



Sussex Police & Crime Commissioner

Decision Notice

To	Sussex Police & Crime Commissioner
From	Contact: Iain McCulloch, Chief Finance Officer Email: iain.mcculloch@sussex-pcc.gov.uk Tel: 01273 481582
Reference	028/2019
Subject	Revenue and Capital Outturn 2018/19, Reserves Transfers and Capital Financing (Subject to Audit)
Date	21 June 2019
Recommendation	<p>That the Police & Crime Commissioner (PCC):</p> <ul style="list-style-type: none">• Notes the revenue and capital outturn for 2018/19;• Approves the capital financing;• Approves the budget virements;• Approves the carry forward requests;• Approves the transfers to/from reserves. <p>All figures are subject to audit.</p>
Is the decision of significant public interest	Yes
Summary of reasons for decision	Financial Regulations require that the Chief Finance Officer and Executive Director of Finance & Commercial Services prepare an outturn report and recommend for approval by the PCC the use or transfer of surplus/deficit on revenue and capital budgets in line with the Reserves Policy. Capital Financing of the capital programme should also be approved.
Consultation undertaken	N/A
Approved by legal adviser (if appropriate)	N/A
Approved by finance (if appropriate)	Finance Approved
Background papers	See following section.
Identified media issues	The policing budget and resources are of public interest.

Introduction, background and approvals

Revenue Budget

1.1 The 2018/19 revenue budget was approved by the PCC in February 2018 at £265.988m. It was approved following:

- Government grant for Sussex remained static at £162.800m.
- The precept was increased by £12 generating £7.385m of additional income, the majority of which was invested into Response, Local Investigation and Prevention.
- Provision for increases in pay and prices, including growth, inflation and cost pressures of £13.800m.
- The requirement to make a further £1.300m of savings.
- The PCC delegated a budget of £267.244m to the Chief Constable for 2018/19 to enable the discharge of the activities under his direction and control. This is referred to as the 'Operational Delivery Budget' within this report.

1.2 During the year the allocation of budget was adjusted through the approval of budget virements as set out below.

	Budget Original £'000	Budget Virements £'000	Budget Revised £'000
Operational Delivery Budget	267,244	(7,902)	259,342
Office of the PCC	1,286	59	1,345
Community Safety, Victim Support, Restorative Justice & Drive Project	1,635	163	1,798
Other OPCC Financing Budgets	3,098	(24)	3,074
Transfers to/(from) Reserves	(7,275)	7,704	429
Total Net Budget Requirement	265,988	0	265,988

1.3 The revenue outturn 2018/19 in summary is as follows:

1.3 The revenue outturn 2018/19 in summary is as follows:

- Underspend of £2.602m (0.98%) on the revenue budget of £265.988m;
- £0.715m of the underspend was on the Operational Delivery Budget delegated to the Chief Constable;
- £0.074m of the underspend on the budgets of the Office of the Police and Crime Commissioner;
- £0.105m of the underspend on the budgets of the Community Safety, Victim Support, Restorative Justice & Drive Project;
- £1.708m net underspend on other budgets;
- Savings achieved in year of £12.248m, of which £9.100m was re-purposed and re-allocated to support additional one-off costs in other areas of the business;
- Budget pressures were contained (e.g. pay increase, inflation);
- General Reserves maintained at 4%

1.4 The variance is summarised to the following budgets.

Revenue Budget Outturn 2018/19

	To 31 March 2019			
	Actual	Budget	Variance	
	£000	£000	£000	%
Operational Delivery Budget	258,627	259,342	(715)	(0.3%)
Office of the PCC	1,271	1,345	(74)	(5.5%)
Community Safety, Victim Support, Restorative Justice & Drive Project	1,693	1,798	(105)	(5.8%)
Other OPCC Financing Budgets	2,621	3,074	(453)	(14.7%)
Transfers to/(from) Reserves	(826)	429	(1,255)	
Total Police Fund	263,386	265,988	(2,602)	(1.0%)

1.5 The net underspend of £2.602m for the year differs from the forecast position at Period 10 by £2.422m which projected an underspend variance of £0.180m.

1.6 The main reasons for this difference were:

- Spending on building improvement and maintenance work being lower than expected due to project delays by sub-contractors. A carry forward request has been made in respect of this underspend.
- Additional expenditure of £0.489m was incurred in respect of ill health and injury pensions.
- The Collection Fund Share at £1.084m had not yet been transferred to reserves and forms part of the reserve transfers requested in the outturn report.

- 1.7 A total of £258.627m was spent against the budget of £259.342m delegated to the Chief Constable for 2018/19 to enable the discharge of the activities under his direction and control.

Capital Budgets

2018/19 Capital Outturn

- 2.1 The capital and investment programme outturn spend is £25.267m, against a revised budget of £29.704m, representing underspend of £4.437m.

