

<b>Committee(s):</b> Resources, Risks and Estates Committee (RREC) Police Authority Board (PAB)	<b>Dates:</b> 27 November 2023 13 December 2023
<b>Subject:</b> Revenue and Capital Budget Monitoring Update – Q2 2023/24	<b>Public</b>
<b>Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?</b>	
<b>Does this proposal require extra revenue and/or capital spending?</b>	<b>N</b>
<b>If so, how much?</b>	<b>N/A</b>
<b>What is the source of Funding?</b>	<b>N/A</b>
<b>Has this Funding Source been agreed with the Chamberlain’s Department?</b>	<b>N/A</b>
<b>Report of:</b> Commissioner of Police Pol 136-23	<b>RREC - For Information PAB – For Decision</b>
<b>Report author:</b> Chief Finance Officer & Deputy CFOs	

### Summary

This covering report accompanies a slide pack detailing the City of London Police’s revenue and capital budget monitoring position at quarter two (Q2) for 2023/24.

#### **Revenue:**

At the end of Q2 2023/24 both expenditure and income are forecast to be the £214.7m, resulting in a breakeven position (summarised in Slide 1-11), this compares to an original expenditure and income budget of £189.8m. The variance of £24.9m is mainly due to additional specific grants being received in year for National Fraud activities (£20.9m) of which £19.5m is to support resourcing in other forces and £2.4m of Home Office funding to support the increase in officer and staff pay. As at Q1, whilst the Q2 revenue outturn position is assessed to be breakeven, embedded within the forecast, are a number of assumptions and dynamic variables which may impact to the final outturn position.

#### **Pay:**

In line with other Police Forces, the budget and Medium Term Financial Plan (MTFP) for 2023/24, assumed a 3% pay increase for officer and 2% for staff. Against this backdrop, the Government in July 2023 announced a 7% increase in police officer pay for the majority of officers from 1 September 2023. For CoLP this is a £1.7m cost pressure above plan. Whilst, the Home Office has announced £330m of additional funding to mitigate the impact of both an officer and staff pay awards above a baseline 2.5% increase. The Force’s share of the grant in 2023/24 has been confirmed as £2.4m. The funding distribution methodology, however, is based on current core grant allocations which excludes £11.3m of Capital City and Precept grant funding as well

as £50m of specific grants which support National Lead Force activities. In total this funding provides for approximately 30% of the workforce and an early assessment suggests that allocating the grant in line with funding formula shares will add a further cost pressure of c.£0.75m this year and, if continued, £1.3m per annum to future years. A representation has been made to the Secretary of State in relation to the funding distribution methodology.

Over and above the national pay award, a further £0.5m cost pressure has arisen due to an £1,000 increase in the London Allowance mirroring the Metropolitan Police Service's decision to enhance police officer pay. Whilst it is considered that the 2023/24 pressure of wage price inflation can be met through in year savings - principally staff vacancies – the full year impact of an increase in the London Allowance is some £1.1m, which taken together with the pay pressures highlighted above presents a significant Medium-Term Financial Plan (MTFP) risk as the staff numbers move on a trajectory towards full establishment.

The Autumn MTFP update which is also on the agenda incorporates these updated assumptions.

### **Uplift Maintenance:**

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 officers 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. The September 2023 target was met, and current projections (Slide 11) indicate that the 996-headcount target will be achieved on 31 March, but this will be closely monitored through internal governance processes.

### **Action Fraud Contact Centre:**

The Q2 forecast includes a £1.1m risk of overspend in relation to the Action Fraud Contact Centre. This overspend position is mainly due to the ongoing impact of inflation and other costs pressures and the corresponding effect on affordability where funding agreements are cash flat, combined with improved recruitment outcomes taking staffing numbers up to and at times above expected levels. £1.1m is expected to be a worst-case call on core 'central' funding, with mitigations, including seeking further grant cover, being pursued. The overspend risk is limited to 23/24.

In support of the Q2 monitoring position:

**Slide 12** provides a breakdown of overtime in Q2 by business area, highlighting an indicative overspend of some £0.7m. 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 13-15** provides an outturn summary for each of the business areas. The narrative highlights that whilst the Force is operating at headcount target levels the development of student officers means the allocation is heavily towards Local Policing, with vacancies in other areas.

**Slide 16** 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 Action Fraud costs, 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 17-19** 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 approved Proceeds of Crime Act (POCA) funded revenue projects and expected spend in 2023/24. A summary of the benefits and outcomes of the POCA funded initiatives will be provide during Q3-Q4 2023/24.

**Slide 20** provides an update on the Forces reserves position including a planned £2.9m drawdown from the Proceeds of Crime Act (POCA) reserve for schemes which have been reviewed and approved by the Chief Officer Team and a proposed £2.6m drawdown from the General Reserve to repay the remaining balance on the Action Fraud loan (£2m) and the ULEZ vehicle replacement loan (£0.6m).

**Slide 21** details the forecast outturn against the £1m Police Authority Board Team budget for 2023/24. Overall the Q2 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:**

Capital expenditure in Q2 of 2023/24, to 30 September 2023, amounted to £4.8m (summarised in **Slide 22**. This comprises three main elements:

1. **CoLP Capital Programme** – projects developed and managed by CoLP, with a total budget of £25.2m, including £1.4m of Capital expenditure which slipped from the 2022/23 prior year programme. Capital expenditure to the end of Q2 amounted to £4.0m and it is forecast that outturn spend for the year will be £21.7m, representing a budget underspend of £3.4m, 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 Q2 of £4.0m, £3.8m relates to FCCRAS which is marginally lower than anticipated at this stage but is an acceleration from the £136k spent at Q1 due to stage payments and invoices having largely caught up during Q2.

- **Slide 23** provides a breakdown of forecast CoLP capital spend against each project in 2023/24;
  - **Slides 24-26** provide notes on variations to budget; and
  - **Slide 27** provides a breakdown of how the capital spend will be funded.
2. **Strategic projects** – funded by the Corporation, comprising the Secure City Programme and the Accommodation Strategy. Expenditure to the end of Q2 of 2023/24 amounted to £641k.
  3. **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 Q2 of 2023/24 amounted to £105k.
    - **Slides 28 and 29** provide further details on the strategic and legacy projects.

### **Supplementary Revenue Projects**

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 Q2 of 2023/24 amounted to £144k, with forecast outturn spend for 2023/24 amounting to £178k.

- **Slide 30** provides a breakdown of spend against each SRP in 2023/24; and
- **Slide 31** provides a breakdown of how the SRP forecast outturn spend is to be funded.

### **Capital / projects next steps**

A separate report is on your agenda today setting out that significant work is underway to formalise and professionalise the approach to project management within CoLP including the introduction of a tested and robust prioritisation process, a comprehensive assessment phase to fully understand requirements and an upskilling of existing capabilities to support.

This will provide confidence in the delivery of change, a comprehensive and collective understanding of financial planning and spend, alongside a greater understanding and mitigation of risk and demands to inform the direction of CoLP.

As the picture emerges of the projects approved to proceed, the slides attached to this report will be updated 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 Q2 and forecast outturn for 2023-24 as set out in this covering report and accompanying slide pack; and

Member of the Police Authority Board are asked to:

- ii. ii) approve the proposal to apply £2.6m of the General Reserve to repay the remaining balance on the Action Fraud loan (£2m) and ULEZ vehicle replacement loan (£0.6m).

## **Appendices**

2023/24 Q2 revenue and capital monitoring slide pack (of 31 slides as referred to in this covering report).

## **Contact**

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