

WARWICKSHIRE POLICE AUTHORITY

Police Authority

30 June 2008

REVENUE OUTTURN REPORT 2007/2008

**Report of the Treasurer to the Police Authority
& Director of Resources**

Summary

This report presents the revenue outturn, permanent virements made during the year and the agreed and proposed transfers to and from reserves and the Statement of Accounts for the financial year ending 31st March 2008.

Recommendations

It is recommended that:

1. The Revenue Outturn for 2007/2008 be agreed.
2. The Treasurer to the Authority is given delegated authority in consultation with the Stream Lead for Resources to make any adjustments to the 2007/2008 accounts in respect of grant aid for Operation Westbere as appropriate.
3. The proposals set out in Section 5 of the report be agreed.
4. The virements contained at Appendix 3 are noted.
5. The Chair is authorised to sign the 2007/2008 accounts.

1. Introduction

- 1.1. This report presents the revenue outturn for the year ended 31st March 2008. The report has been reviewed by the Authority's Resources Panel on 19th June before being finalised for the full Authority.

2. Background

- 2.1. The 2007/2008 budget was set on the basis of the pre 150 Forward Force structure and expenditure plans. This was the known position at the time and the only reasonable basis upon which the budget could be based.
- 2.2. Modified financial management arrangements were issued in April 2007. These provided guidance for the year in terms of budget management for an organisation in transition.
- 2.3. The 150 Forward blueprint was published in July 2007. This detailed the agreed, significant changes to the Force cost base supported by a people movement plan.

- 2.4. The implementation of 150 Forward has had the effect of slowing down expenditure in both pay and running expenses as managers ensured there was flexibility in both physical and financial terms to implement the blueprint recommendations.
- 2.5. This in turn led to a change in financial monitoring and management during the financial year in order to ensure financial control. This involved moving away from an objective monitoring basis (i.e. by Directorate) to a subjective monitoring basis (i.e. by the type of expenditure). This was necessary to respond to the significant change in the management structure of the Force and the risk this posed to accurate financial reporting by Directorates, a risk increased by the virtual constant movement of people during the year.
- 2.6. It is on this monitoring basis that the Authority has received regular update reports on forecast outturn during the year.

3. Revenue Outturn 2007/2008

- 3.1. The budget for 2007/2008 was £84.856 million and this includes underspends of £310,000 brought forward from 2006/2007 as agreed by the Authority on 28th June 2007. The net expenditure in 2007/2008 is £84.728 million, which represents an underspend of £128,000.
- 3.2. A comparison of the revenue outturn with the revenue budget for 2007/2008 is set out in Appendix 1. A summary is set out in table 1 below:

Table 1	2007/2008	Outturn
Summary Outturn	Budget	(-)Under/ overspend
	£000	£000
Income	(-) 13,911	(-) 3,830
Police Officer Pay	53,640	343
Police Staff Pay	22,188	70
Ill Health Retirements & Service Injury Benefits	787	(-) 191
Other Employee Costs	126	(-) 10
Running expenses	22,026	3,490
Total	84,856	(-) 128

- 3.3. The main variations are drawn from Appendix 1 and are set out in section 4 of this report.
- 3.4. Before exploring the main variations there are two significant issues that are incorporated within the figures.
- 3.5. Firstly 150 Forward. The Police Authority agreed 150 Forward on 23rd July 2007 and progress has been monitored through the Business Improvement Board. The outturn for 2007/2008 is a part year effect net saving of £565,000. This is summarised in Table 2 below:

Table 2	Plan	Actual	Variance
150 Forward Outturn 2007/2008	£000	£'000	£000
Investments	(-) 310	(-) 109	(-) 201
Savings	867	674	193
Net	557	565	(-) 8

3.6. Whilst there were delays in implementing the planned investments this was covered by the savings which although also delayed, resulted in a small net over achievement of the net targeted savings of £8,000.

