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 Chief Executive & Monitoring Officer:

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PCC Scrutiny, Delivery & Performance Meeting

Date: Wednesday 26 July 2016

Time: 1100-1400

Venue: PCC Conference Room

Agenda

| | | Presented by |
|----|--|--|
| 1. | Apologies For Absence | |
| 2. | Declaration of conflict of interest/disclosable pecuniary interest | |
| 3. | Notes of the previous meeting – 12 June 2017 | |
| 4. | Financial Information a) Cleveland Police – Corporate Financial Monitoring Report to 31 March 2017. b) Cleveland Police – Corporate Financial Monitoring Report – Post Statement of Accounts to 31 March 2017. c) PCC – Budget Monitoring – Outturn Report for 2016/17. d) Cleveland Police – Corporate Financial Monitoring Report to 30 June 2017. e) PCC – 2017/18 Budget Monitoring – Report to end of June 2017. f) PCC – Long Term Financial Plan (LTFP) 2018/19 to 2021/22 and Capital Plans 2018/19 to 2021/22 update. g) Cleveland Police – Long Term Financial Plan 2017/18 to 2020/21 Savings Requirements Update. | OPCC Chief Finance Officer Cleveland Police Chief Finance Officer |
| 5. | PCC Scrutiny questions | |
| 6. | Any Other Business | |
| 7. | Date of next meeting – Wednesday 25 October 2017 | Item 3 |



Scrutiny, Delivery & Performance Meeting
Monday 12 June 2017
1.00pm
PCC Conference Room, Police Headquarters, Ladgate Lane

Present

Barry Copping, Police and Crime Commissioner
Simon Dennis, Chief Executive and Monitoring Officer, OPCC
Joanne Hodgkinson, Assistant Chief Executive, OPCC
Simon Nickless, Deputy Chief Constable, Cleveland Police
Mandy Johns – Head of Scientific Support
John Lyons – Head of PSD
Julia Hatton – Head of Legal Services
Louise Drummond – Head of Performance, Quality and Review
Liz Byrne, Special Senior Project Manager, OPCC
Elise Pout, Standards and Scrutiny Manager, OPCC

1. **Apologies for absence**

No apologies were received.

2. **Declarations of Conflict of Interest/Disclosable Pecuniary Interest.**

None declared.

3. **Notes of the Previous Meeting**

The notes of the following meeting were approved for publication.

- i. 30 March 2017

4. **Randex Testing – Update**

At the Scrutiny, Delivery and Performance meeting on 30 March the PCC sought information on the implications of the recent reports into the manipulation of drug tests undertaken by the Randex company. The Head of Scientific Support updated the PCC on the current position as this had changed significantly since March and information was coming in on a daily basis, especially in relation to the number of cases affected.

In March 2017, the position was that the affected tests involved samples taken in drink driving cases, but now some case work affected includes homicide and rape. The national position was explained to set the issue into context. When the national Forensic Science Service closed in 2012, many of the older experienced scientists had taken redundancy; this led to a national shortage of experienced toxicologists. Forensic work was contracted to the private sector and Cleveland Police outsourced their testing to a company called LGC, who then sub-contracted Randex to undertake toxicology testing, including the tests that are undertaken for drug driving.

In early 2017, issues regarding data manipulation within Randex came to light and their accreditation was suspended. There were 484 cases nationally where tests had been compromised, of which 28

belonged to Cleveland Police. In March more data manipulation came to light, and Cleveland Police has been involved in regional work to hold LGC to account. Meetings were taking place on a fortnightly basis and there was a national group established to deal with the issue managed by the South West region.

There were now 160 cases which were affected which involved drug driving and research was taking place to assess if other types of cases had been affected. Cleveland Police was working with regional and national colleagues, LGC and the forensic regulator on strategies to deal with: re-testing; the storage of samples, litigation, risk and on-going capability.

Actions arising – That the PCC continues to receive regular updates on the position with Randox.

5. **Transforming PSD – Update**

Regular updates on the transformation of the Professional Standards Department (PSD) have been programmed into the Scrutiny, Delivery and Performance meetings. Since the review started nothing has come to light that showed corruption or deliberate malice. In dealing with the here and now, changes to processes in the way the unit was operating had been implemented, including the development of a counter corruption strategy and action plan about maintaining professional boundaries.

Improvements to processes included:

- Developing the department's aims and objectives plan on a page, which had been cascaded to staff, Cleveland Police and the public (this is appended to these notes);
- All investigators had undertaken national training delivered by former officers from a professional standards environment; and
- Functionality of the PSD was mapped out, which would assist in developing the future structure.

Emerging benefits outlined were:

- Staff have more confidence challenging the way things were done in the past and developing new ways of working;
- Developments had received positive feedback from the police federation; and staff were demonstrating their increased understanding of the legislation.

In 2015/16 Cleveland Police was the worst performing force, taking 399 days to conclude an investigation. In 2016/17, 171 days Cleveland Police is approaching the mid table point.

Cleveland Police was in the process of advertising for a permanent Head of Professional Standards Department, subject to approval at the Cleveland Police 20/20 meeting on 14 June 2017. Debate and consultation was to take place about the appropriate route to market and other stakeholders. Discussion took place on how potential applicants could be attracted to the position.

It was noted that the first PSD Reference Group had taken place in March 2017. The meeting had been productive and discussions had taken place on how the group would support the review of PSD. It was anticipated that the review should be concluded by end of July 2017.

Actions Arising – In looking forward to the appointment of the Head of PSD, the PCC offered his support to the process, offering his time to potential applicants to tour of local area.

Professional Standards May 2017



| Our purpose | Our values | Our service | Our objectives |
|--|---|---|--|
| <p><i>We will...</i></p> <p>Develop, maintain and promote the highest possible professional standards of conduct throughout Cleveland Police</p> <p>Reduce and eliminate instances of risks to the integrity of the Cleveland Police</p> <p>Through education and preventive strategies, promote, instil and embed high standards of ethical behaviour</p> | <p><i>We are committed to...</i></p> <p>The values set out in the College of Policing's Code of Ethics which provides the framework for all the delivery of our services</p> <p>The Cleveland Police values of integrity, benevolence and service</p> <p>Instilling and promoting a culture of integrity, fairness, transparency and impartiality</p> <p>Engaging meaningfully and constructively with all our stakeholders</p> | <p><i>What we provide...</i></p> <p>Public complaint receipt, recording, investigation and resolution compliant with relevant legislation and IPCC's statutory guidance</p> <p>Assessment, recording and investigation of allegations of misconduct to establish the most appropriate and proportionate response and outcome</p> <p>Assessment, recording, review and investigation of incidents involving death and serious injury following recording police contact to establish an appropriate and proportionate response, including any lessons learnt</p> <p>Reducing and mitigating the risk of corruption and improper practice in all its forms</p> <p>Training, development and organisational learning provision to improve understanding of the Code of Ethics and required standards of professional behaviour</p> | <p><i>We will...</i></p> <p>Embed the Scheme of Delegation to ensure accountability at every level of decision making within PSD</p> <p>Introduce and implement schemes of internal and external governance</p> <p>Work with colleagues to ensure collective responsibility for standards and conduct</p> <p>Increase the transparency of integrity, accountability across all PSD operational policing and organisational governance</p> <p>Revise the investigative function to empower investigators and ensure consistency, quality and proportionate investigations and outcomes</p> <p>Improve complaint management procedures to deal effectively with dissatisfaction, use local resolution wherever permissible, and reduce the number of appeals through increased transparency and more effective communication with complainants</p> <p>Embed national reforms to the complaint and conduct framework brought about by the Policing and Crime Act 2017</p> |

6. Alternative Dispute Resolution

At the Scrutiny, Delivery and Performance Meeting on 23 January 2017, it was agreed that the PCC should receive a further report from the Head of Legal Services on the use of processes for Alternative Dispute Resolution (ADR) in the context of the management of Cleveland Police contentious caseload. These meeting should include details on anonymised examples of where ADR has and hasn't worked and the link to ACAS timescales and the use of alternative dispute resolution in civil and employment cases.

The Head of Legal Services outlined the use of ADR, which ranged from formal mediation to judicial mediation. The appropriate process used, was based on the nature of the dispute. For example, in more informal situations, someone becomes aggrieved and it is not necessarily a formal grievance, where possible they are dealt with at low level and resolved as quickly as possible.

Details of a number of processes were given including: how staff can go through ACAS conciliation before they can bring an employment tribunal, which can take place three months from the date of the last act (for example, discrimination) and was limited to a maximum of 6 weeks; the team have the opportunity to have 'without prejudice' conversations lawyer to lawyer; and professional mediators have been brought in and issues have been resolved without proceedings being issued.

A greater commitment to ADR in civil claims was outlined. There were various forms of ADR which were used to resolve disputes between employers and their employees and previous employees. Ranging from very informal mediation to formal Judicial Mediation. The form of ADR that takes place is usually governed by the issues to be resolved and whether or not there are any formal judicial proceedings and what stage they are at.

The last chance for ADR is Judicial Mediation. Once an Employment Tribunal has been issued and a final hearing date set an Employment Judge can be asked to mediate between the parties to attempt a compromise and the end of the proceedings. This can very often be successful.

Actions arising – That information regarding the use of Alternative Dispute Resolution continues to be submitted to the Scrutiny, Delivery and Partnership Meetings on a regular basis.

7. Cleveland Police Performance Update

The report is submitted for information purposes as the PCC attends the Tactical Performance Group where performance of Cleveland Police is discussed. The PCC also submits a performance report to each meeting of the Police and Crime Panel. Further information regarding two areas within the update, staff sickness and repeat victims are picked up in separate items on this agenda.

Actions Arising – That the report was noted.

8. Update From Inspection Reports

Updates from Inspection Reports are a standard item on the Scrutiny, Delivery and Partnership meeting agenda in order to ensure that the PCC is kept up to date with any issues/actions arising from such inspections. The PEEL Effectiveness report was published on 2 March 2017. Cleveland Police received a 'Good' rating in this category. There was one area which was highlighted as 'requires improvement' where the PCC required further information. *'How effective is the force at protecting those who are vulnerable from harm, and supporting victims?'*

Following the result from the inspection Cleveland Police set up a monthly monitoring board, identified action owners, began to progress the actions and a delivery manager was established. Issues regarding vulnerability were assigned to the Head of Crime and significant work is on-going to deliver those actions.

A number of pieces of work have been undertaken to quantify the picture the data about repeat victims was showing. It was noted that with anti-social behaviour there had been a significant increase but that has peaked in January 16 and was now seeing downward trend. Violence was still continuing to increase and the direction of travel seeing locally was in keeping with the national picture.

Historical trends were now examined through the Strategic Performance Group and the Tactical Performance Group where the impact of repeat victim rates on overall demand was monitored.

It was noted that with regard to the numbers of domestic abuse (DA) victims withdrawing from the process (Cleveland has been identified as one of 5 forces where levels were significantly higher than other forces). As there were 55% of all DA crimes where the victim had withdrawn HMIC asked the Cleveland Police to undertake some work locally to understand why it happened.

As a result, as part of a 5 stage process, Cleveland Police looked at the national context and why it differed, worked on understanding local timelines and considered when things started to change in Cleveland and to understand the victims journey from the point of recording to the point of attrition. In writing up the findings of that research there was nothing that was uncovered that was new to Cleveland Police. The next stage was a case file review including a dip sample of 40 standard and some high risk cases.

Using footage from Body Worn Cameras, work was on-going to understand officers' perceptions and to develop a response element as part of the problem solving model. A victim engagement strategy, with a toolkit for officers was being developed to maximise their engagement with the victim.

An accountability framework to allow Cleveland Police to track the outcomes of the work has been developed and once the response on the work has been received from the HMIC they will share information wider, including partners, to look at gaps of service provision that partners provide to ensure victims are fully supported.

Actions Arising – That the information was noted.

9. **Community Safety Hub Progress**

As a standard item on the agenda, an update on the Community Safety Hub was given by the senior special project manager. It was noted that everything was on track and issues being dealt with currently were as follows:

- Developing ideas about the branding working with communications;
- School poster competition has started;
- Review around security, public café, clarify the vulnerability of having a public café;
- Communication back to staff as to what has been done; and
- Memorabilia that has been found in Ladgate Lane – historical – could be used for art work within the building.

The PCC asked what the main risks to the project were. There is a risk workshop with Arcadis, ESH and Sopra Steria, but the two main risks identified are: changes made to the original specifications and the utility companies.

Actions Arising – That the current position was noted.

10. **PCC Scrutiny Questions**

10.1 **Levels of Sickness within Cleveland Police**

The latest sickness absence figures for the 12 months ending March 2017 showed that sickness absence cost Cleveland Police £3,696,969 for police officers and £732,405 for police staff – approximately 5.6% of the staffing budget. Officer sickness was up 12% and staff sickness up 15% since 2015. The PCC wanted to know how Cleveland Police compared with other forces and what action was being taken to address the issue.

It was noted that the direction of travel continued to increase. A refreshed version of the attendance management policy had been prepared. Contained within in that were goals in order assist in reducing

sickness. The most recent figures show that Cleveland Police is about mid-table when compared nationally.

A number of workshops had been conducted for supervisors to remind them of policies and raise awareness of the toolkit to help them develop their management.

There were a number of actions taking place to reduce the level of sickness which included: HR advisors conducting attendance management workshops with supervisors; The employee relations team in conjunction with HR are reviewing the data to identify key cases of absence, particularly long term absences; The HR management improvement plan also includes the Occupational Health review - A review is being undertaken into Occupational Health to see what health provision there is currently and what Cleveland Police needs for the future, for example are more counsellors needed to help prevent stress absence rising or physiotherapists for physiological absences; The employee assistance programme (with Health Assured) has been launched and promoted to staff; The Blue Light programme had been launched to assist with emotional wellbeing and mental health issues; and there was a wellbeing strategy, including preventative methods, for example the 10,000 step challenge.

Actions Arising – That the PCC is kept updated on the improvements that arise from of the above activities.

10.2 **Eston Hills and Off-Road Bikes**

The PCC recently attended a meeting regarding the disruptive use of off-road bikes on Eston Hills. As a result of this the PCC sought an update about the Motor Cycle Unit. To include information on the following:

- The number and location of all deployments made in the last 6 months; How demand;
- It is managed across Durham and Cleveland;
- Where the main demand comes from; and
- How need is prioritised and what are the factors that influence deployment.

It was noted that between January and December there were 2091 tagged incidents in Cleveland and 2408 in Durham. Between November 2016 and April 2017 there were 20 off road deployments (8 in Cleveland, 12 in Durham). Peak demand in Cleveland is located in Middlesbrough (669) and Stockton areas (629)

An increased level of attention has been provided in the Eston Hills area and the following information was provided the Rural Crime Reduction Officer for a public meeting called by Anna Turley MP on Friday 28 April. The 5 deployments in April in the Eston Hills area were as follows:

- Thurs 6 April - Quiet nothing seen;
- Sun 9 April - Quiet nothing seen;
- Tues 11 April - Quiet nothing seen;
- Weds 12 April - 2 section 59 warnings; and
- Sat 22 / Sun 23 April - 5 bikes seized 2x section 59 warnings.

It was noted that team have worked closely with the local Neighbourhood Policing Team and have in the past few weeks assisted in the identification of and removal of 8 burnt out vehicles in Eston Hills.

Actions Arising – That the information was noted.

10.3 **National Police Air Services (NPAS)**

The Durham Tees Valley Airport NPAS base has now closed. Cleveland Police was asked for information on the impact of this closure on response times to incidents in the Cleveland area? Clarification was sought on the arrangements that had being made to monitor the future performance of the NPAS service for Cleveland?

It was noted that it was too early to provide a definitive picture of the impact as the service was only closed in April 2017. However a performance path will be implemented which will be incorporated into the Tactical Performance Group and the demand management profile.

Actions Arising – That the information was noted.

10.4 HMIC Data Integrity

In March 2017 the Minister of State for Policing and the Fire Service, Brandon Lewis MP, wrote to all Police and Crime Commissioners regarding the rolling programme of HMIC inspections into crime data integrity. The letter noted that in the first report on crime data integrity, published in 2014, the Chief Inspector found that the recording rate for forces in England and Wales was 81%, meaning that 1 in 5 crimes was not recorded correctly. In his letter in 2017, he reiterated the importance of accurately recording crime statistics.

In light of this the PCC would like to seek assurance about the steps Cleveland Police is taking to ensure that it is recording data correctly.

It was noted that there were a number of ways that Cleveland Police ensure the integrity of its data; which included;

- Crime Data Integrity audits are conducted that are then inspected by HMIC; Priority in the audit work conducted is given to high risk crime, for examples DV and rape;
- A NCRS action plan is in place, the last update on the plan was April 2017.
- Dip sampling work has been conducted;
- NCRS video has been produced and circulated to staff;
- Internal improvements to procedures; and
- There is a Data Quality Group.

Actions Arising – That the information was noted.

10.5 Changes to Bail Arrangements

The Policing and Crime Act 2017 has made changes relating to pre-charge bail. There are a number of conditions which need to be met before bail can be extended. This could lead to a risk that if an investigation is not expedited quickly, the tests for the extension of bail cannot be met. The PCC would like to seek some assurance that Cleveland Police place the interests of vulnerable victims at the top of investigating priorities, to mitigate that risk.

It was noted that mechanisms in place to capture data before the changes came in to place. Cleveland Police established a “bail group” to identify and implement the processes in response via an action plan. Addressing the specific concerns around vulnerable victims the following information was presented:

- Cleveland Police 47/3 bails (ie. bail without charge) have reduced significantly as anticipated, from 900+ to 200+ in line with National trends;
- The process is closely monitored by our bail managers who have a superb understanding of the principles/issues and have led the way nationally in terms of some of the processes;
- Regular periodic reviews of investigations are carried out to highlight any identified gaps/lack of progress to supervision;
- In addition to the above Cleveland Police has implemented a robust crime review process;
- Bail managers have carried out a comprehensive briefing process, focussing on custody staff to encourage the use of bail conditions which historically have been underutilised. Our remands in custody have increased demonstrating that we are finalising initial investigations more effectively rather than relying on a bail period to carry out further enquiries;
- We are bailing proportionately more than our neighbouring forces; and
- When detainees are released under investigation (RUI) in custody they are warned about the consequences of contacting victims/witnesses i.e. witness intimidation/harassment.

Actions Arising – That further information be drawn on the issues and links be made to the Local Criminal Justice Board to seek additional information.

10.6 Mini Police and School Engagement

Mini police schemes are in place in other force areas. What arrangements are being made within Cleveland Police for school activities/schemes in Cleveland? Are there any opportunities to link with the developer of the Community Safety Hub, Esh, to develop similar schemes in this area?

It was noted that at present there wasn't a mini police scheme in Cleveland, however Cleveland Police are reviewing best practice in other forces, to put in place a mini police scheme in the very near future. The scheme was considered important and arrangements were being made to include the scheme within the engagement response. Cleveland Police was in the process of taking on three new staff as dedicated school liaison officers and once in post, the mini police scheme will be given to them as a priority to take forward. In addition to the school liaison role, Cleveland Police is taking on a new Community Cohesion Co-ordinator; they will take over the mini police once fully in post. In the interim period school engagement is conducted by local NPT officers. These officers interact with teachers and students to engage with students and to promote trust and confidence in the justice system. Officers deliver content around topical and important matters, for example online exploitation, criminal damage, cyber bullying and harassment, and other CEOPS concerns

Actions Arising – The mini police scheme was welcomed by the Commissioner and the position was noted.

10.7 Staff Survey

The recent staff survey showed significant improvements since the last survey in 2014. Of the 31 forces who undertook the survey, Cleveland Police were only 1 of 2 that showed significant improvements. How does Cleveland Police intend to build on the good work that was reported in the survey?

It was noted that the key aspects were the positive internal and external communications that had been issued. Cleveland Police was undertaking work with the university around the key messages that arose from the survey. Including wellbeing, feeling connected, engagement, perceptions of fairness etc. Progress would be monitored through the Everyone Matters Board the 20/20 Board and the Management Board.

It was hoped that the positive results of the survey would encourage more people to complete the next survey when it was available.

Actions Arising – That the information was noted.

11. Any other business

The recent review of the control room was discussed. A verbal briefing was to be given to the PCC on all of the recommendations, including those that would make the biggest difference/ improvement.

The Chief Executive of the OPPC mentioned the recent judgement from West Yorkshire and that he would update the PCC in due course.

12. Date of next meeting – 26 July 2017

Report of the Chief Finance Officer to the Chief Constable

2nd May 2017



CLEVELAND POLICE

Corporate Financial Monitoring Report to 31st March 2017

Introduction

This report provides assurance that the revenue and capital plans for 2016/17 have been delivered, that financial risks to the plan have been monitored and managed, and that remedial action has been taken where necessary.

Summary Headlines

The tables below set out the forecast outturn position as at 31st March 2017 coupled with the movements from the period 11 report. The final outturn incorporates the impact of actions agreed to deliver financial targets. This may be subject to some minor changes during the year end final accounts process.

Budget Monitoring Summaries to 31st March 2017

The overall year-end revenue is an overspending of £457k (0.4%) of the total annual budget.

| Revenue | Annual Budget £000s | Actual Outturn £000s | % | Previous Forecast £000s | Change £000s |
|-----------------------------------|------------------------|-------------------------|---------------|----------------------------|-----------------|
| Pay Budgets | | | | | |
| Police Pay & Allowances | 68,700 | 847 | 1.2% | 915 | (68) |
| PCSO Pay & Allowances | 4,077 | (236) | (5.8%) | (250) | 14 |
| Staff Pay & Allowances | 8,978 | 128 | 1.4% | 105 | 23 |
| Total Pay & Allowances | 81,755 | 739 | 0.9% | 770 | (31) |
| Total Non-Pay Budgets | 38,961 | (282) | (0.7%) | (370) | 88 |
| Total Expenditure | 120,716 | 457 | 0.4% | 400 | 57 |

As previously reported, forecasts have included assumptions in respect of seven employment tribunals that have been lodged against the Chief Constable over several years. There is no separate source of funding to pay for the outcome of these claims so any awards draw resource away from the delivery of policing. A number of these claims have now been settled and have involved significant sums.

Despite reductions totalling £450k being made to expenditure programmes during the year, the consequences of the employment tribunals have resulted in a year-end overspend of £457k. The year-end pay budgets are in line with the forecasts made during the year, being only £31k difference to the estimated £770k in Period 11. This represents a variance of 0.04% against the total pay budget.

It should be noted that no provision is included in the outturn in respect of the recent Investigatory Powers Tribunal and associated claims as the remedies are not yet known.

In addition to this risk, a recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a further significant financial pressure for Forces nationally. This cannot be quantified at the present time.

Capital Monitoring Statement to 31st March 2017

| Capital | Annual Budget | Actual Outturn | | Previous Forecast | Change |
|------------------------------|---------------|----------------|----------------|-------------------|--------------|
| | £000s | £000s | % | £000s | £000s |
| Estates Schemes | 2,674 | (1,428) | (53.4%) | (1,281) | (147) |
| Equipment Replacement | 203 | (0) | 0.0% | 0 | (0) |
| ICT Schemes | 4,239 | (2,508) | (59.2%) | (1,842) | (666) |
| Fleet Replacement | 2,308 | (540) | (23.4%) | (525) | (15) |
| Innovation Fund Schemes | 79 | 0 | 0.0% | 0 | 0 |
| Provision for Business Cases | 0 | 0 | 0.0% | 0 | 0 |
| Total Capital | 9,503 | (4,476) | (47.1%) | (3,648) | (828) |

As can be seen from the table above the year end underspend for capital expenditure stands at £4.5m on the original budget, an increase of £0.8m from the position reported last month. This is due to work connected with the Community Safety Hub and associated Cloud Based Data Centre slipping into 2017/18. In addition, the delivery of 5 vehicles within the fleet replacement programme has slipped to 2017/18 due to the national volumes involved and the timeliness of the new national contract for PSU vehicles.

