

| For Information | |
|-------------------------|--|
| Public | |
| Report to: | Strategic Resources & Performance |
| Date of Meeting: | 20th November 2013 |
| Report of: | ACO Monckton |
| Report Author: | David Machin |
| E-mail: | david.machin10991@nottinghamshire.pnn.police.uk |
| Other Contacts: | Simon Tovey |
| Agenda Item: | 9 |

Revenue Budget Management Report 2013-14: Year to September 2013

1. Purpose of the Report

- 1.1 The purpose of the report is to provide an update on the financial position against the 2013-14 budget for the year to September 2013.

2. Recommendations

- 2.1 That the report is noted.

3. Reasons for Recommendations

- 3.1 The Chief Officer Team and the Officer of the PCC needs to ensure it understands the Force's budgetary position throughout the year.

4. Summary of Key Points (this should include background information and options appraisal if applicable)

- 4.1 The full year net revenue budget for 2013-14 is £196.998m.

Actual net expenditure for the six months to September 2013 was £99.030m against a budget of £98.806m. The resulting position against budget was an over spend of £0.224m. After adjusting for budget re phasing, mainly attributable to the timing of payments from the Community Safety Grant, a more accurate measure is a £1.120m over spend against budget. £0.762m of this overspend relates to medical retirements which is discussed further in section 4.15.

This report gives consideration to the significant variances against the budget and Appendix 1 sets out the position in detail.

- 4.2 Police pay and allowances expenditure was £51.808m year to date. This represented a £0.207m over spend against budget. The actual average number of FTE's at 2,020 was 10 lower than the budget of 2,030. The mix of recruits between new officers and transferees combined with actual mix of ranks compared unfavourably to the budgeted assumptions resulting in this overspend. The budget in September assumed an additional 28 FTE's split

15 new recruits and 13 transferees; however there was only 18 new officers which were all new recruits. To date there are 70 new officers (48 new recruits and 22 transferees) which is 8 less than the budget of 78 (47 new recruits and 31 transferees). Included is £0.029m relating to allowances for officers released to the G8 summit which has been offset by income in 4.18. The budget was based on the workforce plan by applying an average cost per rank. The workforce plan and costing basis were updated as part of the first quarter forecast and versus this forecast there is a £0.141m under spend year to date due to timing differences in the recruitment of the new officers.

- 4.3 Police officer overtime expenditure was £2.147m year to date. This represented a £0.443m over spend against budget. This variance was mainly in City with £0.155m relating to operations Embolite, Fabella, Fassaite and Accelerate; County with £0.177m relating to Operation Accelerate and Embolite; Crime & Justice with £0.023m due to custody shift patterns; and OSD £0.126m due to overtime worked at G8 summit. G8 summit overtime has been offset by income in 4.18.
- 4.4 Police staff pay and allowances expenditure was £24.428m year to date. This represented a £1.034m under spend against budget. The actual average number of FTE's at 1,474 was 149 lower than the budget of 1,623, with Local Policing being 84, Specialist Services 31 and Corporate Services 34 FTEs under budget. Agency staff have been recruited to partly fill this gap but £0.270m of agency costs for Operation Daybreak budgeted to take place between April to June has been delayed. It is now planned that the majority of the resource will be sourced from in force. A further saving in Local Policing of c£0.600m due to the budget containing 40 civilianised posts is bankable because the staff will now not be in post until November. The budget is based on the workforce plan by applying an average cost per grade. Workforce plans have been updated as part of the first quarter forecast and will be reviewed again as part of the second quarter forecast exercise.
- 4.5 Police staff overtime expenditure was £0.398m year to date. This represented a £0.131m over spend against budget. This over spend is largely attributable to the vacancy gap outlined in paragraph 4.4 above.
- 4.6 Other employee expenses expenditure was £0.734m year to date. This represented a £0.159m over spend against budget. The main cause of the over spend is up front recruitment costs for the new police officers, a one off cost for recruiting two new ACC's and restructuring costs. The over spend has been partially compensated by savings in training costs. The recruitment and training budgets have been revised as part of the first quarter forecast now start dates for the new recruits and transferees have been confirmed.
- 4.7 Premises running costs were £3.263m year to date. This represented a £0.283m over spend against budget. The over spend is predominantly due to the budgeted efficiency target saving of £0.306m and energy costs £0.088m. The efficiency savings have not been allocated down to individual account code however currently savings to budget of £0.067m are being recorded against repair costs and £0.063m against rates due to a review earlier in the

year. The nature of the repairs spend is uneven so this saving may reverse later in the year. All efficiency savings are being reviewed in detail to see whether the assumptions made in the budget are still realistic.

