

GWENT POLICE AUTHORITY
AUDIT AND RESOURCES COMMITTEE

Date: 11th September 2008 **Item No: 11b**
Heading: Finance Report to 31st July 2008
Report Author: Chief Constable

SUMMARY

As a consequence of the workload pressures resulting from the 2011 Review in the early part of the financial year, the usual work of producing financial performance reports was delayed. This report, therefore, is the first formal financial report on the budgetary position to members in the current financial year.

Following feedback from members that the revenue and capital schedules attached to the financial report were difficult to understand in some areas, the format of both of these schedules has been amended, in consultation with the Chairman of the Audit & Resources Committee and the Authority's Treasurer (these are explained in Section 1 below).

A detailed exercise has been undertaken to estimate the year-end position on both the revenue budget and the capital programme for the current year.

After addressing some in-year financial pressures, it is estimated that the Revenue Budget will be around £2.4m underspent at the year-end. The main contributing factors being savings on Police Officers (£1.8m) and additional investment income (£0.3m). This money will be required, however, to address operational demands and the need to fund the implications of the 2011 Review.

With regard to the Capital Programme, in order to ensure the efficient use of funds pending the outcome of the 2011 Review, it is proposed to defer some of the schemes for the time being. In addition, some schemes will slip as a result of external factors. Consequently, it is estimated that the programme will have a net slippage of £1.7m at the year-end.

RECOMMENDATION(S)

On the Revenue Account, subject to the need to utilise some of the projected underspending to maintain operational performance, it is recommended that remaining funds are used to implement the requirements of the 2011 Review. These are to be confirmed at a later date.

With regards to the Capital Programme, it is recommended that some schemes be deferred as laid out in Section 3, pending the outcome of the 2011 Review, and the Capital Programme amended accordingly.

BACKGROUND

- 1.1 Feedback from members, towards the end of the last financial year, highlighted difficulties in easily understanding the summaries of the revenue budget and capital programme attached to the financial report. Consequently, following discussions with the Chair of the Audit & Resources Committee and the Authority's Treasurer, these schedules have been revised.
- 1.2 With regards to the revenue statement, the main problem stemmed from the fact that historically, the statement showed total expenditure reconciling back to the recurring funding position and did not reflect the use of resources during the year. This led to complicated accounting adjustments which were not easy to understand.
- 1.3 Consequently, the statement has been changed to reflect the total planned expenditure, including that resulting from the use of reserves. The funding of the budget is now shown separately. The section on reserves has been removed, more detail provided on operational budgets and transfers between revenue, capital and the balance sheet simplified. Expenditure to date has been omitted allowing members to focus on variances from the planned position.
- 1.4 On capital, previously, an attempt had been made to show variances to date on the progress of capital schemes. The planning and management of capital schemes is not so precise as to enable this type of information to accurately and meaningfully be presented. Consequently, the new statement does not show "Variances to Date".
- 1.5 The previous way of reporting did not provide clarity of whether schemes were progressing as planned, had been deferred or brought forward. This was further complicated by schemes under or overspending. In the new statement progress of the schemes will be highlighted by colour coding and movements between years 1 & 2 of the programme highlighted.
- 1.6 In previous years, the ARC finance report incorporated an analysis of the investments made and repaid, including the average rate of interest received during the year. It is now proposed, that this analysis will be enhanced and included in a twice-yearly treasury management report. The format and timing of the report are yet to be agreed.
- 1.7 It is hoped that these changes will provide more information and make the statements easier to understand. Feedback from members will be appreciated.

PROPOSAL FOR CONSIDERATION BY COMMITTEE / CURRENT POSITION

2 Revenue Income and Expenditure (Appendices 1, 1a, 2 & 3)

- 2.1 At the 31st July 2008, the revenue account was underspent by £1.112m primarily due to police officer vacancies and investment income being higher than expected. (Appendix 1 provides more detail on the performance of the various budgets). At the present time there are no areas of concern other than the Tasking (Pro-Active Operational Initiatives') budget, which is already significantly committed.
- 2.2 A detailed outturn projection has been compiled in liaison with the various budget managers. After addressing some in-year financial pressures, it is estimated that the Revenue Budget will be nearly £2.4m underspent by the year-end. Appendix 1 shows the various positions of the different budgets, but the main contributing factors are:
- a) Savings on the police officer budget of £1.8m due to projected vacancies in police officer numbers, savings on Competency Related Threshold Payments (CRTP), allowances paid to police officers and incremental salary point savings. (Appendix 2 shows the difference between the original police officer projections in February 2008 and the latest figures).
 - b) Additional investment income of £0.8m, although £0.5m was anticipated and planned to be used to offset the Authority's contribution to Operation Jasmine.
- 2.3 Whilst this is a significant sum, the expected investment requirements needed to implement the 2011 Review proposals, including capital, are estimated to be in excess of £30m. In addition, the effects of lower police officer numbers may require additional revenue investment in the short-term in order to maintain operational performance. This issue is currently being assessed and any proposals for additional investment will be presented to the Committee in October 2008.
- 2.4 Appendix 3 provides a summary of the uncommitted funds, including reserves, which are available to address 2011 Review issues and to fund operational initiatives.

3 Capital Programme (Appendices 4 & 4a)

- 3.1 The planned expenditure on proposed schemes for 2008/09 is £5.491m which includes schemes rolled over from 2007/08. A detailed review of the 2008/09 Capital Programme has been undertaken to identify schemes that have slipped, or that could be brought forward, deferred or deleted in the light of the 2011 Review, whilst ensuring minimal impact upon operational policing. Consequently, it is estimated that the programme will be approximately £1.7m underspent at the year-end. This will either be slipped to 2009/10 or transferred to a capital reserve for use on 2011 Review initiatives (see

Appendix 4a). To provide ease of reference for Members, schemes have been colour coded to identify their relevant progression status.

- 3.2 The schemes remaining part of the 2008/09 programme are progressing satisfactorily, with expenditure of £1.412m incurred to date.

STAFFING/PERSONNEL IMPLICATIONS

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

FINANCIAL IMPLICATIONS

- 5 As detailed above.

CONSULTATION

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

PROJECT ASSESSMENT FOR EQUALITY AND DIVERSITY MATTERS

- 7 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

- 8 As detailed above.

STAYING AHEAD (2011 REVIEW)

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

CONCLUSION

- 10 The overall revenue position is satisfactory at the present time, with no real expenditure problems identified which cannot be addressed in-year. The long-term use of the forecast underspending is currently being assessed and will be reported to the Committee.

CONTACT OFFICER

- 11 Darren Garwood, Head of Finance.

BACKGROUND PAPERS

- 12 Budgetary Control Reports.

APPENDICES

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| 13 | Appendix 1/1a | - | Revenue Budget Performance to 31st July 2008 |
| | Appendix 2 | - | Police Officer Projected Establishments |
| | Appendix 3 | - | Available Funds for 2011 Pump Priming and Other
Uses |
| | Appendix 4/4a | - | Capital Programme Performance 2008/09 |