

<b>Committee:</b> Police Committee- For information	<b>Date:</b> 2 <sup>nd</sup> November 2017
<b>Subject:</b> Capital and Revenue Budget Monitoring Report to September 2017	<b>Public</b>
<b>Report of:</b> The Commissioner of Police and The Chamberlain	<b>For Information</b>
<b>Report author:</b> Michelle King, City of London Police Director of Finance	

### Summary

The overall forecast year end position at quarter two would require a draw down on reserves of £1.61m, this compares to the balanced position reported in quarter 1. However, the Home Office have confirmed National Lead Force funding of £2.195m is being made available for 2017/18, which removes one of the risks.

### Chief Officer Cash Limited Budget

There are variances of £1.61m against the approved budget of £60.4m (excluding internal recharges of £3.6m). Brief commentary on the main variances 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. Variances arising in quarter two without mitigation identifies a forecast overspend of £1.61m, this is a deterioration from the balanced position reported in quarter 1. The Home Office have settled the outstanding issues on National Lead Force funding in favour of CoLP. The updated position per Directorate is shown below in table 1.

Table 1: Directorate Outturn at Summary Level

Directorate	Budget £m	Q2 Actual £m	Forecast Outturn £m	Better/(Worse) £m
Crime	11.03	4.90	10.69	0.34
ECD - Core Units	5.52	2.74	5.43	0.09
ECD - Funded Units	2.10	9.54	2.10	0.00
I&I	11.01	4.62	10.76	0.25
UPD	10.79	6.51	10.68	0.11
BSD	14.65	6.85	14.76	(0.11)
Central Budgets	5.30	(14.22)	7.59	(2.29)
Total Net Expenditure	60.40	20.94	62.01	(1.61)

### Revenue

2. The adverse variances identified at quarter two of £1.61m are shown in more detail in Appendix 1. The main adverse variances are in relation to issues around the failure to identify savings in the non-pay Chief Officer Cash Limited Budget of £0.87m, the overtime costs incurred as a result of the terrorist events of £0.45m and the impact of the pay awards above that which had been provided of £0.37m.
3. Chief Officer Cash Limited Budgets include a savings target of £1.2m against the non-pay budget of £29.3m. The force has managed to secure savings of £0.33m against Repair and Maintenance, Travelling Expenses, Tasking and Core Directorate Overtime Budgets; however, this falls short of the savings target by £0.87m. As reported in quarter one this target and the update remains unchanged.
4. Unplanned savings in direct employee pay have continued to accrue to quarter two to show a revised position of £0.96m.
5. Exceptional overtime claims relating to terrorist activities (Westminster attack, London Bridge and Manchester Arena) paid to officers to date amount to £0.45m, this shows a slight reduction on the figure forecast in quarter one of £0.03m. The claim submitted to National Counter Terrorism Policing Head Quarters (NCTPHQ) for approval, remains outstanding.
6. The Injury and Ill Health commutations year end forecast is £0.26m worse than the latest approved budget of £0.7m. This continues to be monitored and has not changed since quarter one.

7. The adverse variance in relation to legal costs has risen slightly in quarter two by £11k to £218k. This negative variance is still anticipated to increase by year end due to the outcomes of further court actions, the value of which will continue to be monitored and reported throughout the year.
8. In light of these variances, the current best estimate of forecast is a £1.6m draw down of reserves at the year end. The pressures and on-going risks will be monitored as an agenda item at Force Strategic Finance Board.
9. The £395k savings identified within the Deloitte “quick wins” are not factored in but are intended to be used in year to fund the Review change team, subject to Members and Chief Officer’s approval.
10. The achievement of the “efficiency” savings target is at present proving to be extremely challenging in light of the increased terror threat and the impact on both pay and non-pay budgets. The force will continue to seek opportunities to address this issue.