- 4.8 Transport costs were £2.964m year to date. This represented a £0.138m over spend against budget. The budget included an efficiency target saving of £0.100m, and although some vehicle availability savings and accident damage have been recorded this has been more than offset by over spends on hire vehicle charges, vehicle maintenance, equipment purchases and fuel charges. Although these spends can be uneven clearly a risk exists that this budget will be over spent. An accrual for £0.100m has been raised in September to offset against an expected recovery of tyre costs from Vensons. Vensons have disputed our calculations and a meeting will take place in October to attempt to resolve the matter.
- 4.9 Equipment, furniture and materials costs were £0.404m year to date. This represented a £0.201m over spend against budget. The main areas of overspend are County £0.046m; Contact Management £0.028m; Crime & Justice £0.026m; OSD £0.035m; Estates £0.026m; and gym equipment £0.022m. The expenditure to date is only £0.003m below the full year budget. The quarter one forecast identified a risk of £0.200m against this spend category due to a number of unbudgeted one off spends in the early part of the year. Tight control and a review of discretionary spend is essential to manage this area for the remainder of the year.
- 4.10 Printing and stationery costs were £0.180m year to date. This represented a £0.043m under spend against budget. This is largely due to the release of 2012/13 accruals following a review of charges and confirmation received from Ricoh. This saving will ensure the annualised efficiency target against this category of spend is achieved.
- 4.11 Miscellaneous expenses costs were £1.027m year to date. This represented a £0.257m over spend against budget. The budget included an efficiency target saving of £0.160m, combined with an unbudgeted charge of £0.034m for medical inventions, £0.038m over spend on witness protection expenses and £0.015m on victim/witness protection alarms within Local Policing. Insurance claims over the first quarter were lower than budgeted which offsets some of the over spend, but due to the nature of insurance claims this saving could reverse during the rest of 2013-14.
- 4.12 Supplies and services costs were £1.785m year to date. This represented a £0.309m over spend against budget. Budgeted efficiency targets of £0.361m were included against this category of spend. Although some savings have been made most notably £0.110m on DNA/forensic charges however other charges have increased in particular increased costs from having to change the police surgeon contract from Medacs to G4S at short notice because of performance issues with Medacs.
- 4.13 Collaboration contributions were £3.012m year to date. This represented a £0.083m under spend against budget. This is the cash contribution made to

other forces who are leading the collaboration activity. This variance is largely due to the one off release of an over accrual for Legal services from 2012-13 of £0.121m, offset by efficiency savings and a contribution for a 12 month regional post to develop common practices across the East Midlands firearms units. The annual efficiency target of £0.200m is an overlay over and above the regionally advised budget number. The achievability of this saving is not within our control however the region has published a first quarter forecast which indicates a net saving across the region of £0.231m. The results are mixed with overspends on regional occupational health offsetting savings in other areas. We have not recognised our share of this saving in our actual costs. The next review of results is due to be presented to the Regional resources Board in October.

- 4.14 Community safety grant contributions were £1.124m year to date. This represented a £0.626m under spend against budget. This is the cash contribution made to other organisations to support community projects by the Police and Crime Commissioners community safety grant. No information was given at the time of budgeting by the PCC office as to the profiling of this budget so the budget was profiled evenly. The CFO to the PCC has supplied a more accurate phasing of this spend as part of the first quarter forecast exercise. Accruals have been based on the new profile. To date payments of £0.402m have been made from this grant.
- 4.15 Pension costs (injury awards and medical retirement) were £2.431m year to date. This represented a £0.762m over spend against budget. At the 31st March 2013 we were aware of 9 employees who had requested medical retirement and a provision was made against these claims based on the likelihood of a claim being granted. Further to the end of the year another 16 claims have been advised and provided for. Of these 25 cases, 4 have been declined, 14 are ongoing and 7 have been paid at a cash cost to the force of £0.548m.
- 4.16 Capital Financing costs were £1.775m for the year. This represented a £0.104m under spend against the restated budget. This reflects the confirmation of the Minimum Revenue Provision (MRP) for 2013-14 which is lower than budget due to the reduced capital programme in 2012-13 and reduced interest charges due to achieving a lower interest rate than was assumed at the time of budgeting. The phasing will be addressed as part of the forecast.
- 4.17 Joint authorities were £0.267m year to date. This represented a £0.075m under spend against budget. This is due to the actual costs for the force helicopter for 2012-13 being below estimates.
- 4.18 Other income was £2.550m year to date. This represents £0.719m additional income to budget. This was largely due to backdated income from 2012-13 for radio masts due to change of agency used (£0.093m); a contribution from the NHS for a secondment (£0.050m); a contribution to the cost of Specials (£0.032m); prosecution costs recovered (£0.065m); recharges to the UK Border Agency for immigration detainees (£0.018m); sale of equipment

