

Committee: Police Performance and Resource Management Committee Police Authority Board	Date: 7 th February 2020 27 th February 2020
Subject: Budget Monitoring Quarter 3 2019/20	Public
Report of: Commissioner of Police Pol 14-20	For Information
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Summary

The Chief Officer Cash Limited budget at the start of the year was £72.7m. The budget increased in Q1 to £73.4m following the transfer of 15 City of London Corporation (CoL) staff and associated budget to the Joint Contact Centre. Budgets have been adjusted to reflect the 67 growth bid posts in line with expected on boarding.

This report outlines the financial position for the third quarter of the 2019/20 financial year. Current projections indicate an overspend of £0.6m by the end of the year, which is an improvement on previously reported projections. The position includes full drawdown of the £2.5m POCA reserve.

The main pressure is the unfunded increase in Police Officer pension contributions in the region of £2.5m based on full establishment. Based on the current workforce, the actual spend is in the region of £2.1m.

Recruitment projections in respect of the agreed 67 growth posts indicate in year spend of £1m. The £2.5m POCA reserve will be fully utilised to fund the cost of the additional pension and new posts, leaving a projected overspend position of £0.6m.

Further pressures include overtime, a larger pay award for Officers than expected, legal costs in relation to the London Bridge inquest and additional costs through the policing of significant public order events.

Savings of £6.3m are built into the budget, with £4.7m in pay and £1.6m in non-pay. These savings are forecast to be achieved, however, maintaining acceptable service levels whilst holding the required vacancies continues to be a challenge.

Ongoing work relating to workforce management, maximising income and managing non-essential expenditure continue to bring the position back within budget by the end of the year.

Recommendation

Members are asked to note the report.

1 Chief Officer Cash Limit Budget

1.1 The Chief Officer Cash limited budget at the start of the year was £72.7m. This has now increased to £73.4m due to the transfer of the Joint Contact Centre staff. This is funded as follows:

Table 1

Funding Type	Amount (£000)	%
Core Grant (inc NICC)	57,100	78%
Business Rates Premium	13,000	18%
Precept grant	2,700	3%
CoL Contact Centre	680	1%
Total Funding	73,480	100%

1.2 The latest forecast position is summarised below.

Table 2

	19/20 Latest Budget £m	Budget YTD £m	Actual (Q3 YTD) £m	Variance YTD £m	Forecast £m	Proj Variance £m
Pay						
Officers – net	50.7	38.1	39.0	0.9	51.3	0.5
Staff – net	24.9	18.7	17.0	(1.6)	22.8	(2.1)
Overtime	2.0	1.5	1.8	0.3	2.9	0.9
Agency	2.4	1.8	1.3	(0.5)	2.5	0.1
Indirect employee costs	2.2	1.7	1.1	(0.6)	1.8	(0.4)
Pensions Contrib.	20.4	15.3	0.0	(15.3)	20.4	0.0
Total Pay	102.7	77.0	60.2	(16.9)	101.7	(1.1)
Non-Pay	39.7	29.8	20.8	(9.0)	42.8	3.2
Total Expenditure	142.4	106.8	81.0	(25.8)	144.5	2.1
Income						
Specific Grant	(52.2)	(39.2)	(23.5)	15.7	(51.8)	0.4
Partnership	(13.6)	(10.2)	(6.4)	3.8	(14.9)	(1.3)
Fees & Charges	(3.2)	(2.4)	(2.1)	0.2	(3.8)	(0.6)
Total Income	(69.0)	(51.7)	(32.0)	19.7	(70.5)	(1.5)
Funding	(73.5)	(55.1)	(36.7)	18.4	(73.5)	0.0
Underlying Deficit	(0.0)	(0.0)	12.2	12.3	0.6	0.6

1.3 Table 2 indicates a projected overspend of £0.6m, primarily due to the additional costs associated with the 9.7% increase to Police Officer pension contribution and recruitment to the new 67 posts. This has improved from the Q2 forecast of £2.2m overspend mainly due to the timing of recruiting to the 67 new posts. The POCA reserve will be fully utilised to fund the projected overspend.

