

<p>Committee:</p> <p>Police Performance and Resource Management Committee</p> <p>Police Authority Board</p>	<p>Date:</p> <p>21st June 2019</p> <p>11th July 2019</p>
<p>Subject:</p> <p>Budget Monitoring Month 2 -2019/20</p>	<p>Public</p>
<p>Report of:</p> <p>Commissioner of Police Pol 51-19</p>	<p>For Information</p>
<p>Report author:</p> <p>Cecilie Booth, Chief Operating and Chief Financial Officer</p>	

Summary

The Chief Officer Cash Limited budget at the start of the year is £72.7m. This currently excludes funding for the additional 67 growth bid posts which will be adjusted in year.

This report outlines the financial position up to the end of May 2019 (Month 2). It is too soon in the financial year to provide a meaningful projected outturn position, however, the purpose of this additional monitoring report is to provide Members with assurance that a balanced budget has been set, key financial pressures have been identified and a comprehensive system of monitoring is in place. A full Quarter 1 report will be presented to Members in September 2019.

Recommendation

Members are asked to note the report.

Main Report

Chief Officer Cash Limited Budget

1. The Force has four operational directorates (Crime, Economic Crime (ECD), Intelligence and Information (I&I) and Uniform Policing (UPD) and one support Directorate, Business Support Directorate (BSD). The forecast is summarised below in Table 1. Details of the Revised Budget and forecast can be found in Appendix 1.

Table 1

	Original Budget £m	Actual (M2 YTD) £m	Forecast £m	Variance £m
Total Pay	101.4	11.8	101.4	0.0
Non-Pay	38.0	7.9	38.0	0.0
Total Expenditure	139.3	19.7	139.3	0.0
Total Income	(66.6)	23.4	(66.6)	0.0
Funding	(72.7)	(72.7)	(72.7)	0.0
Total	0.0	0.0	0.0	0.0

Some sources of income and funding are received close to year end, the forecast column reflects this.

Revenue

2. Finance Business partners are working closely with operational directorates to ensure all pay and non-pay expenditure is captured correctly against the approved budgets, including monitoring of vacancies, recruitment and the use of agency staff. A detailed review of core funding and funded units is also being undertaken, to ensure a consistent recharging approach is applied.
3. At M2, the forecast to year end is showing expenditure in line with the budget and no major variances. However, it should be noted that month 2 is a very early stage of the monitoring process.

In-year budget mitigations

4. The following budget mitigations are required in-year:

Pay - £4.7m (£2m budget mitigations, £1.7m vacancy factor and £1m Transform)

Non-pay - £1.6m (£1m budget mitigations and £0.6m Transform)

- To achieve the required savings during the year, it is essential that a plan is in place, and that the plan is monitored closely.

Pay savings will be found through workforce and vacancy management in core funded posts. The monthly pay savings required is £390,000 (81 posts, officers / staff), however, this is subject to further work by the Police and Police Authority Treasurer.

Non-pay savings of £1.6m have been identified in the following areas:

Corporate Plan income	£300,000
Facilities Management	£500,000
Seized assets disposal	£300,000
Agency Staff	<u>£500,000</u>
Total	<u>£1,600,000</u>

- It is highly unlikely that required services can be maintained with 81 vacant posts. If and when additional non-pay savings or additional income / funding are achieved, the plan will be revised.

Additional budget pressures

- The Employer's contribution to Police Pension increased from 21.3% to 24.2% in 2018/19 with a further increase to 31% for 2019/20. This increase in contribution provides an additional budget pressure of £2.5m (between core and funded posts). At this stage it is unclear on the extent of central grant provision for this increase, and this will be reported on once we have greater certainty. It has not yet been determined how this additional pressure will be funded.

Directorate breakdown

- Table 2 below shows projected directorate outturn.
- The YTD actuals for ECD and BSD appear high at month 2, this will reduce significantly once income is received later in the year.

