

AGENDA ITEM 9b

Essex Police and Crime Panel	EPCP/033(b)/14
Date: 19 June 2014	

PCC Finance 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 provisional 2013/14 revenue and capital outturn.
- ii) An update on the progress made in allocating Community Safety Grant (CSG) monies for 2014/15
- iii) A commentary on the progress to date in delivering the 2014/15 financial plans.

2. Recommendation

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

3. 2013/14 Revenue Outturn

- 3.1 The provisional budget underspend is **£4.9m** after allowing for carry forwards and transfers to specific earmarked reserves. Details of the provisional outturn are shown at Appendix A.
- 3.2 Before allowing for carry forwards and transfers to earmarked reserves there was an underspend of **£6.5m** for Net Operating Expenditure. An underspend of this order of magnitude was expected in February when the 2014/15 budget was reduced by £7.9m to reflect the anticipated 2013/14 underspends.
- 3.3 This underspend is a provisional figure as there is significant accounting work to be undertaken over the next few weeks, particularly in relation to the capital account, collection fund, balance sheet, insurance, pension and restructuring costs. Furthermore, as this is the first year of closing the accounts in SAP, further reviews will be taking place to ensure financial transactions are recorded in the correct financial year. The final outturn report, post audit, is due in September but significant variations to date to date are highlighted below.

Police Officers Pay

- 3.4 Under-spending on police officers pay was £1.3m following a budget transfer of £2m from police officers pay to premises for much needed additional repairs and maintenance.
- 3.5 The original budget was based on 3,338 FTEs at 1st April 2013 plus a reform savings target to be deducted from the pay budgets of £3.045m. The majority of this savings requirement would impact on police officer numbers. The number of police officers at the end of this financial year was 3,186 FTEs.

Police Officer Overtime/TDA

- 3.6 Police Officer overtime overspent by £0.2m and Temporary Duty Allowance (TDA), i.e. acting up by £0.25m.

Police Staff Pay

- 3.7 Police staff pay and allowances underspent by just over £1m. From an establishment of 1,833 FTE there was 1,773 FTE staff in post at the 31st March 2014.

PCSO's

- 3.8 PCSO pay was underspent by almost £1.5m due to unfilled vacancies. Against an establishment of 362 FTE's. At the end of March there were 298 PCSO's in post.

Athena Software

- 3.9 Following successful completion of user acceptance testing for technical go-live work on the Athena programme in April work is progressing on the delivery of phases of the Final Elements Plan to be completed in the autumn. Operational live running is scheduled for early 2015. A specific reserve of currently £1.7m has been established to fund implementation costs in Essex. The costs consist mainly of local IT developments and officer training and are still subject to change as the full scope and benefit of the new system is brought into view.

4. Office of the Police and Crime Commissioner (OPCC)

- 4.1 The forecast under spend for the OPCC reported to both the October and December 2013 meeting of the Panel of £198k on the budget of £1.15m.
- 4.2 The provisional outturn shows an under spend of £198.5k, which is analysed below.

Table 1: OPCC Expenditure compared with 2013/14 Budget

Budget Heading	Forecast Budget £'000	Actual Expenditure £'000	Variance £'000
Staff Pay	739	646	-93
Conference expenses	3.5	3.5	0
Premises	2.5	7	4.5
Travelling	16	15	-1
Supplies & Services	188	107	-81
Audit fees	201	173	-28
Total expenditure	1,150	951.5	-198.5

- 4.3 In addition to the OPCC the PCC directly owns the budgets for the Council Tax Sharing Agreement with billing authorities and also the budget for a range of community safety grants.
- 4.4 The 2013/14 cost of the Council Tax Sharing Agreement amounted to £257k which enabled losses to be minimised on the collection fund due to changes in the funding of council tax benefit. The cost also contributed to the introduction of 'technical changes', such as the removal of certain council tax discounts, thereby also increasing the amount of council tax collected. This Agreement is currently under review by the PCC.

5. Community Safety Grants

- 5.1 The PCC's allocation of grants is subject to a separate report, see Annex to this report.

6. Innovation Fund

- 6.1 The Government established a national Police Innovation Fund of £50m per year from 2013/14. This was 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 was a Precursor fund of £20m available for 2013/14. In conjunction with other parties the PCC has submitting five bids for this fund and for the on-going funds available. A response from the Government is currently awaited.