Revenue Budget

On 24th February 2016, the PCC allocated the Force a revenue budget of £119,410k for 2016/17. Changes to the budget are set out at Appendix 1 resulting in a revised budget of £120,716k. A detailed analysis of expenditure for the year is given at Appendix 2.

Key Risks

The key risks to the delivery of a balanced revenue budget were set out in the LTFP and are restated at Appendix 3. These risks were monitored at least monthly through the year. The major risks were:

- A number of tribunals have been lodged against the Chief Constable over several years. Although a number have been settled, there is still a potential impact from those outstanding.
- A recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a significant financial pressure for forces nationally. The impact of this locally is currently being assessed.
- The number and cost of major incidents in any one year is unpredictable.
- The Chief Constable of Cleveland currently has 48 claims lodged against him with the Central London Employment Tribunal in respect of the challenge to the Police Pension Scheme 2015. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until later in 2017.

Police Pay & Allowances

The year-end overspend against the police pay budget is £847k, a decrease of £68k from the position forecast in period 11. This is largely due to an increase in the overtime budget in respect to the mutual aid for football overtime.

The budget was set on the basis of having an average of 1,292 FTE police officers throughout the year with a changing number each month in accordance with the leaver and recruitment profiles. As at the 31st March the actual number of officers in post was 1,284 FTE, 16 less than the 1,300 FTE assumed in the LTFP. The trend for officers to leave the service or retire early appears to be abating as shown in the table below. Whilst this is good news operationally, it increases the overspending in this area. Of the sixteen officers who have left the Force, nine have transferred to other forces.

| Police Officer Attrition | As At 31/03/17 | 01/04/16 to 31/03/17 LTFP | Variance to LTFP |
|---------------------------------|-----------------------|----------------------------------|-------------------------|
| LTFP at 1st April | 1270 | 1276 | -6 |
| Retirements | -50 | -40 | -10 |
| Medical Retirements | -5 | -12 | 7 |
| Other Leavers | -16 | -12 | -4 |
| Recruitment | 85 | 88 | -3 |
| Total | 1284 | 1300 | -16 |

The police pay overspend is as a result of:

- Overtime and unsocial hours' payments in respect of the 4 homicides in March & April.
- A change in operational policy in respect of payments for policing football matches.
- The anticipated leavers not materialising for December to March and a number anticipated retirements remaining beyond the 30 year service.
- Unsocial hours payments due to a backlog of claims being submitted. An investigation is underway into the effect the change in the shift patterns is having on the unsocial hours payments and a business case is being developed to automate unsocial hours payments to eliminate this issue in the future.
- The budgeted absences for maternity & sickness have been a lot lower than original forecast.

Police Community Support Officers Pay & Allowances

The year-end underspend against the PCSO pay budget is £236k, a reduction in the underspend of £14k from the previous period.

The budget was set on the basis of having an average of 132 FTE PCSOs throughout the year. The PCSO pay budget was set based on having 127 FTE officers in post at 1st April with a changing number each month in accordance with the leaver and recruitment profiles.

The actual number of PCSOs in post as at 31st March was 124 FTE, 13 less than the 137 FTE assumed in the LTFP for that point in the year. Of the fifteen leavers to date, two are included in the April 2016 police officer probationer cohort and three in the September intake.

| PCSO Attrition | As At 31/03/17 | 01/04/16 to 31/03/17 LTFP | Variance to LTFP |
|-----------------------|-----------------------|--------------------------------------|-----------------------------|
| LTFP at 1st April | 124 | 127 | -3 |
| Leavers | -15 | -12 | -3 |
| Recruitment | 15 | 22 | -7 |
| Total | 124 | 137 | -13 |

Police Staff

The year-end overspend against the police staff pay budget is £128k.

The staff pay budget was set based on having 235 FTE police staff in post at the 1st April with a reducing number of staff each month in accordance with assumptions in respect of starters and leavers and the end of fixed term contracts. In May 2016, 19 staff transferred to the Force from Sopra Steria under TUPE regulations as a consequence of the Strategic Intent changes. As at the 31st March actual FTE in post were 272.

The causes of the overspending have been previously reported as:

- The contracts for 14 police staff investigators being extended until March 2017 of which 5 have moved into PSI roles within the CNYMIT & 1 to a PSI role within SOMU.
- Additional posts agreed at the Towards 2020 Change Board
- Overtime incurred in April & May in connection with the 4 homicides
- Overtime incurred within legal services in respect of the employment tribunals that have been brought during the year.

Non-Pay Budgets

The year-end position against the non-pay budget is an overall underspending of £282k.

The major variances are set out below and these have been reflected in the 2017/18 budget:

Sopra Steria -£2k underspending

The year-end position is a small underspend of £2k and assumes delivery of £1m in-year savings from the Strategic Intent changes. Delivery of this saving has been confirmed in an exchange of letters.

Custody £138k underspending

The year-end position is for an underspend of £138k. As previously reported, the contract credits from Tascor in respect of reducing volumes have been formalised into a contract variation effective from 1st June giving savings higher than those assumed in the LTFP. This is a reduction on the previous period due to the anticipated credits from the original contract for April & May not materialising, which equates to £48k.

Other Police pension Costs £594k underspending

The year-end position is for an underspend of £594k against other police pension costs as a result of a lower forecasted number of medical leavers than envisaged in the LTFP. The OPCC has

released £320k from the medical provision towards the £371k for the 5 medical retirements incurred during the year.

Premises, Fuel, Light and Power £242k underspending

The year-end position is an underspend of £242k comprising £81k on electricity and gas due to the current market price, £121k on repairs and planned maintenance due to prioritising activity in support of the Community Safety Hub Project and risk managing the reactive repairs and £40k on rent, rates & service charges due to the timing of vacating properties.

Transport £16k underspending

The year-end position for transport is an underspend of £16k due to the price of fuel and an anticipated underspending on vehicle black box maintenance. This offsets the additional backdated charges associated with the review of the essential car user allowances and additional vehicle hire charges in relation to the Major Incidents.

National IT Charges £51k underspending

The year-end position for National IT charges is an underspend of £25k due to the reduction in charges for the ACRO Criminal Records Office plus International Criminal Conviction Exchange (ICCE) and an underspending of £26k for the National Police Procurement Hub that the Force do not currently utilise.

Insurance £27k overspending

The year-end position for insurance is an underspend of £27k. This is due to the year-end reconciliation of the imprest advances offsetting the rise in the cost of the premiums as a result of an increase in the number of claims, and the increase in fleet size as a consequence of the Local Policing Review.

External Support £102k overspending

The year-end forecast for external support is for an overspending of £102k relating to the additional charges anticipated as part of the transition to the MIT collaboration.

Forensics £26k underspending

The year-end position for forensics is an underspending of £26k due to the requirements for toxicology services connected to the murder enquiries and the increase in drug driving tests not being as high as originally forecasted on top of the Home Office SPOC recharges to NERSOU.

Computing £184k underspending

The year-end position for computing is an underspending of £184k. This is due to savings identified against IL4 confidential network charges, and Golden Nominal as a result of changes and delays in the associated capital schemes, in addition to savings identified against the Gazetteer & Electoral register charges and ICT revenue schemes that have not been completed in this financial year.

Surgeons and Medical costs - £30k underspending

The year-end position for Surgeons and Medical costs is an underspending of £30k as a result of lower requirement for intermediary services in child sexual abuse cases (£25k) and Occupational Health Services (£25k), than originally budgeted. This offsets the £20k overspend on Pathologists charges connected with the Major Incidents at the start of the year.

Other - £38k overspending

The year-end position is for an overspending of £38k against other costs with the main areas being £35k for making good damage to property as a result of the new contract, and £12k on match day feeding, less savings on Interpreter fees & drug referral schemes.

Professional Fees - £211k overspending

The year-end position is for an overspending of £211k against professional fees as a result of the costs associated with the employment tribunals (£122k), Major Incidents (£58k), PSD review and training (£42k), pension and actuary administration (£25k) and £15k for recruitment expenses, partially offset with savings in other areas and the year-end adjustment for the movement of £100k to CDSOU reserves and £85k to Camera Safety Partnership reserves.

Change & Contingency - £662k overspending

The year-end position for the change and contingency budget is an overspending of £662k as a result of additional business requests during the year and the financial implications in respect of seven employment tribunals that have been lodged against the Chief Constable over several years. The claims have been settled within the estimates made but one has significantly exceeded the provision made. It should be noted that no provision is included in the outturn in respect of the recent Investigatory Powers Tribunal or the Allard v the Chief Constable of Cornwall case as the remedies are not yet known.

Major Incident Contingency

The major incident contingency budget for 2016/17 was £799k for both planned and reactive operations. As a result of the 4 homicides in March and April 2016, there is an overspend of £354k against this budget.

The Cleveland and North Yorkshire Major Investigation Team went live in November, with the budget and associated resources realigned from the Major Incident Fund. The recruitment of the Police Staff Investigators and other Police Staff roles is now well advanced with most in place. Earlier than anticipated recharges in respect of the cold case review team have resulted in a further £65k of charges this financial year.

Cleveland Durham Specialist Operations Unit (CDSOU)

The Cleveland budget for the joint unit was £5,849k. The year-end position is for breakeven with a £185k movement to the reserves.

North East Region Specialist Operations Unit (NERSOU)

The Cleveland budget for NERSOU was set at £1,365k. The year-end overall position for NERSOU is to breakeven, with a £110k contribution to the reserves to fund the refurbishment of the new building as a result of additional Home Office funding for the Cyber-Crime Unit and delays in recruitment.

Capital Budget

On 24th February 2016, the PCC allocated the Force a capital budget of £8,132k for 2016/17. In addition, schemes totalling £1,005k were brought forward from 2015/16 bringing the approved 2016/17 budget to £9,137k. Changes approved by the PCC (or the Chief Constable's CFO under

delegated authority) in year resulting in a revised capital budget of £9,503k are set out at Appendix 4, with a full breakdown of schemes shown at Appendix 5.

Key Risk

The key risk to delivery of the capital programme has been slippage against the delivery plan. 56% (£2.5m) of the ICT Programme was scheduled for delivery in the last 3 months of the year. Funding has had to be earmarked and re-provided in 2017/18 which will place a greater burden on the delivery teams who should be focussing on the 2017/18 plan, as several large scale ICT projects have slipped into 2017/18.

Update on Key Schemes

The following table sets out those schemes that completed during the year.

| Schemes Completed in 2016/17 | | | |
|--|------------------------|----------------------|---------------|
| | Original Budget | Over/ (Under) | |
| | £000s | £000s | % |
| Estates Schemes | | | |
| NERSOU Accomodation | 354.3 | 0.0 | 0.0% |
| Rewiring of North Ormesby | 17.0 | (4.6) | -27.1% |
| | 371.3 | (4.6) | -1.2% |
| Equipment Schemes | | | |
| ANPR Enhancement | 41.0 | 0.4 | 1.0% |
| TASER Replacement | 150.0 | 0.1 | 0.1% |
| TSU Capital | 11.0 | 0.1 | 0.9% |
| | 202.0 | 0.6 | 0.3% |
| ICT Schemes | | | |
| Mobile Working | 33.2 | (22.6) | -68.1% |
| Public Service Network for Policing (PSNP) | 0.0 | 85.6 | 100.0% |
| Tape Back Up Technology Refresh | 40.0 | (4.3) | -10.8% |
| WAN/PSTN Firewalls | 95.0 | 9.1 | 9.6% |
| Additional Storage Capacity | 120.0 | 0.1 | 0.1% |
| SQL Upgrade | 15.0 | (4.1) | -27.3% |
| Control Room Docking Stations | 15.0 | 3.6 | 24.0% |
| | 318.2 | 67.4 | 21.2% |
| Innovation Fund Scheme | | | |
| Data Quality-Golden Nominal | 75.4 | 3.4 | 4.5% |
| Fleet Replacement Scheme | | | |
| Fleet Replacement 2015/16 | 252.9 | 0.0 | 0.0% |
| Provision for Business case | 16.7 | 16.7 | 100.0% |
| Total | 1,236.5 | 83.5 | 6.8% |

The following table sets out those schemes that have not completed during the year.

| Schemes Slipped into 2017/18 | | | |
|---|----------------|----------------|--------------|
| | Budget | C/Fwd | |
| | £000s | £000s | % |
| Estates Schemes | | | |
| Community Safety Hub | 2,302.2 | 1,423.1 | 61.8% |
| ICT Schemes | | | |
| Telephony Refresh | 687.6 | 0.0 | 0.0% |
| IL4 Confidential Network | 155.0 | 155.0 | 100.0% |
| VMWare Manager | 50.0 | 50.0 | 100.0% |
| Oracle | 150.0 | 150.0 | 100.0% |
| Blade Architecture | 250.0 | 250.0 | 100.0% |
| Integrated Communications Control Systems | 700.0 | 395.6 | 56.5% |
| LAN Refresh/Remote Access Services/Mobile Access Point Name | 465.0 | 465.0 | 100.0% |
| iMap Development | 12.0 | 0.9 | 7.5% |
| Cloud Based Data Centre | 1,438.9 | 966.8 | 67.2% |
| | 3,908.5 | 2,433.3 | 62.3% |
| Fleet Replacement Schemes | | | |
| Write off / Uneconomical Repairs | 174.5 | 96.1 | 55.1% |
| Black Box Replacement | 151.6 | 113.1 | 74.6% |
| Fleet Replacement 2016/17 | 1,729.6 | 331.4 | 19.2% |
| | 2,055.7 | 540.6 | 26.3% |
| Total | 8,266.4 | 4,397.0 | 53.2% |

Points to note are:

Cleveland Community Safety Hub (CCSH)

Building works for the CCSH commenced in March and the building is planned to be operational in Sept/October 2018. The budget is closely monitored by the Project Board and expenditure follows contractual obligations which have now been re-phased to mirror the changes in the scope of the scheme. The majority of this year's budget is linked to the land purchase. The funding for construction and IT infrastructure has been moved into 2017/18.

ICT schemes

As previously reported concerns over slippage in delivery of the ICT programme prompted a detailed review as this placed additional pressure on ICT resources later in the year putting the successful delivery of the remaining programme at risk.

As a consequence of the review procedures have been tightened to prevent a recurrence of the issues identified and the programme re-phased to facilitate delivery. This rephrasing has been agreed with the PCC and reflected in the approved capital plan for 2017/18.

IL4 Confidential Network & VMWare

The ICT team identified early in the year that these schemes would need to be postponed due to other force priorities and the availability of resources. The scope of the schemes has been revisited and budget has been provided for again in 2017/18.

Oracle Upgrade

A consultant was contracted in November 16 to provide a technical review document on the requirements for the oracle system. Due to IT access restrictions and other ICT priorities the

report was not finalised by the end of the financial year. The budget has been carry forward to 2017/18.

Blade Architecture

This project is linked with the requirements of the CSH and the cloud based data centre and given the slippage in these schemes, the specifications were not drawn up until the end of February. A tender exercise will be completed during Q1 of 2017/18 and the full budget has been carried forward into 2017/18.

ICCS

A business case for £700k funding to replace and upgrade the ICCS was submitted to Towards 2020 and approved for 2016/17 and included the provision for 2 installations of ICCS, one at HQ and one at the M8 fall back site. Following initial market research it was identified that the cost of 2 installations would be greater than the allocated budget, thus this was changed to one installation at the M8 fall back site in order to avoid future costs of moving the system as part of the CSH project. The contract was agreed in Q4 2016/17, with a saving of £250k against the original budget. The order is due to be placed in Q1 2017/18, with an anticipated installation date of October 2017. £396k has been carried forward into the 2017/18 capital budget.

LAN Refresh/Mobile Access Point/Remote Access Services

The similarities of the kit involved in these three projects allowed them to be combined in one consolidated scheme. The procurement exercise was completed and a contract signed in January, with a revised budget set at £450k. Work has commenced on the project with the expectation that it will be completed by the end of Q1 2017/18. All £465k has been carried forward into the 17/18 capital budget.

iMap Development

The majority of this scheme was completed in 2016/17, with a small element of resource required for testing purpose in 2017/18.

Cloud Based Data Centre

Work on the cloud based data centre is progressing in line with the CSH development and forecast to be delivered during 2017/18

Fleet Replacement

The fleet replacement programme for 2016/17 required 57 vehicles. 53 have been ordered with 51 being received and the remaining 2 due in April 17.

Of the remaining 4 vehicles left to be ordered, 3 are dedicated PSU vehicles which could not be ordered until the new national contract was awarded in December 16 and confirmation from operations that the national specifications suited their requirements. The other vehicle will not be required until 2017/18.

An additional 48 vehicles have been ordered as part of the wider Fleet Review arising from the Local Policing changes which were all received before the end of the financial year.

Joanne Gleeson
Chief Finance Officer
2nd May 2017

| Changes to Revenue Funding | Decision Ref | Month Added | Change |
|--|---------------------|--------------------|------------------|
| | | | £000s |
| Initial Funding Allocation | | | 119,410.0 |
| Camera Enforcement Budget | | May-16 | 60.0 |
| Secondment Income | | Aug-16 | 140.2 |
| NPAS | | Sep-16 | 107.1 |
| Everbody Matters | | Sep-16 | 82.0 |
| Cloud revenue costs | | Oct-16 | 121.1 |
| Estate Provison - Dilapidations cost for Ormesby Stables | | Nov-16 | 75.0 |
| Release of LCJB creditor | | Nov-16 | 14.0 |
| Recharged Overtime - Redcar Races, St Pauls, Stay Safe, SIRF, Fireworks, DBS | | Nov-16 | 35.0 |
| Various Mutual Aid | | Nov-16 | 48.2 |
| AR/RJ & IOM Funding | | Feb-17 | 208.3 |
| Reserves | | Mar-17 | 456.9 |
| Mututal Aid in relation to Football Overtime | | Mar-17 | 102.3 |
| Forensic Accountant funding | | Mar-17 | 24.6 |
| CDSOU reserves | | Mar-17 | (185.0) |
| Operation refresher | | Mar-17 | 16.3 |
| Funding allocation at Month 12 | | | 120,716 |

Budget Monitoring Statement to 31st March 2017

| | Annual Budget | Budget to Date | Actual to date | Variance to Date |
|--|------------------|-------------------|-------------------|---------------------|
| | £000s | £000s | £000s | £000s |
| Pay Budgets | | | | |
| Police Pay & Allowances | 66,923 | 66,923 | 67,373 | 450 |
| Police Overtime | 1,777 | 1,777 | 2,174 | 397 |
| Total Police Pay & Allowances | 68,700 | 68,700 | 69,547 | 847 |
| PCSO Pay & Allowances | 4,072 | 4,072 | 3,837 | (235) |
| PCSO Overtime | 5 | 5 | 4 | (1) |
| Total PCSO Pay & Allowances | 4,077 | 4,077 | 3,841 | (236) |
| Staff Pay & Allowances | 8,917 | 8,917 | 8,980 | 63 |
| Staff Overtime | 61 | 61 | 126 | 65 |
| Total Staff Pay & Allowances | 8,978 | 8,978 | 9,106 | 128 |
| Total Pay & Allowances | 81,755 | 81,755 | 82,494 | 739 |
| Non Pay Budgets | | | | |
| Sterial Charges | 17,667 | 17,667 | 17,665 | (2) |
| Premises | 3,949 | 3,949 | 3,707 | (242) |
| Custody | 3,190 | 3,190 | 3,052 | (138) |
| Other Police Pension Costs | 3,095 | 3,095 | 2,501 | (594) |
| Transport | 1,574 | 1,574 | 1,558 | (16) |
| External Support | 838 | 838 | 940 | 102 |
| National IT Charges | 898 | 898 | 847 | (51) |
| Insurance | 975 | 975 | 948 | (27) |
| Change & Contingency | 761 | 761 | 1,423 | 662 |
| Communications | 782 | 782 | 781 | (1) |
| National Police Air Service | 1,004 | 1,004 | 1,004 | 0 |
| Forensics | 861 | 861 | 835 | (26) |
| Maintenance Agreements | 363 | 363 | 375 | 12 |
| Computing | 720 | 720 | 536 | (184) |
| Surgeons & Medical Costs | 325 | 325 | 295 | (30) |
| Professional Fees | 567 | 567 | 778 | 211 |
| Other Equipment & Furniture | 278 | 278 | 271 | (7) |
| External Training, Seminars | 340 | 340 | 337 | (3) |
| Office Equipment & Expenses | 226 | 226 | 229 | 3 |
| Agency Staff | 14 | 14 | 25 | 11 |
| Other | 534 | 534 | 572 | 38 |
| Total Non-Pay | 38,961 | 38,961 | 38,679 | (282) |
| Total Expenditure | 120,716 | 120,716 | 121,173 | 457 |
| Memo Information | | | | |
| Major Incident Contingency | 676 | 676 | 1,030 | 354 |
| Major Incident Planned Operations | 123 | 123 | 127 | 4 |
| CDSOU | 5,849 | 5,849 | 5,849 | 0 |
| NERSOU | 1,365 | 1,365 | 1,365 | 0 |

Long Term Financial Plan (LTFP) 2016/17 to 2019/20 – Assessment of Risks

| Risk | Detail | Mitigation |
|--|---|---|
| Future year's funding cuts assumed in the LTFP are too low. | The Police settlement was one year only so no certainty about future funding at Force level has been received. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Changes to the future funding formulas for Police Forces. | The Policing Minister is committed to reforming the police funding formula and will bring forward proposals for public consultation. The current assumptions do not factor in any adverse impact as a result of a revised formula. Current indications are that no changes will be made before 2018/19. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Pay awards are higher than those assumed in the LTFP. | The LTFP assumes that pay will rise by 1% from September 2016. A movement of 1% would have an impact on pay and contracts of approximately £500k. In September it was agreed that all staff posts within the force would receive a 1% pay increase from the 01/09/16. | The Emergency Budget in 2015 announced that public sector pay increases would be capped at 1% for the following four years. In July 2016 the Home Secretary accepted in full the recommendations of the remuneration and salaries review bodies for Police Officers. These are in line with the assumptions in the LTFP. |
| The cost of early retirements and voluntary/compulsory redundancies in 2016/17 is in excess of the earmarked reserve. | An earmarked reserve has been set up to cover the cost of the Strategic Intent programme. However, the range of individual payments varies greatly so this estimate is indicative rather than accurate. | The PCC has absorbed additional costs through the use of reserves and other income. |
| A higher than forecast level of costly major incidents. | The number and cost of major incidents in any one year is unpredictable. | There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known. The PCC may absorb any additional costs in total or part through the use of reserves or other income. |
| The continued acceleration of Police Officer and PCSO leavers above the planned profile outstripping our ability to recruit. | Pay budgets have been set based on assumptions in respect of officers and staff leaving and additional recruits being brought in. Should the number of leavers outstrip our ability to recruit this could result in capacity gaps and generate a material under spending. | An evidence based review of recruitment and training capacity has been undertaken and capacity is being increased to enable flexing of the plan. Should a capacity gap emerge, service levels will be delivered through targeted overtime and the continued employment of police staff investigators. |

| | | |
|--|--|---|
| National mandation. | In recent years there has been national mandation of systems e.g. Pentip, resulting in unplanned costs to the Force. | There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known. The PCC may absorb any additional costs in total or part through the use of reserves or other income. |
| Police Pension scheme 2015. | National test case on new pension scheme with risk due to Gender/Race inequality. Cleveland has at present 48 claims from Police Officers. This case is not likely to be heard until 2017. | Cleveland has contributed to the NPCC legal defence of this case. |
| Employment Tribunals | Seven employment tribunals have been lodged against the Chief Constable over several years. The majority of the claims have been settled within the estimates made but one that has significantly exceeded the provision made. The potential consequence of this on the outstanding claims is currently being assessed but poses a potential financial risk. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Allard V the Chief Constable of Cornwall | A recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a significant financial pressure for forces nationally. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |

| Changes to Capital Funding | Month Added | Change |
|--|--------------------|---------------|
| | | £000s |
| Funding Allocation in LTFP | | 8,132 |
| Schemes bfwd from 2015/16 | | 1,005 |
| Total Capital funding | | 9,137 |
| Cloud Services PIF - Unsuccessful Bid | May | (465) |
| Evidence Based Practice - PIF Unsuccessful Bid | May | (60) |
| Data Quality-Golden Nominal - PIF second year | May | 75 |
| Local Policing Review Additional Vehicles | June | 454 |
| ANPR Enhancement | Oct | 41 |
| Cloud Data Centre - revenue costs | Oct | (161) |
| NERSOU Accomodation | Mar | 354 |
| TASER Replacement | Mar | 150 |
| Provision for business cases | Mar | (22) |
| Funding allocation at Month 12 | | 9,503 |

