

Committee: Police Committee- For information	Date: 21 st September 2017
Subject: Revenue Budget Monitoring Report to June 2017	Public
Report of: The Commissioner of Police and The Chamberlain	For Information
Report author: Michelle King, City of London Police Director of Finance	

Summary

The overall forecast year end position at quarter one is balanced; however, the Force is mitigating adverse risks to the value of £3.42m.

Chief Officer Cash Limited Budget

The year end forecast shows a balanced budget and the projected outturn includes costs that have been drawn from POCA reserves under the Asset Recovery Identification Scheme (ARIS). These costs have been approved by CoLP Senior Management Board (SMB). There remain risks of £3.42m against the approved budget of £60.4m (excluding internal recharges of £3.6m). Brief commentary on the main risks and mitigating actions being undertaken are outlined in Appendix 1.

Recommendation

Members are asked to note the report.

Main Report

Chief Officer Cash Limited Budget

1. Risks to outturn arising in quarter 1 without mitigation identifies a risk of a forecast overspend of £3.42m. The Force has four operational directorates (Crime, Economic Crime, Intelligence and Information and Uniform Policing) one support directorate (Business Support Directorate) and a Central budget and the position for each activity area is shown in the table below.

Table 1: Directorate Outturn at Summary Level

Directorate	Budget	Q1 Actual	Outturn Risk	Better/(worse)
	£m	£m	£m	£m
Crime	11.06	2.41	10.89	0.17
ECD - Core Units	5.52	1.36	5.50	0.02
ECD - Funded Units	2.10	18.32	4.34	(2.24)
I&I	11.01	2.22	10.97	0.04
UPD	10.79	3.98	10.88	(0.09)
BSD	14.63	3.63	14.58	0.05
Central Budgets	5.29	5.56	6.66	(1.37)
Total Net Expenditure	60.40	37.47	63.82	(3.42)

Revenue

2. The adverse risks identified at quarter 1 of £3.42m are shown in more detail in Appendix 1. The main risks are in relation to issues around National Lead Force (NLF) funding of £2.20m and the failure to identify savings in the non-pay Chief Officer Cash Limited Budget of £0.87m.
3. Grant administrators for the Home Office confirmed an error in their bidding process at the beginning of the financial year resulting in the omission of the National Lead Force (NLF) bid from the 2017 Policing Budget, laid before Ministers. Administrators advised that Ministers will make a decision in June 2017 but this has now passed without any agreement in principle being validated. The Force continues to request updates from the Home Office and anticipates a decision in Autumn 2017.
4. Chief Officer Cash Limited Budgets include a savings target of £1.2m against the non pay budget of £29.6m. The force has managed to secure savings of £0.3m against Repair and Maintenance, Travelling Expenses, Tasking and Core Directorate Overtime Budgets; however this falls short of the savings target by £0.87m.
5. CoLP Senior Management Board are recommending realising efficiencies against the Corporation recharge budget of £3.6m, which is excluded from the analysis in Table 1.

6. Unplanned savings of £0.60m in direct employee pay have accrued during quarter one due to delays in recruiting to Force vacancies. An exercise to match recruitment to current vacant established posts is being undertaken to get a complete understanding of the full year forecast direct employee pay cost, which will be reported to Members in quarter two. The impact of vacancy levels on overtime budgets is dependent on capacity, demand and utilisation. These considerations will be taken forward within the Strategic Threat and Risk Assessment Challenge Panels to be held in October 2017, reported to Members in quarter two.
7. Exceptional overtime claims relating to terrorist activities (Westminster attack, London Bridge and Manchester Arena) paid to officers to date amount to £0.38m and this is forecast to increase by £0.10m by the end of quarter 2, bringing the total to £0.48m. A claim for the full amount has been submitted to National Counter Terrorism Policing Head Quarters (NCTPHQ) for approval.
8. The Injury and Ill Health commutations year end forecast is £0.26m worse than the latest approved budget of £0.7m. This will continue to be monitored throughout the year.
9. There are adverse risks to the legal budget in relation to cash seizures which are subject to detention order(s). A detention order for £22m was quashed by the High Court and resulted in the repayment of funds, costs and interest of £0.21m. This negative risk is anticipated to increase by year end due to the outcomes of further court actions, the value of which is uncertain at this stage.

Proceeds of Crime Act 2002 (POCA)

10. Appendix 3 shows a summary of the actual spend for the first quarter against budgets agreed by the Strategic Management Board.

Capital and Supplementary Revenue Budgets

11. The capital outturn for 2017/18 has been profiled to budget. There are major programmes under review mainly IMS/DRS and ESN (formally ESMCP) which will be updated to Members in quarter 2.
12. Appendix 4 comprises Table 1 and Table 2 and outlines the capital programme for 2017/18 (as reported to the Police Committee in Jan 2017).
13. Table 1 identifies approved capital expenditure programmes financed within the Chief Officer's capital budget.
14. Table 2 outlines Pipeline Projects which primarily need to be developed into full business cases before they can receive Committee approval. These programmes are unfunded and require approval from Resource Allocation Sub-Committee to determine how the capital expenditure will be financed. Table 2 therefore identifies the capital expenditure shortfall to 2020.
15. The Police submitted four bids to the Police Innovation Fund of which one bid "PR097- 2017 National to Local Fraud and Cyber Data Sharing" received a recommendation to be considered by the Home Office (The bid value is £1.8m in 2017/18; £1.4m in 2018/19 and £0.5m in 2019/20). The bid was deferred from being submitted for ministerial sign off until September, as the Home Office wanted assurance that a current commercial dispute between the Force and one of its suppliers would not impact upon delivery. The Force has

provided that assurance and we are confident approval will be given.

