

|  |                                    |
|--|------------------------------------|
| <b>Committee(s):</b><br>Police   | <b>Date(s):</b><br>18 January 2013 |
| <b>Subject:</b><br>Revenue and Capital Budgets 2012/13 and 2013/14                 | <b>Public</b>                      |
| <b>Report of:</b><br>The Chamberlain and the Commissioner of Police<br>(Pol 04-13) | <b>For Decision</b>                |

### Summary

This report updates the Committee on the latest approved revenue budget for 2012/13 and seeks approval for the proposed revenue and capital budgets for 2013/14, for subsequent submission to the Finance Committee. In summary, the City of London Police Revenue budgets are as follows:

|  | 2012/13<br>Latest<br>£m | 2013/14<br>Original<br>£m | Movement<br>£m |
|--|-------------------------|---------------------------|----------------|
| Employees                                    | 74.8                    | 68.5                      | (6.3)          |
| Other Costs                                  | 31.9                    | 32.7                      | 0.8            |
| Total Gross Expenditure                      | 106.7                   | 101.2                     | (5.5)          |
| Specific Grant Income                        | (30.2)                  | (24.8)                    | 5.4            |
| Other Income                                 | (11.7)                  | (10.9)                    | 0.8            |
| Total Gross Income                           | (41.9)                  | (35.7)                    | 6.2            |
| Total Net Expenditure before use of reserves | 64.8                    | 65.5                      | 0.7            |
| Transfer from Reserves                       | (2.2)                   | (2.6)                     | (0.4)          |
| Total Net Expenditure/Cash Limit             | 62.6                    | 62.9                      | 0.3            |
| Reserves                                     |                         |                           |                |
| General                                      | (12.6)                  | (10.5)                    | 2.1            |
| Proceeds of Crime Act                        | (0.6)                   | (0.1)                     | 0.5            |
| Total Reserves at 31 March                   | (13.2)                  | (10.6)                    | 2.6            |
|  |                         |                           |                |

Income and favourable movements are presented in brackets.

The net outturn for 2012/13 is now anticipated to be some £64.8m, resulting in a required transfer from reserves of some £2.2m. The original budget envisaged the need to draw some £3.8m from reserves, thus the overall “positive” movement is £1.6m. The main reasons for this improvement are set out in paragraph 6.

The Government’s formula grant funding for 2013/14 was confirmed on 19 December 2012. The City Police will receive £57.8m. However,

this includes the ‘rolling in’ of £1.3m for the Neighbourhood Policing Fund which was previously a separate specific grant. If the £1.3m is excluded from the formula grant, the resultant figure of £56.5m is a reduction of £1m compared to 2012/13 on a like for like basis but an improvement of £0.9m compared to the previous forecast of £55.6m.

With the inclusion of £5.1m from the Business Rates Premium, the overall approved cash limit for the Force in 2013/14 totals £62.9m. In order to bring the budget within this cash limit a transfer from general reserves of £2.1m is required, leaving an anticipated general reserve balance at 31 March 2014 of £10.5m. The budget also includes a £0.5m transfer from the Proceeds of Crime Act Reserve, leaving a balance of £0.1m.

Specific grant for Dedicated Security Posts funding is assumed to be £5.1m, a reduction of £3.5m compared to 2012/13. This is due to the anticipated removal of “damping” which has previously been applied to the grant to cushion the effect of reductions. This funding, along with a number of other grants, has yet to be confirmed.

The budget allows for falling Police officer numbers in 2013/14 based on headcount predictions, and includes planned savings of £1.65m in year. If the headcount reduces by less than predicted, a greater use of reserves may be required. For support staff, it has been assumed that numbers will be below the full establishment as natural turnover of staff will lead to further vacancies; therefore a vacancy factor equivalent to 3% of the salary budget has been included.

### **Recommendations**

Your Committee is requested to:

- note the latest approved revenue budget for 2012/13;
- review the provisional 2013/14 revenue budget to ensure it reflects the Committee’s objectives and, if so, approve the budget for submission to Finance Committee; and
- review and approve the draft Capital budget.

