

**Report of the Chief Constable to the Chair and Members
of the Policy & Resources/Corporate Development Panel
24th November 2009**

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

Status: For Decision

Budget Monitoring Report to 30th September 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 Members approve 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 Members approve the reduced transfer from General Reserves of £1,275k to support the 2009/10 budget, as approved by Members on the 10th September 2009, is reduced by a further £350k to £925k as a result of the proposals detailed in 3.4 below.

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 10th September 2009, a revised expenditure plan for 2009-10. This plan reduced the contribution from the General Fund by £625k whilst maintaining the same service level. Members also approved '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.'

3.3 In the report approved by Members on the 10th September further work to develop additional savings were highlighted in 2 areas. The first was 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.

3.4 Additional Proposed in year changes to the 2009/10 Budget

3.4.1 The work on utilities and secondments has now been done and whilst it is subject to monitoring and review the following changes to the 2009-10 expenditure plan are recommended.

3.4.2 Utilities

The expenditure on utilities during 2008/09 totalled £1,342k and at the time of setting the 2009/10 budget utility prices were still on the increase. As such a budget of £1,429k was set to allow for the same usage as 2008/09 but with some increase in prices. As at the end of September not only have these price increases not materialised but prices have fallen back significantly from the highs of last year. The result of which is that we expect, based on the information that we currently have, that the growth of £350k approved as part of the 2009/10 budget is not going to be needed. We can therefore reduce our contribution from reserves by **£350k** which will have no impact on the service that we planned to provide. Utility prices will be monitored closely going forward with the hope that these budgets can be reduced permanently as part of the 2010/14 LTFP.

3.4.3 Secondments

The Force currently has 17 FTE Police Officers on secondment. We set an income budget of £550k for 2009/10 on the basis of 11 FTE secondments being charged to other forces/organisations/collaborative arrangements. The 6

FTEs in excess of the 11 we budgeted to have are likely to generate income of **£300k** in excess of our income budget. Whilst this could be used to back fill for those people on secondment, the suggestion at this point is that we use this income to support the budgetary pressures, which are expected to materialise within the Major Incident Fund (3.11-3.13 refers), as a result of the proactive operational policing work that is taking place within the Force.

3.5 Summary of Proposed Changes

The above changes total £650k as per the table below. Members are then asked to approve a £350k further reduction in the contribution from General Reserves during 2009/10 this will reduce the contribution from General Reserve from the £1,275k, which was approved by Members at their meeting on 10th September 2009, to £925k. This will provide additional financial options when the 2010/11 budget and 2010/14 LTFFP are being developed. To balance the proposals it is also recommended that £300k is set aside to cover the expected pressure on the Major Incident Fund.

Proposed Changes to the 2009-10 Budget	
	£000s
Utilities	(350)
Increase Secondment Income Budget	(300)
Impact of Proposed Changes	(650)
Reduce Contribution from Reserves	350
Increase Major Incident Expenditure Budget	300
Overall impact	0

3.6 Summary of the position to the end of September 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. There is 1 material risk, noted within the Risk Monitor at Appendix D, and discussed later in this report, to the delivery of a break-even position for 2009/10. This risk relates to the expenditure within the Major Incident Fund (3.14-3.16 refers). The impact of the adoption of International Financial Reporting Standards in relation to an accrual for time owing to employees is also discussed given the impact that this could have on the medium term finances of the Force (3.17-3.22 refers).

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 30th September was 1,729 FTE's. This is currently 2 FTE's above the Force Target of 1,727FTE's, Appendix B refers. As such there is currently an overspend of £242k 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 30th September 189 FTE PCSOs were employed, this is 8 under establishment due to leavers and transfers during the year. 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 September was 720 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 £67k 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 when interest rates were at 1.5%, now that they are at 0.5% this creates a pressure on this line.

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 September is £614k against a budget to date of £422k, which compares to spend of £734k at the same time in 2008/09.

3.16 All expenditure against the major incident budget is closely monitored. ACC Pickard chairs monthly meetings with the Head of Crime, the Head of Finance and the Head of the Central Business Unit to scrutinise all expenditure.

3.17 Whilst the expenditure in this area will continue to be robustly managed and challenged, it is prudent, as part of our review of the expenditure plan for

3.18 International Financial Reporting Standards

Members received an update on the work being undertaken by the Force to reduce the levels of Time Off In Lieu (TOIL) at their meeting on the 10th September. It is appropriate at this point in the year to put the challenges that we face into financial context and highlight this as a financial risk for our medium term financial planning.

3.19 What the accounting standards are looking to achieve is the matching of the use of resources (i.e. the time people are at work) with the outputs from that work (i.e. reduction in crime, arrests made, invoices processed etc). They currently require a charge for the use of resources in terms of time off in lieu and accrued holidays not taken, even if they are taken as time, not cash.

3.20 TOIL and Accrued Holidays

The statutory adoption of these accounting standards does not only therefore have a financial impact from the levels of TOIL in the Force. There is also a financial impact if any employees have holidays that they have become entitled to during the financial year but they have not taken. The rationale being that if an employee has 5 days holiday that they have not taken as at the 31st March 2010 then the Force has had the benefit of 5 days extra work from that employee which has not generated a financial charge. The change to accounting standards will mandate that this charge is now made. There is a separate report on today's agenda on Time Off In Lieu.

3.21 Financial Impact

As an indication of the financial impact that adopting the new accounting standards will have on the Force, an exercise has been undertaken to establish what levels of TOIL and Accrued Holidays were in existence as at the 31st March 2009 and the financial impact that these have. The table below summarises the position as at 31st March 2009:

	Financial Impact
As at 31 st March 2009:	£000
Police Officer TOIL	1,693
Police Officer Holidays	1,348
Police Staff Holidays	121
Total Charge required	3,162

3.22 The target for the 31st March 2010 is to reduce the financial impact of the above to a level which is affordable to the Force. This balance has been set at £2m and can be accommodated as a result of the release of an Earmarked Reserve that is set aside for funding Capital Expenditure. The Capital

th February 2009.

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 a further £350k. 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