



STRATEGIC POLICING AND CRIME BOARD
11 September 2014

**Revised Revenue Budget 2014/15 and
Financial Health Indicator update**

PURPOSE OF REPORT

1. The purpose of this report is to provide an update on changes to the 2014/15 Revenue Budget and the financial health indicators.

BACKGROUND

2. The revenue budget set in February 2014 recognised a danger of a “Tipping Point” being reached given reduced resources as a result of funding reductions and the levels of crime and anti-social behaviour being experienced. In order to redress this balance the budget made provision for additional police officer posts and investment in the Innovation & Integration Partner (IIP) Project.
3. Following the award of the IIP contract to Accenture in July 2014 it is now appropriate to revise the revenue budget to include costs associated with IIP and to reflect the updated recruits’ position.

REVISED BUDGET

IIP

4. The revision of 2014/15 budgets identifies a net underspend that can be applied against the costs of IIP and also facilitates the additional planned contribution from reserves. This is in line with the overall strategic financial plan and within the parameters that were agreed in the competitive dialogue with the preferred partner.
5. The costs associated with the IIP for the remainder of 2014/15 are estimated at £7.5m which relate to the Spine (core IIP team), the development of the Target Operating Model (TOM), ICT and provisions for early component projects to be undertaken this financial year.
6. As detailed in the Statement of Accounts (p.45) it is proposed that the classification of reserves is revised so that the Budget Reserve is re-set to £45m to reflect the 5 year costs of the IIP. The remainder (£25m) is to be set aside in a budget resilience reserve.

Pay Budgets

7. In setting the 2014/15 budget, prudent assumptions were made around the profile of new recruits and leavers which reflected the plan to recruit 250 new Police Officers in 2014/15. The detailed implementation of the recruitment plan has meant that the intakes have been re-profiled. It is now anticipated that 168 new recruits will join by the end of March 2015, with the remainder joining in 2015/16. This has created a significant one-off underspend in 2014/15 which, in addition to revised assumptions on leavers, is reflected in the revised budget.

Premises/Supplies & Services

8. Budget revisions within the Premises and Supplies & Services areas of the budget broadly offset each other and are a result of the on-going change programmes allocating anticipated spending more accurately.

External Income

9. An adjustment has been made to the POCA income budget to reflect the anticipated increase in income. The revised budget also contains provision for income expected from the September Conservative party conference (Operation Pelkin) and the October NATO conference which are offset predominantly by Police pay expenditure.

Office of the PCC

10. The original budget provision included £425,000 for stage 2 transfers, the detail of which is being reviewed. It is likely that this budget will be underspent and the position will be updated within the Revenue Monitoring reports.
11. Taking into account all of these changes the proposed revised 2014/15 budget is set out in Appendix 1. At this stage the original budget provision included for IIP (£10m) and Invest to save (£5m) have been retained and will be subject to further review.

POCA FUNDING

12. West Midlands Police set a budget of £1.1m for POCA income, of which £0.3m is used to support local community Initiatives with the remaining balance supporting the cost of the Financial Investigation team.
13. The budget review process has identified that the income budget for POCA needs to be readdressed to reflect the over achievement of income that has happened in recent years. Ahead of this being written into the 2015/16 base budget it is proposed to increase the income budget by £0.5m in 2014/15. This increase in income will mean that £0.8m will be available above the cost of the Financial Investigators which will be split as £0.4m for corporate infrastructure projects and £0.4m for local community based projects

FINANCIAL HEALTH INDICATORS

14. These indicators cover the key areas of financial management and are designed to provide reassurance of overall financial performance. The indicators are monitored on a monthly basis by the Finance Department and reported to the Strategic Policing and Crime Board twice per year. Appendix 2 shows the position of each indicator for the period April 2014 to July 2014. Indicators that are meeting the agreed target are shown in green, with those not meeting the target in red. In general, nearly all the targets are being met and the overall position is positive. The targets not being met are:

15. Capital (Indicator 7) - This indicator reflects the slow start to the major works planned for the 2014/15 programme and the subsequent slippage of the programme.
16. Creditors (Indicator 15) – The indicator has been marginally below the target over the first few months of 2014/15. Minor resilience issues earlier in the year led to a slight backlog which is now being addressed, with initiatives in place to monitor and manage causes for payment delays. Transferring Creditors into the Shared Service model has now created greater resilience and performance is improving.

