

Committee(s): Resources, Risks and Estates Committee Police Authority Board	Dates: 6 September 2023 20 September 2023
Subject: Q1 Revenue and Capital Monitoring Update – 2023/24	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	
Does this proposal require extra revenue and/or capital spending?	N
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 Pol 82-23	For Information
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Summary

This covering report accompanies a slide pack detailing the City of London Police’s revenue and capital monitoring position at quarter one (Q1) for 2023/24.

Revenue:

1. At the end of Q1 2023/24 both expenditure and income are forecast to be the £214m, resulting in a breakeven position (summarised in Slides 1-8), this compares to an original gross expenditure and income budget of £192.2m. The variance of £21.8m is mainly due to additional specific grants being received in year for National Fraud activities of which £18.2m is to support resourcing in other forces. Whilst the Q1 revenue outturn position is assessed to be breakeven, embedded within the forecast, are a number of assumptions and dynamic variables which makes forecasting difficult at this early stage in the budget cycle. Key among these are assumptions in respect to police officer and staff pay which have been impacted by decisions outside of the monitoring period to 30 June 2023.

Pay:

2. In July 2023, the Government announced a 7% pay award for Police Officers with effect from 1 September 2023. This is 4% higher than had been provided in the 2023/24 budget and unmitigated would represent a significant cost pressure in 2023/24 and beyond. While Home Office has committed additional grant funding (£330m in 23/24) with the intention of it funding 2023 officer and staff pay award impacts above 2.5%, the allocation mechanism for 23/24 (which

is in line with funding formula shares) significantly disadvantages the City given its diverse funding landscape (including £11.2m of Capital City and Precept grant funding as well as £50m+ of specific grants which support National Lead Force work and have been subject to 'flat cash' settlements over many years). In total these separate funding streams provide for approximately 30% of the workforce and an early assessment suggests that the additional grant allocation mechanism will add a further cost pressure of c.£0.75m this year and, if continued, £1.3m per annum to future years. The Police Authority Chair and Commissioner have written to raise concerns with Ministers, asking for reconsideration of the allocation formula for 24/25.

3. A further cost pressure arises from the decision to increase the London Allowance by £1,000 in response to Metropolitan Police taking this measure. The pressure is estimated to be £0.8m in 2023/24 (£1.4m full year effect). The intention is to identify additional CoLP mitigations in 24/25 and beyond to offset this pressure.
4. While additional budgetary provision has been made for a higher 2023 staff pay award than prior years, the outcome of the settlement is awaited and so will be properly impact assessed for the Q2 report.
5. The combination of these pay pressures are more containable this year while staff numbers are on a trajectory towards full establishment but, in the absence of inflation-linked grants / funding moving forwards, will add significant downstream pressure to the Police MTFP.
6. An Autumn MTFP update is being prepared which will incorporate the updated assumptions.

Uplift Maintenance:

7. The maintenance of police officer numbers remains a key risk for 2023/24 with £2m of ringfenced funding in 2023/24. The funding is dependent on the maintaining an officer headcount of 986 with Home Office measure points at the end of September 2023 and March 2024. The Force has also committed to recruit an additional 10 officer to assist with the achievement of national targets. For each additional post, the Home Office have agreed to provide £15,000 in September and £30,000 in March 2024. However, any shortfall against the 986 target in September and March will result in £40,000 being withheld from the ringfenced funding up to a maximum of 20 officers at each measurement point. Current projections (Slide 9) indicate that the 996-headcount target will be met but this will be closely monitored through internal governance processes.

In support of the Q1 monitoring position:

Slide 10 set out for information a number of budget adjustments which have been processed in Q1 to more accurately align the 2023/24 budget to outturn. The adjustments are reclassifications of income and expenditure and do not represent a change in scope activities. It is not envisaged that there will be any further adjustment so that the budget monitoring is reported against a consistent basis across Q1-Q4.

Slide 11 provides a breakdown of overtime in Q1 by business area, highlighting an indicative overspend of some £0.5m. Following a £2m overspend in 2022/23 measures have been implemented to control overtime but the outturn is also dependent on external events and the forecast will be developed each month accordingly.

Slides 12-13 provides an outturn summary for each of the business areas. The narrative highlights that whilst the Force is operating at officer uplift target levels the development of student officers means the allocation is heavily towards Local Policing, with vacancies in more specialist roles in other areas.