Capital Monitoring Statement to 31st March 2017

| | Annual Budget | Budget to Date | Actual to Date | Variance to Date |
|--|----------------|----------------|----------------|------------------|
| | £000s | £000s | £000s | £000s |
| Estates Schemes | | | | |
| Cleveland Community Safety Hub | 2,302.5 | 2,302.5 | 879.4 | (1,423.1) |
| Rewiring of North Ormesby | 17.0 | 17.0 | 12.4 | (4.6) |
| NERSOU Accomodation | 354.3 | 354.3 | 354.3 | (0.0) |
| Total Estates Schemes | 2,673.8 | 2,673.8 | 1,246.1 | (1,427.7) |
| Equipment Replacement | | | | |
| ANPR Server Upgrade | 41.4 | 41.4 | 41.4 | 0.0 |
| TSU Capital Expense | 11.1 | 11.1 | 11.1 | (0.0) |
| TASER Replacement | 150.1 | 150.1 | 150.1 | 0.0 |
| Total Equipment Schemes | 202.6 | 202.6 | 202.6 | (0.0) |
| ICT Schemes | | | | |
| Mobile Working | 33.2 | 33.2 | 10.6 | (22.6) |
| Public Service Network for Policing (PSNP) | 0.0 | 0.0 | 85.6 | 85.6 |
| Tape Back Up Technology Refresh | 40.0 | 40.0 | 35.7 | (4.3) |
| Telephony Refresh | 687.6 | 687.6 | 806.5 | 118.9 |
| Expansion of Storage Area Network / Information Life | 0.0 | 0.0 | (8.7) | (8.7) |
| WAN/PSTN Firewalls | 104.1 | 104.1 | 104.1 | (0.0) |
| Additional Storage Capacity | 120.1 | 120.1 | 120.1 | 0.0 |
| Integrated Communications Control Systems | 700.0 | 700.0 | 54.6 | (645.4) |
| LAN Refresh/Remote Access Services/Mobile Access | | | | |
| Point Name | 465.0 | 465.0 | 0.0 | (465.0) |
| Blade Architecture | 250.0 | 250.0 | 8.8 | (241.2) |
| SQL Upgrade | 15.0 | 15.0 | 10.9 | (4.1) |
| IL4 Confidential Network | 155.0 | 155.0 | 0.0 | (155.0) |
| Oracle Upgrade | 150.0 | 150.0 | 1.7 | (148.3) |
| VMWare Manager | 50.0 | 50.0 | 0.0 | (50.0) |
| iMap Development | 12.0 | 12.0 | 11.1 | (0.9) |
| Control Room Docking Stations | 18.6 | 18.6 | 18.6 | 0.0 |
| Cloud Based Data Centre | 1,438.9 | 1,438.9 | 472.2 | (966.7) |
| Total ICT Schemes | 4,239.5 | 4,239.5 | 1,731.8 | (2,507.7) |
| Innovation Fund Schemes | | | | |
| Data Quality-Golden Nominal | 78.8 | 78.8 | 78.8 | 0.0 |
| Total Innovation Fund Schemes | 78.8 | 78.8 | 78.8 | 0.0 |
| Heet Replacement | | | | |
| Write off / Uneconomical Repairs | 174.5 | 174.5 | 78.4 | (96.1) |
| Black Box Replacement | 151.6 | 151.6 | 38.5 | (113.1) |
| Fleet Replacement | 1,982.5 | 1,982.5 | 1,651.1 | (331.4) |
| Total Fleet Replacement | 2,308.6 | 2,308.6 | 1,768.0 | (540.6) |
| Provision for Business Cases | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL CAPITAL | 9,503.3 | 9,503.3 | 5,027.3 | (4,476.0) |

Report of the Chief Finance Officer to the Chief Constable26th July 2017**Corporate Financial Monitoring Report to 31st March 2017****Introduction**

This report provides the outturn position for 2016/17. It confirms that the finances have been monitored and managed, the revenue plan has been delivered and gives the final position in respect of capital. There may be some changes as a result of the audit of the Statement of Accounts. Any material changes will be reported.

Summary Headlines

The previous period 12 report was provided before the final accounts adjustments were made and this report incorporates the technical adjustments that were required for the Statement of Accounts. The outturn position for the force has increased by £2.635m from the draft outturn report in May 2017. This increase has arisen following a year-end review of the provisions held by the force to cover the potential Insurance liabilities and employee related remuneration claims. The force has taken a prudent approach in setting the provisions at these levels and will keep the position under constant review to ensure the Executive and the PCC are kept informed of developments.

Budget Monitoring Summaries to 31st March 2017

The overall year-end revenue is an overspending of £3.092m (2.6%) of the total annual budget. This is a movement of £2.635m from the previous position due final year-end review of the forces provisions.

| Revenue | Annual Budget | Actual Variance to Budget | | Period 12 Forecast Prior to Year end Adjustments | Change |
|-----------------------------------|----------------------|----------------------------------|-------------|---|---------------|
| | £000s | £000s | % | £000s | £000s |
| Pay Budgets | | | | | |
| Police Pay & Allowances | 68,700 | 2,347 | 3.4% | 847 | 1,500 |
| PCSO Pay & Allowances | 4,077 | (236) | (5.8%) | (236) | 0 |
| Staff Pay & Allowances | 8,978 | 128 | 1.4% | 128 | 0 |
| Total Pay & Allowances | 81,755 | 2,239 | 2.7% | 739 | 1,500 |
| Total Non-Pay Budgets | 38,810 | 853 | 2.2% | (282) | 1,135 |
| Total Expenditure | 120,565 | 3,092 | 2.6% | 457 | 2,635 |

The main adjustments to the accounts were;

- The Police Pay & Allowances overspend has increased by £1.5m from a £847k overspend to £2.35m as a result of an additional provision to cover the potential costs of employee related remuneration claims.

- The insurance overspend has increased by £1.1m as a consequence of the review of the provisions held to cover the potential insurance liabilities.

Capital Monitoring Statement to 31st March 2017

| Capital | Annual Budget | Actual Variance to Budget | | Previous Forecast | Change |
|------------------------------|---------------|---------------------------|----------------|-------------------|--------------|
| | £000s | £000s | % | £000s | £000s |
| Estates Schemes | 2,674 | (1,428) | (53.4%) | (1,281) | (147) |
| Equipment Replacement | 203 | 0 | 0.0% | 0 | 0 |
| ICT Schemes | 4,239 | (2,508) | (59.2%) | (1,842) | (666) |
| Fleet Replacement | 2,308 | (540) | (23.4%) | (525) | (15) |
| Innovation Fund Schemes | 79 | 0 | 0.0% | 0 | 0 |
| Provision for Business Cases | 0 | 0 | 0.0% | 0 | 0 |
| Total Capital | 9,503 | (4,476) | (47.1%) | (3,648) | (828) |

As can be seen from the table above the reported year end underspend for capital expenditure is £4.5m against the original budget, an increase of £0.8m from the position reported in period 11 and remains consistent with the position reported in the draft outturn reported in May. The detail of which can be found in Appendix 5.

In summary the major items of slippage/underspend relate too:-

- Community Safety Hub £1.4m as a result of a rephrasing of the expenditure program.
- Significant slippage/underspends across several ICT schemes,
 - o Integrated Communications Control systems (ICCS) £645k - delays as a result of links to the CSH and the location of the system.
 - o LAN Refresh £465k – Scope of project required rework as original costs exceeded budget. New proposal approved in January 2017 under the original budget, with implementation to be completed by Q1 2017/18.
 - o Blade Architecture £241k - This project is linked with the requirements of the CSH and the cloud based data centre and given the slippage in these schemes, the specifications were not drawn up until the end of February. A tender exercise will be completed during Q1 of 2017/18 and the full budget has been carried forward into 2017/18.
 - o Cloud Based Data Centre £967k - Work on the cloud based data centre is progressing in line with the CSH development and forecast to be delivered during 2017/18.
 - o Oracle Upgrade £148k - A technical review document on the requirements for the oracle system was required, but due to IT access restrictions and other ICT priorities the report was not finalised by the end of the financial year. The budget has been carried forward to 2017/18.
 - o IL4 Confidential Network £155k & VMWare £50k - The ICT team identified early in the year that these schemes would need to be postponed due to other force priorities and the availability of resources. The scope of the schemes has been revisited and budget has been provided for again in 2017/18.
- Fleet Replacement Program £331k underspent due to the delivery of 5 vehicles been delayed until 2017/18.
- Black Box Replacement £113k underspent due IT system configuration and other ICT prioritises in connection with the CSH.
- Fleet Write off budget £96k underspent.

Joanne Gleeson
Chief Finance Officer 26th July 2017

| Changes to Revenue Funding | Decision Ref | Month Added | Change |
|--|---------------------|--------------------|------------------|
| | | | £000s |
| Initial Funding Allocation | | | 119,410.0 |
| Camera Enforcement Budget | | May-16 | 60.0 |
| Secondment Income | | Aug-16 | 140.2 |
| NPAS | | Sep-16 | 107.1 |
| Everbody Matters | | Sep-16 | 82.0 |
| Cloud revenue costs | | Oct-16 | 121.1 |
| Estate Provison - Dilapidations cost for Ormesby Stables | | Nov-16 | 75.0 |
| Release of LCJB creditor | | Nov-16 | 14.0 |
| Recharged Overtime - Redcar Races, St Pauls, Stay Safe, SIRF, Fireworks, DBS | | Nov-16 | 35.0 |
| Various Mutual Aid | | Nov-16 | 48.2 |
| AR/RJ & IOM Funding | | Feb-17 | 208.3 |
| Reserves | | Mar-17 | 456.9 |
| Mututal Aid in relation to Football Overtime | | Mar-17 | 102.3 |
| Forensic Accountant funding | | Mar-17 | 24.6 |
| CDSOU reserves | | Mar-17 | (185.0) |
| Operation refresher | | Mar-17 | 16.3 |
| NERSOU reserves | | Mar-17 | (150.6) |
| Funding allocation at Month 12 | | | 120,565 |

Budget Monitoring Statement to 31st March 2017

| | Annual Budget | Budget to Date | Actual to date | Variance to Date |
|--|------------------|-------------------|-------------------|---------------------|
| | £000s | £000s | £000s | £000s |
| Pay Budgets | | | | |
| Police Pay & Allowances | 66,923 | 66,923 | 68,873 | 1,950 |
| Police Overtime | 1,777 | 1,777 | 2,174 | 397 |
| Total Police Pay & Allowances | 68,700 | 68,700 | 71,047 | 2,347 |
| PCSO Pay & Allowances | 4,072 | 4,072 | 3,837 | (235) |
| PCSO Overtime | 5 | 5 | 4 | (1) |
| Total PCSO Pay & Allowances | 4,077 | 4,077 | 3,841 | (236) |
| Staff Pay & Allowances | 8,917 | 8,917 | 8,980 | 63 |
| Staff Overtime | 61 | 61 | 126 | 65 |
| Total Staff Pay & Allowances | 8,978 | 8,978 | 9,106 | 128 |
| Total Pay & Allowances | 81,755 | 81,755 | 83,994 | 2,239 |
| Non Pay Budgets | | | | |
| Steria Charges | 17,667 | 17,667 | 17,665 | (2) |
| Premises | 3,949 | 3,949 | 3,707 | (242) |
| Custody | 3,190 | 3,190 | 3,052 | (138) |
| Other Police Pension Costs | 3,095 | 3,095 | 2,501 | (594) |
| Transport | 1,574 | 1,574 | 1,558 | (16) |
| External Support | 687 | 687 | 789 | 102 |
| National IT Charges | 898 | 898 | 847 | (51) |
| Insurance | 975 | 975 | 2,079 | 1,104 |
| Change & Contingency | 761 | 761 | 1,427 | 666 |
| Communications | 782 | 782 | 781 | (1) |
| National Police Air Service | 1,004 | 1,004 | 1,004 | 0 |
| Forensics | 861 | 861 | 835 | (26) |
| Maintenance Agreements | 363 | 363 | 375 | 12 |
| Computing | 720 | 720 | 536 | (184) |
| Surgeons & Medical Costs | 325 | 325 | 295 | (30) |
| Professional Fees | 567 | 567 | 778 | 211 |
| Other Equipment & Furniture | 278 | 278 | 271 | (7) |
| External Training, Seminars | 340 | 340 | 337 | (3) |
| Office Equipment & Expenses | 226 | 226 | 229 | 3 |
| Agency Staff | 14 | 14 | 25 | 11 |
| Other | 534 | 534 | 572 | 38 |
| Total Non-Pay | 38,810 | 38,810 | 39,663 | 853 |
| Total Expenditure | 120,565 | 120,565 | 123,657 | 3,092 |
| Memo Information | | | | |
| Major Incident Contingency | 676 | 676 | 1,030 | 354 |
| Major Incident Planned Operations | 123 | 123 | 127 | 4 |
| CDSOU | 5,849 | 5,849 | 5,539 | (310) |
| NERSOU | 1,365 | 1,365 | 1,365 | 0 |

Long Term Financial Plan (LTFP) 2016/17 to 2019/20 – Assessment of Risks

| Risk | Detail | Mitigation |
|---|--|--|
| Future year's funding cuts assumed in the LTFP are too low. | The Police settlement was one year only so no certainty about future funding at Force level has been received. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Changes to the future funding formulas for Police Forces. | <p>The Policing Minister is committed to reforming the police funding formula and will bring forward proposals for public consultation.</p> <p>The current assumptions do not factor in any adverse impact as a result of a revised formula.</p> <p>Current indications are that no changes will be made before 2018/19.</p> | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Pay awards are higher than those assumed in the LTFP. | <p>The LTFP assumes that pay will rise by 1% from September 2016.</p> <p>A movement of 1% would have an impact on pay and contracts of approximately £500k.</p> <p>In September it was agreed that all staff posts within the force would receive a 1% pay increase from the 01/09/16.</p> | <p>The Emergency Budget in 2015 announced that public sector pay increases would be capped at 1% for the following four years.</p> <p>In July 2016 the Home Secretary accepted in full the recommendations of the remuneration and salaries review bodies for Police Officers. These are in line with the assumptions in the LTFP.</p> |
| The cost of early retirements and voluntary/compulsory redundancies in 2016/17 is in excess of the earmarked reserve. | An earmarked reserve has been set up to cover the cost of the Strategic Intent programme. However, the range of individual payments varies greatly so this estimate is indicative rather than accurate. | The PCC has absorbed additional costs through the use of reserves and other income. |
| A higher than forecast level of costly major incidents. | The number and cost of major incidents in any one year is unpredictable. | <p>There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known.</p> <p>The PCC may absorb any additional costs in total or part through the use of reserves or other income.</p> |

| | | |
|---|---|---|
| <p>The continued acceleration of Police Officer and PCSO leavers above the planned profile outstripping our ability to recruit.</p> | <p>Pay budgets have been set based on assumptions in respect of officers and staff leaving and additional recruits being brought in. Should the number of leavers outstrip our ability to recruit this could result in capacity gaps and generate a material under spending.</p> | <p>An evidence based review of recruitment and training capacity has been undertaken and capacity is being increased to enable flexing of the plan.</p> <p>Should a capacity gap emerge, service levels will be delivered through targeted overtime and the continued employment of police staff investigators.</p> |
| <p>National mandation.</p> | <p>In recent years there has been national mandation of systems e.g. Pentip, resulting in unplanned costs to the Force.</p> | <p>There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known.</p> <p>The PCC may absorb any additional costs in total or part through the use of reserves or other income.</p> |
| <p>Police Pension Scheme 2015</p> | <p>National test case on new pension scheme with risk due to Gender/Race inequality.</p> <p>Cleveland has at present 48 claims from Police Officers. This case is not likely to be heard until 2017.</p> | <p>Cleveland has contributed to the NPCC legal defence of this case.</p> |
| <p>Employment Tribunals</p> | <p>Seven employment tribunals have been lodged against the Chief Constable over several years. The majority of the claims have been settled within the estimates made but one that has significantly exceeded the provision made. The potential consequence of this on the outstanding claims is currently being assessed but poses a potential financial risk.</p> | <p>More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.</p> |
| <p>Allard V the Chief Constable of Cornwall</p> | <p>A recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a significant financial pressure for forces nationally.</p> | <p>More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.</p> |

Appendix 4

| Changes to Capital Funding | Month Added | Change £000s |
|--|--------------------|------------------------|
| Funding Allocation in LTFP | | 8,132 |
| Schemes bfwd from 2015/16 | | 1,005 |
| Total Capital funding | | 9,137 |
| Cloud Services PIF - Unsuccessful Bid | May | (465) |
| Evidence Based Practice - PIF Unsuccessful Bid | May | (60) |
| Data Quality-Golden Nominal - PIF second year | May | 75 |
| Local Policing Review Additional Vehicles | June | 454 |
| ANPR Enhancement | Oct | 41 |
| Cloud Data Centre - revenue costs | Oct | (161) |
| NERSOU Accomodation | Mar | 354 |
| TASER Replacement | Mar | 150 |
| Provision for business cases | Mar | (22) |
| Funding allocation at Month 12 | | 9,503 |

Appendix 5

Capital Monitoring Statement to 31st March 2017

| | Annual Budget | Budget to Date | Actual to Date | Variance to Date |
|--|----------------|----------------|----------------|------------------|
| | £000s | £000s | £000s | £000s |
| Estates Schemes | | | | |
| Cleveland Community Safety Hub | 2,302.5 | 2,302.5 | 879.4 | (1,423.1) |
| Rewiring of North Ormesby | 17.0 | 17.0 | 12.4 | (4.6) |
| NERSOU Accomodation | 354.3 | 354.3 | 354.3 | 0.0 |
| Total Estates Schemes | 2,673.8 | 2,673.8 | 1,246.1 | (1,427.7) |
| Equipment Replacement | | | | |
| ANPR Server Upgrade | 41.4 | 41.4 | 41.4 | 0.0 |
| TSU Capital Expense | 11.1 | 11.1 | 11.1 | 0.0 |
| TASER Replacement | 150.1 | 150.1 | 150.1 | 0.0 |
| Total Equipment Schemes | 202.6 | 202.6 | 202.6 | 0.0 |
| ICT Schemes | | | | |
| Mobile Working | 33.2 | 33.2 | 10.6 | (22.6) |
| Public Service Network for Policing (PSNP) | 0.0 | 0.0 | 85.6 | 85.6 |
| Tape Back Up Technology Refresh | 40.0 | 40.0 | 35.7 | (4.3) |
| Telephony Refresh | 687.6 | 687.6 | 806.5 | 118.9 |
| Expansion of Storage Area Network / Information Life | 0.0 | 0.0 | (8.7) | (8.7) |
| WAN/PSSTN Firewalls | 104.1 | 104.1 | 104.1 | 0.0 |
| Additional Storage Capacity | 120.1 | 120.1 | 120.1 | 0.0 |
| Integrated Communications Control Systems | 700.0 | 700.0 | 54.6 | (645.4) |
| LAN Refresh/Remote Access Services/Mobile Access | | | | |
| Point Name | 465.0 | 465.0 | 0.0 | (465.0) |
| Blade Architecture | 250.0 | 250.0 | 8.8 | (241.2) |
| SQL Upgrade | 15.0 | 15.0 | 10.9 | (4.1) |
| IL4 Confidential Network | 155.0 | 155.0 | 0.0 | (155.0) |
| Oracle Upgrade | 150.0 | 150.0 | 1.7 | (148.3) |
| VMWare Manager | 50.0 | 50.0 | 0.0 | (50.0) |
| iMap Development | 12.0 | 12.0 | 11.1 | (0.9) |
| Control Room Docking Stations | 18.6 | 18.6 | 18.6 | 0.0 |
| Cloud Based Data Centre | 1,438.9 | 1,438.9 | 472.2 | (966.7) |
| Total ICT Schemes | 4,239.5 | 4,239.5 | 1,731.8 | (2,507.7) |
| Innovation Fund Schemes | | | | |
| Data Quality-Golden Nominal | 78.8 | 78.8 | 78.8 | 0.0 |
| Total Innovation Fund Schemes | 78.8 | 78.8 | 78.8 | 0.0 |
| Fleet Replacement | | | | |
| Write off / Uneconomical Repairs | 174.5 | 174.5 | 78.4 | (96.1) |
| Black Box Replacement | 151.6 | 151.6 | 38.5 | (113.1) |
| Fleet Replacement | 1,982.5 | 1,982.5 | 1,651.1 | (331.4) |
| Total Fleet Replacement | 2,308.6 | 2,308.6 | 1,768.0 | (540.6) |
| Provision for Business Cases | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL CAPITAL | 9,503.3 | 9,503.3 | 5,027.3 | (4,475.9) |



**Report of the Chief Finance Officer of the PCC
To the Police and Crime Commissioner for Cleveland**

26th July 2017

Status: For Information

2016/17 Budget Monitoring – Outturn Report for 2016/17

1. Executive Summary

1.1 Purpose of the Report

On the 24th February 2016 the PCC agreed the revenue Budget for 2016/17 which was based on the receipt of income totalling £133,260k. This report is to provide the PCC with the final position of the financial performance against the budget for the financial year 2016/17. 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 PCC.

2. Recommendations

The PCC is asked to note:

- 2.1 The Office of the PCC's budget of £850k has slightly over spent by £13k.
- 2.2 The Corporate Services budget, originally set at £8,550k, under spent by £48k.
- 2.3 The PCC received £2,749k of additional income during the year that resulted in increased expenditure over and above that which was envisaged when the budget was set.
- 2.4 The PCC received a further £285k of income in 2016/17 that was neither included within the original budget nor used during the year. This led to an under spend of the same amount within income.
- 2.5 The Force over spent by £3,092k which is covered in more detail elsewhere on today's agenda.
- 2.6 The Outturn before Reserves was an overspend of £1,902k
- 2.7 The budgeted support for the capital programme, of £2,225k was not possible given the reported overspend.

2.8 After taking into account all aspects of the financial performance, including transfers to the Capital programme and reserve movement the impact on the General Fund is that £313k more has been transferred to General Fund than originally planned.

