

REQUEST FOR DMPC DECISION – DMPCD 2016 46**Title: MOPAC Budget Monitoring 2015/16 – Period 10****Executive Summary:**

This paper summarises the period 10 financial monitoring and requests the DMPC approve budget movements and transfers to and from reserves. The period 10 revenue forecast is for a £24.5m overspend, 0.8% of gross expenditure.

Recommendation:

The DMPC is asked to

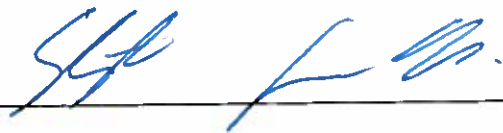
1. Note the period 10 financial monitoring position,
2. Approve the budget movements set out in paragraph 2.4
3. Approve the transfers to and from reserves as detailed in paragraph 2.5

Deputy Mayor for Policing And Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature



Date

17/3/2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC

Decision required – supporting report

1 Introduction and background

- 1.1 As part of MOPAC's and MPS corporate governance arrangements regular monthly and in-depth quarterly monitoring processes are in place to track spend against budget and the achievement of income targets.
- 1.2 In line with the Scheme of Delegation and Consent the DMPC is responsible for the approval of all MPS proposed budget movements and virements in excess of £500,000 which are highlighted on a monthly basis as part of the monthly budget monitoring report, and approval of all transfers to and from reserves.

2 Issues for consideration

- 2.1 In summary, a net overspend of £24.5m (0.8% of gross revenue budget) is forecast for 2015/16, a reduction of £2.6m from last month. The MPS continues to implement a number of actions (posting of officers and PCSO's to vacant funded posts and requiring all business groups within the MPS to implement management actions to bring expenditure in line with the budget) which may reduce this forecast overspend. However there is now no time available to further correct this financial position. Decisions by the Home Office in respect of grant funding at the year end could reduce this forecast.
- 2.2 A number of the pressures experienced in 2015/16 have been actively addressed during the budget setting process and should not recur in 2016/17.
- 2.3 In previous years the final revenue outturn has been less than that forecast at Period 10. The major reasons for this year's current forecast variance are in the same cost categories as the reasons for last years movement from P10 to outturn (income, overtime, supplies and services), however, these included a number of one-off items not expected to recur in 2015/16.
- 2.4 Any final overspend in 2015/16 will need to be funded from reserves which will impact on planned use of reserves in future years.
- 2.5 The net forecast overspend is mainly due to a £7.4m pressure within Supplies and Services, a forecast overtime overspend of £2.3m and a forecast shortfall in income and specific grant of £12.7m.
- 2.6 There are two budget movements proposed, detailed in Appendix 1, which correct a historical posting of agency staff to 'Development Charges' within Supplies and Services and the reversal of a planned drawdown from reserves to fund the purchase of high visibility jackets as this has slipped to 2016/17.
- 2.7 There are 2 proposed transfers to reserves and 2 from reserves. Items proposed to be transferred to reserves are
- £23k – BAA Airwave Replacement, and
 - £1.6m in relation to the delayed purchase of high visibility jackets
- and the two transfers from reserves

- £655k – from the Major Change Fund to fund Met Change Programme activities, specifically forensics equipment £502k and £126k legal costs if the Managed Service Provision, and
 - £186k - in relation to revenue funding of capital investment specifically CrimInt server reconfiguration £32k, 999 Call Routing system £80k, EROS traffic camera enforcement software £16k, accommodation works at Cobalt Square for the Human Exploitation Team £18k, and digitisation of anti-corruption records £38k.
- 2.8 Appendix 1 sets out further detail of the period 10 financial monitoring position, the budget movements and the transfer to and from reserves.
- 2.9 The forecast outturn for capital expenditure has been revised from £246.1m to £243.3m, a reduction of £2.8m from last months forecast, and £22.7m less than the budget of £266m. Further detail is shown in Appendix 1.

3 Financial Comments

- 3.1 As this is a financial report the financial implications are contained within the body of the report.

