

REQUEST FOR DMPC DECISION – PCD 135**Title: MOPAC/MPS Financial Performance Period 7 2016/17****Executive Summary:**

This paper summarises the period 7 financial monitoring and requests the DMPC approve one transfer to reserves.

Recommendation:

The DMPC is asked to

1. Note the period 7 financial monitoring position;
2. Approve the transfer to reserves as detailed in paragraph 2.2

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**

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 There are no material changes to the Quarter 2 forecast of a net underspend of £7.8m in 2016/17. The underspend on officer pay and staff pay is being offset by difficulties in achieving this year's savings target. From 2017/18 the savings target will become more challenging, as an additional £38m has been built into the Medium Term Financial Plan.
- 2.2 There is one proposed transfer to reserves. The transfer to MOPAC reserves of £2.5m is to provide for future budget pressures. Thus securing funding to meet commitments for future agreed Police and Crime Plan priorities in relation to addressing the London crime agenda.
- 2.3 Appendix 1 sets out further detail of the period 7 financial monitoring position.
- 2.4 The original capital programme for 2016/17 was approved at a value of £265m. The latest forecast is against a revised budget of £287m with spend of £238.7m and underspend of £48.3m. A comprehensive review of the capital programme is being carried out for this year and future years to ensure the programme is achievable.

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 MPS Financial Performance Report for Period 7.

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:

	Tick to confirm statement (✓)
Head of Unit: Annabel Cowell 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 Chief Finance Officer has been consulted on this proposal.	✓
Equalities Advice: Equality and diversity issues are covered in the body of the report.	✓

OFFICER APPROVAL**Chief Executive 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

R. Lawrence

Date

21/2/17

Financial performance report for Period Seven 2016/17

A REPORT SUMMARY

1. The report provides a high level update of the financial position of the MOPAC Group for Period 7. There are no material changes to the Quarter Two forecast and we continue to project a favourable variance of £7.8m for the MOPAC Group¹. This variance is as a result of a widening underspend on internally funded police officer and staff pay of £45.2m² which is partly offset by some short and medium term difficulties in achieving planned savings, primarily in respect of police overtime and information technology costs.
2. The MPS is confident that £84.3m of the £126.9m savings target will be delivered in 2016/17. A further £22.6m will be delivered in 2017/18 and whilst there is a risk in delivering £20m (16%) in 2016/17 and beyond we have planned management actions to address. The outturn forecast reflects the evolving position of these mitigating actions.
3. The 2016/17 forecast capital spend is £239m against an approved programme of £287m, with a variation of £48m forecast at year end. The forecast underspend has arisen primarily as a result of slippage in projects for Digital Policing (£24.7m) and Property Services Department (PSD) (£24.1m)³. Whilst the MPS has reworked the capital programme in the next and future years to reflect this slippage it should be noted that this places an onus on the MPS to deliver more in future years and effective management controls should be in place to minimise slippage as far as possible.
4. Capital receipts as at October 2016, are £448.7m and includes the proceeds from the sale of NSY (£370m). The 2016/17 year end forecast for capital receipts is £458m. A MPS Gold Group has been established to review the capital programme for future years to ensure it is achievable.

B SUPPORTING INFORMATION

Financial performance for 2016/17 - revenue

1. The MOPAC Group continues to forecast an overall net underspend of £7.8m (0.3%) for the year against the approved net budget of £2,498m. This has not changed from the Quarter Two position. The position at Period 7 reflects an underspend on police officer and police staff pay offset by some short and medium term difficulties in achieving planned savings. The outturn forecast reflects the evolving position of planned management actions to mitigate against these difficulties and pressures. The Revenue Budget Monitoring Statement for Period 7 of 2016/17 is shown in Table 1 below

¹ A full and detailed review of the revenue and capital forecast is prepared each quarter. The monthly forecast is prepared on an exception basis with the Quarter Two forecast only adjusted for significant changes. A more comprehensive analysis will be provided as part of the Quarter Three process.

² Externally funded pay does not impact on the bottom line variance £7.8m as it is offset by income and is not included in the figures shown here.