7. 2013/14 Capital Outturn

- 7.1 The 2013/14 capital estimates approved in February 2013 included a forecast of **£8,385k** capital expenditure in the financial year. During the year, as an assessment of the condition of the estate progressed it became clear that a fundamental review was required. The estates review is in progress with the results being available this autumn. A similar review of IT investment is also being undertaken. Capital investment during 2013/14 was therefore confined to essential works only pending the outcome of these reviews.
- 7.2 In addition, there was underspending on IT due to the slippage in the Athena project and also in the procurement of some replacement vehicles. As a result, amendments to the capital programme and changes to individual project's payments profile led to a net downward movement in the 2013/14 payments forecast. The final forecast for 2013/14 was **£5,830k**.
- 7.3 The provisional outturn position is **£5,776k**, which is an underspend of **£54k** (0.9%) compared to the latest forecast and an underspend of **£2,609k** (31%) compared to the original forecast.

Table 2: Capital Expenditure 2013/14

	Original Expenditure Forecast £'000	Final Expenditure Forecast £'000	Provisional Outturn £'000	Variance	
				£'000	%
Projects starting in 2012/13 or earlier years	3,485	1,552	1,500	(52)	(3.3)
	4,900	4,278	4,276	(2)	(0.0)

2013/14 Projects				
Total	8,385	5,830	5,776	(54) (0.9)

- 7.4 A summary of capital outturn by project type is set out in the Table 3 below. This highlights the significant reduced spending on capitalised property expenditure

Table 3: Comparison between the provisional 2013/14 outturn

Capital Projects	Original Expenditure Forecast £'000	Provisional 2013/14 Outturn £'000	Variance (underspend) £'000
Automatic Number Plate Recognition	307	30	(277)
IT Projects	3,697	3,230	(467)
Property	1,208	187	(1,021)
Transport	2,961	2,111	(850)
Other	212	218	6
Total	8,385	5,776	(2,609)

- 7.5 Capital expenditure is largely financed from the capital resources of government grant and capital receipts. Table 4 sets out the resources that were available in 2013/14 and their provisional application to finance capital expenditure in the year.

Table 4: Provisional Capital Funding for 2013/14

Source of funds	Opening balance of funds at 1 April 2013 £'000	Plus income in 2013/14 £'000	Less financing of capital payments in 2013/14 £'000	Closing balance at 31 March 2014 £'000
Govt grant	7,885	2,941	(5,669)	5,157
Capital receipts	7,150	224	(88)	7,286
National Police Air Service	248	165		413

capital credit for helicopter				
Revenue contributions	13	24	(19)	18
Total	15,296	3,354	(5,776)	12,874

7.6 Table 4 includes capital receipt income at £224k, which is just less than the estimate of £242k shown in the budget report to this Panel in January. To date for 2014/15 capital receipts of £250k have been received as a contribution to the forecast of £3.7m. The capital disposals plan is being closely monitored.

7.7 Provisional position provides for capital resources totalling **£12.874m** being carried into 2014/15. The extent to which this resource, supplemented by additional capital grants and capital receipts in 2014/15 and the medium term meets required capital investment, given the outcome current estates review and IT review, will be brought back to a future meeting of this Panel.

8. Reserves

8.1 The balance on the General Reserve at the end of 2012/13 was **£19.1m** with a planned withdrawal of £2.7m during 2013/14. The underspend of £4.9m will also be transferred to the General Reserve shown in Appendix B. The provisional General Reserve balance as at 31st March 2014 will be £21.3m reducing to £15.7m by 31 March 2017. There is no planned withdrawal from the General Reserve for 2014/15. The General Reserve is equivalent to 8% of budgeted net expenditure for 2014/15.

8.2 The level of forecast general reserves, at £19.1m, 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. This level is currently under review with a view to ensuring sound liquidity whilst avoiding maintaining funds that would be better employed in helping to meet savings targets.

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. Comment on 2014/15

9.1 Financial monitoring is very active and decisions are being taken at an early stage to ensure delivery of financial plans and any corrective measures are taken at an early stage.

9.2 New financial monitoring mechanisms are being introduced early during the current financial year to ensure that spending plans are delivered. The mechanisms take advantage of the investment made in new financial systems which facilitate much more agile financial monitoring.

- 9.3 A strategic capital board has been established to enable the PCC to take capital investment decisions that best meet the requirements of the service. This is particularly important whilst pending the outcome of the estates and IT reviews.
- 9.4 The regular monthly financial scrutiny of the Police budget has been revamped to include a programme of subjects that will be scrutinised in addition to the regular diet of financial monitoring at both strategic and operational level.
- 9.5 A Finance Committee has been formed and will be attended by advisors with a brief to ensure sound strategic financial planning and delivery.
- 9.6 As the first financial monitoring of 2014/15 is in progress the above mechanisms and groups will have met by the end of June, the first quarter. All of the above work will feed into and influence that of the EVOLVE team who are vested with the task of delivering required 2014/15 saving of £11.1m.

