

Committee: Police Authority Board- For information	Date: 19 th September 2019
Subject: Budget Monitoring Month Q1 2019/20	Public
Report of: Commissioner of Police Pol 68-19	For Information
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Summary

The Chief Officer Cash Limited budget at the start of the year was £72.7m. The budget is now increased to £73.4m following the transfer of 15 City of London Corporation (COL) staff and associated budget to the Joint Contact Centre.

The budgets will be further adjusted in the second part of the financial year to reflect the 67 growth bid posts.

This report outlines the financial position for the first quarter of the 2019/20 financial year. Current projections indicate an overspend of £2.6m by the end of the year, primarily due to an unfunded increase in Police Officer pension contributions in the region of £2.5m based on full establishment. Current workforce levels indicate pressure of £2.3m this year.

There are additional budget pressures on overtime, a larger pay award for Officers than expected and legal costs in relation to the London Bridge inquest. Savings of £6.3m are built into the budget, with £4.7m in pay and £1.6m in non-pay. Maintaining acceptable service levels whilst holding the required level of vacant posts as part of agreed pay mitigation continues to be challenge.

Ongoing management of the vacancy factor, maximising income opportunities and managing non-essential spend continue in order to bring the position back within budget by the end of the year.

Recommendation

Members are asked to note the report.

1 Chief Officer Cash Limit Budget

1.1 The Chief Officer cash limited budget at the start of the year was £72.7m. This has now increased to £73.4m due to the transfer of the Joint Contact Centre staff. This is funded as follows:

Table 1

Funding Type	Amount (£000)
Core Grant (inc NICC)	57,100
Business Rates Premium	13,000
Precept grant	2,700
CoL Contact Centre	680
Total Funding	73,480

1.2 The latest forecast position is summarised below.

Table 2

	2019/20 Budget £000	Budget YTD £000	Actual YTD £000	Variance YTD £000	Projected Outturn £000	Projected Variance £000
Total Pay	101,702	25,426	19,330	(6,096)	101,012	(690)
Non-Pay	39,726	9,932	9,385	(547)	41,189	1,463
Total Expenditure	141,428	35,357	28,715	(6,644)	142,201	773
Total Income	(67,948)	(16,987)	(10,122)	6,865	(66,076)	1,872
Funding	(73,480)	(18,370)	(18,370)	0	(73,480)	0
Total	0	0	222	222	2,645	2,645

1.3 Table 2 indicates a potential overspend of £2.6m, primarily due to the additional costs associated with the 9.7% increase to Police Officer pension contributions.

1.4 The Employer's contribution to Police Pension increased from 21.3% to 24.2% in 2018/19 with a further increase to 31% in 2019/20. This increase in contribution provides an additional budget pressure of £2.5m based on full establishment. At this stage it is unclear how this additional pressure will be funded, and it remains a significant risk. A mitigation plan is being worked up with the City of London Corporation, which is likely to include increasing charges for funded work in future years, however, there will be a residual pressure within 2019/20.

1.5 In addition to this, the following pressures are contributing to the forecast overspend:

- Overtime – a projected overspend of £1m (please see overtime section below)

- The confirmed 2.5% pay award for Police Officer's which adds further pressure of £0.116m as the budget was set based on an estimate of 2%.
- Legal costs in respect of the London Bridge inquest of £0.250m

1.6 The YTD position on income relates to income accrued in 2018/19 for Action Fraud, which has not been received in the first quarter. Discussions are taking place with the Home Office to progress receipt of this income.

2 Savings Target

2.1 Budget mitigations of £6.3m are required in-year to deliver within budget. This comprises £4.7m in pay and £1.6m in non-pay. To achieve the required savings during the year, there is a plan in place, and that the plan is being monitored closely through internal governance, fortnightly monitoring meetings with the authority, and through this Board. Pay savings will be found through workforce and vacancy management in core funded posts. The level of monthly pay savings required is £0.390m (81 posts, officers / staff). Non-pay savings of £1.6m have been identified as set out in Table 3 below.

2.2 Current projections indicate we are on course to deliver the required mitigations. However, this does rely on continuation of strong vacancy management throughout the remainder of the year. If and when additional non-pay savings or additional income / funding are achieved, the plan will be adjusted accordingly. There are currently 103 FTE core funded vacancies contributing to the below budget mitigations. Maintaining acceptable service levels whilst holding the required level of vacant posts as part of agreed pay mitigation continues to be challenge.

