

<p>Committee(s)</p> <p>Medium Term Financial Plan(MTFP) Working Party</p> <p>Police Authority Board</p>	<p>Date(s):</p> <p>10th January 2020</p> <p>22nd January 2020</p>
<p>Subject:</p> <p>CoLP Provisional Revenue and Capital Budget 2020/21</p>	<p>Public</p>
<p>Report of:</p> <p>Commissioner of Police</p> <p>Pol 03-20</p>	<p>For Information</p>
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Summary

This report sets out the provisional revenue budget for 2020/21, for subsequent submission to the Finance Committee.

The Medium Term Financial Plan (MTFP) has been updated during 2019 with joint working between the Police Authority and the Force. The updated MTFP was presented to the Police Authority Board in November 2019, showing a deficit of £0.5m. This budget gap has now been closed for 2020/21, and there are residual deficits of approximately £3m p.a. thereafter over the life of the plan. This includes an increase in resource allocation to accommodate the growth bid of 67 new posts at a cost of £5.4m from the 2020/21 financial year.

During 2019/20, a full deep dive review has been undertaken of all police budget areas, both pay and non-pay. A Full Cost Recovery model is now in place, which will be applied to funded units and commercial / non-core activity wherever possible.

The police funding settlement is expected at the end of January 2020, and at that stage the final financial position will be established.

Recommendation(s)

That Members note this report and the provisional 2020/21 revenue budget

Main Report

Background and Current Position

1. The starting point for the 2020/21 revenue budget is based on comparable activity and resourcing levels to the 2019/20 budget, with an agreed establishment of:

840 officers
518 staff

2. The above includes 67 new posts as approved in the 2018/19 growth bid, but not the 44 new officers, which is the CoLP share of the 20,000 national police officer uplift.
3. An update on the Medium Term Financial Plan (MTFP) was presented to the Police Authority Board in November 2019, where Members noted the current financial position.

Latest Revenue Budget for 2019/20 and Projected Outturn

4. The Quarter 2 budget monitoring report presented to Police Authority Board in November 2019 projected a year end overspend of approximately £2.2m, which includes the full year effect of the unexpected increase in the employers' contribution to police officers pension to 31%. The actual outturn for the current year may improve further during the final part of the financial year, an updated position for Quarter 3 report will be presented to Police Authority Board in February 2020. The Q2 summary position is outlined in Table 1 below, with a detailed breakdown in Appendix 1.

Table 1

	2019/20 Budget £m	Budget YTD £m	Actual YTD £m	Variance YTD £m	Projected Outturn £m	Projected Variance £m
Total Pay	101.7	50.9	39.1	(11.8)	100.2	(1.5)
Non-Pay	39.7	19.9	22.5	2.7	42.0	2.3
Total Expenditure	141.4	70.7	61.6	(9.1)	142.3	0.8
Total Income	(67.9)	(34.0)	(27.3)	6.7	(66.6)	1.4
Funding	(73.5)	(36.7)	(36.7)	0.0	(73.5)	0.0
Total	0.0	0.0	(2.4)	(2.4)	2.2	2.2

Latest Revenue Budget 2019/20 and Proposed Revenue Budget for 2020/21

5. The 2020/21 revenue budget is summarised in Table 2 below. Further details are provided in Appendix 2 and 3. Expenditure and adverse variances are presented in brackets.
6. As shown in Appendix 1 and 2, the pay budget has increased from £98m in 2019/20 to £112m in 2020/21. The main reasons for this are:
 - a. Increased workforce
 - b. Pay awards and pay progression
 - c. Increased pension costs
 - d. Vacancy factor of £1.7m across the workforce (£3.7m in 2019/20)

7. There is a movement between Supplies and Services and Third Party Payments, the reason for this is simply the re-allocation of costs between these two budget lines.

Table 2 - Revenue Budget

	Original Budget 2019/20 £m	Proposed Budget 2020/21 £m
Expenditure	(134.1)	(146.8)
Income	61.4	65.9
Total Net Expenditure	(72.7)	(80.9)
Funded by:		
Core Grant	57.1	58.1
Premium	13.0	13.8
Precept Grant	2.7	2.7
Home Office Pension Grant	0.0	0.8
Contact Centre	0.0	0.6
Capital Priorities Financing	0.0	(0.5)
CoL funding of growth	0.0	5.4
Resources (Cash Limit)	72.7	80.9
Funding Gap	0.0	0.0
Transfer from Reserves	0.0	0.0
Net Funding Gap (cover required from City Fund)	0.0	0.0

8. The above is subject to external settlement and approval of the proposed budget.
9. The budget does not include annual costs of £242,000 relating to the use of Middlesex Street Car Park as part of the accommodation programme. The Commissioner has written to the Chamberlain to ask for an uplift in the budget to cover these additional costs as referenced in at your November Board (See OR /24/2019/P).

