

Topic: 2014/15 – Provisional Outturn

Author: Denise Breckon, Chief Accountant, Corporate Finance Department
Contributions: Peter Ramsey, Capital Accounting Manager
Richard Jones, Management Accounting and Insurance Manager

1.0 Purpose of Report

- 1.1. To set out the 2014/15 provisional revenue outturn and compare to the period 11 forecast. In June a further report will be presented confirming the final variances against budget, the balance to be transferred to the General Reserve and a summary of the Statement of Accounts prior to the external audit inspection.

2.0 Current Position

- 2.1. At the time of writing this report the account closure programme has just completed its sixth week. Currently there is a provisional budget overspend of **£2.1m** (period 11 **£1.7m**), after allowing for carry forwards and transfers to specific earmarked reserves. The overspend mainly relates to two major operations in Colchester (**£2.6m**). The overspend is a provisional figure, as there is significant accounting work to be undertaken over the next few weeks, particularly in relation to capital account, collection fund, balance sheet, insurance and pensions.
- 2.2. Notification has been received from the Home Office following the request for special grant funding for the operations in Colchester, but unfortunately no government funding is available for these operations and the Force will have to fund the costs.
- 2.3. All command and departmental budgets have been closed. Corporate Finance is continuing to review the transactions and where there are known outstanding transactions estimates of these adjustments have been used. Further reviews will be taking place over the coming weeks to ensure financial transactions are recorded in the correct financial year. The reviews will include collaboration budgets, Athena and external funding.

2.4. The balance on the General Reserve at 1st April 2014 was **£18.0m**. The overspend of **£2.1m** will be funded from the General Reserve. The provisional General Reserve balance as at 31st March 2015 will be **£16.2m** (including a transfer of £0.3m from underspends on the 2013/14 carry forwards). As part of 2015/16 budget setting, there is a planned withdrawal of **£2.1m** from the General Reserve for 2015/16. The forecast General Reserve balance at 31st March 2016 is **£14.1m (5.3%** of budgeted net expenditure).

3.0 Major Variances to Period 11

3.1. The final outturn report in June will provide details of major budget variances. The Provisional Outturn report is shown at **Appendix A** showing the movement from period 11 and the current provisional outturn of **£0.4m** additional overspend. There are several variances on individual accounts across the Force, with many relating to external funding, but the main differences affecting the transfer to the General Reserve are shown in Table 1 below.

Table 1: Main Changes from Period 11 Outturn Forecast Variance to Provisional Outturn Affecting the Transfer to the General Reserve

	Change in Forecast Outturn Variance	
Month 11 Forecast Outturn Variance	£1.7m	Overspend
Police Officer Ill Health Pension contribution	£0.3m	Higher than average payments in quarter 4 (up to pd 09 £439k, Pd 10 £221K, Pd 11 £122k, Pd 12 £341k)
Police Officer Overtime	£0.1m	Late claims higher than forecast (pd 10 £175k, pd 11 £181k, pd 12 £211k & pd 13 £309k)
Supplies and Services	(£0.3m)	Main overspends relate to photocopier (+£135k), main underspends relate to Forensic costs (£129k), communications and computing (£223k)
Premises	(£0.2m)	Main underspends relate to maintenance (£83k) , utilities (£118k) & cleaning (£56k); Main overspend relates to rates for a multi occupancy property (+£130k)
Transport	(£0.2m)	Main variances relate to maintenance (£123k) and fuel (£59k)
Other	£0.7m	Various variances across the Force
Forecast Outturn Variance	£2.1m	Overspend

4.0 Transfer to Revenue Earmarked and Carry Forward Reserves

4.1. The provisional year end transfers to earmarked reserves are shown in Table 2 below and the reserves schedule is shown at **Appendix B**.

