



## Finance Committee – Supplementary Agenda

**Date:** TUESDAY, 16 FEBRUARY 2021  
**Time:** 1.45 pm  
**Venue:** VIRTUAL PUBLIC MEETING (ACCESSIBLE REMOTELY)

### AGENDA

9. **P9 BUDGET MONITORING**  
Report of the Chamberlain.

**For Information**  
(Pages 205 - 224)

16. **GOVERNANCE PROPOSAL FOR FRAUD AND CYBER CRIME REPORTING AND ANALYSIS SERVICE (FCCRAS)**  
Report of the Town Clerk.

**For Decision**  
(Pages 225 - 232)

**Items received too late for circulation in conjunction with the Agenda.**

John Barradell  
Town Clerk and Chief Executive

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# Agenda Item 9

<b>Committee</b>	<b>Dated:</b>
Finance Committee	16 February 2021
<b>Subject:</b> Revenue Budget Monitoring to December 2020	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	<b>N/A</b>
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	<b>N/A</b>
<b>Report of:</b> Chamberlain	<b>For Information</b>
<b>Report author:</b> Laura Yeo, Senior Accountant, Financial Services Division	

## Summary

This report provides an update on the financial position and the impact of COVID-19 on the City's budgets against the revised budget adopted by Court of Common Council in December 2020. Total agreed budget adjustments of £29.9m across all funds have been incorporated into the budget, reflecting changes agreed as part of the financial response to COVID-19 (£17.2m) and adjustments to property investment income forecast (£12.7m).

Post budget changes, the estimated overall forecast year-end position across all funds is an overspend of £1.8m at the end of December (Quarter 3) comprising an overspend of £5.8m on Central Risk partially offset by an underspend of £4.0m on Local Risk. This represents an improved position of £2.4m when compared to £4.2m overspend at the end of November (period 8) and is driven by the realignment of budget for Tower Bridge forecast income losses of £3.3m. The forecast per Fund is shown below.

Month 9 Forecast per Fund (£m)	CF	CC	BHE	Total
Forecast (Local and Central Risk) with budget adjustment	2.6	(4.7)	0.3	(1.8)

The continued impact of COVID-19 is significant across all funds, with a larger impact on City's Cash and Bridge House Estates reserves as Government income compensation is only available for City Fund. The Government's income compensation scheme for Local Authorities is estimated to provide £11.7m of additional funding for the year, of which £5.3m has been submitted as a claim covering losses between April to November (£1.5m has been received and £3.8m is pending approval). This funding based on actual losses incurred so will vary with changing forecasts. Efforts will continue to mitigate the financial impacts of the pandemic. See paragraph 25 for the resulting estimated net summary position by Fund.

On Central Risk, there is an exceptional income item in year, not budgeted for, which improves the position by £19.2m. Following the conclusion of the 2019/20 City Fund audit, £19.2m of one-off prior year adjustments to estimated business rate retained income will be released into the current year. Court of Common Council earmarked any growth in business rate retained income for financing the City Fund major projects, and this amount will be transferred to the major project reserve. The additional income, is very timely in restoring the planned contribution to major projects reserve in 2020/21, which had been reduced to mitigate the impact of COVID-19 in year. The £19.2m is reflected in the estimated major project reserve in the 2021/22 budget and Medium Term Financial Plan report for City Fund, also on your Committee's agenda.

### **Recommendation(s)**

Members are asked:

- i. to note the report.

### **Main Report**

#### **Current Position**

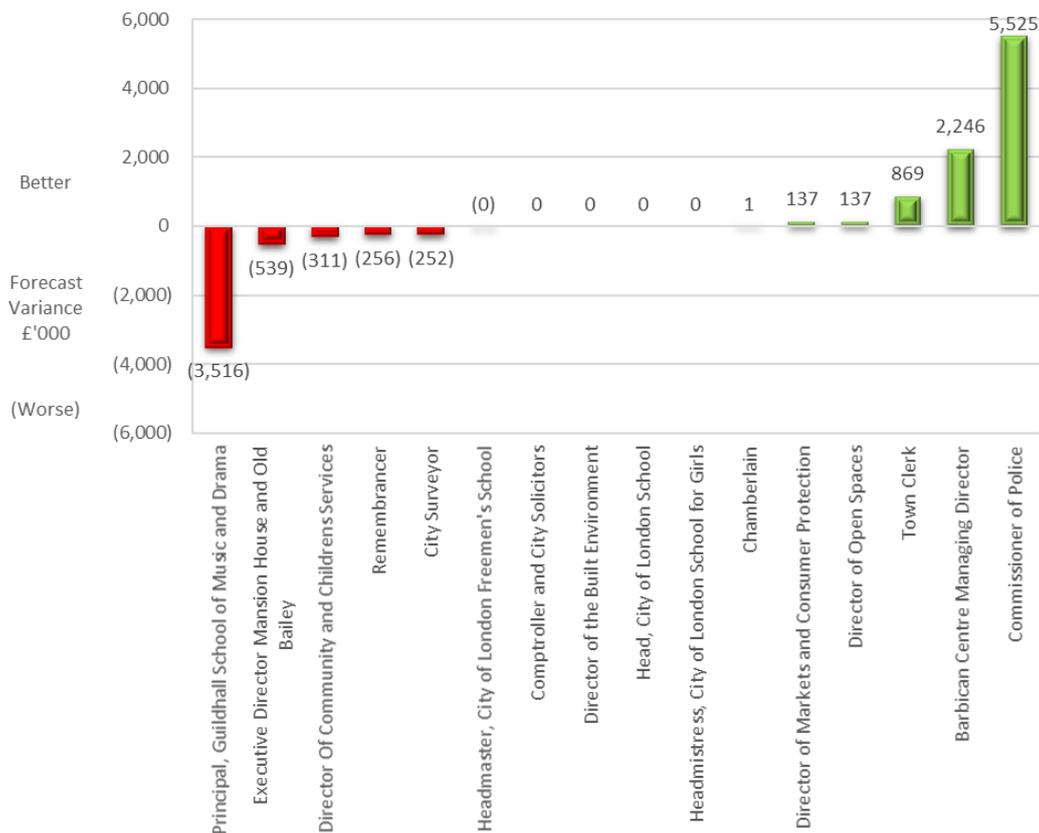
#### **Budget reset**

1. To mitigate the losses caused by the City's budgets by the pandemic, Court of Common Council in December 2020 reset City Fund and City's Cash budgets by a net £13.9m and realigned Bridge House Estates Tower Bridge income budget by £3.3m. This is to provide a realistic baseline budget on which to monitor financial performance moving forward. Similarly, the Property Investment Board agreed to realign the income budgets in November 2020 in line with resetting of budgets by a net £12.7m. Resulting in total agreed budget adjustments of £29.9m across all Funds.
2. The additional budgets are funded from reserves. For City Fund, the impact on the projected surplus for the year, will effectively reduce the planned contribution to the major projects reserve. For City's Cash this will increase the level of drawdown from financial investments. For Bridge House Estates, the deficit in Tower Bridge income will be offset with a reduction in transfer to the Bridge House Estates reserves at year end.

