

For Information / Decision	
Public/Non Public*	Public
Report to:	Strategic Resources & Performance
Date of Meeting:	21st June 2016
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Agenda Item:	05

Revenue Outturn Report for 2015/16

1. Purpose of the Report

- 1.1 The purpose of this report is to provide an update on the provisional financial outturn position against the key financial performance headlines for Nottinghamshire Police for the year ending 31st March 2016 (Period 12).
- 1.2

2. Recommendations

- 2.1 It is recommended that the outturn position for each legal entity and the net position for the Group is noted:

Entity	Budget £000	Actual £000	Out-turn variance £000
Force	186,475	194,045	7,570
OPCC	4,725	4,026	(699)
GROUP	191,200	198,071	6,871

- 2.2 It is recommended that the Commissioner approves the transfer from the MTFP reserve of £7,570,000 to meet the above overspends. And the transfer to the Grants & Commissioning reserve of £699k from the above underspends.

3. Reasons for Recommendations

- 3.1 This complies with good financial management and Financial Regulations.

4. Summary of Key Points

Revenue

- 4.1 The force was £7.570m over spent, although this was £210k better than the estimated outturn (as reported to the Strategic Resources & Performance meeting on 15th March 2016). This was primarily due to reduced interest charges as a result not requiring additional funding for the capital programme; the recharge of a TSU officer to Derbyshire which was backdated to 2014/15; and the quarterly review of the insurance provisions.

A contribution from reserves is required to fund for overspend within the Force for 2015/16 of £7.570m, of which £3.5m had previously been agreed in the autumn, with a further decision record in February 2016 approving a further £4.2m. The estimated outturn position is favourable by £130k. This overspend will be met from the MTFP Reserve, which is earmarked for budget fluctuations. A total of £9.2m will be utilised from this reserve for the year (including the £1.6m approved in the original budget set in February 2015).

The OPCC spend for the year was £4,026k, which was an underspend of £699k, split £108k within the Commissioner's Office and £591k in grants and commissioning. The projected outturn assumed a balanced budget position, these underspends will be transferred to OPCC's Commissioning reserve.

The figures quoted in this report are subject to external audit by KPMG during July and will therefore remain provisional until the satisfactory conclusion of that audit.

Nottinghamshire Police Group Position Total: Budget Variance Analysis				
	Variance to Budget			
	£'000	£'000	£'000	Note
The Force:				
Pay & allowances				4.2
Police officer	(643)			
Staff	771			
PCSO	(110)			
		<u>17</u>		
Overtime				4.3
Police officer	967			
Staff	201			
PCSO	31			
		<u>1,199</u>		
Other employee expenses		<u>1,552</u>		4.4
		2,769		
Premises costs	826			4.5
Transport costs	451			4.6
Comms & computing	1,561			4.7
Clothing, uniform & laundry	(73)			4.8
Other supplies & services	2,740			4.9
Collaboration contributions	2,302			4.10
Medical retirements	144			4.11
Capital financing	(1,268)			4.12
Other	3,810			4.13
		<u>10,493</u>		
Income	(5,691)			4.14
Force overspend		<u>7,570</u>		
OPCC		(699)		
Provisional Group Position Total		<u>6,872</u>		

- 4.2 Police officer pay was £104,993k for the year which was £643k under budget, this was largely due to timing of leavers/retirees and also being greater than budgeted, where we had originally budgeted to be at 1,990.7 FTE's in March 2016, however ended the year 7.2 FTE's below at 1,983.5 FTE's.

Police staff and PCSO pay for the year was £48,650k, which was a net £660k overspend. The over spend was mainly due to agency costs; not achieving the budgeted vacancy rate; and efficiencies not being delivered. In the final quarter of the financial year staff savings started to be realised through a combination of the recruitment freeze and as people exited the organisation

through voluntary redundancy (VR). There have been savings of £110k on PCSO's versus budget as they have continued to leave since the restructuring programme, and we ended the year at 219.0 FTE's.

As a result of the Bear Scotland ruling on holiday pay we have incurred costs of £224k, of which c£124k was paid to Constables and Sergeants in December 2015 and the remainder is an accrual to cover the period January to March 2016.

- 4.3 The overtime for the year was £5,076k, which was an overspend of £1,199k, approximately £649k of the over spend has been offset within income for externally funded projects, mutual aid, special services and recharge of overtime for major crime to other forces; with the main operations being Drosometer, Tiffany and Melic. There has been over spends due to general operational demands, and in custody for both officers and detention officers (due to running below establishment) this has been addressed in the latter half of year by the heads of Custody and EMCJS.
- 4.4 Other employee costs for the year was £2,321k, which was an overspend of £1,552k. This is mainly due to redundancy and pension strain costs of £1,577k for VR and PCSO restructuring programme; an accrual for pension (Habgood) claims £115k; partly offset by savings on training £72k and medical injury reviews.
- 4.5 Premises costs for the year was £6,756k, which was an overspend of £826k. This was largely due non achievement of the efficiency programme and the timing of exiting/moving to new premises; and additional rates incurred for the buildings at RAF Newton of £35k.
- 4.6 Transport costs for the year was £6,284k, which was an overspend of £451k. This was largely due to travel costs, and not achieving the efficiency targets for the fleet review and Artemis. This has been partly offset by savings on fuel where we benefitted from the lower costs per litre than expected.
- 4.7 Comms & computing costs for the year was £7,488k, which was an overspend of £1,561k. Approximately £727k of the over spend has been offset within income for externally funded projects and Agile working. The over spend is driven mainly by system costs from the Home Office of £856k which were assumed to be top sliced from the main government grant; costs for externally funded projects of £227k; and Agile working £897k which is only part funded through Innovation funding.
- 4.8 Clothing, uniform & laundry costs for the year was £374k, which was an underspend of £73k. This was primarily due to the reduced intake of Specials during the year and recycling of uniform, partly offset by a £69k write-off of obsolete stock.
- 4.9 Other supplies & services costs for the year was £3,654k, which was an overspend of £2,740k. Approximately £465k of the over spend has been