Table 3

Savings Tracker	Target (£000)	YTD Actual (£000)	Forecast (£000)	Variance (£000)	Risk
Vacancy factor	3,700	925	3,700	-	A
Transform pay savings - holding branch	1,000	250	1,000	-	A
Total pay	4,700	1,175	4,700	-	
Corporate Plan income	300	50	300	-	G
Facilities Management	500	125	500	-	G
Seized assets disposal	300	36	300	-	A
Agency staff	500	125	500	-	G
Total non-pay	1,600	336	1,600	-	
Total	6,300	1,511	6,300	-	

3 Directorate Revenue Position

3.1 As at the end of quarter one, current projections indicate a budget deficit of £2.6m. The table below sets out the Directorate position. This includes £6.3m budget mitigations shown above and continued robust vacancy management.

Table 4

	2019/20 Budget £000	Budget YTD £000	Actual YTD £000	Variance YTD £000	Projected Outturn £000	Projected Variance £000
BSD	28,615	7,154	(4,040)	(11,194)	28,582	(33)
Crime	10,119	2,530	2,927	397	9,989	(130)
ECD	7,751	1,938	12,734	10,796	7,921	170
I&I	11,905	2,976	3,006	30	13,615	1,710
UPD	15,023	3,756	3,952	196	15,951	928
Grand Total	73,413	18,353	18,580	222	76,058	2,645

3.2 Table 5 below outlines the position without the additional unfunded pension, which shows a projected budget deficit of £0.328m. The main Directorate movement is within BSD where the unfunded pension increase is held. Budgets for all vacant posts are transferred to BSD as part of the budget mitigations plan.

Table 5

	2019/20 Budget £000	Projected Outturn £000	Projected Variance £000
BSD	30,933	28,429	(2,504)
Crime	9,690	9,646	(43)
ECD	7,148	7,414	266
I&I	11,606	13,275	1,669
UPD	14,036	14,976	939
Grand Total	73,413	73,741	328

Directorate Variances (See Table 4)

3.3 Business Support Directorate (BSD) - £0.033m underspend

The Directorate is forecasting a small underspend. In addition to support service budgets, the Directorate also holds the unfunded additional police officer pension pressure of £2.5m (based on full establishment) as well as the pay budget mitigation of £3.0m. As can be seen from Table 5, the pressure on police officer pensions is the main risk. If this were funded, the Directorate would be reporting an underspend in line with the pay budget mitigations. The position also includes spend of £0.250m relating to the London Bridge inquest. The YTD actual includes receipt of the full year pension deficit grant resulting in a credit position - this will

even out as the year progresses. The Directorate is holding core funded net vacant posts of 5.75 FTE

3.4 Crime - £0.130m underspend

There are minor variances within non-pay budgets. The Directorate is holding core funded net vacant posts of 17 FTE.

3.5 Economic Crime Directorate (ECD) - £0.170m overspend

The Directorate is 81% externally funded and forecast to breakeven in these areas. The Action Fraud service (£9.5m) is part of this and continues to pose a significant risk due to the level of ongoing funding and level of spend. There are some risk around future funding agreements, which is subject to ongoing review, as well as the appropriate recharge between core funded and externally funded units. The Directorate is holding core funded net vacant posts of 8.25 FTE.

3.6 Intelligence and Information (I&I) - £1.710m overspend

The projected overspend position within I&I is due to a number of factors, primarily relating to non-pay budgets including subscription costs within the Command Hub, professional fees paid for Regulation of Investigatory Powers Act (RIPA) requests in the Central Authorities Bureau and pressures within the Information Management division in respect of the cost of licences, subscriptions and maintenance costs for information security. In addition to this there are pressures on overtime, mainly within the Command Hub. Overtime activity is driven by demand and the 24 hour nature of work that the Command Hub and Surveillance team undertake. Various measures are being reviewed to address and manage overtime. For instance, there is a review of work and shift patterns to minimise the need for overtime and efforts to build team resilience at supervisory levels. The Directorate is holding core funded net vacant posts of 18.7 FTE

3.7 Uniformed Policing Directorate (UPD) - £0.928m overspend

The projected overspend is primarily due to projected overtime, in particular in Firearms, Support Group and Response teams. Measures are being introduced to manage this which should improve the position, however, this remains a significant area of risk with uncertainty around future potential public order events. There are also additional budget pressures in respect of hire costs for firearms training courses. The Directorate is holding core funded net vacant posts of 7 FTE.

