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**Cleveland Community Safety Hub**  
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## **PCC Scrutiny, Delivery & Performance Meeting**

**Date:** 30 November 2018  
**Time:** 1300-1600  
**Venue:** Marina & Endeavour Room, Cleveland Community Safety Hub

### **Agenda**

		<b>Presented by</b>
1.	Apologies For Absence	
2.	Declaration of conflict of interest/disclosable pecuniary interest	
3.	Notes of the previous meeting – 12 September 2018	
4.	Financial Information (to be confirmed) a) Cleveland Police – Corporate Financial Monitoring Report to 31 October 2018 b) PCC Budget Monitoring Report to 30 September 2018 c) Long Term Financial Plan (LTFP) 2019/20 to 2022/23 and Capital Plans 2019/20 to 2022/23 Update d) Cleveland Police Long Term Financial Plan (LTFP) 2019/20 to 2022/23	Cleveland Police/OPCC
5.	Abuse of Position for a Sexual Purpose and Sexual Harassment – NPCC Action plan	Cleveland Police
6.	Domestic Abuse	Cleveland Police
7.	Police Response and Prioritisation	Cleveland Police

8.	Force Preparations for Brexit	Written Submission
9.	PCC Scrutiny questions	Written Submission
10.	<b>Any Other Business</b>	
11.	Date of next meeting – 16 January 2019	
12.	Closed session – Operation Hydrant	Written Submission
13.	Any other business	



## **Scrutiny, Delivery & Performance Meeting**

12 September 2018

1300 - 1600

Marina Room – Community Safety Hub

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### **Present**

Barry Coppinger - Police and Crime Commissioner  
Simon Dennis - Chief Executive and Monitoring Officer, OPCC  
Brian Thomas - Assistant Chief Officer  
Jo Gleeson – Chief Finance Officer, Cleveland Police  
Joanne Hodgkinson – Deputy Chief Executive  
Judith Nellist – Commissioner’s Officer for Policy and Scrutiny, OPCC  
Elise Pout, Standards and Scrutiny Manager, OPCC  
Jason Harwin – by telephone for item 5  
Steven Bell – for item 11 – Proceeds of Crime Act  
Jon Green – for item 4  
Maria Hopper – for item 6

### **Item 1 - Apologies for absence**

1. Simon Nickless, Deputy Chief Constable, Cleveland Police

### **Item 2 - Declarations of Conflict of Interest/Disclosable Pecuniary Interest.**

2. None declared.

### **Item 3 - Notes of the Previous Meeting**

3. The notes of the following meeting were approved for publication.

- i. 20 June 2018 – approved
- ii. 23 July 2018 – approved

### **Item 4 - Audits and Inspections – Joint Targeted Area Inspection – Multi Agency Response to the Abuse and Neglect in Stockton on Tees – Update**

4. Between 20 and 24 November 2017 Ofsted, the Care Quality Commission (CQC) and Her Majesty’s Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and HMI Probation undertook a joint inspection of the multi-agency response to abuse and neglect in Stockton-on-Tees. A number of key strengths were identified as well as a number of Areas for Improvement (AFIs).
5. At the Scrutiny, Delivery and Performance meeting on 11 April the PCC was updated on the Force’s response to the AFIs. Included in that was a discussion regarding the demand tool that was being used to assist in managing the demand. It was proving positive at the time of writing but the overall outcome was still to be seen.
6. The corporate team were also looking at the Strategic Threat and Risk Assessment (STRA) in order to gain a further understating of demand, abstractions and staffing. Processes were also being considered in order to establish the effect on workloads. Given that projected demand was set to increase the PCC requested that a further update should be provided in three months’ time to allow for the results of the work to understand and manage demand to be concluded.
7. The PCC sought details on the following for the meeting:
- An in-depth update on the current levels of demand in PVP.

- The results of the work that has been undertaken to manage demand

8. Jon Green was in attendance to take the PCC through the headline information with regard to the 2 areas above.
9. Within PVP and the child abuse team, there had been a task and finish group established to consider how to mitigate risk and alleviate demand. It was outlined that current staffing levels were adequate and proportionate; some inefficiencies had been identified and addressed and it was noted that the department had moved in a positive direction over the last 6 months. One pressure on the team was identified as attendance at partnership meetings. This had been an area that the HMICFRS had recommended for improvement; attendance at such meetings had improved from about 30 per cent to 90 per cent, which in turn, had created an additional demand on the team, but it was hoped that the potential use of video conferencing would help with that. Discussions were held on the use of E-cins and how that could reduce the need for information sharing meetings, although it was also noted that HMICFRS request that it is preferable that people 'sit round the table'. Work was being undertaken to plan time saving methods but co-location was seen as the way forward.
10. Discussion took place about the National Enabling Programme and the specifications that were being awaited. It was noted that Cleveland were one of the first forces to move towards encryption to the CPS and 'smart' interventions were being developed with partners to improve the use of digitally enabled solutions. Discussion took place about the inclusion of this into the Police and Crime Plan.
11. Regarding the demand in the Child Abuse team, it was noted that child abuse referrals had seen 10% increase year upon year until July 2018, which had led an increase in workload for the team, due to the significant amount of time needed assess each form received.
12. In the Domestic Abuse (DA) team officers were dealing with approximately 11 crimes each which was manageable and not untypical. Demand across the team was high due to the uplift in historic investigation unit, for which all teams across the force had felt the pressure. That had led to recruitment to backfill the roles and training for new members of the team. The team were working hard on proportionality, ensuring that investigations were right from the outset and not under or over investigated. The team were ensuring they were addressing risk effectively which involved more intrusive supervision, specific to DA. It was identified that the shift pattern was not conducive to the work life balance approach and that the shift pattern had impacted on recruitment and retention within the team. Temporary shift patterns had been established to alleviate the burden but it was recognised that more coverage was needed on weekends and afternoon and evening.
13. It was also noted that the Multi Agency Risk Assessment Conference (MARAC) processes was time consuming for the team and consideration was being given to who were the most appropriate people to attend and how the significant preparation that was needed should be managed.
14. Within the Vulnerable, Exploited, Missing and Trafficked (VEMT) team the average crime per office had remained relatively static. There were some large investigations being managed by the team including Operation Cotton. It was noted that the team was relatively new and that the intelligence assessed by the VEMT team on an individual basis had created a significant demand on staff time and resources. What was noted was that the vulnerable adults' team was a small team of 5 DCs which created a lack of resilience and would perhaps be better being absorbed into a bigger team. Although there was a small workload, investigations were long and complex and daily referrals created a significant demand? Within the Sex Offender Management Unit (SOMU) demand was consistent with last year. The PCC asked what the 'management' of SO involved and it was explained that the work was based on risk and working with key partners. Work with offenders could range from a daily to an annual visit. The PC agreed to raise the issue of sentencing at the Local Criminal Justice Partnership (LCJP) to discuss the thresholds for offenders being added to the Sex Offenders Register.
15. Discussion took place about the increase in online offending, the force were improving detection and gaining an increased understanding of the technology being used and that had led to an increase in workload.
16. The Support Hub was near to full establishment and the aim was to develop omni-competent officers. However it was agreed that a more strategic view was needed in this area to develop performance framework and find a

level where workload was manageable. Discussion took place about the merits of omni-competent officers and that an appropriate way forward was needed.

17. In summary it was noted that with recent demand and abstraction rates that it was a balancing act and that PVP faced a significant pressure, which was not isolated to that department. The Corporate Team were retesting the model and it was noted that if didn't work with the staffing in place that it needed to be reconsidered.

(Jo Gleeson attended the meeting from item 4).

**Action** – that the information was noted and that the PCC would raise the issue of the Sex Offender Register thresholds at the next LCJP.

#### **Item 5 - Audits and Inspections – HMICFRS – Crime Data Integrity August 2018**

18. In advance of the publication of the HMICFRS Crime Data Integrity inspection report the PCC considered the areas for improvement that emerged from the recent HMICFRS debrief at the Scrutiny, Delivery and Performance meeting on 11 April. The PCC sought assurance that any safeguarding issues had been addressed and what steps had been taken to address the areas of improvement that had been identified in the inspection. It was noted at that time, that an action plan had been produced and positive benefits were being seen.

19. The report was subsequently published in August 2018 and the Force was graded as 'Inadequate'. Despite the advances the Force's compliance with national crime recording standards were unacceptable in the following areas:

- The Force was currently under-recording violent crimes.
- The process for identifying domestic violence incidents as crimes and assessing the correct closure of such incidents within the force control room does not support accurate crime recording.
- The force was not recording crimes within the 24 hours permitted.
- The force must improve the extent to which it collects information regarding the effect of criminality on identifiable groups within communities. In particular groups with identifiable protected characteristics (e.g. gender, sexuality or ethnicity).
- It was noted that the failings were a consequence of officers and staff not always understanding their responsibilities for crime recording, compounded by deficiencies in the process for crime recording within the force and inconsistent and limited supervision of crime-recording decisions.

20. Recommendations were made that involved three and six month deadlines. Within the report were the following gradings:

#### **How effective is the force at recording reported crime?**

Inadequate - Overall crime-recording rate – 83.4% of reported crimes were recorded

#### **How efficiently do the systems and processes in the force support accurate crime recording?**

Good

#### **How well does the force demonstrate the leadership and culture necessary to meet the national standards for crime recording?**

Good

21. The PCC sought information on the progress on the action plan and the implementation of the recommendations that were required to be completed within 3 months, which were as follows

Within three months, the force should take steps to identify and address gaps in its systems and processes within its control room for identifying and recording all reports of crime. This work should include a review of:

- i. the process for the supervision of the closure of incident records, ensuring that this includes a check of compliance with the crime-recording rules and that sufficient supervisory knowledge and capacity exists to do so;
- ii. the grading process for incidents; and
- iii. the procedure for arranging and managing appointments.

22. And details of the plans for dealing with the recommendations within six months, which were as follows: the force should design and provide training for relevant staff in regard to:

- i. the importance of the **first** account of the victim when making crime-recording decisions, particularly in cases of domestic abuse;
- ii. offences involving malicious communications, harassment and public order;
- iii. recording as full an account as possible from callers within the incident record and making it clear when the incident amounts to a crime; and
- iv. fully communicating all available information to officers deployed to incidents.

23. Specifically with regard to the Impact on Victims, the PCC sought details on the following:

- How are you ensuring that the needs of those reporting domestic abuse are considered and offered specialist support services?
- Can you provide assurance that incidents recorded by Cleveland Police and relating to domestic abuse take into account any repeat victimisation? (regardless of its classification as an incident or a crime)
- Can you confirm that stalking and harassment is taken into account following recording incidences of harassment or domestic abuse and can the Force confirm the arrangements for dealing with such cases (including those that fall out of a domestic setting i.e. stranger stalking )
- How are victims informed if their report will be classified as 'not crimed'? What support is offered to them given they fall outside of VCOP?

24. The Force noted that they had developed a CDI action plan which had included the wider implications and way it dealt with demand.

25. For the 3 month improvements it was noted that the Force had increased its work around the grading of incidents, in line with national strategies and protocols, work had taken place with team leaders. An Incident Response Team (IRT) sergeant had been brought in to work closely with control room and improve communication with IRT. Longer term solutions, agreed with the support of the Chief Constable, was that the force incident manager should be the overall person responsible for an incident, supported by a team to ensure that the responsible person did not have to operate in isolation.

26. It was acknowledged that the quality of closure and knowledge base had created inconsistencies but Sopra Steria were looking at the performance of individuals which would be used to create meaningful development plans.

27. For the 6 month improvements, the Force were moving to a new system which would ensure that demand was picked up at the right levels. A gold group was undertaking close scrutiny to ensure that demand was dealt with by the most appropriate officer/department.

**Actions** - That the information is noted and further updates are provided in due course. That the OPCC were invited to attend the Gold Group.

That the Assistant Chief Officer to send further information to the PCC regarding the impact on victims.

#### **Item 6 - Information Management – Update**

28. The PCC called a scrutiny meeting on 23 July 2018 to seek assurance from the Force about the plans that had been put in place to manage a recent data breach. The PCC received information about the immediate actions that had taken place and the on-going and future work in this area.

29. The PCC was assured by the proactive work that was taking place but wanted to be kept abreast of the work as it developed.
30. The PCC sought information on the following:
- Progress on the work that was outlined to him at the meeting in July.
  - A fully costed and detailed action plan with relevant timescales, to cover all the potential areas of questioning that might be asked as part of the ICO investigation.
  - Following on from details given at the last meeting - Assurance on the specific work that was taking place to secure information from people leaving the organisation and those that had already left to ensure that the information belonging to the Force was recovered and preserved.
31. Maria Hopper attended to provide information to the PCC. She outlined that the Information Commissioner's Office (ICO) sought an update and that information was being gathered based on questions asked at a previous breach. She reiterated the work undertaken to date and outlined the information strategy which stated how the Force adhered to authorised practice from the College of Policing and Data Protection guidelines, and used national guidance and legislation. An aide memoir for all staff linked to GDPR was being developed to reduce the reliance on training alone. There had been a big focus within the force to get the appropriate training completed by all staff, with priority given to high risk areas within the force.
32. Self-assessment had taken place against the ICO audit which can be used to identify gaps in GDPR compliance, it was sent out to teams in all areas of the force to do the assessment personally, the assessments had been returned and an action plan had been produced to address the gaps identified.
33. The PCC asked about the process for officers and staff that enter the Force and it was explained that information management and data protection was covered with new staff in their induction, the NCALT packages were mandatory and that training courses that involved access to data were 'front ended' by data protection information. Improvements had been made to the level of compliance in the mandatory training, in July, across all areas of business there were 660 people still to complete in the Force and 16 in the PCC's office. At 27 August this stood at 193 and 0 in PCC's office.
34. An action plan was in place, the information management unit was being restructured in order to provide the capacity to ensure that the Data Protection manager had the time to ensure the Force was GDPR compliant.
35. Superintendent Mark Thornton was leading on the collection of information from officers/staff that had left the force, although there was no evidence officers had taken blue books home, some were received in the blue book amnesty.
36. The PCC was supportive of the work that had been undertaken and wished to include a supporting letter with the information submitted to the ICO by the Force.

**Action** - That further updates are provided as appropriate and that the PCC provide a supporting letter to be given to the Force in support of the ICO information.

#### **Item 7 - Force Preparations from Brexit**

37. The APCC held a Policy Deep Dive on Brexit on the 17 July. There were a number of questions that were raised by National Police Chiefs' Council (NPCC) and National Crime Agency (NCA) that it was agreed would be prudent for PCCs to raise with their respective Forces.
38. The PCC asked the force for information on the following:
- Does the Force understand the risk impact of Brexit?;
  - What does the Force's local resourcing model look like regarding Brexit?;
  - Who, in the Force, is leading on Brexit preparations?; and
  - What are your Force's plans for organisation readiness?

39. It was noted that the 7 Force Collaboration (NETIC) were looking at the issue and its impact across the 7 forces and a meeting was due to take place on 17 September with all chief constables to enable them to consider the impact of the issues facing police forces .

**Action** – That the information was noted and that further information is submitted at the next meeting.

#### **Item 8 - Update on the RIPA Review**

40. Following the judgement of the Investigatory Powers Tribunal in December 2016 the Force and the PCC jointly commissioned Weightmans LLP to conduct an in depth and independent review of the Force’s use of the Regulation of Investigatory Powers Act 2000. (RIPA). The PCC sought an update on the current status regarding the review.

41. In addition to the information required above, it is noted that the revised Codes of Practice for Covert Surveillance and Property Interference and Covert Human Intelligence Sources had been published in August 2018. The PCC sought assurances on the Force’s readiness to apply the new regimes with anticipated timescales for completion.

42. It was noted that a mature draft of the final report had been received from Weightmans, a pre-meet to discuss the report would take place on 20 September with a finished product expected by 24 September.

**Actions** - That the information is noted and further details be provided in due course.

#### **Item 9 - Appropriate Authority Liaison Meetings – Quarterly Update**

43. To update the PCC on the Appropriate Authorities Liaison Meeting. The Chief Executive of the OPCC has general delegation of respective Appropriate Authority matters and as such regular meetings take place with the Chief Executive, the Head of the Directorate of Standards and Ethics, the Head of Legal Services and the OPCC’s Standards and Scrutiny Manager in order to discharge the Terms of Reference (attached at Appendix 1). The meetings take place to discuss matters of common interest and as a forum for the Force to notify the OPCC (and vice versa) of any conduct matters arising from litigation in accordance with the Schedule 3 of the Police Reform Act 2002 and the Police (Complaints and Misconduct) Regulations 2012

44. For information purposes, it was the intention to periodically update the PCC through the Scrutiny, Delivery and Performance meetings and provide a copy of the most recent minutes. It may be necessary to withhold the minutes from the public domain due to the nature of the subject matter however for the purposes of transparency minutes will be attached where possible.

**Actions** - That the information is noted.

#### **Item 10 - Defibrillators**

45. At the Police and Crime Panel meeting in July the Chair of the Panel brought to Members’ attention that there had been an issue with a defibrillator in Stockton. The PCC agreed to take up the issue and progress with the Force.

46. The current list of defibrillators was listed as follows

<b>Building</b>	<b>Number in Building</b>
M8	3 (2 in Custody, 1 front desk)
Hartlepool	1 (in custody)
Urray Nook	1
Guisborough	1
CDSOU	12 (in ARV response cars)
LDC	1



47. The update from the Strategic Contracts Manager for the OPCC was as follows - For the future (est. by the end of August/early September) the above list would be amended, the Procurement Team were in the process of buying replacement Defibrillators (to be rolled out and located at the 5 main front desks (Stockton, Hartlepool, Kirkleatham, Middlesbrough and CSH), Custody, Urray Nook, the LDC and finally the CDSOU ARV response cars. Any other defibrillators aside from these locations will be removed from use. The maintenance and monitoring of the new devices will be managed centrally by the Estates team (excluding those located in custody, which would be managed by the medical staff based within). All police officers and PCSO's are first aid trained, and have the ability to carry out CPR in the first instance.

48. The sought details on the following:

- An update on the Force's review of the locations of defibrillators and any replacement programme.
- How details could be provided on the Force and PCC websites to provide links to an update list of defibrillators in Cleveland (including those in locations held by other community safety partners).

49. New and updated defibrillators have been purchased in line with procurement rules, 6 had been purchased to be installed throughout the force and CDSOU vehicles. Work was taking place with other statutory agencies to ensure that the list of operational defibrillators that was kept on the Force website was maintained.

**Actions** - That the information was noted and one of the defibrillators was to be displayed at the next Police and Crime Panel meeting for Members' information.

### **Item 11 - PCC Questions**

#### **Proceeds of Crime Act**

50. Could the Force provide details of how much money has been received as a result of the Proceeds of Crime Act in 2017/18 and 2018 to date and details of where that funding has been spent?

51. Inspector Steve Bell gave an update. The PCC was reassured about the way it was managed and passed his thanks to all regarding the work that had taken place.

