

Committee(s)	Dated:
Police Performance and Resource Management Sub Committee – For decision	6 th February 2019
Police Committee- For decision	28 th February 2019
Subject: Revenue and Capital Budgets – 2019/20	Public
Report of: Commissioner of Police Pol 12-19	For Decision
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Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval of the latest revenue budget update for 2018/19 and the provisional revenue budget for 2019/20, for subsequent submission to the Finance Committee.

The 2018/19 original budget was severely understated due to a number of errors and omissions across pay, non-pay and income budgets. 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. There were also significant understatements in non-pay costs and income. These pressures were masked by the erroneous addition of a £4.5m grant which was also double counted as income.

Against this background, the Medium Term Financial Plan (MTFP) was updated through joint working between the Police Authority and the Force during autumn 2018, as follows:

Pay	£98.9m
Non-pay	£39.8m
Income	£61.4m

The updated MTFP was presented to the Police Committee in December 2018, identifying a deficit of £11.7m. The deficit position was subsequently improved to £8.7m following the Government’s announcement of the provisional police funding settlement for 2019/20 in December, which was better than expected for CoLP.

The Force income and expenditure assumptions for the 2019/20 budget remain as per the MTFP presented to the Police Committee in December 2018:

At the MTFP Working Party meeting on 8th January 2019, the Force committed to finding £4.6m savings (£3m carry forward of in-year mitigations plus £1.6m Transform savings). The £4.6m savings are currently shown in the draft budget book as “Unidentified Savings”. Subject to decisions by the Court of Common Council, it is

anticipated that the residual £4.1m gap will be covered by application of additional Business Rates Premium (BRP) proceeds coupled with an increase in BRP.

The starting point for this budget is based on comparable activity and resourcing levels to 2018/19, an average of 730 officers and 452 staff and a vacancy factor of 26. Further work is being undertaken to assess the impact of the £4.6m savings on workforce levels, as well as the non-pay and income assumptions.

A business case for additional resourcing to meet new and changing demands is also being prepared for the Police Committee and the Resource Allocation Sub Committee.

Whilst this is a report of the Commissioner of Police, it should be noted that it has been completed in discussion with the Police Authority Treasurer's team.

Recommendations

Members are asked to:

- Note the latest projected outturn position for the 2018/19 revenue budget
- Review the provisional 2019/20 revenue budget,
- Note that a business case for additional resources will be submitted to a future committee meeting.

Main Report

Background

1. The draft Medium Term Plan (MTFP) was presented to the Police Committee in December 2018, where Members noted the current financial position.
2. The draft MTFP highlighted a revenue budget shortfall of £11.7m for 2019/20, which was subsequently reduced to £8.7m following a better than expected Police funding settlement.
3. It is proposed that the deficit is met through £3m in-year budget mitigations, £1.6m savings from the Transform Programme and the application of additional BRP.

Latest Revenue Budget 2018/19 and Projected Outturn

4. The forecast outturn for Police for 2018/19 is an overspend position of £5.4m with planned mitigations of £3.1m resulting to a projected total overspend of £2.3m (which includes full draw down of the Police Reserve), as reported to your Committee.

Table 1: Forecast Summary

	Original Budget £m	Revised Budget £m	Actual (Q3 YTD) £m	Projected Outturn £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.

Latest Revenue Budget 2018/19 and Proposed Revenue Budget for 2019/20

5. The provisional Police funding settlement combined with budget mitigations, Transform savings and additional BRP allows a balanced budget to be set.
6. The revenue budgets are summarised in the table below. Further details are provided in Appendix 1 and 2. Expenditure and adverse variances are presented in brackets.

