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| Committee(s): | Date(s): |
| Police Performance and Resource Management Sub Committee- For information | 29 th June 2018 |
| Police Committee – For information | 12 th July 2018 |
| Subject: Revenue and Capital Outturn 2017/18 | Public |
| Report of: Commissioner of Police and the Chamberlain Pol-58-18 | For Information |
| Report Author: Mark Reeves, CoLP and Philip Gregory, Chamberlains Department. | |

Summary

In the January 2018 report to Members, the Force outlined its expectations of a balanced budget. However, 2017/18 outturn revealed an underspend of £3.54m

The final outturn shows net expenditure of £72.44m which allows a transfer to the General Reserve of £3.54m, increasing the balance from £3.5m to £7.0m at 31 March 2018. This differs from the expected balanced budget forecast

| Revenue Outturn by Standard Category | Budget 2017/18 £ | Actuals 2017/18 £ | Variance £ |
|---|---------------------------------|----------------------------------|-----------------------|
| Employees - Direct Pay | 87.99 | 86.68 | 1.31 |
| Employees - Indirect Pay | 3.30 | 4.59 | (1.29) |
| Other | 17.60 | 14.47 | 3.13 |
| Premises | 3.46 | 2.61 | 0.85 |
| Supplies and Services | 24.54 | 24.40 | 0.14 |
| Transport | 1.85 | 1.89 | (0.04) |
| Income | (62.76) | (62.20) | (0.56) |
| Grant Total | 75.98 | 72.44 | 3.54 |

A year end analysis by Directorate is shown in the main report under paragraph 10.

Recommendation

Members are asked to:

- Note the revenue and capital outturn for 2017/18.

Main Report

Budget Outturn Position for 2017/18

1. The budget anticipated a nil transfer from/to the General Reserve; however the actual transfer was a contribution of £3.54m to the General Reserve.
2. There has also been a transfer from the Proceeds of Crime Act (POCA) Reserve of £0.7m for the year.
3. The original cash limit for 2017/18 was agreed at £63.99m. There have been several adjustments during the year increasing the cash limit to £75.98m. An analysis of these changes is set out in Appendix 1.

Revenue Outturn for 2017/18

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

Table 1 Revenue Outturn for 2017/18 by Standard Category

| Revenue Outturn by Standard Category | Budget 2017/18 £m | Actuals 2017/18 £m | Variance £m |
|--------------------------------------|-------------------------|--------------------------|----------------|
| Employees - Direct Pay | 87.99 | 86.68 | 1.31 |
| Employees - Indirect Pay | 3.30 | 4.59 | (1.29) |
| Employees Subtotal | 91.29 | 91.27 | 0.02 |
| Other | 17.60 | 14.47 | 3.13 |
| Premises | 3.46 | 2.61 | 0.85 |
| Supplies and Services | 24.54 | 24.40 | 0.14 |
| Transport | 1.85 | 1.89 | (0.04) |
| Income | (62.76) | (62.20) | (0.56) |
| Grant Total | 75.98 | 72.44 | 3.54 |

5. The final outturn shows net expenditure of £72.44m which allows a transfer to the General Reserve of £3.54m.
6. The outturn shows the Employee (direct and Indirect) Pay Budget was expected to be underspent due to Police Officer and Police Staff Vacancies. This has not materialised and the employee pay budget is balanced. Accurate workforce forecasting remains a challenge given resource constraints within the Finance Department that are now being addressed, along with the unpredictability of staff turnover and the ability to rapidly fill vacancies. The Force, as of April 2018, has addressed the significant vacancies of 2017 and is now broadly at full establishment strength
7. Other costs were underspent by £3m, due to non-achievement and payment of profiled IBM (UK) Ltd Milestones in the Action Fraud IBM Implementation. These costs will slip to 2018/19 and the funding is effectively carried forward in the contribution to the general reserve.
8. Premises related cost underspend £0.84m, within Rents and Rates all within Business Support Directorates.

