

<b>Committee(s)</b> Police Authority Board	<b>Date(s):</b> 25 <sup>th</sup> March 2021
<b>Subject:</b> Updated CoLP Revenue Budget 2021/22	<b>Public</b>
<b>Report of:</b> Commissioner of Police Pol 25-21	<b>For Decision</b>
<b>Report author:</b> Cecilie Booth, Chief Operating and Chief Financial Officer	

### Summary

This report sets out the Revenue Budget for 2021/22, updating the financial position following the 2021/22 external settlement received in December 2020 and following discussions at Police Authority Board when it was presented on 17<sup>th</sup> February 2021.

The Medium Term Financial Plan (MTFP) has been updated during 2020 with joint working between the Police Authority and the Force. The updated MTFP was presented to the Police Authority Board on 17<sup>th</sup> February 2021.

The 2021/22 settlement from the Spending Review included £3.1m for the CoLP element for Year 2 of the national uplift (41), which is partly incorporated in the Core Grant and partly ringfenced to match recruitment. There was also an increase in the Council Tax Precept Grant of £1.1m, assumed to match the maximum Council Tax Precept flexibility applicable to all other police forces, to increase the precept by up to £15 for a Band D property.

In addition, separate funding will be allocated for 32 posts for Serious & Organised Crime (SOC); 2 for CoLP and 30 for National Lead Force (NLF) to staff regional capability.

The December MTFP report, pre-settlement, indicated a deficit of £2.4m. The combination of a better than anticipated settlement and the public sector pay freeze reduces the deficit to £0.5m. However, additional cost pressures and additional savings requirements has increased the budget deficit to £5.6m, as set out below.

The deletion of 37 police officer posts is the subject of a separate report under this agenda.

### Background and Current Position

To achieve a balanced budget for 2020/21, savings of £5.7m were required, £1.6m from pay and £4.1m non-pay. 16 police staff posts were removed from the structure,

and all the required savings have been successfully delivered. £3.5m savings are recurring, i.e. permanently removed from the base budget, £2.1m were non-recurring, i.e. one-off savings. The non-recurring savings include NEP (£1.3m) and accommodation savings (£0.8m). Savings from closure of Wood Street police station are off-set against running costs for New Street, which are new costs for 2021/22. The non-recurring savings have been added to the budget deficit for 2021/22.

The budget deficit for 2021/22 has been calculated as follows:

	£'m
MTFP Budget deficit (post settlement)	0.5
Non-recurring savings from 2021/22	2.1
Additional Transform savings	0.7
Additional 12% savings requirement	2.3
<b>Total budget deficit for 2021/22</b>	<b>5.6</b>

The additional £2.3m savings relate to the 12% reduction required across the City of London Corporation; for the police this is linked to an anticipated reduction in collection of Business Rates Premium (BRP). Work is currently in progress to provide greater transparency around the collection and potential shortfall in BRP.

A new savings tracker has been drafted for 2021/22, and the areas identified include:

	£'m
NEP Savings* - Pay	0.50
NEP Savings* - Non-Pay	0.80
Average salary reduction through recruitment policy	0.40
Procurement	0.50
Supplies and Services	0.10
Seized assets	0.20
Corporate Plan Income	0.15
Memorabilia	0.05
Funded Units	0.20
Agency Staff	0.30
Additional Income	0.10
Deletion 37 Officer posts	2.30
	<b>5.60</b>

\* National Enabling Programme (NEP): MintTulip consultants estimate IT revenue savings and will deliver a reduction in staffing costs through collaborated service delivery and automated processes.

Details of the additional unallocated £2.3m (12% relating to BPR collection) is subject to review within the Force, with a Gold Group chaired by the Assistant Commissioner. The Gold Group has considered a range of potential options for savings, which were discussed at the Chief Officer Team (COT). Based on the limited options available,

the COT proposes the permanent removal of 37 posts. Full details of the 37 posts and the service impact is covered within a separate report.

This is in addition to the existing vacancy factor of 40 (attrition), which is already incorporated in the budget to provide an affordable workforce.

It should also be noted that the CoLP pays the City of London Corporation (CoLC) £11m in recharges and for IT services. Although there has been a £0.3m reduction in recharge costs, a 12% reduction from CoLC would provide CoLP with savings of £1.3m towards the requirements. At this stage, no account has been taken of any reduction in these service costs.

A full deep dive review has been undertaken of all police budget areas, both pay and non-pay. Additional funding allocated for the local and national uplift programmes provided non-pay funding, and this funding has been utilised to increase oncosts such as the uniform budget, ATOC (officer travel scheme), IT and overtime.

