

Police and Crime Board, 6th November 2019 13:00 – 17:00

Venue: Somerset Room

Attendees:

- **Police and Crime Commissioner**
- **Chief Constable**
- **Deputy Chief Constable**
- **Director of People and Organisation Development**
- **OCC CFO**
- **OPCC CEO**
- **OPCC CFO**
- **OPCC Strategic Planning and Performance Officer**

To support the carrying out of the PCC's statutory functions including overseeing delivery of the Police and Crime Plan, being the forum for formal decision making by the PCC and otherwise allowing for the PCC to scrutinise the work, performance, key projects and budget of the Constabulary and other partners.

AGENDA

1. Apologies

2. Minutes

3. Performance against Police and Crime Plan

- a. Assurance Report (Capacity and Capability – focus on patrol)
- b. Performance Overview

4. Decisions (to be signed at the meeting)

- **VRU Funding**

5. Chief Constable's Update (any risks or issues that the Chief Constable wishes to raise)

6. Key Organisational Risks and Issues

7. HR: Quarterly HR Update Presentation

8. Finance:

- a. Q2 Outturn
- b. OPCC 2019-20 Mid-Year Outturn and 2020-21 Budget Report
- c. Half-Year Treasury Management Report
- d. MTFP update

9. Major Projects:

- a. Highlight Report

- b. Custody Review**
- c. DSIC Business Case**
- d. Citizens in Policing Business Case**

10. Professional Standards Department

- a. Quarterly Update**
- b. IOPC Independent Investigations Update**

11. A.O.B

- a. Test on Arrest Discussion** (update to be given after item 9b – Custody Review)
- b. CDI Review**
- c. RASSO Gatekeeper Discussion**

12. Action Update

13. Publication (agree any items for publication other than the Minutes and Decision Notices)

Date of the Next Meeting: 4th December 2019, 13:00 – 17:00

Please note that HMICFRS Andrew Jolley will be in attendance to observe.

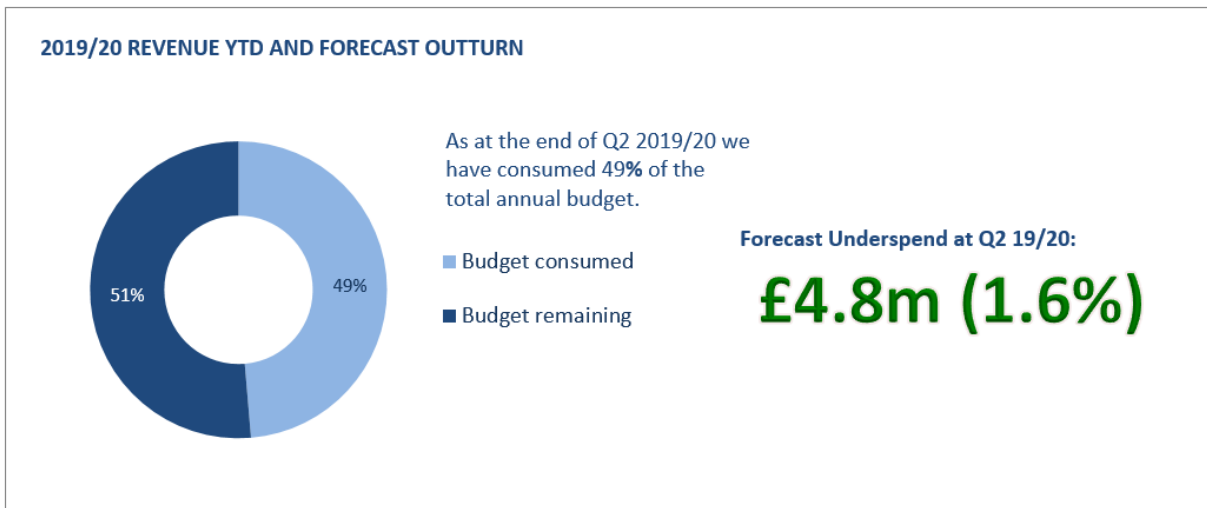
MEETING: Constabulary Management Board	Date: 17/10/2019	Agenda No
DEPARTMENT: Finance and Business Services	AUTHOR: Chloë Cornock / Matt Britton / Claire Hargreaves	8a
NAME OF PAPER: 2019/20 Q2 Financial Performance Report		COG Sponsor: Nick Adams

1. PURPOSE OF REPORT AND BACKGROUND

The purpose of this report is to provide an update on the revenue budget and capital programme performance against the plan for 2019/20. The attached Appendices A and B includes details of the outturn revenue position as at 30th September 2019, and Appendices C and D provide more detailed information about overtime spend against budget, Appendix E provides the forecast position for the capital programme.

2. EXECUTIVE SUMMARY

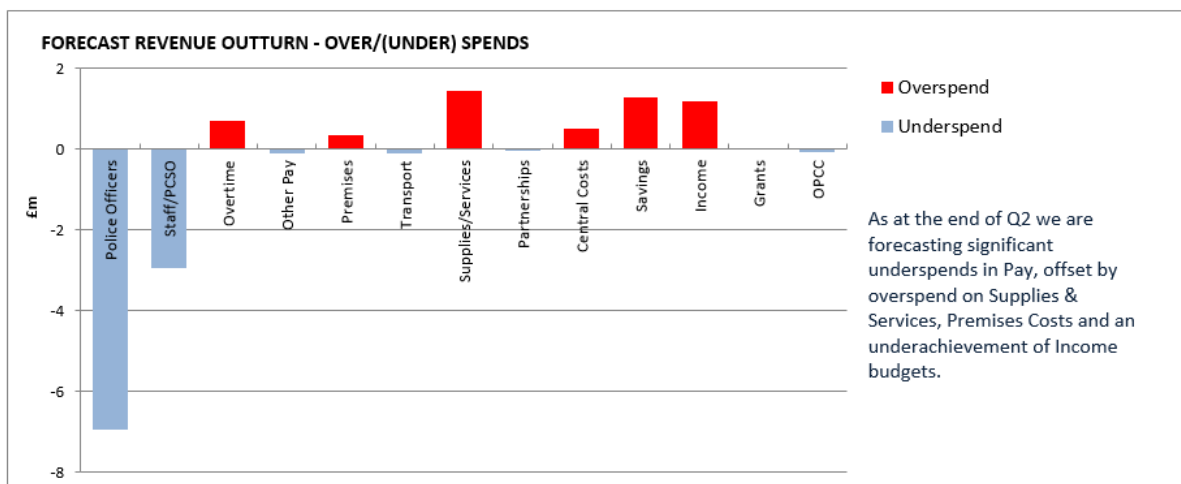
The revenue position is forecasting to be **£4.8m underspent at the end of the financial year.**



The projected underspend at Q2 is a significant improvement on the position at Q1. These figures include additional investment in the Capital Programme and the effect of the pay award at 2.5% for all officers (confirmed) and staff (forecast). Many of the initiatives approved as part of the work identify the best use of the estimated underspend at Q1 are included, the largest being £842k for process automation.

These figures do not include any estimate for additional Commissioning from the office of the PCC.

FORECAST REVENUE OUTTURN - OVER/(UNDER) SPENDS

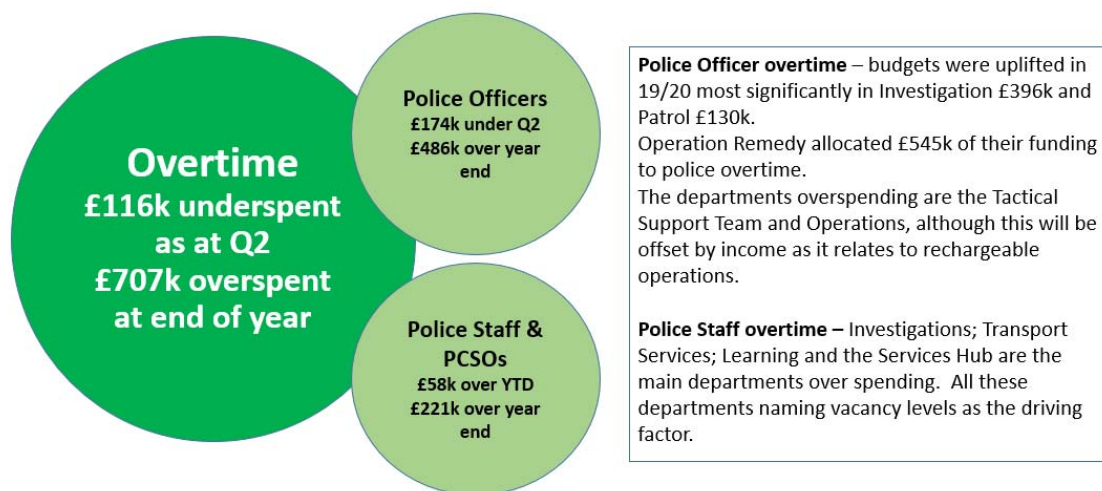


Police Officer Pay & Allowances – This is £3.3m/4.7% underspent YTD, with a prediction of £6.9m/4.8% underspend at year end. The figures have been adjusted for student officer intakes and average leavers including retirements. The largest area of underspend on police officer pay is Investigation who are projecting a £3.4m underspend. Recruitment has been entirely reflected in the Patrol figures which will push the department to an over established position by the end of the financial year. Consideration will need to be given as to how we will manage the flow of officers into roles where we have vacancies.

Police Staff Pay & Allowances – £2.2m underspent YTD (5.7%), rising to £2.4m (2.9%) by end March. The projection at Q2 has been adjusted to assume a 2.5% pay award. The estimated underspend has decreased since Q1. The main driver for this change is the recruitment into Investigation and Op Remedy. Technology Services has also seen an increase in staffing costs as a result of agency workers. In Victims & Safeguarding they are struggling to reach establishment for IVWC Officers. Although steps are being taken to improve this position with recruitment ongoing, including recruiting against estimated leavers, this change is not reflected in the figures as the lead time on achieving the increase is estimated at 6 months.

PCSO Pay & Allowances – The YTD variance is (£366k) 6.5% underspent, with a prediction of £707k/6.1% underspend at year end. The projection has been adjusted for intakes of 14 in October and 40 in March.

Overtime -



Further detail on our overtime spend and forecasts is provided in Appendices C and D at the back of this report.

Supplies & Services – Other costs - The report is showing an underspend position of £1.8m YTD which moves to a £1m overspend. This movement is largely driven by the by the inclusion of a provision for insurance - £1.9m. This is included in the projection but no element of it is reflected in the year to date. The figure was calculated as the average of the top up to our insurance provision required at the end of the 17/18 and 18/19 financial years.

Transfers to / from reserves – This line identifies the in-year draw down on reserves, the majority of which is used to fund Strategic Projects. The YTD figure shows a slight overspend because there are a couple of items which will in fact be funded by the overall underspend rather than drawing down further on reserves.

The projection identifies an additional £518k to be transferred out, most notably the balance of the income for Proceeds of Crime £404k.

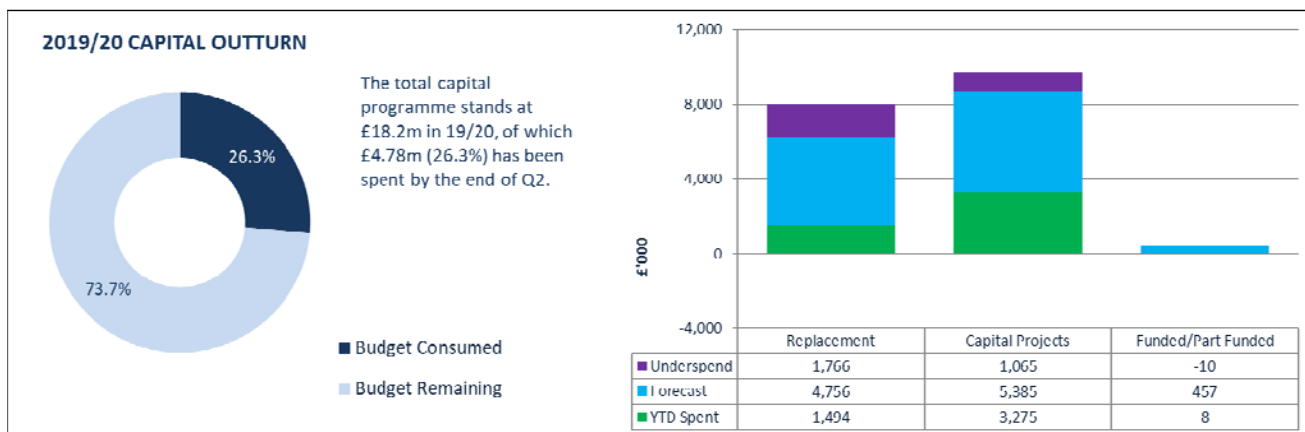
The intention is that any under spend within Op Remedy will also be ring fenced at the end of the 19/20 financial year but this has not been reflected in these figures as it is yet to be formally approved.