Table 2: Year End Transfer to Revenue Reserves

Reserve	Forecast Transfer (pd 11)	2014-15 Opening Balance	Revenue Transfers	Provisional Year end Balance	1st April 2015 Balance	Comment
Pay Equalisation	£0.262m	£0.000m	£0.262m	£0.262m	£0.262m	New reserve to help fund in-year shortfalls on pay
Investment for Estates and IT Strategies	£0.241m	£0.000m	£0.241m	£0.241m	£1.421m	New reserve: £1.180m from 2015/16 Budget setting
Restructuring Reserve	£0.000m	£0.000m	£0.038m	£0.038m	£0.038m	New reserve to help fund future years restructuring costs
Leased Property Dilapidation & Maintenance	£0.000m	£0.520m	£0.015m	£0.535m	£0.535m	Reserve for multi occupancy building for property maintenance
Proceeds of Crime Act	£0.017m	£0.609m	£0.002m	£0.611m	£0.611m	POCA reserve
Forfeiture Monies Reserve	£0.000m	£0.058m	£0.017m	£0.075m	£0.075m	Forfeiture Monies
Estates Improvement Plan (1)	(£0.750m)	£2.345m	(£0.700m)	£1.257m	£1.257m	Reserve created in 2013/14 with £2.5m funding.
Athena	(£1.326m)	£1.740m	(£0.996m)	£0.744m	£0.744m	
Carry forward						
2013/14 to 2014/15	(£1.462m)	£1.857m	(£1.488m)	£0.068m	£0.068m	£68k SOIT balance from 2013/14 to be carried forward to 2015/16. £303k DVPO Unit balance from 2013/14 to be transferred to General Reserve
2014/15 to 2015/16	£0.000m	£0.000m	£1.179m	£1.179m	£1.179m	£704k for OPCC grants / £80k Op Terminus / £260k FCR & Chigwell / £135k Op Maple
Total	(£3.018m)	£7.129m	(£1.430m)	£5.010m	£6.190m	

Note - General: The complete reserve and provision position is shown at Appendix B

Note (1): In 2014/15 £388k was spent on Estates Improvement Plan capital projects

4.2. It is proposed the Treasurer's approval is sought for the appropriations to and from the earmarked reserves as shown in Table 2 above (Financial Regulations B10.2), subject to the two new earmarked reserves, Pay Equalisation and Restructuring, are approved by the PCC (Decision Sheet to be submitted).

- 4.3. The transfer include an underspend on the 2013/14 carry forward for the Sexual Offences Investigation Team (SOIT) (**£320k**) of **£68k** remaining in the Carry Forward reserve as additional funding required for SOIT in 2015/16 is **£135k**; and the underspend of **£303k** on the Domestic Violence Protection Orders (DVPO) unit from the 2013/14 carry forward of **£462k** is transferred to the General Reserve. Permanent funding is available from 2015/16 budget setting.

5.0 Revenue Provisions

- 5.1. The two main provisions are the Severance and Insurance provisions and the balances are included at Appendix B.
- 5.2. The insurance provision is being reviewed and the outturn position will be reported in June.
- 5.3. A transfer of **£1.5m** from the redundancy budget (**£1.75m**) has been actioned to the Severance provision to fund redundancy costs in 2015/16 for approved restructuring business cases. Severance costs of **£2.4m** from restructures to be finalised during 2015/16 are classed as a contingent liability for accounting purposes and are not funded. However this will be reviewed in June before the draft Statement of Accounts are signed.

6.0 Summary of the Provisional Capital Outturn

- 6.1. The capital programme proposals submitted to the Police and Crime Panel in February 2014 included a forecast of **£12.297m** capital expenditure in the 2014/15.
- 6.2. The proposals needed to be reviewed in the context of the emerging capital strategies, with the first critical review undertaken by the Strategic Capital Board (SCB) in June 2014. The revisions made by SCB resulted in a revised payments forecast for 2014/15 of **£9.998m**.
- 6.3. During the year, further amendments to the capital programme and changes to individual project payment profile led to movements in the 2014/15 payments forecast. The final forecast for 2014/15, advised as part of the month 11 monitoring reports, was **£6.851m**.
- 6.4. The provisional outturn position on an accruals basis is **£6.985m**, which is higher than the period 11 forecast by **£0.134m** (2.0%).

6.5. Table 3 below summarises the outturn position.

Table 3: Capital Expenditure

	original payments forecast £000	revised payments forecast June 2014 £000	Period 11 payments forecast £000	Provisional capital outturn £000	(under)/over spend against period 11 forecast £000
ANPR projects	772	612	581	474	(106)
Estates projects	4,981	3,587	1,578	1,727	149
IT projects	3,384	2,984	1,933	1,989	56
Transport projects	3,072	2,815	2,609	2,548	(61)
Other projects	87	0	149	245	96
	12,297	9,998	6,851	6,985	134

6.6 A more detailed analysis of the outturn identifying the position and variances on individual capital projects is at **Appendix C**.

