

**Report of the Chief Constable to the Chair and Members
of Policy & Resources / Corporate Development Panel
10th December 2008**

**Executive & Presenting Officer: Mr Graeme Slaughter, Temporary Assistant
Chief Officer (Finance & Commissioning)**

Status: For information

Budget Monitoring Report to 31st October 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 the funding of covert operations totalling approximately £250k from underspending budgets including Police Officer Pay.

3 Reasons

3.1 Summary

The position to date and the year-end forecast are shown at Appendix A. Appendix A reflects Members' decisions to create a £750k provision against the potential costs of a stand alone air support unit in 2009/10 and the consequent reduction in revenue support necessary to £2,623k in 2008/09. It

also reflects Members' decision to use additional underspends of £300k for the non-recurring costs of the exploratory procurement exercise for ICT services.

- 3.2 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 break even position against this revised budget.
- 3.3 Police Pay & Allowances
The number of Police Officers employed at the 31st October was 1,731 FTEs. This is currently 4 FTEs above the Force target of 1,727FTEs. Appendix B refers.
- 3.4 The Force began the year with a recruitment plan to deliver the agreed establishment of 1,727 FTEs and an in-year vacancy rate of 1%. Despite concerns about achieving the 1% vacancy rate reported last month, achievement is now looking more likely due to a lower number of leavers than forecast.
- 3.5 The underspending to date reflects the vacancies that have existed during the year and will reduce as the revised recruitment plan is delivered and the Police pay award is paid and backdated to the 1st September. The forecast underspending is £100k which is £90k lower than the position reported last month due to the recovery of the vacancy target. This is due to higher than expected incremental drift as the numbers of leavers has been higher than originally planned.
- 3.6 Police Community Support Officers
As at the 31st October 199 FTE PCSOs were employed, this is 2 above establishment. Appendix B refers. The underspending to date reflects the number of vacancies that have existed throughout the year and will erode providing the current numbers are maintained.
- 3.7 Staff Pay & Allowances
The number of staff in post at the 31st October was 702 FTEs against an establishment of 718 FTEs. Appendix B refers.
- 3.8 On the assumption that staff pay awards will be settled on similar terms as police officers, the impact in the current financial year is forecast to be an additional £25k. It is anticipated that this can be contained within current budgets and the forecast outturn remains break-even.
- 3.9 Service Units
Service Units are under significantly more pressure this year as budget reductions and price inflation begin to have a real impact. As previously reported pricing pressures are mainly in two areas, namely, utilities and petrol/diesel.

- 3.10 The gross forecast overspending against utilities has risen to £226k from £115k due to the contract price increases reported last month. However, this will be absorbed by the Service Unit this year due to the receipt of a significant rates rebate.
- 3.11 The gross forecast overspending on petrol/diesel is £122k. Although petrol/diesel prices have recently fallen and the forecast overspend has reduced from the £130k reported in August. The market continues to be volatile. Service Units have plans to contain this within their overall devolved budget, however, there is a potential overspending against the Roads Policing Unit.
- 3.12 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.
- 3.13 Members will recall that overtime budgets were reduced by £300k in 2008/09. Appendix C shows that Police Overtime is currently showing an overspend of just over £210k against budget to date. This is as primarily a result of additional overtime being worked that will be reclaimed from Partners and will not lead to an overspend. The current forecast is for a small overspend mainly due to the Major Incident budget. All Service Units are aware that overtime must be closely managed and the reduced budgets delivered. This area will continue to be given additional attention in the current financial year to ensure delivery of the reduced budgets and preparation of further proposed reductions in 2009/10.
- 3.14 Corporate Budgets
Corporate budgets are forecast to underspend by £695k largely for the reasons reported to Members in previous months. The major change to the previously reported position is the release of the Revenue Consequences of Capital Schemes budget. The underspending/over-recovery of income against these budget headings will largely generate the air support provision reported previously.

Corporate Budgets	
	£000s
Secondment Income	(410)
Insurance Tender	(300)
Interest Receivable	(200)
Revenue Consequences of Capital Schemes	(250)
ICT Procurement Exercise	300
Major Incidents	250
Sundry	(85)
Forecast Outturn	(695)

3.15 Secondment Income

As previously reported, the Force has had in excess of the budgeted 12 Police Officers on secondment throughout the year which will generate an over-recovery of income of £410k. Officers are seconded out of the Force for operational reasons to fulfil a variety of national and regional obligations.

3.16 Insurance Premiums/Claims

At their meeting on 1st May Members approved a contract for Insurance Services that released savings of approximately £200k in insurance premiums. In addition to this the settlement of claims is currently less than budget and a further £100k in underspends are forecast to materialise.

