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Committee(s)	Dated:
Police Committee – For decision	18/01/2017
Subject: Revenue and Capital Budgets – 2017/18	Public
Report of: The Chamberlain The Commissioner	For Decision
Report author: John James, Chamberlains Michelle King, City of London Police	

Summary

This report is the annual submission of the revenue and capital budgets overseen by your Committee. In particular it seeks approval to the latest revenue budget for 2016/17 and the provisional revenue budget for 2017/18, for subsequent submission to the Finance Committee. Details of the Committee’s draft capital budget are also provided. The budgets have been prepared within the parameters of the draft Medium Term Financial Plan (MTFP) Report considered by your Committee and the Policy and Resources Committee in December 2016 updated for the Government’s announcement of the provisional police funding settlement for 2017/18 in December.

The draft MTFP indicated that there was a revenue funding shortfall of £0.2m in 2017/18. This was after allowing for mitigating actions including; the relaxation of the reserve threshold of £4m, funding from the City for the budgeted revenue contribution to capital of £1.4m and the application of the additional £2m headroom on the business rate premium. The provisional police funding settlement is a flat rate decrease of 1.4% in cash terms in core grant funding. This equates to a £0.7m reduction in core grant for the City of London Police increasing the revenue funding shortfall in 2017/18 to £0.9m. The City is also funding additional IT costs and increased pension costs across the Corporation for which the police's share is £1.6m p.a. bringing the total of additional support in 2017/18 to £5.9m. Members should also note that the proposed budget for 2017/18 includes a cashable savings of £1.2m (£3.6m across the MTFP period). A report will be submitted to your Committee in May outlining the options for achieving savings in-year, with progress reported to Members on a regular basis as part of the periodic budget monitoring.

As the Police general reserve will be completely exhausted by 31 March 2018 the City Fund will effectively be providing the Police with reserve cover for the revenue shortfall pending the outcome of the demand and value for money review due to be completed by the end of April.

The capital programme, which includes indicative costs for pipeline projects which have not yet received authority to start work, indicates a funding shortfall of some £11.4m over the four year period 2016/17 to 2019/20 where cost estimates have risen in relation to Capital Programme pipeline projects. Approval has been received in principle to the use of City capital resources to finance this shortfall and the City Fund draft medium term financial plan assumes that this will be accommodated. It is proposed that the allocation of funding to specific projects will be decided on a case

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by case basis by the Resource Allocation Sub Committee on the basis of recommendations from the Priority Board, the officer group created to provide a more holistic approach to the allocation of project finance. If RASC agree funding the projects will progress through the Corporation's gateway approval process.

Recommendations

Members are asked to:

- Note the latest 2016/17 revenue budget.
- Review the provisional 2017/18 revenue budget to ensure it reflects the Committee's objectives and, if so, approve the budget for submission to the Finance Committee.
- Review and approve the draft capital and supplementary revenue budget.
- Note the proposed governance arrangements over the allocation of City Fund resources to finance Police capital and supplementary revenue projects.
- Note a further report will be submitted to committee in May on the plans to address the rise in Police staff numbers and also to achieve the proposed cashable savings of £3.6m over the MTFP period.
- Authorise the Chamberlain to revise these budgets for the re-phasing of the Action Fraud cash flow advance and repayments, the revenue implications of the Police Accommodation Strategy, and funding of the capital budget.
- Note a report on the results of the Demand and Value for Money will be presented to Members before the Summer recess.

Main Report

Background

1. In response to the deteriorating financial position outlined in the draft Medium Term Plan (MTFP) presented to the Police and Policy and Resources Committees in December, Members agreed a number of mitigating actions to reduce the deficit over the short term. Actions to address deficits arising in later years were deferred pending the conclusion of a demand and value for money review. Specifically Members agreed to:-
 - i. recommend to the Court of Common Council the relaxation of the reserve threshold of £4m and approve the use of reserves in 2016/17 totalling £2.6m and 2017/18 totalling £1.5m;
 - ii. agree that the City should meet the revenue contribution to fund capital schemes already budgeted for in 2017/18 and 2018/19 of £1.4m and £1m respectively and that the additional headroom on business rate premium is applied to help meet the increased budget pressures;
 - iii. agree in principle the use of City capital resources to finance the Police capital programme in future, subject to a further report; and
 - iv. agree the revision of current vacancy factors and efficiency targets within the force as an efficiency option over this MTFP, pending outcome of external review.
2. In addition to the support outlined above the Corporation will be providing additional resources to meet current pressures on the IT service across the

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Corporation including the Police. The estimated cost of the Police element is £0.9m in 2016/17 and £1.1m p.a. from 2017/18. The additional cost of the increase in employer's pension contribution rate is also being met centrally which for police from 2017/18 is an estimated cost of £0.5m p.a.

