

Police and Crime Panel

28th October 2014

**Budget Monitoring: Actual to 30th September 2014 and
Outturn to 31st March 2015**

Report of PCC Chief Finance Officer



Purpose

The purpose of the report is to outline the performance of the 2014/15 revenue and capital budgets as at 30th September 2014 and provide a forecast outturn to 31st March 2015.

Context

On 3rd February 2014, the Police and Crime Panel considered the Precept Report of the Police and Crime Commissioner. The Panel agreed to the draft budget for 2014/15, which incorporated a rise in precept of 2%.

Background

2014/15 is the fourth year of the government's austerity programme and it is widely expected that austerity will now last until 2020. This has significant implications for the forces' financial position in terms of:

- **Risk:** Austerity brings with it risks such as rising service demand. Rising demand can mean rising or unexpected costs which requires a prudent financial planning process so as to offer a degree of flexibility should cost pressures emerge during the year. Clearly, too much flexibility can be seen as poor planning, but equally, too little flexibility can result in the need to use reserves in year or overspend budgets.
- **Reserves:** Given the on-going imposition of grant cuts, council tax capping and nationally imposed cost increases, the need to maintain reserve balances within the current year and over the short term is important. Reserves can only be used once and ideally should only be used for investment as opposed to support day to day expenditure.
- **Stability:** Protecting service provision requires financial stability. This in turn is underpinned by an ethos of maximising income (e.g. through precept income), keeping ahead of the 'cost reduction curve' by ensuring that costs fall faster or at least in time with falling overall spending limits and clear workforce planning.

It is important that the above contextual statements are understood when considering the performance of the revenue and capital budgets in the current year.

Revenue Budget – Force

The table below shows the 2014/15 revenue budget for the force.

Budget Heading	Budget to date	Actual to date	Variance to date Fav / (Unfav)	Revised Budget 2014/15	Forecast Outturn 2014/15	Variance Fav / (Unfav)
	£'000	£'000	£'000	£'000	£'000	£'000
Employees						
Police Officer Pay	32,923	33,436	(513)	65,279	64,451	828
Police Overtime	926	881	45	1,983	1,983	0
Police Staff Pay	14,054	13,646	408	28,173	27,402	771
Police Pensions	708	1,318	(610)	1,415	2,493	(1,078)
Other Employee Expenses	187	253	(66)	652	646	6
sub total	48,798	49,534	(736)	97,502	96,975	527
Premises	1,635	1,662	(27)	4,049	4,232	(183)
Transport Expenses	1,429	1,367	62	2,790	2,429	361
Supplies & Services						
Equipment	361	595	(234)	722	928	(206)
Stationery	193	176	17	357	340	17
Uniform	149	93	56	298	298	0
Doctors	403	374	29	1,424	1,432	(8)
Communications	950	930	20	1,900	1,923	(23)
Computing	1,227	1,349	(122)	1,676	1,807	(131)
Other Supplies	510	649	(139)	1,040	1,310	(270)
sub total	3,793	4,166	(373)	7,417	8,038	(621)
Air Support	265	265	0	529	529	0
Joint & Other Authorities	644	640	4	2,190	2,190	0
Police National Computer	287	287	0	577	577	0
Forensic Science Services	417	382	35	930	930	0
Support Service Charges	2	4	(2)	3	23	(20)
less Income						
Customer & Client Receipts	(560)	(924)	364	(1,322)	(1,537)	215
Secondment Income	(152)	(323)	171	(385)	(585)	200
Interest	0	(2)	2	0	0	0
Council Tax Grant	0	0	0	0	0	0
Special Grants	(490)	(434)	(56)	(980)	(989)	9
Capital Financing Costs	0	0	0	1,443	1,048	395
Transfer to/from (-) Reserve	0	(64)	64	(433)	(497)	64
Net Expenditure	56,068	56,560	(492)	114,310	113,363	947
Central Govt Funding Precept	0	0	0	0	0	0
Net Surplus/(Gap)	56,068	56,560	(492)	114,310	113,363	947

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Reasons for over/under spending are as follows:

- Police Officer Pay. Although this has overspent for the year to date, this is predicted to underspend for the full year due to:
 - a) A number of officers have taken voluntary severance in the six months to 30 September. While these payments have taken the year to date figure over budget, the full year position will remain under budget due to the reasons below and the salary savings for the remainder of the year. Overtime is used where considered necessary to support on-going service delivery.
 - b) Officers on half or zero pay. The force takes a firm, but fair stance when it comes to managing officers who are absent due to sickness. A number of officers are currently on either half or zero pay which is generating a revenue saving. (The budget is set to assume that all officers are on full pay during the year).
 - c) Police officers are continuing to retire earlier than expected for a variety of reasons. The budget assumes that officers will retire 60 days after they achieve 30 years' service. Unless the Constabulary adopts Regulation A19 (and forces officers to retire after 30 years), it can be difficult to accurately predict when officers will retire.
- Police Staff Pay. This is underspent for the year because:
 - a) Vacancies. A number of vacancies exist across all parts of the force which is generating savings. The budget is set to assume a vacancy factor of 2%. Any vacancy level above this indicates that the budget is underspent.
 - b) Early retirement/voluntary redundancies. A number of ER/VRs have been granted in the current year which has contributed to the pay budget being underspent.
- Police Pensions: This budget is set anticipating around six police officer medical retirements in a financial year. The outturn expects to exceed that number of retirements and part of the additional cost will be offset by underspends in the police officer salary budget. This overspend is due to an increase in officers seeking medical retirement.
- Equipment and supplies are showing overspends due to additional equipment necessary for modern methods of working and office relocation costs for the new HQ, Warehouse and refurbished police stations
- Customer & Client Receipts are overachieved due to recovery of overtime and the cost of external operations.

Overall, the revenue budget is expected to be underspent by £0.948m which is 0.83% of the budget. This is considered reasonable.

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Revenue Budget – PCC

The table below shows the 2014/15 revenue budget for the PCC.

Budget Heading	Budget to date	Actual to date	Variance to date Fav / (Unfav)	Revised Budget 2014/15	Forecast Outturn 2014/15	Variance Fav / (Unfav)
	£'000	£'000	£'000	£'000	£'000	£'000
Employees						
Police Officer Pay	0	0	0	0	0	0
Police Overtime	0	0	0	0	0	0
Police Staff Pay	204	168	36	507	503	4
Police Pensions	0	0	0	0	0	0
Other Employee Expenses	0	(22)	22	0	(22)	22
sub total	204	146	58	507	481	26
Premises	0	0	0	0	0	0
Transport Expenses	13	6	7	26	26	0
Supplies & Services						
Equipment	12	0	12	23	8	15
Stationery	1	0	1	2	2	0
Uniform	0	0	0	0	0	0
Doctors	0	0	0	0	0	0
Communications	1	0	1	3	3	0
Computing	11	3	8	22	22	0
Other Supplies	62	37	25	123	73	50
sub total	87	40	47	173	108	65
Air Support	0	0	0	0	0	0
Joint & Other Authorities	517	475	42	833	1,448	(615)
Police National Computer	0	0	0	0	0	0
Forensic Science Services	0	0	0	0	0	0
Support Service Charges	65	18	47	130	130	0
less Income						
Customer & Client Receipts	0	(5)	5	0	(5)	5
Secondment Income	0	0	0	0	0	0
Interest	(48)	(4)	(44)	(95)	(30)	(65)
Council Tax Grant	0	0	0	0	0	0
Special Grants	0	(250)	250	0	(585)	585
Capital Financing Costs	0	2	(2)	0	0	0
Transfer to/from (-) Reserve	0	0	0	0	0	0
Net Expenditure	838	428	410	1,574	1,573	1
Central Govt Funding	(45,277)	(45,277)	0	(90,554)	(90,554)	0
Precept	(14,773)	(14,773)	0	(25,430)	(25,430)	0
Net Surplus/(Gap)	(59,212)	(59,622)	410	(114,410)	(114,411)	1

Reasons for under/over spends are as follows:

- Staff Pay. This is expected to be under or on budget at the end of the financial year. The budget reflects the savings mentioned in last year's financial reports.
- The Community Safety Fund (shown under Joint & Other Authorities) is likely to be on or near budget.
- Special Grants for commissioning of victims support services and other new activities to the Office of the PCC have been received in 2014/15 (not budgeted for) and will be distributed carefully following a thorough assessment of needs.
- Interest. The interest receivable budget will not be achieved due to lower than expected interest rates and timing of capital receipts

Capital Budget – Force

Appendix 1 shows the capital budget. The appendix seeks to match inputs (the budget) to outputs and benefits. Capital resources are scarce and the force needs to maximise the return from its investment. This means in practice that close attention is paid to ensure benefits are realised against any expenditure incurred.