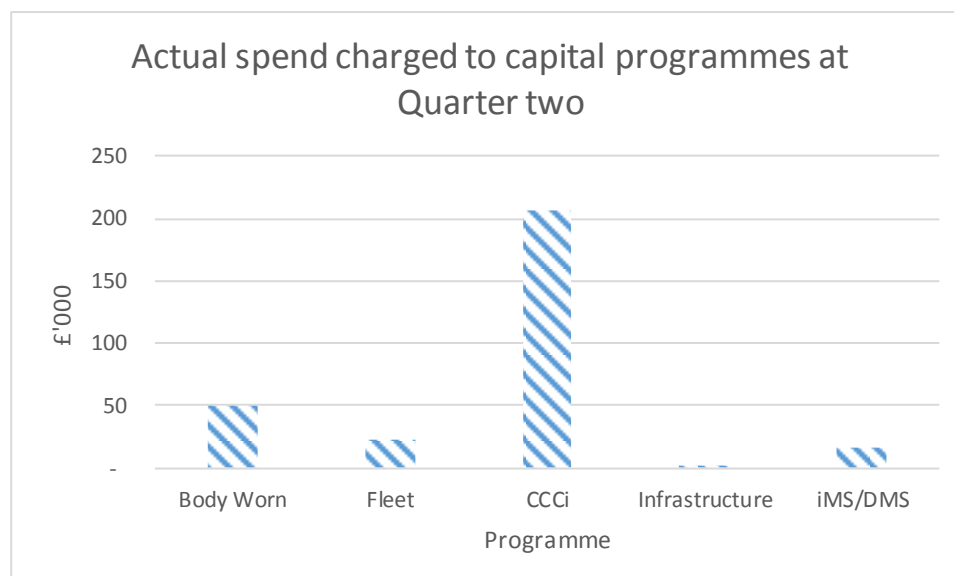
### **Proceeds of Crime Act 2002 (POCA)**

11. Appendix 2 shows a summary of the actual spend for the second quarter against budgets agreed by the Strategic Management Board.

### **Capital and Supplementary Revenue Budgets**

12. The capital outturn for 2017/18 has been profiled to budget. The ESN programme (formally ESMCP) is under review and was reported in quarter one and an update for quarter two is provided below. The analysis of actuals charged to capital as at quarter two are shown in table 2 below. An explanation of variances will be presented in the quarter three report.

Table 2 Actual spend to date on current capital programmes.



13. 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. There is nothing further to update the Committee at this point in time.

### **Major Programmes**

14. There are several ongoing major programmes within the Police that are interdependent with the Corporation. These are Action Fraud, the Planned and Cyclical Maintenance of the Police Estates and the Emergency Services Mobile Communications Programme.
15. **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 to Go Live for Release One has been communicated, with the current plan referring to 31st December 2017. 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, the Home Office user acceptance testing (UAT) team have commenced early UAT with a view to streamlining the formal UAT process. 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.
16. **Planned and Cyclical Maintenance of the Police Estate:** As at quarter two there are no significant issues to report on since the update provided in quarter one
17. **The Emergency Services Network programme:** Further to the position reported in quarter one, recruitment is ongoing and briefing to Members is being arranged. Final financial and staffing model is being prepared for Committees in November or December 2017. Due to its scale and complexity the Gateway process has been identified as problematic and a meeting is taking place with the Corporation to discuss the route through committees and best way to deliver governance and approval of the programme.
18. **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 3: Other Police Funds Forecast to March 2018

<b>Forecast Other Police Funds to 31st March 2018</b>	<b>2017/18 Opening Balance £m</b>	<b>2017/18 Projected Drawdown £m</b>	<b>2017/18 Closing Balance £m</b>
General	3.5	(1.6)	1.9
POCA	3.6	(2.7)	0.9
Transformational Funding	0.1	-	0.1
<b>Total Other Police Funds</b>	<b>7.2</b>	<b>(4.3)</b>	<b>2.9</b>

Appendix 1 – Budget Variances as at Quarter two

Appendix 2 - POCA Allocations for 2017/18

Appendix 3 – Capital and Supplementary Revenue Budget

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## Budget Variances as at Quarter Two