4 Workforce

4.1 The pay budget constitutes 70% of our expenditure budget and the stringent management of vacant posts is essential to managing the financial position this year. The current establishment is 1,358.1 FTE, comprising 840 Officers and 518.1 staff. The actual workforce paid in June was 1,181.85 FTE comprising 748.04 Officers and 433.81 Staff.

4.2 This includes 15 FTE in respect of the Joint Contact Centre that transferred from the Corporation with associated funding and the 67 FTE growth posts. Budgets will be adjusted with relevant funding as and when posts are filled.

4.3 The tables below set out the actual position by month for Quarter one. The position reflects the holding of vacant posts required to deliver budget mitigations. Maintaining acceptable service levels whilst holding posts vacant continues to be a challenge operationally, however, is required to deliver within budget.

Table 6

FTE	April	May	June
Officers	735.00	746.33	748.04
Staff	435.47	435.56	433.81
Total	1,170.47	1,181.89	1,181.85

Headcount	April	May	June
Officers	744.00	763.00	756.00
Staff	447.00	449.00	445.00
Total	1,191.00	1,212.00	1,201.00

4.4 The Prime Minister has pledged to recruit 20,000 extra police officers in England and Wales over the next three years, with a recruitment drive starting from September 2019. Police forces have been asked to submit bids for their potential share of the 20,000. CoLP has submitted an evidence based bid for 113 new officers, which is based on the Strategic Threat and Risk Assessment (STRA) review. The STRA identified the need for 180 additional officers and staff, 67 new posts have already been approved by members which leaves a balance of 113. We are awaiting feedback from the Home Office and members will be updated in due course.

5 Income

5.1 Table 7 below sets out the grant funding position for the Force totalling £62.486m. Current projections indicate a high level of confidence in receipt from all funders, and there is a small surplus expected due to an additional in year allocation. The YTD actual position is currently reflecting a number of accruals from last year where full 2018/19 allocations have not yet been received. The majority of these are minor, however, the larger ones relate to Action Fraud. Discussions are taking place to progress receipt of this income.

Table 7

Name of Grant	Funding Provider	2019/20 Budget £000	Actual YTD £000	Projected Outturn £000	Projected Variance £000	Risk Rating
Police Pensions Grant	Home Office	(20,400)	(18,903)	(20,400)	0	G
National Cyber Security Programme	Home Office	(6,645)	0	(6,645)	0	G
Counter Terrorism Policy Grant	Home Office	(6,270)	(3,055)	(6,270)	0	G
Action Fraud Managed Service	Home Office	(5,500)	5,500	(5,500)	0	G
Insurance Fraud Enforcement Team	Association of British Insurers	(4,003)	0	(4,003)	0	G
Action Fraud National Fraud Intelligence Bureau	Home Office	(4,000)	4,000	(4,000)	0	G
Dedicated Cheque & Plastic Card Unit (DCPCU)	UK Payments Administration Ltd	(2,520)	(192)	(2,520)	0	G
National Lead Force	Home Office	(2,500)	0	(2,500)	0	G
Economic Crime Capability Development	Home Office	(2,200)	74	(2,200)	0	G
International Property Crime Investigation Unit (PIPCU)	Intellectual Property Office	(1,916)	4	(1,916)	0	G
Police Transport Grant	TFL	(1,847)	0	(1,847)	0	G
National to Local Fraud & Cyber Data Sharing	Home Office	(1,761)	(0)	(1,761)	0	G
Cyber Griffin	Corporation	(450)	0	(450)	0	G
Late Night Levy	Corporation	(310)	0	(310)	0	G
Firearms Uplift	Mayor's Office for Policing & Crime	(284)	0	(284)	0	G
London Safety Camera Partnership	TFL	(264)	0	(264)	0	G
Economic Crime Victim Care Unit	Mayors Office for Policing & Crime	(210)	0	(210)	0	G
Overseas Anti-Corruption Unit	Department for International Development	(171)	0	(182)	(11)	G

NPCC Cybercrime Programme	Home Office	(100)	20	(100)	0	G
Tower Bridge	Corporation	(92)	0	(92)	0	G
Regional Organised Crime Unit Coordinator	Home Office	(90)	9	(90)	0	G
Other	Miscellaneous	(953)	(460)	(1,043)	(90)	G
Grand Total		(62,486)	(13,003)	(62,587)	(101)	G

