

Committee: Police - For Information	Date: 8 December 2014
Subject: 2014/15 Budget Monitoring Report to period ending October 2014	Public
Report of: Commissioner of Police Pol xx/14	For Information

SUMMARY

RESERVES

The latest adjusted budget is based on a contribution from the General Reserve of £7.4m, an increase of £1.2m compared to the contribution of £6.2m assumed at the end of July as reported to Committee in September.

The Court of Common Council resolved that the minimum reserve sum of £4.0m should be retained over the period of the Comprehensive Spending Review ending in 2014/15. As set out in this report the latest budget indicates an available balance as at 31 March 2015 of £6.7m. When the 2015/16 Budget is considered by Committee in January the appropriate minimum level of reserves to be maintained will need to be re-considered.

In addition to the General Reserve, the Force also holds an earmarked POCA reserve which has an available balance of £1.8m at the end of October and an earmarked sum of £1m for the Accommodation Strategy.

Section 2 of the report contains further details.

REVENUE POSITION

The full year forecast position suggests that the actual call on reserves may be £0.3m lower than the £7.4m assumed in the latest budget. This is outlined in Section 3 of the main report. Section 4 contains details of external grant funding.

CAPITAL POSITION

There is a potential funding gap of £0.3m against the Capital Programme, which will need to be met from reserves if it is not mitigated. However, the position is actively being managed to ensure that an over spend situation does not arise. Projects are being re-phased into 2015/16 and specifications re-scoped to ensure that projects are delivered within available resources. Section 5 contains more details.

RECOMMENDATION

Members are asked to note the contents of this report.

MAIN REPORT

1. BACKGROUND

- 1.1 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 January 2014. Financial performance is monitored on a monthly basis and reported to Committee four times a year.

2. RESERVES

- 2.1 The General Reserve is used to fund expenditure which cannot be contained within existing budgets. The Force also has an earmarked Proceeds of Crime Act (POCA) Reserve which is used to support crime reduction in line with the rules set out in the Asset Recovery Incentivisation Scheme (ARIS). In addition, £1m has been set aside as a contribution to the Accommodation Strategy; this is due to be paid in two equal instalments commencing in 2014/15.

2.2 GENERAL RESERVE

- 2.3 The table below summarises the call on the reserve to 31 March 2015 as provided for in the latest budget.

- 2.4 Table 1 : 2014/15 Budgeted Use of General Reserve

	£000
2014/15 Opening Balance	15,150
Less earmarked contribution to Accommodation Strategy	(1,000)
2014/15 Adjusted Opening Balance	14,150
Original budgeted contribution to fund revenue deficit	(4,116)
Revenue contribution to capital brought forward from 2013/14	(1,364)
Original Planned use of General Reserve	(5,480)
2014/15 Additional use of General Reserve	
Increase in use of reserve previously reported to Committee	(800)
Further increase in use of reserve	(1,166)
Total Additional use of General Reserve	(1,966)
2014/15 Total use of General Reserve	(7,446)
2014/15 Forecast Closing balance	6,704

- 2.5 The £0.8m increase in the use of the General Reserve previously reported to Committee comprised the following budget adjustments:

- £0.5m additional funding towards the Mobile Working Project; and
- £0.3m funding for the IT Modernisation Project.

- 2.6 The further use of the General Reserve of £1.2m includes budget adjustments for the following items:

- £0.3m for revenue commitments brought forward from 2013/14;
- £0.3m additional funding towards the IT Modernisation Project;
- £0.2m funding for supernumerary staff;
- £0.1m for reactive repairs under the corporate contract managed by the

City Surveyor;

- £0.2m for cleaning costs under the corporate contract mainly for the increase in the London Living Wage;
- £0.2m for support services provided by the Chamberlain to bring the budget in line with actual expenditure in recent years; and
- a net £0.1m reduced requirement in transfers required to support operations.

2.7 In addition to the budget adjustments above, it is expected that there will be further one off IT costs which may be required as an investment to bring the Force's systems and servers up to date. Work is currently in progress to quantify these costs, and therefore, they are not factored into the latest budget.

2.9 Allowing for the budget adjustments above, the 2014/15 use of the General Reserve would be £7.4m, an increase of £1.2m compared to the £6.2m requirement reported to Committee in September.

2.10 In March 2011, the Court of Common Council resolved that the minimum reserve sum of £4.5m should be retained over the period of the Comprehensive Spending review ending in 2014/15 but with up to a further £0.5m being available to offset any reductions in specific grants below budgeted provisions over this period, effectively resulting in a revised minimum reserve balance of £4m being retained. As set out in this report, the latest budget indicates an available balance as at 31 March 2015 of £6.7m. When the 2015/16 Budget is considered by Committee in January the appropriate minimum level of reserves to be maintained will need to be re-considered.

2.11 **POCA RESERVE**

2.12 The earmarked POCA reserve had an opening balance of £2.4m. In the year to date a further £2.2m in POCA income has been received. After allowing for commitments of £2.8m, of which £0.9m will be spent during 2014/15, the available balance at the end of October is therefore £1.8m.

3.0 REVENUE POSITION

3.1 The revenue budget has been adjusted to take into account the latest budgeted use of the General Reserve of £7.4m. A summary of the financial position, on the Force's revenue budgets, as at 31 October 2014 is set out in the following table.

