

**Warwickshire Police Authority – 26 May 2010**

**Financial Outturn Report 2009/10**

**Report of the Assistant Director of Resources (Finance)**

**Recommendations**

That the:

1. Report is received and noted;
2. Revenue carry forward requests outlined in paragraphs 2.3, 2.4.4, 2.6.4 and 2.8.4 are approved;
3. Carry forwards requests for the capital programme are approved as set out in section 4, paragraphs 4.7.1, 4.8.1, 4.9.1, 4.10.1 and 4.11.1;
4. Budget adjustments are approved per paragraphs 1.4 and 2.8.5;
5. Recommendations regarding funding of expenditure from earmarked reserves at section 3 are approved;
6. Recommendations regarding transfers between reserves are approved as set out at paragraph 3.2;
7. Capital determinations are approved as set out at section 5.

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## Executive Summary

This report summarises Warwickshire Police's financial outturn position for revenue and capital budgets as at 31<sup>st</sup> March 2010 and explains key issues, actions and required decisions.

### Revenue

Expenditure for the year was £88,337k, compared to a revised budget of £91,691k, giving an overall variance of £3,354k. In comparison, the Quarter 3 report forecast a variance of £1,185k. The detailed breakdown is shown in Appendices A and B, supported by explanations in section 2 of this report.

The movement in this forecast is predominantly within three areas, Protective Services Directorate, Resources Directorate and Service Developments. Key points to note are:

Resources Directorate – Outturn £1,105k variance against a forecast of £719k, the key areas are outlined below;

- £629k resulting from less expenditure on staff salaries as vacancies are held in line with current measures of internal recruitment only, saving across a range of IT contracts, through renegotiation with suppliers and other small variances arising during Quarter 4
- £76k of rates rebate due to properties being vacated during refurbishment;
- £103k reduction in spend on Safer Neighbourhood accommodation following a service review;
- £85k reduction on vehicle fuel spend due to usage of standard fuel, monitoring of vehicles and price reductions;
- Expenditure of £348k for backlog property maintenance and £279k for insurance claims funded from revenue budgets rather than use of reserves.

Protective Services – Outturn variance £835k against a forecast of £189k, the key areas are outlined below;

- £78k Increase in income from Highways Agency and Proceeds of Crime;
- £121k less expenditure than forecast on forensic science and DNA testing, not forecast due to the unpredictable nature of the service demand in this area;
- £110k of carry forward requests where projects have been delayed to 2010-11;
- £57k reduction against forecast over spend for surveillance equipment which has been set against capital budgets;
- £99k reduction in overtime spend against forecast due to robust management of this expenditure;

- £58k relating to firearms, £30k additional income on licencing which is unpredictable and a reduction in spend of £28k following robust management of the budget;
- £99k expenditure reduction against the forecast over spend on forensic testing, including telephone checks which have seen cost reductions following introduction of a national scheme. The full year effect of this is expected to show a significant cost reduction.

Service Developments – Outturn variance £922k against a forecast of £57k (excluding carry forward and transfers to reserves in Quarter 3). The key areas are outlined below;

- £250k Property Maintenance Backlog – This allocation from earmarked reserves is not required as the expenditure has been met within existing budgets;
- £350k of Justice Centre loan charges. This saving has been made as the loan was taken out as it was needed, in early 2010-11;
- £125k for the Sexual Assault Referral Centre (SARC) was not spent as the project has experienced further delays;
- £119k relating to the revenue costs of various capital projects that have slipped to 2010-11.
- £78k of additional savings on 150Forward and Sustainability Strategy.

### Capital

Expenditure for the year of £8,688k is compared against a revised budget of £9,775k, giving an under spend of £1,087k which is requested to be carried forward in to 2010-11. The under spend is due to slippage across a variety of projects, summarised in the table below and detailed in section 4 and Appendices D & E to this report.

| <b>Expenditure</b> | <b>Revised<br/>2008/09<br/>Budget<br/>£'000</b> | <b>Actual<br/>Expenditure<br/>£'000</b> | <b>Variance<br/>£'000</b> |
|--------------------|---|---|---------------------------|
| Vehicles           | 1,079   | 1,066                                   | (13)                      |
| Property & Estates | 5,312   | 4,986                                   | (326)                     |
| IT Replacement     | 920   | 669                                     | (251)                     |
| IM Strategy        | 1,793   | 1,589                                   | (204)                     |
| Equipment          | 672   | 378                                     | (294)                     |
| <b>Total</b>       | <b>9,775</b>                                    | <b>8,688</b>                            | <b>(1,087)</b>            |

The Justice Centre capital expenditure for the year was £16,496k; this expenditure is not shown within Warwickshire Police (WP) budgets as it relates to a Partnership project for which WP is the accounting authority. The expenditure is within the project budget and is funded by the use of Partner contributions and interest on Partnership balances held by WP.