Outstanding Savings Target – This represents the balance of unachieved savings, offset by the contingency built in for this financial year. The projection assumes a further £940k of savings (part year effect) that can be realised from Technology Services relating to SAP and BT WAN.

Income: Special Grants – The YTD under achievement of income relates to PFI income that was received but not posted in time for the end of Sept 19. This issue resolves itself in the forecasted position. The projection also assumes we will receive the entire grant for Serious and Violent Crime.

Income Other – The projected under achievement of income is due to the Speed Enforcement Unit not meeting the budgeted target.

Capital Expenditure



The capital programme is forecasting **£15.37m of expenditure** this financial year, which reflects 84.5% of our plan. YTD spend of £4.78m has been incurred to the end of Q2, reflecting further significant capital expenditure expected in the remaining two quarters, particularly in relation to the refurbishment of Kenneth Steele House, Shepton Mallet, Yeovil and Williton police stations, and the replacement of vehicles and HQ generator. The forecast has reduced this quarter due to ICT and Estates infrastructure projects being more likely to complete in 20/21 now rather than 19/20.

3. PART ONE – 19/20 REVENUE BUDGET PERFORMANCE

NEIGHBOURHOOD & PARTNERSHIPS DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Neighbourhood Policing	13,952	13,995	(43)	(0.3%)	28,397	28,622	(225)	(0.8%)
Road Safety	43	85	(42)	(49.4%)	141	170	(29)	(17.2%)
Offender Management	2,397	2,555	(158)	(6.2%)	5,033	5,173	(139)	(2.7%)
Victims & Safeguarding	1,880	2,033	(153)	(7.5%)	3,698	4,107	(409)	(10.0%)

Neighbourhood – Forecast to the year-end – The underspend relates mainly to PCSO vacancies and some assumptions have been made regarding leavers and starters. There are overspend projections for PCSO overtime because of the number of vacancies and projections for overspend on Police overtime.

Offender Management – Year to date - The underspend is due to the vacant posts on police officers. Police staff costs are overspending, which is due to top slice and the creation of posts for the RSO Team. Forecast to year-end - As with the year to date variance the under spend is mainly due to police officer vacancies. Police staff costs are overspending in the main due to the top slice.

Victims & Safeguarding – Year to date - underspend relates to the number of police staff roles vacant, police officer pay is slightly overspent due to the temporary posting of an Inspector. Forecast to year end – As with the year to date variance Police staff pay will remain under spent due to number of vacancies and police officers will remain overspent for the time the Inspector post was over established. Although steps are being taken to improve this position with recruitment ongoing, this change is not reflected in the figures as the lead time on achieving the increase is estimated at 6 months. Adjustments have been made to show the full year expenditure for the contributions to the safeguarding boards. There is an underspend for supplies and services which is under review.

RESPONSE DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Command and Control	8,087	8,055	33	0.4%	16,412	16,207	205	1.3%
Patrol	24,378	25,007	(630)	(2.5%)	50,609	50,266	343	0.7%
Detainee Investigation Support	3,041	3,266	(225)	(6.9%)	6,180	6,584	(404)	(6.1%)

Command & Control – Year to date – The over spend is mainly due to the top slice which is reduced by the under spends on police officer pay and supplies and services. Forecast to year end – Overspend of £205k. There are a number of vacancies in Command and Control however due to the police staff top slice £466k any underspend is reduced, there is an under spend on police officer pay which further reduces the effect of the top slice. There is a projected overspend of £30k on police staff overtime, this is due to the number of vacancies in the department and shifts having to be covered.

Patrol – Year to date – underspend is mainly due to the number of vacancies within Patrol. Forecast to year-end – Overspend projection of £343k is due to adjustments made on the assumed intake of officers by the end of March along with average leavers and retirees. Also contributing to the over spend is the forecasted overtime estimated to be £330k, which is high due to covering the vacancies through the year. In addition, £2.1m was taken out of the budget in Q2, to adjust for a more accurate standard unit charge.

Detainee Investigation Support – Year to date – The underspend is due to the number of vacancies of both police officers and police staff. Forecast to year-end – the underspend variance is due to the number of vacancies of both police officer and police staff projected forward to the end of the year.

OPERATIONAL SUPPORT DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Criminal Justice	6,694	6,335	360	5.7%	13,897	12,640	1,257	9.9%
Operations	3,175	3,499	(324)	(9.3%)	6,869	7,060	(191)	(2.7%)
Operation Remedy	2,330	2,729	(399)	(14.6%)	5,488	6,357	(869)	(13.7%)
Serious & Violent Crime	246	783	(536)		1,720	1,720	-	

OFFICIAL

Operations Major Incidents	127	124	4	3.1%	248	247	1	0.3%
Intelligence & Tasking	4,673	5,005	(332)	(6.6%)	9,511	10,075	(564)	(5.6%)
Tactical Support Team	6,001	6,097	(96)	(1.6%)	12,449	12,482	(33)	(0.3%)

Criminal Justice - The Criminal Justice Department includes Criminal Justice Delivery and Speed Enforcement.

Criminal Justice Delivery – Year to date – The underspend of £105.7k is due to vacancies within the staff establishment (13.24 fte). Forecast to Year End – An overspend of £82.5k is forecast due to an estimated £150k being spent on the Keynsham Custody Project. Working in conjunction with academia the project aims to prove or disprove the link between an enhanced cell environment and a reduction in assaults, self-harm and damage being caused to our cells. The project plan will run for twelve months with a review after six months to allow any identified aspects to be revised. After twelve months there will be sufficient data to allow effective analytical review. Any positive outcomes will be shared with other forces nationally and with those responsible for developing the Home Office Design guide for police custody facilities. In addition to the Custody review there is £48.5k committed to the Out of Court Disposals project. Without these projects the forecast would be an underspend of £116k which is due to vacancies.

Speed Enforcement Unit – Year to Date – An overspend of £465k is due to a number of factors but most significantly, it is as a result of :-

- High level of vacancies currently 23 FTE. Whilst the department have always had a regular turnover of staff, vacancies have incurred largely as a result of the relocation of the unit from KSH to Portisfields as many staff did not want to relocate outside of the city. Police Staff Pay is currently underspending by £289k YTD. Interviews have taken place to fill the posts and are currently awaiting vetting clearance. Delays in vetting of at least 3 months are having a significant impact on when the unit will be back at full complement.
- Due to the levels of vacancies, the thresholds on the cameras have had to be increased. The impact of this is that fewer offences are detected but it is set to a level that the department are able to process. The Directorate leads are reviewing the threshold levels on a monthly basis. This has resulted in a significant drop in income being received from NDORS, the Speed Awareness course provider. The Actual YTD value received from NDORS is overstated due to a duplicate entry for the July income however adjusted totals for all SEU income streams indicate £1,628k has been received against a budget of £2,519k creating a variance of £892k.

Forecast to Year-end - A significant overspend is being forecast of approximately £1.2m as a result of the ongoing issues highlighted above. This is a reduction of £200k since Q1 due to expected additional income from the Highways Agency for Roadworks and the Redex pilot on the managed motorways. It is unlikely that the unit will be back to a full complement of staff until the end of this year.

Operations – Operations includes the specialist Operations Department and Rechargeable Operations. The financial structure of these two units is different i.e. the Operations Department is funded internally with budgets whereas Rechargeable Operations are funded by external income streams.

Operations Department - Year to Date there is an underspend of £299k which is due to officer (3.2 FTE £88.2k) and staff vacancies (4.84 FTE £54.7k). In addition, income is over budget by £107k. Forecast to year-end for the Operations Department – an underspend of £112k is forecast due to the continuation of vacancies. The current level of vacancies would result in a higher underspend, but some one-off purchases are planned to upgrade equipment.

Rechargeable Operations – there is a year to date underspend of £25k and the forecast position is an underspend of £88.6k.

Operation Remedy - Forecast to Year-end - Police Officer Pay is forecasting to underspend by (£480k) by the year end and this is the cumulative effect of the time taken to get to a fully established position. There are currently 86 out of the 100 officers in post. Other areas currently forecasting to underspend are under Supplies & Services (£252k). Detective expenses, course fees and professional fees (£90k) account for the majority of this underspend. A budget of £100k was allocated against Course Fees for upgrading skills, TASER refresher training and conferences. £14.5k has been committed so far and further review will be carried out to see what else will be achievable during the year but at present we are forecasting an (£85k) underspend in this area.

Serious & Violent Crime – Year to Date – This area has a cumulative underspend of (£536k) due to a number of factors which has delayed progress in moving forward with approved grant initiatives. Staff and PCSO's were not assigned to SVAP as early in the year as we had hoped and surge overtime and hyper local comms costs have not incurred as high a spend as initially anticipated by this time in the year. Forecast to Year-end – We are forecasting to spend the full £1.7m grant. This forecast includes some costs previously incurred under operation Remedy which will be recoded, and reflects the ongoing work to review the feasibility of approved initiatives, accepting new bid requests and identifying other Serious Violence related work being carried out in force that can be linked in to this area of work.

Intelligence & Tasking – Year to Date – This department has a combined underspend due to vacancies within officer and staff posts (3.57 FTE and 15.64 FTE respectively). Forecast to Year-end - The forecast underspend is due to the high level of vacancies within police officer and police staff roles.

INVESTIGATIONS DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Investigation	13,167	14,623	(1,456)	(10.0%)	26,215	29,231	(3,016)	(10.3%)
Investigation Major Incidents	270	455	(185)	(40.7%)	832	832	(0)	(0.0%)

Investigations – Year to Date – The variance is due to the high level of officer vacancies in the Investigations teams (59 FTE). Staff posts are over-established by 5.5 FTE where temporary staff are engaged to assist with caseloads. Forecast to Year-end – The forecast underspend is due to the level of officer vacancies within the Investigations teams with further leavers expected throughout the year. Some of the underspend on officer posts will be offset with staff costs where temporary contracts for new police staff investigator posts are being introduced to assist with caseloads.

COLLABORATIONS

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Scientific Investigation	3,603	3,745	(142)	(3.8%)	7,462	7,469	(7)	(0.1%)
Major Crime Investigation	2,180	2,504	(324)	(12.9%)	4,568	5,051	(484)	(9.6%)
South West ROCU	1,681	1,681	0	0.0%	3,362	3,362	0	0.0%
Special Branch	525	616	(91)	(14.8%)	1,086	1,170	(84)	(7.2%)
Black Rock	222	424	(202)	(47.7%)	848	848	0	0.0%
Counter Terrorism	205	376	(170)	(45.3%)	630	766	(136)	(17.7%)
Tri Force ACC	4	7	(4)	(52.2%)	4	7	(4)	(52.2%)

Major Crime Investigation – The underspend in the year to date and the forecast relates to vacant posts whilst the restructure is in progress.

Black Rock – The current underspend partly relates to an underspend in pay £51k and an equipment under spend of £70k, however this is expected to reverse and the forecast for the year end is the budgeted figure.

Counter Terrorism Specialist Firearms – The year to date and year end forecasted underspend relates to three officer posts that are anticipated to be vacant all year plus one sergeant vacancy for six months. Additionally there is a lower equipment spend than previously budgeted.

