



STRATEGIC POLICING AND CRIME BOARD
2 July 2013

Revenue & Capital Monitoring – May 2013

PURPOSE OF REPORT

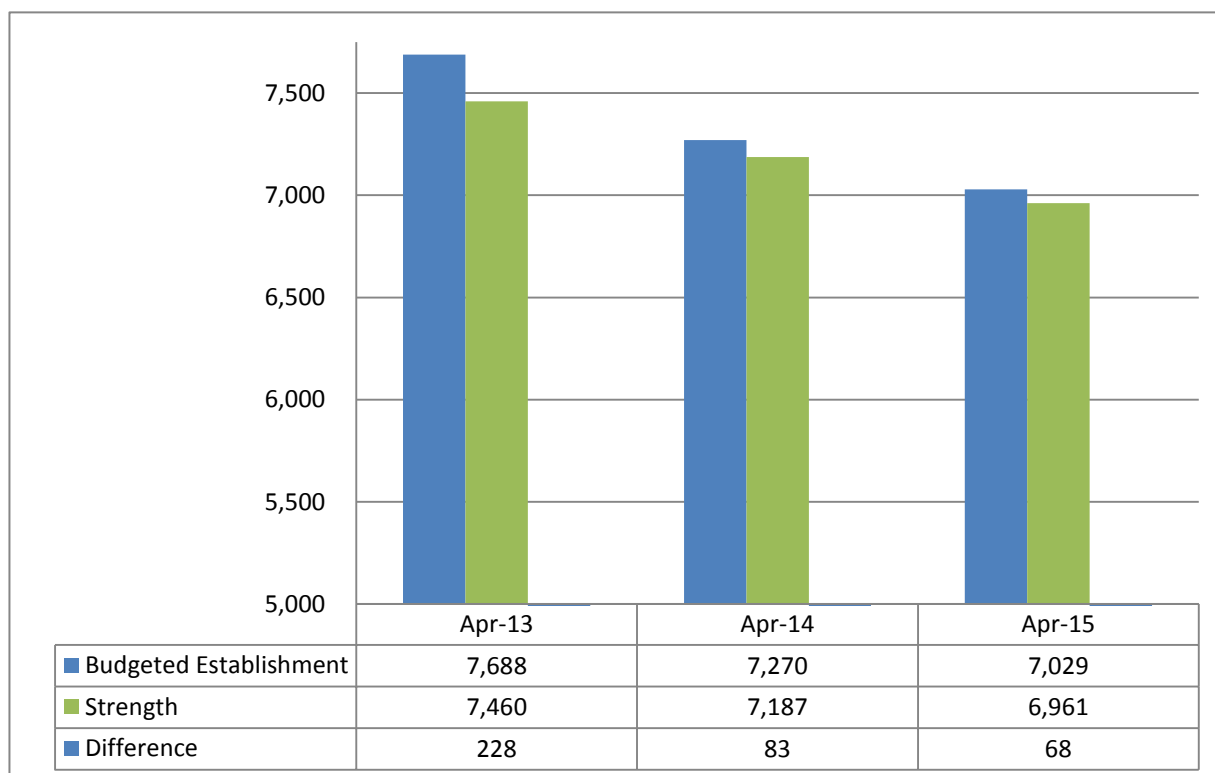
1. This report sets out the revenue and capital monitoring position as at May 2013.

BACKGROUND

2. This report is the first routine financial monitoring report of the 2013/14 financial year. The budget for 2013/14 was agreed in February 2013 and represented the third year of the current four year Spending Review period in which total savings of £126m are required. As such, the budget for 2013/14 has to be seen in the context of the wider financial challenge and the need to ensure financial stability over the medium term.
3. The 2013/14 budget included specific proposals for recruiting 50 PCSOs against existing vacancies. In addition, funding was provided to allow a workforce mix opportunity of converting 100 police officer posts into new police staff posts to allow officers to be targeted towards front line duties.
4. At the time of writing this report the 2015/16 Spending Review has not been announced, and there are no firm figures for 2014/15 funding either. However, indications are that funding reductions will continue beyond the end of the current Spending Review period into 2015/16, and these reductions could be in the region of 8-10% in one year. Given the proportion of spend that is pay related, any increases in the savings requirement amplifies the importance of managing workforce reductions over the medium term and having robust change programmes in place that can effectively re-align service provision within the available funds.
5. During the current Spending Review period annual budgets have been based on a prudent assessment of the timelines to implement major service changes, and employment turnover and retirement rates, but in practice it has been possible to make savings earlier than anticipated. This approach has worked well, but the unavoidable consequence is that in year underspends occur as the spending activity is reduced or ceased in the financial year before it is required as a budget reduction. To manage this effectively, last year we adopted the practice of setting a Revised Budget in September to ensure the overall budget remains an effective and accurate monitoring and control mechanism.

