



Bedfordshire Police Authority

COMMITTEE AND MEETING DATE	POLICE AUTHORITY MEETING, 19th OCTOBER 2012
AGENDA ITEM No:	10 (a)
TITLE:	MEDIUM TERM RESOURCE STRATEGY 2012/13-2015/16
DATE OF REPORT:	8th OCTOBER 2012
REPORT OF:	CHIEF CONSTABLE & CHIEF EXECUTIVE / TREASURER
AUTHOR:	SENIOR ACCOUNTANT CHIEF EXECUTIVE / TREASURER
ACTION REQUIRED:	TO REVIEW THE MEDIUM TERM RESOURCE STRATEGY FOR 2012/13 – 2015/16
APPENDICES:	APPENDIX A – SPEND AGAINST BUDGET & YEAR END FORECAST AS AT 31st AUGUST 2012 APPENDIX B – SUBJECTIVE ANALYSIS OF YEAR END VARIANCE APPENDIX C – 2012/13 BUDGET SAVINGS (RAG ASSESSED) APPENDIX D – 2013/14 TO 2015/16 BUDGET GAP APPENDIX E – ESTIMATED RESERVE POSITION APPENDIX F – TREASURY MANAGEMENT PERFORMANCE INDICATORS

EXECUTIVE SUMMARY:

This report sets out the financial implications of the Medium Term Resource Strategy. It outlines performance against the budget for 2012/13 and reviews the savings initiatives within the budget. It then focuses on 2013/14 and the decisions required to provide a balanced budget. The Medium Term Resources Strategy for the years 2014/15 and 2015/16 is considered, as is a review of the Treasury Management activities for 2012/13.

RECOMMENDATIONS:

Recommendation 1:

Members are asked to consider the forecast outturn position for 2012/13.

Recommendation 2:

Members are asked to consider the estimated budget gap and decisions required to set a balanced budget for 2013/14.

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BACKGROUND PAPERS:

- *Revenue Budget, Budget Requirement, Precept and Council Tax 2012/2013;* Item 11 to the Police Authority meeting, 17th February 2012
- *Medium Term Resource Strategy 2012/13 to 2015/16;* Item 5 to the Police Authority Resources Scrutiny Committee, 26th April 2012.
- *Medium Term Resources Strategy and Capital Asset Management Update;* Item 11 to the Police Authority meeting, 13th July 2012.
- *Medium Term Resources Strategy 2012/13 to 2015/16;* Item 9 to the Police Authority meeting, 31st August 2012.
- *Treasury Strategy Statement 2012/13.*
- *Police Funding Allocations;* Police Authority Treasurers Technical Support Team, September 2012.

ADDITIONAL PAPERS:

None

1. INTRODUCTION

- 1.1 This report builds upon the 2012/13 budget report approved in February 2012 and subsequent reports on the Medium Term Resource Strategy presented to the Police Authority throughout the year.
- 1.2 Members will be aware that the Authority and Force were faced with a budget gap of £19M over the four year period 2011/12 to 2014/15, with likely further reductions in subsequent years.
- 1.3 The purpose of this report is to update Members with the current performance against budget for 2012/13 including an analysis of the 2012/13 savings plan. An update is provided of the funding for the 2013/14 budget, along with the subsequent external funding gap for the next three years.
- 1.4 Budgets for 2013/14 and beyond are dependent on key decisions for the Force and Police and Crime Commissioner to make around, setting of council tax, the operational policing model, future collaborations and the future provision of organisational support services.

2. STATUTORY/BEST PRACTICE REQUIREMENTS

- 2.1 Bedfordshire Police Authority has a duty to ensure it makes appropriate use of public resources. Bedfordshire Police Authority follows the code of practice for Treasury Management in the Public Services.

3. 2012/13 REVENUE BUDGET

- 3.1 The 2012/13 budget was approved on 17th February 2012 and equates to £100.637M, incorporating an increase to Council Tax levels of 3.95%.
- 3.2 The budget was set against a backdrop of reduced Government funding of £4.905M and reducing reserve levels.
- 3.3 Despite the increase in Council Tax which enabled the reserve position to be improved by £0.243M, £5.535M worth of reductions had to be built into the budget.
- 3.4 Appendix A shows the 2012/13 Revenue Budget and forecast outturn as at 31st August 2012 by function. This shows an estimated breakeven position at the year end. Appendix B provides further information in a subjective format, which may aid understanding of some of the variances explained in this report.
- 3.5 The forecast outturn is an estimate, based on spend to 31st August 2012. It will be subject to change depending on operational and budgetary decisions made between October 2012 and March 2013. The Force is now in the formal consultation stage with the Police Federation and the Superintendent's Association regarding the use of Regulation A19¹ to help deliver the

