

<b>Committee(s)</b>	<b>Dated:</b>
Audit and Risk Management	16 January 2018
<b>Subject:</b> Deep Dive: CR 23 Police Funding Risk	<b>Public</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
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### Summary

The funding of the City of London Police has become unsustainable as a result of a number of factors. Central to this issue emerging has been a consistent reduction in Central Government grant funding over a number of years. This has resulted in a real terms funding reduction of 61% between 2010/11 and 2017/18.

Additional funding has been provided by the City Corporation during this period including authorising the full drawdown of Police Reserves and underwriting capital project expenditure. Demand on the Police force has also increased which has resulted in a forecast underlying funding gap of £4-5m p.a. over the medium term. The force has already adopted a number of initiatives to address the budget deficit and is forecasting achieving a balanced position in 2017/18; and a balanced position in 2018/19, after drawing on £3.5m of reserves. The Chamberlain and Commissioner of Police therefore consider that the force is on track to deliver a balanced budget for 2018/19 by March 2018.

A review was commissioned by the Chamberlain and Commissioner of Police to assess future demand and how value for money could be delivered in future. This review was conducted by Deloitte drawing on their experience of conducting similar exercises with other Police forces. The results have been reported to Police Committee and are summarised in this report.

This deep dive report articulates the work in progress and clearly identifies where future effort will be directed to manage this risk to an acceptable level. A single solution is unlikely to be sufficiently significant to mitigate the deficit and a combination of measures will need to be considered, to include: scrutiny and delivery of the efficiencies recommended by Deloitte; management and delivery of the 2% savings target agreed with the Corporation; rationalisation of the workforce following Rank Ratio review and development of the new service delivery model and continued support from the Corporation for capital investment priorities, and contribution to core budget.

### Recommendation(s)

Members are asked to:



- Note the report.

## **Main Report**

### **Background**

1. The City of London Police (CoLP) force is responsible for law enforcement within the City of London, including the Middle and Inner Temples. The police authority is the Common Council of the City, and unlike other territorial forces in England and Wales there is not a police and crime commissioner replacing that police authority by way of the Police Reform and Social Responsibility Act 2011, but like a police and crime commissioner, the Common Council is elected, thus achieving the same aim of democratic accountability.
2. CoLP is funded through a combination of Government Grants from the Home Office, through Partnership income and through funding from the City Corporation from a proportion of Business Rates Premium income. Government Grant funding has reduced significantly over the past few years, a real terms cut amounting to 61% of core grant funding between 201/11 and 2017/18.
3. COLP is facing increasing cost pressures. The employee pay budgets are forecast to increase over the medium term since ambitions for police staff efficiencies were not achieved and wage inflation is likely to be around 2% in the short term. The Force committed to a plan of reducing Police Staff establishment in January 2016, from a baseline of 450 to 410 full time equivalent posts. This was not achieved for a number of reasons, some of which were delays in IT dependent process change, which meant that the Force remained at approximately 450. The Force is also reviewing the number of fixed term posts supporting short term projects which has remained high, for example, the programme team delivering the new Action Fraud system which has overrun.
4. Support from the City Corporation has increased as the financial position has worsened, increasing the funding from the Business Rates Premium. Further funding has also been provided to underwrite CoLP IT improvements, the CoLP Pension Fund and a cashflow loan to maintain the Action/Know Fraud service.
5. The creation of CR23, Appendix 1, demonstrates the City Corporations commitment to the identification and management of this risk area. The risk areas are actively monitored and risk managed on a monthly and quarterly basis through the corporate budget monitoring procedure and on a year-to-year basis through the medium term financial plan. Endorsement and support for the management and delivery of CR23 risk management plan has been obtained directly from chief officers as well as strategically via papers to Police and Finance Committees.
6. A review was commissioned by the Chamberlain and Commissioner of Police to assess future demand and how value for money could be delivered in future. This review was conducted by Deloitte drawing on their experience of conducting



similar exercises with other Police forces and the results have been reported to Audit and Risk Management Committee and are shown in summary in Appendix 2.