1.4 In addition, the following pressures are contributing to the projected overspend:

- Overtime – a projected overspend of £0.9m (please see overtime section below)
- The confirmed 2.5% pay award for Police Officers against a budget of 2%
- Legal costs in respect of the London Bridge inquest
- Non-pay pressures on business rates and subscription charges

1.5 The YTD variance on pay relates to police pension payment which is fully funded by Home Office grant and paid at year end. The YTD variance position on income relates to Home Office grants which are usually received at the end of the year.

2 Savings Target

2.1 Budget mitigations of £6.3m are required in-year to deliver within budget. This comprises £4.7m in pay and £1.6m in non-pay. The savings plan continues to be monitored closely through internal governance and fortnightly monitoring meetings with the Police Authority. Pay savings have been delivered through workforce and vacancy management in core funded posts. The level of required monthly pay savings is £0.390m (81 posts, officers / staff). Non-pay savings of £1.6m have been identified as set out in Table 3 below.

2.2 Projections indicate that we are on course to deliver the required savings, which requires continuous strong vacancy management. There are currently 99 FTE core funded vacancies. Maintaining acceptable service levels whilst holding the required level of vacant posts as part of agreed pay mitigation continues to be challenge.

Table 3

Savings Tracker	Target (£000)	YTD Actual (£000)	Forecast (£000)	Variance (£000)	Risk
Vacancy factor	3,700	2,785	3,713	13	G
Transform pay savings - holding branch	1,000	750	1,000	0	G
Total pay	4,700	3,535	4,713	13	
Corporate Plan income	300	286	392	92	G
Facilities Management	500	375	500	0	G
Seized assets disposal	300	160	300	0	A

Agency staff	500	375	500	0	G
Total non-pay	1,600	1,196	1,692	92	
Total	6,300	4,731	6,405	105	

3 Directorate Revenue Position

3.1 As at the end of quarter three, current projections indicate a budget deficit of £0.6m. The table below sets out the Directorate position. This includes £6.3m budget mitigations shown above and continued robust vacancy management and the full effect of the increased pension contributions.

Table 4

	2019/20 Budget £'m	Budget YTD £'m	Actual YTD £'m	Variance YTD £'m	Projected Outturn £'m	Projected Variance £'m
BSD	27.5	20.6	(4.0)	(24.6)	26.1	(1.4)
Crime	10.6	7.9	8.5	0.5	10.4	(0.1)
ECD	7.9	5.9	21.1	15.2	7.9	(0.0)
I&I	11.9	8.9	9.4	0.5	13.4	1.5
UPD	15.6	11.7	14.0	2.3	16.3	0.6
Grand Total	73.4	55.1	49.0	(6.1)	74.0	0.6

3.2 Table 5 below outlines the position without the additional unfunded pension, showing a projected budget underspend of £1.5m. This has moved since Q2 from a projected underspend of £0.044m. The main Directorate movement is within BSD where the unfunded pension increase is held. Budgets for all vacant posts are transferred to BSD as part of the budget mitigations plan.

Table 5

Directorate	2019/20 Budget £'m	Projected Outturn £'m	Projected Variance £'m
BSD	29.8	25.9	(3.9)
Crime	10.1	10.1	(0.0)
ECD	7.3	7.4	0.0
I&I	11.6	13.1	1.6
UPD	14.6	15.4	0.8
Grand Total	73.4	71.9	(1.5)

Directorate Variances (See Table 4)

3.3 Business Support Directorate (BSD) - £1.4m underspend

The Directorate is forecasting an underspend due to recognition of drawdown of the full POCA reserve. The Directorate holds the unfunded additional police officer pension pressure and the pay budget mitigation of £3.0m. The position includes spend of £0.250m relating to the London Bridge inquest. The YTD actual includes receipt of the full year pension deficit grant.

The Directorate is holding core funded net vacant posts of 3.8 FTE.

3.4 Crime - £0.1m underspend

The Directorate is forecasting an underspend primarily due to receipt of additional grant income in year. There are minor variances across non-pay budgets, however, there are no significant financial risks.

The Directorate is holding core funded net vacant posts of 15.7 FTE.

3.5 Economic Crime Directorate (ECD) - breakeven

The Directorate is 81% externally funded. The primary risk is the position on Action Fraud. The position is subject to continued monitoring. The appropriate recharge between core funded and externally funded units is subject to on-going review.

The Directorate is holding core funded net vacant posts of 7.5 FTE.