3.17 Interest Receivable

Initial interest receivable budgets were set based on an average £16m invested across the year at an interest rate of 5%. Both the amount invested and the interest rates achieved will be in excess of this and we are therefore forecasting to over-recover against this budget by a net £200k. This forecast has been reviewed in light of the recent reduction in the Bank of England base interest rate but it is not expected to reduce returns below our forecast given the investments that we already have in place.

3.18 Revenue Consequences of Capital

A provision against the revenue consequences of capital schemes has been reviewed and £200k released. In addition, due to the phasing of the capital programme there will be an underspending of £50k against the budget for Minimum Revenue Provision.

3.19 ICT Procurement Exercise

As agreed last month a provision against the non-recurring costs of the procurement exercise for ICT Services has been established.

3.20 Major Incidents

As reported last month, the increased investment in protective services has enabled a number of highly successful proactive covert operations to take place with a view to reduce the occurrence of major crime in Cleveland. These have been charged against this budget head. At Members' request a briefing on these operations is attached at Appendix E.

3.21 Due to the success of these operations it is proposed to mount a number of other operations each of which have their own operational sensitivities. Due to their covert nature it is not possible to go into further detail in this report. However, all are geared around local policing priorities and designed to reduce the harm caused to our communities through illegal drugs and to protect our communities from the threat of serious and organised criminality.

3.22 Members are recommended to approve the funding of these operations totalling approximately £250k from underspending budgets including Police Officer Pay.

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 the forecast breakeven 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

Covert Operations Briefing

As requested by Members a brief summary of a few of the covert operations carried out to date with associated results is given below.

Operation Basar

A major enquiry following the discovery of a huge Vietnamese controlled cannabis factory in central Middlesbrough. Significant links to organised crime groups in other parts of the UK and abroad. 18 people arrested in total after the subsequent discovery of a network of such premises across Cleveland and South Durham and significant prison sentences handed down. Work is ongoing in relation to financial confiscation and significant positive publicity for the Force. The operation has been highly commended in this year's National Annual Drugs Awards. Presentation is to take place later this month in Belfast at the annual conference (another publicity opportunity that will be exploited to maximum potential).

Operation Elland

A long running covert investigation set up to dismantle a Jamaican dominated crack cocaine supply network from the London area and seeking to establish a foothold on supply into Cleveland. Over 20 people subsequently arrested following a lengthy investigative phase. SOCAP so called 'Supergrass' legislation was used with one of the defendants to assist in forcing guilty pleas from others thus avoiding lengthy and costly contested trials. Again significant positive publicity generated for the Force but perhaps more importantly, a large drug dealing network dismantled which if allowed to continue unchecked would undoubtedly have led to an escalation in gangland violence and gun crime and the associated costs of investigation and containment.

Grangetown

An operation to investigate the criminal activities of various feuding factions within the Grangetown area of Redcar. Two murders, petrol bomb attacks on homes and licensed premises, drive by shootings, beatings and other linked criminality resulted in lengthy and costly re-active and pro-active operations to arrest/prosecute those responsible and restore public confidence. Numerous individuals have either faced or are due to face trial, three firearms have been removed from the streets and significant criminal property and drug commodity recoveries made. In October 2008, as an ancillary part of this operation, six men were arrested in the Redcar and Cleveland district. Cash totalling over £30K and over 25Kgs of class A drugs and bulking agents were seized along with other criminal property.

Operation Montreal

Cleveland led, this was a sensitive operation carried out in conjunction with the Child Exploitation Online Protection Service (CEOPS) and led to the dismantling of a paedophile ring of child abusers domiciled in the UK, Holland and USA. Using undercover officers and specialist technical support, Operation Montreal was several months in the evidential gathering and planning phase followed by simultaneous arrests in the UK and elsewhere. Resulting in the prevention of further sexual abuse

to numerous child victims, this was the most significant operation carried out by CEOPS to date and resulted in Cleveland Police receiving a national award at a presentation ceremony in London in recognition of our leadership of and contribution to this extremely complex investigation.

Operation Kiev

A live ongoing investigation being carried out in conjunction with another force in the UK. Focussing of the supply and distribution of amphetamine and cocaine into the Cleveland area, this operation has already resulted in a significant number of arrests, drug and cash seizures. In September 2008, three people were arrested in the Billingham area and 3 Kgs of cocaine recovered. Further arrest activity is planned and prosecutions can be anticipated in relation to conspiracy to supply class A drugs. This operation will result in the dismantling of a network which of itself is wreaking significant community harm.

Mark Braithwaite
Detective Chief Superintendent
Head of Crime