2013/14 REVENUE OUTTURN FORECAST

6. The initial outturn forecast for 2013/14 identifies some key under spends on police pay budgets. The latest monitoring shows a number of underspends compared to the approved budget, which can be summarised as:
- The first area of under spend comes from the workforce mix posts, because of the time required for recruitment to the police staff posts the savings from being able to remove police posts will be realised as part of setting the 2014/15 budget. This under spend is £5.0m.
 - The second area of pay under spend relates to the implementation of the non emergency call handling hubs within the 5Ci programme. The budget strategy has been based on achieving savings from this project in 2014/15, and the hubs are due to go live in November 2013, in line with the timescales and savings requirement in the budget strategy. However, current police officer vacancies and the use of police staff mean that this will create an under spend of £5.0m in 2013/14.
 - In addition to the above points, the trend of a higher number of police leavers than planned has continued. This helps to secure the correct level of reductions over the medium term, but means an under spend in 2013/14 of around £2.0m is expected.
7. It is important to keep in mind that the current under spend on police pay in 2013/14 is part of the overall reduction in police numbers required to balance the budget over the medium term. The chart below shows the planned reduction in police establishment and strength.



8. The chart shows that the forecast gap between budgeted establishment and strength reduces to an acceptable position over the next couple of years (83 in April 14, and 68 in April 15). Planning for a small gap between the budgeted establishment and strength creates additional flexibility and choices in budget planning and means limited options for workforce mix and/or recruitment can potentially be considered over the medium term.
9. Therefore, the position relating to core funded pay budgets for 2013/14 is shown below.

Description	Current Budget £,000	Actuals YTD £,000	Variance YTD £,000	Estimated Outturn £,000	Outturn Variance to Budget £,000
Police Pay	346,608.9	56,210.8	-1,445.4	334,264.8	-12,344.1
Police Staff Pay	88,011.9	16,125.4	1,463.6	84,502.1	-3,509.8
PCSO Pay	20,536.6	2,881.8	-541.0	17,871.6	-2,665.0
Total Central Pay	455,157.4	75,218.0	-522.8	436,638.5	-18,518.9

10. The table shows that pay budgets are forecast to underspend by £18.5m. The underspends on police staff and PCSO budgets come from vacancies and some additional post reductions from the Shared Services programme that were not clarified until after the budget had been drafted.
11. As the under spend on pay related budgets arises from early realisation of savings and vacancies, it would be sound financial management to prepare a revised budget in September and move the under spends on pay budgets into a contribution to reserves. This would have the effect of re-aligning the pay budgets and maintaining a relevant spending control mechanism in 2013/14. It would also support the review of reserves in the autumn of 2013 that is planned as part of the 2014/15 budget setting process.
12. The overall budget position, including pay budget and non pay budgets, is an estimated under spend of £20.3m. This is broken down over ACPO portfolios in the table below.

Description	Current Budget £,000	Actual YTD £,000	Variance YTD £,000	Estimated Outturn £,000	Outturn Variance to Budget £,000
LPU's	3,861.9	453.4	9.7	3,859.7	-2.2
ACC Local Policing	1,171.5	112.3	-26.1	1,077.7	-93.8
ACC Operations	12,034.2	-477.8	-2,218.5	11,652.2	-382.0
ACC Crime	6,833.4	964.4	-43.3	7,387.2	553.8
ACC Protection	6,802.0	943.0	2,405.2	6,100.9	-701.1
DCC Thompson	1,553.2	321.8	199.9	1,574.7	21.5
Director of Resources	28,935.3	3,250.4	-320.6	29,374.5	439.2
Chief Information Officer	12,189.6	2,166.7	1,052.4	12,167.7	-21.9
Sub Total – devolved budgets	73,381.1	7,734.2	1,058.6	73,194.6	-186.5
Central Pay	455,157.4	75,218.0	-522.8	436,638.5	-18,518.9
Central Budgets	28,247.5	-1,022.2	-4,535.8	26,675.6	-1,571.9
Sub Total – central budgets	483,404.9	74,195.7	-5,058.7	463,314.1	-20,090.8
TOTAL FORCE LEVEL	556,786.0	81,929.9	-4,000.1	536,508.7	-20,277.3
Office of Policing & Crime Commissioner	1,884.0	199.9	-67.3	1,848.4	-35.6
CSF Expenditure*	7,319.0	1915.2	1,915.2	7,319.0	0.0
CSF Grant	-6,969.0	0.0	0.0	-6,969.0	0.0
TOTAL REVENUE BUDGET	559,020.0	84,045.0	-2,152.2	538,707.1	-20,312.9