This year the primary focus is to complete the delivery of the Estates Strategy by: finishing construction of the new HQ (including ICT requirements); fitting out of the police building in Peterlee; delivering other police building improvements; and decanting of employees to vacate the old HQ. These actions will enable the delivery of savings associated with the Estates Strategy that have now been absorbed into the revenue budgets.

Summary

A key function of the PCC's role is to set and monitor a revenue and capital budget for the year. This report demonstrates that revenue and capital expenditure will be below budget for the year for the reasons identified. The PCC and staff will continue to closely monitor expenditure and seek to maximise outputs and outcomes in terms of overall performance.

Recommendations

The Police and Crime Panel is asked to consider the content of the report.

Gary Ridley
PCC Chief Finance Officer

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Appendix 1

Area	Scheme	Output	Outcome	Capital Funding 2014/15	Spend & Commitment	Variance under / (over)	Expected Spend 2014/15	Potential Carry Forward
				£'000	£'000	£'000	£'000	£'000
Property				6,150	5,431	719	6,176	510
IT				4,396	2,029	2,367	2,657	1,848
Vehicles				900	800	100	966	0
Equipment				650	253	397	442	209
Total				12,096	8,513	3,583	10,241	2,567
Property	Darlington - Improvements	Backlog maintenance improvements	Extend life of building bringing up to acceptable condition with zero backlog maintenance and reduce running costs	100	71	29	90	10
Property	Accommodation Improvements	Improvements to Peterlee, Spennymoor and Durham City police stations	Facilitating the wider Estates Programme through conducting improvements to stations to accommodate teams from headquarters	100	9	91	100	0
Property	Custody Improvements	Improvements to Custody Suites in line with Home Office Guidance and arising from quarterly condition inspections	Legislative Compliance	50	6	44	50	0
Property	Whitehouse Way	Fit out of new police building	Facilitating the wider Estates Programme through conducting fit out to accommodate teams from headquarters	800	1,332	-532	1,300	0
Property	Newton Aycliffe Police Station	Rationalisation of Estate	Facilitating Estates programme	84	5	79	120	0
Property	Chester le Street Improvements	Improvements to Chester le Street police station	Facilitating the wider Estates Programme through conducting improvements to accommodate teams from headquarters	0	2	-2	0	0

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Area	Scheme	Output	Outcome	Capital Funding 2014/15	Spend & Commitment	Variance under / (over)	Expected Spend 2014/15	Potential Carry Forward
Property	Public Safety Unit Classroom Extension	Improvements to Meadowfield Public Safety Unit Facility	Facilitating the wider Estates Programme through conducting improvements to centralise training team from headquarters	16	16	0	16	0
Property	HQ Redevelopment	New Headquarters Building	Environmentally efficient and flexible building with reduced running costs	5,000	3,990	1,010	4,500	500
Sub total				6,150	5,431	719	6,176	510
IT	Mobile Data	Improvements to mobile data infrastructure	Promote agile working and visibility	157	13	144	25	132
IT	Origin	System Upgrades	Improved data quality	15	4	11	5	10
IT	Server Virtualisation/Consolidation	Improvements to Infrastructure	More Cost Effective Maintenance	50	18	32	50	0
IT	Replace Covert Airwave Terminals	Improvements to Infrastructure	More Cost Effective Maintenance	200	0	200	0	200
IT	Identity Access Management	Buildings Access System	Improved Ease of Access	69	53	16	69	0
IT	Microsoft Licences	Improvements to License Arrangements	Licensing Compliance	28	28	0	28	0
IT	Electronic Record Document Management System	Data Management Solution	Reduced Physical Storage Space Requirement	207	7	200	10	197
IT	Dynamics	Consolidation and Upgrade of Police Business Applications	Improved Data Quality and Reduced Support Costs	317	277	40	290	27
IT	Darlington Custody	Improvements to Police Station	Legislative Compliance	20	20	0	20	0
IT	Case & Custody Replacement	New Case & Custody System	Improved Data Quality and Reduced Support Costs	653	448	205	200	453