INFORMATION TECHNOLOGY DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Technology Services	10,161	10,174	(13)	(0.1%)	21,634	20,866	768	3.7%

Forecast to Year-end – Overspend of £768k/3.7% this estimate includes achieving a part year effect saving of £940k as a result of procurement savings achieved against SAP, Niche and mobile provisions. The forecast includes the approved use of our underspend (£842k) to progress the creation of a central of excellence for process automation.

FINANCE AND BUSINESS SERVICES DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Chief Officer Group	876	808	69	8.5%	1,688	1,610	79	4.9%
Stores & Evidential Property	938	1,156	(218)	(18.9%)	2,072	2,285	(213)	(9.3%)
Transport Services	2,119	2,253	(134)	(6.0%)	4,953	4,763	(170)	(3.6%)
Services Hub	2,090	2,337	(247)	(10.6%)	4,186	4,459	(273)	(6.1%)
Finance	797	763	35	4.5%	1,583	1,538	45	2.9%
Strategic Procurement	241	244	(2)	(0.9%)	424	492	(68)	(13.8%)
Estates & Facilities	8,949	6,621	2,327	35.2%	13,270	12,663	608	4.8%

Stores & Evidential Property – Forecast to Year-end – underspend of £213k/9.3% which is being driven mainly by police staff pay vacancies at £74k and uniform supplies at £187k. Uniform budgets will be kept under review as we prepare for the delivery of the officer uplift.

Transport Services – Forecast to Year-end – underspend of £170k/3.6% due to savings against transport related cost in particular against tyres and repairs and maintenance cost.

Estates & Facilities – Year to Date overspend of £2,327m/35.2% relates to delayed posting of income associated with PFI grants (£1,878m) in period 6. Taking account of this discrepancy the remaining overspend relates to increase expenditure on responsive maintenance. Forecast to year-end – Overspend of £608k/4.8%. The factors behind the increased cost include additional expense of £400k for responsive maintenance costs, due to our mixed estate where aging properties are requiring more responsive repairs and maintenance. The department is reporting an underachievement against income of £253k due to a reduction in rental income and cross service recharging.

Services Hub – Year to Date – underspend of £247k/10.6%. The variance is predominantly against

police staff pay at £243k. Forecast to Year-end – underspend of £273k/6.1%. A variance of £312k is being forecasted against police staff pay for Enquiry Office and the Admin Hub. There is also forecasted savings of £57k in supplies and services which relate to stationery and postage.

PEOPLE AND ORGANISATIONAL DEVELOPMENT DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Human Resources	1,892	1,900	(8)	(0.4%)	4,050	3,856	194	5.0%
Staff Associations	324	400	(76)	(19.1%)	703	781	(78)	(10.0%)
Learning	2,182	2,501	(319)	(12.7%)	4,597	5,037	(440)	(8.7%)
Legal	616	677	(61)	(9.1%)	1,269	1,399	(130)	(9.3%)
Occupational Health	421	412	10	2.3%	888	830	58	6.9%
Health & Safety	42	47	(5)	(11.3%)	75	95	(20)	(21.2%)

Human Resources – Year to date, there is a negligible underspend, however the forecast is for an overspend in staff pay (£271k) relating to the e-recruitment solution happening later than expected and some anticipated agency costs. There are savings in supplies and services that offset some of this anticipated overspend. Some savings from the initial restructure are likely to be delayed into 2020/21.

Learning – Year to date underspend is due to police officer vacancies resulting in a variance of £241k, particularly trainer assessors and driver trainers. The forecast currently assumes this effect continues to the end of the year. There is a small underspend currently in police staff pay but this is expected to reverse by the end of the year.

Legal – The year to date underspend results from various vacancies that the team currently have including disclosure researchers and legal professionals. These vacancies have been forecasted to remain to the year end, resulting in a staff pay underspend of £125k with some further underspends in supplies and services.

TRANSFORMATION & IMPROVEMENT DIRECTORATE

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Transformation	458	626	(168)	(26.8%)	871	1,203	(332)	(27.6%)
Improvement	1,046	1,143	(97)	(8.5%)	1,893	2,300	(407)	(17.7%)
Force Crime & Incident Registrar	116	115	1	1.1%	236	232	4	1.8%
Strategic Projects	886	1,065	(179)	(16.8%)	2,496	2,901	(405)	(14.0%)
Corporate Communications	408	496	(88)	(17.7%)	912	982	(70)	(7.1%)
Professional Standards	903	921	(18)	(2.0%)	1,909	1,857	52	2.8%

Transformation – Year to date underspend (£168k) relates to staff pay and is the result of several vacancies that are ongoing in the department and these are expected to continue and are reflected in the forecasted underspend of £332k.

Improvement – Year to date underspend (£97k) reflects savings on several staff roles that are not filled

and which is partially offset by a couple of unfunded posts. The forecasted underspend of (£407k) assumes staffing levels remains the same and the agency budget is fully spent.

Strategic Projects – Year to date underspend (£179k) is mainly as a result of vacancies in staff pay together with a saving on the contingency budget. These vacancies are projected to continue to the year end.

CENTRAL COSTS

Department	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Pensions	4,450	5,293	(843)	(15.9%)	10,294	10,582	(288)	(2.7%)
Officer & Staff Allowances	1,073	1,458	(385)	(26.4%)	2,371	2,987	(616)	(20.6%)
Central Costs	7,616	8,169	(554)	(6.8%)	11,280	9,801	1,479	(4.3%)
Central Savings	0	(2,211)	2,211	(100.0%)	940	(2,212)	1,272	(57.5%)
Student Officers	434	719	(285)	(39.6%)	434	1,437	(1,003)	(69.8%)

Pensions – The year to date position is underspent as we have not paid any CECF payments and we budget for one per month at £83k. The projection includes an estimate for 10 to be paid in this financial year.

Officer & Staff Allowances – The year to date underspend is made up of:

- Pay reserves held for in year for unforeseen changes (£265k)
- Apprenticeship Levy (£36k)
- Holiday Pay on Overtime (£59k)
- Comp Grant, TRA & Housing (£20k)

Projected position – underspend increasing to (£616k). This is made up of:

- Pay reserves (£403k)
- Apprenticeship Levy (£71k)
- Holiday Pay on Overtime (£128k)
- Comp Grant, TRA & Housing (£74k)
- NI & Super on Standby £55k

Central Costs – the YTD underspend of £554k is made up of:

- Wilfred Fuller achieving income above budget (£10k)
- Reserves (£137k) Emerging Issues and unspent growth relating to external forensic costs and Tri Force transition contingency.
- HQ Central (£397k) relating to saving on Council Tax scheme no longer running and underspend on transport insurance as centrally budgeted for as well as in Transport Services in error. We are also over achieving on dividend and investment income.

Projected position – moving to £1.5m overspend, this is the effect of the £1.9m provision for insurance.

Central Savings - This represents the balance of unachieved savings, offset by the contingency built in for this financial year. The projection assumes a further £940k of savings (part year effect) that can be realised from Technology Services relating to SAP and BT WAN.

Student Officers – The year to date spend represents the costs of the initial weeks for the intakes on IPLDP courses. All the new recruits through the PCDA route are being posted directly into Patrol.

4. PART TWO – 19/20 CAPITAL BUDGET PERFORMANCE

In January 2019 the anticipated new capital plan for 19/20 totalled £18.291m with the addition of carry forwards of capital schemes in progress amounting to £4.029m at the end of 18/19. The capital plan has since been reviewed and schemes have been added, removed or profiled into future years as necessary. These adjustments show a revised capital plan for Avon and Somerset of £18.196m for 19/20.

The table below summarises this movement:

	19/20 Plan	C/Fwd from 18/19	TOTAL Plan	Adjusts	TOTAL Revised Plan
	£'000	£'000	£'000	£'000	£'000
Asset Replacement & Renewal	8,001	1,080	9,081	(1,065)	8,016
Digital Programme	3,094	1,769	4,863	(2,936)	1,927
Infrastructure & Assets Programme	7,196	785	7,981	(700)	7,281
Service Workforce and Development programme	0	38	38	380	418
Other projects	0	94	94	5	99
Funded or part funded projects	0	263	263	192	455
TOTAL	18,291	4,029	22,320	(4,124)	18,196

19/20 CAPITAL PROGRAMME OUTTURN

	TOTAL Plan	Actual Q2		Forecast Outturn	Over/(Under)	
	£'000	£'000	%	£'000	£'000	%
Asset Replacement & Renewal	8,016	1,494	18.6%	6,250	(1,766)	(22.0%)
Digital Programme	1,927	1,290	66.9%	1,912	(15)	(0.8%)
Infrastructure & Assets Programme	7,281	1,846	25.4%	6,318	(963)	(13.2%)
Service Workforce and Development programme	418	30	7.2%	321	(97)	(23.2%)
Other projects	99	109	110.1%	109	10	10.1%
Funded or part funded projects	455	8	1.8%	465	10	2.2%
TOTAL	18,196	4,777	26.3%	15,375	(2,821)	(15.5%)

At the end of Q2 19/20 £4.777m (26.3%) of the capital programme had been spent; further details of which are included within Annex E. There are decisions outstanding on a number of projects within the capital plan. The capital plan continues to be reviewed and our plans prioritised as we move forward during the year. The key highlights of the capital plan are as follows:

ASSET REPLACEMENT AND RENEWAL

The expenditure at the end of Q2 is £1,494k (18.6% of the plan) with a forecast of £6,250k (78%) to the end of the financial year. The key highlights from this element of the plan are:

- IT Renewal and replacements - £346k expenditure incurred to date, mainly on Network security £153k. Expenditure of £1,747k is the forecast outturn position;
- Estates rolling replacement and renewal – £114k expenditure to date. Expenditure of £1,268k is the forecast outturn position. The main projects being the HQ replacement generator

£643k and upgrades to electrics/lighting, fire precaution and central heating £151k;

- Vehicle replacements - £1,010k has been spent on replacement vehicles to date with a further £1,941k anticipated to be spent in 19/20. The purchasing of 25 response cars has been brought forward from 20/21 because of a procurement break;
- Capital Equipment Replacement – Expenditure of £250k is anticipated to be incurred during 19/20, with £17k currently spent on replacement ANPR equipment.

DIGITAL PROGRAMME

Expenditure in Q2 was £1,290k (66.9% of the plan) with a forecast of £1,912k (99.2% of the plan) for 19/20. The key highlights from this element of the capital plan are as follows:-

- National Systems – very little has been spent to date, although we are currently forecasting £390k to be used by year end. We will keep this under close review over the next few months;
- Digital Mobilisation –expenditure in Q2 was £1,281k with a forecast expenditure for 19/20 of £1,510k. The expenditure to date was to purchase new laptops and mobile phones;
- Digital Evidence – No spend to date, although we are forecasting £11k to be spent as there is an outstanding commitment.

INFRASTRUCTURE AND ASSET PROGRAMME

In Q2 £1,846k (25.4% of the plan) was spent on the infrastructure programme the forecast expenditure in 19/20 is £6,318k (86.8% of the plan). The key highlights of this programme include:

- Somerset East - £566k is forecast to be spent by year-end on the redevelopment of Yeovil police station. So far this year £107k has been spent mainly on professional fees. The budget has been adjusted as expecting more of the works to be carried out in future years, and we will continue to review and refine the budget and forecast in light of decisions to be made;
- Mendip/Sedgemoor - £1,438k is forecast to be spent by year-end. This total includes the new Shepton Mallet site (£1,108k) and Street police station (£320k). The budget for Wells and Radstock stations will be moved to 20/21. So far £242k has been spent this year.
- Bristol/Bath - £3,749k forecast to be spent this year. This figure includes the Kenneth Steele House refurbishment (£2,949k), Southmead (£450k) and Bath Lewis House (£350k). To date, £1,452k has been spent, of which £1,075k is on the Kenneth Steele project;
- Somerset West - £372k forecast to be spent this year. This includes new Williton (£363k) and outstanding spend relating to the new Taunton police station (£9k);
- Other - £193k is forecast to be spent this year, although there has been no spend to date. This includes Midsomer Norton workshop (£73k) and Bridgwater workshop (£120k).

