

**REQUEST FOR DMPC DECISION – DMPCD 2014 155****Title: MOPAC Budget Monitoring and Budget & Reserves Movements – Period 7****Executive Summary:**

This paper summarises the period 7 financial monitoring and requests the DMPC approve 2 budget movements and 2 transfers to/from reserves.

**Recommendation:**

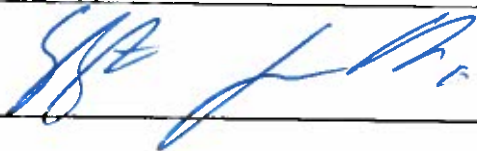
The DMPC is asked to

1. Note the period 7 financial monitoring position, and
2. Approve the 2 budget movements and 2 reserve transfers as set out in paragraph 2.4 and 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**

19/12/2014

## **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.

#### **2 Issues for consideration**

- 2.1 Appendix 1 sets out the period 7 financial monitoring position. In summary, net cost pressures of £6.9m are forecast for 2014/15, a slight increase of £2.5m against last month. The main reason for this increase is due to an increase in the Supplies and Services forecast as a result of a review of current spending within Specialist Crime and Operations.

- 2.2 The net overspend is mainly due to pressures within the following budgets:

- Police Staff Pay - £12m
- Police Officer Overtime - £11.7m
- Premises Costs - £7.4m
- Supplies and Services - £9.1m

These are offset by forecast savings in regard to PCSO pay of £6.5m, reduced capital financing costs of £7.3m and the use of the non-pay inflation provision of £20m

- 2.3 The forecast outturn for capital expenditure remains at £227.1m compared to the Capital Programme budget of £368.2m

- 2.4 There are 2 budget movements in excess of £500,000 this month requiring DMPC approval as detailed below.

- As part of the devolution Police Staff budgets to Business Groups £538k has been allocated from Centrally Held to Shared Support Services to fund the Police Staff Pay costs of 17 FTE posts in Records Management.
- Additional £646k Specific Grant within Digital Policing in relation to ACPO TAM funding for National Ports Application development – enhancing capability at borders and ports, and mobile phone software applications.

- 2.5 There are 2 proposed transfers to/from reserves this month

- A drawdown of £557k from the Partnership and Sponsorship reserve has been distributed to various BOCUs in Territorial Policing. This relates to funding received in advance and now required to fund various partnership initiatives.
- A drawdown of £58k from the Proceeds of Crime Act (POCA) reserve has been distributed to various BOCUs in Territorial Policing. This relates to rewards provided under the POCA

incentivisation scheme, which are re-invested in community engagement, operational and crime preventative initiatives that impact upon the MOPAC 7, gang intervention programmes through partnership youth projects, initiatives to improve confidence and satisfaction, innovation that stimulates further POCA case seizures opportunities and supports MPS Big Wing days i.e. Operations Cubo & Hawk.

### **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>
<b>Head of Unit:</b> Alex Anderson has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
<b>Legal Advice:</b> The MPS legal team has been consulted on the proposal.	✓
<b>Financial Advice:</b> The Chief Finance Officer has been consulted on this proposal.	✓
<b>Equalities Advice:</b> 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 19/12/2014.

## SUMMARY REVENUE AND CAPITAL BUDGET MONITORING REPORT

### Period 7 - 2014/15

#### Summary

#### MOPAC/MPS financial position as at Period 7- 2014/15

This report on the MOPAC/MPS finances for 2014/15 provides details of the current forecast outturn financial position as at Period 7 for revenue and capital budgets.

**Revenue Position** - A full detailed review of the revenue forecast is prepared each quarter and therefore the Period 7 forecast is based on the Period 6 forecast adjusted only for significant changes.

The year to date position is an underspend of £15.4m and the forecast is an overspend of £6.9m. The movement from year to date to forecast is due in the main to Police Officer Pay (£8.1m) as recruitment increases and Police Officer Overtime (£8.6m) relating to additional planned expenditure in the last five months of the year. The forecast overspend has increased by £2.5m from last month mainly due to an increase in the Supplies and Services forecast as a result of a review of current spending within Specialist Crime and Operations.