3.6 Intelligence and Information (I&I) - £1.5m overspend

The projected overspend position within I&I is due to a number of factors, primarily relating to non-pay including subscription costs within the Command Hub, professional fees paid for Regulation of Investigatory Powers Act (RIPA) requests in the Central Authorities Bureau and pressures in respect of the cost of licences, subscriptions and maintenance costs for information security.

There is further pressure on overtime, mainly within the Command Hub. Overtime activity is driven by demand and the 24 hour nature of work that the Command Hub and Surveillance team undertake. Various measures have been introduced to address and manage overtime, including reviewing shift patterns. Overtime however remains an area of risk especially with unpredictable nature of high profile national public order events, including Brexit and Extinction Rebellion.

The Directorate is holding core funded net vacant posts of 3 FTE.

3.7 Uniformed Policing Directorate (UPD) - £0.6m overspend

The projected overspend is primarily due to overtime, particularly in Firearms, Support Group and Response teams. Measures have been introduced to manage this which have improved the position, however, this remains a

significant area of risk with uncertainty around future potential public order events such as Brexit and Extinction Rebellion, as well as staffing pressures in Response Team. The recent London Bridget terrorist incident in November at Fishmonger’s Hall resulted in unanticipated costs in excess of £240k. Discussions are taking place with National Counter Terrorism Policing in respect of funding arrangements.

The Directorate is holding core funded net vacant posts of 19.4 FTE.

4 Workforce

4.1 The pay budget constitutes 72% of our expenditure budget and the stringent management of vacant posts is essential to managing the financial position this year. The current establishment, including 67 growth posts, is 1,358 FTE, comprising 840 Officers and 518 staff. The actual workforce paid in December was 1,187 FTE comprising 747 Officers and 440 Staff.

4.2 The tables below set out the actual position by month for quarter three. The position reflects the holding of vacant posts required to deliver budget mitigations.

Table 6

FTE	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Officers	735	746	748	758	755	761	757	758	747
Staff	435	436	434	447	445	448	438	439	440
Total	1,170	1,182	1,182	1,206	1,199	1,209	1,195	1,197	1,187

Headcount	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Officers	744	763	756	767	763	769	765	766	755
Staff	447	449	445	460	457	461	451	452	454
Total	1,191	1,212	1,201	1,227	1,220	1,230	1,216	1,218	1,209

4.3 The Prime Minister pledged to recruit 20,000 extra police officers in England and Wales over the next three years, with a recruitment drive started in September 2019. We have received notification from the Home Office confirming 44 officers for CoLP in 2020/21. The CoLP evidence based bid was for 113 new officers based on the Strategic Threat and Risk Assessment (STRA) review. Funding for the 44 was provided via ringfenced grant in the 2020/21 police settlement in January.

4.4 Recruitment towards the 67 growth bid is under way. At the end of quarter three, 22 posts have been filled, 22 are expected to be filled by the year end and the

remaining 23 are expected to arrive early in new financial year. In-year intake is projected to cost just under £1.0m and will be funded through the POCA reserve.

5 Income

5.1 Table 7 below sets out the grant funding position for the Force totalling £62.176m. Current projections indicate a high level of confidence in receipt from all funders.

5.2 The majority of grant income is received at the end of year, hence the YTD variance. Steps are being taken to claim grant income at earlier stages in the year if possible.

5.3 Current projections indicate a small number of variances against specific grants. The positive variances relate to funding streams where the level of income is dependent on actual activity, where a lower level of spend is projected a corresponding reduction in the level of grant income is forecast.

Table 7

Name of Grant	Funding Provider £'000	2019/20 Budget £'000	Actual YTD £'000	Projected Outturn £'000	Projected Variance £'000	Risk Rating
Police Pensions Grant	Home Office	(20,400)	(18,903)	(20,400)	0	G
National Cyber Security Programme	Home Office	(6,645)	0	(6,645)	0	G
Counter Terrorism Policy Grant	Home Office	(6,554)	(4,616)	(6,666)	(112)	G
Action Fraud Managed Service	Home Office	(5,500)	265	(5,235)	265	G
Insurance Fraud Enforcement Team	Association of British Insurers	(4,003)	(1,824)	(3,824)	179	G
Action Fraud National Fraud Intelligence Bureau	Home Office	(4,000)	(84)	(4,084)	(84)	G
Dedicated Cheque & Plastic Card Unit (DCPCU)	UK Payments Administration Ltd	(2,520)	(1,382)	(2,442)	78	G
National Lead Force	Home Office	(2,500)	0	(2,500)	0	G

