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| For Decision | |
| Public | |
| Report to: | Strategic Resources & Performance |
| Date of Meeting: | 3rd September 2014 |
| Report of: | Business & Finance |
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| Agenda Item: | 11 |

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Quarter One 2014-15 Budget Management Report

1. Purpose of the Report

- 1.1 The purpose of the report is to provide an update to the Chief Officer Team on the forecast position for the financial year ending March 2015.

2. Recommendations

- 2.1 That the Chief Officer Team agree the forecast position for the financial year ending March 2015 and approve the budget virements, as at the end of Quarter One.

3. Reasons for Recommendations

- 3.1 To allow the Chief Officer Team to monitor the management of revenue expenditure against the budget in the financial year 2014-15.

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

4.1 Background

The full year net revenue budget for 2014-15 is £193.800m. This is split Office of the Police and Crime Commissioner (OPCC) £4.496m and the Force Budget £189.304m.

Actual net expenditure for the first quarter to June 2014 was £50.475m against a budget of £48.915m. This was an over spend of £1.560m of which £0.267m is phasing (community safety grant £0.326m being the main item), £0.643m is risk (overtime, medical retirements, five force forensics and IS transformation) and £0.650m is opportunity (release of reserves for "Designing The Future" (DTF) and capitalisation of IS staff). Further details can be found in the Corporate Services Performance & Insight pack for June 2014.

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

4.2 Forecast Position to 31st March 2015

The Quarter One restated budget is to deliver net expenditure of £193.800m which is as per budget. The OPCC restated budget has increased by £0.165m mainly due to GPS tagging £0.100m (see note 8); £0.045m Multi-Agency Risk Assessment Conference (MARAC) transferred from the force budget; and a premises efficiency £0.020m which was built into base budget. This increase has been offset by savings in force with the details summarised in Appendix 1.

This forecast is based on the ability to turn around the over spend in the first quarter.

The main savings identified in the forecast are on police officers £1.077m (see 4.4 Note 1) and the Minimum Revenue Provision (MRP) £0.498m. These savings have been used to offset increased costs and shortfalls expected from the efficiency programme (see note 4.3).

The budget included £2.000m for DTF costs which was allocated across several lines of expenditure. This £2.000m will be met from a contribution from reserves which is shown within income and Appendix 1 shows the impact of these changes.

4.3 Efficiencies

The budget included an efficiency challenge of £12.700m. In Quarter One £1.305m efficiencies was delivered against a target of £1.891m, which was a shortfall of £0.586m. This was largely due to overtime £0.200m; and the capitalisation of IS costs £0.144m and Oracle licences recharging £0.081m which are being re-phased to the end of the year.

As part of the forecast process the efficiencies have been re-assessed by the Business Partners which resulted in a revised target of £11.871m. This is a reduction of £0.829m, most notably due to:

| | |
|-----------------------------------|---------|
| • front counters | £0.095m |
| • PSD IT licences | £0.058m |
| • income generation - conferences | £0.080m |
| • vacancy rate 3% to 5% | £0.141m |
| • custody review | £0.148m |
| • reduction in overtime | £0.095m |
| • balance efficiency | £0.150m |
| • other | £0.062m |

The £11.871m efficiency forecast has been risk assessed as:

| | | |
|---------|---------|-------|
| • Green | £8.294m | 69.9% |
| • Amber | £2,046m | 17.2% |
| • Red | £1,531m | 12.9% |

The efficiencies classes as Amber are:

The efficiencies classes as Red are:

There is still a significant risk within the Quarter One forecast as there is the reliance that efficiencies are delivered to plan and are not delayed.

Work is required to fully understand the items noted as Amber or Red and what other opportunities could be utilised if these efficiencies cannot be delivered.

4.4 Virements Due to Restating

Note 1 - £1.077m decrease in Police pay and allowances. The saving is largely due to the number of officers that have left the force. As at the end of June 2014 33 officers had left which was 13 higher than the budget of 20, which when extrapolated forward and combined with rank mix movements compared to the original budget, produced a saving of £0.758m. The number of natural leavers in the forecast has been increased in line with the current rate producing a saving of £0.289m. The budget included the recruitment of 64 officers in the second half of the year (16 in September, November, January and February) with currently 57 individuals identified. The forecast has assumed a change in the phasing of the cohorts which generates a further £0.030m saving. Potentially these savings are a risk if the number of leavers reduces. The revised year end position is 2,023 FTE's.

Note 2 - £0.037m increase in Police officer overtime. This is largely due to recognising additional overtime in the first quarter relating to mutual aid which has been offset by additional income. At the end of quarter one the overspend against budget was £0.205m and it is believed there are opportunities to reduce this overspend by the year end.

Note 3 - £0.954m increase in Police staff pay and allowances. This is largely due to efficiency challenges not been achieved and increased staffing within Human Resources required to support the transition to the MFSS. This additional cost will be met as part of the DTF contribution from reserves. There is still risk within staff pay as the forecast assumes a significant efficiency will be delivered through the vacancy rate and other projects such as the custody and front counters.

Note 4 - £0.108m increase in other employee expenses. This is largely due to redundancy and pension strain costs.

Note 5 - £0.140m increase in Premises running costs. This is largely due to efficiency target where £0.020m was already within the OPCC plan so not deliverable; £0.012m of carbon management due to the delay of Biomass installation; delay in the closure of the Beeston police station £0.008m; £0.017m gate house closure savings and £0.077m reduced cost of the Mitie cleaning contract had been built into the base budget.

Note 6 - £0.080m increased in Transport costs. This is largely due to hire vehicle costs £0.026m in the support of operations (Op Genre) and organisational change (MFSS); £0.030m for accident damage where five vehicles have been written-off in the first quarter; and insurance costs £0.012m.