FINANCIAL IMPLICATIONS

17. This report deals solely with financial issues.

LEGAL IMPLICATIONS

18. There are no direct legal implications from this report.

RECOMMENDATIONS

19. The Board is asked to note the report.

Mike Williams
PCC's Chief Finance Officer

David Wilkin
WMP Director of Resources

Appendix 1 - 2014/15 Revised Revenue Budget

	Base Budget 2014/15 £,000	Revised Budget Adjs 2014/15 £,000	External Budget Adjs 2014/15 £,000	Revised Budget 2014/15 £,000
Police pay	352,479	-3,386	1,160	350,253
Police Community Support Officers	18,309	0	3	18,312
Support staff pay	95,065	51	0	95,116
Other employees expenses	1,804	172	5	1,981
Sub total	467,657	-3,163	1,168	465,662
Premises	22,240	1,252	0	23,492
Transport	7,794	77	58	7,929
Supplies and services	45,049	-954	192	44,287
Agency	4,357	386	0	4,743
Capital Financing Costs	3,814	0	0	3,814
External income	-24,409	-1,504	-1,418	-27,331
CTU	2,642	79	0	2,721
Police Force	529,144	-3,827	0	525,317
IIP Reserve	10,000	0	0	10,000
IIP TOM, Spine etc	0	7,538	0	7,538
Office of the PCC	2,309	0	0	2,309
CSF Expenditure	6,969	0	0	6,969
Rest. Justice & Victim Support Exp.	1,428	0	0	1,428
Rest. Justice & Victim Support Income	-1,428	0	0	-1,428
Invest to Save	5,000	0	0	5,000
Total Revenue Budget	553,422	3,711	0	557,133
Contribution to/(from) Budget Reserve	-9,866	-3,711	0	-13,577
Net Budget Requirement	543,556	0	0	543,556

Budget Reserve Summary (£000)

	Bal as at 31/3/14	2014/15 Budget	IIP Adjusts	2014/15 Revised Budget	Est at 31 March 2015
Budget Reserve	70,492	-9,866	-25,492	-3,711	31,423
Capital Reserve	39,800	0	0	0	39,800
Budget Resilience	0	0	25,492	0	25,492
TOTAL	110,292	-9,866	0	-3,711	96,715

Appendix 2 – Financial Health Indicators

Reason for the Indicator	Indicator	Apr	May	Jun	July
Reserves					
1) To ensure an appropriate level of general reserve is maintained as a "reserve of last resort"	Amount of the general reserve				
2) To ensure sufficient funding for insurance liabilities is in place	Level of fund compared to anticipated liabilities	80 - 120% 84%	80 - 120% 107%	80 - 120% 107%	80 - 120% 107%
3) To ensure other earmarked reserves are maintained for recognised purposes at appropriate levels	Number of reviews of other earmarked reserves in a financial year				
Revenue Budget					
4) To ensure the revenue budget spending is in line with the approved budget	Forecast year end outturn compared to approved budget		+/- 1% -1.0%	+/- 1% -0.19%	+/- 1% -0.46%
5) To ensure regular monitoring of the revenue budget takes place	Number of monitoring reports presented to Command Team in a financial year			1 1	
6) To ensure regular monitoring of the revenue budget takes place	Number of monitoring reports presented to the PCC in a financial year			1 1	
Capital					
7) To ensure capital programme projects are progressed in line with the approved budget	Capital programme variance compared to profiled budget	+/- 10% 0%	+/- 10% -73%	+/- 10% -65%	+/- 10% -53%
8) To ensure regular monitoring of the capital programme takes place	Number of monitoring reports presented to Command Team and PCC in a financial year			1 1	
9) To ensure sufficient capital resources are identified to fund the approved capital programme	Capital resources available as a % of approved capital programme	> 100%	> 100%	> 100%	> 100%

		100%	100%	100%	100%
Reason for the Indicator	Indicator	Apr	May	Jun	Jul
Treasury Management					
10) To ensure the Authority's external debt stays within set limits.	External debt as a %age of the Authorised Limit	< 100%	< 100%	< 100%	< 100%
		49%	49%	49%	49%
11) To ensure the Authority's external borrowing costs are competitive	Average annual cost of external debt	< 5.25%	< 5.25%	< 5.25%	< 5.25%
		4.84%	4.84%	4.84%	4.84%
12) To ensure the Authority receives an appropriate level of return from surplus cash balances	Cumulative average monthly interest rate received compared to cumulative LIBOR 3 month rate	> 100%	> 100%	> 100%	> 100%
		117%	117%	115%	111%
Audit					
13) To ensure the annual accounts are prepared in accordance with statutory requirements	Draft accounts presented to Audit committee				31 Jul
					25 Jul
14) Accounts Published	Draft accounts published				
Creditors					
15) To ensure the Authority pays invoices within statutory timescales	%age of invoices paid within 30 days	80%	80%	80%	80%
		80%	72%	74%	75%
Debtors					
16) To ensure the Authority recovers monies due to it within reasonable timescales	%age of debtors older than 3 months	5%	5%	5%	5%
		1.3%	1.7%	1.7%	1.7%

Note: Where cells are greyed out this is because the relevant indicator is only measured at set time periods throughout the year linked to the purpose of the indicator, for example final accounts are only published once in a financial year.