APPENDIX A

POLICE & CRIME COMMISSIONER FOR ESSEX 2013/14 Provisional Outturn

	<i>Original Budget</i>	<i>Current Year Virements</i>	<i>Current Budget</i>	<i>Actuals to Date</i>	<i>Actual Variance Over / (under) Spend</i>
	£000	£000	£000	£000	£000
Employees					
Police Pay and Allowances	173,523	(5,239)	168,284	166,981	(1,303)
Operational Performance Budget	476	20	496	403	(94)
Police Officer Overtime / TDA	2,979	1,708	4,687	5,146	459
Police Officer Bank Holiday Overtime	1,587	6	1,593	1,734	140
Police Staff Pay and Allowances	58,919	2,460	61,379	60,318	(1,061)
PCSO Pay	10,079	(106)	9,973	8,511	(1,462)
Police Staff and PCSO Overtime	1,016	250	1,266	1,272	5
Police Staff Agency	208	123	331	522	192
Pensions (Ill Health / Medical)	4,029	(0)	4,029	4,068	39
Training	838	57	895	969	74
Other Employee Expenses	793	(7)	786	682	(104)
Premises	9,591	1,077	10,668	10,483	(185)
Transport	7,913	(757)	7,156	6,196	(961)
Supplies and Services	21,670	(551)	21,119	19,810	(1,309)
Agency Services	3,659	4,196	7,855	7,633	(221)
Gross Operating Expenditure	297,280	3,237	300,517	294,727	(5,790)
Income	(23,261)	(6,180)	(29,441)	(30,315)	(874)
Net Cost of Services	274,019	(2,943)	271,076	264,412	(6,664)
Interest Receivable / Payable	(294)	(0)	(294)	(187)	107
Net loss/(surplus) on the disposal of fixed assets	32	0	32	20	(12)
Net Operating Expenditure	273,757	(2,943)	270,814	264,245	(6,569)
Capital & Other Adjustments	521	0	521	521	0
Net contributions to earmarked reserves					
Budget carry forwards	0	(493)	(493)	1,087	1,580
Other earmarked reserves	0	3,436	3,436	3,539	103
Net Expenditure	274,278	(0)	274,278	269,392	(4,886)
Contribution to/(from) General Balance	(2,705)	43	(2,662)	2,224	4,886
BUDGET REQUIREMENT	271,573	43	271,616	271,616	0

APPENDIX B

Current & Forecast Reserves

	Actual @ 31/3/13 (£m)	2013/14 Forecast Movements @ 31/3/14 (£m)	2014/15 Forecast Movements @ 31/3/15 (£m)	2015/16 Forecast Movements @ 31/3/16 (£m)	2016/17 Forecast Movements @ 31/3/17 (£m)
Specific Revenue Reserves					
Leased Property Dilapidations Reserve Original	0.2	-	0.2	-	-
Leased Property Dilapidation & Maintenance Reserve	0.4	0.1	0.5	-	-
Estates Plan	-	2.3	2.3	-	-
Support Services Project Team	0.3	(0.2)	0.1	-	-
Athena	-	1.7	1.7	-	-
POCA	0.6	-	0.6	(0.3)	-
Specific Revenue Reserves	1.5	3.9	5.4	(0.3)	-
Carry Forwards Reserve	1.1	0.8	1.9	-	-
General Reserve	19.1	2.2	21.3	(1.5)	(4.1)
GR as % of net revenue expenditure	7.2%	7.8%	8.0%	7.6%	6.0%
Total Revenue Reserves	21.7	6.9	28.6	(1.8)	(4.1)
Specific Capital Reserves					
Usable Capital Receipts	7.4	0.3	7.7	(3.9)	(2.9)
Unapplied grants & other contributions	7.1	(2.9)	4.2	(1.9)	(1.2)
Long term liabilities					
Capital Grants - receipts in advance	0.8	0.2	1.0	-	-
Total Capital Reserves	15.3	(2.4)	12.9	(5.8)	(4.1)
Usable Provisions					
Insurance (for known outstanding claims)	1.2	(0.7)	0.5	(0.8)	(0.8)
Restructuring (for known redundancies @ 31.03)	-	-	-	-	-
Total Usable Provisions	1.2	(0.7)	0.5	(0.8)	(0.8)
Grand Total	38.2	3.8	42.0	(8.4)	(9.0)
Internal Borrowing on past capital projects	(9.6)	0.5	(9.1)	1.0	1.0
Reserves Financed by Cash	28.6	4.3	32.9	(7.4)	(8.0)
					3.0