Table 1 MOPAC Group Summary Revenue Budget Monitoring Statement for Period 7 of 2016/17

Year to Date Budget £m	Year to Date Actuals £m	Year to Date Variance £m	Cost category	Annual Budget £m	Forecast £m	Variance £m	%
1,058.9	1,044.2	-14.6	Police Officer Pay	1,829.1	1,793.9	-35.3	-1.9%
285.6	271.9	-13.7	Police Staff Pay	489.1	467.0	-22.1	-4.5%
36.5	36.6	0.1	PCSO Pay	61.1	60.5	-0.6	-1.0%
1,381.0	1,352.8	-28.2	Total Pay	2,379.3	2,321.3	-58.0	-2.4%
39.4	47.6	8.1	Police Officer Overtime	69.4	87.7	18.4	26.5%
12.4	13.6	1.2	Police Staff Overtime	21.2	21.5	0.3	1.4%
0.2	0.1	-0.1	PCSO Overtime	0.3	0.2	-0.1	-33.3%
52.0	61.3	9.3	Total Overtime	90.8	109.4	18.6	20.5%
1,433.0	1,414.0	-19.0	Total Pay & Overtime	2,470.1	2,430.7	-39.4	-1.6%
27.3	25.3	-2.1	Employee Related Expenditure	54.9	52.7	-2.2	-4.0%
102.1	100.3	-1.8	Premises Costs	169.5	171.4	1.9	1.1%
32.8	37.3	4.5	Transport Costs	57.0	61.5	4.5	7.9%
280.9	254.0	-26.9	Supplies & Services	487.6	520.9	33.4	6.8%
443.1	416.8	-26.3	Total Running Expenses	769.0	806.6	37.5	4.9%
25.1	25.6	0.5	Capital Financing Costs	43.0	42.9	0.0	0.0%
20.9	19.4	-1.5	Discretionary Pension Costs	35.9	34.6	-1.3	-3.6%
1,922.1	1,875.9	-46.3	Total Gross Expenditure	3,318.0	3,314.8	-3.2	-0.1%
-155.0	-157.0	-1.9	Other Income	-273.3	-275.1	-1.8	0.7%
-240.9	-240.0	0.9	Specific Grants	-429.0	-434.5	-5.4	1.3%
-47.6	-13.7	33.9	Transfers to/(from)Reserves	-117.3	-114.7	2.6	-2.2%
1,478.6	1,465.2	-13.4	Total Net Expenditure	2,498.4	2,490.5	-7.8	-0.3%
-1,466.8	-1,467.3	-0.5	Funding (General Grant & Precept)	-2,498.4	-2,498.4	0.0	-
11.8	-2.2	-13.9	Overall MPS & MOPAC Total	0.0	-7.8	-7.8	-

2. Whilst the overall position remains largely favorable this year, there are a number of pressures going forward in 2017/18 and beyond. These include difficulties in achieving planned savings in police overtime and DP detailed below⁴, as well as £38m additional savings (already built into the Medium Term Financial Plan) to be achieved in the 2017/18 base budget. The 2017/18 police pay budget has also been adjusted by £37.7m to take account of the recent budget strategy discussions with MOPAC. As the 2017/18 police pay forecast is less likely to be underspent this means that there will be a tighter and more direct relationship between the achievement of savings and the forecast outturn. Given the pressures and expectations underpinning the 2017/18 budget, it is therefore important that priority is given to mitigating future difficulties and achieving planned savings this year and thereafter as well as identifying additional savings (over-programming) by way of contingency. The main elements of the forecast are:

⁴ These savings were built into the 2016/17 budget baseline. Particular pressures in Police Overtime and DP have been partly migrated in the 2017/18 base budget by a £6m budget adjustment and planned use of reserves, respectively.

Police pay (spend to date £1,044.2m, forecast £35.3m underspend)

3. The MPS is currently forecasting an outturn position of £35m underspend on police pay against the revised budget of which £28m relates to internally funded posts. The £7m underspend in externally funded posts is compensated by additional use of grant and income in other, non-pay areas of expenditure, and therefore is not a net underspend to the MPS.
4. The MPS continues to pursue a series of corporate initiatives to prioritise externally funded posts and ensure the MPS has enough people in certain internally funded roles across the MPS.