Note 7 - £0.435m increase in Supplies and services. This is largely due to consultancy fees incurred in relation to IS transformation £0.541m of which £0.360m will be charged to other regional partners and has been included within Other income (see note 12). This has been partly offset by the release of legal fees for Tom Ball Hall £0.070m following the settlement of the claim.

Note 8 - £0.208m increase in Partnership contributions. This is largely due to the OPCC for GPS tagging £0.100m and a further £0.050m of matched funding expenditure from reserves (see note 12); and £0.040m contribution for appropriate adults costs.

Note 9 - £0.057m increase in the Community safety grant within the OPCC. This increase has been offset from a contribution from reserves (see note 12).

Note 10 - £0.072m increase in Pensions costs (injury awards and medical retirement). The over spend relates to the settlement of backdated injury awards.

Note 11 - £0.498m decrease in Capital financing. This reflects the confirmation of the MRP for 2014-15 which is lower than budget due to the reduced capital programme in 2013-14.

Note 12 - £0.515m increase in Other income. This is largely due to contribution from reserves to meet OPCC expenditure £0.107m (see notes 8 and 9); income from IS transformation from regional partners £0.360m (see

note 7); and increased prosecution costs recovered £0.147m. This has been offset by lower income from procurement collaboration of £0.063m due to savings in expenditure eligible to be recharged; and reduction in the sale of unclaimed property £0.030m.

5. Financial Implications and Budget Provision

5.1 There is still significant risk in the forecast associated with delivering the £11.871m of efficiencies and seeing a step change in the underlying expenditure within the force.

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 Not applicable.

11. Details of outcome of consultation

11.1 Not applicable.

12. Appendices

12.1 Appendix 1 - Quarter One Forecast Against Budget

Appendix 1: Quarter One Forecast Against Budget

Total Force Core Funded



| | Force £m | OPCC £m | Agreed Budget £m | Re-analysis of DTF Budget £m | Virements due to Restating £m | | Virements due to Operational Activities £m | Quarter One Restated Budget £m |
|-----------------------------------|----------------|--------------|------------------------|---------------------------------------|--|----|--|---|
| Police pay & allowances | 104.292 | - | 104.292 | 0.211 | (1.077) | 1 | - | 103.426 |
| Police overtime | 2.855 | - | 2.855 | 0.250 | 0.037 | 2 | - | 3.142 |
| Police staff pay & allowances | 47.723 | 0.680 | 48.402 | 0.759 | 0.954 | 3 | - | 50.115 |
| Police staff overtime | 0.487 | 0.001 | 0.487 | - | - | | - | 0.487 |
| Other employee expenses | 0.536 | 0.014 | 0.551 | - | 0.108 | 4 | - | 0.659 |
| Total pay & allowances | 155.893 | 0.695 | 156.587 | 1.220 | 0.021 | | - | 157.828 |
| Other operating expenses | | | | | | | | |
| Premises running costs | 5.708 | 0.001 | 5.708 | - | 0.140 | 5 | - | 5.849 |
| Transport allowances | 0.715 | 0.027 | 0.742 | 0.050 | - | | - | 0.792 |
| Transport costs | 5.627 | - | 5.627 | - | 0.080 | 6 | - | 5.707 |
| Equipment, furniture & materials | 0.417 | 0.002 | 0.419 | - | - | | - | 0.419 |
| Expenses | 0.166 | 0.003 | 0.169 | - | - | | - | 0.169 |
| Clothing, uniform & laundry | 0.416 | 0.000 | 0.416 | - | - | | - | 0.416 |
| Printing & stationery | 0.524 | 0.010 | 0.534 | - | - | | - | 0.534 |
| Comms & computing | 5.669 | 0.012 | 5.681 | - | - | | - | 5.681 |
| Miscellaneous expenses | 0.747 | 0.017 | 0.764 | 0.108 | - | | - | 0.872 |
| Supplies & services | 3.447 | 0.047 | 3.494 | - | 0.435 | 7 | - | 3.929 |
| Collaboration contributions | 6.966 | - | 6.966 | - | - | | - | 6.966 |
| Partnership contributions | 0.411 | - | 0.411 | - | 0.208 | 8 | - | 0.618 |
| Community safety grant | - | 3.500 | 3.500 | - | 0.057 | 9 | - | 3.557 |
| Other Agency/contract services | 0.577 | 0.183 | 0.761 | - | - | | - | 0.760 |
| Pensions | 3.741 | - | 3.741 | - | 0.072 | 10 | - | 3.812 |
| Capital financing | 4.051 | - | 4.051 | 0.300 | (0.498) | 11 | - | 3.853 |
| Joint authorities | 0.032 | - | 0.032 | - | - | | - | 0.032 |
| | 39.214 | 3.802 | 43.015 | 0.458 | 0.494 | | - | 43.967 |
| Total expenditure | 195.106 | 4.496 | 199.603 | 1.678 | 0.515 | | - | 201.795 |
| Other | | | | | | | | |
| Special services | (0.319) | - | (0.319) | - | - | | - | (0.319) |
| Fees, report & charges | (0.342) | - | (0.342) | - | - | | - | (0.342) |
| Other operating income | (0.271) | - | (0.271) | - | - | | - | (0.271) |
| Income | (4.871) | - | (4.871) | (1.678) | (0.515) | 12 | - | (7.063) |
| | (5.803) | - | (5.803) | (1.678) | (0.515) | | - | (7.995) |
| | 189.304 | 4.496 | 193.800 | - | - | | - | 193.800 |

Movement from Agreed Budget

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