3. Reasons

3.1 When setting the budget for the financial year 2016/17 the PCC allocated the income forecast to be received during the year, of £133,260k, into the following areas:

- £850k to run the Office of the PCC
- £8,850k for Corporate Services
- £2,810k to support PCC Initiatives and Victims and Witnesses Services
- £119,410k to the Police Force
- £2,225k to the Capital Programme

This will be supported by £885k from 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 £133,260k during 2016/17 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 2015/16 is also shown.

| 2015/16 Budget | In Year Changes | 2015/16 Revised Budget | 2015/16 Outturn | Variance | Summary of Income to be Received by the PCC | 2016/17 Budget | In Year Changes | 2016/17 Revised Budget | 2016/17 Outturn | Variance |
|------------------|-----------------|------------------------|------------------|--------------|---|------------------|-----------------|------------------------|------------------|--------------|
| £000s | £000s | £000s | £000s | £000s | Funding | £000s | £000s | £000s | £000s | £000s |
| (47,883) | 1,466 | (46,417) | (46,417) | 0 | Police Grant | (46,152) | 0 | (46,152) | (46,152) | 0 |
| (37,287) | (1,466) | (38,753) | (38,753) | 0 | RSG/National Non Domestic Rate | (38,532) | 0 | (38,532) | (38,532) | 0 |
| (85,170) | 0 | (85,170) | (85,170) | 0 | Government Grants | (84,684) | 0 | (84,684) | (84,684) | 0 |
| (30,590) | 0 | (30,590) | (30,590) | 0 | Precept | (31,642) | 0 | (31,642) | (31,641) | 1 |
| (800) | 0 | (800) | (800) | 0 | Council Tax Freeze Grant | (800) | 0 | (800) | (800) | 0 |
| (6,868) | 0 | (6,868) | (6,868) | 0 | Council Tax Support Grant | (6,868) | 0 | (6,868) | (6,868) | 0 |
| (38,258) | 0 | (38,258) | (38,258) | 0 | Precept related funding | (39,310) | 0 | (39,310) | (39,310) | 1 |
| (6,239) | (48) | (6,287) | (6,078) | 209 | Specific Grants | (6,506) | (373) | (6,879) | (6,675) | 204 |
| (2,153) | (1,670) | (3,822) | (4,564) | (741) | Partnership Income/Fees and Charges/Misc Income | (2,760) | (2,376) | (5,136) | (5,625) | (489) |
| (8,392) | (1,718) | (10,110) | (10,642) | (532) | Other Funding | (9,266) | (2,749) | (12,015) | (12,300) | (285) |
| (131,820) | (1,718) | (133,538) | (134,071) | (532) | Total | (133,260) | (2,749) | (136,009) | (136,294) | (285) |

3.3 In terms of overall income the PCC received £136,294k during 2016/17 this was £2,223k, or 1.7% higher than 2015/16.

3.4 The total income received was £3,034k (or 2.3%) more than the original 2016/17 budget was based on. It is therefore important to understand where this funding has come from.

3.5 Specific Grants

Around £170k less in Specific Grants, than originally budgeted for, were received in 2016/17. This was predominantly as a result of reducing levels of funding in relation to Counter Terrorism and Dedicated Security Posts resulting from some vacancies but also a national review of these areas and a reduction in funding providing to Cleveland for these areas of activity. This is expected to be an area that will see reduced funding in future years made available to Cleveland.

3.6 Other Income Streams

In total the PCC received £2,865k more in terms of 'Other Funding' than was expected when the original budget was set. Of this £2,376k was additional income that incurred additional expenditure and £489k was over recovery of income which generated an underspend.

3.7 The £2,376k of income, in this area, that increased the budget, were made up as follows:

- Capital Grant - £606k (Budget versus accounting treatment)
- Share of Capital Grant for New NERSOU building - £540k
- Capital Grant for upgrade of Control Room infrastructure - £515k
- Road Safety Funding - £239k
- Secondment Income - £140k
- Mutual Aid - £72k
- Other - £264k

3.8 The underspend recorded against 'Other Funding', as shown in the table at 3.2, of £489k, is made up of a number of areas but the main areas which contributed to the total were as follows:

- Innovation Grant Funding - £129k
- Mutual Aid - £23k – there are elements of costs incurred in providing Mutual Aid to other Police Forces that are done within 'Core' hours and as such don't incur any additional costs beyond those budgeted for. However as these are being provided to another Force then the costs are reimbursed.
- Legal Service income - £70k – the recovery of legal fees but also the ability to recover costs for Police Led Prosecutions has increased the fees recovered in this area.

- Income received from use of Police Custody Cells by Immigration generated £41k more than budgeted
- The costs reimbursed for providing CRB services was £59k higher than budgeted.
- The fees received in relation to the recovery of seized/abandoned vehicles was £160k higher than budget.
- Other various and numerous over and under recoveries totalled £7k.

3.9 The above movements and underspends will be kept under review during 2017/17 and incorporated in both forecasts for 2017/18 but also into budgeting for 2018/19 as appropriate.

3.10 The Office of the PCC

The 2016-17 budget of £850k for the Office of the PCC is split into the following areas:

| Original 2015/16 Budget | 2015-16 Outturn | 2015-16 Over/(Under) Spend | PCC Budget | Original 2016/17 Budget | Budget YTD | Spend YTD | Over/(Under) spend YTD |
|-------------------------|-----------------|----------------------------|---|-------------------------|------------|------------|------------------------|
| £000 | £000 | £000 | Category of Spend | £000 | £000 | £000 | £000 |
| 585 | 732 | 147 | Staff Pay and Allowances (Incl. NI and Pension) | 620 | 620 | 657 | 37 |
| 0 | 3 | 2 | Other Pay and Training | 5 | 5 | 18 | 13 |
| 1 | 1 | (0) | Premises | 0 | 0 | 0 | 0 |
| 293 | 262 | (31) | Supplies and Services | 262 | 262 | 238 | (23) |
| 11 | 12 | 1 | Transport | 11 | 11 | 13 | 2 |
| (40) | (172) | (132) | Miscellaneous Income | (48) | (73) | (89) | (16) |
| 850 | 837 | (13) | Total Budget | 850 | 825 | 838 | 13 |

3.11 The over spend on Staff Pay budgets resulted from the need to provide stability and cover within the team combined with a couple of one of costs.

3.12 The budget overall was slightly over budget with a £13k over spend. However as can be seen from the above 2015/16 saw an underspend of £13k and therefore across the 2 years the OPCC budget broke even.

3.13 Corporate Services

Corporate Services budgets include the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.

3.14 The Corporate Services budget for 2016/17 was set at £8,850k, as per the table below, however £189k was transferred to the Force to fund the Everyone Matters Programme and to cover the higher than budgeted contribution to NPAS given that the full level of savings were not passed through in 2016/17. Subsequent to this, £197k has been released from the PFI sinking fund, which is in place to deal with peaks in Lifecycle and Maintenance costs throughout the 25year Action Stations contract, to deal with the peak that happens in the 10th year of this PFI scheme.

3.15 There are also a number of changes that occur at the end of the financial year to ensure the 'proper' accounting treatment for the Capital element of the PFI projects which impacts on the 'Revised 2016/17 Budget' in the table below. These have had no impact on the outturn.

| Original 2015/16 Budget | Revised 2015/16 Budget | 2015/16 Outturn | 2015-16 Actual Over/(Under) | Corporate Services Budget | Original 2016/17 Budget | Revised 2016/17 Budget | Budget YTD | 2016/17 Outturn | 2016-17 Over/(Under) |
|-------------------------|------------------------|-----------------|-----------------------------|---|-------------------------|------------------------|--------------|-----------------|----------------------|
| £000s | £ | £000s | £000s | Category of Spend | £000s | £ | £000s | £000s | £000s |
| 195 | 195 | 186 | (9) | Staff Pay and Allowances (Incl. NI and Pension) | 295 | 253 | 253 | 241 | (12) |
| 39 | 39 | 90 | 51 | Supplies and Services | 39 | 39 | 39 | 195 | 156 |
| 1 | 1 | 1 | 0 | Transport | 1 | 1 | 1 | 1 | (0) |
| 1,735 | 583 | 554 | (29) | PFI - Urlay Nook | 1,770 | 555 | 555 | 552 | (3) |
| 5,070 | 1,566 | 1,565 | (1) | PFI - Action Stations | 5,120 | 1,787 | 1,787 | 1,614 | (173) |
| 1,950 | 5,802 | 5,767 | (35) | Asset Management | 1,625 | 5,268 | 5,268 | 5,252 | (16) |
| 8,990 | 8,186 | 8,163 | (23) | Total Budget | 8,850 | 7,903 | 7,903 | 7,855 | (48) |

3.16 The overall spend within Corporate Service in 2016/17 was £308k (or 3.7%) lower than in 2015/16 as these budgets are squeezed as much as possible.

3.17 The overall underspend of £48k shows how tightly managed these budgets are.

3.18 PCC Initiatives and Victims and Witnesses Services

The PCC allocated a budget of £2,810k to support Community Safety and PCC Initiatives and deliver Victims and Witnesses services during 2016/17. £2,077k was allocated to the Community Safety and PCC Initiatives budget and £733k to Victims and Witnesses Services. The outturn position as at the end of March 2017 is as per the below table:

| | Original 2016/17 Budget | Current 2016/17 Budget | Actual Spend 2016/17 | Actual Over/(Under) spend YTD |
|--|-------------------------|------------------------|----------------------|-------------------------------|
| PCC Initiatives and Victims and Witnesses | £000s | £000s | £000s | £000s |
| PCC Initiatives | 2,077 | 1,901 | 821 | (1,080) |
| Victims and Witnesses Services | 733 | 876 | 980 | 104 |
| Community Safety Fund | 0 | 150 | 264 | 114 |
| Total Budget | 2,810 | 2,927 | 2,065 | (862) |

3.19 The £2,077k allocated to PCC initiatives included £750k, to be spent in the second half of the financial year, to increase investment to reduce harm and strengthen communities across the Cleveland Police area. The increases in Police Officers, Police Staff and PCSOs to deliver this investment did not occur during the financial year and therefore the full £750k remained unspent and was the main contributor to the underspend in this area.

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 initially allocated a budget of £119,410k for 2016/17; this has increased by £1,155k, to £120,565k in line with decisions made by the PCC throughout the year and some normal year end accounting adjustments. The summary of how this was forecast to be spent, including actual outturns and over/(under) spends are included in the table below:

| | Original 2016/17 Budget | Revised 2016/17 Budget | Actual Spend in 2016/17 | 2016/17 Actual (Under)/ Overspend |
|---|--|---------------------------------------|--|--|
| Police Force Financial Summary | | | | |
| Police Force Planned Expenditure | £000s | £000s | £000s | £000s |
| Pay | | | | |
| Police Pay | 66,769 | 66,923 | 68,862 | 1,940 |
| Police Overtime | 1,575 | 1,777 | 2,055 | 278 |
| Staff Pay | 7,949 | 8,917 | 8,935 | 18 |
| Police Community Support Officer Pay | 4,077 | 4,072 | 3,840 | (233) |
| Pay Total | 80,370 | 81,689 | 83,692 | 2,003 |
| Major Contracts | | | | |
| Outsourcing Contract | 18,395 | 17,667 | 17,665 | (2) |
| Custody and Medical Contract | 3,190 | 3,167 | 3,034 | (133) |
| Major Contracts Total | 21,585 | 20,835 | 20,699 | (135) |
| Non-Pay Budgets | | | | |
| Other Pay and Training | 287 | 453 | 592 | 140 |
| Injury and Medical Police Pensions | 2,775 | 3,073 | 2,475 | (598) |
| Premises | 3,740 | 3,949 | 3,707 | (242) |
| Supplies and Services | 6,423 | 6,403 | 8,175 | 1,772 |
| Transport | 1,635 | 1,574 | 1,558 | (16) |
| External Support | 2,595 | 2,589 | 2,759 | 170 |
| Non-Pay Total | 17,455 | 18,042 | 19,267 | 1,225 |
| Total Planned Force Expenditure | 119,410 | 120,565 | 123,658 | 3,092 |

- 4.2 The overall overspend on the Force budget was £3,092k, this was £2,692k higher than the forecast position.
- 4.3 Throughout the year the Force had highlighted that there were a number of risks to this forecast position including the following:
- A number of tribunals have been lodged against the Chief Constable over several years. Although a number have been settled, there is still a potential impact from those outstanding.
 - A recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a significant financial pressure for forces nationally. The impact of this locally is currently being assessed.

4.4 Provisions totalling £2.5m have therefore been included within the reported outturn figures to allow for these risks.

4.5 Full details of the expenditure of the Force and the financial performance against their plans are outlined elsewhere on today's agenda.

4.6 Outturn before Reserves

As a result of the overspend of £3,092k within the Force then the overall position of the organisation before the use of reserves was a £1.9m overspend against the budget set for 2016/17 after the agreed amendments in year.

4.7 Reserves

It was planned that £2,225k would be provided to the Capital Programme to support the Capital Investment plans during 2016/17 however given the significant level of overspend in 2016/17, which could not be funded through the General Fund, given the expected and planned use of this within the LTFF, it has not been possible to provide this support.

4.8 As a result of not being able to provide this support to the Capital programme, it is likely that the PCC will need to borrow more in future years, and set aside more of the revenue budget to fund the Capital charges resulting from this.

4.9 This will result in less funding being available to the Force in future years. It has been agreed that the savings from the recently re-tendered Custody contract will be used to enable this to happen without impacting on the Force's existing savings targets.

4.10 In addition to this the 2016/17 budget was to be supported by £885k from Reserves. This was made up of the following transactions:

- £40k to the PFI Reserve.
- £1,550k from the General Fund.
- £625k to Earmarked Reserves to support strategic contract transformation costs.

4.11 In terms of General Fund, changes to the accounting for the Strategic Contract changes in 2015/16 required the £625k to be transferred to the General Fund, therefore this addition of £625k and the planned release of £1,550k, as set out in the budget, was planned to have reduce the General Fund Balance to £7,703k by the end of 2016/17. However the small underspend of £313k has increased this to £8,016k as shown below.

| General Fund Balance | |
|--|----------------|
| | £000 |
| Balance as at 1st April 2016 | (8,627) |
| Planned reduction in Reserves during 2016/17 | 925 |
| 2016/17 Underspend | (313) |
| Total General Fund Balance at 31st March 2017 | (8,016) |

4.12 The implications from the use of these reserves will be picked up as part of in year revisions to the LTFF and as part of the budget monitoring process in 2017/18.

4.13 The movements in Earmarked Reserves are set out in the table below. The overall balance of these reserves has decreased by £206k during 2016/17.

| | Balance at 31 March 2016 £000 | Tranfers In 2016/17 £000 | Tranfers Out 2016/17 £000 | Balance at 31 March 2017 £000 |
|-----------------------------------|--|---|--|--|
| Direct Revenue Funding of Capital | (3,228) | (174) | 161 | (3,241) |
| Injury Pension Reserve | (640) | | 320 | (320) |
| PFI Sinking Fund | (295) | (40) | 197 | (138) |
| Incentivisation Grant | (193) | (79) | | (271) |
| Specials | (39) | | 39 | 0 |
| Urray Nook TTC | (81) | | | (81) |
| NERSOU | (3) | (150) | | (153) |
| Estates Reserve | (173) | | 173 | 0 |
| Job Evaluation Reserve | (550) | | | (550) |
| Police Property Act Fund | (17) | (45) | 19 | (43) |
| ER/VR/CR Reserve | 0 | (625) | 625 | 0 |
| Community Safety Initiatives Fund | (600) | | 150 | (450) |
| Road Safety Initiatives Fund | (449) | (239) | 59 | (629) |
| Collaboration Reserve | (204) | (185) | | (389) |
| Revenue Grants Unapplied | (137) | | 0 | (137) |
| Total Earmarked Reserves | (6,607) | (1,537) | 1,743 | (6,401) |

4.14 In total, at the end of 2016/17, the PCC has 'Usable' Reserves of £14,416k which is £819k lower than the £15,235k that was reported at the end of 2015/16.

5. Overall Revenue Outturn

5.1 The follow table summarises the finances of the PCC for 2016/17 showing the original budget, the revised budget, spend against the revised budget and ultimately the (under) and over spends against the revised budget.

| | Original 2016/17 Budget | Revised 2016/17 Budget | Actual Spend in 2016/17 | 2016/17 Actual (Under)/ Over spend |
|--|-------------------------------|------------------------------|-------------------------------|---|
| Funding | £000s | £000s | £000s | £000s |
| Government Grant | (84,684) | (84,684) | (84,684) | 0 |
| Council Tax Precept | (31,642) | (31,642) | (31,641) | 1 |
| Council Tax Freeze Grant | (800) | (800) | (800) | 0 |
| Council Tax Support Grant | (6,868) | (6,868) | (6,868) | 0 |
| Funding for Net Budget Requirement | (123,994) | (123,994) | (123,994) | 1 |
| Specific Grants | (6,506) | (6,879) | (6,675) | 204 |
| Partnership Income/Fees and Charges | (2,760) | (5,135) | (5,625) | (490) |
| Total Funding | (133,260) | (136,008) | (136,294) | (286) |
| Office of the PCC Planned Expenditure | £000s | £000s | £000s | £000s |
| Staff Pay | 620 | 620 | 657 | 37 |
| Non Pay Expenditure | 230 | 205 | 180 | (25) |
| Total Planned Expenditure | 850 | 825 | 838 | 13 |
| PCC Initiatives/ Victims and Witness | £000s | £000s | £000s | £000s |
| PCC Initiatives | 2,077 | 2,051 | 1,085 | (965) |
| Victims and Witnesses Services | 733 | 876 | 980 | 104 |
| Total Planned Expenditure | 2,810 | 2,927 | 2,065 | (862) |
| Corporate Costs | £000s | £000s | £000s | £000s |
| Staff Pay | 295 | 253 | 241 | (12) |
| Non Pay Expenditure | 40 | 40 | 196 | 155 |
| PFI's | 6,890 | 2,342 | 2,165 | (177) |
| Asset Management | 1,625 | 5,268 | 5,252 | (16) |
| Total Corporate Costs | 8,850 | 7,903 | 7,855 | (48) |
| Police Force Planned Expenditure | £000s | £000s | £000s | £000s |
| Police Pay | 66,769 | 66,923 | 68,862 | 1,940 |
| Police Overtime | 1,575 | 1,777 | 2,055 | 278 |
| Staff Pay | 7,949 | 8,917 | 8,935 | 18 |
| Police Community Support Officer Pay | 4,077 | 4,072 | 3,840 | (233) |
| Pay Total | 80,370 | 81,689 | 83,692 | 2,003 |
| Major Contracts Total | 21,585 | 20,835 | 20,699 | (135) |
| Non-Pay Budgets | | | | |
| Other Pay and Training | 287 | 453 | 592 | 140 |
| Injury and Medical Police Pensions | 2,775 | 3,073 | 2,475 | (598) |
| Premises | 3,740 | 3,949 | 3,707 | (242) |
| Supplies and Services | 6,423 | 6,403 | 8,175 | 1,772 |
| Transport | 1,635 | 1,574 | 1,558 | (16) |
| External Support | 2,595 | 2,589 | 2,759 | 170 |
| Non-Pay | 17,455 | 18,042 | 19,267 | 1,225 |
| Total Planned For ce Expenditure | 119,410 | 120,565 | 123,658 | 3,092 |
| (Surplus)/ Deficit | £000s | £000s | £000s | £000s |
| (1,340) | (3,788) | (1,879) | 1,910 | |
| Planned Transfers to/(from) General Fund | (1,550) | (383) | (383) | 0 |
| Contribution to Capital Programme | 2,850 | 4,132 | 1,909 | (2,223) |
| Planned Transfers to/(from) Earmarked Reserves | 40 | 40 | 40 | 0 |
| Net (Surplus)/Deficit After Reserves | 0 | 0 | (313) | (313) |

6. Implications

6.1 Finance

There are no financial implications other than those mentioned above.

6.2 Diversity & Equal Opportunities

There are no issues arising from this report to bring to the attention of the PCC.

6.3 Human Rights Act

There are no Human Rights Act implications arising from this report.

6.4 Sustainability

This report is part of the process to establish sustainable annual and medium term financial plans and maintain prudent financial management.

6.5 Risk

The 2016/17 accounts have not yet been Audited and therefore the outturn within this report is subject to any amendments that result from that process

7. **Conclusion**

7.1 The proposed 2016/17 budget underpinned the PCC's objectives of:

- Retain and develop Neighbourhood Policing
- Ensure a better deal for victims and witnesses
- Divert people from offending, with a focus on rehabilitation and the prevention of reoffending
- Develop better coordination, communication and partnership between agencies to make the best use of resources
- Working for better industrial and community relations

On the face of it the overall outturn of a £313k underspend for 2016/17 is an excellent position. However this outturn has only been achieved as a result of not transferring a planned £2,225k into the Capital Programme and the delays to the delivery of the resources to support the investment in Neighbourhood Policing, resulting in a £750k underspend in this area.

While the outturn is overall in line with expectations from a Revenue perspective as referenced in the report not been able to transfer the £2,225k into the Capital Programme will have an impact on the financial plans for the next 4/5 years. The impact on the 2016/17 on future plans will be set out in the next update of the LTFP.

Michael Porter
PCC Chief Finance Officer

FINAL

Report of the Chief Finance Officer to the Chief Constable

18th July 2017



CLEVELAND POLICE

Corporate Financial Monitoring Report to 30th June 2017

Introduction

This report provides assurance that the revenue and capital plans for 2017/18 are being delivered, that financial risks to the plan are being monitored and managed, and that remedial action is being taken where necessary.

Summary Headlines

The tables below set out the forecast outturn position as at 30th June 2017. The forecast incorporates the impact of actions agreed to deliver financial targets.

Budget Monitoring Summaries to 30th June 2017

The overall year-end forecast is an overspend of £300k.

| Revenue | Annual Budget | Forecast Outturn | | Previous Forecast | Change |
|-----------------------------------|----------------|------------------|-------------|-------------------|-------------|
| | £000s | £000s | % | £000s | £000s |
| Pay Budgets | | | | | |
| Police Pay & Allowances | 68,137 | 150 | 0.2% | 200 | (50) |
| PCSO Pay & Allowances | 4,147 | 0 | 0.0% | 0 | 0 |
| Staff Pay & Allowances | 9,797 | 0 | 0.0% | 0 | 0 |
| Total Pay & Allowances | 82,081 | 150 | 0.2% | 200 | (50) |
| Total Non-Pay Budgets | 37,402 | 150 | 0.4% | 100 | 50 |
| Total Expenditure | 119,483 | 300 | 0.3% | 300 | 0 |

The LTFP for 17/18 assumed a contingency for savings of £500k. The Financial Sustainability Plan highlights areas that are to be assessed including reviewing areas of work that have yet to be reviewed in detail, management structure reviews, the review of non-pay expenditure lines as well as workforce modernisation. Work is underway already to identify the £500k required in this financial year but unknown pressures have already been identified which has meant further work now has to be undertaken.

The in-year insurance costs have increased by over £200k due to the recent Ogden Ruling (Appendix 7 for further details) and the new commercial Sopra Steria contract has seen an in year rise in costs due to inflationary pressures of approximately £120k. This cost has been reduced due to prior year credits resulting in a pressure of £70k.

Work will continue throughout the year to manage the savings requirement and to ensure we are in the best financial and operational position for the more challenging financial years ahead.

Capital Monitoring Statement to 30th June 2017

| Capital | Annual Budget | Forecast Outturn | | Previous Forecast | Change |
|------------------------------|---------------|------------------|-------------|-------------------|-----------|
| | £000s | £000s | % | £000s | £000s |
| Estates Schemes | 12,214 | 0 | 0.0% | 0 | 0 |
| Equipment Replacement | 350 | 0 | 0.0% | 0 | 0 |
| ICT Schemes | 3,073 | 50 | 1.6% | 0 | 50 |
| Fleet Replacement | 1,996 | 0 | 0.0% | 0 | 0 |
| Innovation Fund Schemes | 0 | 0 | 0.0% | 0 | 0 |
| Provision for Business Cases | 10 | 0 | 0.0% | 0 | 0 |
| Total Capital | 17,643 | 50 | 0.3% | 0 | 50 |

As can be seen from the table above the forecast as at the end of June is for capital expenditure is for a small overspend of £50k. At present there has been 5 schemes totalling £335k which have been identified as being deferrable and will be re-provided for in 2018/19 through a revised business case.