**Action** – that the information was noted.

#### **Monitoring AFIs from HMICFRS Inspections**

52. The PCC was familiar with the work of the Audit Committee regarding the oversight of the implementation of Areas for Improvement (AFIs), however the PCC sought information from Force regarding the practical steps that were taking place within the Force to ensure that progress was maintained and that AFIs were actioned in a timely manner.

53. It was outlined that every AFI was identified with an owner, and that tactical lead reported into the system for monitoring purposes. The HMICFRS monitoring board, chaired by the Assistant Chief Officer, and supported by 2 ACCs as operational leads, monitored actions and problem solved barriers to their completion.

54. Due to the performance exceptions and the HMICFRS actions 'cross over' the monitoring board was merged together with the performance group to incorporate AFI delivery section, which had since been replaced by the Decision and Accountability Board, chaired by the Chief Constable.

55. It was noted that the HMICFRS were developing a register for all recommendations which would be available to assist PCCs in holding the force to account for their implementation. A basic version of this would also be available to the public.

**Action** – that the information was noted.

#### **Property Store Capacity**

56. It had been brought to the PCC's attention that the property store had reached its capacity. There were items within the store that were associated with jobs that were closed and therefore there was no requirement to

retain those some of the items. The PCC sought information from the Force on their plans to rationalise the items to release capacity?

57. Superintendent Dave Sutherland had been tasked to ensure that the property store was cleared of items that were no longer necessary to sort. Initially this would involve the removal of bulky item where no person has been charged and this would be disposed of automatically by October. A reassessment will then take place along with a performance management system and the exploration of longer term ICT solutions.

**Action** – that the information was noted

**Any other Business**

58. No other business was discussed.

**Date of Next meeting**

59. The next meeting will take place on 30 November 2018 at the Community Safety Hub.

Final**Report of the Chief Finance Officer  
to the Chief Constable****14th Nov 2018****CLEVELAND  
POLICE****Corporate Financial Monitoring Report to 31<sup>st</sup> October 2018****Introduction**

This report provides assurance that the revenue and capital plans for 2018/19 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 31<sup>st</sup> October 2018. The forecast incorporates the impact of actions agreed to deliver financial targets.

**Budget Monitoring Summaries to 31<sup>st</sup> October 2018**

The year-end forecast is for a £235k overspend, a £85k increase from Period 6.

**Budget Monitoring Statement to 31st October 2018**

<b>Revenue</b>	<b>Annual Budget</b>	<b>Forecast Outturn</b>		<b>Previous Forecast</b>	<b>Change</b>
	£000s	£000s	%	£000s	£000s
<b>Pay Budgets</b>					
Police	67,073	(410)	(0.6%)	(355)	(55)
PCSO	4,295	(200)	(4.7%)	(150)	(50)
Staff	10,972	15	0.1%	(150)	165
<b>Total Pay &amp; Allowances</b>	<b>82,340</b>	<b>(595)</b>	<b>(0.7%)</b>	<b>(655)</b>	<b>60</b>
<b>Total Non-Pay Budgets</b>	<b>39,612</b>	<b>830</b>	2.1%	<b>805</b>	25
<b>Total Expenditure</b>	<b>121,952</b>	<b>235</b>	<b>0.2%</b>	<b>150</b>	<b>85</b>

The underspend on Police pay and allowances of (£410k) comprises an underspend of (£750k) on Police pay due to an increase in the number of retirements than was originally forecasted, the movement of Officers between core policing and collaborated units and a change in the recruitment profile. This has been offset by a forecasted £340k overspend on police overtime, relating to the charges for non-CNYMIT officers working overtime on the Major Incidents £275k, £40k for the additional costs of policing during the Football World cup, £20k for ICMT overtime stabilisation actions and additional pressures within Professional Standards. The underspend on PCSO pay and allowances of (£200k) is due to the leavers not being replaced until January when the training will begin for the new cohort. Staff pay and allowances is forecasted for a £15k overspend due in the main to additional costs identified for the recruitment of PSI's within the Major Incident and Organised Crime teams (£125k) and overtime pressures in Legal and Coroners (£20k).

The overspending on Non-Pay budgets is £830k and is detailed further in this report. The main overspendings comprise of an increase in pension costs of £175k, an increase in the workload of Forensics of £100k, charges of £300k relating to a potential fine from the Information

Commissioners Office for the initial data breach and charges to contingency in relation to uniform and boots of £205k.

### Capital Monitoring Statement to 31st October 2018

Capital	Annual Budget	Forecast Outturn		Previous Forecast	Change
	£000s	£000s	%	£000s	£000s
Estates Schemes	3,391	13	0.4%	15	(2)
Equipment Replacement	451	(2)	0.0%	(2)	0
ICT Schemes	2,019	(20)	(1.0%)	(19)	(1)
Fleet Replacement	700	0	0.0%	0	0
Provision for Business Cases	0	0	0.0%	0	0
<b>Total Capital</b>	<b>6,561</b>	<b>(9)</b>	<b>(0.1%)</b>	<b>(6)</b>	<b>(3)</b>

The 2018/19 capital budget has been reduced by £1.583m following the changes to several schemes as outlined in Appendix 4. ICT have reviewed their capital programme in line with the revised mobile working strategy and are returning a total of £1.41m across six schemes. The trial of 50 laptop/smartphones has commenced in October for Response and Neighbourhood Officers. The business case for the workforce mobility will follow after an assessment of the results of the trial. It is envisaged that the funding is likely to require the re-provision of the £1.41m returned to the OPCC. A further £63k has been deferred to 2019/20 for the EMSCP scheme due to delays in the national programme.

As can be seen from the table above, the forecast for capital expenditure is for an underspend of (£9k) a small change of £3k from Period 6. The £13k overspend for Estates schemes relates to the additional specialised requirements requested at Thornaby Fire Station, a reduction of £2k from last period following the confirmation of the equipment orders. The (£2k) underspend for equipment replacement relates to the purchase of the X-Ray Machine. The (£20k) underspend in ICT relates to savings on the ICCS project (£20k) and National ICT Enablement (£50k) offsetting the £5k overspend on the DSE audit equipment. There is a forecasted £45k overspend on the Backup Infrastructure scheme which is offset by savings identified on the National ICT enablement programme.

### Revenue Budget

On 28<sup>th</sup> February 2018, the PCC allocated the Force a revenue budget of £119,770k for 2018/19. Changes to the budget are set out at Appendix 1 resulting in a revised budget of £121,952k. 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 throughout 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 2018/19.

- The unprecedented number of major incidents that have occurred within Cleveland during the first 7 months of 2018/19 resulting in officers being redirected from their substantive roles.
- The number and cost of historic case reviews in any one year is unpredictable.
- The additional revenue costs should staff pay awards be higher than those assumed within the LTFFP.
- The Force is robustly defending a mixture of Employment Tribunals and general litigation claims. The outcome of which is unknown currently. The Force in conjunction with the OPCC has allocated a level of resources to help mitigate the financial risk associated with these claims. However the cost of any settlement can vary significantly and as such this presents a significant financial challenge to the Force.
- The Force is the subject of on-going investigations in relation to five Data breaches with an estimated fine of £300k for the initial breach. The financial penalties for the other breaches have not yet been determined and are not included in this forecast.

### Police Pay & Allowances

The forecast year-end position against the total police pay and allowances budget is an underspend of (£410k) which is an increase of £55k on the underspend from Period 6. The change from periods 6 to 7 is due to 2 medical retirements, 2 resignations, an officer moving from core to collaborations and changes to the retirement profile, partially offset by additional overtime pressure.

The year-end forecast is for an overspend of £340k against police overtime, due to non-CNYMIT officers working on Major Incidents £275k, overtime incurred due to the World Cup £40k and other overtime pressure within ICMT and Professional Standards.

The current variance against Police Officer overtime is £593k overspend, split between collaborations £128k and Core £465k, of which £38k relates to Mutual Aid costs yet to be invoiced, £69k to the HIU which will be covered by Special Grant, £215K relating to major incident work, £40k for World Cup and £103k for General Overtime.

#### Police Pay breakdown

Description	Full Year Amount £000s	Change from periods 6 to 7 £000s
Changes in Retirement Profile	-170	-40
Officers move from Core to Collaboration	-465	-15
Resignations	-215	-65
Back Fill DCC	70	0
Medical	-50	-50
Other Changes	80	60
Police overtime - Major Incidents	275	20
Police overtime - World Cup	30	0
Other Overtime Pressure	35	35
<b>Total</b>	<b>-410</b>	<b>-55</b>

The budget was set on the basis of having an average of 1,230 FTE police officers throughout the year with a changing number each month in accordance with the leaver and recruitment profiles. Further funding has been confirmed from the PCC for an additional 6 posts to bring the total budget to 1236 FTE. The budget split including the PCC funded posts is 1042 FTE in Core Policing, 147 in collaborations, 40 in Home Office Special Grant Funded posts and 7 on secondment. As at the 31<sup>st</sup> October the total number of officers in post is 1,211 FTE with 1011 FTE in Core Policing, 46 FTE in Home Office Special Grant Funded posts, 144 FTE in collaborations and 10 on secondments.

<b>Core Police Officer Attrition</b>	<b>As At 31/10/18</b>	<b>Forecast to March</b>	<b>As At 31/03/19 Total</b>	<b>To 31/03/19 LTFP</b>	<b>Variance to LTFP</b>
FTE at 1st April	1111		1111	1087	24
Retirements	-40	-13	-53	-45	-8
Medical Retirements	-3	-4	-7	-8	1
Other Leavers	-13	-2	-15	-12	-3
Move to HIU	-46	0	-46	0	-46
Other changes	-10	0	-10	0	-10
Recruitment	12	20	32	20	12
<b>Total</b>	<b>1011</b>	<b>1</b>	<b>1012</b>	<b>1042</b>	<b>-30</b>

### **Police Community Support Officers Pay & Allowances**

The forecast year-end position against the total PCSO pay and allowances budget is for an underspend of (£200k). This is an increase of £50k from Period 6's report due to 2 PCSO's resigning to join the next Police Cohort in November and one to become a PSI in the CNYMIT.

The budget was set on the basis of having an average of 132 FTE PCSOs (plus an additional 15 FTE funded by the PCC) throughout the year with a changing number each month in accordance with the leaver and recruitment profiles. The actual number of PCSOs in post as at 31<sup>st</sup> October was 135 FTE, with 121 in core posts and 14 in the OPCC funded posts.

<b>PCSO Attrition</b>	<b>As At 31/10/18</b>	<b>Forecast to March</b>	<b>As At 31/03/19 Total</b>	<b>01/04/18 to 31/03/19 LTFP</b>	<b>Variance to LTFP</b>
FTE at 1st April	139		139	135	4
Leavers	-4	-3	-7	0	-7
Other changes	-2	0	-2	0	-2
Recruitment	2	12	14	12	2
<b>Total</b>	<b>135</b>	<b>9</b>	<b>144</b>	<b>147</b>	<b>-3</b>

### **Police Staff**

The forecast year-end position against the total police staff pay and allowances budget is for a £15k overspend, an increase in forecasted costs of £165k from period 6 as a result of the additional

requirement for PSI's within Major Incident and Organised Crime Teams and overtime pressures within Legal & Coroners, offsetting the savings identified from the delays on the recruitment of staff.

The staff pay budget was set based on having 318 FTE police staff in post at the 1<sup>st</sup> April. The budgeted FTE split was 257 FTE in core policing, 30 FTE in collaborations, 22 FTE funded by the PCC for the enhancement of Neighbourhood Policing and 9 FTE in other funded roles. As at the 31<sup>st</sup> October actual FTE in post were 319, with 253 FTE in core staff posts, 26 FTE in collaborations, 15 FTE in HIU, 18 FTE in the PCC funded Neighbourhood roles and 7 in other posts that the PCC is funding.

The recruitment for the other vacant posts identified in the 2018/19 budget and additional posts that were agreed at the Towards 2020 board as part of workforce modernisation are underway with forecasted start dates throughout 2018/19.

### Non-Pay Budgets

The forecast year-end position against the non-pay budget is an overall overspending of £830k, an increase of £25k from Period 6. The overall overspending is summarised as;

#### Non-Pay Summary

Description	Full Year Amount £000s	Change from periods 6 to 7 £000s
Steria Charges	(15)	0
Premises	25	25
Custody	(10)	(10)
Other Police Pension Costs	175	25
Transport	(10)	10
External Support	10	(15)
National IT Charges	(10)	(25)
Change and Contingency	205	25
Communications	30	20
Forensics	100	0
Maintenance Agreements	10	0
Computing	(15)	(15)
Professional Fees	310	(25)
Other Equipment & Furniture	50	10
Other	(25)	0
<b>Total</b>	<b>830</b>	<b>25</b>

The major variances are set out below:

#### Sopra Steria – (£15k) underspend

The forecasted year-end position is an for an underspend of (£15k) (unchanged from period 6). £110k of savings identified from the Steria contract has been used to achieve this year's non-pay savings and as such has been removed from the budget to offset the savings budget.

#### Premises - £25k overspend

The forecasted year-end position for premises is for an overspend of £25k (a £25k increase from period 6) due to pressures identified with the cleaning contract.

#### Custody – (£10k underspend)

The forecasted year-end position for custody is for an underspend of (£10k) (a £10k decrease from period 6) due to small change in the baseline contract for Provision of Medical Services.

#### Other Police Pension Costs - £175k overspend

The forecasted year-end position is for an overspend of £175k (a £25k increase from period 6) due to backdated Injury on Duty pension claims, a 3% increase linked to the average CPI increase on the monthly pension payments and an increase on the forecasted number of in-year retirements resulting in higher amounts of sanction charges. This is a charge applied to the Pensions for any lump sums payments taken in excess of the HMRC limit.

#### Transport – (£10k) underspend

The forecasted year-end position is for an underspend of (£10k) (a £10k decrease from period 6) due to additional costs identified against Car Allowances.

#### External Support – £10k overspend

The forecasted year-end position for External Support is for an overspend of £10k (a £15k decrease from period 6). The £10k overspend relates to a £80k pressure from CDSOU, £10k for the North East Fingerprint Bureau offset by a (£80k) savings on Urlay Nook. Work is on-going to address the pressures within CDSOU relating to overtime.

#### National IT Charges – (£10k) underspend

The forecasted year-end position for National IT charges is for an underspend of (£10k) (a £25k decrease from period 6), as a result of the Home Office decision not to charge for the ACRO & International Criminal Conviction Exchange (ICCE) in this financial year, offsetting an increase in NABIS charges including the uplift in funding for the implementation of the NABIS 2020/21 proposal.

#### Change and Contingency - £205k overspend

The forecasted year end position for the change and contingency is for an overspend of £205k (a £25k increase from period 6) mainly relating to the purchase of new uniforms and boots for operational staff.

#### Communications - £30k overspend

The forecasted year-end position for Communications is for an overspend of £30k (a £20k increase from period 6) due to an increase in the mobile phone charges during the transition between the mobile phone suppliers. (£20k) of savings identified from the Mobile phone contract has been used to achieve this year's non-pay savings and as such has been removed from the budget to offset the savings budget.

#### Forensics - £100k overspend

The forecasted year-end position for Forensics is for an overspend of £100k (Unchanged from period 6) due to an increase in casework fees. The fee increase is as a result of higher levels of usage and an increase in the contract price.

#### Maintenance agreements - £10k overspend



The forecasted year-end position for Maintenance agreements is for £10k overspend (Unchanged from period 6) due to increased costs relating to the Textburst system.

#### Computing – (£15k) underspend

The forecasted year-end position for Computing is for an underspend of (£15k) (a £15k decrease from period 6) due to savings identified against IL4 Confidential Network.

#### Professional Fees - £310k overspend

The forecasted year-end position for professional fees is for an overspend of £310k (a £25k decrease from period 6) as a result of savings identified within HR and Scientific Support regarding the ISO accreditation visits. The force is anticipating a £300k fine for the initial reported data breach. At present there has been no indication of the financial penalty for the other data breaches. The overspend for additional legal advice and associated barristers fees is £35k.

#### Other Equipment & Furniture - £50k overspend

The forecasted year-end position for Other Equipment & Furniture is for an overspend of £50k (a £10k increase from period 6) relating to a new Legal Case Management system and additional laptops request around the force.

#### Other – (£25k) underspend

The forecasted year-end position for Other costs is for an underspend of (£25k) (Unchanged from period 6) due to reduced requirements for Damage to property.

### **Collaborations**

#### **Cleveland, Durham and North Yorkshire Dogs Unit (CDNYDU)**

The Cleveland budget for the joint unit was £874k. The forecasted year-end position is to breakeven.

#### **Cleveland Durham Specialist Operations Unit (CDSOU)**

The Cleveland budget for the joint unit is £5,067k. The forecasted year-end position is for an overspend of £80k based on anticipated additional contribution required for the unit.

#### **Cleveland and North Yorkshire Major Incident Team (CNYMIT)**

The Cleveland budget for the joint unit was £1,707k. The forecasted year-end position for CNYMIT is to breakeven.

#### **North East Region Specialist Operations Unit (NERSOU)**

The Cleveland budget for NERSOU was set at £1,820k. The forecasted year-end position for NERSOU is to breakeven.

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

The Cleveland budget for NPAS was set at £798k. The forecasted year-end position for NPAS is to breakeven.

### **Capital Budget**

On 28<sup>th</sup> February 2018, the PCC allocated the Force a capital budget of £6,094K for 2018/19 plus £580k of schemes that were deferred from 2017/18. In addition, schemes totalling £1,470k were brought forward from 2017/18 bringing the approved 2018/19 budget to £8,144k. Changes

approved by the PCC (or the Chief Constable's CFO under delegated authority) in year resulting in a revised capital budget of £6,561k 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.

## **Update on Key Schemes**

Points to note are:

### **Estates Schemes**

#### Cleveland Community Safety Hub (CCSH) – Total budget of £3,260k

Building works for the CCSH commenced in March 2017 and the building became operational in July 2018. The majority of the work on the Community Safety Hub is now complete, with the remainder of the spend linked to snagging and decommissioning of Ladgate Lane. The budget is closely monitored by the Project Board and expenditure follows contractual obligations which were re-phased to mirror the changes in the scope of the scheme.

#### Grangetown LDC – Budget £59k

There is a budget of £59k allocated for 2018/19 to complete the refurbishment of the lecture theatre and toilets, with work planned for later this financial year.

#### Thornaby Fire Station – Budget £7k

The majority of the work for the refurbishment of Thornaby Fire Station was completed in 2017/18. £11k of costs has been incurred as at the end of October 2018 to pay for the Office Furniture. It is expected that there will be a £13k overspend against this scheme due to the specialist requirements for the Bike Shelter and Body Armour storage, with orders now placed for both.

#### Billingham Rewire – Budget £40k

A proposed date of February 2019 has been set for the rewiring of Billingham Police Station, following the completion of the relocation to the Community Safety Hub and decommissioning of Ladgate Lane.

