

**Cumbria Police Authority**  
**Audit and Performance Committee**

7 September 2006

Agenda Item No .....

**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 up to the end of July 2006 plus estimates for the remainder of the financial year. Overall, it is forecast that net expenditure after accounting for transfers to and from earmarked balances will come inside the approved budget by £0.817m.

**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 £89.511m, which is £0.817m below the approved budget of £90.328m.
- 3.2 Police Officer and Staff pay budgets are forecast to come within budget by £137k and £251k respectively, reflecting staff turnover and, for Police staff, difficulties in recruiting into some posts, which may have been compounded by uncertainty surrounding the proposed amalgamation with Lancashire Constabulary.
- 3.3 In relation to the forecasts of payroll costs for 2006/07 it is worthy to note that, following changes to the national economic position, which have emerged since the constabulary's budget was set and with recent precedents for lower public sector pay settlements, there is a possibility that the September 06 pay awards will be below the 3% allowed, which would result in further savings over and above those forecast in 3.2.

- 3.4 It should also be noted that whilst all costs incurred by Cumbria in relation to the amalgamation project have been reflected in this report no assumptions have been made at this stage about:-
- (i) Cumbria's share of the £0.5m grant allocated to Cumbria and Lancashire to 'communicate learning' to other forces, which the Home Office have indicated can be retained locally.
  - (ii) Any claim which may be sent to the Home Office in respect of additional costs incurred in preparation for amalgamations not now proceeding. In this regard, Home Office officials have issued guidance setting out that they will entertain claims only for additional costs incurred, and not for diverted costs (which are significantly funded by a combination of Government grants), although the agreed stance of both Authorities in this regard is to make a claim for the costs of the Joint Programme Office on the basis that there was significant learning from our earlier preparations and dissemination of this valuable information to other forces.
- 3.5 Income levels are forecast to be £421k higher than budgeted, predominantly as a result of additional investment income over and above that budgeted. This is due to a combination of increased returns on investments and higher cash balances being available for investment due to a number of factors including slippage on capital schemes and higher general and earmarked reserves than foreseen when the budget was prepared.
- 3.6 Grants are forecast as £313k above budget principally as a result of additional grants for the accelerated recruitment of PCSO's approved by the Police Authority in June.

Douglas Thomas  
Treasurer  
August 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 July 2006**

<b>Budget Area</b>	<b>Revised Budget £'000</b>	<b>Actual to Date £'000</b>	<b>Expected Outturn £'000</b>	<b>Predicted variance £'000</b>	<b>Reported reason for variance</b>
Police Pay, overtime and Allowances	58,976	18,731	58,839	-137	The variance on Police pay results from a small number of vacancies coupled with the effects of staff turnover, offset by a small increase in overtime above the level budgeted totaling £26k.
Police Staff pay and allowances	20,997	6,384	20,746	-251	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. The variance is offset to some extent by additional costs of contracted in staff to cover vacancies, whose costs are shown within the Supplies and Services heading. The problem may have been exacerbated by uncertainty generated by the proposed amalgamation with Lancashire.
Police Pensions	698	212	715	17	This is attributable to injury allowances slightly exceeding the amount budgeted.
Other employee Costs	1,054	329	992	-62	This reflects savings in the sums required to meet the capital pension costs of Police Staff retiring early.
Premises Costs	3,816	909	3,902	86	This variance is largely due to a higher forecast of spending against the cleaning contract, due to a combination of cleaning

					additional sites, not envisaged in the contract, plus higher than expected inflation for the contract.
Transport Costs	2,158	787	2,237	79	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.
Supplies and Services	10,491	3,322	10,667	176	Whilst there are a number of variances within this budget head, the most significant are additional contracted in staff to cover vacant posts particularly in IT, totaling £37k, although an estimate of forcewide procurement savings amounting to £100k, remain to be identified during the year.
Capital Financing Charges	322	0	322	0	
Support Services	104	13	104	0	
Agency Costs	254	82	254	0	
Police Authority Costs	696	244	665	-31	To date there has been no need for the Police Authority to commit its annual contingency identified.
Revenue contribution to Capital Outlay	1,932	0	1,972	40	This variance relates to funding of Operation Vantage which is required as a result of reduced Incentivisation funding
Income	2,847	86	3,268	421	As indicated in the commentary above 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. The

					remaining variance is explained by additional income for seconded officers, which is offset by increased expenditure on Police pay.
Grants	7,894	3,105	8,207	313	This principally reflects the (non recurring) surplus grant for the accelerated recruitment of PCSO's approved by the Police Authority in June.
Contingencies and Amending Report	662	161	662	0	
Transfers to and / (from) Reserves	-1,091	0	-1,091	0	
Total				-817	

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.