SERVICE WORKFORCE AND DEVELOPMENT

The forecast expenditure for the service redesign and development for 19/20 is £321k, which includes:

- WAN Project £30k
- E-Recruitment Solution HR £73k
- Chronicle Platform (Learning) £213k

OTHER PROJECTS

The key highlights from this element of the capital plan are:

- Voice and Data Communications – £67k forecast
- LAN Refresh - £42k forecast

FUNDED OR PART FUNDED PROJECTS

There are several projects outside of the immediate control of our capital programme, often reflecting the specific restrictions on the funding and, or the partnership basis of the initiative being supported. It is anticipated that £465k will be spent in 19/20 and the key highlights from this element of the capital plan include:

- CTPSW Premises – upgrade boiler and lighting £40k
- CTPSW IT and Equipment – £53k
- SWROCU Vehicles £294k and CTPSW vehicles £68k

5. EQUALITY ANALYSIS

All business cases in support of change, both with revenue and capital implications are subject to an equality impact assessment. This way we can ensure that those decisions on how we allocate our funding across budgets and plans are cognisant of equality issues.

6. SUSTAINABILITY

Sustainability is important in regard to ensuring the organisation is living within both its financial limits (financial sustainability) as well as within its environmental limits through ensuring effective and efficient use of natural resources. In fulfilling the objectives in terms of financial sustainability, this report, and our annual financial planning which culminates in the publication of our Medium Term Financial Plan, ensure we are able to maintain a good overview of our financial sustainability. Wider environmental sustainability considerations are also accounted for within the budget and capital programme.

7. CONCLUSIONS AND RECOMMENDATIONS

This report for Q2 shows a forecasted underspend at the year-end of £4.8m which is an improvement on the previously forecasted underspend of £10.0m at Q1.

During the quarter plans to accelerate initiatives were discussed and approved to a value of £3m. A one-off investment into the Local Government Pension Scheme to reduce the deficit continues to be considered as an option we may pursue depending on the underspend. In addition the PCC also intends to bring forward some commissioning costs, the effect of which is not included in this report.

The capital forecast has become more committed over Q2 and robustly challenged such that the forecast has reduced from £20.0m at Q1 to a more realistic, although still ambitious, forecast of £15.3m. With only 31.0% of the forecast spent at the end of Q2, there still remains an element of optimism that the £15.3m can be achieved by the end of the year.

Plans are being developed to quantify the impact of the proposed uplift in new officers announced by the Government, with a confirmed 137 new officers for 2020/21 announced recently. Whilst we expect to receive some funding in 19/20 towards the achievement of the uplift, this has not been included in our forecasts at this stage. The emerging plans to bolster capacity in some of our enabling services to enable the uplift are also not currently factored into our forecasts.

Members of CMB are invited to review and discuss this financial performance report.

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ANNEX A Subjective Structure 2019/20 Revenue Outturn September 2019	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Officer Pay & Allowances	67,205	70,510	(3,305)	(4.7%)	136,197	143,138	(6,941)	(4.8%)
Police Officer Overtime	2,521	2,696	(174)	(6.5%)	5,961	5,475	486	8.9%
Police Staff Pay & Allowances	35,981	38,170	(2,189)	(5.7%)	74,461	76,710	(2,448)	(2.9%)
Police Staff Overtime	644	593	51	8.6%	1,490	1,286	204	15.9%
PCSO Pay & Allowances	5,268	5,634	(366)	(6.5%)	10,829	11,536	(707)	(6.1%)
PCSO Overtime	9	2	7	472.1%	20	4	16	470.7%
Indirect Employee Costs	977	779	198	25.4%	1,725	1,550	175	11.3%
Pensions	3,295	3,856	(561)	(14.5%)	7,411	7,710	(299)	(3.9%)
EMPLOYEE COSTS	115,901	122,238	(6,338)	(5.2%)	238,095	247,408	(9,314)	(3.8%)
PREMISES COSTS	7,135	6,907	229	3.3%	13,376	13,029	347	2.7%
TRANSPORT COSTS	2,417	2,643	(226)	(8.6%)	5,299	5,411	(111)	(2.1%)
S&S - COMMS & COMPUTING COSTS	7,806	8,129	(323)	(4.0%)	16,948	16,497	451	2.7%
S&S - FORENSIC COSTS	21	44	(23)	(51.8%)	76	87	(11)	(12.4%)
S&S - OTHER COSTS	6,252	8,088	(1,836)	(22.7%)	15,390	14,380	1,011	7.0%
PARTNERSHIP COSTS	6,627	6,602	25	0.4%	13,656	13,701	(45)	(0.3%)
TRANSFER TO / (FROM) RESERVES	(2,780)	(2,872)	92	(3.2%)	(1,928)	(2,538)	610	(24.0%)
CAPITAL FINANCING COSTS	14,857	14,923	(66)	(0.4%)	19,798	19,914	(116)	(0.6%)
OUTSTANDING SAVINGS TARGET	0	(2,211)	2,211	(100.0%)	(940)	(2,212)	1,272	(57.5%)
TOTAL CONSTABULARY EXPENDITURE	158,235	164,490	(6,255)	(3.8%)	319,771	325,677	(5,906)	(1.8%)
INCOME - SPECIAL GRANTS	(1,892)	(3,761)	1,870	(49.7%)	(7,526)	(7,523)	(3)	0.0%
INCOME - OTHER	(8,424)	(8,646)	223	(2.6%)	(13,797)	(14,964)	1,167	(7.8%)
TOTAL CONSTABULARY INCOME	(10,315)	(12,407)	2,092	(16.9%)	(21,323)	(22,487)	1,164	(5.2%)
TOTAL CONSTABULARY (exc Misc/Grants/ secondees)	147,920	152,083	(4,163)	(2.7%)	298,448	303,190	(4,742)	(1.6%)
MISCELLANEOUS	9	(33)	42	43.5%	(33)	(33)	0	0.0%
GRANTS	41	(628)	669	(106.6%)	(1,720)	(1,720)	0	
SECONDEES	19	(4)	23		1	1	0	
TOTAL CONSTABULARY	147,989	151,417	(3,428)	(2.3%)	296,697	301,438	(4,742)	(1.6%)
OFFICE OF THE POLICE AND CRIME COMMISSIONER	640	858	(217)	(25.3%)	1,515	1,471	44	3.0%
COMMISSIONING COSTS	410	3,445	(3,035)	(88.1%)	3,249	3,372	(122)	(3.6%)
TOTAL OPCC AND COMMISSIONING	1,050	4,302	(3,252)	(75.6%)	4,765	4,843	(78)	(1.6%)
TOTAL REVENUE EXPENDITURE	149,039	155,720	(6,680)	(4.3%)	301,461	306,281	(4,820)	(1.6%)

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ANNEX B Management Structure 2019/20 Revenue Outturn September 2019	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Neighbourhood Policing	13,952	13,995	(43)	(0.3%)	28,397	28,622	(225)	(0.8%)
Road Safety	43	85	(42)	(49.4%)	141	170	(29)	(17.2%)
Offender Management	2,397	2,555	(158)	(6.2%)	5,033	5,173	(139)	(2.7%)
Victims & Safeguarding	1,880	2,033	(153)	(7.5%)	3,698	4,107	(409)	(10.0%)
NEIGHBOURHOOD & PARTNERSHIP	18,272	18,667	(396)	(2.1%)	37,269	38,072	(803)	(2.1%)
Command & Control	8,087	8,055	33	0.4%	16,412	16,207	205	1.3%
Patrol	24,378	25,007	(630)	(2.5%)	50,609	50,266	343	0.7%
Detainee Investigation Support	3,041	3,266	(225)	(6.9%)	6,180	6,584	(404)	(6.1%)
RESPONSE	35,506	36,328	(822)	(2.3%)	73,201	73,057	145	0.2%
Criminal Justice	6,694	6,335	360	5.7%	13,897	12,640	1,257	9.9%
Operations	3,175	3,499	(324)	(9.3%)	6,869	7,060	(191)	(2.7%)
Operation Remedy	2,330	2,729	(399)	(14.6%)	5,488	6,357	(869)	(13.7%)
Serious & Violent Crime	246	783	(536)		1,720	1,720	0	
Operations Major Incidents	127	124	4	3.1%	248	247	1	0.3%
Intelligence & Tasking	4,673	5,005	(332)	(6.6%)	9,511	10,075	(564)	(5.6%)
Tactical Support Unit	6,001	6,097	(96)	(1.6%)	12,449	12,482	(33)	(0.3%)
OPERATIONAL SUPPORT	23,248	24,572	(1,324)	(5.4%)	50,183	50,581	(399)	(0.8%)
Investigation	13,167	14,623	(1,456)	(10.0%)	26,215	29,231	(3,016)	(10.3%)
Investigation Major incidents	270	455	(185)	(40.7%)	832	832	(0)	(0.0%)
INVESTIGATION	13,437	15,078	(1,641)	(10.9%)	27,046	30,062	(3,016)	(10.0%)
Scientific Investigation	3,603	3,745	(142)	(3.8%)	7,462	7,469	(7)	(0.1%)
Major Crime Investigation	2,180	2,504	(324)	(12.9%)	4,568	5,051	(484)	(9.6%)
South West ROCU	1,681	1,681	0	0.0%	3,362	3,362	0	0.0%
Special Branch	525	616	(91)	(14.8%)	1,086	1,170	(84)	(7.2%)
Black Rock	222	424	(202)	(47.7%)	848	848	0	0.0%
Counter Terrorism Specialist Firearms	205	376	(170)	(45.3%)	630	766	(136)	(17.7%)
Tri Force ACC	4	7	(4)	(52.2%)	4	7	(4)	(52.2%)
COLLABORATION	8,420	9,354	(934)	(10.0%)	17,960	18,674	(714)	(3.8%)
Technology Services	10,161	10,174	(13)	(0.1%)	21,634	20,866	768	(3.7%)
INFORMATION TECHNOLOGY	10,161	10,174	(13)	(0.1%)	21,634	20,866	768	(3.7%)
Chief Officer Group	876	808	69	8.5%	1,688	1,610	79	4.9%
Stores, Facilities & Evidential Property	938	1,156	(218)	(18.9%)	2,072	2,285	(213)	(9.3%)
Transport Services	2,119	2,253	(134)	(6.0%)	4,953	4,763	(170)	(3.6%)
Services Hub	2,090	2,337	(247)	(10.6%)	4,186	4,459	(273)	(6.1%)
Finance Department	797	763	35	4.5%	1,583	1,538	45	2.9%
Strategic Procurement Services	241	244	(2)	(0.9%)	424	492	(68)	(13.8%)
Estates	8,949	6,621	2,327	35.2%	13,270	12,663	608	4.8%
FINANCE AND BUSINESS SERVICES	16,010	14,181	1,829	12.9%	27,817	27,809	7	0.0%
Human Resources	1,892	1,900	(8)	(0.4%)	4,050	3,856	194	12.3%
Staff Associations	324	400	(76)	(19.1%)	703	781	(78)	(10.0%)
Learning	2,182	2,501	(319)	(12.7%)	4,597	5,037	(440)	(8.7%)
Legal Services	616	677	(61)	(9.1%)	1,269	1,399	(130)	(9.3%)
Occupational Health	421	412	10	2.3%	888	830	58	6.9%
Health & Safety	42	47	(5)	(11.3%)	75	95	(20)	(21.2%)
PEOPLE & ORG DEVELOPMENT	5,477	5,937	(460)	(7.7%)	11,582	11,999	(417)	(3.5%)