- The electrical work at Stockton HQ with a budget of £40k has been deferred due to other priorities within the Estates team.
- £30k of saving identified from the 2017/18 Fleet replacement programme.
- £40k in connection to the CoreVet schemes.
- £20k in connection with the Livelinks (CJS)
- £205k in connection with the IL4 confidential network.

ICT have indicated that all of their remaining schemes are achievable in this financial year. Close financial monitoring will continue to ensure that this delivered.

Revenue Budget

On 27th February 2017, the PCC allocated the Force a revenue budget of £119,835k for 2017/18. Changes to the budget are set out at Appendix 1 resulting in a revised budget of £119,483k. A detailed analysis of expenditure for the year is given at Appendix 2.

Key Risks

The key risks to the delivery of a balanced revenue budget were set out in the LTFP and are restated at Appendix 3. These risks will be monitored at least monthly through the year. The major risks are:

- The Chief Constable of Cleveland currently has 93 claims lodged against him with the Central London Employment Tribunal in respect of the challenge to the Police Pension Scheme 2015. The claims are in respect of alleged unlawful discrimination arising from the Transitional Provisions in the Police Pension Regulations 2015. The Tribunal is unlikely to consider the substance of the claims until later in 2017.

- The number and cost of historic case reviews in any one year is unpredictable.
- The Employment Tribunal ruling that the use of Regulation A19 was discriminatory was successfully upheld by the Court of Appeals. However, the Staff Side have applied to the Supreme Court for leave to appeal the ruling.

Police Pay & Allowances

The forecast year-end position against the police pay budget is for a breakeven position.

The budget was set on the basis of having an average of 1,274 FTE police officers throughout the year with a changing number each month in accordance with the leaver and recruitment profiles. This is split 1114 FTE in Core Policing and 160 in collaborations. As at the 30th June the total number of officers in post is 1,291 FTE with 1141 FTE in Core Policing, 27 FTE above the Core Policing budget and 150 FTE in collaborations. The PCC holds funding for an additional 6 FTE roles that have been agreed to enhance neighbourhood policing, which is being called down as of June 2017.

| Core Police Officer Attrition | As At 30/06/17 | Forecast to March | As At 31/03/17 Total | To 31/03/18 LTFP | Variance to LTFP |
|-------------------------------|----------------|-------------------|----------------------|------------------|------------------|
| LTFP at 1st April | 1130 | | 1130 | 1114 | 16 |
| Retirements | -10 | -45 | -55 | -50 | -5 |
| Medical Retirements | -2 | -6 | -8 | -8 | 0 |
| Other Leavers | -4 | -13 | -17 | -12 | -5 |
| Recruitment | 27 | 32 | 59 | 70 | -11 |
| Total | 1141 | -32 | 1109 | 1114 | -5 |

The change in the forecast year end position from a £200k overspend in Period 2 to breakeven at the end of June is a result of;

- 3 Officers retiring earlier than anticipated saving £100k this year,
- 8 Officers opting out of the Police Pension schemes saving £60k,
- £20k saving on Maternity pay, and
- £20k saving on Officers reducing their hours

The current variance against Police Officer overtime is £297k over budget to date, with a forecasted year end position of £150k overspend. This is partly due to the extra patrols linked with the recent Manchester & London incidents. It has been confirmed that the costs of extra patrols which accounts for approximately £50k will not be recovered from the Government and Business Partners will work hard with Budget Holders to reduce any unnecessary overtime in order to bring the spend back into a manageable position.

Police Community Support Officers Pay & Allowances

The forecast year-end position against the PCSO pay budget is for a breakeven position.

The budget was set on the basis of having an average of 132 FTE PCSOs (plus an additional 16 FTE funded by the PCC) throughout the year. The PCSO pay budget was set based on having 126 FTE officers in post at 1st April with a changing number each month in accordance with the leaver and recruitment profiles.

The actual number of PCSOs in post as at 30th June was 125 FTE, which matches the assumed position in the LTFP for this point in the year.

The PCC holds funding for an addition 16 FTE roles that have been agreed to enhance neighbourhood policing. This funding will be called down when the PCSOs are in post. Current projections show that this will be commencing in October 2017. This will bring the forecasted establishment for PCSOs to 151 FTE by the end of the financial year.

| PCSO Attrition | As At 30/06/17 | Forecast to March | As At 31/03/18 Total | To 31/03/18 LTFP | Variance to LTFP |
|-------------------|----------------|-------------------|----------------------|------------------|------------------|
| LTFP at 1st April | 124 | | 124 | 122 | 2 |
| Leavers | -7 | -6 | -13 | -12 | -1 |
| Recruitment | 8 | 32 | 40 | 48 | -8 |
| Total | 125 | 26 | 151 | 158 | -7 |

Police Staff

The forecast year-end position against the police staff pay budget is for a breakeven position.

The staff pay budget was set based on having 285 FTE police staff in post at the 1st April (plus an additional 21 FTE funded by the PCC) with a reducing number of staff each month in accordance with assumptions in respect of starters and leavers and the end of fixed term contracts. As at the 30th June actual FTE in post were 281. This includes 13 of the 21 additional posts that the PCC holds funding for to enhance neighbourhood policing. The funding for this post is being called down from the PCC, with the remaining 8 posts to be filled in July & August.

The recruitment for the other vacant posts identified in the budget is underway with the majority now filled, along with additional posts that have been agreed at the Towards 2020 board as part of workforce modernisation with forecasted start dates throughout the year.

Non-Pay Budgets

The forecast year-end position against the non-pay budget is an overall overspending of £150k.

The major variances are set out below:

Sopra Steria -£70k overspend

The forecasted year-end position is an overspend of £70k due to post implementation inflationary factors identified as part of the strategic contract that was brought in during 2016/17 financial year.

Premises, Fuel, Light and Power £150k underspending

The forecasted year-end position is an underspend of £150k due to the savings identified in association with the running costs of the Learning and Development Centre as a result of a delays in the refurbishment work. This has resulted in the planned occupation of the building being delayed until January 2018. This equates to a £60k underspend. The other £90k underspend are savings identified by the Estates Team due to capacity issues whilst they prioritise the work associated with bringing the CSH on line within the timeframes required.

Custody

The forecasted year-end position is for an overspend of £25k due to the new contract price for the outsourced medical services.

Insurance £200k overspending

The forecasted year-end position for insurance is an overspend of £200k. This is due to the increase in the renewal premiums as a result of the Ogden ruling that took effect from the end of March 2017 and has had a major impact on our insurance premiums in regards of our public and employer liability premiums.

Professional Fees - £60k overspending

The forecasted year-end position is for an overspending of £60k against professional fees as a result of the costs associated with the employment tribunals and Barristers fees.

Collaborations

A detailed analysis of the expenditure split for the collaborations in the year is given at Appendix 6.

Cleveland, Durham and North Yorkshire Dogs Unit (CDNYDU)

The Cleveland budget for the joint unit was £862k. The forecasted year-end position is for breakeven.

Cleveland Durham Specialist Operations Unit (CDSOU)

The Cleveland budget for the joint unit was £5,057k. The forecasted year-end position at worst case scenario is for an overspend of £210k, but this is likely to reduce with delays in recruitment to approximately £100k, of which Cleveland's liability would be in the region of

£50k. This has been a change from the previous period due to an agreement reached between the 2 forces to release 8 vacant posts within RPU.

Cleveland and North Yorkshire Major Incident Team (CNYMIT)

The Cleveland budget for the joint unit was £1,760k. The forecasted year-end position is for breakeven.

North East Region Specialist Operations Unit (NERSOU)

The Cleveland budget for NERSOU was set at £1,834k. The forecasted year-end position for NERSOU is to breakeven.

National Police Air Services (NPAS)

The Cleveland budget for NPAS was set at £826k. The forecasted year-end position for NPAS is to breakeven.

Capital Budget

On 27th February 2017, the PCC allocated the Force a capital budget of £14,615k for 2017/18. 2 Schemes totalling £429k were utilised from this budget in 2016/17. In addition, schemes totalling £3,792k were brought forward from 2016/17 bringing the approved 2017/18 budget to £17,978k. Changes approved by the PCC (or the Chief Constable's CFO under delegated authority) in year resulting in a revised capital budget of £17,643k are set out at Appendix 4, with a full breakdown of schemes shown at Appendix 5.

Key Risk

The key risk to delivery of the capital programme has been slippage against the delivery plan. Although funding is earmarked for each scheme and can be re-provided the following year, the resources required to deliver the schemes in the new financial year places a greater burden on the delivery teams. £1.8m of ICT capital budget was brought forward from 2016/17 across 3 schemes that were not fully completed in 2016/17. Of the 2017/18 ICT programme 34% (£1.12m) is profiled for the last 3 months of the year, raising concerns on the timing of the delivery of the associated schemes.

ICT have been challenged on their capital programme and its ability to be completed. They have confirmed that the projects are achievable within the timeframes set, but updates are being sought from them in regards to this matter.

Update on Key Schemes

Points to note are:

Cleveland Community Safety Hub (CCSH)

Building works for the CCSH commenced in March and the building is planned to be operational in September/October 2018. The budget is closely monitored by the Project Board and expenditure follows contractual obligations which have now been re-phased to mirror the changes in the scope of the scheme. The majority of this year's budget is linked to the construction and IT infrastructure, with current spending mirroring the re-phased budget.

Other Estates Schemes

Learning & Development Centre

Following discussions with the Fire Brigade, the issues with the Asbestos Removal and Gas supply pipe have now been resolved with no additional costs to the Capital scheme. Purchase orders are to be raised and work to commence on the refurbishment programme in the next couple of months with the aim for the majority of the work to be completed by the end of the calendar year.

Stockton HQ Rewire

It has been agreed that this programme of work with a £40k budget will be deferred until 2018/19.

Billingham Rewire

The rewire of Billingham will be affected by the refurbishment work due to the relocation of Stores & Printing teams. The full extent of this work is being assessed, with the potential for parts of this scheme being deferred until 2018/19.

ICT schemes

As in previous years the complexities involved with the CCSH and the ICT requirements will have an effect on the delivery of the key ICT schemes.

LAN Refresh (Non HQ)

The majority of the scheme is now completed with £461k of the £465k budget spent. Final invoices in connection with the resourcing elements are being chased.

Oracle Upgrade

A health check of the Oracle system has been commissioned to ascertain the requirements and associated risks needed to maintain or upgrade the system. The findings of the review are expected in July when this will be reported back to the force for a decision on the future capital spends.

Blade Architecture

An order for the Blade servers was raised in early June. This project is expected to be completed by the end of September 2017.

ICCS

A revised option paper was presented to the Towards 2020 board to assess the cost and risk involved. The recommended option of installing the ICCS system in the CSH would result in a delay in the implementation of the scheme and an overall forecasted overspend of £50k, with a proportion of the costs to be deferred until 2018/19. Discussions are now underway with the supplier to determine the payment profile across the 2 financial years.

IL4 Confidential Network

ICT and the Information Security Manager have confirmed that there is no risk in deferring this scheme until 2018/19. The future of the IL4 Confidential Network beyond 2018 needs to be re-assessed within Cleveland by ICT and an up to date business case with revised costs and requirements will be submitted for 2018/19.

Cloud Based Data Centre

Work on the cloud based data centre is progressing in line with the CCSH development and forecast to be delivered during 2017/18.

Fleet Replacement

Of the remaining 6 vehicles from the fleet replacement programme for 2016/17 that had not been received at the end of the financial year 2 were received in April, 2 of the 3 PSU vans have been ordered with the third PSU van to be created through a conversion of a Dog PSU carrier. The other vehicle might not be required this financial year.

Of the 2017/18 fleet programme, all of the vehicles have been ordered. Five have been received and the remaining are to be delivered during the financial year.

Joanne Gleeson
Chief Finance Officer
19th July 2017

Appendix 1

| Changes to Revenue Funding | Decision Ref | Month Added | Change |
|--------------------------------------|---------------------|--------------------|------------------|
| | | | £000s |
| Initial Funding Allocation | | | 119,835.0 |
| Camera Safety Partnership | | | 63.0 |
| Custody Contract | | | (415.0) |
| Funding allocation at Month 3 | | | 119,483 |

Appendix 2

Budget Monitoring Statement to 30th June 2017

| | Annual Budget | Budget to Date | Actual to date | Variance to Date | Forecast Outturn |
|--|------------------|-------------------|-------------------|---------------------|---------------------|
| | £000s | £000s | £000s | £000s | £000s |
| Pay Budgets | | | | | |
| Police Pay & Allowances | 66,741 | 16,523 | 16,633 | 110 | 0 |
| Police Overtime | 1,396 | 477 | 774 | 297 | 150 |
| Total Police Pay & Allowances | 68,137 | 17,000 | 17,407 | 407 | 150 |
| PCSO Pay & Allowances | 4,142 | 1,036 | 984 | (52) | 0 |
| PCSO Overtime | 5 | 1 | 0 | (1) | 0 |
| Total PCSO Pay & Allowances | 4,147 | 1,037 | 984 | (53) | 0 |
| Staff Pay & Allowances | 9,728 | 2,432 | 2,500 | 68 | 0 |
| Staff Overtime | 69 | 17 | 20 | 3 | 0 |
| Total Staff Pay & Allowances | 9,797 | 2,449 | 2,520 | 71 | 0 |
| Total Pay & Allowances | 82,081 | 20,486 | 20,911 | 425 | 150 |
| Non Pay Budgets | | | | | |
| Sterial Charges | 17,162 | 4,291 | 4,158 | (133) | 70 |
| Premises | 3,591 | 897 | 878 | (19) | (150) |
| Custody | 2,543 | 740 | 822 | 82 | 25 |
| Other Police Pension Costs | 2,457 | 614 | 705 | 91 | 0 |
| Transport | 1,576 | 394 | 295 | (99) | 0 |
| External Support | 1,359 | 352 | 179 | (173) | 0 |
| National IT Charges | 872 | 206 | 185 | (21) | 0 |
| Insurance | 990 | 247 | 461 | 214 | 200 |
| Change & Contingency | 635 | 159 | 7 | (152) | (55) |
| Communications | 796 | 199 | 120 | (79) | 0 |
| National Police Air Service | 391 | 98 | 98 | 0 | 0 |
| Forensics | 817 | 204 | 192 | (12) | 0 |
| Maintenance Agreements | 289 | 72 | 66 | (6) | 0 |
| Computing | 918 | 230 | 249 | 19 | 0 |
| Surgeons & Medical Costs | 291 | 73 | 67 | (6) | 0 |
| Professional Fees | 687 | 172 | 213 | 41 | 60 |
| Other Equipment & Furniture | 652 | 163 | 106 | (57) | 0 |
| External Training, Seminars | 834 | 208 | 162 | (46) | 0 |
| Office Equipment & Expenses | 237 | 59 | 33 | (26) | 0 |
| Agency Staff | 15 | 4 | 1 | (3) | 0 |
| Other | 434 | 108 | 66 | (42) | 0 |
| Savings Programme | (445) | (70) | 0 | 70 | 0 |
| Uniform | 301 | 75 | 146 | 71 | 0 |
| Total Non-Pay | 37,402 | 9,495 | 9,209 | (286) | 150 |
| Total Expenditure | 119,483 | 29,981 | 30,120 | 139 | 300 |
| Memo Information | | | | | |
| CDNYDU | 862 | 215 | 204 | (11) | 0 |
| CDSOU | 5,057 | 1,268 | 1,217 | (51) | 50 |
| CNYMIT | 1,760 | 418 | 311 | (107) | 0 |
| NERSOU | 1,834 | 455 | 420 | (35) | 0 |
| NPAS | 826 | 206 | 217 | 11 | 0 |

**Appendix 3
Long Term Financial Plan (LTFP) 2017/18 to 2020/21 – Assessment of Risks**

| Risk | Detail | Mitigation |
|---|--|--|
| Future year's funding cuts assumed in the LTFP are too low. | The Police settlement was one year only so no certainty about future funding at Force level has been received. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Changes to the future funding formulas for Police Forces. | The Policing Minister is committed to reforming the police funding formula and will bring forward proposals for public consultation. The current assumptions do not factor in any adverse impact as a result of a revised formula. Based on what is currently known of the proposals, this is a prudent assumption; however, it does present a potential risk. Current indications are that no changes will be made before 2018/19. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Pay awards are higher than those assumed in the LTFP. | The LTFP assumes that pay will rise by 1% from September 2017. A movement of 1% would have an impact on pay and contracts of approximately £500k. | The Emergency Budget in 2015 announced that public sector pay increases would be capped at 1% for the following four years. |
| The costs of Job Evaluation is in excess of the budget and earmarked reserve. | An earmarked reserve has been set up to cover the cost of implementation. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| A higher than forecast level of costly major incidents. | The number and cost of major incidents in any one year is unpredictable. | There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known. The CNY Joint MIT has introduced additional resilience into the system. The PCC may absorb any additional costs in total or part through the use of reserves or other income. |
| The continued acceleration of Police Officer and PCSO leavers above the | Pay budgets have been set based on assumptions in respect of officers and staff leaving and | Should a capacity gap emerge, service levels will be delivered through targeted overtime and the |

| | | |
|---|---|--|
| planned profile outstripping our ability to recruit. | additional recruits being brought in. Should the number of leavers outstrip our ability to recruit this could result in capacity gaps and generate a material under spending. | continued employment of police staff investigators. |
| National mandation. | In recent years there has been national mandation of systems e.g. Pentip, resulting in unplanned costs to the Force. | There is sufficient flexibility in the plan to absorb some additional costs depending on the magnitude and the time of year the issue becomes known. The PCC may absorb any additional costs in total or part through the use of reserves or other income. |
| Police Pension Scheme 2015 | National test case on new pension scheme with risk due to Gender/Race inequality | Cleveland has contributed to the NPCC legal defence of this case. Cleveland has at present 93 claims from Police Officers. This case is not likely to be heard until 2017. |
| Employment Tribunals | An earmarked reserve has been set up to cover the cost of implementation. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Allard V the Chief Constable of Cornwall | A recent court determination in the case of Allard v the Chief Constable of Cornwall in respect of historic on-call payments for specific staff groups has the potential to create a significant financial pressure for forces nationally. | More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration. |
| Historic Case Reviews | Further work will be take place in regards to historic case reviews following the establishment of the Cold Case Unit within the CNYMIT. | More radical options will be developed including further reductions in officers, PCSO and staff numbers and the use of further interforce collaborations. |
| Employment Tribunal ruling that A19 retirements are unlawful due to age discrimination. | Cleveland has 49 appeals by ex-officers that are currently stayed pending the appeal hearing. Any damages awarded by the Tribunal may be of sufficient magnitude to result in the General fund support to revenue not being available and future allocations being reduced. Although, the recent Court of Appeals Tribunal upheld that the use of regulation A19 was lawful, the Staff Side have applied to the | The Force has achieved its target officer numbers, is recruiting again and no longer needs to use A19. The circumstances in Cleveland were different to those forces involved in the test case. Negotiate with the Home Office for additional funding should appeal be lost. More radical options will be developed including further reductions in officer, PCSO and |

| | | |
|--|---|--|
| | Supreme Court for leave to appeal the ruling. | staff numbers, inter-force collaboration and blue light collaboration. |
|--|---|--|

| Changes to Capital Funding | Month Added | Change |
|--|-------------|---------------|
| | | £000s |
| Funding Allocation in LTFP | | 14,615 |
| Schemes bfwd from 2016/17 | | 3,792 |
| Schemes allocated to 2016/17 from 2017/18 Budget | | (429) |
| Total Capital funding | | 17,978 |
| CORE VET | Apr-17 | (40) |
| Stockton HQ Rewire | May-17 | (40) |
| Fleet Replacement | May-17 | (30) |
| Livelinks (CJS) | Jun-17 | (20) |
| IL4 Confidential Network | Jun-17 | (205) |
| Funding allocation at Month 3 | | 17,643 |

Appendix 5

Capital Monitoring Statement to 30th June 2017

| | Annual Budget | Budget to Date | Actual to Date | Variance to Date | Forecast Outturn |
|--|----------------------|-----------------------|-----------------------|-------------------------|-------------------------|
| | £000s | £000s | £000s | £000s | £000s |
| Estates Schemes | | | | | |
| Cleveland Community Safety Hub | 11,423 | 1,946 | 1,955 | 9 | 0 |
| Grangetown LDC | 465 | 0 | 0 | 0 | 0 |
| Armoury Relocation | 35 | 0 | 0 | 0 | 0 |
| Control Room Fallback | 50 | 0 | 0 | 0 | 0 |
| NERSOU Accomodation | 46 | 46 | 46 | 0 | 0 |
| Thornaby Fire Station | 155 | 0 | 0 | 0 | 0 |
| Stockton HQ Rewire | 0 | 0 | 0 | 0 | 0 |
| Billingham Station Rewire | 40 | 0 | 0 | 0 | 0 |
| Total Estates Schemes | 12,214 | 1,992 | 2,001 | 9 | 0 |
| Equipment Replacement | | | | | |
| TSU Equipment - NERSOU | 25 | 6 | 6 | (0) | 0 |
| ANPR | 140 | 0 | 0 | 0 | 0 |
| Body Worn Video Replacement | 50 | 0 | 31 | 31 | 0 |
| Investigative Analytical Software | 40 | 0 | 0 | 0 | 0 |
| Key Management System | 80 | 0 | 0 | 0 | 0 |
| Kinesense | 15 | 0 | 0 | 0 | 0 |
| Total Equipment Schemes | 350 | 6 | 37 | 31 | 0 |
| ICT Schemes | | | | | |
| Public Service Network for Policing (PSNP) | 0 | 0 | 0 | 0 | 0 |
| Telephony Refresh | 0 | 0 | 1 | 1 | 0 |
| ICCS Replacement | 395 | 0 | 0 | 0 | 50 |
| LAN Refresh (Non HQ) | 465 | 233 | 461 | 228 | 0 |
| iMap Development | 1 | 1 | 1 | (0) | 0 |
| Cloud Based Data Centre | 967 | 3 | 3 | 0 | 0 |
| VM Ware | 50 | 0 | 0 | 0 | 0 |
| IL4 Confidential Network | 0 | 0 | 0 | 0 | 0 |
| Blade Architecture | 260 | 260 | 0 | (260) | 0 |
| Orade Upgrade | 150 | 0 | 0 | 0 | 0 |
| EMSCP | 50 | 0 | 0 | 0 | 0 |
| Mobile Device Replacement | 220 | 0 | 0 | 0 | 0 |
| Interview Training Equipment | 10 | 10 | 0 | (10) | 0 |
| 2017/18 Desk Top Replacement Programme | 125 | 30 | 0 | (30) | 0 |
| Microsoft Licensing | 100 | 0 | 0 | 0 | 0 |
| Smartworks Mobile Applications | 55 | 13 | 45 | 32 | 0 |
| Core Vet (Vetting) | 0 | 0 | 0 | 0 | 0 |
| Livelinks (CJS) | 0 | 0 | 0 | 0 | 0 |
| LIMA (Scientific Support) | 30 | 30 | 26 | (4) | 0 |
| CCSH Phone Licenses | 85 | 0 | 0 | 0 | 0 |
| National Image Transfer Project | 15 | 0 | 0 | 0 | 0 |
| Thin Client Improvement | 25 | 6 | 0 | (6) | 0 |
| E-Recruitment | 20 | 0 | 0 | 0 | 0 |
| PSD Audit Capability | 50 | 0 | 0 | 0 | 0 |
| Total ICT Schemes | 3,073 | 586 | 537 | (49) | 50 |
| Innovation Fund Schemes | | | | | |
| Data Quality-Golden Nominal | 0 | 0 | (1) | (1) | 0 |
| Total Innovation Fund Schemes | 0 | 0 | (1) | (1) | 0 |
| Fleet Replacement | | | | | |
| Write off / Uneconomical Repairs | 196 | 0 | 0 | 0 | 0 |
| Black Box Replacement | 168 | 14 | 0 | (14) | 0 |
| Fleet Replacement | 1,632 | 153 | 133 | | 0 |
| Total Fleet Replacement | 1,996 | 167 | 133 | (34) | 0 |
| Provision for Business Cases | 10 | 0 | 0 | 0 | 0 |

