

Warwickshire Police Authority - 23 February 2009

Financial Management Report 2008/09

Report of the Temporary Director of Resources

Summary

This report details the financial performance of Warwickshire Police for the financial period 1st April 2008 to 31st December 2008 and the forecast outturn at 31st March 2009.

Recommendations

It is recommended that:

1. The report be received:
2. The financial position as at 31st December 2008 be noted.
3. The forecast outturn for 2008/09 be noted.
4. The Police Authority approve a contribution of £0.109m from the Repair & Maintenance reserve to support the revised spend in the backlog maintenance programme.

1. Introduction

- 1.1. The revenue budget for 2008/09 of £90.113m was in part supported by the use of £4.698m reserves and was approved at the Police Authority Meeting held on 20th February 2008.
- 1.2. The Police Authority has previously agreed to adjust the budget to reflect the revised phasing of the backlog repair and maintenance programme (£0.935m) and the Body Armour Programme (£0.224m) and the resources released have been carried forward to fund this expenditure in future years. The revised budget is therefore £88.954m and is supported by the use of £3.539m reserves.
- 1.3. The budget has been profiled within the report to ensure that the amount of net expenditure is set against the relevant budget for the reporting period.
- 1.4. It is essential that the detailed budget allocations and financial management arrangements are sufficiently flexible to respond to operational requirements

and the detailed budget allocations are therefore continually updated to reflect such changes.

- 1.5. This report shows the position for the year to date in terms of the profiled budget compared to net expenditure to date and the resulting variance. The report also sets out, in the same detail, the forecast expenditure for the year compared to the latest annual budget allocation and the resulting variance for the year.
- 1.6. The detailed appendices to this report provide this information for each Directorate or Portfolio together with a subjective analysis of the whole budget. The reported position takes account of actual expenditure to date, known commitments and intelligence from budget holders and their line managers. A fundamental review of the budget is currently being undertaken and the outcome will be reflected in future reports.
- 1.7. The impact of the current year variance is analysed between one off and ongoing. The ongoing effect will need to be considered as part of the development of the Medium Term Financial Planning Strategy.

2. Revenue position to 31st December 2009

- 2.1. The comparison of actual financial performance against the budget to date reveals an under spend of £3.646m.
- 2.2. Based on information from budget holders and their finance managers it is forecast that the position at the end of March 2009 will be an under spend of £3.218m, this compares to the forecast under spend previously reported of £2.746m and is a reduction in forecast net revenue spending of £0.472m.
- 2.3. The key issues are:-
 - Operation Westbere – The operation began in 2007/08 and the expenditure incurred in the year was drawn from reserves. In 2008/09 Home Office funding of £3.045m was received as reported at the 18 December meeting. The net balance of £2,122m under spend will be a contribution to reserves. Forecast spend in 2009/10 is £0.950m, assuming that the operation will continue to run until the end of December 2009. A business case will be submitted to the Home Office to request funding to support this expenditure. A further update will be provided in the next report.

- Operation Rome – Forecast expenditure for 2008/09 is £0.280m within the Local Policing Directorate. In 2009/10, additional funding of £0.025m will be required to support the implementation. The main costs for 2009/10 are the salaries of the officers and staff working on the project, communication costs and the cost of training, which will be delivered by Learning & Development staff and the project team.
- Service Developments – Forecast variance for 2008/09 is a net under spend of (£0.755m). This relates to the previously reported under spend of £0.484m on Bulldog Bash together with planned expenditure of £0.437m that will now be incurred in 2009/10 and the funding for which will need to be carried forward. There is also an over spend of £0.166m (as reported to the 18th December meeting) that relates to 150 Forward savings that have not been achieved in 2008/09 which is covered later in this report.
- The Repair & Maintenance (R&M) programme has been revised in 2008/09 to address some of the backlog issues in the current year that have arisen since the last report and we will therefore need to use £0.109m of the £0.954m reserves reported to the 18th December meeting as being set aside for future years. The opportunity has also been taken as part of developing the budget strategy to review the backlog maintenance programme against the minimum standard of safe, secure and watertight only and also in light of the recent planning permission decision for HQ site. The revised R&M budget will be presented to the Police Authority as part of the budget strategy in February.

