

<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>Revenue and Capital Budget Outturn Report 2018/19</p>	<p>Public</p>
<p>Report of:</p> <p>Commissioner of Police Pol 50-19</p>	<p>For Information</p>
<p>Report author:</p> <p>Cecilie Booth, Chief Operating and Chief Financial Officer</p>	

Summary

The original Chief Officer Cash Limited budget at the start of the year was £66.2m. A further £1.9m was advanced from Business Rates Premium (BPR), providing a final budget of £68.1m. The final outturn position shows a budget deficit of £449,000, funded from Police General Reserves (£226,000) and Proceeds Of Crime Act (POCA) reserves (£223,000). The outturn position is broadly in line with the Quarter 3 report, and includes in-year budget mitigations of £3.1m (breakdown shown in table 3 below)

The main reason for the budget deficit is that the original budget significantly understated the pay and overtime budget, as well as double counting a £4.5m grant.

To address the budget shortfall in the final quarter of 2018/19, budget mitigations were put in place including restrictions on recruitment, overtime and non-essential non-pay expenditure.

Recommendation

Members are asked to note the report.

Main Report

Chief Officer Cash Limited Budget

1. The approved Chief Officer Cash Limited budget at the start of the year was £66.2m. At Quarter 3 (Q3), the forecast outturn position was a budget deficit of £5.4m, to be funded from planned budget mitigations (£3.1m), Business Rates Premium (£1.9m) and reserves. A recruitment freeze and a freeze on non-essential expenditure was introduced in the final quarter of 2018/19, which delivered the required savings of £3.1m. The residual deficit of £449,000 was funded from reserves. The final outturn position, after budget mitigations, is shown in Table 1 below:

Table 1

Police 18/19 Outturn Summary	
	£'000
Final Budget before BRP funding	66,194
Addition BRP funding	1,900
Supplementary Revenue Projects (SRP)	6,045
Final Police Budget for 18/19 (a)	74,139
Actual Police Spend	68,474
Net SRP Spend	6,057
Tactical Firearms reserve transfer	57
Final Police Spend (b)	74,588
Residual Police Budget Deficit (b-a)	449
Deficit funded by:	
Police General Reserve	226
POCA	223
Total	449

2. The main reason for the budget deficit was that the original budget significantly understated the pay budget, and in particular overtime. The pressure on the pay budget was initially masked by a £4.5m grant for the National & International Capital City grant, which was also double-counted as income. The full impact of these reasons and some other minor errors and omissions were only fully revealed during the closedown process.
3. The Force has four operational directorates (Crime, Economic Crime, Intelligence and Information and Uniform Policing) and one support Directorate (Business Support). The outturn position is summarised below in Table 2. Further details can be found in Appendix 1.

Table 2

	Original Budget £m	Final Budget £m	Outturn £m	Variance £m
Total Pay	91.1	92.8	97.8	(5.0)
Non-Pay	33.4	48.4	44.6	3.8
Total Expenditure	124.5	141.2	142.4	(1.2)
Total Income	(55.3)	(61.4)	(62.2)	0.8
Funding	(61.1)	(74.1)	(74.1)	0.0
Underlying Deficit	8.1	5.7	6.1	(0.4)
Use of reserves	(3.5)	(5.7)	(6.1)	0.4
Deficit	4.6	(0.0)	(0.0)	0.0

4. The “Original Budget” column shows the approved budget. The “Final Budget” column shows the budget required to deliver the current level of service. The outturn position for income and expenditure for the year is compared against the “Final Budget”.

Revenue

5. Finance Business partners have worked closely with operational directorates to align outturns to budgets by examining all pay and non-pay expenditure, including vacancies, recruitment and the use of agency staff. Funded units have been reviewed to help improve the year end position.
6. At Q3, the year end forecast predicted a budget deficit of £5.4m, predominately due to the errors as mention in the opening summary. The final outturn position aligns closely to the Q3 forecast, and the budget deficit was funded as follows:

- Budget Mitigations £3.1m
- Business Rates Premium £1.9m
- Reserves £0.4m
- Total £5.4m**

7. The budget mitigations were found in the following areas:

Table 3

	Mitigations
1	Police Staff Recruitment Freeze
2	Freeze on Police Overtime
3	Agency Staff Rationalisation
4	Freeze on Non Pay Costs
5	Funded Units Recharge Review
6	Additional Income from the Corporate Plan

8. The financial impact of Deferred Weekly Leave (DWL) and Time off In Lieu (TOIL) was assessed in the final quarter. TOIL was fully paid up until 31 March, and outstanding DWL has been calculated. It should be noted that there is currently no financial impact relating to outstanding DWL, it is identified for accounting purposes only.