A Full Cost Recovery model has been introduced, which has been applied to funded units and commercial / non-core activity wherever possible. This approach has provided an improved financial position in a number of areas, and a more sustainable budget going forward.

### **Recommendation(s)**

It is recommended that: Members approve the 2021/22 Revenue Budget.

### **Main Report**

1. The starting point for the 2021/22 revenue budget is based on comparable activity and resourcing levels to the 2020/21 budget and Year 2 Uplift of 41 Officers.
2. The agreed CoLP establishment for 2021/22, including the national uplift:

Type	Officer	Staff	Grand Total
20/21 Original Establishment	844	504	<b>1,348</b>
44 Year 1 Uplift	44	-	<b>44</b>
41 Year 2 Uplift	41	-	<b>41</b>
Less 12% BRP savings	(37)		<b>(37)</b>
<b>Grand Total</b>	<b>892</b>	<b>504</b>	<b>1,396</b>

3. The establishment will be reduced by 37 police officer posts via appropriate governance arrangements within CoLP, i.e. Strategic Workforce Planning and Senior Management Board.

4. In addition to the establishment posts, there are also a number of additional “non-establishment” post. Non-establishment posts are temporary posts that are either externally funded on a short-term basis, secondments, temporary cover for vacant posts (non-agency) and apprentices. The number of non-establishment posts vary between 50 and 100 throughout the year.
5. The CoLP share of the 2021/22 Year 2 National uplift is 41 Officers.

### **Revenue Budget for 2020/21 and Projected Outturn**

6. The Quarter 2 budget monitoring report projected a year end underspend of £5m, this increased slightly to £5.5m in the Q3 report. The actual outturn for the current year may change during the final part of the financial year, The allocation of underspends is subject to further discussion, however, any underspend relating to the 67 local uplift will be allocated to repayment of the Action Fraud loan.

### **Proposed Revenue Budget for 2021/22**

7. The 2021/22 revenue funding and income is summarised in Table 1 below. Further details are provided in Appendix 1 and details of support services and Capital Charges are shown in Appendix 2.

**Table 1**

	<b>£'000</b>	<b>%</b>
Core grant	70,174	44.82%
Business Rates Premium	16,896	10.79%
Specific Government Grants	51,340	32.79%
Partnership Funding	13,140	8.39%
Fees and charges	4,340	2.77%
Corporation - Contact Centre	680	0.43%
Adjustments	(2,630)	
<b>Total Funding and Income</b>	<b>153,940</b>	

8. The items shown in Table 1 above provides the Gross Budget. The Core Grant and the funding from CoLC is held by the Police Authority until the end of the financial year, providing an in-year Net Budget £85.1m, after adjusting for capital financing (£1.2m) and Action Fraud loan repayment (£1.5m) totalling £2.7m. The Chief Officer Cash Limited Budget is £85.1m.
9. Table 2 shows the 2020/21 net revenue budget, projected year end outturn, variances and the 2021/22 budget. Underspends / positive variances are shown in brackets:
10. The pay budget build has been based on the full establishment shown above;

	Officer £'m	Staff £'m	Total £'m
Gross pay build	64.8	27.3	92.1
Pay freeze savings	(0.6)	(0.3)	(0.9)
Probationer saving	(1.6)	0.0	(1.6)
Vac Factor	(1.7)	(0.7)	(2.4)
Net Budget	60.9	26.3	87.2
Add allowance	0.6	0.0	0.6
Pay budget excl Year 2 Uplift	61.5	26.3	87.8
Year 2 uplift	2.0	0.0	2.0
21/22 Pay savings	(2.3)	(0.9)	(3.2)
<b>Final 21/22 Budget</b>	<b>61.2</b>	<b>25.4</b>	<b>86.6</b>

**Table 2**

	20/21 Budget £m	20/21 Projected Outturn £m	20/21 Projected Variance £m	21/22 Final Budget
<b>Pay</b>				
Officers – net	60.6	57.8	(2.8)	61.2
Staff – net	26.0	25.4	(0.6)	25.4
Overtime	2.2	1.8	(0.3)	2.2
Agency	1.6	1.2	(0.3)	1.1
Indirect employee costs	2.3	2.4	0.1	2.2
Pensions Contrib.	23.0	23.0	0.0	23.0
<b>Total Pay</b>	<b>115.6</b>	<b>111.7</b>	<b>(3.9)</b>	<b>115.1</b>
Premise Costs	2.6	2.5	(0.1)	2.5
Transport Costs	2.0	2.2	0.2	2.2
Supplies and Services	23.0	23.2	0.2	22.8
Third Party Payment	1.4	1.2	(0.2)	1.5
Recharges from CoLC	3.4	3.4	0.0	3.1
IT - paid to CoLC	7.3	7.3	0.0	6.8
<b>Non-Pay</b>	<b>39.7</b>	<b>39.9</b>	<b>0.1</b>	<b>38.9</b>
<b>Total Expenditure</b>	<b>155.3</b>	<b>151.6</b>	<b>(3.7)</b>	<b>154.0</b>

11. The officer and staff budgets include the full establishment of 1,396 with a vacancy factor of 40 posts (attrition) which equates to £2.4m.

