

Warwickshire Police and Crime Panel

26th September 2014

Report of the Budget Working Group

Recommendations

That the Warwickshire Police and Crime Panel:

- 1) Considers the minutes Budget Working Group meeting in respect of Quarter 1 2014/15 information; and
- 2) Appoints additional members to the Budget Working Group.

1.0 Background

- 1.1 At its meeting on 20th June 2014, the Warwickshire Police and Crime Panel agreed to undertake quarterly budget monitoring in respect of the Police and Crime Commissioner's budget and to delegate this to the Panel's Budget Working Group
- 1.2 The first quarterly meeting of the Budget Working Group was held on 19th August 2014 to consider the following information:
 - Quarter 1 (2014/15) Budget Monitoring
 - Strategic Alliance – Quarter 1 Outturn Report
 - Strategic Alliance Change Programme

2.0 Key Findings

- 2.1 The minutes of the Budget Working Group meeting are attached at **Appendix A**.

3.0 Future Meetings and Membership

- 3.1 The future meetings of the Budget Working Group have been scheduled as follows:
 - Quarter 2 – 12th November 2014, 2.00 p.m.
 - Quarter 3 and Precept – 13th January 2015, 2.00 pm.
 - Quarter 4 – TBC (May 2015).

3.2 The current membership of the Working Group is Cllr Peter Morson, Cllr Gillian Roache and Mr Robin Verso. To widen the Panel's engagement with the quarterly budget monitoring, it is suggested that the membership of the Working Group be increased to 5-6 members.

Appendices:

Appendix A – Minutes of the Budget Working Group, 19th August 2014

	Name	Contact details
Report Author	Georgina Atkinson	georginaatkinson@warwickshire.gov.uk
Head of Service	Sarah Duxbury	sarahduxbury@warwickshire.gov.uk
Strategic Director	David Carter	davidcarter@warwickshire.gov.uk

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held on 19th August 2014**

Present:

Members of the Panel

Councillor Gillian Roache (Stratford-upon-Avon District Council)
Robin Verso (Co-opted independent member)

Warwickshire County Council

Georgina Atkinson, Democratic Services Team Leader
Virginia Rennie, Group Accountant

Office of the Police and Crime Commissioner

Ron Ball, Police and Crime Commissioner
Dave Clarke, Treasurer
Rob Phillips, Deputy Chief Finance Officer

1. General

Robin Verso was appointed as Chair for the meeting.

(1) Apologies

Apologies for absence were received from Councillor Peter Morson (North Warwickshire Borough Council).

(2) Members' Disclosures of Pecuniary and Non-Pecuniary Interests

There were no disclosures of interests on this occasion.

2. Q4 End of Year (2013/14) Report

The Budget Working Group noted the issues raised at the meeting of the Police and Crime Panel meeting on 20th June 2014, as follows:

- the differences between the outturn and the forecast at the time the precept was set;
- an explanation for the capital programme underspend;
- the use of revenue for capital purposes, the reserves position and current thinking on the Reserves Strategy.

Members noted that these issues would be considered with the presentation of the budget reports at the meeting.

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3. Q1 (2014/15) Budget Monitoring

The Budget Working Group considered the report including Base Budget information, the Medium Term Financial Plan and Reserves. Dave Clarke reported that there was a projected underspend of £8.25 million across the Strategic Alliance. This figure included the projected £2.31 million expenditure for Operation X. The majority of the underspend related to officer pay as a result of a higher turnover in police officers than anticipated. For example, the staffing model had predicted that 53 officers would leave between January 2014 and the end of Q1; however, 100 had left. Both Police and Crime Commissioners had requested that this be addressed as a matter of urgency and a major recruitment campaign was due to start in the near future which would increase officer numbers and reduce the underspend. The money would also be utilised to modernise the forces and the Chief Constables had been asked to come forward with proposals. The Commissioner added that the aim was to recruit 240 police officers across the Alliance in order to avoid a shortfall in future.

A discussion took place with regard to the Safer Neighbourhood Teams and the frequency and length of vacant posts. Additional resources would be allocated to ensure that replacement officers were identified in advance to fill vacancy posts immediately and therefore ensure that the teams were adequately resourced on a constant basis. The Budget Working Group was reassured that the resourcing of the Safer Neighbourhood Teams was being addressed.

The significant underspend in the Capital Programme was attributed to a weak planning process which had resulted in projects been added to the Programme without insufficient assessment and consideration of timescales. As a result, the Programme experienced slippage which presented as an underspend. Henceforth, it was intended to revise the whole capital planning process. The Working Group requested a copy of the revised Capital Programme process when finalised. The level of underspend was also attributed to cultural differences in the approach to the delegation of budgets, particularly in West Mercia, where it had taken time to adapt to the decentralisation of budgets and decision-making. This had resulted in delayed authorisation of a number of projects where expenditure should have already been made, hence the underspend. The Working Group was assured that the devolvement of financial management across the Alliance was improving.

