

Executive Board

February 2023

Report of the Chief Finance Officer of the PFCC

Budget Monitoring Update to the end of December 2022 - Police

1. Executive Summary

1.1 Purpose of the Report

On the 22nd February 2022 the PFCC agreed the revenue Budget for Policing for 2022/23 which was based on the receipt of income totalling £191,491k. This report is to provide the PFCC with an update on all areas of the budget, including forecasts of how much income will actually be received during the year, the progress against the budget to date and forecasts on the expenditure for the remainder of the financial year.

2. Recommendations

The PFCC is asked to note:

- 2.1 The Office of the PFCC's budget of £1,335k is expected to underspend by £105k during 2022/23.
- 2.2 The £5,244k budget to support Commissioned Services and Community Safety Initiatives has increased by £1,142k to £6,386k, as a result of the receipt of additional income. This increased budget is forecast to underspend by £50k.
- 2.3 The Asset Management budget of £585k, has increased by £24k to £609k and is currently forecast to underspend by £10k.
- 2.4 The income budget has increased by £5,991k to £197,393k. The PFCC is also forecast to receive £1,735k more income than this revised budget, leading to a forecast underspend of £1,735k in total. Details on these significant movements are included within this report.
- 2.5 The budget allocated to the Force at the start of 2022/23 has increased by £4,724k to £181,584k. The reasons for this increase is linked to the additional income forecast to be received and is discussed further in this

report. The Force are currently forecast to underspend this revised budget by £208k, further details are set out in the report from the Force.

- 2.6 The total forecast outturn at the end of December 2022 is that there will be an **overall underspend of £2,035k**. This is £65k lower than the forecast underspend as at the end of September.
- 2.7 The 2023/24 Budget and MTFP, that is also on today's agenda assumes that £1,000k of this underspend will be transferred to General Fund to support the budget in 2023/24 budget, while a further £560k is being used to support the Capital Budget.
- 2.8 The original Capital budget of £5,444k, had previously increased by £2,828k to £8,272k, this has since reduced by £836k to £7,436k the reasons for this decrease is included within the report from the Force. There are a number of pressures against the revised budget which as previously reported **could see the Capital budget overspend by over £2m**.

3. Reasons

- 3.1 When setting the budget for the financial year 2022/23 the PFCC allocated the income forecast to be received during the year, of £191,491k, into the following areas:
 - £1,335k to run the Office of the PFCC
 - £5,244k for Commissioned Services and Community Safety Initiatives
 - £585k for Asset Management Costs
 - £176,858k to the Police Force
 - £8,483k to the Capital Programme
 - This will be supported by £1,014k from Earmarked Reserves.

The following sections will look at the above areas in more detail and provide updates and forecasts for each area, including any changes that have been made since the original budget was approved and set.

3.2 Income and Funding

The PFCC set the budget based on receiving income and funding of £194,491k during 2022/23 from the areas summarised in the table below, the in-year changes, the actual levels of income forecast to be received and variances are shown below. In addition to current year figures the comparator figures for 2021/22 is also shown.

2021/22 Budget	In Year Changes	2021/22 Revised Budget	2021/22 Outturn	Variance	Summary of Income to be Received by the PFCC	2022/23 Budget	In Year Changes	2022/23 Revised Budget	2022/23 Forecast Outturn	Variance
£000s	£000s	£000s	£000s	£000s	Funding	£000s	£000s	£000s	£000s	£000s
(79,050)	0	(79,050)	(79,050)	0	Government Grants	(83,476)	(679)	(84,155)	(84,155)	0
(81,945)	0	(81,945)	(81,945)	0	Precept	(86,874)	0	(86,874)	(86,874)	0
(2,152)	0	(2,152)	(2,152)	0	Council Tax Freeze Grant	(2,152)	0	(2,152)	(2,152)	0
(6,901)	0	(6,901)	(6,901)	0	Council Tax Support Grant	(5,746)	0	(5,746)	(5,746)	0
(90,998)	0	(90,998)	(90,998)	0	Precept related funding	(94,772)	0	(94,772)	(94,772)	0
(5,227)	(2,954)	(8,182)	(8,255)	(73)	Specific Grants	(6,114)	(4,084)	(10,197)	(10,800)	(603)
(7,266)	(289)	(7,554)	(8,303)	(749)	Partnership Income/Fees and Charges/Misc Income	(7,130)	(1,139)	(8,269)	(9,401)	(1,132)
(12,493)	(3,243)	(15,736)	(16,558)	(822)	Other Funding	(13,244)	(5,222)	(18,466)	(20,201)	(1,735)
(182,541)	(3,243)	(185,784)	(186,606)	(822)	Total	(191,492)	(5,901)	(197,393)	(199,128)	(1,735)

