

Committee(s):	Date(s):
Police Committee	13 th July 2017
Subject: Revenue and Capital Outturn 2016/17	Public
Report of: Commissioner of Police and the Chamberlain	For Information
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Summary

In the December 2016 report to Members, the Force outlined its expectations of an over spend of £2.6m, resulting in the main from external burdens arising during the year. As outlined in the Medium Term Financial Plan for the Police, immediate steps to stabilise the position were planned which included utilisation of the General Reserve and the adoption of a cashable savings target.

The final outturn shows net expenditure of £68.73m which requires a drawn down from the General Reserve of £0.62m reducing the balance from £4.1m to £3.5m at 31 March 2017. This differs from the expected draw down of £2.6m, as reported to the Policing Committee of Jan 17, and is a net cost reduction of £2.0m.

Revenue Outturn by Standard Category	Budget 2016/17 £	Actuals 2016/17 £	Variance £
Employees - Direct Pay	83.83	85.33	(1.50)
Employees - Indirect Pay	2.95	3.19	(0.24)
Other	14.96	15.36	(0.40)
Premises	3.53	4.00	(0.46)
Supplies and Services	21.81	18.68	3.13
Transport	1.90	1.60	0.30
Income	(60.88)	(59.42)	(1.45)
Grand Total	68.11	68.73	(0.62)

A year end analysis by Directorate is shown in the main report under paragraph 14.

The net cost reduction of £2.0m, is a combination of underspends and mitigations of which £0.6m is as a result of a reduction in the original budget pressures identified (as shown on table 4), a further £0.74m can be attributed to the overachievement of the in year vacancy factor targets and the other main areas are the recharging of project costs to their respective capital programmes and increased service income over and above that which had been budgeted.

In future however, it is recognised, on the Chamberlain's advice that when it becomes apparent that the forecast has changed significantly, it will be reported to Members during the financial year, rather than waiting for the outturn report. Any

risks associated with the revised position should be highlighted separately for Member consideration.

Members are asked to note the report.

Recommendation

It is recommended that the revenue and capital outturn for 2016/17 is noted.

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Main Report

Budget Outturn Position for 2016/17

1. The budget anticipated a transfer from the General Reserve of £2.6m; however the actual transfer was £0.6m. This is an overall reduction of £2.0m.
2. There has also been a net allocation to the Proceeds of Crime Act (POCA) Reserve of £56k for the year.
3. The original cash limit for 2016/17 was agreed at £58.3m. There have been several adjustments during the year increasing the cash limit to £68.1m. An analysis of these changes is set out in Appendix 1.

Revenue Outturn for 2016/17

4. The revenue outturn by standard category is illustrated in Table 1 below.

Table 1 Revenue Outturn for 2016/17 by Standard Category

Revenue Outturn by Standard Category	Budget 2016/17 £	Actuals 2016/17 £	Variance £
Employees - Direct Pay	83.83	85.33	(1.50)
Employees - Indirect Pay	2.95	3.19	(0.24)
Other	14.96	15.36	(0.40)
Premises	3.53	4.00	(0.46)
Supplies and Services	21.81	18.68	3.13
Transport	1.90	1.60	0.30
Income	(60.88)	(59.42)	(1.45)
Grand Total	68.11	68.73	(0.62)

5. The final outturn shows net expenditure of £68.73m which requires a drawn down on General Reserves of £0.62m. This is a reduced requirement of £2.0m compared to the anticipated drawn down of £2.6m.
6. The net reduction in costs of £2.0m are due a number of factors however the most significant factor was the increase in the level of vacant posts.
7. The outturn shows an overspend in Direct Employee Pay of £1.5m of which £1.15m related to Economic Crime Directorate (ECD) costs which are funded by external partners, additional pressures are as a result of ICT staff being recharged to Direct Employee costs and the project salaries recharge being credited against income. Also, planned reductions in officer and staff posts across the Force were not achieved, although vacancies were held. (see paragraph 8). Core pay budgets (non-ECD) were underspent by £0.43m net.

