



REPORT TO: Strategy Budget and Performance Committee

DATE: 11 November 2009

**SUBJECT: Revenue Budget and Capital Programme 2009/10
Monitoring at Period 7 (2 October 2009)**

SPONSOR: Chief Constable

AUTHOR: Director of Finance and Corporate Services

1. PURPOSE OF REPORT

- 1.1 This report provides an overview of the position on the revenue budget and capital programme for the current year as at Period 7 – ending 2 October 2009.
- 1.2 The year to date position shows actual expenditure just over £0.4m behind profiled budget for the period – a position very similar to that reported for period 6 (just under £0.6m). The report also provides some commentary on the significant difference between year to date spend at period 5 (£1.9m) and that reported for periods 6 and 7.
- 1.3 The forecast outturn on the revenue budget indicates, at this stage, an underspend of £400,000 – in net terms as a result of the decisions made on the police staff pay award. This is an improved position from that reported at period 6 (forecast overspend of £99,000).
- 1.4 Expenditure on the capital programme is at an acceptable level – although the plan to deliver most of the spend by end of December to take advantage of the lower rate of VAT may not be achieved.



2. REVENUE BUDGET

- 2.1 Following discussion at the last meeting of the Committee when it was requested that the figures provided in the report should include gross expenditure on core policing, it has not been possible because of other workload pressures to present the appendices in the requested format – this will be done for the next monitoring report to the Committee. However, the figures for London Underground have been provided at paragraph 2.16 below.
- 2.2 Appendices A and B summarise the year to date and forecast outturn and indicate that the year to date position shows an underspend against profile of £0.4m – a very similar position to that reported for period 6 (£0.6m).
- 2.3 An analysis of the year to date underspend at period 5 compared to periods 6 and 7 shows the following, which includes a net profiled underspend of about £170,000 each period in respect of the Authorities own budget:

Variance actual against profiled budget						
	Period 5		Period 6		Period 7	
	<u>£'000</u>	<u>%</u>	<u>£'000</u>	<u>%</u>	<u>£'000</u>	<u>%</u>
Staff Costs	1,059	1.78	553	0.77	344	0.41
Other costs	587	2.90	313	1.31	(79)	(0.03)
Income	309	(1.98)	(272)	(1.38)	181	0.07
Net position:	1,955	2.70	594	0.70	446	0.45

- 2.3.1 The major difference is in respect of staff costs. At the end of period 5 a number of posts were being held vacant to ensure that the affordable workforce target (AWT) for each budget holder was sustainable for the whole year or because of particular projects (such as IMPACT within



the DCC's portfolio and the HR Transformation projects in the Director of HR's portfolio) whose pattern of recruitment was not as provided for in the profile. To recognise these changes in spending pattern the profile has been revised and the figures for periods 6 and 7 (with a variance of less than 1% from profiled spend) are more realistic.

2.3.2 Profiling spend in respect of other costs is more difficult because of the wide range of items covered (from stationery to major IT maintenance contracts) and the timing of actual expenditure is often not as provided for in the profile. A simple example would be planned consultancy support being scheduled for periods 4 and 5 but not being undertaken until periods 5 and 6 thus pushing the expenditure to a later period.

2.3.3 Income from enhanced PSAs and from grants to some extent confuses the net position as the actual receipt of that income is at the timing the giver chooses to do so. Future reports will separate this in such a way as to remove the skewing of the gross expenditure position.

2.3.4 The vast majority of the revenue budget operates within a highly devolved budget regime and this gives budget holders the opportunity to use savings within one area of the budget to meet additional costs in another. This does mean that the analysis between pay and non-pay as far as profiles are concerned can lag behind the actual incidence of expenditure.

2.4 The forecast outturn shows an underspend of £0.4m – in net terms entirely as a result of decisions made on the police staff pay award. Without the impact of this pay award the position would be very close to budget – a much improved position from period 6. Budget holders have been made aware of the need to maintain - or improve on - this position for the rest of the year.

Analysis by FHQ and Areas (Appendix A)

2.5 The year to date position on the DCC's portfolio shows a net underspend of £42,000 (less than 0.5%) and this mainly relates to spending behind profile in respect of the IMPACT project (temporary staff and consultancy support) of £77,000 offset by additional costs relating to legal



expenses associated with PSD cases (provision for these additional costs will be made in future years' budget - see MTFP report elsewhere on this meeting's agenda).