(£0.020m); £0.033m contribution from reserves to offset transition costs in the Office of the PCC; an accrual for £0.043m for mutual aid for officers sent to Northern Ireland to aid policing the riots in August; £0.082m income from abnormal loads, of which £0.062m related to the recovery of charges from the past two years; and an accrual for monies recoverable to cover staff released for the G8 summit £0.256m to offset the costs of allowances and overtime within 4.2 and 4.3. No income or expenditure has been included in the budget for G8 and the rates charged enable us to generate a directly identifiable surplus of circa £0.150m. Costs will however have been incurred locally covering the officers and staff who have been released to G8. Other income represents budget opportunity to offset some of the concerns raised about efficiency targets in other sections of this report.

- 4.19 Externally Funded projects have a budgeted income of £5.330m for the full year. Appendix 2 shows the detail of the combined income and expenditure for these projects. Expenditure was £2.597m year to date, this represented a £0.089m under spend against budget.

The under spend is due to several projects within City and Crime and Justice that have been transferred to Derbyshire under a regional agreement, partly offset by overtime in the Speed Camera project for Op Drosometer and the purchase of 5 new ANPR cameras.

Income received was £2.619m year to date, which represented £0.069m less income to budget. This was in City £0.138m, where several projects have been transferred to Derbyshire under a regional agreement, County £0.014m and Contact Management £0.005m. This was partly offset by OSD £0.087m due to the Speed Camera project. Due to a change in accounting policy relating to income brought forward from prior years, currently we are showing a shortfall of £0.137m. This is not a risk to the year end and ongoing will be reviewed quarterly with a contribution from reserves being made to close the difference.

The main projects managed by the Force are:

- Speed Cameras - revenue comes from the Nottingham City and County Council, the Highways Agency, NDROS and AA Drivetech.
- SPOC Training – income generated from NPIA training courses.
- POCA Incentivisation - can be used “to further drive up performance on asset recovery and, where appropriate, to fund local crime preventing priorities for the benefit of the community”.
- Homicide Working Group – funding originated from the The Mayor’s Office for Policing and Crime (MOPC) which replaced the Metropolitan Police Authority.
- Offender Health Project - this is a fund (received in March 2013) from the Department of Health to assist with the transfer of commissioning of healthcare in custody suites to the NHS.

- Business Crime - this is from the Chamber of Commerce to fund the Business Crime Hub, based in the Chamber of Commerce offices.
- Community Neighbourhood Protection Service (CNPS) - this is a fund from Nottingham City Council to fund 22 police officers, 1 staff FTE, and 15 police vehicles to support Community Protection.

