

City of London Police Income Strategy

Introduction

1. The City of London Police receives funding, generates income and recovers costs from several sources. The Force's high level aim is to maximise income and recover the full economic cost of providing services wherever possible to contribute towards and support the delivery of the Force's operational priorities as set out in its Policing Plan.
2. Pursuit of this aim is especially key given the ongoing effects of declining budgets and increasing demand on resources. However, whilst this is the overall aim, any approach to income generation, setting fees and cost recovery should be flexible as this is a complex area which must compliment the Force's strategic objectives. For example, a reduced charge could be considered appropriate to subsidise an initiative and thereby encourage its success, because this is key to the Force achieving its wider policy goals.
3. The purpose of this Income Strategy is to ensure that the Force identifies all potential sources of income, maximises them where appropriate and that proper controls are in place to manage income generation, set prices and recover costs.

Strategy Objectives

4. The objectives of this Income Strategy are as follows:
 - Maximise income generation within the appropriate legal framework;
 - Adopt full economic cost recovery where possible, including appropriate allocations of indirect and overhead costs;
 - Consider comparability with other forces pricing and cost recovery;
 - Ensure that prices and the recovery of costs compliments the Force's operational objectives;
 - Consider the nature of the demand for the service and any competition when setting prices;
 - Ensure prices and the recovery of costs is in line with annual inflation, unless it is reasoned that this is not appropriate;
 - Consider and reflect national police guidance relating to income generation; and
 - Ensure a consistent process and governance structure is in place for managing income generation, setting prices and the recovery of costs.

Sources of income to police forces

5. The different types of income generation activity the Force is able to engage in are categorised below:
 - Bids and Grants;
 - Sponsorship / Commercial Partnerships
 - Charitable Trusts
 - Charging for Services, Supplies and Products; and
 - Special Police Services

National Guidance

6. The opportunities, risks and processes involved in each specific area of income generation are explored in depth in '***A Guide to Income Generation for the Police Service in England, Wales and Northern Ireland***' published by the Association of Chief Police Officers of England, Wales & Northern Ireland (ACPO) and endorsed by the Chartered Institute of Public Finance and Accountancy. APCO was replaced in 2015 by the National Police Chiefs Council (NPCC) which has since published specific advice on cost recovery titled '***National Policing Guidelines on Charging for Police Services***'. For more detailed guidance on the provision of Mutual Aid under Section 24 of the Police Act 1996 to other forces, please refer to the dedicated '***National Policing Guidelines on Charging for Police Services: Mutual Aid Cost Recovery***'.
7. The ability to charge for police services is generally determined by statutory provisions. The guidance issued by the NPCC covers the four main areas:
 - The provision of Special Police Services at the request of any person under [Section 25 of the Police Act 1996 \(as amended\)](#) which makes such services subject to payment of charges as determined by the PCC. Special police services generally relate to policing an event, e.g., a pop concert, or series of events, e.g., football matches;
 - [Section 26 of the 1996 Act](#) applies similar requirements to the provision of police services above but applies where they are delivered overseas;
 - [Section 15 of the Police Reform and Social Responsibility Act 2011](#) extends to PCCs the powers of the Local Authorities (Goods and Services) Act 1970 to supply goods and services to other bodies or persons. This may include services provided in competition with other providers, e.g., training or vehicle maintenance, where charges will reflect market rates, or services as a by-product of core police activity such as provision of collision reports; and
 - The provision of police services to other agencies such as the Home Office Immigration Enforcement (HOIE) or H.M Prison and Probation Service (HMPPS);
8. The NPCC guidance also provides a costing methodology and guidance on charging policy, both of which have been followed within this CoLP Income Strategy. The methodology can be used for calculating 'full economic' cost as well as 'total employable' and 'total direct' costs.
9. Application of the costing methodology at CoLP for 'Funded units, specific grants, commercial activity and partnerships' is set out in the section below titled 'Operational Charging Position', paragraphs 16 to 23. This section also sets out the 'Fees and Charges' to be levied by CoLP in 2023/24, paragraphs 24 to 32. In addition to the guidance set out in the Income Strategy, the national guidance set out in paragraph 6 should be referred to when setting charges. The national guidance is extensive, providing specific advice on charging in each area of police activity in the UK.

Current CoLP income streams

10. The CoLP funding landscape is complex and diverse, with total budgeted income amounting to £193.7m in 2023/24. An income breakdown is provided at Appendix 1, which is summarised in the table below. It should be noted that the City of London Corporation (CoLC) provides income to CoLP as shown in the table (£27.5m BRP plus other funding of £0.7m), but the sum actually received (£24.3m in 2023/24) is after deducting capital financing charges payable by CoLP to CoLC (£3.9m in 2023/24).

