

## **Report of the Chief Finance Officer of the PFCC to the Police, Fire and Crime Commissioner for North Yorkshire**

**25<sup>th</sup> June 2019**

**Status: For Information**

### **Revenue and Capital Outturn 2018-19**

#### **1. Executive Summary**

##### **1.1 Purpose of the Report**

In February 2018 the PCC agreed the revenue Budget for 2018/19 which was based on the receipt of income totalling £156,923k. This report is to provide the PFCC with the final position of the financial performance against the budget for the financial year 2018/19. The financial information contained within the report could be subject to change as a result of the annual audit, if any changes are required an update will be provided to the PFCC.

#### **2. Recommendations**

The PFCC is asked to note:

- 2.1 The Office of the PCC's budget of £1,011k under spent by £86k.
- 2.2 The Corporate Services budget, originally set at £22,018k and revised to £22,219k under spent by £1,099k.
- 2.3 The Partnerships & Commissioning Budget, originally set at £3,979k and revised to £4,400k under spent by £123k.
- 2.4 £1,618k of the Policing Priorities budget of £1,963k was allocated to the areas of agreed spend which left £345k unspent at the end of the year.
- 2.5 The PCC received £1,361k of additional income during the year that resulted in increased expenditure over and above that which was envisaged when the budget was set.
- 2.6 However the PCC also received a further £2,030k more income in 2018/19 than was included within the revised budget. This resulted in an overall under spend of the same amount against income.

- 2.7 The Force was originally allocated a budget of £127,764k, which was revised to £129,504k. The Force under spent against its revised budget by £644k.
- 2.8 The total under spend for 2018/19, before unplanned Transfers to Reserves was £3,637k.

### **3. Reasons**

3.1 When setting the budget for the financial year 2018/19 the PCC allocated the income forecast to be received during the year, of £156,923k, into the following areas:

- £1,011k to run the Office of the PCC
- £3,979k for Commissioned Services and Community Safety Initiatives
- £1,963k for Policing Priorities
- £22,018k for Corporate Services
- £127,764k to the Police Force
- £1,492k to the Capital and Revenue Development Programme
- £1,724k from Earmarked Reserves to support Projects of £2,219k
- This will be supported by £1,800k from General Reserves

The following sections will look at the above areas in more detail and discuss the outturn for each area.

### 3.2 Income and Funding

The PCC set the budget based on receiving income and funding of £156,923k during 2018/19 from the areas summarised in the table below, the in-year changes, the actual levels of income received and variances are shown below. In addition to current year figures the comparator figures for 2016/17 and 2017/18 are also shown.

| 2016/17 Revised Budget | 2016/17 Outturn  | Variance   | 2017/18 Revised Budget | 2017/18 Outturn  | Variance     | Summary of Income to be Received by the PCC     | 2018/19 Budget   | In Year Changes | 2018/19 Revised Budget | 2018/19 Outturn  | Variance       |
|------------------------|------------------|------------|------------------------|------------------|--------------|---|------------------|-----------------|------------------------|------------------|----------------|
| £000s                  | £000s            | £000s      | £000s                  | £000s            | £000s        | Funding   | £000s            | £000s           | £000s                  | £000s            | £000s          |
| (68,723)               | (68,723)         | 0          | (67,762)               | (67,762)         | 0            | <b>Government Grants</b>                        | (67,762)         | 0               | (67,762)               | (67,762)         | 0              |
| (63,563)               | (63,563)         | 0          | (66,029)               | (66,029)         | 0            | Precept   | (69,661)         | 0               | (69,661)               | (69,661)         | 0              |
| (2,152)                | (2,152)          | 0          | (2,152)                | (2,152)          | 0            | Council Tax Freeze Grant                        | (2,152)          | 0               | (2,152)                | (2,152)          | 0              |
| (5,746)                | (5,746)          | 0          | (5,746)                | (5,746)          | 0            | Council Tax Support Grant                       | (5,746)          | 0               | (5,746)                | (5,746)          | 0              |
| <b>(71,460)</b>        | <b>(71,460)</b>  | <b>0</b>   | <b>(73,927)</b>        | <b>(73,927)</b>  | <b>0</b>     | <b>Precept related funding</b>                  | <b>(77,559)</b>  | <b>0</b>        | <b>(77,559)</b>        | <b>(77,559)</b>  | <b>0</b>       |
| (2,928)                | (3,309)          | (381)      | (4,089)                | (4,149)          | (60)         | Specific Grants                                 | (2,900)          | (924)           | (3,824)                | (4,446)          | (622)          |
| (7,563)                | (6,631)          | 932        | (10,451)               | (8,210)          | 2,241        | Partnership Income/Fees and Charges/Misc Income | (8,702)          | (437)           | (9,139)                | (10,547)         | (1,408)        |
| <b>(10,491)</b>        | <b>(9,940)</b>   | <b>551</b> | <b>(14,540)</b>        | <b>(12,359)</b>  | <b>2,181</b> | <b>Other Funding</b>                            | <b>(11,602)</b>  | <b>(1,361)</b>  | <b>(12,963)</b>        | <b>(14,993)</b>  | <b>(2,030)</b> |
| <b>(150,674)</b>       | <b>(150,123)</b> | <b>551</b> | <b>(156,229)</b>       | <b>(154,048)</b> | <b>2,181</b> | <b>Total</b>                                    | <b>(156,923)</b> | <b>(1,361)</b>  | <b>(158,283)</b>       | <b>(160,313)</b> | <b>(2,030)</b> |

3.3 In terms of overall income, the PCC received £160,313k during 2018/19 this was £6.3m, or 4.1% higher than 2017/18. (And £10.2m or 6.8% higher than 2016/17).