The major pressures on this year's budget are:

Pressures:	£m	RAG Status	
Police Staff Pay	12.0	RED	Over strength at the start of 2014/15 and temporary staff
Premises Costs	7.4	RED	Delays to Corporate Real Estate
Supplies and Services	9.1	Amber	One-off costs of change in DP

This year, the above can largely be mitigated via underspends on the PCSO budget, reductions in capital financing costs and the release of non-pay inflation budgets.

Based on this year's financial position the major challenge for next financial year will be the delivery of the staff savings. The MPS will look to mitigate this through devolving the budgets, aligning the HR and Design data and obtaining clarity on the resultant vacancy factor for managing locally. The use of the non-pay inflation budget masks the pressure within supplies and services caused by the one-off costs of change in Digital Policing. MOPAC is developing a Reserves Strategy, which informs the 15/16 budget build to assist in this area.

**Capital Position** - The forecast spend is £227.2m which is £141m below the approved budget of £368.2m. Capital receipts as at October 2014 are £93.5m and are forecast to reach £150m by the year end, reducing both the need to borrow and the capital financing costs.

## SUPPORTING INFORMATION

## Background

1. The 2014/15 MOPAC budget was approved as part of the Mayor's consolidated budget on 14 February 2014.

£134m savings have been included in the budget for 2014/15 as part of the overall aim of delivering £500m of savings between 2013/14 and 2015/16. Looking forward further savings will have to be identified as our planning assumptions include austerity lasting until 2019/20. The Budget Submission for 2015/16-16/17 has been submitted to the Mayor.

## Revenue Financial Position - Period 7

2. The annual forecast from business groups as at Period 7 is for a cost pressure of £6.9m which is 0.3% of the Total Net Expenditure budget. **Table 1** provides a summary of the Period 7 position for subjective budgets for the MPS and MOPAC.

**Table 1 - Subjective comparison of year to date and forecast annual expenditure and income to budget - Period 7**

2014/15	Period 7 YTD Budget £m	Period 7 YTD Actual £m	Period 7 YTD Variance £m	2014/15 Annual Budget £m	Period 7 Annual Forecast £m	Period 7 Annual Forecast Variance £m	Variance %
Police Officer Pay	1,019.6	1,011.5	-8.1	1,763.6	1,763.6	0.0	0.0%
Police Staff Pay	298.2	309.4	11.2	551.7	563.7	12.0	2.2%
PCSO Pay	46.3	43.2	-3.1	79.4	72.9	-6.5	-8.2%
<b>Total Pay</b>	<b>1,364.1</b>	<b>1,364.1</b>	<b>-0.0</b>	<b>2,394.7</b>	<b>2,400.2</b>	<b>5.5</b>	<b>0.0%</b>
Police Officer Overtime	48.4	51.5	3.1	81.3	93.0	11.7	14.4%
Police Staff Overtime	13.6	14.0	0.4	23.5	24.1	0.6	2.6%
PCSO Overtime	0.2	0.1	-0.1	0.4	0.3	-0.1	-25.0%
<b>Total Overtime</b>	<b>62.2</b>	<b>65.6</b>	<b>3.4</b>	<b>105.2</b>	<b>117.4</b>	<b>12.2</b>	<b>11.6%</b>
Employee Related Expenditure *	14.3	16.9	2.6	19.7	20.3	0.6	3.0%
Premises Costs	104.4	98.8	-5.6	169.1	176.5	7.4	4.4%
Transport Costs	35.5	33.3	-2.2	61.2	60.1	-1.1	-1.8%
Supplies & Services	184.8	186.5	1.7	385.5	394.6	9.1	2.3%
Non Pay Inflation	0.0	0.0	0.0	20.0	0.0	-20.0	-100.0%
<b>Total Running Expenses</b>	<b>339.0</b>	<b>335.5</b>	<b>-3.5</b>	<b>655.5</b>	<b>651.5</b>	<b>-4.0</b>	<b>-0.6%</b>
Capital Financing Costs	34.8	29.9	-4.9	59.7	52.4	-7.3	-12.2%
Discretionary Pension Costs	22.1	20.7	-1.4	37.9	35.6	-2.3	-6.1%
<b>Total Gross Expenditure</b>	<b>1,822.2</b>	<b>1,815.8</b>	<b>-6.4</b>	<b>3,253.0</b>	<b>3,257.1</b>	<b>4.1</b>	<b>0.1%</b>
Income	-152.7	-160.6	-7.9	-263.6	-264.5	-0.9	-0.3%
Specific Grants	-282.9	-283.3	-0.4	-483.9	-481.8	2.1	0.4%
Transfers to/from Reserves	-0.3	-1.0	-0.7	-57.3	-55.7	1.6	2.8%
<b>Total Net Expenditure</b>	<b>1,386.3</b>	<b>1,370.9</b>	<b>-15.4</b>	<b>2,448.2</b>	<b>2,455.1</b>	<b>6.9</b>	<b>0.3%</b>
Funding (General Grant & Precept)	-1,437.5	-1,437.5	0.0	-2,448.2	-2,448.2	0.0	0.0%