Major Programmes

16. There are several ongoing major programmes within the Police that are interdependent with the Corporation. These are Action Fraud, the Accommodation Programme and the Planned and Cyclical Maintenance of the Police Estates and the Emergency Services Mobile Communications Programme.
17. **Action Fraud:** The supplier has communicated a number of delivery delays to the Implementation Programme Board (IPB) following the initial service Go Live date of 1 April 2016. A further delay beyond 30 September 2017 to Go Live for Release One has been communicated. Members should note that Release One will deliver all of the promised functionality to law enforcement and wider Stakeholders. Notwithstanding delays the system has been built and has been demonstrated on a number of occasions, most recently to Home Office officials. Members approved a supplementary budget of £5.51m for 2017/18 to meet Milestone, Client Team and Legal advice costs relating to the on-going delivery dispute. To date £7.2m has been paid to the supplier for Milestones delivered with a further £2.9m budgeted. There have been no material developments in respect of the on-going dispute.
18. **Accommodation programme:** The overall City of London Police Accommodation Programme is overseen by the Commissioner and the Chamberlain as joint programme sponsors. However, within the programme there are a range of essential internal projects supporting the main programme that are managed by the Force. The majority of these projects are now in mobilisation stage as the programme has moved from concept to physical works across the Police estate. Regular strategic briefings and updates of the overall accommodation programme will be provided to all committees going forward.
19. **Planned and Cyclical Maintenance of the Police Estate:** A clear misalignment has been identified between the physical works required to maintain the estate of the City of London Police and appropriate budgets. The main cause of this has been the assumption that the accommodation programme would have removed the requirement for some of these essential works, but due to the delays within that programme some of these essential works are now unavoidable. These are being regularly reviewed and limited to essential only, particularly within sites with a short time frame of retention. A minor budget increase will be required in year for 2017/18 and a detailed profile of any works will be built into cyclical works budgets for 2018 /19 onwards.
20. **The Emergency Services Network programme:** This is a national programme providing mission critical communications and broadband applications and will affect all Bluelight services. The programme is still in its early stages and is due for completion in 2020. This programme is complex in that the national team delivers the network and each individual organisation provides its own use case based on operational requirement which will involve network infrastructure redesign, control room upgrades, new smart type devices, vehicle fleet refits and replacement of in-building solutions in key

locations. Within Pipeline Projects agreed by members in January 2017, the Force estimated that £9m of City cash is required, however a recent estimate suggests this is between £12m - £14m. It should be noted that the Met's initial estimate was £100m; however current thinking is a revision to £150m. The lack of clarity around estimates and assumptions is due to the lack of detailed information from national programme / Home Office. Recently the Force was approached by the national lead due to some concerns about the lack of local progress and this is currently a red risk within the Force risk register. A team is required to make progress against the national programme plan and fully understand the local user requirement, currently estimated at £3.2m to 2020. The team requires a technical architect, design and configuration expertise, test and assurance management, subject matter expertise in police control rooms, mobile devices and in-vehicle units. The project will require stakeholder engagement with City Businesses to deliver in building solutions providing for communications inside strategic buildings / iconic locations. This is particularly important at risk sites due to the threat from terrorism.

21. Other Police Funds

The forecast Police working balances includes the General fund £3.4m, the POCA reserve £0.9m and the transformational fund £0.1m as table 2 outlines.

Table 2: Other Police Funds Forecast to March 2018

Forecast Other Police Funds to 31st March 2018	2017/18 Opening Balance	2017/18 Projected Outturn	2017/18 Closing Balance
General	(3.5)	(0.1)	(3.4)
POCA	(3.6)	(2.7)	(0.9)
Transformational Funding	(0.1)	0.0	(0.1)
Total Other Police Funds	(7.2)	(2.8)	(4.4)