12. The premises budget has been adjusted for the closure of Snow Hill and Wood Street (£1.1m), and with the addition of New Street (£1m).
13. A breakdown of the £22.8m Supplies and Services budget is shown in Appendix 3.
14. Members have requested clarification around the split between National Lead Force and Local Policing. Further work is required to provide this, which will be incorporated in future reports.
15. As shown in Table 2 above, the pay budget decreased from £115.6m in 2020/21 to £115.1m in 2021/22. The main reasons for this are:
- Pay progression (No pay award)
  - Vacancy factor (attrition) of £2.4m across the workforce, which equates to approximately 40 vacancies.
  - Inclusion of Year 2 National uplift of 41 officers.
  - £0.5m savings to be found from NEP rollout
  - £0.4m from average salary reduction through recruitment
  - Additional £2.3m savings to be found by the deletion of 37 Officer posts as a consequence of 12% funding cut from the Corporation

Table 3 below provides a breakdown on non-pay expenditure, further details are shown in Appendix 3:

**Table 3**

	<b>20/21 Budget</b>	<b>20/21 Projected Outturn</b>	<b>20/21 Projected Variance</b>	<b>21/22 Draft budget</b>
Premise Costs – running costs for Bishopsgate and Wood Street in 2020/21 and Bishopsgate and New Street for 2021/22	2.6	2.5	(0.1)	2.5
Transport Costs – fleet repairs and maintenance, hire cars and ATOC	2.0	2.2	0.2	2.2
Supplies and Services	23.0	23.2	0.2	22.8
Recharges to CoLC – IT, Procurement, Finance, Payroll, Internal Audit, Legal, City Surveyors	12.2	12.0	(0.2)	11.4
Unallocated Savings – as set out in the summary above.	(1.8)	(1.8)	0.0	0
<b>Non-Pay</b>	<b>37.9</b>	<b>38.1</b>	<b>0.2</b>	<b>38.9</b>

16. The IT budget has been reduced by £0.8m to be in respect of NEP savings.

17. Members have previously agreed some of the 2020/21 underspend will be utilised for Action Fraud to alleviate any impact upon the 2021/22 revenue budget. We are anticipating costs relating to Action Fraud in meeting contractual obligations (procurement, licence fees and exit/contract extension) in the region of £4m at this stage. The supplier contract is due to expire in February 2022 and it is anticipated that this will generate an additional revenue pressure for the 2021/22 budget. It is anticipated that the Home Office may provide some capital funding for the Next Generation, but a significant revenue pressure is projected for 2022/23 financial year, subject to funding decisions.

## **Income**

18. 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 - 2021/22 Income and Funding Streams**

£'m		£'m		
<b>Core grant and Business Rates</b>		<b>85.12</b>		
<i>of which;</i>				
Home Office	70.17			
Business Rates	16.90			
Premium Corporation -	0.68			
Contact Centre				
<b>Total Funding</b>	<b>87.75</b>			
<b>Less</b>				
Capital priorities				
Financing	(0.75)			
AF loan repayment	(1.50)			
ULEZ loan				
repayment	(0.38)			
	<b>85.12</b>			
<b>Government Grants</b>		<b>51.3</b>	<b>Responsible lead</b>	
Pension Grants	23.00	LT		
NFIB	10.79	SA		
Tactical Firearms Group	5.12	GF		
Economic Crime Capability	2.91	AN		
NLF	2.50	PS		
NCSP ECVCU	2.24	JVP		
National Cyber Security Programme	1.22	JVP		
National Cyber Security Programme - out of hours	1.02	JVP		
Project Servator	0.74	GF		
NCSP - Protect	0.61	JVP		
Marine Support	0.37	GF		
OACU - Overseas Anti-Corruption Unit	0.07	NC		
Other	0.66	MISC		
<b>Partnerships</b>		<b>13.1</b>	<b>Responsible lead</b>	
UK payments administration LTD	2.69	GR		
TFL Recharge	2.20	KT		
Association of British Insurers	4.31	TH		
Intellectual Property Office	2.05	NC		
Tactical Firearms Group	0.30	GF		
Police Secondments	0.30	MC		
Lloyds	0.41	AB		
Cyber Griffin	0.70	CM		
Tower Bridge	0.10	AM		



<b>Fees and charges</b>	<b>4.4</b>	<b>Responsible lead</b>
ECD - Economic Crime Academy	0.9	GW
Bank of England Policing	1.0	GF
POCA	0.8	AB
Information Management	0.1	GBH
International Training and Development Team	0.4	TR
Criminal Justice Unit	0.3	DF
Tactical Firearms Group Training	0.2	GF
Other	0.7	MISC

Note: £23m Police Pension grant relates to the contribution to the Officers pension scheme which is fully funded by Home Office grant.