8. The underspend in Direct Employee Pay on non-ECD (core) £0.43m was due the combination of vacancy factor achievement mitigated by growth in police establishment. The full year results on vacancy factor targets (excluding efficiencies) show that police officer vacancy targets were overachieved by £1.11m and police staff vacancy targets were underachieved by £0.37m (a combined net overachievement of £0.74m). The vacancy factor was not applied to posts within the Economic Crime Directorate.
9. Indirect pay was overspent by £0.24m across ECD, Central costs and non-ECD (core) budgets. The overspend on indirect pay relates to overtime charges to compensate for vacancies not filled and Force Tasking.
10. Other costs were overspent by £0.40m due in the main to costs under Occupational Health and Welfare being charged to other, but with the budgets sitting under supplies and services and spend on the Funded Economic Crime Directorate against which budgets had not been allocated. This overspend is also offset by lower spend on Forensic Services and Force Tasking.
11. Premises costs was overspent by £0.46m due to higher than expected costs on reactive maintenance, business rates, service charges and electricity costs however this was mitigated by savings on the cleaning contract and rent.
12. Supplies and Services was underspent by £3.13m, key highlights are:
 - Police Transformation Project titled False Identity Data Capture and Sharing was terminated resulting in an underspend of £0.48m.
 - Economic Crime Directorate core budgets was underspent by £0.328m.
 - Police Research Fund and Severance budget was underspend by £0.19m underspend.
 - Mobile Working Business as Usual budget was underspent by £0.28m.
 - Information Management budget was underspent by £0.28m

Directorate Outturn

13. The Directorate outturn is illustrated in Table 2 below and individual Directorate analysis is shown in Appendix 2.

Table 2: Outturn Analysis by Directorate for 2016/17

Directorate	Budget 2016/17 £m	Outturn 2016/17 £m	Variance £m
Crime Investigation Directorate	10.64	9.99	0.65
Economic Crime Directorate	11.78	11.59	0.19
Information & Intelligence Directorate	9.40	8.78	0.62
Uniformed Policing Directorate	9.23	8.53	0.70
Business Support Directorate	15.03	16.00	(0.97)
Central Costs	12.03	13.84	(1.81)
Grand Total	68.11	68.73	(0.62)

14. Table 2 shows that all Directorates, excluding Central, achieved a net under spend of £1.19m. The Central costs reduction targets (which covers pensions, secondments, efficiency targets and income generation) were not met and created an over spend of £1.81m, pushing the Force into a net over spend of £0.62m.

Crime Investigation Directorate - net under spend of £0.65m

The Crime Investigation Directorate achieved a net under spend of £0.65m, which has been mainly delivered through vacancies being held throughout the year. The impact of the vacancy targets was £0.52m, but whilst holding these vacancies there was a knock on effect on overtime costs which saw an over spend of £0.03m.

Whilst income targets were achieved Members will note that the Force entered into negotiations with The Safety Camera Partnership in 2016/17 to reduce costs and therefore the amount of cameras in operation, effective from 2017/18. The Force is concluding these discussions but since there are staffing implications we cannot advise Members on the conclusion of these negotiations at this time.

Economic Crime Directorate - net under spend of £0.19m

The Economic Crime Directorate (ECD) achieved an under spend of £0.19m. This is the net result of an over spend on funded units of £0.72m and an under spend on core activities of £0.91m. The under spend on core activity was achieved through high levels of vacancies throughout the year. The under spend is in turn offset by other pressures within the directorate; the Economic Crime Academy fell short of its net budget by £154k as a result of

not achieving its income targets, and the impact of Police Innovation Fund grant (where the Police have to provide match funding to a certain percentage) created an additional pressure of £149k.