Directorate Outturn

9. 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 2017/18

| Directorate | Budget 2017/18 £m | Outturn 2017/18 £m | Variance £m |
|---------------------------------|----------------------|-----------------------|----------------|
| Crime Investigation Directorate | 11.12 | 9.86 | 1.26 |
| Economic Crime Directorate | 13.75 | 10.44 | 3.31 |
| Information & Intelligence | 11.03 | 10.04 | 0.99 |
| Uniformed Policing Directorate | 10.90 | 11.56 | (0.66) |
| Business Support Directorate | 18.48 | 17.40 | 1.08 |
| Central Costs | 10.70 | 13.14 | (2.44) |
| Grand Total | 75.98 | 72.44 | 3.54 |

10. Table 2 shows that all Directorates, excluding Central, achieved a net under spend of £5.9m.

Crime Investigation Directorate - net under spend of £1.26m

The Crime Investigation Directorate achieved a net under spend of £1.26m, predominately to do with vacancies of Police and Civilian Staff. These vacancies have now been filled and will not generate a saving in 2018/19.

Economic Crime Directorate - net under spend of £3.31m

The Economic Crime Directorate (ECD) achieved an under spend of £3.31m. This is the net result of an over spend on funded units of £0.44m and an under spend on project costs of £3.76m. The under spend on core activity was due to non-achievement and payment of profiled IBM (UK) Ltd Milestones in the Action Fraud IBM Implementation, as mentioned earlier.

Information and Intelligence Directorate - net under spend of £0.99m

The Information and Intelligence Directorate (I&I) achieved an under spend of £0.99m, as with most other directorates I&I has seen a significant under spend on Direct Employee Expenses of £0.44m due to vacancy levels which have now been filled. 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 £0.51m.

Uniformed Policing Directorate - net over spend of £0.66m

The Uniformed Policing Directorate (UPD) had an overspend of £0.66m, mainly as a result of increased overtime for Police Staff (£0.83m) as well as an overspend on training of around £0.39m. This was offset by an underspend on supplies and services (£0.52m) mainly due to lower interpreter fees of £0.14m and spending £0.30m less on equipment.

Business Support Directorate - net under spend of £1.08m

The Business Support Directorate (BSD) had an underspend of £1.08m. BSD manages business support functions for the Force and includes resourcing the Force's extensive and ambitious capital programme including pipeline projects from 2017/18 to 2019/20. The Force utilises a number of specifically skilled project managers, on a combination of fixed term and agency contracts 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.

Central Costs - net over spend of -£2.44m

Central costs include overarching functions such as Pension Costs, Secondments, and the ICT contract

Central costs include ICT charges agreed at £6.34m. Following a corporate wide review of ICT and the realisation that such savings were not going to be achieved, the Corporation increased 2017/18 funding by £1.1m to cover the additional ICT costs. The Corporation have agreed to fund similar costs of £1.1m for 2018/19.

Capital and Supplementary Revenue Projects Outturn for 2017/18

11. Expenditure on the 2017/18 Capital and Supplementary Revenue Projects, excluding Police Accommodation (see Appendix 3) was £4.95m, an under spend of £1.08m against a forecast of £6.03m.
12. The capital under spend for 2017/18 was £1.08m, of which a net amount of £1.05m has been re-phased into future years and Appendix 3 refers.
13. Assumptions have been made on the available funding and indicative projects 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 £17m. It should be noted that this figure may change as further detailed work is being undertaken and does not take account of the additional investment required to deliver the latest Police IT Strategy, currently estimated at over £15m.

14. Approval was granted to additional central support from City Fund resources to finance the shortfall in funding from 2017/18 onwards and a sum of £1.147m was drawn down in 2017/18 from the provision included in the City Fund draft medium term financial plan.