Income

10. The Force receives income and funding from a range of sources, as set out in Table 4 below. As and when there is a negotiation point in existing contracts or as and when existing contracts are due to expire, the Full Cost Recovery model will be applied as a starting point for negotiation.

Table 4 - 2020/21 Income and Funding Streams

Income Type	Name	Total £'000
Specific grants	Police Pensions Grant	(i)(23,000)
	Counter Terrorism Policy Grant	(6,268)
	Action Fraud Managed Service	(5,500)
	National Cyber Security Programme	(5,410)
	Action Fraud National Fraud Intelligence Bureau	(4,000)
	National Lead Force	(2,500)
	Economic Crime Capability Development	(1,472)
	Regional Organised Crime Unit Coordinator	(90)
	Other	(144)
Specific grants Total		(48,384)
Partnership	Insurance Fraud Enforcement Department (IFED)	(4,123)
	Dedicated Card & Payment Crime Unit (DCPCU)	(2,570)
	Police Intellectual Property Crime Unit (PIPCU)	(2,053)
	Police Transport Grant	(1,884)
	Cyber Griffin	(450)
	Lloyd's Partnership	(409)
	Late Night Levy	(300)
	Policing the Bridges	(290)
	London Safety Camera Partnership	(269)
	Economic Crime Victim Care Unit	(210)
	Tower Bridge	(92)
	Volunteer Police Cadets	(5)
Partnership Total		(12,655)
Fees & Charges	Academy Income Budget	(1,204)
	Counter Terrorism - Bank of England	(1,000)
	Proceeds of Crime Act (POCA)	(600)
	Capital - Salaries recharge	(516)
	International Training and Development Team	(450)
	Counter Terrorism	(160)
	Other	(911)
Fees & Charges Total		(4,841)
Grand Total		(65,881)

Note:

- (i) £23m Police Pension grant relates to the contribution to the Officers pension scheme which is fully funded by Home Office grant. This has increased from £20.4m in 2019/20 to £23m in 2020/21. Additionally, the 2020/21 budget incorporates the 2019/20 increase in employer contribution rates for officers to 31% and £1m additional costs will be recharged to funders.

Capital Programme

11. New arrangements for financing the Capital Programme have been introduced from 2020/21. Capital expenditure (excluding Secure City and the Accommodation Programme) will be funded from a loan arrangement between COL and CoLP, with an annual borrowing cap of £5m. The proposed 5 year Capital Programme summary is shown in Table 5 below and the detailed Capital programme can be found in Appendix 4.

Table 5

Proposed 5 year Capital Programme

	Capital Requirements					
	2019/20	2020/21 £'000	2021/22 £'000	2022/23 £'000	2023/24 £'000	Total £'000
IT		4,103	2,668	1,961	0	8,732
Equipment		151	0	0	0	151
Fleet		250	250	250	250	1,000
Accommodation		100	50	25	10	185
TOTAL	-	4,605	2,968	2,236	260	10,068
ESMCP 19/20		0	2,440	2,815	1,232	6,486
TOTAL 2020/21 BIDS	-	4,605	5,407	5,051	1,492	16,555

Transform Programme

12. In January 2018 CoLP launched the Transform Programme with a view to design and implement a new operating model for the Force, preparing it to meet the future challenges of policing the Square Mile as well as national responsibilities around economic crime and protective security.

The following high-level benefits were agreed:

- Improved effectiveness
- Improved efficiency
- Improved legitimacy

13. The programme has progressed through six strands of work which collectively encompass the Force's policing services; they are: *Intelligence Services; Contact and Resolution Services; Response Services; Investigation Services; Prevention / Reassurance / Engagement Services (PRE) Services; and Support and Enabling Services.*

14. The financial implications (savings) identified through the Transform Programme have been incorporated in the 2020/21 Savings Tracker (totalling £5.7m), as shown in Appendix 5. A working party has been established to

oversee and monitor the Savings Tracker, and regular updates will be presented to Members via the quarterly budget monitoring reports.

Reserves

15. Police General Reserves were fully utilised in 2018/19.

16. It is anticipated that the Proceeds of Crime Act (POCA) reserve will be fully utilised in 2019/20 to fund the half year effect of the growth bid and if possible, other residual overspends.

