

GWENT POLICE AUTHORITY
Audit and Resources Committee

Date: 26th February 2008

Item No: 6a

Heading: Finance Report to 31st January 2008

Report Author: Chief Constable

SUMMARY

This report provides details of the financial position of the Authority at 31st January 2008. Under normal circumstances the report would provide comments on any significant changes from the November 2007 financial report presented to the Committee on 4th January 2008, however, a forecast year-end position was presented to the committee and Full Authority meeting on 14th February 2008 as part of the budget setting process. Consequently, this report is a hybrid, detailing the changes since November 2007 in the position as at the end of January and the changes in the forecast outturn from that presented to the Authority on 14th February 2008.

RECOMMENDATION(S)

That members note the financial position as at 31st January 2008 and approve the requested increase in the cumulative virement limit to £1,200,000 for 2007/08.

BACKGROUND

1. This report shows the financial position for the period to 31st January 2008 for the revenue and capital accounts, together with an analysis of the investments made and repaid.

PROPOSAL FOR CONSIDERATION BY COMMITTEE/CURRENT POSITION

Revenue Income and Expenditure (Appendix 1)

- 2.1 At 31st January 2008, the revenue account was underspent by £2,624,000. This is an increase of £1,066,000 in the two-month period. The main contributing factors to this cumulative underspending are highlighted below.
- 2.2 Operational budgets were £1,128,000 underspent at the end of January 2008, an increase of £590,000 in the period. Major factors in this net position were:
 - a) Territorial Divisions underspent on police officer pay by £480,000, an increase of £125,000 over the two months, primarily in A and C Divisions.

- b) Energy and utility budgets were underspent by £140,000. This is a reduction of £23,000 during the period and the underspending is expected to continue reducing up to the year-end.
 - c) Fuel budgets were overspent by £34,000 due to increased prices.
 - d) The CID budget was £15,000 overspent. This reflected an 'underspending' of £236,000 in the period resulting from the transfer of funds in respect of the set-up of the Major Crime Team.
 - e) The Uniformed Operations budget was underspent by £354,000, an increase of £105,000. This reflected continued, but reduced underspendings due to police officer vacancies (£28,000) and underspending on the old helicopter contract of £77,000.
 - f) The CJD budget underspending has increased by £94,000 to £116,000. This reflects, primarily, funding in respect of the CJSSS initiative.
- 2.3 Support budgets were £124,000 underspent. The main components of this were savings on the cleaning contract (£50,000), vacancies in the procurement establishment (£20,000), slippage in the purchase of IS software licences (£50,000) together with £100,000 resulting from higher than expected funding towards IPLDP costs. These underspendings were partially offset by £103,000 for a backdated rent review for the premises at Mamhilad, of which the Authority was unaware at the time of budget setting.
- 2.4 Investment Income exceeded budget by £513,000 at the end of the period, an increase of £107,000 reflecting higher than forecast interest rates and greater than profiled cash balances.
- 2.5 Other Income also exceeded budget by £45,000. This is a net position and reflects the costs of supporting Operation Overt (£107,000) offset by the over-recovery of customer/client receipts (£152,000), primarily due to higher than budgeted income as a result of asset recovery.
- 2.6 Special Grants showed a cumulative underspending of £495,000, arising from staff vacancies, primarily PCSOs, but also posts relating to Rurality and DNA.

Forecast Outturn

- 2.7 The forecast outturn presented to the Authority on 14th February 2008, was an underspending of £2,436,000. This reflected the non-recurring transfer from reserves of £2,179,000, agreed at last year's budget setting in February 2007, in order to achieve a balanced budget in line with projected expenditure for 2007/08. Given that the forecast year-end underspending exceeds this sum, it is proposed that these funds are not transferred from reserves and any overspendings are offset against underspendings in other revenue budgets.