6 Capital

6.1 The CoLP position for current live capital schemes is shown in the table below.

Table 8

Core Project	Approved Amount £m	Spend / immediate commitments to date £m	Projected spend £m	Total spend £m
Digital Interview Recording	0.012	-	0.012	0.012
Emergency Services Network	1.821	1.333	0.488	1.821
Economic Crime Capability Development	0.074	-	0.074	0.074
HR Time Management & e-Expenses	0.426	0.356	0.070	0.426
L5-ICT Support to CCCI	3.360	3.333	0.000	3.333
L5-Police Telephony Upgrade	0.493	0.435	0.058	0.493
L5-Ring of Steel Compliance	2.446	2.156	0.290	2.446
L5-Secure City Programme Management	0.453	0.321	0.132	0.453
L5-Wide Area Network (WAN) Refresh - Police Recharge	1.445	1.072	0.373	1.445
Total CoLP	10.530	9.006	1.497	10.503
Accommodation Project *	42.100	22.603	19.497	56.378
NEP	45.657	11.675	33.982	45.657

*This excludes revenue premises running costs of 21 New Street (£17m budget to 2021)

6.2 In addition to the schemes set out in Table 8, the Force will be looking to draw down funding for the three priority pipeline schemes identified for funding in

2019/20 (Airwave replacement, IT modernisation and fleet replacement to meet ULEZ requirements).

6.3 Spend and immediate commitments to date plus the projected spend are equal to the approved amount. The projects are subject to the Corporation's Gateway management of capital and supplementary process and as such no overspends on project delivery are allowed unless authorised through that process and given additional budget.

6.4 The accommodation project is managed by City Surveyors with CoLP managing a specific part of the decant strategy. Therefore it is important that Chief Officer Team and Members of Police Authority Board and other committees can see the total amount committed to this project.

6.5 The National Enabling Programme (NEP) will deliver technologies to introduce new ways of working and greater sharing of information, plus a platform for better protection of law enforcement information and assets, contributing to the NPCC Policing 2025 vision. NEP is led by Wayne Parkes (Head of ICT at Warwickshire Police and West Mercia Police) as Programme Director, with Commissioner Ian Dyson as Senior Responsible Officer. All income and expenditure for this national programme is handled by the CoLP finance team and fully funded by Home Office grant.

6.6 In addition to the approved schemes above there are a number of outstanding bids where decision is awaiting the outcome of the City of London Corporation's Fundamental Review and steer from Members. Four bids were recently re-submitted as part of a prioritisation exercise including IT Modernisation, Secure City, HR Oracle Upgrade and Professional Standards Software.

6.7 Determining future capital requirements and the strategy for financing them is in progress and forms a key element of a sustainable medium-term settlement.

7 Transactional

Accounts Payable

7.1 Performance continues to be strong with monthly performance in line with the corporate target of 97%. Strong performance in this financial year has brought the rolling 12 month position up to 97% as well. The table below sets out the monthly position and the positive monthly trajectory.

Table 9

Month	Compliant Invoices	Total Invoices	%
Jul-18	516	561	92%
Aug-18	589	622	95%
Sep-18	491	514	96%

Oct-18	589	637	92%
Nov-18	642	662	97%
Dec-18	545	572	95%
Jan-19	619	687	90%
Feb-19	566	587	96%
Mar-19	686	713	96%
Apr-19	545	526	97%
May-19	653	618	99%
Jun-19	528	510	97%
Total to Date	6,969	7,209	97%