7.0 Financing of Capital Expenditure in 2014/15

7.1. Capital expenditure is financed from capital resources. Table 4 below sets out the resources that were available in 2014/15 and their provisional application to finance capital expenditure in the year.

Table 4: Capital Financing

	opening balance at 01.04.14 £000	plus income in 2014/15 £000	less provisional financing of capital payments in 2014/15 £000	closing balance at 31.03.15 £000
Grant and contributions	5,162	2,665	(5,619)	2,209
Capital receipts	7,700	1,394	(559)	8,535
Revenue contributions	22	481	(268)	235
Estates Improvement Fund	0	388	(333)	55
Proceeds of Crime Act	0	15	0	15
Capital accruals			(205)	(205)
	12,884	4,943	(6,985)	10,843

- 7.2. The provisional position provides for capital resources totalling **£10.843m** (pd 11 £10.988m) being carried into 2015/16. This, together with capital income expected to be generated in 2015/16, is sufficient to finance the current capital expenditure forecast of **£14.085m** for the year from existing projects and from projects in the draft 2015/16 programme. This forecast will, however, be reviewed and updated to take account of the final outturn position on projects.

8.0 Changes to the Statement of Accounts

- 8.1. With the introduction of the Police and Crime Commissioner (PCC) in November 2012, the format of the Statement of Accounts (SoA) was changed. Three SoAs are now required, one for the PCC, the Chief Constable and for the Group. There was much national debate on the required format of the SoAs and nationally several approaches were adopted. The format for our 2013/14 SoAs was in line with our External Auditor's requirement.
- 8.2. From 1st April 2014, phase II of the introduction of the PCC was implemented with the transfer of police staff from the PCC to the Chief Constable, with the exception of police staff working directly for the PCC. This change will be reflected in the SoAs.
- 8.3. There have been some changes with accounting standards affecting the accounting of joint activities. We are reviewing the guidelines issued by CIPFA in April 2015 and working with External Audit. The final allocation of these costs in the SoAs is likely to be different for joint activities from previous years.
- 8.4. There is another area Corporate Finance are discussing with External Audit in terms of reporting requirements relating to overtime paid during annual holidays (Bear Scotland legal proceedings). As this is currently part of court hearings it is most likely it will be a contingent liability in the SoA and have no impact on the General Reserve balance for 2014/15. However, if External Audit views the potential payments should be accounted for as a provision, this will impact on the General Reserve balance.

9.0 Recommendations

9.1. The Treasurer approves:

i. the appropriations to and from the reserves as shown in Table 2 (para 4.) including:

a. the SOIT underspend of **£68k** is held in the Carry Forward Reserve

b. the transfer of the **£303k** underspend from the 2013/14 DVPO carry forward is transferred to the General Reserve

10.0 Conclusion

10.1. Work will continue over the coming weeks to finalise the transfer to the General Reserve, Statement of Accounts and liaise with External Audit. A Summary of the Statement of Accounts will be presented in June and the statutory deadline for Chief Finance Officers to sign the provisional accounts is 30th June. The signed Statement of Accounts will be audited over the summer and the statutory deadline for signing the final Statement of Accounts is 30th September.

POLICE & CRIME COMMISSIONER FOR ESSEX
REVENUE REPORT 2014/15 - Provisional Outturn - as at 14th May 2015

