

Committee: Police	Date: 5 th July 2013
Subject: Revenue and Capital Outturn 2012/13	Public
Report of: The Chamberlain and The Commissioner of Police (POL 29/13)	For Information
<p style="text-align: center;"><u>Summary</u></p> <p>As a result of a number of savings initiatives, the Force's 2012/13 revenue outturn has enabled a net transfer to Police Reserves of £1.4m. This represents an overall "positive" movement of £3.5m compared to the final agreed budget which envisaged the need to draw some £2.1m from reserves. The balance of the Police General Reserve is £15.262m as at 31 March 2013.</p> <p>This positive movement, which should be considered in the context of a turnover of some £100m, was mainly due to:</p> <ul style="list-style-type: none"> • increased budgeted salary savings from vacant posts (£2.8m); • lower than expected expenditure on crime reduction initiatives (£0.9m) arising from the planned Force Change Programme; • reduced expenditure on National Fraud Capability projects (£0.3m); • a contingency for police staff redundancies not being required (£0.3m); • reduced expenditure on premises (£0.5m); • a delay in implementing the Cyber Crime project (£0.4m); partly offset by • reduced income from external funding streams due to savings incorporated above £2.0m. <p>The improved position will mitigate future risks to the Force's budget. These risks include the following:</p> <ul style="list-style-type: none"> • the budget settlements for 2014/15 onwards have not yet been confirmed; • the Home Office funding formula and damping mechanism are under review; • Dedicated Security Posts (DSP)/Capital City funding is under review (for 2013/14 the City's settlement is again protected); and • the withdrawal of other external funding at relatively short notice. <p>Recommendations</p> <p>It is recommended that this revenue and capital outturn report is noted.</p>	

Main Report

Budget Position for 2012/13

- The original revenue budget for 2012/13 envisaged a transfer from the Police Reserve of £3.8m in order to keep to the cash limit provision of £62.597m. The transfer was reduced to £2.1m in the final budget mainly due to additional DSP Funding of £1.5m compared to the original budget assumption.

Outturn for 2012/13

Revenue

- The final budget was predicated on a prudent assessment of the Force's ability to achieve its saving targets mainly relating to staff reductions. In the event, the Force succeeded in realising its targets earlier than anticipated. This resulted in a net transfer to Police Reserves of £1.375m (£1.465m to the General Reserve and £0.09m from the Proceeds of Crime Act (POCA) Reserve); i.e. an overall "positive" movement of £3.482m compared to the assumption in the final agreed budget. In the tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

Table 1: Summary Comparison of 2012/13 Outturn with Final Agreed Budget			
CITY FUND	Final Agreed Budget £000	Outturn £000	Variations Increase/(Reduction) £000
Local Risk			
Commissioner of Police			
Expenditure	105,276	99,823	(5,453)
Income	(43,656)	(41,720)	1,936
	61,620	58,103	(3,517)
City Surveyor	534	465	(69)
Central Risk			
Revenue Funding of Capital	75	0	(75)
Central Support Services	2,475	2,654	179
Net Expenditure before Transfer to/(from) Reserve	64,704	61,222	(3,482)
Transfer to/(from) Reserve			
Proceeds of Crime Act	(1,000)	(90)	910
General	(1,107)	1,465	2,572
Total	62,597	62,597	0

Table 2 summarises the main variations:

Table 2	£'000
Savings on police officer and staff salaries due to higher than expected leavers	(2,809)
Lower expenditure on crime reduction initiatives	(910)
Reduced expenditure on National Fraud Capability project	(270)
Redundancy Reserve not required	(250)
Ill Health Pension Lump Sum not required	(150)
Reduced requirement for revenue funding of Capital Programme	(75)
City Surveyor Works Programme	(69)
Savings on energy costs	(204)
Reduced expenditure on rent and rates	(254)
Delay in Cyber Crime project (rolled forward to 2013/14)	(427)
Reduced income from external funding streams due to savings incorporated above	1,977
Higher than anticipated income from fees and charges	(41)
	(3,482)

