



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	/2020
Subject	Revenue and Capital Outturn 2019/20, Reserves Transfers and Capital Financing (Subject to Audit)
Date	29 May 2020
Recommendation	That the Police & Crime Commissioner (PCC): <ul style="list-style-type: none">• Notes the revenue and capital outturn for 2019/20;• Approves the capital financing;• Approves the budget virements;• Approves the carry forward requests;• Approves the transfers to/from reserves. All figures are subject to audit.
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 2019/20 revenue budget was approved by the PCC in February 2020 at £287.540m following

- Government grant for Sussex in 2019/20 of £168.600m increased from previous year of £162.800m.
- The precept was increased by £24 generating £16.204m of additional income, the majority of which was invested into local PCSO's, Specialist Investigations, Response and Prevention;
- Provision for increases in pay and prices, including growth, inflation and cost pressures of £18.300m.
- The requirement to make a further £1.500m of savings.
- The PCC delegated a budget of £286.066m to the Chief Constable for 2019/20 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	286,066	1,641	287,707
Office of the PCC	1,334	212	1,546
Community Safety	1,635	136	1,771
Victim Support, Restorative Justice	79	419	498
Premier League Community Funding	0	21	21
Other OPCC Financing Budgets	3,927	(350)	3,577
Transfers to/(from) Reserves	(5,501)	(2,079)	(7,580)
Total Net Budget Requirement	287,540	0	287,540

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

- £0.091m (0.02%) overspend on the revenue budget of £287.540m;
- £2.062m overspend on the Operational Delivery Budget delegated to the Chief Constable;
- £0.259m of the underspend on the budgets of the Office of the Police and Crime Commissioner;
- £0.178m of the underspend on the budgets of the Community Safety, Victim Support, Restorative Justice & Drive Project;
- £1.534m net underspend on other budgets
- £1.500m in-year transfer from reserves which was used to fund in year budget (e.g. pay increase, inflation);
- General Reserves maintained at 4%

1.4 The variance is summarised to the following budgets.

Revenue Budget Outturn 2019/20

	To 31 March 2020			
	Actual	Budget	Variance	
	£000	£000	£000	%
Operational Delivery Budget	289,769	287,707	2,062	0.7%
Office of the PCC	1,287	1,546	(259)	(16.8%)
Community Safety	1,647	1,771	(124)	(7%)
Victim Support, Restorative Justice	444	498	(54)	(10.8%)
Kicks Community Funding	21	21	0	
Other OPCC Financing Budgets	3,664	3,577	87	2.4%
Transfers to/(from) Reserves	(9,201)	(7,580)	(1,621)	(21.4%)
Total Police Fund	287,631	287,540	91	0.03%

1.5 The forecast outturn position at the end of February 2020 for the Operational Delivery Budget was overspend of £0.154m, the actual outturn position shows £0.091m overspend, a difference of £0.063m, spread across all subjective areas.

1.6 A total of £289.769m was spent against the budget of £287.707m delegated to the Chief Constable for 2019/20 to enable the discharge of the activities under his direction and control.

Capital Budgets

2019/20 Capital Outturn

2.1 The capital and investment programme outturn spend is £33.061m, against a revised budget of £33.775m, representing underspend of £0.714m.

Capital Budget Outturn 2019/20

	Actual £m	Revised Budget £m	Variance over/ (under)spend	
			£m	%
IT Strategy	1.435	4.778	(3.343)	(70%)
Fleet Strategy	5.281	4.190	1.091	26%
Video Enabled Justice	0.516	0.516	0	0%
Digital Policing	11.588	11.707	(0.119)	(1%)
Enterprise Resource Planning	2.944	2.523	0.421	17%
SEROCU Western Hub	1.405	1.405	0	0%
Operational Investments	2.210	2.042	0.168	8%
Estates Strategy	7.682	6.614	1.068	16%
Total	33.061	33.775	(0.714)	(2%)
Net Carry Forward Requests			(0.690)	

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	0.925	0.925	3%
Other Grants and Income	12.124	0.290	12.414	38%
Capital Receipts	0.000	0.460	0.460	1%
Revenue Funding	3.220	0.000	3.220	10%
Reserves	2.989	13.053	16.042	48%
Total	18.333	14.728	33.061	100%

