

Committee(s): Police	Date: 30 June 2016	Item no.
Subject: Revenue and Capital Outturn 2015/16	Public	
Report of: The Chamberlain and The Commissioner of Police	For Information	

Summary

As a result of higher than expected spending the Force's 2015/16 revenue outturn requires a net transfer from the Police General Reserves of £4.5m. This represents an overall increase of £1.4m compared to the latest budget approved by the Police Committee in January 2016, which envisaged the need to draw some £3.1m from General Reserves. The impact of this adjustment is a revised balance on the Police General Reserve of £4.1m as at 31 March 2016.

The outturn for the year signifies a more challenging position for the Force in light of the need to identify future efficiencies and cost reductions to provide a balanced budget for 2017/18 and 2018/19. The outturn and its implications for future assumptions will inform the review of the medium term financial forecasts, the results of which are due to be reported in September.

Recommendation

Members are asked to note the report.

Main Report

Budget Position for 2015/16

1. The budget anticipated a transfer from reserves of £3.1m. As a result of additional costs and reduced income the actual transfer from General reserves was £4.5m. This is an overall increase in the requirement to transfer from reserves of £1.4m.
2. Also during the year there has been a call on other Police reserves of £1.1m, being £0.2m from the Accommodation Reserve and £0.9m from the forces POCA Reserve

Table 1: Summary of 2015/16 Actual Revenue Income and Expenditure against Budget			
	2015/16 Budget	2015/16 Outturn	2015/16 Variation (Better)/Worse
	£m	£m	£m
Total Gross Expenditure	123.8	125.2	1.4
Total Gross Income	(57.8)	(56.7)	1.1
Total Net Expenditure before use of reserves	66.0	68.5	2.5
Transfers from Reserves:			
General	(3.1)	(4.5)	(1.4)
Proceeds of Crime Act	0.0	(0.9)	(0.9)
Accommodation	0.0	(0.2)	(0.2)
Total Net Expenditure/Cash Limit	62.9	62.9	0.0
Reserves at 31 March 2016			
General	(5.5)	(4.1)	1.4
Proceeds of Crime Act	(4.5)	(3.6)	0.9
Accommodation	(0.2)	0.0	0.2
	(10.2)	(7.7)	2.5

Outturn for 2015/16

Revenue

- The additional net revenue expenditure put the Force in a position of needing to make an additional draw down on total reserves of £2.5m. This was due to a combination of an increase in operating costs and a reduction in budgeted income.
- An additional £1.4m was required from the General Reserve due mainly to increased expenditure on ill health and injury awards, a reduction in specific grants from the Home Office and an unbudgeted adjustment to pension funding from the Home office. With regard to the latter, the rate of employer's contribution to the Police Pension Scheme was reduced by the Home Office but the Home Office indicated that Police Forces would not retain the benefit from this windfall. Instead, a compensating reduction would be made to the funding provided by the Home Office to avoid a deficit on the Pension Fund. Unfortunately this latter reduction in income was not followed through in to the budget. All the Operational Directorates ended the year within their allocated budgets.

Table 2: Additional Draw on General Reserves in 2015/16	
	2015/16 Outturn £m
Area of Pressure:	
Ill health and injury awards	0.24
Reduction in Home Office Specific Grants	0.23
Police Pension Scheme - compensating reduction to top-up grant	0.83
Other net variations	0.10
Additional transfer from General Reserve	1.40

- During the financial year, the Force received £0.7m of income from the Proceeds of Crime Act (POCA) – compared to over £2m a year that was received in each of the two preceding years. Some £1.6m was spent on Asset Recovery, Crime Reduction and Community Safety initiatives. This

resulted in a net drawdown of £0.9m from the POCA Reserve and a final year-end balance of £3.6m.

6. The £0.2m remaining in the Force's Accommodation Reserve has been used to support to the Police Accommodation Strategy Programme. This was the final allocation from an original approved reserve of £1m.