The Working Group asked the Commissioner whether he felt that he could continue to justify the 2014/15 precept increase of 1.99% in light of the projected underspend and the level of reserves. Dave Clarke advised that the level of underspend was, at present, common among many public sector organisations given that expenditure was on a downward trajectory; for example, vacant posts were not being filled, resulting in significant savings in advance of budget reductions. In addition, the probability of recouping foregone income in future years (through higher precept increases) was unlikely as it was anticipated that future governments would continue to cap the precept at around the rate of inflation. In this situation, any decision not to increase the precept would result in a reduction in the overall base budget and subsequently a reduction in expenditure.

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The Commissioner added that with the current level of underspend, he recognised that it was difficult to justify further precept increases to the public; however, he gave assurances that the level of underspends would be addressed.

Members noted that the balance of reserves at the end of the Medium Term Financial Plan period would be £10.5 million, reduced from a projected £33.2 million at 1st April 2014 (in addition to £6 million earmarked to offset risks facing the Alliance). The £10.5 million would be held as uncommitted reserves to fund operations such as Operation X. With regard to the use of reserves, Dave Clarke advised that the Commissioners had the choice to either: a) use reserves to offset the shortfall for a 0% precept increase; b) maintain the existing level of reserves; or c) identify alternative proposals for the use of reserves (this was the current decision of the Warwickshire PCC).

Following further questioning from the Working Group regarding the Medium Term Financial Plan, the following points were noted:

- 1) The Base Budget would be revised each year due to changes arising from the integration of teams;
- 2) The Rural Crime programme of activity was being developed and was likely to result in an underspend for 2014/15;
- 3) The non-pay related services would also be subject to zero-based budgeting in order to identify unnecessary underspends; and
- 4) The grant assumptions were still reliable.

Members were advised that the StraDA (Strengthen and Deepen the Alliance) Programme would deliver further changes to maximise the use of resources, in addition to savings arising from the integration of back office systems, the Command and Control centres and the streamlining of criminal justice processes. Further savings opportunities which had been identified in the HMIC report would also be fed into the StraDA Programme.

The Budget Working Group:

- 1) Noted the report;
- 2) Requested that a copy of the revised Capital Programme process, when finalised, and the Medium Term Financial Plan, be presented alongside the 2014/15 Q2 Budgetary Control report to the November meeting;
- 3) Stressed the urgency of recruiting police officers to the existing vacant posts in order to address the underspend; and
- 4) Requested information on existing staffing levels for the Safer Neighbourhood Teams, including the number and length of time of vacant posts.

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4. Strategic Alliance – Quarter 1 Outturn Report

Members considered the report and were advised that all projects in the Capital Programme were subject to approval by the Police and Crime Commissioners before expenditure could be made. The Commissioners also considered the Full Business Cases for significant projects.

With regard to the headline summary 2014/15, a question was raised regarding the low forecast actual of £324,600 for vehicles, plant and equipment in Warwickshire. In response, Dave Clarke advised that the underspend would be fully utilised by the end of the year and that multiple purchases in this area were usually made at one time, rather than as individual purchases over a period of time.

A discussion took place with regard to the Capital Programme and the need to ensure rigorous planning and timescales being agreed prior to inclusion on the Programme. The funding of Capital spending was yet to be determined and would depend on the availability of revenue underspend and reserves against borrowing costs.

The Budget Working Group noted the report and requested that the existing underspend for vehicles, plant and equipment in Warwickshire be revised in future.

5. Strategic Alliance Change Programme

Members considered the revised Change Programme report and noted that the original Blueprint savings had increased from £30.2 million to £34.2 million. A high proportion of the £24 million savings achieved to date had been generated from the restructuring of the two forces and the implementation of a single operating model, with a further £5 million of post reductions anticipated. Savings in respect of the Command and Control Centres and the streamlining of Criminal Justice processes were currently at risk. With regard to the non-pay savings, the Working Group was advised that as the budgets had already been reduced, any slippage would need to be funded in year.

Members considered Appendix B which outlined the structural change that had been achieved through the deletion of former posts and creation of Blueprint posts. This was monitored on a regular basis by the Change Programme Board in order to identify slippage. The current position indicated that 82% of the final Blueprint posts had been created.

The Budget Working Group:

- 1) Noted the report;
- 2) Requested that an update on the savings areas, as outlined at 3.4 in the report, be presented to the November meeting; and
- 3) Requested an update on the E-CINS system.

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6. Date of Meetings

The Budget Working Group agreed to meet quarterly as follows: August (Q1), November (Q2), January (Q3 and Precept) and May (Q4) (dates to be confirmed by email).

Members considered the benefits of increasing membership to the Budget Working Group, particularly when reviewing the proposed precept. It was agreed that the date for future meetings be shared with the Police and Crime Panel and additional members welcomed to join.