

Resources, Risk & Estates Committee (RREC)

01/02/2023

Q3 Revenue & Capital Budget Monitoring, 2022/23



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Q3 2022/23 Headlines

Revenue: An underspend of £0.4m is forecast at Q3, this compares to a £0.5m overspend at Q2.

The £0.9m positive variance is mainly due to:

- Increase in pay underspends of £2.0m due to vacancies and rank mix (probationer vs transferees);
- additional Home Office uplift funding of £0.38m, Q2 assumed £0.12m (£20k per officer up to 20 over target);
- Reductions in supplies, services and third party spend of £0.6m;

Partially offset by:

- Increase in overtime £0.25m due to operational activities, backfilling due to vacancies and recoverable events.
- An increase in agency costs of £0.4m relating to support service Training Academy functions.
- A £1.2m increase in premises maintenance £0.8m, insurance/recharges £0.2m and business rates expenditure £0.2m.
- Additional forecast vehicle maintenance and fuel costs of £0.2m
- Reduction in staff costs recovered from grant funding and capital projects due to vacancies £0.3m.



Q3 Forecast: The main factors contributing to the £0.4m underspend (as summarised in slide 7) are:

- Forecast pay underspends of £2.6m due to vacancies and the impact of high numbers of student officers (140); incorporating the impact of the higher than anticipated 2022/23 officer and staff pay awards;
- Underspends against supplies and services budgets of £1.5m (excluding Nation Lead Force activities) based on the profile of current spend;
- Home Office funding of £0.5m in relation to the officer pay award; and
- Uplift incentive funding of £0.4m (£20k per officer up to a maximum of 20).

These forecast savings/additional income are offset by:

- Higher than budgeted (net) overtime costs of £0.8m due to operational requirements and backfilling vacancies.
- Higher premises costs of £1.8m, increased vehicle maintenance/fuel costs of £0.2m, insurance & recharges of £0.4m;
- Unbudgeted Action Fraud (AF) contract extension costs of £1.25m as reported in Q2 and corrected through the forecast;
- A shortfall in income of £0.3m due to:
 - £0.2m of Proceeds of Crime Act (POCA) receipts being treated as general income in the budget;
 - £0.1m shortfall on income from the sale of memorabilia.

Any underspend at year end will accrue to the general reserve and provide some additional mitigation to anticipated cost pressure in 2023/24. These pressure are expected to arise from the ringfencing of £2m of Home Office funding reliant on maintaining Uplift officer numbers at 986 and inflationary pressures (pay and non-pay) exceeding the Medium Term Financial Plan (MTFP) assumptions.



Q3 2022/23 Headlines

Police Uplift: Current projections indicate that the 986 Home Office officer headcount target will be met or exceeded by 31 March 2023. The Home Office is offering financial incentives for over achievement against the uplift target of £20,000 per officer over target. To meet wider uplift targets, the Home Office have agreed to provide incentive funding for 20 posts over target without rolling these into the 2022-23 target or next year's baseline lines.

2022/23 Mitigations target = £6.1m

Current projections suggest that with substitute mitigations (POCA) the £6.1m target will be met notwithstanding an overtime savings risk.

Capital: 2022/23 budget = £6.936m inclusive of £3m Home office funding for the Next Generation Fraud and Cyber Crime Reporting and Analysis Service (FCCRAS). In year priorities include fleet replacement, body worn video equipment and horsebox replacement. It is expected that budget will be fully spent or committed in year.

Police Authority Board (PAB): Q3 underspend of £0.4m is forecast against a £1m budget.



Workforce and Financial Dashboard – December 2022

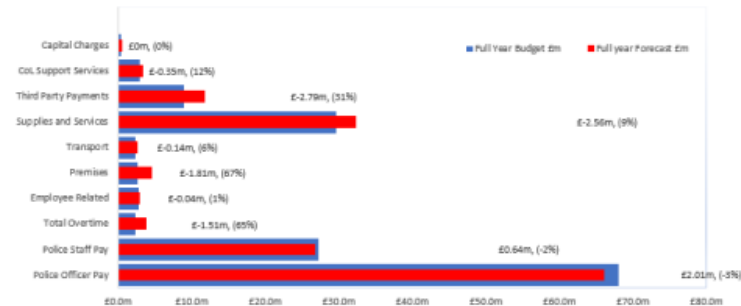
CoLP Workforce & Financial Dashboard 2022/23

