

**AGENDA ITEM 6b**

Essex Police and Crime Panel	<b>EPCP/18(b)/13</b>
Date: 12 December 2013	

**PCC Financial Update**

Report by the Treasurer of the PCC to the Panel

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**1. Purpose of report**

1.1 To provide the panel with:

- i) A financial summary of the forecast revenue and capital outturn at the end of month 7 (end of October).
- ii) A brief update on the progress made in allocating Community Safety Grant (CSG) monies.
- iii) An early indication of financial pressures that would need to be taken into account in updating the Medium Term Financial Strategy to be presented to the next meeting of this Panel.

**2. Recommendation**

The Panel is requested to discuss the contents of this report and comment as appropriate.

### **3. 2013/14 Revenue Budget**

- 3.1 The month 7 forecast outturn is shown at Appendix A. In summary, the total forecast expenditure is £271m, a net underspend of £3.3m against the budget.
- 3.2 Since the last financial update report to the Panel an earmarked reserve for the Estates Presentable Plan of £2.5m has been established. To create this reserve, budget provisions of £2m have been transferred from Police Officer pay and £0.5m from the Premises budgets underspends.
- 3.3 The main variations for month 7 are Police Officers pay and overtime, PCSO pay and Athena software.

#### ***Police Officers Pay***

- 3.4 Under-spending on police officers pay is now £2.5m following a budget transfer of £2.5m from police officers pay to premises for additional repairs and maintenance.
- 3.5 At the beginning of October the Police Officer strength was 3,230 full time equivalents (FTEs). The original budget was based on 3,338 FTEs at 1<sup>st</sup> April 2013 and a Reform savings target to be deducted from the pay budgets of £3.045m. The forecast number of police officers for the end of this financial year is 3,233.
- 3.6 The forecast underspend assumes that there will be no change in recruitment plans.

#### ***Police Officer Overtime***

- 3.7 Police Officer overtime is forecast to overspend by £0.4m.

#### ***PCSO's***

- 3.8 PCSO pay is forecast to underspend by £1.5m due to unfilled vacancies. Against an establishment of 362 FTE's the strength at the beginning of October was 311.

#### ***Athena Software***

- 3.9 Work on the Athena programme is still in the critical phase. The latest forecast indicates an over spend of £0.9m for 2013/14 but this position is still subject to change and the Panel will be updated in due course.

#### ***Office of the Police and Crime Commissioner (OPCC)***

- 3.10 The under spend for the OPCC reported to the last meeting of the Panel of £198k on the budget of £1.15m along with the underpinning assumptions regarding the implementation of the new structure remain unchanged.

### **4. Community Safety Funds**

- 4.1 The Month 7 forecast outturn assumes that community safety funds will be fully utilised.
- 4.2 The latest position shows that £269k from the budget of £2.8m is currently uncommitted. There have, however, been discussions with the Essex Community Foundation (ECF) with a view to placing some of the remaining funds into an endowment fund managed by ECF. This approach would facilitate the building up of a longer term approach to funding community safety and crime reduction programmes.
- 4.3 An update on any proposed use of ECF facilities will be provided to the next meeting of this Panel.

## **5. Future Commissioning of Victims' Services**

- 5.1 The Minister of State for Policing, Criminal Justice and Victims has announced grant funding totalling £640k that would be provided to the PCC in preparation for commissioning services for victims of crime (including restorative justice services) starting October 2014.
- 5.2 These grant monies for preparation and setting up arrangements are intended to be spent by June 2014 to enable the PCC to:
  - i) Build the capacity and capability of potential providers of services for victims (including potential providers of restorative justice services) from the Voluntary Community and Social Enterprise (VCSE) sector.
  - ii) Commission restorative justice services if capacity and capability are sufficient in relation to these services.
  - iii) Prepare for local commissioning.
- 5.3 The grant monies will arrive during 2013/14 but as it is late in the year there will be some year-end flexibility to carry forward unspent monies into 2014/15. Work is now underway with partners to develop a commissioning strategy for both victims services and restorative justice.