### **Reserves**

The Reserves position for the end of 2010-11 is shown at Appendix C. The overall year-end position is a reserve balance of £17,359, excluding the Justice Centre Partnership's reserves. Of this balance £8,735k is forecast to be used to support revenue expenditure over the next three years, leaving a forecast balance at 31<sup>st</sup> March 2013 of £8,624k

Transfer of the following reserves from earmarked to general revenue reserves is recommended in this report:

- £136k relating to Operation Westbere, leaving £250k to support the 2010-11 forecast expenditure;
- £16k from Section 106 reserve, which related to expenditure which has been incurred, and funded within existing budgets;
- £100k from the carry forward reserve, as the funding is no longer required to support the 2010-11 budget. This relates to Warwickshire Safety Camera Partnership (WSCP) where the forecast income reduction to the Partnership has been addressed by a reduction in expenditure.

Transfer of £500k from Budget Reserve to Insurance Reserve to fund insurance claims and associated legal expenses is recommended in this report.

## 1. Introduction

- 1.1. This report outlines the Authority's revenue and capital expenditure outturn position for the 2009/10 financial year and provides an analysis of the main variances, the effect on reserves and the Authority's financial strategy.
- 1.2. The revenue budget for 2009/10 of £93,588k was supported by the use of £5,510k of reserves and was approved at the Police Authority Meeting held on 23rd February 2009 as part of the Medium Term Financial Planning Strategy (MTFPS).
- 1.3. During 2009/10 the Authority has approved carry forwards and budget adjustments, at the end of quarter 3 the revenue budget had been amended to be £92,909, as set out in the table below.

|   | Police Authority Meeting Date | £'000         |
|---|-------------------------------|---------------|
| <b>2009/10 Original Budget</b>  | <b>Feb-09</b>                 | <b>93,588</b> |
| Carried forward from 2008/09  | Jun-09                        | 1,007         |
| Carry forwards to 2010/11   | Nov-09                        | (349)         |
| Carry forwards to 2010/11   | Feb-10                        | (159)         |
| Budget reduction for revenue consequences of capital programme  | Feb-10                        | (804)         |
| Budget reduction for body armour and backlog repair and maintenance programmes (funded from earmarked reserves) | Feb-10                        | (454)         |
| Use of earmarked reserve for Challenge & Innovation team – one off for 2009-10                                  | Feb-10                        | 80            |
| <b>2009/10 Revised Budget at Quarter 3</b>  |                               | <b>92,909</b> |

- 1.4. The Police Authority is asked to approve the further adjustments to the 2009-10 revised budget at Quarter 3 (£92,909k) that will bring the revised budget to £91,691k. The proposed adjustments are explained below;

|   |        |               |
|---|--------|---------------|
| <b>2009/10 Revised Budget at Quarter 3</b>                                      |        | <b>92,909</b> |
| Westbere – Expenditure funded from reserves for 2009-10                         | Note 1 | 514           |
| PCSO grant – contribution to earmarked reserve                                  | Note 2 | (1346)        |
| Use of earmarked reserve for revenue costs of Financial Management (FM) project | Note 3 | 116           |
| Revenue Contributions to the Capital Programme                                  | Note 4 | (340)         |
| Carry forward approved in year, not required                                    | Note 5 | 28            |
| Alcohol Reduction Grant to be returned  | Note 6 | 7             |
| Insurance receipt – Operation Westbere  | Note 7 | (197)         |
| <b>2009-10 Revised Budget</b>   |        | <b>91,691</b> |

- 1.4.1. Note 1 – Operation Westbere has continued throughout the 2009-10 financial year, incurring net costs of £514k that is funded from the Westbere Reserve.
- 1.4.2. Note 2 – The movement of the PCSO grant to earmarked reserves is a change in accounting policy as in previous years, this has been carried forward from year to year, with approval from the Home Office within the Creditor balance on the Balance Sheet. In order for increased transparency of the value of this funding and to improve the clarity of reporting, it will be shown as an earmarked, cash backed reserve.
- 1.4.3. Note 3 – The FMA project comprises some elements of both capital and revenue expenditure and has been shown to date within the capital programme. However, in line with accounting standards, for the year-end reports, this will now be split between capital and revenue and the revenue element shown as being supported by the earmarked reserve. The overall cost of the project is within budget.
- 1.4.4. Note 4 – Various equipment and vehicles have been purchased through the year funded from revenue budgets, which should be treated as capital expenditure, in line with accounting standards. As such, the budget supporting this expenditure should also be shown as capital funding and shown in the capital outturn section of this report.
- 1.4.5. Note 5 – Tackling Knife Crime and the Zone projects that were approved to be carried forward into 2010-11 will be funded from grant funding so this carry forward budget is not required in 2010-11.
- 1.4.6. Note 6 – Alcohol reduction grant of £7k received and not spent in full is to be returned in 2010-11.

- 1.4.7. Note 7 – Receipt relating to Operation Westbere to be transferred to the earmarked insurance reserve.

