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**REPORT TO:** Strategy Budget and Performance Committee

**DATE:** 24 June 2009

**SUBJECT:** Revenue Budget and Capital Programme 2008/09  
Provisional Outturn Report for the Year

**SPONSOR:** Chief Constable

**AUTHOR:** Director of Finance and Corporate Services

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**1. PURPOSE OF REPORT:**

- 1.1 This report provides an overview of the provisional outturn position on the revenue budget and capital programme for the year ending 31 March 2009. The statutory Statement of Accounts will be presented to the Audit and Corporate Governance (A&CG) Committee at its meeting on 30 June 2009.
- 1.2 The forecast outturn on the revenue budget was an underspend of £1.6m. In the event, net expenditure was underspent by £1.57m, with the final net position after taking into account a shortfall in expected PSA income of £106,000, an underspend of £1.46m.
- 1.3 The figures presented in this report are before any adjustments that are required to the accounts in respect of the outcome of the Judicial Review as the purpose of this report is to compare the actual outturn with approved budgets. The report to A&CG will, however, present the accounts with the impact of the Judicial Review taken into account.
- 1.4 Expenditure on the capital programme was at £11.47m in respect of projects and schemes supported by the Department for Transport (DfT) against a target of £11.0m.



This was achieved through bringing forward some schemes from 2009/10 in order that no grant from the DfT was lost.

**2. REVENUE BUDGET 2008/09:**

- 2.1 Appendix A summarises the provisional outturn position which indicates an underspend on net expenditure of £1.57m, with a “bottom line” underspend of £1.46m. This compares with a forecast underspend of £1.6m – a difference of £137,000 (equivalent to 0.06% of overall net expenditure).
- 2.2 Income from standard PSAs was expected to be £194.69m – in the event the actual amount received was £194.58m – a difference of £0.11m (or 0.05%) Early in 2008/09 agreement was reached with two of the smaller “fixed price” PSA holders (Travel West Midlands and Merlin Travel) for a reduced level of service which resulted in a shortfall of expected PSA income by this amount. This reduction was not notified to the Finance team and thus the forecast PSA income was the same as the original budget with the outturn showing a shortfall of £106,000 and resulting in the £1.6m planned underspend not being fully achieved. With the transfer of billing PSA holders from the outsourced provider (LPM) to the Finance Department, any such agreements in future will be taken into account both in forecasts and appropriate budget adjustments.
- 2.3 Net expenditure was underspent against budget by £1.57m – very close to the £1.6m forecast. Budgets are closely monitored during the course of year by a series of reviews – both at budget holder level and corporately. The corporate finance reviews are normally led by the Deputy Chief Constable and the Director of Finance and Corporate Services and this gives an opportunity to challenge budget holders on their performance against budget. This is also a vehicle for managing budgets where particular operational demands are recognised and any additional resources (either because of additional income or planned underspends) directed where they are most needed. Further scrutiny takes place at Programme Board and at Chief Officers’



Group. The following paragraphs provide explanations where the actual outturn is significantly at variance from the approved budget.

### **Analysis by FHQ and Areas**

- 2.4 ACC (Crime)'s budget shows an overspend of £0.56m (3.5%) and this compares with a forecast overspend of £0.51m – the reasons for which have been reported to this Committee and the full Authority on a number of occasions. The following is an extract from the report on period 10 to the Authority on 27 January 2009:

*As reported on previous occasions, the Crime budget is showing an overspend – the latest figures are £0.56m year to date and forecast outturn of £0.51m. A number of factors have contributed to this forecast overspend and these can be summarised as follows:*

- *PNC usage (and therefore the number of chargeable transactions) has increased significantly since the introduction of PDAs. It is also worth noting that the price per “hit” on PNC has risen not only to cover inflationary pressures but also to part fund the establishment of the ACPO Criminal Records Bureau that now includes offences committed in Europe.*
- *In order to ensure that performance on detections is achieved, the number of forensic submissions has increased*
- *When the Major Investigations Team (MIT) was established, the Business Case proposed a full year cost of £1.9m. It was agreed to provide £0.6m in the Crime budget for this year on the understanding that there would inevitably be a transition period and realistic costs would not be known until some experience had been gained.*



- *A number of major operations have taken place during the year which were costly in staffing and overtime terms (examples are Cobalt and Drax) and for which adequate budget provision was not included in the originally allocated budget.*

There are two major reasons for the variation to forecast: £29,000 relates to items of equipment and other improvements following the Batches Street fire which are not covered by the insurance claim and £22,000 in respect of Operation Valuator which was not recoverable from the Home Office.

