



Joint Independent Audit Committee



DISCUSSION PAPER

AGENDA ITEM:	Item 9
MEETING DATE:	9 December 2019
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DISCUSSION PAPER TITLE:	Finance Update – Mid-Year Financial Review

AREA(S) FOR DISCUSSION

Following a detailed mid-year review covering the full year's financial outlook with each Commander/Head of Department, the Force's financial summary for the current year is as follows:-

- a) In year Savings of £1.235m have been identified arising primarily from slippage in the capital programme (£500k), IS charges (£300k), force performance fund (£150k), and fewer ill health retirements (£140k).
- b) Pressures of £1.235m have been identified arising primarily from additional business rates for Birch Way (£323k), additional demand on specialist crime (£194k) and Special Operations Unit (£141k), compulsory redundancy costs mainly from the CDB review (£260k)
- c) Additional recurring savings of £938k have been identified supporting the Force savings programme. Savings of £3.364m have now been identified to date against a target of £3.750m for the year.
- d) There are staffing pressures of £925k arising from both the additional 0.5% pay award for officers and staff (£440k) and accelerated recruitment of officers (£485k). A Home Office grant of £464k for 2019/20 has recently been announced to meet the additional police officer recruitment. This leaves a remaining shortfall of £461k for which a request will be made to fund from PCC reserves.
- e) The current budget assumes £7.260m use of earmarked reserves. It is currently estimated that £4.620m will be required in the current year which is a reduction of £2.640m

EXCEPTIONS / ISSUES OF NOTE

1. On the 5th February 2019, the PCC approved the Medium Term Resource Strategy (MTRS) for 2019 – 2024, including an annual budget of £194.507m for 2019/20. Following approval by the PCC for additional funding to meet carry forwards from 2018/19 and for the digital innovation team, the updated budget for 2019/20 is £194.907m.
2. The 2019/20 budget allows for police officer numbers to remain at 1900 throughout the current year. The budget includes a savings target of £3.75m which includes a reduction of PCSOs to 178 (from 228) and police staff to 1130 (from the current TOM of 1195). There are also savings anticipated from IS contracts, overtime and non-pay. The budget assumed a 2% pay award for officers and staff from September 2019.

Savings and Pressures

3. The review identified savings and pressures of £1.235m. These are identified overleaf by Command with details. A number of the pressures are recurring (identified with *) and these will be reflected in the refreshed MTRS for 2020/21.

Command/Dept.	Saving £000	Pressure £000	Explanation for Pressure/Saving
ACC Communities			
North Bank		16	Vehicle hire which is currently being reviewed across the command
South Bank		13	One off contribution to partnership project
Criminal Justice		38	Shortfall on courts fine income due to correction of misposted income in 2018/19
Community Safety		34*	Additional dangerous dogs
ACC Crime & Operations			
Special Operations Unit		141*	Additional taser training (£80k), firearms uniform (£25k), reduced abnormal loads income (26k), additional Force dogs (£10k)
Force Control Room		42*	Increased emergency boarding up costs
Specialist Crime	(30)	194*	Increased covert telecoms due to missing persons demand, shortfall on asset recovery income, saving on PVP agency.
Regional Collaboration		78*	Additional TSU costs
DCC			
Corporate Comms.	(15)		Delay in roll out of engagement strategy
National Policing (NPCC agreed funding)	(50)		Overstatement of 2018/19 costs reversed in 2019/20
Force Performance Fund	(150)		£200k committed to date. £150k still available for remainder of 2019/20 if this saving is agreed.
ACO Resources			
Estates		323*	Higher business rates for Birchin Way
Information Services	(300)		Change in NRE split and contract savings
Fleet		21*	Additional fuel costs
HR Services		260	Projected compulsory redundancy costs arising from CDB review
Centrally managed	(690)	75*	Saving on capital financing charges (£500k), ill health retirements (£140k) and Humber bridge tags (50k) partially offset by police staff overspend (£75k) from civilianisation and additional staff in logistics.
TOTAL	£1,235	£1,235	

- Recurring pressure

Force Savings Programme

4. In addition to savings that have been used to fund pressures, there have been a number of recurrent savings identified that will contribute to the Force's savings programme for 2019/20. The savings target for the year is £3.75m and at period 5 it was reported that savings of £2.426m had been delivered by the end of August 2019. As part of the mid-year review a further £938k was confirmed, with total savings at end of September therefore increasing to £3.364m. Details of the additional savings are provided in the table below.