## **Main Report**

### **Police Funding Settlement**

1. The Chancellor's Autumn Statement, released on 5 December 2012, announced an additional cut to public sector budgets of 1% in 2013/14 and 2% in 2014/15, on top of the cuts already announced under the Comprehensive Spending Review in 2010. The Government's formula grant funding for 2013/14 was subsequently confirmed on 19 December 2012. The Police service has been protected from the additional cut in 2013/14, although it is likely to be subject to an additional 2% cut in budget for 2014/15. The Home Secretary has indicated all Home Office budgets are to be reviewed before any police funding allocations are announced for 2014/15.
2. For 2013/14 the City Police will receive £57.8m. However, this includes the 'rolling in' of £1.3m for the Neighbourhood Policing Fund which was previously a separate specific grant. If the £1.3m is excluded from the formula grant, the resultant figure of £56.5m is a reduction of £1m compared to 2012/13 on a like for like basis - but an improvement of £0.9m compared to the previous forecast of £55.6m.
3. The table below sets out the latest assessment of total resources available to the City of London Police in the current year and in 2013/14. Whilst the formula grant settlement is unlikely to change, some specific grants for particular activities have yet to be confirmed.

Table 1: Resources Available to City of London Police in 2012/13 and 2013/14

|   | 2012/13<br>Original<br>£m | 2012/13<br>Latest<br>£m | 2013/14<br>Original<br>£m |
|---|---------------------------|-------------------------|---------------------------|
| Cash Limit                                |                           |                         |                           |
| Formula Grant                             | 57.5                      | 57.5                    | 57.8                      |
| Business Rate Premium                     | 5.1                       | 5.1                     | 5.1                       |
| Sub Total Police Cash Limit               | 62.6                      | 62.6                    | 62.9                      |
| Budgeted Income                           |                           |                         |                           |
| Specific Home Office Grants (see Annex B) | 23.3                      | 30.2                    | 24.8                      |
| Other Specific Grants (see Annex B)       | 9.4                       | 9.6                     | 9.1                       |
| Other Income                              | 1.4                       | 2.1                     | 1.8                       |
| Sub Total Budgeted Income                 | 34.1                      | 41.9                    | 35.7                      |
| Transfer from Reserves                    | 3.8                       | 2.2                     | 2.6                       |
| Total Resources                           | 100.5                     | 106.7                   | 101.2                     |

4. The table indicates that the reduction in funding between the 2012/13 latest budget and 2013/14 original budget is estimated to be £5.5m (£6.2m reduction in specific grants and other income partly offset by an increase of £0.3m in formula grant and a £0.4m increase in the use of reserves).
5. Many of the specific grants the Force receives have not been confirmed for 2013/14. Annex B sets out the specific grants included in the budget for 2013/14 and whether they have been confirmed. In total, £15.1m (45%) has yet to be confirmed.

### **Latest Approved Budget for 2012/13**

6. The latest approved budget requires a transfer from reserves of some £2.2m. The original budget envisaged the need to draw £3.8m from reserves. This overall favourable movement in reserves of £1.6m is due to the following:
  - increased DSP funding of £1.5m compared to the original budget assumption of £7.1m;
  - an increase of £1m in the vacancy factor held against the police salaries budget due to higher than anticipated leavers between December 2011 and March 2012; partly offset by
  - investment in project resources for the National Fraud Regionalisation Project (£0.3m), and the Fraud Academy (£0.1m); and
  - the allocation of £0.3m from Reserves agreed by the Force Resource Allocation Board to provide funding for new opportunities.

### **Proposed Revenue Budget for 2013/14**

7. The overall approved cash limit for the Force in 2013/14 totals £62.9m. However, in order to bring the budget within the cash limit the use of £2.1m general reserves is required leaving an anticipated general reserve balance at 31 March 2014 of £10.5m. The use of reserves is £0.6m higher than the previous forecast for 2013/14 but this is more than mitigated by the Force not requiring a budgeted £3m use of reserve in 2011/12 and the anticipated lower use of reserve in 2012/13. The additional £0.6m will allow for the natural turnover of police officers to continue, without the use of forced retirement (Regulation A19).