Economic Crime Capability Development	Home Office	(2,200)	74	(3,850)	(1,650)	G
International Property Crime Investigation Unit (PIPCU)	Intellectual Property Office	(1,916)	(807)	(1,788)	128	G
Police Transport Grant	Transport for London	(1,847)	(1,003)	(1,847)	0	G
National to Local Fraud & Cyber Data Sharing	Home Office	(1,761)	(0)	(1,761)	0	G
Lloyds Sponsorship	Lloyds Bank	(643)	(885)	(481)	162	G
Cyber Griffin	Corporation	(450)	0	(450)	0	G
Late Night Levy	Corporation	(310)	(203)	(310)	0	G
Firearms Uplift	Mayors Office for Policing & Crime	(0)	0	(0)	0	G
London Safety Camera Partnership	Transport for London	(264)	(120)	(264)	0	G
Economic Crime Victim Care Unit	Mayors Office for Policing & Crime	(210)	0	(210)	0	G
Overseas Anti-Corruption Unit	Department for International Development	(171)	(112)	(194)	(23)	G
NPCC Cybercrime Programme	Home Office	(100)	(103)	(124)	(24)	G
Tower Bridge	Corporation	(92)	(62)	(92)	0	G
Regional Organised Crime Unit Coordinator	Home Office	(90)	(101)	(224)	(134)	G
Grand Total		(62,176)	(29,867)	(63,390)	(1,214)	

5.4 Work continues to ensure there is a full cost recovery approach to all funded units - this is incorporated into the Medium Term Financial Plan. Contractual arrangements are reviewed as and when existing contracts expire.

6 Capital

6.1 The position for current live capital schemes is shown in Table 8 below.

Table 8

Core Project	Approved Amount £m	Spend & Orders Q3 19/20 £m	Unspent 31/12/19 £m	Forecast Spend Jan - March 2020 £m	Forecast Spend 20/21 £m	Forecast Spend 21/22 £m
Digital Interview Recording	0.01	0.00	0.01		0.01	
Emergency Services Network	1.82	1.35	0.47	0.10	0.37	
Economic Crime Capability Development	0.07	0.00	0.07	0.07		
HR Time Management & e-Expenses	0.43	0.36	0.07		0.07	
ICT Support to CCCI	3.36	3.33	0.03	0.03		
Police Telephony Upgrade	0.49	0.46	0.03		0.03	
Ring of Steel Compliance	2.45	2.24	0.21	0.05	0.16	
Secure City Programme Management	0.45	0.32	0.13	0.05	0.08	
Wide Area Network (WAN) Refresh - Police Recharge	1.45	1.07	0.37		0.37	
Police Vehicles 19/20 purchases	0.40	0.35	0.05	0.05		
IT Modernisation - Desktop & Office 365	3.80	0.67	3.13		3.13	
IT Modernisation - Security Zone	0.85	0.64	0.21	0.21		
IT Modernisation - Sharepoint/Intranet	0.25	0.00	0.25		0.25	
Total CoLP	15.82	10.78	5.04	0.56	4.48	0.00
Accommodation Project - CoLP Decant element only	8.18	6.75	1.43	0.82	0.42	0.20

6.2 Police Vehicles - The 'approved amount' does not include the full budget for purchase of police vehicles of £1.8m, therefore the forecast only includes the amount up to the approved amount. However, purchase orders will be raised if and when the 'approved amount' is updated. Delays in allocating the budget may lead to some expenditure being incurred in 2020/21 due to the long lead in time for the vehicles. In the event of the 'approved amount' not being updated, vehicles will

have to be funded from the revenue budget, which will further increase the existing revenue budget pressures.

6.3 Accommodation Programme - The table includes expenditure on the accommodation programme relating to CoLP decant. Previous reports included the corporation element for information to show the whole cost of the Programme. For the purpose of this report, the Corporations element has been excluded.

6.4 IT Modernisation - the timing of the forecast spend is indicative at this stage and the profile may change.

6.5 Airwaves - The project set up has not yet been updated on the Project Accounting system, expenditure relates to staff charges and is expected to be spent by the end of the year.