4 Legal Comments

- 4.1 Under section 3 (6) of the Police Reform and Social Responsibility Act, MOPAC is under a duty to secure the maintenance of an efficient and effective police force. Under paragraph 7 of schedule 3 of the 2011 Act MOPAC may do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of its functions. Under section 79 of the Act, MOPAC must have regard to the Policing Protocol when exercising its functions. The Policing Protocol provides that PCCs (including MOPAC) as recipient of all funding, must determine how this money is spent.
- 4.2 MOPAC/MPS as statutory bodies must only budget for activities that fall within its statutory powers. Under the Scheme of Delegation and Consent the DMPC must approve any budget movement for £500,000 or above. Under Financial Regulations all decisions in relation to the transfer in and out of reserves will be made by the DMPC.

5 Equality Comments

- 5.1 Equality and diversity implications have been considered and there are no negative impacts identified from the proposals.

6 Background/supporting papers

- 6.1 Appendix 1 MOPAC budget monitoring

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of **this** form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **part 2** form –NO

If yes, for what reason:

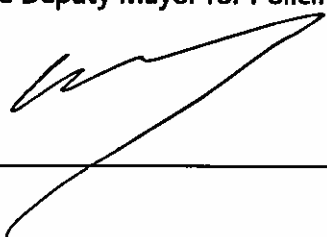
ORIGINATING OFFICER DECLARATION:

		<i>Tick to confirm statement (✓)</i>
Head of Unit: Alex Anderson has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.		✓
Legal Advice: The MPS legal team has been consulted on the proposal.		✓
Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.		✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.		✓

OFFICER APPROVAL**Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date

18/03/16

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SUMMARY REVENUE AND CAPITAL BUDGET MONITORING REPORT
Period 10 - 2015/16

CORPORATE OVERVIEW

The 2015/16 MOPAC budget was approved as part of the Mayor's consolidated budget on 23 February 2015 and includes additional planned savings of £205.6m. This brings the total of savings to £573m between 2013/14 and 2015/16.

SUMMARY

This report on the MOPAC/MPS finances for 2015/16 provides details of the current forecast position as at Period 10 for revenue and capital budgets. The **revenue** forecast shows a slight improvement from a forecast overspend of £27.1m to £24.5m, an improvement of £2.6m. Further mitigations identified last month could reduce this to £20m.

It should be noted that any overspend in the current year will result in an unplanned call on reserves, which impacts upon existing commitments.

The forecast capital spend is £243.3m compared to the budget of £266m. This forecast under delivery of £22.7m is mainly in DP due to a reassessment of resource availability and capacity to deliver. There is a £2.1m reduction to the Fleet Services forecast this month due to delays with tender activity accompanied by changes to base models by the manufacturers.

The major pressures and mitigations on this year's revenue budget are:

Pressures:	£m	Predominant explanation of variance
Income	12.7	Not filling match-funded posts, reduced sporting, catering and vehicle seizure income and a shortfall in contributions from Police Officers for rail travel. In addition, Home Office has reduced the level of ROCU grant which has been mitigated by management action.
Supplies and Services	7.4	Higher than expected legal costs in relation to 3rd party claims.
Net Police Officer and Staff Pay	2.8	Due to recognising the additional activity following the Paris terrorist attack, the Syria conference and a reassessment of costs over the forthcoming Easter bank holidays

Revenue Financial Position – Period 10

The overall forecast as at Period 10 is an overspend of £24.5m (before any mitigation) which is 0.8% of the gross expenditure budget. **Table 1** provides a summary of the Period 10 position for subjective budgets for the MPS and MOPAC. **Table 2** provides a summary of the financial position by Business Group.

In previous years there has been a favourable swing to the outturn variance compared to the forecast at Period 10. For example in 2014/15 the Period 10 forecast was for an outturn variance underspend of £7.1m whereas the actual outturn variance was an underspend of £30.3m. The 3 areas of expenditure that experienced the greatest move from forecast to outturn were overtime, supplies and services and income, the 3 areas that are driving this year's overspend. However, a number of those major movements in 2014/15 were one-off in nature and therefore are not expected to recur in 2015/16.