3.3 In Year Budget Changes

The budget now reflects that the PFCC expects to receive £5,901k more income during 2022/23 than originally expected when the 2022/23 budget was set.

3.4 This is a significant amount of additional income and therefore it is important to understand where it will be received from and also how it will be spent.

3.5 Additional **Government Funding of £679k** is expected in 2022/23 to fund the additional Police Pay award that has recently been agreed. This funding has been provided to the Force, however given the allocation method for this funding it is unlikely to be sufficient to fund the full additional costs of the pay award by circa £100k in 2022/23.

3.6 Additional **Specific Grants of £4,082k** are budgeted to be received which relate primarily to the following:

- £422k – additional Victim Service Grant
- £320k – Domestic Abuse Perpetrators Grant
- £364k – Safer Streets Grant
- £174k - Cyber Crime Grant
- £189k - Law Enforcement Data Service (LEDS), Property and Drivers Grant
- £1,565k of Apprenticeship Levy income has been reflected in the budget, along with the corresponding costs within the Training budget, for the payments that will be made to the University for the delivery of the Police Officer training.
- £900k for over-delivery against the Police Officer Uplift Target by 45 Officer

3.7 Although more funding was successfully bid for in relation to Safer Streets this covers 2023/24 also and therefore the £364k is only the 2022/23 funding.

3.8 Additional other income of £1,139k from non-specific grants has been added to the budget since it was originally approved. This additional funding has corresponding additional expenditure and is predominantly for the following areas:

- £661k of additional secondment income has been reflected in the budget along with a corresponding increase in the Police Pay budget. This will ensure any secondments over and above the budgeted position can be backfilled as appropriate.
- £443k of mutual aid income has been added to the budget to fund the additional costs (predominantly overtime) of delivering this support to other Forces.

3.9 The additional income received in year has been reflected on for the budget setting process for 2023/24 and included as appropriate.

3.10 Income Forecasts

Much of the income the PFCC will receive during 2022/23 was agreed prior to the financial year starting, and in general there are usually no changes or variance to the originally budgeted figures for Government Grant funding or Precept related funding.

3.11 As mentioned above, 2022/23 is however going to be slightly different as the Government has announced that it will provide PCC's collectively with an additional £70m in 2022/23 to fund the additional costs of the Police Officer Pay award.

3.12 It is expected that the PFCC will receive an additional £679k for the additional Police Pay costs. This additional money has been provided to the Chief Constable via an increase in the budget available to the Force.

3.13 The areas where variances usual occur are predominantly in relation to Partnership Funding, Fees and Charges and Miscellaneous Income with some variances possible against Specific Grants.

3.14 Specific Grants

3.15 The forecast for Specific Grants is that £603k more than the revised budget will be received. This reflect forecast over-recovery of income in the following main areas:

- Apprenticeship Funding - £319k
- Asset Recovery Incentivisation - £208k

3.16 Other Income

3.17 The forecast for other income is that there will be an **underspend** (so more income received than budgeted) **of £1,132k**. This is being predominantly driven by:

- The quicker than expected increase in interest rates since the budget was set for 2022/23 means that it is forecast that **interest receivable will be £560k higher than budget**. This has the potential to be higher still if interest rates continue to increase and these increases result in higher interest rates on our investments. This underspend is being used to fund the £560k higher contribution to Capital that is included within the 2023/24 budget assumptions.
- **Income of £572k that is referred to within the report from the Force**

3.18 The Office of the PFCC

The 2022-23 budget of £1,335k for the **Office of the PFCC is forecast to underspend by £105k** predominantly due to the receipt of Safer Streets funding that will support the salary costs of a role within the Office structure and a number of vacancies that have occurred across the team.