3.2 Table 2: Year to Date and Full year forecast position for revenue Budgets

	Spend to 31st October 2014					Forecast to 31st March 2015		
	Latest Adjusted Budget (£000)	Budget Profile (£000)	Actual Spend (£000)	Under / (Over) Spend (£000)	Spend v Profile %	Forecast Outturn (£000)	Forecast Under/ (Over) Spend (£000)	Forecast Spend v Budget %
Forcewide								
Employees - Pay	82,951	51,085	51,491	(406)	101%	82,996	(45)	100%
Employees - Other	4,204	2,113	1,545	568	73%	3,267	937	78%
Premises	3,241	2,516	2,565	(49)	102%	3,267	(26)	101%
Transport	2,396	1,359	1,227	132	90%	2,034	362	85%
Supplies and Services	16,841	9,662	9,738	(76)	101%	17,592	(751)	104%
Other Expenses	1,917	1,011	1,076	(65)	106%	1,982	(65)	103%
Gross Expenditure	111,550	67,746	67,642	104	100%	111,138	412	100%
Income	(49,773)	(33,704)	(33,600)	(104)	100%	(49,658)	(115)	100%
Net Expenditure before contribution from reserves	61,777	34,042	34,042	0	100%	61,480	297	100%
Contribution from POCA reserve	(474)	(138)	(128)	(10)	93%	(463)	(11)	98%
Contribution from General Reserve	(7,446)	(54)	0	(54)	0%	(7,446)	0	100%
Total Net Expenditure	53,857	33,850	33,914	(64)	100%	53,571	286	99%
Revenue Contribution to Capital	2,364	0	0	0	0%	2,364	0	100%
Support Services	2,750	0	0	0	0%	2,750	0	100%
Repairs, Maintenance and Cleaning provided under corporate contracts	1,392	692	868	(176)	125%	1,405	(13)	101%
Total Expenditure	60,363	34,542	34,782	(240)	101%	60,090	273	100%

3.10 The full year forecast position is an £0.3m under spend (1%) against annual budget. If this position materialises at year end, there will be a smaller contribution required from reserves than currently budgeted. Underlying this position are several significant, largely compensating variations. Forecast underspends of £0.9m on non-pay related employee budgets, mainly training related, and £0.4m on transport budgets, primarily on staff travel, more than offset a forecast overspend of £0.8m on supplies and services, primarily on ICT, consultants fees and the purchase of new uniforms.

4.0 EXTERNAL GRANT FUNDING

4.1 Included within the latest Income budgets are external grant funded agreements which total £32m. At 30 October, 58% of this funding has been formally agreed, with the remainder agreed in principle pending formal confirmation.

4.2 The year to date expenditure against the funding streams which are yet to be

formally agreed is £8m, a financial risk to the Force if funding is not approved. However, the Home Office have indicated that these funds will be awarded, and historically formal agreements are not issued until the latter stage of the financial year, therefore the risk is deemed minimal. Appendix 1 provides a more detailed schedule of externally funded grants for 2014/15.

5.0 CAPITAL POSITION

5.1 A summary of the Capital Programme as at 13 October 2014 is set out in the table below. A snapshot was taken at this date to meet reporting deadlines.

5.2 Table 3: 2014/15 Capital Programme as at 13 October 2014

Project Name	Current Projects Budget (£000)	Year to date spend and commitments (£000)	Full year projected expenditure (£000)	Variance to budget Over / (under) spend (£000)
Total Programme (see appendix 2)	4,458	1,794	4,056	(402)
3. Capital Funding				£000
2013/14 Brought forward POCA Funding for Vehicles				30
2013/14 Brought forward Disaster Recovery Funding				272
2013/14 Agreed revenue contribution to Capital Programme				1,364
2014/15 Capital Grant (Home Office)				900
2014/15 Agreed revenue contribution to Capital Programme				1,000
2014/15 Home Office Innovation Grant - Geo Mapping (Mobile Working Project) *				20
2014/15 Home Office Innovation Grant - Ring of Steel *				154
2014/15 Home Office Innovation Grant - Body Worn Video Cameras *				65
Total Capital Funding				3,805
4. 2014/15 Funding Gap compared to full year projected expenditure				251

* Funding must be fully used by 31 March 2015 or will be lost

5.3 Through the Capital Programme Board (CPB) and Project Managers, a critical review of forecast spend has been undertaken, and as a result projects have been re-phased and re-scoped. However, this does still leave a potential funding gap of £0.3m, at this stage, which will need to be met from reserves if it is not mitigated. However, the CPB is actively managing the budget to ensure that an over spend situation does not arise at year end, and that projects are delivered within available resources.

5.4 Appendix 2 provides a full breakdown of the 2014/15 Capital Programme as at 13 October 2014.

6.0 CONCLUSION

6.1 The budgeted call on the General Reserve has increased by £1.1m from £6.3m to £7.4m since the last report to Committee. The forecast closing balance is £6.7m but this does not include further IT costs which may materialise.

6.2 In addition to the General Reserve, the Force holds an earmarked reserve for POCA, which has an available balance of £1.8m at the end of October. The

Force has also set aside £1.0m to meet the cost of the planned contribution to the Accommodation Strategy.

- 6.3 The latest forecast for on-going revenue requirements indicates an under spend of £0.3m which would reduce the budgeted transfer from the General Reserve.
- 6.4 There is a potential funding gap of £0.3m on the Capital Programme which, if not managed, will be an additional call on the General Reserve.

Appendices

- Appendix 1 – Grant Funding Schedule – Position as at 31 October 2014
- Appendix 2 – 2014/15 Capital Programme - Position as at 13 October 2014

Background Papers:

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

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