

Cumbria Police Authority
Audit and Performance Committee
7 February 2006
Agenda Item No 11

Budget Variance report 2005-06

A report by the Treasurer and Chief Constable

1. Summary

- 1.1 This budget monitoring report covers the first nine months of the 2005-06 financial year, and is based on actual spending and commitments up to the end of December 2005 plus estimates for the remaining period. It incorporates the decision made at the meeting of the Police Authority in December to transfer £1.036m to an earmarked reserve to meet specific operational costs. The report shows, in the approved style, details of significant variations from budget. The overall position at this stage is for spending, after accounting for transfers to and from earmarked reserves, is for spending to come inside the approved budget by £0.436m.

2. Recommendations

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

3. Detail

- 3.1 A summary of the main variations from the latest predictions of income and expenditure is attached at Appendix 1 for members' information. The report is based on actual income and expenditure for the nine months to 31st December 2005, together with estimates for the remaining months of the financial year. The overall position is that net expenditure is predicted to amount to £88.652m, after taking account of the transfer of £1.036m to an earmarked reserve agreed by the Police Authority in December. This projected level of spending is £0.436m inside the approved budget, which, after allowing for the transfer to reserves, represents a reduction in projected expenditure in comparison with the position reported to the last meeting of the Committee, which was £0.275m inside the budget.

- 3.2 Since the September report the largest single change relates to savings of £700k identified within IT, largely as a result of delayed roll out of Airwave functionality and procuring a combined purchase and maintenance agreement on Airwave equipment below budget. Elsewhere within the budget projections of Police Staff pay and Police Pensions costs have fallen in comparison with September's reported position, whilst income has also risen. This is offset by higher projections for Police pay, which has increased due to additional overtime, partly to cover vacancies, but also to meet the costs of a variety of operations within the Operational Support department. Details of all major variations are shown in the table in appendix 1.

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Treasurer
January 2006

Michael Baxter
Chief Constable

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Attachments

Appendix 1 Detailed analysis of budget variances

Schedule and description of budget variances 2005-06

Period to December 2005

Budget Area	Revised Budget £'000	Actual to Date £'000	Expected Outturn £'000	Predicted variance £'000	Reported reason for variance
Police Pay, overtime and Allowances	48,533	35,505	48,698	165	The overall variance is made up of two elements. Firstly, expenditure on basic pay and allowances is projected to come inside the budget by £218k, reflecting a small number of vacancies coupled with the effects of staff turnover. However, this is more than offset by additional overtime costs of £382k, incurred in Operational Support and to cover vacancies across the force.
Police Staff pay and allowances	19,227	13,609	18,621	-606	This reflects a continuing problem, as reported in past budget monitoring reports about the difficulties of recruiting police staff, both generally, but especially in a number of specialist areas. The reported variance reflects a number of smaller variances both from BCU's and departments, and does not come from one specific location or function.
Police Pensions	12,946	10,790	12,812	-134	There are two material variances that make up this total. Firstly, the estimated cost of recurring pensions is £255k inside the approved budget. This is offset to some degree by lower than expected employee contributions of £69k and an unanticipated transfer out of pension contributions of £50k. Earlier in the year a shortfall was forecast on transfer values received, which is unusual, as in the past income in this area has normally exceeded the approved budget,

					sometimes by a significant amount. However, it is now forecast that income will marginally exceed the approved budget.
Other employee Costs	1,098	740	1,096	-2	This reflects additional expenditure of £23k on agency staff to cover staff vacancies and training costs running £34k ahead of budget, which are offset by a forecast reduction of £60k in the sums required to meet the capital pension costs of Police Staff retiring early.
Premises Costs	3,681	2,414	3,674	-7	This variance reflects savings of £47k on rates payable, principally as a result of relief due to storm damage at Rickergate, which are largely offset by increased rental (£30k) and energy costs (£11k).
Transport Costs	2,218	1,795	2,389	171	There are a number of contributory factors to this variance. Firstly, and most materially, expenditure on repairs and maintenance is forecast to exceed the approved budget by £102k. Vehicle hire activity across the force has increased this year and is projected to exceed its budget by £44k. Vehicle running costs are also projected at £20k above budget, largely as a result of the high price of fuel.
Supplies and Services	11,028	7,075	10,253	-775	A number of individual variances make up this total. By far the most material variances relate to Information Technology. Savings totalling £610k have been identified on Airwave through a combination of delayed roll out of Airwave functionality and the purchase of a combined purchase and maintenance deal on Airwave equipment. Elsewhere within the IT budget head, expenditure on items such as hardware and software maintenance and radios is projected to be £300k within budget. Against this, the costs of computer stationery are forecast to exceed the approved budget by £77k, reflecting increasing use

					of colour printers etc. The other operational services budget head is anticipated to be over budget by £41k, largely as a result of increased use of telephone call analysis as a means of investigating crime.
Capital Financing Charges	208	44	208	0	
Support Services	124	47	108	-16	This variance results from a saving of £16k on payroll and pensions services.
Agency Costs	244	110	244	0	
Police Authority Costs	683	467	654	-29	This is, principally, because there have been no commitments to date against the Authority's newly created contingency.
Revenue contribution to Capital Outlay	1,964	0	1,964	0	
Income	5,177	2,616	5,425	248	This results from a combination of variances, the most material of which include higher than anticipated investment income amounting to £120k as reported to members in December; increased revenues from firearms licences, following the change from five year to three year licences (£57k); additional warrant execution fees of £43k and additional income from seconded officers £53k, to offset additional pay and overtime costs as outlined above.
Grants	7,868	4,951	7,886	18	This reflects additional grant aid in three areas, not incorporated into the base budget due to the timing of their announcements. Firstly, £60k in respect of IPLDP as a contribution to annual running costs and, secondly, £55k, in respect of the annual contribution to the Mountain Rescue Radio equipment and finally £35k on Special Priority Payments Grant. This is offset by lower than expected PFI grant of £122k.

Transfers to and / (from) Earmarked Reserves	-123	0	913	1,036	This represents the transfer of £1.036m to an operational reserve, agreed by the Police Authority in December 05.
Total				-436	

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.