



Meeting Date	29 April 2024
Report of	Chief Finance and Commissioning Officer, OPCC
Subject	QUARTER 3 – CONSOLIDATED BUDGET MONITORING REPORT 2023/24

This report sets out the consolidated financial position for the period 1 April 2023 to 31 December 2023.

RECOMMENDATION(S)

Members of the Panel are recommended to:

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

CONTENTS

Main Report – Forecast position as at 31 December 2023.

Appendix A – Force budget monitoring report as at 31 December 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 31 December 2023.

Purpose of the report

1. This report sets out the forecast financial position based on the period 1 April 2023 to 31 December 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 costs 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		0.325
Comprising as at Dec 23:		
CC Budget	311.106	
PCC Budget	1.964	
Commissioning and Partnerships	3.343	
Capital Financing Costs	1.479	
Potential Legacy Costs	5.750	
Total:	<u>323.642</u>	<u>323.642</u>

The adjustment in the budget is the addition of grant funding. Based on what is known currently, the position currently forecast is a revenue budget surplus of £8.696m. It should be noted that this is the current forecast however and is likely to be subject to change (the reasons for this being outlined below). The breakdown of the projection is as follows:

	Approved Budget	Forecast out-turn 31.12.23	Projected (Underspend/ surplus)/ Overspend
	£m	£m	£m
Chief Constable's Budget	311.110	307.744	(3.362)
PCC and OPCC Budget	1.964	1.773	(0.191)
Commissioning and Partnerships	3.343	3.343	(0.000)
Capital Financing Costs	1.479	(0.282)	(1.761)
Potential Legacy Cost issues	5.750	2.368	(3.382)
Total:	<u>323.646</u>	<u>314.946</u>	<u>(8.696)</u>

*Note small differences are due to roundings.

4. Chief Constable Budget

Key Points

- 4.1 At the end of December the Force was projecting a net £3.36m surplus which is 1.08% of the total budget before legacy costs.
- 4.2 Since December, the Chief Constable has supported investment of £380k in ANPR Cameras and £270k in Victim Journey software which is anticipated to reduce the forecast surplus to £2.7m.
- 4.3 Further investment is required in the Oracle Cloud Project which is being replanned due to the delay in the political decision around the laying of the transfer order to move to a mayoral model. This is currently estimated to be in the region of £3m but subject to further due diligence and approval processes. Projections will be updated as and when decisions are made but taking all of this into account, it is anticipated that the final outturn will be a much more balanced position.
- 4.4 There are a number of areas which have contributed to the reported surplus:
- Underspends on utilities (£1.4m)
 - Surplus Income (£2.25m)
 - Savings from effective contract management (£0.8m)
 - Underspends on growth (£1.6m), much of this is temporary
 - Workforce plan changes (£0.2m)
- 4.5 Since the surplus arose, the following pressures have been mitigated, and some investment agreed in consultation with the PCC:

<i>Business area</i>	<i>£m</i>
	0.2
Doncaster RAAC	5
	0.5
Planned Works	5
	0.6
Vehicle Replacement Programme	0
Priority Based Budgeting (PBB)	0.3
Phase 2	0
	0.2
Dangerous dogs	2
	0.2
Bids for essential works	0
	0.2
Digital Forensic Unit	4
	0.3
Corporate Resilience & Ext Training	1
	0.1
Proactive Operations	0
	0.0
Cannabis Dismantling	7
	0.3
ANPR Cameras	8
	0.2
Victim Journey	7

- 4.6 A summary of each area is of the Chief Constable's budget is shown below, and full details are outlined in the Chief Constable's budget monitoring paper which is attached as Appendix A.

Chief Constable's budget	Full year Budget £000	Full Year Outturn £000	(Underspend) / Overspend £000	% of budget
Police Pay incl. Overtime	177,825	178,021	197	0.11%
PCSO Pay incl. Overtime	4,354	4,221	(133)	(3.05%)
Staff Pay incl. Overtime	92,520	90,877	(1,643)	(1.78%)
Other Employee Expenses	6,665	6,845	180	2.71%
Premises	13,208	13,225	17	0.13%
Transport	5,734	5,977	243	4.24%
Supplies and Services	24,424	24,217	(208)	(0.85%)
Agency	20,249	19,116	(1,132)	(5.59%)
Income	(16,301)	(17,179)	(878)	5.39%
Specific Grant Funding	(17,750)	(17,756)	(5)	0.03%
Capital Adjustments	178	178	0	0.00%
Grant Expenditure	2	2	0	0.01%
Net Expenditure Before Legacy	311,106	307,744	(3,362)	(1.08%)

5. PCC and OPCC budget

- 5.1 The PCC approved a budget of £1.964m for the OPCC in February 2023. The forecast outturn position is an underspend of £192k, based on information as at 31 December 2023. As with the Chief Constable's budget, this position may change depending on circumstances before the year end.
- 5.2 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	1,329	(129)
LCJB	122	122	0
Premises	0	0	0
Transport	8	7	(2)
Supplies & Services	474	429	(45)
VRU (net)	(0)	(0)	0
External Funding	(99)	(114)	(16)
Overall OPCC Total	1,964	1,773	(192)

Partnerships and Commissioning (net)	3,343	3,343	0
Capital Financing Costs	1,479	(282)	(1,761)

5.3 Key points are as follows:

- 5.3.1. Employee Costs - £129k forecast underspend, relating mainly to Home Office funding for pay award, vacancies, pension contribution amendments and a reduction in assurance panel NI costs.
- 5.3.2 Supplies & Services – a net £45k 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 are also variances on Independent Members expenses, Legal fees, and Financial Assistance related costs.
- 5.3.3 External Funding - £16k forecast over recovery of income. There have been difficulties national with external audit provision, with costs increasing significantly over the last two years. An additional £16k has been granted by the Home Office towards these costs.
- 5.3.4 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 (£5.479m) in this financial year, for use within South Yorkshire. Successful bids submitted so far in 2023/24, excluding core funding, amount to £2.7m (£2.0m for 2023/24, and £696k 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.

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

6. Capital Financing Costs

The cash balances this year have been significantly more than anticipated. This is due mainly to additional grants and up-front payments from the Home Office which have been invested. Consequently, and in line with the treasury management strategy, the 2023/24 predicted borrowing has not been needed as internal borrowing has been utilised. This is however a timing difference; once the relevant expenditure has taken place the position will reverse, and the borrowing will be required.

In addition, investment interest rates have been above those anticipated by our expert advisors when the budget was set, and that has contributed to the over achievement of income. It is anticipated that the additional income will be transferred to an earmarked reserve at the end of the year to assist with future borrowing costs once the above expenditure crystallises.

7. 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 £12.4m, it is anticipated that the full budget will be spent by year end. This position is being monitored.

8. 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 forecast movement in year is shown in the table below.

Legacy issues are currently projecting £3.382m underspend after been reviewed by Legal and an updated forecast provided. Due to various elements outside the Force's control some of the spend has shifted to future years. There is a chance however that this may alter before the year end, and the position 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	-8,102	35,391
Earmarked Reserves	25,579	9,971	35,550
Total Revenue Reserves	69,072	1,869	70,941
Insurance Reserve	4,012	0	4,012
Total Insurance Reserve	4,012	0	4,012
Total Reserves	73,084	1,869	74,953

9. 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. Regular meetings are being held with SYMCA staff through a transition programme board, where discussions take place to understand any risks and pressures arising from the transfer.

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