

<b>Committee(s):</b>	<b>Date(s):</b>
Police	11 July 2012
<b>Subject:</b> Revenue and Capital Outturn 2011/12	<b>Public</b>
<b>Report of:</b> The Chamberlain and The Commissioner of Police	<b>For Information</b>

### Summary

As a result of a number of savings initiatives, the Force's 2011/12 revenue outturn has resulted in a transfer from the Police General Reserve of £0.4m in order to stay within the overall cash limit of £66.4m. This is a reduction of £3.0m in the use of reserves compared to the budget.

This improved financial position was mainly due to:

- greater than budgeted salary savings from unfilled posts, particularly in the last quarter;
- a reduction in the requirement for revenue funding of the capital programme, due to an increase in the Home Office Capital Grant in March 2012;
- reimbursement of costs for Operation Kirkin from the Metropolitan Police Service (MPS) in the fourth quarter; and
- higher than anticipated receipts relating to the Proceeds of Crime Act (POCA).

The balance in the Police General Reserve at 31 March 2012 was £13.797m and this will be available to help meet future funding requirements. In particular, it will provide a degree of short term mitigation during implementation of the City First Programme and cushion the impact of any funding reductions announced for the final two years of the current CSR period beyond those already provided for in the Force's Medium Term Financial Plan.

### **Recommendations**

It is recommended that this revenue and capital outturn report is noted.

## **Main Report**

### **Budget Position for 2011/12**

1. This report compares the 2011/12 revenue and capital outturn for the services overseen by your Committee with the final agreed budget for the year.
2. The City of London Police's (CoLP) original budget agreed by your Committee in February 2011 assumed a transfer from the Police General Reserve of £4.0m. The transfer was reduced to £3.4m in the revised budget whilst keeping within the overall cash limit of £66.4m. The £0.6m decrease in the use of reserves was due to:
  - additional DSP Funding of £1.2m; offset by
  - expenditure on the City First programme of £0.350m; and
  - a supplement to the Capital Programme of £0.237m.

### **Outturn for 2011/12**

3. The table overleaf indicates that, as a result of a number of savings initiatives, the Force's 2011/12 revenue outturn has resulted in a transfer from the Police General Reserve of £0.4m, a reduction of £3.0m in the use of reserves compared to the final budget. In the tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure.

<b>Summary Comparison of 2011/12 Outturn with Final Agreed Budget</b>			
<b>CITY FUND</b>	<b>Final Agreed Budget £000</b>	<b>Outturn £000</b>	<b>Variations Increase/(Reduction) £000</b>
<b>Local Risk</b>			
Commissioner of Police			
Expenditure	100,701	97,376	(3,325)
Income	(36,080)	(35,560)	520
	64,621	61,816	(2,805)
City Surveyor	879	750	(129)
<b>Central Risk</b>			
Commissioner of Police	237	6	(231)
<b>Central Support Services</b>	2,425	2,581	156
<b>Net Expenditure before Transfer to/(from) Reserve</b>	68,162	65,153	(3,009)
<b>Transfer to/(from) Reserve</b>			
Proceeds of Crime Act	1,600	1,600	0
General	(3,369)	(360)	3,009
<b>Total</b>	66,393	66,393	0

4. The following table summarises the main variations:

	<b>£000</b>
Savings on police salaries due to higher than expected leavers	(1,474)
Savings on civilian pay due to higher than expected leavers	(300)
Training	(89)
City Surveyor Works Programme	(129)
Reduced requirement for revenue funding of capital programme	(231)
Operation Kirkin – reimbursement from MPS	(241)
Ill Health Pension Lump Sum not required	(150)
POCA Income	(395)
<b>Total reduced requirement</b>	<b>(3,009)</b>

5. These savings/additional incomes were realised during the fourth quarter and therefore were not included in previous reports to your Committee. In particular, savings on salaries were achieved due to higher than budgeted leavers, mainly police officers. These savings were more than double the vacancy factor target.

6. The Home Office Capital Grant was increased on 28 March 2012 by £0.104m, which contributed to the reduced requirement for revenue funding of capital expenditure. The remainder was due to a combination of slippage and a reduced cost of equipment on the Airwave Radios project (£0.094m). It was also not possible to take delivery of all the vehicles in the Vehicle Replacement programme by the end of the financial year (£0.040m).
7. The reimbursement relating to Operation Kirkin was not certain and was only confirmed in early 2012.
8. The third quarter payment for POCA was notified in March as £0.427m. The nature of this income is unpredictable, with combined income in the first and second quarters of only £0.041m. Due to the unpredictable nature of this income no provision had been included for the fourth quarter.
9. Annex A provides more details of significant variations and Annex B provides details of capital expenditure for the year.

