

WARWICKSHIRE POLICE AUTHORITY – 28 JULY 2010

Financial Management Report 2010/11

Report of the Assistant Director of Resources (Finance)

Summary

This report details the financial performance of Warwickshire Police for the financial period 1st April 2010 to 30th June 2010 and the forecast outturn at 31st March 2011.

Recommendations

It is recommended that:

1. The report be received;
2. The forecast outturn for 2010/11 be noted;
3. The forecast reserve position be noted;
4. The use of specific reserves set out in the Medium Term Financial Planning Strategy (MTFPS) be approved as set out in section 3;
5. Revised Capital budget for 2010/11 be approved as set out in section 4 of this report.

1. Introduction

- 1.1. The revenue budget for 2010/11 of £95,069k was supported by the use of £4,674k of reserves and was approved at the Police Authority Meeting held on 22nd February 2010 as part of the Medium Term Financial Planning Strategy (MTFPS).
- 1.2. Budgets carried forward from 2009/10 of £612k have been added to the base budget. A further £25k is being held in the carry forward reserve for the Warwickshire Safety Camera Partnership (WSCP) and has not been allocated to the revenue account because this is not required during 2010/11.

1.3. The Police Authority approved, at the meeting in June 2010, to transfer £500k from the general reserve into the insurance reserve to cover legal expenses and claims liabilities that exist as at the 31st March 2010. It is necessary to draw down £125k from the insurance reserve to meet legal expenses and liabilities arising in 2010/11, which will further increase the budget as shown in the following table.

1.4.

2010/11 Revised Budget

	PA meeting date	Budget Value £'000
2010/11 Original budget	Feb 2010	95,069
Carried forwards from 2009/10	July 2010	612
Use of insurance reserve	July 2010	125
		<u><u>95,806</u></u>

1.5. 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.

1.6. Appendix A provides a summary variance analysis between the full year budget and full year forecast spend by Directorate, along with a breakdown of the variance between ongoing under or over spends and one off under or over spends. The ongoing variances will need to be actively managed or considered as part of the development of the MTFPS. The under spends will form part of the monitoring of progress towards delivery of £5,700k of cash savings as part of the Force's MTFPS target of £12,000k over three years.

1.7. The forecast full year position takes account of actual expenditure to date, known commitments and intelligence from budget holders and their line managers.

1.8. Appendix B shows a subjective breakdown of the full year budget and full year forecast expenditure, along with a summary of the budget adjustments requested in this report and the impact on the forecast outturn.

1.9. Appendix C shows a forecast reserves position for three years in line with the Medium Term Financial Plan.

1.10. The capital budget of £10,738k for 2010/11 was approved by the Police Authority on 22nd February 2010. Budgets carried forward from 2009/10 of £1,087k have been added to give a revised budget of £11,825k.

- 1.11. The capital forecast outturn position for 2010-11 is shown at Appendix D.(To follow)
- 1.12. Appendix E shows the expenditure and funding forecast for the 2010-11 to 2013-14 capital programme. (To follow)

2. Revenue Full Year Forecast position

- 2.1.1. Police Officer pay forecasts have been developed as part of the Financial Management Project using the Force's Human Resources predictive model, which is used by the Workforce Management Group. All police officer and police staff pay forecasts listed in each directorate in the following report exclude savings against posts which have been included in the 150PLUS programme. Progress against delivery of the £5.7m in year savings target is reported in a separate section of this report.
- 2.1.2. Managers have developed Police staff salary forecasts at a department and Directorate level.
- 2.1.3. Based on information from budget holders and their finance managers it is forecast that the position at the end of March 2011 will be an over spend of £1,352k. This is explained in detail in the following paragraphs, however it should be pointed out that the main reason for the forecast over spend is a £2,200k forecast under achievement of the Force's 150PLUS in year savings target of £5,700k. This is explained further in paragraph 2.7.
- 2.2. **Police Authority** - The full year forecast is expected to be in line with budget.
- 2.3. **Performance & Standards** – The full year forecast is a net expected under spend of £577k which can be broken down as follows;
 - 2.3.1. One off under spends of £439k
 - £291k of police staff pay under spends due to turnover and vacancies held in various departments undergoing restructure.
 - £88k police pay under spend arising in part from backfill arrangements for the Assistant Chief Constable who is currently seconded to the Serious Organised Crime Agency and also from Chief Officer's decision to forego any performance bonus that might be awarded in 2010/11.
 - £45k one off savings on legal costs due to changes in the procurement of legal services.
 - £15k of savings is anticipated on conferences and subscriptions, these expenses are under the control of Deputy Directors during 2010/11.