¹ Regulation A19 of the Police Pensions Regulations 1987 covers compulsory retirement on grounds of efficiency of the Force. A19 states: 'if a Police Authority determine that the retention in the Force of a

Operational Policing Review. While this is pivotal to medium term financial planning it has no major impact on the monitoring of this year's budget. The major variances identified to date are as follows.

- 3.5.1 **Police Pay.** The estimated year end position for Police Pay is an underspend of £361,300, caused by the police officer attrition rate exceeding the 2012/13 forecast (despite the drop in budgeted officer numbers). Officer numbers will continue to fall as the Force works towards the new Operational Policing Model. This managed reduction will continue, with budget savings planned in 2013/14.
- 3.5.2 **Police Overtime.** The current forecast is for an overspend of £207,000, a small increase in the forecast reported in August 2012. This forecast assumes a lesser reliance on overtime once the new Operational Policing Model is fully functioning, with new shift patterns. Anecdotally the requirement to work overtime may be linked to the need to cover for sickness, other absences and vacancies in the Policing Model before October 2012. Due to technical limitations it is currently not possible to separate sickness absence from other categories of staff shortages, such as training and attendance at court, as a reason for working overtime. Further development of GRS (the Force's duty management system) is expected to enable reporting in this area.
- 3.5.3 **PCSOs.** Bedfordshire Police currently has twenty PCSO vacancies. These vacancies will be reduced or eliminated under the new Operational Policing Model, in which the number of PCSO posts will reduce from 128 to 72 when fully in place. The resultant projected underspend of £134,700 is calculated assuming that the ring fenced grant funding for PCSOs will be cut by an equitable amount.
- 3.5.4 **Collaboration Team.** Growth within the Collaboration Team was authorised after the 2012/13 Budget had been set, resulting in a projected overspend of £288,300. Additional resources are required to pursue the extensive change programme both as a result of extending existing Bedfordshire and Hertfordshire units to Cambridgeshire Constabulary, the potential outsourcing of Organisational Support Services and the development of new business cases in the area of Operational Support.
- 3.5.5 **Protective services (collaborated units).** In addition to delivering budget savings over previous years the collaborated Major Crime Unit and Armed Policing Unit are currently forecasting large underspends due to vacancies. The Bedfordshire Police share of the savings equates to £174,000.
- 3.5.6 **Non-staff costs.** Other overspends equating to £160,300 are forecast on non-staff costs. A review of contracts has exposed unbudgeted commitments within ANPR (Automatic Number Plate Recognition) and the extension of a contract for medical services, which cover the majority of this overspend.

- 3.6 Appendix B breaks down the above variances by function and subjective area. While this level of detail could be considered tactical, it does help to explain some of the variances shown in Appendix A. Most of the analysis is self explanatory, although variances within the 'Corporate' area require further commentary. The savings to be delivered from the Operational Policing Model include a reduction of £300,000 for Police Pay. This budget has been held centrally until the revised policing model commenced, at which time it will be reallocated to functions. The budget for PCSOs and the associated grant is also held centrally, accounting for the majority of the remaining variance.
- 3.7 Since the start of the 2011/12 financial year the Force has made the decision to avoid excessive use of the virement facilities open to it. Any large virements would require authorisation by the Force Resources Board. This has helped to ensure the Force is transparent with its budget monitoring, clearly showing where expenditure and income has diverted from the original plan. Appendix B highlights this transparency, as do the variances explained at Section 3.5, above. The four largest variances shown in Appendix B relate to Police Pay, Overtime, Staff Pay and Grants. Use of the virement facilities would allow the expected overspend on police overtime to be offset against the underspend on Police Pay. Similarly the expected reduction in Grant incomes could be offset against the projected underspend on PCSO expenditure. While this would reduce the number and amount of forecast variances the reports would no longer be a true representation of spend against the original budget, which is why the Force has decided against such virements to date.
- 3.8 **Budget reductions in 2012/13.** Included within the 2012/13 budget were specific reductions approved by the Police Authority. The monitoring of these savings is incorporated within the budget forecast shown at Appendices A and B. Each saving has been reviewed to assess the likelihood of achievement (see Appendix C). This shows that of the £5.535M savings built in to the budget, 89% (£4.922M) are expected to be delivered (rated as 'green'). The review of the Policing Model has been moved from *amber* to *green* status, following its introduction in the first week of October 2012. The current underspend on Police Pay is evidence that it has exceeded budget expectations. The current expected overspend on Police Overtime means that some of the saving has been reclassified as *red*, although it can be offset against the additional savings from the Operational Policing Review. As shown in Appendix A, some estimated overspends are appearing in Organisational Support Service, as some elements remain to be finalised. Savings to be delivered from Phase 2 of the Protective Services Collaboration were planned from October 2012. It would now appear that original expectations were over-optimistic, as delays to Roads Policing, Dogs and Operations & Contingency Planning collaboration have reduced savings that can be achieved in this financial year. It should be noted that despite the potential for these savings to be delayed, the forecast to year end still represents a break even position.