2.4. Table 1 below summarises the revenue budget position for 2008/09 and a more detailed analysis by Directorate is provided in the attached Appendix.

Table 1. Summary Revenue Position

	Annual Budget	Budget to 31 December	Net Exp. To 31 December	(Under) / Over spend at 31 December	Forecast (Under) / Over spend for 2008/09
Police Authority	913	662	620	(42)	6
Corporate Finance	(1,484)	(1,298)	(3,078)	(1,780)	(300)
Performance & Standards	3,354	1,804	2,333	529	22
Local Policing	37,494	27,897	28,775	878	830
Protective Services (excl Westbere)	29,129	22,045	21,800	(245)	(316)
Operation Westbere	0	0	(2,419)	(2,419)	(2,122)
Resources	18,099	13,267	12,609	(658)	(583)
Service Developments	1,557	(321)	(230)	91	(755)
Total	89,062	64,056	60,410	(3,646)	(3,218)

- 2.5. Although pay, overtime and TOIL costs have been reflected in the Directorate analysis in the above table and attached appendices as previously agreed they are being managed and controlled centrally.
- 2.6. The budget analysis above shows the position with the recommended revision to the property repair and maintenance programme of £0.109m, taking the budget from £88.954m to £89.063m. The resultant use of reserves in 2008/09 will change from £3.539 to £3.648m if the Police Authority approve this change.

POLICE OFFICER PAY

- 2.7. The current forecast suggests a net under spend for the year of £0.078m, the main variances are in Local Policing and Protective Services. Vacancies were held within Protective Services to cover over spends in Local Policing. The table below summarises the position by Directorate.

Police Pay	Budget	Forecast Outturn	Variation
	£m	£m	£m
Corporate Finance	0.738	0.738	-
Performance and Standards	1.157	1.175	0.019
Local Policing	24.162	25.362	1.200
Protective Services	22.297	20.986	(1.312)
Westbere	-	0.062	0.062
Resources	1.639	1.592	(0.047)
Total	49.993	49.915	(0.078)

POLICE STAFF PAY

- 2.8. The latest outturn forecast reveals a net under spend for the year of £1.661m, compared to an under spend of £1.128m previously reported. The table below summarises the position by Directorate. The main changes have been within the Resources Directorate where vacancies were expected to be filled earlier in the year but this has not been achieved. The Resources directorate has also received £0.110m of budget funding from Service Developments which was previously showing as an over spend. Local Policing has also changed significantly due to vacancies in the Communications centre, PCSOs and 150 Forward posts which have not been filled.

Police Staff Pay	Budget	Forecast Outturn	Variation
	£m	£m	£m
Performance and Standards	1.917	1.791	(0.125)
Local Policing	13.259	11.959	(1.300)
Protective Services	4.514	4.464	(0.050)
Operation Westbere	-	0.164	0.164
Resources	5.598	5.248	(0.350)
	25.288	23.626	(1.661)

OVERTIME

- 2.9. The latest forecast suggests that there will be an over spending against the overtime budget this year of £1.206m, compared to £1.688m as previously reported, as set out in the table below. The main changes are within the Local Policing and Protective Services directorates and is offset by a reduction in the number of police officer vacancies since the last report.

Police Officer Overtime	Budget	Forecast Outturn	Variation
	£m	£m	£m
Performance and Standards	0.105	0.085	(0.020)
Local Policing	0.951	1.612	0.661
Protective Services	1.321	1.741	0.419
Operation Westbere		0.117	0.117
Resources	0.018	0.047	0.029
	2.395	3.601	1.206

- 2.10. It is suggested that the provision for overtime is reviewed as part of Operation Rome and the development of the Medium Term Financial Planning Strategy.

TOIL and RDIL

- 2.11. The latest forecast includes the payment agreed earlier in the year together with the estimated payment in respect of the Bulldog Bash. The table below shows the impact by Directorate.