The Funded programmes shows an overspend of £0.72m. The expectation is that funded units will always breakeven and not create a pressure on the core activity. It became apparent in 2016 that partnership agreements negotiated with funders had not been annually revised to capture overheads relating to funded programme activity. The historic management charge did not cover current costs resulting in cross subsidisation of funded units. Funded units were advised to charge on the correct basis and the Fees and Charges policy was updated to reflect the Force's stance on full economic cost recovery. The Commissioner agreed through internal governance procedures that the under-recovery of overhead, will be borne, in 2016/17, as a core cost and in future years the Force will seek full economic cost recovery from funded units. In 2017/18, this will be managed through a comprehensive review of all contracts within the funded units to re-engage with partners on re-pricing contracts to achieve full economic cost recovery. In establishing a system of effective internal control, it has been mandated that no agreements with third parties can be effected without full oversight and approval of the Force Director of Finance.

Information and Intelligence Directorate - net under spend of £0.62m

The Information and Intelligence Directorate (I&I) achieved an under spend of £0.62m, as with most other directorates I&I has seen a significant under spend on Direct Employee Expenses of £0.21m due to vacancy levels, but this has also been offset by an over spend on overtime of £0.1m. There have also been some significant under spends on Supplies and Services with savings in the areas of Computer Licences, Subscriptions and Security costs, totalling £0.4m. There was also additional income from the Criminal Record Bureau, which stood at just under £81k.

Uniformed Policing Directorate - net under spend of £0.70m

The Uniformed Policing Directorate (UPD) achieved an under spend of £0.70m, this was achieved through high levels of savings on Direct Employee Expenses, through vacancies, of £0.38m, which in turn was offset by an over spend on overtime of £0.1m. Additionally during the year, Armed Uplift funding of £542k was received, to cover existing armed uplift costs, that had not been budgeted for but of this income £295k remains unspent at the year-end and has been allocated to an earmarked reserve for future funding. The lateness in the year, in which this money was received, plus the time taken to recruit and train officers explains the underspend in 2016/17. UPD also received Tactical Firearms Group (TFG) funding from the Home Office of £240k more than budgeted. There is not an expectation of increased officer numbers or hours, above what had been planned in our armed uplift programme, as a condition of funding received in either case.

Business Support Directorate - net over spend of - £0.97m

The Business Support Directorate (BSD) achieved an over spend of £0.97m. BSD manages business support functions for the Force and includes resourcing the Force's extensive and ambitious capital programme including pipeline projects from 2016/17 to 2019/20 exceeding £20m. The Force utilises a number of specifically skilled project managers, on a combination of fixed term contracts and agency whose costs are charged to capital when programmes attain Gateway 5 status, but otherwise the costs remain in revenue until this stage is reached. This will only be an overspend if the project does not achieve Gateway 5 status. These resources are not part of the establishment since it is proper accounting practice to charge costs which are directly attributable to the creation of an asset to capital. This raises an important aspect in that feasibility/pre-Gateway 5 costs relating to capital programmes are unfunded and from 2018/19 the Force will need to budget for feasibility expenditure. Where possible, project managers working on capital projects are recharged to appropriate capital programmes and this amounted to over £0.72m in 2016/17.

The other main pressure was in Premise Expenses; overspend of £0.4m due to increases in service charges and utility costs across the Force estate. Other highlights included overtime costs, with an over spend of almost £0.014m, offset by a reduction in expenditure on introductory fees and also Force training.

Central Costs - net over spend of -£1.81m

Central costs include overarching functions such as Pension Costs, Secondments and the ICT contract and budgets relating to efficiencies and central income generation budgets.

The Direct Employee cost shows an over spend of £0.79m which is mainly due to planned efficiencies not achieved due to reversal of policy decisions in December 2016. The impact of which is partially offset by a lower than expected expenditure on Pension costs, which was £0.5m less than budgeted.

The levels of income generated were under achieved by £1.91m due to a reduction in the level of secondment income of £0.5m, as a direct result of fewer officers on secondment as well as a reduction in the Home Office grant for pensions of £0.7m. The pension reduction is offset by the reduced pension costs. A provision was placed in the 2017/18 budget to avoid this pressure.