Latest Revenue Budget 2016/17 and Proposed Revenue Budget for 2017/18

3. After mitigating actions the draft MTFP indicated that there was a revenue funding shortfall of £0.2m in 2017/18. The announcement in the provisional police funding settlement of a flat rate decrease in core grant of 1.4% in cash terms has increased the shortfall by £0.7m to £0.9m.
4. The latest revenue budget for 2016/17 and the provisional revenue budget for 2017/18 have been prepared within the above parameters. This assumes that recommendation (i) was agreed by the Court on the 12 January.
5. As noted in December, external factors have created most of the pressures within the force budgets. In particular, global terrorism issues have forced the Chief Officer team to consider reversing policy decisions on Police Officer numbers to ensure capability and resilience.
6. The revenue budgets are summarised in the table below. Further details are provided in appendices 1 to 3. Income and favourable variances are presented in brackets.

Revenue Budgets

	Original Budget 2016/17 £m	Latest Budget 2016/17 £m	Proposed Budget 2017/18 £m
Expenditure	109.4	114.6	112.9
Income	(50.6)	(53.2)	(48.9)
Total Net Expenditure	58.8	61.4	64.0
Funded by:			
Core Grant	(52.1)	(52.1)	(51.4)
Premium	(6.7)	(6.7)	(8.8)
City Fund resources agreed to fund revenue contribution to capital	0.0	0.0	(1.4)
Resources (Cash Limit)	(58.8)	(58.8)	(61.6)
Funding Gap	0.0	2.6	2.4
Transfer from Reserves	0.0	(2.6)	(1.5)
Net Funding Gap (cover required from City Fund)	0.0	0.0	0.9

7. The proposed budget for 2017/18 includes a cashable savings target against expenditure of £1.2m (£3.6m across the MTFP period). There are limited opportunities in 2017/18 to make in year savings against the front line police officer budgets without impacting adversely on the delivery of key policing plan objectives. But the proposed rise in police staff numbers shown in Appendix 2 will be subject to further scrutiny as part of the exercise to identify in-year savings which will be reported to Committee in May.

2016/17 Forecast Outturn

8. It is anticipated that the outturn for the current year will be broadly in line with the latest budget. Should the final position prove more favourable then any benefit will be carried forward to 2017/18 and reduce the requirement for City support in that year. Conversely any deterioration in the current year will increase this requirement.

Draft Capital and Supplementary Revenue Budgets

9. The latest estimated costs for the Committee's draft capital and supplementary revenue projects over the four year period 2016/17 to 2019/20 are summarised in Appendix 4. This excludes the budget for the Police Accommodation Strategy. The estimated overall cost of the Police Accommodation Strategy is £108.8m, excluding any potential additional costs of the revised tower, with expected receipts of c£72m this leaves a funding gap of some £36.8m to be funded centrally. Although this funding gap should be considered in the context of the estimated £50m spend that would be required to address backlog maintenance and ongoing revenue repairs if the Police were to remain in occupation of the present estate.
10. Costs which have been approved through the Corporation's gateway process are set out in table 1 of Appendix 4 together with available funding. Assuming the Home Office general capital grant is allocated in full to expenditure approved to date and that it continues at the current rate of £0.4m p.a. there should be more than sufficient funding available over the four year period to meet approved costs, albeit with peaks and troughs in individual years.
11. The indicative costs of pipeline projects which have not yet received authority to start work are set out in table 2 of Appendix 4. Whilst it is anticipated that there will be some specific funding available there remains a significant overall shortfall of around £11.4m where cost estimates have risen in relation to pipeline projects. This is an issue particularly on national and local programmes over which the Police have limited control. It should be noted that this figure may change as further detailed work is undertaken for example on elements of the Ring of Steel Programme which has been re-scoped.
12. Approval has been received in principle to the use of City capital resources to finance the shortfall in funding and provision has been included in the City Fund draft medium term financial plan.
13. Governance arrangements for the allocation of this funding to specific projects now need to be put in place. It is proposed that the allocation of funding to specific projects will be decided on a case by case basis by the Resource Allocation Sub Committee on the basis of recommendations from the Priority Board, the officer group created to provide a more holistic approach to the allocation of project finance. Any requests for funding will need to demonstrate why the project cannot be funded from other sources such as the Proceeds of Crime (POCA) reserve. If RASC agree funding, the projects will progress through the Corporation's gateway approval process.