Directorate Outturn:

9. Table 4 below shows directorate outturn breakdown

Table 4

Directorate	Final 18/19 Budget	Outturn	Variance
BSD	28,839,698	27,071,872	1,767,826
Crime	12,020,000	10,857,347	1,162,653
ECD – Funded Units	2,100,000	1,717,411	382,589
ECD	8,450,350	7,317,140	1,133,210
I&I	10,635,000	11,919,526	(1,284,526)
UPD	12,094,000	15,255,752	(3,161,752)
Grand Total	74,139,048	74,139,048	0

Narrative:

a. BSD

Underspend of £1,767,839 due to:

- BSD is the receiving directorate for a range of funding sources for the CoLP. Income and expenditure wasn't fully re-allocated to the appropriate directorates as part of the closedown process, so the underspend in BSD offset overspends in other directorates.

b. Crime

Underspend of £1,162,653 due to:

- Vacancies throughout the year, and as part of the managed recruitment freeze.
- The underspend on staffing was partly offset by an overspend on overtime to cover vacancies, and for response to major incidents;
- Non-pay savings in line with the expenditure freeze;
- Additional Income

c. Economic Crime

Underspend of £1,515,799 due to:

- Vacancies and maximising recharges to funded units. Underspends in the core funded units were mainly due to vacancies throughout the year.
- Other government grants of £2m funded activity in the Economic Crime Victim Care Unit, the Overseas Anti-Corruption Unit and the Police Intellectual Property Crime Unit and £6m from industry bodies funded work in the

Insurance Fraud Enforcement Team, the Dedicated Card and Payment Crime Unit and the Lloyds Partnership. The Economic Crime Academy received £1.2m delivering training over the course of the year.

d. Information & Intelligence

Overspend of £1,284,526 due to:

- Direct staffing costs due to underfunding of establishment posts, in particular for the 20 new posts approved by members without the allocation of funding. The main pressures were within Command Hub, Duties Office, Operation & Emergency planning Office and Surveillance.
- Overtime - the Command Hub incurred the most significant overtime. There is a direct correlation between overtime and vacancies both in number of officers and specific experience. The Command hub in particular faced this challenge during the year.
- Pressures were mitigated by freeze on non-pay expenditure towards the end of the year and higher than expected income (mainly Front Line services) from sale of seized vehicles.

e. Uniformed Police

Overspend of £3,161,752 due to:

- Mainly staffing related. Overtime spend was £1.2m against a budget of £0.3m. The units with the most significant spends are the Support Group and Tactical Firearms Group.
- Non pay overspend was mainly due to hiring of premises for various policing operations including impounded / seized vehicles. The overall non-pay overspend was mitigated by higher than budget income from various government grants including Counter Terrorism (CT) grant and Transport for London (TFL) grants.

Workforce

10. The workforce / pay budget makes up 74% of the overall budget. There has been some fluctuations in the workforce over the year, as shown in Table 5 below. Table 5 below provides payroll numbers only, and does not fully reflect the establishment including vacancies.

Table 5

FTE's				Headcount			
Month	Officers	Staff	Total	Month	Officers	Staff	Total
April	705	446	1,151	April	718	459	1,177
May	710	444	1,154	May	729	461	1,190
June	725	442	1,167	June	738	455	1,193
July	734	451	1,185	July	745	466	1,211
August	733	453	1,186	August	744	466	1,210
September	732	452	1,184	September	744	466	1,210
October	726	445	1,171	October	736	459	1,195
November	729	443	1,172	November	739	458	1,197
December	745	441	1,186	December	756	453	1,209
January	748	437	1,185	January	761	453	1,214
February	742	435	1,177	February	755	446	1,201
March	742	433	1,175	March	751	445	1,196
Average	731	443	1,174	Average	743	457	1,200

Overtime

- There is a direct correlation between holding vacancies and increased overtime expenditure. The overtime outturn position in 2018/19 is £3.2m against an original budget of £0.4 and a revised budget of £1.6m.
- There was a reduction in overtime worked in January, but the trend is similar to previous years, as illustrated in Charts 1 and 2 below:

Chart 1

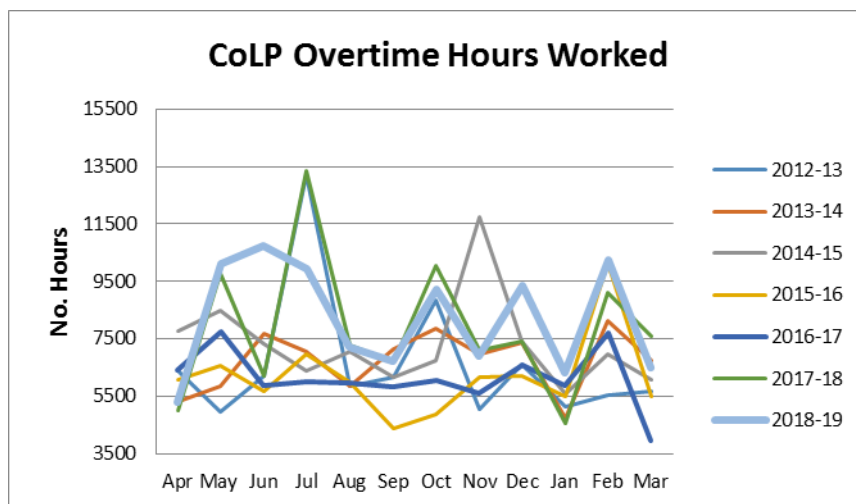
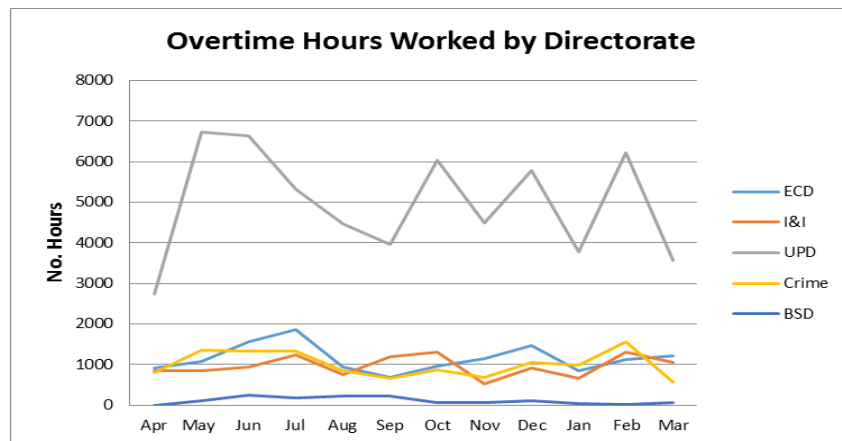


Chart 2 shows overtime worked in 2018/19 per directorate:
Chart 2



13. As illustrated above there was a reduction in overtime worked in UPD, Crime and BSD since the instruction to reduce overtime was issued in November / December 2018. However, there was an increase in overtime in I&I and ECD. The reason for this increase in the final quarter of the year is:

I&I – Command Hub and surveillance caused the spike in overtime during January / February.

ECD – Nearly all overtime is charged to funded units, some is related to Action Fraud.

Events Policing – Operational directorates involved in policing two Royal Weddings, Donald Trump visit in 2018 and various demonstrations.

Non-pay

14. Budget mitigations realised non-pay savings in the region of £419,000 and additional income and contributions of £641,000 (See Table 2), totalling non-pay savings of £1.06m.

Sources of Funding and Income

15. The City of London Police receives funding and income from a range of sources. Core Funding is provided from the Home Office and the Corporation of London as shown in Table 6 below:

Table 6

Funded By:	Amount (£'000)
HO Core Grant	-55,900
Business Rate Premium	-8,800
Additional BRP	-1,900
HO Ctax levy grant	-900
CoL IT contribution	-1,100
Contribution to Capital	-1,000
Contribution from Action Fraud	2,100
SRP Budget	-6,057
Apprenticeship Levy	-100
Misc	-500
Total Funding	-74,157

Action Fraud	-2,180
General Reserve	-3,726
POCA	-223
Reserves	-6,130

Income is received for Force *specific* matters as shown in Table 7 below:

Table 7

Name of Grant	Funding Provider	Amount Received in 2018/19 £
Counter Terrorism Policing Grant	Home Office	6,230,000
Firearms Uplift	Mayor's Office for Policing and Crime	280,000
London Safety Camera Partnership	TFL	260,000
Tower Bridge	CoL	90,000
Transport for London: PCVU	TFL	310,000
Transport for London: SSA Contract	TFL	1,520,000
Insurance Fraud Enforcement Department	Association of British Insurers	3,600,000
National Lead Force	Home Office	2,500,000
Economic Crime Victim Care Unit	Mayor's Office for Policing & Crime	210,000
Regional Organised Crime Unit Coordinator Salary	Home Office	80,000
Action Fraud/National Fraud Intelligence Bureau	Home Office	4,000,000
Action Fraud Managed Services	Home Office	5,500,000
Intellectual Property Crime Investigation Unit	Intellectual Property Office	

		1,590,000
Overseas Anti-Corruption Unit	Department for International Development	180,000
Dedicated Cheque and Plastic Card Unit	UK Payments Administration Ltd	2,330,000
National Cyber Security Programme	Home Office	2,090,000
National Cyber Security Programme	Home Office	1,290,000
National Cyber Security Programme	Home Office	600,000
National Cyber Security Programme	Home Office	1,310,000
Police Transformation Fund - National to Local Fraud & Cyber Data Sharing	Home Office	1,220,000
Police Transformation Fund - Economic Crime Capability Grant	Home Office	1,060,000
Police Pension Grant	Home Office	19,530,000
Cyber Griffin	City Cash	110,000
Late Night Levy	Via Corporation	320,000
Fees and Charges	Miscellaneous	4,400,000
Other	Miscellaneous	1,600,000
TOTAL		62,210,000

Accounts Receivable (AR)

16. The value of Debtors at Year end was £2,077,990. (February £893,607). Debt over 3 months old was £246,000 (February £681,000). This greatly improved position on debts over three months old is a result of a review of outstanding debtors.

17. Debt less than three months old increased by £1,618,000, which was largely due to issuing a number of year-end invoices as well as more timely invoicing in general.

Table 8 - Aged Debt Profile

Age of Debt	No of Invoices	Value (£)	Change on Previous Month (Invoices)	Change on Previous Month (Value)
Less than 1 month	43	1,752,757	+ 23	1,607,773
1 – 2 Months	5	14,054	+3	10,821
2 – 3 Months	3	65,000	(-4)	801
3 months – 1 year	12	143,163	+1	(180,401)
Over 1 year	13	103,016	(-22)	(254,611)
TOTAL	76	2,077,990	1	1,184,383

Summary of Movements in Month:

Number of Invoices Paid	(17)	(£195,269)
New Invoices Raised	44	£1,760,379
Credit Notes Issued	(10)	(£372,276)
Debts Written Off	(16)	(£8,451)

Table 9 - Aged Debt per Directorate

Directorate	< 1 month £	1-2 months £	2-3months £	3 months + £	Total £
BSD/Central	227,885	-	61,767	161,538	451,190
Crime	190,776	-	-	-	190,776
ECD	530,633	-	15	82,669	613,317
I&I	85,084	-	-	-	85,084
UPD	718,379	14,054	3,218	1,972	737,623

Accounts payable (AP)

18. The CoLP AP team processed 10,205 invoices with a total value £42.2m during 2018/19. The number of POs raised was 6,927 and number of goods receipted was 8,647. The corporate PO compliance target is 97%, CoLP performance was 94% for the year.
19. Due to staff shortages and operational problems, a backlog was building up within the AP team during the first half of the financial year. The backlog was identified and ring fenced in two service areas; the service request inbox and un-invoiced receipts. Work on clearing the backlog resulted in a significant service improvement, and much improved performance against the corporate target of paying invoices within 30 days (small suppliers within 10 days) as shown in Table 10 below:

Table 10 – Payment Performance CoLP

Month	30 Days P.O.T	Total Nos Invoices	10 Days P.O.T	Total Nos Invoices
Feb-19	71%	585	71%	269
Mar-19	85%	495	79%	262
Apr-19	87%	398	81%	149

20. Table 10 illustrates the steady improvement in payments of invoices between February and April 2019. However, despite the improvement shown, it should be noted that there is still an element of backlog and further work is required to maintain current service levels and improve performance going forward. The aim is to achieve the 97% corporate target for payment of invoices on time.