**Includes £350,000 for non-recurring invest to save schemes funded via reserves.*

13. The table shows that spending across all devolved budgets is forecast to be broadly in line with the budget. There are a number of over and under spends which will be monitored and acted upon as necessary through the routine budget control processes.

14. A subjective breakdown of the budget and outturn forecast is shown in appendix 1.

Capital Budget 2013/14

15. This section explains the key components of the 2013/14 Capital Budget.

16. Within the capital programme New Build comprises of £5.7m for Western Custody provision and £4.8m for Central Birmingham Custody provision and Planned Build represents the first phase of the rationalisation of the Central Birmingham Estate. This will ultimately lead to the vacation of expensive city centre leased property. A

detailed business case has now been approved and preliminary works are anticipated.

17. The below table shows the Capital Budget Monitoring.

	2013/14 Original Budget £000	Re-Phasing £000	2013/14 Current Budget £000	Budget YTD £000	Actual YTD £000	Variance YTD £000
New Build	10,500	0	10,500	0	(3)	(3)
Planned Build	0	9,127	9,127	0	0	0
Systems & Infrastructure	1,070	0	1,070	0	(16)	(16)
Call Handling	400	0	400	0	191	191
New ICT	1,296		1,296	0	(45)	(45)
Programme Gateway	75	0	75	0	(1)	(1)
Vehicles	3,000	0	3,000	0	4	4
Equipment	200	0	200	0	0	0
Counter Terrorism	0	0	0	0	16	16
Total Approved Schemes	16,541	9,127	25,668	0	146	146

18. The table shows that no spend has been profiled during April and May, with very minimal spend taking place. The main areas of spend will take place later in the year and the profiled budget reflects this. The credits represent uncleared capital accruals for costs incurred in 2012/13 but not yet invoiced by suppliers.

FINANCIAL IMPLICATIONS

19. There are no direct financial implications from this report.

LEGAL IMPLICATIONS

20. There are no direct legal implications from this report.

RECOMMENDATIONS

21. The Board is asked to note the report.

Mike Williams
PCC's Chief Finance Officer

David Wilkin
WMP Director of Resources

Appendix 1 – Subjective Breakdown

Subjective Breakdown	Original Budget £,000	Actuals YTD £,000	Variance YTD £,000	Estimated Outturn £,000	Outturn Variance to Budget £,000
Police Pay	390,340.7	62,390.2	- 2,083.9	378,495.4	- 11,845.3
PCSO Pay	20,971.1	2,952.8	- 542.2	18,328.5	- 2,642.6
Support Staff Pay	102,951.5	18,425.1	1,400.1	99,480.3	- 3,471.2
Other employee Expenses	1,866.5	466.9	31.5	2,229.2	362.7
Premises	24,008.1	3,283.3	- 16.3	24,019.5	11.4
Transport	9,834.3	772.9	- 65.5	10,111.0	276.7
Supplies & Service	47,439.7	5,982.4	729.7	45,822.0	- 1,617.7
Agency	3,986.7	- 868.0	- 968.9	3,889.3	- 97.4
Capital Financing	5,628.1	- 1,509.6	- 1,801.7	5,629.6	1.5
External Income	- 50,240.7	- 9,966.0	- 682.7	- 51,496.2	- 1,255.5
Police Force	556,786.0	81,929.9	- 4,000.1	536,508.7	- 20,277.3
Office of Policing & Crime Commissioner	1,884.0	199.9	-67.3	1,848.4	-35.6
CSF Expenditure	7,319.0	1915.2	1,915.2	7,319.0	0.0
CSF Grant	-6,969.0	0.0	0.0	-6,969.0	0.0
TOTAL Revenue Budget	559,020.0	84,045.0	-2,152.2	538,707.1	-20,312.9

Note: This analysis includes spending on externally funded budgets and as a result there will be variations on individual budget lines when compared to the responsibility analysis shown in the main report.