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Area	Scheme	Output	Outcome	Capital Funding 2014/15	Spend & Commitment	Variance under / (over)	Expected Spend 2014/15	Potential Carry Forward
IT	Port line equipment	Improvements to Infrastructure	More Cost Effective Maintenance	13	13	0	13	0
IT	CCTV Upgrade	Improvements to Infrastructure	More Cost Effective Maintenance	0	-5	5	0	0
IT	Holmes Upgrade	System Upgrades	Improved data quality	25	0	25	25	0
IT	Telephone System	New Headquarters Building	Cost Effective Telephony	286	229	57	325	0
IT	New HQ ICT Infrastructure	New Headquarters Building	Modern ICT Infrastructure	526	492	34	525	1
IT	Airwave Mobile Terminals	Improvements to Infrastructure	More Cost Effective Maintenance	80	0	80	150	0
IT	Peterlee ICT Infrastructure	Improvements to Police Station	Reduced Premises Costs	35	3	32	30	5
IT	Chester-Le-Street ICT Infrastructure	New Police Building	Extend Life of Building and Reduced Premises Costs	1	1	0	1	0
IT	Cycoms	System Upgrades	Improved data quality	333	333	0	333	0
IT	COMPASS Migration	Improvements to Infrastructure	More Cost Effective Maintenance	70	5	65	56	14
IT	ORIGIN Migration/Upgrades	Improvements to Infrastructure	More Cost Effective Maintenance	110	0	110	110	0
IT	PSN (Public Service Network)	System Upgrades	Improved data quality	100	21	79	21	79
IT	Central 999 Recorders	System Upgrades	Improved data quality	50	43	7	43	7
IT	Expand Video Conferencing Lync - External Conference - Virtual Courts	Improvements to Infrastructure	More Cost Effective Maintenance	65	0	65	0	65
IT	Security Works (CCTV)	System Upgrades	Improved data quality	5	5	0	5	0
IT	Police National Computer interfaces	System Upgrades	Improved data quality	21	21	0	21	0

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Area	Scheme	Output	Outcome	Capital Funding 2014/15	Spend & Commitment	Variance under / (over)	Expected Spend 2014/15	Potential Carry Forward
IT	Cyber Crime	System Upgrades	Improved data quality	5	0	5	0	5
IT	Unallocated	Not yet allocated	Not yet allocated	955	0	955	302	653
Sub total				4,396	2,029	2,367	2,657	1,848
Vehicles	New vehicles 2014_15	Delivering the vehicle replacement programme	More cost effective, efficient and safer fleet	820	729	91	820	0
Vehicles	Vehicle write off replacements 2014_15	Delivering the vehicle replacement programme	More cost effective, efficient and safer fleet	0	0	0	0	0
Vehicles	Upgrade fuel storage	Improvements to Infrastructure	More Cost Effective Maintenance	80	5	75	80	0
Vehicles	New vehicles 2013_14	Delivering the vehicle replacement programme	More cost effective, efficient and safer fleet	0	66	-66	66	0
Sub total				900	800	100	966	0
Equipment		New Equipment		650	253	397	442	209

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Appendix 2: Risks and Implications

Finance

As outlined in the report.

Staffing

Pay budgets are underspent which results in fewer officers and staff being employed within the force.

Equality and Diversity

N/A

Accommodation

The majority of the force's capital expenditure relates to improving accommodation which will result in revenue savings in the current and future years.

Crime and Disorder

N/A

Children's Act 2004

N/A

Stakeholder/Community Engagement

N/A

Environment

N/A

Collaboration and Partnerships

N/A

Value for Money and Productivity

N/A

Potential Impact on Police and Crime Plan Priorities

N/A

Commissioning

N/A

Other risks

N/A

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