3.19 Asset Management

This budget area includes borrowing costs associated with the £6m of loans that the organisation currently has. The amount that is required to be set aside to repay this debt (referred to as minimum revenue provision) and other banking fees and charges.

3.20 A small **underspend of £10k is being reported** here as a result of savings made from elsewhere being consolidated into this budget line.

3.21 Commissioned Services

The PFCC allocated an original budget of £5,244k to support Commissioning and Partnerships, as set out in the table below. Further funding for additional Victims Services (£422k), Safer Streets (£364k) and Community Safety, combined with other budget adjustments shown in the table below has seen the budget in this area increase by £1,142k

	Original 2022/23 Budget	In-Year Changes	Revised 2022/23 Budget
Commissioning and Partnerships	£000s	£000s	£000s
Supporting Victims	2,012	422	2,434
Community Safety	1,380	185	1,566
Street Triage and Mental Health Services	505		505
Youth Justice	375		375
Child Sexual Assault Services	347		347
Safeguarding Communities	246		246
SARC Services	195		195
Community Fund	250		250
Safer Streets	0	364	364
Staff Pay	603	(35)	567
Non-Pay	102	(2)	100
Total Costs	6,014	934	6,948
Income	(562)		(562)
Reserves	(209)	209	0
Total Net Budget	5,244	1,142	6,386

3.22 It is **currently forecast that a small underspend of £50k will occur in the year**, however given that a significant proportion of additional funding was awarded in year then full spend/delivery might be a challenge.

4. Police Force

4.1 The vast majority of the funding available to the PFCC has been provided to the Police Force. The Force was initially allocated a budget of £176,858k for 2022/23, this has since increased by £4,726k, to £181,584k. This increase is predominantly as a result of the following:

- A £679k increase in the Police Pay budget to support the higher Police Pay award, in line with additional funding from the Government
- £588k of secondment income used to increase the Police Pay Budget to ensure that funding is available to cover for those Officers on secondment.
- £416k of mutual aid income has been used to increase the Police Officer overtime budget to fund the additional costs of delivering this support to other Forces without impacting on the resources available for Policing within North Yorkshire.
- £174k - Cyber Crime Grant
- £189k - Law Enforcement Data Service (LEDS), Property and Drivers Grant
- £1,585k of Apprenticeship Levy income has been used to increase the Training budget to fund the corresponding payments that will be made to the University for the delivery of the Police Officer training.
- £900k of additional Uplift Grant added the Police Pay budget.

4.2 The summary of how this is forecast to be spent, including forecast outturns are included in the table below:

	Original 2022/23 Budget	Revised 2022/23 Budget	Budget to Dec 2022	Spend to Dec 2022	Over / (Under) Spend to Dec		2022/23 Forecast Over/ (Under) spend
Police Force Financial Summary							
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s		£000s
Pay							
Police Pay	89,734	91,997	68,361	68,019	(342)		(697)
Police Overtime	2,529	2,965	2,389	3,552	1,163		1,225
PCSO Pay (incl Overtime)	8,220	8,227	6,172	5,284	(888)		(1,267)
Staff Pay (incl Overtime)	40,613	42,003	31,308	30,402	(906)		(1,180)
Pay Total	141,096	145,192	108,229	107,257	(972)		(1,919)
Non-Pay Budgets							
Other Pay and Training	2,052	3,465	2,574	1,323	(1,251)		(23)
Injury and Medical Police Pensions	3,693	3,693	2,770	2,487	(283)		(200)
Premises	4,640	4,640	3,674	4,099	425		771
Supplies and Services	22,411	21,596	16,239	16,481	243		741
Transport	2,966	2,989	2,242	2,724	482		422
Non-Pay Total	35,762	36,383	27,498	27,114	(384)		1,711
Projects	0	10	10	35	26		0
Total Planned Force Expenditure	176,858	181,584	135,737	134,406	(1,331)		(208)

4.3 The details underpinning these forecasts, **and the forecast £208k overall Force underspend**, are included within the report from the Force.