3.4 The total income received in 2018/19 was also £3,390k higher than the original 2018/19 budget and £2,030k higher than the revised budget. The revised budget takes into account notifications of additional funding to be received during the year in addition to those expected at the start of the year, such as Transformation Funding Grants and Ministry of Justice Funding. It is therefore important to understand where the major variances arose and these are discussed below:

### 3.5 Specific Grants

Around £1,546k more in Specific Grants were received than originally budgeted for in 2018/19, which resulted in a £622k underspend.

3.6 The £924k of additional grants that led to additional expenditure were primarily for the following areas:

- Violence Against Women and Girls - £487k
- Alcohol Monitoring Pilot - £139k
- Disclosure and Barring Service - £117k
- Improved Experience for Victims - £40k

- 3.7 The additional income was directly related to expenditure so the income was offset by additional expenditure. The projects enabled the delivery of services and the development of business cases and project proposals that would otherwise not have been delivered.
- 3.8 The underspend/over recovery of income in this area of £622k related predominantly to the receipt of £614k from the Home Office as Special Grant relating to the costs incurred in previous years for the Fracking operations.
- 3.9 Other Income Streams  
In total the PCC received £1,845k more in terms of 'Partnership Income, Fees, Charges and Misc Income' than was expected when the original budget was set. Of this £437k was additional income that incurred additional expenditure and £1,408k was over recovery of income that generated an underspend.
- 3.10 There were a number of movements on the budgets that contributed to the £437k increase in this budget however the most significant was an increase in the Secondment Income budget, which reflected a higher number of Officers on secondment than was included within the budget. The secondment income budget was increased by £564k.
- 3.11 The underspend recorded against 'Partnership Income, Fees, Charges and Misc Income', as shown in the table at 3.2 of £1,408k, is made up of a number of areas but the main contributions were over recoveries in the following areas:
- Firearms Licencing - £444k
  - Secondment Income - £327k
  - Income for Evolve Collaboration - £278k
  - Mutual Aid and Special Services Income - £357k
  - Sponsorship Income - £55k
  - Legal Income - £46k
  - Interest on Cash Balances - £65k
  - Sundry Income - £96k
- 3.12 The recharges made for speed awareness courses were lower than budget by £390k and offset some of the above underspends. This is however a significant improvement on the shortfall that was reported in 2017/18 of £2.1m. A combination of a more realistic income budget and higher receipts contributed to this overall position. The learning from 2018/19 was also factored into the 2019/20 budget.

3.13 A number of the reasons for the underspend on income are non-recurring, such as the Firearms Licencing income which has resulted from when the income is recognised as opposed to an overall significant increase in income from this area. Others are demand and decision led such as Secondments and Mutual Aid, however it is important with these areas that gaps are not left in core service delivery when this additional income could be used to bolster local services. This is an area that will need to be monitored going forward.

3.14 The Office of the PCC

The 2018-19 outturn was expenditure of £924k versus the original budget of £1,011k, leading to an under spend of £86k.

3.15 The primary reason for the under spend was that the expected introduction of the Complaints and Compliments team during the year did not happen.

3.16 Corporate Services

The Corporate Services budget for 2018/19 was set at £22,018k as per the table below. There were a number of changes that occurred during the year to reflect the delivery of expected savings and some small increases in budget as a result of additional income referred to elsewhere.

| Revised 2016/17 Budget | 2016/17 Actual Spend | 2016-17 Actual Over/ (Under) | Revised 2017/18 Budget | 2017/18 Actual Spend | Final (Under) / Over Spend | Corporate Services Budget | Original 2018/19 Budget | Revised 2018/19 Budget | 2018/19 Final Spend | Final (Under) / Over Spend |
|------------------------|----------------------|------------------------------|------------------------|----------------------|----------------------------|---------------------------|-------------------------|------------------------|---------------------|----------------------------|
| £000s                  | £000s                | £000s                        | £000s                  | £000s                | £000s                      | Category of Spend         | £000s                   | £000s                  | £000s               | £000s                      |
| 6,928                  | 6,542                | (386)                        | 7,233                  | 6,869                | (364)                      | Staff Pay                 | 7,183                   | 7,093                  | 7,201               | 108                        |
| 228                    | 89                   | (139)                        | 250                    | 86                   | (164)                      | Other Non Salary          | 79                      | 79                     | 48                  | (31)                       |
| 4,794                  | 4,461                | (333)                        | 4,533                  | 4,492                | (41)                       | Premises                  | 4,387                   | 4,411                  | 3,968               | (442)                      |
| 8,426                  | 7,555                | (871)                        | 8,492                  | 8,440                | (52)                       | Supplies and Services     | 8,843                   | 9,404                  | 8,579               | (825)                      |
| 152                    | 815                  | 663                          | 635                    | 821                  | 186                        | Transport                 | 620                     | 706                    | 805                 | 99                         |
| 569                    | 382                  | (187)                        | 510                    | 354                  | (156)                      | Asset Management          | 906                     | 526                    | 520                 | (7)                        |
| <b>21,097</b>          | <b>19,844</b>        | <b>(1,253)</b>               | <b>21,653</b>          | <b>21,062</b>        | <b>(591)</b>               | <b>Total Budget</b>       | <b>22,018</b>           | <b>22,219</b>          | <b>21,120</b>       | <b>(1,099)</b>             |

3.17 The total expenditure on Corporate Services remained almost the same in 2018/19, as it was in 2017/18, at just over £21m which was £1.1m less than budget.