## 2. Revenue Outturn Position

- 2.1. The revenue outturn for 2009-10 is £88,337 compared to the budget of £91,691k. Appendix 1 attached provides a subjective comparison of budget and outturn. The key issues are set out below. Please note that the overall variance may be made up of a number of smaller items, therefore whilst the key variances will be explained, the figures shown on each explanation may not exactly agree to the total variance.
- 2.2. **Police Authority** – The full year out turn shows an under spend of £110k (Quarter 3 forecast £56k) which can be broken down as follows:
- £9k under spend on salaries due to a vacancy;
  - £26k under spend relating to expenses and member training costs as the training programme has not been fully rolled out;
  - £36k relating to a saving on rent following confirmation that WCC will not charge for the Northgate Street accommodation. This will be an ongoing saving;
  - £5k relating to various small under spends such as conferences and communications and computer equipment costs;
  - £24k over spend relating to services provided by contractors.
- 2.3. **Carry Forward request £74k.**

A request to carry forward £74k of the under spend to 2010-11 is made in order to fund the following activities:

- £35k Recruitment costs
- £2k staff training
- £10k Police Appeal tribunals
- £2k website and media support
- £19k members allowances and NI
- £1k Subscriptions
- £84k Staff salaries
- £4k audit fee increase

The following savings have been identified in addition to the carry forward budget to support this expenditure

- £13k rent
- £32k consultation services
- £2k travel expenses
- £25k Legal services
- £5k treasurers fees
- £6k Internal audit fees

2.4. **Performance & Standards** – The Directorate out turn is under spent by £127k, compared to a forecast at Quarter 3 of £80k.

2.4.1. **One Off Under spend £332k.**

- £148k on Staff salaries due to staff turnover and vacancies held in departments implementing restructures in Corporate Development and the ACPO staff office (£133k forecast);
- £112k additional income from vetting services (£71k forecast)
- £24k under spend on equipment purchase and maintenance budgets managed centrally by the Chief Superintendent;
- £20k under spend on legal costs in Professional Standards;
- £20k less financial support for national initiatives due to some projects ending in 2009/10 (forecast £13k);
- £8k on police pay for Professional Standards Officers due to turnover and vacancies during the year.

2.4.2. **One Off Over spend £141k**

- £95k additional cost of the 150PLUS team. This expenditure is an over spend against a nil budget as the programme team was put in place in January 2010. The additional income from vetting services above will cover these costs and it is therefore not necessary to draw on reserves to provide funding for 2009-10.
- £28k overspend on Police Officers in Corporate development due to the temporary posting of an officer to support work in Business Improvement.
- £9k on software support and maintenance for Corporate Development IT database (£10k forecast);
- £9k overspend due to various small variances (forecast £5k).

2.4.3. **Ongoing over spend of £97k** relating to expenditure on force wide legal services. This issue has been addressed in the 2010-11 approved budget. (Forecast 180k)

2.4.4. **Carry Forward request £33k.**

- £26k funding for additional posts in Challenge & Innovation team has been drawn from the earmarked reserve, but not spent in 2009-10. However, the funding is requested to be carried forward to 2010-11 to provide support to the 150PLUS programme team;
- £7k under spend on the Management of Police information project. The expenditure plans will be drawn up for 2010-11 by the MOPI board early in the new financial year and any budget that is not required will be returned to general reserves.

2.5. **Local Policing** – The total variance for this Directorate for 2009-10 is a net under spend of £274k, compared to a forecast variance of £270k. This is broken down into the variances outlined below.

2.5.1. **One off under spends of £1090k.**

- £954k relate to police staff pay vacancies, predominantly in Judicial Services and Customer Contact. There are also under spends forecast for employer's pension contributions and weekend working allowances. (Quarter 3 forecast £961k)
- £13k for Police Overtime due to continued control of overtime allocation, although this is partially offset by an over spend on police staff overtime as a result of workforce development of officer posts. (Quarter 3 forecast nil)
- £35k relates mainly to substantially lower police surgeon fees for the final quarter of 2009-10 than expected. This expenditure is demand led, based on the number of prisoners requiring medical attention. (Quarter 3 forecast nil)
- £46k for an increase in Courts costs awarded – this relates to applications for costs to be awarded against the defendant. The income from this offsets costs incurred in the prosecution of cases. (Quarter 3 forecast £30k)
- £20k for unplanned reimbursements relating to the detention of illegal entrants in Force custody facilities. This reimbursement is based on demand and as such has not been budgeted for. (Quarter 3 forecast £20k)
- £6k additional income relating to various small income streams such as the issue of road traffic collision reports to solicitors and insurance companies. (Quarter 3 forecast £6k)
- £11k relates to savings in Custody relating to prisoner costs that have been lower than expected. (Quarter 3 forecast £10k)

2.5.2. **One off over spends of £816k.**

- £749k for police officer pay as the Force has maintained front line officer numbers over the budgeted number within Local Policing. At the same time, vacancies have been held in Protective Services. (Quarter 3 forecast £729k)
- £10k for Staff Overtime following workforce development of officer posts. The 2010-11 budget will be adjusted accordingly.
- £45k relating to cannabis farm removal and disposal. This crime area has seen a significant increase during 2009-10 and the budget for 2010-11 has been increased accordingly.
- £10k relating to transport costs following additional community intervention work resulting from the new structure.
- £2k net over spend relating to a backlog of charges from Warwickshire County Council for the provision of accident data to the Dept. for Transport of £20k reported at Quarter 3 and under spend on contracts and subscriptions to national systems of £18k.