19. CoLP will become the National Cyber lead force from April 2020/21. Funding is paid via a grant which is not incorporated in the CoLP base budget and will be kept separate. This amounts to approximately £17.5m Home Office grant and 10.6 FTE. This will be managed separately to CoLP's budget.

### **Emerging Risks**

20. There are significant additional risks to the remaining budgets. It has been confirmed that the Counter Terrorism Grant (£7m) will be reduced with the equivalent of 20 officers over 5 years from 2021/22.
21. The TfL Grant (£2m) for roadside policing is also at risk due to the overall financial position for TfL. TfL have informed us that the current level of grant will be rolled forward to 2021/22 at a flat rate, however, it is not yet known if the TfL will have sufficient funding available due to the reduction in public transport during Covid19. Ongoing discussions with TfL are currently in progress.
22. It is also anticipated that CoLP may incur £2.2m procurement costs in relation to Action Fraud the Next Generation. Some funding may be available from the Home Office, however, the extent of any potential funding is not yet known.
23. There is a risk that the Corporation will withdraw funding for Cyber Griffin from 2020/21, which will add an additional budget pressure £0.4m.
24. The deletion of 37 police officer posts will require discussions with the Home Office in relation to funding for the national uplift. A formal request has been

made to re-set of the agreed baseline upon which the national uplift was calculated, and a formal response is anticipated in due course.

25. Following a court ruling on reforms to public sector pensions, known as the McCloud case, there is a risk that some retired police officers may have been discriminated against and due compensation. At present the extent of this is uncertain and there is no guarantee that the Home Office will fund the payments.

Individually and collectively, these risks could increase the pressures on the Police budget.

### Workforce planning

26. Robust workforce planning is an essential tool to ensure good financial management is in place. The 2021/22 budget is based on a detailed and comprehensive workforce plan, which is subject to regular scrutiny by the Commissioner and the Police Authority. The workforce plan includes the projection of starters and leavers throughout the year and the planned probationer intakes for the year.

27. Table 5 below shows the number of Police Officers that are eligible for retirement in the next 5 years:

**Table 5**

<b>Retirement Year</b>	<b>Number of Police Officers Eligible for retirement</b>
Before 31 March 2020	19
1 April 2020 – 31 March 2021	14
1 April 2021 – 31 March 2022	12
1 April 2022 – 31 March 2023	30
1 April 2023 – 31 March 2024	40
1 April 2024 – 31 March 2025	21
<b>TOTAL</b>	<b>136</b>

28. Table 6 below illustrates the patterns of police officers leaving the Force over the last seven years; on average 5.25 leavers per month. In the current environment it is difficult to project a similar pattern going forward, and it is anticipated that fewer officers and staff will leave purely for career advancement. However, the number of retirements should be fairly accurate.

**Table 6**



29. We are expecting to recruit 32 probationer in 2021/22, which will help to further reduce the average cost of a police officer.

30. Table 7 below show the Police Staff leavers over the past seven years, on average 5 leavers per month. As illustrated, there is no particular pattern to officers and staff leaving the Force, however, recruitment to vacancies will be tailored to meeting the savings required to operate within the budget envelope. The vacancy factor has been increased from 28 to 40, which is considered appropriate in light of the additional 113 posts added to the workforce.

**Table 7**



## **Transform**

31. 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

32. 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.*

33. The financial implications (savings) identified through the Transform Programme will continue to be incorporated in the 2021/22 Savings Tracker (totalling £6.4m). A working party remains in place to oversee and monitor the Savings Tracker, and regular updates will be presented to Members via the quarterly budget monitoring reports.