4.4 There are a number of areas within the Force forecasts that the PFCC might want to understand further:

4.5 **Police Overtime is forecast to overspend by £1,225k this has increased from a forecast overspend of £840k reported at the end of September.** The PFCC may want to enquire again:

- Whether this is a planned and agreed overspend, based on operational needs and priorities, or whether there is an element of spend in this area being uncontrolled.
- Whether it is realistic to assume that the overspend will not grow significantly over the final quarter of the year given the budget is showing as £1,163k overspent to the end of December and what measures the Force are taking to ensure this is going to happen without impacting on performance.

- 4.6 **The Staff Pay budget is currently £906k underspent and forecast to underspend by £1,180k**, a significant proportion of this results from vacancies, of which the Force report there are 98 at the end of December 2022.
- 4.7 As well as the impact on service delivery from these vacancies there is also the on-going impact on the financial performance of the Force. 2022/23 will be the 6th year, out of 7, where the Police Staff pay budget has underspent and this is despite a significantly higher pay award that cost around £630k more than was included within the original budget.
- 4.8 As outlined within the MTFP report that is also on today's agenda this trend is likely to continue into 2023/24 even after the vacancy factor within the budget has been increased.
- 4.9 **The PCSO pay budget is forecast to underspend by over £1.25m in 2022/23**, this equates to an under spend of over 15% on this budget area, and as with Staff pay this is after absorbing a higher pay award.
- 4.10 Despite starting the year with 25 FTE vacancies no recruitment took place in the first 5 months of 2022/23, by which time there were over 50 FTE vacancies (this means over 20% of the PCSO posts were vacant).
- 4.11 The current forecasts indicate that the Force are not expecting to reach their full establishment of PCSOs at all during 2022/23 and are now projecting to be around 40-50 FTEs under establishment at the end of the 2022/23 financial year.
- 4.12 Despite the 2023/24 reflecting a £2m reduction in the PCSO budget for 2023/24 (the equivalent of around 50 FTEs) it is already very likely that the PCSO budget for 2023/24 will underspend
- 4.13 The PFCC may therefore want to understand what the plans and timelines are for reviewing this area and addressing this challenge.

5.0 Overall Revenue Budget Summary for 2022/23

5.1 At the end of December 2022, the follow table summarises the finances of the PFCC, including forecasts of the expected outturn in each area.

