

<p>Committee:</p> <p>Police Performance and Resource Management Sub Committee- For information</p> <p>Police Committee- For information</p>	<p>Date:</p> <p>6th February 2019</p> <p>28th February 2019</p>
<p>Subject:</p> <p>Revenue Budget Monitoring Report to December 2018</p>	<p>Public</p>
<p>Report of:</p> <p>Commissioner of Police Pol 11-19</p>	<p>For Information</p>
<p>Report author:</p> <p>Cecilie Booth, Interim Director of Finance</p>	

Summary

The approved Chief Officer Cash Limited budget at the start of the year was £65.6m. The forecast outturn for Police is an overspend position of £5.4m with planned mitigations of £3.1m resulting to a predicted total overspend of £2.3m (which includes full draw down of the Police Reserve).

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 Q3 forecast is £6.6m 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.

There are still some areas within this financial year that require some further work, which could improve or add further pressure to the projected outturn position. Further analysis will be carried out to analyse the cost profile of supplies and services. It is also possible that there may be further cost pressures within Action Fraud, work is being carried out with the Action Fraud Programme Manager to further develop 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

- Risks to outturn arising in Q3 without mitigation identifies an overspend of £5.4m. The Force has four operational directorates (Crime, Economic Crime, Intelligence and Information and Uniform Policing) and one support Directorate (Business Support Directorate). The forecast is summarised below in Table 1. Details of the Revised Budget and forecast can be found in Appendix 2

Table 1: Forecast Summary

	Original Budget £m	Revised Budget £m	Actual (Q3 YTD) £m	Forecast £m	Variance £m
Total Pay	91.1	94.7	56.6	97.7	(3.0)
Non-Pay	33.4	41.2	28.1	41.3	(0.1)
Total Expenditure	124.5	135.9	84.7	139.0	(3.1)
Total Income	(55.3)	(63.7)	(31.8)*	(65.8)	2.1
Funding	(61.1)	(61.1)	(61.1)	(61.1)	0.0
Underlying Deficit	8.1	11.1	(8.2)	12.1	(1.0)
Use of reserves	(3.5)	(6.7)	0.0	(6.7)**	0.0
Deficit (pre-mitigation)	4.5	4.5	(8.2)	5.4	(0.8)
Mitigations	0.0	0.0	0.0	(3.1)	3.1
Deficit (post-mitigation)	4.5	4.5	(8.2)	2.3	2.3

The “Original Budget” column shows the approved budget. As illustrated in Table 1, the originally approved budget was severely understated due to a number of errors and omissions across pay, non-pay and income budgets. The “Revised Budget” column shows the budget required to deliver the current level of service. The projected outturn position for income and expenditure for the year is compared against the “Revised Budget”. Budget mitigations and the projected year end deficit position are also shown in Table 1, and the “Mitigations” and “Deficit (post-mitigations) reconciles back to the approved budget of £65.6m.

*Home Office grants are usually received close to year end.

** “Use of reserves” include £3.5m from General Reserves and £3.2m from Action Fraud Reserves, totalling £6.7m, as shown in Table 3.

2. Revenue

Finance Business partners are working closely with operational directorates to take steps to correct this budget to outturn by examining all pay and non-pay spends, including monitoring of vacancies, recruitment and the use of agency staff. A detailed review of core funding and funded units is also being undertaken, with a view to minimise the projected year end overspend position.

At Q3, the forecast to year end is showing overspend of £5.4m, predominately due to the erroneous addition of £4.5m, as mention in the opening summary.

Any financial impact of Deferred Weekly Leave (DWL) and time off In Lieu (TOIL) will be assessed in the final quarter of the year and incorporated in the outturn report.

2018/19 Premises Cost - a forecast overspend of £443k on rates for all Police properties is due to inadequate budgets, including previous year unpaid rates of £330k which was not accrued for. The additional expenditure is accounted for in Table 1.

The cost of the 'Rail Travel Scheme', net of employee contributions, is £800k against a budget of £500k. This results in an overspend of £300k for the year, which is accounted for in Table 1. Employee contributions are captured at the end of the financial year, and the projected outturn position is based on the previous year's contribution. The actual 2018/19 employee contribution will be determined at year end.

For future reference, the quarterly monitoring report will incorporate a high level overview of workforce planning and vacancy management.

3. Proceeds of Crime Act 2002 (POCA)

Appendix 1 shows a summary of the actual spend for Q3 against budgets. A full review of the POCA budget and level of reserves will be completed by the end of the financial year.

4. Capital and Supplementary Revenue Budgets

Further work will be undertaken to provide a full assessment of capital expenditure against the Capital Programme. Aside from Police accommodation, last year's MTFP included a £17m provision from City Fund to address the previously identified shortfall in the Police capital programme. However, there is likely to be a continuing and significant growth in police capital pressures, such as for the interim estates strategy, IT modernisation and National Policing Programmes; many of which are without identified funding. This is coupled with the absence of a depreciation (or rental on freehold buildings) charge within the 'net' Police budget to replenish the City Fund over time. Currently spend to date (at end of period 9) stands at £878k.

6. Major Programmes

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

Members are aware of the issues being experienced in the Action and Know Fraud Service which is reported separately to your Committee. Spend to date is £3.0m against a budget of £3.1m.