Police staff pay – (spend to date £271.9m, forecast £22.1m underspend)

5. There is a £22.1m forecast underspend on police staff pay most of which (£16.8m) is internally funded. The majority of the internally funded underspend continues to be within Territorial Policing and relates to delays in appointing Dedicated Detention Officers (DDOs) within Met Detention and Forensic Health Care Nurse recruitment as well as vacancies across the Boroughs for Public Access Officers. The other significant gaps are in Local Delivery Support Services (LDSS) Administrators and Communications Officers. This is being partly managed through their other devolved budgets such as supplies and services (as Forensic Medical Officers provide cover for nurses) and police officer overtime (as police officers provide cover in Met Detention).

Police overtime – (spend to date £47.6m, forecast £18.4m overspend)

Police officer overtime is forecast to overspend by £18.4m at year end, Of this amount £7.4m is externally funded leaving a net overspend of £10.9m. This overspend position reflects the difficulties in achieving the planned savings in the 2016/17 base budget (TP released £10.2m and SC&O £8.5m).

6. Given the need to carefully manage the 2016/17 overtime budget, the overall overtime position is being kept under careful review by the Deputy Commissioner's Overtime Gold Group and by the Assistant Commissioners. A MPS Overtime Gold Group meeting discussed current overtime spends and questioned what the drivers were for overtime costs in each Business Group. TP, SCO and SO have been asked to provide a narrative on their overtime spends to the Deputy Commissioner.

Running costs – (spend to date £416.8m, forecast £37.5m overspend)

7. In terms of running cost budgets, the MPS is forecasting to overspend by £37.5m of which £32.3m is internally funded. The key variance under this heading relates to the staged progress to implement the Digital Policing TOM (Target Operating Model). Of this amount, our estimates suggest £10m relates to savings with structural delivery problems and an additional saving of £14.4m is achievable, but will not be delivered in the current financial year.

Grants (£240m received to date, forecast £5.4m over-recovery)

8. There is an over-recovery of £5.4m on specific grants. This is primarily due to increased CT expenditure in relation to the NCTPHQ investment bid exercise (£5.9m) approved earlier this year. This is partially offset by under recovery of CT grant on funded posts in SC&O.

Capital Programme

9. Capital expenditure for the year is forecast at £239m against a 2016/17 programme of £287m, with a forecast £48m underspend at year end. Actuals to date as at October 2016 are £95.8m. The table below provides an analysis across the MPS Portfolio structure.

Summary position of spend by portfolio – October 2016

MPS Portfolio structure	Budget 2016/17 £m	Actuals £m	Forecast £m	Variance £m
PSD				
Transforming the MPS Estate	113.8	53.5	89.7	-24.1
DP/NCTPHQ				
Creating a Business Support function of the Future	1.1	0.0	0.3	-0.8
Enhance Digital Policing for 2020	32.1	16.9	28.3	-3.8
Improving Public Access and first contact	3.9	0.7	4.4	0.5
Optimising Response	19.3	3.8	10.1	-9.2
Reinforcing HQ, Improving Information Management	2.0	0.0	2.6	0.6
Smarter Working (mobility)	46.3	2.7	39.0	-7.3
Transforming Investigation and Prosecution	30.5	7.5	30.2	-0.3
CT Policing Change Portfolio	12.6	3.8	15.1	2.5
DP Adjustment ⁵			-6.9	-6.9
FLEET				
Delivering Maximum Commercial Efficiency - Fleet	23.2	6.2	18.8	-4.4
Strengthening our Armed Policing Capability	2.2	0.7	7.1	4.9
2016/17 Capital Programme Total	287.0	95.8	238.7	-48.3

10. The forecast underspend has arisen primarily as result of slippage in projects for Digital Policing (£24.7m) and PSD (£24.1m)⁶. Whilst the MPS has reworked the capital programme in the next and future years to reflect this slippage it should be noted that this places a burden on the MPS to deliver more in future years and effective management controls should be in place to minimise slippage as far as possible.
11. As a result of the re-work of the capital programme there has also been a reduction in the planned level of capital spending from £1,587.5 million to £1,415.6 million over the five year period 2016-17 to 2020-21. Re-profiling of the expenditure across the period has also been included to reflect the capacity and capability of the MPS to deliver the programme. As a result of the reduction in total expenditure there is now a significantly lower need to borrow. The revised programme now expects borrowing to be £290 million. There is no planned new borrowing for 2017-18.
12. A Gold Group has been established consisting the Deputy Commissioner, Director of Commercial and Finance, Director of People and Change and Director of Digital Policing with a view of