#### **Chief Officer Cash Limited Budgets**

3. The current position for Chief Officer Cash Limited Budgets is a forecast underspend of £4.0m against the latest approved budget of £265.9m. This primarily comprises underspends for Barbican Centre (£2.2m) and Police (£5.5m), partially offset by an overspend for Guildhall School of Music and Drama (£3.5m).

4. This represents an improved position of £3.8m compared to an £0.2m underspend reported at the end of November (period 8) and is primarily driven by the resetting of budget for Tower Bridge to realign its income budget for forecast income losses (£3.3m).



5. Appendix 2 provides income and expenditure budget variances by Chief Officer. The impacts of COVID-19 on the most heavily affected Chief Officers Cash Limited Budgets have been detailed in the paragraphs below.

6. Guildhall School of Music and Drama (GSMD) is forecast to be £3.5m worse than budget, no change from month 8, before the use of reserves or any additional funding. Income generating activities such as short courses, letting of space and accommodation, removing bar and catering income, and reduced fees from under-18 provision have all ceased due to COVID-19. GSMD will incur additional costs for space, equipment and staffing to support socially distanced onsite as well as online teaching as a result of the pandemic. GSMD, as with the other independent schools, maintains a reserve, which stood at £2.38m at 31 March 2020, and will be used to offset some of the forecast loss. In addition, the City has agreed an extraordinary grant of £1.335m for the year to 31 March 2021 towards the forecast loss, in recognition of the impact of COVID-19 on the Schools income streams and the additional costs incurred in order to operate during the pandemic.

7. Open Spaces has also been heavily affected by income shortfalls from closed attractions and facilities as a result of the ongoing pandemic and is anticipating a net loss of £3.0m at year end. The resetting of department budgets has realigned the Tower Bridge income budget for the forecast deficit of £3.3m, anticipated at month 4. At period 9 this results in a £0.1m forecast surplus at year end and represents an improved position of £2.9m compared to period 8.
8. The Barbican Centre have been impacted heavily; forecasting an adverse variance of £9.0m at year end. Income losses are due to the centre being closed following Government guidelines, in addition to limited activity being forecast for the remainder of the financial year due to the current lockdown measures. This is partially offset by expenditure savings due to activity reductions as well as a hold on all non-essential expenditure.
9. Resetting the Barbican Centre budget saw an increase to the Barbican Centre budget by £11.4m, reflecting the shortfall as at month 6. With the improved forecast position at month 9, Chamberlain's will work closely with the Barbican Centre to monitor the position and release funds on an agreed basis. The £2.2m surplus will be ringfenced with any unused funds returned to the City Fund Reserve.
10. A full year underspend of £5.5m is projected for the City of London Police (CoLP). A savings target of £5.7m is expected to be achieved in this financial year. COVID-19 pressures do exist for CoLP, however, losses can be claimed from the Home Office as part of the 'ring-fenced £1.2m uplift grant.'

### **Central Risk Budgets**

11. At the end of Quarter 3 the forecast position for Central Risk Budgets is an adverse variance of £5.8m against the latest approved budget of £43.7m and primarily relates to TOM expenditure savings yet to be achieved (£4.5m) and below budget interest on cash balances income (£1.5m). This represents a worsening position of £1.4m compared to £4.4m forecast at the end of November (period 8) relating to minor changes across a number of Chief Officers.
12. The forecast position excludes The City Bridge Trust (CBT) grant giving advance commitments (£48.4m) and London Community Response Fund commitments (£12.8m). These variances have been excluded as they are operating within the multi-year funding agreement. So, whilst they are generating in-year variances, these differences reflect the profile of grant giving, which is within the overall financial envelope agreed by Court of Common Council. Further detail on CBT grant giving is given in paragraphs 17-20.
13. Following the conclusion of the 2019/20 City Fund audit, £19.2m of one-off prior year adjustment to estimated retained business rate income will be released into the current year. Court of Common Council has agreed to earmark growth

in retained business rate income for to financing the City Fund major projects, and this amount will be transferred to the major project reserve. This, therefore, does not impact the current year forecast, but does impact and has been factored into, the financing of the City Fund major projects, this can be seen in the City Fund Medium Term Finance Plan paper also on this agenda.

14. COVID-19 has had a severe impact on the Corporate Income Budgets leading to an adverse variance of £13.3m against budgeted income of £241.7m. This represents a worsening position of £0.4m compared to month 8 which is likely to increase further by year end. This income shortfall is partially offset by a favourable variance of £7.4m on budgeted expenditure of £198.1m, a worsening position of £1.1m compared to month 8. The key budget areas are addressed in the following paragraphs.

### Corporate Income Budgets

15. Property Investment income budgets have been adjusted for revised estimates in line with the September rental forecast reported to the November 2020 Property Investment Board. This incorporates the effect of both June and September rent frees and a provision for turnover rent caps for the highest risk tenants.

The latest forecast of £123.3m comprises:

- City Fund £46.8m
- City's Cash £53.1m
- Bridge House Estates £23.4m

These figures come with a big health warning and forecasts will be closely monitored and revised at each quarter.

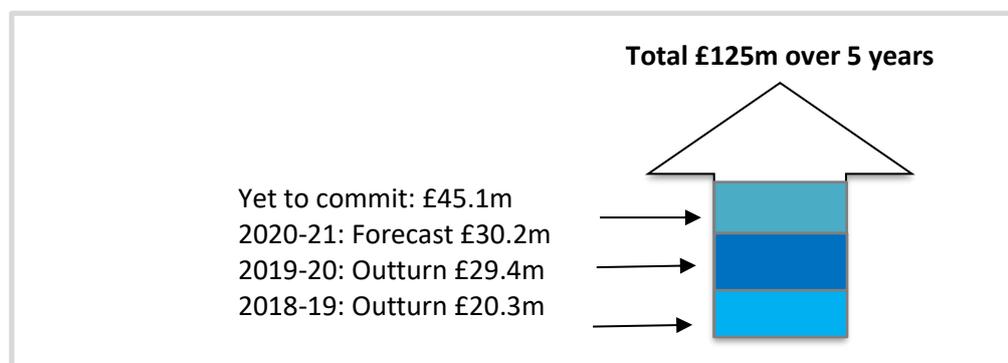
16. Interest on cash balances in money market funds is anticipated to be £1.5m below budget of £8.9m at year-end. Elements of the forecast are subject to key assumptions around interest rates and cash balances. At the moment, it is assumed, in line with our treasury advisors, that Bank of England's base rate will stay at 0.10% for the remainder of the year and that our returns will gradually gravitate towards that level over the course of 20/21. It is at least possible that rates could be reduced to zero or go negative in the coming months as the economic damage of COVID-19 is revealed and a fresh attempt at monetary support is required. Naturally, this would reduce interest income even further.

### The City Bridge Trust Grants Budget

17. Members are asked to note that 2020/21 is an exceptional year for the activities of City Bridge Trust (CBT) within Bridge House Estates (BHE). This includes the impact of the pandemic and the consequential establishment of the new BHE collaborative fund – the London Community Response Fund (LCRF) and the decision of the March 2020 Court of Common Council to agree an additional allocation of £200m to support delivery of the charity's ancillary objects, subject

to the recommendation to Finance Committee to retain £20m in the designated fund, temporarily, for COVID impact mitigation measures. As a result, the reforecast for 2020/21 includes both the new LCRF's activity and an initial forecast commitment of £45m of the £200m allocation. Central risk activities for CBT have therefore increased from the original budget of £27.1m to £88.6m (net of grant income of £14.9m). This increase is fully funded from the unrestricted income reserve held by BHE.