December 2022

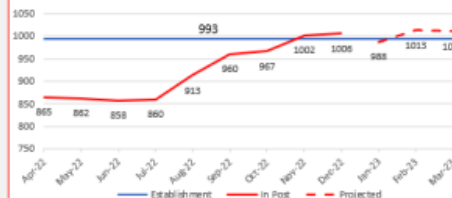
2022/23 Revenue Budget

	Budget £m	YTD Actual £m	Var £m	Budget £m	Outturn Forecast £m	Var £m
Officers pay cost	51.02	48.14	-2.88	68.02	66.02	-2.01
Staff Pay cost	20.47	20.21	-0.26	27.29	26.65	-0.64
Overtime	1.73	2.71	0.98	2.31	3.82	1.51
Other pay costs	2.15	2.17	0.02	25.87	25.90	0.04
Total pay costs	75.37	73.23	-2.14	123.50	122.39	-1.10
Non pay costs	32.78	41.27	8.49	46.31	54.76	8.46
Total Exp	108.15	114.50	6.35	169.80	177.15	7.35
Income	-55.31	-45.59	9.72	-76.44	-83.39	-6.95
Funding	-52.84	-52.84	0.00	-92.86	-92.86	0.00
Use of reserves	0.00	0.00	0.00	-0.50	-1.30	-0.80
(Surplus)/ Deficit	-0.00	16.07	16.07	0.00	-0.39	-0.39

2022/23 Revenue Expenditure Forecast



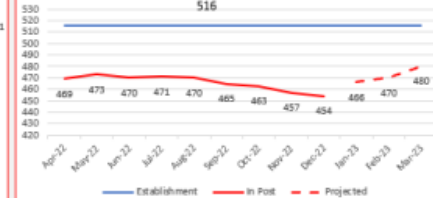
Officer Establishment FTE



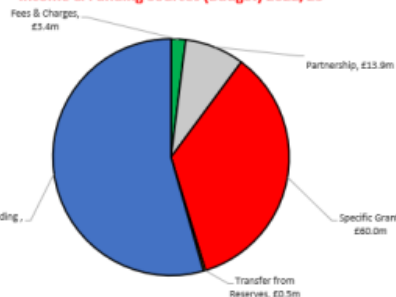
Year 3 Uplift Target (headcount)



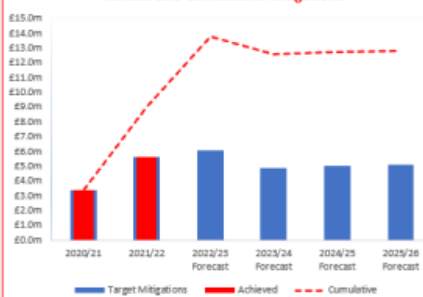
Staff (FTE)



