

Committee(s)	Dated:
Police Committee – For decision	25/01/2018
Subject: Revenue and Capital Budgets – 2018/19 Pol 09-18	Public
Report of: The Chamberlain The Commissioner of Police	For Decision
Report author: Philip Gregory, Chamberlains Michelle King, City of London Police	

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval of the latest revenue budget for 2017/18 and the provisional revenue budget for 2018/19, for subsequent submission to the Finance Committee. Details of the Committee's draft capital budget are also provided. The budgets have been prepared within the parameters of the draft Medium Term Financial Plan (MTFP) Report noted by your Committee in December 2017 and updated for the Government's announcement of the provisional police funding settlement for 2018/19 in December.

The draft MTFP indicated that after application of reserves, there was a revenue funding shortfall of £0.8m in 2018/19. This was after allowing for mitigating actions including; cashable efficiency savings of £1.7m and funding from the City for the budgeted revenue contribution to capital of £1.0m. The provisional police funding settlement is an increase of 1.2% (£700k) in cash terms of the MTFP core grant funding assumptions, and includes an allocation of £0.9m to compensate for our inability to raise a precept. This reduces the revenue shortfall in 2018/19 to produce a balanced budget with a drawn down on reserves.

The City is funding additional IT costs across the Corporation for which the police's share is £1.1m per annum and providing support for capital costs, bringing the total additional support in 2018/19 to £2.0m. Members should also note that the proposed budget for 2018/19 includes Force transformation cashable savings of £1.2m and a report will be submitted to your Committee in March outlining the options for achieving savings in-year, with progress reported to Members on a regular basis as part of the periodic budget monitoring.

As the Police General Reserve is expected to be completely exhausted by 31 March 2019 the City Fund will effectively be providing the Police with reserve cover for any additional revenue shortfall and the Force will commence delivery of the transformation programme to develop further mitigating measures.

The capital programme, which includes indicative costs for pipeline projects which have not yet received authority to start work, indicates a funding shortfall of some £17.5m over the five year period 2018/19 to 2022/23 where cost estimates have risen in relation to Capital Programme pipeline projects. Approval has been received in principle to the use of City capital resources to finance this shortfall and the City Fund draft medium term financial plan assumes that this will be accommodated. It is

proposed that the allocation of funding to specific projects will be decided on a case by case basis by the Resource Allocation Sub Committee on the basis of recommendations from the Priority Board, the officer group created to provide a more holistic approach to the allocation of project finance. If RASC agree funding the projects will progress through the Corporation's gateway approval process.

Recommendations

Members are asked to:

- Note the latest forecast outturn for 2017/18 revenue budget of a balanced financial position.
- Review the provisional 2018/19 revenue budget, which is balanced by a draw down on reserves to ensure it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
- Review and approve the draft capital and supplementary revenue budget.
- Note a further report will be submitted to committee in March on the plans to achieve the proposed cashable transformation savings of £1.2m for 2018/19.
- Note the budget mitigation contained within the report which will help to manage risks in 2018/19 and addressed the underlying deficit.
- Authorise the Chamberlain to revise these budgets for the re-phasing of the Action Fraud cash flow advance and repayments, the revenue implications of the Police Accommodation Strategy, and funding of the capital budget.

Main Report

Background

1. The draft Medium Term Plan (MTFP) was presented to the Police Committee in December, where members noted the current financial position.
2. The draft MTFP indicated that there was a revenue funding shortfall of £0.8m in 2018/19. This was after allowing for mitigating actions including cashable efficiency savings of £1.7m. (£1.2 through transformational change). The provisional police funding settlement is a flat rate increase of 1.2% (£0.7m) in cash terms of the MTFP core grant funding assumptions. This includes an allocation of £0.9m to compensate for our inability to raise a precept. This reduces the revenue shortfall in 2018/19 to produce a balanced budget with a drawn down on reserves.
3. The Corporation will be providing additional resources to meet current pressures on the IT service across the Corporation including the Police. The estimated cost of the Police element is £1.1m per annum.

Latest Revenue Budget 2017/18 and Proposed Revenue Budget for 2018/19

4. The announcement in the provisional police funding settlement of a flat rate settlement in cash terms has decreased the shortfall by £0.7m to £0.1m, which

can be managed within the financial year, so effectively allowing a balanced budget.

5. The latest revenue budget for 2017/18 and the provisional revenue budget for 2018/19 are consistent with the above parameters. The proposed budget for 2018/19 includes a cashable savings target against expenditure of £1.7m, consisting mainly of pay efficiencies.
6. The revenue budgets are summarised in the table below. Further details are provided in appendices 1 to 3. Expenditure and adverse variances are presented in brackets.