	Original Budget	Current Year Virements	Current Budget	Provisional Outturn	Outturn Variance	Pd 11 Forecast Outturn	Variance - Pd 11 Forecast outturn v Provisional outturn	Comment on Provisional Outturn to Pd 11 Forecast Outturn
	£000	£000	£000	£000	£000	£000	£000	
Employees								
Police Pay and Allowances	162,625	(1,147)	161,478	160,873	(605)	160,984	(112)	Main change relates to allowances which were less than forecast
Other Police Pay & Allowances	516	(112)	404	401	(3)	551	(151)	Main change relates to project funds underspends used for carry forward and external funding
Operational Performance Budget	1,554	(1,517)	37	0	(37)	206	(206)	Main change relates to Chief Officer contingencies used for carry forward
Police Officer Overtime	3,172	2,111	5,284	6,799	1,515	6,684	115	Increase in claims at year end
Police Officer Bank Holiday Overtime	1,587	121	1,708	1,708	(0)	1,726	(19)	
Police Staff Pay and Allowances	60,130	(969)	59,162	59,139	(23)	59,198	(59)	
Other Staff Pay & Allowances	1,600	463	2,064	2,097	34	2,147	(50)	
PCSO Pay	7,901	256	8,157	8,050	(107)	8,060	(10)	
Police Staff and PCSO Overtime	845	570	1,415	1,796	381	1,631	165	Main change relates to external funding & project funding
Police Staff Agency	208	724	932	1,108	176	1,068	40	
Pensions (Ill Health / Medical)	4,259	0	4,259	4,686	427	4,411	275	Increase in Ill Health lump sums at year end
Training	827	22	849	849	(1)	853	(5)	
Other Employee Expenses	2,288	(1,489)	799	883	84	2,357	(1,474)	Main change relates to Redundancy underspends transferred to the Redundancy Provision
Premises	10,518	685	11,202	11,098	(104)	11,284	(186)	Main changes relate to increase in underspends on maintenance, utilities and cleaning offset with late notification on rates for a multi occupancy property
Transport	6,582	(108)	6,474	5,277	(1,197)	5,449	(172)	Main change in variances relate to maintenance and fuel
Supplies and Services	20,077	1,853	21,930	23,992	2,061	24,617	(625)	Main change in variances relate to increase in photocopier costs offset with reduction of forecast expenditure for Forensic costs and communications & computing
Third Party Payments	5,077	1,359	6,436	6,816	381	6,644	172	Main change relates to ECC partnerships offset by change in income
Kent Collaboration Services	114	2,602	2,717	2,961	245	2,604	357	Main changes offset with changes in income
Gross Operating Expenditure	289,881	5,424	295,306	298,532	3,226	300,476	(1,944)	
Income	(23,715)	(5,852)	(29,567)	(30,781)	(1,214)	(30,021)	(760)	Main changes relate to external and partnership/collaboration income offset with changes in expenditure budgets.
Net Cost of Services	266,166	(427)	265,739	267,751	2,012	270,455	(2,704)	
Interest (Receivable) / Payable	(243)	0	(243)	(204)	39	(188)	(16)	
Net loss/(surplus) on the disposal of fixed assets	32	0	32	38	6	32	6	
Net Operating Expenditure	265,955	(427)	265,528	267,585	2,057	270,299	(2,715)	
Capital & Other Adjustments	1,000	2,050	3,050	3,050	(0)	1,481	1,569	Main change relates to the transfer to the Redundancy Provision
Net contributions to earmarked reserves								
Budget carry forwards	0	(306)	(306)	(306)	0	(1,462)	1,156	Transfers shown on Table 2 in the main report
Other earmarked reserves	0	(1,316)	(1,316)	(1,316)	0	(1,714)	398	Transfers shown on Table 2 in the main report
Net Expenditure	266,955	0	266,955	269,012	2,057	268,605	407	
Contribution to/(from) General Balance	0	0	0	(2,057)	(2,057)	(1,650)	(407)	Main variances shown on Table 1 in the main report
BUDGET REQUIREMENT	266,955	0	266,955	266,955	0	266,955	0	

