

Committee: Resources, Risk & Estates Committee (RREC)	Dated: 6 September 2023
Subject: CFO update	Public
Which outcomes in the City Corporation's Corporate Plan does this proposal aim to impact directly?	1
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain's Department?	N/A
Report of: Commissioner of Police & Police Authority (PA) Treasurer Pol 81-23	For Information
Report author: Chief Finance Officer	

Summary

This report provides RREC with an update on significant CoLP / 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

The key objectives for this role in 23/24 (a number of which are, by nature, continuing / longer-term) are:

1. To achieve balanced medium-term finances for CoLP in a high inflationary environment, including appropriate local funding and capital financing strategies agreed with the Chamberlain / Corporation.
2. To ensure delivery of CoLP's major savings / mitigation plans - and help strengthen the evidence base for demonstrating Force efficiency and effectiveness.
3. To drive improved commercial / contractual outcomes – in particular by increasing recharges for funded work towards full cost recovery, unless there is a strong rationale for subsidisation.
4. To support the Business Planning process to transparently align CoLP's people and money resources to its policing demands and priorities (per Policing Plan).
5. To ensure the change portfolio is vigorously prioritised and sequenced in a way that is both affordable and deliverable – with change priorities being underpinned by robust business cases.

6. To provide timely and effective 'decision support' and 'strategic insight' for the Chief Officer Team and Police Authority.
7. To provide impactful strategic, financial and people leadership to the Force and Authority; building a high performing, high morale Finance team which, in partnership with the business, supports and enables Force-wide transformation (particularly with regard to financial capability and culture).
8. To support the vigorous management of key financial risks and opportunities to CoLP arising from the Police Funding Formula Review and other Government / national policing developments.

MTFP

As set out in the Q1 report, significant downstream pressure is created by the high pay awards combined with a methodology for allocating additional Home Office grant which heavily disadvantages the City - given that much of its workforce is funded through its national and other work. The PA Chair and Commissioner have written to Ministers to raise concerns on this and ask for reconsideration of the allocation mechanism for 24/25. CFO has also ramped up engagement with Home Office on the impact of 'flat cash' grant agreements for CoLP's national work in a high inflationary environment.

It is likely that these pressures will be absorbable during 23/24 while the Force is in the process of recruiting towards full staff establishment. It will though increase inherent deficit gaps in the MTFP, for which a comprehensive update – along with mitigation options – will be provided to the autumn Committee cycle.

More widely, the PACCTS and NPCC survey item on this agenda highlights a major challenge for Police finances nationally, with growing cash deficits arising from a combination of increasing debt, reducing reserves and budget cuts / pressures.

Commercial

Work is in progress to assess full cost for key areas of funded work and determine gaps from current charging levels along with strategies for bridging the gaps (to conform with the Income Strategy approved by PAB in February 2023). There has been a priority application of this work to the Funded Units, TfL and Bridge House Estates to support new agreements in those areas.

Home Office grants for National Lead Force work represent the biggest area of funded work. While, over the last few years, increases have been achieved, this has been in respect of new grants for new work requiring additional resourcing. Existing grants have largely been maintained on a 'flat cash' basis. While it is unlikely that Home Office will increase funding to the extent of achieving full cost recovery, the work being undertaken will enable CoLP to highlight the affordable level of resourcing within the available budgetary envelopes (though both parties would need to be aligned on impacts for grant deliverables / outcomes). The impact of the 2022 and 2023 pay awards alone on 'flat cash' grants would be to reduce the affordable level of resourcing by well over 10%. National and other funded work also puts significant additional demands on Corporate Services, as reflected in the Corporate

Services Review, so there also needs to be an appropriate element for overheads included in the funding.

The importance of this work to sustainable Police finances, particularly in a high inflationary environment, cannot be overstated. Regular updates will be provided to RREC on the progress of, and outcomes from, this work.

Change

Work is also in progress in partnership with the new CoLP Project Management Officer (PMO) Director to tie down change priorities and evaluate their capital and revenue implications as part of a development plan towards building robust business cases. As part of this, priorities for the use of the £1m 'seed fund' budget, to support feasibility work and business case development, are in the process of being agreed. While there is still some way to go, improvements in Project and Change Management will enable more informed capital budgets and medium-term capital plans to be submitted in future.

Savings / Mitigations

Per the Q1 report, while it is early in the year, the projection is that the £8.6m mitigation target will be achieved (noting some fluctuations between different elements of the plans).

CoLP Finance Team

A senior team of 2 Deputy CFOs and 5 Business Partners has bedded in and, in the CFO's opinion, is starting to make a big difference to CoLP financial management, reporting and insight. A wide range of legacy issues have or are being addressed, recognising full transformation is not a short-term venture and will require systems, process and cultural improvements to be fully effective.

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 demand is in excess of capacity given the high volume of work and exceptions for accounts payable, overtime, expenses, P'cards etc. Alongside the need to increase transactional capacity, Finance has been working closely with Management Teams to provide information and learning, to identify and address exceptions and improve compliance. Improvements are starting to flow as a result, though there is still some way to go. Strategic Finance Board and the Chief Officer Team (COT) is actively reviewing progress with invoices on hold, overtime spend and P'Card compliance on a monthly basis.

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 / PA 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.

Policing Funding Formula Review

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

Alistair Cook
Chief Finance Officer -CoLP
Head of Police Authority Finance