4. 2013/14 REVENUE BUDGET

- 4.1 Police Authority members have been regularly updated with the estimated budget gap for 2013/14. This has been based on a number of previously documented assumptions, shown in Appendix D.

- 4.2 The provisional police funding settlement is expected to be published in the week starting 10th December 2012. Pending this, the Police Authority Treasurers' Technical Support Team has released a paper providing indicative 2013/14 Police Funding allocations.
- 4.3 When adjusted for absorption of the Neighbourhood Policing Grant into the Funding Formula this increases the funding available to Bedfordshire Police by £400,000, when compared to earlier assumptions.
- 4.4 Based on an assumed 2.5% Council Tax increase the budget for 2013/14 is estimated at £100.9M, a reduction of £1.9M compared to the adjusted 2012/13 budget of £102.8M. After allowing for unavoidable growth and inflation this gives a budget pressure of £4.6M in 2013/14, as detailed in Appendix D.
- 4.5 Localisation of the Council Tax benefit subsidy scheme is expected to reduce future funding available to Bedfordshire Police. Billing authorities have been set the task of redesigning their Council Tax benefit subsidy schemes, which will reduce the local tax base. Early indications are that the tax base for Bedfordshire will reduce by around 29,600 equating to roughly £4.45M. This is partly offset by the ability to raise council tax for vacant properties, which could increase the tax base by 2,800, giving a net reduction of 26,800. The resulting reduction of around £4.005M will be mostly offset by a Central Government grant estimated at £3.7M, given a net additional pressure of £305K.
- 4.6 The assumption in calculating the budget gap for 2013/14, and beyond, is that the police element of the Council Tax will be set at 2.5% by the Police and Crime Commissioner. The benefit subsidy Council Tax changes highlighted in the previous section will have a knock on effect of reducing the amount of income Bedfordshire Police can raise in future years via Council Tax. A reduction in the tax base of 26,800 would mean a 2.5% increase in council tax will generate £100K less than via the previous scheme.
- 4.7 Since these calculations were produced it has been announced that a Council Tax Freeze grant equivalent to a 1% increase will be available in 2013/14, lasting for two years. The same announcement stated that should local authorities wish to raise their council tax levels by more than 2%, a local referendum will be instigated. It is as yet unclear if the threshold for police authorities will be higher, as it was last year. But this needs to be considered by the PCC and Police Authority when setting next year's council tax levels. The Department for Communities and Local Government is expected to write to authorities in the next few weeks to confirm these arrangements.
- 4.8 The draft Budget for 2013/14 has been estimated at £105.5M based on inflation of 2.5% for non-staff costs and 1% for pay awards from Sept 2013. This includes growth for superannuation for staff and an allowance for an increase in insurance for the fleet. The inflation and growth means savings of £4.6M are currently estimated for 2013/14. This is higher than previously reported because of an adjustment to the way it is calculated, as the Neighbourhood Policing Grant will now be incorporated into the Funding Formula.
- 4.9 Savings have been identified around extending current collaborations with the strategic alliance, the Operational Review of the Policing Model, a review of

Organisation Support Services, internal change programmes and alternative delivery of Operational Support. However, until decisions have been made regarding the delivery of support functions, assumptions have been made regarding the 2013/14 budget, as detailed in Appendix D.