Current & Forecast Reserves

	2013/14	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20	
	Balance @ 31/3/14 (£m)	Forecast Movements (£m)	Forecast @ 31/3/15 (£m)	Forecast Movements (£m)	Forecast @ 31/3/16 (£m)	Forecast Movements (£m)	Forecast @ 31/3/17 (£m)	Forecast Movements (£m)	Forecast @ 31/3/18 (£m)	Forecast Movements (£m)	Forecast @ 31/3/19 (£m)	Forecast Movements (£m)	Forecast @ 31/3/20 (£m)
Specific Revenue Reserves													
Future Capital Funding	-	0.3	0.3	(0.3)	-	-	-	-	-	-	-	-	-
Leased Property Dilapidations Reserve Original	0.2	-	0.2	-	0.2	-	0.2	-	0.2	-	0.2	-	0.2
Leased Property Dilapidation & Maintenance Reserve	0.5	-	0.5	-	0.5	-	0.5	-	0.5	-	0.5	-	0.5
Forfeiture Monies Reserve	-	0.1	0.1	-	0.1	-	0.1	-	0.1	-	0.1	-	0.1
Estates Plan	2.3	(1.0)	1.3	(1.3)	-	-	-	-	-	-	-	-	-
Support Services Project Team	0.1	(0.1)	-	-	-	-	-	-	-	-	-	-	-
Athena	1.7	(1.0)	0.7	(0.7)	-	-	-	-	-	-	-	-	-
Restructuring Reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment for Estates & IT Strategies	-	0.2	0.2	1.2	1.4	(1.4)	-	-	-	-	-	-	-
Pay Equalisation Reserve	-	0.3	0.3	-	0.3	-	0.3	-	0.3	-	0.3	-	0.3
POCA income	0.6	-	0.6	-	0.6	-	0.6	-	0.6	-	0.6	-	0.6
Specific Revenue Reserves	5.4	(1.2)	4.2	(1.1)	3.1	(1.4)	1.7	-	1.7	-	1.7	-	1.7
Carry Forwards Reserve (note 1)	1.9	(0.7)	1.2	(1.2)	-	-	-	-	-	-	-	-	-
General Reserve (note 1)	18.0	(1.8)	16.2	(2.1)	14.1	(1.1)	13.0	(1.7)	11.3	(1.3)	10.0	(1.3)	8.7
GR as % of net revenue expenditure	6.6%		6.1%		5.3%		5.1%		4.5%		4.1%		3.6%
Total Revenue Reserves	25.3	(4.0)	21.3	(4.1)	17.2	(2.5)	14.7	(1.7)	13.0	(1.3)	11.7	(1.3)	10.4
Specific Capital Reserves													
Usable Capital Receipts	7.7	0.8	8.5	(6.9)	1.6	(1.6)	-	-	-	-	-	-	-
Unapplied grants & other contributions	4.4	(2.9)	1.5	(1.5)	-	-	-	-	-	-	-	-	-
Long term liabilities													
Capital Grants - receipts in advance	0.7	(0.1)	0.6	(0.6)	-	-	-	-	-	-	-	-	-
Total Capital Reserves (note 2)	12.8	(2.2)	10.6	(9.0)	1.6	(1.6)	-	-	-	-	-	-	-
Usable Provisions													
Insurance (for known outstanding claims) (note 3)	2.9	(1.5)	1.4	(1.4)	-	-	-	-	-	-	-	-	-
Restructuring (for known redundancies @ 31.03)	-	(1.5)	(1.5)	1.5	-	-	-	-	-	-	-	-	-
Total Usable Provisions	2.9	(3.0)	(0.1)	0.1	-	-	-	-	-	-	-	-	-
Grand Total	41.0	(9.2)	31.8	(13.0)	18.8	(4.1)	14.7	(1.7)	13.0	(1.3)	11.7	(1.3)	10.4
Internal Borrowing on past capital projects	(9.1)	1.0	(8.1)	1.0	(7.1)	1.0	(6.1)	1.0	(5.1)	1.0	(4.1)	1.0	(3.1)
Reserves Financed by Cash	31.9	(8.2)	23.7	(12.0)	11.7	(3.1)	8.6	(0.7)	7.9	(0.3)	7.6	(0.3)	7.3

note 1: The forecast movements on the General Reserve for 2014/15 includes £0.3m transfer from the Carry Forward Reserve from the underspend on the DVPO unit

note 2: Capital spend from 2015/16 is being reviewed. The above estimates relate to the 2014/15 capital programme and earlier years only

note 3: The Insurance provision includes additional revenue funding of £0.3m in 2015/16 and £2.0m in 2016/17. Provision still to be reviewed for 2014/15