Central costs include ICT charges agreed at £5.3m, in accordance with MTFP assumptions set in January 2015. Following a corporate wide review of ICT and the realisation that such savings were not going to be achieved, the Corporation increased 2016/17 funding by £0.9m to cover the additional ICT costs. The Corporation have agreed to fund similar costs of £1.1m for 2017/18.

In 2016/17 the Force received £0.7m of income from asset recovery activities under the Proceeds from Crime Act (POCA). During the year costs were allocated to approved programmes such as the funding of staff for the Asset Recovery, Crime Reduction and Community Safety initiatives. The net result was a transfer to POCA reserves of £56k. This maintains the balance on POCA reserves at the end of the financial year of £3.63m.

Capital and Supplementary Revenue Projects Outturn for 2016/17

15. Expenditure on the 2016/17 Capital and Supplementary Revenue Projects, excluding Police Accommodation (see Appendix 3) was £1.35m, an under spend of £0.42m against an approved budget of £1.78m.
16. The capital under spend for 2016/17 was £0.42m, of which £0.37m is slippage phased into future years and Appendix 3 refers.
17. The original programme for 2016/17 was revised and submitted to the September 2016 Police Committee for £2.97m which was subsequently reduced to £1.78m (as presented to the January 2017 Police Committee) mainly as a result of the re-profiling of the Emergency Services Mobile Communications Programme (ESMCP) and elements of the Ring of Steel programme. There was also some preliminary spending on various projects which did not commence in 2016/17 and will be re-profiled into 2017/18.
18. Assumptions have been made on the available funding and indicative projects for the next three years to 2019/20. Whilst it is anticipated that there will be some specific funding available for a few of the projects, there remains a significant overall shortfall of around £11.4m. It should be noted that this figure may change as further detailed work is being undertaken.
19. Approval has been received in principle to the use of City of London Corporation capital resources to finance the shortfall in funding from 2017/18 and provision has been included in the City Fund draft medium term financial plan. The cost of capital schemes that have been re-profiled from 2016/17 will still be met from Police funds.

General Reserves

20. The balances on the General reserves and POCA reserves at 31 March 2017 are £3.49m and £3.63m respectively.
21. The reduction in over spend increases our forecast balances from £1.5m to £3.5m and only marginally puts us below the previously maintained General Reserve level of £4m.

Table 3 General Reserves and POCA Reserve Balances

City of London Police Balances	POCF Balances £m	POCA Reserve £m	Total Balances £m
Opening balance (01/04/16)	4.10	3.57	7.68
2016/17 transfers to/(from)	(0.62)	0.06	(0.56)
Closing balance (31/03/17)	3.49	3.63	7.12

Conclusion

22. The outturn for the year shows a reduced deficit, brought about by a combination of factors which include a higher than originally planned level of vacancies (one-off benefit) and other internal control decisions. The Force will consider process and invest to save opportunities and review with the Chamberlain the feasibility of future cashable efficiencies. However, the position is challenging in future years, with an underlying deficit remaining.
23. The original budget pressures identified totalled £2.6m and of those pressures £2.0m was still incurred and absorbed within the final outturn. The outturn shows an over spend of £0.6m.

Table 4 Planned Budgetary Pressures and Outturn

	2016/17 Forecast Outturn £m	2016/17 Actual £m	2016/17 Variance £m
Budget deficit reported in January 2017			
Pension scheme cost pressures	0.4	0.2	0.2
Legislative Impacts: Bear v Scotland/CHIS	0.2	0.4	(0.2)
Ring of Steel managed service	0.2	0.0	0.2
2015/16 capital programme slippage	0.6	0.2	0.4
Provision for bad debt: Food Standards Agency	0.3	0.3	0.0
Other net variations	0.1	-	0.1
Economic Crime Academy: Net income costs	0.3	0.2	0.1
ECD underrecovery of overheads recharged	0.5	0.7	(0.2)
Total variations	2.6	2.0	0.6

24. The reduction in planned overspend reduces the draw from General Reserves and creates a closing balance of £3.5m as opposed to the planned £1.5m. This will enable more flexibility in the Medium Term Financial Planning process going forward. This is still a financially challenging position for the Force in light of the need to identify future efficiencies and cost reductions and

the impact, financially or otherwise, of the unknowns that may arise from the review by Deloitte.