5. Financial Implications and Budget Provision

5.1 As explained in the body of the report.

6. Human Resources Implications

6.1 Not applicable.

7. Equality Implications

7.1 Not applicable.

8. Risk Management

8.1 As explained in the body of the report.

9. Policy Implications and links to the Police and Crime Plan Priorities

9.1 The report demonstrates good financial management and governance.

10. Changes in Legislation or other Legal Considerations

10.1 This report has been prepared with information provided within the Business Partnering Team.

11. Details of outcome of consultation

11.1 Not applicable.

Appendix 1: Period 6 Year to Date Expenditure Against Budget

| September 2013 | | NOTTINGHAMSHIRE POLICE PROUD TO SERVE | | | |
|-----------------------------------|-------------------------------------|--|----------------|----------------|------|
| | | Year to Date | | | Note |
| | Full year Agreed Budget £m | Budget £m | Actual £m | Variance £m | |
| Police pay & allowances | 104.562 | 51.602 | 51.808 | 0.207 | 4.2 |
| Police overtime | 3.286 | 1.704 | 2.147 | 0.443 | 4.3 |
| Police staff pay & allowances | 49.852 | 25.462 | 24.428 | (1.034) | 4.4 |
| Police staff overtime | 0.533 | 0.267 | 0.398 | 0.131 | 4.5 |
| Other employee expenses | 1.193 | 0.576 | 0.734 | 0.159 | 4.6 |
| Total pay & allowances | 159.427 | 79.610 | 79.515 | (0.095) | |
| Other operating expenses | | | | | |
| Premises running costs | 5.885 | 2.980 | 3.263 | 0.283 | 4.7 |
| Transport allowances | 0.763 | 0.381 | 0.363 | (0.019) | |
| Transport costs | 5.064 | 2.826 | 2.964 | 0.138 | 4.8 |
| Equipment, furniture & materials | 0.407 | 0.204 | 0.404 | 0.201 | 4.9 |
| Expenses | 0.109 | 0.060 | 0.088 | 0.028 | |
| Clothing, uniform & laundry | 0.520 | 0.263 | 0.255 | (0.008) | |
| Printing & stationery | 0.446 | 0.223 | 0.180 | (0.043) | 4.10 |
| Comms & computing | 5.994 | 2.982 | 2.957 | (0.025) | |
| Miscellaneous expenses | 1.580 | 0.770 | 1.027 | 0.257 | 4.11 |
| Supplies & services | 2.961 | 1.476 | 1.785 | 0.309 | 4.12 |
| Collaboration contributions | 6.189 | 3.095 | 3.012 | (0.083) | 4.13 |
| Partnership contributions | 0.412 | 0.182 | 0.188 | 0.007 | |
| Community safety grant | 3.500 | 1.750 | 1.124 | (0.626) | 4.14 |
| Agency/contract services | 0.741 | 0.370 | 0.387 | 0.016 | |
| Pensions | 3.338 | 1.669 | 2.431 | 0.762 | 4.15 |
| Capital financing | 3.758 | 1.879 | 1.775 | (0.104) | 4.16 |
| Joint authorities | 0.678 | 0.342 | 0.267 | (0.075) | 4.17 |
| | 42.345 | 21.452 | 22.471 | 1.019 | |
| Total expenditure | 201.772 | 101.061 | 101.986 | 0.924 | |
| Other | | | | | |
| Special services | (0.433) | (0.166) | (0.163) | 0.003 | |
| Fees, report & charges | (0.351) | (0.163) | (0.166) | (0.004) | |
| Other operating income | (0.190) | (0.095) | (0.076) | 0.019 | |
| Income | (3.800) | (1.831) | (2.550) | (0.719) | |
| | (4.774) | (2.256) | (2.956) | (0.700) | |
| | 196.998 | 98.806 | 99.030 | 0.224 | |

Appendix 2: Period 6 Year to Date Expenditure Against Budget

September 2013
External Funded



| | Full year Agreed Budget £m | Year to Date | | |
|-----------------------------------|-------------------------------------|----------------|----------------|----------------|
| | | Budget £m | Actual £m | Variance £m |
| Police pay & allowances | 2.146 | 1.064 | 0.876 | (0.188) |
| Police overtime | 0.264 | 0.134 | 0.234 | 0.100 |
| Police staff pay & allowances | 1.622 | 0.801 | 0.757 | (0.044) |
| Police staff overtime | 0.021 | 0.011 | 0.013 | 0.003 |
| Other employee expenses | 0.035 | 0.017 | 0.025 | 0.008 |
| Total pay & allowances | 4.088 | 2.028 | 1.907 | (0.121) |
| Other operating expenses | | | | |
| Premises running costs | 0.258 | 0.130 | 0.125 | (0.005) |
| Transport allowances | 0.008 | 0.004 | 0.005 | 0.001 |
| Transport costs | 0.210 | 0.105 | 0.045 | (0.060) |
| Equipment, furniture & materials | 0.080 | 0.041 | 0.059 | 0.019 |
| Expenses | 0.011 | 0.005 | 0.033 | 0.027 |
| Clothing, uniform & laundry | 0.006 | 0.003 | 0.001 | (0.002) |
| Printing & stationery | 0.017 | 0.008 | 0.010 | 0.002 |
| Comms & computing | 0.200 | 0.100 | 0.172 | 0.072 |
| Miscellaneous expenses | 0.100 | 0.050 | 0.067 | 0.016 |
| Supplies & services | 0.198 | 0.133 | 0.127 | (0.006) |
| Collaboration Contributions | - | - | - | - |
| Partnership Contributions | - | - | - | - |
| Community safety grant | - | - | - | - |
| Agency/contract services | 0.154 | 0.077 | 0.040 | (0.038) |
| Pensions | - | - | - | - |
| Capital financing | - | - | - | - |
| Joint authorities | - | - | 0.006 | 0.006 |
| | 1.243 | 0.658 | 0.690 | 0.032 |
| Total expenditure | 5.330 | 2.686 | 2.597 | (0.089) |
| Other | | | | |
| Special services | - | - | - | - |
| Fees, report & charges | - | - | - | - |
| Other operating income | - | - | - | - |
| Income | (5.330) | (2.686) | (2.459) | 0.226 |
| | (5.330) | (2.686) | (2.459) | 0.226 |
| | - | - | 0.137 | 0.137 |