Slide 14 provides a breakdown of the Forces £8.6m mitigations target for 2023/24 and commentary on achievement. Current projections suggest that whilst in total the mitigations target will be met or exceeded there are some specific risks to fully realising all of the mitigations in 2023/24, particularly in relation to rank/ratio savings and the impact of pay awards on the ability to recover full cost from funded activities where grants are “cash flat”.

Slides 15-16 gives an overview of historic receipts from the Asset Recovery Incentivisation Scheme (ARIS), a forecast for 2023/24 of £0.5m and a schedule of Proceeds of Crime Act (POCA) funded revenue projects in 2023/24.

Slide 17 provides an update on the Forces reserves position including a planned £2.35m drawdown from the Proceeds of Crime Act (POCA) reserve for schemes which have been reviewed and approved by the Chief Officer Team.

Slide 18 details the forecast outturn against the £1m Police Authority Board Team budget for 2023/24. Overall the Q1 outturn forecast is expected to be to budget after allowing for potential Corporation recharges, hearing costs, some jointly funded work with the Force and some small grant giving activities.

Capital:

8. Capital expenditure in Q1 of 2023/24, to 30 June 2023, amounted to £577k (summarised in **Slide 19**. This comprises three main elements:

CoLP Capital Programme – projects developed and managed by CoLP, with a total budget of £24.8m, including £1.1m of Capital expenditure which slipped from the 2022/23 prior year programme. Whilst expenditure to the end of Q1 amounted to £256k, it is forecast that outturn spend for the year will be £21.3m, representing

a budget underspend of £3.5m, largely due to rephasing of £2.8m FCCRAS spend to 2024/25 and delivery of the horse box (£400k) also slipping to 2024/25.

Of the total expenditure at Q1 of £256k, £136k relates to FCCRAS which is lower than anticipated at this stage. This is mainly due to stage certification payments being behind schedule because of vetting delays and revisions to the Implementation Plan and Testing Strategy (£1.8m). In addition, invoices for consultancy costs were not received in Q1 (£0.3m). However, stage certification payments and invoices have largely caught up during Q2, which has resulted in the forecast of overall capital expenditure amounting to £21.3m by year end.

- **Slide 20** provides a breakdown of forecast CoLP capital spend against each project in 2023/24;
- **Slides 21-23** provide notes on variations to budget; and
- **Slide 24** provides a breakdown of how the capital spend will be funded.

Strategic projects – funded by the Corporation, comprising the Secure City Programme and the Accommodation Strategy. Expenditure to the end of Q1 of 2023/24 amounted to £305k.

Legacy projects – again funded by the Corporation, comprising a few legacy schemes which predate 2021/21 which are now nearly complete and due to be finalised. Expenditure to the end of Q1 of 2023/24 amounted to £16k.

- **Slides 25 and 26** provide further details on the strategic and legacy projects.

Supplementary Revenue Projects

9. In addition to the capital projects noted above, CoLP also undertakes projects which are deemed to be revenue in nature, referred to as Supplementary Revenue Projects. Expenditure to the end Q1 of 2023/24 amounted to £99k, with forecast outturn spend for 2023/24 amounting to £166k.

- **Slide 27** provides a breakdown of spend against each SRP in 2023/24; and
- **Slide 28** provides a breakdown of how the SRP forecast outturn spend is to be funded.

Next steps

10. The last Strategic Change Board on 27 June approved a summary of CoLP projects to take forward, categorising them as either projects 'to continue', 'to start' or 'pause/to assess'. Work is now required to determine the scope and costs of each project, as well as the deliverability of all projects. Both the one-off costs of implementation and the ongoing revenue costs will need to be established for each project, which will allow consideration of affordability from available CoLP funding. Subject to the assessment of affordability, further prioritisation maybe required. Once a project is approved to go ahead, both the

one-off implementation costs and the ongoing revenue costs will require inclusion in updated revenue and capital MTFPs.

11. As the picture emerges of the projects approved to proceed, the slides attached to this report will be further developed to include the one-off implementation costs of those projects, their phasing where over more than one year, and how those costs will be financed.

Recommendations

Members of the Board are asked to note:

- i. the revenue and capital monitoring position at Q1 and forecast outturn for 2023-24 as set out in this covering report and accompanying slide pack; and
- ii. the next steps, which will require the cost implications of further project prioritisation at CoLP to be included in this capital monitoring report, as well as inclusion in updated capital and revenue MTFPs.

Appendices

Q1 revenue and capital monitoring 2023/24 slide pack (of 28 slides as referred to in this covering report).

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