

**Report of the Chief Constable to the Chair and Members
of the Policy & Resources/Corporate Development Panel
10th September 2009**

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

Status: For information

Budget Monitoring Report to 31st July 2009

1 Purpose

- 1.1 At their meeting on 26th February 2009 Members approved a Net Budget Requirement (NBR) of £128,790k and budgeted revenue expenditure of £146,911k, 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 It is recommended that the expenditure plan for 2009/10 be reviewed in line with the proposals detailed in 3.4 below.
- 2.3 It is recommended that the transfer from General Reserves of £1,900k to support the 2009/10 budget, as approved by Members on the 26th February 2009, is reduced by £625k to £1,275k as a result of the proposals detailed in 3.4 below.

- 2.4 It is recommended that the expenditure plan for 2009/10 be further reviewed and proposals for creating additional in year savings be brought forward to a future meeting. The aim of which will be to provide further reductions in the amount needed to support the 2009-10 budget which will in turn provide more options in developing the 2010-14 LTFP

3 Reasons

3.1 Long-Term Financial Plan (LTFP)

Members approved a LTFP, including a budget for 2009/10 on the 26th February 2009. This was based on certain assumptions and best estimates of what would occur during 2009/10. This LTFP also indicated that £1.1m of savings would be needed in 2010/11 to balance the budget for that year. This increased by an additional £1.6m to £2.7m in 2011/12.

- 3.2 Members approved, at their meeting on the 22nd July 2009, 'that the expenditure plan for 2009/10 be reviewed and any proposals for creating in year savings be brought forward to a future meeting. The aim of which will be to reduce the £1.9m contribution from the General Fund needed to support the 2009/10 budget which will in turn provide more options in developing the 2010/14 LTFP.'

- 3.3 Since setting the 2009/10 budget firmer information is now available that allows us to revisit the assumptions and best estimates that this budget was based upon. By doing this it is possible to reduce the contribution from General Reserves needed to support the budget during 2009/10 by £625k. This reduced contribution from Reserves during 2009/10 could then be utilised during 2010/11 and 2011/12.

3.4 Proposed in year changes to the 2009/10 Budget

- 3.4.1 The indication from the Home Office when setting the 2009/10 budget was that the Dedicated Security Posts Grant would be reviewed throughout the country and that our share would be £544k, a reduction of £400k on the amount received in 2008/09. This review however did not take place and our Grant has been confirmed as £969k. As we were not intending to reduce our expenditure in this area, even though our Grant was reduced, we were in effect supporting this reduced Grant from our General Reserves. We can therefore reduce our contribution from Reserves in 2009/10 by **£425k** which will have no impact on the service that we planned to provide.

- 3.4.2 The current recession has had a downward pressure on inflation which has lead to a smaller increase in the Retail Price Index (RPI) than we had expected. Two of our contracts, relating to the Unitary Charge for the District and Custody PFI buildings and the Urlay Nook PFI Unitary Charge, increase year on year by RPI. The RPI increase for 2009/10 was less than 0.1% and as a result the Unitary Charges for 2009/10 will be £200k less than budgeted. We

3.4.3 The above changes, totalling £625k, are consistent with those outlined to Members at their Away Day on the 14th August. In addition to these savings, of £625k, it was also highlighted to Members at the Away Day that further areas of savings were being looked at. The intention being to develop £475k of further savings during 2009-10 whilst ensuring that front line policing and performance is maintained.

3.4.4 Further work is being undertaken in 2 areas to develop these additional savings. The first is in relation to Utilities where price decreases have been experienced across the sector and the second is in relation to the income that the force expects to generate this year from Police Officer secondments. Both of these areas will be looked into and reported back to Members at a future meeting. In addition to highlighting any further savings we will also firm up any pressures that may materialise over the remainder of the current financial year, such as the Major Incident Fund, which has been on our Risk Monitor, at Appendix D, since the budget was initially approved.