Income & Funding Sources (Budget) 2022/23



Annual and Cumulative Mitigations

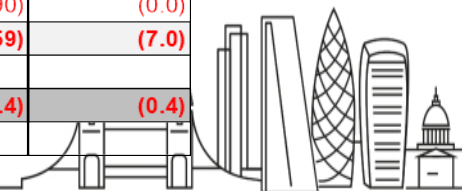


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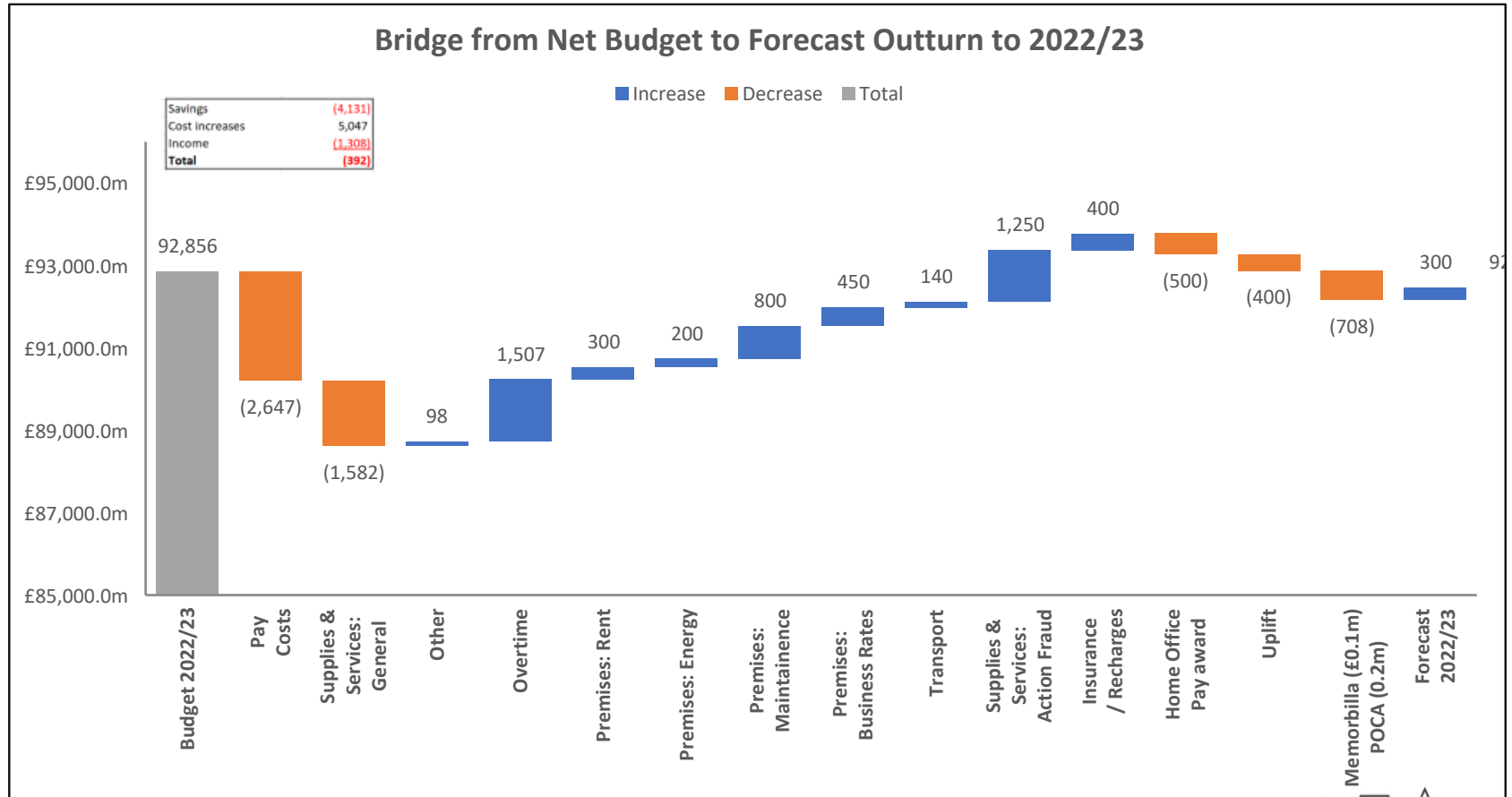
2022/23 Revenue Budget

