

Committee: Police Committee	Date: 26 March 2015
Subject: 2014/15 Budget Monitoring Report for the period ending January 2015	Public
Report of: Commissioner of Police	For Information

SUMMARY

REVENUE BUDGETS

The full year forecast position suggests that the actual call on reserves will be £0.3m lower than the £8.3m assumed in the latest budget. This is outlined in Section 2 of the main report. Section 3 contains details of external grant funding.

CAPITAL BUDGETS

The latest 2014/15 forecast for the Capital Programme is for an under spend of £1m against available capital funds. A number of projects have been re-phased into 2015/16 and specifications re-scoped to ensure that projects are delivered within available resources. There are also further capital grants and contributions receivable. Any available unspent funds at year end will be ring-fenced and carried forward to 2015/16. Section 4 contains more details.

RESERVES

Assuming the forecast positions outlined above are achieved the closing balance on the General reserve at 31 March 2015 will be £6.3m compared to £6m assumed in the latest budget. Section 5 contains more details.

RECOMMENDATION

Members are asked to note the contents of this report.

MAIN REPORT

1 BACKGROUND

- 1.1 Financial performance is monitored on a monthly basis by the Police Performance Management Group and reported to Police Committee four times a year.

2 REVENUE BUDGETS

- 2.1 A summary of the revenue financial position as at the end of January 2015 is set out in Appendix 1.
- 2.2 The full year forecast position is a marginally better than budget position of £0.3m (1%). If this position materialises at year end, the contribution required from the General reserve will be £8m compared to the currently budgeted £8.3m. Underlying this position are several significant, largely compensating variations. There are forecast overspends within Supplies and Services mainly on professional fees. This is compounded by a forecast under recovery of income (£0.3m) due to lower than expected activity within Economic Crime Directorate funded units. However, there are under spends of £1.1m expected in all other areas which should more than offset this adverse position.

3 EXTERNAL GRANT FUNDING

- 3.1 Included within the latest income budgets are external grant funding agreements which total £33.3m. At 31 January, 60% or £20m, of this funding has been formally agreed, with the remainder agreed in principle pending formal confirmation.
- 3.2 Actual expenditure of £10.4m has been incurred against these in principal agreements, which exposes the Force to a potential financial risk in the event that funding is not formalised. However in the past, the formal funding agreements have been received late in the financial year and therefore the risks are deemed minimal. Appendix 2 provides a schedule of externally funded grants for 2014/15.

4 CAPITAL BUDGETS

- 4.1 The latest 2014/15 Capital Programme forecast indicates a carry forward of £1m in funding. This is due to a number of projects which have been re-phased into 2015/16 and specifications re-scoped to ensure that projects are delivered within available resources. There has also been additional Home Office Innovation grant funding (£0.2m) which has been secured, but must be used by 31 March 2015 or will be withdrawn, as well as funding from the Corporation of London (£0.3m) for the Ring of Steel (Video Management System) project.
- 4.2 Available unspent capital funding will be carried forward to 2015/16 so that the Capital Programme can be delivered. The current slippages in the programme to next year will be fully absorbed in the 2015/16 available capital funding envelope. Appendix 3 provides a full breakdown of the 2014/15 Capital Programme as at the end of January 2015.

5 RESERVES

5.1 The General reserve is used to fund unforeseen items of expenditure which cannot be contained within existing budgets. In addition to the General reserve, the Force has two other reserves, earmarked for specific purposes, the Proceeds of Crime Act (POCA) reserve and the Accommodation Strategy reserve.

5.2 GENERAL RESERVE

5.3 Table 1 summarises the current budgeted use of the General reserve in 2014/15.

Table 1 : 2014/15 Budgeted Use of General Reserve

	Current Budget
Summary of Budgeted use of General Reserves	£000
2014/15 Opening Balance	14,398
Use of General Reserve	
2013/14 Brought forward revenue commitments	(342)
2013/14 Brought forward Revenue contribution to capital	(1,364)
2014/15 Business as usual – (underlying deficit)	(1,761)
2014/15 Revenue contribution to Capital	(1,314)
2014/15 One-off items of expenditure (various items)	(3,563)
Total Budgeted Use of General Reserve	(8,344)
2014/15 Closing balance	6,054

5.4 It should be noted that the above budget incorporates two amendments compared to the 2014/15 budget presented to Committee in January. There has been a reduction of £0.2m in the “business as usual – underlying deficit” to reflect subsequent decisions taken by the Force’s Resource Allocation Board and there has also been a reclassification of £0.3m costs previously deemed as one off revenue costs which are in fact an additional contribution towards the Desktop Refresh project which is contained within the Capital Programme.

5.5 As previously reported the one-off expenditure of £3.6m is primarily due to significant investment in essential projects such as I.T. modernisation, mobile working and accommodation.

5.6 The closing balance of the General reserve at March 2015 is currently budgeted to be £6m, i.e. £2m above the agreed minimum level of £4m. However, as reported to Committee in January, the draft Medium-Term Financial Plan indicates deficits of £3.9m and £7.6m for 2016/17 and 2017/18 respectively which are not sustainable and would cause the general reserve to be overdrawn by £7.2m. As previously agreed the Commissioner is liaising with the Chamberlain to produce a financial strategy to maintain a minimum general reserve balance of £4m over the period to 2017/18. This strategy will be presented to the Committee before the summer recess.

5.7 POCA RESERVES

5.8 The Force holds 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). The reserve had an opening balance of £2.4m. During the year the Force has received a further £2.2m. After allowing for commitments of £2.8m, of which £0.9m will be spent during 2014/15, the available balance at the end of January is £1.8m. POCA receipts are forecast to fall significantly in future years.

5.9 POLICE ACCOMMODATION RESERVES

5.10 The Force has a separate ring-fenced reserve for its agreed £1m contribution towards the Accommodation Strategy of which £0.75m remains. It is currently anticipated that this reserve will be fully utilised by 31 March 2016.

6 CONCLUSION

6.1 The latest forecast for on-going revenue requirements indicates an under spend of £0.3m which, if it materialises, will reduce the transfer needed from the General reserve for business as usual activities from the budgeted £8.3m to £8.0m.

6.4 There is also a forecast carry forward of £1m in funding for the Capital Programme, which will be ring-fenced so that the Force's 2015/16 Capital Programme, including projects re-phased from 2014/15, can be delivered.

Appendices

- Appendix 1 - Year to Date and Full year forecast position for Revenue Budgets as at 31 January 2015
- Appendix 2 – Grant Funding Schedule – Position as at 31 January 2015
- Appendix 3 - 2014/15 Capital Programme - Position as at 31 January 2015

Background Papers:

POL 14/15 - Revenue and Capital Budget 2015/16 and Draft Medium-Term Financial Plan up to 2017/18

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