#### Estates Replacement Windows – Budget £25k

This scheme now covers the Cleveland Police estate and will be used at locations that require their windows to be replaced which for 2018/19 will be the Learning Development Centre in the first instance.

## **Equipment Schemes**

#### ANPR Equipment – Budget £35k

There has been £16k spent year to date. The delivery of the national programme has been delayed due to issues identified following installation at Durham Police. Further orders have been raised for £11k including a Management Server, with the remaining £8k earmarked for additional TSU equipment.

#### Body Worn Video – Budget £100k

There has been £72k spent to date on Body Worn Video and associated docking stations which have been issued for operational use with Incident Response and Integrated Neighbourhood Teams. The remaining £28k of budget is to be held pending the forces decision on personal issue cameras.

#### Investigate Analytical System – Budget £40k

The Investigate Analytical System scheme is under review as part of a wider multi-force collaboration with a decision expected by the end of the year.

#### Key Management System – Budget £16k

The remedial work required to bring all the key cabinets into operational use has been completed with £13k charged in July with the remaining £3k to be held until decisions are made around the potential move of teams.

#### Occupational Health Case Management System – Budget £40k

Procurement work, including an ICT impact assessment is currently underway for the purchase of a new occupational Health management system.

#### X-Ray Machine – Budget £20k

The new x-ray machine has been delivered and installed with a cost of £18k, resulting in an underspend of £2k.

#### Locard Replacement – Budget £100k

The Locard replacement scheme is under review as part of a wider multi-force forensics collaboration.

### **ICT schemes**

As in previous years the complexities involved with the CCSH and the ICT requirements will have an effect on the delivery and timing of the key ICT schemes. ICT have reviewed their capital programme in line with the force's mobile device and Digital Asset Management System requirements and are returning a total of £1.41m across six schemes. The trial of 50 laptop/smartphones has commenced in October for Response and Neighbourhood Officers. The business case for the workforce mobility will follow after an assessment of the results of the trial. It is envisaged that the funding is likely to require the re-provision of the £1.41m returned to the OPCC. A further £63k has been deferred to 2019/20 for the EMSCP scheme due to delays in the national programme.

#### ICCS – Budget £285k

The last milestone payment was made in July 2018 with the project now successfully completed, resulting in an underspend of £20k.

#### Cloud Based Data Centre – Budget £564k

This scheme is closely linked to the CCSH project and is closely monitored by the Project Board. At the end of October there has been £500k spent on specialist IT and Audio Visual equipment.

#### ESMCP – Budget £24k

Delays in the national programme have meant that the program of work in Cleveland is not envisaged to proceed during this year. The ICT team have confirmed that the only expected further costs this year will be from the regional team of £16k. Of the original capital budget, £63k has been deferred to 2019/20.

#### Desktop Replacement – Budget £155k

A total of £43k has been spent at the end of October 2018 on replacement desktop equipment. The remainder of this budget will be used to maintain the force's laptop capability in line with the laptop refresh programme and the future IT functionality.

#### Microsoft Licensing – Budget £219k

A total of £134k has been spent on licences at the end of October 2018, with the remaining £85k to be held for future use depending on the force's mobile device requirements.

#### Intelligent Call Handling – Budget £37k

£37k was carried forward into 2018/19 for the installation of equipment and training. A total of £32k has been spent to date with the remaining £5k kept for contingencies. The scheme is progressing through final testing with a go-live date of expected within the next 2 months.

#### DSE Audit Capability – Budget £50k

The procurement of the system was completed in 2017/18, with a direct award to the supplier being confirmed. Payments totalling £55k have been paid in 2018/19 resulting in an overspend of £5k.

#### Corevet – Budget £40k

This scheme is aimed to be completed by the end of December 2018, dependent on the capacity and resource available within the ICT team.

#### National ICT Enablement - £50k

This scheme is no longer required in this financial year, with £45k of the budget to be utilised to fund the overspend on the Backup Infrastructure Expansion shelf.

#### Backup Infrastructure Expansion Shelf – Budget £30k

A payment of £75k has been made in October, following delivery of the equipment resulting in an overspend on the original budget of £45k due to an error in the original estimated costs. This has been rectified by utilising the National ICT Enablement budget which is no longer required.

#### Web Based Mapping/Gazetter Service - £25k budget

ICT are currently scoping the requirements for this scheme for a procurement exercise with the aim to procure in December.

#### ACESO Replacement – Budget £103k

The ACESO replacement scheme is under review as part of wider multi-force forensics collaboration.

#### Automated PDR – Budget £46k

The contract for the procurement of the cloud based PDR system is to be awarded at the start of November with the implementation timetable aimed for delivery in December/January to allow users sight before start of new reporting year.

#### DFU Servers – Budget £46k

An additional budget of £46k has been allocated to this year's capital programme to rectify the current storage and backup solutions issues within DFU. Costs of £14k have been incurred at the end of October and further orders have been placed for the servers and equipment with delivery expected before the end of the year.

### **Fleet schemes**

#### Write-Offs/Uneconomical Repairs – Budget £258k

A total of £109k has been spent on 7 vehicles by the end of October 2018 on write-off vehicles. An additional £7k was added to the budget from a revenue contribution to capital to cover an additional vehicle required this year. Orders have been placed for a further 4 vehicles with delivery expected later in the year.

#### Black Box – Budget £10k

A decision has been made to return £123k of this year's original capital budget allocation to the OPCC for Black Box provision due to the change in requirements and to utilise the funds on other force priorities.

#### Fleet Replacement – Budget £432k

Of the 2018/19 fleet programme, all of the scheduled vehicles have been ordered and will be delivered during the financial year. There is 1 vehicle that remains to be ordered however this is currently under review to ensure that they are still required in the format originally forecasted.

Joanne Gleeson  
Chief Finance Officer  
14<sup>th</sup> November 2018

## Appendix 1

<b>Changes to Revenue Funding</b>	<b>Month Added</b>	<b>Change</b>
		£000s
<b>Initial Funding Allocation</b>		<b>119,770</b>
Camera Enforcement	May-18	63
HIU Funding	Aug-18	2,009
Revenue Contribution to Fleet Capital	Sep-18	(7)
Mutual Aid	Oct-18	117
<b>Funding allocation at Month 7</b>		<b>121,952</b>

**Appendix 2**

**Budget Monitoring Statement to 31st October 2018**

	<b>Annual Budget</b>	<b>Budget to Date</b>	<b>Actual to date</b>	<b>Variance to Date</b>	<b>Forecast Outturn</b>
	£000s	£000s	£000s	£000s	£000s
<b><u>Pay Budgets</u></b>					
Police Pay & Allowances	65,462	38,163	38,368	205	(750)
Police Overtime	1,611	922	1,515	593	340
<b>Total Police Pay &amp; Allowances</b>	<b>67,073</b>	<b>39,085</b>	<b>39,883</b>	<b>798</b>	<b>(410)</b>
PCSO Pay & Allowances	4,290	2,503	2,569	66	(200)
PCSO Overtime	5	3	1	(2)	0
<b>Total PCSO Pay &amp; Allowances</b>	<b>4,295</b>	<b>2,506</b>	<b>2,570</b>	<b>64</b>	<b>(200)</b>
Staff Pay & Allowances	10,911	6,365	6,537	172	0
Staff Overtime	61	36	75	39	15
<b>Total Staff Pay &amp; Allowances</b>	<b>10,972</b>	<b>6,401</b>	<b>6,612</b>	<b>211</b>	<b>15</b>
<b>Total Pay &amp; Allowances</b>	<b>82,340</b>	<b>47,992</b>	<b>49,065</b>	<b>1,073</b>	<b>(595)</b>
<b><u>Non Pay Budgets</u></b>					
Sterea Charges	18,039	10,633	10,373	(260)	(15)
Premises	3,692	2,157	2,079	(78)	25
Custody	2,466	1,439	1,442	3	(10)
Other Police Pension Costs	2,787	1,626	1,583	(43)	175
Transport	1,503	877	857	(20)	(10)
External Support	1,770	1,032	621	(411)	10
National IT Charges	836	487	483	(4)	(10)
Insurance	1,070	624	792	168	0
Change & Contingency	684	399	130	(269)	205
Communications	836	488	547	59	30
National Police Air Service	352	205	205	0	0
Forensics	817	476	497	21	100
Maintenance Agreements	364	212	228	16	10
Computing	806	470	525	55	(15)
Surgeons & Medical Costs	286	167	148	(19)	0
Professional Fees	824	480	473	(7)	310
Other Equipment & Furniture	766	447	515	68	50
External Training, Seminars	737	430	388	(42)	0
Office Equipment & Expenses	225	131	144	13	0
Agency Staff	10	6	20	14	0
Other	441	258	178	(80)	(25)
Uniform	301	176	154	(22)	0
<b>Total Non-Pay</b>	<b>39,612</b>	<b>23,220</b>	<b>22,382</b>	<b>(838)</b>	<b>830</b>
<b>Total Expenditure</b>	<b>121,952</b>	<b>71,212</b>	<b>71,447</b>	<b>235</b>	<b>235</b>
<b><u>Memo Information</u></b>					
CDNYD	874	510	447	(63)	0
CDSOU	5,067	2,953	3,029	76	80
CNYMIT	1,707	995	968	(27)	0
NERSOU	1,820	1,061	1,261	200	0
NPAS	798	465	471	7	0

## Appendix 3

### Long Term Financial Plan (LTFP) 2018/19 to 2021/22 – Assessment of Risks

Risk	Detail	Mitigation
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>Based on what is currently known of the proposals, this is a prudent assumption; however, it does present a potential risk.</p> <p>Current indications are that no changes will be made before the new CSR which is due in 2020.</p>	More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.
Future year's funding is lower than forecast.	The Police settlement was for a one period although some detail has been provided for 2019/20 should certain efficiency milestones be achieved.	More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.
Staff Pay awards are higher than those assumed in the LTFP.	<p>The LTFP assumes that pay will rise by 2% from September 2018.</p> <p>The Police Pay Award for 2018/19 has been finalised as 2% as assumed within the LTFP. However the staff side pay award has yet to be agreed.</p> <p>A movement of 1% for both staff pay and contractual obligations would have a whole year impact of approximately £150k.</p>	More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light collaboration.



<b>Risk</b>	<b>Detail</b>	<b>Mitigation</b>
A higher than forecast level of major incidents.	The number and cost of major incidents in any one year in 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 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 underspending.	Should a capacity gap emerge, service levels will be delivered through targeted overtime and the continued employment of police staff investigators along with a further recruitment of transferee Police Officers.
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.	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 later in 2018/19.
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	More radical options will be developed including further reductions in officer, PCSO and staff numbers, inter-force collaboration and blue light

<b>Risk</b>	<b>Detail</b>	<b>Mitigation</b>
	create a significant financial pressure for forces nationally.	collaboration.
Historic Case Review	Further work will 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 inter-force collaborations.
Data Breaches	The Force is the subject of on-going investigation in relation to five Data breaches. The outcome of these investigations could result in a significant fine. The initial data breach is expected to cost the force in the region of £300k. The other data breaches have not been provided for in the current projections and could have a negative impact on the Forces financial position.	More radical options will be developed including further reductions in officers, PCSO and staff numbers and the use of further inter-force collaborations.

## Appendix 4

<b>Changes to Capital Funding</b>	<b>Month Added</b>	<b>Change</b>
		£000s
<b>Funding Allocation in LTFP</b>		<b>6,094</b>
Schemes deferred from 2017/18		580
Schemes carried forward from 2017/18		1,470
<b>Total Capital funding</b>		<b>8,144</b>
Revenue Contribution to Capital - Fleet	Sep-18	7
DFU Servers	Sep-18	46
Black Box	Sep-18	(123)
Stockton Rewire	Sep-18	(40)
Mobile device replacement	Sep-18	(550)
Smartworks Mobile Applications	Sep-18	(180)
Livelinks (CJS)	Sep-18	(20)
Digital Interview Recording Equipment	Sep-18	(500)
Cyber Security Improvements	Sep-18	(60)
Exchange Upgrade	Sep-18	(100)
EMSCP	Sep-18	(63)
<b>Funding allocation at Month 7</b>		<b>6,561</b>

## Appendix 5

<b>Capital Monitoring Statement to 31st October 2018</b>					
	<b>Annual Budget</b>	<b>Budget to</b>	<b>Actual to</b>	<b>Variance to</b>	<b>Forecast</b>
	<b>£000s</b>	<b>Date</b>	<b>Date</b>	<b>Date</b>	<b>Outturn</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Estates Schemes</b>					
Cleveland Community Safety Hub	3,260	2,468	2,603	135	0
Grangetown LDC	59	0	4	4	0
Thornaby Fire Station	7	7	11	4	13
Billingham Station Rewire	40	0	0	0	0
Estates Replacement Windows	25	13	0	(13)	0
<b>Total Estates Schemes</b>	<b>3,391</b>	<b>2,488</b>	<b>2,618</b>	<b>130</b>	<b>13</b>
<b>Equipment Replacement</b>					
TSU Equipment - NERSOU	25	25	15	(10)	0
ANPR	35	20	16	(4)	0
Body Worn Video Replacement	100	80	72	(8)	0
Investigative Analytical Software	40	0	0	0	0
Key Management System	16	16	13	(3)	0
Occupational Health Case Management	40	0	0	0	0
X Ray Machine	20	20	18	(2)	(2)
TASER	75	38	0	(38)	0
LOCARD Replacement	100	0	0	0	0
<b>Total Equipment Schemes</b>	<b>451</b>	<b>199</b>	<b>134</b>	<b>(65)</b>	<b>(2)</b>
<b>ICT Schemes</b>					
ICCS Replacement	285	261	262	1	(20)
Experian-Date of Birth Appendage	20	20	20	0	0
VM Ware	50	50	0	(50)	0
Cloud Based Data Centre	564	0	500	500	0
EMSCP	24	0	8	8	0
Desktop Replacement Programme	155	154	43	(111)	0
Microsoft Licensing	219	219	134	(85)	0
Intelligent Call Handling	37	37	32	(5)	0
Thin Client Improvement	50	50	0	(50)	0
DSE audit capability	50	50	55	5	5
Corvet	40	40	0	(40)	0
Networked CCTV Solution	150	150	0	(150)	0
National ICT Enablement	50	0	0	0	(50)
Backup Infrastructure Expansion Shelf	30	30	75	45	45
Windows Server Upgrade	25	25	0	(25)	0
Control Room Solution Improvements	50	50	0	(50)	0
ACESO Replacement	103	103	0	(103)	0
Web Based Mapping/Gazetter Service	25	25	0	(25)	0
Automated PDR	46	0	0	0	0
Mobile Working Project	0	0	53	53	0
DFU Servers	46	0	14	14	0
<b>Total ICT Schemes</b>	<b>2,019</b>	<b>1,264</b>	<b>1,196</b>	<b>(68)</b>	<b>(20)</b>
<b>Fleet Replacement</b>					
Write off / Uneconomical Repairs	258	108	109	1	0
Black Box Replacement	10	0	0	0	0
Fleet Replacement	432	314	272	(42)	0
Fleet Replacement - CSP	0	0	1	1	0
<b>Total Fleet Replacement</b>	<b>700</b>	<b>422</b>	<b>382</b>	<b>(40)</b>	<b>0</b>
<b>Provision for Business Cases</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL CAPITAL</b>	<b>6,561</b>	<b>4,373</b>	<b>4,330</b>	<b>(43)</b>	<b>(9)</b>



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

**30<sup>th</sup> November 2018**

**Status: For Information**

### **2018/19 Budget Monitoring – Report to the end of September 2018**

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

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

On the 28<sup>th</sup> February 2018 the PCC agreed the revenue Budget for 2018/19 which was based on the receipt of income totalling £134,644k. 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 £860k is expected to breakeven during 2018/19.
- 2.2 The Corporate Services budget of £9,475k is expected to underspend slightly, by £50k, at this point of the financial year.
- 2.3 The £3,939k to support PCC Initiatives and Victims and Witnesses Services, including £1,450k to invest in Neighbourhood Policing is forecast to underspend by £190k at this stage of the financial year.
- 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 £150k although there are additional pressures that have arisen since this forecast was made.

- 2.6 The total forecast outturn at the mid-point of the financial year is that there will be a small overall underspend of £190k. There is 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 2018/19 the PCC allocated the income forecast to be received during the year, of £134,644k, into the following areas:

- £860k to run the Office of the PCC
- £3,939k to support PCC Initiatives and Victims and Witnesses Services
- £9,475k for Corporate Services
- £119,770k to the Police Force
- £1,400k to the Capital Programme
- £150k to Earmarked Reserves
  
- This will be supported by £950k from General 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 £134,644k during 2018/19 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 2017/18 is also shown.

2017/18 Budget	In Year Changes	2017/18 Revised Budget	2017/18 Outturn	Variance	Summary of Income to be Received by the PCC	2018/19 Budget	In Year Changes	2018/19 Revised Budget	2018/19 Forecast Outturn	Variance
£000s	£000s	£000s	£000s	£000s	Funding	£000s	£000s	£000s	£000s	£000s
(46,973)	1,466	(45,508)	(45,508)	0	Police Grant	(45,508)	0	(45,508)	(45,508)	0
(36,526)	(1,466)	(37,992)	(37,992)	0	RSG/National Non Domestic Rate	(37,992)	0	(37,992)	(37,992)	0
<b>(83,500)</b>	<b>0</b>	<b>(83,500)</b>	<b>(83,500)</b>	<b>0</b>	<b>Government Grants</b>	<b>(83,500)</b>	<b>0</b>	<b>(83,500)</b>	<b>(83,500)</b>	<b>0</b>
(32,656)	0	(32,656)	(32,656)	0	Precept	(34,582)	0	(34,582)	(34,582)	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
<b>(40,324)</b>	<b>0</b>	<b>(40,324)</b>	<b>(40,324)</b>	<b>0</b>	<b>Precept related funding</b>	<b>(42,251)</b>	<b>0</b>	<b>(42,251)</b>	<b>(42,251)</b>	<b>0</b>
(5,217)	(759)	(5,976)	(7,275)	(1,299)	Specific Grants	(6,157)	(2,009)	(8,166)	(8,236)	(70)
(2,664)	(1,331)	(3,996)	(4,314)	(318)	Partnership Income/Fees and Charges/Misc Income	(2,737)	(63)	(2,799)	(2,830)	(30)
<b>(7,881)</b>	<b>(2,091)</b>	<b>(9,972)</b>	<b>(11,589)</b>	<b>(1,616)</b>	<b>Other Funding</b>	<b>(8,894)</b>	<b>(2,072)</b>	<b>(10,965)</b>	<b>(11,066)</b>	<b>(100)</b>
<b>(131,705)</b>	<b>(2,091)</b>	<b>(133,796)</b>	<b>(135,412)</b>	<b>(1,616)</b>	<b>Total</b>	<b>(134,644)</b>	<b>(2,072)</b>	<b>(136,716)</b>	<b>(136,816)</b>	<b>(100)</b>

### 3.3 In Year Changes

Only minor changes to the core budget, totalling £56k, have been made to the income budget, at this stage, resulting primarily from an increase of £63k, relating to the Driver Training Income to set the non-pay budget for this area of work.