3.7. Operation Westbere

3.7.1. In December 2007 the Police Authority agreed to transfer £1.5 million from elsewhere in the budget for this operation. The monitoring of the costs of this has been regularly reported to the Police Authority and managed via the Gold Group. It became clear through this process that the costs were going to increase beyond the £1.5 million budget, but no further virement was made because there were savings elsewhere that covered the increasing costs. An independent review of the control of the costs has concluded "that the mechanisms put in place offer a good level of control and governance over both management of resources and costs".

3.7.2. The cost for this in 2007/2008 is £2.855 million. A bid has been made to the Home Office for special grant aid in respect of a total estimated cost of £3.6 million (£0.745 million due to be incurred in 2008/2009). Home Office guidance on grant aid means that we have to bear £0.85 million of this cost (1% Net Revenue expenditure). As this is a special grant bid it is not possible to determine how much, if any, grant we will receive. Pending the outcome of this bid for grant aid, savings made elsewhere during 2007/2008 will be used to fund the operation.

3.7.3. The HMIC are coming to inspect the claim on 1st July and members will be kept informed of progress. If a grant is received it is recommended that the Treasurer to the Authority is given delegated Authority in consultation with the Stream Lead for Resources to make any adjustments to the 2007/2008 accounts as appropriate.

3.8. Comparison of the last forecast with the outturn position

The last forecast outturn report to the Authority was an underspend of £379,000, subject to the probable changes in the expenditure on Operation Westbere. The actual outturn is an underspend of £128,000, a movement of £251,000.

4. Variations

4.1. Additional Income of £3.830 million.

As previously reported the main reason for this variation is that interest on balances received exceeded the budget by £1.896 million. The remainder of the variation (£1.934 million) arises primarily from income received after the budget was set in respect of Operations Safeguard and Determine, the Regional Asset Recovery Team, Central Justice Centre partner contributions and the ACPO Firearms project. The additional income received has expenditure associated with it and this is explained in the following paragraphs.

4.2. Police Officer Pay: £343,000 overspend

This overspend is the net effect of an £892,000 underspend on salaries and an overspend in overtime of £1.235 million. Operation Westbere accounts for £148,000 of the overtime overspend, whilst a further £527,000 is met from the additional income referred to in paragraph 4.1. The main element of the underspend in Police Pay (£892,000) results from the majority of the £565,000 savings delivered by 150 Forward (as reported to the Business Improvement Board during the year).

4.3. Police Staff Pay: £70,000 overspend

This overspend is the net effect of a £346,000 underspend on salaries and an overspend in overtime of £416,000 (of which £136,000 is attributable to Operations Westbere and Budapest). The underspend on salaries is net of the virement of £1.5 million agreed by the Authority for Operation Westbere which means that there was a significant underlying underspend in Police Staff salaries in 2007/2008. This is directly linked to 150 Forward as staff turnover increased and posts were not filled due to the restructuring of a number of departments and the resulting uncertainty.

4.4. Ill Health Retirements, Service Injury Benefits and other Employee Costs: £201,000 underspend. This combined underspend is predominantly due to lower than anticipated ill health retirements and claims during 2007/2008.

4.5. Running expenses: £3.490 million overspend

This net overspend is attributable to the following expenditure heads across the Force.

4.5.1. Training: £58,000 overspend

This overspend results from additional training costs associated with 150 Forward.

4.5.2. Supplies and Services: £588,000 overspend

Of this overspend, £285,000 relates to Operation Westbere and £65,000 is spending against the additional income detailed in paragraph 4.1. The balance of £238,000 is the result of a number of variations, up and down, an element of which is within the revenue consequences of capital expenditure, as a consequence of delaying the implementation of the IM Strategy.