25. The outturn and its implications for future assumptions will inform the review of the medium term financial forecasts. The current level of General Reserves may provide some protection against reductions in funding or increases in expenditure for 2017/18.
26. The Assistant Commissioner will continue to look for opportunities to find risk based efficiencies and control expenditure. The Force is also looking to develop future income streams through commercial opportunities to support future funding gaps.

List of Appendices:

Appendix 1 – Analysis of charges to Force Cash Limit for 2016/17

Appendix 2 – Detailed revenue outturn by Directorate 2016/17

Appendix 3 – Capital Outturn 2016/17

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Appendix 1

Analysis of Changes to Force Cash Limit for 2016/17

Changes to Force Cash Limit 2016/17	2016/17 £m	2016/17 £m
Original Cash Limit - Jan 2016		58.3
Budget Adjustments		
<u>In-Year adjustments</u>		
Action Fraud implementation funding B/fwd from 2015/16	5.2	
Deferral of repayment of Action Fraud implementation funding	0.5	
Additional resources to meet IT pressures	0.9	
Economic Crime Academy - allocation from Corporation Transformation Fund	0.1	
		6.7
<u>Year End adjustments</u>		
Action Fraud implementation funding C/fwd to 2017/18	(0.9)	
Funding for Police Accommodation Project supplementary revenue schemes	4.0	
		3.1
Final Cash Limit - March 17		68.1

Appendix 2

Detailed Revenue Outturn by Directorate 2016/17

Crime Directorate	Budget 2016/17	Actuals 2016/17	Variance
Standard Category	£m	£m	£m
Employees - Direct Pay	10.43	9.91	0.52
Employees - Indirect Pay	0.16	0.19	(0.03)
Other	0.23	0.20	0.03
Premises	0.02	0.02	0.00
Supplies and Services	0.44	0.35	0.09
Transport	0.05	0.03	0.02
Income	(0.70)	(0.72)	0.02
Grand Total	10.64	9.99	0.65

ECD - Standard Category	Budget 2016/17	Actuals 2016/17	Variance
Funded Activity Functions	£	£	£
Employees - Direct Pay	12.62	13.77	(1.15)
Employees - Indirect Pay	0.75	0.87	(0.12)
Other	4.32	4.97	(0.66)
Premises	0.89	0.69	0.20
Supplies and Services	9.04	8.17	0.87
Transport	0.50	0.43	0.07
Income	(21.95)	(22.00)	0.05
Grand Total	6.17	6.90	(0.73)

ECD - Standard Category	Budget 2016/17	Actuals 2016/17	Variance
Core Activity Functions	£	£	£
Employees - Direct Pay	5.94	4.58	1.36
Employees - Indirect Pay	0.10	0.09	0.01
Other	0.36	0.14	0.22
Premises	0.07	0.30	(0.23)
Supplies and Services	1.08	0.44	0.64
Transport	0.01	0.04	(0.03)
Income	(1.95)	(0.89)	(1.06)
Grand Total	5.61	4.70	0.91

I&I Directorate	Budget 2016/17	Actuals 2016/17	Variance
Standard Category	£m	£m	£m
Employees - Direct Pay	9.11	8.90	0.21
Employees - Indirect Pay	0.15	0.29	(0.14)
Other	0.00	0.01	(0.01)
Premises	0.00	0.00	(0.00)
Supplies and Services	1.37	0.96	0.41
Transport	0.06	0.05	0.01
Income	(1.29)	(1.42)	0.13
Grand Total	9.40	8.78	0.62