18. CBT September 2020 Committee approved a £15m allocation from the agreed 5-year (2018-2023) budget for expenditure in the 2020/21 financial year to support existing Bridging Divides grants portfolio and application pipeline. CBT July 2020 Committee had already approved £5m from the same agreed 5-year budget.
19. As at the end of December 2020, £18.1m has been awarded in grants under the Bridging Divides programme, £26.9m for the LCRF and £0.1m for the Anniversary Programme Bridge to Work.
20. Third party voluntary donations for LCRF of £14.75m are expected to be received by the end of the 2020/21 financial year. With £1.8m already received in March 2020 and a transfer of £11.25m from BHE, total funds available for the programme is £27.80m. Administrative costs of £0.735m are forecast to be incurred in running the LCRF with £27.065m to be committed as grants by the end of the 2020/21 financial year.



### COVID-19 Mitigation, contingency and spend

21. The COVID-19 contingency fund of £1.5m has, at the time of writing this report, total commitments of £1,108,000 leaving a balance of £392,000. Details of the allocations is provided at Appendix 3.
22. Chief Officers are asked to contain COVID expenditure within existing Local Risk budgets where possible. The expenditure is separately coded to keep a total of all COVID spend not covered by the COVID Contingency. The total spends across all departments included within their Local Risk projections in

2020/21 is £7.1m, net of furlough support, an increase of £1.3m since period 8. See break down in the table below.

City Fund Main Account	2,347,126
City's Cash	3,198,552
HRA	369,853
Bridge House Estates	1,205,498
<b>Total</b>	<b>7,121,029</b>

23. For Local Authorities, the Government has announced financial support for lost income, for which claims totalling £5.3m have been submitted covering losses between April – November, of which £1.5m has been received and £3.8m is pending approval. The full year estimate for this compensation is £11.7m. The claim is based on actual losses incurred so is subject to changes in forecasts.
24. The scheme covers net income losses for income generating areas linked to service delivery. This will therefore not provide compensation for commercial income streams such as investment property income. Compensation will also not be provided where local decisions contradict Government guidance e.g. continuing to keep services closed where Government guidance allows them to be open. All claim is subject to approval by MHCLG.
25. In order to provide a comprehensive view of the financial position, these estimates, alongside the impact of budget changes, have been incorporated into the below table , giving the overall surplus/deficit for each fund.

<b>Financial Impact per Fund (£m)</b>	<b>CF</b>	<b>CC</b>	<b>BHE</b>	<b>Total</b>
Original surplus/(deficit) for the year	27.3	(38.1)	(18.1)	(28.9)
Budget adjustments via resetting	(18.2)	(7.1)	(4.6)	(29.9)
Revised Forecast	2.6	(4.7)	0.3	(1.8)
Potential additional funding from Govt income compensation scheme	11.7	0.0	0.0	11.7
<b>Net Impact per Fund after adjustments</b>	<b>23.4</b>	<b>(49.9)</b>	<b>(22.4)</b>	<b>(48.9)</b>

## Business Rates

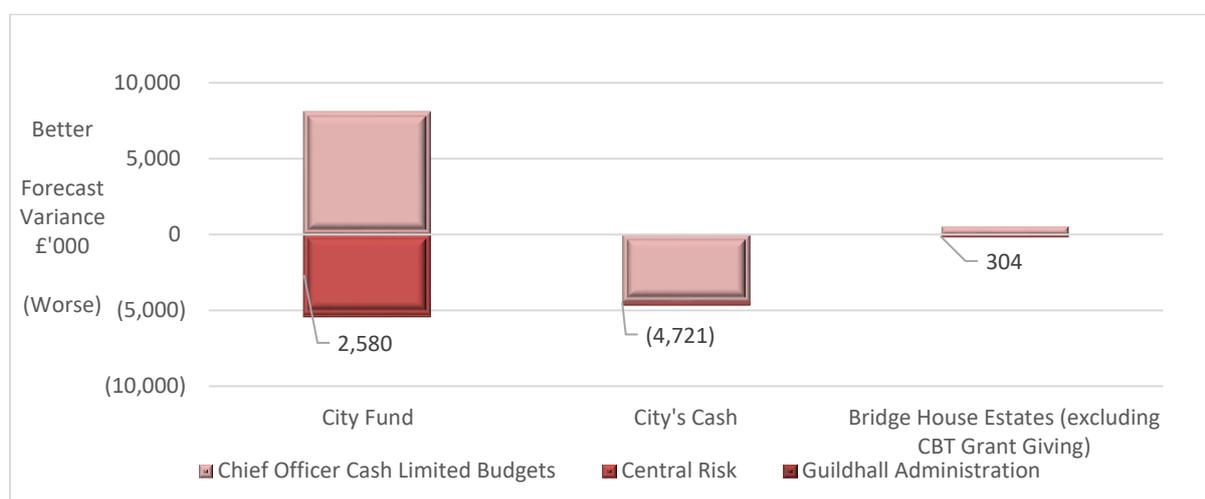
26. For Business Rates, the collection rate has fallen 5.2% below last year's rate at this time, an improvement of 0.8% from the previous month. We are continuing to monitor business rate collection closely, with formal recovery activity starting to take place. It should be noted that in-year losses in business

rates will impact future year budgets as the statutory framework lags these impacts. The Government has also indicated that Local Authorities will be allowed to spread the impact of business rate losses across a 3-year period.

27. There is an emerging issue relating to the impact of COVID-19 on rateable values, which are used to determine the level of business rate income. There has been an increase in the number of appeals lodged against the current rateable values which are awaiting judgement by the Valuation Office Agency (VoA). Any significant reductions in rateable value would impact the funds retained by CoL as well as those distributed to Govt and the Greater London Authority (GLA) through the business rate system. Discussions have been held with MHCLG regarding the potential impact and support measure that may be available should this occur, which is still unclear. We are monitoring the position closely

### Fund Position

28. Despite the mitigating actions being taken, as a result of COVID-19, the overall (Local and Central Risk) forecast year-end position reported at month 9 is £1.8m worse than budget. With Guildhall Administration apportioned across the three funds this gives adverse positions of £4.7m on City's Cash partially offset by favourable positions of £2.6m on City Fund and £0.3m on Bridge House Estates. However, this does not take into account the additional cost pressures on GSMD (referenced in paragraph 6 above), which will require a further drawdown of £1.335m on City Cash reserves over and above the £4.7m reported.



### Conclusion

29. Members are asked to note the forecast year-end overspend position of £1.8m at the end of December (period 9). The forecast position will continue to be carefully monitored to reflect the mitigating measures being taken.