3.18 The learning from these underspends will need to be captured during 2019/20 and incorporated into the forecast position for 2019/20 and also the Medium Term Financial Plan. It is vital that these 'soft' budgets are fully understood and therefore can be reduced to the levels of expected expenditure.

3.19 The Corporate Services budget for 2019/20, which has now been incorporated into the overall Force budget, as a result of completing the Stage 2 transfer, would have shown as a budget of £22,876k, for this area, had it still been reported separately.

3.20 This is circa £1.7m to £1.8m more than has been spent in this area over the last 2 years. It is therefore vital that a piece of analysis is undertaken to fully understand this and so that budgets can reflect both the reality of expenditure levels within the organisation but also so the basis from which further savings are being developed are better understood.

3.21 The Outturn for each of the areas are discussed further below:

#### Staff Pay – Corporate Services

3.22 The staff pay budget in this area was set on the basis of 221 FTE posts, however with an allowance for 23 FTE vacancies. This was a vacancy rate of just over 10%, which as reported at the time of budget setting would appear very high and would need to be managed closely throughout the year.

3.23 A significant amount of work has been undertaken in this area, and continues, to drive out savings through initially the review of each post that becomes vacant and now through the implementation of the structures approved as part of the T2020 work.

3.24 The outturn for the 2018/19 financial year resulted in an average of 190 FTEs being employed across the year – this higher than expected level of vacancies would have resulted in a higher under spend, however higher than budgeted average salaries across most areas reduced the overall underspend, in this area, to £55k.

3.25 This underspend has then been reduced by overspends on Agency staff, £156k, to fill some of the vacancies and small overspends on overtime, £2k and leavers costs of £6k – resulting in an overall underspend on 'Staff Pay' within Corporate Services of £108k.

3.26 Delivering against the 10% vacancy factor was a significant challenge for the Corporate Services area however it has predominantly been delivered from a financial perspective.

3.27 The challenge for 2019/20 and beyond will be to reconfigure the way in which work is undertaken to deliver further efficiencies while maintaining/improving service delivery. In this way vacancies can be deleted as necessary and appointments made to revised structures in line with organisational need.

#### 3.28 Premises

The 2018/19 budget for this area reflected the additional costs to the organisation which was expected to result from the Judicial Review of the sale of Newby Wiske and therefore the additional costs to the organisation, and ultimately the public of North Yorkshire, from this building not being sold during 2017/18.

3.29 The 2018/19 budget assumed that the sale would be delayed to such an extent that the PCC would have to pay for these additional costs for 6 months of the 2018/19 financial year with these totalling £169k. The process did not conclude during the 2018/19 financial year and therefore further costs were incurred.

3.30 However Rates rebates totalling £600k have been received during the year which has mitigated this overspend and is one of the primary reasons for an overall underspend of £442k in this area.

3.31 Supplies and Services

The under spend of £825k primarily represents those savings that have been highlighted within various area of the Corporate Services budget that have been 'captured' and removed from other budgets – these totalled £740k. This primarily relates to savings within the Asset Management budget of nearly £500k. This results from a review of leases that the organisation previously held for Safety Camera Van equipment, Loans taken out at lower interest rates than forecast and an overall review of this area of expenditure.

3.32 Commissioned Services

The PCC allocated an initial budget of £3,979k to invest in Commissioned Services including Community Safety Initiatives, Victims and Witnesses services and wider Partnership working during 2018/19. Additional funding increased this to £4,400k.

3.33 Of this revised budget there was an under spend of £123k. This is summarised in the table below:

|  | <b>2018/19</b>        | <b>2018/19</b> | <b>Over/ (under)</b> |
|--|-----------------------|----------------|----------------------|
|  | <b>Revised Budget</b> | <b>Outturn</b> | <b>spend</b>         |
| <b>Commissioning and Partnerships</b>    | <b>£000s</b>          | <b>£000s</b>   | <b>£000s</b>         |
| Community Safety                         | 382                   | 403            | 21                   |
| Safeguarding Communities                 | 236                   | 236            | (0)                  |
| Youth Justice                            | 375                   | 375            | (0)                  |
| Alcohol Abstinence Pilot                 | 441                   | 321            | (120)                |
| Victims Services                         | 1,085                 | 1,025          | (60)                 |
| Community Fund                           | 250                   | 330            | 80                   |
| SARC Services                            | 293                   | 155            | (139)                |
| Street Triage and Mental Health Services | 445                   | 503            | 58                   |
| Violence Against Women and Girls         | 252                   | 110            | (142)                |
| Victims of Assault Referral              | 40                    | 10             | (30)                 |
| Child Sexual Assault Services            | 0                     | 289            | 289                  |
| Other costs                              | 25                    | 11             | (15)                 |
| Staff and Non-Pay                        | 576                   | 511            | (65)                 |
| <b>Total Costs</b>                       | <b>4,400</b>          | <b>4,277</b>   | <b>(123)</b>         |

3.34 Many of these areas of underspend have been earmarked for use in future years.

#### 4. Police Force

4.1 The vast majority of the funding available to the PCC has been provided to the Police Force. The Force was allocated a budget of £127,764k for 2018/19, this has increased by £1,740k, to £129,504k, to reflect the additional funding of £1,204k, provided by the PCC, from the Policing Priorities Fund, to invest in improved performance and service delivery within the Control Room. Other areas of increased budget result from the additional income that has been reported on elsewhere which has a corresponding impact on the expenditure budget