Capital Budget Outturn 2018/19

	Actual £m	Revised Budget £m	Variance over/ (under)spend	
			£m	%
IT Strategy	1.421	3.941	(2.520)	(64%)
Fleet Strategy	4.679	4.347	0.332	8%
Estates Strategy	4.737	4.750	(0.013)	(0%)
Video Enabled Justice	0.855	0.867	(0.012)	(1%)
Digital Policing	9.713	10.058	(0.345)	(3%)
Enterprise Resource Planning	1.657	2.080	(0.423)	(20%)
Operational Investments	2.205	3.661	(1.456)	(40%)
Total	25.267	29.704	(4.437)	(15%)
Net Carry Forward Requests			(3.718)	

Capital Financing Proposals

- 3.1 The capital and investment financing strategy is based on use of Home Office and other external funding plus revenue funding, capital receipts and reserves in line with PCC approved Reserves Policy. Borrowing is not used to support the current capital investment plans.
- 3.2 The PCC is requested to approve the financing of the capital outturn as set out in the following table.

Capital Financing

Source of Funding	Revenue Sources £m	Capital Sources £m	Total Financing £m	%
Home Office Capital Grant	0.000	0.906	0.906	4%
Other Grants and Income	11.312	0.135	11.447	45%
Capital Receipts	0.000	0.033	0.033	0%
Revenue Funding	2.063	0.000	2.063	8%
Reserves	6.495	4.323	10.818	43%
Total	19.870	5.397	25.267	100%

Budget Virements for Approval

Virements.

4.1 During the year the PCC approved the following virements:

- From the Delegated Budget Holder reserve (£0.173m) relating to the carry forward of funding from 2017/18 for PCC and Community Safety commitments.

Revenue to Capital Transfers.

4.2 The proposed transfers of revenue funding for capital expenditure are fully funded from existing revenue budgets or new external funding sources.

4.3 During the year the PCC approved the following revenue to capital budget transfers:

- to the Capital and Investment reserve (£1.000m) for Automatic Number Plate Recognition in Fleet Vehicles
- to the Capital and Investment reserve (£0.401m) for Mobile Policing
- to the Capital and Investment reserve (£0.254m) for Automatic Number Plate Recognition
- to the Capital and Investment reserve (£0.433m) for Specialist Crime projects
- to the Capital and Investment reserve (£0.044m) for Taser Uplift
- to the Capital and Investment reserve (£0.035m) for Drones
- to the Capital and Investment reserve (£0.345m) for Ops Command Relocation
- to the Capital and Investment reserve (£0.142m) for Facilities vehicles
- to the Capital and Investment reserve (£0.220m) for Firearms and Explosive Licensing Unit Digital Management System

- to the Capital and Investment reserve (£0.257m) for Niche Property System
- to the Capital and Investment reserve (£0.173m) in relation to fleet insurance

Carry Forward Requests

Revenue

- 5.1 The 2018/19 underspend has been returned to reserves for use in accordance with the approved Medium Term Financial Strategy (MTFS) and 2019/20 budget.
- 5.2 The PCC is requested to approve that the revenue budget surplus of £2.602m is transferred to the following reserves:
- £1.519m to Delegated Budget Holder Reserve to be used to fund Chief Constable and OPCC commitments for carry forwards to 2019/20
 - £1.083m to the Capital and Investment Reserve to be used to fund additional investment in on-going schemes and cost of change already planned within the MTFS.

Capital and Investment Carry Forwards

- 5.3 The PCC is asked to approve the capital and investment carry-forward of £3.718m to support the following capital projects:

Scheme	£'000
IT Strategy	2,371
Fleet Strategy	(330)
Estates Strategy	12
Enterprise Resource Planning	423
Operational Investments	1,242
TOTAL	3,718

Transfers to/from Reserves

- 6.1 The following movements to or from reserves based on the 2018/19 approved budget or otherwise are incorporated within the outturn report and are requested for approval by the PCC:
- transfer £1.112m from the Insurance Provision to the Insurance Reserve to finance future claims in line with the independent Actuary's report and internal review;

- transfer £0.020m to the SSRP reserve relating to the SSRP surplus in line with the agreement for Sussex hosting SSRP;
- transfer £0.047m POCA deficit from the Asset Seizure reserve in line with the PCC Reserves Policy;
- transfer £0.020m to the Capital and Investment reserve for Specialist Crime vehicles
- transfer £1.000m to the Delegated Budget Holder reserve to fund estates improvements
- transfer £3.600m to the PFI reserve to provide for future commitments
- transfer £7.802m From the Local Policing Transition reserve

6.2 The PCC is asked to approve the final outturn underspend transfers to reserves:

- Transfer £1.519m to Delegated Budget Holder Reserve to be used to fund Chief Constable and OPCC commitments for carry forwards to 2019/20
- transfer £1.083m to the Capital and Investment Reserve to be used to fund additional investment in on-going schemes and cost of change

6.3 A summary of all movements between and transfers to/from reserves based on the 2018/19 approved budget or otherwise approved by the PCC throughout the year and including the recommended transfers to reserves is shown in the table below:


	Balance at 31 March 2018 £000	Transfers In 2018-19 £000	Transfers Out 2018-19 £000	Balance at 31 March 2019 £000	Forecast
General Fund	(10,807)	0	0	(10,807)	(10,640)
Earmarked Reserves:					
Insurance	(4,289)	(1,112)		(5,401)	(4,102)
Local Policing Transition Support	(17,000)		8,351	(8,649)	(4,019)
Capital & Investment Expenditure	(9,440)	(18,654)	24,193	(3,901)	0
PFI Contract	(2,494)	(3,600)		(6,094)	0
Asset Seizures	(573)	(259)	306	(526)	(396)
Delegated Budget Holder	(6,800)	(2,533)	173	(9,160)	(2,654)
Sussex Safer Roads Partnership	(2,854)	(155)	184	(2,825)	(2,631)
Earmarked Reserves	(43,450)	(26,313)	33,207	(36,556)	(13,802)
Capital Receipts	0	(33)	33	0	0
Total	(54,257)	(26,346)	33,240	(47,363)	(24,442)

6.4 The following table sets out the usable reserves maintained by the PCC as part of the Reserves Policy.

General Reserve		Level or Target
General Reserve	<p>Provides a working balance to cover day to day cash flow requirements and to cover exceptional unforeseen financial and operational risks. The target level of the reserve is reviewed as part of the annual budget setting process.</p> <p>The September 2017 review of reserves considered the adequacy and need of the separate £2.5m operational reserve in addition to the General Reserve. It recommended that the £2.5m operational reserve could be incorporated within the existing £10.8m General Reserve balance. This sum is available to the Chief Constable for operational priorities without the need for additional approval.</p>	4% of Net Revenue Expenditure Budget as at 31 March each year.
Contingency and Risk		
Insurance Reserve	<p>Provides for the self-funding of certain uninsurable risks, such as payments of compensation or damages. This Reserve is funded from revenue or transfers from other reserves and adjusted annually, following an independent actuarial review, to reflect inflation and up to date risk management information.</p> <p>To improve consistency in funding claims, there is a need to split claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Claims that have been reported and assessed as more likely to be settled are carried as a financial provision whilst known incidents where no claim has yet been made, are covered by the insurance reserve. The revenue account is used to meet any in-year liabilities if they arise. Any year-end variance in the revenue claims budget will not normally be met from or transferred to the general force budget, but transferred to/from the insurance Reserve. The level of the reserve is reviewed annually.</p>	Assessed as part of the annual insurance actuarial review.
Investment		
Capital and Investment Reserve	To support planned one-off and non-recurring investments of a capital and revenue nature. Change management initiatives providing support for implementing cost-saving initiatives. Financing asset replacement plans and commitments over 5-10 years.	<p>In line with investment and replacement plans included within MTFF and dependant on financing requirements of the Capital Strategy.</p> <p>Funded from: approved in year revenue budget surplus; transfers from other reserves; specific approved contributions.</p>
Capital Receipts Reserve	This reserve holds the proceeds from the sale of assets, and can only be used for financing capital expenditure in accordance with regulations.	Receipts from the sale of assets are taken to this reserve.
Capital Grants & Contributions	This reserve holds unused elements of grant and other external funding to be spent in the following financial year in line with the conditions of the grant or external funding.	As determined by the closure of accounts process
Single Use		

PFI Reserve	As part of a wider review of the custody PFI contract a review was commissioned to determine why the PFI reserve of £12.794 million was set aside as an earmarked reserve, what the reserve was to fund and when. It concluded that £10.3m could be reallocated from the reserve leaving a balance to be retained for the PFI contract review process. This reserve will be discontinued once exhausted.	The remaining PFI balance is to be used until the review project is completed or reserve exhausted.
Asset Seizure Reserve	Balance of Proceeds of Crime Act (POCA) income received but not spent during the year to be used in accordance with Home Office guidance.	Target level of 12 months costs of financial investigations.
Delegated Budget Holder Reserve	Under and overspendings on the PCC's and Chief Constable's revenue budgets are managed via this reserve in accordance with the PCC's carry-forward policy.	Agreed annually by the PCC as part of the final outturn.
Sussex Safer Road Partnership (SSRP)	Balance of funding for the Sussex Safer Roads Partnership. This reserve can be used to finance capital or revenue expenditure. The level of this reserve may fluctuate year on year as under-spends are transferred in. However £1.2m is ring-fenced so that in the event that the Partnership is dissolved, there are sufficient funds to cover one year of running and decommissioning costs. This reserve belongs to the SSRP Partnership and any funds remaining will be returned to the contributing partners on a pro rata basis.	Transfer of any SSRP under-spend to reserves at year.
Local Policing Transition Support Reserve	This reserve was created following a Balance Sheet review during the 2017/18 year by reallocating existing earmarked reserves no longer required for their original purpose, plus an additional £2m contribution from the 2017/18 forecast underspend. Specific use of this reserve will be to smooth the impact of changes to police officer numbers in order to strengthen local policing. Specific tranches of this reserve will be released over the period to April 2020 via agreement at monthly financial accountability meetings between the Force and the PCC.	Specific reserve set up during 2017/18 to be released over the period to April 2020.
Financial implications Within the report.		
Other implications and risks Within the report.		

Signed  Date: 21 June 2019
Police and Crime Commissioner for Sussex

Signed  Date: 21 June 2019
Chief Executive

Signed  Date: 21 June 2019
Chief Finance Officer