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Table 1 - Subjective comparison of year to date and forecast annual expenditure and income to budget - Period 10

Total Year to Date Budget £m	Total Year to Date Actuals £m	Total Year to Date Variance £m	Cost category	Revised Annual Budget £m	Annual Forecast £m	Total Annual Variance £m	Total Annual Variance %
1,477.6	1,469.7	-7.9	Police Officer Pay	1,777.0	1,767.3	-9.7	-0.5%
425.8	427.6	1.8	Police Staff Pay	507.0	508.0	1.0	0.2%
57.2	56.1	-1.1	PCSO Pay	68.7	66.7	-2.0	-2.9%
1,960.6	1,953.4	-7.3	Total Pay	2,352.7	2,342.1	-10.7	-0.5%
70.4	80.0	9.5	Police Officer Overtime	84.7	98.0	13.3	15.7%
19.4	19.6	0.3	Police Staff Overtime	23.3	23.5	0.2	1.0%
0.3	0.2	-0.1	PCSO Overtime	0.3	0.2	-0.1	-24.7%
90.1	99.8	9.7	Total Overtime	108.2	121.7	13.5	12.4%
2,050.7	2,053.2	2.5	Total Pay & Overtime	2,461.0	2,463.8	2.8	0.1%
15.0	24.4	9.4	Employee Related Expenditure	17.4	20.6	3.2	18.4%
147.8	152.1	4.3	Premises Costs	172.0	174.8	2.8	1.6%
50.2	49.8	-0.4	Transport Costs	60.4	59.6	-0.8	-1.3%
330.6	326.7	-3.9	Supplies & Services	415.6	423.1	7.4	1.8%
543.6	553.0	9.4	Total Running Expenses	665.5	678.1	12.6	1.9%
42.2	38.5	-3.7	Capital Financing Costs	50.6	50.6	-0.0	0.0%
29.9	28.2	-1.7	Discretionary Pension Costs	35.9	34.7	-1.1	-3.1%
2,666.4	2,672.8	6.4	Total Gross Expenditure	3,213.0	3,227.3	14.3	0.4%
-229.6	-225.0	4.6	Other Income	-281.8	-271.5	10.3	-3.7%
-412.4	-404.6	7.8	Specific Grants	-498.1	-495.7	2.4	-0.5%
-7.1	-8.3	-1.2	Transfers to/(from)Reserves	-72.3	-74.8	-2.5	3.5%
2,017.2	2,034.9	17.6	Total Net Expenditure	2,360.7	2,385.2	24.5	1.0%
-	-	0.0	Funding (General Grant & Precept)	-2,360.7	-2,360.7	0.0	0.0%
1,948.4	1,948.4	0.0	Overall MPS & MOPAC Total	-0.0	24.5	24.5	-

Table 2 - Summary Financial Position by Business Group

Business Group / Unit	Annual Budget £m	Annual Forecast £m	Variance	
			£m	%
Territorial Policing	1,131.8	1,162.6	30.8	2.7%
Specialist Operations (Exp)	349.0	357.2	8.2	2.3%
Specialist Operations (Inc)	-347.2	-350.5	-3.3	1.0%
Specialist Operations (Net)	1.8	6.7	4.9	272.2%
Specialist Crime & Operations	665.2	645.0	-20.2	-3.0%
Digital Policing	190.1	190.1	0.0	0.0%
Property Services	182.7	182.7	0.0	0.0%

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MetHQ (excluding DP & PS)	254.5	245.5	-9.0	-3.5%
Shared Support Services	3.0	3.9	1.0	33.2%
MOPAC	36.4	36.4	0.0	0.0%
Centrally Held	-2,465.5	-2,448.5	17.0	-0.7%
Totals	-0.0	24.5	24.5	

Period 10 Commentary - Summary of Key IssuesPolice officer business group variances

Police officer pay and overtime shows a forecast net overspend of £3.6m, mainly due to a revised overtime forecast in relation to additional activity following the Paris terrorist attack, the Syria conference and a reassessment of costs over the forthcoming Easter bank holidays. The end of January strength is a small increase of 66 ftes compared to the strength at the end of December, however the numbers are expected to increase to 31,700 FTEs by the end of March. The position highlights the issue around the posting of officers as whilst there are more officers than budgeted in Territorial Policing there are significant shortfalls in both Specialist Operations and Specialist Crime and Operations.