3. Most of these savings were realised during the third and fourth quarters of 2012/13.
4. Savings on salaries were achieved in the last two quarters due to higher than anticipated police officer leavers against a reduced establishment. Also, to maximise the number of posts available during the redeployment of support staff for the City First Change Programme, the Force elected to only fill vacancies if there was a high operational risk. This also meant the Redundancy Reserve was not required. Delays in recruitment to externally funded posts led to savings which in turn reduced the income received.
5. Fewer bids for overtime related crime reduction initiatives, which are funded from the Proceeds of Crime Act Reserve, were submitted to the Resource Allocation Board with increasing deployments achieved through 'normal' time deployments and partnership working.
6. Provision was included in the budget to supplement Home Office funding of £1.4m for the National Fraud Capability project. However, the Home Office did not confirm funding until September which led to a delay in recruiting the required staff and the Force's planned contribution to the project for 2012/13 was not required.
7. There were delays in implementing the new computer systems required for the Cyber Crime project, which is funded by the Home Office. However, it has been agreed this underspend can be rolled forward to 2013/14.
8. Annex A provides more details of significant variations.

Capital

9. The Home Office has now confirmed that unspent Capital Grant allocations can be rolled forward between financial years. Therefore, due to a substantial Capital programme in 2013/14, it was decided not to spend the full grant of £0.9m in 2012/13 and roll the unspent portion of £0.5m forward. There was also slippage to some Capital schemes, mainly due to procurement and delivery timescales coupled with a deliberate hold on some initiatives during the City First Change Programme.
10. Annex B provides details of Capital expenditure for the year.

Reserves

11. The balance on the Police General Reserve is £15.262m following the transfer back to Reserves of £1.465m in 2012/13.
12. The Force spent £0.283m on crime reduction initiatives authorised by the quarterly Resource Allocation Board. This was funded through £0.193m of income from the incentivisation scheme received during the year, and a contribution of £90,000 from the POCA Reserve. As at 31 March 2013 the POCA Reserve balance is £1.510m.
13. The Home Secretary's announcement of the full financial settlement for the 2014/15 financial year is expected during the next few weeks. The Home Office is also undertaking a review of the Police Funding Formula and damping mechanism, which the City of London has provided a response to. There are varying predictions of the Government cuts likely in 2015/16 onwards. Figures suggesting a 10% cut for policing during the next CSR period have been suggested from 3rd party sources but as yet there is no sound indication from the government.
14. The Force benefits from substantial amounts of external funding from a wide variety of sources, however funding is normally only agreed on a short term basis (1 to 3 years). Approximately £20m of the salaries budget relates to externally funded posts, and of this £8.7m has yet to be confirmed for 2013/14. Furthermore, the DSP/Capital City grant is under review and for 2013/14 the City's settlement is again protected through a one off damping mechanism.
15. All of these factors present significant risks to the organisation and the increase in the General Reserve will provide a degree of mitigation. It will also allow for recruitment of Probationers and specialist Officers to meet particular requirements, whilst still working towards the aim of reducing the overall Force establishment.

16. Table 3 provides a comparison of the final outturn for 2012/13 with forecasts of the budget settlements for 2013/14 to 2015/16. It incorporates an assumed increase in income from the Business Rate Premium of £1.5m from 2014/15 and savings from the planned reduction in officer numbers.

Table 3	£m			
	2012/13	2013/14	2014/15	2015/16
Formula Grant	(57.6)	(57.8)	(54.7)	(52.7)
Business Rate Premium				
Core	(4.1)	(4.1)	(5.6)	(5.6)
Contribution to NLF	(1.0)	(1.0)	(1.0)	(1.0)
Specific Grants/Income	(41.7)	(39.2)	(35.1)	(35.1)
Total Cash Limit	(104.4)	(102.1)	(96.4)	(94.4)
Actual Expenditure 2012/13	102.9	102.9	102.9	102.9
Less planned reduction in supernumerary Police Officers	-	(0.8)	(3.0)	(3.0)
(Surplus)/Deficit	(1.5)	0	3.5	5.5

17. The deficit position outlined in Table 3 also anticipates a reduction of some £6.6m in specific grants/income including the complete loss of the protected element of the DSP Grant which amounts to £3.4m. The deficit position will therefore be mitigated to the extent that:-
- expenditure on activities funded from specific grants reduces, albeit not necessarily in proportion to reductions in funding; and
 - any part of the protected element of the DSP Grant is retained
18. Nevertheless, Table 3 illustrates that whilst the Force achieved higher than anticipated savings in 2012/13, which resulted in a transfer to reserves, expenditure still needs to reduce from 2013/14 onwards to achieve a balanced budget.