Budget Monitoring Statement to 30th June 2017

| | Annual Budget | Budget to Date | Actual to date | Variance to Date | Forecast Outturn |
|-----------------------------------|----------------|----------------|----------------|----------------------|------------------|
| | £000s | £000s | £000s | £000s | £000s |
| Core | | | | | |
| Pay Budgets | | | | | |
| Total Police Pay | 60,205 | 15,040 | 15,411 | 371 | 100 |
| Total PCSO Pay | 4,147 | 1,037 | 984 | (53) | 0 |
| Total Staff Pay | 8,774 | 2,193 | 2,286 | 93 | 0 |
| Total Pay & Allowances | 73,126 | 18,270 | 18,681 | 411 | 100 |
| Non Pay Budgets | | | | | |
| Total Non-Pay | 36,433 | 9,149 | 9,070 | (79) | 150 |
| Total Core Expenditure | 109,559 | 27,419 | 27,751 | 332 | 250 |
| CDNYDU | | | | | |
| Pay Budgets | | | | | |
| Total Police Pay | 782 | 195 | 205 | 10 | 0 |
| Non Pay Budgets | | | | | |
| Total Non-Pay | 80 | 20 | (1) | (21) | 0 |
| Total CDNYDU Expenditure | 862 | 215 | 204 | (11) | 0 |
| CDSOU | | | | | |
| Pay Budgets | | | | | |
| Total Police Pay | 4,448 | 1,115 | 1,110 | (5) | 50 |
| Total Staff Pay | 171 | 43 | 37 | (6) | 0 |
| | 4,619 | 1,158 | 1,147 | (11) | 50 |
| Non Pay Budgets | | | | | |
| Total Non-Pay | 438 | 110 | 70 | (40) | 0 |
| Total CDSOU Expenditure | 5,057 | 1,268 | 1,217 | (51) | 50 |
| CNYMIT | | | | | |
| Pay Budgets | | | | | |
| Total Police Pay | 790 | 176 | 216 | 40 | 0 |
| Total Staff Pay | 521 | 130 | 104 | (26) | 0 |
| | 1,311 | 306 | 320 | 14 | 0 |
| Non Pay Budgets | | | | | |
| Total Non-Pay | 449 | 112 | (9) | (121) | 0 |
| Total CNYMIT Expenditure | 1,760 | 418 | 311 | (107) | 0 |
| NERSOU | | | | | |
| Pay Budgets | | | | | |
| Total Police Pay | 1,477 | 366 | 350 | (16) | 0 |
| Total Staff Pay | 331 | 83 | 92 | 9 | 0 |
| | 1,808 | 449 | 442 | (7) | 0 |
| Non Pay Budgets | | | | | |
| Total Non-Pay | 26 | 6 | (22) | (28) | 0 |
| Total NERSOU Expenditure | 1,834 | 455 | 420 | (35) | 0 |
| NPAS | | | | | |
| Pay Budgets | | | | | |
| Total Police Pay | 435 | 108 | 116 | 8 | 0 |
| Non Pay Budgets | | | | | |
| Total Non-Pay | 391 | 98 | 101 | 3 | 0 |
| Total Expenditure | 826 | 206 | 217 | 11 | 0 |
| Total Collaboration | | | | | |
| Pay Budgets | 8,955 | 2,216 | 2,230 | 14 | 50 |
| Non Pay Budgets | 1,384 | 346 | 139 | (207) | 0 |
| Total Expenditure | 10,339 | 2,562 | 2,369 | (193) | 50 |
| Grand Total | 119,898 | 29,981 | 30,120 | Page 63 of 99 | 300 |

Ogden Ruling

Recipients of insurance claims for injury to self receive a lump sum award to fund the care required to offset the future impact of their injuries. These lump sums are expected to be invested and the recipient should then receive a return on investment to fund the future costs of the care required.

The lump sum is 'discounted' to take into account the interest that will be received by the recipient when the lump sum is invested. However due to the global economic problems over recent years the interest received by recipients has not matched the discount taken when calculating the original lump sum.

Therefore the Ogden Ruling changed the discount rate from 2.5% to (0.75%). This means that all lump sums will now be increased to take into account the reduced interest rates that the recipients are receiving.

Insurers have stated that in year one this will cost the insurance industry in the region of £7bn with subsequent annual costs of £1.2bn. All insurance companies have stated that they cannot absorb these increases internally and that everyone who takes out insurance post the 20th March 2017 will see an increase in their premiums.

For Cleveland Police this annual increase is approximately £250k.



Rep

**Finance Officer of the PCC
To the Police and Crime Commissioner for Cleveland**

26th July 2017

Status: For Information

2017/18 Budget Monitoring – Report to the end of June 2017

1. Executive Summary

1.1 Purpose of the Report

On the 27th February 2017 the PCC agreed the revenue Budget for 2017/18 which was based on the receipt of income totalling £131,705k. This report is to provide the PCC 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 PCC is asked to note:

- 2.1 The Office of the PCC's budget of £850k is expected to spend all funds allocated to it during 2017/18.
- 2.2 The Corporate Services budget of £8,950k is expected to underspend slightly, by £100k, at this point of the financial year.
- 2.3 The £3,245k to support PCC Initiatives and Victims and Witnesses Services, including £1,250k to invest in Neighbourhood Policing is forecast to underspend by £300k as it continues to take longer than expected to recruit and fill these new posts.
- 2.4 It is currently forecast that the income received by the PCC will be £100k more than the original budget.
- 2.5 The Force is currently forecasting to overspend by £300k, although plans are being put in place to deliver a breakeven position, this is covered in more detail elsewhere on today's agenda.
- 2.6 The total forecast outturn after the first 3 months of the financial year is that there will be a small overall underspend of £200k. There are however a number of pressures that are currently being risk managed that could change this position over the remainder of the financial year.

3. Reasons

3.1 When setting the budget for the financial year 2017/17 the PCC allocated the income forecast to be received during the year, of £131,705k, into the following areas:

- £850k to run the Office of the PCC
- £8,950k for Corporate Services
- £3,245k to support PCC Initiatives and Victims and Witnesses Services, including £1,250k to invest in Neighbourhood Policing.
- £119,835k to the Police Force
- £750k to the Capital Programme

This will be supported by £1,925k from 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 PCC set the budget based on receiving income and funding of £131,705k during 2017/18 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 2016/17 is also shown.

| 2016/17 Budget | In Year Changes | 2016/17 Revised Budget | 2016/17 Outturn | Variance | Summary of Income to be Received by the PCC | 2017/18 Budget | In Year Changes | 2017/18 Revised Budget | 2017/18 Forecast Outturn | Variance |
|------------------|-----------------|------------------------|------------------|--------------|---|------------------|-----------------|------------------------|--------------------------|--------------|
| £000s | £000s | £000s | £000s | £000s | Funding | £000s | £000s | £000s | £000s | £000s |
| (46,152) | 0 | (46,152) | (46,152) | 0 | Police Grant | (46,973) | 1,466 | (45,508) | (45,508) | 0 |
| (38,532) | 0 | (38,532) | (38,532) | 0 | RSG/National Non Domestic Rate | (36,526) | (1,466) | (37,992) | (37,992) | 0 |
| (84,684) | 0 | (84,684) | (84,684) | 0 | Government Grants | (83,500) | 0 | (83,500) | (83,500) | 0 |
| (31,642) | 0 | (31,642) | (31,641) | 1 | Precept | (32,656) | 0 | (32,656) | (32,656) | 0 |
| (800) | 0 | (800) | (800) | 0 | Council Tax Freeze Grant | (800) | 0 | (800) | (800) | 0 |
| (6,868) | 0 | (6,868) | (6,868) | 0 | Council Tax Support Grant | (6,868) | 0 | (6,868) | (6,868) | 0 |
| (39,310) | 0 | (39,310) | (39,310) | 1 | Precept related funding | (40,324) | 0 | (40,324) | (40,324) | 0 |
| (6,506) | (373) | (6,879) | (6,675) | 204 | Specific Grants | (5,217) | 0 | (5,217) | (5,301) | (84) |
| (2,760) | (2,376) | (5,136) | (5,625) | (489) | Partnership Income/Fees and Charges/Misc Income | (2,664) | (63) | (2,727) | (2,744) | (16) |
| (9,266) | (2,749) | (12,015) | (12,300) | (285) | Other Funding | (7,881) | (63) | (7,944) | (8,045) | (100) |
| (133,260) | (2,749) | (136,009) | (136,294) | (285) | Total | (131,705) | (63) | (131,768) | (131,868) | (100) |

3.3 In Year Changes

The only minor changes to the income budget, at this stage, resulted from an increase in the income budget, of £63k, relating to the Driver Training Income to set the non-pay budget for this area of work.

3.4 Income Forecasts

As you would expect, the vast majority of the income the PCC will receive during 2017/18 has already been agreed and little or no variances will be expected against the originally budgeted figures for Government Grant funding or Precept related funding.

3.5 The areas where variances may occur will predominantly be in relation to Partnership Funding, Fees and Charges and Miscellaneous Income with some minor variances possible against Specific Grants. These variances have reduced significantly in recent years and it is currently expected that overall there will be limited variances on these budgets at this stage.

3.6 The Office of the PCC

The 2017-18 budget of £850k for the Office of the PCC is split into the following areas:

| Original 2016/17 Budget | Budget YTD | Actual Outturn | 2016-17 Actual Over/(Under) | PCC Budget | Original 2017/18 Budget | Budget YTD | Spend YTD | Over/ (Under) spend YTD | 2017-18 Forecast Outturn | 2017-18 Forecast Over/(Under) |
|-------------------------|------------|----------------|-----------------------------|---|-------------------------|------------|------------|-------------------------|--------------------------|-------------------------------|
| £000 | £000 | £000 | £000 | Category of Spend | £000 | £000 | £000 | £000 | £000 | £000 |
| 620 | 620 | 657 | 37 | Staff Pay and Allowances (Incl. NI and Pension) | 645 | 161 | 152 | (9) | 645 | 0 |
| 5 | 5 | 18 | 13 | Other Pay and Training | 5 | 1 | 3 | 1 | 10 | 5 |
| 0 | 0 | 0 | 0 | Premises | 0 | 0 | 0 | 0 | 0 | 0 |
| 262 | 262 | 238 | (23) | Supplies and Services | 239 | 60 | 24 | (36) | 234 | (5) |
| 11 | 11 | 13 | 2 | Transport | 11 | 3 | 1 | (2) | 11 | 0 |
| (48) | (73) | (89) | (16) | Miscellaneous Income | (50) | (14) | (17) | (4) | (50) | 0 |
| 850 | 825 | 838 | 13 | Total Budget | 850 | 211 | 163 | (49) | 850 | 0 |

3.7 Position as at the end of June 2017

The table at 3.6 above shows the forecast position for 2017-18. Forecasts show that expenditure for 2017-18 is expected to be in line with the budget of £850k and therefore there is a current forecast outturn of breakeven.

3.8 Corporate Services

Corporate Services budgets include the costs of the PFI contracts, strategic contract management, asset management costs, treasury management and planning.

3.9 The Corporate Services budget for 2017/18 was set at £8,950k, as per the table below and also shows the forecast spend and outturn at this stage of the year.

| Original 2016/17 Budget | Revised 2016/17 Budget | Budget YTD | 2016/17 Outturn | 2016-17 Over/ (Under) | | Original 2017/18 Budget | Revised 2017/18 Budget | Budget YTD | Spend YTD | Over/ (Under) spend YTD | 2017/18 Forecast Outturn | 2017-18 Forecast Over/ (Under) |
|-------------------------------|------------------------------|---------------|--------------------|-----------------------------|---|-------------------------------|------------------------------|---------------|--------------|----------------------------------|--------------------------------|---|
| £000s | £000s | £000s | £000s | £000s | Corporate Services Budget | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| 295 | 253 | 253 | 241 | (12) | Staff Pay and Allowances (Incl. NI and Pension) | 330 | 330 | 55 | 48 | (7) | 330 | 0 |
| 39 | 39 | 39 | 195 | 156 | Supplies and Services | 99 | 99 | 17 | 43 | 26 | 100 | 0 |
| 1 | 1 | 1 | 1 | (0) | Transport | 1 | 1 | 0 | 0 | 0 | 1 | 0 |
| 1,770 | 555 | 555 | 552 | (3) | PFI - Urlay Nook | 1,770 | 1,770 | 295 | 292 | (3) | 1,755 | (15) |
| 5,120 | 1,787 | 1,787 | 1,614 | (173) | PFI - Action Stations | 5,145 | 5,145 | 858 | 887 | 29 | 5,130 | (15) |
| 1,625 | 5,268 | 5,268 | 5,252 | (16) | Asset Management | 1,605 | 1,605 | 268 | 245 | (23) | 1,535 | (70) |
| 8,850 | 7,903 | 7,903 | 7,855 | (48) | Total Budget | 8,950 | 8,950 | 1,492 | 1,514 | 22 | 8,851 | (100) |

3.10 A small underspend of £100k is currently forecast in this area as a result of taking out loans to fund the capital programme later in the year than initially planned when setting the 2017/18, leading to lower interest payable, and some minor variances on the PFI contracts based on small differences between actual inflation levels and those forecast when setting the budgets.

3.11 PCC Initiatives and Victims and Witnesses Services

The PCC has allocated a budget of £3,245k to support Community Safety and PCC Initiatives, deliver Victims and Witnesses services and also invest in Neighbourhood Policing during 2017/18. £1,156k was allocated to the Community Safety and PCC Initiatives budget, £839k to Victims and Witnesses Services and £1,250k to invest in Neighbourhood Policing. The position as at the end of June is as per the below table:

| | Original 2017/18 Budget | Current 2017/18 Budget | Budget YTD | Spend YTD | Over/ (Under) spend YTD | 2017/18 Forecast Outturn | 2017-18 Forecast Over/ (Under) |
|---|-------------------------------|------------------------------|---------------|--------------|-------------------------------|--------------------------------|--------------------------------------|
| PCC Initiatives and Victims and Witnesses | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| Category of Spend | £000s | £000s | £000s | £000s | £000s | £000s | £000s |
| PCC Initiatives | 1,156 | 1,156 | 289 | (11) | (300) | 1,160 | 4 |
| Investment in Neighbourhood Policing | 1,250 | 1,250 | 313 | 0 | (313) | 991 | (259) |
| Victims and Witnesses Services | 839 | 839 | 210 | 92 | (118) | 794 | (45) |
| Community Safety Fund | 0 | 0 | 0 | 24 | 24 | 0 | 0 |
| Total Budget | 3,245 | 3,245 | 811 | 105 | (706) | 2,945 | (300) |

3.12 In addition to the original allocations to this area the PCC has a Community Safety Fund Earmarked Reserve of £450k. The intention is to release £150k per annum from this reserve over the next 3 years.

3.13 Plans, including Grant agreements, where appropriate, are in place to deliver most of PCC Initiatives for 2017/18. In terms of Victims and Witnesses services, one or two areas are still in development around further developing Restorative Justice and developing a service to support Victims of Anti-Social behaviour.

3.14 In terms of the investment of £1,250k into Neighbourhood Policing for 2017/18 this will result in the recruitment of 21 additional people into 'staff' roles, 16 additional PCSOs and 6 additional Police Officers.

3.15 Based on the timing of the recruitment into these posts, which is covered in more detail with the budget monitoring report from the Force, it is expected that this budget will underspend by £260k.

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 initially allocated a budget of £119,835k for 2017/18; this has then reduced by £415k as the savings from the recent procurement for Custody has been set aside to replenish reserves that were unexpectedly used in 2016/17. There has then been an increase of £63k, to £119,483k. This is as a result of setting the expenditure budget for costs associated with the Driving Training scheme. The summary of how this is forecast to be spent, including forecast outturns are included in the table below:

| Police Force Financial Summary | Original 2017/18 Budget | Revised 2017/18 Budget | Forecast Spend in 2017/18 | 2017/18 Forecast (Under)/ Overspend |
|---|--|---------------------------------------|--|--|
| Police Force Planned Expenditure | £000s | £000s | £000s | £000s |
| Pay | | | | |
| Police Pay | 66,740 | 66,741 | 66,741 | 0 |
| Police Overtime | 1,375 | 1,396 | 1,546 | 150 |
| Staff Pay | 9,755 | 9,728 | 9,728 | 0 |
| Police Community Support Officer Pay | 4,255 | 4,142 | 4,142 | 0 |
| Pay Total | 82,125 | 82,007 | 82,157 | 150 |
| Major Contracts | | | | |
| Outsourcing Contract | 17,139 | 17,162 | 17,232 | 70 |
| Custody and Medical Contract | 2,938 | 2,523 | 2,548 | 25 |
| Major Contracts Total | 20,077 | 19,685 | 19,780 | 95 |
| Non-Pay Budgets | | | | |
| Other Pay and Training | 380 | 415 | 415 | 0 |
| Injury and Medical Police Pensions | 2,435 | 2,433 | 2,433 | 0 |
| Premises | 3,620 | 3,591 | 3,441 | (150) |
| Supplies and Services | 7,035 | 7,189 | 7,389 | 200 |
| Transport | 1,576 | 1,576 | 1,521 | (55) |
| External Support | 2,587 | 2,587 | 2,647 | 60 |
| Non-Pay Total | 17,633 | 17,791 | 17,846 | 55 |
| Total Planned Force Expenditure | 119,835 | 119,483 | 119,783 | 300 |

4.2 To meet the financial targets set by the PCC in setting the 2017/18 budget, the Force's budget included a requirement to deliver savings of £500k to balance.

4.3 Further details on how the Force are proposing to make these savings are included elsewhere on today's agenda along with details of their financial performance against their plans for 2017/18.

4.4 Reserves

The 2017/18 budget was to be supported by £1,925k from Reserves. This is made up of the following transactions:

- £75k to the PFI Reserve.
- £2,000k from the General Fund.

4.5 In addition to this £750k was to be used to support the Capital Programme during 2017/18.

4.6 In 2016/17 £2,635k was set aside to fund provisions as referred to in the Force's outturn report. To be able to fund these provisions it was not possible to transfer the budgeted £2,225k into the Capital Programme in 2016/17. It has therefore been agreed that the savings from the revised Custody Contract will re-imburse the Capital Programme over the coming years. The first tranche of this will be in 2017/18 and the Force's budget has therefore been reduced by £415 to reflect this. This £415k will be transferred into the capital programme to support the initial plans.

4.7 These transactions will occur as a matter of course during the 2017/18 financial year. Current forecast for movements on Earmarked and General Reserves to the end of 2017/18 are included within the table below:

| | Balance at 31 March 2017 £000 | Tranfers In 2017/18 £000 | Tranfers Out 2017/18 £000 | Balance at 31 March 2018 £000 |
|-----------------------------------|--|---|--|--|
| Direct Revenue Funding of Capital | (3,241) | (1,165) | 4,385 | (21) |
| Injury Pension Reserve | (320) | | | (320) |
| PFI Sinking Fund | (138) | (75) | | (213) |
| Incentivisation Grant | (271) | (80) | 173 | (178) |
| Urlay Nook TTC | (81) | | | (81) |
| NERSOU | (153) | | | (153) |
| Job Evaluation Reserve | (550) | | 250 | (300) |
| Police Property Act Fund | (43) | | | (43) |
| Community Safety Initiatives Fund | (450) | | 150 | (300) |
| Road Safety Initiatives Fund | (629) | | 150 | (479) |
| Collaboration Reserve | (389) | | | (389) |
| Revenue Grants Unapplied | (137) | | 137 | (0) |
| Total Earmarked Reserves | (6,401) | (1,320) | 5,245 | (2,476) |
| General Reserves | (8,015) | 0 | 2,000 | (6,015) |
| Total Usable Reserves | (14,416) | | | (8,491) |

5. Overall Budget Summary

5.1 At the end of June 2017 the follow table summarises the finances of the PCC, including forecasts of the expected outturn in each area.

| | Original 2017/18 Budget | Revised 2017/18 Budget | Forecast Spend in 2017/18 | 2017/18 Forecast (Under)/ Overspend |
|--|-------------------------------|------------------------------|---------------------------------|--|
| Funding | £000s | £000s | £000s | £000s |
| Government Grant | (83,500) | (83,500) | (83,500) | 0 |
| Council Tax Precept | (32,656) | (32,656) | (32,656) | 0 |
| Council Tax Freeze Grant | (800) | (800) | (800) | 0 |
| Council Tax Support Grant | (6,868) | (6,868) | (6,868) | 0 |
| Funding for Net Budget Requirement | (123,824) | (123,824) | (123,824) | 0 |
| Specific Grants | (5,217) | (5,217) | (5,301) | (84) |
| Partnership Income/Fees and Charges | (2,664) | (2,727) | (2,744) | (16) |
| Total Funding | (131,705) | (131,768) | (131,868) | (100) |
| Office of the PCC Planned Expenditure | £000s | £000s | £000s | £000s |
| Staff Pay | 645 | 645 | 645 | 0 |
| Non Pay Expenditure | 205 | 200 | 200 | 0 |
| Total Planned Expenditure | 850 | 845 | 845 | 0 |
| PCC Initiatives/Victims and Witness | £000s | £000s | £000s | £000s |
| PCC Initiatives | 2,406 | 2,406 | 2,151 | (255) |
| Victims and Witnesses Services | 839 | 839 | 794 | (45) |
| Total Planned Expenditure | 3,245 | 3,245 | 2,945 | (300) |
| Corporate Costs | £000s | £000s | £000s | £000s |
| Staff Pay | 330 | 330 | 330 | 0 |
| Non Pay Expenditure | 100 | 100 | 102 | 1 |
| PFI's | 6,915 | 6,915 | 6,894 | (21) |
| Asset Management | 1,605 | 1,605 | 1,525 | (80) |
| Total Corporate Costs | 8,950 | 8,950 | 8,850 | (100) |
| Police Force Planned Expenditure | £000s | £000s | £000s | £000s |
| Police Pay | 66,740 | 66,741 | 66,741 | 0 |
| Police Overtime | 1,375 | 1,396 | 1,546 | 150 |
| Staff Pay | 9,755 | 9,728 | 9,728 | 0 |
| Police Community Support Officer Pay | 4,255 | 4,142 | 4,142 | 0 |
| Pay Total | 82,125 | 82,007 | 82,157 | 150 |
| Major Contracts Total | 20,077 | 19,685 | 19,780 | 95 |
| Non-Pay Budgets | | | | |
| Other Pay and Training | 380 | 415 | 415 | 0 |
| Injury and Medical Police Pensions | 2,435 | 2,433 | 2,433 | 0 |
| Premises | 3,620 | 3,591 | 3,441 | (150) |
| Supplies and Services | 7,035 | 7,189 | 7,389 | 200 |
| Transport | 1,576 | 1,576 | 1,521 | (55) |
| External Support | 2,587 | 2,587 | 2,647 | 60 |
| Non-Pay | 17,633 | 17,791 | 17,846 | 55 |
| Total Planned Force Expenditure | 119,835 | 119,483 | 119,783 | 300 |
| (Surplus)/Deficit | £000s | £000s | £000s | £000s |
| | 1,175 | 755 | 555 | (200) |
| Planned Transfers to/(from) General Fund | (2,000) | (2,000) | (2,000) | 0 |
| Contribution to Capital Programme | 750 | 1,170 | 1,170 | 0 |
| Planned Transfers to/(from) Earmarked Reserves | 75 | 75 | 75 | 0 |
| Net (Surplus)/Deficit After Reserves | 0 | 0 | (200) | (200) |

6. **Implications**

6.1 Finance

There are no financial implications other than those mentioned above.