7 Transactional

Accounts Payable

7.1 Table 9 shows performance relating to payment of invoices within 30 or 10 days. Performance of 95% which is consistent with Q2, but below the corporate target of 97%. Measures are in place to improve overall performance including clearing backlogs and rolling out self-service.

Table 9

Month	Total Invoices	Compliant Invoices	%
Jan-19	687	619	90%
Feb-19	587	566	96%
Mar-19	713	686	96%
Apr-19	545	526	97%
May-19	653	618	95%
Jun-19	528	510	97%
Jul-19	598	566	95%
Aug-19	599	568	95%
Sep-19	498	476	96%
Oct-19	595	563	95%
Nov-19	630	605	96%
Dec-19	572	543	95%
Total to Date	7,205	6,846	95%

Accounts Receivable

7.2 Table 10 below shows total Debtors have decreased by £1.79m to £1.4m at the end of Q3. There are 65 outstanding invoices with the majority less than 2 months

old. 13 invoices are over 3 months old and over £1k in value – these are being investigated in order to determine the most appropriate course of action.

Table 10

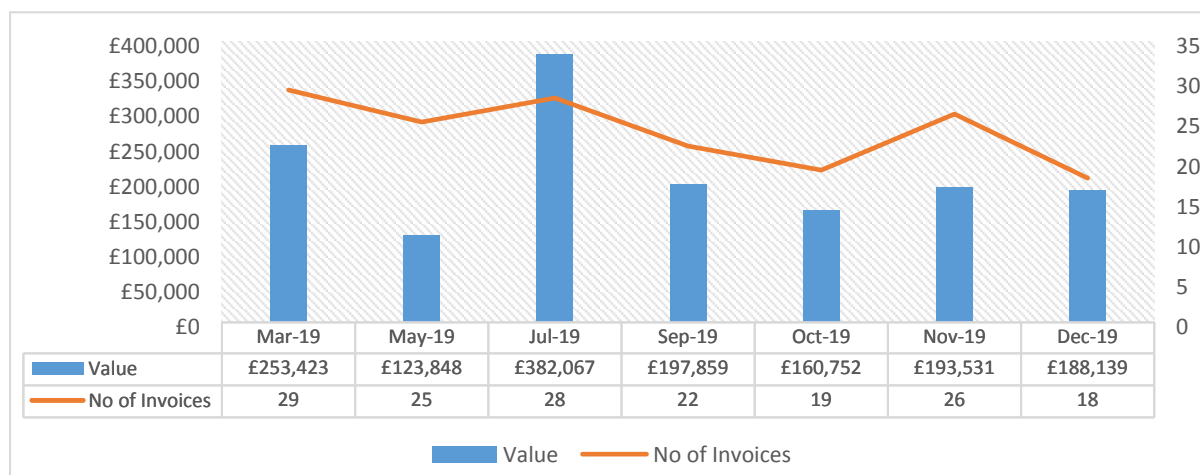
Age	Q2		Q3		Change from Q2 to Q3	
	Count	Value £	Count	Value £	Count	Value £
Less than 1 Month	36	2,954,965	19	1,111,843	(17)	(1,843,122)
1 - 2 Months	7	25,075	14	60,390	7	35,315
2 - 3 Months	3	40,630	14	65,141	11	24,511
3 - 12 Months	9	173,498	8	163,490	(1)	(10,008)
Over 1 year	12	24,266	10	24,649	(2)	383
Total	67	3,218,434	65	1,425,513	(2)	(1,792,921)

Table 11

Accounts receivable activity in Q3	Q3 2019	
	No	Amount £
Number of Invoices Paid	(103)	(5,727,181)
New Invoices Raised	47	1,237,374
Credit Notes Issued	(9)	(104,090)
Debts Written Off	0	0