General Reserves

15. The balances on the General reserves and POCA reserves at 31 March 2018 are £7.01m and £2.93m respectively.

Table 3 General Reserves and POCA Reserve Balances

| City of London Police Balances | General Reserve £m | POCA Reserve £m | Balances £m |
|---------------------------------------|-------------------------------|----------------------------|------------------------|
| Opening balance (01/04/17) | 3.49 | 3.63 | 7.12 |
| 2017/18 transfer to/(from) | 3.54 | (0.7) | 2.84 |
| Closing balance (31/03/18) | 7.03 | 2.93 | 9.96 |
| | | | |

Conclusion

16. The outturn for the year shows a surplus, 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 and an increase in demand for policing services.
17. The original forecast was a balanced budget, however there has been an underspend of £3.54m mainly due to project underspend.
18. 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.
19. As referred to in the Medium Term Financial Plan, presented to your Committee in May 2018, the Commissioner and Chamberlain require more assurance on the robustness of the 2018/19 budget. This will be assessed as part of a task and finish group chaired by the Deputy Chamberlain.

Appendices

- Appendix 1 – Analysis of charges to Force Cash Limit for 2017/18
- Appendix 2 – Detailed revenue outturn by Directorate 2017/18
- Appendix 3 – Capital Outturn 2017/18

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Analysis of Changes to Force Cash Limit for 2017/18

| Changes to Force Cash Limit 2017/18 | 2017/18 £m | 2017/18 £m |
|--|---------------|---------------|
| Original Cash Limit - Jan 2017 | | 63.9 |
| Budget Adjustments | | |
| <u>In-Year adjustments</u> | | |
| Action Fraud implementation funding B/fwd from 2016/17 | 0.9 | |
| Additional resources to meet IT pressures | 1.1 | |
| Action Fraud IBM Implementation - allocation from Corporation Reserves | 5.1 | |
| Funding for Police Accommodation Project supplementary revenue schemes | 4.9 | 12 |
| Final Cash Limit - March 17 | | 75.9 |

Detailed Revenue Outturn by Directorate 2017/18

| | Employees - Direct Pay | Employees - Indirect Pay | Other | Premises | Supplies and Services | Transport | Income | Grand Total |
|---|------------------------|--------------------------|--------|----------|-----------------------|-----------|---------|-------------|
| Crime Directorate | | | | | | | | |
| Budget 2017/18 | 10.74 | 0.24 | 0.23 | 0.02 | 0.44 | 0.02 | (0.57) | 11.12 |
| Actuals 2017/18 | 9.79 | 0.29 | 0.19 | - | 0.32 | 0.03 | (0.76) | 9.86 |
| Variance - better/(worse) | 0.95 | (0.05) | 0.04 | 0.02 | 0.12 | (0.01) | 0.19 | 1.26 |
| Business Support Directorate | | | | | | | | |
| Budget 2017/18 | 8.16 | 0.83 | 2.40 | 3.11 | 3.77 | 0.21 | - | 18.48 |
| Actuals 2017/18 | 8.55 | 0.59 | 2.63 | 2.26 | 5.70 | 0.37 | (2.70) | 17.40 |
| Variance - better/(worse) | (0.39) | 0.24 | (0.23) | 0.85 | (1.93) | (0.16) | 2.70 | 1.08 |
| Intelligence & Information Directorate | | | | | | | | |
| Budget 2017/18 | 10.31 | 0.14 | - | - | 1.41 | 0.06 | (0.89) | 11.03 |
| Actuals 2017/18 | 9.88 | 0.31 | - | - | 0.90 | 0.07 | (1.12) | 10.04 |
| Variance - better/(worse) | 0.43 | (0.17) | - | - | 0.51 | (0.01) | 0.23 | 0.99 |
| Uniformed Policing Directorate | | | | | | | | |
| Budget 2017/18 | 19.31 | 0.81 | 0.39 | 0.04 | 1.77 | 0.16 | (11.58) | 10.90 |
| Actuals 2017/18 | 19.17 | 2.07 | 0.35 | - | 1.25 | 0.22 | (11.50) | 11.56 |
| Variance - better/(worse) | 0.14 | (1.26) | 0.04 | 0.04 | 0.52 | (0.06) | (0.08) | (0.66) |
| Economic Crime Directorate - Core Activity Functions | | | | | | | | |
| Budget 2017/18 | 5.57 | 0.13 | 5.76 | - | 0.04 | - | - | 11.50 |
| Actuals 2017/18 | 4.72 | 0.13 | 2.34 | 0.14 | 0.46 | 0.01 | (0.06) | 7.74 |
| Variance - better/(worse) | 0.85 | - | 3.42 | (0.14) | (0.42) | (0.01) | 0.06 | 3.76 |
| Economic Crime Directorate - Funded Activity Functions | | | | | | | | |
| Budget 2017/18 | 14.25 | 0.85 | 0.45 | 0.86 | 10.41 | 0.45 | (25.02) | 2.25 |
| Actuals 2017/18 | 13.82 | 0.61 | 1.52 | 0.79 | 9.23 | 0.37 | (23.64) | 2.70 |
| Variance - better/(worse) | 0.43 | 0.24 | (1.07) | 0.07 | 1.18 | 0.08 | (1.38) | (0.45) |
| Central Support | | | | | | | | |
| Budget 2017/18 | 19.65 | 0.30 | 8.37 | (0.57) | 6.70 | 0.95 | (24.70) | 10.70 |
| Actuals 2017/18 | 20.75 | 0.59 | 7.44 | (0.58) | 6.54 | 0.82 | (22.42) | 13.14 |
| Variance - better/(worse) | (1.10) | (0.29) | 0.93 | 0.01 | 0.16 | 0.13 | (2.28) | (2.44) |
| GRAND TOTAL | | | | | | | | |
| Budget 2017/18 | 87.99 | 3.30 | 17.60 | 3.46 | 24.54 | 1.85 | (62.76) | 75.98 |
| Actuals 2017/18 | 86.68 | 4.59 | 14.47 | 2.61 | 24.40 | 1.89 | (62.20) | 72.44 |
| Variance - better/(worse) | 1.31 | (1.29) | 3.13 | 0.85 | 0.14 | (0.04) | (0.56) | 3.54 |