## Appendices

- Appendix 1: Chief Officers Cash Limited Budgets by Fund
- Appendix 2: Chief Officers Cash Limited Budgets – Income and Expenditure Budget Variances
- Appendix 3: COVID Contingency Allocations

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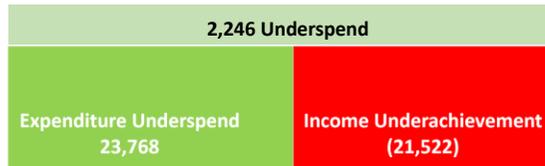
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## Revenue Budget Monitoring Period 9 2020/21 – Appendices

### Appendix 1

Chief Officer Cash Limited Budgets by Fund									
Original Budget £'000	Chief Officer	Full Year Forecast as at 30 November 2020				Full Year Forecast as at 31 December 2020			
		Latest Budget	Forecast	Variance Better / (Worse)		Latest Budget	Forecast	Variance Better / (Worse)	
		£'000	£'000	£'000	%	£'000	£'000	£'000	%
	<b>City Fund</b>								
(1,731)	Chamberlain	(1,759)	(1,380)	379	22%	(1,759)	(1,336)	423	24%
(5,240)	City Surveyor	(5,244)	(5,178)	66	1%	(5,244)	(5,134)	110	2%
(11,168)	Director of Community and Children's Services	(13,300)	(12,921)	379	3%	(13,300)	(13,588)	(288)	(2%)
(2,199)	Director of Markets and Consumer Protection	(2,781)	(2,590)	191	7%	(2,781)	(2,603)	178	6%
564	Director of Open Spaces	685	1,010	325	47%	685	866	181	26%
(20,196)	Director of the Built Environment	(20,672)	(20,672)	0	0%	(20,857)	(20,873)	(16)	(0%)
(402)	Executive Director Mansion House and Old Bailey	(246)	(535)	(289)	(118%)	(246)	(527)	(281)	(114%)
(17,389)	Managing Director, Barbican Centre	(28,732)	(27,181)	1,551	5%	(28,732)	(26,486)	2,246	8%
(15,065)	Town Clerk	(15,297)	(15,370)	(73)	(0%)	(15,370)	(15,370)	(0)	(0%)
<b>(72,826)</b>	<b>Total City Fund (excluding Police)</b>	<b>(87,346)</b>	<b>(84,818)</b>	<b>2,528</b>	<b>3%</b>	<b>(87,604)</b>	<b>(85,053)</b>	<b>2,551</b>	<b>3%</b>
	<b>City's Cash</b>								
(99)	Chamberlain	(102)	(178)	(76)	(74%)	(102)	(168)	(66)	(65%)
(16,251)	City Surveyor	(16,121)	(16,570)	(449)	(3%)	(16,121)	(16,728)	(607)	(4%)
(1,052)	Director of Community and Children's Services	(1,127)	(1,150)	(23)	(2%)	(1,127)	(1,150)	(23)	(2%)
(1,365)	Director of Markets and Consumer Protection	(1,682)	(1,753)	(71)	(4%)	(1,682)	(1,723)	(41)	(2%)
(11,822)	Director of Open Spaces	(12,321)	(12,406)	(85)	(1%)	(12,392)	(12,477)	(85)	(1%)
(3,334)	Executive Director Mansion House and Old Bailey	(3,260)	(3,543)	(283)	(9%)	(3,260)	(3,517)	(257)	(8%)
(1,217)	Head, City of London Boy's School	(1,217)	(1,185)	32	3%	(1,114)	(1,114)	0	0%
(82)	Headmaster, City of London Freeman's School	(82)	(28)	54	66%	(74)	(74)	(0)	(0%)
(275)	Headmistress, City of London School for Girls	(275)	(769)	(494)	(180%)	(240)	(240)	0	0%
(6,799)	Principal, Guildhall School of Music and Drama	(6,798)	(10,299)	(3,500)	(51%)	(6,798)	(10,314)	(3,516)	(52%)
(1,391)	Remembrancer	(1,400)	(1,316)	84	6%	(1,400)	(1,302)	98	7%
(215)	Town Clerk	(273)	(211)	62	23%	(273)	(199)	74	27%
<b>(43,902)</b>	<b>Total City's Cash</b>	<b>(44,658)</b>	<b>(49,407)</b>	<b>(4,749)</b>	<b>(11%)</b>	<b>(44,583)</b>	<b>(49,006)</b>	<b>(4,423)</b>	<b>(10%)</b>
	<b>Bridge House Estates</b>								
0	Chamberlain	(45)	(45)	0	0%	(45)	(45)	0	0%
(2,703)	City Surveyor	(2,704)	(2,691)	13	0%	(2,704)	(2,691)	13	0%
(243)	Director of Open Spaces	(252)	(3,538)	(3,286)	(1,304%)	(3,579)	(3,538)	41	1%
(275)	Director of the Built Environment	(275)	(259)	16	6%	(275)	(259)	16	6%
(2,920)	Town Clerk	(2,941)	(2,242)	699	24%	(2,941)	(2,459)	482	16%
<b>(6,141)</b>	<b>Total Bridge House Estates</b>	<b>(6,217)</b>	<b>(8,775)</b>	<b>(2,558)</b>	<b>(41%)</b>	<b>(9,544)</b>	<b>(8,992)</b>	<b>552</b>	<b>6%</b>
	<b>Guildhall Administration</b>								
(22,165)	Chamberlain	(22,380)	(22,591)	(211)	(1%)	(22,380)	(22,735)	(355)	(2%)
(8,666)	City Surveyor	(8,481)	(8,288)	193	2%	(8,481)	(8,248)	233	3%
(845)	Comptroller and City Solicitor	(894)	(894)	0	0%	(894)	(894)	0	0%
274	Remembrancer	(811)	(1,232)	(421)	(52%)	(811)	(1,165)	(354)	(44%)
(6,536)	Town Clerk	(6,641)	(6,327)	314	5%	(6,641)	(6,327)	314	5%
<b>(37,938)</b>	<b>Total Guildhall Administration</b>	<b>(39,207)</b>	<b>(39,332)</b>	<b>(125)</b>	<b>(0%)</b>	<b>(39,207)</b>	<b>(39,369)</b>	<b>(162)</b>	<b>(0%)</b>
<b>(160,807)</b>	<b>Grand Total (excluding Police)</b>	<b>(177,428)</b>	<b>(182,332)</b>	<b>(4,903)</b>	<b>(3%)</b>	<b>(180,938)</b>	<b>(182,421)</b>	<b>(1,482)</b>	<b>(1%)</b>
(84,898)	Commissioner of Police (City Fund)	(84,969)	(79,856)	5,113	6%	(84,969)	(79,444)	5,525	7%
<b>(245,705)</b>	<b>Grand Total</b>	<b>(262,397)</b>	<b>(262,188)</b>	<b>209</b>	<b>0%</b>	<b>(265,907)</b>	<b>(261,865)</b>	<b>4,042</b>	<b>2%</b>

### Barbican Centre Managing Director



The loss of income forecast is due to the centre closure following the effect of Covid-19 in addition to the limited activity being forecast for the remainder of the financial year due to social distancing measures and the recent third lockdown having a further negative impact on income. Expenditure savings are due to activity reductions as well as a hold on all non-essential expenditure. Main improvements from last month are further furlough receipts and a reduction in forecast costs for facilities brought on by the closure of the centre during the recent lockdown.