## Appendix 1

<b>Overall Total</b>	<b>-51.2</b>	<b>-66.6</b>	<b>-15.4</b>	<b>0.0</b>	<b>6.9</b>	<b>6.9</b>	<b>0.3%</b>
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\* Employee Related Expenditure comprises external training, secondments, recruitment advertising, early departure costs, and the contract costs for the provision of payroll and pension services.

### Key Points

- Table 2 provides a summary of the key pressures and savings along with corporate mitigations to reduce the overall pressure.

**Table 2 - Summary of Pressures and Corporate Mitigations as at Period 7**

Forecast position as at Period 7	Issue	RAG Status	Responsible Officers and timeline
<b>Pressures:</b>	<b>£m</b>		
Police Officer Pay	0.0		MPS Director of HR has agreed to manage Police Officer recruitment to stay within budget.
Police Staff Pay (including temp. staff)	12.0		Steps to be taken to reduce the costs of temporary staff
Police Officer Overtime	11.7		The majority of this overspend is funded by additional income (see Table 3)
Premises Costs (Corporate Real Estate)	5.3		Director of PSD and CRE Lead to continue to review options through CRE Governance Board.
Revenue support to capital projects	8.4		Funding to come from existing reserves or the Major Change Programme Fund.
Specific Grant (CT)	1.2		Finance Business Partners to work with Shared Support Services (SSS) management to ensure all relevant costs related to Counter Terrorism (CT) are identified and recovered.
Fuel Costs	0.6		Forecast overspend remains at £0.6m .
Catering Services	1.4		Interim Director Shared Support Services to assess potential mitigations. At this stage it is not possible to quantify the mitigations and therefore the pressure remains at £1.4m.
Other	0.1		Various minor variations
<b>Savings:</b>			
PCSO Pay	-6.5		
Capital Financing Costs	-7.3		
Non-pay inflation	-20.0		
<b>Total Forecast Overspend</b>	<b>6.9</b>		

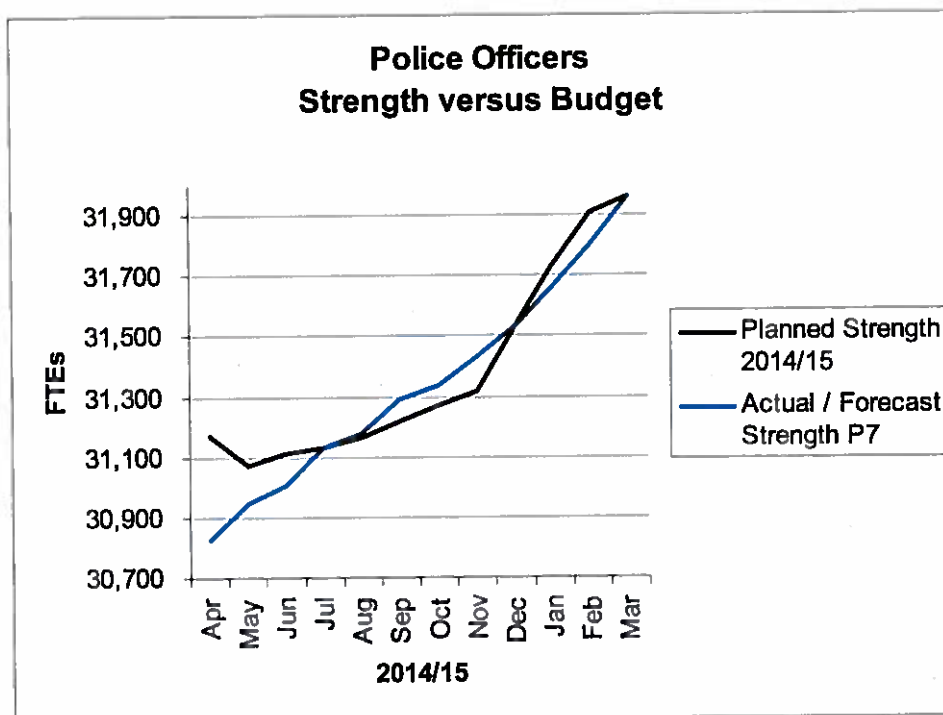
**RAG Status:** "Red" is given where it is not believed that the pressure can be fully mitigated by management action whereas "amber" is given where management action will significantly mitigate the pressure.