Table 12

Movement in aged debt over 3 months



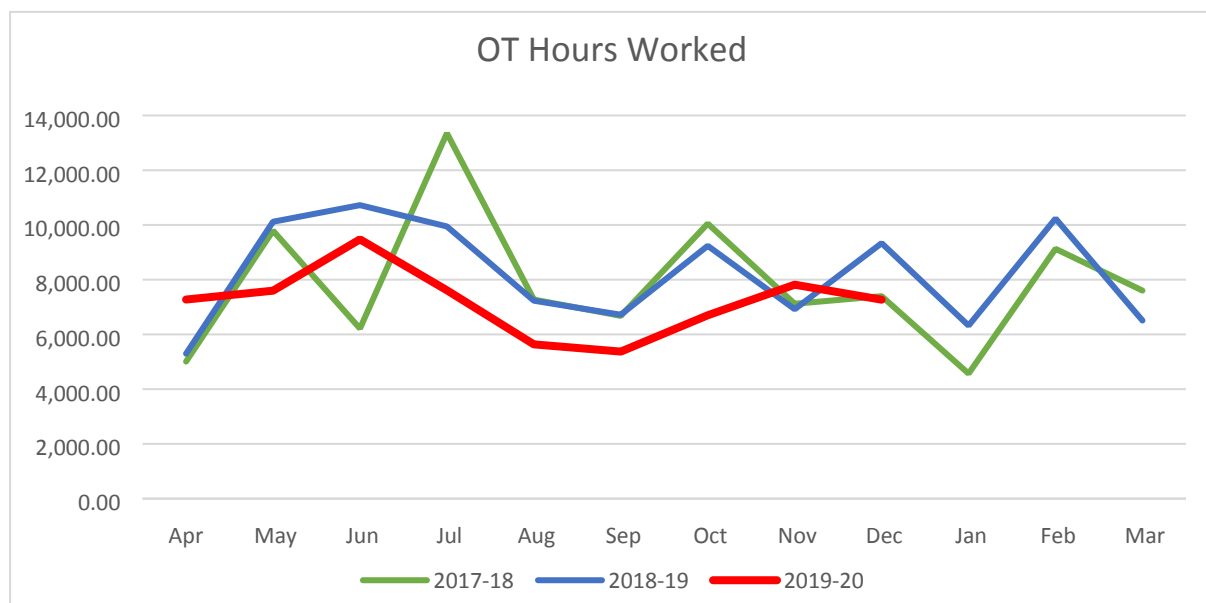
Overtime

7.3 The overtime budget is £2.0m, split £1.6m core funded and £0.4m funded units. This includes overtime in respect of bank holidays and tasking.

7.4 Actual spend at the end of Q3 is £1.8m, covering both officers and staff. Current forecasts indicate spend of £2.9m, which is £0.9m over budget.

7.5 Expenditure is on average 16% lower than the last financial year. This reduction has come from a combination of new controls and clear communication to managers. The position continues to be closely monitored and reported at Chief Officer Level.

7.6 The charts below shows the current trend on overtime hours worked and number of claims received to the end of Q3. The trend indicates a reduction in overtime compared to previous years and suggests controls are effective. However there is increased risk in the second half of the year due to potential public order events.