Table 1 - Draft Income Budget 2023/24	£m
Government core grant (para 11)	76.7
Other Government grants (para 11)	69.8
Business Rates Premium (BRP) (from CoLC) (para 12)	27.5
Other CoLC funding (para 12)	0.7
Partnerships (para 13)	13.7
Fees and charges (para 14)	3.5
Use of POCA and other ear marked reserves (para 15)	1.8
Total Income Budget 2023/24 (before capital financing charges)	193.7
Less capital financing charges (charged by CoLC and deducted at source from the funding it provides to CoLP)	(3.9)
Total Funding 2023/24 (after capital financing charges)	189.8

11. CoLP funding primarily comes from its core grant from the Government, amounting to £76.7m for 2023/24 (39.6% of all income), which is provided to all police forces through a formula. Other specific Government grants total £69.8m (36.0% of all income), which includes funding for discharging CoLP's National Lead Force for Fraud & Cyber roles, CT grant and grant to cover CoLP's contribution to the Officer Pension Scheme deficit. Total Government grants amount to £146.5m in 2023/24, 75.6% of all funding.
12. Unlike other Police and Crime Commissioners (PCCs), the City Corporation of London does not have the statutory power to raise funding through a Council Tax Precept. Instead, the City provides funding to CoLP through the Business Rates Premium, which is 27.5m for 2023/24 (14.2% of all income). Other specific funding from the City is £0.7m in 2023/24 (0.4%).
13. Partnership income totals £13.7m in 2023/24 (7.1% of all income), comprising funding from third parties, mainly in the financial sector in the fight against fraud and economic crime.
14. Fees and charges income in 2023/24 amounts to £3.5m (1.8% of all income), including fees and charges derived from the sale of services, such as the provision of training. Fees and charges are revised annually in line with those levied by the Metropolitan Police Service (MPS). Please see paragraphs 24-32 below for further information.
15. The use of POCA and other earmarked reserves in 2023/24 is budgeted to fund £1.8m (0.9%) of expenditure. The application of general and earmarked reserves is considered when setting the annual budget in line with a separate Reserve Strategy, which has been approved by the RREC and PAB Committees and is available from the Finance Section.

Operational charging position

Funded units, specific grants, commercial activity and partnerships

16. All new funding agreements at CoLP must be based on the objectives of this Income Strategy, which will ensure full economic cost recovery wherever possible. Work is underway to review all existing agreements prior to their renewal date, with a view to ensuring full economic cost recovery going forward. Where existing contracts allow, attempts will be made to increase funding (or reduce services) to ensure full economic cost recovery if possible.
17. A list of funded unit and specific grant agreements for 2023/24 is shown in Appendix 2, together with their review dates. A list of partnership agreements can be found at Appendix 1. Further detail about each partnership agreement is contained within a separate annual report to PAB.
18. Charging relies on accurate recording and appropriate allocation of costs and, whilst charges should be based on full economic cost recovery wherever possible, the charging model adopted is based on NPCC guidance which identifies the various elements of costs, from actual direct costs only, or to the other end of the scale, to the full economic cost. The various costs elements are set out in the Full Economic Cost Recovery (FECR) model below, which allows the charging of costs according to different definitions.

Full Economic Cost Recovery Model	
1. Direct pay:	Salary London weighting London Allowance National insurance Pension Other allowances
2. Direct costs:	Overtime Apprenticeship levy Uniform Association of Train Operating Companies
3. Indirect costs and overheads:	Insurances Training City of London Corporation recharges Accommodation IT Cost of capital Support staff
4. Other specific direct costs to be added as employed: <i>(this list of specific direct costs is not, exhaustive please add as required).</i>	Special ops shared service resources (incl. intelligence, investigations, forensics, custody CJS), Fleet, Firearms, Software licences, Subsistence, Specific Travel, Horses, dogs.

19. Section four of the FECR model identifies specific costs which may be applicable to some agreements, which should be charged for if employed.
20. Whilst the recovery of full economic cost is the aim of this Income Strategy, it is a key priority that all funding streams recover direct costs as a minimum (sections 1, 2 and 4 of the FECR model). Any contribution to indirect costs and overheads (section 3) is clearly a benefit, but the overall objective remains the recovery of full economic cost wherever possible, including the charging of specific direct costs (section 4) if employed.
21. There may be instances where it is not possible to recover the full economic cost from external funders, as some funders expect a contribution in kind from their chosen delivery partners. However, it may be considered that the benefit of additional income contributing towards indirect costs and overheads is beneficial.
22. Any new agreement or the renewal of an existing one must be approved by the Strategic Finance Board going forward. The report to the Board must identify the full economic cost of the services to be provided, which must have been verified by the appropriate Finance Business Partner. If a charge below full economic cost is proposed, then the report must explain why under recovery, in effect subsidy, of this work is recommended.
23. To aid the costing of funded services, the working model is based on the average salary for police officers and police staff as shown in Appendix 3. For 2023/24, the average full economic cost per police officer is £105,752 and per member of staff is £79,144, both of which exclude any specific costs, as listed in section 4 of the FECR model, which must be included if provided. In addition to average costs, the model shows the costs of officers and staff across all grades so it can be applied to specific ranks and grades to ensure the calculations are as accurate as possible.