offset within income. The over spend was mainly due to the under achievement of the efficiency challenges which includes the £650k procurement savings which was not achieved; increased insurance charges £378k; consultants and professional fees £535k; court fees and witness expenses £76k; subscriptions £71k of which £38k relates to externally funded projects and will be offset by income; Prevent £250k which is part funded through Innovation funding; and partnerships grant for externally funded projects £191k.

- 4.10 Collaboration contributions for the year was £8,926k which was an overspend £2,302k mainly due to the charge for the MFSS of £2,075k which was omitted from the budget; and an additional charge from the region for the EMOpSS central running costs of £158k.
- 4.11 Medical retirement costs for the year was £4,623k, which was an overspend £144k. This reflected the increased number of officers leaving during 2015/16 and an increase to the accrual of c£100k to reflect the number of officers currently under review.
- 4.12 Capital financing for the year was £3,474k which was £1,268k under spent. This was mainly a reduction in the Minimum Revenue Provision (MRP) due to a review of asset lives £969k; slippage in the 2015/16 capital programme has delivered lower interest charges of £299k. This demonstrates the significant impact on revenue budget that variances in capital expenditure can have emphasising the need for greater accuracy in forecasting of project expenditure. Poor forecasting of capital expenditure has the potential to affect treasury management decisions and could result in significant long term treasury management inefficiencies.
- 4.13 Other costs for the year was £8,950k, which was an overspend £3,810k. Approximately £2,272k of this over spend has been offset within income. The over spend was primarily due to the PNC costs from the Home Office £830k which was assumed had been top sliced from the main government grant; partnership costs £2,659k which an element was externally funded and offset by income, and £2,244k contribution to EMOpSS of which £1,936k was offset within income; and forensic analysis £188k due to increased SPOC charges.
- 4.14 Income for the year was £17,524k, which was £5,691k above budget, with approximately £4,599k offsetting costs above. The £1,092k remaining balance was largely due to additional income from recharges of seconded officers £583k; the recharge of a TSU officer to Derbyshire which was backdated to 2014/15 £102k; recharge of a number of buildings such as the Arrow Centre £189k; and prosecutions recovery £162k.

The income that offsets costs above is largely due to recharges to EMOpSS £1,936k offsetting costs in other costs (see 4.13); income from special services and mutual aid £188k which offsets against overtime; externally funded projects £1,317k which offsets costs across numerous lines; and

Innovation funding income £1,158k of which Agile working at £727k and Prevent at £191k were the largest.

- 4.15 The efficiency programme for 2015/16 was £11,014k and it is anticipated that there would be c£3,500k shortfall by the year end as detailed below, these amounts have contributed to the net over spend previously discussed in this report. It was previously agreed that this shortfall will be met from a contribution from reserves, although given the other overspends and budget omissions £7,229k is requested to be funded by the use of reserves.

For the year ended 31st March 2016 the efficiencies achieved was £7,492k which was a shortfall of £3,522k against the target of £11,014k as detailed below:

Efficiencies 2015/16	Under Achieved £'000
EMSCU 5% saving on current spend	650
Hold on staff recruitment	630
Fleet review	409
Police Business Services (PBS) savings	400
EMSCU further income generation savings	350
Non-closure of police stations	208
Recharge of costs to region	200
Artemis	174
Targeted efficiency saving in IS	100
EMOpSS Restructure	100
EMSCU PFI contract savings	60
Energy and utilities	40
Other	201
	<u>3,522</u>

The main elements of the shortfall being:

- £650k on the 5% procurement saving on current spend.
- £630k by holding staff recruitment, which due to a challenging vacancy rate which for the first six months was not achieved, although there was signs in the latter half of the year that the recruitment freeze has really delivering benefits, combined with the people leaving the organisation through the VR programme.
- £409k on the fleet review where savings are being realised through reduction in Vensons fleet, however legal issues within contract determine how many vehicles can be released each year. However we will continue to reduce the fleet over the next two years.
- £400k on Police Business Services (PBS) where the project ceased.
- £350k on income generation opportunities.
- £208k due to non-closure of police stations.
- £174k on Artemis.

Capital

- 4.16 The Final outturn position of the capital programme is a separate report on today's agenda.

5. Financial Implications and Budget Provision

- 5.1 The financial information relating to this item is contained within Appendix A.

6. Human Resources Implications

- 6.1 There are no immediate Human Resource implications arising from this report.

7. Equality Implications

- 7.1 There are no equality implications arising from this report.

8. Risk Management

- 8.1 Please see attached Appendix A.

9. Policy Implications and links to the Police and Crime Plan Priorities

- 9.1 There are no policy implications arising from this report.

10. Changes in Legislation or other Legal Considerations

- 10.1 There are no changes in legislation or other legal considerations that are relevant to this report.

11. Details of outcome of consultation

- 11.1 The figures included in this report are presented to the Force Executive Board on a monthly basis.

12. Appendices

- 12.1 Appendix A – Revenue Report to March 2016