Accommodation programme:

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

Decant

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. Bishopsgate works are now completely on hold pending confirmation from the CoL Surveyor of the estimated completion date for New Street. These delays create significant further delays across the programme in 2019. The additional impact is upon the CoLP logistics programme and the supporting projects associated with these existing facilities.

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. The earliest anticipated vacant possession date for Wood Street is estimated as April 2020, but this date has not been confirmed.

New Build

The feasibility evaluation for the new bids was accepted by Members earlier this summer with outline design scope for the site including the Courts and Police facilities.

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 early 2019. The main programme will then mobilise from January / February 2019.

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

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. However, due to the delays within that programme, some essential works are now unavoidable. Essential works are being regularly reviewed and limited to sites with a short time frame of retention. There may be a minor overspend in 2018/19 and a detailed profile of any works will be built into cyclical works budgets for 2019/20 onwards. The financial impact will be closely monitored.

The Emergency Services Network programme

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 programme is slipping nationally and the lack of clarity is due to the lack of detailed information from national programme / Home Office.

7. Future Financial Planning

A MTFP Working Group has been established, and the Group has met to discuss the plans for producing a balanced budget for 2019/20. Recommendations from the meeting will be considered by the Resource Allocation Sub Committee as part of its usual budget setting process.

The Commissioner has established a Mitigations Plan to improve the projected outturn position and to minimise the anticipated overspend, as shown in table 2 below. The City of London Police should continue to take the agreed measures, to the value of £3m, to reduce the in-year 2018/19 budget overspend of £5.4m to £2.3m. The Mitigation Plan is considered at a weekly meeting attended by the Commissioner, Town Clerk and Finance Directors to consider progress against the plan

Table 2: Mitigation Plan

	Mitigations
1	Police Staff Recruitment Freeze
2	Freeze on Police Overtime
3	Agency Staff Rationalisation
4	Freeze on Non Pay Costs
5	Funded Units Recharge Review
6	Additional Income from the Corporate Plan

8. Other Police Funds

The Police reserves and balances are outlined in Table 3 below.

The available £3.1m Action Fraud reserve balance will be used to match expenditure as and when incurred during 2018/19.

Table 3: 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)	(3.50)	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

There will be a full review of POCA by the end of the financial year, and the outturn position may potentially be improved.

9. Risk Management

Table 4 below identifies the key risks and mitigating controls contained within this report:

Table 4: Risk Management

Risk	Risk Mitigation
Use of Overtime relating to Christmas/New Year that are yet to be confirmed	An estimate of known overtime has been incorporated within the report
Use of agency staff	A full analysis is being undertaken and some contracts are due to expire
Vacancy factor:	There is currently a recruitment freeze in place
Budget mitigations:	Budget mitigations are being reviewed weekly
Further cost pressures for Action Fraud	Under review
Capital Programme progress and potential slippage	The capital Programme will be fully reviewed during the final quarter of the year.
Brexit	A new cost centre has been set up to monitor costs
Vehicle fleet management	A fleet review will be undertaken

Appendix 1 - POCA Allocations for 2018/19
Appendix 2 – Forecast Detail

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POCA Reserve Allocations 2018/19

POCA - 2018/19			
Indicative Allocations: Strategic POCA Priorities			
Allocation	POCA Allocation 2018/19 £m	Actuals to Dec 18 2018/19 £m	Allocation Remaining 2018/19 £m
POCA Costs for ARTS/SARS Teams	0.3	0.18	0.12
Skynet Intelligence Hub	0.2	0.04	0.16
PCSO to Dec 2018	0	0.03	(0.03)
Operational Programmes	0	0.05	(0.05)
Voluntary Sector	0	0.13	(0.13)
	0.50	0.43	0.07

Forecast - Detailed

	Original Budget £m	Revised Budget £m	Actual (Q3 YTD) £m	Forecast £m	Variance £m
Pay					
Officers – net	47.9	48.4	35.0	48.9	(0.5)
Staff – net	21.2	22.6	16.8	22.6	(0.1)
Overtime	0.4	1.6	2.2	2.5	(0.9)
Agency	0.0	0.3	1.5	2.2	(1.8)
Pensions Contrib.	19.6	19.6	0.0	19.6	0.0
Other	2.0	2.2	1.1	1.9	0.3
Total Pay	91.1	94.7	56.6	97.7	(3.0)
Non-Pay	33.4	41.2	28.1	41.3	0.1
Total Expenditure	124.5	135.9	84.7	139.0	(3.1)
Income					
Specific Grant	(41.2)	(49.8)	(23.1)	(51.9)	2.0
Partnership	(11.1)	(11.5)	(6.8)	(11.0)	(0.6)
Fees & Charges	(3.0)	(2.4)	(2.0)	(3.0)	0.6
Total Income	(55.3)	(63.7)	(31.8)	(65.8)	2.1
Funding	(61.1)	(61.1)	(61.1)	(61.1)	0.0
Underlying Deficit	8.1	11.1	(8.2)	12.1	(1.0)
Use of reserves	(3.5)	(6.7)	0.0	(6.7)	0.0
Revised Deficit (pre-mitigation)	4.5	4.5	(8.2)	5.4	(0.8)
Mitigations	0.0	0.0	0.0	(3.1)	3.1
Deficit (post-mitigation)	4.5	4.5	(8.2)	2.3	2.3