- 2.3.2. Ongoing under spends of £149k
- £120k relates to the ACPO Crime Business portfolio is no longer a cost to Warwickshire Police, the initiative is still ongoing, but is being undertaken in a different way in order to reduce the cost.
 - £29k additional income has been generated through the vetting services provided to other forces. Whilst this is sustainable for a three year period a review, by the 150 Plus team, is underway to determine if the likely level of demand beyond three years.
- 2.3.3. Ongoing over spends of £11k relates to running costs of the ACPO office, which includes training costs.
- 2.4. **Local Policing** – The full year forecast is a net expected over spend of £91k which can be broken down as follows;
- 2.4.1. One off under spends of £250k relates to police staff pay vacancies, some staff who have been allowed to reduce their hours worked and a tighter management of week end working. Some vacancies, in for example the Communications unit, have been filled to maintain levels of service.
- 2.4.2. One off overspends of £391k relates to police officer pay – this is due to additional officers in Local Policing in non budgeted posts. Student officer recruitment delays have reduced this over spend by £30k and this could reduce the over spend further if recruitment is delayed beyond March 2011.
- 2.4.3. Ongoing under spends of £50k has come about due to the implementation of a new procedure for claiming and collecting court costs awarded to Warwickshire Police, the new procedure has been developed in conjunction with prosecutors.
- 2.5. **Protective Services** – The full year forecast is a net expected over spend of £52k which can be broken down as follows:
- 2.5.1. One off under spends of £86k relates to police pay turnover and posts being held vacant, there are also posts where officers are working part time in full time posts.
- 2.5.2. One off over spends of £138k in police staff pay, which is attributable to higher than anticipated standby and weekend working incurred in major investigations, as well as staff turnover being lower than anticipated.

2.6. **Resources** – The full year forecast is a net expected over spend of £6k which can be broken down as follows;

2.6.1. One off under spends of £237k

- £213k is attributable to police staff pay vacancies due to turnover, restructures and temporary arrangements across the Resources Directorate.
- £10k relating to police officer turnover;
- £14k is additional income from the use of the Illmington radio mast by the Fire and Rescue service and charging for training provided to other organisations through the Academy.

2.6.2. One off overspends of £298k

- £27k from police officer pay relating to temporary arrangements in place at the Federation to allow for a handover period between officers standing down and new officers taking up their post and change of rank from constable to inspector of the post holder.
- £21k is in part due to equipment required to upgrade the force's telephone network to meet nationally required standards, this was part funded by the Cabinet Office. The remainder relates to consultancy costs incurred during the restructure of the Occupational Health and Safety Team.
- £250k relating to estimated repair and maintenance costs for buildings that were due to be replaced or refurbished as part of the capital programme.

2.6.3. Ongoing under spends of £122k

- £101k in Property Services is a result of the review of Safer neighbourhood contact points, resulting in fewer requests for these to be set up.
- £21k Police staff arising from the restructure of the Learning and Development Department.

2.6.4. Ongoing over spends of £67k

- £47k has been incurred on additional employers liability insurance premiums and brokers fees on renewal of the contracts.
- £20k relates mainly to treatments such as counselling and physiotherapy provided to enable people to get back to work after an injury or major event. Whilst this was dealt with as a one off over spend in 2009/10 the upward trend has continued in 2010/11.

2.7. **Service Developments –**

2.7.1. **150Forward and Workforce Development** – The total saving achieved in 2010/11 to date is £245k, compared to a savings target of £507k. It is anticipated that the remaining £262k of savings will be achieved this year.

2.7.2. **150PLUS** – The MTFPS and 2010/11 Revenue Budget included a cash savings target of £5,700k. This forms part of the £12,000k of savings targets to be achieved over the period 2010-11 to 2012-13. To date £1,161k of the target has been achieved and it is anticipated that by the 31st March 2011 total savings of £3,500k will have been achieved, leaving a shortfall of £2,200k. To ensure that no further support from reserves is necessary, managers are challenging all spend decisions to determine if expenditure is necessary for the desired outcome to be achieved, or if there is another method that will achieve the same result.

2.7.3. **Revenue Consequences of Capital Programme (RCCO) –**

	Budget £	Forecast £	Variance £
Planned Maintenance RCCO	99,500	99,500	0
Vehicle Kitting	55,700	0	(55,700)
IT RCCO	532,400	532,400	0
Sexual Assault Referral Centre	250,000	0	(250,000)
Southern Justice Centre	350,000	350,000	0
Other	31,800	31,800	0
Total	1,319,400	1,013,700	(305,700)

2.7.4. The vehicle replacement programme has been re-evaluated and due to delays in some vehicle replacements during 2010-11, there is a reduction in year for vehicle fitting.

2.7.5. The Sexual Assault Referral Centre (SARC) has now been delayed to 2011-12.

2.7.6. The original budget of £250k for the papal visit is no longer required in full, however the costs incurred to date of £80k, plus further costs to support West Midlands Police in their planning for the event are anticipated to total £90k.

- 2.7.7. **Planned use of Earmarked Reserves** for One Off Items (Currently in Service Developments Budget)
- 2.7.8. The 150PLUS change programme was originally allocated £500k. Of this, £338k has been forecast as required for the team, with £162k not being required.
- 2.7.9. The £1,000k of restructuring costs is unlikely to be needed in full and an estimated £500k may be needed during 2010-11.