Revenue Budgets

	Original Budget 2017/18 £m	Latest Budget 2017/18 £m	Proposed Budget 2018/19 £m
Expenditure	(112.9)	(116.8)	(119.0)
Income	44.4	49.2	48.8
Total Net Expenditure	(68.5)	(67.6)	(70.2)
Funded by:			
Core Grant	55.9	55.9	56.8
Premium	8.8	8.8	8.8
City Fund resources agreed to fund revenue contribution to capital	1.4	1.4	1.1
Resources (Cash Limit)	66.1	66.1	66.7
Funding Gap	(2.4)	(1.5)	(3.5)
Transfer from Reserves	1.5	1.5	3.5
Net Funding Gap (cover required from City Fund)	0.9	0.0	0.0

2017/18 Forecast Outturn

7. It is anticipated that the outturn for the current year will be broadly in line with the latest budget. Should the final position prove more favourable then any benefit will be carried forward to 2018/19 and reduce the drawdown on reserves in that year. Conversely any deterioration in the current year will increase this requirement.

Draft Capital and Supplementary Revenue Budgets

8. The latest estimated costs for the Committee's draft capital and supplementary revenue projects over the five year period 2018/19 to 2022/23 are summarised in Appendix 4. This excludes the budget for the Police Accommodation Strategy which is the subject of separate reports to Police Committee.
9. Costs which have been approved through the Corporation's gateway process are set out in table 1 of Appendix 4 together with available funding. Assuming the Home Office general capital grant is allocated in full to expenditure approved to date and that it continues at the current rate of £0.4m p.a. there should be more than sufficient funding available over the four year period to meet approved costs, albeit with peaks and troughs in individual years.

10. The 2018/19 approved capital programme includes £2.195m forecast expenditure which requires funding by contributions from the City (including an additional £1.0m above what has previously been approved). Capital grants of £0.74m are forecast to be received and allocated to projects not yet approved.
11. The indicative costs of pipeline projects which have not yet received authority to start work are set out in table 2 of Appendix 4. Whilst it is anticipated that there will be some specific funding available there remains a significant overall shortfall of around £17.5m across the MFTP period, £6.625m in 2018/19, where cost estimates have risen in relation to pipeline projects. This is an issue particularly on national and local programmes over which the Police have limited control. It should be noted that this figure may change as further detailed work is undertaken for example on elements of the Secure City Programme which has been re-scoped.
12. Approval has been received in principle to the use of City capital resources to finance the shortfall in funding and provision has been included in the City Fund draft medium term financial plan.
13. Governance arrangements for the allocation of this funding to specific projects will be decided on a case by case basis by the Resource Allocation Sub Committee on the basis of recommendations from the Priority Board, the officer group created to provide a more holistic approach to the allocation of project finance. Any requests for funding will need to demonstrate why the project cannot be funded from other sources such as the Proceeds of Crime (POCA) reserve. If RASC agree funding, the projects will progress through the Corporation's gateway approval process.

Reserves

14. The general reserve and the POCA reserve will be fully utilised by 2018/19 based on current forecasts. These will be utilised to maintain a balanced budget until exhausted.
15. The POCA reserve is funded by receipts from the Asset Recovery Incentivisation Scheme (ARIS) which is a mechanism for returning to law enforcement agencies a proportion of the assets they recover. ARIS therefore incentivises law enforcement agencies to boost asset recovery by giving them a direct stake in the proceeds they generate from that work. The monies returned can be used for a number of purposes in the context of reducing harm including community project funding. Throughout the year the Force assesses priorities appropriate for funding through ARIS and allocates such funding through the Strategic Finance Board. In 2017/18 the force funded priorities amounting to £2.7m for Tactical Firearms Body Worn Video, to fund the costs of the Asset Recovery Team and to fund the initial phase of CCCI thereby reducing the available funds in the POCA reserve from £3.6m to £0.9m.

Potential Further Budget Developments

16. The police budget for 2018/19 has been brought into balance, through a combination of efficiency savings, additional government grant in the provisional

settlement and draw down on reserves. This provides the breathing space to implement Force transformation plans, following the Deloitte Review, which will help to address the forecast budget deficit of £4-5m pa in subsequent years, when it is anticipated Reserves will be exhausted, and pressures arising from increased demand and the changing nature of police services. The January Police Committee will be considering a report on the Strategic Threat and Risk Assessment Process, which is being used to identify needs and how best they can be met in the existing and future operating models. This is likely to require a short term uplift in police officer numbers, at an initial cost of around £0.5m, but no additional provision is being sought at this stage.