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Appendix 1

2019/20 Detailed Revenue Budget and Projected Outturn with Proposed 2020/21 Budget

	19/20 Latest Budget	Budget YTD	Actual (Q2 YTD)	Variance YTD	Forecast	Projected Variance	20/21 Budget
	£m	£m	£m	£m	£m	£m	£m
Pay							
Officers – net	49.7	24.9	25.2	0.4	49.8	0.1	58.1
Staff – net	24.9	12.5	11.4	(1.1)	23.0	(1.9)	25.9
Overtime	2.0	1.0	1.1	0.1	3.1	1.1	2.0
Agency	2.4	1.2	0.9	(0.3)	2.1	(0.3)	1.3
Indirect employee costs	2.2	1.1	0.5	(0.6)	1.7	(0.5)	2.2
Pensions Contrib.	20.4	10.2	0.0	(10.2)	20.4	0.0	23.0
Total Pay	101.7	50.9	39.1	(11.8)	100.2	(1.5)	112.5
Non-Pay	39.7	19.9	22.5	2.7	42.0	2.3	34.3
Total Expenditure	141.4	70.7	61.6	(9.1)	142.3	0.8	146.8
Income							
Specific Grant	(52.2)	(26.1)	(21.7)	4.4	(50.4)	1.8	(48.5)
Partnership	(12.5)	(6.3)	(4.6)	1.7	(12.5)	0.0	(12.7)
Fees & Charges	(3.2)	(1.6)	(1.0)	0.6	(3.6)	(0.4)	(4.7)
Total Income	(67.9)	(34.0)	(27.3)	6.7	(66.6)	1.4	(65.9)
Funding	(73.5)	(36.7)	(36.7)	0.0	(73.5)	0.0	(80.9)
Underlying Deficit	0.0	0.0	(2.4)	(2.4)	2.2	2.2	(0.0)
Use of reserves	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revised Deficit (pre-mitigation)	0.0	0.0	(2.4)	(2.4)	2.2	2.2	(0.0)

Appendix 2

Revenue Budgets 2019/20 to 2020/21

	Original Budget 2019/20 £m	Proposed Budget 2020/21 £m
Expenditure		
Employees	(98.9)	(112.5)
Premises	(3.6)	(2.6)
Transport	(1.4)	(1.9)
Supplies and Services	(11.0)	(19.9)
Third Party Payments	(20.4)	(8.8)
Revenue Contribution to Capital	0.0	0.0
Central Support Services & Capital Charges	(3.6)	(3.5)
Charges across Funds	0.1	0.1
Cashable savings target (Unallocated)	4.6	2.3
Total Expenditure	(134.1)	(146.8)
Income		
Government Grants	46.6	48.5
Other Grants, Reimbursements & Contributions	11.8	12.7
Customer, Client Receipts	3.1	4.7
Total Income	61.4	65.9
Net Expenditure before transfer from Reserves	(72.7)	(80.9)
Funded by:		
Core Grant	57.1	58.1
Business Rates Premium	13.0	13.8
Precept Grant	2.7	2.7
Home Office Pension Grant	0.0	0.8
Contact Centre	0.0	0.6
Capital Priorities Financing	0.0	(0.5)
CoL funding of growth	0.0	5.4
	72.7	80.9
Deficit	0.0	(0.0)
Transfer from Reserves	0.0	0.0
Total Net Expenditure	0.0	(0.0)
Estimated General Reserve at 31 March	0.0	0.0

Appendix 3

Support Services and Capital Charges

Support Services & Capital Charges from/to Police Committee	Original Budget 2019/20 £'000	Proposed Budget 2020/21 £'000	Note Ref
Support Services and Capital Charges			
City Surveyor's Employee Recharge	198	135	
Insurance	402	401	
IT Recharges – Chamberlain	427	357	
Capital Charges	5,655	5,655	
Capital Contras	(5,590)	(5,590)	
Notional capital charges	0	0	
Admin Buildings	1,051	1,387	(i)
Support Services	1,412	1,201	(ii)
Total	3,555	3,546	
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	(242)	(242)	
Remembrancer's Recharge - Policy & Resources - City's Cash	22	22	
Total	(130)	(130)	
TOTAL POLICE COMMITTEE	3,443	3,434	

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 Chamberlains, Comptroller and City Solicitor, Town Clerk and City Surveyor's departments