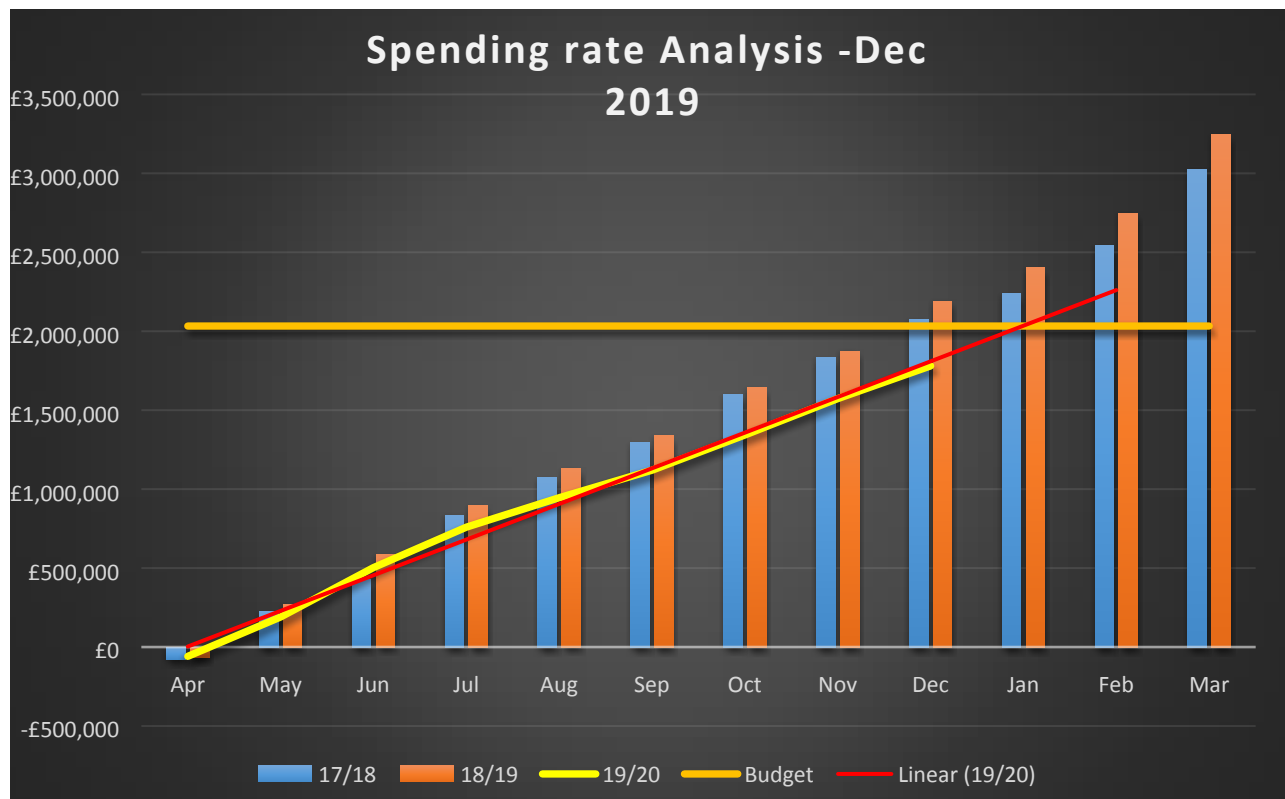
7.7 The main reasons for claiming overtime are:

- Covering for vacant posts (backfilling / Business as Usual)
- Extinction / Animal Rebellion protests
- Pan London Brexit protests
- TFG including Bank of England armed escorts (which is substantially recovered through the contract)

7.8 Expenditure in the region of £200,000 to date relates to Extinction / Animal Rebellion protests, and further expenditure is anticipated as overtime claims are being processed. We are submitting a bid to the Home Office to seek to recover some or all of this.

7.9 The largest spending Directorate is UPD which constitutes 59% of overtime. 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. Discussions are taking place with the Home Office in respect of special grant funding relating to increased public order requirements.

7.10 The chart below shows cumulative overtime spend against the last two years. This indicates spend on a slightly lower trajectory. If this were to continue the full year budget will be fully utilised by January 2020, although spend continues to drop in comparison to previous years.



8 Brexit

8.1 The City of London Police has identified potential risk to public order during the Brexit period, which could add further pressures on the revenue budget. 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.

8.2 The Corporation of London made funds available to meet Brexit preparation costs, and CoLP secured funding for upfront investment and contingency plans. Funding may also be available from the Home Office, however, no such funding was available during 2018/19.

9 Use of Reserves

9.1 The Police reserves position is summarised in Table 13 below. 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. It is anticipated that the POCA reserve will be fully utilised in 2019/20.

Table 13

	Opening Balance (£M)	Projected Spend (£M)	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	(4.3)	4.3	0

10 Risk Management

10.1 Table 14 below identifies the key risks and mitigating controls contained within this report: (quantum included where possible)

Table 14

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 is challenging to maintain acceptable service levels with a vacancy factor of 81. The vacancy factor is reviewed and revised throughout the year. 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 and 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, currently £1.4m for Officers and £0.07m for staff, however, the build-up of DWL may be subject to unplanned events over the year. Currently no financial implication, however, continues to be reviewed.

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 is monitored throughout the year, capital recharges undertaken in a timely manner. The proposed 2020/21 Capital Programme is going through the Committee process.
Brexit	Expenditure will be monitored closely, and external sources of funding will be explored. A bid for £0.9m was previously submitted to the Corporation covering potential risk. So far this year we have spent £0.04m
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 and is monitoring Financial risk around replacement spend. A loan of £1.8m from the Corporation has been approved for the capital scheme relating to vehicles. To date, £0.8m has been released in respect of the purchase of vehicles. Discussions are taking place to release the remainder, or vehicles will be funded from the revenue budget.