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ANNEX B Management Structure 2019/20 Revenue Outturn September 2019	19/20 YTD Actual £'000	19/20 YTD Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %	19/20 Projected Outturn £'000	19/20 Annual Budget £'000	19/20 (Under) / Over £'000	19/20 (Under) / Over %
Transformation	458	626	(168)	(26.8%)	871	1,203	(332)	(27.6%)
Improvement	1,046	1,143	(97)	(8.5%)	1,893	2,300	(407)	(17.7%)
Force Crime & Incident Registrar	116	115	1	1.1%	236	232	4	1.8%
Strategic Projects	886	1,065	(179)	(16.8%)	2,496	2,901	(405)	(14.0%)
Corporate Communications	408	496	(88)	(17.7%)	912	982	(70)	(7.1%)
Professional Standards Department	903	921	(18)	(2.0%)	1,909	1,857	52	2.8%
TRANSFORMATION & IMPROVEMENT	3,818	4,365	(548)	(12.5%)	8,317	9,475	(1,158)	(12.2%)
Pensions	4,450	5,293	(843)	(15.9%)	10,294	10,582	(288)	(2.7%)
Officer & Staff Allowances	1,073	1,458	(385)	(26.4%)	2,371	2,987	(616)	(20.6%)
Central Costs	7,616	9,731	(2,115)	(21.7%)	11,280	9,801	1,479	15.1%
Central Savings	0	(3,773)	3,773	(100.0%)	(940)	(2,212)	1,272	(57.5%)
Student Officers	434	719	(285)	(39.6%)	434	1,437	(1,003)	(69.8%)
CENTRAL COSTS	13,572	13,427	145	1.1%	23,440	22,596	844	3.7%
TOTAL CONSTABULARY (exc Misc/Grants/secondees)	147,920	152,083	(4,163)	(2.7%)	298,448	303,190	(4,742)	(1.6%)
MISCELLANEOUS	9	(33)	42	(126.1%)	(33)	(33)	0	0.0%
GRANTS	41	(628)	669	(106.6%)	(1,720)	(1,720)	0	
SECONDEES	19	(4)	23		1	1	0	
TOTAL CONSTABULARY	147,989	151,417	(3,428)	(2.3%)	296,697	301,438	(4,742)	(1.6%)
OFFICE OF THE POLICE & CRIME COMMISSIONER	640	858	(217)	(25.3%)	1,515	1,471	44	3.0%
COMMISSIONING	410	3,445	(3,035)	(88.1%)	3,249	3,372	(122)	(3.6%)
TOTAL OPCC AND COMMISSIONING	1,050	4,302	(3,252)	(75.6%)	4,765	4,843	(78)	(1.6%)
TOTAL REVENUE EXPENDITURE	149,039	155,720	(6,680)	(4.3%)	301,461	306,281	(4,820)	(1.6%)

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ANNEX C Police Officer Overtime September 2019	Actual Spend £000						TOTAL	YTD Budget	YTD Variance	YTD %	Projection	Annual Budget	Projected Outturn
	Apr	May	Jun	Jul	Aug	Sep							
	Neighbourhood Policing	- 1.2	51.4	35.4	14.7	9.7							
Road Safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Offender Management	- 2.4	4.1	3.3	0.9	3.2	0.5	9.5	10.6	- 1.1	-10.1%	24.5	25.4	0.9
Victims and Safeguarding	- 1.2	-	-	-	-	-	1.2	4.5	- 5.7	-126.9%	1.9	10.7	12.6
NEIGHBOURHOOD & PARTNERSHIP	- 4.8	55.5	38.6	15.5	12.9	22.3	140.1	175.9	- 35.8	-20.3%	262.6	235.6	27.0
Command and Control	0.0	- 0.0	- 0.1	0.8	0.5	0.3	1.5	2.2	- 0.7	-31.3%	3.4	5.4	2.0
Patrol	4.7	296.9	202.5	130.0	103.7	169.8	907.7	751.8	155.8	20.7%	1,745.3	1,415.4	329.9
Detainee Investigation Support	- 0.1	14.8	10.8	2.9	7.0	11.7	47.1	34.1	13.0	38.1%	94.1	63.8	30.3
RESPONSE	4.6	311.7	213.3	133.7	111.2	181.9	956.3	788.2	168.1	21.3%	1,842.8	1,484.6	358.2
Criminal Justice	2.0	28.1	31.6	14.5	15.3	21.9	113.4	60.3	53.1	88.0%	246.6	115.1	131.5
Operations	- 49.4	73.2	39.7	38.2	54.8	44.7	201.2	122.1	79.1	64.8%	456.6	253.4	203.2
Operation Remedy	8.2	18.0	19.6	34.2	34.9	30.8	145.6	342.5	- 196.9	-57.5%	314.7	900.3	585.6
Serious & Violent Crime	-	-	-	-	-	-	-	-	-	0.0%	501.4	-	501.4
Operations Major Incidents	3.3	2.9	0.8	0.7	65.8	14.5	88.0	83.2	4.8	5.7%	166.4	166.4	0.0
Intelligence and Tasking	- 0.4	6.6	5.3	1.3	1.7	3.9	18.4	24.0	- 5.6	-23.4%	36.8	46.4	9.6
Tactical Support Team	12.8	73.5	54.1	22.2	42.7	42.7	248.0	149.5	98.6	65.9%	603.3	305.5	297.8
OPERATIONAL SUPPORT	- 23.6	202.3	151.0	111.2	215.1	158.5	814.6	781.6	33.0	143.6%	2,325.8	1,787.1	538.7
Investigation	- 16.4	109.1	83.9	47.8	44.8	61.7	330.9	435.6	- 104.7	-24.0%	698.6	941.4	242.8
Investigation Major Incidents	- 26.5	21.6	15.5	19.2	9.6	14.3	53.7	202.5	- 148.9	-73.5%	353.5	426.6	73.1
INVESTIGATION	- 42.9	130.7	99.4	66.9	54.4	76.0	384.6	638.1	- 253.5	-39.7%	1,052.0	1,368.0	316.0
Scientific Investigations	-	-	-	-	-	-	-	-	-	-	-	-	-
Major Crime Investigations	- 9.2	5.1	1.3	0.9	8.4	4.3	10.8	14.0	- 3.2	-22.7%	27.9	27.9	0.0
South West ROCU	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Branch	- 0.4	0.6	1.2	1.2	1.1	1.2	4.9	5.1	- 0.2	-4.2%	11.1	11.4	0.3
Black Rock	-	-	-	-	-	-	-	-	-	-	-	-	-
Counter Terrorism Specialist Firearms	1.4	1.3	5.1	4.3	1.5	13.3	27.0	22.8	4.2	18.2%	72.3	50.0	22.3
Tri Force ACC	-	-	-	-	-	-	-	-	-	-	-	-	-
COLLABORATION	- 8.2	7.0	7.6	6.5	11.0	18.8	42.7	42.0	0.8	1.8%	111.3	89.3	22.0
Human Resources	-	-	-	-	0.3	-	0.3	-	0.3	-	0.3	-	0.3
Staff Associations	0.2	- 0.0	0.2	0.4	-	-	0.8	0.1	0.7	570.8%	1.0	0.3	0.7
Learning	- 0.1	1.3	0.7	1.0	0.1	1.8	4.8	2.2	2.6	116.4%	11.5	5.3	6.2
PEOPLE & ORGANISATIONAL DEVELOPMENT DIRECTORATE	0.1	1.3	0.9	1.5	0.4	1.8	5.9	2.3	3.6	153.1%	12.8	5.6	7.2
Improvement	0.0	0.2	-	-	-	-	0.2	2.5	- 2.3	-92.4%	2.5	5.9	3.4
Strategic Projects	1.7	- 1.4	0.2	-	0.0	0.0	0.5	-	0.5	-	0.6	-	0.6
Professional Standards Department	- 0.1	0.1	0.3	0.0	0.2	0.6	1.1	0.7	0.3	42.7%	2.6	1.8	0.8
TRANSFORMATION & IMPROVEMENT DIRECTORATE	1.5	- 1.1	0.5	0.0	0.2	0.6	1.8	3.2	- 1.4	-43.7%	5.6	7.7	2.1
Officer & Staff Allowances	- 44.7	47.3	30.3	14.5	25.9	26.2	99.5	157.6	- 58.1	-36.9%	253.1	378.3	125.2
Central Costs	0.2	4.2	2.7	35.9	24.2	8.0	75.2	106.7	- 31.5	-	94.7	118.9	24.2
Central Savings	-	-	-	-	-	-	-	-	-	-	-	-	-
Student Officers	0.0	0.1	0.4	0.0	0.3	0.0	0.8	-	0.8	-	0.8	-	0.8
CENTRAL COSTS	- 44.5	51.6	33.4	50.4	50.4	34.2	175.4	264.3	- 88.8	-33.6%	348.6	497.2	148.6
TOTAL CONSTABULARY (exc Misc/Grants/Seconded)	- 117.8	759.1	544.6	385.8	455.6	494.2	2,521.4	2,695.5	- 174.1	-6.5%	5,961.5	5,475.1	486.4