4.5.3. Transport: £631,000 overspend

There are four elements to this overspend. A decision was taken during the year not to recharge internally the costs of maintaining retained vehicles subsequently hired internally (£298,000), increased fuel costs (£45,000) and travel expenses (£179,000). These issues have been addressed in setting the budget for 2008/2009. A review of the vehicle fleet and capital programme has resolved the issue of the internally hired fleet, whilst travel expense budgets have been reviewed in light of recent year's expenditure and Force re-structuring, this has been a contributor to this cost pressure which has produced excess mileage claims as Officer and Staff places of work have changed. In addition Operation Westbere and other in year operations (additional income was received for the latter) account for the remaining overspend of £109,000.

4.5.4 Premises: £294,000 overspend

Operation Westbere accounts for £389,000 of the overspend with a further £374,000 in respect of the additional income detailed in paragraph 4.1. Taking this into consideration the real situation is an underlying underspend of £469,000 which results from the general slowing down in planned repair and maintenance and the property development plan and the resultant savings in revenue including the revenue consequences of capital expenditure.

4.5.5 Third Party Payments: £701,000 overspend

Of this overspend £364,000 is attributable to Operation Westbere and £246,000 is met from the additional income detailed in paragraph 4.1. The remaining £91,000

overspend comprises a number of under and overspends which when taken together result in a net overspend.

4.5.6 Capital Financing: £1.218 million overspend

This overspend predominantly arises as a result of interest on balances attributable to the Justice Centre project. The Police Authority earns interest on invested cash balances and part of this balance is held on behalf of the Justice Centre project. The interest attributable to the Justice Centre project in 2007/2008 is £763,000; this has been charged to revenue and is funded by the additional interest on balances detailed in paragraph 4.1 of this report. However, in closing the accounts for 2007/2008 it became evident that the interest on balances due to the project for 2006/2007 of £535,000 had not been charged to revenue. Therefore it has been necessary to charge revenue with £535,000 to rectify this position. The overspend is net of a saving of £80,000 arising as a result of the timing and interest rate of the loan taken out during the year which was different to that planned in the 2007/2008 budget.

5. Transfers To And From Reserves

5.1. Principles

5.1.1. In previous years it has been the practice to transfer under and overspends in cost centres to the cost centre carry forward reserve. However due to the need to fund Operation Westbere the number of proposals to carry forward to 2008/2009 have been limited, at this stage, to those that have specific requirements to carry forward the resource for a defined purpose. These are set out in Table 3. All those cost centres that would have been entitled to carry forward their in year underspends to 2008/2009 have been contacted to outline their intentions for spending the carry forward assuming funding could be identified. There are two possible options to explore for funding: a recommendation to the Authority for an allocation from reserves (this would involve the Resources Panel reviewing the reserves which are earmarked for specific purposes and reporting back to the Police Authority) or any savings identified in 2008/2009.

5.2. Contributions from Reserves

5.2.1. Cost Centre Carry Forward Reserve

The Cost Centres had a net underspend carry forward from 2006/07 of £310,000.

5.2.2. Budget Reserve

A transfer of £4.467 million was made to provide general support to the budget as agreed by the Police Authority when setting the budget for 2007/2008. In order to accommodate the transfer to the cost centre carry forward reserve of £218,000, it is proposed that £90,000 is drawn from the budget reserve. This results in a total draw down from the budget reserve of £4.557 million. A review of the items contained in the budget reserve will be required and this will be reported to the Resources Panel in July.

5.3. Contributions to Reserves

5.3.1. It is proposed that £218,000 is transferred to the cost centre carry forward reserve. The carry forwards are detailed in table 3 overleaf.

Table 3	£000
Domestic Abuse Campaign	2
Fire Arms Training	24
Economic Crime	5
Family Liaison Officer	6
Asset Incentivisation Income	89
Operational Contingency	88
Press campaign	4
Total	218

6. Statement of Reserves

- 6.1. Taking into account the details set out in paragraph 5 of this report the Statement of Reserves is set out at Appendix 2.

7. Permanent and Temporary Virements

- 7.1. The permanent virements in the year are predominantly due to the 150 Forward restructuring of the Force. As a result budgets were moved between one directorate or method of service delivery to another.
- 7.2. There was only one temporary virement in year in relation to Operation Westbere.