Reserves

14. The general reserve will be fully utilised by 2017/18. The POCA reserve is expected to reduce from £3.6m to £2.6m by 31 March 2018.
15. The POCA reserve is funded by receipts from the Asset Recovery Incentivisation Scheme (ARIS) which is a mechanism for returning to law enforcement agencies a proportion of the assets they recover. ARIS therefore incentivises law enforcement agencies to boost asset recovery by giving them a direct stake in the proceeds they generate from that work. The monies returned can be used for a number of purposes in the context of reducing harm including community project funding. Throughout the year the Force assesses priorities appropriate for funding through ARIS and allocates such funding through the Strategic Finance Board. In 2016/17 the force funded priorities amounting to £1m for Tactical Firearms Body Worn Video and to fund the initial phase of CCCI thereby reducing the available funds in the POCA reserve from £3.6m to £2.6m.

Potential Further Budget Developments

16. The provisional nature of the budget recognises that further revisions may be required, particularly in relation to:
- i. the Action Fraud Service – the revenue budget presented in this report excludes the revenue implications of the cash flow assistance the City Fund is providing in relation to IBM's significant mobilisation costs. Amounts advanced (£6.5m) are due to be repaid from savings generated over the lifetime of the contract. As reported to Committee in December the budget and re-payment profile is subject to review;
 - ii. the revenue implications of the Police Accommodation Strategy;
 - iii. the final police funding settlement due in January 2017; and
 - iv. a further report on in-year savings options and the demand and value for money review.

Appendices

- Appendix 1 – 2016/17 Latest Revenue Budget and 2017/18 Proposed Revenue Budget
- Appendix 2 – Employee Statement
- Appendix 3 – Support Services and Capital Charges
- Appendix 4 – Draft Capital and Supplementary Revenue Projects

Background Papers

Draft Medium-Term Financial Plan up to 2019/20 Police Committee 15/12/16

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Revenue Budgets 2016-17 to 2017-18

	Original Budget 2016-17 £m	Latest Budget 2016-17 £m	Proposed Budget 2017-18 £m
Expenditure			
Employees	80.0	81.7	84.7
Premises	3.1	3.5	3.1
Transport	1.3	1.9	1.3
Supplies and Services	13.3	13.2	13.0
Third Party Payments	7.0	9.8	7.0
Revenue Contribution to Capital	1.0	1.0	1.4
Central Support Services & Capital Charges	3.6	3.4	3.5
Charges across Funds	0.1	0.1	0.1
Cashable savings target (non-pay)	0.0	0.0	(1.2)
Total Expenditure	109.4	114.6	112.9
Income			
Government Grants	(36.3)	(37.8)	(35.5)
Other Grants, Reimbursements & Contributions	(13.3)	(14.0)	(12.4)
Customer, Client Receipts	(1.0)	(1.4)	(1.0)
Total Income	(50.6)	(53.2)	(48.9)
Net Expenditure before transfer from Reserves	58.8	61.4	64.0
Funded by:			
Core Grant	(52.1)	(52.1)	(51.4)
Premium	(6.7)	(6.7)	(8.8)
City Fund resources agreed to fund revenue contribution to capital	0.0	0.0	(1.4)
	(58.8)	(58.8)	(61.6)
Deficit	0.0	2.6	2.4
Transfer from Reserves	0.0	(2.6)	(1.5)
Total Net Expenditure	0.0	0.0	0.9
Estimated General Reserve at 31 March	(4.1)	(1.5)	0.0

Employee Statement

	Original Budget 2016-17		Proposed Budget 2017-18	
	Manpower Full-time Equivalent	Estimated Cost £m	Manpower Full-time Equivalent	Estimated Cost £m
Direct Employee Costs				
Police Officers	700	43.5	735	44.5
Police Staff	385	18.5	468	22.3
Sub-total Direct Employee Costs	1,085	62.0	1,203	66.8
Indirect Employee Costs				
Top-up contribution to Police Pension Fund (offset by Home Office Grant)	-	14.7	-	14.7
Injury Benefits	-	0.6	-	0.6
Other indirect costs (training etc)	-	2.7	-	2.6
Sub-total Indirect Employee Costs	-	18.0		17.9
Total Police Committee	1,085	80.0	1,203	84.7

	Police Officers FTE	Police Staff FTE
2016/17 Original Budgeted Establishment	700	385
Removal of vacancy factor target	10	25
Reinstatement of efficiencies	20	40
Additional posts	5	18
2017/18 Budgeted Establishment	735	468