6.2 Diversity & Equal Opportunities

There are no issues arising from this report to bring to the attention of the PCC.

6.3 Human Rights Act

There are no Human Rights Act implications arising from this report.

6.4 Sustainability

This report is part of the process to establish sustainable annual and medium term financial plans and maintain prudent financial management.

6.5 Risk

At this stage of the financial year budgets are very tight and are being actively managed to deliver against the priorities and plans whilst staying within budget. The capacity to absorb unexpected costs and pressures is therefore very limited.

7. **Conclusion**

7.1 The proposed 2017/18 budget underpins the PCC's objectives of:

- Investing in Our Police
- A Better Deal for Victims and Witnesses
- Tackling Re-offending
- Working together to make Cleveland safer
- Securing the future of our Communities

As you would hope and expect the finances of the organisation are very tight, with the best service possible trying to be delivered within the budgetary constraints.

At this early stage of the financial year a small under spend position is projected for the organisation overall, however there are a number of areas which are already under pressure and these will need to be closely monitored as the year progresses.

Michael Porter
PCC Chief Finance Officer



Report of the Chief Finance Officer of the PCC to the Police and Crime Commissioner for Cleveland

26th July 2017

Status: For Information

Long Term Financial Plan (LTFP) 2018/19 to 2021/22 and Capital Plans 2018/19 to 2021/22 Update

1. Executive Summary

1.1 Purpose of the Report

Since the 2017/18 Budget was set by the PCC there has been a National Budget, this took place on the 8th March 2017, a 'snap' General Election which took place on 8th June 2017 and a Queen's Speech on the 21st June 2017.

This report is to provide the PCC with an update on the 3 areas mentioned above and an update on the delivery of the LTFP Revenue and Capital plans of the organisation based on the plans agreed by the PCC in February 2017 and any significant changes that have taken place since February.

2. Recommendations

The PCC is requested to note:

- 2.1 The contents of the report.
- 2.2 The plans rely on assumptions and estimates about what will happen in the future. There are a significant number of unknowns that are outside of the control of the organisation and as such there are a number of risks to the organisation. The main risks are set out within the report and will be kept under review.
- 2.3 There are a number of pressures that are beginning to emerge. This will necessitate the need to develop as of yet unidentified savings to make them affordable within the expected funding constraints.
- 2.4 A further update on the LTFP will be provided during November/December.

3. Planning and Funding Assumptions

3.1 National Budget

A summary of the key points of the March Budget are provided at Appendix A focusing on those areas of particular interest to Policing and Local Government.

- 3.2 The key areas in terms of financial planning and budgeting are as follows:

- **Budget Surplus** – Budget forecasts have been reassessed in the light of infrastructure investment and the abandonment of the 2020 target. “The OBR forecasts that the current account deficit will narrow, to 3.5% of GDP in 2017, 3.2% of GDP in 2018, 2.6% of GDP in 2019, 2.2% of GDP in 2020 and 2.0% of GDP in 2021.”
- **Departmental Spending Cuts** – Total Managed Expenditure as a share of GDP is forecast to fall from 39.3% in 2016-17 to 37.9% in 2021-22. This is compared to 44.9% in 2010-11 but higher than the 2016 Budget plans of 36.9% in 2020-21.
- **Efficiency Savings** – The Budget continues plans to see a saving of £3.5bn from public spending by 2019-20 “supported by the Efficiency Review”
- **Protected Spending:** - As set out in Spending Review 2016, commitments to priority public services, to international development and defence and to pensioners; will be maintained.

3.3 Government Funding for 2018/19 and beyond

At the 2016-17 Police Settlement Mike Penning, Minister for Policing, Fire and Criminal Justice and Victims, told Police and Crime Commissioners that they should plan for a “flat cash” budget when they include Formula Funding, Legacy Council Tax Grants, NICC and precept (assuming the precept is maximised). This was reiterated in the weeks prior to the budget announcement.

- 3.4 The March Budget statement did not mention the police service though, as in 2016, locally-delivered criminal justice service talks for London have taken place. The Resource DEL for the Home Office is £10.8bn for 2017-18 and £10.7bn for both 2018-19 and for 2019-20. This is an increase from the £10.6bn for each year planned in the 2016 Budget.
- 3.5 There was no specific mention of Counter Terrorism, the Transformation Fund or blue light collaboration.
- 3.6 Given the importance of the levels of Government Funding going forward, this area continues to be kept under close review.
- 3.7 The Budget continues plans to see a saving of £3.5bn from public spending by 2019-20 “supported by the Efficiency Review”.
- 3.8 While no additional information has been made available from the Government in relation to future funding levels for information is now available about what a “flat cash” settlement might mean for 2018/19.
- 3.9 Previous reports have discussed the range of outcomes that occur at Police Force Area level as a result of the policy to ensure a ‘flat cash’ settlement, when taking into maximising precept increases, without triggering a referendum, combined with straight line grant reductions at the same percentage level for each area. The result is that some areas get actual ‘flat cash’ settlements and therefore after there are various degrees of increases depending on the ratio of funding a PCC receives from Government Grant and Local Precept.

3.10 Based on the budget and precept position for 2017/18 then Merseyside is likely to be the hardest hit in terms of a 'flat cash' settlement. It has been calculated that the biggest reduction that they can receive, based on the current interpretation of what 'Flat cash' means, is -0.88%.

3.11 This new information has been factored into the revised Government Grant assumptions as per the following table:

| Assumed Government Grant Reductions | | |
|-------------------------------------|---------------|----------------|
| | Feb 2017 LTFP | July 2017 LTFP |
| | % | % |
| 2018/19 | -1.4% | -0.9% |
| 2019/20 | -1.4% | -0.9% |
| 2020/21 | 1.0% | 2.0% |
| 2021/22 | N/A | 2.0% |

3.12 The impact of these revised assumptions is as follows:

| Assumed Government Grant Amounts | | | |
|----------------------------------|---------------|----------------|----------|
| | Feb 2017 LTFP | July 2017 LTFP | Movement |
| | £000 | £000 | £000 |
| 2018/19 | 82,331 | 82,765 | 434 |
| 2019/20 | 81,178 | 82,037 | 859 |
| 2020/21 | 81,990 | 83,677 | 1,687 |

3.13 It is important to recognise that these are assumptions and as such could easily change. It is also important to recognise that the LTFP approved in February didn't balance in neither 2019/20 nor 2020/21, even after the challenging efficiency and savings plans in place in the organisation, had been factored into the plans.

3.14 These movements in assumptions, if proving to be accurate, mitigates the need to make savings over and above those already being developed for delivery, however is doesn't free up any additional funds.

3.15 General Election

On 18 April 2017 Theresa May announced her intention to hold a snap General Election on 8 June 2017. The reasons for the General Election that Theresa May gave in her speech were centred on the opposition of Brexit by the other political parties. She stated that 'division in Westminster will risk our ability to make a success of Brexit and it will cause damaging uncertainty and instability to the country'. At the time of the announcement the Conservative party were leading the Labour Party in excess of 20 percentage points in opinion polls.

3.16 By the time of the Local and Mayoral Elections the lead in the opinion polls had fallen to approximately 17 percentage points. The local elections saw Labour lose a net of 142 seats compared the Conservatives who gained a net of 319.

3.17 As the campaign continued, the polls narrowed significantly and the General Election results supported this convergence as shown below.

| Party | Conservatives | Labour | SNP | Lib Dem | Others |
|------------|---------------|--------|-----|---------|--------|
| Seats | 318 | 262 | 35 | 12 | 23 |
| Vote Share | 42.4% | 40% | 3% | 7.4% | 7.1% |

3.18 The Conservatives didn't get the 326 seats required for a majority government but have formed a minority Government and have come to a confidence and supply arrangement with the Democratic Unionist Party.

3.19 As you would expect there have been a number of changes in terms of ministerial appointments.

3.20 In terms of the Home Office:

- Amber Rudd remains as Home Secretary
- Nick Hurd was appointed Minister of State at the Home Office on 12 June and is Minister of State for Policing and the Fire Service
- Brandon Lewis, previous Minister of State for Policing and the Fire Service, was appointed Minister of State for Immigration on 11 June
- Ben Wallace remains Minister of State for Security at the Home Office
- Baroness Williams remains Minister of State at the Home Office
- Sarah Newton remains Parliamentary Under-Secretary of State at the Home Office.

3.21 In terms of the Department for Communities and Local Government (DCLG):

- Sajid Javid remains as Secretary of State for Communities and Local Government
- Alok Sharma was appointed Minister of State for the Department for Communities and Local Government on 13 June
- Marcus Jones remains as Parliamentary Under-Secretary of State (Minister for Local Government)
- Lord Bourne remains as Parliamentary Under-Secretary of State at the Department for Communities and Local Government and as Parliamentary Under Secretary of State for the Wales Office
- Jake Berry was appointed Parliamentary Under-Secretary of State at the Department for Communities and Local Government on 14 June.

3.22 In terms of the Ministry of Justice:

- David Lidington was appointed Lord Chancellor and Secretary of State for Justice on 11 June
- Dominic Raab was appointed Minister of State at the Ministry of Justice on 12 June
- Sam Gyimah remains Parliamentary Under-Secretary of State at the Ministry of Justice
- Dr Phillip Lee remains Parliamentary Under-Secretary of State at the Ministry of Justice

- Richard Keen QC remains Advocate General for Scotland and spokesperson for Ministry of Justice in the House of Lords.

3.23 In terms of the impact on the PCC finances there is no new information to be able to update the previous forecasts, although the political and financial landscape within the country appears to have significantly changed.

3.24 2017 will see the return to an Autumn Budget followed by a Spring update, during 2018, instead of a Spring Budget followed by an Autumn Statement.

3.25 As soon as further information is available then updates will be provided.

3.26 Funding Formula

It is understood that the analytical work undertaken by the University of Bristol on the Police Funding Formula has now concluded. The consultation on a new formula had been expected to start in May, however, the decision to call a general election has meant that this did not happen as expected. Furthermore the Senior Sector Working Group on the formula review has also not met after their June/July meeting was cancelled.

There remained a number of significant areas where a decision has yet to be made. These include:

- Transitional arrangements/damping
- The treatment of resources including any tax base adjustments to reflect the Welsh revaluation
- Funding for the National and International Capital City, and
- Area cost adjustments

3.27 A recent report in the press implied that the Home Office would be scrapping the planned reforms for allocating money to the police, "in order to protect the budgets of bigger forces, especially London's Metropolitan Police". However there has been no formal communication in relation to this.

3.28 There is no allowance within the LTFP for any impact on the funding available to Cleveland as a result of the implementation of any New Funding Formula.

3.29 Precept

Around 25% of the Net Budget Requirement within Cleveland is funded by the local precept and therefore this means there is less capacity to raise funds locally to cushion the cuts in government grants than in most Police Force areas.

3.30 The assumption throughout this plan, for planning purposes, is that this element will continue to increase at a rate of 1.99% per annum, although this will be subject to an annual decision.

3.31 The Government have informed PCC's that 'You should plan on the basis that the overall referendum limit for police precept will be maintained at 2% over the

Spending review period for Police and Crime Commissioners in England.’ Therefore the risk in relation to this assumption going forward is manageable locally and subject to local decision and consultation annually.

3.32 There have been no changes to the assumptions within this area since the February LTFP was approved.

3.33 Over the last 4 years there have been significant increases in both the number of calculated Band D properties within Cleveland and also significant Collection Surplus’ to which the PCC has benefited from.

3.34 In line with Government projections and based on historic trends the financial plans now include a 1.0% increase in the underlying tax base on an annual basis and a £300k per annum collection surplus. These assumptions will be kept under review as details for 2018/19 become available and projections amended accordingly.

3.35 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £7.9m and £8.9m across the life of the plan.

3.36 The entire funding therefore expected to be available to the PCC for the next 4 years in comparison to both 2016/17 and 2017/18 is as follows:

| | Actual | Actual | Forecasts | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Funding | £000s | £000s | £000s | £000s | £000s | £000s |
| Government Grant | (84,684) | (83,500) | (82,765) | (82,037) | (83,677) | (85,351) |
| Council Tax Precept | (31,642) | (32,656) | (33,245) | (34,235) | (35,260) | (36,125) |
| Council Tax Freeze Grant | (800) | (800) | (800) | (800) | (800) | (800) |
| Council Tax Support Grant | (6,868) | (6,868) | (6,868) | (6,868) | (6,868) | (6,868) |
| Funding for Net Budget Requirement | (123,994) | (123,824) | (123,678) | (123,940) | (126,606) | (129,144) |
| Specific Grants | (5,843) | (4,558) | (4,911) | (4,436) | (5,436) | (4,336) |
| Witness and Victims Funding | (663) | (659) | (659) | (659) | (672) | (686) |
| Partnership Income/Fees and Charges | (2,760) | (2,664) | (2,761) | (2,840) | (2,811) | (2,829) |
| Total Funding | (133,260) | (131,705) | (132,009) | (131,874) | (135,525) | (136,994) |
| %age Change in Funding | 1.1% | -1.2% | 0.2% | -0.1% | 2.8% | 1.1% |

4. Expenditure Plans

4.1 The forecast expenditure plans have not changed significantly since the LTFP was approved in February 2017 and therefore the detailed plans have not been restated in this update paper. As the financial year develops and changes become necessary and/or apparent these will be factored into the financial plan updates.

Areas for Consideration and Information

4.2 Public Service Pension Schemes

As mentioned in previous updates the March 2016 National Budget included an announcement that the discount rate for unfunded pension schemes (including the

police but not the LGPS) will reduce from 3% to 2.8%. This will have the effect of increasing scheme liabilities and may impact adversely on employer and employee contribution rates. The House of Commons library has estimated that the cost to the police service will be £100m. It is understood that this will apply from the next valuation exercise and will impact on rates from 2019-20.

4.3 If the above projections are correct, and all of these costs fall on the employer to pay, then it is estimated that this would increase the employers' pension contributions for Cleveland Police by £1m per annum. Currently only £500k of this potential pressure is included within the Force's projections.

4.4 Pay Awards

When setting the budget and LTFP in February 2017 one of the areas highlighted as a potential for significant risk was Pay Awards. Both the 2017/18 budget and the LTFP to 2019/20 assume pay awards are limited to 1% per annum and become effective from the 1st September each year. This is in line with current Government policy.

4.5 Unlike in previous years both general inflation and wage inflation are increasing at levels significantly above a 1% increase in pay. The Consumer Price Index level of inflation was 2.9% in May 2017, the Retail Price Index measure of inflation was 3.7% and UK wage inflation was measured as increasing by 2.2% per annum in the year to May 2017.

4.6 Should pay settlements be reached, that are above 1% then this will create additional pressures on the LTFP that are currently not captured in our plans.

4.7 These settlements are agreed on a national basis. The Unions representing Police Staff have recently submitted a pay claim for a 5% Pay Award to come into effect from the 1st September.

4.8 For an understanding of the impact of higher pay settlements on our budgets is it worth considering the financial impact of 2% pay awards across the current CSR period (i.e. to 2019/20) instead of the current projected increases of 1%. 2% would be more in line with national wage increases but still significantly below current levels of inflation and would add the following pressures:

- 2017/18 - £600k
- 2018/19 - £1,600k
- 2019/20 - £2,650k

4.9 Should higher pay awards therefore materialise it is vital that these are accompanied by increases in government funding to at least offset these higher pay awards otherwise significant service reductions will need to happen.

4.10 2017 Queen's Speech

On 21 June 2017 the Government's legislative programme for the 2017-19 parliamentary session was announced in the Queen's Speech. The Leader of the Commons Andrea Leadsom announced that the next parliamentary session is to be

doubled in length to two years to allow MPs to scrutinise "substantial amounts of legislation" regarding the UK's withdrawal from the European Union.

4.11 The 2017 Queen's Speech, is the first since the EU Referendum and the first under Prime Minister Theresa May. The Speech was debated on the 28 and 29 of June and secured enough votes to pass.

4.12 This was achievable as the Conservatives have come to a confidence and supply arrangement with the Democratic Unionist Party at a cost of £1bn of new money and more flexibility on another £500m.

4.13 Headlines Pertinent for Policing (although fuller briefing is shown at Appendix B)

- Counter-Terrorism – The Government will establish a commission for countering extremism to support it in stamping out extremist ideology in all its forms (including online).
- Digital Charter - The Government will develop a Digital Charter to create a framework that balances users' and businesses' freedom and security online. The objective is to make the UK the best place to start and run a digital business and the safest place in the world to be online. On the one hand, the Government recognises the need for a "free and open internet" but has also pledged to remove content that could be deemed harmful or extreme. It will force technology companies to "protect" users' safety online.
- Mental Health Reform - Mental health shall be a priority within the NHS with continued investment (£1bn per year from 2017-18 to 2020-21). Emphasis shall be on early intervention, investing in community services and expanding access to 24/7 crisis care support.

4.14 Currently there is no allowance within the LTFP for any additional costs that might arise as a result of the Bills included within the Queen's Speech Bill.

5. Overall Financial Summary

5.1 Taking into account the forecasts around income outlined in section 3 and of forecast expenditure, the table below pulls together the overall financial summary for the PCC:

| | Actual | Actual | Forecasts | | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 |
| Funding | £000s | £000s | £000s | £000s | £000s | £000s |
| Total Funding | (133,260) | (131,705) | (132,009) | (131,874) | (135,525) | (136,994) |
| %age Change in Funding | 1.1% | -1.2% | 0.2% | -0.1% | 2.8% | 1.1% |
| Office of the PCC Planned Expenditure | £000s | £000s | £000s | £000s | £000s | £000s |
| Total Planned Expenditure | 850 | 850 | 850 | 850 | 865 | 880 |
| Community Safety/Victims and Witness | £000s | £000s | £000s | £000s | £000s | £000s |
| Community Safety Initiatives | 1,345 | 986 | 1,035 | 1,035 | 1,035 | 1,035 |
| Service Improvement and Development | 750 | 1,250 | 1,400 | 1,450 | 1,500 | 1,550 |
| Victims and Witnesses Services | 715 | 1,009 | 945 | 945 | 945 | 945 |
| Total Planned Expenditure | 2,810 | 3,245 | 3,380 | 3,430 | 3,480 | 3,530 |
| Corporate Services | £000s | £000s | £000s | £000s | £000s | £000s |
| Staff Pay | 295 | 330 | 335 | 340 | 350 | 360 |
| Non Pay Expenditure | 40 | 100 | 100 | 100 | 100 | 100 |
| PFI Action Stations | 5,120 | 5,145 | 5,240 | 5,340 | 5,440 | 5,545 |
| PFI Urrlay Nook | 1,770 | 1,770 | 1,810 | 1,855 | 1,905 | 1,950 |
| Asset Management | 1,625 | 1,605 | 1,875 | 2,175 | 1,650 | 1,650 |
| Total Corporate Costs | 8,850 | 8,950 | 9,360 | 9,810 | 9,445 | 9,605 |
| Police Force Planned Expenditure | £000s | £000s | £000s | £000s | £000s | £000s |
| Pay | | | | | | |
| Police Pay | 66,552 | 66,740 | 66,419 | 67,064 | 67,424 | 69,300 |
| Police Overtime | 1,792 | 1,375 | 1,296 | 1,376 | 1,376 | 1,403 |
| Police Community Support Officer Pay | 4,077 | 4,255 | 4,585 | 4,635 | 4,695 | 4,789 |
| Staff Pay | 7,949 | 9,755 | 9,930 | 10,225 | 10,410 | 10,618 |
| Pay Total | 80,370 | 82,125 | 82,230 | 83,300 | 83,905 | 86,110 |
| Major Contracts Total | 21,585 | 19,662 | 19,904 | 20,323 | 20,178 | 19,500 |
| Non-Pay Budgets | | | | | | |
| Other Pay and Training | 287 | 380 | 374 | 374 | 374 | 381 |
| Injury and Medical Police Pensions | 2,775 | 2,435 | 2,430 | 2,433 | 2,433 | 2,482 |
| Premises | 3,740 | 3,620 | 3,530 | 3,308 | 3,331 | 3,398 |
| Supplies and Services | 6,423 | 7,035 | 5,402 | 4,830 | 5,597 | 5,708 |
| Transport | 1,635 | 1,576 | 1,576 | 1,576 | 1,576 | 1,608 |
| External Support | 2,595 | 2,587 | 2,589 | 2,591 | 2,591 | 2,643 |
| Non-Pay Total | 17,455 | 17,633 | 15,901 | 15,112 | 15,902 | 16,220 |
| Total Planned Force Expenditure | 119,410 | 119,420 | 118,035 | 118,735 | 119,985 | 121,830 |
| %age Change in Expenditure | 1.9% | 0.0% | -1.2% | 0.6% | 1.1% | 1.5% |
| (Surplus)/Deficit | £000s | £000s | £000s | £000s | £000s | £000s |
| (1,340) | 760 | (385) | 950 | (1,750) | (1,150) | |
| Planned Transfers to/(from) General Fund | (1,550) | (2,000) | (600) | (1,200) | 600 | 0 |
| Contribution to Capital Programme | 2,225 | 1,165 | 835 | 100 | 1,000 | 1,000 |
| Planned Transfers to/(from) Earmarked Reserves | 665 | 75 | 150 | 150 | 150 | 150 |
| Net (Surplus)/Deficit After Reserves | 0 | (0) | 0 | (0) | 0 | 0 |
| General Reserves | £000s | £000s | £000s | £000s | £000s | £000s |
| General Fund Balance b/f | 8,627 | 8,016 | 6,016 | 5,416 | 4,216 | 4,816 |
| General Fund Movements | (1,550) | (2,000) | (600) | (1,200) | 600 | 0 |
| In Year General Fund movements | 939 | 0 | 0 | 0 | 0 | 0 |
| General Fund Balance c/f | 8,016 | 6,016 | 5,416 | 4,216 | 4,816 | 4,816 |
| Employee Numbers (Average per year) | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs |
| Police Officers | 1,292 | 1,280 | 1,280 | 1,280 | 1,280 | 1,280 |
| PCSOs | 132 | 148 | 148 | 148 | 148 | 148 |
| Police Staff - Police Force | 230 | 285 | 280 | 280 | 280 | 280 |
| PCC/Corporate Staff | 14 | 14 | 14 | 14 | 14 | 14 |
| Assumptions | | | | | | |
| Staff Pay Increases | 1.0% | 1.0% | 1.0% | 1.0% | 2.0% | 2.0% |
| Police Pay Increases | 1.0% | 1.0% | 1.0% | 1.0% | 2.0% | 2.0% |
| Non Pay Inflation | 1.1% | 1.6% | 1.8% | 1.9% | 2.0% | 2.0% |
| RPI | 2.0% | 3.0% | 3.5% | 3.5% | 3.5% | 3.5% |
| Precept Increases | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% | 2.0% |
| Government Grant Movements (Cash Basis) | -0.6% | -1.4% | -0.9% | -0.9% | 2.0% | 2.0% |

5.2 It is important to realise that the balanced plan above assumes the delivery of the following savings within the Force's financial plans:

- 2017/18 - £500k
- 2018/19 - £2,500k

- 2019/20 - £2,900k

- 5.3 It is also important to realise that the plans above don't attempt to apportion how and where these savings will be delivered from, in terms of budget lines. Therefore the number of people employed across the organisation doesn't reflect that most of the above savings will have to be made from this area given the proportion of costs that lie in these areas.
- 5.4 Further details on the plans from the Force to deliver these savings are included elsewhere on today's agenda. These will be developed, monitored and refined as the year progresses and included in future updates