4.2 The summary of how this was forecast to be spent, including actual outturns and over/(under) spends are included in the table below. The comparators to 2016/17 and 2017/18 are also shown:

| Revised 2016/17 Budget | Actual Spend in 2016/17 | 2016/17 (Under)/ Overspend | Revised 2017/18 Budget | 2017/18 Final Spend | Over / (Under) Spend |   | Original 2018/19 Budget | Revised 2018/19 Budget | 2018/19 Final Spend | Over / (Under) Spend |
|------------------------|-------------------------|----------------------------|------------------------|---------------------|----------------------|---|-------------------------|------------------------|---------------------|----------------------|
| £000s                  | £000s                   | £000s                      | £000s                  | £000s               | £000s                | <b>Police Force Financial Summary</b>   | £000s                   | £000s                  | £000s               | £000s                |
|                        |                         |                            |                        |                     |                      | <b>Police Force Planned Expenditure</b> |                         |                        |                     |                      |
|                        |                         |                            |                        |                     |                      | <b>Pay</b>                              |                         |                        |                     |                      |
| 69,862                 | 71,108                  | 1,246                      | 71,405                 | 71,103              | (302)                | Police Pay                              | 73,540                  | 73,541                 | 70,748              | (2,793)              |
| 1,082                  | 3,070                   | 1,988                      | 1,850                  | 3,392               | 1,542                | Police Overtime                         | 2,070                   | 2,182                  | 1,909               | (273)                |
| 6,326                  | 5,906                   | (420)                      | 6,717                  | 6,287               | (430)                | PCSO Pay (incl Overtime)                | 6,605                   | 6,583                  | 6,527               | (56)                 |
| 27,050                 | 25,829                  | (1,221)                    | 28,659                 | 28,202              | (457)                | Staff Pay (incl Overtime)               | 26,280                  | 28,244                 | 28,533              | 289                  |
| <b>104,320</b>         | <b>105,913</b>          | <b>1,593</b>               | <b>108,631</b>         | <b>108,984</b>      | <b>353</b>           | <b>Pay Total</b>                        | <b>108,495</b>          | <b>110,550</b>         | <b>107,717</b>      | <b>(2,833)</b>       |
|                        |                         |                            |                        |                     |                      | <b>Non-Pay Budgets</b>                  |                         |                        |                     |                      |
| 930                    | 1,166                   | 236                        | 1,381                  | 1,582               | 201                  | Other Pay and Training                  | 1,535                   | 1,522                  | 1,436               | (87)                 |
| 3,167                  | 3,682                   | 515                        | 3,239                  | 3,810               | 571                  | Injury and Medical Police Pensions      | 3,699                   | 3,699                  | 3,640               | (59)                 |
| 79                     | 65                      | (14)                       | 65                     | 82                  | 17                   | Premises                                | 54                      | 76                     | 83                  | 7                    |
| 11,256                 | 10,219                  | (1,037)                    | 11,741                 | 12,250              | 509                  | Supplies and Services                   | 12,321                  | 11,762                 | 14,109              | 2,347                |
| 2,258                  | 1,971                   | (287)                      | 1,767                  | 2,096               | 329                  | Transport                               | 1,660                   | 1,894                  | 1,876               | (19)                 |
| <b>17,690</b>          | <b>17,103</b>           | <b>(587)</b>               | <b>18,193</b>          | <b>19,820</b>       | <b>1,627</b>         | <b>Non-Pay Total</b>                    | <b>19,269</b>           | <b>18,954</b>          | <b>21,143</b>       | <b>2,189</b>         |
|                        |                         |                            |                        |                     |                      |   |                         |                        |                     |                      |
| <b>122,010</b>         | <b>123,016</b>          | <b>1,006</b>               | <b>126,824</b>         | <b>128,804</b>      | <b>1,980</b>         | <b>Total Planned Force Expenditure</b>  | <b>127,764</b>          | <b>129,504</b>         | <b>128,860</b>      | <b>(644)</b>         |

4.3 After 3 years of overspends the Force have reported a small underspend of £644k, or 0.5%, of the revised budget of £129,504k.

4.4 In overall terms the Force spent almost exactly the same as 2017/18, with total expenditure only £56k more than 2017/18, however this was £5.8m more than 2016/17.

4.5 In terms of performance against budget the following sections consider the various over and under spend during 2018-19.



#### 4.6 Police Pay

The Budget for Police Pay for 2018/19 was £2.4m (or 3.5%) higher than the expenditure in this area in 2017/18. This reflected the impact of the higher pay award made in September 2017 and an allowance for a 2% pay award in 2018. It also addressed a number of pressures that materialised during 2017/18.

4.7 The budget also assumed that just over £750k would be delivered in savings within the Police Officer pay budget from a review of the Rank structure within the Force.

4.8 In terms of average FTEs the budget assumed that on average the Force would have 1,380.5 FTEs in place throughout 2018/19.

4.9 There were 1,358 FTE Police Officers in place at the start of 2018/19 and 1,382 FTEs in place at the end of 2018/19, with the average number of Police Officers employed during 2018/19 as 1,353 FTEs.

4.10 The 1,382 FTEs in place at the end of the financial year is in line with the forecast starting point for the recruitment plan for 2019/20 that was built into the MTFP.

4.11 The average 27 vacancies that existed during 2018/19 would generally be expected to lead an underspend of around £1.3m, however as referenced throughout this year, and in previous years, there is a significant price difference between a new Police Officer coming into the organisation and one either at the top of the PC scale or seconded into the organisation at the top of the PC scale – this price difference is about £20k per annum per FTE.