## Current Position

7. A Change Programme is being established to develop a revised Target Operating Model for CoLP to deliver greater effectiveness and financial stability. This will comprise a number of programme boards reporting to a Change Programme Oversight Group chaired by the Commissioner which then reports to Police Committee.
8. The Commissioner and the Chamberlain have worked jointly on updating the medium financial plan which will be reported to Police Committee in January 2018. The plan shows an underlying annual deficit of around £4-5m. A balanced position for 2018/19 will be achieved by the utilisation of Police Reserves.
9. The COLP has already adopted a number of **efficiency strategies and mitigations**, which are summarised below:
  - Overview and scrutiny of all budget lines and the renegotiation of contracts in 2017/18 which has produced an expected year end balanced position.
  - Identification of posts that can be released within the current model: 11 police officer posts have been placed in to a holding pot pending potential reallocation to meet current identified threat and risk.
  - Implementing the findings of the Deloitte review work commences with the Transformation Programme in January 2018, in advance of this the force has identified £0.4m cashable savings which have been reinvested this year to build the programme team. The future year on year saving has been factored into the MTFP.
  - An indicative savings prediction from the Deloitte review of £1m and other major programmes such as NICHE have been factored into the MTFF from 2018/19 and subsequent years, however further savings of greater magnitude are expected to be identified as the Transformation team commence work and progress will be reported during 2018.
10. The above efficiencies must be achieved within an environment of changing and **increasing threat and risk**. The Strategic Threat and Risk Assessment (STRA) is a formal process for identifying new requirements and since policing requirements constantly change, new requirements must be funded from reallocation or reprioritising existing resources or from growth, if additional funding is available.
11. The Deloitte work will also assist in realigning the Force to meet the changing demand.







## **Proposals**

12. The force board to monitor the financial performance of each Directorate of CoLP during 2017/18; and take corrective action to ensure delivery of efficiencies and report to members on regular basis.
13. Utilise Police Reserves to support a balanced budget position in 2018/19.
14. Continue to provide financial assistance from the City Corporation to CoLP through financially underwriting CoLP IT improvements, the CoLP Pension Fund and a by providing a cashflow loan to maintain the Action/Know Fraud service.
15. Consider the scope of sharing services between the City Corporation and CoLP, e.g. HR, Finance. A review has been commissioned by Efficiency and Performance Sub-committee and the scope of this review is under active consideration. The review will be led by the Town Clerk.
16. Consider increasing the Business Rates Premium in future years to provide additional funding from local taxpayers to directly contribute to the ongoing operation of CoLP.
17. Continue to implement the recommendations from the Deloitte review through the Change Programme being established by the Commissioner of Police.

## **Corporate & Strategic Implications**

18. Police Forces across the country are suffering reducing Government grants and are rationalising services and/or finding new ways of working to deliver their aims and objectives.
19. The City of London Police must also establish a financially stable medium-term plan. This will incorporate the work begun by the Deloitte review and further work commissioned by the Efficiency and Performance Sub-committee.
20. Failure to demonstrate appropriate controls in this risk area will expose the City Corporation to unacceptable levels of risk and could hinder a number of strategic objectives particularly in relation to the security of the City. There are also a number of statutory that CoLP are required by the Home Office to deliver, particularly acting as National Lead Force for fraud and cyber-crime.

## **Conclusion**

21. There is an extensive programme of work required to mitigate the risks identified within CR23 in a sustainable manner. This deep dive report articulates the work in progress and clearly identifies where future effort will be directed to manage this risk to an acceptable level.



22. A single solution is unlikely to be sufficiently significant to mitigate the deficit and a combination of measures will need to be considered, to include: scrutiny and delivery of the efficiencies recommended by Deloitte; management and delivery of the 2% savings target agreed with the Corporation; rationalisation of the workforce following implementation of the Rank Ratio review and development of the new service delivery model; and continued support from the Corporation for capital investment priorities, and contribution to core budget.
23. The Chamberlain and Commissioner consider that we are on track to achieve a balanced budget for 2018/19 by March 2018.

## **Appendices**

- Appendix 1 – CR23 Police Funding
- Appendix 2 – Deloitte summary of findings

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