There is currently a forecast overspend in Territorial Policing for Police Pay of £28.4m and an underspend of £40.1m in SC&O. Finance, HR and the Design Authority are working on options to correct this issue for the 2016/17 budget.

Police Staff Pay

Table 1 shows a projected pressure this year of £1.0m which is no movement from the forecast reported in Period 9. The table below provides details of the number of agency staff in each business group and shows that agency numbers have decreased by 37 ftes since Period 9.

Police Staff and Agency numbers

Business Group	MPS Staff FTE	Agency Period 10 FTE	Agency Period 9 FTE	Agency Change FTE
Territorial Policing	2,255	11	12	-1
Specialist Crime & Operations	3,638	53	63	-10
Specialist Operations	1,134	56	71	-15
Shared Support Services	1,486	118	119	-1
Met HQ	1,636	134	144	-10
Deputy Commissioner's Portfolio	0	0	0	0
Seconded Out	8	0	0	0
Total	10,157	372	409	-37

The table below provides analysis of the agency staff and permanent staff costs compared to budget by Business Group. The main area of overspend is within Specialist Crime and Operations where it had been planned to achieve the required savings by natural attrition but this has not resulted in the required profile of reduction in staff numbers. This position has been corrected for 2016/17.

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Analysis of Police Staff and Agency Staff by Business Group

Business Group / Unit	MPS Staff Forecast £m	Agency Staff Forecast £m	Total £m	2015/16 Budget £m	Forecast Variance £m
Territorial Policing	89.3	0.3	89.6	92.4	-2.8
Specialist Operations	48.8	4.0	52.8	53.5	-0.7
Specialist Crime & Operations	173.4	2.5	175.9	170.4	5.5
Digital Policing	23.1	3.7	26.8	26.1	0.7
MetHQ (excluding DP)	136.9	11.7	148.6	150.9	-2.3
Shared Support Services	4.5	0.2	4.7	3.8	0.9
MOPAC	7.6	0.2	7.8	8.4	-0.6
Centrally Held	1.8	0.0	1.8	1.5	0.3
Totals	485.4	22.6	508.0	507.0	1.0

Overtime

Against current budgets there is an overall pressure of £13.5m, almost entirely on Police Officers (£13.3m). The pressure on Police Officer overtime has increased by £2.3m from that reported at Period 9. This increase is all within Specialist Crime and Operations and is due to recognising the additional activity following the Paris terrorist attack, the Syria conference and a reassessment of costs over the forthcoming Easter bank holidays. **Table 6** shows that when various funding streams and additional income are taken into consideration the overall pressure is around **£10.6m**. (12.5% of budget). As with police staff, there is an expectation that business groups manage this overtime within available budgets.

Table 6 - Summary of Police Overtime

	Forecast Outturn Variance	Mutual Aid Income & CT Grant Reallocation	Balance
Business group / Operation	£m	£m	£m
Specialist Crime & Operations	4.8	0.0	4.8
Specialist Operations	6.6	2.0	4.6
Ecuadorian Embassy	1.7	0.0	1.7
Territorial Policing	0.5	0.7	-0.2
Met HQ	-0.3	0.0	-0.3
Digital Policing	0.0	0.0	0.0
Totals	13.3	2.7	10.6

The position on police overtime suggests there will be a significant challenge in 2016/17. The total police overtime budget in 2016/17 will be **£63.4m**, i.e. **£21.3m** less than this year's budget and **£34.6m** less than this year's expected spend. To remain within budget MPS will need to spend **35%** less on police overtime in 2016/17 than they have in 2015/16 and business groups need to ensure sufficient controls are in place to manage this. The reduction in the number of bank holidays in 2016/17 (4 fewer than 2015/16 because of the dates when Easter falls) will help to partly mitigate the pressure on overtime budgets. MPS are establishing a Gold Group to be chaired by the Deputy Commissioner to ensure that 2016/17 expenditure is managed within budget.