Accounts Receivable

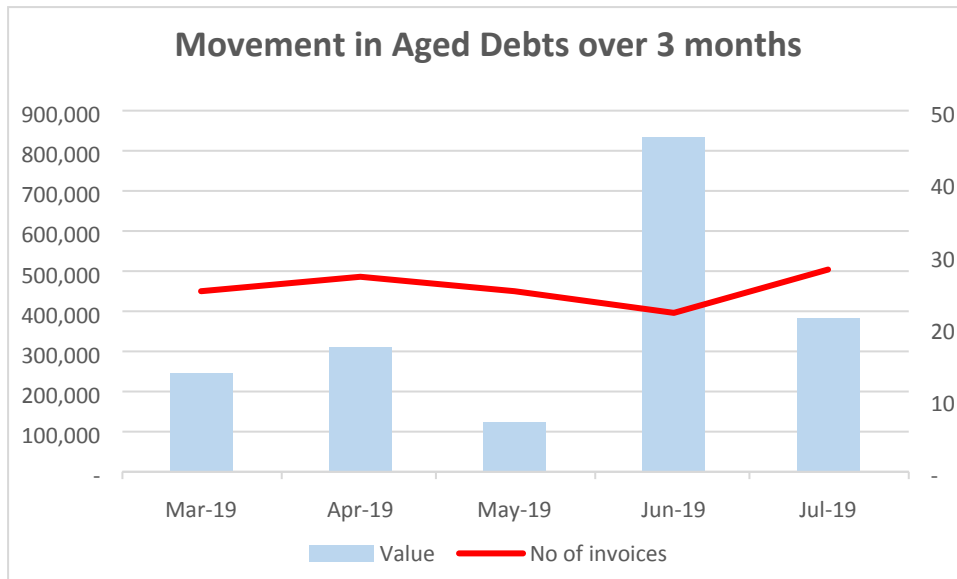
7.2 Total Debtors has reduced by £0.369m in July 2019 from £1.060m in June 2019. 51.5% of CoLP debtors are in the 3 – 12 months category, and this position is being actively monitored. Overall progress means there is a net year to date £1.246m favourable change in recovered debts as shown in Table 10 below.

Table 10

Age	July 2019		Change (Mar - Jul 2019)	
	Count	Value		
Less than 1 Month	7	£235,836	(15)	(£1,378,322)
1 - 2 Months	2	£63,158	(3)	(£5,041)
2 - 3 Months	3	£12,250	1	£9,017
3 - 12 Months	16	£357,471	4	£214,308
Over 1 year	12	£24,597	(5)	(£85,664)
Total	40	£693,311	(18)	(£1,245,702)

Summary of Movements in July:

Number of Invoices Paid	(17)	(£603,883)
New Invoices Raised	4	£210,741
Credit Notes Issued	(0)	(£0)
Debts Written Off	0	£0



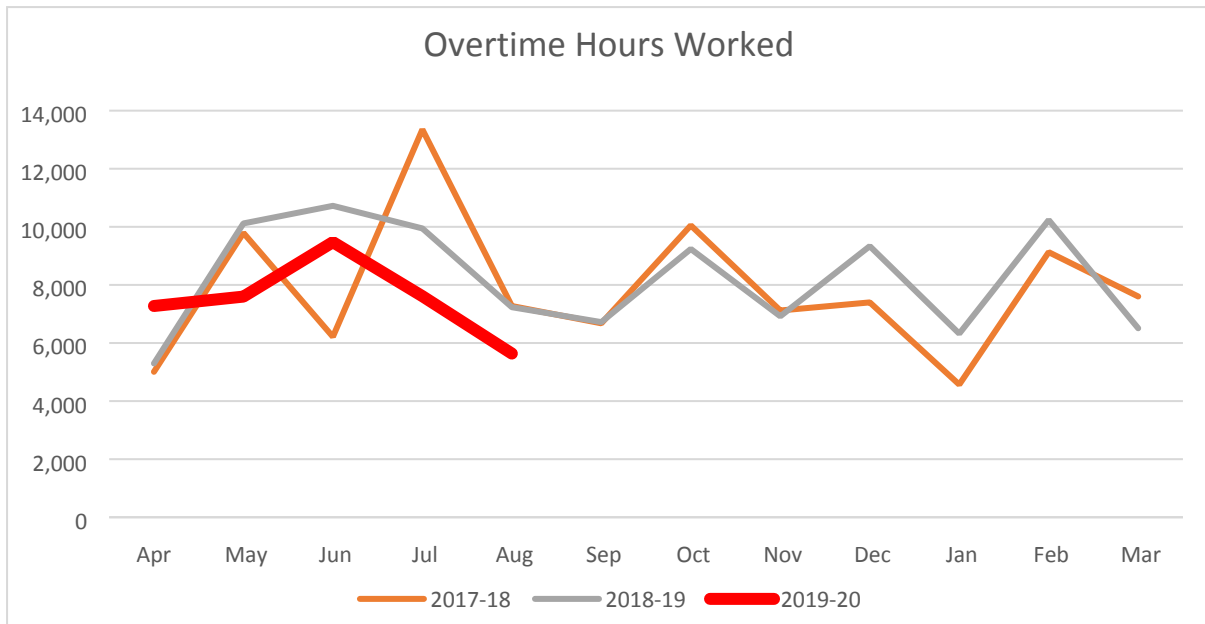
Overtime

7.3 The level of overtime continues to be high in the first quarter of the year. The Force wide budget is £2.0m, split £1.6m core funded and £0.4m funded units. This includes overtime in respect of bank holidays and tasking.

