

**Report of the Chief Constable to the Chair and Members  
of the Policy & Resources Panel  
15<sup>th</sup> December 2011**

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

**Status: For Approval**

**Budget Monitoring Report to 31<sup>st</sup> October 2011**

**1. Purpose**

- 1.1 At their meeting on 24<sup>th</sup> February 2011 Members approved a Net Budget Requirement (NBR) of £129,843k and budgeted revenue expenditure of £141,678k, 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.

**3. Reasons**

3.1 Summary of the position to the end of October 2011

Forecasts suggest that the Authority has pressures against the expenditure plan for 2011/12 and therefore forecast a £80k overspend (excluding Operation Sacristy costs forecast to be £1.44m in the current year). 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 this position. The work to address this potential overspend is set out in paragraphs 3.13 – 3.17.

### 3.2 Police Pay & Allowances

The Force set a budget based on an agreed establishment of 1,572 FTE's and an in-year vacancy rate of 0%. The number of Police Officers employed at the 31<sup>st</sup> October was 1,564 FTE's; Appendix B refers.

3.3 Due to a slowdown in recruitment, the current financial climate, workforce modernisation under Project I, and internal civilianisation, the overall number of Police Officers will continue to reduce across the year. This continues to be possible due to the release of officers from back office roles under workforce modernisation thus releasing them to the front line to sustain the number of front line officers. These officers are also available on the front line earlier than probationers who, after their recruitment, would be in training for 40 weeks.

3.4 By the end of the year, Police Pay is forecast to overspend by £280k due to the following reasons:

- In line with the principles of Putting People First the decision was taken to grant those Police Officers, with in excess of 30 years service, 3 months notice as part of the implementation of regulation A19. As this did not align with the budget put forward in February this is expected to incur unbudgeted costs during 2011/12.
- Also, a level of acting across the organisation has resulted in a differing rank mix to that which was budgeted for, leading to an additional pressure of £207k. This is to meet operational need, (e.g. backfilling during the riots for staff sent on mutual aid). This continues to be monitored and managed by the Executive team through the Resource Management Group.

3.5 This £280k pressure is after the medical retirements of 9 officers (with a further 3 occurring in November) as reported to Members in June. The costs of these retirements was agreed to be funded from an earmarked reserve by Members but due to the lower than anticipated redeployment levels within the Steria outsourcing presented here, it is proposed that c. £880k of the current year funds will be utilised to fund the retirements, leaving the earmarked reserve in tact to underpin next year's budget proposals. These 12 retirements will save the Force approximately £340k in the current year; £600k per annum thereafter.

### 3.6 Police Community Support Officers

As at the 31<sup>st</sup> October, 171 FTE PCSOs were employed against an establishment of 182.5 FTE's and a vacancy rate of 1.5%; Appendix B refers. We have had a higher number of leavers than anticipated and therefore, if the vacancies are maintained, an underspend of £280k is forecast in this area.

### 3.7 Staff Pay & Allowances

The number of staff in post at the end of October was 237 FTE's against an establishment of 251.5 FTE's and a vacancy rate of 2% agreed against staff budgets at the start of the year; Appendix B refers.

### 3.8 Service Units

Service Units continue to robustly manage their budgets and Appendix A illustrates a £86k underspend across Operational and Central Service Support Services.

3.9 Overtime budgets continue to be closely managed and monitored and Police Overtime is currently £190.4k overspent against budget to date, with a forecast break even position for the 2011/12 financial year as all overspends will be managed within delegated budgets; Appendix C refers.

### 3.10 Major Incidents

The start of 2011/12 saw a higher than expected level of incidents. All expenditure against the Major Incident budget is closely monitored and ACC White chairs monthly meetings to scrutinise all expenditure taking action to contain expenditure and mitigate pressures. He has confirmed that his view is that the budget will be at breakeven at the end of the financial year. The forecast therefore still assumes a break-even position; however, the area is highlighted on the Risk Register in Appendix D, as this budget remains sensitive to operational requirements. Updates will be given in all future reports.