### Chamberlain



Chamberlain's is overall underspent due to delays in recruiting and an underspend on IT related to the Fundamental Review. Areas of overspend include recruitment campaigns, consultant fees for software changes, tax advice, unbudgeted security resources and additional staff costs to cover essential modelling work for MTFP, Major projects and City's Cash. Income has been affected by a reduction in Freedom ceremonies (assumption is now that Freedoms return to normal levels in April 2021) and fundamental review savings and income not achieved due to Covid-19 though this has been offset by royalty payments.

### City Surveyor



There have been substantial savings on expenditure made on Guildhall, Walbrook Wharf and Magistrates Court running costs and through reduced reactive repair costs due to lower use of properties. These savings are offset by reduced income through recovery of costs from government grants and service charges; recovery of security and other staff costs relating to Guildhall from external events; and reduced professional fee income due to a lower number of property deals. The Investment Estates are anticipated to be on target but will depend on any significant tenant failures during the pandemic.

### Commissioner of Police



The current position is based on an escalated recruitment process and a number of new appointments with another intake between January and March 2021. The projected attrition levels have been revised due to Covid-19, assuming there will be no leavers during the financial year. Police services have remained as business as usual during Covid-19 and a challenging savings target of £5.7m is expected to be achieved in this financial year. Covid-19 pressures do exist for CoLP, however, losses can be claimed from the Home Office as part of the 'ring-fenced £1.2m uplift grant.' The Commissioner of Police shows an improved position by £0.4m after reforecasting staff/officers pay.

### Comptroller and City Solicitors



Current Comptroller's income budgets are currently expecting an overspend due to the external income levels dropping due to the commercial property sector market slowing down due to Covid-19. Internal Income is due to be on target.

### Director of Community and Childrens Services



Largest pressure is within DCCS on Rough Sleepers and Homelessness budgets. Most of these additional costs are being absorbed by a current underspend on Adult/Older People Social Care. This has been based on the current level of clients, however a small change in client numbers can have a major impact on the budget. Libraries forecasting expenditure underspend due to savings on premises, transport and supplies and services as a result of closure due to Covid-19. A reduction in trade centre income of 750k has led to the overall overspend in P9.

### Director of Markets and Consumer Protection

<b>137 Underspend</b>	
Expenditure Underspend 282	Income Underachievement... (145)

The forecast underspend is an improved position on previous months, with Brexit grant income received by port services offsetting the impacts of COVID-19 on income generation across services such as the Ports, Heathrow Animal Reception Centre and Licencing. Additionally there remain losses of car parking income, filming income as a result of Covid-19, reduction in service charge income and recovery of energy and water costs.. Further losses will be incurred if any rent-free periods are offered to qualifying tenants. The expenditure underspend is mainly due to staff vacancies and reduction in energy, water, car park management, waste collection and repairs and maintenance expenditure costs due to Covid-19. Expense is increasing from the previous period as a result of staff and running costs at the Ports for Brexit preparations, extra costs in relation to COVID-19 adaptations to HARC facilities and for health and safety equipment and additional cleaning at New Spitalfields Market.

### Director of Open Spaces

<b>137 Underspend</b>	
Expenditure Underspend 396	Income Underachievement (259)

Income shortfall due to closed attractions and facilities as a result of the ongoing pandemic, principally due to Tower Bridge Tourism. Forecast is based on current assumption following 4 July reopening. Figures are inclusive of estimated income for Admissions, Filming and Corporate Events. Admissions estimates are based on operational capacity to ensure social distancing. Events is under discussion and the gradual growth for admissions and retails is based on is based on tourism sector predictions and data for recovery. Shortfall of income will be partially offset by savings principally due to Tower Bridge Tourism opening costs and significant cuts to planned minor works budgets. Open spaces has shown a change in position from P8 of £3.3m after a drawdown on reserves to cover the loss of income from Tower Bridge.

### Director of the Built Environment

<b>0 Underspend</b>	
Expenditure Underspend 3,461	Income Underachievement (3,461)

Income shortfall is mainly due to the significant impact of COVID-19 on income streams across the department, most significantly within off-street parking, traffic management, public conveniences, waste collection, drains & sewers, and building control services, together with a reduction in income from staff recharges to capital projects, also due to COVID-19 and its impact on the phasing and delivery of projects. The forecast expenditure savings is due to a reduction in Highways repairs and maintenance, and in the cost of parking enforcement and street cleansing contracts as a result of COVID-19, together with staff vacancies across the department, one-off costs for review of CIL funding needs no longer required, and savings from closure and early removal of Automatic Public Conveniences. These underspends are partly offset by a carry-forward overspend from 2019/20, increased costs of advertising and recruitment, a contribution to Climate Action Strategy costs, and the cost of the Tulip planning inquiry.

### Executive Director Mansion House and Old Bailey



The shortfall in income is due to no events taking place so far this year at Mansion House. The forecast anticipates no income will be received this financial year following Government restrictions. Also no commission from the catering company will be received. Expenditure overspend is due to additional costs for PPE for staff and cleaning at the Central Criminal Court, offset by significant cost savings against the Lord Mayor's travel budget as no travel has happened so far in this financial year.

### Head of the Boys School



Forecast expenditure underspend due to miscellaneous potential savings identified to help respond to the ongoing pandemic. The transfer to the Capital Reserve Fund in 2020/21 has been reduced due to the available funding. The School is anticipating a reduction in income from tuition fees as a result of the ongoing pandemic.

### Headmaster of the City of London Freemens School



Shortfall of income due to a reduction in tuition fees compared to budget, boarding fees and school means as a result of the pandemic. The current forecast transfer from the school's General Reserve Fund to revenue for 2020/21 will result in that fund becoming overdrawn at year end. Expenditure savings due to budgeted transfer to Capital Reserve Fund not going ahead and identified miscellaneous savings due to the pandemic.

### Headmistress of City of London School for Girls



Expenditure underspend is largely due to the budgeted transfer to Capital Reserve Fund no longer being forecast for 20/21 and a reduction in expenditure following savings identified at the School.

The School is anticipating a reduction in income compared to budget as a result of the ongoing pandemic. This is partly offset by a forecast transfer from the General Reserve Fund which will result in the fund becoming overdrawn at year end.

### Principal Guildhall School of Music and Drama



The School will incur additional costs for space, equipment and staffing to support socially distanced onsite as well as online teaching as a result of Covid-19. The School has had to reduce/cease a number of income generating activities due to Covid-19 including stopping short courses, not letting out student accommodation during the Summer term (April to July), not letting out space during the summer to external providers, removing bar and catering income, and reduced fees from under-18 provision. It remains possible that further losses will arise as and when students start to come to the UK for the new Academic Year.

### Remembrancer



No private event hire at Guildhall has taken place since the start of the financial year and it is now anticipated that almost no income will be received. Due to the impact of not being able to host any events at the Guildhall, there will be significant cost savings associated with not hosting these events including staff time, equipment hire, printing and advertising.

### Town Clerk



The overall underspend is mainly in relation to City Bridge Trust savings due to posts yet to be filled, transfer of some staff costs to LCRF, TNCLF and some operational savings due to staff working remotely.