7.4 Spend in the first quarter is £0.503m covering both officers and staff. Current forecasts indicate spend of £3.0m, which is £1.0m over budget.

7.5 Spend levels for the first quarter are in line with previous years, overtime spend in 2017/18 was £3m and in 2018/19 was £3.2m. Controls are in place and clear communication has been issued to managers within the Force to manage this position which will be closely monitored at Chief Officer level.

7.6 The chart below shows the current trend on overtime hours worked to the end of August 2019. The trend indicates overtime is reducing suggesting controls are effective. This should be reflected in future financial monitoring as there is a natural lag between overtime worked and payments made.

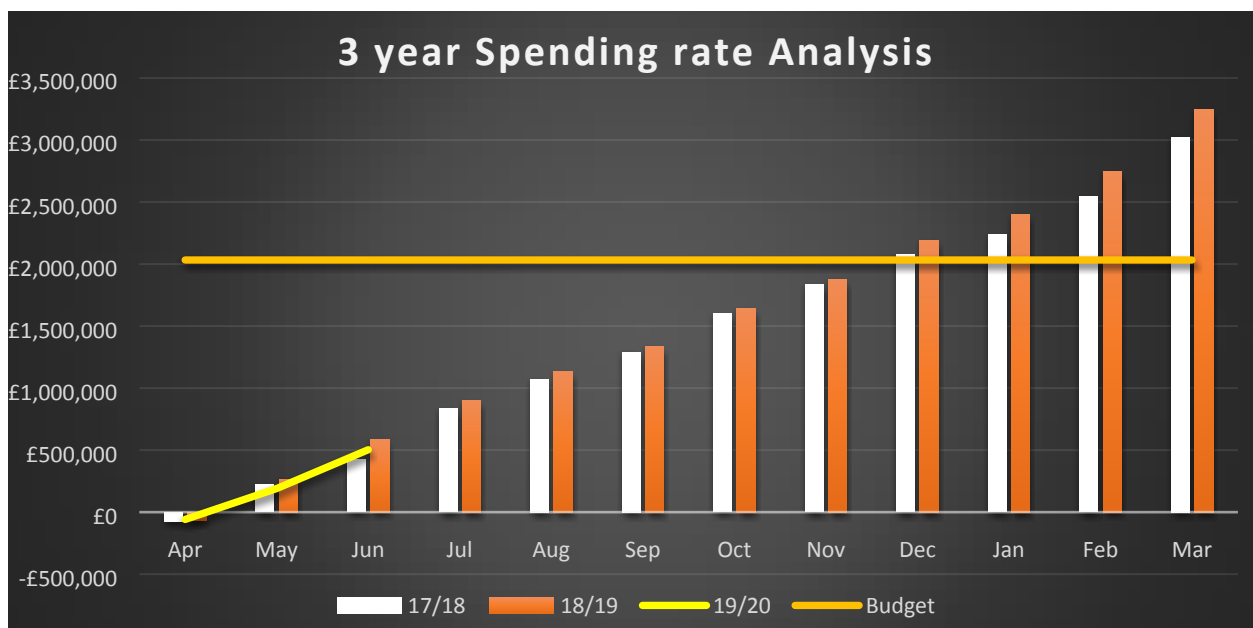


7.7 The main reasons for claiming overtime are:

- Covering for vacant posts (backfilling / Business as Usual)
- Extinction Rebellion protests over the Easter period
- Pan London Brexit protest
- Bank of England armed escorts
- CID
- Op BENBOW

7.8 The largest spending Directorate is UPD which constitutes 68% of overtime. The main reason is business as usual which accounts for 35%. It is expected that the need for backfilling and BAU will reduce as vacancies are filled, however, it is difficult to predict requirements relating to future known and unknown policing requirements. Discussions are taking place with the Home Office in respect of claiming a special grant relating to Extinction Rebellion.

7.9 The chart below shows cumulative overtime spend against the last two years. This indicates spend to be on the same trajectory as previous years. If this were to continue the full year budget will be fully utilised by December.



