

**Report of the Chief Constable to the Chair and Members
of Policy & Resources / Corporate Development Panel
5th February 2009**

**Executive & Presenting Officer: Mrs Ann Hall, Assistant Chief Officer
(Finance & Commissioning)**

Status: For information

Budget Monitoring Report to 31st December 2008

1 Purpose

1.1 At their meeting on 28th February 2008 Members approved a Net Budget Requirement (NBR) of £124,623k and budgeted revenue expenditure of £145,301k, the balance of expenditure being funded by specific grants, other income and transfers from reserves. This report sets out the progress against delivery of the budget and is part of the process introduced by the Authority to maintain prudent financial management.

2 Recommendations

2.1 Members are asked to note the contents of the report.

2.2 Members are asked to approve that the current £84k underspend, and any future underspends that develop within the ICT revenue budget during 2008-9 be transferred to the budget for Project I, the exploratory procurement exercise for ICT Service. (Para 3.5 refers).

2.3 Members are asked to approve that the budget for Project I that remains unspent at the end of the 2008-9 financial year be carried forward into 2009-10 and earmarked for the completion of this exercise. (Para 3.5 refers).

2.4 Members are asked to approve the creation of a Medical/Injury Retirements Earmarked Reserve, totalling £810k. (Para 3.10 refers).

3 Reasons

3.1 Summary

The Authority is on target to deliver the £750k provision against the costs of a stand alone air support unit in 2009/10 and the budget of £300k for the non-recurring costs of Project I. The position to date and the year-end forecast are shown at Appendix A.

3.2 Police Pay & Allowances

The number of Police Officers employed at the 31st December was 1,722 FTEs. Appendix B refers. The Force is on target to deliver an in-year vacancy rate of 1% and will also employ in excess of 1,727 FTE Police Officers at the end of the financial year to provide resilience against leavers in the early part of 2009/10. The forecast is to breakeven against this budget.

3.3 Police Community Support Officers

As at the 31st December 198 FTE PCSOs were employed, this is 1 over establishment. Appendix B refers. The underspending to date reflects the number of vacancies that have existed throughout the year and will erode to £15k providing the current numbers are maintained.

3.4 Staff Pay & Allowances

The number of staff in post at the 31st December was 714 FTEs against an establishment of 718 FTEs. Appendix B refers. Staff pay awards were confirmed at 2.6%, compared to the 2.5 % provided for. Due to this and much higher than expected levels of starters during both November and December, staff pay is forecast to overspend by £65k. This overspending will be absorbed by underspendings against other budget heads.

3.5 Service Units

The forecast outturns by the Service Units have generally remained consistent throughout the year, however there are now 2 areas that to be brought to Members attention where underspends are now forecast.

- ICT – Due to Project I, all ICT investment schemes have been deferred to avoid committing expenditure that would be unnecessary if a decision is taken to outsource the service. Each scheme will now be reviewed and risk assessed and only taken forward if deemed critical to the continuation of the service. £84k had been earmarked within the ICT revenue budget to transfer to capital to support an additional capital scheme. This transfer will not now take place resulting in an underspending. It is requested that this underspend, and any others that develop within the ICT revenue budget are used to increase the £300k budget previously approved by Members in respect of Project I. Members are also requested to approve the carry forward of any underspending against the Project I budget for the completion of the project in 2009-10.

- Commissioning – This Service Unit includes Facilities, Fleet, Procurement and Digital Imaging Services. As Members will recall, in the early part of the year the Facilities budget was under significant pressures from increasing utility prices. The Service Unit was tasked with containing this within their overall budget and has done so. The underspend that is now forecast is in part a result of a rates review that was undertaken on behalf of the unit by some external consultants. This review led to the negotiation and agreement of a reduction in the rateable value of HQ by £71k in the current financial year and also resulted in a refund of £152k for previous financial years. An underspend of £180k is now forecast.

3.6 A number of other pressures have been forecast by Service Units, however, it is anticipated that most of these will be managed within overall budgets.

