

<p>Committee: Police Performance and Resources Committee- For information</p> <p>Police Committee- For information</p>	<p>Date: 23rd November 2018.</p> <p>5th December 2018</p>
<p>Subject: Revenue Budget Monitoring Report to September 2018</p>	<p>Public</p>
<p>Report of: Commissioner of Police Pol 86-18</p>	<p>For Information</p>
<p>Report author: Mark Reeves, Interim Director of Finance</p>	

Summary

The approved Chief Officer Cash Limited budget is £ 62.15m excluding £3.5m of net recharges from the Corporation. The forecast outturn for Police is an overspend position of £4.9m, which is a significant worsening from previous forecasts. The main reason for this is that the original budget significantly understated the costs of employing the planned workforce numbers, particularly given the need to provide for overtime and use of agency staff. This pressure on pay costs, for which the Q2 forecast is £5.8m higher than the original budget, was masked in earlier forecasts by the erroneous addition of £4.5m of income for the National & International Capital City grant, which for 2018-19 is treated as funding and was therefore double-counted as income.

Of the 5 directorates within the Force, two of the Directorates are forecasting almost to budget and variances on three of the other Directorates. There are still some areas within this financial year that require some further work and could add some further pressure into the forecast position. Further analysis needs to be carried out to fully understand the cost profile of supplies and services. There is also potential that there may be further cost pressures within Action Fraud. Work is being carried out with the Action Fraud Programme Manager to understand the cost model to 31st March and beyond.

Whilst this is the report of the Commissioner of Police it should be noted that it has been completed in discussion with the Chamberlain.

Recommendation

Members are asked to note the report.

Main Report

Chief Officer Cash Limited Budget

1. Risks to outturn arising in Q2 without mitigation identifies an overspend of £4.9m. The Force has four operational directorates (Crime, Economic Crime, Intelligence and Information and Uniform Policing) and one support Directorate (Business Support Directorate) The position for each activity area is shown in the table below.

Table 1: Directorate Outturn at Summary Level

Directorate	Budget	Q2 Actual	Outturn Risk	Better/(Worse)
	£m	£m	£m	£m
Crime	12.08	6.05	11.90	0.17
ECD - Core Units	5.83	5.70	3.87	1.96
ECD - Funded Units	0.53	8.86	0.23	0.30
I&I	10.64	5.14	11.56	(0.92)
UPD	12.29	5.63	12.42	(0.13)
BSD	20.79	3.82	27.07	(6.28)
Total Net Expenditure	62.15	35.20	67.05	4.90

Revenue

2. Crime Directorate shows a small projected underspend at year end of £0.17m. Previously Crime had been carrying a small number of vacancies however recruitment as proved successful of recent and expect to be at full strength come year end
3. Economic Crime Directorate (ECD) - A total of 19 vacancies in police staff across ECD is leading to a potential £1m underspend in police pay and on costs. At the current rate, overtime budgets will be underspent by £129k by the end of the financial year. Vehicle leasing, running costs and hire are projected to be underspent by £84k by the end of the year against budgets based on last year.
4. Action Fraud managed service fees between suppliers will overlap in addition to projected costs for one supplier which is over what was previously expected (£1m). NLF is not spending its Professional Fee budget £452k, but the NLF budget as a whole will be realigned, so this underspend may not appear in later forecasts. The Legal Fees budget is underspent, mainly in the NLF £206k. Surplus budget in NLF was placed in Software Purchase/Hire and this will be used in the realignment £1,178m. Forensic budgets will be underspent by £154k across the units. DCPCU budgeted for the same level of Metropolitan Police support as 2017/18, but fewer officers have been recharged to date this financial year £156k.

5. Verbal confirmation from the Home Office has been received that they will fund National Economic Crime Victim Care Unit (NECVCU) at the current run rate until the end of the financial year £450k over the original allocation. Underspends in DCPCU £140k, IFED £358k and PIPCU £166k may result in underachievement of income for those units.
6. Finance Business partners are working closely with operational colleagues to take steps to correct this budget to outturn by examining all non-pay spends and closely monitoring vacancies and recruitment in this area.
7. Intelligence and Information Directorate (I&I) is currently forecasting an overspend of £0.92m. This is directly attributable to pay. I&I increased in FTE's in 18/19 by 18 (17 officers and 1 staff) without budget. To accommodate these additional posts, 11 posts were assimilated into vacant posts held by I&I. The remaining seven posts resulted in an overspend, i.e. £50k per annum per officer. In addition, due to I&I being at full strength (or over strength) the 5% vacancy factor applied (in total £500k) at start of year has not materialised, resulting in the total overspend for I&I.
8. Uniformed Policing Directorate (UPD) shows a small predicted overspend of £0.13m. This overspend is attributable to a mixture of UPD being at full strength and significant spend on overtime due to unforeseen events and operational needs. Potential risks to highlight for 2018/19 there is a likelihood that overtime spend could increase as they are driven by various events. Actual overtime during 2017-18 financial year amounted to £0.5m in total.
9. Business Support Directorate (BSD) manages business support functions for the Force and includes resourcing the Force's extensive and ambitious capital programme including pipeline projects. Note, BSD contains the central holding account where vacant posts no longer deemed necessary are transferred to be used for efficiency savings.
10. At Q2, the forecast to year end is showing an overspend of £0.92m. This is predominantly due to 17/18 Premises Cost (Rates charge £340k) remained unpaid for New Street site, therefore will be paid in this financial year and was not accrued for in previous year.
11. Overspend of £294k within Staff Office/ Strategic Development which contains four supernumeraries against no funding. Discussions are being held how these costs can be accommodated into the force without creating a pressure to year end.
12. Overspend of £235k in relation to 'Free Rail Travel'. This pressure has arrived due to a reduction in the original 18/19 budget. Please note total forecast of costs relating to Rail travel has been predicted at £1m for the entire year, which also matches last year's spend, however again discussions are being held how much offsetting income will be received for 18/19.