2.6. **Protective Services** - The actual under spend for the Directorate against budget is £834k can be broken down as detailed below.  
(Quarter 3 forecast £189k)

2.6.1. **One off Under spend £1,525k.**

- £888k one-off under spend on police pay relates to a number of vacancies, in the main this is due to supporting additional posts in Local Policing. The savings are across the ranks with £550k from constables, £250k from sergeants, and the balance of £88k from more senior ranks.
- £154k of the under spend is related to additional ACPO Tam grant for Coventry Airport in respect of spending in 2008/09. Other ACPO TAM grants have been returned where actual costs were lower than expected.
- £129k one-off under spend on support staff pay. Although the Force continues to carry a number of staff vacancies which have been partially off-set by an over spend on agency workers there has been a reduction in the predicted under spend in the final quarter of the year from the Quarter 3 report.
- £159k is generated by additional income from several sources, a large proportion of which relates to undertaking safety camera work on the motorways for the Highways Agency. £30k is due to firearms training with the Foreign Office for troops going overseas and was primarily generated in Quarter 4. Also relevant to note is the additional income of £13k that was generated by the proceeds of crime incentivisation scheme. The timing of this money is extremely hard to anticipate due to the protracted court procedures that take place surrounding this activity.
- £121k relates to an under spend on forensic science and DNA testing. Due to the unpredictable nature of major crimes and incidents which can lead to very significant costs for this type of service there was little chance prior to the close of the year to be aware of any savings against this budget
- £21k relates to an under spend on the Informants Reward Fund. Again due to the unpredictable nature relating to this spend recognition of any savings against budget can only be recognised at the year-end. The force is aware of the benefits and hazards relating to this spend and senior officers will always exercise caution when dealing with this budget.
- £23k relates to an under spend on the Witness Protection budget. Due to the unexpected nature of costs related to this element of policing any savings against budget will only be recognised at the year-end
- £30k relates to a variety of small under spends across several areas.

2.6.2. **One Off Over Spends £630k** (Quarter 3 forecast £834k), which are largely due to: -

- £154k over spend is related to police overtime incurred in supporting reactive and targeted operations, proactive investigations and targeted work around persistent prolific offenders. As reported in the

Quarter 3 report there has now been successful OCON and Regional Viper operation bids, which together with new procedures for the authorising of overtime by senior officers, has led to a reduction in the over spend reported at that time by £100k.

- £36k is relating to firearms activity and includes essential training costs vital to retaining the force's independent firearms capability and the provision of non-lethal weapons such as tasers. This over spend is a reduction of 28k from that predicted at Quarter 3. This results from greater control of the running costs of the department including £5k not spent on taser acquisition, £13k not spent on equipment, ammunition and uniforms, £5k from reduction in external gun ranges usage with the remainder from prudent control of minor costs.
- £392k of costs relating to Operational Events, in particular, mutual aid costs for officers from other forces and catering facilities on site for officers on duty. It is believed that new prudent management arrangements introduced will mean in future years the policing of Operational Events will not be a budget pressure to Protective Services.
- £14k less income on firearms licences due to the cyclical nature of this income stream because they are only renewed every three years. This is a reduction on the prediction at Quarter3 of £30k – this is due to a very late surge in licence applications from the general public in the final Quarter of the year.
- £34k relates to telephone forensic checks and calls relating to specific incidents.

**2.6.3. Ongoing over spends £185k (Quarter 3 £285k)**

- £121k relating to forensic testing, including telephone forensic checks. Although significant is a reduction from the Quarter 3 report as the Home Office's Central Cost Recovery Scheme for forensic telephone checking with the service provider companies helps to bring in savings. This scheme has been developed throughout the autumn period and in a full year it is anticipated that these costs will show an improvement. (Quarter 3 £220k)
- £29k – overspend relating to the general running costs of CID and MIU departments. (Quarter 3 £29k)
- £35k – cost relates to the contract with West Midlands Police dogs section for the training and kennelling of Warwickshire Police dogs and handlers. This contract arises from the reduction in staff of 2 officers during 08/09 as part of the introduced 150Forward programme which had not been budgeted for. This cost pressure has been recognised in the 10/11 budget and will not re-occur. (Quarter 3 £35k)

**2.6.4. Carry Forward Requests £125k.**

- £21k under spend relates to the Domestic Abuse Marketing team. A specific budget of £21k had been brought forward into 09/10 to be spent as part of a multi-agency domestic abuse marketing campaign. The first element of which was due in Nov'09 but due to a potential conflict with the Collette Lynch Inquest at that time it has been deferred until 2010-11;
- £47k relates to an unspent budget set aside specifically for development of the infrastructure for a major investigation room at Rugby;
- £35k relates to the under spend of the Prolific and Persistent Offenders specific grants;
- £7k relates to an under spend on specialist ANPR equipment from a specific grant of £65k received for this particular purpose. A request to carry forward the under spend is made so that the equipment improvement programme can be completed.
- £15k of income generated from other events policed by the force have generated an excess income over the budget of £17k and a request to carry forward £15k of this to next year to be set a side for the specific purpose of purchasing a set of PSU overalls that will greatly increase wellbeing the protection of officers on duty.