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ANNEX D Police Staff Overtime September 2019	Actual Spend £000						TOTAL	YTD Budget	YTD Variance	YTD %	Projection	Annual Budget	Projected Outturn (under) / over
	Apr	May	Jun	Jul	Aug	Sep							
Neighbourhood Policing	0.5	3.5	1.7	0.8	1.5	0.5	8.6	4.2	4.4	104.4%	20.1	10.1	10.0
Road Safety	-	-	-	-	-	-	-	-	-	-	-	-	-
Offender Management	- 0.7	2.2	1.5	2.3	1.4	2.2	8.9	7.5	1.4	18.7%	21.2	16.9	4.3
Victims and Safeguarding	0.1	1.0	0.8	2.9	2.8	3.7	11.4	9.5	1.8	19.0%	22.4	22.1	0.3
NEIGHBOURHOOD & PARTNERSHIP	- 0.1	6.7	4.0	6.0	5.7	6.4	28.8	21.2	7.6	35.8%	63.8	49.1	14.7
Command and Control	0.5	59.0	31.9	21.3	23.3	31.8	167.8	150.8	17.0	11.3%	342.5	311.4	31.1
Patrol	-	-	-	-	0.1	-	0.1	-	0.1	-	0.2	-	0.2
Detainee Investigation Support	- 1.4	4.2	2.1	1.7	2.4	3.6	12.6	18.1	- 5.5	-30.5%	25.7	34.5	- 8.8
RESPONSE	- 0.8	63.1	34.0	22.9	25.8	35.4	180.4	168.8	11.6	6.9%	368.4	345.9	22.5
Criminal Justice	- 1.8	15.9	13.5	10.2	10.5	17.2	65.5	54.6	10.9	20.0%	161.3	118.6	42.7
Operations	0.3	1.9	1.2	1.2	3.8	1.3	9.7	3.0	6.7	220.6%	22.6	5.8	16.8
Operation Remedy	0.7	0.5	1.6	1.1	0.7	3.0	7.6	38.8	- 31.2	-80.4%	17.5	93.2	- 75.7
Serious & Violent Crime											0.6		
Operations Major Incidents	0.6	0.2	0.2	0.4	1.5	- 1.6	1.2	17.8	- 16.6	-93.1%	35.6	35.6	- 0.0
Intelligence and Tasking	1.7	9.0	7.5	6.8	9.2	7.3	41.6	31.6	10.0	31.6%	98.4	68.6	29.8
Triforce Specialist Operations	0.7	0.0	- 0.0	0.0	-	-	0.7	0.6	0.1	15.3%	0.9	1.4	- 0.5
OPERATIONAL SUPPORT	1.7	27.5	24.1	19.7	25.6	27.2	125.6	145.9	- 20.2	-13.9%	336.9	321.8	13.6
Investigation	- 2.1	7.9	8.4	8.1	6.6	8.0	36.9	8.0	29.0	364.1%	89.4	19.1	70.3
Investigation Major Incidents	8.9	6.5	7.0	4.2	7.3	- 1.9	31.9	52.3	- 20.3	-38.9%	106.0	105.8	0.2
INVESTIGATION	6.8	14.4	15.4	12.3	13.9	6.1	68.9	60.2	8.6	14.3%	195.4	124.9	70.5
Scientific Investigations	- 4.4	13.7	8.3	4.6	5.9	5.5	33.5	36.1	- 2.6	-7.2%	86.7	86.7	0.0
Major Crime Investigations	- 3.7	1.8	1.2	2.0	4.7	1.4	7.4	8.2	- 0.7	-9.1%	16.5	16.5	0.0
Special Branch	-	- 0.0	-	- 0.1	-	-	- 0.1	0.2	- 0.4	-154.4%	0.6	0.6	- 0.0
COLLABORATION	7.9	71.6	64.2	50.9	64.0	46.2	304.9	311.5	- 6.6	-2.1%	103.8	676.8	0.0
Technology Services	0.7	2.2	4.6	3.2	2.6	2.5	15.9	45.5	- 29.6	-65.1%	38.0	109.2	- 71.2
INFORMATION TECHNOLOGY DIRECTORATE	0.7	2.2	4.6	3.2	2.6	2.5	15.9	45.5	- 29.6	-65.1%	38.0	109.2	- 71.2
Chief Officer Group	0.2	0.5	-	2.1	0.2	-	3.0	7.6	- 4.6	-60.7%	7.2	18.3	- 11.1
Stores, Facilities & Evidential Property	- 0.1	4.7	2.6	3.8	2.8	4.7	18.5	7.7	10.9	141.8%	36.1	18.4	17.7
Transport Services	4.1	8.9	9.4	7.0	6.0	7.0	42.5	21.0	21.5	102.1%	101.5	50.5	51.0
Services Hub	- 0.7	6.6	5.0	2.0	3.6	7.4	24.0	4.9	19.1	385.2%	53.6	10.0	43.6
Finance Department	- 2.4	- 0.1	6.0	- 0.2	1.3	-	4.7	-	4.7	-	4.7	-	4.7
Strategic Procurement Services	-	-	0.1	0.0	-	-	0.1	-	0.1	-	0.1	-	0.1
Estates	0.3	- 0.0	-	-	-	-	0.3	-	0.3	-	6.9	-	6.9
FINANCE & BUSINESS SERVICES DIRECTORATE	1.4	20.6	23.2	14.7	14.0	19.2	93.1	41.3	51.9	125.7%	210.1	97.2	112.9
Human Resources	- 0.5	1.9	2.0	0.8	1.0	1.3	6.6	2.5	4.1	164.6%	12.5	6.0	6.5
Staff Associations	-	-	-	-	-	-	-	-	-	-	-	-	-
Learning	1.5	2.3	3.6	2.2	2.8	1.3	13.6	1.0	12.6	1265.0%	32.7	2.4	30.3
Legal Services	- 0.3	0.2	0.3	1.2	0.2	0.9	2.5	-	2.5	-	6.0	-	6.0
Occupational Health	-	-	-	-	-	-	-	-	-	-	-	-	-
Health & Safety	-	-	-	-	-	-	-	-	-	-	-	-	-
PEOPLE & ORGANISATIONAL DEVELOPMENT DIRECTORATE	0.7	4.3	5.9	4.3	3.9	3.6	22.7	3.5	19.2	550.1%	51.2	8.4	42.8
Transformation	1.0	0.4	1.1	1.6	1.1	0.4	5.6	-	5.6	-	-	-	-
Improvement	- 2.1	2.0	5.1	1.7	1.6	3.5	11.8	15.5	- 3.7	-23.6%	31.2	31.2	-
Force Crime & Incident Registrar	-	-	-	-	-	-	-	-	-	-	-	-	-
Strategic Projects	0.0	-	0.2	0.4	0.7	0.9	2.2	-	2.2	-	5.6	-	5.6
Corporate Communications	- 0.7	1.5	1.5	1.6	1.3	1.1	6.4	9.1	- 2.7	-29.3%	16.0	21.0	- 5.0
Professional Standards Department	- 0.1	0.0	0.1	0.1	0.1	0.9	1.2	1.1	0.1	6.8%	8.6	2.6	6.0
TRANSFORMATION & IMPROVEMENT DIRECTORATE	- 1.8	3.9	8.0	5.4	4.9	6.9	27.3	25.7	1.6	6.2%	61.4	54.8	6.6
Officer & Staff Allowances	- 10.4	8.9	8.0	5.4	6.5	5.7	24.1	24.5	- 0.4	-1.6%	55.9	58.9	- 3.0
Central Costs	-	-	-	2.1	22.1	0.6	24.8	12.9	11.9	-	24.8	13.6	11.2
CENTRAL COSTS	- 10.4	8.9	8.0	7.5	28.6	6.3	48.9	37.4	11.5	30.7%	80.7	72.5	8.2
TOTAL CONSTABULARY (exc Misc/Grants/Seconded)	- 1.6	195.2	164.0	124.7	162.4	140.0	784.9	727.8	57.1	7.8%	-	1,574.8	220.3
TOTAL CONSTABULARY	- 1.6	195.2	164.0	124.7	162.4	140.0	784.9	727.8	57.1	7.8%	-	1,574.8	220.3

OFFICIAL

Annex E Capital Qtr 2 Report 2019/20	Original Plan			Revisions		QTR 2 YTD			FORECAST TO YEAR END				
	Plan as per MTFP	C/Fwd as Per Outturn	TOTAL	Changes	TOTAL	Acc Month 6 Actual	Qtr 1 & 2 Budget	Qtr 2 Variance	Qtr 4 Forecast	Projected Forecast to Year End	Total 19/20 Budget	Budget Carry Forward to 20/21	Over/(Under)
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Information and Communication Systems													
SUB-TOTAL End User Device Replacement	1,545.0	0.0	1,545.0	-673.0	872.0	89.4	452.0	-362.6	719.6	963.9	872.0	0.0	91.9
SUB-TOTAL ICT Infrastructure Replacement	1,794.0	0.0	1,794.0	-429.0	1,365.0	198.8	678.0	-479.2	277.0	672.8	1,365.0	0.0	-692.2
SUB-TOTAL Other Projects	471.0	0.0	471.0	-3.8	467.2	57.3	102.8	-45.5	21.7	110.2	467.2	0.0	-357.0
TOTAL INFORMATION AND COMMUNICATIONS SYSTEMS	3,810.0	0.0	3,810.0	-1,105.8	2,704.2	345.5	1,232.8	-887.3	1,018.3	1,746.9	2,704.2	0.0	-957.3
Estates													
TOTAL ESTATES	1,501.0	357.0	1,858.0	-309.0	1,549.0	114.2	276.5	-162.3	569.3	1,267.6	1,549.0	0.0	-281.4
Fleet													
TOTAL FLEET	2,382.0	723.0	3,105.0	400.0	3,505.0	1,010.1	1,275.9	-265.8	1,161.9	2,986.0	3,505.0	0.0	-519.0
Equipment													
TOTAL Equipment	308.0	0.0	308.0	-50.0	258.0	24.6	88.0	-63.4	120.0	249.6	258.0	0.0	-8.4
TOTAL Replacement and Renewal Programme	8,001.0	1,080.0	9,081.0	-1,064.8	8,016.2	1,494.4	2,873.2	-1,378.8	2,869.5	6,250.2	8,016.2	0.0	-1,766.0
Programmes													
Digital Programme													
SUB-TOTAL National Programme	2,044.0	3.0	2,047.0	-1,360.0	687.0	8.0	0.0	8.0	200.0	390.0	687.0	0.0	-297.0
SUB-TOTAL Digital Mobilisation	625.0	1,673.0	2,298.0	-1,058.0	1,240.0	1,281.4	1,190.0	91.4	203.8	1,510.2	1,240.0	0.0	270.2
SUB-TOTAL Digital Evidence	425.0	93.0	518.0	-518.0	0.0	0.0	0.0	0.0	11.4	11.4	0.0	0.0	11.4
TOTAL DIGITAL PROGRAMME	3,094.0	1,769.0	4,863.0	-2,936.0	1,927.0	1,289.5	1,190.0	99.5	415.2	1,911.6	1,927.0	0.0	-15.4
Infrastructure and Assets Programme													
SUB-TOTAL Somerset East (Yeovil) Sites	2,162.0	111.0	2,273.0	-1,173.0	1,100.0	106.7	100.0	6.7	229.9	566.4	1,100.0	0.0	-533.6
SUB-TOTAL North Somerset Sites	0.0	0.0	0.0	0.0	0.0	38.8	0.0	38.8	-38.7	0.0	0.0	0.0	0.0
SUB-TOTAL Mendip/Sedgemoor Sites	1,192.0	21.0	1,213.0	592.0	1,805.0	241.7	855.0	-613.3	89.5	1,437.9	1,805.0	0.0	-367.1
SUB-TOTAL Bristol/North Sites/Bath	2,488.0	545.0	3,033.0	614.0	3,647.0	1,452.2	577.0	875.2	2,202.2	3,748.8	3,647.0	0.0	101.8
SUB-TOTAL Somerset West Sites	1,249.0	108.0	1,357.0	-821.0	536.0	5.1	73.0	-67.9	181.5	371.9	536.0	0.0	-164.1
SUB-TOTAL Other	105.0	0.0	105.0	88.0	193.0	1.7	57.9	-56.2	114.1	193.0	193.0	0.0	0.0
TOTAL INFRASTRUCTURE and ASSETS PROGRAMME	7,196.0	785.0	7,981.0	-700.0	7,281.0	1,846.2	1,662.9	183.3	2,778.4	6,318.1	7,281.0	0.0	-962.9
Service Workforce and Development Programme													
TOTAL SERVICE WORKFORCE and DEVELOPMENT PROGRAMME	0.0	38.0	38.0	380.0	418.0	30.3	0.0	30.3	106.5	321.0	418.0	0.0	-97.0
Regional Programme													
TOTAL REGIONAL PROGRAMME	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OTHER PROJECTS													
TOTAL OTHER PROJECTS	0.0	94.0	94.0	5.0	99.0	109.4	99.0	10.4	0.0	109.4	99.0	0.0	10.4
TOTAL Programmes	10,290.0	2,686.0	12,976.0	-3,251.0	9,725.0	3,275.4	2,951.9	323.5	3,300.1	8,660.2	9,725.0	0.0	-1,064.8
Funded or Part Funded Projects													
TOTAL Funded or Part Funded Projects	0.0	263.0	263.0	191.7	454.7	7.8	352.2	-344.4	323.5	464.6	454.7	0.0	9.9
TOTAL CAPITAL PROGRAMMES	18,291.0	4,029.0	22,320.0	-4,124.1	18,195.9	4,777.5	6,177.3	-1,399.8	6,493.1	15,374.9	18,195.9	0.0	-2,821.0

AVON AND SOMERSET POLICE AND CRIME BOARD

6th November 2019

OPCC OUTTURN REPORT 2019 - 2020 and OPCC BUDGET 2020 - 2021 proposals

REPORT OF THE PCC's CHIEF FINANCE OFFICER ("CFO")

PURPOSE OF THE REPORT

1. This report sets out an update on the forecast budget outturn position for the Office of the PCC ("OPCC") in 2019/20 and also set out proposals for the OPCC budget and use of reserves in 2020/21.

2. **OPCC Commissioning and Grants**
 - 2.1 The PCC's victims commissioning, community safety and grant budget for 2019/20 was agreed as £3.45 million and is supported by MoJ funding for Victims services.
 - 2.2 There is a small underspend forecast this year in the commissioning and grants budget that will be transferred to the Victims and Commissioning reserve.
 - 2.3 This budget continues to support core commissioned services for Victims; community safety; drugs and alcohol referral services; Restorative justice; services to support victims and tackle offending in CSE and CSA and to fund Mental Health triage service in the Force control room.
 - 2.4 The Victims services budget in 2019/20 is stated net of £1.96 million funding from the MoJ for victims services of which £0.9 million is a contribution to the Integrated Victim Care Lighthouse service provided by the Constabulary. The balance is used to commission third party support and advocacy services for victims.
 - 2.5 The mental health triage service is under review and a new arrangement is being sought.
 - 2.6 The budget proposed for 2020/21 is £3.45 million which supports the planned grants and commissioning work agreed with the PCC. This is materially unchanged from the current year and is set out in the table below.