- 2.6 The Crime Department's budget shows a small overspend (0.7%) against profile for the year to date and an expected forecast overspend of £34,000 (0.2%). This is as a result of increased levels of operational (including covert) activity. The budget holder is aware of the need to ensure that the actual outturn is within budget.
- 2.7 The Director of HR's budget is showing an underspend year to date of £106,000 (1.4%) and this is as a result of holding posts vacant or delayed spend in relation to the major HR projects (HR Transformation, Learning and Development and the move from Tadworth). The Director of HR has agreed to give up £170,000 of her budget as a contribution to the efficiency savings target and this is shown as a forecast underspend.
- 2.8 The year to date position on the Director of Finance and Corporate Services' budget reflects some ongoing vacant posts and delayed costs relating to later occupation of some buildings (e.g. Cardiff and Leeds). The forecast outturn shows an underspend of £375,000 (1.6%), the vast majority of this being the £0.4m saving as a result of decisions made in respect of the police staff award.
- 2.9 As far as Areas are concerned the only one that gives real cause for concern is Scotland and this is as the result of a series of major incidents and other exceptional operational activity.
- 2.10 The budget for the Authority has been left in Appendices A and B for this period but will be reported on separately by the Treasurer in future monitoring reports. The Committee will be aware that there are significant additional costs to be borne by the Authority in respect of the implications of the Judicial Review.



Subjective Analysis

- 2.11 Appendix B shows the revenue budget by subjective headings.
- 2.12 The year to date position on staff costs is closer to profile than in period 6 (from 0.77% in period 6 to 0.41% in period 7) and this reflects a review of recruitment plans etc and the fact that event overtime (including football) is now coming more in line with the profile. The forecast outturn shows a net underspend on staff costs of £257,000. This is made up of a saving of £400,000 in respect of the police staff pay award and an overspend on overall staff costs of £143,000. However, this is more than covered by additional grants and income.
- 2.13 The Transport budget shows an overspend year to date – this relates mainly to additional hotel and travel costs caused by operational requirements. However, it is expected that savings will be made in this budget as a result of the Frontlinefirst2 process to enable the forecast outturn to be as close to budget as possible.
- 2.14 The supplies and services budget – which includes a whole range of bought in goods and services – shows a much better forecast position than in period 6 (from over 2% in period 6 to 0.3% in period 7) and is much closer to the approved budget.
- 2.15 The year to date position on income has improved when compared with period 6 (from a 2.2% shortfall to a 1.5% surplus) and this is as a result of income from some enhanced PSAs arriving in period 7 when profiled to be received in period 6. The underlying trend of additional income over budget continues. As with grants, this additional income will cover the costs of the additional services provided.



London Underground:

2.16 While it has not been possible to completely revise the format of the appendices to this report as requested by SBPM at its last meeting (this will be achieved for the next meeting of the Committee), as a first step, figures for L Area (London Underground) are provided below:

Revenue Budget 2009/10 - London Underground (L Area)									
		To Period: 07				Full Year			
		Profiled Budget	Actual	Variance		Approved Budget	Forecast Outturn	Variance	
		£'000	£'000	£'000	%	£'000	£'000	£'000	%
Staff Costs		25,313	24,912	401	1.58	47,676	46,753	923	1.94
Other costs		2,097	2,322	(225)	(10.73)	3,965	4,582	(617)	(15.56)
Gross Expenditure:		27,410	27,234	176	0.64	51,641	51,335	306	0.59

Staffing costs are behind profile because of delays in recruitment and some posts are being held vacant in an attempt to achieve a target underspend on the year of £0.5m as requested by LUL. The largest element of the overspend on other costs – both year to date and forecast – relates to forensic costs, with other items overspending by lesser amounts being IT costs and those relating to consultancy services.



3. CAPITAL PROGRAMME

- 3.1 Appendix C sets out a summarised position on the capital programme as at period 7 which indicates that, overall, just under 40% of the approved DfT funded programme has been spent or committed to date – a considerable improvement on previous years at this time.
- 3.2 The London North custody programme is likely to slip further than last reported because of delays in planning consent and technical matters and this is reflected in the figures in Appendix C.
- 3.3 The position on the other elements of the programme is satisfactory.

4. RECOMMENDATION

- 4.1 It is recommended that the committee note the position on the revenue budget and capital programme.