**2.7. Operation Westbere.**

- 2.7.1. Operation Westbere expenditure totals £514k, which will be drawn from the earmarked reserve with the approval of the Authority.
- 2.7.2. There is an insurance related receipt in year of £197k that will be transferred to the earmarked insurance reserve with the approval of the Authority.

2.8. **Resources Directorate** – Final out turn variance is £1,105k under spent against budget. (Quarter 3 forecast £719k under spend). This is largely as a result of efforts to reduce expenditure in year in light of the financial constraints of the Authority.

2.8.1. **One off Under spend £1,776k.**

- £452k Staff salaries due to staff turnover in Finance, HR, IT and Learning and Development during restructures, and also as a result of the policy to hold vacancies in the final quarter of the financial year (£309k forecast);
- £44k delays in capital projects reducing the requirement for revenue consequences of capital which were transferred from Service developments in Quarter 3 (not forecast);
- £30k on conference and training courses in the Deputy Director's budget due to fewer requests being approved (£12k forecast);
- £24k on recruitment assessment centres and other related costs, due to lower intake numbers in 2009/10 (£19k forecast);
- £76k relates to a variety of under spends of less than £15k each across the Directorate.

Property Services

- £136k rental income from Courts Service for the use of the cells at Stratford Police Station, and use by the NHS of accommodation at Kenilworth Police Station in previous financial years (£138k forecast);
- £119k on Property services planned maintenance due to resources being deployed to assist with reactive maintenance, some of which was associated with the cold weather (£59k forecast);
- £126k on the Safer Neighbourhoods contact points programme in Property Services, following a review of service provision (£23k forecast);
- £76k in rates rebates where accommodation had been temporarily vacated during building work;
- £33k on the Force's contribution to the running costs of the Justice Centres, due to a reduction in the spend on energy and facilities management (£14k forecast);

Vehicle Fleet

- £85k under spend on fuel due to the successful implementation of a policy limiting the use of super unleaded petrol, a lower than anticipated average price across the financial year and a fall in the amount purchased following the introduction of a pilot project to monitor how the fleet vehicles are being driven. This has been successful in reducing fuel consumption (not forecast);
- £82k under spend on vehicle repairs and maintenance due to a move of some vehicles from fixed price to scheduled maintenance, and a change to the process for deciding upon repair or replacement of damaged vehicles (£26k forecast);

- £66k under spend on vehicle insurance. This is considered a one-off under spend, as premiums depend on historic level of claims as well as conditions in the insurance market (£50k forecast);
- £51k as the Police Authority's share in the surplus generated by County Fleet Maintenance Transport contracts during 2008/09 (not forecast). This surplus or deficit is only realised at year-end and cannot be predicted during the year.
- £42k lower spend on tyres following successful negotiation to postpone inflation increases on the contract from April 2009 until April 2010;
- £39k additional one-off income from insurance companies for vehicle related insurance claims where the fault lay with the other party (£18k forecast);
- £32k revenue consequences of the Superintendents vehicle scheme, which has not been implemented (£32k forecast);

#### IT

- £70k has arisen from renegotiations of IT contracts which were undertaken as a response to the 150PLUS programme starting in January 2010. (Not forecast); (Storm NMIS ABS and Mapping) Further evaluation of this variance is taking place to determine if this is an ongoing saving.
- £60k due to a lower than anticipated expenditure relating to radio contract due to lower usage than expected (not forecast);
- £38k one off saving on IT communications contract (Affiniti) (£40k forecast);
- £38k under spend on support and maintenance by IT contracts, which has been provided instead by additional agency staff (£33k forecast) Further evaluation of this variance is taking place to determine if this is an ongoing saving;
- £36k under spend on IT contractors due to a change in the way data quality issues were managed (not forecast);
- £21k on upgrades to software planned but not required in 2009/10 (not forecast);

#### 2.8.2. **One off over spend £658k.**

- £348k relating to the Property maintenance backlog which the Authority had approved to be funded from an earmarked reserve. However, as the Directorate and Force budget shows a net under spend position, it is recommended that the amount be funded from the current year budget and the earmarked reserve be transferred to general reserves.
- £279k from the Insurance Reserve for legal costs and insurance claims that are specifically provided for within earmarked reserves. These were not forecast at Quarter 3 as the settlements had not been made at that time and could not be estimated. This amount would normally be deducted from the earmarked reserve, but given the overall under spend across the Directorate and Force, it is recommended that this amount be funded from current year budgets

and the balance to remain in the earmarked reserve to support new claims that have arisen through the year;

- £27k on external consultation and legal advice (not forecast);
- £4k on the implementation of a performance review and training software upgrade for HR.

**2.8.3. Ongoing over spend £74k**

- £45k relating to the payroll and pensions service level agreement with West Midlands Police. This contract has been correctly budgeted for in 2010-11 as previous year's inflation increases had not been applied;
- £29k Occupational Health treatments such as physiotherapy and counselling due to mandatory referrals (£22k forecast). This is being addressed by a review of contracts and structure in conjunction with West Mercia Police. There have been measures put into place to reduce the 2010-11 spend to within budget.