Revenue Budgets

	Original Budget 2018/19 £m	Proposed Budget 2019/20 £m
Expenditure	(118.0)	(134.1)
Income	48.8	61.4
Total Net Expenditure	(69.2)	(72.7)
Funded by:		
Core Grant	55.9	57.1
Premium	8.8	13.0
HO Ctax levy grant	0.9	2.7
CoL IT contribution	1.1	0.0
Action Fraud contribution from reserve	(2.1)	
City Fund resources agreed to fund revenue contribution to capital	1.1	0.0
Resources (Cash Limit)	65.7	72.7
Funding Gap	(3.5)	(0.0)
Transfer from Reserves	3.5	0.0
Net Funding Gap (cover required from City Fund)	0.0	(0.0)

2018/19 Forecast Outturn

7. It is anticipated that the outturn for the current year will be broadly in line with the latest budget position as reported at Q3.

Reserves

8. Based on current forecasts as outlined in more detail in the Q3 report, the General Reserve and the POCA reserve will be fully utilised by 2018/19.

Potential Further Budget Developments

9. The police budget for 2019/20 has been balanced through a combination of efficiency savings, Transform savings, additional BRP and additional government grant in the provisional settlement.

Appendices

- Appendix 1 – 2018/19 Q3 Revenue Budget and 2019/20 Proposed Revenue Budget
- Appendix 2 – Support Services and Capital Charges

Background Papers

Medium-Term Financial Plan up to 2023/24 Police Committee December 2018

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Appendix 1

Revenue Budgets 2018-19 to 2019-20

	Original Budget 2018/19 £m	Proposed Budget 2019/20 £m
Expenditure		
Employees	(91.2)	(98.9)
Premises	(3.1)	(3.6)
Transport	(1.3)	(1.4)
Supplies and Services	(11.5)	(11.0)
Third Party Payments	(8.9)	(20.4)
Revenue Contribution to Capital	(1.3)	0.0
Central Support Services & Capital Charges	(3.6)	(3.6)
Charges across Funds	0.1	0.1
Cashable savings target	3.0	4.6
Total Expenditure	(118.0)	(134.1)
Income		
Government Grants	34.6	46.6
Other Grants, Reimbursements & Contributions	11.6	11.8
Customer, Client Receipts	2.7	3.1
Total Income	48.8	61.4
Net Expenditure before transfer from Reserves	(69.2)	(72.7)
Funded by:		
Core Grant	55.9	57.1
Premium	8.8	13.0
HO Ctax levy grant	0.9	2.7
CoL IT contribution	1.1	0.0
Action Fraud contribution from reserve	(2.1)	0.0
City Fund resources agreed to fund revenue contribution to capital	1.1	0.0
	65.7	72.7
Deficit	(3.5)	(0.0)
Transfer from Reserves	3.5	0.0
Total Net Expenditure	0.0	(0.0)
Estimated General Reserve at 31 March	0.0	0.0

Support Services and Capital Charges

Support Services & Capital Charges from/to Police Committee	Original Budget 2018/19 £'000	Proposed Budget 2019/20 £m	Note Ref
Support Services and Capital Charges			
City Surveyor's Employee Recharge	198	198	
Insurance	444	402	
IT Recharges – Chamberlain	451	427	
Capital Charges	2,591	5,655	
Capital Contras	(2,528)	(5,590)	
Notional capital charges	0	0	
Admin Buildings	1,117	1,051	(i)
Support Services	1,339	1,412	(ii)
Total	3,612	3,555	
Recharges Within Fund			
Licence fees – Port Health & Environmental Services Committee	18	18	
Total	18	18	
Recharges Across Funds			
Heating Recharge - Finance - Guildhall Admin	90	90	
Policing the Bridges	(214)	(242)	
Remembrancer's Recharge - Policy & Resources - City's Cash	27	22	
Total	(97)	(130)	
TOTAL POLICE COMMITTEE	3,533	3,443	

Notes:

- (i) Share of Guildhall premises costs based on floor area. Variations reflect the phasing of the cyclical works programme
- (ii) Support Services covers charges from the Chamberlain, Comptroller and City Solicitor, Town Clerk and City Surveyor's departments.