- 4.10 **Operational Policing Review.** Savings estimated at £7M between 2013/14 and 2015/16 could be delivered through the outcome of the Operational Policing Review. To deliver this level of savings the Force will have to invoke the use of Regulation A19, consultation on which is underway internally. Regulations A18² and A20³ may be considered, although these are currently likely to have limited impact on savings, to meet the required reduction of 100 police officer posts by April 2015. This review considers how PCSOs are used by the Force. The Review outcome will enable a Force Estate review to be completed and could release other savings such as within the vehicle fleet. The Authority has been kept up to date through reports and presentations.
- 4.11 **Review of Organisational Support.** Work is ongoing regarding the review of Organisational Support. For the purpose of forecasting the Medium Term Plan, savings of £1.4M have been built in over the next three years. Depending on the delivery method used it is likely that the phasing of savings will change with the potential of all savings occurring in 2013/14 if timely agreement can be reached. This figure represents 7.7% of the budget shown for organisational support in the original business case. Since then the scope has reduced and Bedfordshire Police has gone through the Operational Policing Review. Percentage allocations of savings are unknown at this stage, so the figure of £1.4M should be regarded as an estimate.

5. 2014/15 AND 2015/16 REVENUE BUDGET

- 5.1 Estimated budget gaps for 2014/15 and 2015/16, shown in Appendix D, equate to £4.1M and £4.2M respectively. The way these forecasts are produced means that estimates are relied upon more in future years and the number of variables increases. Forecasts will be updated and informed by decisions made during the 2013/14 budget process.
- 5.2 It is assumed that the reduction in the formula grant will be 3.9% in 2014/15 and 2% in 2015/16. In addition the Council Tax Freeze Grant awarded in 2011/12 will be unavailable in 2015/16. These assumptions will continue to be tested and updated although the next provisional Comprehensive Spending Review announcement is expected in December.

6. RESERVES

- 6.1 It is acknowledged that the use of reserves to fill the funding gap is unsustainable.
- 6.2 The reserves will be used as set out in the Reserves Policy, approved by the

² Regulation A18 of the Police Pensions Regulations 1987 covers compulsory retirement on the grounds of age. A18 states: '... every regular Policeman... who is not a member of the Metropolitan Police... shall be required to retire (on attaining the age of 65 (Chief Officer posts); 60 (Superintendent or Inspector posts); 55 (Sergeant or Constable posts))'.

³ Regulation A20 of the Police Pensions Regulations 1987 covers Compulsory retirement on disablement grounds (inability to perform ordinary duties of a police officer).

Committee in June 2011, and included as an Appendix to the October Medium Term Resource Strategy Report to this Committee. The level of reserves held needs to reflect the level of risk facing an organisation. Following consideration of the level or exposure to risk that Bedfordshire Police faces in the medium term as well as the level of change that needs to be delivered across all aspects of the organisation the target set by Bedfordshire Police Authority is to keep general reserve levels at 3% or more of the net revenue budget.

- 6.3 An estimated reserves position from April 2012 to 31st March 2016 is shown at Appendix D. Several assumptions are made to forecast this far ahead. This shows an improved picture compared to that contained within the budget report as an increasing amount of “cost of change” expenditure has been absorbed within the 2011/12 revenue budget. The following paragraphs explain the movements within the Performance and Change reserve.
- 6.4 The reserve drops substantially in the year ending 31st March 2013 and 2014 as a result of set up costs associated with the Strategic Alliance.
- 6.5 ‘Set up’ costs include redundancy payments, additional travel costs and additional system requirements. Some system changes, plus associated changes to the estate, may be met from the relevant capital programme. These forecasts are based on the best estimate known to date but may be subject to change.

7. TREASURY MANAGEMENT

- 7.1 Bedfordshire Police Authority has adopted the code of practice for Treasury Management. Among the ongoing requirements of this are to publish a Treasury Management Strategy Statement and conduct a mid-year review of compliance to the Statement. The Treasury Strategy Statement for 2012/13 was approved by the Police Authority on 19th January 2012. The mid-year review is as follows.
- 7.2 The Prudential Indicators presented with the Treasury Strategy Statement for 2012/13 were based on the probable capital outturn for 2011/12. Following confirmation of the outturn at the Police Authority meeting on 13th July 2012, the Prudential Indicators have been revised and are presented at Appendix F, alongside current performance figures as at September 2012.
- 7.3 It is not possible to measure all Prudential Indicators during the year but those that can be measured show that performance within the boundaries set, confirming that current capital investments plans are affordable, prudent and sustainable.
- 7.4 **Affordability Indicators.** The ratio of financing costs to net revenue stream for 2012/13 has increased due to the decision to borrow from the PWLB in March 2012. However this indicator remains low and is expected to stay low over the next three years, although it will increase as decisions are made to increase the level of borrowing to fund the capital programme.
- 7.5 **Capital Expenditure Indicators.** The capital financing requirement (CFR) measures the authorities need to borrow for capital expenditure purposes. The revised prudential indicator has reduced as a result of the slippage contained in the 2011/12 capital outturn.