**2.8.4. Carry Forward Requests £25k.**

- £25k for IT radio related expenditure, to contribute to the costs of the trial phase of the Mobile data project;

**2.8.5. Transfers to reserves £36k.**

- £36k under spend on the funding drawn down from the Body Armour replacement reserve during 2009/10 (not forecast).

**2.9. Service Developments** – The actual outturn for 2009/10 is a net under spend of £922k. The breakdown is made up of Workforce Development and Sustainability Savings Targets over achieved of £78k and a forecast under spend on service development budgets of £844k which are outlined below;

**2.9.1. 150Forward and Workforce Development** – The total saving achieved in 2009/10 to date is £516k, compared to a savings target of £445k, giving rise to additional savings of £71k. This mainly relates to additional workforce development opportunities being realised in addition to the original 150Forward plan and have been reflected in the 2010-11 budget.

**2.9.2. Sustainability Strategy** – Ongoing under spends of £757k have been identified and removed from Directorate's budgets as shown below. These additional savings have been deducted from 2010-11 budgets.

## 2.9.3. Sustainability Savings

| <b>Directorate</b>                  | <b>Target Savings</b> | <b>Delivered to Date</b> |
|-------------------------------------|-----------------------|--------------------------|
| Police Authority                    | £23,000               | -                        |
| Local Policing                      | £130,000              | £130,000                 |
| Performance & Standards (incl OCON) | £45,000               | £46,230                  |
| Protective Services                 | £140,000              | £130,260                 |
| Resources Directorate               | £411,000              | £447,860                 |
| Other                               | £1,000                | £2,310                   |
| <b>Total</b>                        | <b>£750,000</b>       | <b>£756,660</b>          |

2.9.4. **Service Development Budgets** include the revenue costs of the capital programme, along with one off budgets approved from the use of earmarked reserves.

2.9.5. The Property maintenance backlog for 2009-10 has been completed within the overall Property Services maintenance budget, thus allowing the contribution of £250k from the earmarked reserve to be transferred to General Revenue Reserve.

2.9.6. Justice Centre loan charges are under spent by £350k as the loan was expected to be taken out during 2009-10, with repayments of capital and interest due on the 31<sup>st</sup> March 2010. The £6m loan was not taken out, on behalf of the Partnership, until it was necessary in early April 2010. As a result, the first repayment will be due in the 2010-11 financial year.

2.9.7. All other variances are one-off savings as the capital projects that they relate to have not yet been completed. The table below shows the breakdown by project of the service development variance.

|                                  | <b>Under spend Value<br/>£'000</b> |
|----------------------------------|------------------------------------|
| Property Maintenance Backlog     | 250                                |
| Revenue Costs of Capital - IT    | 28                                 |
| Revenue Costs of Capital - Fleet | 14                                 |
| Justice Centre Loan Charges      | 350                                |
| Sexual Assault Referral Centre   | 125                                |
| Volume Crime Management          | 43                                 |
| DMS TOIL recording               | 14                                 |
| Storage Review                   | 9                                  |
| CLIO IT System                   | 11                                 |
| <b>Total</b>                     | <b>844</b>                         |

2.10. **Corporate Finance.**

2.10.1. The £30k over spend relates to various issues outlined below and compares to a Quarter 3 forecast of £152k variance (including Justice Centre Interest on balances);

2.10.2. **One off Under spend £476k.** (Quarter 3 forecast £452k)

- £452k Interest on borrowing as capital projects have been delayed and it has not been necessary to borrow to fund them. (Forecast £452k)
- £23k on ill health retirement contributions (forecast nil). This area of expenditure is difficult to forecast as the number of retirees, the rank and salary of the individual are all factors affecting this expenditure.

2.10.3. **One off Over spend £506k.** (Quarter 3 forecast £505k including interest on Justice Centre balances)

- £473k reduction in interest receipts on reserve balance held by the Authority (Quarter 3 forecast £490k),
- £10k relating to a reduction in the debt charges grant that was not budgeted for. This has been corrected in 2010-11 budget. (Quarter 3 £10k)