PROVISIONAL CAPITAL OUTTURN POSITION 2014/15 BY PROJECT

	capital payments in 2014/15			
	Forecast from Strategic Capital Board - June 14 £000	Period 11 forecast £000	Actuals £000	variance (under) / over final forecast £000
ANPR projects				
ANPR - Cameras	50	132	128	(4)
ANPR - asset replacement	77	46	42	(3)
ANPR - Back Office System Upgrade	0	10	0	(10)
ANPR - Roads Policing Vehicles	0	(3)	(3)	0
ANPR - Schengen upgrade	0	12	11	(1)
Journey time system cameras - upgrade to full Home Office compliance	0	115	90	(25)
Spectrum van equipment	50	50	10	(40)
Western border - programme of installation projects	435	220	197	(23)
Total ANPR projects	612	581	474	(107)
Estates projects				
Brentwood PS - Flat Roof Upgrade	4	4	4	0
Chelmsford PS - Custody	0	41	41	0
Chelmsford PS - Replacement Asphalt to Roof Terrace	1	0	0	0
EPC - Hydra Training Facility	2	4	4	0
Fire Precaution Works - Phase III	132	0	7	7
Police HQ - L Block - Conversion of existing accommodation	0	0	(5)	(5)
Southend Police Station - custody refurbishment	1,330	146	123	(23)
CCTV systems - upgrade programme	220	0	0	0
Estate changes for Evolve	350	72	72	(0)
Harlow Police Station - custody	500	0	0	0
Police HQ	110	80	66	(14)
Sandon Dogs - relocation or runs & acoustic fence	170	36	36	0
Serious Crime Directorate - Fingerprint Enhancement Laboratory	769	515	794	279
Police HQ - Force Command Room - UPS upgrade	0	681	586	(95)
Total Estates projects	3,587	1,578	1,727	149
IT projects				
Airwave - covert radio replacement	73	73	77	4
Airwave - handheld radios replacement programme	76	76	227	152
Airwave - replacement of chargers	18	12	7	(5)
Airwave	0	65	65	(0)
ATHENA Project	125	490	430	(60)
Crime Scene Marks - system for remote transmission of marks	85	0	0	0
CSI - iPads and Socrates application	55	11	11	0
Desktop IT equipment - annual replacement programme	450	558	557	(1)
Evolving Police technology Programme (Mobile Policing Programme)	50	63	59	(4)
Fleet Management System	0	15	15	0
IMPACT Operational Data Store	0	1	1	0
IT Equipment Replacement Programme 13/14	529	0	0	0
IT protective monitoring	195	9	0	(9)
Network infrastructure - LiveLink and Virtual Courts connection	30	4	6	2
Network infrastructure - switch upgrades	300	306	286	(20)
Network infrastructure programme 13/14	228	60	52	(8)
QAS & Compass Upgrade	0	6	6	0
Reform Technology Project - Mobile Data Terminals	400	9	9	0
Server and storage hardware - annual replacement programme	160	50	102	52
Single desktop programme	0	70	51	(19)
Suspect Interviews Digital Recording - Phase 1	40	3	11	8
Video conferencing facilities at around 10 locations	0	8	8	(1)
Video Technology Links to Courts - IT	0	8	8	0
Visual media evidence and investigation programme	169	0	0	0
Total IT projects	2,984	1,898	1,989	90
Other projects				
Body armour - annual replacement programme	0	92	94	2
OPC Casualty reduction - instation units	0	61	122	61
SCD - Radio Propagation Survey - Multi-Network Tool	0	34	29	(5)
Other projects	0	(4)	0	4
Total Other projects	0	183	245	62
Transport projects				
Fleet replacement programme 08/09 (VAT adjustments)	0	3	3	0
Fleet replacement programme 09/10 (VAT adjustments)	0	5	5	0
Fleet replacement programme 10/11 (VAT adjustments)	0	4	4	0
Fleet replacement programme 11/12 (VAT adjustments)	0	3	3	0
Fleet Replacement Programme 12/13	0	13	13	1
Fleet Replacement Programme 13/14	725	809	809	0
Fleet Replacement Programme 14/15	2,090	1,708	1,646	(62)
Other Vehicles	0	29	29	0
Fuel Tank - Boreham	0	26	26	0
Marine - replacement engines for 2 RHIBs and equipment.	0	7	7	0
SCD - Crime Units Vehicles	0	2	2	0
Total Transport projects	2,815	2,609	2,548	(61)
TOTAL	9,998	6,851	6,985	134