Detailed Proposed 5 year Capital Programme

No.	Directorate	Category	Need: Brief Outline of what you want	Capital Requirements					Total
				2019/20	2020/21	2021/22	2022/23	2023/24	
8	I&I	IT	PowerBI – a Forcwide self-service data analytics and performance management tool which would sit over our operational crime data, department, unit and individual officer performance reports		84,000				84,000
9	I&I	IT	NHS Custody link		30,000				30,000
10	Crime	IT	New module for Chronicle system – PIP module to accurately record and monitor PIP status for accredited detective across CoLP.		40,000				40,000
11	Crime	IT	E Discovery tool - forcwide solution for recovery of large volumes of data. Network distribution solution for the force dealing with complex disclosure issues.		300,000				300,000
12	BSD	IT	This is the unfunded value outstanding from 2019/20- I have just split it across three years for the purposes of calculating affordability. See Appendix 3		2,085,000	2,390,000	1,950,000		6,425,000
13	BSD	IT	Oracle 12.2 platform upgrade		119,700	277,500	11,200		408,400
14	UPD	IT	Custody CCTV Upgrade		176,000				176,000
15	BSD	IT	AV Refresh		135,500				135,500
17	I&I	IT	GIS Upgrade		150,000				150,000
20	BSD	IT	Digital Interview Recording Solution		368,788				368,788
21	I&I	IT	Covert Camera System		155,000				155,000
22	Crime	IT	Body Worn Camera		270,481				270,481
22	Crime	IT	Body Worn Camera - growth		188,893				188,893
			TOTAL IT		4,103,362	2,667,500	1,961,200	-	8,732,062
16	UPD	Equipment	Tasers		7,554				7,554
18	I&I	Equipment	Tactical Illuminators		76,000				76,000
19	UPD	Equipment	Positive Lock Baton		67,860				67,860
			TOTAL Equipment		151,414	-	-	-	151,414
4	BSD	Fleet	Vehicle Fleet Replacement Project		250,000	250,000	250,000	250,000	1,000,000
			TOTAL Fleet		250,000	250,000	250,000	250,000	1,000,000
6	BSD	Accommodation	Essential estate / security upgrades		100,000	50,000	25,000	10,000	185,000
			TOTAL Accommodation		100,000	50,000	25,000	10,000	185,000
			TOTAL		4,604,776	2,967,500	2,236,200	260,000	10,068,476
			ESMCP 19/20 Not funded			2,439,899	2,814,977	1,231,567	6,486,443
			TOTAL 2020/21 BIDS		4,604,776	5,407,399	5,051,177	1,491,567	16,554,919

Appendix 5

2020/21 Savings Tracker

Ref	Saving Name	Description	Pay / Non-Pay	Confidence H / M / L	2020/21 £000	Saving Delivery	Action Plan
1	New Target Operating Model (structural element)	Removal of duplicated posts and improved rank / grade ratio.	Pay	H	700	G	Saving achieved - Posts held in Holding Branch pending finalisation of Target Operating Model.
2	Greater use of automation and self-service	Reduction in back office costs and administrative functions through expansion of internal self-service facilities incl. overtime / expenses	Pay	H	100	G	Saving achieved - 2 posts have already been removed from the finance structure due to reduction in transactional processing requirements and 1 from HR. A further post will be removed from HR in 2020/21
3	Enlarging the 'police family' incl. increased use of CSAS powers	Reduction in variable costs (e.g. overtime linked to the policing of major events such as LMS / London Marathon / Christmas Campaign	Pay	M	100	G	Saving achieved - Changes to variable shift patterns introduced in order to reduce the need for overtime. Saving applied to overtime budget
4	Improved use of existing resources - overtime	Reduction in variable operational costs (e.g. overtime payments) through the introduction of variable shift patterns	Pay	H	50	G	Saving achieved - Changes to variable shift patterns introduced in order to reduce the need for overtime. Saving applied to overtime budget
5	Improved use of existing resources - annualised hours	Better deployment of officers in support of Operational Orders through introduction of annualised hours shift pattern	Pay	M	200	A	Saving to be achieved through reduction in overtime budget. May not achieve full year effect (Q4 only), so additional savings may have to be found in other areas. Under review.
6	Participation in efficiency related national policing programmes - NEP	National Enabling Programme (NEP) will provide central IT spine across policing. Efficiency estimate based upon range of 10 – 20% saving on existing IT cost	Non-pay	L	1,300	R	Proposal includes a number of work streams including the National Enabling Programme, Single Online Home, Emergency Services Network and National Law Enforcement Data Service. Unlikely to realise full saving requirement in 2020/21. Series of business change and benefit workshops have been programmed in for January in respect of NEP use cases. Following these workshops Deloitte will be producing a Benefits report on the likely efficiencies and savings from adoption of the NEP. National Enabling Programme (NEP): Mint Tulip consultants estimate a revenue saving of £300K pa. Emergency Services Network (ESN): CoLP's estimated share of national revenue savings is £400K pa.