### 3. Reserves

- 3.1. Appendix C shows the opening reserves position as at 1<sup>st</sup> April 2009 and the closing position as at 31<sup>st</sup> March 2010 in line with this report. It also shows a forecast position for the next three financial years in line with the approved Medium Term Financial Plan approved in February 2010.
- 3.1.1. The overall year-end position is a reserve balance of £17,359k, excluding the Justice Centre Partnership's reserves. Of this balance £8,735k is forecast to be used to support revenue expenditure over the next three years, leaving a forecast balance at 31<sup>st</sup> March 2013 of £8,624k.
- 3.1.2. This forecast balance at 31<sup>st</sup> March 2013 is comprised of;
- Revenue Budget reserves of £4,632k,
  - Earmarked Insurance reserves of £1,563k,
  - Earmarked Backlog Repair & Maintenance reserves of £429k
  - General Reserve of £2,000k
- 3.2. Transfer of the following reserves from earmarked to general revenue reserves is recommended:
- £136k relating to Operation Westbere, leaving £250k to support the 2010-11 forecast expenditure;
  - £16k from Section 106 reserve, which related to expenditure which has been incurred, and funded within existing budgets;
  - £100k from the carry forward reserve, as the funding is no longer required to support the 2010-11 budget. This relates to Warwickshire Safety Camera Partnership (WSCP) where the forecast income reduction to the Partnership has been addressed by a reduction in expenditure.
- 3.3. At the 31<sup>st</sup> March 2010 the Home Office is still considering Warwickshire Police's bid for further special grant funding for the costs of Westbere, therefore approval is requested to draw down a net £514k from reserves to meet the 2009-10 costs of the investigation. This is less than the £563k previously report due officers being stood down from the investigation in the last quarter of the financial year.
- 3.3.1. There is receipt relating to Operation Westbere of £197k, it is recommended that this is transferred to the earmarked insurance reserve.

- 3.4. Following discussion with Senior Management and Members of the Authority, the decision to change the accounting treatment of the PCSO grant has created a new reserve of £1,346k. This reserve has arisen from historic under spend of the PCSO grant which has been carried forward within debtor balances in previous years. The funding is being used to supplement the current grant funding and Authority budget that does not fully cover the cost of PCSOs and is forecast to be fully used by 2012/13. Therefore it is felt that the use of this reserve should be transparent to the Authority so that timely decisions can be made when this balance has been spent.
- 3.4.1. For 2010-11, forecast use of PCSO grant is based upon assumptions that existing arrangements with Partners on funding of additional PCSOs will continue and that there will be no vacant posts during 2010-11. On this basis £800k of this reserve will be needed to support 2010-11 levels of expenditure. This could fall to around £600k if vacancies arise.
- 3.4.2. The 2011-12 forecast assumes that the government's plans to incorporate PCSO grant into mainstream funding goes ahead and that the Force and Authority decide to continue to fund the current number of PCSO posts. On this basis, the use of the reserve would be a further £600-£800k, which would mean that additional budget support, would be required during 2011-12 to maintain PCSO numbers.
- 3.5. Earmarked reserves, which have not been spent on body armour of £36k, are recommended to be returned to the earmarked reserve to support future years expenditure.
- 3.6. It is recommended that earmarked reserves of £250k from the Backlog Maintenance reserve be transferred to the general reserve as this expenditure has been funded from the in year budget.
- 3.7. The Insurance Reserve is set aside to cover insurance claim excesses, uninsured claims and the associated legal costs with defending these claims. During the last quarter of 2009-10, significant claims were settled, resulting in the over spend outlined within the Resources Directorate at paragraph 2.8.2. It is recommended that the claims are settled within the existing budget as there are one off under spends to support this expenditure and that the value set aside for this claim remains in the reserve as a general provision for future claims which may arise.
- 3.7.1. It is recommended that in order to cover legal expenses and claims liabilities that exist as at the 31<sup>st</sup> March 2010, a further £500k is transferred from the general reserve to the insurance reserve.

**4. Capital Programme**

4.1. The original capital budget for 2009/10 of £12,968k was supported by the use of £1,525k of capital grant, £380k of specific grants and contributions and £11,063k of borrowing; this was approved at the Police Authority Meeting held on 23rd February 2009.

4.2. Budget of £2,721k has been carried forward from 2008-09, bringing the revised capital budget to £15,689k for 2009-10 as set out below.

4.3. During the year, project slippage has resulted in £8,140k of budget being carried forward to future years and project acceleration has resulted in £1,097k being brought forward.

**4.4. 2009/10 Revised Capital Budget**

|  | PA meeting date | Budget Value<br>£'000 |
|--|-----------------|-----------------------|
| 2009/10 Original budget                | Feb 2009        | 12,968                |
| Carried forwards from 2008/09          | Jun 2009        | 2,721                 |
| Slippage to future years               | Feb 2010        | (8,140)               |
| Acceleration from future years         | Feb 2010        | 743                   |
| Revenue Funded Schemes                 | Feb 2010        | 148                   |
| Savings Removed                        | Feb 2010        | (152)                 |
| <b>Revised 2009-10 Budget</b>          |                 |                       |
| <b>Approved as MTFPS</b>               | <b>Feb 2010</b> | <b>8,288</b>          |
| Acceleration from future years         | May 2010        | 1,136                 |
| Revenue Funded Schemes                 | May 2010        | 192                   |
| Externally Funded projects             | May 2010        | 159                   |
| <b>Proposed Revised 2009-10 Budget</b> | <b>May 2010</b> | <b><u>9,775</u></b>   |

4.5. Appendix D shows the movement from the approved budget at the start of 2009-10 of £12,968, to the budget approved in February 2010 of £8,288 to the revised budget proposed of £9,775k.

4.6. The overall capital outturn is £8,688k against a revised budget of £9,775k. Appendix E shows the outturn position for the 2009-10 capital programme.