Changes	Q1 Risks £'000	Movement £'000	Q2 Risks £'000	Cause/Action
Direct Employee Pay	600	355	955	Adjustments to direct employee costs due to revised recruitment profile resulting from vacant positions. The under spend will be taken to the Police Contingency Fund to offset the underachievement of non-pay efficiencies. The position is as at quarter two, however with the current recruitment campaign this efficiency will have to be continually monitored to ensure that the non pay efficiencies can be covered.
Indirect Employee Pay	(482)	30	(452)	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 three.
Legal costs	(207)	(11)	(218)	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 three.
Non-pay efficiencies	(871)	0	(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)	0	(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)	2,195	0	Confirmation received from the Home Office that this funding will be made available, hence no longer reported as a risk.
ATOC	0	(147)	(147)	The additional tax Liability for 2016/17 as reported to members at the last Police Committee
Additional Fees	0	(250)	(250)	The current assessment subject of a confidential report to the last Police Committee.
Pay award	0	(370)	(370)	This is the impact of the revised payaward taking account of costs over the 1% provision and the additional 1% bonus payment for Officers

(3,415)	1,802	(1,613)
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**POCA Reserve Allocations 2017/18**

<b>POCA - 2017/18</b>			
<b>Indicative Allocations: Strategic POCA Priorities</b>			
Allocation	POCA Allocation 2017/18 £'m	Actuals to Sept 17 2017/18 £'m	Allocation Remaining 2017/18 £'m
POCA Costs for ARTS/SARS Teams	1.21	0.46	0.75
Skynet Intelligence Hub	0.16	0.08	0.08
PCSO to June 2017	0.06	0.04	0.02
Operational Programmes	0.16	-	0.16
Voluntary Sector	0.04	0.04	-
Capital Programmes	1.04	0.53	0.51
	2.67	1.15	1.52

### Capital and Supplementary Revenue Budget

Expenditure				
Programme	17/18 Approved £'000	17/18 Pipeline £'000	RAG Budget	RAG Time
ICT Support to CCCI Functions	(2,633)		Red	Red
Joint Network Refresh	(1,037)		Green	Amber
HR Origin Upgrade to R12	(55)		Green	Green
ROS - IMS/DRS (back office)	(683)		Green	Red
ESMCP		(4,000)	Red	Red
Infrastructure refresh IL4		(150)	Green	Amber
Unified Communications		(175)	Red	Red
Intranet upgrade		(100)	Amber	Green
Forensics Digital Laboratory		(38)	Amber	Amber
TFG Tasers and ancillary equipment		(50)	Amber	Amber
Payroll and Duty Management System		(300)	Amber	Green
Vehicle purchases		(298)	Green	Green
ROS - River Cameras		(453)	NA -frozen	NA – frozen
ROS - IMS/DRS		(357)	Green	Red
<b>Subtotal Capital Expenditure</b>	<b>(4,408)</b>	<b>(5,921)</b>		



## Appendix 3 contd.

<b>Funding</b>				
<b>Programme</b>	<b>17/18 Approved £'000</b>	<b>17/18 Pipeline £'000</b>	<b>RAG Budget</b>	<b>RAG Time</b>
<b>Specific Projects</b>				
Proceeds of Crime Funds - allocated to ICT support to CCCI functions	951		Green	Green
<b>General Support</b>				
Home Office Capital Grant	400		Green	Green
Police Control Room Grant		841	Green	Green
Revenue Contribution	1,378		Green	Green
On-Street Parking Reserve contribution to ROS - IMS/DRS		300	Red	Red
Bridge House Estates contribution to ROS - River Cameras/IMS/DRS		581	Red	Red
<b>Subtotal Capital Funding</b>	<b>2,729</b>	<b>1,722</b>		

	<b>17/18 Approved £'000</b>	<b>17/18 Pipeline £'000</b>
Net Funding (Shortfall)/Surplus	<b>(1,679)</b>	<b>(4,199)</b>