4.12 The higher levels of leavers and therefore the greater number of new Police Officer recruits this year – at almost 100 FTE's – has had a greater impact on average PC pay costs, by lowering them, than factored into the 2018/19 budget.

4.13 These 'price' variances have been analysed to have added a further £1.5m to the forecast underspend on Police Pay.

4.14 This has resulted in an overall forecast underspend on Police Pay of £2.8m.

4.15 The 2019/20 budget was adjusted to reflect the learning from the lower price costs however both of these areas could have an impact on the 2019/20 financial performance and will need to be closely monitored.

#### 4.16 Police Overtime

Over £3m has been spent on Overtime in the 3 financial years prior to 2018/19 which has resulted in a significant overspend in this area. Significant work was undertaken towards the end of the last financial year and greater controls had been put in place to ensure that this didn't continue.

4.17 In 2018/19 this hard work paid off resulting in much better financial controls, and Police Overtime operated within the overall budget set for this area. The outturn was an underspend of £273k, against a revised budget of £2,182k.

4.18 The overall spend on Police Overtime was nearly £1.5m less than 2017/18 and £1.2m less than 2016/17. It is important to recognise that there was no significant increase in the number of Police Officers that enabled this to happen are therefore it has been about the management and controls on overtime.

4.19 The challenge for 2019/20 and beyond is to ensure that this rigor continues.

#### 4.20 PCSO Pay

The average number of PCSOs employed throughout 2018/19 was just lower, at 198.3 FTEs, than the budget of 200 FTEs, which has resulted in a small under spend of £56k.

4.21 The number of PCSOs in post at the end of 2018/19 was 185 FTEs, which is lower than both the establishment for the 2018/19 financial year and also the budgeted position for 2019/20, of 223 FTEs.

4.22 These posts will need to be recruited to quickly otherwise underspends will develop in this area.

#### 4.23 Staff Pay - Force

4.24 Before the additional investment in the Force Control Room the Force had an indicative Staff Establishment of 906 FTE staff. However the balanced budget assumed that vacancies totalling 68 FTEs would be held on average through 2018/19 and beyond.

4.25 This left a core budget to fund 838 FTEs before the additional funding of £1.2m was provided from the Policing Priorities Fund for an additional 39 FTE posts within the Force Control Room. The Force therefore had sufficient funding to pay for circa 877 FTE.

4.26 The number of staff employed on average throughout 2018/19 was 883 FTEs. This slightly higher than budgeted FTEs was the primary reason for the small overspend on staff salaries of £100k.

- 4.27 This overspend has then been increased by overspends on Agency staff, £147k, to fill some of these vacancies and overspends on overtime, – resulting in an overall overspend on ‘Staff Pay’ within the Force of £289k.
- 4.28 The number of staff employed within this area at the end of 2018/19 was 870 FTEs.
- 4.29 Delivering against the vacancy factor was a significant challenge for the Force however, as was the case with Corporate Services, it has predominantly been delivered from a financial perspective.
- 4.30 The challenge for 2019/20 and beyond will be to reconfigure the way in which work is undertaken to deliver further efficiencies while maintaining/improving service delivery. In this way vacancies can be deleted as necessary and appointment made to revised structures in line with organisational need.
- 4.31 Taking into account the number of FTEs employed by the Force at the end of 2018/19, of 870 FTEs, in conjunction with those that transferred from Corporate Services to the Force on the 1<sup>st</sup> April 2019, of 186, and comparing to this to the budget for 2019/20, of 1,160 FTEs, shows that there will be circa 104 FTE vacancies at the start of the 2019/20 financial year.
- 4.32 It is important however to recognise that the 2019/20 budget factored in that £5m of savings would be made as part of the Transformation Programme and savings plans. These vacancies will contribute significantly to this from a financial perspective.
- 4.33 These vacancies and others that will be delivered as the new T2020 structures are implemented will need to be managed, in conjunction with savings from elsewhere to ensure that the £5m of savings are delivered. This is an area of keen focus for the Force and will need to be closely and robustly managed during 2019/20.
- 4.34 Injury and Medical Police Pensions  
In a similar vain to Police Overtime this area overspent for the 3 years prior to this year. Unlike Overtime however the solution to prevent an overspend in this area was through an increase in the budget as a result of higher unavoidable costs.

4.35 Supplies and Services, including transfers to Provisions

There was an overspend of £273k in this area from the Force, before taking into account transfers to provisions of £1,609k and the non-delivery of savings of £464k, resulting in the overspend on Supplies and Services of £2,347k

4.36 Much of the £273k overspend on Core Supplies and Services has resulted from higher costs of outsourcing Forensics work totalling £250k. This is perhaps an area that should be reviewed to see whether increasing internal resources could provide a more cost effective solution.

4.37 In setting the 2018/19 budget certain assumptions were made on including savings that had been included within approved business case – predominantly these related to MAUDs and Operational Mobile Working. As reported throughout the year these savings did not material in the way expected which contributed to most of the £464k of non-savings delivery.

4.38 These planned savings were removed from the 2019/20 budget and replaced by the wider savings plans as part of the T2020 programme.

4.39 The need and requirement to add £1.6m to the Provisions held by the organisation, relating to insurance and legal claims against the Chief Constable is an area of significant concern.

4.40 The organisation needs to be mindful of the costs to the organisation when things go wrong and that these can ultimately lead to payments out of the organisation via a claim against the organisation and/or a settlement awarded against the organisation.

4.41 From a budgeting perspective further thought needs to be given to how the costs for future legal and insurance claims can be met and whether there is sufficient funding within the budget to deal with these.

