

<b>Committee:</b> Police	<b>Date:</b> 16 <sup>th</sup> September 2014
<b>Subject:</b> 2014/15 Budget Monitoring Report Period to end of July 2014	<b>Public</b>
<b>Report of:</b> Commissioner of Police Pol 62/14	<b>For Information</b>

## **SUMMARY**

### **Reserves**

The Force's original revenue budget assumed a contribution from General Reserves of £4.1m would be required to remain within the overall cash limit of £60.4m.

However, since the original budget was agreed two significant one-off items have increased the call on General Reserves to £6.3m. The increase of £2.2m comprises:

- the re-phasing from 2013/14 to 2014/15 of a £1.4m revenue contribution towards the funding of capital expenditure; and
- £0.8m funding for additional one-off project costs.

Based on a contribution of £6.3m in 2014/15, the balance on the Force's General Reserves as at 31 March 2015 would be £8.8m.

### **Revenue**

Both the position at the end of July and the year-end forecast indicate a broadly break even situation although there are a number of compensating variations outlined in the main report.

### **Capital**

The latest capital budget for the current year is £3.9m compared to the original budget of £1.9m. This increase reflects the slippage of projects from 2013/14 together with the inclusion of a number of new projects, partly offset by the deferral of some expenditure to 2015/16. There is currently a potential funding gap of £0.3m assuming that expenditure for the year is in line with budget. However, Project Managers have been asked to provide a forecast of anticipated expenditure against budget. This forecast will be included in the next budget monitoring report. If this forecast does confirm a funding shortfall, an additional call on Reserves will be required.

## **RECOMMENDATION**

Members are asked to note the contents of this report.

## **MAIN REPORT**

## **BACKGROUND**

1. A joint report of the Chamberlain and Commissioner of Police detailing the Force Revenue and Capital budgets for 2014/15 was agreed by this Committee on 17<sup>th</sup> January 2014. Financial performance is monitored on a monthly basis and reported to Committee four times a year.

## **CURRENT POSITION – RESERVES**

2. The original budget assumed a contribution from General Reserves of £4.1m. This has now increased to £6.3m (an increase of £2.2m) in the latest budget. Additionally a contribution from the Proceeds of Crime (POCA) Reserves of £0.5m has also been made to fund Force POCA initiatives (as agreed by the Force Resource Allocation Board).
3. The increased contribution from General Reserves of £2.2m is due to:
  - An increase of £1.4m in the budget for the revenue contribution to capital to fund the slippage of capital projects from 2013/14 to 2014/15 (as reported in the 2013/14 Revenue and Capital Outturn report) for which the contribution from revenue was transferred back to Reserves at the end of 2013/14.
  - The inclusion of budgets for the following unanticipated one-off items:
    - Additional staff costs of £0.3m relating to the IT Modernisation Programme; and
    - Funding for the Mobile Working Project of £0.5m.
4. Based on a contribution of £6.3m in 2014/15, the balance on the Force's General Reserves as at 31 March 2015 would be £8.8m.

## **CURRENT POSITION – REVENUE**

5. At the end of July there was a favourable variance of £0.1m on the Force's on-going revenue activities. Details of revenue expenditure and income against the profiled latest budget are set out in **Appendix A**.
6. Total expenditure to the end of July was below budget by £0.3m due to:
  - Under spends in most non pay items including training (£275k), utility costs (£127k), travel & subsistence (£45k), professional fees (£70k) and computer expenditure (£71k).
  - However, employee pay costs were over spent by £283k mainly due to:
    - seconded police officers costs of £134k, this is largely a timing issue as these costs are recoverable and will be offset by income in future periods;
    - unbudgeted costs of officers (£49k) working on Accommodation Projects; and,
    - unbudgeted costs of probationer officers (£160k).
7. Income to the end of July was below budget by £0.2m. An income shortfall of £300k for the Fraud Academy being only partly offset by additional income from

Private Services and Mutual Aid (Due to the nature of many of these events income fluctuates and is difficult to forecast accurately).

8. The forecast year end revenue position is an adverse variance of £0.1m. At this stage whilst it is anticipated that the reductions in non-pay costs will continue, they are likely to be more than offset by the shortfall in income together with increased employee pay costs, for the reasons outlined in the second and third bullet points of para 6, together with the cost of additional agency IT staff required during the transition phase of the IT modernisation and restructuring programme.
9. Members will see from **Appendix C** that the latest budget includes specific grant funding agreements totalling £30.9m. At the reporting point 57% of this funding has been agreed. However, there remain four grants within Economic Crime at an amber risk rating (totalling £13.3m) which are pending confirmation. As at the end of July expenditure against these funding streams was £4.8m – a financial risk to the Force if funding is not confirmed.

#### **CURRENT POSITION – CAPITAL**

10. As set out in **Appendix B**, the latest capital budget for 2014/15 is £3.9m compared to £1.9m in the original budget. This increase of £2m comprises:-
  - £1.69m for projects brought forward from 2013/14, to be funded from revenue contributions of £1.4m carried forward from 2013/14 and a specific Home Office grant of £0.3m for KnowFraud business continuity;
  - £0.8m for increased expenditure on planned projects and new projects agreed since the original budget was set; partly offset by
  - the deferral of £0.5m of expenditure on projects re-phased to 2015/16.
11. Funding for the latest planned capital budget is set out below.

	<b>£k</b>	<b>£k</b>
2014/15 Latest Planned Capital Budget		<b>3,890</b>
<b>Funded by:</b>		
2013/14 Revenue Contribution b/f	<b>1,364</b>	
POCA funded vehicles	<b>30</b>	
Home Office Business Continuity Grant	<b>300</b>	
2014/15 Home Office Capital Grant	<b>900</b>	
2014/15 Revenue Contribution	<b>1,000</b>	
<b>Total Funding</b>		<b>3,594</b>
<b>Potential Funding Shortfall</b>		<b>296</b>

12. There is currently a potential funding gap of £296k assuming that expenditure for the year is in line with budget. However, Project Managers have been asked to provide a forecast of anticipated expenditure against budget. This forecast will be included in the next budget monitoring report. If this forecast does confirm a funding shortfall, an additional call on reserves will be required.

## **CONCLUSION**

13. Since the original budget was approved in January there have been a number of significant budget changes in relation to capital and one-off revenue items which have resulted in an increase in the budgeted transfer from General Reserves from £4.1m to £6.3m. The latest forecast for on-going revenue requirements indicates a small adverse variance of £0.1m at year-end which will increase the required transfer to £6.4m. There is also a potential funding gap of £0.3m on capital which may need to be met from Reserves.

## **Appendices**

- Appendix A -2014/15 Revenue Budget Monitoring to 31 July 2014
- Appendix B – Capital Programme 2014/15 Position as at 31<sup>st</sup> July 2014
- Appendix C – Grant Funding Register

## **Background Papers:**

POL 03/14 - Revenue and Capital Budgets Outturn 2013/14

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