## **Reserves**

10. The balance on the Police General Reserve is £13.797m following the requirement for £360,000 in 2011/12.
11. During 2011/12, the Force received a substantial cash forfeiture award of £1.6m from the Home Office. Under the guidelines of the scheme, the Force must ring fence this income for “crime reduction initiatives”. The award has therefore been transferred to a separate Reserve at year end. The 2012/13 original budget provides for £1.0m to be used to fund crime reduction initiatives and the remainder is to be allocated on the authorisation of the quarterly Resource Allocation Board.
12. The full financial settlement for the final two years of the current CSR period has yet to be announced. The consequential uncertainty represents a risk to the organisation and the increase in the level of the General Reserve will provide a degree of short term mitigation particularly to assist implementing the City First programme. The Force’s assumptions for use of the Reserve are contained within the Medium Term Financial Plan 2012-2015 report, which will be presented to the Performance Sub-Committee in September. A summary of the main requirements is included overleaf:

	£M
<b>Reserves Brought Forward 1 April 2012</b>	<b>13.8</b>
Planned Use of General Reserves 2012/13	3.0
<b>Balance as at 31 March 2013</b>	<b>10.8</b>
<b>2013/14</b>	
Planned Use of Reserves 2013/14	1.5
Contingent Provision for Salaries	2.3
Revenue funding of capital expenditure	1.7
<b>Balance as at 31 March 2014</b>	<b>5.3</b>
<b>2014/15</b>	
Planned Use of Reserves 2014/15	0.0
Contingent Provision for Salaries	0.6
<b>Balance as at 31 March 2015</b>	<b>4.7</b>

13. At this stage, the table indicates that revenue funding of capital expenditure will not be required in 2014/15 even after allowing for the investment in the East Coast Information Consortium (ECIS). However, this may change as more information becomes available.

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**POLICE COMMITTEE - COMPARISON OF 2011/12 REVENUE OUTTURN WITH  
FINAL AGREED BUDGET**

	<b>Final Agreed Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variations Increase/(Decrease) £000</b>	<b>Reasons</b>
<b>LOCAL RISK</b>				
<b>City Fund</b>				
The Commissioner of Police				
Economic Crime Directorate	7,677	7,370	(307)	1
Specialist Support Directorate	13,315	12,959	(356)	2
Territorial Policing Directorate	21,013	20,693	(320)	3
Counter Terrorism & Serious Crime	13,930	12,611	(1,319)	4
Corporate Services Directorate	18,620	17,030	(1,590)	5
Central	(11,208)	(9,331)	1,877	6
Recoverable	0	0	0	
Pensions	1,274	484	(790)	7
<b>Total Commissioner of Police</b>	<b>64,621</b>	<b>61,816</b>	<b>(2,805)</b>	
The City Surveyor	879	750	(129)	8
<b>Total City Fund Local Risk</b>	<b>65,500</b>	<b>62,566</b>	<b>(2,934)</b>	
<b>City's Cash</b>				
The Commissioner of Police				
Economic Crime Directorate	130	130	0	
<b>TOTAL LOCAL RISK</b>	<b>65,630</b>	<b>62,696</b>	<b>(2,934)</b>	

Reasons for Significant Variations

1. Lower than budgeted expenditure on employees of £0.250m due to staff vacancies in City funded posts. Following the launch of the official prospectus for the Fraud Academy income was higher than anticipated by £0.057m.
2. Lower than anticipated expenditure on Employees of £0.437m, due to the holding of vacancies in anticipation of the implementation of the City First Change Programme and lower expenditure on supplies and services of £0.058m across the directorate. However this is offset by lower than budgeted income from private services of £0.139m.
3. Reduced expenditure on employees of £0.215m due to the holding of vacancies in anticipation of the implementation of the City First Change Programme. Savings made in supplies and services expenditure of £0.068m across the directorate but most notably on equipment of £0.050m due to reductions in expenditure on Cycles and Custody. Higher than anticipated income of £0.037m from sale of crime prevention equipment, private services and charges to the UK Border Agency (UKBA) for the use of Custody.
4. Expenditure on employees was reduced by £1.118m due to the holding of vacancies in anticipation of the implementation of the City First Change Programme. Lower than anticipated expenditure on supplies and services of £0.129m across the directorate but most notably on equipment of £0.040m, fees of £0.021m, and subsistence of £0.025m. There was also a £0.055m reduction in the cost of the Metropolitan Police Explosives contract.

5. Lower than anticipated expenditure on employees of £1.227m due to holding of vacancies in anticipation of the implementation of the City First Change Programme, on software maintenance of £0.111m and the budget for the City First Change Programme itself of £0.096m. In addition, there was higher than anticipated receipts of £0.122m due to income from the section house, sale of vehicles and rent.
6. The vacancy factor for salary budgets is held centrally totalling £2.666m. This budget has no actual income or expenditure against it during the year, and therefore appears as an over spend at year end, offset against the under spends within the Directorate salary budgets. There was also an over spend on legal fees of £0.038m, which is a very demand driven budget. This over spend is reduced by some central budgets that show as under spends, because actual expenditure is held against directorates, such as Special Priority Payments (SPP) of £0.174m. There was also unbudgeted income of £0.241m for reimbursement of costs relating to Operation Kirkin, higher than anticipated income from Proceeds of Crime Act (POCA) income of £0.395m and an under spend by ACPO of £0.017m.
7. Lower than anticipated pension expenditure of £0.640m due to reduced staffing levels, and the budget for ill health lump sum payments not being required (£0.150m).
8. Expenditure on repairs and maintenance (mainly breakdown and cyclical works) carried out on police buildings was lower than anticipated.

<b>CENTRAL RISK</b>	<b>Final Agreed Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variations Increase/(Decrease) £000</b>	<b>Reasons</b>
<b>The Commissioner of Police</b>				
Corporate Financing	237	6	(231)	
<b>TOTAL CENTRAL RISK</b>	<b>237</b>	<b>6</b>	<b>(231)</b>	9

9. The element of capital expenditure met directly from revenue was lower than anticipated, due to an overall reduced level of capital expenditure, and an unexpected increase in the Home Office Capital Grant on 28 March 2012.