

Committee(s): Resources, Risks and Estates Committee (RREC) Police Authority Board (PAB)	Dates: 05/02/2024 07/02/2024
Subject: Revenue and Capital Monitoring Update – Q3 2023/24	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 Pol 11-24	Information
Report author: Chief Finance Officer & Deputy CFOs	

Summary

This covering report accompanies a slide pack detailing the City of London Police’s revenue and capital monitoring position at quarter three (Q3) for 2023/24.

Revenue:

1. At the end of Q3 2023/24 both expenditure and income are forecast to be the £214.4m, resulting in a breakeven position (summarised in Slide 1-11), this compares to an original expenditure and income budget of £189.9m. The variance of £24.5m is mainly due to additional specific grants being received in year for Lead Force activities, (£20.4m) of which £19.4m is to support resourcing in other forces, £2.9m of Home Office funding to support officer and staff pay increases. As at Q2, whilst the Q3 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:

2. 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.

3. In addition to 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 underspends - principally staff vacancies due to in-year structural factors – 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.

Uplift Maintenance:

4. 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 has 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 at 31 March but this will be closely monitored through internal governance processes.

Action Fraud Contact Centre:

5. As Members may recall the Q2 forecast included a £1.1m risk of overspend in relation to Action Fraud Contact Centre staffing. This overspend was largely 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. Whilst an overspend is still forecast at Q3, it is now expected that the overspend on 'central' resources will reduce to £0.7m. This will be monitored closely for the remainder of 2023/24. This overspend will mainly be limited to 2023/24, however there is some risk for 24/25 given the current programme replanning exercise (for which a risk provision has been built into the proposed budget – separate item on this agenda).

In support of the Q3 monitoring position:

- **Slide 12-13** provides a breakdown of overtime in Q3 by business area, highlighting an indicative overspend of some £097m. 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 14-16** 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 17** provides a breakdown of the Force's £8.6m mitigations target for 2023/24, commentary on achievement and sustainability. 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 18-20** 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 at a future meeting of this Committee.
- **Slide 21** provides an update on the Force's reserves position including a revised drawdown from the Proceeds of Crime Act (POCA) reserve £2.6m (Q2: £2.9m) 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 22** details the forecast outturn against the £1m Police Authority Board Team budget for 2023/24. Overall the Q3 outturn forecast is expected to an underspend of £265k, after allowing for potential hearing costs, some jointly funded work with the Force and some small grant giving activities, which the PAB Team has been trialling for the first time. This is mainly due to an ongoing vacancy in the team and underspends on supplies and services budgets as policy priorities are developed and refined.

Capital:

Capital expenditure at CoLP comprises three main elements:

6. **CoLP Capital Programme** – comprising projects developed and managed by the Force, which are either funded directly from the Force's own resources, from Home Office funding or via a City Corporation loan facility capped at £5m per annum.

The total CoLP Capital Programme budget for 2023/24 totals £25.344m. The forecast outturn for the year is £18.609m, which represents an underspend of £6.735m. The forecast comprises actual spend to 31st December (Q3) of £9.485m, commitments of £0.769m and further forecast spend of £8.246m by year end.

The underspend is largely due to rephasing of FCCRAS milestones of £4.639m to 2024/25. The underspend is also partly due to delayed use of the prioritisation and feasibility funding provision (£0.829m), a delay to the Power BI project (£0.430m) and the delivery of the horsebox (£0.400m).

7. **Strategic projects** – funded by the Corporation, comprising the Secure City Programme and the Accommodation Strategy (Decant Programme). Expenditure to the end of Q3 of 2023/24 amounted to £870k.
8. **Legacy projects** – again funded by the Corporation, comprising a few legacy schemes which are now nearly complete and due to be finalised. Expenditure to the end of Q3 of 2023/24 amounted to £320k.

In support of the Q3 capital monitoring position:

- **Slide 23** provides a summary of the monitoring headlines at Q3;
- **Slide 24** provides a breakdown of forecast CoLP capital spend against each project in 2023/24;
- **Slides 25-26** provide notes on variations to budget;
- **Slide 27** provides a breakdown of how the capital spend will be funded;
- **Slides 28-29** provide a breakdown of CoLP capital projects underway and the phasing of expenditure across all years through to their completion; and
- **Slide 30** provides further details on the strategic and legacy projects.

Monitoring of the Capital Programme

Capital expenditure and project delivery progress will be reported each quarter to the Resources, Risks & Estates Committee and the Police Authority Board.

Recommendations

Members of the Resources, Risks & Estates Committee and the Police Authority Board are asked to note the revenue and capital monitoring position at Q3 and forecast outturn for 2023-24 as set out in this covering report and accompanying slide pack.

Appendices

2023/24 Q3 revenue and capital monitoring slide pack (of 30 slides as referred to in this covering report).

Contact

Alistair Cook
Chief Financial Officer
alistair.cook@cityoflondon.police.uk