Fees and charges

24. The Force has an obligation to conduct an annual review of all fees and charges levied.
25. There are three sets of charges:
 - General fees and charges – based on MPS rates (Appendix 4)
 - Special policing services charges – based on MPS rates (Appendix 5).
 - Economic Crime Academy – costed by CoLP (Appendix 6)

General fees and charges

26. Historically, CoLP has adopted the Metropolitan Police Service (MPS) schedule of general fees and charges, which is also recommended for adoption by the Force for 2023/24.
27. The last review of fees and charges was presented to the Police Authority Board (PAB) for the 2019/20 financial year, however, operationally, CoLP general fees and charges have been adjusted each year to reflect the annual revised schedule issued by the MPS. Commencing with this report, an annual review will be presented to PAB for consideration.

28. The schedule of MPS general fees and charges for 2023/24 has yet to be issued at the time of writing. Therefore, the schedule for 2022/23 is attached at Appendix 4 for information, which will be updated to 2023/24 values once published by the MPS.

29. Alignment with MPS general fees and charges is recommended to continue for several reasons:

- Alignment provides consistency across the London region;
- CoLP work in partnership and collaboration with the MPS on a number of operations including core policing services covered by mutual aid agreements and for private services;
- Both Forces have similar cost drivers for many services;
- By not increasing charges above MPS rates, it should ensure that CoLP is not priced out of the market and be less competitive than the MPS;
- Undercharging, compared to MPS rates, could lead to a failure to recover full cost; and
- Where appropriate, MPS rates incorporate charges set by statute for common items.

Special Policing Services charges

30. In the case of Special Policing Services there is a specific statutory requirement under Section 25 of the 1996 Police Act (as amended) which permits the Force to provide Special Policing Services at the request of any person subject to the payment to the Force of charges on such scales as may be determined by the Force. Historically, CoLP has adopted MPS charges for special policing services, which is recommended to continue for the reasons set out in paragraph 29 above.

31. The schedule of special policing services charges for 2023/24 has yet to be issued at the time of writing. Therefore, the schedule for 2022/23 is attached at Appendix 5 for information, which will be updated to 2023/24 values once published by the MPS.

Economic Crime Academy charges

32. The Economic & Cyber Crime Academy is a long-established centre of excellence for training the wider economic crime community. It originated from when CoLP was awarded the national policing lead for cyber and fraud in 2006. The Academy aims to recover full economic cost or make a small surplus for reinvestment each year. In spite of extremely challenging conditions over the last three years with covid, it has successfully adapted to delivering courses remotely as well as physically, and posted revenues of at least £1.5m over the last three years. A table of charges for 2022/23 is shown at Appendix 6. These charges are currently being updated in association with Academy's Finance Business Partner to ensure full economic cost recovery continues in 2023/24.

Conclusions

33. Charging for services is a complex area and, whilst this Income Strategy aims to recover full economic cost wherever possible, it is important to be flexible when setting charges in order to align with Force objectives and to retain funders where a contribution is made to indirect and overhead costs. However, as a minimum any charge must recover all direct costs.

34. Going forward, the Full Economic Cost Recovery (FECR) model will be used to establish the various cost elements (direct pay, direct costs, indirect costs and overheads) which make up the full economic cost of an activity. This will allow understanding of any under recovery, in effect subsidisation, within the charge proposed. To ensure consistency in charging, and income maximisation wherever possible across the Force, all new funding agreements and those due for renewal, must be presented to the Strategic Finance Board for approval. Any proposed charge below full economic cost recovery will need to be justified.

Appendices

1. CoLP draft budgeted income 2023/24
2. Funded unit and specific grant agreements 2023/24
3. Rate card for charging funded units, specific grants, commercial activity and partnerships 2023/24
4. General fees and charges 2022/23 – based on MPS rates
5. Special policing services charges 2022/23 – based on MPS rates
6. Economic Crime Academy fees and charges 2022/23 – based on CoLP rates

CoLP Finance

17 January 2023.