The additional income primarily relates to Policy and Resources reimbursement in grants for COVID-19 related work, which is offset by the associated expenditure.

## COVID spend as at 24 November 2020

The table below shows the approved spend against the COVID Contingency budget of £1.5m

Date	Bid Name	Description	Department	COVID Category	Allocation 2020/21
					£
		<b>BASE BUDGET</b>			<b>1,500,000</b>
		<b>TOTAL BUDGET</b>			<b>1,500,000</b>
03/04/2020	SMTA Rates Bill	For the CoL to meet the cost of the Smithfield Market tenants rate bill as they are not covered by the government scheme; the City pays then recharges the tenants. The other Market tenants are covered under the scheme.	Markets & Consumer Protection	2. Support unforeseen expenditure required to support service	67,000
21/04/2020	COLPAI - CCTV	Installing CCTV at COLPAI site - Battery: CCTV installation at £35k for equipment + £6k for the fuel replacements for the second year	Communities and Children Services	2. Support unforeseen expenditure required to support service	41,000
17/04/2020	Support the Mortality Management Group	Craig Haslam was working for COL on the contingency planning for Op London Bridge. He has now moved across to support the Mortality Management Group, working to Alistair Ayers and the group feeding into London SCG. Both Alistair and craig were working together on the Op London Contingency, there is a small amount of this work taking place, as the contingency	Town Clerks	1. To enact contingency planning arrangements.	27,000

		needs to be considered post COVI-19. However due to the agreed Royal protocols on death during the COVID-19 crisis, they are both now working on the Mortality Management Group.			
24/04/2020	Direct Access Server Replacement + Additional Server	We have an urgent need to replace 1 Direct Access Server and add an additional server to improve resilience of our critical remote working infrastructure will take approximately 5-6 working days to complete from point of agreement	Chamberlains	2. Support unforeseen expenditure required to support service	37,000
06/05/2020	PPE Purchasing	London Authorities have formed an Alliance (referred to in this business case as the 'London Alliance') for their authorities key PPE to ensure that they have continuity of supply, to take the pressure of reactive ordering, and to mitigate and need to access emergency stocks that are best reserved for medical response needs.	Chamberlains	1. To enact contingency planning arrangements.	4,000
11/05/2020	CoLP IT Resilience	CoLP had early and critical issues with the remote working infrastructure for the City of London Police. The solution proposed and agreed with CoLP senior officers including the Commissioner and Assistant Commissioner is to accelerate the CoLP IT Modernisation Programme to deliver new laptops between May and June to all the remote working staff. The 'Accelerated' implementation plan re-profiles the deployment of Windows laptop devices to officers and staff, focussing on core Productivity	CoL Police	2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget.	263,000

		and Collaboration tools, delivering this functionality sooner.			
28/05/2020	Open Spaces PPE and HSE	Open Spaces have remained open for the public to exercise in. To reduce workspace risk and provide a safe workspace and safe public reception areas a range of infrastructure changes are required across all the Open Spaces including: Perspex barrier screens, barriers, internal and external floor markers, additional signage, hand sanitiser stands.	Open Spaces	<p>2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget.</p> <p>3. To support and implement guidance issued by Government where there is no other compensating source of funding.</p>	65,000
09/06/2020	Using Public Transport and Social Distancing - Face Coverings	To note the report on face coverings for staff and endorse the proposal to purchase free reusable face coverings for all returning staff as a one off.	HR	<p>3. To support and implement guidance issued by Government where there is no other compensating source of funding.</p>	25,000
24/06/2020	CoL IT - Remote Working upgrades and expenses	Work required to ensure that systems are more stable to manage the large influx of additional people working at home including; Field Support for build and deploy of laptops at the start of COVID to prepare staff for Remote Working and fast track Intune/Azure Work.	Chamberlains	<p>2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget.</p>	81,000

09/07/2020	City of London Academies Trust Funding Request for Summer Provision 2020/21	CoLAT proposes a 10-day catch-up programme delivered over August 2020 to address learning gaps in English and Maths and other subject areas. The provision will be for pupils in Years 6 and 10 in preparation for the transition to secondary school and GCSEs respectively.	CoL Academies	2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget.	70,000
08/07/2020	Everyone In - Rough sleeping response	Funding hotels on an ad hoc, commercial, basis along with procuring the sole use of a youth hostel, as operated by YHA, by St Paul's cathedral. In addition to this it was necessary to fund an increase in welfare provision, along with ensuring that an increase in safe, accessible, support was enacted by providers.	Communities and Children Services	2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget.  3. To support and implement guidance issued by Government where there is no other compensating source of funding.	261,000
27/07/2020	Brakespear Mortuary	Support the provision of a resilience mortuary to give a buffer above 3 month discussed below in case things change. We would clearly only spend if the facility continues to be funded on a pan-London basis.	Town Clerks	2. Support unforeseen expenditure required to support service	44,000
05/10/2020	Public Health Communications Officer	The Communications Team requires funding for a Public Health Communications Officer to lead and co-ordinate all City Corporation communications relating to COVID19 and the second wave. Following agreed COVID-19 Outbreak Communications and Emergency Response plans, the post-holder will provide clear communications to City residents, workers and visitors, as London grapples with a rise in infections and potential imposition of further restrictions as we head into the winter period.	Town Clerks	1. To enact contingency planning arrangements. 2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget. 3. To support and implement guidance issued by Government where there is no other compensating source of funding.	50,000

19/11/2020	Communications with Residents	Extra costs relating to communications with Residents, to a level over and above regularly scheduled communications in relation to COVID19	Town Clerks	2. Support unforeseen expenditure required to support service	28,000
01/12/2020	Dedicated City Corporation news hub on City AM	Funding for three months of unlimited "advertising" on City AM website to help support this valued communications channel and City presence while getting key organisational messages relating to COVID-19 and City recovery to business and City workers.	Town Clerks	2. Support unforeseen expenditure required to support service continuity which cannot be met from a Chief Officers local risk budget.	45,000
		<b>TOTAL ALLOCATIONS</b>			<b>1,108,000</b>
		<b>BALANCE AVAILABLE</b>			<b>392,000</b>

<b>Committees:</b> Procurement Sub (Finance) Committee – For decision Project Sub (Policy and Resources) Committee – For decision Digital Services Sub (Finance) Committee – For decision Finance Committee – For decision Policy and Resources Committee – For Decision	<b>Dated:</b> 11/02/2021  By Urgency By Urgency 16/02/2021 18/02/2021
<b>Subject:</b> Endorsement for Court Submission on new Committee for Next Generation Fraud and Cyber Crime Reporting and Analysis Service Project	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	Corp Objectives: 1, 9 & 10
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>No</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> Town Clerk	<b>For Decision</b>
<b>Report authors:</b> Oliver Bolton, Town Clerk’s and Chris Bell, Fraud and Cyber Service Director, CoLP	

## Summary

Last summer, the City of London Police was appointed by Home Office Ministers to lead the procurement for the replacement of the Action Fraud and National Fraud Intelligence Bureau systems. This project is known as the Next Generation Fraud and Cyber Crime Reporting and Analysis Service (FCCRAS). As this project is majority funded by the Home Office, there is a requirement for the project team to adhere to the Home Office and wider government governance (Cabinet Office and HM Treasury).