3.4 In addition to this increase in core income the PCC was notified that the application for the continuation of a Special Grant for Operation Pandect was successful, for 2018/19, for up to £3.3m. The level of the grant that will be received will be determined by the level of expenditure incurred directly on this Operation – under the terms of the grant the PCC/Force are required to meet the first 15% of the expenditure on this Operation which has been incorporated into the Force's core budget.

3.5 The budget available to the Force for 2018/19 has therefore been increased by £2,009k to reflect part of this Grant.

### 3.6 Income Forecasts

As you would expect, the vast majority of the income the PCC will receive during 2018/19 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.

3.7 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.

3.8 There is a very small forecast over recovery of income of £100k at this stage of the financial year as a result of the expected receipt of some unbudgeted Specific grants and some minor better than expected receipts on other income.

3.9 The Office of the PCC

The 2018-19 budget of £860k for the Office of the PCC is split into the following areas:

Original 2017/18 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	PCC Budget	Original 2018/19 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	2018-19 Forecast Outturn	2018-19 Forecast Over/(Under)
£000	£000	£000	£000	Category of Spend	£000	£000	£000	£000	£000	£000
645	645	661	16	Staff Pay and Allowances (Incl. NI and Pension)	680	340	346	6	680	0
5	5	10	5	Other Pay and Training	5	3	2	(0)	6	1
239	189	172	(17)	Supplies and Services	215	107	79	(29)	232	17
11	11	7	(4)	Transport	10	5	3	(2)	8	(2)
(50)	(83)	(80)	3	Miscellaneous Income	(50)	(25)	(49)	(24)	(65)	(15)
<b>850</b>	<b>767</b>	<b>770</b>	<b>3</b>	<b>Total Budget</b>	<b>860</b>	<b>430</b>	<b>381</b>	<b>(49)</b>	<b>860</b>	<b>0</b>

3.10 Position as at the end of September 2018

The table at 3.9 above shows the forecast position for 2018-19. Forecasts show that expenditure for 2018-19 is expected to be in line with budget however this will be dependent on the current review of the staff structure within the OPCC and any costs that arise as a result of that.

3.11 Corporate Services

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

3.12 The Corporate Services budget for 2018/19 was set at £9,475k, as per the table below which also shows the forecast spend and outturn at this stage of the year.

Original 2017/18 Budget	Revised 2017/18 Budget	Spend YTD	Over/ (Under) spend YTD	Corporate Services Budget	Original 2018/19 Budget	Revised 2018/19 Budget	Budget YTD	Spend YTD	Over/ (Under) spend YTD	2018/19 Forecast Outturn	2018-19 Forecast Over/ (Under)
£000s	£000s	£000s	£000s	Category of Spend	£000s	£000s	£000s	£000s	£000s	£000s	£000s
330	361	363	2	Staff Pay and Allowances (Incl. NI and Pension)	465	465	232	252	19	465	0
99	99	95	(4)	Supplies and Services	94	94	47	45	(2)	208	114
1	1	5	4	Transport	1	1	1	3	2	6	5
1,770	590	568	(22)	PFI - Urlay Nook	1,820	1,820	910	896	(14)	1,792	(28)
5,145	1,588	1,599	11	PFI - Action Stations	5,240	5,240	2,620	2,512	(108)	5,114	(126)
1,605	5,838	5,740	(98)	Asset Management	1,855	1,855	928	933	6	1,840	(15)
<b>8,950</b>	<b>8,478</b>	<b>8,371</b>	<b>(106)</b>	<b>Total Budget</b>	<b>9,475</b>	<b>9,475</b>	<b>4,738</b>	<b>4,641</b>	<b>(97)</b>	<b>9,425</b>	<b>(50)</b>



3.13 A small underspend of £50k is currently forecast in this area as a result of taking out loans at a lower interest rate, in March and April 2018, than expected when setting the budget in February. In addition to this an insurance rebate on the PFI contract, and contractual savings made in this area have resulted in the current forecast position.

3.14 PCC Initiatives and Victims and Witnesses Services

The PCC has allocated a budget of £3,939k to support Community Safety and PCC Initiatives, deliver Victims and Witnesses services and also invest in Neighbourhood Policing during 2018/19. £1,139k was allocated to the Community Safety and PCC Initiatives budget, £1,350k to Victims and Witnesses Services and £1,450k to invest in Neighbourhood Policing. The position as at the end of September is as per the below table:

<b>PCC Initiatives and Victims and Witnesses</b>	<b>Original 2018/19 Budget</b>	<b>Current 2018/19 Budget</b>	<b>Budget YTD</b>	<b>Spend YTD</b>	<b>Over/ (Under) spend YTD</b>	<b>2018/19 Forecast Outturn</b>	<b>2018-19 Forecast Over/ (Under)</b>
<b>Category of Spend</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
PCC Initiatives	1,139	1,139	569	397	(172)	1,102	(37)
Investment in Neighbourhood Policing	1,450	1,450	725	0	(725)	1,301	(149)
Victims and Witnesses Services	1,350	1,350	675	379	(296)	1,367	17
Community Safety Fund	0	0	0	28	28	0	(21)
<b>Total Budget</b>	<b>3,939</b>	<b>3,939</b>	<b>1,970</b>	<b>805</b>	<b>(1,165)</b>	<b>3,770</b>	<b>(190)</b>

3.15 In addition to the original allocations to this area the PCC has a Community Safety Fund Earmarked Reserve with the intention to release £150k per annum from this reserve. This reserve will be released in line with expenditure made in this area.

3.16 Plans, including Grant agreements, where appropriate, are in place to deliver most of PCC Initiatives for 2018/19. In terms of the investment of £1,450k into Neighbourhood Policing for 2018/19, there are a number of vacancies with the posts funded by the PCC and this is forecast to lead to an underspend in this area of around £150k, with a forecast across all areas within this section forecast to underspend by £190k.

#### 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 £119,770k for 2018/19, this has since increased by £2,065k, to £119,833k. This is as a result of setting the expenditure budget for costs associated with the Driving Training scheme and the successful application for Special Grant in relation to Operation Pandect that was referenced earlier in this report. The summary of how this is forecast to be spent, including forecast outturns are included in the table below:

<b>Police Force Financial Summary</b>	<b>Original 2018/19 Budget</b>	<b>Revised 2018/19 Budget</b>	<b>Forecast Spend in 2018/19</b>	<b>2018/19 Forecast (Under)/ Overspend</b>
<b>Police Force Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Pay</b>				
Police Pay	64,043	65,461	64,821	(640)
Police Overtime	1,402	1,506	1,791	285
Staff Pay	10,525	10,911	10,761	(150)
Police Community Support Officer Pay	4,360	4,290	4,140	(150)
<b>Pay Total</b>	<b>80,330</b>	<b>82,169</b>	<b>81,514</b>	<b>(655)</b>
<b>Major Contracts</b>				
Outsourcing Contract	17,900	18,039	18,024	(15)
Custody and Medical Contract	2,466	2,446	2,446	0
<b>Major Contracts Total</b>	<b>20,366</b>	<b>20,485</b>	<b>20,470</b>	<b>(15)</b>
<b>Non-Pay Budgets</b>				
Other Pay and Training	756	793	793	0
Injury and Medical Police Pensions	2,787	2,763	2,913	150
Premises	3,662	3,692	3,692	0
Supplies and Services	7,455	7,518	8,168	650
Transport	1,456	1,501	1,481	(20)
External Support	2,958	2,913	2,953	40
<b>Non-Pay Total</b>	<b>19,074</b>	<b>19,180</b>	<b>20,000</b>	<b>820</b>
<b>Total Planned Force Expenditure</b>	<b>119,770</b>	<b>121,835</b>	<b>121,985</b>	<b>150</b>

- 4.2 Further details on how the Force are proposing to make future savings, and progress to date, are included elsewhere on today's agenda along with details of their financial performance against their plans for 2018/19.
- 4.3 It is important to recognise that the Force have no authority/agreement to overspend against the budget that has been allocated to them. In addition to this there are a number of additional pressures that the Force are now aware of that are not included within this forecast that are likely to increase this overspend if additional action is not taken within the budget allocated to the Force.
- 4.4 **Reserves**  
The 2018/19 budget was to be supported by £1,925k from Reserves. This is made up of the following transactions:
- £75k to the PFI Reserve.
  - £75k to the Insurance/Legal Reserve
  - £950k from the General Fund.
- 4.5 In addition to this, £1,400k was to be used to support the Capital Programme during 2018/19.
- 4.6 These transactions will occur as a matter of course during the 2018/19 financial year. Current forecast for movements on Earmarked and General Reserves to the end of 2018/19 are included within the table below:

	<b>Balance at 31 March 2018 £000</b>	<b>Tranfers In 2018/19 £000</b>	<b>Tranfers Out 2018/19 £000</b>	<b>Balance at 31 March 2019 £000</b>
Legal/Insurance Fund	(500)	(183)		(683)
Direct Revenue Funding of Capital	(1,669)	(1,400)	1,972	(1,097)
Injury Pension Reserve	(245)			(245)
PFI Sinking Fund	(213)	(75)		(288)
Incentivisation Grant	(412)	(80)	80	(412)
Urlay Nook TTC	(81)			(81)
NERSOU	(45)			(45)
Police Property Act Fund	(40)			(40)
Community Safety Initiatives Fund	(322)		150	(172)
Road Safety Initiatives Fund	(658)		150	(508)
Collaboration Reserve	(942)			(942)
Pay and Pensions Reserve	(1,700)			(1,700)
Commissioning Reserves	(366)			(366)
PCC Change Reserve	(50)		50	0
Revenue Grants Unapplied	(137)		109	(28)
<b>Total Earmarked Reserves</b>	<b>(7,379)</b>	<b>(1,738)</b>	<b>2,511</b>	<b>(6,607)</b>
<b>General Reserves</b>	<b>(6,073)</b>		<b>950</b>	<b>(5,123)</b>
<b>Unapplied Capital Grants</b>	<b>(1,003)</b>			<b>(1,003)</b>
<b>Total Usable Reserves</b>	<b>(14,455)</b>			<b>(12,733)</b>

## 5. Overall Budget Summary

- 5.1 At the end of September 2018 the follow table summarises the finances of the PCC, including forecasts of the expected outturn in each area.

	<b>Original 2018/19 Budget</b>	<b>Revised 2018/19 Budget</b>	<b>Forecast Spend in 2018/19</b>	<b>2018/19 Forecast (Under)/ Overspend</b>
<b>Funding</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Government Grant	(83,500)	(83,500)	(83,500)	0
Council Tax Precept	(34,582)	(34,582)	(34,582)	0
Council Tax Freeze Grant	(800)	(800)	(800)	0
Council Tax Support Grant	(6,868)	(6,868)	(6,868)	0
<b>Funding for Net Budget Requirement</b>	<b>(125,750)</b>	<b>(125,750)</b>	<b>(125,750)</b>	<b>0</b>
Specific Grants	(6,157)	(8,166)	(8,236)	(70)
Partnership Income/Fees and Charges	(2,737)	(2,799)	(2,830)	(30)
<b>Total Funding</b>	<b>(134,644)</b>	<b>(136,716)</b>	<b>(136,816)</b>	<b>(100)</b>
<b>Office of the PCC Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	680	680	680	0
Non Pay Expenditure	180	180	180	0
<b>Total Planned Expenditure</b>	<b>860</b>	<b>860</b>	<b>860</b>	<b>0</b>
<b>PCC Initiatives/Victims and Witness</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
PCC Initiatives	2,589	2,589	2,382	(207)
Victims and Witnesses Services	1,350	1,350	1,367	17
<b>Total Planned Expenditure</b>	<b>3,939</b>	<b>3,939</b>	<b>3,749</b>	<b>(190)</b>
<b>Corporate Costs</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Pay	465	465	465	0
Non Pay Expenditure	95	95	214	119
PFI's	7,060	7,060	6,906	(154)
Asset Management	1,855	1,855	1,840	(15)
<b>Total Corporate Costs</b>	<b>9,475</b>	<b>9,475</b>	<b>9,425</b>	<b>(50)</b>
<b>Police Force Planned Expenditure</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Police Pay	64,043	65,461	64,821	(640)
Police Overtime	1,402	1,506	1,791	285
Staff Pay	10,525	10,911	10,761	(150)
Police Community Support Officer Pay	4,360	4,290	4,140	(150)
<b>Pay Total</b>	<b>80,330</b>	<b>82,169</b>	<b>81,514</b>	<b>(655)</b>
<b>Major Contracts</b>				
Outsourcing Contract	17,900	18,039	18,024	(15)
Custody and Medical Contract	2,466	2,446	2,446	0
<b>Major Contracts Total</b>	<b>20,366</b>	<b>20,485</b>	<b>20,470</b>	<b>(15)</b>
<b>Non-Pay Budgets</b>				
Other Pay and Training	756	793	793	0
Injury and Medical Police Pensions	2,787	2,763	2,913	150
Premises	3,662	3,692	3,692	0
Supplies and Services	7,455	7,518	8,168	650
Transport	1,456	1,501	1,481	(20)
External Support	2,958	2,913	2,953	40
<b>Non-Pay</b>	<b>19,074</b>	<b>19,180</b>	<b>20,000</b>	<b>820</b>
<b>Total Planned Force Expenditure</b>	<b>119,770</b>	<b>121,835</b>	<b>121,985</b>	<b>150</b>
<b>(Surplus)/Deficit</b>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
	<b>(600)</b>	<b>(607)</b>	<b>(797)</b>	<b>(190)</b>
Planned Transfers to/(from) General Fund	(950)	(950)	(950)	0
Contribution to Capital Programme	1,400	1,407	1,407	0
Planned Transfers to/(from) Earmarked Reserves	150	150	150	0
<b>Net (Surplus)/Deficit After Reserves</b>	<b>0</b>	<b>0</b>	<b>(190)</b>	<b>(190)</b>

5.2 At this stage of the financial year a small underspend of £190k is forecast, however there are a number of risks that has emerged since this forecast was developed which is likely to lead to further pressures within the Force's budget and further increase the overspend the Force is projecting unless action is taken to address this. As has been evident for some considerable time now

budgets are very tight and a lot can happen/change between now and the end of the financial year which might worsen the current forecast.

## **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 and given that a number of unexpected costs have already arisen in the current year then this is leading to an overspend within the Force budget and could eventually lead to the overall budget overspending. This will need to be very carefully monitored and managed throughout the remainder of the year.

## **7. Conclusion**

7.1 The proposed 2018/19 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 expect the finances of the organisation are very tight, with the best service possible trying to be delivered within the budgetary constraints.

At this 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 a number of unexpected that have already arisen and are expected in the future months that will increase the overspend within the Force. 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**

**30<sup>th</sup> November 2018**

**Status: For Information**

### **Long Term Financial Plan (LTFP) 2019/20 to 2022/23 and Capital Plans 2019/20 to 2022/23 Update**

#### **2. Executive Summary**

##### **1.2 Purpose of the Report**

The purpose of this report is to provide the PCC with an update on changes that have taken place since the LTFP was approved in February 2018 and an update on both the planning assumptions and the expenditure plans of the organisation.

#### **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 Of particular note is the recent announcement in relation Public Service Pensions and the likely impact on the level of Employers Contributions into those schemes.

2.5 A further update will be provided to the PCC when the actual Government Grant settlement figures in December however it is important to recognise

that at this stage the budget currently does not balance in any of the years of the plan and therefore there is a lot of work to do over the coming months.

### **3. Planning and Funding Assumptions**

#### **3.17 National Budget**

On 29<sup>th</sup> October the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2018 announcement in the House of Commons. A briefing is attached at Appendix A for information.

3.18 The Chancellor “recognised” that the Police are under pressure from the ‘changing nature of crime’ and stated that there will be further consideration given to police during the provisional settlement in December.

3.19 Counter-Terrorism – The budget provides an additional £160 million in 2019-20 for counter terrorism policing.

3.20 Prisons and Justice - The budget will fund the construction of HM Prison Glen Parva in Leicestershire. Additionally, £30m will be provided for the estate to improve ‘security and decency’. A further £21.5m will also be invested in the wider justice system.

3.21 The Home Office’s Resource and Capital DELs remain unchanged. These are:

<b>Home Office DELs</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Resource	£10.7bn	£10.7bn	NA
Capital	£0.5bn	£0.5bn	£0.4bn

#### **3.22 APCC Submission to HM Treasury**

Ahead of the 2017 budget, the APCC and NPCC worked together, with PwC, to present evidence to HM Treasury on the demands facing the service as well as issues around resources.

3.23 The submission asserted that the police service cannot continue to sustainably respond to an increase in demand, changes to the national security environment and provide a preventative model of policing.

3.24 APCC and NPCC asked for real terms protection for the police (3.4% in 18-19 and 6.5% in 19-20) and additional funding for unanticipated cost rises as well as strategic investment in the service and resolution of identified “cliff edges” (i.e. transformation fund, ESMCP, firearms). In return, the submission said that the service would continue with the Policing Vision 2025 reform programme, produce a stronger service model and continue to make efficiency savings.



- 3.25 Clearly the 'ask' of 3.4% in 2018/19 was not met – despite the greater flexibility on precept. At this stage there is no suggestion of a move in position in terms of Government funding which is for a further year of 'flat cash'.
- 3.26 The APCC and NPCC followed up this detailed submission with a briefer submission in relation to the 2019/20 Police Settlement that focussed on the progress around the efficiency agenda that the Policing Minister sought as part of the 2019 Settlement.
- 3.27 In short the letter stated that 'While we will update the position at the end of 2nd quarter, we believe the matters have already shown considerable progress and justify further precept flexibility for 2019/20.'
- 3.28 It went on to invite the Policing Minister to consider whether the freeze at 2017 levels (of Government Grant) remains an appropriate position for the 2019 settlement, before referencing concerns about the level of re-allocations, the significant reductions that have occurred to Capital Grants, the funding for Counter-Terrorism Policing and the concerns about the financial impact of the recent Public Sector Pension Valuation 'Directions' from the Treasury which indicate the requirement to increase the Employer's Contribution rate from 2019/20 for all unfunded Public Sector Pension Schemes, and so impacting on the Police Pension Scheme.
- 3.29 Spending Review  
The expected indication of the Spending and Control totals for the Spending Review period starting in 2020/21 did not materialise within the Autumn 2018 Budget. These are now not expected until the Spring of 2019.
- 3.30 The Spending Review is expected to take place in the Summer of 2019. A draft NPCC report is being developed for December 2018.
- 3.31 The Spending Review submission will be focussed on the quantum of money needed by Policing and is likely to focus on Capability, Demand and Resilience; and efficiency and productivity.
- 3.32 Reserves  
Given the continued focus on Reserves held by PCC's collectively at a National level and the requirement, as part of the greater Precept flexibility, for PCC's to provide greater levels of information around the reserves they hold and the reasons and plans for those reserves then surveys and forecasts for reserves have been undertaken at a National level.
- 3.33 This survey resulted in showing that Total revenue reserves at 31 March 2018 amounted to £1.40bn, a reduction of £0.23bn (14%) in the last 12 months. They are expected to fall by a further £656m (47%) to £747m by March 2021.