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**POLICE COMMITTEE - COMPARISON OF 2012/13 REVENUE OUTTURN WITH
FINAL AGREED BUDGET**

LOCAL RISK	Final Agreed Budget £000	Revenue Outturn £000	Variations Increase/(Decrease) £000	Reasons
The Commissioner of Police				
Economic Crime Directorate	8,389	7,243	(1,146)	1
Uniformed Policing Directorate	25,488	24,272	(1,216)	2
Intelligence & Information Directorate	10,667	9,461	(1,206)	3
Crime Investigation Directorate	11,784	10,325	(1,459)	4
Corporate Services Directorate	12,758	11,895	(863)	5
Central	(8066)	(5,564)	2,502	6
Recoverable	0	0	0	
Pensions	600	471	(129)	7
Total Commissioner of Police	61,620	58,103	(3,517)	
The City Surveyor	534	465	(69)	8
TOTAL LOCAL RISK	62,154	58,568	(3,586)	

Reasons for Significant Variations

1. Lower than budgeted expenditure on employees of £0.974m due to staff vacancies in City funded posts. Underspends in Supplies and Services of £0.104m, arising from a reduced requirement for external consultants in the Fraud Academy and Business Performance Team (£0.067m); and a delay in purchasing of a new training management system (£0.028m). There was also a reduction in expenditure on premises, mainly due to lower than anticipated energy costs and less requirement for the hire of external premises for training.
2. The variation is entirely due to lower than anticipated expenditure on employees attributable to the holding of vacant posts in anticipation of redeployments of support staff, and the freeze on Police Officer recruitment.
3. Reduced expenditure on employees of £0.929m due to the holding of vacancies in anticipation of the implementation of the City First Change Programme. Supplies and services were under spent by £0.246m, mainly due to the Metropolitan Police not charging for the provision of emergency call services (£0.164m). Another underspend relates to the use of professional services (£0.06m) by the Force Intelligence Bureau due to a change in procedure.
4. Expenditure on employees reduced by £1.183m due to the holding of vacancies in anticipation of the implementation of the City First Change Programme. Lower than anticipated expenditure was incurred on forensics (£0.073m), equipment (£0.026m) and overtime associated with Officers based with the Metropolitan Police Explosives team (£0.025m). Income was higher than anticipated due to an agreement reached late in the financial year for the Force to receive a proportion of income from speed awareness courses (£0.092m).

5. Lower than anticipated expenditure on employees of £0.723m due to holding of vacancies in anticipation of the implementation of the City First Change Programme. The remainder of the savings were due to an underspend on the vehicle maintenance contract, for which it was unclear whether savings would actually be realised until year end.
6. The vacancy factor for salary budgets is held centrally totalling £4.179m. This budget has no actual income or expenditure against it during the year, and therefore appears as an over spend at year end is offset against the underspends within the Directorate salary budgets. There were underspends on salaries held in the Central budget of £0.421m, due to vacant posts. The Commissioner also took the decision in 2012/13 not to continue to accrue for potential charges that could have been invoiced by the Metropolitan Police, releasing £0.336m. As posts were held vacant for redeployments under the City First Change Programme, the redundancy reserve was not required (£0.25m). The budgets for Special Priority and Bonus Payments are held centrally, with actual costs charged to the Officer's department cost centre, therefore this appears as an underspend against Central of £0.224m. A large number of other reduced requirements totalling £0.446m mainly within employees accounted for the remainder of the variation.
7. Lower than anticipated pension expenditure of £0.129m due to the budget for ill health lump sum payments not being required (£0.150m), offset by slightly higher than anticipated payments for injury awards.
8. Expenditure on repairs and maintenance (mainly breakdown and cyclical works) carried out on police buildings was lower than anticipated.