Command/Dept.	Saving £000	Explanation for Saving
ACC Communities		
Local Policing	(500)	Accelerated reduction in PCSO numbers to 178 mainly from transfers to police officers
South Bank	(22)	savings on office equipment
Criminal Justice	(16)	Savings on Drugs Intervention Programme

Community Safety	(10)	Savings on Rock Challenge (£10k retained for reinvestment)
ACC Crime & Operations		
Force Control Room	(13)	Savings in overtime
DCC		
Corporate Comms.	(7)	Web development saving
Legal Services	(35)	Additional income from SYP and increased recovery of costs
Professional Standards	(5)	Increased vetting income
Force Command	(100)	Reduced costs for bank holiday overtime
ACO Resources		
Finance & Business	(230)	Reduced insurance premiums due to greater self-insurance
TOTAL	938	

5. Progress against the current savings programme is shown below. Further savings of £386k are required to achieve the full year target.

Savings Area	2019/20 Target £000	Achieved to 31 August £000	Mid-year review savings £000	Achieved to 30 Sept £000	Variance over/ (under) £000
PCSOs	1,060	1,100	500	1,600	540
Police Staff	600	250		250	(350)
Overtime	410		113	523	123
HR Decoupling	100	0		0	(100)
Non Pay – IS contracts	1,040	558		558	(482)
- Borrowing costs	200	0		0	(200)
- Other Non-Pay	350	108	325	433	83
TOTAL	3,750	2,426	938	3,364	(386)

6. There are further areas of savings that have been identified for potential implementation by the end of the financial year with full year impact in 2020/21 :-
- The Force is currently consulting on changes to shift patterns for Neighborhood Policing Teams. This could result in savings on weekend working and unsocial hours payments/ shift allowances for officers/ PCSOs of c£150k per annum
 - The current basis for calculating the annual sum the Force is required to set aside for the repayment of borrowing for its capital investment (known as the minimum revenue provision) is to be reviewed. This has delivered significant savings in the short/medium term when undertaken in other Forces.
 - The Force has reviewed the number of officers in its more senior ranks and identified the opportunity to replace 3 superintendents and 1 chief inspector with 4 constables. The full year saving when this is fully implemented would be £250k.
 - Efficiency savings will also be generated from the Corporate Programme of Efficiency and Continuous Improvement Reviews. Over the next 12 to 18 months, reviews of the FCR, Firearms Licensing, and Intelligence are planned. These will be supported by a new CI and change team within CDB working with the new Digital Innovation Team to identify those digital and technological solutions that will further drive efficient and effective working.

Employee Pressures

7. In addition to the savings and pressures identified at paragraph 3 there is a projected overspend of £925k against the police officer and staff budgets. This has arisen due to two

issues:-

- a) The Force budget assumed a pay award for officers and staff of 2% from September 2019. The Home Office has agreed an award of 2.5% for officers and the Police Staff Council has recently confirmed a similar level for police staff. The additional cost in 2019/20 will be £440k.
- b) The budget assumed a recruitment of 20 officers in November 2019. The announcement of an additional 20,000 officers nationally and the opportunity to accelerate recruitment has resulted in an officer intake of 50 in November. The additional costs will be £485k in the current financial year
8. The Government has announced additional funding nationally of £45m to support the officer uplift in 2019/20. Humberside will receive £464k which will meet costs of the accelerated recruitment. A request will be required for funding of £461k from PCC reserves for the remaining shortfall on police officer salaries relating to the additional pay award.

Reserves

9. At March 2019 the PCC held earmarked reserves totaling £14.8m (in addition to the general reserves of £5.2m). The Budget assumes use of earmarked reserves totaling £7.260m and the latest projected use is shown in the table below which identifies slippage of £2.640m.

	Planned	Latest Forecast	Variance	Comment
	£000s	£000s	£000s	
Use of Earmarked Reserves				
Recruitment uplift (full year effect)	1,227	1,227	0	
Proceeds of Crime – Additional staffing	207	207	0	
Operation Lingfield	307	307	0	
External Training	400	400	0	
Exit Costs arising from HR restructure	400	0	(400)	Likely slippage to 2020/21
Support for partners	1,644	404	(1,240)	Slippage to 2020/21
Legal settlement for CHIS handlers	1,000	0	(1,000)	Slippage to 2020/21
Funding of base budget gap	1,675	1675	0	
In year approvals			0	
Carry forward of 2018/19 underspends	273	273	0	
Digital Innovation Team	127	127	0	
TOTAL	7,260	4,620	(2,640)	

10. The current MTRS assumes a 2% pay award in the current and future years. The additional 0.5% in the current year will add a further pressure to future years' budgets and reserve levels. The impact of the additional request for an allocation of £461k from reserves in the current year, and future years' pressure will need to be addressed as part of the refreshed MTRS to be considered early in the new year.