



**Report of the Chief Constable to the Chair and Members  
of the Policy & Resources Panel  
16<sup>th</sup> February 2012**

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

**Status: For Approval**

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

Forecasts suggest that the Authority has pressures against the expenditure plan for 2011/12 but with sufficient underspends to provide an offset and therefore forecast a break even position (notwithstanding 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.

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> December was 1,552 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 £200k 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. 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 £200k pressure is after the medical retirements of 12 officers 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 position presented here, it is proposed that c. £880k of the current year funds are utilised to fund the retirements, leaving the earmarked reserve in tact to underpin next year's budget proposals. These 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> December, 170 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 December was 236 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 £222k underspend across Operational and Central Service Support Services.

3.9 Overtime budgets continue to be closely managed and monitored and Police Overtime is currently £161.2k underspent against budget to date, with a forecast overspend for the 2011/12 financial year. All budgets, including overtime, are robustly challenged as part of the monthly Budget Clinics and the movement from the current year underspend to the forecast overspend relates to timing issues surrounding bank holidays over the Christmas period and the timing of operations, however all overspends will be managed within overall 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. The budget was very close to break even at the end of December and ACC White has confirmed that his view is that the budget will be at break even at the end of the financial year. The forecast therefore 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.

### 3.11 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 were 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. A further loan of £1m was taken out in December and it is also likely that £2m of further borrowing will need to be taken out leading to a pressure on interest payable.
  - However, the cash flow levels of the Force have been risk managed in order to enable the Force to take out borrowing at the latest point possible and therefore minimise the pressure on the interest payable budget. Interest rates on PWLB loans have also been on a downward trend. Therefore, a previously reported pressure of approximately £120k in this area has been managed downward to a level of £50k.
  - Also, 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 still be more than offset by a £170k saving on Minimum Revenue Provision (MRP). This will therefore, overall, lead to a £120k saving in these areas; this being the prime reason for the move from a forecast overspend in the last report to a break-even position here.
- Pressures:
    - Expected costs of covert operations are forecast, at this stage, to lead to a potential pressure of £450k. 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 £350k in this area.
- 3.12 The forecast presented here also assumes that the earmarked reserve for medical retirements will not be utilised in 2011/12, in order to underpin the LTFP recently presented to Members. The 12 in-year medical retirements will therefore be funded from the 2011/12 budget.
- 3.13 The Force continues to look at all areas of spend in order to drive out savings which can facilitate delivering the break-even position forecast here and also try to enable an underspend in order to support the reserves position for future years.

- 3.14 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. In an update to that, the Police Arbitration Tribunal (PAT) have reviewed the proposals and recommended the level of implementation to the Home Secretary. The Home Secretary has now adopted the PATs recommendations, however they will not provide any additional savings for the 2011/12 financial year and future potential benefits are being highlighted as part of the Long Term Financial Plan updates.
- 3.15 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 December, it is assumed that estimated 2011/12 costs of £1.44m will be met from reserves as opposed to affecting the expected outturn position. The costs of the investigation are kept under constant review and a separate report from the Treasurer on today's agenda details the costs to date.
- 3.16 Again in line with the LTFP Report, it is proposed that the current reserve earmarked for medical retirements of £900k is utilised to set up a reserve in 2012/13 for a programme of Workforce Modernisation in order to provide funds for further medical retirements.

## **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