Budget Virements for Approval

Virements

4.1 During the year the PCC approved the following virements:

- from the Delegated Budget Holder reserve (£0.399m) relating to the carry forward of funding from 2018/19 for PCC and Community Safety commitments;
- from the Delegated Budget Holder reserve (£3.423m) relating to the carry forward of funding for Operational Delivery Budget commitments
- from the PFI reserve (£6.094m) to fund the costs of the removal of soft services from the PFI Custody Agreement and re-provisioning of those services either in-house or through alternative commercial arrangements. The reserve was used in full.
- from the Local Policing Transition reserve (£1.500m) to fund The planned over-recruitment of police officers in the current financial year, predicting to be 141 FTE over the budget (including Op Uplift), in an effort to get ahead for the national Operation Uplift police officer target of 129 additional officers by March 2021 which will be funded through core grant in 2020/21.
- Earlier in the financial year, the force put in place a strategy to manage a shortage in Detectives, to ensure better recruitment and retention of these key roles. Part of this strategy was to include a new detective allowance, for which budgetary provision has been made in future years.
- Planned overtime has been undertaken by officers and staff during the year to enable the force to have a coordinated response to operations relating to high profile events and casework. Planned overtime has also

been used to compensate for vacancies in specific operational areas, for example the members of staff in the contact centre and as well as strengthening detective resources. Both the police officer and police staff national pay review was 0.5% above the planned budget which combined added £0.7m to the costs from September 2019.

Revenue to Capital Transfers

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

- to the Capital and Investment reserve (£0.086m) in relation to fleet insurance write offs

Capital and Investment Carry Forwards

5.1 The PCC is asked to approve the capital and investment net carry-forward of £0.690m to support the following capital projects which includes IT strategy carry-forward request offset with overspends in 2018/19 for Fleet, Estates and Operational Investments.to support the following capital projects.

Scheme	Amount £'000
IT Strategy	3,343
Fleet Strategy	(1,091)
Estates Strategy	(1,068)
Operational Investments	(494)
TOTAL	690

Transfers to/from Reserves

6.1 A summary of all movements between and transfers to/from reserves based on the 2019/20 approved budget or otherwise approved by the PCC throughout the year and including the recommended transfers to reserves is shown in the table overleaf:

	Balance at 31 March 2019 £000	Transfers In 2019-20 £000	Transfers Out 2019-20 £000	Balance at 31 March 2020 £000	Forecast
General Fund	(10,807)	572	0	(11,379)	(11,668)
Earmarked Reserves:					
Insurance	(5,401)		1,090	(4,311)	(5,401)
Local Policing Transition Support	(8,649)	(1,153)	8,417	(1,384)	(2,637)
Capital & Investment Expenditure	(3,901)	(27,447)	31,348	(0)	(3,901)
PFI Contract	(6,094)	0	6,094	0	0
Asset Seizures	(526)	(113)	57	(583)	(349)
Delegated Budget Holder	(9,160)	0	8,495	(665)	(6,161)
Sussex Safer Roads Partnership	(2,825)	(15)	207	(2,633)	(2,396)
Earmarked Reserves	(36,556)	(28,727)	55,708	(9,575)	(20,845)
Capital Receipts	0	(460)	460	0	0
Total	(47,363)	(29,760)	56,169	(20,955)	(32,513)

6.2 The following movements to or from reserves based on the 2019/20 approved budget or otherwise are incorporated within the outturn report and are requested for approval by the PCC:

- transfer £1.090m from the Insurance Reserve to the Insurance Provision to finance future claims in line with the independent Actuary's report and internal review;
- transfer £0.144m from the SSRP reserve relating to the SSRP deficit in line with the agreement for Sussex hosting SSRP;
- transfer £0.057m POCA surplus to the Asset Seizure reserve in line with the PCC Reserves Policy;
- transfer £0.005m to the Capital and Investment reserve in relation to fleet insurance write offs
- transfer £0.443m to the Capital and Investment reserve in relation to the purchase of a building management system
- transfer £0.023m to the Capital and Investment reserve in relation to the purchase of solar panels
- transfer £0.572m from LPP Policing Transition Reserve to increase the general reserve to 4% in line with the approved reserves strategy.
- transfer £10.925m from LPP Policing Transition Reserve £6.345m and Delegated Budget Holder Reserve £4.580m

6.3 The PCC is asked to approve the final outturn overspend transfers to reserves:

- Transfer overspend of £0.091m to Delegated Budget Holder Reserve

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	<p>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.</p> <p>This reserve will be discontinued once exhausted.</p>	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: 29 May 2020
Police and Crime Commissioner for Sussex

Signed _____ Date: 29 May 2020
Chief Executive

Signed _____ Date: 29 May 2020
Chief Finance Officer