6. Capital Financing and Expenditure

5

6

- 6.1 The assets owned by the PCC are a vital platform for the delivery of the Police and Crime Plan, with the overall purpose of the capital plan to provide sufficient funding to renew the asset base of the organisation, informed by condition deficiency surveys, 'fit for purpose' reviews, equipment replacement programmes, business continuity requirements and invest to save expenditure. Plans have been drawn up and are being developed for capital investment which would aid the organisation in delivering against the Police and Crime Plan.
- 6.2 As a result of the changes to the way that Capital Expenditure is to be funded and financed, the PCC has sufficient funds available to support the current plans of the Police Force over the current year and the next 5 years.
- 6.3 The current Capital plans are set out below:

| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Future Funding Levels | £000s | £000s | £000s | £000s | £000s | £000s |
| Earmarked Reserve/Funding b/f | 3,924 | 21 | 187 | 47 | 1,085 | 933 |
| Capital Grant | 515 | 500 | 500 | 500 | 500 | 500 |
| Contribution to/from Revenue | 1,165 | 835 | 100 | 1,000 | 1,000 | 1,000 |
| Capital Receipts (from Vehicle sales) | 100 | 100 | 100 | 100 | 100 | 100 |
| Capital Receipts (from Property sales) | | 3,017 | 325 | 3,109 | 2,988 | 3,109 |
| Internal Borrowing | 200 | -200 | | | | |
| New Prudential Borrowing | 11,000 | 3,000 | | -3,272 | -4,000 | -4,772 |
| Supported Capital Borrowing | 760 | 760 | 760 | 760 | 760 | 760 |
| Projected In-year funding Available | 13,740 | 8,012 | 1,785 | 2,197 | 1,348 | 697 |
| Community Safety Hub | 11,423 | 2,956 | | | | |
| IT Replacement programme/Data Centre move | 967 | | | | | |
| Police Force New Capital Schemes | 5,253 | 4,890 | 1,925 | 1,160 | 1,500 | 1,500 |
| Total Capital Programme | 17,643 | 7,845 | 1,925 | 1,160 | 1,500 | 1,500 |
| Earmarked Capital Reserve/Funding c/f | 21 | 187 | 47 | 1,085 | 933 | 130 |

6.4 Further details around the plans will be developed during the year and incorporated into future updates of the LTFP.

7. Reserves

7

7.1 As at the end of 2016/17 the PCC had Usable Reserves of £14.4m. The main reserves currently being held are for the following reasons:

- General Reserves - £8.0m
- Capital Reserves - £3.2m
- Community Safety Initiatives Reserve - £0.45m
- Job Evaluation Reserve - £0.55m
- Injury Pension - £0.32m

7.2 The expected movements on all reserves held by the PCC will be kept under review in line with the development of the LTFP, current projections are included within the table below:

| | Balance at 31 March 2017 £000 | Tranfers In 2017/18 £000 | Tranfers Out 2017/18 £000 | Balance at 31 March 2018 £000 | Tranfers In 2018/19 £000 | Tranfers Out 2018/19 £000 | Balance at 31 March 2019 £000 | Tranfers In 2019/20 £000 | Tranfers Out 2019/20 £000 | Balance at 31 March 2020 £000 |
|-----------------------------------|--|-----------------------------------|------------------------------------|--|-----------------------------------|------------------------------------|--|-----------------------------------|------------------------------------|--|
| Direct Revenue Funding of Capital | (3,241) | (1,165) | 4,385 | (21) | (835) | 669 | (187) | (100) | 240 | (47) |
| Injury Pension Reserve | (320) | | | (320) | | | (320) | | | (320) |
| PFI Sinking Fund | (138) | (75) | | (213) | (75) | | (288) | (75) | | (363) |
| Incentivisation Grant | (271) | (80) | 173 | (178) | (80) | 80 | (178) | (80) | 80 | (178) |
| Urley Nook TTC | (81) | | | (81) | | | (81) | | | (81) |
| NERSOU | (153) | | | (153) | | | (153) | | | (153) |
| Job Evaluation Reserve | (550) | | 250 | (300) | | 300 | 0 | | | 0 |
| Police Property Act Fund | (43) | | | (43) | | | (43) | | | (43) |
| Community Safety Initiatives Fund | (450) | | 150 | (300) | | 150 | (150) | | 150 | 0 |
| Road Safety Initiatives Fund | (629) | | 150 | (479) | | 150 | (329) | | 150 | (179) |
| Collaboration Reserve | (389) | | | (389) | | | (389) | | | (389) |
| Revenue Grants Unapplied | (137) | | 137 | (0) | | | (0) | | | (0) |
| Total Earmarked Reserves | (6,401) | (1,320) | 5,245 | (2,476) | (990) | 1,349 | (2,117) | (255) | 620 | (1,752) |
| General Reserves | (8,015) | 0 | 2,000 | (6,015) | 0 | 600 | (5,415) | 0 | 1,200 | (4,215) |
| Total Usable Reserves | (14,416) | | | (8,491) | | | (7,532) | | | (5,967) |

7.3 A full review of reserves and the robustness of the assumptions within the LTFP will be prepared for consideration by the PCC before the 2018/19 budget is set.

8. Risks

8

8.1 The major risks and unknowns surrounding the figures presented here are:

- Pay Awards are settled at a higher level than the 1% annual increases that are included within the current financial projections.
- Any differences between the future years' actual Government Grant settlements and the estimated figures.
- The impact of any funding formula review on the Government Grant received in Cleveland.
- That Legacy Council Tax grants are reduced in the future.
- Variations in future years between the estimated tax base used and the actual declared tax base.
- Changes in the referendum limits for Precept increases below the currently anticipated 2% pa.
- Increasing costs of the employers Pension Contribution into the Police Pension Fund.
- Sensitivity of assumptions, including inflation and borrowing costs.
- Ability of the organisation to deliver the significant change and investment programme that is continuing.

- The ability and capacity to either absorb growth/cost pressures and/or deliver savings to enable expenditure in essential areas to continue.
- Ability to deliver the savings included within the plans within the timeframes set and also to the level needed whilst delivering the required levels of service.

Introduction

On 8 March the Chancellor of the Exchequer, Philip Hammond, made his [2017 Spring Budget](#) announcement in the House of Commons. The Budget was Hammond's first full Budget as Chancellor and it outlined the Government's spending and tax plans.

Alongside the Budget the OBR published its [Economic and Fiscal Outlook](#) (EFO), containing its forecasts for the economy and the public finances.

As announced at the 2016 Autumn Statement, this Budget is intended to be the last full budget in spring with a second full budget planned for autumn 2017. An annual timetable consisting of an Autumn Budget and Spring Statement will commence from then on.

This briefing outlines the key announcements in the Budget, in particular those of interest to the police service. References to the relevant paragraphs in the "Red Book" Budget report for each announcement are included in square brackets.

ECONOMY

GDP – GDP is predicted to grow by 2.0% in 2017 this is 0.2 percentage points less than the 2.2% predicted in the 2016 Budget. This being said, it is important to point out that the forecasts were made in the 2016 Budget based on the UK remaining in the EU.

Compared with the 2016 Autumn Statement, the Spring Budget announces greater growth forecasted for 2017 but less growth for each of the following three years. The Budget states that "real GDP grew by 0.7% in the final quarter of 2016. GDP grew by 1.8% over the year as a whole". A comparison of forecasts from the 2017 Spring Budget with those from the 2016 Budget (as well as the 2016 Autumn Statement) is given below [1.20]:

| OBR | 2016 Budget | 2016 Autumn Statement | 2017 Spring Budget |
|------|-------------|-----------------------|--------------------|
| 2017 | 2.2% | 1.4% | 2.0% |
| 2018 | 2.1% | 1.7% | 1.6% |
| 2019 | 2.1% | 2.1% | 1.7% |
| 2020 | 2.1% | 2.1% | 1.9% |
| 2021 | | 2.0% | 2.0% |

Inflation - The report states that "The OBR forecasts that CPI inflation will increase to 2.4% in 2017 before falling back to 2.3% in 2018 and 2.0% from 2019 to 2021". [1.28]

Employment – The Budget highlights that "Employment reached a new record high" and it is forecasted higher than expected for 2017 at 31.9m compared to a March 2016 forecast of 31.7m. Nonetheless, wage growth has been lower than expected at 3% compared to a forecasted 4.2% for 2017.

PUBLIC SPENDING

Budget Surplus – Budget forecasts have been reassessed in the light of infrastructure investment and the abandonment of the 2020 target. “The OBR forecasts that the current account deficit will narrow, to 3.5% of GDP in 2017, 3.2% of GDP in 2018, 2.6% of GDP in 2019, 2.2% of GDP in 2020 and 2.0% of GDP in 2021.” [1.26]

Departmental Spending Cuts – Total Managed Expenditure as a share of GDP is forecast to fall from 39.3% in 2016-17 to 37.9% in 2021-22. This is compared to 44.9% in 2010-11 but higher than the 2016 Budget plans of 36.9% in 2020-21. [1.57]

Efficiency Savings – The Budget continues plans to see a saving of £3.5bn from public spending by 2019-20 “supported by the Efficiency Review” [1.58]

Protected Spending: - As set out in Spending Review 2016, commitments to priority public services, to international development and defence and to pensioners; will be maintained. [1.55]

POLICE AND CRIME

Police Grant Settlement – At the 2016-17 Police Settlement Mike Penning, Minister for Policing, Fire and Criminal Justice and Victims, told Police and Crime Commissioners that they should plan for a “flat cash” budget when they include Formula Funding, Legacy Council Tax Grants, NICC and precept (assuming the precept is maximised). This has been reiterated in recent weeks.

Today’s Budget statement does not mention the police service though, as in 2016, locally-delivered criminal justice service talks for London have taken place. The Resource DEL for the Home Office is £10.8bn for 2017-18 and £10.7bn for both 2018-19 and for 2019-20. This is an increase from the £10.6bn for each year planned in the 2016 Budget. [1.60]

There was no specific mention of Counter Terrorism, the Transformation Fund or blue light collaboration.

Violence against Women and Girls – The Government will be providing an additional £20m over the parliament to support organisations to combat domestic violence and abuse as well as supporting victims. This will increase total funding to £100m. [5.13]

PAY AND PENSIONS

Public Sector Pay and Pensions – In the 2015 Summer Budget, George Osborne announced that public sector pay awards will be limited to 1% a year for the four years from 2016-17 onwards, in order to protect jobs. Mr Hammond has maintained this limit.

National Living Wage and National Minimum Wage – There have been no changes since the 2016 Autumn Statement. The National Living Wage rate will increase to £7.50 from April 2017. This represents an increase of 4.17% from April 2016. The National Minimum Wage rates will be increased to £7.05 for 21-24 year olds, £5.60 for 18 to 20 year olds, £4.05 for 16-17 year olds and £3.50 for apprentices, an increase of 1.44%, 0.90%, 1.25% and 2.94% respectively.

National Insurance – National Insurance contributions Upper Earnings Limit will increase to remain aligned with the higher rate threshold. As announced in the 2016 Autumn Statement, the NI Primary and Secondary thresholds will be £157 per week for 2017-18 (compared to £155 and £156 respectively).

Furthermore, the self-employed will pay extra National Insurance to bring them in line with the wider workforce. Class 2 NICs will be abolished for those who are self-employed, whilst Class 4 NICs will be raised from 9% to 10% in April 2018 and to 11% in 2019. [3.5]

APPENDIX B - Queen's Speech 2017 2017-19 Legislative Programme

21 June 2017

Introduction

On 21 June 2017 the Queen announced the Government's legislative programme for the 2017-19 parliamentary session in the [Queen's Speech](#). As [announced](#) by the Leader of the Commons Andrea Leadsom, the next parliamentary session is to be doubled in length to two years to allow MPs to scrutinise "substantial amounts of legislation" regarding the UK's withdrawal from the European Union.

The 2017 Queen's Speech, is the first since the EU Referendum and the first under Prime Minister Theresa May. It follows the surprise result of the snap 2017 General Election which left the Conservative party with the most seats but without a majority. Unofficially, the Conservatives may be supported by the Democratic Unionist Party but it is unlikely that there will be a formal coalition.

The Prime Minister Theresa May said that "the election result was not the one I hoped for, but this Government will respond with humility and resolve to the message the electorate sent."

In total, 27 bills were announced for the next two years in Parliament with a major focus on the UK's withdrawal from the European Union. It is important to note that many of the sections within the Queen's Speech documents include retrospective policies and achievements by the Government.

The provisions of the main bills which are likely to impact on police finance are summarised below. MPs will get a chance to vote on the Queen's Speech on 28 and 29 June 2017.

2017 Queens Speech Bills

Delivering Brexit

Repeal Bill - This Bill will turn EU law into UK law to ensure that, wherever practical, the same rules and laws apply after exit and therefore maximising certainty for individuals and businesses.

The other Brexit bills included in the Speech are the **Customs Bill, Trade Bill, Immigration Bill, Fisheries Bill, Agriculture Bill, Nuclear Safeguards Bill, International Sanctions Bill**.

Economy

National Insurance Contributions Bill - This bill legislates for NICs changes announced at the 2016 Budget and 2016 Autumn Statement but not for the Class 4 "discussions" from the 2017 Spring Budget.

Other Bills include the **High Speed 2 Phase 2A Bill, Space Industry Bill, Automated and Electric Vehicles Bill** and the **Smart Meter Bill**.

Making Our Country Fairer

Draft Domestic Violence and Abuse Bill - The draft measures will bring forward proposals to establish a Domestic Violence and Abuse Commissioner; to define domestic abuse and; to increase maximum sentencing for domestic abuse regarding children.

Courts Bill - The Bill will reform the courts system in England and Wales to ensure it is more efficient and accessible, and in doing so utilise more modern technology.

Financial Guidance and Claims Bill - This Bill will establish a new statutory body, accountable to Parliament for coordinating the provision of debt advice, money guidance, and pension guidance.

Civil Liability Bill - This Bill will crack down on fraudulent whiplash claims to reduce motor insurance premiums.

Other Bills include the **Travel Protection Bill**, **Draft Tenants' Fees Bill** and **Goods Mortgage Bill**.

Making Our Country Safer and More United

Draft Patient Safety Bill - This Bill will establish the Health Service Safety Investigation Body in statute, which will conduct independent and impartial investigations into patient safety risks in the NHS in England. Disclosure of information will be prohibited with the exception of where there is an ongoing risk to the safety of patients or evidence of criminal activity.

Other Bills include the **Data Protection Bill** and the **Armed Forces Bill**.

Other Legislative Measures

Other legislative measures include the **EU (Approvals) Bill**

Non-Legislative Measures

Public Finances - The Queen's speech recognises that there was a "message" from voters about how the economy should be run. However, the priority is still the eradication of the deficit. *"The Government will reduce the structural deficit to less than 2% of GDP and get debt falling as a percentage of GDP by 2020/21"*.

There does not appear to be an "end to austerity" which parts of the Conservative party had alluded to since the General Election result. There are no new investment spending announcements or signs of increased Government spending.

Counter-Terrorism – The Government will establish a commission for countering extremism to support it in stamping out extremist ideology in all its forms (including online).

The Government's commission will have three main objectives:

- Identifying examples of extremism
- Identifying new policies that will help tackle extremism.

- Support the public sector and civil society in promoting and defending pluralistic values across all communities.

Digital Charter - The Government will develop a Digital Charter to create a framework that balances users' and businesses' freedom and security online. The objective is to make the UK the best place to start and run a digital business and the safest place in the world to be online.

The Government, on the one hand, recognises the need for a "*free and open internet*" but has also pledged to remove content that could be deemed harmful or extreme. It will force technology companies to "*protect*" users' safety online.

Critical National Infrastructure - Proposals will enable the Government to scrutinise and intervene in significant foreign investment proposals for the purposes of protecting national security.

National Living Wage and Workers' Rights - The National Living Wage will be increased to 60% of median earnings by 2020 and will continue to rise thereafter.

Mental Health Reform - Mental health shall be a priority within the NHS with continues investment (£1bn per year from 2017-18 to 2020-21). Emphasis shall be on early intervention, investing in community services and expanding access to 24/7 crisis care support.

The Government will also publish a green paper on children and young people's mental health. The Mental Health Act will be reviewed and the Government will publish recommendations on where new policy could provide greater rights for those experiencing mental health problems.

Consumer Markets Including the Energy Market - The Government intends to release a green paper that will closely examine markets which are not working fairly for consumers - specifically regarding unfair terms and subscription traps in the Energy, Housing and Telecoms markets.

Housing - A consultation will be released to look at promoting transparency and fairness for leaseholders and to encourage house construction.

Schools and Technical Education – The Schools National Funding Formula consultations are to continue as will the Government's commitment to "*World-class technical education*".

Social Care - The Government will be bringing forward proposals for consultation setting out options to improve the social care system and put it on a more secure financial footing as well as improve the quality of care and the variation of practice.

Northern Ireland - The Government's priority will to be to continue to restore the devolved power-sharing government in Stormont by the statutory deadline of June 29.

Foreign Affairs - The Government has maintained its commitment to the Paris Agreement and to spending 0.7% of GDP on international development and 2% of GDP on armed forces.

Other Measures included a review of the **Grenfell Tower** fire; **Tackling the Gender Pay Gap and Discrimination** and an **Independent Public Advocate**.



Report of the Chief Finance Officer of the Chief Constable to the Police and Crime Commissioner for Cleveland

26th July 2017

Status: For Information

Long Term Financial Plan (LTFP) 2017/18 to 2020/21 Savings Requirements Update

1. Purpose

- 1.1 The purpose of this report is to inform the Scrutiny Panel of the progress being made in both identifying and realising the savings required within the Long Term Financial Plan.

2. Recommendations

- 2.1 The Scrutiny Panel is asked to:
- 2.2 Note the contents of the report.

3. Background

- 3.1 On the 27th February 2017 the PCC approved the Long Term Financial Plan 2017/18-2020/21. The plan was balanced by identifying the need for the Force to make £0.5m worth of cashable savings in 2017/18 rising to £2.9m worth of cashable savings by 2019/20.
- 3.2 Along with the Long Term Financial Plan 2017/18-2020/21 the PCC approved the Force's Financial Sustainability Plan 2017. Within this plan it highlighted the areas of expenditure that the Force was going to review in order to realise the savings required within the LTFP.
- 3.3 Work has already started to ensure that the Force can make the required savings within 2017/18 and be in the best position for the more difficult years ahead.
- 3.4 The Financial Sustainability Plan highlighted the following areas for the Force to focus on to make the necessary savings:
 - A series of rapid improvement 'deep dive' reviews

- Rationalisation of management structures
- Workforce modernisation
- Cessation of fixed term contracts
- Targeted reduction across non-pay lines
- Delivery of the Estates Blueprint
- Fleet

- 3.5 A multi-functional group of both operational and non-operational staff have worked together to identify the possible savings and then the savings identified have been signed off by the Executive Team. The outcomes of the savings have been discussed at Management Board in July 2017.
- 3.6 This group reviewed workforce modernisation, targeted reductions across non-pay lines and started the work on the rationalisation of management structures.
- 3.7 Cessation of fixed term contracts has yet to be reviewed. The delivery of the Estates Blueprint is being focussed on via monthly budget clinics and is on track to deliver both the capital receipts anticipated as well as reduce any unnecessary estates footprint and associated annual revenue costs. Whilst the fleet review is due to progress to a full business case by late summer and will be discussed by the Joint Fire and Police Collaborative Development Working Group.
- 3.8 Rapid Improvement Plans (also known as "Deep Dives") have also begun with several areas within the Force that have yet to be subject to a full strategic review being completed. The areas reviewed to date are Intelligence, Business Planning and Data Quality. Human Resources, Communications, the OSU, CDSOU and Crime and Forensics are to be completed over the next 12-18 months.

4. **Savings Identified**

- 4.1 The business areas that have been reviewed and have identified savings against the heading of "workforce modernisation" are the Business Transformation Unit, the Performance, Quality and Review team and the Trainee Police Officers. This has resulted in 1718 part year savings of just over £150k and subsequent full year savings of £700k. The reviews have identified where police officers are completing tasks that could and should be being undertaken by non-warranted officers. This has resulted in officers being able to be returned to front line duty thus reducing the numbers of required trainee officers. At the same time new specialist staff roles to back fill the roles currently being undertaken by the warranted officers is being undertaken thus realising the savings.
- 4.2 Targeted reductions in non-pay lines have resulted in a part year saving of £160k. This will be conducted throughout the year with Commanders and their Finance Business Partners to ensure that all non-pay expenditure that is spent is absolutely critical to the Force. A full year effect of this will be savings of £325k per annum (including savings made in the recent Medical and Custody contracts).

4.3 Rationalisation of management structures has commenced with future work being carried out to marry up Cleveland's structures to that of the College of Policing's 5 Bands of Leadership. Initially known retirements within the sergeants' level and above have been reviewed on a case by case basis aligning them to an equitable split of direct reportees and to eliminate any duplication within roles. A 2017/18 part year effect in regards to this work has resulted in a saving of £160k. Subsequent years have resulted in identified savings of £1m in 2018/19 and £1.6m in 2019/20.

4.4 Several Deep Dives have been completed and the outcome of these reviews are being taken through Towards 2020 and Management Board for ratification. It is expected that the completed Deep Dives will bring part year savings in 2017/18 of £50k with subsequent years being in the region of £480k per annum.

4.5 The table below summaries the savings discussed above.

| | 2017/18 £000's | 2018/19 £000's | 2019/20 £000's |
|-------------------------|-------------------|-------------------|-------------------|
| Workforce Modernisation | 150 | 700 | 700 |
| Non-Pay Expenditure | 160 | 325 | 325 |
| Management Structures | 160 | 1,000 | 1,600 |
| Deep Dives | 50 | 480 | 480 |
| Total | 520 | 2,505 | 3,105 |

5. Implications

5.1 Finance

5.1.1 All financial implications are highlighted within the report.

5.2 Legal

5.2.1 There are no legal implications arising from this report.

5.3 Diversity & Equal Opportunities

5.3.1 There are no diversity and equal opportunities implications arising from this report.

5.4 Human Rights Act

5.4.1 There are no Humans Rights implications arising from this report.

5.5 Sustainability

5.5.1 The above report details how the Force will make the necessary savings required within its LTFP 2017/18-2020/21.

5.6 Risk

5.6.1 There are inherent risks associated within the timeframes for the identified savings. If timeframes should slip then the actual savings made will be reduced. The CFO for the CC and the ACO will work with the Force to ensure the savings can be realised.

6. **Conclusions**

6.1 This report clearly shows that the Cleveland Police Force has a detailed plan of action to ensure that the required savings within the LTFP 2017/18-2020/21 can and will be made.

Joanne Gleeson
CFO to the Chief Constable
26th July 2017



Scrutiny, Delivery & Performance Meeting

26 July 2017

PCC Scrutiny Questions

The PCC has requested a response be provided on issues arising as set out below.

- 1. Tackling Knife Crime** – Could the force provide an update on the success of Operation Sceptre in May and provide an outline of the current position with regard to knife crime in Cleveland.
- 2. North East Regional Special Operations Unit (NERSOU)** – Could the force provide an update on asset recovery referrals (from our force to NERSOU) seizures and the performance of financial investigation? Have the recent changes made in NERSOU made a difference?
- 3. Apprentice Targets/Mandatory Gender Pay Gap Reporting**
The public sector apprenticeship targets regulations 2017 came into force on 31 March. It sets a target for public services with at least 250 staff to employ an average of at least 2.3% of staff in England as new apprentices over the period 2017-2021, with the target coming into effect from 1 April until 31 March 2021. By 2018 every organisation with more than 250 employees in the private, public and voluntary sector must report its pay gap annually. The PCC would like an update on the force's position with relation to the position on these 2 issues.
- 4. Cost Recovery, National Counter Terrorism Policing**
Could the force outline the current position on this, can the force recover any costs and if so, when will this become available?
- 5. Medical Assessment of police applicants** – Could the force outline their medical policy on the medical assessments of potential candidates, particularly in relation to asthma. Is there a particular threshold which stops a person with asthma being able to join the force or does the force have some discretion in this area?