

ANNEX a) – Finance Update Report

To provide an update on the financial outturn position for the year ended 31 March 2018.

1. NET REVENUE EXPENDITURE

- 1.1. The figures contained in this report are consistent with the draft Statement of Accounts published on 31 May, which are currently in the process of being externally audited. The final audited accounts alongside with the external auditor's report will be considered by the Independent Audit Committee on 17 July.
- 1.2. The Original Budget was set in February 2017 at £121.257m. This assumed net transfers from reserves of £1.244m and total Net Revenue Expenditure (NRE) of £122.501m. The Revised Budget includes brought forward OPCC unspent budget from 2016/17 of £0.466m, matched by a transfer from reserves, plus a number of other virements between budget heads that were made during the year (see Appendix a2).
- 1.3. Total Net Revenue Expenditure for 2017/18 was £125.576m making the net transfers from reserves for Revenue purposes £4.319m. More analysis of reserves is provided below.
- 1.4. The revenue outturn position is summarised in the table below (see Appendix a1 for more detail).

NET REVENUE EXPENDITURE (NRE)	Original Budget £000's	2017/18 Revised Budget £000's	2017/18 Outturn £000's	Variance (under) /over spend £000's
OPCC	2,126	2,652	1,794	(857)
FORCE	120,375	120,315	123,782	3,466
Total Net Revenue Expenditure	122,501	122,967	125,576	2,609
Reserves – net transfers	(1,244)	(1,710)	(4,319)	(2,609)
TOTAL	121,257	121,257	121,257	-

2. CAPITAL EXPENDITURE

- 2.1. The capital expenditure outturn position for 2017/18 was £3.162m, funded by Government grants and the Capital Receipts Reserve.

Capital Expenditure	Original Budget £000's	Revised Budget £000's	Outturn £000's	Variance Over/ (Under) £000's
Vehicle Replacement Programme	1,260	1,610	1,103	(507)
Minor Building Works	870	1,049	553	(496)
Total ICT	1,720	5,994	890	(5,104)
Equipment	270	1,105	616	(489)
Total	4,120	9,758	3,162	(6,596)
Funded By				
Government Grants	474	412	422	10
Capital Financing Reserve		1,826		(1,826)
Capital Receipts Reserve	3646	7,520	2,740	(4,780)
Total	4,120	9,758	3,162	(6,596)

- 2.2. A number of projects that were budgeted for in 2017/18 that have underspent have requested that the budget be carried forward. This amounts to £6.6m in total.
- 2.3. The main slippage relates to delays in implementation of ICT projects. The go-live date for the Command and Control system (part of PRISM) is now Jan 2019. Work has commenced on the ICCS system, also part of PRISM and it is expected that most of the expenditure will be incurred in 2018/19. The ESN project had an annual allocation of £0.5m. Delays in the national programme require £1m to be carried forward and the earliest transition date for Dorset Police is expected to be Spring 2020.
- 2.4. A review of the capital programme is currently underway, with a view to preparing a comprehensive view of future capital requirements, with a common view of spending profiles across financial years for Alliance projects. Following this, funding and financing strategies will also be refreshed.

3. USABLE RESERVES

- 3.1. The outturn position for Usable Reserves is provided in the Table below:

	Opening Balance at 1 April 2017	Transfers to reserves	Transfers from reserves	Closing Balance at 31 March 2018
	£'000	£'000	£'000	£'000
Capital Financing reserve	1,826		-1,623	203
Major Operations reserve	1,200		-462	738
Workforce Change reserve	2,665		-855	1,810
Budget Management Fund ¹	0	200		200
Police & Crime Plan reserve ²	0	857		857
Total Earmarked reserves	5,691	1,057	-2,940	3,808
General Fund balance ³	7,416		-2,442	4,974
Total Revenue Reserves	13,107	1,057	-5,382	8,782
Capital Receipts Reserve ⁴	3,877	74	-2,740	1,211
Total Usable reserves	16,984	1,131	-8,122	9,993

Notes:

1. The Budget Management Fund has been set up to hold year end underspends for carry forward to the following year.
2. A Police and Crime Plan earmarked reserve was set up at the year end. The purpose of this is to fund planned Police and Crime Plan developments. It is expected to be spent across the remaining 2 years of the Police and Crime Plan.
3. The closing General Balance was 4% of Net Revenue Expenditure.
4. Although Capital Receipts from disposals were lower than originally planned for the year, the forecast has been updated and significant receipts are expected in 2018/19.

- 3.2. All of the closing balances are within the Reserve Policy targets. The reserves forecasts will be updated to reflect the outturn position and the reserves strategy refreshed. Plans for the replenishment and maintenance of reserves will be considered alongside other emerging issues for the medium term financial plan.

4. OTHER FINANCE RELATED ISSUES

- 4.1. The Treasury Management Outturn report for 2017/18, including the prudential indicators will be reported to the Independent Audit Committee in July.

5. REPORT DEVELOPMENT

- 5.1. Work is continuing on report development and alignment of underlying procedures. The Finance team have been focussed on the delivery of the annual accounts recently, but are well advanced in preparations for reporting on 2018/19.