- 3.34 In addition to this Capital reserves have fallen from £534m in March 2017 to £168m by March 2018; an annual reduction of £366m or 69%. These reserves are expected to fall still further to just £29m by March 2021 as PCCs continue to invest in buildings, plant and new technology.
- 3.35 Funding Formula Review  
Where the Spending Review submission is about the quantum of money the Funding Formula review is about the methodology of how that overall quantum of money is allocated.
- 3.36 Despite many starts and a significant amount of time, effort and resources being expended looking at the Funding Formula over the last few years a new method for allocating funding within Policing has not yet been agreed.
- 3.37 In December 2017, the Home Office stated that it would revisit the plans for the funding formula in the next Spending Review. However, any changes will not be implemented until 2020-21 at the earliest. The National Audit Office point out that this would mean years of allocations that may have not accurately reflected need.
- 3.38 Although nothing has previously been included within the LTFFP in relation to the Funding Formula review previous indications were that Cleveland would more than likely gain from a Review of the Funding Formula. It is however important that when this work does begin that we engage in this to ensure the Formula reflects our needs.
- 3.39 Given the recent criticism of this area by the National Audit Office which stated that 'the way that the HO distributed funding has been too detached from the nature of policing for too long, particularly with the delay of the formula review' then perhaps any review of this area will be seen through to its conclusion and implemented this time.
- 3.40 2019-20 Provisional Settlement  
The 2019-20 Provisional Police Settlement is expected to be published on the 6<sup>th</sup> December and further details will be provided to the PCC when this information becomes available.
- 3.41 Government Funding for 2019/20 and beyond  
In announcing the 2018/19 settlement the Home Office also provided greater certainty on plans for 2019-20. Their intention, which was communicated at that time, was to maintain a broadly flat settlement (in terms of Government Grant) with the same precept flexibility as provided in 2018/19 (which was the ability to increase the Council Tax on a Band D property by up to £12) but this was dependent on progress against a number of transparency and efficiency milestones.

3.42 This information was factored into the LTFP approved in February 2018 and these assumptions remain unchanged at this point. The current Government Grant assumptions are as per the following table:

Assumed Government Grant Movements		
	Feb 2018 LTFP	Nov 2018 LTFP
	%	%
2019/20	0.0%	0.0%
2020/21	2.0%	2.0%
2021/22	2.0%	2.0%
2022/23	2.0%	2.0%

3.43 It is important to recognise that these are assumptions and as such could easily change.

3.44 Precept

Only 27.5% 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.

3.45 For the purposes of planning, the plan that is set out within this paper assumes the following:

- 2019/20 – Precept Increase, for a Band D property of £12 per annum (5.3%)
- 2020/21 – Precept Increase of 1.99%
- 2021/22 – Precept Increase of 1.99%
- 2022/23 – Precept Increase of 1.99%

3.46 Over the last 5 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.

3.47 In line with Government projections and based on historic trends the financial plans now include a 1.0% increase in future years in the underlying tax base on an annual basis and a £250k per annum collection surplus. Initial forecast for 2019/20 indicate an increase in the Tax Base of 1.3% which has been factored into this plan. These assumptions will be kept under review as further details for 2019/20 become available and projections amended accordingly.

3.48 Specific Grants, Other Income and Partnership Fees and Charges

These sources of income and funding are forecast to provide between £7.9m and £11.1m across the life of the plan. This excludes the likely continued receipt of a Special Grant from the Home Office to continue Operation Pandect

3.49 Provision for the continued payment of the Special Grant, of £3.4m, has been included within the financial plans however this is shown outside of the Total Core Funding so that it does not confuse comparators in previous, and future, years whilst also making it clear the level of extra resource that the Special Grant is funding that will need to be stopped if/when the Grant ends. This inclusion of this across the next 4 years should not be taken as an indication that the funding will continue for this length of time.

3.50 The entire funding therefore expected to be available to the PCC for the next 4 years, in comparison to both 2017/18 and 2018/19, is as follows:

	Actual Budget	Actual Budget				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Government Grant	(83,500)	(83,500)	(83,500)	(85,170)	(86,873)	(88,611)
Council Tax Precept	(32,656)	(34,583)	(36,797)	(37,900)	(39,002)	(40,126)
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)
<b>Funding for Net Budget Requirement</b>	<b>(123,824)</b>	<b>(125,751)</b>	<b>(127,965)</b>	<b>(130,738)</b>	<b>(133,544)</b>	<b>(136,405)</b>
%age Change in Net Budgetary Requirement	-0.1%	1.6%	1.8%	2.2%	2.1%	2.1%
Specific Grants	(4,558)	(4,911)	(6,833)	(5,396)	(4,296)	(4,296)
Witness and Victims Funding	(659)	(1,246)	(1,413)	(669)	(682)	(695)
Partnership Income/Fees and Charges	(2,664)	(2,737)	(2,900)	(2,945)	(2,962)	(3,011)
<b>Total Core Funding</b>	<b>(131,705)</b>	<b>(134,644)</b>	<b>(139,111)</b>	<b>(139,748)</b>	<b>(141,483)</b>	<b>(144,407)</b>
Special Grant			(3,410)	(3,460)	0	0
<b>Total Overall Funding</b>	<b>(131,705)</b>	<b>(134,644)</b>	<b>(142,521)</b>	<b>(143,208)</b>	<b>(141,483)</b>	<b>(144,407)</b>

#### 4. Expenditure Plans

4.7 When setting the budget for 2019-20 the PCC will need to make decisions on how the overall funding discussed in Section 3 is allocated. The PCC will need to provide funding/budgets to the areas discussed in the following sections:

##### 4.8 Office of the PCC

The PCC set an original target to save £350k per annum from the £1,200k budget inherited from the former Police Authority by the end of the first term of the PCC. This was achieved in 2015/16 which was a year earlier than expected.

4.9 The PCC set a budget of £860k for 2018-19 which was a small £10k or 1.2% increase from the previous year reflecting that it is difficult to maintain the budget at a 'flat' level given the impact of both pay inflation and general inflation.

4.10 Small increases for pay inflation are therefore factored in to the current plans for 2019/20 and beyond with an indicative budget of £875k, for 2019/20,

included within this update. This is an increase of £15k or 1.7% over the budget for 2018/19.

#### 4.11 Community Safety and Victims and Witnesses Commissioning

The role and responsibilities of the PCC is wider than Policing and this has been acknowledged with the addition of responsibilities around Community Safety and Victims and Witnesses services.

4.12 Work continues to develop in this area and the Commissioning of services is becoming more prevalent and work has been done to move away from a grant based system, with key contracts now in place and/or being developed for:

- Victim Referral Services, now including ASB Victims
- Sexual Assault Referral Centre services
- IDVA and ISVA services
- Restorative Justice services

4.13 There will be a focus in 2019/20 on the development of the Cleveland Divert project which in line with the PCC's strategy to reduce re-offending is a project that aims to give offenders the opportunity to address the underlying causes of their offending behaviour and prevent them re-offending. Cleveland Divert is a voluntary, multi-agency adult offender diversion scheme that we are looking to introduce. The scheme will target low and medium level offenders and offer them a credible alternative to criminal prosecution.

4.14 In addition to this the PCC has been successful in bidding for additional funding for 2 important areas of work which will require delivering in 2019/20:

#### 4.15 Female Offender Grant - £200k awarded

This grant has been awarded to address the vulnerabilities and complex needs, such as mental health issues and experience of domestic abuse, so often found among female offenders, to help women to turn around their lives and stop offending.

#### 4.16 Early Intervention Youth Grant - £546k awarded

This funding has been awarded to deliver a fresh approach to diverting young people in Cleveland from crime and gangs to be used across four key areas: prevention, early intervention, targeted intervention and diverting.

- Prevention work will see key professionals better understand the impact of Adverse Childhood Experiences on behaviour, enabling them to intervene at an early stage.
- Early intervention will see youth outreach workers working in specific areas where young people are vulnerable to violence.

- Targeted intervention offers coaching, counselling and restorative services to young people and their families aimed at empowering the family group to take control of their futures.
- And a specialist 18 – 24 years Navigator will work to divert first time offenders from this age bracket away from the Criminal Justice System.
- To support these four themes, a Tees Youth Intervention and Prevention Co-ordinator will co-ordinate delivery and developing of a Cleveland Wide Serious Violence Strategy in partnership with education, health, criminal justice, social services and youth services to embed best practice.

4.17 While the award of this funding is very welcome it is important to recognise that this is short term funding and we need to be mindful of what happens when the funding ends.

4.18 With this in mind it is currently expected that the funding for the Whole System Approach to Domestic Violence that was awarded on a Regional basis is expected to come to an end in 2019/20. The funding in 2018/19 totalled £426k and as of yet there is no indication that this funding will continue – plans will therefore need to be put in place to determine what happens next with this project and this will be included in future LTFP updates.

4.19 The current plans expect that, in terms of core funding and schemes, £2.0m per annum is provided in this area across the life of the plan which is as per 2018/19.

4.20 In addition to this the PCC will continue to provide additional funding, of £1.5m, to support the delivery of neighbourhood policing with the specific objective of making our communities safer; helping them to be stronger.

4.21 This funding will be made available to the Chief Constable as needed to maintain the 6 additional police officer roles, 15 PCSO roles and 22 police staff posts that were agreed to enhance existing or develop new capabilities across the Force with a particular focus on:

- The 'strengthen' areas of the Force
- Areas of community vulnerability - e.g. hate crime, refugee and asylum seekers
- Supporting schools in 'strengthen' areas of the Force
- Providing coordination and support for virtual communities – e.g. rural/business/students
- Enhancing Integrated Offender Management capability
- Improving the investigation of volume crime, in particular hate crime

4.22 The indicative budget for these areas are set out in the table below:

	Actual Budget	Actual Budget				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Community Safety/Victims and Witness</b>	£000s	£000s	£000s	£000s	£000s	£000s
Community Safety Initiatives	986	982	1,133	1,149	1,151	1,150
Service Improvement and Development	1,250	1,450	1,500	1,550	1,600	1,650
Victims and Witnesses Services	1,009	1,508	1,776	1,012	1,023	1,026
<b>Total Planned Expenditure</b>	<b>3,245</b>	<b>3,939</b>	<b>4,410</b>	<b>3,710</b>	<b>3,775</b>	<b>3,825</b>

#### 4.23 Corporate Services

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

4.24 The areas of expenditure incorporated in this area and the forecasts for the life of the plan are included in the table below:

	Actual	Actual	Forecasts			
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Corporate Services</b>	£000s	£000s	£000s	£000s	£000s	£000s
Staff Pay	330	465	425	435	445	455
Non Pay Expenditure	100	95	100	100	100	100
PFI Action Stations	5,145	5,240	5,290	5,375	5,465	5,555
PFI Uralay Nook	1,770	1,820	1,845	1,900	1,955	2,015
Asset Management	1,605	1,855	2,150	1,935	1,570	1,570
<b>Total Corporate Costs</b>	<b>8,950</b>	<b>9,475</b>	<b>9,810</b>	<b>9,745</b>	<b>9,535</b>	<b>9,695</b>
%age Change in Expenditure	1.1%	5.9%	3.5%	-0.7%	-2.2%	1.7%

4.25 Over £500k of cashable savings was delivered from this area over the 5 years to 2017/18. This enabled the PCC to focus resources on front line services with the vast majority of the savings coming from the decision made by the PCC to change the way that Capital is financed within the organisation and also the conscious decision to reduce the amount of debt the organisation has. This lead to significant reductions in the amounts that were set aside for Asset Management.

4.26 These savings are being reversed over the 3 years between 2018/19 and 2020/21 as the financing costs of the move from Ladgate Lane to the New Community Safety Hub have an impact on the amounts set aside for Interest and Debt Repayment. These costs are however being replaced by the savings from the costs of running the new CSH in comparison to the old HQ. Providing the additional loans during this period are repaid by the future receipts from the sale of Ladgate Lane then the Asset Management costs will fall in future years and the full benefit of the move will be realised.

4.27 It will be difficult to deliver further savings from this area as the lack of funding means that more borrowing than previously expected will impact on

asset management costs while higher inflation will continue to feed through to the PFI contract costs.

## 5. Police Force

5.1 The vast majority of the funding available to the PCC will be provided to the Chief Constable, this provides the budgetary constraints in which the PCC expects the Force to work within, in delivering against the Police and Crime Plan.

5.2 The PCC tries to provide a stable financial platform for the Force to work to and within, despite the significant level of unknowns around various areas of future funding. The aim of this approach is to support and enable good strategic planning, decision making and ultimately service delivery by the Force. In line with the above approach the table below sets out the indicative funding, and the movements over the last few years, for the Force to work within when planning both financially and operationally.

5.3

Forecast Force Funding	Forecasts				
	2018/19	2019/20	2020/21	2021/22	2022/23
	£000s	£000s	£000s	£000s	£000s
<b>Total - February 2017</b>	<b>(118,535)</b>	<b>(119,235)</b>	<b>(120,485)</b>	<b>(121,905)</b>	
Overspend supported in 2016/17 repaid to General Reserves	500	500	500		
Additional Funding to Support Higher Pay Awards, Inflation and Cost Pressures	(1,735)	(2,665)	(2,875)	(2,875)	
<b>Revised Total - February 2018</b>	<b>(119,770)</b>	<b>(121,400)</b>	<b>(122,860)</b>	<b>(124,780)</b>	<b>(126,725)</b>
Allocations of Special Grant		(3,410)	(3,460)		
Pensions Grant		(2,438)			
<b>Revised Total - November 2018</b>		<b>(127,247)</b>	<b>(126,320)</b>	<b>(124,780)</b>	<b>(126,725)</b>
<b>Increase in Funding versus Forecast in Feb 2018</b>		<b>5,848</b>	<b>3,460</b>	<b>0</b>	<b>0</b>

5.4 Whilst the amount of funding expected to be made available to the Force in 2019/20 is currently forecast to be significantly higher than forecast in February 2018 it is important to recognise that these are for 2 very specific areas.

5.5 The first one relates to a forecast that the Special Grant currently provided by the Home Office, for the work of the Historical Investigations Unit, will continue to be both needed and provided for the next 4 years. This grant is paid on the basis of providing the funding for 85% of the annual costs of this investigation with the Force/PCC expected to provide 15% of the resources from within core budgets.

5.6 The operation and funding is subject to review and might not continue throughout this plan and it is important for the organisation to understand



the impact on the finances and resources of the Force when this funding ends and what decisions and risks this causes.

- 5.7 The other area of 'additional' funding relates to an expectation that the PCC will receive a Pensions Grant in 2019/20 to part fund the significant increases in the required levels of Employer's Pension Contributions into the Police Pension Fund. The current level of contribution is based on the 'employer' paying 24.2% of pensionable pay into the pension fund for each Officer in the Police Pension Fund. This is expected to increase to circa 34% from April 2019 as a result of changes made to the 'discount rate' used for all unfunded Public Sector pensions. Briefings and reports on this significant topic have been provided and have therefore not been reproduced within this report but copies can be made available if needed.
- 5.8 The forecast costs of the increase in employers contributions from 24.2% to 33.9% is expected to be circa £4.0m in 2019/20, rising to circa £4.6m per annum by 2022/23. The indication, at this stage, is that around 60% of the costs in 2019/20 will be funded by the Home Office, leaving the remaining 40%, or £1.6m, to be funded locally.
- 5.9 Beyond 2019/20 this will need to be taken into account as part of the Comprehensive Spending Review however there is no guarantee that this will lead to additional funding and therefore the current plan doesn't assume any additional funding, however this will be kept under review as more information is provided.
- 5.10 The overall funding provided to the Force excludes the circa £1.5m for investment in Neighbourhood Policing, which the PCC will provide to the Force as these costs are incurred and around £230k of costs that the PCC has agreed to fund around Domestic Abuse Referral, Restorative Justice and Offender Management. Similarly these funds will be provided to the Force as the costs are incurred.

5.11 Details of the Force's plans are provided on a separate report, which is also on today's agenda however a summary of the finances are included below:

	<b>Budget 2018/19</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>Budget 2021/22</b>	<b>Budget 2022/23</b>
<b><u>Police Force Planned Expenditure</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>	<b><u>£000s</u></b>
Police Pay	64,043	69,196	70,503	71,663	73,453
Police Overtime	1,402	1,402	1,402	1,402	1,402
Police Community Support Officer Pay	4,360	4,346	4,484	4,604	4,704
Staff Pay	10,525	12,453	12,647	11,752	12,080
<b>Pay Total</b>	<b>80,330</b>	<b>87,397</b>	<b>89,036</b>	<b>89,421</b>	<b>91,639</b>
<b><u>Major Contracts</u></b>					
Custody and Medical Contract	2,466	2,471	2,521	2,571	2,621
Outsourcing Contract	17,900	18,540	18,230	18,230	18,230
<b>Major Contracts total</b>	<b>20,366</b>	<b>21,011</b>	<b>20,751</b>	<b>20,801</b>	<b>20,851</b>
<b><u>Non Pay Budgets</u></b>					
Other Pay and Training	756	744	759	776	789
Injury and Medical Police Pensions	2,787	2,993	3,093	3,193	3,293
Premises	3,662	3,501	3,577	3,655	3,733
Supplies and Services	7,455	7,494	7,661	7,661	7,661
Transport	1,456	1,471	1,471	1,491	1,501
External Support	2,958	3,212	3,416	3,416	3,416
<b>Non Pay Total</b>	<b>19,074</b>	<b>19,414</b>	<b>19,976</b>	<b>20,191</b>	<b>20,392</b>
<b>Total Planned Expenditure</b>	<b>119,770</b>	<b>127,822</b>	<b>129,763</b>	<b>130,413</b>	<b>132,882</b>
<b>%age Change in Expenditure</b>	<b>2.0%</b>	<b>6.7%</b>	<b>1.5%</b>	<b>0.5%</b>	<b>1.9%</b>

5.12 At this stage is it important to recognise that unless funding is higher than set out elsewhere within this update that these proposals are unaffordable and difficult decisions will need to be made in the coming months to enable a balanced budget to be set for 2019/20 and beyond.

5.13 The table in the section below shows the overall financial position and the forecast gaps in the budget for the LTFP based on current assumptions and plans.

## 6. Overall Financial Summary

6.1 The table below shows the current projected position of the overall finances available to the PCC, however this is based on a significant number of assumptions, including that the Force can contain costs and deliver the level of services required within the financial constraints that were outlined above.