⁵ Over-programming adjustment

⁶ Offset by a small forecast over spend in Fleet Services of £0.5m

revising the capital programme for the 17 January iteration of the budget submission. The Gold Group will look at delivery to ensure the capital programme is achievable and evaluate the impact on the revenue and capital budgets next year and beyond

Transforming the MPS Estate

13. Property Services as at the end of Period 7 have spent £54m against the approved budget of £114m. Following Management Board approval of the Estates Transformation Strategy in September 2016 the forecast outturn has been updated to £90m to reflect the latest position.
14. The forecast includes:
 - The impact of delays in development of proposals, from operational and OMM functions affecting delivery of the Estates Transformation Strategy
 - An increase for the redevelopment of Curtis Green of £9m due predominantly to circumstances beyond the control of MOPAC/MPS and principally related to perimeter security, telecommunications works and public realm works;
 - The impact of delays in planning approvals, finalising the design of Belvedere, Hammersmith and the driving school at Hendon, completing the disposal of Paddington Green and commencing the related redevelopment have meant that the original timelines for these schemes and the associated profile of spend have changed. Whilst some expenditure in relation to these schemes (currently estimated to be £10.2m) will be incurred in 2016/17, the majority of expenditure has now been re-profiled into future years. Property Services continue to engage with the relevant planning authorities and other interested parties to progress this, mitigating overall programme delay through enabling works where feasible.
15. In light of these factors set out above the capital programme has been revised. Therefore whilst the totality of PSD capital spend for 2016/17 to 2020/21 remains at c£708m as previously approved, the profile of spend between years has changed and has been reflected in the capital submission made to the Mayor in November 2016.
16. PSD continues to deliver important milestones fundamental to progressing the transformation of the estate. In the last month it achieved:
 - £87m investment in Hendon delivering a new training facility at Hendon including new offices and a new firing range facility
 - the final payment of £40m from Redrow for the sale of the surplus land at Hendon was received.
 - Work continues in developing the Estates Transformation Implementation Plan which will be presented to Management Board in January.
 - NSY was successfully decommissioned and disposed of on time delivering a capital receipt of £370m.

- The associated £90m redevelopment of Curtis Green is commissioned to be completed in the middle of January, with the baseline plan for moves to commence in late January 2017.

Digital Policing

17. Digital Policing, as a provisioning department, has a capital spend to date of £32m on a budget allocation of £138m. The forecast remains at £110m at the end of Period 7 providing a forecast net underspend at year end of £27.3m.
18. The net underspend reflects estimates of slippage in projects including the Mobile Devices Programme and expenditure below budget on Command and Control Futures pending litigation. The forecast expenditure is also dependent on the approval of key investment decisions by Management Board and MOPAC.
19. The common themes resulting in underspends link to problems with commissioning work from suppliers and available personnel resources. The comprehensive review of the capital programme, as well as the review of the SIAM and Towers model, and the briefing paper for the Deputy Commissioner will examine these areas in detail and propose how such delays can be minimised to enable the programme to be implemented as planned in future years.

Delivering Maximum Commercial Efficiency (Fleet)

20. The total fleet forecast against approved programme is currently £18.8m with spend to date of £6.2m against a budget of £23.2m. The specific MPS forecast is £14m on a budget of £18.8m and spend to date of £4.9m. The forecast reflects the expected low spend in the early part of the financial year and is based on the planned delivery dates of vehicles in the 2016/17 Vehicle Replacement Programme (VRP).

Strengthening our Armed Policing Capability

21. The forecast is currently £7.1m to reflect the Firearms Uplift forecast as well as the ARV uplift funded by the Home Office of £2.2m. The Firearms uplift is fully funded from the capital programme with the balance from revenue reserves.

Planning for future years

22. It is unlikely that the total forecast underspend of £48m on the 2016/17 capital programme will be used to bring forward other projects planned for future years into 2016/17.



