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| Committee | Dated: |
| Police Committee | 14 April 2016 |
| Subject: Revenue Budget 2016/17 Update | Public |
| Report of: The Chamberlain and The Commissioner | For Decision |
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Summary

In March the Court of Common Council agreed a recommendation of the Finance Committee to increase the Business Rates Premium by 0.1p to 0.5p in the £ from April 2016 with the additional income, estimated at £1.6m a year, being allocated to the City of London Police to cover recently identified cost pressures relating to security

Following the decision of the Court, the 2016/17 revenue budget approved by your Committee in January has been updated to include funding for 13 security related posts (10 new posts and 3 posts which were otherwise at risk of deletion) and associated training and equipment costs to be funded from the increased Premium – leaving the budget for 2016/17 in an unchanged break-even position.

These changes, detailed in the main report, do not alter the underlying financial position which remains challenging with deficits of £2.9m and £4.8m forecast in 2017/18 and 2018/19 respectively. As previously reported, therefore, further steps will be required to achieve a balanced financial position over the medium term. It is intended to present a further report (or reports) on the strategy for restoring financial balance by 2017/18 together with an updated programme of capital and major revenue projects over the medium term. These will be prepared in time for the Resource Allocation Sub Committee Away-Weekend on 24/25 June.

Recommendation

Members are asked to approve the updated revenue budget for 2016/17.

Main Report

Background

1. This report provides the Committee with an update on the Force's revenue budget 2016/17 following the decision of the Court of Common Council in March to increase the Business Rates Premium by 0.1p to 0.5p in the £ from April 2016 with the additional income, estimated at £1.6m a year, being allocated to the City of London Police to cover recently identified cost pressures relating to security.

Current Position

2. Additional challenges and cost pressures have been identified by the Commissioner since the compilation and approval of the Police Revenue Budget for 2016/17 by your Committee in January. The principal reason that police budgets have been protected in the December settlement is the severity of the threat faced by the UK. The scale and complexity of the attacks in Paris have required forces to fundamentally re-think assumptions around responding to such events. The Commissioner is responsible for establishing the operational policing requirements for the City of London and the Force has reviewed its capacity and capability to respond to a terrorist assault on the scale of the Paris attacks. As a result, the Force's Senior Management Board has identified two areas where the response capability should be increased:
 - A further ten specialist firearms officers are to be employed. This will be in advance of any additional grant that may be provided by the Home Office. At the time of writing, the amount and criteria for any Home Office funding for an uplift in armed officers is unknown. The cost of ten additional officers is estimated at £500,000 with the cost of associated training and equipment estimated at £350,000.
 - The Home Office has indicated that during 2016/17 it intends to reduce the amount of funding available for Counter Terrorism Security Advisors (CTSAs).
 - The Force currently employs five CTSAs, which would reduce to two if the Force does nothing to compensate for the reduced funding. The density of new developments in the City, currently and planned over the medium term, means that to maintain the level of security necessary to protect the City of London, the Force may determine it necessary to fund additional CTSAs from its core budget to keep the level at five. An additional three officers is estimated at £150,000.
3. The Force has two additional tools to its response to the terrorist threat;
 - Operation Servator, which uses behavioural detection officers and cutting edge techniques to target suspect individuals and situations. The level of resources necessary to sustain the level of activity, or increase if dictated by the level of risk, is likely to result in a budget pressure.
 - The Ring of Steel, although recognised as excellent, is now in need of significant investment to ensure its continued effectiveness as a tool to address threat.
4. These additional pressures were not foreseen as likely prior to November 13th, the date when Paris was attacked by terrorists. Consequently, these pressures did not feature in basing the budget on 700 officers, but need to be addressed, which makes the task of restoring financial balance that bit harder.

5. The impact on the 2016/17 revenue budget of the additional cost pressures and the associated funding from the increase in the Premium are summarised in the following table:

| | 2016/17 Original Budget Jan 2016 | 2016/17 Original Budget Update | Change |
|---|---|---|------------|
| | £m | £m | £m |
| Employees | 78.7 | 80.0 | 1.3 |
| Other Expenditure | 29.0 | 29.3 | 0.3 |
| Action Fraud - savings | (0.5) | (0.5) | 0.0 |
| Expenditure | 107.2 | 108.8 | 1.6 |
| Specific Government Grants | (36.3) | (36.3) | 0.0 |
| Partnership Income | (13.2) | (13.2) | 0.0 |
| Fees and Charges | (1.1) | (1.1) | 0.0 |
| Income | (50.6) | (50.6) | 0.0 |
| Total Net Expenditure | 56.6 | 58.2 | 1.6 |
| Funded by: | | | |
| Core Grant | (52.0) | (52.0) | 0.0 |
| Premium | (5.1) | (6.7) | (1.6) |
| Action Fraud - cash flow adjustments | 0.5 | 0.5 | 0.0 |
| Resources (Cash Limit) | (56.6) | (58.2) | (1.6) |
| Deficit (Surplus) | 0.0 | 0.0 | 0.0 |
| General Reserve | | | |
| Opening Balance at 1 April | (5.4) | (5.4) | 0.0 |
| Total Expected Use of (Contribution to) Reserve | 0.0 | 0.0 | 0.0 |
| General Reserve (In-Hand) at 31 March | (5.4) | (5.4) | 0.0 |
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Medium Term Financial Forecast

These changes do not alter the underlying financial position which remains challenging with deficits of £2.9m and £4.8m forecast in 2017/18 and 2018/19 respectively. This would leave the reserve at £2.5m as at 31 March 2018, breaching the strategy of retaining a minimum level of £4m, and potentially an overdrawn position of £2.3m by 31 March 2019. Therefore, as previously reported, further steps will be required to achieve a balanced financial position over the medium term. A further report (or reports) on the strategy for restoring financial balance by 2017/18 together with an updated programme of capital and major revenue projects over the medium term will be presented to your Committee in time for the Resource Allocation Sub Committee Away-Weekend on 24/25 June.

Appendices

- None

Background Papers

Report to Police Committee (21 January 2016) on Revenue and Capital Budget 2016/17 and Draft Medium-Term Financial Plan up to 2018/19

Report to Court of Common Council (3 March 2016) on City Fund 2016/17 Budget
Report and Medium Term Financial Strategy

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