Due to the scale and nature of the project, there are also numerous City of London Corporation Committees and Sub-Committees that have an interest and decision-making responsibilities regarding the project. These, combined with the wider government requirements and City of London Police’s own project and delivery boards place a significant burden on the project team ensuring each body receives the appropriate information and in the right format. These governance requirements have been identified as a risk to delivery by the Home Office, the Government’s Infrastructure and Projects Authority, Commissioner’s Project Board and Police Authority Team. To assist mitigating this risk, it is proposed to seek approval from Court of Common Council to establish a dedicated, time-limited, stand-alone Committee to fulfil the need for Member oversight of this significant project. Proposed membership of this Committee would comprise the Chairs and Deputy Chairs of the Committees the project would otherwise be reporting to: Police Authority Board, Finance Committee, Procurement Sub, Project Sub and Digital Services Sub. While not currently part of the project governance, it is proposed to also include the Chair and Deputy of Policy and Resources Committee in the membership, to further strengthen oversight.

An extraordinary meeting of the Home Office Finance and Investment Committee is being convened for early to mid-March 2021 to consider approval of the project progressing to the next stage. In order to ensure the best case is put forward and known concerns around the project governance are addressed in time, the project team would like to take a proposal to Court of Common Council for consideration on 4<sup>th</sup> March 2021.

To achieve this within the timeframes required, endorsement is sought from your committee for the Chairs of the Policy and Resources Committee and Police Authority Board to take a proposal for Court to consider on 4<sup>th</sup> March 2021. The proposed governance arrangements in respect of the new committee, including the terms of reference and member composition, will be set out in that proposal. Submission of the proposal to the Court of Common Council will be subject to consultation with, and approval from, the relevant committees and sub-committees that have an interest and decision-making responsibilities regarding the project.

### **Recommendation**

Members are asked to:

- Endorse the creation of a new stand alone, time-limited committee to oversee the FCCRAS project and for this committee to pass on its decision-making responsibilities on this project to the new committee. Submission of the proposal to the Court of Common Council will be subject to consultation with, and approval from, the relevant committees referenced in paragraph 15.

### **Main Report**

#### **Background**

1. Since 2014, the City of London Police have been running the 24/7 national fraud reporting service, Action Fraud, and its analysis function, the National Fraud Intelligence Bureau. Following the end of the contract period for this service, the City was chosen by Home Office Ministers to lead the procurement for a replacement service, known as the Next Generation Fraud and Cyber Crime Reporting and Analysis Service (FCCRAS).
2. The City of London Police established a project team to lead this procurement and they have been progressing with the necessary preparatory work and documentation with a view to going to tender in April 2020 and awarding contract in April 2022. This is a project of significant size, with current build value estimated at £30m and total run cost of £110m for the five years of the contract.

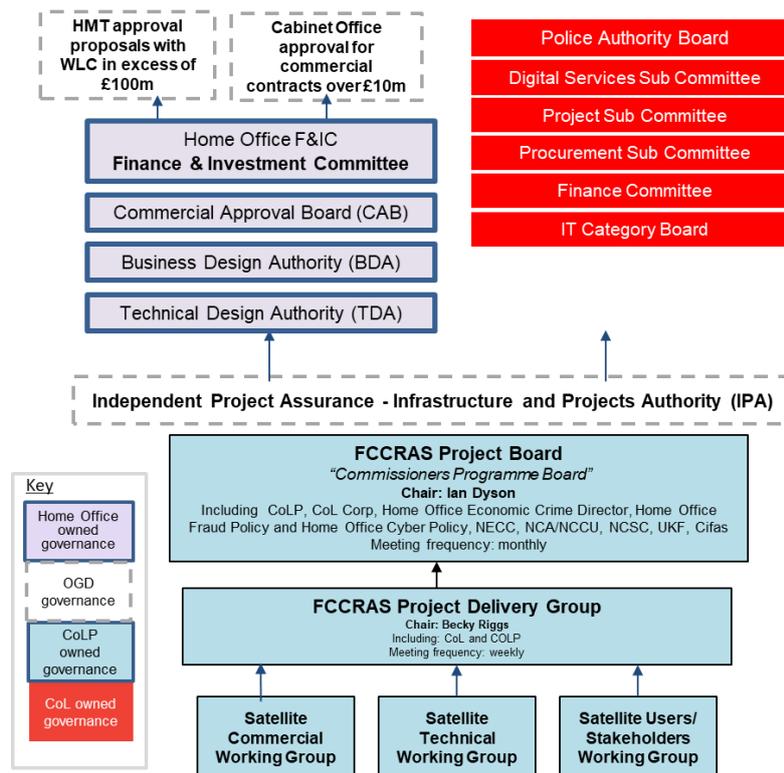
#### **Current Position**

3. To meet the deadline to procure the new system and replace the current service will be extremely challenging for the team. Indeed, the current timeline already requires an additional extension to the existing contract. While the project team is

looking at ways to mitigate this and reduce the timeline where possible, one risk to effective delivery that has been identified is the complex governance that the project is subject to.

4. As the project is delivering a national service on behalf of the Home Office, there is a requirement to report and seek approval from four key Committees and Boards. Due to the total cost of the project being over £100m, HM Treasury approval and Cabinet Office approval (for commercial contracts over £10m) must also be navigated.
5. The scale of the project has also meant that it has recently been made subject to the government's Infrastructure and Project Authority (IPA) gateway process. The IPA draws together professional experts in the delivery of major public projects and through of documentation review and a series of interviews provides a health-check of the project at key milestone stages to determine whether it can progress to the next stage of delivery. Its mandate can be accessed [here](#)<sup>1</sup>. When the external governance is overlaid with the internal governance of the City of London Police and the City of London Corporation, there is a total of 18 working groups and governance entities that the Project is accountable to. An illustration of this is shown below.

### Overview of the Governance for the FCCRAS



6. The IPA carried out their documentation review of this project over the Christmas period followed with 21 interviews across the team and key stakeholders in the

<sup>1</sup>

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/949868/IPA\\_Mandate\\_2021.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/949868/IPA_Mandate_2021.pdf)

week beginning 11<sup>th</sup> January, reporting their findings to the Commissioner (as SRO for the project) by the end of that week. Feedback from the IPA and other key stakeholders has been broadly positive about the quality of the products the team has produced to date highlight some areas that they would like to see strengthened. In particular, they identified the current governance requirements as a critical concern for the project going forward, citing 'governance overload'. An excerpt of the report covering the findings on the project's governance is found at Appendix 1. A full report on the IPA's findings will be submitted to the Police Authority Board and Project Sub.

