

Committee(s): Police	Date(s): 4 th July 2014
Subject: Revenue and Capital Outturn 2013/14	Public
Report of: The Chamberlain and The Commissioner of Police	For Information
<p style="text-align: center;"><u>Summary</u></p> <p>As a result of reduced spending, savings initiatives and delays to certain capital projects; the Force's 2013/14 revenue outturn has enabled a net transfer to Police Reserves of £0.69m. This represents an overall "positive" movement of £1.82m compared to the final budget which envisaged the need to draw some £1.13m from reserves. The balance of the Police General Reserve is £15.15m as at 31 March 2014.</p> <p>This positive movement, which should be considered in the context of a turnover of some £110m, was mainly due to:</p> <ul style="list-style-type: none"> • reduced expenditure on training and overtime (£0.6m); • reductions in travel claims and vehicle maintenance (£0.2m); • savings in catering contracts and in medical fees due to a shared Occupational Health service (£0.4m); • reduced expenditure on subsistence, uniforms, telephones and forensic services (£0.5m); • re-phasing and slippage of certain capital projects reducing the level of funding required from revenue (£1.36m); partly offset by • increased unbudgeted salary spend on agency and contractor staff £1.2m. <p>The savings and reduced expenditure levels which can be captured on an on-going basis will help mitigate the deficits forecast for the current and subsequent years. Whilst work is underway to address such deficits, there are a number of continuing budget risks. These include:</p> <ul style="list-style-type: none"> • the budget settlements for 2015/16 onwards have not yet been confirmed; • the Home Office distributional funding formula and damping mechanism are under review; • Dedicated Security Posts (DSP)/Capital City funding is under review; and • possible 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 2013/14

1. The final budget anticipated a transfer from reserves of £1.13m. However, as a result of reduced spending, savings initiatives and delays to certain capital projects, the 2013/14 revenue outturn is a transfer to reserves of £0.69m. This is an overall positive movement of £1.82m.

Table 1 : Summary of 2013/14 Actual Revenue Income and Expenditure against Final Budget			
	2013/14 Final Budget £m	2013/14 Outturn £m	Variation £m
Total Gross Expenditure	109.42	109.36	(0.06)
Total Gross Income	(45.35)	(47.11)	(1.76)
Total Net Expenditure before use of reserves	64.07	62.25	(1.82)
Transfer to/(from) Reserves	(1.13)	0.69	1.82
Total Net Expenditure/Cash Limit	62.94	62.94	0.00
Reserves			
General	(14.13)	(15.15)	(1.02)
Proceeds of Crime Act	(1.51)	(2.31)	(0.80)
Total Reserves at 31 March 14	(15.64)	(17.46)	(1.82)

Outturn for 2013/14

Revenue

The budget was predicated on a number of assumptions, with the risk attached to each assumption being actively managed. In the event, the Force has succeeded in remaining within its final budget. This has mainly been achieved by a lower than anticipated contribution from revenue towards capital expenditure due to the re-phasing and slippage of projects and a small net saving in expenditure as set out in Table 2.

Table 2: Summary of Main Variations	
<p>Employee Costs</p> <ul style="list-style-type: none"> • Costs are higher than expected by £1,193k due to increased use of unbudgeted agency/contractor staff in various departments (primarily IT, Shared Services and Finance) during the transition to the new operating model (City First). • An increased pension deficit of £1,746k, which is offset by an increased contribution to pensions from the Home Office as set 	<p>(Better) /Worse £000 2,317</p>

<p>out below.</p> <ul style="list-style-type: none"> Savings of £623k in other areas such as training and overtime. 	
<p>Transport</p> <ul style="list-style-type: none"> Reduced expenditure on travel including vehicles repairs and maintenance 	(238)
<p>Supplies & Services</p> <ul style="list-style-type: none"> Savings from catering contracts (£268k) and medical fees due to the new shared Occupational Health Service (£135k) Other major decreases (£441k) arising from lower expenditure on subsistence due to reduced claims from major operations; a managed reduction on uniform expenditure as the Force moves towards a new uniform procurement; reduced reliance on individual interpreters at stations and a reduced use of telephony and mobile expenditure. 	(862)
<p>Revenue Contribution to Capital Expenditure</p> <ul style="list-style-type: none"> The contribution from revenue for capital expenditure was below budget (the budget was £1.39m and actual was £0.03m) due to the re-phasing and slippage of capital projects such as 'Desktop Refresh' and 'KnowFraud Upgrade'. 	(1,364)
<p>Income</p> <ul style="list-style-type: none"> Higher than anticipated fees and charges income and mutual aid (£1,042k) and income from the Home Office to fund the pension deficit (£1,746k); partly offset by reduced income from external funding streams (due to lower expenditure as outlined above) including National Fraud Capability (£824k); National Fraud Intelligence (£143k); Insurance Fraud Unit (£177k). 	(1,754)
<p>Other Net Variations</p>	82
<p>Overall Better than Budget Position</p>	(1,819)