OPCC Commissioning and Grants 2019/20 outturn and draft 2020 21 budget

Cost Area £'000s	Budget <u>2019 20</u>	Forecast <u>2019 20</u>	Draft Plan <u>2020 21</u>
Custody and courts (drugs & alcohol) referral service	553	553	553
Victims incl. SARC, CSE & CSA	1,737	1673	1,738
Appropriate Adults (net of ptrn contributions)	52	40	52
Mental Health triage (net of ptrn contributions)	159	122	159
Restorative Justice	180	179	179
Police & Crime Grants (community safety & YOT)	740	740	740
Commissioning other 3 rd party work	20	20	20
TOTAL	3,441	3327	3,441

2.7 Planned Use of Victims & Commissioning reserve

This reserve is fully allocated against existing and planned activities in 2020/21. The core earmarked projects being funded from these reserves are as follows:

Reducing Reoffending £125k – local and regional work

This work started in March 2018 led by the OPCC CEO and a Fast Track Civil Service secondee and continued in 2019 with the appointment of a dedicated (local & regional) SRO for 12 months. The SRO will continue for a further 12 months focused on local area delivery of projects and be 50% funded by OPCC and 50% by the Prison service. In addition investment is allocated to part fund a new regional reducing reoffending SRO role.

Serious Violence {reduction} fund £100k

Reserves have been allocated to a fund to support match funded local projects with CSPs. So far two CSPs have bid into this fund (£20k each)

ASCEND – out of court disposals (OOCd) £230k

Funds allocated to support a 2 year pilot (end Autumn 2021) in ASC to establish a team of 6 ASCEND (ASC engage, navigate, divert) workers and develop and implement a suite of targeted interventions to use with OOCds.

Cases which are suitable for a Community Resolution or Community Caution may be eligible for referral to ASCEND.

OFFICE OF THE PCC (OPCC) Budget

Outturn report for 2019/20

3. OUTTURN 2019/20

The PCC set an office budget for 2019/20 of £1.39 million which has been remained lower than the £1.41 million level inherited from the Police Authority every year since 2012.

4. The OPCC's out-turn spend in 2019/20 is forecast to be slightly over budget. (see table below). The main variances are -

Savings in:

- Some underspends expected in relation to stationary and conference and meeting costs

Cost increases from:

- Higher staff costs to cover increased volumes of commissioning work and maternity leave
- Backdated payroll corrections re hour and increments
- Additional spend expected in relation to training new Joint Audit Committee Members

5. BUDGET 2020/21

The PCC proposes an increase in the OPCC budget in 2019/20 to:

- Account for staff pay awards based on national settlements, forecast currently at 2.5% from Sept 2019 and 3% increase in September 2020, £28k;
- to allow for senior role re-grading, £9k;
- To recruit a new commissioning and policy officer focused on tackling violent crime with partners and commissioned services, £48k
- to recruit a commissioning support officer £36k;
- to absorb uplifts in capacity to support public engagements and handling public contacts, costing £13k;
- Under the Police and Crime Act changes were brought in requiring the PCC to take over responsibility for reviews carried out by the Constabulary currently into complaints where the complainants are not satisfied with the outcome of the complaint but it is not a criminal/gross misconduct matter which will remain within the remit of the Independent Office of Police Conduct – this work is currently carried out by a team based in PSD. Following advice, the team and its budget will transfer to the OPCC when the Act is implemented. It is currently expected that the change will come in in March 2020 and this is now being built in to the OPCC budget – but is an equal saving from the Force budget –so net neutral.

6. The budget uplift is partly offset by savings agreed at this stage:
 - Staff cost savings from change in contract hours, £9k
 - Reduction in the cost of the Joint Audit Committee (JAC) as new Members will be recruited and trained in the latter stages of 2019/20 and the JAC costs can return to running the JAC plus at the end of the year recruiting and training a new Chair.
7. The revised OPCC budget before any further savings will be £1.53 million in 2020/21 plus the transfer of budget from the Constabulary to be finalised (for the Complaints team).
8. The Avon & Somerset OPCC remains one of the lowest cost operations in the country per head of population, with restricted capacity to make any further savings.
9. The last HMIC value for money profiles that published data for OPCC offices show that the Avon & Somerset PCC's Office cost per head of population is 83 pence/person per annum. The average across all PCC's offices was 118 and the average for the 'most similar group' was 109.
10. If the average cost per head of population of 118 was applied to Avon & Somerset's 1.7 million population then the OPCC costs would be in excess of £2 million. The Avon and Somerset PCC office is being run at £1.5 million per annum, which means a saving of £500,000 per annum (25%) compared to the average OPCC in England & Wales.

Summary OPCC Office Budget 2019/20 - and 2020/21 budget proposals:

Cost Area £'000s	Budget <u>2019/20</u>	Forecast <u>2019/20</u>	Draft Budget <u>2020/21</u>
1. Staff costs incl. PCC and training.	1,043	1,088	1,179
2. Transport & travel	16	17	20
3. Audit, annual accounts and joint audit committee	122	127	122
4. Subscriptions: APCC, APACE, PaCCTS, ICT co	30	30	30
5. Communications, media, PR	40	39	40
6. Treasury mngt	67	67	67
7. Legal, Appeals costs, Actuarial & other professional fees	48	39	45
8. Office stationary, ICT, events	18	12	17
9. Custody visiting	9	8	9
Budget transfer from Constabulary	0	0	Complaints triage to be agreed
Total	1,393	1,427	1,529 <i>Before the budget transfer from ASC</i>

RECOMMENDATIONS and ACTION

- The PCC is invited to review and discuss the OPCC budget outturn for 2019/20 and the budget issues and proposals for 2020/21.

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POLICE AND CRIME COMMISSIONER FOR AVON AND SOMERSET

6th NOVEMBER 2019

TREASURY MANAGEMENT MID-YEAR REPORT 2019-20

Report of the Chief Finance Officer

1. Summary

- 1.1.** The Treasury Management Strategy for 2019-20 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (Revised 2018), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that the Police and Crime Commissioner (PCC) is informed of Treasury Management activities at least twice a year.
- 1.2.** This report gives a summarised account of Treasury Management activity and outturn for the first half of the year, and ensures the PCC is embracing Best Practice in accordance with CIPFA recommendations.

2. Background

- 2.1.** UK Consumer Price Inflation (CPIH) fell to 1.7% year-on-year in August 2019 from 2.0% in July, weaker than the consensus forecast of 1.9% and below the Bank of England's target. The most recent labour market data for the three months to July 2019 showed the unemployment rate edged back down to 3.8% while the employment rate remained at 76.1%, the joint highest since records began in 1971. Nominal annual wage growth measured by the 3-month average excluding bonuses was 3.8% and 4.0% including bonuses. Adjusting for inflation, real wages were up 1.9% excluding bonuses and 2.1% including.

Quarter 2 GDP confirmed the UK economy contracted by 0.2% following the 0.5% gain in Q1 which was distorted by stockpiling ahead of Brexit. Only the services sector registered an increase in growth, a very modest 0.1%, with both production and construction falling and the former registering its largest drop since Q4 2012. Business investment fell by 0.4% (revised from -0.5% in the first estimate) as Brexit uncertainties impacted on business planning and decision-making.

Politics, both home and abroad, continued to be a big driver of financial markets over the period. Boris Johnson won the Conservative Party leadership contest and has committed to leaving the EU on 31st October regardless of whether a deal is reached with the EU.

Tensions continued between the US and China with no trade agreement in sight and both countries imposing further tariffs on each other's goods. The US Federal Reserve cut its target Federal Funds rates by 0.25% in September to a range of 1.75% - 2%. The euro area Purchasing Manager Indices (PMIs) pointed to a deepening slowdown in the Eurozone. These elevated concerns have caused key

government yield curves to invert, something seen by many commentators as a predictor of a global recession. Market expectations are for further interest rate cuts from the Fed and in September the European Central Bank reduced its deposit rate to -0.5% and announced the recommencement of quantitative easing from 1st November.

The Bank of England maintained Bank Rate at 0.75% and in its August Inflation Report noted the deterioration in global activity and sentiment and confirmed that monetary policy decisions related to Brexit could be in either direction depending on whether or not a deal is ultimately reached by 31st October.

After rallying early in 2019, financial markets have been adopting a more risk-off approach in the following period as equities saw greater volatility and bonds rallied (prices up, yields down) in a flight to quality and anticipation of more monetary stimulus from central banks. The Dow Jones, FTSE 100 and FTSE 250 are broadly back at the same levels seen in March/April.

Gilt yields remained volatile over the period on the back of ongoing economic and political uncertainty. From a yield of 0.63% at the end of June, the 5-year benchmark gilt yield fell to 0.32% by the end of September. There were falls in the 10-year and 20-year gilts over the same period, from 0.83% to 0.55% and from 1.35% to 0.88% respectively.

Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth remains a global risk. The US yield curve remains inverted with 10-year Treasury yields lower than US 3-month bills. History has shown that a recession hasn't been far behind a yield curve inversion. Following the sale of 10-year Bunds at -0.24% in June, yields on German government securities continue to remain negative in the secondary market with 2 and 5-year securities currently both trading around -0.77%.

As gilt yields have a direct correlation to PWLB borrowing rates, the movements, and particularly the downward movements in PWLB borrowing rates can be seen in Tables 2 and 3 in Appendix A.

London Interbank Bid (LIBID) rates based on the Intercontinental Exchange London Interbank Offered Rate (LIBOR) fixings show that there was significant downward movement in rates from April to the end of September. The slowdown in global trade, and rate cuts in Europe and the US meant that markets were expecting further reductions. This view was enhanced after Boris Johnson was elected leader of the Conservative Party and a no-deal Brexit appeared more likely.

6-month and 12-month rates were the most volatile, with a high to low difference of 0.18% and 0.29% respectively. 1-month, 3-month, 6-month, and 12-month LIBID rates averaged 0.60%, 0.66%, 0.73%, and 0.83% respectively over the period. Most periods closed on or close to year-to-date lows and had reduced by 0.01%, 0.09%, 0.13%, and 0.17% respectively over the period.

Rates paid by banks to Local Authorities have continued to be volatile and non-uniform, being based on individual institutions' wholesale funding requirements at any given time.

The effect that economic conditions had on money market rates during the period,

can be seen in Table 1, Appendix A.

2.2. Debt Management

The limited capital spending that has been incurred has been funded using internal resources in lieu of borrowing as it has been the most cost-effective means of financing capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments.

£669k of EIP PWLB Loans has been repaid during the period.

The debt position at the beginning and end of the period are shown below: -

	Balance on 31/03/2019 £m	Debt Matured / Repaid £m	New Borrowing £m	Balance on 30/09/2019 £m	Increase/ Decrease in Borrowing
Short Term Borrowing	0.00	0.00	0.00	0.00	0.00
PWLB	29.355	0.669	0.00	28.686	-0.669
LOBOs	5.275	0.00	0.00	5.275	0.00
Other Market Loans	6.500	0.00	0.00	6.500	0.00
Total Borrowing	41.13	0.669	0.00	40.46	-0.669

The overall rate paid on PWLB loans has increased marginally from 3.60% at 31st March to 3.62% at 30th September. This is as a result of repayment of EIP loans at a lower rate than the average. The average market loan rate at 30th September remained the same at 4.30%.

The average rate of interest payable across the total debt portfolio of £39.2m was 3.82% at 30th September, down from 3.91% from the same time last year as a lower rate loan was taken in February 2019.

2.3. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the PCC's aim is to achieve a yield commensurate with these principles.

Security of capital remained the PCC's main investment objective. This was maintained by following the counterparty policy as set out in the Annual Treasury Strategy, and by the approval method set out in the Treasury Management Practices. Current approved counterparties are listed below. Those used during the first half of the year are denoted with a star.

