

28 February 2006

2005/6 REVENUE AND CAPITAL MONITORING

INTRODUCTION

1. This report has been prepared to present Members with the position of the approved 2005/6 revenue and capital budgets as at 31 December 2005 (month 9).
2. This report is in a changed format to present issues of note by a colour coded "traffic light" system. This highlights areas in which attention is being focussed in the Force and where Members may wish to focus their own scrutiny. The report also includes a coded hierarchy which will express the professional judgement of the Assistant Chief Officer (Support), and, following his taking up post, the Director of Performance and Resources (DPR), about the overall standards of financial management in each area of the Force. This is presented as a three tiered "ladder" very similar to the scheme used to report operational performance of the Force against the Policing Plan and Police Performance Assessment Framework targets.
3. The changes are intended to bring about the following benefits:
 - to allow Police Authority Members and Force managers to more easily assimilate the information provided on financial performance. The new system will in particular highlight those areas which are causing concern and in which an explanation should be available about both the underlying cause of an adverse variance as well as gaining assurance that proactive and robust corrective action is being taken;
 - to provide a framework within which ACO(S) and the Director of Performance and Resources can focus scrutiny and come to shared professional judgments about financial performance and results throughout each financial year;
 - to provide additional incentives for budget holders to work with the corporate financial management specialists in the Force and with the DPR via, for example, internal audit to deliver sustainable improvements to the quality of local financial management and performance. There is potential to link the new system of judgements directly into individual performance development and review arrangements;
 - To harmonise the reporting of operational and resource performance management across the Force and Police Authority. The system being employed for financial reporting is already in place and quite mature in operational performance management. Using the same reporting scheme will allow Members to read across to come to informed judgements which link resources and performance. This will significantly aid the Police Authority and senior managers in delivering scrutiny functions.

The initial output of this approach is shown at Appendix C attached.

4. The following key areas have been included in the assessment underpinning the judgement on local financial management and reporting.
 - Evidence of consistent Senior Management Team “buy in” to resource management and reporting. In particular, demonstrable ownership of resource management by the budget holder (Divisional Commander or Branch Manager).
 - Evidence of technical competency in in-year budget management covering assessments of local practice on virements, budget profiles, budget reports and the use of local medium term financial forecast.
 - Evidence of budget problems being proactively and robustly addressed in a timely fashion within the SMT. A “no surprises” approach being taken to the reporting of financial results both to Strategy Team and Police Authority.
 - Evidence of systematic and rational consideration by the SMT of local performance and the use of resources.
 - Evidence of constructive engagement with Force level finance staff. In particular, timely response to requests for budget monitoring information which demonstrate that the budget holder has credible and consistent explanations for in-year variances and the year end outturn position.

INFORMATION

5. A devolved budget is under the control of Divisional Commanders/Branch Managers who can operate within the delegated authority of the Chief Constable to implement virements up to a £100k limit without further approval. Devolved budgets make up 75% of the approved revenue budget.
6. A protected budget is under the control of Strategy Team and managed by a Branch Manager. These budgets are allocated for a specific reason and require Strategy Team approval for virements. Examples of protected budgets are Police Pensions, Uniform, DNA testing and the Major Incident Fund. Protected budgets make up the remaining 25% of the approved revenue budget.
7. Externally, funded projects are controlled in accordance with the granting authorities conditions of grant. Any funding shortfall on spending not covered by the grant will be met from the host Divisional or Branch devolved budget.
8. The Glossary of Terms at Appendix G provides information on the types of expenditure included within subjective expenditure headings. The table attached at Appendix A shows the total revenue position of the Force as at 31 December 2005 which reflects an under spend against profiles of £1.650m equating to 1%.
9. Appendix B reflects the overall Force revenue position providing Members with a breakdown of net budgets, actuals, estimated outturns and variances by each Division and Branch across the categories of devolved, protected and externally funded budgets. The position at 31 December 2005 is a devolved

budget underspend against profile of £1.724K or 1.45% with an estimated under spend of £1.368m or 0.87% at outturn. The current protected budget underspend of £16k is estimated to become an underspend of £692k or 1.8% at outturn whilst the externally funded budget overspend of £90k will be within budget at the year end.

10. The original intention was to continue to provide exception reports on the areas of the Force graded "red" as was done in this report to Audit and Strategy Committee held on 22 November 2005. In light of the current assessment showing no Division/Branch graded red, this report will concentrate on the Division/ Branches graded Amber.

"B" Division - The underspend has been achieved in part from tight control of overtime and the external funding of Constables by the Safer Schools project, and an underspend in Police Pay due to vacancies. Building works at three sites have been ordered but will not be completed by the 31 March 2006 and will therefore require the funding to be carried forward to 2006/7. The underspend is net of funding that is required to offset overspending in other budgets such as transport and vehicle uninsured costs.

"C" Division - The Division has planned to underspend to recover temporary funding to offset the anticipated loss of Rural Funding in 2006/7. Decisions on utilisation of this saving due to Rural Funding continuing are still being determined.

"D" Division - The underspend has been achieved in the main from Police vacancies. The underspend is net of funding that is required to offset overspending on other budgets such as transport, Police overtime and equipment.

Operations Branch The anticipated outturn has moved from an overspend to an underspend since the last report to Members. The main reason for this move is the additional allocation for Call Handling made as part of the revised estimates and included within the 5 Year Forecast. Previously the Branch had been funding these additional posts within its existing budget hence the expected overspend at 31 March 2006. The provision of training courses previously expected to be completed by the 31 March 2006 will not occur because of the Call Handling and IHIT proposals and therefore exacerbate the underspend.

11. Members will recall the Budget Workshop presentation and the 2006/7 Budget setting report which both confirmed the need for carrying forward budgets for goods/services ordered but not paid from by 31 March 2006.

CAPITAL MONITORING

12. The capital budget funds the replacement of police vehicles, information technology equipment, building improvements and the Local Policing Team Building Programme. The position at 31 December 2005 is an underspend of £1.904k or 24.2%.

13. Attached at Appendix D is the summarised 2005/6 capital report for the period 1 April 2005 to 31 December 2005 including summary explanations on the major variances to date. The report also identifies, estimated slippage requirements totaling £2.977k and provides details of why the slippage has occurred.
14. Appendix E provides details of virements requiring Police Authority approval in line with Financial Regulations. These would previously have been included in a separate report, but in line with the budget report to 7 February Police Authority are now appended to the revenue and capital monitoring information.
15. Appendix F provides details of the named budget holders.

RECOMMENDED

16. It is recommended that
 - i) Members scrutinise the information contained within this report and determine whether the explanations provided are satisfactory, and
 - ii) Provide feedback on the usefulness of the new colour coded grading of financial results across Divisions and Branches;
 - iii) receive reports on this issue at future meetings;
 - iv) approve the virement schedule shown at Appendix E.

Tim S Hollis
Chief Constable

Background Papers: (a) **Finance Ledger Tabulations**
(b) **Internal Reports for December 2005 from Divisional Commanders/Branch Managers**