- 2.5 The Director of HR's budget shows an overspend of £105,000 (0.8%) – the majority of which (£83,000) relates to additional recruitment activity and training costs.
- 2.6 The budget line described in Appendix A as "Director of Finance and Corporate Services" includes a number of corporate budgets (such as capital charges and undesignated income). The net underspend of £2m is mainly made up of one-off additional income from CTRL and VAT recovered.
- 2.7 The underspend relating to Frontlinefirst at £329,000 (17.5%) is primarily in respect of severance payments caused by the HR Transformation Project not being made in 2008/09. These payments will fall to be paid in 2009/10 and appropriate budget adjustments will need to be made to accommodate them.
- 2.8 The position on other Departments and Areas is considered to be within acceptable limits.

### **Subjective Analysis**

- 2.9 Appendix B shows the provisional outturn to budget by subjective headings.



- 2.10 Staff costs show an overspend of £1.9m (1.2%) at year end – very close to forecast. The devolved budget arrangements mean that budget holders are free to meet resource gaps caused by vacancies by overtime or the employment of temporary staff and also to employ additional resources to meet the requirements for enhanced PSAs for which income is received.
- 2.11 The Premises budget shows an overspend of £0.4m (3.37%) and this is due to some end of year accounting adjustments in respect of fees on aborted capital schemes that need to be charged to revenue and in respect of additional rent associated with the delayed vacation of Central Street.
- 2.12 The Communications and Computers budget shows an overspend of £749,000 (8.3%) – very close to the forecast outturn as previously reported – and this is due to additional PNC and communication charges, and development of various systems.
- 2.13 The overspend in the Transport budget (£0.72m or 14.5%) is accounted for by additional fuel costs in the middle of the year and higher travel costs throughout the year due to operational requirements.
- 2.14 Supplies and Services covers a very wide range of expenditure items and the underspend of around 4% (£0.6m) reflects budget holders freedom to spend elements of this budget on other items.
- 2.15 Capital charges show an overspend of £0.57m (5.8%) due to some end of year accounting adjustments because of changes in the regulatory frame work mainly related to periods of depreciation of assets.
- 2.16 Additional income becomes available during the year as a result of enhanced PSAs, other recharges for services (such as the prior year income in respect of CTRL) and in-



year grants from a variety of sources to fund particular expenditure. This has resulted in an increase in income of £5.3m – most of which has been used under the devolved budget regime to fund additional expenditure.

**3. LONDON UNDERGROUND:**

3.1 The approved revenue budget for L Area (London Underground) was £50.3m – all of which is funded by Transport for London (TfL). This budget was made up of £46.5m in respect of staff costs and £3.8m net in respect of other costs.

3.2 The provisional outturn is at £48.7m – a net underspend against the original budget of £1.6m. This is in line with a previously agreed (with TfL) savings target and has been largely achieved by reductions in staffing costs caused by vacancies etc.

**4. RESERVES:**

4.1 It had been intended to increase the Contingency Reserve from its 1 April 2008 level of £1.4m to its agreed maximum of £3m by use of the underspend in 2008/09. This balance more prudently reflects the likely exposure to additional costs as a result of extraordinary major incidents and is in line with the agreement with the DfT and Treasury.

4.2 In the event, the Authority determined to use the £1.6m underspend to reduce the amount required under the PSAs for 2009/10 – leaving the balance on the Contingency Reserve at £1.4m. This is considered to be at a level which leaves the Authority more at risk of not being able to cover the costs of any extraordinary major incidents that might occur than it would be with a reserve at the planned level of £3m.



**5. CAPITAL PROGRAMME:**

- 5.1 Appendix C sets out a summarised position on the capital programme at the year end and shows that, for DfT supported schemes, expenditure was at £11.47m. against a target of £11m. This is considered to be a good position as it means that no capital grant from the DfT was lost. The overspend will be met as the first call on grant due in 2009/10.
- 5.2 The funding from the DfT in respect of the capital programme is for a three year period (2008/09 to 2011/12) and therefore the capital programme is being managed, as far as possible, over this period. This allows flexibility in the timing of individual projects and maximising resources and thus the under and over spends against the updated programme will be carried forward to 2009/10 and funded from the £13m available grant in this year. Most of these variances relate to ongoing schemes in any case and form part of the capital programme for 2009/10.
- 5.3 The other schemes in the capital programme are funded from a variety of sources (including grants from other government departments and the rail industry) and under and over spends will carry forward to be met by matching carry forwards in resources.

**6. RECOMMENDATION:**

- 6.1 Members are invited to note :
- the provisional outturn position on the revenue budget and capital programme for 2008/09.
  - that these figures may be subject to change as the audit continues.