Capital

- To ensure work on three key projects (set out in paragraph 4) commenced in 2013/14, projects originally planned for 2013/14 and which were lower priority or which could be delayed with minimum risk were re-phased to later years. This re-phasing, together with an element of slippage on the new projects, resulted in a below budget funding contribution being required from revenue. The Home Office grant brought forward from 2012/13 and the grant for 2013/14 have been fully utilised.

Table 3 : Summary of 2013/14 Actual Capital Expenditure and Funding against Final Budget			
	2013/14 Final	2013/14 Outturn	Variation

	Budget £m	£m	£m
Total Gross Expenditure	2.75	1.43	(1.32)
Funding			
Home Office Grants	(1.36)	(1.36)	0
Capital Receipts	0	(0.04)	(0.04)
Net Expenditure to be funded from revenue	1.39	0.03	(1.36)

3. The three strategically significant projects which needed to commence in 2013/14 were:-

- The Microsoft Enterprise Agreement. This project will allow the Force to progress onto Windows 7 from Windows XP which will no longer be supported.
- KnowFraud upgrade. A strategic project that enables the Force to:
 - i. Transfer the Action Fraud service from the Home Office.
 - ii. Address known system capacity issues, functional risks and costs considerations associated with the existing arrangements.
- Desktop Refresh, a project to upgrade the Force's desktop PCs to laptops, I-Pads and other handheld devices. The project also has inter-dependencies with the Microsoft Enterprise upgrade and the Force's Mobile Working strategy.

4. Appendix A compares the capital budget with expenditure for the year.

Reserves

5. The balance on the Police General Reserve is £15.15m at 31 March 2014.
6. The Force received £1.75m of income from the incentivisation (Proceeds of Crime Act (POCA)) scheme during the year and spent £0.94m on crime reduction initiatives authorised by the quarterly Resource Allocation Board. This resulted in a contribution of £0.8m to the POCA Reserve. As at 31 March 2014 the POCA Reserve balance is £2.31m, of which £1.1m has been allocated for future initiatives.
7. The savings and reduced expenditure levels which can be captured on an on-going basis will help mitigate the deficits forecast for the current and subsequent years. Whilst work is underway to address such deficits, there are a number of continuing budget risks. These include:
- the budget settlements for 2015/16 onwards have not yet been confirmed;
 - the Home Office distributional funding formula and damping mechanism are under review;
 - Dedicated Security Posts (DSP)/Capital City funding is under review; and
 - possible withdrawal of other external funding at relatively short notice.

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Appendix A: Capital Expenditure			
Programme (£'000)	Budget Final	Actual	Variation
ANPR Programme	467	479	12
Vehicle Replacement	334	213	(121)
EROS 2	63	67	4
Microsoft Enterprise/Desktop Refresh	855	434	(421)
KnowFraud System Capability upgrade	484	162	(322)
IT Servers	100	-	(100)
HR System	65	-	(65)
Airwave	50	-	(50)

Programme Management	43	-	(43)
ACESCO Phase 1 & 2	150	-	(150)
Operations Planning	60	-	(60)
Corporation Website	63	63	-
Others	17	12	(5)
Total Expenditure	2,751	1,430	(1,321)
2013/14 Capital Funding (£'000)			
2012/13 Grants from HO b/f	519	519	-
2013/14 Capital Grant from HO	839	839	-
Capital Receipts	-	43	43
Revenue Contribution to the funding of Capital Programme	1,393	29	(1,364)
Total Funding	2,751	1,430	(1,321)