	Original Budget 2022/23	Current Budget 2022/23	Budget to Dec 2022	Spend to Dec 2022	(Under)/ Over Spend to Dec	Forecast (Under)/ Over spend at Year End
	£000s	£000s	£000s	£000s	£000s	£000s
Funding						
Funding for Net Budget Requirement	(178,248)	(178,927)	(134,195)	(134,195)	0	0
Other Funding						
Specific Grants	(6,114)	(10,197)	(6,612)	(4,195)	2,417	(603)
Partnership Income/Fees and Charges	(7,130)	(8,269)	(6,357)	(7,086)	(730)	(1,132)
Total Funding	(191,491)	(197,393)	(147,164)	(145,477)	1,687	(1,735)
Office of the PCC Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Total Planned Expenditure	1,335	1,335	1,002	937	(65)	(105)
Commissioned Services	£000s	£000s	£000s	£000s	£000s	£000s
Total Commissioned Services	5,244	6,386	4,720	4,564	(156)	(50)
Corporate Costs	£000s	£000s	£000s	£000s	£000s	£000s
Asset Management	585	609	457	431	(27)	(10)
Police Force Planned Expenditure	£000s	£000s	£000s	£000s	£000s	£000s
Pay						
Police Pay	89,734	91,997	68,361	68,019	(342)	(697)
Police Overtime	2,529	2,965	2,389	3,552	1,163	1,225
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Pay Total	141,096	145,192	108,229	107,257	(972)	(1,919)
Non-Pay Budgets						
Other Non Salary	2,052	3,465	2,574	1,323	(1,251)	(23)
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Non-Pay Total	35,762	36,383	27,498	27,114	(384)	1,711
Projects	10	10	10	35	26	0
Total Planned Force Expenditure	176,858	181,584	135,737	134,406	(1,331)	(208)
(Surplus)/Deficit before Reserves and Capital	£000s	£000s	£000s	£000s	£000s	£000s
Planned Transfers to/(from) General Fund	0	0	0	0	0	1,000
Contribution to Capital Programme	8,483	8,638	6,457	6,550	93	657
Planned Transfers to/(from) Earmarked Reserves	(1,014)	(1,160)	(895)	(163)	731	(24)
Final/Forecast Over/(Under) Spend	0	0	315	1,248	933	(475)

5.2 **The overall forecast revenue underspend for the end of the financial year, taking into account the actual spend in the first 9 months of the financial year, is £2,035k**

5.3 This has however been reduced by the following:

- £1m being moved to General Fund to reflect the support the Force indicated that they would provide from their 2022/23 underspend to support their 2023/24 revenue budget. It is worth reflecting that the Force are no longer forecasting an underspend capable of supporting this transfer given the reduction in their forecast underspend over the last 3 months by £675k
- £560k from the unexpected increase in interest receivable being moved into the Capital Programme to support the pressures in this area.

5.4 This leaves a forecast underspend of £475k however this may be reduced as some of the underspends on specific grants currently forecast might need to be earmarked for future use.

6.0 Capital

- 6.1 An update of the current projected performance against Capital are included within the report from the Force that is also on today's agenda, this is in addition to the report that was provided to Executive Board in January setting out a number of areas of concern and setting out a forecast spend of £10,427k resulting in an overspend of £2,991k.
- 6.2 This report doesn't therefore repeat the details in either report.
- 6.3 **However the indication within the report from the Force is that the forecast spend on Fleet is now forecast to be lower than reported just 4 weeks ago by £1,076k.**
- 6.4 This is expected to therefore reduce the underspend to around £2m however further details will be provided from the Force as part of their Capital update report.

7.0 Reserves

The approved 2022/23 budget was to be supported by £1,014k from Reserves. This is made up of the following transactions:

- £819k from the Cost of Change Reserve
- £176k from the Investment Reserve
- £48k from the ESMCP Reserve
- And
- £30k into the Confiscated Monies Reserve

7.1 In addition to this, £8,483k was to be used to support the Capital Programme during 2022/23.

7.2 Current forecasts for movements on Earmarked and General Reserves, as well as Capital Receipts, to the end of 2022/23 are included within the table below, with overall reserves forecast to **increase by circa £5.2m during the year**. This is **after** the impact of in-year financial performance referred to in this report.