8. The other main points to note are:
  - Employee costs reflect the move towards the new model proposed by the City First Change Programme;
  - It is anticipated that police officer strength will be 782 by 1 April 2013, and will reduce by 60 FTE by 31 March 2014. This will deliver planned savings of £1.65m in year. If headcount reduces by less than predicted, a greater use of reserves may be required;
  - Vacancy allowances amounting to £0.5m have been included for support staff (3% of the total salaries budget) to recognise continuing turnover in staff numbers;
  - Dedicated Security Posts (DSP) funding has been assumed at £5.1m, a reduction of £3.5m compared to 2012/13. In 2012/13 a damping mechanism had been applied to cushion the effect of a proposed reduction in grant. It is anticipated that this damping will be removed in 2013/14;
  - The Neighbourhood Policing Fund has been consolidated into the formula grant, rather than continuing as a specific grant (£1.3m). This removes conditions around the number of Police Community Support Officers (PCSO's) the Force is required to maintain;
  - An allocation of £0.5m has been made from the Proceeds of Crime Act Incentivisation (POCA) Scheme reserve to allow for the creation of new dedicated support staff roles to support the seizure of cash;
  - A Revenue Supplement to the Capital Programme has been included of £1.4m due to a number of high value Capital Projects taking place in 2013/14, including the East Coast Information Systems (ECIS) Consortium, Crime Recording and Intelligence System, Ring of Steel Upgrade and City Private Fibre Network.
9. Members will note that, in particular, there is an element of uncertainty around police officer numbers. Also, as previously mentioned in paragraph 5, a number of the Force's funding streams have not been confirmed for 2013/14 at the time of writing this report.
10. Annex A analyses the revenue budgets between employees, premises, supplies and services, income etc. A further analysis of the movement in the employees budget is shown in the manpower statement in table 2 below:

Table 2: Movement in Employees budget 2012/13 to 2013/14

|                                | Latest Approved Budget 2012/13 |                      | Original Budget 2013/14       |                      |
|--------------------------------|--------------------------------|----------------------|-------------------------------|----------------------|
|                                | Manpower Full time equivalent  | Estimated Cost £'000 | Manpower Full time equivalent | Estimated Cost £'000 |
| Police Officers                | 828.0                          | 51,459               | 752.0                         | 46,186               |
| Support Staff                  | 465.0                          | 19,424               | 436.5                         | 17,861               |
| Other Pay (Overtime, training) | -                              | 3,872                | -                             | 4,441                |
| Total                          | 1,293.0                        | 74,755               | 1,188.5                       | 68,488               |

### **Capital Expenditure**

11. An analysis of the £2.2m capital expenditure proposed for 2013/14 is attached at Annex C. Due to increased capital commitments for the East Coast Information Services (ECIS) Consortium and the anticipated replacement of ANPR/CCTV in 2013/14, funding of £1.4m has been provided for within the revenue budget to supplement the Home Office capital grant of £0.8m.

### **Annexes**

12. Annex A provides an analysis of the 2012/13 Latest and 2013/14 Original budgets against the 2011/12 Outturn and 2012/13 Original budgets.
13. Annex B provides an analysis of the 2012/13 Latest and 2013/14 Original budgets for Specific Home Office and Other Grants, indicating whether each grant has been confirmed for 2013/14.
14. Annex C sets out the proposed Capital Programme for 2013/14.

**Chris Bilsland**  
**Chamberlain**

**Adrian Leppard**  
**Commissioner**

### **Contacts:**

*Eric Nisbett*  
*Director of Corporate Services*  
*0207 601 2202*

[Eric.nisbett@cityoflondon.pnn.police.uk](mailto:Eric.nisbett@cityoflondon.pnn.police.uk)

*Pam Raphael*  
*Group Accountant*  
*0207 332 1381*

[Pam.raaphael@cityoflondon.gov.uk](mailto:Pam.raaphael@cityoflondon.gov.uk)