8 Brexit

8.1 The City of London Police has identified potential risk of public disorder during the Brexit period, which added further pressures on the revenue budget. Brexit protest have been planned for central London which could enter the city footprint. Any sizeable protest within the City footprint that led to disorder would require a regional mobilisation response. This would mean a large number of Police Support Units within the City dealing with protest.

8.2 The Corporation of London made funds available to meet Brexit preparation costs, and CoLP secured funding for upfront investment and contingency plans. Funding may also be available from the Home Office, however no such funding was available during 2018/19.

9 Use of Reserves

9.1 The Police reserves position is summarised in Table 11 below. The Police General Reserve was fully utilised in 2018/19 and drawdowns were made from the Transformation Reserve and the Action Fraud reserve to match expenditure. Remaining reserves are expected to be fully spent by the end of the financial year.

Table 11

	Opening Balance (£M)	Projected Spend (£M)	Projected Closing Balance (£M)
General	0	0	0
POCA	(2.53)	2.53	0

Action Fraud	(1.71)	1.71	0
Transformational Funding	(0.06)	0.06	0
Total	(4.3)	4.3	0

10 Risk Management

10.1 Table 12 below identifies the key risks and mitigating controls contained within this report:

Table 12

Risk	Risk Mitigation
Major incidents	Early engagement with the Home Office to ensure opportunities for cost recovery are maximised.
Crime Performance / Safety issues	All such issues will be reported to Members
Vacancy factor	It will be challenging to maintain acceptable service levels with a vacancy factor of 81. The vacancy factor will be reviewed and revised throughout the year, if and when the financial position improves from additional non-pay savings / additional income. All recruitment is approved by the Strategic Workforce Panel.
Budget mitigations and additional pension pressure	Fortnightly strategy meetings are held with the Commissioner, Town Clerk and Police Authority Policy and Finance, reviewing and challenging budget and savings assumptions.
Overtime budget	Enhanced controls have been introduced to manage the overtime budget
Deferred Weekly Leave (DWL)	Accrued DWL has been quantified, however, the build-up of DWL may be subject to unplanned events over the year. Currently no financial implication, however, continues to be reviewed.
Use of agency staff	Reliance on agency staff has been greatly reduced
Further cost pressures for Action Fraud	Under review and close scrutiny

Capital Programme progress and potential slippage	The Capital Programme is monitored throughout the year, capital recharges will be undertaken in a timely manner. Preparation of the 2020/21 Capital Programme will commence in the autumn.
Brexit	Expenditure will be monitored closely, and external sources of funding will be explored.
Events policing	Finance Business Partners will work closely with services to ensure chargeable events policing is captured in a timely manner and recharged accordingly.
Vehicle fleet management	A Strategic Fleet Management Group chaired by the Assistant Commissioner has been re-established and is monitoring Financial risk around replacement spend.

Appendix 1

	19/20 Latest Budget £m	Budget YTD £m	Actual (Q1 YTD) £m	Variance YTD £m	Forecast £m	Proj Variance £m
Pay						
Officers – net	48.1	12.0	12.4	0.3	50.6	2.5
Staff – net	26.5	6.6	5.6	(1.1)	22.9	(3.6)
Overtime	2.0	0.5	0.6	0.1	2.8	0.8
Agency	2.4	0.6	0.3	(0.3)	2.3	(0.2)
Indirect employee costs	2.2	0.6	0.5	(0.1)	2.0	(0.2)
Pensions Contrib.	20.4	5.1	0.0	(5.1)	20.4	0.0
Total Pay	101.7	25.4	19.3	(6.1)	101.0	(0.7)
Non-Pay	39.7	9.9	9.4	(0.5)	41.1	1.5
Total Expenditure	141.4	35.3	28.7	(6.6)	142.1	0.8
Income						
Specific Grant	(52.2)	(13.1)	(9.3)	3.8	(49.8)	2.4
Partnership	(12.5)	(3.1)	(0.5)	2.7	(12.6)	(0.0)
Fees & Charges	(3.2)	(0.8)	(0.4)	0.4	(3.7)	(0.5)
Total Income	(67.9)	(17.0)	(10.1)	6.9	(66.1)	1.9
Funding	(73.5)	(18.4)	(18.4)	0.0	(73.5)	0.0
Total	0.0	0.0	0.2	0.2	2.6	2.6