**Appendix A**

<b>Revenue Budget 2008/09 - Provsional Outturn</b>					
<b>Analysis by FHQ and Areas</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance [figures in brackets indicate an overspend]</b>		<b>Report Paragraph Number</b>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>%</u>	
<b>FHQ</b>					
DCC	15,321	15,298	23	0.15	
ACC (Operations)	18,912	18,978	(66)	(0.35)	
ACC (Crime)	15,909	16,471	(562)	(3.53)	2.4
ACC (London and the Olympics)	592	591	1	0.17	
Director of HR	12,964	13,069	(105)	(0.81)	2.5
Director of Finance and Corporate Services	20,838	18,850	1,988	9.54	2.6
Frontlinefirst	1,881	1,552	329	17.49	2.7
<b>Total FHQ</b>	<b>86,417</b>	<b>84,809</b>	<b>1,608</b>	<b>1.86</b>	
London North	21,735	21,642	93	0.43	
London South	25,270	25,283	(13)	(0.05)	
Scotland	12,039	12,107	(68)	(0.56)	
North West	17,067	17,100	(33)	(0.19)	
North East	12,109	12,091	18	0.15	
Wales and Western	18,183	18,269	(86)	(0.47)	
<b>Total Force:</b>	<b>192,820</b>	<b>191,301</b>	<b>1,519</b>	<b>0.79</b>	
Police Authority:	1,866	1,816	50	2.68	
<b>Total Net Expenditure:</b>	<b>194,686</b>	<b>193,117</b>	<b>1,569</b>	<b>0.81</b>	
PSA Income	(194,686)	(194,580)	(106)	0.05	2.2
<b>Net position:</b>	<b>0</b>	<b>(1,463)</b>	<b>1,463</b>		





**Appendix B**

<b>Revenue Budget 2008/09 - Provisional Outturn</b>					
<b>Analysis by Expenditure and Income</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance [figures in brackets indicate an overspend]</b>		<b>Report Paragraph Number</b>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>%</u>	
<b>Expenditure:</b>					
Staff costs	155,990	157,931	(1,941)	(1.24)	2.10
Premises	13,156	13,600	(444)	(3.37)	2.11
Communications and Computers	9,024	9,773	(749)	(8.30)	2.12
Transport	4,997	5,720	(723)	(14.47)	2.13
Supplies and Services	19,071	18,389	682	3.58	2.14
Capital charges etc.	9,725	10,291	(566)	(5.82)	2.15
<b>Total Expenditure:</b>	<b>211,963</b>	<b>215,704</b>	<b>(3,741)</b>	<b>(1.76)</b>	
<b>Income:</b>					
PSA Income	(194,686)	(194,580)	(106)	0.05	2.2
Grants and other income	(17,277)	(22,587)	5,310	(30.73)	2.16
<b>Total Income:</b>	<b>(211,963)</b>	<b>(217,167)</b>	<b>5,204</b>	<b>(2.46)</b>	
<b>Net position:</b>	<b>0</b>	<b>(1,463)</b>	<b>1,463</b>		



**Appendix C**

<b>Capital Programme 2008/09 - Position as at year end</b>					
	Original Programme	Updated Programme	Actual Spend / Committed	Variance	
	£'000	£'000		£'000	£'000
<b>Department for Transport Funded:</b>					
Estates	4,398	4,571	4,047	524	11.46%
Technology	800	1,318	1,262	56	4.25%
Airwave	807	807	766	41	5.08%
Crime	1,228	1,631	1,400	231	14.16%
Control Rooms	1,977	1,676	1,545	131	7.82%
Vehicles	1,400	1,863	1,778	85	4.56%
DCC and Operations	390	569	670	(101)	-17.75%
<b>Total DfT Funded:</b>	<b>11,000</b>	<b>12,435</b>	<b>11,468</b>	<b>967</b>	<b>7.78%</b>
<b>Items funded from other sources:</b>					
Mobile computing	964	1,412	1,280	132	9.35%
Channel Tunnel Rail Link (CTRL)	28	32	30	2	6.56%
Vehicles	142	206	200	6	2.91%
Olympic Funding	906	1,557	694	863	55.43%
Other	239	179	525	(346)	-193.30%
<b>Total other funding:</b>	<b>2,279</b>	<b>3,386</b>	<b>2,729</b>	<b>657</b>	<b>19.41%</b>
<b>Total Programme:</b>	<b>13,279</b>	<b>15,821</b>	<b>14,197</b>	<b>1,624</b>	<b>10.27%</b>