**4.7. Transport.**

4.7.1. The variance is an under spend of £13k, which is due to slippage because some of the vehicles due for replacement currently have low mileage and thus replacement can be deferred to future years. This budget is requested as carry forward to 2010-11 in order that the vehicles can be replaced when appropriate.

**4.8. Property & Estates.**

4.8.1. Expenditure against the revised budget of £5,312k is £4,986k, giving rise to a variance of £326k, which is requested as carry forward into 2010-11. This is due to slippage on several projects. The most significant of these variances are explained below.

4.8.2. £87k slippage on various improvement schemes.

4.8.3. £153k slippage on the implementation of the Uninterrupted Power Supply project, which had experienced significant delays due to bad weather over the Winter months, but has now been completed. The carry forward request relates to a retention payment for defects liability.

4.8.4. The balance of the slippage relates to a number of smaller variances across a range of projects, all of which is requested as carry forward into 2010-11.

**4.9. IT Replacement.**

4.9.1. Expenditure in the year is £669k against a revised budget of £920k, giving rise to a variance of £251k that is requested as carry forward to 2010-11. The most significant variances are explained in the paragraphs below.

4.9.2. Slippage of £251k which is requested as carry forward to 2010-11 that is mainly due to late implementation of multimedia facilities in the control room due to unavailability of the system.

4.9.3. £47k of budget acceleration was due to early delivery of several projects such as Communications IT replacements.

4.9.4. Revenue contributions to capital expenditure of £55k where equipment has been identified as capital rather than revenue expenditure and the funding is transferred to capital reserves.

4.9.5. Transfer of resources to the IM Strategy

- £76k from NMIS replacement programme to the NMIS upgrade;
- £125k from Command & Control replacement programme which is incorporated in the Consolidated Storage Area Network project;
- £65k from Tape Library replacement programme which is incorporated in the Consolidated Storage Area Network project as above.

**4.10. IM Strategy.**

4.10.1. Expenditure in the year is £1,589k against a revised budget of £1,793k, giving rise to a variance of £204k, which is requested to be carried forward to 2010-11. The variances are across a number of projects, all are less than £50k.

4.10.2. Savings of £9k against various small projects.

4.10.3. Transfer of resources from the IT replacement programme

- £76k from NMIS replacement programme to the NMIS upgrade
- £125k from Command & Control replacement programme which is incorporated in the Consolidated Storage Area Network project;
- £65k from Tape Library replacement programme which is incorporated in the Consolidated Storage Area Network project as above.

4.10.4. Acceleration of £46k which has arisen as projects have been implemented earlier than originally planned including £31k for mobile network access and £12k for Systems security projects

4.10.5. Revenue contributions for capital expenditure identified in the revenue budget amounting to £34k for HR system, Airwave and Access to Information projects.

**4.11. Equipment.**

4.11.1. Expenditure in the year is £378k against a revised budget of £672k, giving rise to a variance of £294k. However, this variance is made up of additional budgets through revenue contributions totalling £378k and the balance of £294k for various projects, including the Sexual Assault Referral Centre that have been delayed, is requested to be carried forward to 2010-11.

4.11.2. £227k of Revenue contributions to capital are:

- £142k for non-IT related equipment that has been identified as capital expenditure within revenue budgets.
- £85k for scientific crime equipment expenditure.

4.11.3. Grant funding of £151k relating to ANPR and CCTV equipment.

**4.12. Justice Centre Partnership.**

4.12.1. The Justice Centre building is expected to be complete in early 2010-11. The expenditure for 2009-10 is £16,496k which is funded from the Partnership's reserve balances, contributions received during the year and interest earned on balances. The final phase of the project in 2010-11 is expected to cost £6,000k and will be funded by borrowing which all the partners will share.

## **5. Capital Expenditure Determinations**

- 5.1. Capital Funding determinations include all capital expenditure, including that of the Justice Centre project.
- 5.2. Under S.42 (2)(g) of the Local Government and Housing Act 1989 the Police Authority agrees to capitalise expenditure of £18,596,462 to be met out of money provided by other persons (e.g. Police Capital Grant from the Home Office, specific grants, contributions from Justice Centre Partners and Interest received on balances invested on behalf of the Justice Centres.)
- 5.3. The Police Authority agrees to borrowing of £5,821,300 as authorisation to capitalise expenditure:
  - 5.3.1. Self Financed borrowing totalling £5,335,300 within the Prudential Code, under the Local Government Act 2003;
  - 5.3.2. Supported Capital Expenditure of £486,000 under S.56(1) of the Local Government and Housing Act 1989.
- 5.4. Under S.60 of the Local Government and Housing Act 1989, the Police Authority agrees to apply useable capital receipts totalling £338,924 to meet expenditure incurred for capital purposes.
- 5.5. The Authority agrees to use revenue funding of £427,481 to support capital expenditure.
- 5.6. Under regulations to the Local Government Act 2003, the Police Authority has set aside £811,000 from revenue in respect of financing of it's capital expenditure. The minimum charge required by legislation is £611,000 but the Police Authority can add to the minimum amount.

**Marie Perry**  
**Assistant Director of Resources (Finance)**

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