Table 2

Directorate	Original 19/20 Budget	M2 Actual	Projected Outturn	Variance
BSD	24,223,000	14,290,134	24,223,000	-
Crime	12,512,000	2,024,427	12,512,000	-
ECD	2,661,000	21,208,867	2,661,000	-
ECD - Funded Units	6,350,000	890,612	6,350,000	-
I&I	11,428,000	1,752,063	11,428,000	-
UPD	15,555,000	2,878,824	15,555,000	-
Grand Total	72,729,000	43,044,926	72,729,000	-

Workforce

10. Table 3 shows the overall CoLP Establishment as at May 2019, with a further breakdown of where the additional posts sit and how funded in table 3.1.

Table 3

Officer/Staff		Jan 2019	Total
Officer	756	23	779
Staff	451	45.1	496.1
Grand Total	1207	68.1	1,275.1

Table 3.1

Officers	Staff	Funding
	Change Portfolio Office x2	Grant
	Facilities Management x2.55	Accommodation Program
	PSD x1	ECD Action Fraud
	HR x1	Grant (HAC)
Economic Capability Development x7	Economic Capability Development x1	Home Office
OACU x1	OACU x1	Department for International Development
NCSP Protect Funding x2	NCSP Protect Funding x7	Home Office
National Fraud Academy x1		Traded Income
	ECVCU x18	MOPAC
	IFED x2	Association of British Insurers
	Lloyds Partnership x1	Lloyds Bank
NFIB x1	NFIB x1	Home Office
	NCSP Out of Hours Operation x1	Home Office
	National Lead Force x0.55	Home Office
	Information Management x2	Grant (DBS) x1 and Corporation x1
Licensing x1		Grant (Late Night Levy)
Management Team x1		Grant (Direct Entry Superintendent)
Project Servator x6	Project Servator x3	Grant (Home Office)
Cyber Crime Unit (Cyber Griffin) x3		Cyber Griffin
	AOJ x1	NLF Funding
Total = 23	Total = 45.1	

11. As of 31 May 2019, the CoLP establishment is 1,275.12, comprising 779.0 officers and 496.1 staff. Growth due to additional external funding does not affect core funded posts.

12. With approval given for 67 additional posts at Resource Allocation Sub Committee and Policy and Resources Committee on the 2nd May the Directorate breakdown is shown in Table 4 below showing the additionality to the overall establishment figures:

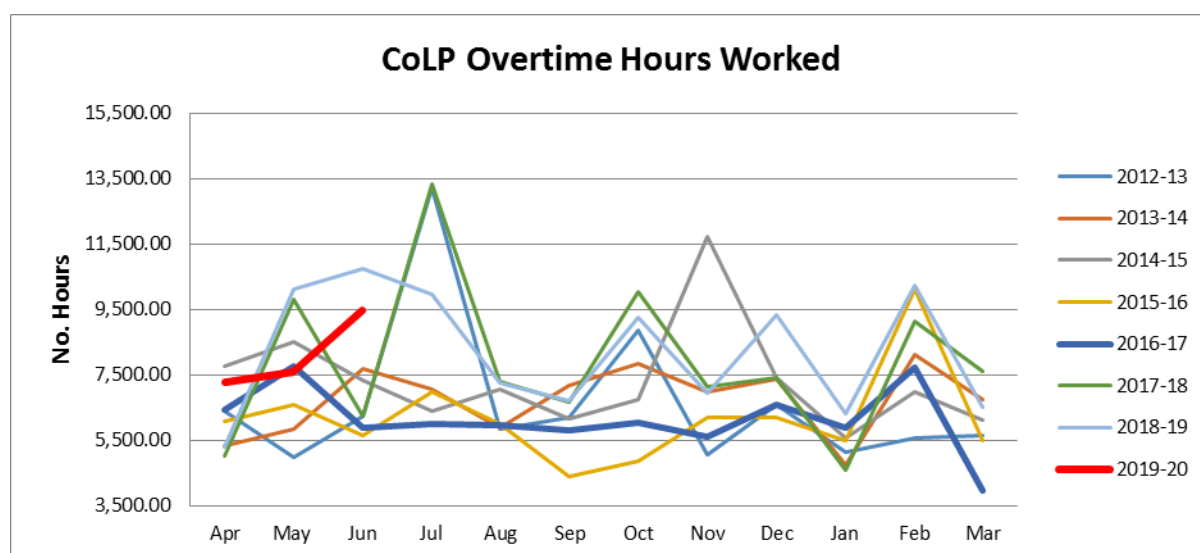
Table 4

Officer/Staff	BSD	Crime	ECD	I and I	UPD	Grand Total
Officer	36.00	138.00	196.00	95.00	375.00	840.00
Staff	136.86	69.00	162.16	102.31	31.79	502.12
Grand Total	172.86	207.00	358.16	197.31	406.79	1,342.12

Overtime

13. In 2018/19, expenditure on overtime was £3.2m. The 2019/20 overtime budget is £1.6m, so significantly lower than the previous year's outturn position. At the February meeting of the Performance and Resource Management Committee, Members sought reassurance that overtime spend was being actively monitored and mitigated. A revised overtime policy was introduced in 2019/20 which includes devolved overtime budgets and more transparent monitoring and forecasting. Clear management lines have been established for the authorisation of planned and reactive overtime. Chart 1 below shows overtime worked in April and May 2019.

Chart 1



14. There is a direct correlation between vacancies and overtime. While a significant number of vacancies are held, it is highly likely that overtime will be required.

15. Up to 31 May 2019, the cost of overtime totals £488,000, which relates to overtime worked in April and part of May.

16. The main reasons for overtime are:

- Covering for vacant posts (backfilling / Business as Usual (BAU))
- Extinction Rebellion protest over the Easter period
- Pan London Brexit protest
- Bank of England armed escorts
- CID
- Op BENBOW

17. Some of this overtime will be related to funded units, however, expenditure in the first two months of the year is high and this will place further pressure on the revenue budget. It is expected that the need for backfilling and BAU will reduce as vacancies are filled, however, it is difficult to predict requirements relating to future (known and unknown) policing requirements.

Sources of Funding and Income

18. The City of London Police receives funding and income from a range of sources. A breakdown of Core Funding is shown in Table 5 below. Some funding is received towards the end of the financial year.

Table 5

Funded By:	Amount (£'000)
Core Grant	-57,100
Premium	-13,000
HO Ctax levy grant	-2,700
Total Funding	-72,800

19. Income is received at various stages of the financial year, and activity will be monitored and reported upon as part of the usual budget monitoring process. A fuller assessment of the security of income streams as requested by Members will be undertaken as part of the MTFP refresh later in the year and reported to Members. The 2018/19 Outturn report also on the agenda at this Committee/ Board sets out a breakdown of the level of income received last year by income stream as requested by Members. Updates will be provided on the 2019/20 position throughout the year.

Accounts Receivable

20. The value of Debtors as at 31 May is £1,035,938 (2018/19 year end £2,077,990). Debt over 3 months old was £123,849 (2018/19 year end £246,000). A breakdown of Aged Debt is shown in Table 6 below.

Table 6

Age of Debt	No of Invoices	Value (£)	Change on Previous Month (Invoices)	Change on Previous Month (Value)
Less than 1 month	6	184,578	(37)	(1,568,179)
1 – 2 Months	2	11,181	(3)	(2,873)
2 – 3 Months	8	716,330	5	651,330
3 months – 1 year	13	99,182	1	(43,980)
Over 1 year	12	24,666	(1)	(78,350)
TOTAL	41	1,035,938	(35)	(1,042,052)