Proceeds of Crime Act 2002 (POCA)

13. Appendix 1 shows a summary of the actual spend for Q1 against budgets.

Capital and Supplementary Revenue Budgets

14. The capital outturn for 2018/19 has been profiled to budget. There are major programmes under review mainly IMS/DRS and ESN (formally ESMCP) which will be updated to Members in Q3.
15. Appendix 2 comprises Table 1 and Table 2 and outlines the capital programme for 2018/19
16. Table 1 identifies approved capital expenditure programmes financed within the Chief Officer's capital budget.
17. Table 2 outlines Pipeline Projects which primarily need to be developed into full business cases before they can receive Committee approval. These programmes are unfunded and require approval from Resource Allocation Sub-Committee to determine how the capital expenditure will be financed.

Major Programmes

18. There are several ongoing major programmes within the Police that are interdependent with the Corporation. These are Action Fraud, the Accommodation Programme and the Planned and Cyclical Maintenance of the Police Estates and the Emergency Services Mobile Communications Programme.

Action Fraud: Action and Know Fraud – 2018/19 Budget £3.1m

19. Members are aware of the issues being experienced in the Action and Know Fraud Service which is reported separately to your Committee.
20. Spend to date has now reached £1.6m, comprised of payments to the supplier of £1.3m, £125k Home Office, £98k Consultants and £42k in legal fees.

Service Monetisation

21. The monetisation work stream is progressing. To provide Members with perspective of the importance of the Supplier service to the monetisation work stream, the dependency on the Supplier is that there needs to be a stable service running and that data can be accessed at all times. The implication of the Service delivery delay is that it pushes back the monetisation timeline and date that income can be realised.

Accommodation programme:

22. Information relates to two elements of the programme, the Decanting of existing CoLP estate and New Build of accommodation.

Decant

23. Decant works continue across the existing CoLP estate. However, delays have been experienced within the programme particularly at New Street that is now also impacting upon the Bishopsgate works. The additional impact is upon the CoLP logistics programme and the supporting projects associated with these existing facilities.
24. The risk of the delays are now also delaying any decommissioning works for Snow Hill and Wood Street. If the works programme slips further the ability to achieve vacant possession of Wood Street by the required planning dates could be severely compromised.

New Build

25. The development proposals for the new build site are progressing well. The feasibility evaluation was accepted by Members earlier this summer with outline design scope for the site including the Courts and Police facilities.
26. Tender documents are currently being received and evaluated for Architects, Security, Building Services and Civil / Structural Services. Allowing for the completion of the tender processes and contracts awards through committee, it is anticipated that all contractors / consultants will be engaged by December 2018.
27. In the interim, the City of London Police and Courts services are developing their respective scope of requirements for consideration within the building specifications.

Planned and Cyclical Maintenance of the Police Estate

28. A clear misalignment has been identified between the physical works required to maintain the estate of the City of London Police and appropriate budgets. The main cause of this has been the assumption that the accommodation programme would have removed the requirement for some of these essential works, but due to the delays within that programme, some of these essential works are now unavoidable. These are being regularly reviewed and limited to essential works only, particularly within sites with a short time frame of retention. A minor budget increase may be required in year for 2018/19 and a detailed profile of any works will be built into cyclical works budgets for 2019/20 onwards.

The Emergency Services Network programme

29. This is a national programme providing mission critical communications and broadband applications and will affect all Bluelight services. The programme is still in its early stages and is due for completion in 2022. The programme is complex in that the national team delivers the network and each individual organisation provides its own use case, based on operational requirements which will involve network infrastructure redesign, control room upgrades, new smart type devices, vehicle fleet refits and replacement of in-building solutions in key locations. The lack of clarity around estimates and assumptions is due to the lack of detailed information from national programme / Home Office.
30. Recently the Force was approached by the national lead due to some concerns about the lack of local progress and this is currently highlighted as a

risk within the Force risk register. The team requires a technical architect, design and configuration expertise, test and assurance management, subject matter expertise in Police control rooms, mobile devices and in-vehicle units. The project will require stakeholder engagement with City Businesses to deliver in building solutions providing for communications inside strategic buildings / iconic locations. This is particularly important due to the threat from terrorism.