	22/23 Latest Budget £m	Budget YTD £m	Actual (Q3 YTD) £m	Variance YTD £m	Projected Outturn £m	Proj Variance £m
Pay						
Officers	68.0	51.0	48.1	(2.9)	66.0	(2.0)
Staff	27.3	20.5	20.2	(0.3)	26.7	(0.6)
Overtime	2.3	1.7	2.7	1.0	3.8	1.5
Agency	0.8	0.6	0.6	0.0	0.9	0.2
Police Officer Pension	23.0	0.0	0.0	0.0	23.0	0.0
Indirect employee costs	2.1	1.6	1.6	0.0	2.0	(0.2)
Total Pay	123.5	75.4	73.2	(2.1)	122.4	(1.1)
Non-Pay						
Premises Costs	2.7	2.0	3.2	1.2	4.5	1.8
Transport Costs	2.4	1.8	0.6	(1.2)	2.5	0.1
Supplies and Services	29.7	22.3	30.7	8.5	32.3	2.6
Third Party Payments	9.0	6.7	6.6	(0.1)	11.7	2.8
CoL Support Services / Recharges	2.9	0.0	0.2	0.1	3.2	0.4
Capital Charges	0.5	0.0	0.0	0.0	0.5	0.0
Non-Pay	47.1	32.8	41.3	8.5	54.8	7.7
Total Expenditure	170.6	108.1	114.5	6.4	177.2	6.6
Income						
Specific Grants	(60.0)	(43.0)	(35.9)	7.1	(65.84)	(5.9)
Partnership	(13.9)	(10.0)	(7.5)	2.5	(14.15)	(0.2)
Fees & Charges	(3.4)	(2.3)	(2.2)	0.1	(3.41)	(0.0)
Transfer from Reserves	(0.5)	0.0	0.0	0.0	(1.30)	(0.8)
CoLP Core Funding	(92.9)	(52.8)	(52.8)	0.0	(92.90)	(0.0)
Total Income	(170.6)	(108.1)	(98.4)	9.7	(177.59)	(7.0)
Underlying Deficit	0.0	0.0	16.1	16.1	(0.4)	(0.4)



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2022/23 Budget to Forecast Outturn Bridge



Overtime Analysis – Chargeable vs Non-Chargeable

Q3	Budget £'000	Forecast £'000	Forecast Variance £'000
Bank Holiday Working	225	265	40
Recoverable	341	708	367
Non-Recoverable	1,746	2,895	1,149
Total	2,312	3,868	1,556

- “Recoverable” includes overtime recoverable from events such as the Queen’s Jubilee, the Commonwealth Games, the Queen’s funeral and overtime charged to the funded units which will be matched by a corresponding increase in income. Therefore, the net overspend is £0.8m.
- The forecast for non-chargeable overtime includes cost associated with policing major crime such as Op Intervention (£0.3m) and protest events in the City such as those organised by Extinction Rebellion (XR) (£0.2m). Other operations (£0.15m). Home Office funding for unexpected events is subject to the unexpected costs exceeding a threshold of 1% of core funding. In the case of XR for example £184,000 of overtime has been incurred to date but the Force would need to exceed £700,000 in this financial year for a bid for funding from the Home Office.
- Overtime reporting will continue to be developed and refined in future reporting periods including assessment of link between uplift numbers and overtime (noting large number of student officers who need to become fully fledged officers).



Business Area Summaries

Committee / Division of Service	Latest Approved Budget 2022/23 £'000	Projected Outturn +Deficit / (Surplus) £'000	Variance from Latest Approved Budget 2022/23	
			£'000	%
<u>Police Committee (City Fund)</u>				
Local Policing	24,659	23,552	(1,107)	-4%
Specialist Operations	25,455	25,036	(419)	-2%
National Lead Force	4,520	6,334	1,814	40%
Corporate Services	27,950	31,590	3,640	13%
Central Income & Expenditure	10,272	5,953	(4,319)	-42%
TOTAL POLICE COMMITTEE	92,856	92,464	(392)	0%

Local Policing: £1.1m underspend largely due to pay underspend (£0.2m) as a result of recruitment delays, lower than anticipated spend on Tactical Fire Arms Support Training courses (£0.35m), supplies and services underspend of (£0.37m) and additional mutual aid claims from assisting other police forces (£0.2m)

Specialist Operations: £0.4m underspend - mainly due to officer, staff vacancies (£1.7m) offset by overtime overspends (£0.8m) and additional forensics costs of £0.13m due to serious and violent crime. £0.2m shortfall in staff costs from grant agreements due to vacancies,

National Lead Force: £1.8m overspend – largely due to insufficient budgetary provision for the Action Fraud contract extension costs.



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Business Area Summaries

Corporate Services: £3.6m overspend - mainly due to insufficient pay budgetary provision for officers and agency costs for staff of £1.4m, additional premises estate running costs estimated to be £1.6m comprising increases in rent £0.15m, energy £0.2m, maintenance £0.8m and rates £0.45m costs, partly due to energy price inflation, the reactive repairs at Bishopsgate and New Street, additional accommodation costs for officers and an under provision of business rates for Bishopsgate Police Station and New Street. Transport costs are forecast to be £0.23m over budget due to additional vehicle maintenance and fuel costs. Supplies and services are forecast to be £0.23k overspend due to equipment purchases linked to the uplift programme.

