

**Report of the Chief Constable to the Chair and Members
of the Policy & Resources / Corporate Development Panel
11th June 2009**

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

Status: For information

Revenue Outturn 2008/09

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 year end position against that budget.

2 Recommendations

It is recommended that members note:

- 2.1 The revenue outturn position for 2008/09 of a £26k underspend which is in line with forecasts and represents a 0.02% underspend against a gross expenditure budget of £145.3m.
- 2.2 That this outturn position is consistent with the assumptions that underpin the LTFP agreed by Members at their meeting on the 26th February 2009, where a breakeven position was assumed after allowing for the agreed support to establish our Air Support Unit of £750k.
- 2.3 That these results are presented subject to audit and that any amendments resulting from the audit will be presented to a future Authority meeting.

3 Reasons

3.1 2008/09 Outturn

This report is the final report for 2008/09. It sets out the year end position against the approved budget and is consistent with the capital outturn report and treasury management outturn report that are also on today's agenda.

3.2 It should be noted that these results are presented subject to audit. Any amendments resulting from the audit will be presented to a future Authority meeting.

3.3 The overall outturn position attached at Appendix A shows an underspending against budget of £26k (0.02%) when compared with a gross expenditure budget of £145.3m. This is consistent with the breakeven position that has been reported throughout the year and is achieved after allowing for the following decisions that were made by Members during the year:

- The delivery of a £750k provision against the costs of a stand alone air support unit.
- The earmarking of reserves as agreed by Members for use in future years and as detailed in 3.16 below.

3.4 Police Pay & Allowances

As at the year end the Force employed 1,757 FTE Police Officers against a budgeted establishment of 1,727 FTE's (Appendix B refers). This will allow the Force to maintain the number of Police Officers within Cleveland Police and provide resilience against leavers in 2009/10.

3.5 The average vacancy factor in year was 0.8% compared to the target of 1.0%. The outturn on Police Pay is an underspending of £102k (0.1%).

3.6 The high number of Police Officers at the end of this financial year will impact in 2009/10 but this has been taken into account in the Recruitment Plan for 2009/10 which is being closely monitored and flexed as necessary.

3.7 Police Community Support Officers Pay & Allowances

As at the year end the Force employed 198 FTE PCSOs against a budgeted establishment of 197 FTE's (Appendix B refers).

3.8 The outturn on PCSO Pay is an underspending of £38k (0.7%) which reflects the higher than expected vacancy rate we had during the year as we recruited to our full establishment.

3.9 Staff Pay & Allowances

The number of staff in post at the end of the financial year was 718 FTEs against a budget of 718 FTEs (Appendix B refers). The Staff Pay outturn was an overspend of £2k (0.01%)

3.10 Service Units

Service Units delivered a combined underspending of £315k compared to a period 11 forecast of £139k. (Appendix A refers). The majority of this £176k movement in period 12 came from P&OD where a combination of a number of factors around Occupational Health resulted in a £75k underspend for the service unit.

3.11 The final outturn on Overtime was a £171k overspend compared to a forecast £127k over spend reported in period 11. (Appendix C refers). All the overspends on overtime were managed within Service Units devolved budgets.

3.12 Corporate Budgets

As can be seen below there were a couple of areas of movement in relation to the Corporate Budgets between period 11 and period 12. These are set out in the table below:

Corporate Budgets			
	£000s	£000s	£000s
	Outturn	P11 Forecast Outturn	Movement
Secondment Income	(473)	(465)	(8)
Insurance	(277)	(300)	23
Interest Receivable	(135)	(200)	65
Revenue Consequences of Capital Schemes	(250)	(250)	0
Major Incidents	445	400	45
ICT Outsourcing	300	300	0
30+Pensions Allowances (offset by under spend on Police Pay)	115	0	115
Sundry	33	22	11
Forecast Outturn	(242)	(493)	251

3.13 The continued reduction in interest rates, combined with the reduced cash balances we had over the last quarter of the financial year, lead to a reduced over recovery against interest receivable. Between October 2008 and March 2009 the Bank of England Base Rate of Interest fell from 5.0% to 0.5%.

3.14 The Major Incident Contingency has been under pressure all year. There were a couple of additional Major Incidents in the last month of the year which lead to the increased overspend in this area.

3.15 The pensions overspend was as a result of the number of Police Officers that we currently have on 30+. Whilst they do not receive their pension in full they receive an amount equal to the allowances that they previously received as a Police Officer. This overspend is offset by the underspend on Police pay, of £102k, as this is where those allowances are budgeted to be paid from.

3.16 Reserves

The overall position is as shown in the table below:

Reserves and Provisions			
	£000s	£000s	£000s
	Mar-09	Mar-08	Movement
General Fund	6,285	8,882	(2,597)
Other Earmarked Reserves	8,785	7,004	1,781
Legal Provision	103	280	(177)
Other Provisions	28	11	17
Total Reserves and Provisions	15,201	16,177	(976)

3.17 Members will note that the General Fund has decreased by £2,597k to £6,285k and is as a result of the following:

- The use of £3,373k from the General Fund as agreed when setting the 2008-9 budget.
- The return to General Fund of £750k for the support for the Air Support Unit as agreed by Members.
- The increase in General Fund for the small underspend during 2008-9 of £26k.

3.18 The Legal Provision has been used as intended during the year. The balance is being maintained during 2009/10 until it is certain that all liabilities have been discharged.

3.19 Earmarked Reserves have increased by £1,781k during 2008/09. The changes are shown in the table below:

Earmarked Reserves			
	£000s	£000s	£000s
	Mar-09	Mar-08	Movement
Insurance Fund	(1,560)	(1,420)	(140)
Risk/Insurance Team	(270)	(420)	150
Direct Revenue Funding of Capital	(2,549)	(2,574)	25
Specific Capital Grant	(60)	(281)	221
Airwaves Project	(473)	(473)	0
Uraly Nook Sinking Fund	(456)	(342)	(114)
Incentivisation Grant	(362)	(507)	145
NEASU	(644)	(209)	(435)
Uraly Nook TTC	(64)	(83)	19
Development Fund	(42)	(42)	0
Web Services Architecture	(140)	(200)	60
Invest to Save	(130)	(130)	0
Performance Improvement Ops	(88)	(173)	85
Volunteers	0	(43)	43
Devolved Budget Carry Forwards	(69)	(108)	39
Subtotal	(6,907)	(7,004)	97

Injury Pension Reserve	(980)	0	(980)
Accommodation Costs	(308)	0	(308)
Neighbourhood Policing	(196)	0	(196)
PFI Sinking Fund	(190)	0	(190)
Project I	(174)	0	(174)
Specials	(30)	0	(30)
Subtotal	(8,785)	(7,004)	(1,781)

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 risks:

- 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.

5. Conclusions

- 5.1 Continued improvements in both forecasting and financial management have been evident throughout the year and the lessons learned during the 2007/08 closure of accounts process have lead to real benefits throughout 2008/09. The Force has successfully delivered a breakeven position for the 2008/09 financial year having made the necessary provisions to make the financial transition to a stand alone Air Support Unit easier in the short term and having earmarked the necessary funds to deliver Project I.

5.2 The 2008/09 Outturn provides the year end position that the 2009/13 LTFP is built upon and therefore the Force can move forward into this challenging period with a solid financial basis.

Sean Price
Chief Constable