In broad terms the main issues within each business group remain as reported last period.

Emerging pressures and risks:

Third Party Provision - The year end provision for third party liabilities is based on the number of active cases and a valuation of the probable liability. The current view is that there will need to be a top up of around £9.4m which is included in the current forecast. However there is a risk that the top up requirement maybe more than this in the event that the number of active cases increase prior to the year end. DLS are undertaking a review of the third party claims database.

Project Cull - approximately £2m of capital expenditure has been identified as needing to be written off to revenue with further write-offs possible.

Capital Financial Position – Period 10

The forecast spend on the Capital Programme as at Period 10 is £243.3m compared to the budget approved by the GLA in November of £266. The table below provides high level details by provisioning departments. The DP forecast of £85m is £27.2m lower than budget and reflects resource availability and delivery capacity. The PSD forecast is £10.2m below budget reflecting the financial outcome of reprogramming of certain projects following DP reviews of spend allocated within the Estate transformation programme. The Fleet Services forecast is £2.1m lower than budget due to delays with tender activity accompanied with changes to base models that has resulted in delays to orders and deliveries.

Capital Expenditure as at Period 10

Summary by Provisioning Department	Budget 2015/16	Actual Spend YTD	Forecast to 31/03/16	Variance Forecast / Budget	Spend Rate	
Comprising	£000	£000	£000	£000	% of forecast spent	% of budget spent
Digital Policing	112,204	62,287	85,000	-27,204	73%	56%
Property Services	150,178	105,318	140,000	-10,178	0.75	0.70
Fleet Services	20,347	12,948	18,211	-2,136	0.71	0.64
Other Plant & Equipment	0	0	60	60		
Over Programming	-16,726	0	0	16,726		
Total Budget	266,003	180,553	243,271	-22,732	74%	68%

Capital Receipts

Capital receipts as at the end of January 2016 are £145m. Forecast net capital receipts are £196m after deduction of allowable sale costs.

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Budget Movements

Business Group	Cost category	Dr £000s	Cr £000s	Reason
DP	Police Staff Pay	6,043		This is to correct historical misposting of agency staff to Development Charges (within S&S) rather than to Police Staff Pay. This is the budget move to mirror the correction of actual expenditure postings.
DP	Supplies and Services		6,043	
TP	Transfer from Reserves	1,600		Due to slippage in the planned purchase of high visibility jackets this drawdown of reserves needs to be reversed so that the reserve can be used next year. This budget move mirrors the requested reversal of the drawdown below where further details can also be found..
TP	Supplies and Services		1,600	

Transfers to Reserves

- A transfer to the BAA airwave replacement reserve of £23k which is included within the agreement with Heathrow Airport Limited (HAL) that specified income from HAL should be put into a reserve to build up a fund for any Airwave replacement schemes at Heathrow Airport in the future. This represents the contribution for January and HAL will continue to build up this reserve each month throughout the year.
- A transfer to reserves of £1.6m in regard to funding of High Visibility jackets. This reserve was originally agreed in March 2015 and was funded from the 2014/15 underspend. This reverses the drawdown from reserves earlier in the year because it is now clear that the majority of the jackets will not be purchased until 2016/17. The new jackets are being piloted in one Borough but due to delays in procurement and manufacture the jackets will not be delivered before the end of March 2016.

Transfers from Reserves

- A drawdown of £655k from the Major Change Fund reserve in regard to funding revenue costs of various initiatives that are part of the Met Change Programme. These include £502k on Forensics equipment and £126k on legal costs around implementation of the Managed Service Provision. The allocation for funding these costs was approved at Change Board on 8th July 2014.
- A drawdown of £186k from the Major Change Fund reserve to fund revenue contributions to capital outlay for various projects with allocated funding from the reserve. These include £32k for Crimint server reconfiguration, £80k for replacement 999 Call Routing System, £16k for EROS traffic camera enforcement software, £18k for works to accommodation of Human Exploitation Team at Cobalt Square, and £38k for digitisation of anti-corruption records.