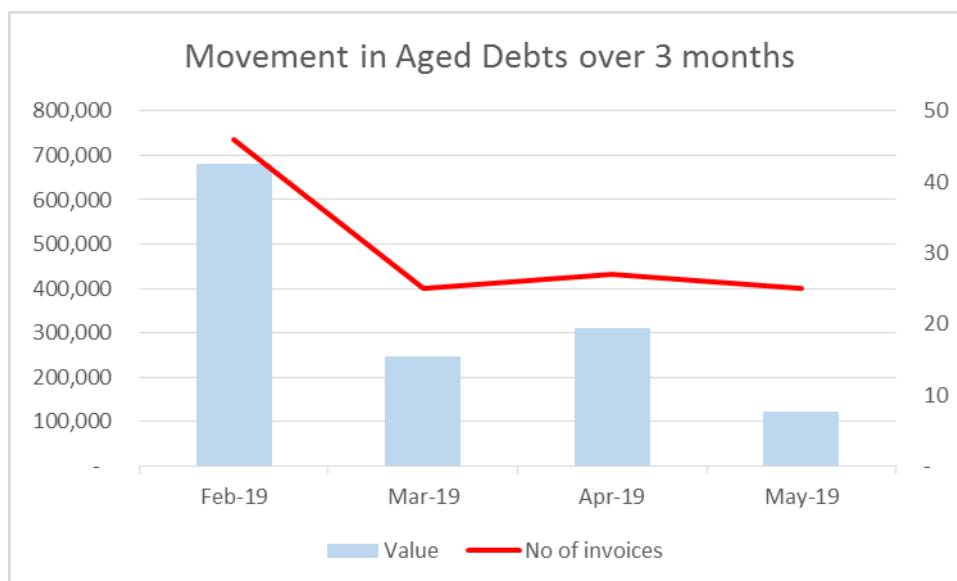
Summary of Movements in Month:

Number of Invoices Paid	(38)	(£1,109,288)
New Invoices Raised	8	£195,759
Credit Notes Issued	(5)	(£128,524)
Debts Written Off	(-)	

Table 7

Directorate	< 1 month £	1-2 months £	2-3months £	3 months + £	Total £
BSD/Central	11,000	7,403	211,479	114,643	344,525
Crime	-	-	-	-	-
ECD	168,053	3,778	1,050	3,667	176,548
I&I	5,525	-	40,000	-	45,525
UPD	-	-	463,801	5,539	469,340

Chart 2



Accounts payable

21. Table 8 below illustrates a 12 month rolling total of City of London Police PO compliance performance. Compliance is measured by the number of invoices received where a Purchase Order (PO) has been raised in advance. The corporate compliance target is 97%. CoLP average compliance for the 2018/19 year is 94%. Performance in April 2019 is 97%, so in line with the corporate target.

Table 8

Month	No of Compliant Invoices	Total No of Invoices	%
May-18	522	554	94%
Jun-18	414	445	93%
Jul-18	516	561	92%
Aug-18	589	622	95%

Sep-18	491	514	96%
Oct-18	589	637	92%
Nov-18	642	662	97%
Dec-18	545	572	95%
Jan-19	619	687	90%
Feb-19	566	587	96%
Mar-19	686	713	96%
Apr-19	545	526	97%
Total to Date	6,724	7,080	94%

22. May 2019 performance is not yet available, however, it should be noted that the financial system (CBIS) was unavailable for 8 working days, which will have an adverse impact on performance, both for the month and in dealing with backlogs.

Brexit

23. National Policing has identified potential risk of public disorder during the Brexit period, which added further pressures on the revenue budget. Brexit protest have been planned for central London which could enter the city footprint. Any sizeable protest within the City footprint that led to disorder would require a regional mobilisation response. This would mean a large number of Police Support Units within the City dealing with protest.

24. The Corporation of London made funds available to meet Brexit preparation costs, and CoLP secured funding of £44,000 for upfront investment and contingency plans. £9,000 was spent in 2018/19, and the remaining £35,000 has been allocated to 2019/20. Funding may also be available from the Home Office, however no such funding was available during 2018/19.

25. Overtime relating to Brexit in the first two months of 2019/20 is £22,000.

Action Fraud: Action and Know Fraud

26. Progress is being made against the agreed Home Office Grant deliverables. In addition:

- At the Projects Sub-Committee on 29 May 2019 Members requested a follow-up report for Action and Know Fraud – Client Team to include (1) VFM of Programme Team (2) review of risks/rewards of re-tasking programme team / new ways of working
- A Business Case to further evidence and support service commercialisation is being drafted for consideration by the Commissioner and Chamberlain Joint Commercial Board in June 2019 with the aim of including in July 2019 Member reporting.