Capital

7. Expenditure on the 2015/16 Capital Programme was £0.9m (see appendix 1), an underspend of £0.4m compared to the Capital Budget of £1.3m approved by the Police Committee in January 2016. As a result, the funding contribution required from revenue is below budget. However, the underspend on the capital programme has been offset by increased expenditure on major revenue projects.

Table 3 : Summary of 2015/16 Actual Capital Expenditure and Funding against Budget			
	2015/16 Budget £m	2015/16 Outturn £m	2015/16 Variation (Better)/Worse £m
Total Gross Expenditure	1.3	0.9	(0.4)
Home Office Grants	(0.7)	(0.6)	0.1
Net Expenditure funded from revenue	0.6	0.3	(0.3)

8. The original programme for 2015/16 was for £2.6m, this reduced to £1.3m (as presented to the January 2016 Police Committee) mainly as a result of the Ring of Steel project being deferred and the re-profiling of the Emergency Services Mobile Communications Programme (ESMCP). In addition, some spending on projects which did commence in 2015/16 will be re-profiled into 2016/17.
9. Assumptions have been made on the available funding and indicative projects for the next three years to 2018/19. It's clear that the Custody, Case File, Crime and Intelligence (CCCI) and ESMCP programmes will require the largest share of available funding. Projects will also have to be carefully reviewed so that funding can be prioritised to those that can achieve cashable and non cashable benefits which will contribute towards mitigating the financial challenges that lie ahead.

Reserves

10. The balances on the Police General and POCA reserves at 31 March 2016 are £4.1m and £3.6m respectively.

Conclusion

11. The outturn for the year signifies a more challenging position for the Force in light of an increasing terrorism threat, and the need to identify future income streams, efficiencies and cost reductions to provide a balanced budget for 2017/18 and 2018/19. The outturn and its implications for future assumptions will inform the review of the medium term financial forecasts, the results of

which are due to be reported in September. The current General Reserves will provide some protection against reductions in funding or increases in expenditure for 2016/17 as well as timing issues relating to the delivery of savings and efficiencies.

12. The Commissioner will continue to look for opportunities to increase income into the force to address the budget challenge, such as cash seizures, and commercial opportunities from the Economic Crime Academy and Action Fraud. Estimates of additional incomes will be discussed and agreed with the Chamberlain before being factored in to future forecasts. The Commissioner, with the support of the Chamberlain, will also continue to look for further efficiencies and controls on expenditure.

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Appendix 1 – Capital Programme

Capital Outturn for 2015/16			
Project Name	2015/16 Forecast Budget	2015/16 Outturn	Variance Increase/ (Decrease)
	£000	£000	£000
Brought forward projects			
Digital Interview Recorders	13	10	(3)
Mobile Working Services	87	141	54
Network Refresh & Upgrade' and 'Data Storage & Application Hosting'	281	115	(166)
ACESO Forensics		35	35
Body Worn Video		22	22
Adjustments to Previous Programmes		(1)	(1)
2014/15 carry forward total	381	321	(60)
2015/16 Projects			
Projects in Original Budget			
Vehicle Replacement Programme 2015-16	253	181	(72)
Ring of Steel (Video Management System)	0	57	57
Ring of Steel (Plate Reader Units)	0	0	0
Telephony Refresh & Data Consolidation	172	114	(58)
HR Software Refresh	143	99	(44)
IT Server 2003 Upgrade	60	0	(60)
IL4 Infrastructure Refresh	129	0	(129)
ESMCP (Airwave Replacement)	180	138	(42)
Barbican Area CCTV	0	2	2
Total 2015/16 Projects	937	591	(346)
Total Programme	1,318	912	(406)
2015/ 16 Capital Funding			
2015/16 Capital Grant (Home Office)	(700)	(578)*	122
Total Capital Funding	(700)	(578)	122
Funding from Revenue Contribution	618	334	284

*This is the amount of the Home Office 2015/16 capital grant that was applied in year.