Central Income & Expenditure: £4.3m underspend due to £4.5m of unallocated resources being included in Central Income and Expenditure which have been charged elsewhere in the budget. The budget also includes £0.4m incentive uplift funding and the 2022/23 Government pay award grant of £0.5m. These underspends / increased funding have been offset by additional student officer pay of £0.9m costs, a shortfall on income from the sale of memorabilia of £0.1m and a £0.2m budget correction relating to Proceeds of Crime Act (POCA) funding which had been treated as unallocated income in the budget.

N.B. The 2022/23 is the first budget prepared against the new Target Operating Model and a number of unallocated budgets were included in the Central Income and Expenditure which have been charged elsewhere in the budget. This will be refined for 2023/24.



2022/23 Mitigations

2022/23 Mitigations Plan	Target £m	Forecast £m	Comments	RAG
Staff reductions / rank ratio savings through Corporate Services / Staff Review	1	1	Risk of delay or failure to baseline an affordable and efficient staffing model through the Corporate Services & Staff review is mitigated by holding staff vacancies where possible and appropriate. Staff FTEs and costs remain below budget.	
Increase in Precept Grant from Home Office	0.8	0.8	Achieved as part of the 22/23 Home Office funding settlement.	
Reduction in capital financing costs due to prior year underspend on capital	0.8	0.8	Large capital underspends in 20/21 & 22/23 should support achievement of this "one off" Medium Term Financial Plan (MTFP) saving.	
Savings on consumables	0.6	0.6	Removed from budgets and will be achieved through wider savings on supplies and services spend.	
Increased use of POCA reserve for appropriate areas of budget spend supported by increased in seized assets	0.7	1.3	Achieved with additional funding allocated to support the work of the Asset Recovery Team.	
Reduction in average pay costs due to probationer intake for Year 3 PUP	0.5	0.5	Removed from budgets. The delivery risk was dependent on the rank (and PC probationer vs transferee) mix of intake. Delivery of mitigation supported by c140 student officers and wider pay underspends.	
Overtime reductions linked to Bank of England contract	0.5	0	Removed from budget. Overtime budgets are forecast to be overspent by £0.9m (net of chargeable time) due to current operational demands. Hold costs to budget is not considered possible at this time.	
Agency Staff	0.3	0.3	Removed from budgets. Whilst agency costs are forecast to be £0.2m over budget, £0.3m relates to Training Academy trainers and is recovered through course fees.	
Professional Fees	0.9	0.9	Removed from budgets. Delivery supported through wide savings on supplies and services budgets.	
Total	6.1	6.2		



2022/23 Reserves

The Police reserves is forecast to reduce from £14.6m at 1 April 2022 to 12.4m at 31 March 2023. The total reserves broken down between Earmarked Reserves and the General Reserve is summarised below:

	Opening Balance £'m	Projected Spend £'m	Projected Closing Balance £'m
Proceeds of Crime Act (POCA)	(9.0)	2.2	(6.8)
General Reserve	(4.0)	0.0	(4.0)
Police Capital Finance Reserve	(1.3)	0.0	(1.3)
Emergency Services Mobile Technology	(0.3)	0.0	(0.3)
Total	(14.6)	2.2	(12.4)