Brexit

21. National Policing has identified the potential risk of public disorder during the Brexit period, which added further pressures on the revenue budget. Brexit related protests 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.

22. 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, but no such funding was available during 2018/19.
23. A new cost centre has been established to monitor costs, and overall expenditure will be closely monitored.

Capital Programme and Supplementary Revenue Projects (SRP)

24. The CoLP Capital and SRP programme includes the projects shown in Table 11. Project management procedures ensure that projects cannot overspend without prior approval.

Table 11

Core Project	Approval Amount £m	Spend to date £m	Future years £m
Emergency Services Network (ESN)	1.821	1.333	0.488
Economic Crime Capability Development	0.074	-	0.074
HR Time Management & e-Expenses	0.426	0.356	0.070
ICT Support to CCCI	3.360	3.333	0.027
Police Telephony Upgrade	0.493	0.409	0.084
Ring of Steel Compliance (iMS-DRS)	2.446	2.118	0.328
Secure City Programme Management (incorporating both One Safe City and Secure City Management)	0.453	0.321	0.132
Technology Infrastructure	0.231	0.133	0.098
Wide Area Network (WAN) Refresh - Police Recharge	1.445	1.071	0.374
Grand Total	10.749	9.074	1.675

25. The capital programme has provision for the Accommodation Project which is directly managed by the Corporation of London. Activity to date is illustrated in Table 12 below:

Table 12

Core Project	Approval Amount £m	Spend to date £m	Future years £m
Accommodation Project (49 individual projects)	56.372	40.774	15.598

Emergency Services Network Project

26. The ESN team has identified that they need in the region of £8m, of which £1.821m has been approved so far. The Home Office has already delayed switching off the existing system by three years to 2022 and very recently the National Audit Office (NAO) has raised doubt about whether the project will be ready by then.
27. It has been requested that an underspend of £0.488m against the approved £1.821m budget be carried forward to 2019/20, with some changes to the expenditure categories.

Action Fraud: Action and Know Fraud

28. Members approved a Deed of Variation to the Managed Service Contract enabling a partial service Go Live in October 2018. The remaining functionality is being delivered through Four Maintenance Releases starting in June 2019. Mobilisation expenditure was £1.4m following additional support from the Home Office from within the National Cyber Security Programme. This resulted in £1.7m being carried forward into 2019/20.

Use of Reserves

29. Table 13 below shows a summary of the Police reserves.
30. The Police General Reserve, the Transformation Reserve and the Action Fraud reserve were all fully utilised to match expenditure incurred during 2018/19.

Table 13

Police Funds to 31st March 2019	2018/19 Opening Balance £m	2018/19 Outturn £m	2018/19 Additional net Proceeds in-year £m	2018/19 Closing Balance £m
General	(3.73)	3.73	0.00	0.00
POCA	(2.93)	0.86	(0.45)	(2.53)
Action Fraud	(3.18)	2.18	(0.71)	(1.71)
Transformational Funding	(0.10)	0.04	0.00	(0.06)
Total Police Funds	(9.94)	6.80	(1.16)	(4.29)

Appendix 1 – Outturn Detail

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Forecast - Detailed

	Original Budget £m	Final Budget £m	Outturn £m	Variance £m
Pay				
Officers – net	47.9	46.2	47.9	(1.7)
Staff – net	21.2	22.5	22.2	0.3
Overtime	0.4	1.6	3.2	(1.7)
Agency	0.0	0.8	2.1	(1.3)
Pensions Contrib.	19.6	19.6	20.4	(0.8)
Other	2.0	2.1	2.0	0.1
Total Pay	91.1	92.8	97.8	(5.0)
Non-Pay	33.4	48.4	44.6	3.8
Total Expenditure	124.5	141.2	142.4	(1.2)
Income				
Specific Grant	(41.2)	(47.2)	(46.2)	(0.9)
Partnership	(11.1)	(11.5)	(11.5)	(0.1)
Fees & Charges	(3.0)	(2.7)	(4.4)	1.8
Total Income	(55.3)	(61.4)	(62.2)	0.8
Funding	(61.1)	(74.1)	(74.1)	0.0
Underlying Deficit	8.1	5.7	6.1	(0.4)
Use of reserves	(3.5)	(5.7)	(6.1)	0.4
Revised Deficit (pre-mitigation)	4.6	(0.0)	(0.0)	0.0