	Forecast Outturn
	£
Service Developments	160,000
Local Policing	223,000
Protective Services	164,552
	547,552

POLICE AUTHORITY

- 2.12. The latest forecast reveals a small forecast overspend of £5,000, which is slightly lower than previous forecasts. The main change is since the previously reported position relates to Member Training. The latest indications are that there will be little spending this year against the £20,000 budget. In addition the budget of £7,000 for claims handling support can be

transferred to the Insurance and Risk Management team where this activity now takes place. These under spends have, to some extent been offset by an increased spend on conferences due to the increase in the number of members attending the ACPO and APA conferences. If this level of activity continues additional funding of around of £5,000 will need to be provided for in the 2009/10 budget. As previously reported other spending pressures this year relate to the delay in the appointment of the Chief Executive's post and the increased cost of External Audit.

CORPORATE FINANCE

- 2.13. The latest forecast reveals a net under spending for the year around £0.3m, which is approximately £0.5m lower than the previous forecast. As reported to the police authority in January this is due to the difficulties in placing cash on the short term money market. In the first half of the year the average interest rate earned was 5.3% but the rate dropped to around 2.5% towards the end of the calendar year and since the turn of the year it has been very difficult to place any money on the market. The latest forecast therefore anticipates that we will only attract minimal interest on our cash balances for the rest of the 2008/09 financial year. If this position continues it will have a significant impact on the Medium Term Financial Planning Strategy. Discussions are currently taking place with the Treasurer to explore alternative cash management strategies. The interest rates on the long term money market have not dropped in line with the short term money market. Consequently the planned loans to fund the current year's capital programme have been deferred until the market becomes clearer. The saving on debt charges that has arisen has, to some extent, offset the loss of interest receipts.

PERFORMANCE AND STANDARDS

- 2.14. The forecast under spending for the year, excluding pay related budgets, is an over spend of £0.139m, compared to a previous forecast of £0.031m overspend. The main reason is that grant received is less than originally anticipated.

LOCAL POLICING

- 2.15. The latest forecast reveals a potential under spend for the year, excluding pay related budgets of £0.104m, which is broadly in line with the previous forecast.

PROTECTIVE SERVICES

- 2.16. The latest forecast for the Protective Services Directorate excluding pay related budgets and Operation Westbere dealt with elsewhere in this report indicates a potential over spending for the year of £0.421m, which is an increase over the previous forecast of £0.158m and relates predominantly to charges for forensic services.

RESOURCES

- 2.17. The Resources Directorate forecast outturn, excluding pay related budgets, is a potential under spend of £0.212m and reflects a decrease compared to previous forecasts of £0.402m over spend. £0.400m of this relates to service development budgets that have now been transferred to the Resources Directorate relating to development project costs incurred in the year which was previously shown as an over spend. A further £0.180m of energy cost over spends previously forecast have been offset through a

reduction in the revenue repair and maintenance schedule resulting from a safe, secure and watertight minimum standard review if necessary activity.

3. 150 Forward

- 3.1. The monitoring report to the December meeting of the Resources Panel indicated that savings of £0.259m have been delivered and the base budget adjusted accordingly, leaving savings of £0.166m yet to be achieved in 2009/10. Although the workforce development plan was put on hold pending the outcome of Equality Impact Assessment some options are now being pursued however it is unlikely that these will deliver significant savings in the current year and this means that if we do not make any further savings we will effectively have an overspending of £0.166m.
- 3.2. In addition the full budget impact of some of the savings already achieved will not be felt until next year. These savings, totalling £79,380, will need to be reflected in the 2009/10 base budget. This means that we have an on-going shortfall in the base budget of £86,890, which will need to be addressed as part of the development of the 2009/10 budget.
- 3.3. In overall terms the recommendations already implemented will deliver savings totalling £1.914m.
- 3.4. This and other initiatives mean that we have made £2.419m Efficiency and Productivity gains in 2007/08 and are on target to deliver a further £2.312m in 2009/10. All told we will have delivered £4.731m Efficiency and Productivity gains which equates to 5.3% of the net revenue budget. It is suggested that as part of the development of the Medium Term Financial Planning Strategy consideration be given to setting an Efficiency target for the next three years

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