Annex 8a) Appendix 1: Financial Outturn 2017/18

The draft outturn for 2017/18 is shown in the table below, followed by an explanation of the key variances.

Type		Original Budget £000's	Revised Budget £000's	Full Year Out turn £000's	Adverse / (Favourable) £000's
Office of the Police and Crime Commissioner					
Income	Grants and other income	(898)	(898)	(898)	0
Expenditure	OPCC	1,122	1,200	1,028	(172)
	Commissioning & Partnerships	1,902	2,349	1,664	(685)
OPCC NET SPENDING		2,126	2,652	1,794	(857)
Chief Constable					
Income	Specific Government Grants	(7,217)	(7,217)	(6,803)	414
	Other income:				
	Partnership Funding	(561)	(451)	(676)	(225)
	Reimbursed Services - Other	(79)	(169)	(210)	(41)
	Reimbursed Services - Police Forces	(250)	(250)	(1,041)	(791)
	Reimbursed Services - Public Bodies	(1,777)	(1,790)	(2,579)	(789)
	Sales, Fees, Charges and Rents	(4,070)	(4,070)	(4,057)	13
	Special Police Services	(272)	(272)	(415)	(143)
Total CC income		(14,227)	(14,220)	(15,781)	(1,561)
Expenditure					
Pay & Employment Costs	Officer Pay - Direct Costs	64,014	63,944	66,036	2,092
	Officer Overtime	2,489	2,522	3,917	1395
	Injury / Ill Health Pensions	1,687	1,687	1,572	(115)
	Police Staff - Direct Costs	37,240	35,774	37,718	1,944
	Police Staff - Alliance recharges	(633)	189	(4,122)	(4,311)
	Temporary or Agency Staff	61	61	913	852
	Police Staff Overtime	345	340	686	346
	Other Employee Expenses	1,003	974	928	(45)
	Restructure & Training	619	628	835	207
		106,826	106,119	108,484	2,364
Overheads	Premises Related Expenditure	12,839	12,845	12,255	(591)
	Supplies and Services	3,978	3,818	5,750	1,933
	Communications & Computing	4,233	5,082	5,276	193
	Partnership and Collaboration	4,391	4,481	4,945	464
	Transport Related Expenditure	2,193	2,191	2,289	98
		27,634	28,418	30,515	2,097
CHIEF CONSTABLE NET SPENDING		120,233	120,317	123,218	2,900
Financing and Investment Income and Expenditure					
	Interest / Investment Income	(130)	(130)	(87)	43
	Capital Financing	128	128	651	523
Net Financing and Investment Expenditure		(2)	(2)	564	567
NET REVENUE EXPENDITURE					
		122,501	122,967	125,576	2,609

NET REVENUE EXPENDITURE		122,501	122,967	125,576	2,609
MOVEMENTS IN RESERVES					
	Transfers to Reserves	0	0	1,057	1,057
	Transfers from Reserves	(1,244)	(1,710)	(5,376)	(3,666)
NET REVENUE EXPENDITURE AFTER USE OF RESERVES		121,257	121,257	121,257	0

6. Office of Police and Crime Commissioner

- 6.1. The Office of the Police and Crime Commissioner budget underspent in 2017/18 by £172k, and the Community Safety Fund and Local Innovation Fund allocations underspent by £685k. A transfer has been made to the newly created Police and Crime Pan Reserve to carry forward the combined underspend of £857k. The PCC plans to spend these funds in the next two years.

7. Chief Constable

Income

- 7.1. Income was £1,561k higher than budgeted mainly in relation to reimbursed services (mutual aid and seconded officers) which are difficult to predict and have corresponding costs associated. Government grants were lower than anticipated in the budget.

Pay & Employment Costs

- 7.2. The outturn for Police officer pay and on costs was £2,092k higher than budgeted. The key reason for this is that officer numbers remained throughout the year at a level well in excess of the 1,200 FTE establishment. Officer numbers at the end of the year were 1,242. The unbudgeted non-consolidated 1% pay award for officers contributed £312k to the overspend.
- 7.3. Police officer overtime at year end was £1,395k overspent which includes overtime on Major Operations. The overtime budget has been increased in 2018/19 by £250k.
- 7.4. Police Staff pay was underspent by £2,367k, which includes costs recharged to Devon and Cornwall as part of the Alliance arrangements. Across the Force and the Alliance, there are a number of vacancies, due in part to the restructure of departments that have only recently gone live in the Alliance.
- 7.5. Staff overtime and temporary and agency staff budgets are utilised to fill critical gaps in some departments, notably including the control room, road safety and disclosure. This reflects the demands faced by these departments to maintain performance with fewer than budgeted staff, and the expenditure is financed by vacancies in police staff posts.

Overheads

- 7.6. Premises related costs were underspent by £591k. This was mainly due to savings in rents and rates (£350k) together with savings in utilities. There will be a saving in the rents budget in 2018/19 and it is planned that this will be used to help fund the new generator required at Winfrith HQ.
- 7.7. The Supplies and Services key variances are set out in the table below. The most significant variances were one-off in nature. This includes the "Risk Line" that was not specifically allocated during the year, and is explained in more detail below.