4.42 The current Provision for legal and insurance claims totalled nearly £3.5m at the end of 2018/19 and this should be sufficient to meet claims that are known about, therefore it is those future claims and how they will be financed that need to be considered in budgetary terms.

4.43 The following table summarises the finances of the PCC for 2018/19 showing the original budget, the revised budget, spend against the revised budget and ultimately the (under) and over spends against the revised budget.

|   | <b>Original Budget</b> | <b>Final Budget</b> | <b>Final Spend to</b> | <b>Over/ (Under) spend</b> |
|---|------------------------|---------------------|-----------------------|----------------------------|
|   | <b>2018/19</b>         | <b>2018/19</b>      | <b>March-19</b>       | <b>18/19</b>               |
| <b>Funding</b>  | £000s                  | £000s               | £000s                 | £000s                      |
| <b>Funding for Net Budget Requirement</b>                             | <b>(145,320)</b>       | <b>(145,320)</b>    | <b>(145,320)</b>      | <b>0</b>                   |
| Specific Grants   | (2,900)                | (3,824)             | (4,446)               | (622)                      |
| Partnership Income/Fees and Charges                                   | (8,702)                | (9,139)             | (10,547)              | (1,408)                    |
| <b>Total Funding</b>  | <b>(156,923)</b>       | <b>(158,283)</b>    | <b>(160,313)</b>      | <b>(2,030)</b>             |
| <b>Office of the PCC Planned Expenditure</b>                          | £000s                  | £000s               | £000s                 | £000s                      |
| <b>Total Planned Expenditure</b>                                      | <b>1,011</b>           | <b>1,011</b>        | <b>924</b>            | <b>(86)</b>                |
| <b>Commissioned Services</b>  | £000s                  | £000s               | £000s                 | £000s                      |
| <b>Total Commissioned Services</b>                                    | <b>3,979</b>           | <b>4,400</b>        | <b>4,277</b>          | <b>(123)</b>               |
| <b>Policing Priorities Fund</b>                                       | £000s                  | £000s               | £000s                 | £000s                      |
| <b>Total Policing Priorities Fund</b>                                 | <b>1,963</b>           | <b>345</b>          | <b>0</b>              | <b>(345)</b>               |
| <b>Corporate Costs</b>  | £000s                  | £000s               | £000s                 | £000s                      |
| Staff Pay   | 7,183                  | 7,093               | 7,201                 | 108                        |
| Other Non Salary  | 79                     | 79                  | 48                    | (31)                       |
| Premises  | 4,387                  | 4,411               | 3,968                 | (442)                      |
| Supplies and Services   | 8,843                  | 9,404               | 8,579                 | (825)                      |
| Transport   | 620                    | 706                 | 805                   | 99                         |
| Asset Management  | 906                    | 526                 | 520                   | (7)                        |
| <b>Total Corporate Costs</b>  | <b>22,018</b>          | <b>22,219</b>       | <b>21,120</b>         | <b>(1,099)</b>             |
| <b>Projects</b>   | £000s                  | £000s               | £000s                 | £000s                      |
| <b>Total Project Costs</b>  | <b>2,219</b>           | <b>2,023</b>        | <b>2,712</b>          | <b>688</b>                 |
| <b>Police Force Planned Expenditure</b>                               | £000s                  | £000s               | £000s                 | £000s                      |
| <b>Pay</b>  |                        |                     |                       |                            |
| Police Pay  | 73,540                 | 73,541              | 70,748                | (2,793)                    |
| Police Overtime   | 2,070                  | 2,182               | 1,909                 | (273)                      |
| PCSO Pay (incl Overtime)  | 6,605                  | 6,583               | 6,527                 | (56)                       |
| Staff Pay (incl Overtime)   | 26,280                 | 28,244              | 28,533                | 289                        |
| <b>Pay Total</b>  | <b>108,495</b>         | <b>110,550</b>      | <b>107,717</b>        | <b>(2,833)</b>             |
| <b>Non-Pay Budgets</b>  |                        |                     |                       |                            |
| Other Non Salary  | 1,535                  | 1,522               | 1,436                 | (87)                       |
| Injury and Medical Police Pensions                                    | 3,699                  | 3,699               | 3,640                 | (59)                       |
| Premises  | 54                     | 76                  | 83                    | 7                          |
| Supplies and Services   | 12,321                 | 11,762              | 14,109                | 2,347                      |
| Transport   | 1,660                  | 1,894               | 1,876                 | (19)                       |
| <b>Non-Pay Total</b>  | <b>19,269</b>          | <b>18,954</b>       | <b>21,143</b>         | <b>2,189</b>               |
| <b>Total Planned Force Expenditure</b>                                | <b>127,764</b>         | <b>129,504</b>      | <b>128,860</b>        | <b>(644)</b>               |
| <b>(Surplus)/Deficit before Planned Reserves/Capital and Projects</b> | <b>2,032</b>           | <b>1,218</b>        | <b>(2,419)</b>        | <b>(3,637)</b>             |
| Planned Transfers to/(from) General Fund                              | (1,800)                | (1,800)             | (1,800)               | 0                          |
| Contribution to Capital Programme                                     | 1,492                  | 1,585               | 1,585                 | 0                          |
| Planned Transfers to/(from) Reserves                                  | (1,724)                | (1,004)             | (1,004)               | 0                          |
| <b>Final/Forecast Over/(Under) Spend</b>                              | <b>0</b>               | <b>0</b>            | <b>(3,637)</b>        | <b>(3,637)</b>             |

4.44 The overall underspend before reserves transfers was £3,637k better than set out in the revised budget and therefore it is important to set out what has happened with this funding.