	Actual Budget	Actual Budget				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Government Grant	(83,500)	(83,500)	(83,500)	(85,170)	(86,873)	(88,611)
Council Tax Precept	(32,656)	(34,583)	(36,797)	(37,900)	(39,002)	(40,126)
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)
<b>Funding for Net Budget Requirement</b>	<b>(123,824)</b>	<b>(125,751)</b>	<b>(127,965)</b>	<b>(130,738)</b>	<b>(133,544)</b>	<b>(136,405)</b>
%age Change in Net Budgetary Requirement	-0.1%	1.6%	1.8%	2.2%	2.1%	2.1%
Specific Grants	(4,558)	(4,911)	(6,833)	(5,396)	(4,296)	(4,296)
Witness and Victims Funding	(659)	(1,246)	(1,413)	(669)	(682)	(695)
Partnership Income/Fees and Charges	(2,664)	(2,737)	(2,900)	(2,945)	(2,962)	(3,011)
<b>Total Core Funding</b>	<b>(131,705)</b>	<b>(134,644)</b>	<b>(139,111)</b>	<b>(139,748)</b>	<b>(141,483)</b>	<b>(144,407)</b>
Special Grant			(3,410)	(3,460)	0	0
<b>Total Overall Funding</b>	<b>(131,705)</b>	<b>(134,644)</b>	<b>(142,521)</b>	<b>(143,208)</b>	<b>(141,483)</b>	<b>(144,407)</b>
<b>Office of the PCC Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Staff Pay	645	660	675	690	705	720
Non Pay Expenditure	205	200	200	200	200	200
<b>Total Planned Expenditure</b>	<b>850</b>	<b>860</b>	<b>875</b>	<b>890</b>	<b>905</b>	<b>920</b>
<b>Community Safety/Victims and Witness</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Community Safety Initiatives	986	982	1,133	1,149	1,151	1,150
Service Improvement and Development	1,250	1,450	1,500	1,550	1,600	1,650
Victims and Witnesses Services	1,009	1,508	1,776	1,012	1,023	1,026
<b>Total Planned Expenditure</b>	<b>3,245</b>	<b>3,939</b>	<b>4,410</b>	<b>3,710</b>	<b>3,775</b>	<b>3,825</b>
<b>Corporate Services</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Staff Pay	330	465	425	435	445	455
Non Pay Expenditure	100	95	100	100	100	100
PFI Action Stations	5,145	5,240	5,290	5,375	5,465	5,555
PFI Urlay Nook	1,770	1,820	1,845	1,900	1,955	2,015
Asset Management	1,605	1,855	2,150	1,935	1,570	1,570
<b>Total Corporate Costs</b>	<b>8,950</b>	<b>9,475</b>	<b>9,810</b>	<b>9,745</b>	<b>9,535</b>	<b>9,695</b>
<b>Police Force Planned Expenditure</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
<b>Pay</b>						
Police Pay	66,740	64,043	69,196	70,503	71,663	73,453
Police Overtime	1,375	1,402	1,402	1,402	1,402	1,402
Police Community Support Officer Pay	4,255	4,360	4,346	4,484	4,604	4,704
Staff Pay	9,755	10,525	12,453	12,647	11,752	12,080
<b>Pay Total</b>	<b>82,125</b>	<b>80,330</b>	<b>87,397</b>	<b>89,036</b>	<b>89,421</b>	<b>91,639</b>
<b>Major Contracts</b>						
Custody and Medical Contract	2,523	2,466	2,471	2,521	2,571	2,621
Outsourcing Contract	17,139	17,900	18,540	18,230	18,230	18,230
<b>Major Contracts Total</b>	<b>19,662</b>	<b>20,366</b>	<b>21,011</b>	<b>20,751</b>	<b>20,801</b>	<b>20,851</b>
<b>Non-Pay Budgets</b>						
Other Pay and Training	380	756	744	759	776	789
Injury and Medical Police Pensions	2,435	2,787	2,993	3,093	3,193	3,293
Premises	3,620	3,662	3,501	3,577	3,655	3,733
Supplies and Services	7,035	7,455	7,494	7,661	7,661	7,661
Transport	1,576	1,456	1,471	1,471	1,491	1,501
External Support	2,587	2,958	3,212	3,416	3,416	3,416
<b>Non-Pay Total</b>	<b>17,633</b>	<b>19,074</b>	<b>19,414</b>	<b>19,976</b>	<b>20,191</b>	<b>20,392</b>
<b>Total Planned Force Expenditure</b>	<b>119,420</b>	<b>119,770</b>	<b>127,822</b>	<b>129,763</b>	<b>130,413</b>	<b>132,882</b>
%age Change in Expenditure	0.0%	0.3%	6.7%	1.5%	0.5%	1.9%
<b>(Surplus)/ Deficit</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Planned Transfers to/(from) General Fund	760	(600)	395	900	3,145	2,915
Contribution to Capital Programme	(2,000)	(950)	(850)	0	0	0
Planned Transfers to/(from) Earmarked Reserves	1,165	1,400	1,030	2,395	2,340	3,095
	75	150	0	150	150	150
<b>Net (Surplus)/Deficit After Reserves</b>	<b>(0)</b>	<b>(0)</b>	<b>575</b>	<b>3,445</b>	<b>5,635</b>	<b>6,160</b>
<b>General Reserves</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
General Fund Balance b/f	8,016	6,074	5,974	5,124	5,124	5,124
General Fund Movements	(2,000)	(950)	(850)	0	0	0
In Year General Fund movements	58	850	0	0	0	0
<b>General Fund Balance c/f</b>	<b>6,074</b>	<b>5,974</b>	<b>5,124</b>	<b>5,124</b>	<b>5,124</b>	<b>5,124</b>

6.2 The overall plans are based on the following high level assumptions:

	Actual Budget	Actual Budget				
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Employee Numbers (Average per year)</b>	FTEs	FTEs	FTEs	FTEs	FTEs	FTEs
Police Officers	1,280	1,236	1,234	1,234	1,234	1,234
PCSOs	148	147	147	147	147	147
Police Staff - Police Force	285	318	358	358	358	358
PCC/Corporate Staff	14	14	14	14	14	14
<b>Assumptions</b>						
Pay Awards	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Non Pay Inflation	1.6%	2.0%	2.0%	2.0%	2.0%	2.0%
RPI	3.0%	3.5%	3.0%	3.0%	3.0%	3.0%
Precept Increases	2.0%	5.6%	5.3%	2.0%	2.0%	2.0%
Government Grant Movements (Cash Basis)	-1.4%	0.0%	0.0%	2.0%	2.0%	2.0%

6.3 The financial position of the Force has worsened significantly since the February 2018 forecast position and there are a number of factors that have created this.

6.4 The biggest change in relation to increased costs is as a result of the forecast impact of the changes to Police Officer Pensions – forecast to cost £4.0m in 2019/20 and then increasing in line with general Police Pay costs, this has been partly mitigated, in the first year only, by the likely receipt of a Pensions Grant, estimated at £2.4m.

6.5 From a financial perspective there is some overall benefit to the Force of the continuation of the Special Grant from the Home Office in relation to the Historic Investigations. While the overall number of Police Officers included within the Force’s plan is predominantly forecast to remain stable, at 1,234 FTEs, it is important to recognise that around 40 FTEs are undertaking Historic Investigations and are therefore predominantly being funded from the Special Grant.

6.6 When this Grant comes to an end it will increase the forecast pressures on the plan if the Force plans to maintain the current level of Police Officers. The impact of this is shown in the final 2 years of the financial plan where the overall deficit increases by over £2m.

6.7 The forecast imbalance shown in 2019/20 of £575k will need to be addressed between now and setting the budget in February. It is vital that the Force does not continue to add in recurring growth without identifying recurring savings and adding to a position that is already unaffordable.

6.8 As referenced in the report from the Force there have been significant increases in the non-pay budgets since the LTFP was approved by the PCC in February 2018. These areas of growth and costs pressures have resulted in

over £1.2m being included within the Force's current plans, within non-pay, that were not included in February 2018.

- 6.9 The challenges beyond 2019/20, should the Comprehensive Spending Review not provide more funding, to at least mitigate the significant additional Pension costs, will be a significant challenge for which very difficult choices will need to be made.
- 6.10 The report from the Force provides an indication of the challenges that will be faced in being able to deliver this.

## **7. Capital Financing and Expenditure**

- 7.1 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.
- 7.2 Significant loans were taken out during 2017/18 and 2018/19 and the current plan is to use the Capital Receipts from the sale of Ladgate to repay these loans. The continued constraints on funding of both Revenue and Capital may however mean that these plans will have to change.
- 7.3 This will be kept under review as part of the LTFP process and decisions made in line with affordability and planning.
- 7.4 Over the next 7 years the PCC has just over £17m of loans that will gradually be due for repayment. These loans incur interest charges of £675k, these loans will be reviewed on expirations and where needed new loans taken out to replace them.
- 7.5 There is a similar level of uncertainty in relation to the affordability of the future Capital plans as there is in relation to the Revenue budget. This uncertainty surrounds the significant number of National IT programmes that are currently being developed and how these will impact on Force's in the future, what the roadmap is for delivery and implementation of these national programme's and how they will, or even can, be funded.

7.6 Much work will need to be undertaken between now and February to estimate what this might require in terms of funding, however, at this time, the funding available to the PCC would indicate that the following levels of funding can be made available to the Force without impacting further on budgets elsewhere:

	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
<b>Future Funding Levels</b>	£000s	£000s	£000s	£000s	£000s
<b>Earmarked Reserve/Funding b/f</b>	<b>2,656</b>	<b>2,235</b>	<b>245</b>	<b>568</b>	<b>1,337</b>
Capital Grant	515	515	525	535	545
Contribution to/from Revenue	1,407	1,030	2,395	2,340	3,095
Capital Receipts (from Vehicle sales)	100	100	100	100	100
Capital Receipts (from Property sales)	2,542	0	3,109	2,988	3,109
New Prudential Borrowing	3,000		-3,272	-4,000	-4,772
Supported Capital Borrowing					
<b>Projected In-year funding Available</b>	<b>7,563</b>	<b>1,645</b>	<b>2,857</b>	<b>1,964</b>	<b>2,077</b>
Community Safety Hub	3,260				
IT Replacement programme/Data Centre move	564				
Police Force New Capital Schemes	4,159	3,635	2,534	1,194	1,500
<b>Total Capital Programme</b>	<b>7,984</b>	<b>3,635</b>	<b>2,534</b>	<b>1,194</b>	<b>1,500</b>
<b>Earmarked Capital Reserve/Funding c/f</b>	<b>2,235</b>	<b>245</b>	<b>568</b>	<b>1,337</b>	<b>1,914</b>

7.7 It is important to recognise that the volume and size of the National ICT programmes and schemes that are currently in progress can't be supported within the current levels of funding. It is important also to recognise that the Force currently doesn't have the resources to be able to deliver these schemes either.

7.8 Once an indication of the costs and profiling of these schemes has been developed it will then be incorporated into the Capital programme.

7.9 The organisation will then have some very challenging decisions to make as any need to increase spending in this area will have an impact on the revenue budget, which currently doesn't balance either, therefore making the challenge overall greater.

## 8. Reserves

8.1 As at the end of 2017/18 the PCC had Usable Reserves of £14.5m. The main reserves currently being held are for the following reasons:

- General Reserves - £6.1m
- Capital Reserves - £2.7m
- Pay Reserve - £1.7m

8.2 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 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	Tranfers In 2020/21 £000	Tranfers Out 2020/21 £000	Balance at 31 March 2021 £000	Tranfers In 2021/22 £000	Tranfers Out 2021/22 £000	Balance at 31 March 2022 £000
Legal/Insurance Fund	(500)	(1,033)		(1,533)	(75)		(1,608)	(75)		(1,683)	(75)		(1,758)
Direct Revenue Funding of Capital	(1,669)	(1,407)	1,972	(1,104)	(885)	1,262	(727)	(2,260)	2,072	(915)	(2,210)	1,570	(1,555)
Injury Pension Reserve	(245)			(245)			(245)			(245)			(245)
PFI Sinking Fund	(213)	(75)		(288)	(75)		(363)	(75)		(438)	(75)		(513)
Incentivisation Grant	(412)	(80)	80	(412)	(80)	80	(412)	(80)	80	(412)	(80)	80	(412)
Urlay Nook TTC	(81)			(81)			(81)			(81)			(81)
NERSOU	(45)			(45)			(45)			(45)			(45)
Police Property Act Fund	(40)			(40)			(40)			(40)			(40)
Community Safety Initiatives Fund	(322)		150	(172)		150	(22)		22	0		0	0
Road Safety Initiatives Fund	(658)		150	(508)		150	(358)		150	(208)		30	(179)
Collaboration Reserve	(942)			(942)			(942)			(942)			(942)
Pay Reserve	(1,700)		1,700	0			0			0			0
Commissioning Reserves	(366)			(366)		366	0			0			0
PCC Change Reserve	(50)		50	0			0			0			0
Revenue Grants Unapplied	(137)		109	(28)		28	(0)			(0)			(0)
<b>Total Earmarked Reserves</b>	<b>(7,379)</b>	<b>(2,595)</b>	<b>4,211</b>	<b>(5,764)</b>	<b>(1,115)</b>	<b>2,036</b>	<b>(4,843)</b>	<b>(2,490)</b>	<b>2,324</b>	<b>(5,009)</b>	<b>(2,440)</b>	<b>1,680</b>	<b>(5,769)</b>
<b>General Reserves</b>	<b>(6,073)</b>	<b>(850)</b>	<b>950</b>	<b>(5,973)</b>	<b>0</b>	<b>850</b>	<b>(5,123)</b>	<b>0</b>	<b>0</b>	<b>(5,123)</b>	<b>0</b>	<b>0</b>	<b>(5,123)</b>
<b>Unapplied Capital Grants</b>	<b>(1,003)</b>			<b>(1,003)</b>		<b>1,003</b>	<b>0</b>			<b>0</b>			<b>0</b>
<b>Total Usable Reserves</b>	<b>(14,455)</b>			<b>(12,740)</b>			<b>(9,966)</b>			<b>(10,132)</b>			<b>(10,892)</b>

8.3 By the end of 2019/20 General Reserves will be at £5.1m, which equates to around 4% of Net Budget Requirement (NBR) in that same year. Given the continued risks that seem to materialise year after year this is, in my opinion, as low as I think the PCC should allow the General Reserve to reduce to. In a less risky environment then I would be content with a General Reserve of 3% of NBR however at this time it would not be prudent to allow reserves to reduce to this level given the significant challenges and uncertainties facing the organisation.

8.4 It is important therefore to realise that the use of reserves will not be the answer to supporting the current imbalance in the financial plans.

8.5 A full review of reserves and the robustness of the assumptions within the LTFP will be prepared for consideration by the PCC before the 2019/20 budget is set.

## **9. Risks**

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

- Pay Awards are higher than the assumptions within the plan
- Any differences between the future years' actual Government Grant settlements and the estimated figures.
- The impact of the 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 and how this will be funded.
- Sensitivity of assumptions, including inflation and borrowing costs.
- 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



## Appendix A

### PACCTS Briefing - Autumn Budget 2018

29 October 2018

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#### INTRODUCTION

On 29 October the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2018 announcement in the House of Commons. This was the Chancellor's third Budget (second *Autumn* Budget) and was the last Budget before the UK's exit from the European Union (29 March 2019).

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

This briefing outlines the key announcements in the Budget, particularly those of interest to police. References to the relevant paragraphs in the Budget [report](#) for each announcement are included in square brackets.

#### BACKGROUND

Despite calls by PCCs that HMT must take note of the needs of police in the Budget, no additional police funding was expected. It was expected that the Budget would also not contain anything specifically of note for fire and rescue authorities.

At the Conservative Party conference in September 2018, the Prime Minister said that regarding austerity, "The British people need to know that the end is in sight." Theresa May had also said that the borrowing cap for local councils wanting to build new homes will be scrapped. Additionally, on 17 June 2018, May announced an additional £20bn per year in NHS funding – to be in place by 2023.

Before the Budget, it was expected that the Government would go some way to providing short term relief regarding social care with sources suggesting £1bn in extra funding, although the makeup of this 'funding' was unknown and expected to include the £240m of funding for winter 2018-19. The LGA estimates that the *current* funding gap is £2.6bn for adult and children's social care.

To 'support the UK's highstreets' it was expected that the Budget would include £900m additional small business rates relief as well as a £650m fund to support high street rejuvenation and transport links.

It was expected that the National Productivity Investment Fund would include £28.8bn in funding for motorways as well as £420m in the Pothole Action Fund. This was expected to be funded by vehicle excise duty. The NPIF was expected to include £250m towards rural broadband.

#### ECONOMY

**GDP** – GDP is predicted to grow by 1.3% in 2018. This is 0.2 percentage points less than the 1.5% predicted in the 2018 Spring Statement. This said, for 2019 it is forecasted to be 0.3 percentage points higher than previously forecasted at 1.6%. For each year to 2021, growth forecasts have been revised up from or level with those in the 2018 Spring Statement. [1.7].

GDP	2017 Autumn Budget	2018 Spring Statement	2018 Autumn Budget
2018	1.4%	1.5%	<b>1.3%</b>
2019	1.3%	1.3%	<b>1.6%</b>
2020	1.3%	1.3%	<b>1.4%</b>
2021	1.5%	1.4%	<b>1.4%</b>

<b>GDP</b>	<b>2017 Autumn Budget</b>	<b>2018 Spring Statement</b>	<b>2018 Autumn Budget</b>
2022	1.6%		1.5%
2023			1.6%

[Table C1]

**Inflation** – CPI inflation has been revised up for each year 2018 to 2023:

<b>CPI</b>	<b>2017 Autumn Budget</b>	<b>2018 Spring Statement</b>	<b>2018 Autumn Budget</b>
2018	2.4%	2.4%	<b>2.6%</b>
2019	1.9%	1.8%	<b>2.0%</b>
2020	2.0%	1.9%	<b>2.0%</b>
2021	2.0%	2.0%	<b>2.1%</b>
2022	2.0%	2.0%	<b>2.1%</b>
2023			<b>2.0%</b>

[Table C1]

**Employment** – The Chancellor announced that the UK’s “Jobs miracle” is set to continue with a further 800,000 more jobs being projected by 2023.

<b>Year</b>	<b>Wages and Salaries</b>			<b>Average Earnings</b>		
	<b>2017 AB</b>	<b>2018 SS</b>	<b>2018 AB</b>	<b>2017 AB</b>	<b>2018 SS</b>	<b>2018 AB</b>
2018	2.9%	3.4%	<b>4.1%</b>	2.3%	2.7%	<b>2.6%</b>
2019	2.6%	2.7%	<b>3.2%</b>	2.3%	2.4%	<b>2.5%</b>
2020	2.7%	2.7%	<b>3.2%</b>	2.6%	2.5%	<b>2.8%</b>
2021	3.2%	2.9%	<b>3.2%</b>	3.0%	2.8%	<b>3.0%</b>
2022	3.3%	3.1%	<b>3.3%</b>	3.1%	3.0%	<b>3.1%</b>
2023			<b>3.4%</b>			<b>3.2%</b>

*Average Earnings is calculated as Wages and Salaries divided by employees.*

[Table C1]

**Debt, Deficit and Borrowing** – Public sector net debt (PSND) has now peaked as a share of GDP at 85.2% in 2016-17 and falls to 83.7% this year, 1.8% of GDP below the Spring Statement forecast.