Revenue Budget 2009/10 - Analysis by Budget Holder	To Period: 07				Full Year				Report Paragraph
	Profiled Budget	Actual	Variance		Approved Budget	Forecast Outturn	Variance		
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	
FHQ Departments:									
Deputy Chief Constable	8,540	8,498	42	0.49	17,142	17,142	0	0.00	2.5
ACC (Crime)	8,185	8,242	(57)	(0.70)	16,467	16,501	(34)	(0.21)	2.6
ACC (Operations)	9,493	9,470	23	0.24	19,022	19,023	(1)	(0.01)	
ACC (London and the Olympics)	354	380	(26)	(7.34)	701	701	0	0.00	
Director of Human Resources	7,614	7,508	106	1.39	15,430	15,261	169	1.10	2.7
Director of Finance and Corporate Services	9,751	9,656	95	0.97	23,246	22,871	375	1.61	2.8
Total FHQ:	43,937	43,754	183	0.42	92,008	91,499	509	0.55	
Areas:									
London North	11,314	11,257	57	0.50	23,205	23,158	47	0.20	
London South	13,304	13,265	39	0.29	26,464	26,466	(2)	(0.01)	
North East	7,270	7,196	74	1.02	14,668	14,658	10	0.07	
North West	8,167	8,140	27	0.33	16,374	16,374	0	0.00	
Wales and Western	8,305	8,355	(50)	(0.60)	16,299	16,324	(25)	(0.15)	
Scotland	6,156	6,211	(55)	(0.89)	12,163	12,304	(141)	(1.16)	2.9
Total Force:	98,453	98,178	275	0.28	201,181	200,783	398	0.20	
Police Authority:	943	772	171	18.13	1,919	1,919	0	0.00	2.10
Total Net Expenditure:	99,396	98,950	446	0.45	203,100	202,702	398	0.20	
Standard PSA Income:	(94,539)	(94,539)	0	0.00	(201,500)	(201,500)	0	0.00	
Net Position:	4,857	4,411	446	9.18	1,600	1,202	398	24.88	



Revenue Budget 2009/10 - Analysis by Expenditure / Income Type	To Period: 07				Full Year				Report Paragraph
	Profiled Budget	Actual	Variance		Approved Budget	Forecast Outturn	Variance		
	£'000	£'000	£'000	%	£'000	£'000	£'000	%	
Expenditure:									
Staff costs	84,489	84,145	344	0.41	167,675	167,418	257	0.15	2.12
Premises	7,010	6,918	92	1.31	14,670	14,700	(30)	(0.20)	
Communications and Computers	4,872	4,876	(4)	(0.08)	10,045	10,050	(5)	(0.05)	
Transport	2,304	2,448	(144)	(6.25)	4,412	4,453	(41)	(0.93)	2.13
Supplies and Services	7,498	7,543	(45)	(0.60)	19,401	19,454	(53)	(0.27)	2.14
Capital charges etc.	6,089	6,067	22	0.36	12,032	12,032	0	0.00	
Total expenditure:	112,262	111,997	265	0.24	228,235	228,107	128	0.06	
Income:									
Grants	(1,237)	(1,246)	9	(0.73)	(3,485)	(3,496)	11	(0.32)	
Other income	(11,330)	(11,502)	172	(1.52)	(21,650)	(21,909)	259	(1.20)	2.15
Total income:	(12,567)	(12,748)	181	(1.44)	(25,135)	(25,405)	270	(1.07)	
Total Net Expenditure:	99,695	99,249	446	0.45	203,100	202,702	398	0.20	
Standard PSA Income:	(94,539)	(94,539)	0	0.00	(201,500)	(201,500)	0	0.00	2.8
Net Position: (to be met from reserves)	5,156	4,710	446	8.65	1,600	1,202	398	24.88	

Appendix C

Capital Programme 2009/10 - Position at the end of Period 7												
	Budget			Year to Date				Forecast			Report Paragraph	
	Original Programme	In Year Changes	Revised Programme	Commitments	Actual Spend	Total Spend and Commitments	Balance Remaining of Revised Programme	Forecast Spend for the Year	Variance from Revised Programme Underspend (Overpend)			
	£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000	%		
Department for Transport Funded:												
Estates	7,870	0	7,870	300	1,757	2,057	5,813	7,470	400	5.08%	3.2	
Information Technology	4,791	(500)	4,291	1,527	1,520	3,047	1,243	4,271	20	0.46%		
Vehicles	1,900	0	1,900	1,623	36	1,660	240	1,900	0	0.00%		
Other	1,191	141	1,332	94	(419)	(325)	1,657	1,484	(152)	-11.41%		
Central Street Landlord's Contribution	(1,200)	0	(1,200)	0	(1,185)	(1,185)	(15)	(1,185)	(15)	1.25%		
Unallocated	(1,552)	359	(1,193)									
Total DfT Funded:	13,000	0	13,000	3,545	1,709	5,254	8,939	13,940	253	1.94%		
Funded from Other Sources:												
Olympics (DfT Separately Funded)	1,180	0	1,180	390	(23)	367	813	846	334	28.34%		
CCTV Hub (Network Rail)	506	94	600	206	238	444	156	602	(2)	-0.26%		
Airwave - Severn Tunnel (Network Rail)	226	34	259	259	0	259	0	259	(0)	0.00%		
Other	95	0	95	(29)	52	23	72	98	(3)	-2.69%		
Total Other Funding:	2,007	128	2,135	826	267	1,093	1,042	1,805	330	15.47%		
Total Programme:	15,007	128	15,135	4,371	1,976	6,347	9,981	15,745	583	3.85%		