



GRAMPIAN
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Keeping our communities safe

COMMITTEE: GRAMPIAN JOINT POLICE BOARD

DATE: 4 March 2011

TITLE OF REPORT: Revenue Expenditure Monitoring Statement

REPORT NUMBER «ReportNumber»

1. PURPOSE OF REPORT

To present to the Board for its consideration a 2010-11 Revenue Expenditure Monitoring Statement for the period to 31 January 2011. As the March meeting is held early in the month, the February out-turn information is not yet available.

2. RECOMMENDATION(S)

To consider and note the contents of the report.

3. FINANCIAL IMPLICATIONS

The monitoring statement provides a breakdown of the Force's annual revenue expenditure and associated funding. It outlines the overall budget for the financial year, actual spend to 31 January 2011, and the projected out-turn up to 31 March 2011. The variance identified shows any projected under/overspend comparing the estimated out-turn with the approved budget.

The Force is currently projecting an underspend of approximately £1.707m for the financial year 2010-11, against an approved net revenue budget of £115.663m. This would result in an increase in the Force's General Fund balance by £1.707m, taking the total up to £3.282m.

Given the potential reduction to Police funding in future years, the Force is aiming to maximise savings in the current financial year in order to reduce the financial burden in 2011-12 and beyond.

4. SERVICE & COMMUNITY IMPACT

The majority of the savings are as a direct result of reduced recruitment. The impact on service delivery, both to the communities of the North East in terms of operational effectiveness and to internal customers in terms of Corporate Services, is being monitored via the Scottish Policing Performance Framework (SPPF).

5. OTHER IMPLICATIONS

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6. REPORT

Pay Costs

The projected Police Officer pay costs are continuing to reduce as Police Officers leave or retire from the Force and are not replaced. It is currently anticipated that Police Officer numbers will now reduce to around 1,563 by the end of March 2011. If this figure reduces further or higher ranked Police Officers continue to retire at a similar rate, then further savings will accrue.

The total underspend against the Police Officer pay budget (excluding SPP, allowances, National Insurance and pension costs, etc) is approximately £632,000. The table below shows a breakdown of those savings against the different elements of the Police Officer pay budget.

	Budget Saving
Retirals	£300,000
Leavers	£107,000
New Starts	£178,000
Career Breaks, Sick/Maternity Leave etc.	£47,000
Total	£632,000

The Force is also generating further savings against the Police Overtime budget. The budget for the Central Overtime Reserve (£131,000) has not been utilised, as Business Areas continue to accommodate all of the overtime spend within their devolved budgets. However, the occurrence of a major or critical incident between now and the end of March may adversely affect this situation.

The projected pay costs for Police Staff are continuing to reduce as more staff leave the Force. Provision has been made for the costs of the Voluntary Redundancy Scheme (VRS), which has been funded from savings that have been generated through the on-going recruitment freeze and deletion of vacant Police Staff posts across the Force.

It is anticipated that the redundancy costs will amount to approximately £1m and that the capitalised pension benefits will be £1.4m. Whilst the Force is required to account for the entire pension cost this financial year, in terms of cash flow, the Force will pay approximately £600,000 in lump sum values (referred to as a Strain on the Pension Fund) and thereafter pay an equivalent amount of £37,000 every year to support the enhanced pension benefits (Compensatory Added Years). The estimated savings year on year should amount to approximately £2m, which will be necessary for reducing the financial burden for 2011-12 and beyond.

The reduction in Police Staff numbers is likely to have some impact upon Business Areas' operational and support capacity. Consequently where a post is considered to be business critical, then the Force will redeploy or transfer staff from other areas.

Other Costs

The Force is continuing to make savings against a number of budgets within the expenditure category headed supplies and services. As well as generating efficiency savings through new and on-going procurement initiatives, the Force has focussed on reducing attendance at conferences. The decision to limit recruitment of new Police Officers and Police Staff has resulted in a significant reduction in training costs. Over the longer term, the Force will be seeking to further develop shared services or collaborative opportunities with national and local partners.

The Force's contribution towards national policing projects is being monitored closely, in the lead up to the end of the financial year. The budgeted contribution is based upon a percentage (9.82%) of total spend by all Forces on these national projects (approximately £8m), although this includes the cost of Police Officers and Staff seconded to the projects. It is currently anticipated that the Force will incur employee costs of approximately £325,000 for those Officers and Staff seconded to the national projects, and contribute a cash balance of £402,000 towards the remaining share of expenditure. However, any slippage in the programme of work will result in a reduction in the cash balance to be paid by the Force at the year end.

Income

The Scottish Government has recently agreed to provide a specific grant in the current financial year for an amount of £407,000 to provide for the cost of ill health benefits paid to retired Police Officers. These costs are met from the Force's operating budget, rather than from the newly created Police Officer Pension Account, consequently the award of the grant ensures that the new regime remains cost neutral. The Scottish Government plan to include this sum as part of the core funding (Police Grant and Constituent Authority requisition) within 2011-12 and beyond, consequently the estimated figures have been included within the recently published Local Government Finance Circular 14/2010.

Reserves

The Board previously agreed a minimum balance on the General Fund, such that it should exceed 1% of total funding, to ensure that there were resources available to meet any significant unplanned operational need, especially in light of the nature and types of risks faced by the Force. Based on the position for 2010-11 outlined above, the balance on the General Fund would rise to £3.282m.

The current forecast position on reserves is as follows:

2010-11	General Fund
	£ million
Opening balance (subject to audit)	1.575
Projected underspend	1.707
Projected closing balance	3.282
Minimum Balance	1.152

The Scottish Government has agreed to revise the carry forward limits associated with revenue underspends in any given financial year, as well as maximum balances on the General Fund. In any given year, the Force will be able to carry forward up to 4% of its core funding (a rise of 1%), and be able to hold balances on its General Fund up to 8% of its core funding (a rise of 3%).

This will allow some Police Forces to increase their reserves without breaching the agreed limits. However, with the projected underspend of £1.707m this financial year, this Force will not breach the permitted maximum of £3.768m, nor the cumulative General Fund limit of £7.536m (projected closing balance of £3.282m).

7. REPORT AUTHOR DETAILS

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8. BACKGROUND PAPERS

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Chief Constable
«Date»

Treasurer
«Date»