Appendix 1 – Budget Risks as at Qtr 1

Appendix 2 - POCA Allocations for 2017/18

Appendix 3 – Capital and Supplementary Revenue Budget

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Budget Risks as at Qtr 1

Changes	Q1 Risks £'000	Cause/Action
Direct Employee Pay	600	Adjustments to direct employee costs due to sluggish recruitment to vacant positions. The under spend will be taken to the Police Contingency Fund to offset the underachievement of non-pay efficiencies. This will be updated in quarter 2.
Indirect Employee Pay	-482	Adjustments to employee indirect pay due to terrorist attacks across the country. These costs have been reclaimed through the Counter Terrorism funding stream however NCTPHQ is uncertain about the likelihood of recovery and the status of this risk will be updated in quarter 2.
Legal costs	-207	These are adjustments relating to legal fees, interest and court costs paid to third parties relating to negative outcomes on forfeiture cases. The Assistant Commissioner is developing a process to risk assess and mitigate where feasible forfeiture risks prior to engagement. This will be updated to members in quarter 2.
Non-pay efficiencies	-871	The in year efficiencies are partially achieved where operationally feasible. The remaining non-pay savings are currently unidentified however in view of the high level of vacancies and the time to fill; these efficiencies will be offset against unplanned savings from direct employee budgets.
Injury and Ill Health Commutations	-260	The current levels of Injury and Ill Health costs are forecast to exceed that budgeted for 2017/18 due to the provision of three commuted ill health lump sum and an increase in 4 weekly payments for injury awards.
National Lead Force	-2,195	Funding for 2017 is currently unconfirmed and if this remains unapproved mitigations may need to be put in place to reduce expenditure by the same amount in year. This can be achieved by moving staff from the NLF funded unit to fill current vacancies in other departments. The status of this risk will be updated in quarter 2.

POCA Reserve Allocations 2017/18

POCA - 2017/18			
Indicative Allocations: Strategic POCA Priorities			
Allocation	POCA Allocation 2017/18 £'m	Actuals to Jun 17 2017/18 £'m	Allocation Remaining 2017/18 £'m
POCA Costs for ARTS/SARS Teams	1.21	0.19	1.02
Skynet Intelligence Hub	0.16	0.04	0.12
PCSO to June 2017	0.06	0.04	0.02
Operational Programmes	0.16	-	0.16
Voluntary Sector	0.04	0.02	0.02
Capital Programmes	1.04	0.45	0.59
	2.67	0.74	1.93

Table 1: Approved Capital and Supplementary Revenue Projects

	Exp. Pre 01/04/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Approved Expenditure					
Tactical Fire Arms Unit Body Worn Video	3				3
Fraudulent ID Documents Database	4				4
ESMCP	479				479
ROS - CCTV Barbican Area	4				4
ROS - River Cameras	30				30
<u>Authority to start work granted</u>					
ICT Support to CCCI Functions		2,633	637		3,270
Joint Network Refresh	135	1,037			1,172
HR Origin Upgrade to R12	143	55			198
Mobile Technology	318				318
Vehicle Purchases	492				492
ROS - IMS/DRS (back office)	82	683			765
ROS - ANPR Camera Replacement	163				163
Sub-total approved expenditure	1,853	4,408	637	-	6,898
Approved Funding					
Specific Projects					
Proceeds of Crime Funds					
- allocated to ICT support to CCCI functions		- 951			- 951
- allocated to Tactical Fire Arms Unit BWV	- 3				- 3
- allocated to ROS - CCTV Barbican area	- 4				- 4
Police Innovation Fund					
- Fraudulent ID Documents Database	- 4				- 4
Police Accommodation Strategy					
- ROS - ANPR camera replacement	- 163				- 163
General Support					
Home Office Capital Grant	- 1,320	- 400	- 400	- 400	- 2,520
Home Office Capital Grant 2015/16 - Unapplied	- 122				- 122
Revenue Contribution	- 1,000	- 1,378	- 1,000		- 3,378
Sub-total approved funding	- 2,616	- 2,729	- 1,400	- 400	- 7,145
Net Funding Shortfall/(Surplus)	- 763	1,679	- 763	- 400	- 247

Table 2: Pipeline Capital and Supplementary Revenue Projects

	Pre 01/04/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	Total £'000
Pipeline Projects					
<u>Indicative implementation costs for projects which have not yet received authority to start work</u>					
Tactical Fire Arms Unit Body Worn Video	82				82
Fraudulent ID Documents Database	521				521
ESMCP		4,000	4,531		8,531
Data Network refresh	143				143
Infrastructure refresh IL4		150			150
Unified Communications	18	175			193
Intranet upgrade		100			100
HR Origin upgrade to R12			30		30
Forensics Digital Laboratory		38	32	40	110
TFG Tasers and ancillary equipment		50	50	50	150
Payroll and Duty Management System		300	200		500
Vehicle purchases, future years		298	250	250	798
ROS - River Camers		453	453	452	1,358
ROS - ANPR camera replacement	80				80
ROS - IMS/DRS		357			357
Sub-total indicative implementation costs for pipeline projects	844	5,921	5,546	792	13,103
Indicative funding for specific pipeline projects					
Proceeds of Crime Funds					
- allocated to Tactical Fire Arms Unit BWV	- 82			-	82
Police Innovation Fund					
- Fraudulent ID Documents Database	- 521			-	521
On-Street Parking Reserve contribution to ROS - IMS/DRS		- 300		-	300
Bridge House Estates contribution to ROS - River Cameras/IMS/DRS		- 581		-	581
Sub-total indicative funding for pipeline projects	- 603	- 881	-	-	- 1,484
Net Funding Shortfall for pipeline projects	241	5,040	5,546	792	11,619
Overall Funding Shortfall/(Surplus)	- 522	6,719	4,783	392	11,372