Bank or Building Society			
Australia & NZ Bank	*	National Westminster	
Bank of Scotland		Nationwide BS	*

Barclays Bank Plc		Nordea Bank AB	
Close Brothers Ltd		OP Corporate Bank	
DBS Bank	*	Rabobank	*
Goldman Sachs Int Bank	*	RBS	*
HSBC Bank		Santander UK	*
Lloyds Bank	*	Standard Chartered Bank	
Landesbank Hessen-Thuringen		Handelsbanken Plc	
Oversea-Chinese Banking		Toronto-Dominion Bank	
		United Overseas Bank	*
Sterling CNAV Money Market Funds		Other Counterparties	
Deutsche	*	Debt Management Office	
Federated Prime Rate	*	Local Authorities (5)	*
Invesco Aim	*	CCLA Property Fund	*
Insight	*		
LGIM	*		
Aberdeen Standard	*		
SSGA	*		

SCC, as Treasury Management contractor, has continuously monitored counterparties, and all ratings of proposed counterparties have been subject to verification on the day, immediately prior to investment. Other indicators taken into account have been:-

- Credit Default Swaps and Government Bond Spreads.
- GDP and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions i.e. bail-in.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Counterparty Update

There were minimal credit rating changes during the period. After completion of UK Banks' ringfencing and the subsequent upgrades for the ringfenced entities of National Westminster and RBS, these counterparties were reintroducing to the PCC lending list with a limited duration of 100-days.

Credit Default Swap (CDS) spreads rose and then fell again during the period, continuing to remain low in historical terms. After rising to almost 120bps in May,

the spread on non-ringfenced bank NatWest Markets plc fell back to around 80bps by the end of September, while for the ringfenced entity, National Westminster Bank plc, the spread remained around 40bps. The other main UK banks, as yet not separated into ringfenced and non-ringfenced from a CDS perspective, traded between 34 and 76bps at the end of the period.

In response to the overall worsening UK and global economic picture and the factors highlighted in the Background at 2, the maximum duration for which deposits could be made was reduced for several counterparties, some from 6-months to 100-days, others from 13-months to 6-months.

Maturities for new investments with financial institutions on the PCC's list at 30th September are currently limited as follows: -

UK Institutions

Barclays Bank, Close Brothers Ltd, Goldman Sachs International Bank, National Westminster Bank, and RBS - **a maximum period of 100 days**;
Bank of Scotland, HSBC Bank, Lloyds Bank, Nationwide Building Society, Santander UK, and Standard Chartered Bank - **a maximum period of 6 months**;

Non-UK Institutions

All overseas banks on the lending list - **a maximum period of 6 months**.

To diversify the portfolio, five deposits were with UK Local Authorities. This allowed for longer-dated maturities with excellent creditworthiness and an appropriate yield.

Liquidity: In keeping with the CLG guidance, the PCC maintained a sufficient level of liquidity through the use of call accounts, Money Market Funds, and short-term deposits. No short-term loans were necessary during the period.

Sixty-four deposits totalling over £224m were made during the first half of the year. The average weighted maturity, or duration of investments as at 30th September was 79 days, or 2.6 months. This is very similar to the 2018-19 figure of 82 days

CCLA Property Fund: The Authority has a £3m investment in the CCLA Property Fund. As a reminder, this Fund has been in existence for more than 25 years and is only available to Local Authorities. It is an actively managed, diversified portfolio of UK Commercial Property with a stated investment objective "to provide investors with a high level of income and long-term capital appreciation".

The decision to invest more in the CCLA Property Fund was driven by the original 2 key factors i.e. diversifying away from unsecured Bank deposits, and to mitigate the risk of negative returns (real negative returns, or inflation adjusted returns) posed by the low interest rate environment.

The current yield of circa 4.1% net will provide approximately £125,000 of income per annum, circa £100,000 more than if invested in cash at current rates.

Yield: As at 30th September cash balances (Inc-Property) stood at £81.51m (£77.92m in 2018-19) and had averaged just over £65.8m for the year-to-date

(£63.6m 2018-19). The average return for the year-to-date was 1.01% Including Property, 0.86% excluding (0.81% and 0.68% respectively for 2018-19). When compared to the target 1.07% (7-day LIBID + 50 bps) overall returns have underperformed by 0.06%. This has produced investment income in the order of £331k during the period (£75k more than for the same period 2018-19 on average balances of just over £2.2m more).

By comparing returns with money market rates in Table 1 of Appendix A, it can be seen that investment cash performance (Ex-Prop) has outperformed the average market rate for 6-month LIBID of 0.73%, by 0.13%, for the period. This return is 0.20% above the average 3-month LIBID rate and has been achieved with a conservative portfolio that averaged under 3-months duration.

The significant one-off pension top-up payment of £60.3m in July again had a significant effect, meaning that short-term (and thereby lesser paying) counterparties had to be used. As the top-up is more or less uniformly spent during the year, it also limits the maturity options for deposits, i.e. only a proportion can be lent in longer periods where rates are better. Similar to last year, deposit rates were toward the lower end of the period average when this lump sum was received. However, good value was found in some bank 95-Day Notice A/cs, and deposits to these were increased. Money Market Fund rates declined more slowly, and to a lesser degree than bank deposits, and were equal to deposit rates out to 6-months, hence the increase in this area.

The table below sets out changes in the lending portfolio over the period: -

	Balance on 31/03/2019 £m	Percentage of portfolio	Balance on 30/09/2019 £m	Percentage of portfolio	Increase/ Decrease in Lending £m
Call A/cs & MMFs (Short-term)	9.81	21.9%	25.51	31.3%	+£15.70
95-Day Notice A/cs	11.00	24.5%	28.00	34.3%	+£17.00
Deposits (Longer-term)	21.00	46.9%	25.00	30.7%	+£4.00
CCLA Property Fund	3.00	6.7%	3.00	3.7%	+£0.00
Total Lending	44.81	100.0%	81.51	100.0%	+£36.70

		Rate as at 31/03/2019		Rate as at 30/09/2019	Change in Rate
Total		1.15%		0.98%	-0.17%

2.4 Compliance and Prudential Indicators

The PCC has complied with its Prudential Indicators for 2019-20. Indicators agreed by the Police & Crime Board and actual figures as at 30th September are included below: -

	2019-20 £m	As at 30-09 £m
Authorised limit (Excludes PFI)	52	40.5
Operational boundary (borrowing only)	50	40.5

Maturity structure of borrowing

	Upper Limit	Lower Limit	As at 30-09-19
Under 12 months	30%	0%	10.2%
>12 months and within 24 months	30%	0%	2.0%
>24 months and within 5 years	25%	5%	14.1%
>5 years and within 10 years	25%	0%	10.2%
>10 years and within 20 years	35%	0%	22.7%
>20 years and within 30 years	15%	0%	0.0%
>30 years and within 40 years	45%	10%	40.8%
>40 years and within 50 years	10%	0%	0%
50 years and within 75 years	0%	0%	0%

	2019-20 £m	As at 30-09 £m
Prudential Limit for principal sums invested for periods longer than 365 days	20	3

Credit Risk Indicator

The PCC has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator (Actual to be below)	Target	Actual
Portfolio average credit rating (score)	A (6.0)	AA- (3.35)

CIPFA no longer recommends setting upper limits on fixed and variable rate exposures, so these are no longer calculated for this paper.

2.5 Other issues

Revision to PWLB Lending Rates:

On 9th October HM Treasury, without warning, imposed a 1% premium on all loans from the PWLB. Within the letter to all Local Authority Chief Finance Officers, it cited the following

“Some local authorities have substantially increased their use of the PWLB in recent months, as the cost of borrowing has fallen to record lows. HM Treasury is therefore restoring interest rates to levels available in 2018, by increasing the margin that applies to new loans from the PWLB by 100bps (one percentage point) on top of usual lending terms”

“This restoration of normal PWLB lending rates will apply to all new loans with immediate effect. The Government will monitor the impact of this change and keep rates policy under review”

SCC Internal Audit

During the period the South West Audit Partnership (SWAP) conducted an audit of the Treasury Management function at Somerset County Council. It awarded the best possible outcome, ‘Substantial Assurance’, as quoted below.

“We can offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are always in place and operating effectively and risks against the achievement of objectives are well managed”.

2.6 Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first six months of 2019-20. As indicated in this report all treasury activity was conducted within the benchmarks set as Prudential limits for prudent and sustainable capital plans, financing, and investment. A risk-averse approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

In order to mitigate increased risk posed by unsecured bank bail-in, and the risk of negative returns (real negative returns, or inflation adjusted returns) posed by the low interest rate environment, the Authority has continued investment in the CCLA Property Fund and has diversified deposit investments with Local Authorities where possible.

Cash Investment returns are above the average rate for 6 and 12-month LIBID for the period. (If the Property investment were included, it would be 0.28% higher than 6-month and 0.18% more than the 12-month LIBID rate). This has been achieved with a conservative portfolio that averaged just under 3-months duration.

The PCC has pursued a passive borrowing strategy. The limited capital spending that has been incurred to date has been funded using internal resources in lieu of borrowing as it has been the most cost-effective means of financing capital

expenditure. ***A review of 2019/20 capital expenditure will be conducted close to the year end and an assessment will then be made of any borrowing requirement that may be recommended to the PCC and the Board for approval.***

Monthly performance papers are produced by SCC Treasury Officers and meetings were held in April and July with the PCC's CFO to discuss performance, the economic and financial environment, and any tactical and strategic responses to be implemented.

Appendix A**Money Market Data and PWLB Rates**

The average low and high rates correspond to the rates during the financial year-to-date, rather than those in the tables below.

Table 1: Bank Rate, Money Market Rates (LIBID Rates based on Intercontinental Exchange LIBOR rates)

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid
01/04/2019	0.75	0.55	0.57	0.60	0.72	0.83	0.93	0.97
30/04/2019	0.75	0.56	0.57	0.61	0.69	0.82	0.97	1.04
31/05/2019	0.75	0.56	0.58	0.60	0.67	0.75	0.87	0.87
30/06/2019	0.75	0.55	0.56	0.60	0.65	0.73	0.83	0.83
31/07/2019	0.75	0.54	0.56	0.59	0.65	0.69	0.73	0.66
31/08/2019	0.75	0.56	0.56	0.58	0.63	0.66	0.71	0.65
30/09/2019	0.75	0.54	0.57	0.59	0.63	0.70	0.76	0.65
Average	0.75	0.55	0.57	0.60	0.66	0.73	0.83	0.82
Maximum	0.75	0.56	0.58	0.61	0.72	0.83	0.98	1.06
Minimum	0.75	0.54	0.55	0.58	0.63	0.65	0.69	0.60
Spread	0.00	0.02	0.03	0.03	0.09	0.18	0.29	0.46

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2019	129/19	1.66	1.72	2.04	2.56	2.58	2.46	2.44
30/04/2019	167/19	1.75	1.88	2.22	2.69	2.71	2.61	2.58
31/05/2019	209/19	1.62	1.61	1.90	2.43	2.48	2.39	2.36
28/06/2019	249/19	1.63	1.61	1.88	2.43	2.49	2.40	2.36
31/07/2019	295/19	1.46	1.40	1.70	2.33	2.41	2.35	2.32
30/08/2019	338/19	1.44	1.29	1.41	1.94	2.01	1.91	1.88
30/09/2019	380/19	1.48	1.27	1.47	1.97	2.01	1.91	1.87
	Low	1.37	1.21	1.33	1.85	1.92	1.81	1.77
	Average	1.60	1.57	1.83	2.34	2.39	2.30	2.27
	High	1.78	1.93	2.27	2.73	2.75	2.65	2.61
	Spread	0.41	0.72	0.94	0.88	0.83	0.84	0.84

Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2019	129/19	1.65	1.73	2.06	2.38	2.56	2.61
30/04/2019	167/19	1.78	1.90	2.24	2.54	2.70	2.74
31/05/2019	209/19	1.57	1.61	1.92	2.24	2.43	2.50
28/06/2019	249/19	1.59	1.61	1.89	2.23	2.43	2.50
31/07/2019	295/19	1.40	1.41	1.72	2.10	2.33	2.42
30/08/2019	338/19	1.35	1.28	1.43	1.74	1.95	2.02
30/09/2019	380/19	1.34	1.26	1.48	1.79	1.97	2.03
	Low	1.27	1.20	1.34	1.64	1.85	1.93
	Average	1.55	1.58	1.84	2.16	2.34	2.41
	High	1.83	1.95	2.29	2.58	2.73	2.78
	Spread	0.56	0.75	0.95	0.94	0.88	0.85