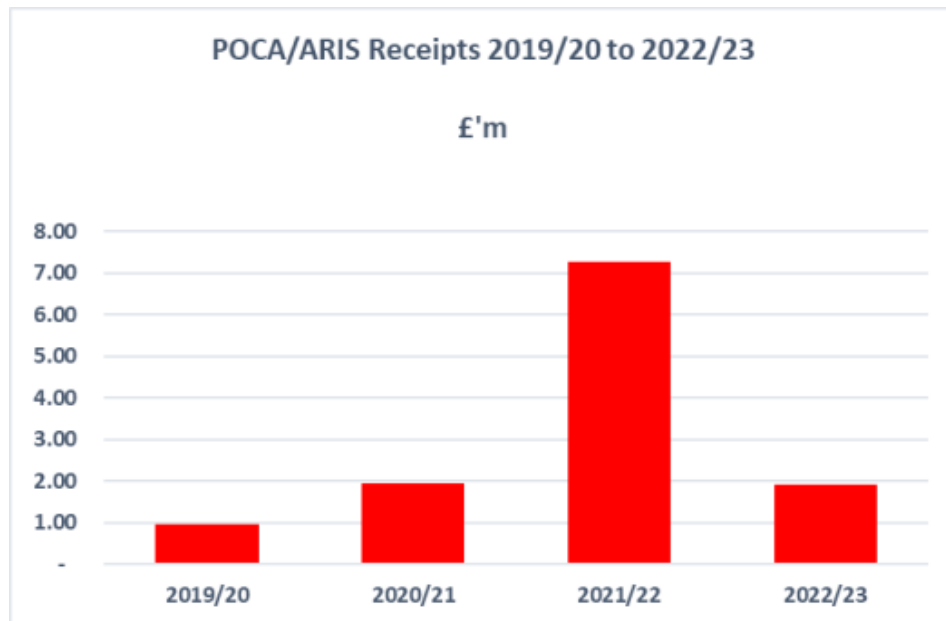
Opening balance on the POCA reserve includes an unusually large receipt of £7.1m which was received at the end of 2021/22 from Operation Neutron.



2022/23 Reserves: Proceeds of Crime Act (POCA)/ Asset Recovery Incentivisation Scheme (ARIS)

The principal driver for Asset Recovery is to seek repatriation of funds to victims. It is expected that ARIS receipts are used to further enhance the response to asset recovery, crime reduction, community projects and other schemes.

POCA/ARIS receipts are unpredictable year on year as detailed below:



	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/23 (£m)	Total (£m)
Q1	0.04	0.17	0.06	0.13	0.40
Q2	0.53	1.22	0.37	0.06	2.17
Q3	0.33	0.41	6.77	-	7.52
Q4	0.08	0.15	0.08	-	0.31
Total	0.98	1.94	7.28	0.19	10.39



2022/23 POCA/ARIS

The estimated drawdown from the POCA reserve in 2022/23 is £2.2m and includes the following projects which have been approved by the Chief Officer Team:

2022/23 POCA Drawdown	Asset Recovery £'000	Crime Reduction £'000	Community Projects £'000	Misc £'000	Total £'000	Description
Asset Recovery Team	1,300				1300	Funding of Asset Recovery Team for a period of three years. Total requirement = £3.9m
Serious Organised Crime (SOC) Development		314			314	Development of driving and surveillance capabilities with the procurement of vehicles aligned with those capabilities. The total requirement is £604,805.
District Attorney New York (DANY) / Homeland Security Investigations (HIS)	225				225	Secondment of two officers DI & DS for two years with partner organisations in New York City, USA. £225,000 per annum.
Covert Tasking		75			75	Project to support proactivity across the force in tackling fraud and Serious Organised Crime. Total requirement £287,500.
Night Time Economy (NTE)		103			103	Multi-agency approach to NTE issues, focusing on early engagement, crime prevention and policing.
Streamlined Forensic Reporting				10	10	Project to provide streamlined forensic connection between CoLP and healthcare providers for the purpose of attaining medical evidence more efficiently, for the
Derbyshire Financial Investigation (FI) & Financial Recovery (FR)	100				100	Funding for financial investigation and financial recovery work in 2022/23 transferred from Derbyshire. From 2023/24 it is expected that an allocation from an Economic Crime
Child Abuse & Image Database (CAID)		55			55	CAID will provide officers with a simple and efficient process for identifying victims of child abuse will ensure potential victims are safeguarded at the earliest possible
Total	1,625	547	0	10	2,182	

- The estimated drawdown from the POCA reserve is £0.55m lower than at Q2. This relates to the PowerBI project, the delivery of which is dependent on internal project management and IT resources.