3.5 Summary of Proposed Changes

The above changes total £625k as per the table below. Members are then asked to approve a £625k reduction in the contribution from General Reserves during 2009/10, from £1,900k to £1,275k, to balance the proposed changes. This will provide additional financial options when the 2010/11 budget and 2010/14 LTFP are being developed.

Proposed Changes to the 2009-10 Budget	
	£000s
DSP Grant Income	(425)
PFI Unitary Charges	(200)
Impact of Proposed Changes	(625)
Reduce Contribution from Reserves	625
Overall impact	0

3.6 Summary of the position to the end of July 2009

The position to date and the year-end forecast are shown at Appendix A and assume that the above proposals are approved by Members. No material risks, other than those set out in the Risk Monitor at Appendix D, have been identified to the delivery of a break-even position for 2009/10.

3.7 Police Pay & Allowances

The Force has a recruitment plan to deliver the agreed establishment of 1,727 FTE's and an in-year vacancy rate of 1.0% or below. The number of Police Officers employed at the 31st July was 1,737 FTE's. This is currently 10 FTE's above the Force Target of 1,727FTE's, Appendix B refers. As such there is

currently an overspend of £280k against budget to date. This overspend is expected to reduce to zero by the end of the financial year.

3.8 Police Community Support Officers

As at the 31st July 191 FTE PCSOs were employed, this is 6 under establishment due to leavers and transfers during April and May. Appendix B refers. The recruitment of PCSOs, as with Police Officers, is only viable in certain numbers and therefore recruitment will be planned during the year as leavers and vacancies arise.

3.9 Staff Pay & Allowances

The number of staff in post at the end of July was 717 FTE's against an establishment of 743 FTE's. Appendix B refers. A vacancy rate of 2% was agreed against staff budgets at the start of the year which is expected to be met during the year.

3.10 Service Units

At this stage in the financial year Service Units are not highlighting any areas of significant concern. All budgets will be robustly managed throughout the year to ensure the budget reductions highlighted as part of the 2009/13 LTFP are delivered.

3.11 Members will recall that overtime budgets were reduced further in 2009/10 and will therefore require close management and monitoring to ensure that overspends do not occur. Police Overtime is currently £23k underspent against budget to date. Appendix C refers.

3.12 Corporate Budgets

The one area of pressure within the Corporate budgets will be in relation to interest receivable. The income budget was set at £270k when interest rates were at 1.5%, now that they are at 0.5% this creates a pressure on this line of £160k.

3.13 The budget pressure will be managed during the year with the expectation that this will not lead to an overall overspend.

3.14 Major Incidents

The major incident budget comes under pressure every year and has overspent in the last 3 years, although these pressures have been offset by savings from other budgets.

3.15 The budget for 2009/10 is £988k (which compares to £966k in 2008/09). This budget will be very closely monitored throughout the year. Spend to the end of July is £378k against a budget to date of £270k, which compares to spend of £311k against a budget of £263k at the same time in 2008/09 when £1,677k was eventually spent in this area.

4 Implications

4.1 Finance

There are no financial implications other than those mentioned above

4.2 Diversity & Equal Opportunities

Diversity and equal opportunities 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 Human Rights Act

There are no Human Rights Act implications arising from this report.

4.4 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.

4.5 Risk

A risk analysis of the 2009/10 budgets is attached at Appendix D for Members' attention.

5 Conclusions

5.1 Since setting the 2009/10 budget firmer information is now available that allows us to revisit the assumptions and best estimates that this budget was based upon. By doing this it is possible to reduce the contribution from General Reserves needed to support the budget during 2009/10 by £625k. This reduced contribution from Reserves during 2009/10 could then provide additional financial options when the 2010/11 budget and 2010/14 LTFP are being developed.

5.2 The position to date and the year-end forecast are shown at Appendix A. No material risks, other than those set out in the Risk Monitor at Appendix D, have been identified to the delivery of a break-even position for 2009/10. Some pressures are expected to emerge during the year but these will need to be robustly managed and absorbed within the revised budget.

Sean Price
Chief Constable