7. Both the City and the Home Office have identified the need to streamline the governance for the project or risk jeopardising its success as the team's capacity is taken up with reporting rather than on delivery. This is a view that was firmly echoed in the first report of the IPA and also by many of the Members at the pre-Christmas Member briefing on the project (16<sup>th</sup> December).
8. The Home Office has given a commitment to review their own governance burden on the project on the basis that the City does the same and to date they have removed the need for the project to pass through their Business Design Authority and Technical Design Authority. This report outlines the options that officers have identified for the City Corporation to meet its commitment.
9. An extraordinary meeting of the Home Office Finance and Investment Committee is being convened for early to mid-March 2021 to consider approval of the project progressing to the next stage. In order to ensure the best case is put forward and known concerns around the project governance are addressed in time, the project team would like to take a proposal to Court of Common Council for consideration on 4<sup>th</sup> March 2021. Submission of the proposal to the Court of Common Council will be subject to consultation with, and approval from, the relevant committees and sub-committees that have an interest and decision-making responsibilities regarding the project.
10. Members will be acutely aware that significant work is underway to address the recommendations from the recent Lisvane Review of the Corporation's governance. This report's proposal is not intended to pre-empt the implementation of that work, but rather meet the specific needs of this critical project in a timely manner, while imposing minimal burden on both Members and officers.

## **Options**

### **1) Maintain current governance**

11. The City Corporation could stick to its current governance requirements, on the principle that this would provide the most thorough oversight of a service that has had a challenging track record under the existing contract. However, this would not reduce the burden on the project team and would mean a significant proportion of its resources are dedicated to reporting on the project rather than delivering it and ensuring the most appropriate specifications and best value for

money. This approach would also likely discourage the Home Office from making any concessions.

**2) Delegate Authority to the Town Clerk in consultation with the Chair and Deputy Chair of the Police Authority Board to approve a solution for consideration at Court of Common Council**

12. The intention is to seek approval from the Court of Common Council to establish a stand-alone Committee dedicated to the consideration of key decisions for the FCCRAS project, time-limited to the period of procurement to 'go-live' for the project (currently estimated to be approximately three years).
13. An informal Member Reference Group was formed over the previous summer to keep Members updated on important developments ahead of key decisions coming to the different committees. The formation of the new committee would formalise this – providing decision making powers and avoiding the need for reporting to multiple committees, or where timescales dictate, seeking multiple urgencies.
14. It should also be noted that the Committee would only meet ad hoc and is only ever likely to be considering single reports at key decision points in the life of the project. Minutes will also only need to record decisions made, thus keeping the volume of work on Members and officers to minimum.
15. It is proposed that membership of the new Committee would comprise Chairs and Deputy Chairs of the Committees and Sub-Committees that would otherwise have an individual role in the decision-making process of the project, namely:
  - Police Authority Board
  - Policy and Resources Committee
  - Finance Committee
  - Procurement Sub (Finance) Committee
  - Project Sub (Policy and Resources) Committee
  - Digital Services Sub (Finance) Committee

It is also proposed that the above committees could nominate additional members by exception where they have a particular, professional expertise that would benefit the project.

16. Forming this new committee would ensure that Member oversight of this critical project is maintained with appropriate representation from across the relevant arms of the Corporation. Additionally, it would significantly streamline the bureaucratic requirements on the project team, ensuring more time is focused on delivery of the project. It would also demonstrate to Government that the Corporation is recognising the risks outlined by the IPA and others regarding 'governance overload' and actively seeking to mitigate these and ensure the project has a better chance of success.

17. Your committee is asked to endorse this approach and in so-doing handover decision-making responsibilities for this project to the proposed committee, should its formation be agreed at Court.
18. The proposed governance arrangements in respect of the new committee, including the terms of reference and member composition, will be finalised and submitted in time for consideration at the Court of Common Council meeting on 4th March. Submission of the proposal to the Court of Common Council will be subject to consultation with, and approval from, the relevant committees and sub-committees that have an interest and decision-making responsibilities regarding the project.

## **Corporate & Strategic Implications**

### **19. Sub-headings**

- a. **Strategic implications** – Successful delivery of this project is critical to ensuring an effective service is provided to victims of fraud and cyber crime. Given the challenges faced with the current system, there are also significant reputational risks to the City Corporation and the City of London Police if this project's objectives are not achieved. Successful delivery of this project is therefore critical to supporting the City of London Police's role as National Lead Force for fraud and the City Corporation's role as an effective Authority.
- b. **Financial implications** – If more resource is required for successful delivery of the project to accommodate the extensive governance requirements (some of which have only recently been imposed), this would require additional funding.
- c. **Resource implications** – Pursuing the option of a stand-alone Committee provides the best option to both reduce the burden on the project team, but also on the administration of the current committees involved in oversight of the project.
- d. **Legal implications** - None
- e. **Risk implications** – As above.
- f. **Equalities implications** – None
- g. **Climate implications** - None
- h. **Security implications** - None

## **Conclusion**

20. Successful delivery of the FCCRAS project is critical to the successful fulfilment of the City of London Police's role as National Lead Force for Fraud and Cyber Crime. And the force's leadership in fraud and cyber crime is a crucial element of the City's objective of being a safe place to do business.
21. The current governance requirements imposed on the project risk diverting too much resource, effort and focus away from effective delivery of the project itself. It is therefore strongly recommended that, given the on-going level of extensive oversight that will be required, the creation of a new committee is endorsed and

your committee's decision-making responsibilities are handed over to this new entity.

22. Submission of the proposal to the Court of Common Council (including terms of reference and membership) will be subject to consultation with, and approval from, the relevant committees and sub-committees that have an interest and decision-making responsibilities regarding the project.

## **Appendices**

- Appendix 1 - Excerpt on governance from final Gateway 2 report of the Infrastructure and Projects Authority review of the Fraud and Cyber Crime Reporting and Analysis Service.

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## Appendix 1

### **Excerpt on governance from final Gateway 2 report of the Infrastructure and Projects Authority review of the Fraud and Cyber Crime Reporting and Analysis Service.**

“There are a number of risks that the project faces including governance overload...”

#### **Governance**

This is a complex project with accountabilities (including for funding) to three different bodies, Home Office, the City of London Corporation and its Police Authority. The importance of the project, the level of political interest and past history of difficulties with the service the project is looking to replace has understandably led to high levels of interest to ensure confidence in delivery. This has in turn translated into detailed governance, in some cases multiple layers of governance, from each body. The project’s governance diagram shows the Project Board linking to twelve other governance bodies/committees in Home Office and COLC to secure the necessary approvals to proceed.

The review team heard that the extent of governance had become heavy, and added a considerable burden to the operation of the project, with the need to meet governance requirements taking away from the ability to take forward project development. An issue has needed to be taken to different bodies, with different processes and timelines, duplicating effort and risking complication if the bodies come to competing views.

There was also some confusion between strategic governance – decision making about how to take the project forward – and providing assurance that the project was proceeding against agreed parameters. It is important that this is clarified and the roles and responsibilities of different parties is agreed and set down clearly.

The RT heard from all parties that the issues created by the extent of external governance the project faced were recognised and understood. There was a desire from all sides to address this and to simplify and delayer the governance the project faced, although detailed models have yet to be finalised. This would become easier as the project moved from initial phases setting its strategic direction into more operational delivery. Considerable work is already in hand to resolve this governance issue and it needs to be concluded rapidly.

**Recommendation 2:** It is recommended that the project should develop an Integrated Assurance and Approval Plan by 1 April, agreed with Home Office, Police Authority and COLC, to set out the respective roles and accountabilities of the different bodies.