It is then forecasted to be 82.8%, 79.7%, 75.7% and 75.0% from 2019-20 to 2022-23. This corresponds to deficit forecasts of 1.9%, 1.2%, 1.4%, 1.2%, 1.0%, 0.9% and 0.8% of GDP for 2018-19 to 2023-24, lower than previous forecasts.

Borrowing is lower in the near term than that planned in the 2017 Autumn Budget and 2018 Spring Statement; a trend that continues in the medium term.

	<b>Public Sector Net Borrowing</b>		
	<b>2017 Autumn Budget</b>	<b>2018 Spring Statement</b>	<b>2018 Autumn Budget</b>
2018-19	£39.5bn	£37.1bn	
2019-20	£34.7bn	£33.9bn	<b>£31.8bn</b>
2020-21	£32.8bn	£28.7bn	<b>£26.7bn</b>
2021-22	£30.1bn	£26.0bn	<b>£23.8bn</b>
2022-23	£25.6bn	£21.4bn	<b>£20.8bn</b>
			<b>£19.8bn</b>

[Table C4]

## **POLICE AND CRIME**

**General** - The Chancellor “recognised” that the Police are under pressure from the ‘changing nature of crime’ and stated that there will be further consideration given to police during the provisional settlement in December.

**Counter-Terrorism** – The budget provides an additional £160 million in 2019-20 for counter terrorism policing. [5.27]

**Prisons and Justice** - The budget will fund the construction of HM Prison Glen Parva in Leicestershire. Additionally, £30m be provided for the estate to improve ‘security and decency’. A further £21.5m will also be invested in the wider justice system. [5.28]

**Home Office** – The Home Office’s Resource and Capital DELs remain unchanged. These are:

Home Office DELs	2018-19	2019-20	2020-21
Resource	£10.7bn	£10.7bn	NA
Capital	£0.5bn	£0.5bn	£0.4bn

[Table 1.5 and Table 1.6]

## PUBLIC SPENDING

**NPIF** – The National Productivity Investment Fund (NPIF) was established in the 2016 Autumn Statement to provide additional capital investment in areas critical to productivity – housing, transport, digital infrastructure, and R&D. In 2016 the NPIF was to provide £23bn between 2017-18 and 2021-22; this has since been extended and expanded. At the 2018 Budget, the government is extending the NPIF by an extra year to 2023-24 and expanding it to £37bn. It also announces a roads investment package and next steps for the rollout of full fibre broadband nationwide.

NPIF	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Housing	£495m	£1,580m	£3,125m	£2,425m	£1,425m	£1,545m	£1,590m
Transport	£475m	£835m	£995m	£1,410m	£1,585m	£1,240m	£195m
Digital	£25m	£150m	£275m	£290m	£0m	£0m	£0m
R&D	£425m	£820m	£1,520m	£2,000m	£2,325m	£0m	£0m
<b>Total</b>	<b>£1,420m</b>	<b>£3,385m</b>	<b>£5,915m</b>	<b>£6,125m</b>	<b>£6,955m</b>	<b>£6,500m</b>	<b>£7,250m</b>

*Further allocations to be made at future fiscal events for 2021-22 to 2023-24*

**Unfunded Pension Schemes: Changes to employer contribution rates** - HMT has lowered the discount rate applied when calculating contribution rates for public service pensions from the 2.8% that was set at Budget 2016 to 2.4%. This will increase employer contributions significantly from April 2019 (and September 2019 for teachers). This reduces AME spending by an average of £5.7bn a year from 2019-20 onwards (as higher contributions reduce net spending on public service pensions). The Treasury has set aside a broadly similar amount in RDEL spending to allow public sector employers to meet these costs”. Note, this does not apply to LGPS.

The amounts set aside are as follows:

	2019-20	2020-21	2021-22	2022-23	2023-24
Pensions Changes - Current AME	£4.7bn	£5.7bn	£5.9bn	£6.1bn	£6.3bn
Pension Changes - RDEL	-£5.4bn	-£5.5bn	-£5.6bn	-£5.7bn	-£5.9bn

[EFO – Section A4; p227]

**National Living Wage and National Minimum Wage** – NLW will rise by 4.9% from £7.83 per hour to £8.21 from April 2019. The National Minimum Wage rates will be increased to £7.70 for 21-24-year olds, £6.15 for 18 to 20-year olds, £4.35 for 16-17-year olds and £3.90 for apprentices, an increase of 4.3%, 4.2%, 3.6% and 5.4% respectively. [5.44]

**Personal Allowance and Higher Rate Thresholds** – From April 2019, the personal allowance will be increased to £12,500 and the higher rate threshold will be increased to £50,000. It is intended to stay at these rates in April 2020 before rising with inflation in 2021-22.

**National Insurance** – As announced in September, the government will not abolish Class 2 NICs during this Parliament.



Year	Council Tax Receipts			Council Tax Level			Council Tax base		
	Autumn 2017	Spring 2018	Autumn 2018	Autumn 2017	Spring 2018	Autumn 2018	Autumn 2017	Spring 2018	Autumn 2018
2017-18	£27.6bn	£27.6bn	£27.6bn	4.0%	4.0%	4.0%	1.8%	1.9%	2.0%
2018-19	£29.1bn	£29.5bn	£29.6bn	4.0%	5.2%	5.1%	1.3%	1.5%	1.8%
2019-20	£30.2bn	£31.1bn	£31.1bn	2.4%	3.8%	3.8%	1.3%	1.4%	1.4%
2020-21	£31.1bn	£32.0bn	£32.1bn	1.9%	1.9%	1.9%	1.1%	1.2%	1.2%
2021-22	£32.0bn	£33.0bn	£33.0bn	1.9%	1.9%	1.9%	1.0%	1.0%	1.0%
2022-23	£32.9bn	£33.9bn	£33.9bn	1.9%	1.9%	1.9%	0.9%	0.9%	0.9%
2023-24			£34.9bn			1.9%			0.9%

In recent years the OBR's council tax forecasts have been used in determining the Police Grant Settlements. The forecasts for English local authority (and Police force) areas have seen their tax base forecasts increase, whilst the Welsh forecasts remain unchanged at 0.8%.

Not included on the Treasury's official "scorecard" of costed policies is the empty homes premium that is due to be introduced in 2019-20. The OBR estimate that this will bring in an additional £30m in 2019-20, rising to £40m in the following forecast years.

#### APPRENTICESHIPS AND EDUCATION

**Apprenticeship Levy** – The government will make up to £450m available to enable levy paying employers to transfer up to 25% of their funds to pay for apprenticeship training in their supply chains.

Additionally, the government will provide up to £240m, to halve the co-investment rate for apprenticeship training to 5%. The government is also looking at identifying gaps in the training provider market. [4.48]

**Schools Capital Funding** - The Budget provides schools across England with £400m this year to spend on their equipment and facilities. This equates to £10k per primary and £50k per secondary school. [5.20]

#### TRANSPORT

**Motoring** – For the ninth year in succession Fuel Duty has been frozen, for petrol and diesel this is at 57.95p per litre. [3.40]

**Local Roads (Potholes)** – The government will allocate £420m to LAs in 2018-19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. To support projects across England that ease congestion on local routes, the government will also make £150m of NPIF funding available to LAs for small improvement projects such as roundabouts.

**High Street Funding** – As expected the Budget announced a £650m fund to support high street rejuvenation and to improve transport links.

**Rail Discounts** – Alongside the Budget, the Government will extend discounted rail travel to those aged 16 – 30 as announced in the 2017 Autumn Budget. This follows a successful trial in East Angles and nationally. [5.48]

#### BREXIT

**No Deal Eventuality** – Prior to the Budget there were mixed messages from Number 10 and Number 11 Downing Street regarding whether this Budget would still apply in the event of a no-deal Brexit or whether a new Budget would be required. In his speech Hammond stated that he could turn the 2019 Spring Statement into a full Budget if necessary.

**Brexit Departmental Allocations** - At the 2017 Autumn Budget the Chancellor announced funding worth £3bn for departments over two years. The 2018 Spring Statement [published](#) a breakdown of those figures by department for 2018-19 (worth £1.52bn). These figures remain unchanged as shown below.

<b>Department</b>	<b>Brexit Departmental Allocations</b>
Cabinet Office	£49.4m
Competition and Markets Authority	£23.6m
Department for BEIS	£185.1m
Department for DCMS	£26.2m
DEFRA	£310m
Department for International Trade	£74m
Department for Transport	£75.8m
Department of Health and Social Care	£21.1m
Food Standards Agency	£14m
Foreign and Commonwealth Office	£29.6m
HM Revenue & Customs	£260m
HM Treasury	£24.8m
Home Office	£395m
MHCLG	nil
Ministry of Defence	£12.7m
Ministry of Justice	£17.3m
Northern Ireland Office	£0.4m
Office for National Statistics	£2m
Scotland Office	£0.3m
The National Archives	£1.2m
Wales Office	£0.3m

## **BUSINESS RATES**

**High Streets** – The government will be cutting bills by one-third for retail properties with a rateable value below £51,000. The government say that this will benefit up to 90% of independent retail properties for 2 years from April 2019 (subject to state aid limits). [3.33]

In the longer term, the government have released £675 million for as a ‘Future High Streets Fund as well as a ‘High Street Taskforce’. More information for this can be found under ‘Regional Growth’ of this report, or page 67 of the budget. [3.34]

**Public Lavatories Relief** – The government will be provided 100% relief for all public toilets. However, the OBR suggest that ‘a boom in the provision of public conveniences... seems unlikely’. [3.35]

**Business Rates Local Newspaper Discount** – There will continue to be £1,500 business rates discount for office space occupied by local newspapers in 2019-20. [3.36]

Local authorities will be fully compensated. [3.37]

**Self-Catering Accommodation** – To ensure second properties are subject to the appropriate tax, the government will consult on the criteria under which self-catering, and holiday lets become chargeable to business rates rather than council tax. [3.38]

**Reform of Business Rates Retention** – The OBR has highlighted the continued lack of certainty regarding the timeline of implementation of 100% rates retention. 75% retention is still intended to be implemented in April 2020.

## **ENVIRONMENT**

**Plastics and Waste Innovation Funding** – The government will be providing £20m to support measures to tackle plastics and boost recycling. This is split with £10m going towards plastics R&D and £10m to pioneer innovative approaches to boost recycling and reduce litter. The Budget uses ‘smart bins’ as an example. [4.69]

**Supporting Abandoned Waste Site Clearance** – The government will be funding the Environment Agency with £10m to work with partners to ‘clear the worst’ abandoned waste sites that ‘blight local communities’. [4.70]

**Funding for Tree Planting** – The government is to set up a ‘Woodland Guarantee scheme’ which will support the planting of around 10 million trees through the purchase of £50m worth of carbon credits for qualifying tree planting. Additionally, £10m will be made available between 2019-20 and 2022-23 for local community street trees and urban trees. [4.71]

## HEALTH AND SOCIAL CARE

**Social Care Funding** - A month prior to the Budget, Secretary of State for Health and Social Care Matt Hancock [announced](#) an additional £240m of funding for social care to prevent bed-blocking allocated according to the ASC-RNF. In his Budget speech the Chancellor announced a repeat of this funding for 2019-20 alongside an additional £410m (for adults and children’s social care) totalling an extra £650m for 2019-20. [5.15-5.17]

The Budget provides £84m over five years for up to 20 LAs, to help more children to stay at home safely with their families. [5.18]

**NHS Funding** – On 17 June 2018, the Prime Minister announced an additional £20bn per year in NHS funding – to be in place by 2023. At that time this equated to £20.5bn more a year in real terms by 2023-24, an average real growth rate in the NHS’s budget of 3.4% a year; taking the NHS budget from £114.6bn in 2018-19 to £147.8bn in 2023-24, with a total UK-wide scorecard cost of £83bn. [5.7]

**Mental Health** - According to the Budget, mental health services will grow as a share of the overall NHS budget over the next five years. The government believe this will help people stay in work and will therefore also contribute to productivity. As part of the aforementioned NHS funding, the NHS will be investing up to £250 million a year by 2023-24 into new crisis services. [5.10]

**Disabled Facilities Grant** – The Disabled Facilities Grant is to be increased. It was £473m for 2017-18. There is a discrepancy between the Budget document and Hammond’s speech in the size of the increase (speech - £45m, paragraph 5.17 - £55m, Table 2.1 - £65m). [5.17, Table 2.1].

## OTHER

**Digital Services Tax** - From April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses. The Chancellor reaffirmed his commitment to the G20 and OECD discussions for potential future reforms on and international cooperate tax framework. He stated that if there is an international policy solution, then the above proposal could be superseded. The digital services tax is meant to serve as a temporary solution until there is agreement for an international policy.

**Universal Credit Work Allowance Increase** – The Budget announces that the amount that households with children, and people with disabilities can earn before their Universal Credit award begins to be withdrawn – the Work Allowance – will be increased by £1,000 from April 2019. [5.32]

**Pubs** - Duty rates for beer, cider and spirits will be frozen.

**Stamp duty** – The government have extended the stamp duty relief for first time buyers to include shared ownership properties. This will be backdated to 22 November 2017. [3.39]





**Report to the  
Scrutiny, Delivery  
Performance Meeting  
30<sup>th</sup> November 2018**

and



**CLEVELAND  
POLICE**

**Cleveland Police Long Term Financial Plan (LTFP) 2019/20 to 2022/23 Update**

**Status: For Noting**

**Purpose of the Report**

The purpose of the Long Term Financial Plan (LTFP) is to demonstrate the Force's operational plan is affordable, financial stability can be maintained, and funding is targeted to those activities that best make our communities safer and stronger.

Accordingly, this report sets out the progress in the preparation of the 2019/20 – 2022/23 revenue and capital spending plans that underpin delivery of the Force's Towards 2020 strategy. It is based on the current LTFP that was approved on the 28<sup>th</sup> February 2018 and will be the subject of further change in line with the new Chief Constables vision.

**Recommendation**

The PCC is requested to note the current progress in the preparation of the revenue and capital budget proposal for 2019/20 and the Long Term Financial Plan (LTFP) for 2020/21 – 2022/23.

**Force Financial Strategy**

In a time of ongoing austerity our financial strategy was to maintain financial stability and protect service provision through identifying sufficient savings to secure a rolling two year balanced position in order to:

- Provide a high degree of certainty to operational commanders about the resources at their disposal in the short to medium term
- Provide time and space to work up considered savings plans for the more challenging future years.

The grant settlement for 2019/20 has yet to be confirmed and as such the funding plans outlined in this report are based on those reported in the 2018/19 - 2021/22 LTFP . The Force continues to review expenditure plans for the future years so that funding can be redirected to areas of highest need to ensure that the outcomes from available funding are optimised.

**Towards 2020**

The Force has a clear strategic direction that is set out in the Towards 2020 document. This clearly sets out the future shape of the organisation as being the development of cost effective:

- Local Policing
- Enabling Services
- Collaboration

These plans are underpinned by this Long Term Financial Plan.

A key priority for the Force has been the development of a sustainable service model that can effectively respond to threat, harm and risk and bring about safer and stronger communities.

This reshaping has been aligned to our Strategic Threat & Risk Assessment (STRA) and demand profile (including alternative approaches to dealing with or reducing demand) which directs focus into those areas of policing that require emphasis.

A number of significant work streams to develop the Towards 2020 operating model have been delivered over the period of the plan. These include:

- Implementation of the Local Policing reviews
- Implementation of the Strategic Intent proposals
- Implementation of the major and volume crime functions
- A collaborated major investigation function with North Yorkshire
- Extension of the collaborated police dogs service to include North Yorkshire
- Further development of North East Regional Special Operations Unit
- Implementation of the Deep Dive Rapid Improvement Plans
- The rationalisation of Management Structures
- Implementation of Workforce Modernisation
- Targeted reductions in non-pay expenditure
- Development of a 3 Force Legal Service
- Removal of Chief Inspector and Chief Superintendent ranks from the establishment
- Ongoing restructure of the Policing model to a Geographical Policing based model to better address demand and provide resilience.

These reforms have been necessary to deliver the grant cuts already suffered from CSRs 2010 and 2013 and have enabled the Force to review its future savings requirements. Robust financial management will have to continue to allow the Force time and space to re-evaluate new and changing demand and ensure that scarce resources are used to their best endeavours. These will include development of further collaborative opportunities through Evolve, North East Transformation, Innovation and Collaboration Programme (NETIC) and with Cleveland Fire Brigade.

## REVENUE

### Summary Position 2019/20 – 2022/23

The latest summary position is set out in the table below.

Income & Expenditure	2019/20 £000's	2020/21 £000's	2021/22 £000's	2022/23 £000's
Funding Allocation from PCC	(127,247)	(126,318)	(124,780)	(126,727)
Police Pay & Allowances	70,598	71,905	73,065	74,855
PCSO / Staff Pay & Allowances	16,799	17,131	16,356	16,784
Pay & Allowances Total	87,397	89,036	89,421	91,639
Non Pay Expenditure	40,425	40,737	40,992	41,243
Total Planned Expenditure	127,822	129,773	130,413	132,882
Planned Surplus / (Deficit)	(575)	(3,455)	(5,633)	(6,155)

The establishment profiles assumed in the plan are set out below.

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Last year the Force was projecting a break-even position for each year of the plan. However, in the autumn of 2018/19 it was announced by the Home Office that all Forces would have to fund the impact of a reduction in the police pension discount factor of 0.6%. This imposed decision has increased the employer contribution from 24.2% to 33.9%. The cost of this increase in rate is shown in Appendix A. It is expected that Treasury will part fund this cost in the first year of the plan (2019/20) which is shown as a pension grant in Appendix A, but no decision has yet been made by the Home Office in relation to future years. If this cost falls upon the Force to fund it would range from £4.4m in 20/21 to £4.6m in the final year of the plan. In addition the plan includes net Non-pay growth of £1.8m over the course of the plan. Of which £1.4m relates to inflation costs and continued costs to support the wellbeing agenda, forensics as well as other supplier and services costs. As a result it can be seen that the Force is predicting overspends each year of the plan (£0.6m in 19/20 to £6.2m in 22/23) work is underway both nationally (with regard the pension issue) and locally to mitigate this pressure.

### **Allocated Funding**

This report is based on 2018/19 funding allocations as the final settlement for 2019/20 onwards has yet to be finalised.

The final budget will be reviewed in line with the transformational work that is currently underway and assessed against the final grant settlement.

### **Pay Budgets**

The paybill is the largest single element of the overall cost base at 68% of the budget<sup>1</sup>. It should be recognised that there is no right or wrong workforce size or mix. Through its programme of review over the last four years, the Force has continued to reshape the workforce to deliver an effective blend of skill sets and experience to meet an ever-changing demand profile. This is ongoing set against the pressure posed by the current police pension discount factor reduction issue.