7.6 **External Debt Indicators.** The authorised limit for external debt is the maximum the Authority will allow itself to borrow during the financial year. This limit allows for borrowing to be undertaken to finance the anticipated capital expenditure for the proceeding four years where as the operational boundary is the most likely maximum level external debt will reach during the year. The current position is low in comparison to the limits as no borrowing has yet taken place during this financial year.

7.7 **Treasury Management Indicators.** The upper limit for fixed interest rate exposure indicates that during 2012/13 fixed rate borrowing will not exceed £9.2M in line with the operational boundary. Currently fixed rate borrowing stands at £6.7M as the anticipated borrowing of £2.5M this financial year has not yet taken place. The upper limit for variable interest rate exposure indicates that during 2012/13 variable rate investments will not fall below £5.8M. This figure does not include funds held in instant access accounts that account for roughly 50% of investments. This means that the Authority expects to be a net investor during 2012/13.

7.8 The Authority's treasury portfolio position represents the borrowing and investment levels held by the Authority. The table below shows this position at 31st March 2012 and 30th September 2012.

	31 st March 2012		30 th September 2012	
	Principal (£'000)	Average Interest Rate Achieved	Principal (£'000)	Average Interest Rate Achieved (%)
Fixed Rate Funding-PWLB	6,720	4.5%	6,720	4.5%
Total Debt	6,720	4.5%	6,720	4.5%
Fixed Term Investments	6,000	1.12%	6,500	0.55%
Instant Access Accounts	5,400	1.07%	7,600	1.03%
Total Invested	13,400	1.1%	14,100	0.79%

7.9 The maturity dates of the fixed rate borrowing range from 11 to 25 years as at 30th September 2012. All investments mature within 365 days. This confirms that the Authority is currently a net investor but interest rates payable on loans are higher than investments are currently achieving.

7.10 No long term borrowing has been undertaken yet this financial year. Any short falls in daily cash flow have been met by transfers from instant access accounts.

7.11 The financing requirement for the 2012/13 capital expenditure is estimated to be £2.5M. This borrowing is expected to take place in early 2013, assuming the requirement still exists, this will be dependent upon the progress of the ICT and Estates capital programmes. Once this borrowing has occurred the Authority will have reached its Operational Boundary for External Debt.

7.12 **Investment Strategy and Operations; Non-Specified Investments.** Non-specified investments are those which exceed 364 days, there are currently no investments in this category.

7.13 **Investment Strategy and Operations; Specified Investments.**

7.13.1 So far this year levels of investment have varied from £6.5M to £15.25M. As

at 31st August 2011 the amount invested was £14.1M. This includes both fixed term deposits of £6.5M and instant access accounts, including the Special Interest Bearing Account (SIBA) account balance, of £7.6M.

7.13.2 Investments taken place so far this financial year are as follows:

	Instant Access Accounts	SIBA Account	Temporary Investments
	£'000	£'000	£'000
Balance at 1 st Apr 2012	3,650	4,111	5,000
Raised		553	15,000
Repaid	(757)		(13,500)
Interest Received	34	19	
Balance at 30 th Sept 2012	2,927	4,683	6,500

7.13.3 All investments were made with approved lenders and all were within the investment criteria set out in the Treasury Strategy Statement. The balances held on instant access accounts are included in the limits applied to banking groups when considering potential investments.

7.13.4 All investments are with UK based banks and building societies and no funds are being placed with Irish banks as per recommendations from Sector. Sector has advised that all investments are restricted to a maximum duration of three months due to the recent escalation of uncertainty in the markets. The Authority has already been keeping all investments short dated and will continue to keep fixed term investments within the three month limit. No amendments are required to the lending list contained in the 2012/13 Strategy.

7.13.5 No plans have been made to appoint external cash managers as they pose no financial advantage at the current time.