3.7 Members will recall that overtime budgets were reduced by £300k in 2008/09. The minor forecast overspendings shown at Appendix C will be absorbed against underspendings elsewhere within the individual service units. The exception is the Major Incident Contingency Fund which will have an overspend of £50k at the year end. This will be absorbed by underspends in corporate budgets (see 3.8). Members will note that there is currently an overspending of £323k against budget to date compared with £233k reported at period 8. This increase is largely in relation to Mutual Aid/Partnership funded overtime that has been reviewed and will be recovered from external organisations. If this is excluded from the figures, the overspending to date against service units is £63k against a budget of £1,804k. All Service Units are aware that overtime must be closely managed and the reduced budgets delivered.

3.8 Corporate Budgets

Corporate budgets are forecast to underspend by £1,450k as set out in the table below. The major changes from the position reported to Members in previous months are the impact of the proposal in respect of Medical/Injury Retirements set out in paragraph 3.11 below and an increased forecast overspend against the Major Incidents Proactive Operations budget of £150k to £400k. This additional expenditure will be absorbed by under spends elsewhere.

Corporate Budgets	
	£000s
Medical/Injury Pensions	(810)
Secondment Income	(410)
Insurance Tender & Claims	(300)
Interest Receivable	(200)
Revenue Consequences of Capital Schemes	(250)
Major Incidents Proactive Operations	400
ICT Outsourcing	300
Sundry	(180)
Forecast Outturn	(1,450)

3.9 Medical Retirements

Members received an update on the proposed budget for 2009/10 at their December meeting. The report identified an unidentified savings target of £1m and Members noted that the Chief Constable's Executive Team were drawing up proposals to balance the budget whilst maintaining the emphasis on frontline policing and improving performance.

3.10 Proposals to deliver a balanced budget have now been prepared and will be brought forward to Members for their consideration and approval at the February Police Authority Executive.

3.11 However, one proposal impacts on the current year's outturn. Members will recall that the 2008/09 budget for Medical Retirements included a non-recurring uplift to enable 21 Police Officer Medical Retirements to take place in 2008-9. As at the end of December, 4 such retirements have taken place and another 6 are planned for the current financial year.

3.12 As a significant number of those officers carrying out restrictive or recuperative duties have retired normally or will be eligible for retirement in the next two years the risk to operational resilience has reduced. Due to the financial pressures facing the force, it is, therefore, proposed that the £810k funding for the remaining 11 medical retirements is placed in an earmarked reserve for Medical Retirements in future years. This would enable the Medical Retirements budget to be reduced on a non-recurring basis in 2009/10 and 2010/11 contributing to the achievement of a balance budget whilst retaining the resilience to make Medical Retirements when appropriate.

3.13 No material risks other than those mentioned in the report or set out in the Risk Monitor at Appendix D have been identified to the delivery a break even position against this revised budget.

4 Implications

4.1 Finance

There are no financial implications other than those mentioned above.

4.2 Diversity & Equal Opportunities

Diversity considerations are kept under constant review in line with Force policies and 'Putting People First'. There are no issues arising from this report to bring to Members attention.

4.3 Sustainability

This report is part of the process introduced by the Authority to establish sustainable annual and medium term financial plans and maintain prudent financial management.

4.4 Risk

The Corporate Risk Register contains the following financial risk:

- Insufficient financial resource to deliver operational and strategic objectives.

4.5 This is mitigated through:

- Robust financial planning and control processes.
- Independent 'Robustness of Estimates & Adequacy of Financial Reserves' report prepared by the Section 151 Officer.
- Contingency plans to redeploy released resource into areas of operational need.

A risk analysis of the 2008/09 budgets is attached at Appendix D for Members' attention.

5 **Conclusions**

- 5.1 The position to date and the year-end forecast are shown at Appendix A. No material risks, other than those mentioned in the report or set out in the Risk Monitor at Appendix D, have been identified to the delivery of a the forecast position for 2008/09. Although some pressures are emerging there is currently sufficient resilience in budgets to absorb them in the current year.

Sean Price
Chief Constable