### 3.10 Core Budgets

Several pressures and underspends exist within this area:

- Underspends:

- The Employers Contribution Rate into the Local Government Pension Scheme was reduced from the start of 2011/12 to 14.3%. This was previously set at 15.7% within the Outsourcing contract with Steria. This change has now been reflected in the contract price which will save £117k per year.
- The 2011/12 budget assumed the vast majority of the redeployment pool risk within the Outsourcing contract would transfer to the Authority during April and May. Given changes to the release plan of the staff into the redeployment pool the timing of this responsibility has moved back and therefore £900k previously set aside for this isn't expected to be needed during 2011/12. This underspend of £900k encompasses an underspend of £1.4m (as the £2.05m set aside in the 2011/12 budget for workforce modernisation as a result of the contract has not all been operationally feasible) offset by a pressure of £500k for payments to Steria regarding the redeployment pool which haven't been absorbed into that anticipated modernisation.

- A budget of £100k was set for 30+ pensions during the year, however as at 30<sup>th</sup> June there are no more to be paid and this will lead to a £70k underspend in the current year.
- Condition survey priorities for the year have been revisited and £43k of these have been re-categorised as capital expenditure – as approved by Members as part of the Capital Monitoring process. A further £7k has been reprioritised as work for a future year. This will therefore lead to a £50k reduction in spend against the £230k budget set aside for condition survey work.
- As reported in the Treasury Management report a Public Works Loan Board (PWLB) loan was taken out in June for £4m – earlier than expected and at a higher interest rate than budgeted. Further borrowing of £3m is estimated in December, leading to a pressure on interest payable of approximately £120k. However, as less capital expenditure was financed by borrowing in 2010/11 than expected at the time of setting the 2011/12 budget, the pressure on interest payable will be more than offset by a £170k saving on Minimum Revenue Provision (MRP). This will therefore, overall, lead to a £50k saving in these areas.
- Pressures:
  - Expected costs of covert operations are forecast, at this stage, to lead to a potential pressure of £400k. These are closely monitored at Executive level, and regular updates on progress received.
  - Insurance costs are causing a pressure again this year with a higher level of claims seen. The current forecast assumes a pressure of £300k in this area. This is the most significant change from the report presented to Members in October and represents the movement from the £100k underspend forecast at that point to the overspend presented here.

3.11 The Force continues to look at all areas of spend in order to drive out savings which can facilitate bringing the £80k overspend forecast here back to a break-even position.

3.12 As highlighted earlier, the insurance fund has been analysed and money is being reclaimed back from both insurance companies (Zurich who look after historic claims and current insurers Gallagher Bassett) in respect of imprest balances which appeared higher than needed – the forecast here takes into account £100k returned as a result of this work. Further detail has been required from both insurance companies to understand the control mechanism and the substantive reasons for increased claims; updates on this work will be brought to further meetings.

- 3.13 The level of acting across the organisation also continues to be the subject of a high level of scrutiny and OPT are undertaking a review to ensure that only acting which is line with the revised policy is taking place in order to minimise that pressure.
- 3.14 Due to some of the redeployment pool being temporarily absorbed into the Steria operating model, a revised forecast for the total cost of the pool is being sought as this may result in a lower forecast cost than anticipated here. Updates on all of the above will be provided to Members at the next available opportunity.
- 3.15 Pay budgets and all elements of mutual aid and recharging are being reviewed and analysed as part of budget clinics in week commencing 12<sup>th</sup> December to establish if further forecast savings can be made in this area.
- 3.16 Also, Members will be aware that Part 1 of the Independent Review of Police Officer and Staff Remuneration and Conditions undertaken by Tom Winsor was published in March 2011. There are a significant number of recommendations within that very comprehensive review and decisions have yet to be made nationally on which of the recommendations are to be implemented. It is therefore unlikely that this will result in any benefit for 2011/12. Future potential benefits are highlighted as part of the Long Term Financial Plan updates.
- 3.17 If any savings do arise from this review during the current year then they will also be added to reserves in order to facilitate the plan going forward.
- 3.18 Members will be aware of Operation Sacristy and, in line with the Long Term Financial Plan (LTFP) Report presented to Members of the Police Authority Executive in September, it is assumed that estimated 2011/12 costs of £1.44m will be met from reserves as opposed to affecting the expected outturn position. Costs to the end of October are £754k.
- 3.19 Again in line with the LTFP Report, it is proposed that the current reserve earmarked for medical retirements of £900k is not utilised in 2011/12, but used to set up a reserve in 2012/13 for a programme of Workforce Modernisation in order to provide funds for further medical retirements and to potentially deal with the redeployment pool risk outside of the 24 roles being dealt with under Plan B.

## **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 2011/12 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 set out in the Risk Monitor at Appendix D, have been identified to that forecast.

Jacqui Cheer  
Temporary Chief Constable