Category	Revised Budget £'000's	Outturn £000's	(Under) / Over £000's
Major Operations and Collaborative Activity	870	1,519	649
Risk Line	-435	0	435
Legal Costs	201	571	370
Office Equipment, Furniture & Materials	278	498	220
Consultancy Fees	10	102	92
Subscriptions & Licences	28	96	67
Photocopier & Printing & Stationery	316	378	62
Subsistence	150	200	50
Forensic Costs	74	122	48
Interpreters & Translators	108	139	32
Catering Contracts	18	34	16
Court Costs	23	37	14
Financial Services incl. banking	156	169	14
Custody Costs	83	93	11
Clothing, Uniforms & Laundry	442	453	10
Investigative Expenses	252	244	-8
Police Doctors & Surgeons	875	852	-23
Advertising (non-staff) & Public Relations Costs	69	41	-29
Operational Equipment	300	202	-98
Total	3,818	5,750	1,933

i) Major Operations and Collaborative Activity

Expenditure includes significant use of mutual aid from other forces on a complex murder investigation, and associated additional expenditure on external forensic analysis. A transfer from the Major Operations Reserve was made to mitigate this exceptional cost.

The cost of significant major operations remains a risk every year, and will continue to be closely monitored, and the existing control mechanisms will continue to be applied.

ii) Risk Line

The 2017/18 budget included an in year saving target ('Risk Line') of over £0.5m. While savings were achieved in numerous areas during the year, the savings were primarily used to offset other cost pressures, rather than reduce the specific savings target allocation. As such, the Risk Line allocation was largely unallocated during the year. Savings targets have also been included in the 2018/19 year, but have been targeted to the specific areas of fleet, estates, ICT and procurement. Each area is anticipated to deliver against this target.

iii) Legal Costs

Legal costs were higher at the year end because of the need to make provision for contractual claims.

iv) Office Equipment, Furniture and Materials

Additional one-off expenditure was incurred during 2017/18 on furnishing offices to accommodate estate changes, including the creation of a multi-agency working space in Bournemouth, and changes to allow realisation of asset sales.

- 7.8 Partnerships and collaboration costs were £464k higher than budgeted. The key reason related to the transfer of the Safer Schools and Partnerships team to Devon and Cornwall, under the Strategic Alliance, which was subsequently recharged to Dorset (£0.2m). This cost was budgeted within police staff pay in 2017/18, where there is an equivalent underspend. The budget has been aligned for 2018/19.

The other key variance was in the cost of insurance provision, which was £0.1m higher than originally anticipated. The 2018/19 budget for insurance was increased to reflect anticipated additional costs.

Appendix a2 – Adjustments from Original Budget to Revised Budget

	Type	Original Budget	Alliance Recharging	Other adjustments	Revised Budget
		£000's	£000's	£000's	£000's
Office of the Police and Crime Commissioner					
Income	Grants and other income	(898)		0	(898)
Expenditure	OPCC	1,122		78	1,200
	Commissioning & Partnerships	1,902		448	2,350
	OPCC Net Spending	2126	0	527	2,652
Chief Constable					
Income	Specific Government Grants	(7,217)			(7,217)
	Other income:				
	Partnership Funding	(561)		110	(451)
	Reimbursed Services - Other	(79)		(90)	(169)
	Reimbursed Services - Police Forces	(250)			(250)
	Reimbursed Services - Public Bodies	(1,777)		(14)	(1,790)
	Sales, Fees, Charges and Rents	(4,070)			(4,070)
	Special Police Services	(272)			(272)
	Total CC income	(14,227)	0	6	(14,220)
Expenditure	<u>Pay & Employment Costs</u>				
	Officer Pay - Direct Costs	64,014		(70)	63,944
	Officer Overtime	2,489		33	2,522
	Injury / Ill Health Pensions	1,687			1,687
	Police Staff - Direct Costs	37,385	(1,611)		35,774
	Police Staff - Alliance recharges	(633)	822		189
	Temporary or Agency Staff	61			61
	Police Staff Overtime	345		(5)	340
	Other Employee Expenses	1,003		(29)	974
	Restructure & Training	619		9	628
		106,971	-790	-61	106,119
	<u>Overheads</u>				
	Premises Related Expenditure	12,839		7	12,845
	Supplies and Services	3,978		(160)	3,818
	Communications & Computing	4,233	790	59	5,082
	Partnership and Collaboration	4,391		91	4,481
	Transport Related Expenditure	2,193		(2)	2,191
	Overheads Total	27,634	790	-6	28,418
CHIEF CONSTABLE NET SPENDING		120,378	0	-61	120,317
Financing and Investment Income and Expenditure					
	Interest / Investment Income	(130)			(130)
	Capital Financing	128			128
	Total	(2)	0	0	-2
NET REVENUE EXPENDITURE		122,501	0	466	122,967
MOVEMENTS IN RESERVES					
	Transfers from Reserves	(1,244)		(466)	(1,710)
	<i>Net after Use of Reserves</i>	121,257	0	0	121,257