17. The Police medium term financial plan also asks for continued support from the Corporation for capital investment priorities up to a maximum of £17m over period 2017/18-2022/23.

18. The provisional nature of the budget recognises that further revisions may be required, particularly in relation to:

- i. the Action Fraud Service – the revenue budget presented in this report excludes the revenue implications of the cash flow assistance the City Fund is providing in relation to the suppliers significant mobilisation costs. Agreed cash flow advances (£11.7m) are due to be repaid from savings generated over the lifetime of the contract. As reported to Committee in December the budget and re-payment profile is subject to review;
- ii. the revenue implications of the Police Accommodation Strategy;
- iii. the final police funding settlement due in January 2018; and
- iv. a further report on in-year savings options arising from the Force Transformation programme.

Appendices

- Appendix 1 – 2017/18 Latest Revenue Budget and 2018/19 Proposed Revenue Budget
- Appendix 2 – Employee Statement
- Appendix 3 – Support Services and Capital Charges
- Appendix 4 – Draft Capital and Supplementary Revenue Projects

Background Papers

Draft Medium-Term Financial Plan up to 2022/23 Police Committee 15/12/17

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Revenue Budgets 2017-18 to 2018-19

	Original Budget Restated 2017-18 £m	Latest Budget Restated 2017-18 £m	Proposed Budget 2018-19 £m
Expenditure			
Employees	(84.7)	(87.8)	(91.2)*
Premises	(3.1)	(3.1)	(3.1)
Transport	(1.3)	(1.3)	(1.3)
Supplies and Services	(13.0)	(12.6)	(12.7)
Third Party Payments	(7.0)	(7.0)	(7.0)
Revenue Contribution to Capital	(1.4)	(1.4)	(1.3)
Central Support Services & Capital Charges	(3.5)	(3.5)	(3.5)
Charges across Funds	(0.1)	(0.1)	(0.1)
Force Transformation Savings			1.2
Cashable savings target (non-pay)	1.2		
Total Expenditure	(112.9)	(116.8)	(119.0)
Income			
Government Grants	31.0	35.9	34.6
Other Grants, Reimbursements & Contributions	12.4	12.3	13.2
Customer, Client Receipts	1.0	1.0	1.1
Total Income	44.4	49.2	48.8¹
Net Expenditure before transfer from Reserves	(68.5)	(67.6)	(70.2)
Funded by:			
Core Grant**	55.9	55.9	56.8
Premium	8.8	8.8	8.8
City Fund resources agreed to fund revenue contribution to capital	1.4	1.4	1.1
	66.1	66.1	66.7
Deficit	(2.4)	(1.5)	(3.5)
Transfer from Reserves	1.5	1.5	3.5
Total Net Expenditure	(0.9)	0.0	(0.0)
Estimated General Reserve at 31 March	0.0	(3.5)	0.0

*the police employee pay budget is stated after achieving efficiency savings of £1.7m against police officer and police staff establishment

**Budget 2017/18 restated as National International Capital City Grant is mainstreamed within the Core Police Grant as from 2018/19.

¹ Rounding references exist.

Employee Statement

	Original Budget 2017-18		Proposed Budget 2018-19	
	Manpower Full-time Equivalent	Estimated Cost £m	Manpower Full-time Equivalent	Estimated Cost £m
Direct Employee Costs				
Police Officers	735	44.5	735	47.5
Police Staff	468	22.3	454	21.2
Sub-total Direct Employee Costs	1,203	66.8	1,189	68.7
Indirect Employee Costs				
Top-up contribution to Police Pension Fund (offset by Home Office Grant)	-	14.7	-	19.6
Injury Benefits	-	0.6	-	0.6
Other indirect costs (training etc.)	-	2.6	-	2.3
Sub-total Indirect Employee Costs		17.9		22.5
Total Police Committee	1,203	84.7	1,189	91.2

	Police Officers FTE	Police Staff FTE
2017/18 Original Budgeted Establishment	735	468
Police Staff efficiencies		14
2018/19 Budgeted Establishment	735	454

Appendix 3

Support Services & Capital Charges from/to Police Committee	Original Budget 2017/18 £'000	Latest Budget 2017/18 £'000	Original Budget 2018/19 £'000	Note Ref
Support Services and Capital Charges				
City Surveyor's Employee Recharge	183	198	198	
Insurance	414	425	444	
IT Recharges – Chamberlain	423	369	363	
Capital Charges	3,710	3,087	2,982	
Capital Contras	(3,710)	(3,087)	(2,982)	
Notional capital charges	64	69	69	
Admin Buildings	1,153	1,069	1,071	(i)
Support Services	1,269	1,392	1,339	(ii)
Total	3,506	3,522	3,484	
Recharges Within Fund				
Licence fees – Port Health & Environmental Services Committee	18	18	18	
Total	18	18	18	
Recharges Across Funds				
Heating Recharge - Finance - Guildhall Admin	90	90	90	
Remembrancer's Recharge - Policy & Resources - City's Cash	22	27	27	
Total	112	117	117	
TOTAL POLICE COMMITTEE	3,636	3,657	3,619	

Notes:

- (i) Share of Guildhall premises costs based on floor area, variations reflect the phasing of the cyclical works programme
- (ii) Support Services covers charges from the Chamberlain, Comptroller and City Solicitor, Town Clerk and City Surveyor's departments.