	Budget £	Forecast £	Variance £
Repairs and Maintenance Backlog	300,000	300,000	0
150PLUS Change Programme	161,700	0	(161,700)
Papal Visit	250,000	90,000	(160,000)
Force Restructure	1,000,000	500,000	(500,000)
Total	1,711,700	890,000	(821,700)

- 2.8. **Corporate Finance** - The full year forecast is a net expected over spend of £707k which can be broken down as follows:
- 2.8.1. There is a one off under spend of £60k, which relates to the interest on balances held by the Police Authority. When setting the 2010/11 budget at the meeting on the 22nd February 2010, the Police Authority agreed, to remove the budget for interest on balances. This was a prudent decision based on forecasts of future interest rates during 2010/11 and forecast cash balances. Whilst interest rates are in line with the forecast cash balances are higher than anticipated.
- 2.8.2. There is an on-going overspend of £767k, which relates to the reduction of Rule 2 grant, a non ring fenced grant which supports the police budget. The Home Office, in their letter dated 16th June 2010, announced the publication of the Police Grant (England and Wales) Amending Report 2010/11, which confirmed that Warwickshire Police Authority's Rule 2 grant would be reduced by £767,829 in 2010/11. This forms part of the national reduction in Home Office funding of £125m in 2010/11, (£115m reduction in the Rule 2 grant nationally). This reduction in grant represents an additional in year saving requirement and the reduction is likely to be ongoing in future years.

2.9. Other key issues are:-

- 2.9.1. Operation Westbere – The ongoing investigation into the deaths of fire fighters at a warehouse in Atherstone in 2007 is forecast to spend £250k during 2010-11. This amount has been set aside in an earmarked reserve.
- 2.9.2. Bulldog Bash – The planning for this event has started and the costs are expected to be within the budget of £200k.
- 2.9.3. The Papal visit has now been moved to a location in Birmingham, and rather than the full event, Warwickshire will be supporting West Midlands Police in policing this event. The costs already incurred in planning for the visit amount to £80k and this amount will be submitted as a grant bid via the ACPO lead for the Papal visit.

3. Forecast Reserves position

- 3.1. Appendix C shows the opening reserves position as at 1st April 2010 and the closing position as at 31st March 2010 in line with the forecast shown in 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.
- 3.2. It is recommended that the £25k of carry forward from 2009-10 is retained in the carry forward reserve for the WSCP, as this funding will not be required until 2011-12.
- 3.3. During 2009-10, £125k budget was carried forward for the WSCP. At the year end, the Authority approved that £100k of this balance be transferred into general reserves as the budget would not be needed in 2010-11. Following further discussions, it has emerged that this is not the case and the £100k is needed by the WSCP during 2010-11. It is therefore requested that this decision be reversed, and £100k is transferred out of budget reserve and into the 2010-11 revenue budget for the WSCP.
- 3.4. It is necessary to draw down £125k from the insurance reserve to meet legal expenses and liabilities arising in 2010-11, which were specifically set aside in the insurance reserve.

4 Capital Programme Monitoring

4.1 The capital budget for 2010/11 of £10,738k was supported by the use of £8,241k of borrowing, £1,900k of specific grants and contributions, £97k of reserves and £500k of receipts; this was approved at the Police Authority Meeting held on 22nd February 2010.

4.2 Budget of £1,087k has been carried forward from 2009/10 and acceleration from 2010/11 to 2009/10 of £XXX was approved as part of the outturn bringing the revised capital budget to £11,825k for 2010/11 as set out below.

4.3 **2010/11 Revised Capital Budget**

	PA meeting date	Budget Value £'000
2010/11 Original budget	Feb-10	10,738
Carried forwards from 2009/10	Jun-10	1,088
Funding accelerated to 2009/10	Jun-10	(1,135)
		<u>10,691</u>

4.4 The capital programme forecast is a total of £10,471k, compared to the revised budget of £10,691k, resulting in a forecast under spend in year of £220k. This variance is a saving on the overall capital programme as a result of a review of IT Replacement, IM Strategy and Transport capital budgets by EPMG. This under spend should result in a £15k revenue saving on borrowing costs.

4.5 The Property area of the budget has not yet been fully reviewed, this work is being undertaken at the moment. Whilst this is happening, several projects have been put on hold and as a result, the estimate of £250k of revenue costs to keep the relevant buildings safe, secure and watertight has been included in the revenue monitoring section of this report.

4.6 The total forecast overspend on Property relates to a forecast overspend on the final phase of the Rugby improvement project of £XXX, and the XXX project of £XXX, less forecast under spends relating to 2 projects which are....

4.7 The overall budget reduction over the five year programme from 2010-11 to 2014-15 is £4,321k, broken down as follows;

- IM Strategy £3,295k
- IT Replacement Programme £1,335k
- Vehicle Fleet £400k

4.8 The £380k variance on the Equipment area relates to the Digital Interview upgrade project which the Police Authority approved as part

of the MTFPS planning, but was not included in the budget. It is requested that the budget be updated to include this project at this stage.

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Enquiries relating to this report should be directed to Marie Perry, Assistant Director of Resources (Finance) on 01926 415015