

Cumbria Police Authority

Audit and Performance Committee

04 December 2006

Agenda Item No 16

Budget variance report 2006-07

A report by the Treasurer and Chief Constable

1. Summary

- 1.1 This paper sets out the expected financial position of the Constabulary for 2006-07 based on actual spending and commitments for the six months to the end of September 2006, plus estimates for the remainder of the financial year. Total forecast net expenditure after accounting for transfers to and from earmarked balances is substantially lower than previously reported and is projected to come inside the approved budget by £2.214 million, compared with £0.817m projected at the end of July.
- 1.2 The Constabulary is currently looking at proposals to recommend that the Authority 'in principle' earmark elements of the 2006/07 surplus for specific purposes, such as to contribute to the Capital Fund to support future years' Capital Programmes, and thus reduce pressure on future annual budgets. Such plans need to be evaluated and prioritised in the context of future budget demands to finance both enhanced protective services capability and major capital projects, which were set out in the Medium Term Financial Forecast, and will be articulated in more detail later in the budget process. Definitive recommendations will be made as part of the budget reporting.

2. Recommendations

- 2.1 Members are asked to note the contents of the report.

3. Details

- 3.1 A summary of the main variations from budget, based on the latest predictions of income and expenditure is attached as appendix 1 for members' attention. Net expenditure, after taking account of transfers to and from earmarked reserves, is projected to amount to £88.114m, which is £2.214m below the approved budget of £90.328m.
- 3.2 Police Officer pay is anticipated to come within budget by £281k (previously 137k), reflecting an increased level of staff turnover and vacancies, with the problem being particularly acute in the North BCU. The level of absences as a result of secondments has also increased since the July report, and whilst the costs of seconded officers are generally reimbursed, by convention, this

reimbursement is shown as income in the accounts. For information, forecast income for seconded officers is currently forecast to exceed the budget by £233k.

- 3.3 Police staff pay is forecast to come inside the budget by £548k (£251k in July), this reflects continuing difficulties in recruiting into some posts, which may have been compounded by uncertainty surrounding the proposed amalgamation with Lancashire Constabulary. Whilst vacancies exist across many departments, recruitment problems are particularly acute in Information Technology. Of the £297k forecast reduction in expenditure since June, £190k relates to posts within the Project Management Unit which have not been filled due to slippage on the Crisp and Code of Practice on Information Management projects, resulting from national changes in project specifications.
- 3.4 So far as future financial risks are concerned, members may be aware that the September pay award for police officers has now been agreed at 3%, in line with the budget provided. In relation to police staff, an offer has been made by the employer side, at 3%, and whilst this has not been accepted at the time of writing the report, the probability must be that it will be, particularly in light of the police officer agreement.
- 3.5 Since July, savings of £422k have been identified as a result of delayed delivery of Airwave functionality, notably in relation to mobile data. Consequently, supplies and services costs are now expected to come £286k within budget.
- 3.6 Income levels are forecast to be £725k higher than budgeted, through a combination of additional investment income, increased fees and charges and income from seconded officers (see para 3.2).
- 3.7 Grants are forecast to exceed budget by £584k. Following confirmation by the Home Office that they will meet the additional costs incurred by Cumbria in preparation for amalgamation with Lancashire the sum to be re-imbursed, amounting to £271k, has now been incorporated in budget projections. The remainder of the variance (£313k) is attributable to additional grants for the accelerated recruitment of PCSO's approved by the Police Authority in June.

Douglas Thomas
Treasurer
November 2006

Michael Baxter
Chief Constable

Contact point for further information

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Attachments

1. Detailed analysis of budget variances

Schedule and description of budget variances 2006-07
Period to September 2006

Budget Area	Revised Budget £'000	Actual to Date £'000	Expected Outturn £'000	Predicted variance £'000	Reported reason for variance
Police Pay, overtime and Allowances	59,102	28,177	58,821	-281	The variance on Police pay results from officer vacancies coupled with the effects of staff turnover, offset by increased overtime to provide cover and the additional costs of seconded officers.
Police Staff pay and allowances	21,188	9,659	20,640	-548	This reflects continuing difficulties in recruiting police staff, both generally, but especially in a number of specialist areas. This is illustrated by the fact that the problem is most acute in the Information Directorate. Vacancies in the Project Management Unit due to national delays in implementing the CRISP and COPIM projects and explain much of the reduction in forecast expenditure since July.
Police Pensions	698	292	713	15	This is attributable to injury allowances slightly exceeding the amount budgeted.
Other employee Costs	1,062	425	1,041	-21	This reflects savings in the sums required to meet the capital pension costs of Police Staff retiring early, offset by increased training costs.
Premises Costs	3,874	1,740	3,976	102	This variance is due to a higher forecast of spending against the cleaning contract, increased expenditure on minor works and a one off water charge for accommodation in Carlisle offset by reduced rates bills.

Transport Costs	2,167	1,118	2,331	164	The most material element of this variance relates to expenditure on repairs and maintenance, which is forecast to exceed the approved budget by £84k, due in part, to the continuing need to outsource some elements of this work as a result of staff shortages.
Supplies and Services	10,563	4,874	10,277	-286	Whilst there are a number of variances on this budget head, the most significant are IT related, resulting from delayed development of Airwave functionality offset by additional contracted in staff to cover vacant posts.
Capital Financing Charges	322	36	322	0	
Support Services	104	26	95	-9	
Agency Costs	280	86	227	-53	This reflects lower than anticipated contributions to other agencies for services in 06/07.
Police Authority Costs	696	330	676	-20	It is anticipated that the Police Authority will not need to commit the whole of its annual contingency.
Revenue contribution to Capital Outlay	1,985	0	2,017	32	This variance relates to funding of Operation Vantage.
Income	3,203	1,156	3,928	725	The most significant income variance relates to increased investment income forecast at £344k above budget. This is due to a combination of higher than anticipated returns on investments and more cash to invest than anticipated, due to a number of factors including slippage on a number of capital schemes and the availability of more earmarked and general reserves than foreseen when the budget was prepared. Other variances include additional income for seconded officers of £233k, which is offset by increased expenditure on Police

					pay, and £122k of additional fees and charges, including £51k for Criminal Records Bureau checks.
Grants	7,964	4,408	8,548	584	This reflects additional net grants of £313k as funding for the accelerated recruitment of PCSO approved by the Police Authority in June and £271k in reimbursement of the additional costs incurred in preparing for the aborted amalgamation with Lancashire.
Contingencies and Amending Report	659	246	659	0	
Transfers to and / (from) Reserves	-1,205	0	-1,205	0	
Total				-2,214	

NB

1. For the purpose of this report, positive variations mean that the estimated outturn is greater than the revised budget for both Expenditure and Income. Similarly, negative variations mean that the estimated outturn is less than the revised budget for both Expenditure and Income
2. It is important to note that, under the scheme of Devolved Resource Management, BCU's and Departments are allowed, within an agreed framework, to vire funds between budget heads.