8. SERVICE AND FINANCIAL IMPLICATIONS

8.1 Human Resources

8.1.1 The Force has a statutory duty to consult on any proposed redundancies for police staff and with relevant staff associations to use Regulation A19.

8.1.2 To mitigate the risk of losing valuable skill sets the Force will assess each officer who may be compulsory retired in accordance with Regulation A19 on a case by case basis. Where it is identified that there is a paucity of such skills a decision to retire the officer will be deferred until such a time that a suitable successor can be identified and trained appropriately.

8.1.3 Considerable work has been undertaken on succession planning. To further enhance this approach work has commenced to collate the skills across the Force to assess skills gaps or identify additional training needs using the Threat, Harm & Risk model to ensure that the Force has a competent and suitably skilled workforce to deliver the strategic intent.

8.2 Equality Analysis

8.2.1 Police Authority members and the Bedfordshire public can take assurances from completion by the Force of the Part 1 Equality Impact Assessment on changes in the Continuous Improvement Programme, linked to the Medium Term Resources Strategy.

8.2.2 Police Authority consultation in January 2010 included a survey of 1,445 people. 87% agreed that if they got the help they needed it did not matter from which part of the workforce mix the help came.

9. CONCLUSION

9.1 This report sets out the financial implications of the Medium Term Resource Strategy. It outlines performance against the budget for 2012/13 and reviews the savings initiatives within the budget. It then focuses on 2013/14 and the decisions required to deliver a balanced budget. The Medium Term Resources Strategy for the years 2014/15 and 2015/16 is considered. Finally the Report reviews the Treasury Management Activities for 2012/13.

RECOMMENDATIONS

Recommendation 1: Members are asked to consider the forecast outturn position for 2012/13.

Recommendation 2: Members are asked to consider the estimated budget gap and note the decisions required to set a balanced budget for 2013/14.

APPENDIX A

SPEND AGAINST BUDGET & YEAR END FORECAST AS AT 31ST AUGUST 2012

Policing	YTD Spend	YTD Budget	Variance as at 31st Aug	Estimated Outturn	Annual Budget	Estimated Year End Variance
Crime	9,611,905	9,852,700	-240,795	23,357,100	23,823,100	-466,000
Local Policing	15,764,063	15,966,500	-202,437	38,516,100	38,623,300	-107,200
Total for Policing	25,375,968	25,819,200	-443,232	61,873,200	62,446,400	-573,200

Collaborated Units	YTD Spend	YTD Budget	Variance as at 31st Aug	Estimated Outturn	Annual Budget	Estimated Year End Variance
ASU	154,573	217,900	-63,327	524,200	524,200	0
ERSOU	348,641	440,500	-91,859	1,057,300	1,057,300	0
PS Collaborated Units	5,188,835	5,779,900	-591,065	14,572,200	14,746,200	-174,000
BS Collaborated Units	2,517,454	2,241,200	276,254	5,672,200	5,383,900	288,300
Total for Collaborated Units	8,209,503	8,679,500	-469,997	21,825,900	21,711,600	114,300

Corporate	YTD Spend	YTD Budget	Variance as at 31st Aug	Estimated Outturn	Annual Budget	Estimated Year End Variance
ACPO	468,167	457,400	10,767	1,126,200	1,101,800	24,400
Media Relations	155,059	150,200	4,859	377,700	360,600	17,100
Corporate	77,912	-60,100	138,012	-110,300	-751,200	640,900
Externally Funded	1,957,634	2,191,900	-234,266	3,238,400	3,743,900	-505,500
Holding Cost Centres	0	0	0	0	0	0
Total for Corporate	2,658,773	2,739,400	-80,627	4,632,000	4,455,100	176,900

Business Support	YTD Spend	YTD Budget	Variance as at 31st Aug	Estimated Outturn	Annual Budget	Estimated Year End Variance
Collaboration Support	25,704	35,000	-9,296	47,400	83,900	-36,500
Continuous Improvement	266,676	268,000	-1,324	636,000	643,200	-7,200
Estates	1,885,776	1,843,200	42,576	3,576,800	3,525,700	51,100
Finance	382,330	312,100	70,230	771,800	751,900	19,900
Human Resources	1,228,049	1,344,500	-116,451	3,302,900	3,247,700	55,200
Information Services	268,242	244,700	23,542	625,900	587,300	38,600
IT/Comms Non-Collaborated	125,283	23,800	101,483	125,100	57,100	68,000
Legal Services	73,036	92,500	-19,464	200,200	208,100	-7,900
Performance and Planning	346,793	345,500	1,293	850,500	829,200	21,300
Police Federation	95,885	87,600	8,285	241,400	210,200	31,200
Procurement - Non Collaborated	183,800	183,800	0	441,200	441,200	0
Strategic Projects	3,169	74,700	-71,531	179,300	179,300	0
Support Services Command	177,655	160,700	16,955	433,900	385,600	48,300
Total for Business Support	5,062,397	5,016,100	46,297	11,432,400	11,150,400	282,000