							National Enabling Programme (NEP): Will deliver a reduction in staffing costs through collaborated service delivery and automated processes (£600K).
7	Participation in efficiency related national policing programmes - NCB	National Commercial Board (NCB) programme predicts savings of £350m across policing. Pro rata, CoLP share would be circa £2m p.a. Recognising the force's existing level of local authority collaboration – expectation is 10 – 20% of this figure.	Non-pay	L	-	A	No saving required for 2020/21. Future arrangements to be progressed for 2021/22
8	IT Transformation - Rationalisation of existing systems	Subsuming functionality within the force's existing Record Management System (Niche RMS). Deletion of licencing costs for existing forensic / operational diary solutions	Non-pay	M	-	G	Niche forensic model - time savings in existing forensic systems. Remains on review for 2021/22
9	IT Transformation - Rationalisation of IT hardware	30% reduction in monthly SIM / contract costs	Non-pay	H	20	G	Full review of equipment, devices and lines being undertaken by IT. Review of telephone contracts also underway.
10	Income Generation	Commercial opportunities including sale of merchandise in partnership with MPS, Driving School and Firing Range	Non-pay	H	250	G	New income stream from merchandising (£50,000), Driving School (£100,000) and Firing Range (£100,000). Arrangements are being progressed
	Increase in commercial activity	Development of new income generating commercial services within International Development & Training Unit. Renegotiation of existing contracts already in progress. Review of fees and charges full cost recovery and funded units.	Non-pay		700	G	Saving to be delivered through the following arrangements - Sponsorship (£100,000), International training (£100,000), Review of funded Units (£250,000), Review of fees and charges (£50,000), Renegotiation of existing contracts (£200,000). Future year opportunities through the Eastern BID.
11	Digitisation of external services	Roll-out of on-line payments for fines and linked enforcement activity (e.g. administration process for seized vehicles)	Non-pay	M	100	A	Handheld devices to enable spot fines not currently charged (£50,000). Introduction of online payments (£50,000)

12	Expanding collaborative opportunities (3ES / other public organisations)	Joint service provision of offender management and mental health services	TBC	L	-	A	Savings to be identified for 2021/22
13	Cessation of non-core activities	Withdrawal of services out with the force's core mandate - Coroner's service 1 FTE	Pay	H	60	G	Saving delivered - post removed from budget
14	Average salary reduction through recruitment policy	Bringing in new recruits at the lower end of the pay band as opposed to the higher end	Pay	H	400	A	Saving equates to 16 PC vacancies costed at the top of the grade but filled by probationers. Difference between top and bottom of the grade is £25,000. Vacant posts costed at top of the grade. Current workforce predominantly at the top of grade. Vacancy management will increase this further.
15	Estates / FM	Efficiencies in FM spend across the estate. Linked to the shared services review, aim to eliminate duplication between COL and CoLP	Non-pay	M	170	A	Saving to be delivered from review of 24/7 manned reception and security arrangements at GYE.
16	Support services	Review of support service provision. Clearer alignment between COL and CoLP and reduction in duplication and inefficiency. Including Procurement, Transactions, IT, Corporate Comms. Using HMIC and CIPFA benchmarks.	TBC	M	350	A	Savings from duplication between COL and CoLP. Main areas Procurement, FM and IT, followed by Corporate Comms, Project Management, Strategic Unit, Finance and HR. Shared service review progressing jointly between COL and CoLP
17	Asset Recovery	POCA and asset recovery income	Non-pay	H	100	G	A more proactive approach to asset recovery. Identification of all regional grants and funding and shared arrangements with MPS.
18	Roll out of new accommodation, Estates and Fleet	Closure of Snow Hill and Wood Street Police Stations. Rationalisation of existing FM contracts and fleet replacement	Non-pay	M	1,130	A	Saving to be delivered through the closure of Snow Hill and Wood Street. Budgets have been removed as part of detailed budget setting. Saving includes closure of Shakespeare Tower. Delays to closure of Wood Street will put pressure on achieving the full saving in 20/21
					5,730		