4.45 Part of the underspend was attributable to the receipt of a £614k Special Grant from the Home Office in relation costs incurred during 2017/18 relating to Policing of the fracking protests. This money has been transferred to the Major Incident Reserve to help manage future financial costs that arise from these types of operations.

- 4.46 There has been a change to accounting policy to recognise the receipt of the income from Firearm licences in the year in which the licence is paid for and not over the years that the licence covers. This has resulted in recognising £590k more income this year than would have been expected. This £590k has been earmarked to support the budgets in future years to coincide with current budget assumptions.
- 4.47 In line with the planning assumptions within the 2019/20 MTFP, £1m was transferred back into the General Reserve and therefore instead of using £1.8m to support the 2018/19 balanced budget only £800k was used.
- 4.48 This left £1,587k of the underspend which has been placed in an Earmarked Reserve to help manage, if needed, the risks around the higher LGPS costs that are referred to later in this report, the potential for higher, in year, pay awards to be made, as highlighted in the budget setting report and the recurring risk that costs are incurred as a result of injury/medical retirements for Police Officers that are in excess of the budget.
- 4.49 Looking Forward to 2019/20  
From both a finance and organisational perspective 2019/20 will be one with a significant degree of both change and uncertainty. It is important to recognise the financial implications and likely impact of this.
- 4.50 It is worth recalling that the 2019/20 budget is based on a number of significant assumptions, the main ones, from a financial perspective, are as follows:
- £3.3m of additional resources will be invested in 'Reinforcing the Frontline'.
  - Transformation and £5m of cashable savings will be delivered.
  - £2.7m is available to invest in Policing Priorities **IF** the £5m of savings are delivered.
- 4.51 Reinforcing the Frontline
- 4.52 Plans are in place for the recruitment of 23.5 FTE PCSOs and 51 FTE Police Officers into the additional roles that were funded by the additional precept increase of £10.95 (above the previously planned £12 increase) that was approved for 2019/20.
- 4.53 The plans assume that all roles will be filled throughout the first half of the financial year, these will generally be through internal movements, and those internal movements will be filled through external recruitment.
- 4.54 The remaining funds will be needed for Recruitment, Uniform, Equipment and Training costs.

4.55 Transformation and Cashable Savings

- 4.56 £2.5m of cashable savings were factored into the 2018/19 financial plan and as set out in this report these were predominantly delivered through holding staff vacancies.
- 4.57 The plan for 2019/20 was these savings would be consolidated, and further savings made of £2.5m would also be delivered, although there was a recognition that this would need to be through transformation and not purely vacancy management.
- 4.58 A lot of work is on-going in this area however it is important to recognise that there are some risks, in terms of both the level and timing of the delivery of the savings, as part of the T2020 programme.
- 4.59 In addition to the above risks, there are 2 other areas that need to be considered, the first of these was highlighted as part of the decision to conclude the Stage 2 transfer and further highlighted in the report to set the 2019/20 budget. This risk was in relation to the different percentage contributions that are made into the Local Government Pension Scheme by the Force in comparison to the PFCC.
- 4.60 The Force has a historically low contribution rate of 11.3% however the PFCC has an even lower contribution rate at 3.9%.
- 4.61 It has now been confirmed that the Force will need to contribute at the rate of 11.3%, for all of the staff who transferred employment from the PFCC on the 1<sup>st</sup> April 2019. This cost was estimated to be £450-500k per year more than is currently provided for within the Force's budget.
- 4.62 The other area of significant change since the 2019/20 budget was set are the costs relating to staff changes from the implementation of the T2020 structures. The current forecast costs of this are circa £1.5m, relating to the redundancy and pension augmentation costs of the 50+ people affected by the transformation work so far.

4.63 Can this all be managed within the current 2019/20 Budget?

4.64 My initial view is that it can and the organisation should continue with its current plans, however it should not make any plans to spend any of the £2.7m in the Policing Priorities fund at this stage of the current financial year.

4.65 From a very high level perspective I expect that the following will occur:

|                                      | £k      |  |  |  |  |  |  |  |  |
|--------------------------------------|---------|--|--|--|--|--|--|--|--|
| Savings and Efficiency Target        | 5,000   |  |  |  |  |  |  |  |  |
| T2020 Redundancy and Pension Costs   | 1,500   |  |  |  |  |  |  |  |  |
| LGPS Pension Costs                   | 500     |  |  |  |  |  |  |  |  |
| Don't spend Policing Priorities Fund | (2,700) |  |  |  |  |  |  |  |  |
| T2020 staff savings and vacancies    | (3,500) | based on a starting position of 104 FTEs under budget at the start of the year |  |  |  |  |  |  |  |
| Other savings*                       | (800)   |  |  |  |  |  |  |  |  |
|                                      | 0       |  |  |  |  |  |  |  |  |

4.66 The \*Other Savings I expect will come from the following areas:

- Non-pay savings - In year delivery of T2020 savings and realisation of savings from the learnings from the 2018/19 outturn
- Police Pay incremental drift - Possible due to the increased recruitment plans for the year
- PCSO vacancies - May result from the timing of recruiting to establishment.

4.67 The above will clearly need to be very well managed and the financial and organisational oversight will need to be closely controlled to ensure that the overall finances of the organisation are delivered, that the individual programmes are delivered and that when/if appropriate that plans are developed for the investment of any of the Policing Priorities Fund.



