		6.55

b. Pressures

<i>Business area</i>	<i>Short description</i>	<i>£ m</i>
Pension Remedy	Additional costs of the pensions remedy calculations following the McCloud judgement	0.60
Doncaster Police HQ	Estimated costs associated with RAAC	0.27
Body Worn Video	Body worn data recovery project costs	0.40
Planned Works	Rescheduled reactive and planned essential works	0.55
Vehicle Replacement Programme	Direct Revenue financing in specific areas	0.60
Priority Based Budgeting	Tranche two of the savings and efficiencies programme.	0.30
Dangerous dogs	To cater for changes in legislation	0.22
Bids for essential works	Re-profiling expenditure to reduce pressure on next year's budget	0.20
		3.14

4.1.2 The Force is also looking at other opportunities to bring forward work that will reduce the pressure on next year's budget.

4.2 PCC and OPCC budget

The PCC approved an OPCC budget of £1.964m in February 2023. The forecast outturn position is an underspend of £93k, based on information as at 30 September 2023.

Details of forecast variances from the budget are as follows:

2023/24	Full year budget £000	Forecast out turn £000	Projected (Under)/Overspend £000
OPCC			
Employees	1,459	1,348	(110)
LCJB	122	122	0
Premises	0	0	0
Transport	8	7	(2)
Supplies & Services	474	454	(20)
VRU (net)	0	0	0
External Funding	(99)	(114)	(16)
Overall OPCC Total	1,964	1,817	(147)
Partnerships and Commissioning (net)	3,343	3,343	0
Capital Financing Costs	1,479	713	(766)

Key points are as follows:

- 4.2.1. Employee Costs - £110k forecast underspend, relating mainly to Home Office funding for pay award, vacancies, pension contribution amendments and a reduction in assurance panel NI costs.
- 4.2.2 Supplies & Services – a net £20k forecast underspend due to bank charges amendments resulting from a revised contract, increased appeals and tribunals expenditure, and a decrease in internal audit fees, the service for which has recently been re-tendered. There have also been amendments to the independent members cost projections.
- 4.2.3 External Funding - £16k forecast over recovery of income. There have been difficulties nationally with external audit provision, with costs increasing significantly over the last two years. An additional £16k has been granted from DLUHC towards these costs.
- 4.2.4 Commissioning and Partnerships - The Partnerships & Commissioning team, has carried out horizon scanning and research activity to identify external funding opportunities. The team has secured income (£5.019m) in this financial year, for use within South Yorkshire. Successful bids submitted so far in 2023/24, excluding core funding, amount to £1.7m (£1.3m for 2023/24, and £342k for 2024/25).

This amount includes £1.050m for the testing of the new Anti-Social Behaviour (ASB) hotspot response pilots, rolled out by the government. The funding will pay for additional patrols or other presence in specific areas, at times when ASB is most prevalent.

Further bids are being pursued, in line with strategic objectives.

- 4.3 **Capital Financing Costs** - £766k underspend forecast. The improved cashflow, and favourable interest rates have contributed to the projected outturn. This area is under review due to capital programme slippages from the previous financial year. If borrowing is not needed further underspends will materialise. All treasury action is in line with the approved treasury management strategy, balancing borrowing against need whilst being cognisant of economic circumstances.

4.4 Capital Programme

The PCC approved the revised £17.35m capital programme in June 2023 to take account of slippage, re-phasing and adjustments. Expenditure to date amounted to £6.5m, 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 2023, the overall level of revenue reserves available was £73.084m. This included general reserves of £43.49m, earmarked, and insurance reserves of £25.57m and £4.01m respectively. The movement in year, based on the end of March 2023, is shown in the table below.

Legacy issues are currently projecting full year outturn to budget. This position is likely to change however throughout the course of the year, depending on the legal position. This is monitored closely by the two CFOs. It should be noted that legacy payments are funded through reserves, and therefore, underspends caused by timing differences are returned to the specific legacy reserves for use in future years.

The draft and forecast reserves position is as follows:

	Opening Balance at 31/3/23 £'000	Movement in year £'000	Closing balance at 31/3/24 £'000
General Reserves	43,493	4,355	47,848
Earmarked Reserves	25,579	-5,748	19,831
Total Revenue Reserves	69,072	-1,393	67,679
Insurance Reserve	4,012	0	4,012
Total Insurance Reserve	4,012	0	4,012
Total Reserves	73,084	-1,393	71,691

6 Risks and Uncertainties

There are a number of risks and uncertainties in the reported financial position, some of which are long standing and have been reported several times before - the uncertainty in the economy which could impact on capital financing costs, pay and inflation, and in the medium term employer contributions to the pension fund (due to fluctuations in actuarial valuations). There are also difficulties within the employment market in terms of staff recruitment and retention, as well as risk around the McCloud pensions ruling and associated funding, emergency services network (ESN) progression and national charges.

Other risks include the impact of the 2023 pay award after 2024/25, and potentially the move towards a mayoral model. Work is also still taking place on the review of the national funding formula with progress being made around the methodology to be used. Next steps and timescales haven't yet been communicated by the Home Office.

Risks are consistently monitored by the OPCC and Force leadership teams, and respective Finance teams, and discussed at the appropriate senior leadership groups.

Name: **Sophie Abbott**
 Position: **Chief Finance and Commissioning Officer, OPCC.**