8. Debt Write-offs

- 8.1. The Treasurer has approved the writing off of debts totalling £1,723 and these are included in the accounts.

9. Statement of Accounts 2007/2008

- 9.1. The Accounts and Audit Regulations 2005 require that the Authority approve the Statement of Accounts by the 30th June 2008 and are attached as Appendix 4. The accounts have been completed by the due date and are in accordance with legislative and professional requirements. The audit of accounts will be carried out during July and it is anticipated that the Audit Commission will be able to issue an unqualified opinion in due course.

Dave Clarke
Treasurer to the
Police Authority

Simon Pameley
Director of Resources

Enquiries relating to this report should be directed to Derek Kitchen, Assistant Director of Resources on 01926 415015

REVENUE OUTTURN 2007/2008

DESCRIPTION	BUDGET	ACTUAL	OVER/ (UNDER) SPEND
	£	£	£
INCOME	(-)13,911	(-)17,741	(-) 3,830
Police Pay	51,123	50,231	(-) 892
Police Overtime	2,517	3,752	1,235
Net Police Pay and Overtime	53,640	53,983	343
Police Staff Pay	22,127	21,781	(-) 346
Police Staff Overtime	61	477	416
Net Police Staff Pay and Overtime	22,188	22,258	70
Ill Health Retirements and Service Injury Benefits.	787	596	(-) 191
Other Employee Costs	126	116	(-) 10
TOTAL EMPLOYEE COSTS	76,741	76,953	212
Training	459	517	58
Supplies and Services	8,839	9,427	588
Transport	2,315	2,946	631
Premises	5,357	5,651	294
Third Party Payments	3,274	3,975	701
Capital Financing Costs	1,782	3,000	1,218
TOTAL RUNNING COSTS	22,026	25,516	3,490
TOTAL INCOME AND EXPENDITURE	84,856	84,728	(-) 128

Appendix 2.

STATEMENT OF RESERVES

Analysis of Revenue Reserves	Balance As At 1/4/07	Changes agreed by Police Authority 20 th February 2008	Revised Balance	From Reserves	To Reserves	Balance As At 31/3/08	Note
	£000	£'000	£'000	£000	£000	£000	
Cost Centres Carry Forward Reserve	310	0	310	(-) 310	218	218	1
Insurance Reserve	266	0	266	0	0	266	
Budget Reserve	5,220	4,397	9,617	(-) 4,557	0	5,060	
Section 106 Reserve	16	0	16	0	0	16	
General Revenue Reserve for Capital	12,403	(-) 6,183	6,220	0	116	6,336	2
General Revenue Reserve for Repair & Maintenance	0	2,702	2,702	0	0	2,702	
General Revenue Reserve for Operations	616	(-) 616	0	0	0	0	
General Revenue Reserve for Pensions	300	(-) 300	0	0	0	0	
Total Earmarked Reserves	19,131	0	19,131	(-) 4,867	334	14,598	
General Revenue Reserve	2,000	0	2,000	0	0	2,000	
Total Revenue Reserve	21,131	0	21,131	(-) 4,867	334	16,598	

Notes

1. This represents the carry forward of specific items detailed in Table 3 (page 6).
2. Included in the Capital outturn report is a contribution to capital from revenue in relation to vehicle purchases. In funding the capital programme it was not necessary to use this revenue funding and therefore this will increase the General Revenue Reserve for Capital by £116,000.

VIREMENTS 2007/08

Permanent Virements	£000
<i>Transfer To:</i>	
Protective Services	8,882
Deputy Chief Constable	210
Resources	338
Police Authority	175
Total	9,605
<i>Transfer From:</i>	
Local Policing	(-) 9,605
Total	(-) 9,605

Temporary Virements	£000
<i>Transfer To:</i>	
Westbere Operation	1,500
Total	1,500
<i>Funded By:</i>	
Police Staff Pay	(-) 1,500
Total	(-) 1,500