

**LINCOLNSHIRE POLICE AUTHORITY
FINANCE AND PERFORMANCE COMMITTEE
8TH JUNE 2010**

SUBJECT		REVENUE ACCOUNT MONITORING 2010/2011 & IMPLICATIONS FOR THE MEDIUM TERM FINANCIAL FORECAST
REPORT BY	CHIEF CONSTABLE	
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SUMMARY AND PURPOSE OF REPORT		
To present the monitoring of the revenue account for the period to the end of April 2010.		
RECOMMENDATIONS	<ol style="list-style-type: none"> 1. <i>That the report be noted.</i> 2. <i>That the Chief Constable's proposals for in year savings be endorsed.</i> 	

A. SUPPORTING INFORMATION

1. INTRODUCTION

- 1.1. The original budget set on 23rd February 2010, was based on an overall net budget requirement of £108.3 million.
- 1.2. The first month of the financial year provides little guidance as to the overall financial trends and spending levels of the organisation. The year to date position is significantly distorted by the reversal of year-end transactions from 2009/10.
- 1.3. For this reason and due to the complex and detailed work which Management Accountants are required to undertake on the preparation of the 2009/10 Financial Statements forecasts have not been formally agreed with budget managers. This report will highlight issues that have occurred since the original budget was set. Further spending experience will provide a fuller understanding of the drivers for the year's financial performance.

2. BUDGET ISSUES

- 2.1. The following paragraphs provide details of currently identified revenue budget issues.

Employee Costs

- 2.2. With regard to Police Officer costs, currently the forecast of spend is slightly below profile however, any future changes to the establishment will have a

bearing on the overall position. Recent announcements by the new Home Secretary have indicated that the current three year pay deal will be honoured for police officers in 2010.

- 2.3. With regard to Police Staff, the level of vacancies is estimated to be slightly below the level required to achieve the 7% vacancy factor. This area of the budget will require careful monitoring as the year progresses. Recent announcements by the new Home Secretary have not been specific about whether the current three year pay deal will be honoured for police staff in 2010, further clarification is required.
- 2.4. Police Officer Injury retirements were on budget in 2009/10 with year end provisions being required for those paid in the early part of 2010/11. The budget will be monitored closely during the year.

Capital Financing

- 2.5. Due to the outturn on the capital programme being lower than anticipated resulting in a lower borrowing requirement and with lower interest rates than expected, this has resulted in lower capital financing charges of £150k compared to the original budget.

Income

- 2.6. In terms of specific grants the Force has still to hear formally on Operation Barrage, Invaro and Alpine funding bids. Whilst no revenue was anticipated for Alpine, the budget anticipates that the cost of Barrage and Invaro will be met from grant. If this were not to be received then the costs of the operation would fall on the revenue account at an estimated cost of £200k, although this is dependent upon spending in 2010/11.

Major Incidents

- 2.7. The level of spend in the year to the end of April is currently being distorted by year end provisions and spending trends will not become clear until later in the year.

Contingency

- 2.8. As part of the 2010/11 budget the authority agreed to pool risk on four areas, Police Officer pay Police Officer Overtime, Police Staff vacancy factor and fuel costs by establishing a £545k contingency budget. At this stage of the financial year there are no identified demands on this contingency.

3. GOVERNMENT BUDGET ANNOUNCEMENT

- 3.1. Following the recent General Election the new coalition government has made announcements on public sector funding with regard to 2010/11.
- 3.2. The Government has indicated that they intend to publish a budget on 22nd June followed by a spending review in the autumn. As a first step to cut public expenditure the Government made an announcement on 24th May on the current financial year cutting £6.1 billion from public expenditure. This indicated that

£367 million would be required from the Home Office with Local Government overall contributing £1,165 million. On 27th May an announcement was made by Nick Herbert Policing Minister detailing the share, which individual Forces will be required to contribute. Overall Lincolnshire's grant for 2010/11 has been reduced by £1 million.

- 3.3. In order address this funding reduction it is proposed to reset the revenue budget for the Force to identify those areas where reductions in spend will be achieved in order to provide for a balanced budget. It is proposed that the following adjustments are made:

Budget Savings	Value £'000	Narrative
Savings identified in year to date	175	Savings from changes to service provision and additional income identified since the original budget was set. These are detailed in the table below.
Police Officer Pay	100	Changes to the Police Officer establishment and associated costs have resulted in a fall in cost against original budget.
Supplies and Services	200	A reduction will be made pro rata across Force budgets to achieve an in year saving in this area of the budget by reprioritising spending.
Capital Financing Charges	150	A reduction in the level of borrowing in 2009/10 together with lower rates has reduced the capital financing charges in 2010/11.
Agency Staffing	100	A reduction will be made in the budget for Agency staffing which the Establishment Management Board will manage.
Forensic Contract	75	The recently let contract coming into operation in October will generate significant revenue savings.
Contingency	100	The contingency established as part of the original budget will be reduced requiring budget managers to carry a greater degree of risk within their devolved budgets.
Capital Programme	100	In order to allow for the £100k reduction in capital grant an increase in long term borrowing will be made at the year end.
Total	1,000	

- 3.4 The following table details savings identified in the year to date given in line 1 above:

Budget Savings	Value £'000
Additional Income Road Safety Partnership	69
Police Staff Posts	53
Conferences Review	16
Occupational Health Services	15
Staff Advertising	10
Others	12
Total	175

3.5 With regard to future years the Home Secretary has stated that in terms of the budget deficit 'police will have to bear a fair share of the burden'. Further announcements on funding have indicated that

- A council tax freeze in England will be implemented for potentially two years
- A freeze in public sector pay for all but the lowest paid.
- The increase in employers national insurance will not now take place from April 2011.

3.6 When the budget was set in February a medium term financial plan was produced against a set of assumptions, which have been reproduced in Appendix A.

4. **SPECIFIC EARMARKED FUNDS**

4.1. As part of the Outturn report shown elsewhere on this agenda the year end balances on the Fixed Term Posts reserve and the Business Change Fund are detailed. The appendix B attached provides details of approved spend against these reserves. It is anticipated that savings will be made against the forecast spend as vacancies occur during the period.

B. FINANCIAL CONSIDERATIONS

These have been included in the main report.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The report forms party of the monitoring and control of the Police Fund for which the Authority is responsible under Section 14 of the Police Act 1996.

D. RISK MANAGEMENT

The issues surrounding future pressures on the revenue budget are included in the Force and Authority Risk Registers.

E. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(including any impact or issues relating to Children and Young People under the Every Child Matters (ECM) framework.)

There are no personnel, equal opportunity or diversity issues arising from this report.

F. REVIEW ARRANGEMENTS

Further monitoring will be reported to future meetings of the Committee as the financial year progresses.

G. LIST OF BACKGROUND PAPERS

Date	Description	File
	None	