

**Report of the Chief Constable to the Chair and Members
of the Policy & Resources Panel
30th June 2011**

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

Status: For Approval

Budget Monitoring Report to 31st May 2011

1. Purpose

1.1 At their meeting on 24th 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 and actions proposed to bring the 2011/12 budget back into balance.

3. Reasons

3.1 Summary of the position at the end of May 2011

This report forecasts an overall breakeven position for 2011/12. This comprises several separate elements:

- changes to the assumptions made in setting the 2011/12 budget that created a pressure of £650k (see section 3.4, this was separately reported in the Long Term Financial Plan update to Members of 23rd June 2011).
- in year cost pressures of £80k (see also section 3.4).
- identified cost savings (set out at section 3.11) to rebalance the 2011/12 budget.

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 31st May was 1,605 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 £730k 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 of £400k during 2011/12.
- Members approved at their meeting on the 16th February 2011 as part of the paper titled 'Provisions of Regulation A19 Police Pensions Regulations' that to ensure that a fair procedure is in place to support decision making, a matrix was to be used to enable the Force to understand the impact that the retirement of any officer may have on the overall effectiveness and efficiency of the Force. As a result of this process it has been necessary to delay the retirement of certain officers from that modelled with the Budget for 2011/12. The impact of this is expected to be £250k.
- 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 £80k. This continues to be monitored and managed by the Executive team through the Resource Management Group.

3.5 Police Community Support Officers

As at the 31st May, 179 FTE PCSOs were employed, which is in line with the budget set; Appendix B refers.

3.6 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.

3.7 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.

3.8 Overtime budgets continue to be closely managed and monitored and Police Overtime is currently £30.7k overspent against budget to date, with a forecast break even position for the 2011/12 financial year (excluding the Major Incident Contingency); Appendix C refers.

3.9 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.

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

3.11 Balancing 2011/12

The £730k pressure arising from Police Pay in 11/12 can be brought back to a balanced position with the following proposals:

- A programme of Injury and Medical Retirements is to be undertaken which is expected to result in 12 Officers, who are unable to return to Front Line Operational Policing duty, being allowed to leave the Force on an Injury/Medical Pension. The costs associated with this are expected to be £900k, which will be funded from the Earmarked Reserve that Members agreed to set up several years ago to meet the costs of this type of action. Members should note that the £900k are not payments being made directly to those Police Officers impacted but are in relation to the legislative payments required into the Police Officer Pension Fund as a result of a Injury/Medical retirement. This is expected to save the Authority £340k in 2011/12 and £600k pa thereafter.
- 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 around £112k 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.

3.12 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; further savings in 2011/12 may be possible in the following areas:

- Staff Vacancies
- Planned Maintenance
- Major Incidents
- 30+ Pension Allowances

Any savings identified will only be captured if they do not undermine operational performance.

3.13 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.

3.14 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. The plans for dealing with the forecast overspend are laid out in this report.

Sean Price
Chief Constable