UPD Directorate	Budget 2016/17	Actuals 2016/17	Variance
Standard Category	£m	£m	£m
Employees - Direct Pay	18.54	18.16	0.38
Employees - Indirect Pay	0.36	0.46	(0.10)
Other	0.44	0.50	(0.06)
Premises	0.04	0.01	0.03
Supplies and Services	1.11	1.16	(0.05)
Transport	0.17	0.20	(0.02)
Income	(11.42)	(11.96)	0.54
Grand Total	9.23	8.53	0.70

BSD Directorate	Budget 2016/17	Actuals 2016/17	Variance
Standard Category	£m	£m	£m
Employees - Direct Pay	6.21	7.57	(1.36)
Employees - Indirect Pay	0.99	0.79	0.20
Other	2.53	2.83	(0.30)
Premises	3.17	3.65	(0.48)
Supplies and Services	1.84	1.59	0.25
Transport	0.33	0.38	(0.05)
Income	(0.04)	(0.80)	0.76
Grand Total	15.03	16.00	(0.97)

Central	Budget 2016/17	Actuals 2016/17	Variance
Standard Category	£	£	£
Employees - Direct Pay	20.98	22.44	(1.47)
Employees - Indirect Pay	0.45	0.50	(0.05)
Other	7.08	6.71	0.37
Premises	(0.66)	(0.67)	0.01
Supplies and Services	6.94	6.02	0.92
Transport	0.78	0.47	0.31
Income	(23.54)	(21.63)	(1.91)
Grand Total	12.03	13.84	(1.81)

Revenue Outturn by Standard	Budget 2016/17	Actuals 2016/17	Variance
Category	£	£	£
Employees - Direct Pay	83.83	85.33	(1.50)
Employees - Indirect Pay	2.95	3.19	(0.24)
Other	14.96	15.36	(0.40)
Premises	3.53	4.00	(0.46)
Supplies and Services	21.81	18.68	3.13
Transport	1.90	1.60	0.30
Income	(60.88)	(59.42)	(1.45)
Grand Total	68.11	68.73	(0.62)

Appendix 3

Capital Outturn 2016/17

	Police Committee Jan 17	Police Committee Jul 17		
Project Name	2016/17 Forecast	2016/17 Outturn	Variance	C/Fwd
Expenditure	£'000	£'000	£'000	£'000
Approved Expenditure				
Tactical Firearms Unit Body Worn Video	3	(12)	15	0
ID Document Database	4	0	4	0
Crime Recording and Intelligence System	0	0	0	0
ICT Support to CCCI	0	209	(209)	0
Vehicle Replacement Programme	322	295	27	27
Mobile Technology	(23)	(24)	1	0
Ring of Steel - CCTV Barbican Area	2	2	(0)	0
Ring of Steel - IMS/DRS	25	419	(394)	0
Ring of Steel (ANPR Camera Replacment)	163	0	163	0
Ring of Steel River Cameras	30	0	30	0
HR Origin Upgrade	44	18	26	26
Joint Netw ork Refresh	20	15	5	5
Netw ork Refresh & Upgrade and Data Storage & Application Hosting	0	0	0	0
ESMCP (Airw ave Replacement)	341	208	133	133
Pipeline Projects				
Tactical Firearms Unit Body Worn Video	82	0	82	82
ID Document Database	521	0	521	0
Data Netw ork Refresh	143	223	(80)	0
Unified Communications	18	0	18	18
Ring of Steel (ANPR Camera Replacment)	80	0	80	80
Total Programme Expenditure	1,775	1,352	423	371
Funded By				
Home Office Grant 2015/16 - Not Applied	(122)	0	(122)	
Home Office Capital Grant *	(400)	0	(400)	
Revenue Contribution	(1,000)	(1,225)	225	
PIF - ID Document Database	(525)	0	(525)	
Proceeds of Crime Funds - CCTV	(2)	(2)	0	
Proceeds of Crime Funds - BWV	(85)	0	(85)	
Bridge House Trust contribution to Ring of Steel river cameras	(163)	(125)	(38)	
Total Income	(2,297)	(1,352)	(945)	
(Funding Available) / Funding Gap	(522)	0	(522)	371