	Balance at 31 March 2022 £000	Tranfers In 2022/23 £000	Tranfers Out 2022/23 £000	Balance at 31 March 2023 £000
Funding for planned expenditure on projects and programmes over the period of the current financial year				
PFCC Reserve	428	33	(33)	428
Capital Reserve	4,930	9,294	(6,378)	7,846
Firearms Licence Reserve	589			589
Investments Reserve	370		(176)	194
Training Reserve	400			400
Council Tax Reserve	442			442
COVID Reserve	50			50
ESMCP	787		(48)	739
FCR overtime	71			71
Commissioned Services Reserve	841			841
Total Reserves within current MTFP	8,907	9,327	(6,635)	11,599
Funding for specific projects and programmes beyond the current planning period.				
Confiscated Monies Reserve	327	130	(100)	357
Cost of Change Reserve	1,120		(819)	301
Total Reserves beyond current MTFP	1,447	130	(919)	657
As a general contingency or resource to meet other expenditure needs held in accordance with the current financial year				
Insurance Reserve	554			554
Pay and Pensions Reserve	1,850			1,850
Major Incident Reserve	1,007			1,007
Total General Contingency Reserves	3,412	0	0	3,412
Total Earmarked Reserves	13,765	9,457	(7,554)	15,668
General Reserves	5,603	1,000	0	6,603
Total Usable Reserves	19,368	10,457	(7,554)	22,271
Capital Receipts Reserve	5,998	2,279		8,278
Total Reserves	25,367			30,548

7.3 It is worth reflecting that if everything included within the current financial plans is delivered, so no revenue underspends, full delivery of the Capital Programme and delivery of the Change Pipeline then these reserves are forecast to reduce to just under £12m by the end of March 2026.

8.0 Change Pipeline

8.1 In addition to the Revenue Budget and the Capital Budget, the Force also set out a Change Pipeline that indicated the need to invest a further £27m over the next 5 years, as per the summary table below:

<u>Change Pipeline</u>	<u>2022/23</u>	<u>2023/24</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>Total</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Mandated	1,231	2,802	7,257	1,775	795	13,861
Business critical	2,498	1,885	6,952	467	397	12,199
Other	614	136	86	86	86	1,007
Total Change Pipeline	4,343	4,823	14,295	2,328	1,278	27,067

8.2 The financial plans provided funding for all of these plans however with a 6 month lead in time, given that none of the schemes were approved at the time of setting the budget.

8.3 The PFCC received an update on the Change Pipeline at the January Executive Board which showed very little of the proposed spend for 2022/23 has been spent and/or ultimately needed.

9.0 Conclusion

Revenue Budget

9.1 The current forecast underspend of £1,735k on income, has largely been driven by late, and unexpected, Grant notifications, higher than expected specific grants in a number of areas and unexpectedly quick increases in interest rates. Most of these would have been difficult to predict when setting the 2022/23 budget.

9.2 While £1,735k is a significant amount of money it represents less than 1.0% of the overall income due to be received by the PFCC in 2022/23. This additional income does however provide an opportunity to make provision for future pressures.

9.3 After absorbing all of the forecast in year inflationary pressures, from Utilities, Fuel, the Staff Pay Award and the Police Pay Award (above that funded by additional grant) the Force are currently forecasting to underspend by £208k on revenue.

9.4 This underspend is being driven by forecast underspends on all elements of Pay within the Force, so Police, PCSO and Staff Pay are all forecasting to underspend. These underspends reflect a number of concerns in relation to a lack of resources, whether this be in relation to front-line availability and visibility, resources to deliver in the Force Control Room or the level of vacancies within the Support Staff structures.

9.5 As can be seen from the financial forecasts however, these resource gaps are not currently being driven by any financial constraints on the Force.

9.6 The forecast underspend of £2,035k, before additional transfers to reserves, equates to around 1.1% of the overall revenue expenditure budget for 2022/23.

Capital Budget

9.7 There have been a number of changes to the Capital Programme since the start of the year, and there will undoubtedly be more to come as the year progresses.

9.8 There continues to be significant movements in this area in relation to both budget and forecast spend.

9.9 It was reported to EB in January that spend to the end of December totalled £5,883k (so 9 months of spend) yet a forecast that spend for the full year would be £10,427k (so £4,544k in the last 3 months of the year)

9.10 This is unlikely to prove possible and therefore significant additional underspends/slippage will occur.

Change Pipeline

9.11 The level of movement and change across this area during 2022/23 is a real concern. This is especially the case given the assurances that were provided last year that these plans were predominantly mandated or business critical, that the resources were in place to be delivered and that there was confidence that the Force would deliver.

Michael Porter
PCC Chief Finance Officer