Capital Programme and Supplementary Revenue Projects (SRP)

27. Capital expenditure usually spans over several years. Capital Programme monitoring for 2019/20 has not yet commenced, the capital position will therefore be covered in more detail in the Q1 report at the September 2019 Police Authority Board meeting.

Emergency Services Network Project

28. Underspends of £0.488m against the approved budget have been carried forward with some changes to the expenditure categories. The future of this project will be considered in more detail during 2019/20.

Use of Reserves

29. Table 9 below shows a summary of the Police reserves.

30. The Police General Reserve was fully utilised in 2018/19 and drawdowns were made from the Transformation Reserve and the Action Fraud reserve to match expenditure. As per Table 9, remaining reserves are expected to be fully spent by the end of the financial year.

Table 9

Forecast Police Reserves to 31st March 2020	2019/20 Opening Balance £m	2019/20 Projected Spend £m	2019/20 Projected closing Balance £m
General	0	0	0
POCA	(2.53)	(2.53)	0
Action Fraud	(1.71)	(1.71)	0
Transformational Funding	(0.06)	(0.06)	0
Total Police Funds	(4.3)	(4.3)	0

Risk Management

31. Table 10 below identifies the key risks and mitigating controls contained within this report:

Table 10

Risk	Risk Mitigation
Major incidents	Early engagement with the Home Office to ensure opportunities for cost recovery are maximised.
Crime Performance / Safety issues	All such issues will be reported to members
Vacancy factor	It will be challenging to maintain acceptable service levels with a vacancy factor of 81. The vacancy factor will be reviewed and revised throughout the year, if and when the financial position improves from additional non-pay savings / additional income. All recruitment is approved by the Strategic Workforce Panel.
Budget mitigations and additional pension pressure	Fortnightly strategy meetings are held with the Commissioner, Town Clerk and Police Authority Policy Officers and Police Authority and Force Finance, reviewing and challenging budget and savings assumptions.
Overtime budget	Enhanced controls have been introduced to manage the overtime budget
Deferred Weekly Leave (DWL)	Accrued DWL has been quantified, however, the build-up of DWL may be subject to unplanned events over the year.

Use of agency staff	Reliance on agency staff has been greatly reduced
Further cost pressures for Action Fraud	Under review and close scrutiny
Capital Programme progress and potential slippage	The Capital Programme will be monitored throughout the year, capital recharges will be undertaken in a timely manner. Preparation of the 2020/21 Capital Programme will commence in the autumn.
Brexit	Expenditure will be monitored closely, and external sources of funding will be explored.
Events policing	Finance Business Partners will work closely with services to ensure chargeable events policing is captured in a timely manner and recharged accordingly.
Vehicle fleet management	A Strategic Fleet Management Group chaired by the Assistant Commissioner has been re-established. A strategic review of the police vehicle fleet will be undertaken

Appendices- Appendix 1 – Budget Detail

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Forecast - Detailed

	Original Budget £m	Actual (M2 YTD) £m	Forecast £m	Variance £m
Pay				
Officers – net	51.8	7.9	51.8	0.0
Staff – net	22.1	3.6	22.1	0.0
Overtime	2.0	0.2	2.0	0.0
Agency	2.9	0.0	2.9	0.0
Pensions Contrib.	2.1	0.1	2.1	0.0
Other	20.4	0.0	20.4	0.0
Total Pay	101.4	11.8	101.4	0.0
Non-Pay	38.0	7.9	38.0	0.0
Total Expenditure	139.3	19.7	139.3	0.0
Income				
Specific Grant	(52.1)	23.8	(52.1)	0.0
Partnership	(11.9)	(0.4)	(11.9)	0.0
Fees & Charges	(2.6)	0.0	(2.6)	0.0
Total Income	(66.6)	23.4	(66.6)	0.0
Funding	(72.7)	(72.7)	(72.7)	0.0
Total	0.0	0.0	0.0	0.0