Future Financial Planning

31. There are still some areas within this financial year that require some further work and could add some further pressure into the forecast position. Further analysis needs to be carried out to fully understand the cost profile of supplies and services. There is also potential that there may be further cost pressures within Action Fraud. Work is being carried out with the Action Fraud Programme Manager to understand the cost model to 31st March and beyond.
32. A plan is being formulated with the Commissioner to recover as much of the overspend position as possible to 31st March. This recovery plan will carefully consider the deliverable savings on all aspects of the Force budget.
33. A review of the Medium Term Financial Plan has been undertaken between the Force and the Chamberlains Department. There are significant cost pressures in the MTFP that will need to be addressed for the presentation of the MTFP to the Police Committee in early December.

Other Police Funds

34. The forecast Police working balances includes the General fund £3.5m, the POCA reserve £0.5m and the transformational fund £0.1m as table 2 outlines.
35. The available £3.1m Action Fraud reserve balance will be used to match expenditure as and when incurred during 2018/19.

Table 2: Other Police Funds Forecast to March 2019

Forecast Other Police Funds to 31st March 2019	2018/19 Opening Balance £m	2018/19 Projected Outturn £m	2018/19 Closing Balance £m	
General	(3.50)	(3.5)	0.00	
POCA	(0.50)	(0.50)	0.00	
Transformational Funding	(0.01)	(0.01)	0.00	
Action Fraud	(3.10)	(3.10)	0.00	
Total Other Police Funds	(7.11)	(7.11)	0.00	

Appendix 1 - POCA Allocations for 2018/19

Appendix 2 – Capital and Supplementary Revenue Budget

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Appendix 1

POCA Reserve Allocations 2017/18

POCA - 2018/19			
Indicative Allocations: Strategic POCA			
Priorities			
Allocation	POCA Allocation 2018/19 £m	Actuals to Sept 18 2018/19 £m	Allocation Remaining 2018/19 £m
POCA Costs for ARTS/SARS Teams	0.3	0.13	0.17
Skynet Intelligence Hub	0.2	0.03	0.17
PCSO to June 2018	0	0.02	(0.02)
Operational Programmes	0	0.05	(0.05)
Voluntary Sector	0	0.13	(0.13)
Capital Programmes	0	-	0.00
	0.5	0.36	0.14

Appendix 2

Table 1: Approved Capital and Supplementary Revenue Projects				
	Forecast Outturn 2018/19 £'000	2019/20 £'000	2020/21 £'000	Total £'000
Approved Expenditure				
<u>Authority to start work granted</u>				
ICT Support to CCCI Functions - MOPI	(195)			(195)
Digital Interview Recording Solution	(12)			(12)
IP Telephony	(94)			(94)
Secure City Programme	(211)			(211)
ESMCP - Integrated Command	(1,229)			(1,229)
Payroll and Duty Management System - HR Integrated	(286)			(286)
WAN	(846)			(846)
ROS - IMS/DRS (back office)	(963)			(963)
Vehicle Purchases	(250)	(250)	(250)	(750)
Sub-total approved expenditure	(4,086)	(250)	(250)	(4,586)
Approved Funding				
General Support				
Home Office Capital Grant	576	400	400	1,376
Revenue Contribution	29			29
Earmarked Funding				-
Proceeds of Crime Funds - CCCI				-
S31 Police Control Room Upgrade Grant - ESN	340			340
Bridge House Estates contribution to ROS - River Cameras/IMS/DRS				-
On-Street Parking Reserve contribution to ROS - IMS/DRS	175			175
Additional Proceeds of Crime Funds - CCCI				-
Proceeds from sale of vehicles		48		48
Additional City Funding	2,966			2,966
Sub-total approved funding	4,086	448	400	4,934
Net Funding (Shortfall)/Carry forward Surplus	0	198	150	348

Appendix 2 contd.

Table 2: Compliance and Pipeline Capital and Supplementary Revenue Projects				
	2018/19	2019/20	2020/21	Total
	£'000	£'000	£'000	£'000
Compliance and Pipeline Projects				
<u>Indicative implementation costs for projects which have not yet received authority to start work</u>				
ESMCP - (ESN)	0	(3,244)	(4,000)	(7,244)
Unified Comms	(18)	(157)		(175)
IP Telephony	(226)			(226)
e Discovery	(300)			(300)
Digital Interview Recording Solution	(100)	(150)		(250)
Secure City Programme	0	(3,000)	(3,690)	(6,690)
Intranet Upgrade	(100)	(145)		(245)
Sub-total indicative implementation costs for pipeline projects	(744)	(6,696)	(7,690)	(15,130)
Net Funding Shortfall for compliance and pipeline projects	(744)	(6,696)	(7,690)	(15,130)
Overall Funding (Shortfall)/Surplus	(744)	(6,498)	(7,540)	(14,782)