## **6. Innovation Fund**

- 6.1 The Government have established a national Police Innovation Fund of £50m per year from 2013/14. This is designed to support collaborative initiatives that enable more efficient, effective and modern policing for example through improved ICT and digital working.
- 6.2 In addition, there is a Precursor fund of £20m available for 2013/14. The PCC is in the process of submitting bids for this fund and for the on-going funds available.

## **7. 2013/14 Capital Programme**

- 7.1 Forecast capital expenditure has further reduced by £1.5m from £7.8m to £6.3m following a review of the spending profile for a number of projects. Much of the slippage in payments is due to fall into 2014/15.
- 7.2 The current capital reserves are outlined in table 1 below:

**Table 1: Capital Reserve Forecast**

	£m
Opening balance 1 <sup>st</sup> April 2013	15.3
Capital income in year	2.8
Capital expenditure in year	(6.3)
Closing balance 31 <sup>st</sup> March 2014	11.8

- 7.3 Capital income constitutes home office grant (£2.3m) and capital receipts (£0.5m). Only one house has been sold during the year to date (£0.22m) but there is the possibility of police house capital receipts during the current financial year. The forecast of £0.5m has therefore been set at a prudent level.
- 7.4 Progress has been made on the formulation of a new estates strategy, IT strategy and fleet strategy. These are the three driving strategies for the capital programme. Although at an early stage the planned approach is to present the latest thinking at the budget and precept meeting of the PCP on 29 January in order to inform the schemes for the new capital programme.

## **8. Reserves**

- 8.1 All reserves are highlighted in Appendix B. This shows total forecast reserves of £36.1m at 31 March 2014, however due to the past use of cash in lieu of borrowing, the cash backed reserves amount to £27m.
- 8.2 The level of forecast general reserves, at £19.7m, is used to provide essential working capital in order to avoid expensive short term borrowing and also to provide a contingency for unexpected operational demands.
- 8.3 Moreover, the reserves have been building up as a result of current under spending and this will enable the impact of financial pressures to be mitigated moving forward.

## **9. Financial Pressures for the Medium Term Financial Strategy**

- 9.1 Since the Chancellor of the Exchequer's announcement of the Spending Round 2013 (SR2013) in June, which set out the public spending totals for 2014/15 and 2015/16, work has focussed on the consequences for Essex police. Central

government funding for Police is expected to reduce by 5.1% in real terms for 2014/15 and a further 4.9% in 2015/16.

- 9.2 More recent indications from Government suggest that the provisional grant settlement figures for individual forces being announced later this month will be for 2014/15 only and this therefore increases uncertainty for financial planning.
- 9.3 Based on latest available figures the broad consequences are that over the next three years there is likely to be a reduction of around £16m in core government grant funding and service pressures of at least £20m over the same period.
- 9.4 Further analysis of the medium term figures highlights an estimated shortfall of £8m for 2014/15 that will need to be immediately addressed both in the context of next month's budget and precept decision but also helping to address inevitable budget difficulties over the medium term.
- 9.5 The backdrop for government grant and precept levels is highlighted in Appendix C. This shows that for 2013/14 Essex Police revenue resources received from Government Grant was average but that resources from the setting of the precept were very low. Indeed, there are only three other shire forces with a 2013/14 precept lower than Essex. The Government are considering the level at which an increase in precept is deemed to be excessive and an announcement is expected later this month.
- 9.6 The Chief Constable has established a programme of work, titled EVOLVE to inform the managed reduction in budgets whilst mitigating the impact on the service. The scale of reductions over several years are extremely challenging and more so in the light of needing to invest in services that enable policing services and partnership working to reduce crime is sustainable for the future. An outline of the work of the EVOLVE programme is shown in Appendix D.
- 9.7 At the last meeting of the Panel Members requested further information on the new arrangements in place for shared funding of PCSO's. The EVOLVE team are managing this aspect and further information will be made available as the EVOLVE programme progresses.
- 9.8 The context for preparing for future budget reductions in order to ensure that the most efficient and effective services are maintained is the Police and Crime Plan. The areas of focus contained within the Plan have provided practical reference points for guiding the emphasis on policing services and the direction of support for community initiatives.