Points to note are:

- Pay awards have been assumed at 2% per annum from September 2019.
- Provision has also been made for the Apprenticeship levy which commenced in 2017/18. This will cost the Force approximately £314k per annum.
- It is assumed that recruitment plans will maintain the workforce numbers at the planned levels.
- Pension discount rate pressure is included in the first year at 40% of the cost and 100% from year 2.

### Police Officers

Funding in this plan provides for 1,228 FTE officers during 2019/20 to 2020/21. The PCC holds funding for an additional 6 FTE roles that have been agreed to enhance neighbourhood policing. This funding will be drawn down immediately as all 6 officers are already in post. This brings the overall establishment for police officers to 1,234 FTE during 2019/20 for the first two years of the plan. This will be subject to change following the continued transformational work being undertaken to mitigate the financial risks posed by the reduced pension discount rate.

In the current LTFP it was confirmed that the police officer establishment would be reduced to 1220 FTE plus the extra 6 FTE police officers provided by the OPCC to enhance neighbourhood policing taking the total establishment to 1226 FTE.

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<sup>1</sup> Note: In 2010/11 the force entered a strategic partnership with Steria UK and 470 police staff posts were TUPE transferred, consequently the paybill represents a smaller proportion of overall expenditure than in other Forces.

The increase of 8 FTE police officers (1234 less 1226 FTE) is due to the recruitment of a further 8 officers to work on the Historic Investigations Unit which has been funded by the Home Office. These officers have been included in the plan up to and including the year 2020/2021. Should the grant cease these officers will be absorbed into the establishment and recruitment of new officers will be delayed until the establishment can be returned to 1226 FTE.

Provision of £640k per annum has been made for 8 medical retirements in each year of the plan. Medical retirements have been occurring at approximately 8-10 per annum so this may prove to be insufficient. However, each retirement incurs a one-off payment of twice the average pensionable salary of the individual (approximately £80k) to the pension fund. Consequently, providing for more retirements would have a significant impact on any savings that would have to be made.

#### Police Community Support Officers (PCSOs)

Funding has been provided for 132 FTE PCSOs over the lifetime of the plan. The PCC holds funding for an additional 15 FTE roles that have been agreed to enhance neighbourhood policing. This funding will be drawn down immediately as all 15 PCSO's are already in post. It brings the establishment for PCSOs to 147 FTE.

#### Police Staff

Funding has been provided for:

- 266.72 FTE Core Police Staff roles
- 30.37 FTE Collaborative Unit Core Police Staff roles
- 32.00 FTE in the Historical Investigation unit part funded by Special grant

The PCC holds funding for an additional 29 FTE roles that have been agreed to enhance neighbourhood policing and support issues relating Restorative justice and Domestic Abuse. This brings the establishment for staff to 358.09 FTE.

The number of police staff has increased post 2018/19 with the requirement to recruit police staff for the Historic Investigations Unit. The plan includes the cost of these staff until the end of 2020/21. This is subject to an annual review with the Home Office but they have confirmed that the investigation is likely to take several years to complete. Should the funding cease for this investigation then those police staff recruited will be subject to redundancy should they have worked with the force for more than two years. There is no redundancy cost built into this plan as the initial bid stated that there would be exit costs associated with the staff and this should be recoverable from the Home Office. The anticipated costs associated with these redundancies would be in the region of £120k to £180k depending on the length of the service the staff would have been employed by Cleveland Police. As a means of mitigating this risk we will actively manage the workforce to flex in line with the completion or cessation of these investigations.

There is also a part year cost of £400k included within the police staff costs for 2019/20. This is the residual cost of the extra investigative staff that have been recruited in 2018/19 on a 12 month fixed term contract to mitigate the current demand seen in the Cleveland Force in regards to serious major incidents. This has been discussed with the Commissioner and the Force would be looking to him to increase the base

line budget by this cost and in doing so reduce the 2019/20 deficit to £175k. If this extra funding was unavailable then further savings plans will have to be implemented.

### Pension Schemes

#### *Police Officer Scheme*

As already stated the police pensions discount rate used to calculate employer's contributions for public sector pensions has changed and as such will now impact on the Force post 2018/19.

This has a significant impact on the future plan with over £17.5m being charged to the Forces revenue budget over the next four years to fund this change in pension assumptions. In the first year of the plan it is expected that Treasury will fund part of this cost (60%) with the Force having to fund the remaining cost of £1.6m. These extra costs will have to be managed and as such further transformational work is underway. It must be noted that the likely outcome of such reductions will effect what the Force can supply with prioritisation of work becoming a necessity.

In terms of police officer numbers the impact of these costs could result in the force needing to lose approximately 90-100 officers and as the Force has already lost over 500 since 2010/11 this will have a major impact on both those left to complete the work and the communities they serve.

#### *Police Staff (including PCSOs) Pension Scheme*

The triennial revaluation of the Local Government Pension Scheme (LGPS) which took place in March 2017 has forecast a shortfall of £1.3m. This will be made good by an increase in the employers' contribution rate of 1% per annum, rising from 13.6% in 2017/18 to 15.6% by 2019/20. This increase was taken into account in the previous LTFP and as such has a minimal impact on this updated version. Further rises in employer contribution rates post 2019/20 have not been assessed and as such this poses a risk to the future years of the plan should this rate increase.

### **Non Pay Budgets**

An overall inflation uplift of 2.3% has been provided each year. This will be allocated to specific budget heads in accordance with need e.g. business rates; contractual uplifts etc. and has been costed at £911k in 2019/20.

All non-pay budgets have been reviewed and adjusted in respect of savings or unavoidable pressures.

The revenue consequences of the capital schemes are also factored into the budget.

### **Significant Pressures within the LTFP**

Although the PCC continues to try to provide a stable financial platform, the impact of unavoidable cost pressures means that all expenditure will have to be scrutinised and only approved if it fits within the overall plan. The plan provides for the following significant pressures:

- Contracted Out National Insurance £1,600k from 2016/17
- Apprenticeship Levy £350k from 2017/18
- Provision for medical retirements £640k from 2018/19
- Increase in LGPS employers contributions £115k from 2018/19
- Increase in insurance premiums £200K from 2018/19
- Collaboration: NETIC £72K from 2018/19
- Collaboration : NERSOU Transition fund £200K from 2019/20
- Continuation of the Well-being agenda £500K from 2019/20

- Increase in Forensic costs £370K from 2019/20
- Increased cost associated with Finger Print Bureau £60K from 2019/20
- Increase in Police Pension employers contributions £1,596K from 2019/20

## Savings Programme

In order to offset the significant pressures above the Force continues to review its Non-pay budgets and has identified the following savings which are incorporated in the LTFP:-

- Custody Contact Savings £540K from 2018/19
- Other Non-pay savings £175K from 2018/19
- Running cost savings associated with closure HQ £465K from 2019/20
- Reduction in Legal fees £165K from 2019/20

Further work will have to continue in regards to the deficit budget that the Force is now facing. Cleveland Police has a proven track record in establishing savings and realising them. However, as the Force has already seen major cuts to its budget and as such has seen a huge cut in officer and staff numbers it would suggest that further change will impact on the Force's ability to respond to threat, harm and risk. This is in line with the last HMICFRS report that clearly stated that should this Force have to make significant cuts again in the future then there is only cuts in service rather than a re-engineered service option available.

## Collaboration

The Force participates in several collaborative units; CDSOU, CYMIT, NERSOU and IDU. At the time of writing this report it is assumed that the cost of these units will increase in line with the overall cost assumptions applied to Cleveland core budgets; ie: pay 2% etc. Work continues with the lead Forces of the respective units to finalise the budgets for the period of the plan.

## Risks in the Plan

As highlighted in this report the overall plan is not currently achievable due to the extra costs associated with the police pension scheme as a result of the change in discount rate and the growth in non-pay expenditure.

The impact of these pressures is partly mitigated by the receipt of the HIU funding in the years 2019/20 and 2020/21. Discussions are on-going nationally with the Home Office in an attempt to secure additional funding in the up-coming CSR to address the pension issue. However, there is an underlying pressure within the plan which needs to be addressed in future years of approx. £2.1m. Following the removal of the HIU funding 2021/2022 the shortfall fall increases to £5.6m. The Force will at the earliest opportunity need to review its establishment and non-pay expenditure in order to put plans in place to address this position.

## CAPITAL

The capital programme for 2019/20 onwards is currently being consulted upon. There are significant areas of spend forecast over the next four years including the national digitisation agenda and the implications of bringing back our current outsourced services with Sopra Steria.

All of these requirements will be put through a thorough business case review which includes both anticipated costs as well as highlighting any capacity issues.

The business cases will then be reviewed in line with the capital finance and resources available.

A full detailed capital programme will be brought to the PCC for ratification in February 2019.

## Implications

### Finance

There are no financial implications other than those mentioned above.

### Diversity & Equality

There are no diversity or equality issues arising from this report.

### Human Rights Act

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

### Sustainability

This report is part of the process to establish sustainable annual and long term financial plans to underpin sustainable service delivery and maintain prudent financial management.

### **Conclusion**

It is acknowledged that this update on the 2019/20 – 2022/23 LTFP is showing that the Force is facing a financial challenge. It is also acknowledged that the assumptions used within the calculations are subject to change including the funding being made available to the Force.

The PCC should note that work is ongoing to review what the Force requires set against the financial envelope it is currently facing and as such difficult decisions will have to be undertaken as we move into the final budget settlement period.

Mike Veale  
Chief Constable  
26<sup>th</sup> November 2018







## Scrutiny, Delivery & Performance Meeting

30 November 2018

### Abuse of Position for a Sexual Purpose and Sexual Harassment – NPCC Action plan

#### Purpose of the Report

1. The Chief Constable has, in light of the recent high profile misconduct case, restated the remit of the Department of Standards and Ethics to seek out corruption and misconduct to which the PCC will be entitled to on-going updates including timescales and expected deliverables.

#### Background

2. The current threats to the organisation identified by the Directorate of Standards and Ethics have been identified as: vulnerability, including internal and external threat of abuse of position for sexual gain; the misuse of police systems; and the handling of police data.
3. In August 2018 the National Police Chiefs' Council published information about an action plan that was being developed in response to a national survey by UNISON that uncovered the extent of sexual harassment against police staff. Half (49%) of the police staff questioned had heard sexualised jokes told repeatedly at work, and one in five (19%) had received a sexually explicit email or text from a colleague.
4. Linked to this is the HMICFRS review of Abuse of Position for a Sexual Purpose where a national recommendation was made as follows
  - a. *To address this cause of concern, we recommend that within six months, all forces should have started to implement a plan to achieve the capability and capacity required to seek intelligence on potential abuse of authority for sexual gain. These plans should include consideration of the technology and resources required to monitor IT systems actively and to build relationships with the individuals and organisations that support vulnerable people.*
5. HMICFRS reviewed the Force's plans to address the cause of concern. HMICFRS were pleased to find that the plans submitted in response to their recommendation were comprehensive, and also reflected the national strategy. Force plans included evidence of a review of the capability and capacity of the counter-corruption unit and improvements to the IT systems' monitoring capability which had just commenced at the time of the review. Work to seek intelligence from those organisations that support vulnerable people was also included in the plans, although this work had not yet started.

## Information Required

6. The PCC would like assurance and information on the following:
  - a. On-going information regarding the Directorate of Standards and Ethics' work in respect of corruption and misconduct.
  - b. A detailed breakdown in numbers and accompanying narrative of the following
    - i. The categories of the cases that the Counter Corruption Team deals with including specific numbers of cases within those categories over the last 2 years.
    - ii. What have been the resolution/disposal routes for those cases?
    - iii. What themes and trends have emerged from (and lessons have been learnt as a result of) the work of the Counter Corruption Team and what has been put in place as a result of that learning?
    - iv. What effect has that learning had; has it resulted in an increase or decrease in the number, and type, of cases.
  - c. What lessons were learnt by Cleveland Police in relation to Operation Lysander/Operation Hector and what did the Force do in relation to embedding those lessons?
  - d. What sources of support are available to police personnel who feel vulnerable or have concerns about the abuse of authority, or wish to challenge/report inappropriate behaviour?
  - e. Is the Force content that the process in place for police personnel that raise issues of the unacceptable behaviour of colleagues, (including the abuse of position for sexual gain) is fit for purpose?
  - f. Could the Force outline the training that is available for both officers/staff, and in particular new recruits, about what behaviours are considered acceptable and unacceptable and how are the messages about unacceptable behaviour reinforced?
  - g. Sexual Harassment – Following the recent UNISON intervention, the PCC would like to know if an action plan has been developed and if so how the Force plans to embed that action plan within its current policies and procedures.
  - h. Abuse of Position for a Sexual Purpose – an update on the progress with the national recommendation as detailed at 4 (a).

## Actions Arising

7. That the information is noted and further details be provided if necessary.



## Scrutiny, Delivery & Performance Meeting

30 November 2018

### Domestic Abuse Update

#### Purpose of the Report

1. Incidents of domestic abuse continue to have an increasing trend, increases in domestic abuse crimes are occurring across the force area. The positive outcome rate is declining and the outcome 16 rate (closure code – victim does not support the prosecution) remains high with 70% of offences recorded in the past 12 months resulting in this outcome. There have also been a number of domestic abuse related homicides in recent months. The PCC would like further information in relation to this area.

#### Information Required

2. The PCC would like information on the following:
  - i. Up to date details on victim withdrawal rates and details of work that is being undertaken to improve those rates;
  - ii. Is the THRIVE model appropriate for dealing with incidents of Domestic Abuse?
  - iii. Anecdotal evidence from complainants suggests that initial response from the Force can be hurried, people don't get good information and the options available to them are not discussed, what work the force is undertaking to improve victim satisfaction in this area?
  - iv. What lessons have been learnt from the recent domestic abuse related homicides?
  - v. Given the level of investment into Protecting Vulnerable People what innovative ideas and new ways of thinking are being developed in this area? and
  - vi. With regard to the issue of coercive control, are officers given enough time to be able to spend it with victims of coercive control in an effective way?

#### Actions Arising

3. That the current position is noted and further details are provided if necessary.





## Scrutiny, Delivery & Performance Meeting

30 November 2018

### Police Response and Prioritisation

#### Purpose of the Report

1. Increasing complaints are coming to the attention of the PCC regarding the general issue of police response times and prioritisation.
2. The Complaints Service Team are receiving an increasing amount of complaints which relate to this issue. One such example was received recently. *On the morning of Tuesday the 18 September around 4 am the complainant's car was broken into outside of his daughters flat in Yarm. A wallet was stolen from the vehicle and the debit and credit cards were used to carry out a number of contactless purchases in the Yarm area. His daughter's partner was alerted to this by text as each transaction took place. The break in was discovered at 7.30am and he called the police who said they would contact him within 48 hours to send someone out. This concerned his daughter and her partner that the trail would 'go cold' and the perpetrators go un-apprehended. There were a number of transactions that took place at a particular service station so the complainant visited there to see what information he could ascertain; on visiting the service station he found that the manager had been suspicious of the transactions, who he said were made by regulars at the station. They sought the CCTV but were told that it was only available for use by, and on the request of, the Police. After a number of calls to 101 they were informed that no one was available to visit the service station for another 7 days. The Complaints Service Team contacted the Force to seek an update, however in subsequent correspondence in the intervening period the CCTV had had been deleted and was no longer available.*

#### Information Required

3. The PCC would like information on the following:
  - i. An update on control room stabilisation project.

#### Actions Arising

4. That the current position is noted.





**Scrutiny, Delivery & Performance Meeting**  
**30 November 2018**  
**Force Preparations for Brexit**

**Purpose of the Report**

1. The APCC held a Policy Deep Dive on Brexit on the 17 July. There were a number of questions that were raised by National Police Chiefs' Council (NPCC) and National Crime Agency (NCA) that it was agreed would be prudent for PCCs to raise with their respective Forces.
2. It was noted that the 7 Force Collaboration (NETIC) were looking at the issue and its impact across the 7 forces and a meeting was due to take place on 17 September with all chief constables to enable them to consider the impact of the issues facing police forces.
3. This issue was brought to the last Scrutiny, Delivery and Performance Meeting on 12 September and it was agreed that the item be brought back to the next meeting.

**Information Required**

4. The PCC would like information on the following:
  - i. Does the Force understand the risk impact of Brexit?;
  - ii. What does the Force's local resourcing model look like regarding Brexit?;
  - iii. Who, in the Force, is leading on Brexit preparations?; and
  - iv. What are your Force's plans for organisation readiness?
5. The PCC would also like assurance on what proportionate planning is taking place, specifically in relation to the anticipated pressures to policing from the following:
  - i. disruption to travel, freight and borders;
  - ii. disruption to public services;
  - iii. demonstrations and public order;
  - iv. information and data sharing; and
  - v. the potential disappearance of the European Arrest Warrant.
6. The PCC would also like assurance in relation to Force Business Continuity Plans and wider Local Resilience Forum and an understanding of the Cleveland perspective in respect of the National Mobilisation Plan.

**Actions Arising**

7. That the current position is noted.







## Scrutiny, Delivery & Performance Meeting

30 November 2018

### PCC General Questions

#### Knife free Campaign

1. The Home Office's #Knifefree campaign seeks to steer people away from knife crime by making them aware of the risks and highlighting positive alternatives to carrying a knife. Ahead of the new school year, the Home Office is issuing educational resources to support teachers and adults who work with children (for example, youth club leaders), to talk about the dangers of knife crime. The resources cover educating young people about the dangers of social media, the impact carrying a knife could have on their future, and how they can develop strategies to resist peer influence. What have the force done with regard to knife crime and young people and, if not already, is this something the Force has considered?





## Scrutiny, Delivery & Performance Meeting

30 November 2018

### Operation Hydrant

#### Purpose of the Report

1. There is an annual strategic assessment for Operation Hydrant (national coordination centre for historical child abuse cases which feature persons of public prominence, or offences committed in institutional settings) for which the force SPOC is Helen Barker. The NPCC lead has asked it be shared with all OPCC's. There is a list of recommendations which all relate to the development of work within the remit of the Hydrant team, with the exception of one which asks that forces seek to publicise positive CJ outcomes in order to promote public and victim confidence.

#### Information Required

2. The PCC would like information on the following:
  - i. Firstly the PCC would like to seek assurance that the Force have been submitting regular returns.
  - ii. Information in order for to gain a better understanding of the scale and extent of Operation Hydrant in Cleveland.
  - iii. An update In relation to the implementation of the following recommendation:  
Recommendation 11: Operation Hydrant to undertake work to raise awareness among force PSD to better consider whether their application of the complaints and conduct guidance (particularly in the area of disapplication for out of time) is appropriate. This will take into account the unique nature of non-recent child sexual abuse and the research supporting why victims may take some considerable time before making a disclosure.

#### Actions Arising

- 3 That the current position is noted.