Police Authority	YTD Spend	YTD Budget	Variance as at 31st Aug	Estimated Outturn	Annual Budget	Estimated Year End Variance
Authority	292,714	363,800	-71,086	873,000	873,000	0

Total	41,599,355	42,618,000	-1,018,645	100,636,500	100,636,500	0
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APPENDIX B

SUBJECTIVE ANALYSIS OF YEAR END VARIANCE

	Policing	Collaboration Team	PA Collaborated Units	Corporate	Business Support	Police Authority	Total
	£	£	£	£	£	£	£
Police pay	-661,300			300,000			-361,300
Police overtime	207,000						
Staff pay	-81,900			-555,400	96,300		-541,000
Collaboration team		288,300					288,300
PS Collaborated units			-174,000				-174,000
Grants				420,700			420,700
Non-staff costs	-37,000			11,600	185,700	0	160,300
Total	-573,200	288,300	-174,000	176,900	282,000	0	0

Breakdown of non staff costs	
Other employee expenses	30,900
Equipment & uniforms	-22,000
ICT	68,000
Other supplies & services	-15,000
Other income	28,000
Agency & Contracted Services	70,400
	160,300

APPENDIX C

2012/13 BUDGET SAVINGS (RAG ASSESSED)

	Total 2012/13 (£'000)			Total 2012/13 (£'000)	Comments	Picked up in normal monitoring
	Red	Amber	Green			
Challenge - Non Staff Costs						
Insurance			-100	-100	Built into budget, adequate reserve in place.	Yes - Central Other
Reduction in level of capital financing costs			-500	-500	Built into budget, can borrow £2.5M from Nov 12	Yes - Central Other
Challenge Pay Related Costs			-500	-500	SPP scheme has come to an end, other Winsor reductions require close monitoring	Yes - Police Pay
Challenge Overtime	-200		-100	-300	Overtime budget overspent in 2011/12	Yes - Police Overtime
Continuous Improvement						
Crime			-140	-140	Civilianisation of PHU, budget realigned, requires further investigation to evaluate actual savings figure.	Yes, following tracking of business case to budget load
Review of Functional Model - planned reduction in officer numbers			-400	-400	A review of the functional model in progress, savings estimated at 20 officers	Yes, Police Pay from Oct 12
Strategic Alliance Collaboration						
Strategic Alliance (Protective Services Phase 1)			174 -150 -83 -527	-590	Budgets agreed for Firearms, PSD, Scientific Services and Major Crime Unit. - final Armed Policing Unit Major Crime PSD Scientific services	Yes - Collaborated Units
Strategic Alliance (Protective Services Phase 2)	-230		-70	-300	The second stage of the Protective Services strategic alliance covers serious & organised crime, roads policing, counter terrorism & domestic extremism, dogs and Operational & Contingency Planning. Savings assumed from 1 st October 2012, latest information suggest target will not be reached.	Yes - Collaborated Units from Oct 12

Existing Collaboration						
Procurement			-100	-100	Anticipated savings through contract negotiations, expected in the ICT arena.	Yes - Collaborated ICT
ICT			-100	-100	Further collaborative savings derived from the original business case, no impact on service delivery	Yes - Collaborated ICT
Organisational Support Services Review						
People Services		-55	-644	-699) Figures shown are based on Nov 2011 business cases, they do not reflect adjustments following counter proposals and decisions made post Nov 2011.)) 2 from 5 in progress)	Yes - Via Police Pay, Staff Pay & functional unit.
Finance		-20	-597	-617		
Corporate Communications		-17	-214	-231		
Corporate Development			-356	-356		
Estates		-51	-383	-434		
Civilianisations		-40		-40		
Operational Policing			275	275		
Other			-403	-403		
TOTAL	-430	-183	-4,922	-5,535		