- 2.8 On this basis, the revised year-end underspending is expected to be £1,744,000. This reflects the following:
- a) An underspending on the Police Officer Establishment of £354,000, an increase of £295,000 from the forecast presented to the Authority in February 2008. This relates to savings that were realised when staff on the top of incremental salary scales (or near the top) left and were replaced by staff on lower salaries. In addition, there were savings on related allowances paid to those staff who left the Force e.g. housing allowance. The £295,000 was originally earmarked to fund expected civil claims against the Authority. These are unlikely to occur this financial year and it is proposed that this money be transferred to a specific reserve at the end of the year.
 - b) An underspending of £286,000 on Police medical retirements. Six retirements were budgeted for the year and current indications are that only three will have occurred by the year-end.
 - c) Expected underspendings on the Operational budgets of £279,000. This is an increase of £50,000 and reflects continued vacancies in the police officer establishment to the year-end.
 - d) £380,000 underspending on the Support budgets, an increase of £208,000. The increase is due primarily to:
 - i) £100,000 higher than expected income in respect of IPLDP due to changes in the funding formula, and
 - ii) expected savings in the new cleaning contract of £100,000
 - e) Additional investment income of £650,000, an increase of £150,000 on the last forecast outturn. This is the result of higher cash balances than originally budgeted due to the underspendings on other budgets, fortuitous savings e.g. Pay Awards and the decision earlier in the year to curtail capital expenditure pending the outcome of the 2011 Review.
 - f) A surplus on the Pay and Non-Staff Inflation Reserve of £546,000, an increase of £42,000 due to revised financial projections.
 - g) A £75,000 underspending on the Projects and Schemes budget, an improvement of £98,000, primarily relating to slippage within the Resourcing Change workstream funded by a Home Office grant for Neighbourhood Policing. This funding is ringfenced and will be utilised in 2008/09 to implement the existing plan.
 - h) An underspending in Special Grants of £437,000, an increase of £52,000. This relates to vacancies in PCSOs and posts relating to Rurality and DNA. It is possible that the Home Office may require the Authority to refund some of this underspending. This depends on the actual establishment of PCSOs at the end of the year.

- i) An £869,000 underspending in the Development Reserve, an increase of £189,000. As previously reported, this is due to slippage in implementing key developments such as the Major Crime Team. These occurred due to difficulties in recruiting the appropriate staff. It was originally planned to utilise some of these underspendings on funding expected civil claim costs [see (a) above] and for implementing the structure for improving protection to vulnerable adults. These funds are not now likely to be required until 2008/09.

2.9 Of the £1,744,000 underspending, the following amounts are required in 2008/09:

- a) Possible civil claims - £500,000.
- b) £397,000 of virements from underspendings in Operational budgets to non-recurringly address some critical operational issues in 2008/09.
- c) £166,000 to maintain the purchasing power of the Authority's General Reserve.
- d) £230,000 to fund the Project Team for implementing the new Command and Control System and £33,000 to uplift the capital reserve for procuring the system.
- e) £75,000 slippage in schemes designed to further enhance Neighbourhood Policing (the remainder of £192,000 received earlier in 2007/08 from the Home Office for this purpose – see para. 2.8 g).
- f) £50,000 towards the costs of improving services for protecting vulnerable adults.

These commitments total £1,451,000. It is proposed that the remaining £293,000 be used to implement the recommendations of the 2011 Review.

Capital Programme (Appendix 3)

2.10 The Capital Programme for 2007/08 stands at £9,367,000, an increase of £189,000 in the period which relates to the capital set-up costs of Operation Jasmine. The majority of the Capital Programme is being progressed and expenditure of £3,876,000 has been incurred to date. The forecast outturn reflects net underspendings of £20,000 across some schemes; (see column headed 'Potential Slippage'.)

2.11 Current indications are that several schemes will rollover into 2008/09. These total £1,365,000 (see Appendix 3, end column). Since the last report, slippage had occurred on Health and Safety, Disabled Access, Newport Custody Desk and Minor Works.

Summary

- 2.12 Tight financial management during the year, together with fortuitous underspendings e.g. on Pay Awards has provided the Authority with the ability to carry forward funds into 2008/09 in order to help provide money to finance service developments and 2011 Review initiatives, whilst still maintaining operational performance.
- 2.13 Standing Orders Part III, para. 6 (iii) delegates authority to the Chief Constable or duly authorised officer to approve virements up to a cumulative total of £800,000. Virements already approved this year, and those proposed, will take the cumulative value over this limit (see Appendix 2). Consequently, authority is sought to increase the cumulative limit in 2007/08 to £1,200,000 to cater for any further virement requirements.

Investments (Appendix 4)

- 2.14 The investment schedule shows the loans made and repaid during December 2007 and January 2008. Investment income generated in the period was £434,258. The average investment rate was 6.07%, compared to 4.98% for the financial year 2006/07.

STAFFING/PERSONNEL IMPLICATIONS

3. There are no staffing/personal implications arising from this report.

FINANCIAL IMPLICATIONS

4. As detailed above.

CONSULTATION

5. Divisional and Departmental staff. This report has also been considered by Chief Officers.

PROJECT ASSESSMENT FOR EQUALITY AND DIVERSITY MATTERS

6. The content of this report has been considered against the general duty to promote equality, as stipulated under the Police Authority's Equality Schemes, and has been assessed not to discriminate against any particular group.

RISK ASSESSMENT

7. As detailed above.

STAYING AHEAD (2011 REVIEW)

8. The content of this report will not be affected by the outcome of the Review.

CONTACT OFFICER

9. Darren Garwood, Head of Finance.

BACKGROUND PAPERS

10. Budgetary Control Reports and the Authority's Standing Orders.

APPENDICES

11. Appendix 1 - Revenue Statement
Appendix 2 - Schedule of Virements
Appendix 3 - Capital Statement
Appendix 4 - Schedule of Investment Income