

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

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

**Status: For Approval**

**Budget Monitoring Report to 30<sup>th</sup> June 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.

2.2 Members are asked to note that future updates will be brought to them.

**3. Reasons**

3.1 Summary of the position to the end of June 2011

Forecasts suggest that the Authority has pressures of £0.6m against the expenditure plan for 2011/12; but has sufficient predicted underspends to cover these pressures. The position to date and the year-end forecast are shown at Appendix A. We are therefore forecasting a break even position for the year. It should be noted that this reflects the position as at the 30<sup>th</sup> June 2011. The full impact of the investigation is not factored into the forecast.

Updates on the impact and the treatment of costs will be brought forward for Members' attention at future meetings. 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 30<sup>th</sup> June was 1,602 FTE's; Appendix B refers.

3.3 Due to a slowdown in recruitment, the current financial climate and 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 £350k 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 continues to be monitored and managed by the Executive team through the Resource Management Group.

3.5 This £350k pressure is after the medical retirements of 9 officers (with a further 3 planned in March 2012) as reported to the last panel in June. The costs of these retirements are being funded from an earmarked reserve and will save the Force approximately £340k in the current year; £600k per annum thereafter.

### 3.6 Police Community Support Officers

As at the 30<sup>th</sup> June, 173 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 £210k is forecast in this area.

### 3.7 Staff Pay & Allowances

The number of staff in post at the end of May was 245 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. The average number of

staff for the year is expected to be below that of the budget, and therefore, again should the vacancies be maintained, an underspend of £100k is forecast.

### 3.8 Service Units

Service Units continue to robustly manage their budgets and Appendix A illustrates a break even forecast position across Operational and Central Service Support Services.

3.9 Overtime budgets continue to be closely managed and monitored and Police Overtime is currently £184.4k overspent against budget to date. The forecast overspend, as detailed in Appendix C, will be contained within service unit budgets and through re-charges to Steria.

### 3.10 Major Incidents

The start of 2011/12 has seen a higher than expected level of incidents; however, these haven't all been resource intensive and so a pressure has not materialised in this area at this point in the year. However, this budget remains sensitive to operational requirements and updates will be given in all future reports.

3.11 All expenditure against the Major Incident budget is closely monitored. ACC White chairs monthly meetings to scrutinise all expenditure.

### 3.12 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 £120k 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 £340k previously set aside for this isn't expected to be needed during 2011/12.
- 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 for which bids will

be prepared and routed through the appropriate approval channels. 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, also on today's agenda, a Public Works Loan Board (PWL) loan was taken out in June for £4m – earlier than expected and at a higher interest rate than budgeted. It is also likely that further borrowing will need to be taken out 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 £250k.
- 3.13 However, the Force also continues to look at all areas of spend in order to drive out savings which can facilitate the bolstering of general reserves in order to support the financial position of the Force going forward. Any savings identified will only be captured if they do not undermine operational performance.
- 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. There are a significant number of recommendations within that very comprehensive review and although decisions have yet to be made nationally on which of the recommendations are to be implemented it is worth pointing out that if all are fully implemented it is expected to result in savings to the Authority, in 2011/12, of around £1.1m.
- 3.15 If any savings arise from this review during the current year then they will also be added to reserves in order to facilitate the plan going forward.

## **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.

Sean Price  
Chief Constable