APPENDIX D

2013/14 TO 2015/16 BUDGET GAP

		2013/14 £'M	2014/15 £'M	2015/16 £'M
	Estimated Funding Gap	4.6	4.1	4.2
	Reduction Initiatives			
Green	Policing Model review	0.4	0.0	0.0
Amber	Strategic Alliance (PS, Phase 2)	0.5	0.0	0.0
Amber	Strategic Alliance (Operational Support)	0.3	0.9	0.0
Amber	Review of the Estate	0.2	0.2	0.0
Amber	Policing Model review	3.0	2.1	1.4
Amber	Strategic Alliance (Organisational Support)	0.2	0.7	0.5
Amber	Collaboration Team	0.0	0.2	0.2
Red	Unidentified	0.0	0.0	2.1
		4.6	4.1	4.2

Assumptions

2.5% rise in Council Tax

Reduction in formula grant of 3.1% (2013/14), 3.9% (2014/15) & 2% (2015/16)

Increase in tax base of 0.75% per annum (outside of benefit support changes)

Loss of tax base via benefit support (est. @ 14%)

Loss of council tax freeze grant in 2015/16

Increase in Staff Superannuation Contribution Rates, April 2013

Organisational Support spread over three years, alternative proposal puts all savings in '2013-14, no change to total but Reserves boosted in 2013-14.

Estimated "unavoidable growth" built in of £900K (2013/14) £750K in 2014/15 & 2015/16

Assumed reduction in NPF grant in 13/14 when incorporated into funding formula

Policing Model Review, figures vary by £0.5M from report to Police Authority, Sept 2102

ESTIMATED RESERVE POSITION

	Year end 31st March 2012	Year end 31st March 2013 (forecast)	Year end 31st March 2014 (forecast)	Year end 31st March 2015 (forecast)	Year end 31st March 2016 (forecast)
	£'000	£'000	£'000	£'000	£'000
General Reserves					
Police Fund	2,860	2,860	2,860	2,860	2,860
Performance & Change Reserve	1,814	1,258	633	133	33
Earmarked Reserves					
Insurance Reserve	979	979	979	979	979
Capital Expenditure Reserve	3,779	1,771	697	43	29
Total	9,432	6,868	5,169	4,015	3,901

General Reserves as a % of Net Revenue Budget

	£'000	£'000	£'000	£'000	£'000
*Estimated Net Revenue Budget (NRB)		102,954	100,892	99,105	97,968
General Reserves		4,118	3,493	2,993	2,893
General Reserves as a % of NRB		4.0%	3.5%	3.0%	3.0%

* 2012/13 NRB adjusted to include Neighbourhood Policing Grant

APPENDIX F

TREASURY MANAGEMENT PERFORMANCE INDICATORS

Prudential Indicator	2011/12 Actual	2012/13 Estimated	2012/13 Revised Prudential Indicator	2012/13 Actual To 30 Sep 2012
Affordability Indicators				
Ratio of financing costs to net revenue stream	0.32%	0.42%	0.48%	0.41%
Estimated incremental impact of capital investment decisions on Band D Council Tax	£0.77	£1.27	£1.72	£1.64
Capital Expenditure Indicators				
Capital Financing Requirement	£5.9M	£8.9M	£6.6M	
External Debt Indicators				
Authorised Limit for External Debt				
Borrowing	£14.5M	£15.7M	£15.7M	£6.7M
Other long term liabilities	-	-	-	-
Total	£14.5M	£15.7M	£15.7M	£6.7M
Operational Boundary for External Debt				
Borrowing	£6.7M	£9.5M	£9.2M	£6.7M
Other long term liabilities	-	-	-	-
Total	£6.7M	£9.5M	£9.2M	£6.7M
Treasury Management Indicators				
Upper limit for fixed interest rate exposure				
Fixed rate borrowing as an absolute amount	£6.7M	£9.2M	£9.2M	£6.7M
Upper limit for variable interest rate exposure				
Variable rate borrowing as an absolute amount	-£6.0M	-£6.5M	-£5.8M	-£6.5M
Upper limit for total principal sums invested for over 364 days (per maturity date)	£5.0M	£5.0M	£5.0M	-
Maturity structure of new fixed rate borrowing during 2012/13	Upper Limit		Lower Limit	
Under 12 months	0%		0%	
12 months and within 24 months	100%		100%	
24 months and within 5 years	100%		100%	
5 years and within 10 years	100%		100%	
10 years and above	100%		100%	