Capital Outturn 2017/18

Police 2017/18 Capital and Supplementary Revenue Project Expenditure (excluding Police Accommodation Projects)

| | Police Committee Jan 18 | Police Committee Jul 18 | | |
|---|----------------------------|----------------------------|----------------|----------------|
| Project Name | 2017/18 Forecast | 2017/18 Outturn | Variance | C/Fwd |
| Expenditure | £'000 | £'000 | £'000 | £'000 |
| Forecast and Actual Expenditure | | | | |
| Body Worn Video | 0 | (7) | 7 | 0 |
| Body Worn Video TFG | (63) | (49) | (14) | 0 |
| ICT Support to CCCI Functions | (2,569) | (2,915) | 346 | 346 |
| WAN | (1,436) | (590) | (846) | (846) |
| Payroll and Duty Management System - HR Integrated | (236) | (136) | (100) | (100) |
| ESMCP - Integrated Command | (836) | (603) | (233) | (233) |
| ROS - IMS/DRS (back office) | (765) | (588) | (177) | (177) |
| ROS - ANPR Cameras (excluding PAS elements) | (76) | 0 | (76) | (76) |
| Secure City | 0 | (36) | 36 | 36 |
| Vehicle Purchases | (48) | (23) | (25) | 0 |
| IP Telephone Infrastructure | 0 | (2) | 2 | 0 |
| | | | | |
| Total Capital/SRP Expenditure | (6,029) | (4,949) | (1,080) | (1,050) |
| | | | | |
| Funding | | | | |
| Home Office Capital Grant | 959 | 383 | 576 | 576 |
| Police Revenue Contribution | 1,378 | 1,918 | (540) | 0 |
| Additional Central Support from City Fund | 1,888 | 1,147 | 741 | 185 |
| Earmarked Funding | | | | |
| Proceeds of Crime Funds | 951 | 951 | 0 | 0 |
| Proceeds of Crime Funds - Body Worn Video TFG | 63 | 49 | 14 | 0 |
| S31 Police Control Room Upgrade Grant - ESN501 | 501 | 501 | 0 | 0 |
| Bridge House Estates contribution to ROS - River Cameras(IMS/DRS) | 114 | 0 | 114 | 114 |
| On-Street Parking Reserve contribution to ROS - IMS/DRS | 175 | 0 | 175 | 175 |
| | | | | |
| Total Funding | 6,029 | 4,949 | 1,080 | 1,050 |