## 5. Capital and Revenue Development Programme

5.1 The 2018/19 CRDP budget was originally set at £10.3m, which increased by £2.0m, to £12.3m as a result of additional slippage from 2017/18 and in year approvals.

5.2 An overall summary of the CRDP programme is set out below:

|  | CRDP<br>2018/19<br>Budget | Carry Forwards<br>and other<br>adjustments<br>from 2017/18 | Adjustments<br>approved during<br>2018/19 | Total<br>2018/19<br>Budget | Total Spend<br>in 2018/19 | 2018/19<br>Underspend | Budgets<br>slipped to<br>2019/20 | 2019/20<br>(Under)/<br>Overspend |
|--|---------------------------|--|---|----------------------------|---------------------------|-----------------------|----------------------------------|----------------------------------|
|  | £000                      | £000   | £000                                      | £000                       | £000                      | £000                  | £000                             | £000                             |
| DISG                                   | 3,734                     | 429  | 104                                       | 4,267                      | 1,493                     | (2,774)               | (2,823)                          | 49                               |
| Fleet Rolling Programme                | 1,714                     | (86)   | 18  | 1,647                      | 1,477                     | (170)                 | (270)                            | 100                              |
| Estates Rolling<br>Programme           | 3,589                     | 405  | (20)                                      | 3,974                      | 1,070                     | (2,904)               | (1,578)                          | (1,326)                          |
| General Equipment<br>Rolling Programme | 549                       | 36   | (133)                                     | 452                        | 205                       | (247)                 | (222)                            | (25)                             |
| Other Schemes                          | 645                       | 9  | 1,200                                     | 1,854                      | 1,398                     | (456)                 | (515)                            | 59                               |
| Externally Funded<br>Schemes           | 115                       | -  | -   | 115                        | 115                       | -                     | -                                | -                                |
| <b>Total</b>                           | <b>10,347</b>             | <b>793</b>   | <b>1,170</b>                              | <b>12,309</b>              | <b>5,758</b>              | <b>(6,551)</b>        | <b>(5,408)</b>                   | <b>(1,143)</b>                   |
| Made up of:-                           |                           |  |   |                            |                           |                       |                                  |                                  |
| CRDP Capital Spend                     | 8,128                     | 866  | 264                                       | 9,258                      | 3,052                     | (6,206)               | (4,026)                          | (2,180)                          |
| CRDP Revenue Spend                     | 2,219                     | (73)   | 905                                       | 3,052                      | 2,706                     | (346)                 | (1,382)                          | 1,037                            |
|  | <b>10,347</b>             | <b>793</b>   | <b>1,170</b>                              | <b>12,309</b>              | <b>5,758</b>              | <b>(6,551)</b>        | <b>(5,408)</b>                   | <b>(1,143)</b>                   |

5.3 There has been a recurring theme of slippage and underspend across the CRDP for a number of years now and the performance in 2018/19 continued this unfortunate trend.

5.4 Total spend against the revised CRDP budget of £12.3m was just £5.8m, and this equated to just under 47% of the overall budget.

5.5 The overall spend of £5,758k was also nearly £3m, or 34%, less than the £8,712k that was forecast to be spent when forecasts were provided at the end of December.

5.6 In overall terms, after taking into account the level of schemes and budgets that required carrying forward to future years, the CRDP budget has underspent by £1,143k.

5.7 Much of this underspend related to Estates and resulted from the following:

- The decision to co-locate with Fire in Ripon and not build/develop a new building released a budget of £606k.
- An accrual for £216k in 2017/18 relating to Alverton Court was not required.
- £128k less was spent than forecast at Vale House.

5.8 This level of performance, in terms of slippage, and forecasting continues to be an area of real concern, in terms of the ability of the organisation to deliver projects and investments, on time and to set realistic budgets at the outset of those projects.

5.9 The areas of major slippage are as follows:

5.10 DISG - £2.8m

- Operational Mobile Working refresh - £1,000k
- Mobile Policing - £780k
- ANPR - £590k

5.11 Estates Rolling Programme - £1.6m

- Leyburn - £300k
- Fulford Road - £205k
- Vale House - £210k
- Athena House - £90k
- Mast improvements - £120k

5.12 This pattern of slippage also occurred in each of the 3 previous financial years.

## **6. Conclusion**

- 6.1 The overall revenue outturn of a £3,637k underspend, before unplanned transfers to reserves, was significantly higher than the forecast £1,120k underspend provided in December.
- 6.2 There were however a number of unexpected reasons for this:
- A Special Grant of £614k was received in year
  - A change in accounting policy on Firearms licencing contributed £590k to the underspend.
  - Significant Rates Rebates were awarded and backdated totalling £600k.
- 6.3 Beyond these unexpected reasons, the forecast overspend on Staff Pay was reduced by circa £200k, an underspend on Police Overtime of just over £270k was delivered and additional income was received relating to secondments and mutual aid.
- 6.3 In overall terms the position, whilst a significant change, can be rationalised and explained and shouldn't be too much of a concern for the organisation as many, although not all, of the areas would have been difficult to foresee and forecast.
- 6.4 The slippage/underspend on the Capital and Revenue Development Programme was again significant and continues to be an area that requires significant improvement and work will need to continue to be concentrated on this area during 2019/20.
- 6.5 Moving into 2019/20, there are a number of significant areas of change that will impact on the finances of the organisation that will need to be closely monitored and managed, if this happens then there is no reason that the organisation can't continue to press forward with its current plans – however it will need to be very mindful of completely understanding the financial impact of all of the areas of significant development before committing to anything further.

Michael Porter  
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