## **Reserves**

34. There are currently no Police General Reserves, however, the position is under review.

35. It is anticipated that a small POCA reserve will remain in place at the end of the 2020/21 financial year.

## **Appendices**

Appendix 1- Net Revenue Budgets 2020/21 to 2021/22

Appendix 2-Support Services and Capital Charges

Appendix 3-Supplies and Services Analysis

## **Contact:**

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## Net Revenue Budgets 2020/21 to 2021/22

	20/21 Budget £m	20/21 Projected Outturn £m	20/21 Projected Variance £m	21/22 Final Budget
<b>Pay</b>				
Officers – net	60.6	57.8	(2.8)	61.2
Staff – net	26.0	25.4	(0.6)	25.4
Overtime	2.2	1.8	(0.3)	2.2
Agency	1.6	1.2	(0.3)	1.1
Indirect employee costs	2.3	2.4	0.1	2.2
Pensions Contrib.	23.0	23.0	0.0	23.0
<b>Total Pay</b>	<b>115.6</b>	<b>111.7</b>	<b>(3.9)</b>	<b>115.1</b>
Premise Costs	2.6	2.5	(0.1)	2.5
Transport Costs	2.0	2.2	0.2	2.2
Supplies and Services	23.0	23.2	0.2	22.8
Third Party Payment	1.4	1.2	(0.2)	1.5
Recharges from CoLC	3.4	3.4	0.0	3.1
IT - paid to CoLC	7.3	7.3	0.0	6.8
<b>Non-Pay</b>	<b>39.7</b>	<b>39.9</b>	<b>0.1</b>	<b>38.9</b>
<b>Total Expenditure</b>	<b>155.3</b>	<b>151.6</b>	<b>(3.7)</b>	<b>154.0</b>
<b>Income</b>				
Specific Grant	(51.5)	(53.3)	(1.8)	(51.3)
Partnership	(13.0)	(12.9)	0.1	(13.1)
Fees & Charges	(4.1)	(3.7)	0.4	(4.4)
<b>Total Income</b>	<b>(68.6)</b>	<b>(69.9)</b>	<b>(1.3)</b>	<b>(68.8)</b>
<b>Funding</b>	<b>(84.9)</b>	<b>(84.9)</b>	<b>0.0</b>	<b>(85.1)</b>
<b>Underlying Deficit</b>	<b>1.8</b>	<b>(3.2)</b>	<b>(5.0)</b>	<b>(0.0)</b>

## Appendix 2

### Support Services and Capital Charges

Support Services & Capital Charges from/to Police Committee	Original Budget 2020/21 £'000	Draft Budget 2021/22 £'000	Note Ref
<b>Support Services and Capital Charges</b>			
City Surveyor's Employee Recharge	135	125	
Insurance	401	409	
IT Recharges – Chamberlain	357	279	
Capital Charges	5,655	5,655	
Capital Contras	(5,590)	(5,590)	
Notional capital charges	0	0	
Admin Buildings	1,387	1,245	(i)
Support Services	1,201	1,138	(ii)
<b>Total</b>	<b>3,546</b>	<b>3,261</b>	
<b>Recharges Within Fund</b>			
Licence fees – Port Health & Environmental Services Committee	18	18	
<b>Total</b>	<b>18</b>	<b>18</b>	
<b>Recharges Across Funds</b>			
Heating Recharge - Finance - Guildhall Admin	90	90	
Policing the Bridges	(242)	(305)	
Remembrancer's Recharge - Policy & Resources - City's Cash	22	28	
<b>Total</b>	<b>(130)</b>	<b>(187)</b>	
<b>TOTAL POLICE COMMITTEE</b>	<b>3,434</b>	<b>3,092</b>	

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

## Appendix 3

### Supplies and Services analysis

Supplies and Services	20/21 Latest Budget	20/21 Forecast	20/21 Proj Variance	21/22 Draft budget
	£m	£m	£m	£m
Action Fraud	6.7	6.6	(0.1)	6.8
NCSP expenditure	2.0	2.0	0.0	1.2
Economic Crime Capability	2.2	2.1	(0.1)	2.2
Professional Fees	5.3	5.7	0.5	6.4
Equipment	2.2	2.1	(0.1)	2.1
Computer Licences	0.5	0.5	0.1	0.5
Legal Fees/Costs	0.5	0.5	0.0	0.3
Uniforms/Clothing	0.4	0.4	0.0	0.4
Subsistence	0.3	0.2	(0.1)	0.3
Medical Fees	0.3	0.3	0.0	0.3
Internet/Web	0.2	0.2	0.0	0.2
Catering	0.2	0.2	0.0	0.2
Consultants Fees	0.2	0.2	(0.0)	0.2
Management Fees	0.2	0.2	0.0	0.1
Security	0.2	0.3	0.2	0.0
Mobile Phones	0.2	0.1	(0.0)	0.2
Misc	1.6	1.5	(0.1)	1.3
	<b>23.0</b>	<b>23.2</b>	<b>0.2</b>	<b>22.8</b>