

<b>Committee:</b> Resources, Risk & Estates Committee (RREC)	<b>Dated:</b> 22/05/2022
<b>Subject:</b> Chief Finance Officer (CFO) update	<b>Public</b>
<b>Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?</b>	1
<b>Does this proposal require extra revenue and/or capital spending?</b>	N/A
<b>If so, how much?</b>	N/A
<b>What is the source of Funding?</b>	N/A
<b>Has this Funding Source been agreed with the Chamberlain's Department?</b>	N/A
<b>Report of:</b> Commissioner of Police & Police Authority (PA) Treasurer Pol 67-23	<b>For Information</b>
<b>Report author:</b> Chief Finance Officer	

### Summary

This report provides Resource Risk and Estates Committee (RREC) with an update on significant City of London Police (CoLP) / Police Authority (PA) finance matters and work areas in the last quarter.

### Recommendations

Members are asked to note the report.

### Main Report

#### Joint CFO role for CoLP and Police Authority

As a reminder, the key objectives for piloting this role through to summer 2023 (many of which are by nature longer-term) are:

1. To resolve major medium-term Police deficits and create a sustainable financial position.
2. To ensure delivery of the significant savings / mitigation plans - and strengthen the evidence base for demonstrating Force efficiency and effectiveness.
3. To ensure people and money resources (revenue and capital) are transparently aligned to priority 'Policing Plan' deliverables / services.
4. To overhaul capital programme (financial) management.
5. To improve CoLP decision support and provide more dynamic, dashboard-style reporting.
6. To transform Force financial capability and culture – building a high performing, high morale Finance team that will support and enable the overall transformation of CoLP.

7. To support the vigorous management of key risks and opportunities to CoLP arising from the Police Funding Formula Review.

Having undertaken extensive work to set a balanced budget for 23/24, in a high inflationary environment, the main Finance focus in the last quarter has been on (a) preparing for and implementing 22/23 closure (as reflected in provisional outturn paper on this agenda), (b) progressing work against the income strategy (approved by Police authority Board (PAB) in February) to identify, and where possible close, gaps from full cost recovery in CoLP's funded work (progress report on this agenda), and (c) starting to apply a stronger financial focus to the development and prioritisation of the change portfolio and project / initiative business cases.

### **CoLP Finance Team**

The Finance Team is continuing to stabilise around a senior core of 2 Deputy CFOs and 4 Business Partners, which has enabled improvements to be made to in-year monitoring, budget building, alignment to workforce planning and financial support to key strategic developments. Given the high demands and complexity of financial management for CoLP's National Lead Force work, there is a need to build more capacity there. Also transactional finance remains under strength and, as well as correcting resource levels, there is a need to better understand the underpinning demands and processes and apply better technological solutions wherever possible. There have been unavoidably higher demands during 22/23 in adjusting to the new Target Operating Model (TOM) cost centre structure which should ease off as we move into 23/24.

### **MTFP**

A high level, interim update is part of this Committee's agenda, flowing from the 23/24 budget set in February. The main work will be developed for the autumn Committee cycle, which will in part provide an indicative envelope for 24/25 budget setting.

### **Savings / Mitigations**

The 22/23 budget incorporated £7.7m of cumulative savings from prior years, while adding £6.1m additional mitigations as part of the settlement which included the 2022 Business Rate Premium (BRP) increase. Performance against the £6.1m target is shown in the outturn report. Sustaining £1m of these savings into 23/24 and beyond is dependent on workforce modernisation outcomes. In the interim, this saving has been met through police staff vacancies.

A further £8.6m of mitigations are required in 23/24 to offset higher inflationary and other pressures. Sustaining prior year savings and delivering this increase will represent a significant challenge and risk to Force finances which will continue to be closely monitored.

### **Strategic Support**

The Finance team has been providing extensive support to other key areas of Force corporate development, including:

- Corporate Services Review - to ensure an affordable, efficient and effective staffing model is baselined, which will improve the linkage between funding sources and the demands on Corporate Services from territorial policing, national lead force work and the size and complexity of change requirements.
- Portfolio Review - while improvements are being made to capital management (including starting to institute more robust business case and whole life costing processes), there is a need for the Portfolio Review and Prioritisation work to be developed further before properly informed assessments of budgetary requirements can be submitted.
- Full cost recovery - working with National Lead Force on its Funded Units and Home Office grants (and also with TfL and Bridge House Estates) to ensure new agreements recognise the affordable level of direct resources within the available financial envelope, in the context of high inflation and an appropriate contribution to overheads.
- Development of contracts tracker / procurement pipeline – to strengthen compliance with regulatory requirements, improve understanding and control of non-pay costs and enhance savings plans.

### **Policing Funding Formula Review**

CoLP and the Police Authority met with Home Office representatives on 23 February 2023 to undertake a deep dive into CoLPs funding landscape along with its unique set of policing demands. It was a fruitful session which helped enhance Home Office understanding of CoLP and enabled key issues, such as the range of (flat cash) grant agreements for national work, to be aired.

An updated timescale for a first stage consultation process on the review principles is awaited.

### **Force Financial Culture Development**

Considerable progress has been made over the last 12 months in improving the Force financial culture from a relatively 'immature' place, particularly in relation to:

- Chief Officer Team / senior level commitment to financial transparency, accountability, leadership and discipline – and application of these principles through Force governance (including Strategic Finance Board and Chief Officer Team) as well as Corporation / Police Authority governance.
- Much stronger alignment of workforce and financial management.
- Increased budget holder engagement through the budget setting process.
- Improved process and governance over funded work and new / renegotiated funding agreements.

- Improved process and governance over procurement requirements, with significant reduction in cases of non-compliance (enabled by excellent support from the Corporation's Commercial Services team).
- More robust financial impacting of initiatives to better inform decision making.

The main areas where development is needed are on the level of change management discipline required and on "getting transaction processing "right first time" more consistently. Attention is being targeted on these areas as well as continuing to strengthen the above areas where good progress has been made.

Alistair Cook  
Chief Finance Officer