Support Services & Capital Charges from/to Police Committee	Original Budget 2016/17 £'000	Latest Budget 2016/17 £'000	Original Budget 2017/18 £'000	Note Ref
Support Services and Capital Charges				
City Surveyor's Employee Recharge	183	183	183	
Insurance	507	407	414	(i)
IT Recharges – Chamberlain	427	380	423	
Capital Charges	3,104	3,200	3,710	
Capital Contras	(3,104)	(3,200)	(3,710)	
Notional capital charges	68	68	64	
Admin Buildings	1,075	984	1,153	(ii)
Support Services	1,298	1,282	1,269	(iii)
Total	3,558	3,304	3,506	
Recharges Within Fund				
Licence fees – Port Health & Environmental Services Committee	18	18	18	
Total	18	18	18	
Recharges Across Funds				
Heating Recharge - Finance - Guildhall Admin	90	90	90	
Remembrancer's Recharge - Policy & Resources - City's Cash	22	22	22	
Total	112	112	112	
TOTAL POLICE COMMITTEE	3,688	3,434	3,636	

Notes:

- (i) Savings achieved through re-tendering
- (ii) Share of Guildhall premises costs based on floor area, variations reflect the phasing of the cyclical works programme
- (iii) Support Services covers charges from the Chamberlain, Comptroller and City Solicitor, Town Clerk and City Surveyor's departments.

Table 1: Approved Capital and Supplementary Revenue Budgets

	Exp. Pre 01/04/16	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Approved Expenditure						
<u>Pre-implementation¹</u>						
Tactical Fire Arms Unit Body Worn Video		3				3
Fraudulent ID Documents Database		4				4
ESMCP	138	341				479
ROS - CCTV Barbican area	2	2				4
ROS - River Cameras		30				30
<u>Authority to start work granted</u>						
ICT support to CCCI functions			2,633	637		3,270
Joint Network refresh	115	20	1,037			1,172
HR Origin upgrade to R12	99	44	55			198
Mobile technology	341	(23)				318
Vehicle purchases	170	322				492
ROS - IMS/DRS (back office)	57	25	683			765
ROS - ANPR camera replacement		163				163
Sub-total approved expenditure	922	931	4,408	637	0	6,898
Approved Funding						
Specific Projects						
Proceeds of Crime Funds						
- allocated to ICT support to CCCI functions			(951)			(951)
- allocated to Tactical Fire Arms Unit Body Worn Video		(3)				(3)
- allocated to ROS - CCTV Barbican area	(2)	(2)				(4)
Police Innovation Fund						
- Fraudulent ID Documents Database		(4)				(4)
Police Accommodation Strategy						
- ROS - ANPR camera replacement		(163)				(163)
General Support						
Home Office Capital Grant	(920)	(400)	(400)	(400)	(400)	(2,520)
Home Office Capital Grant 2015/16 - Unapplied		(122)				(122)
Revenue Contribution		(1,000)	(1,378)	(1,000)		(3,378)
Sub-total approved funding	(922)	(1,694)	(2,729)	(1,400)	(400)	(7,145)
Net Funding Shortfall/(Surplus)	0	(763)	1,679	(763)	(400)	(247)

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1. Pre-implementation costs comprise feasibility and option appraisal expenditure which has been approved in accordance with the project procedure, prior to authority to start work.

Table 2: Pipeline Capital and Supplementary Revenue Projects

	Exp. Pre 01/04/16	2016/17	2017/18	2018/19	2019/20	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Pipeline Projects <u>Indicative implementation costs for projects which have not yet received authority to start work</u>						
Tactical Fire Arms Unit Body Worn Video		82				82
Fraudulent ID Documents Database		521				521
ESMCP			4,000	4,531		8,531
Data Network refresh		143				143
Infrastructure refresh IL4			150			150
Unified Communications		18	175			193
Intranet upgrade			100			100
HR Origin upgrade to R12				30		30
Forensics Digital Laboratory			38	32	40	110
TFG Tasers and ancillary equipment			50	50	50	150
Payroll and Duty Management System			300	200		500
Vehicle purchases, future years			298	250	250	798
ROS - River Cameras			453	453	452	1,358
ROS - ANPR camera replacement		80				80
ROS - IMS/DRS			357			357
Sub-total indicative implementation costs for pipeline projects		844	5,921	5,546	792	13,103
Indicative funding for specific pipeline projects						
Proceeds of Crime Funds - allocated to Tactical Fire Arms Unit Body Worn Video		(82)				(82)
Police Innovation Fund - Fraudulent ID Documents Database		(521)				(521)
On-Street Parking Reserve contribution to ROS - IMS/DRS			(300)			(300)
Bridge House Estates contribution to Ring of Steel (river cameras/IMS/DRS)			(581)			(581)
Sub-total indicative funding for pipeline projects	0	(603)	(881)	0	0	(1,484)
B Net Funding Shortfall for pipeline projects	0	241	5,040	5,546	792	11,619
A + B Overall Funding Shortfall/(Surplus)	0	(522)	6,719	4,783	392	11,372