Interim Capital Programme 2022/23

	2022/23 Project Budget £'000	Of which loan- funding £'000	Of which HO funding £'000	Commt. £'000	Forecast Spend 2022/23 £'000	Forecast Variance £'000
FCCRAS (including £3m Home Office funding)	5,200	2,200	3,000	0	5,448	248
Car Fleet Replacement	250	250	0	0	250	0
Horsebox	400	400	0	400	0	0
Motorbike Fleet replacement	236	236	0	236	0	0
Body Worn Video Equipment	300	300	0	0	282	(18)
Armoury Improvements	100	100	0	0	160	60
Forensics Networks & Storage	450	314	0	0	314	(136)
Child Abuse and Image Databse (CAID)	55	0	0	0	55	0
PowerBI Phases 1	84	0	0	0	84	0
Total	7,075	3,800	3,000	636	6,593	154

FCCRAS: A business case for FCCRAS is being reviewed by the Home Office's Finance and investment Committee. It is expected a final decision will be received in February 2023. Of the £5.2m 2022/23 FCCRAS budget, £1.5m has been spent to date with a forecast overspend of £0.25m expected due to increased development/website cost. Whilst there is an forecast overspend in 2022/23 it is anticipated that this will be met from savings in 2023/24..

Fleet Replacement: Tactical Fleet are currently assessing the vehicles which require replacement as part of the 2022/23 programme. An order for 10 replacement motorbikes has been placed at a cost of £165,000 which will require fitout at £71,000. It is expected that the motorbikes will be delivered in Q2 2023.



Interim Capital Programme 2022/23 continued

Horsebox: CoLP is currently validating the quote from the supplier and an order is expected to be placed in January 2023, however, with supplier lead times currently running at between 12-18 months it is unlikely that the horsebox will be delivered in 2022/23

Body Worn Video Equipment: The contract is being negotiated and it is expected that the equipment will be delivered, within budget and available for use on 1 March 2023.

Armoury Improvements: Whilst the aim is deliver the improvements in 2022/23 a clearer picture of costs and timescales will be available once the specification is agreed and procurement commences. Any overspend against the capital project budget of £100,000 will be met from direct revenue financing from underspends in Local Policing up to maximum of £80,000 in 2022/23

Forensic Network & Storage: This project is to implement management software solution to remove tape storage. The project has commenced and it is expected that it will be completed by the end of the financial year. The forecast outturn is £314,000 which is an underspend of £136,000 against budget.

Child Abuse Image Database: This project will provide officers with a simple and efficient process for identifying victims of child abuse will ensure potential victims are safeguarded at the earliest possible opportunity and will be funded via POCA.

Power BI: Phase 1 of project to improve analytics and data reporting capability to assist with crime reduction and asset recovery. Phase 2 to commence in 2023/24 and expected to extend into 2024/25 at a further cost of £725,000 funded from POCA (2023/24 £435,000: 2024/25 £290,000)



Police Authority Board Budget 2022/23

Police Authority Board Team	22/23 Latest Budget £m	Budget YTD £m	Actual Q2 YTD £m	Variance YTD £m	Forecast Outturn £m	Forecast Variance £m
Pay						
Staff	0.62	0.32	0.39	0.07	0.51	(0.11)
Total Pay	0.62	0.32	0.39	0.07	0.51	(0.11)
Non-Pay						
Supplies & Services	0.38	0.00	0.00	0.00	0.09	(0.29)
Total Non-Pay	0.38	0.00	0.00	0.00	0.09	(0.29)
Total Net Expenditure	1.00	0.32	0.39	0.07	0.61	(0.39)

Budget established in 2022/23 with £1m Business Rates Premium Funding.
2022/23 Forecast underspend of £0.39m.



Risk and Opportunities

- New pressures or funding reductions emerging in final quarter of the financial year.
- Inability to deliver uplift levels - risk to 2022/23 ringfenced funding and future core funding, as well as operational risk although considered unlikely at this stage given the pipeline of student officers.
- Main financial opportunity has been the time lag in recruiting to Year 3 uplift target coupled with additional Home Office Uplift incentive funding to over recruit of £0.4m

However, looking forward to 2023/24:

The provision Police Settlement announced £2m of core Home Office funding tied to maintaining the headcount target of 986 Officers. The implications for the 2023/24 budget include:

- the removal of a natural Officer vacancy factor of circa £1.9m
- a requirement to plan to recruit above establishment/headcount levels across the year to manage the risk of a £2m funding loss.

This is in addition to inflationary cost pressures (pay and non-pay) exceeding MTFP assumptions.