Appendix 4

Table 1: Approved Capital and Supplementary Revenue Projects							
	Forecast Outturn 2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Approved Projects							
<u>Pre-implementation*</u>							
Unified Comms	-	(18)	-	-	-	-	(18)
<u>Authority to start work granted</u>							
Body Worn Video TFG	(63)	-	-	-	-	-	(63)
ICT Support to CCCI Functions	(2,569)	(540)	-	-	-	-	(3,109)
Joint Network Refresh	-	-	-	-	-	-	-
LAN	-	(216)	-	-	-	-	(216)
WAN	(1,436)	-	-	-	-	-	(1,436)
Payroll and Duty Management System - HR Integrated	(236)	(200)	-	-	-	-	(436)
ESMCP - Integrated Command	(836)	-	-	-	-	-	(836)
ROS - IMS/DRS (back office)	(765)	(1,221)	-	-	-	-	(1,986)
ROS - ANPR Cameras (excluding PAS elements)	(76)	-	-	-	-	-	(76)
Vehicle Purchases	(48)	-	-	-	-	-	(48)
Sub-total forecast expenditure on approved projects	(6,029)	(2,195)	-	-	-	-	(8,224)
Funding for Approved Projects							
General Support							
Home Office Capital Grant	959	400	400	400	400	400	2,959
Police Revenue Contribution	1,378	-	-	-	-	-	1,378
Earmarked Funding							
Proceeds of Crime Funds - CCCI	951	-	-	-	-	-	951
Proceeds of Crime Funds - Body Worn Video	63	-	-	-	-	-	63
S31 Police Control Room Upgrade Grant - ESN	501	340	-	-	-	-	841
Bridge House Estates contribution to ROS - River Cameras(IMS/DRS)	114	-	-	-	-	-	114
On-Street Parking Reserve contribution to ROS - IMS/DRS	175	-	-	-	-	-	175
Additional Proceeds of Crime Funds - CCCI	-	-	-	-	-	-	-
Proceeds from sale of vehicles	-	-	48	-	-	-	48
Additional City Funding	1,888	2,195	-	-	-	-	4,083
Sub-total funding for approved projects	6,029	2,935	448	400	400	400	10,612
Net Funding Carry forward Surplus/(Shortfall) after Additional City Funding	-	740	448	400	400	400	2,388

* Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.

Appendix 4

Table 2: Compliance and Pipeline Capital and Supplementary Revenue Projects							
	Forecast Outturn 2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	Total £'000
Compliance and Pipeline Projects							
<u>Indicative implementation costs for projects which have not yet received authority to start work</u>							
Body Worn Video (additional)							-
Data Network Refresh							-
Fleet Vehicle replacements							-
ESN-ESMCP implementation (pipeline)	-	(4,000)	(4,000)	-	-	-	(8,000)
Telephony	-	(400)	-	-	-	-	(400)
Unified Comms	-	(175)	-	-	-	-	(175)
Infrastructure Refresh	-	(150)	-	-	-	-	(150)
e Discovery	-	-	-	-	-	-	-
Digital Recorders	-	(250)	-	-	-	-	(250)
MOPI Compliance	-	-	-	-	-	-	-
Secure City Programme (ex ROS)	-	(2,690)	(4,000)	-	-	-	(6,690)
IMS/DRS	-	-	-	-	-	-	-
Intranet upgrade	-	(100)	-	-	-	-	(100)
Sub-total indicative implementation costs for pipeline projects	-	(7,765)	(8,000)	-	-	-	(15,765)
Indicative funding for specific pipeline projects	-	-	-	-	-	-	-
Net Funding Surplus/(Shortfall) for compliance and pipeline projects	-	(7,765)	(8,000)	-	-	-	(15,765)
Overall Funding Surplus/(Shortfall) - approved and compliance/pipeline projects	-	(7,025)	(7,552)	400	400	400	(13,377)
Total Additional City Funding	(1,888)	(9,220)	(7,552)	400	400	400	(17,460)