### Period 7 Commentary

4. **Police Officer Pay:** YTD underspend of £8.1m (0.8% of budget): Forecast to break even.

- **Graph 1** shows that the YTD underspend is due to the numbers of Police Officers being below the planned strength for the first quarter. Although numbers rise above the planned strength for a few months planned recruitment has been amended to ensure that the annual costs remain within budget.

**Graph 1 - Police Officers - Strength versus Budget**



5. **Police Staff Pay:** YTD overspend of £11.2m (3.8%): Forecast pressure of £12.0m (2.2%).

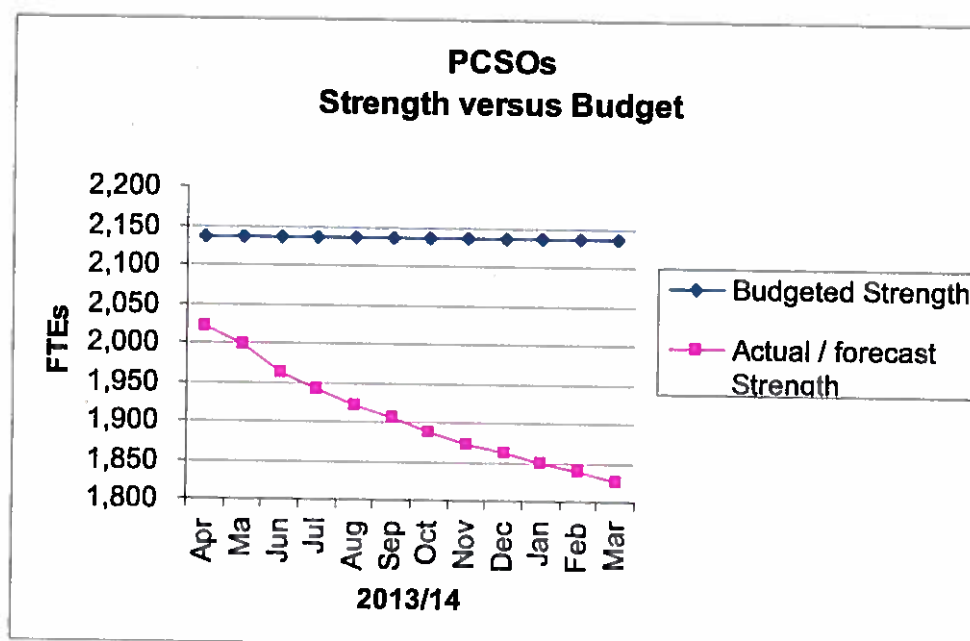
- The budget is based on 12,200 FTE across the year. The effect of having the significant number of agency staff, often costing more than the average costs of a permanent member of staff, and total staff (including agency) being above the budgeted level for the first 6 months of the year are the main reasons for the predicted cost pressure of £12m. Year to date expenditure on temporary staff is £10.8m and forecast to be £16.7m by year end. All MPS Management Board members have been asked to review whether the number of temporary staff can be reduced more quickly so as to mitigate this pressure and if not whether daily rates can be reduced. A detailed update on police staff pay will be provided in the Period 9 report.
- Work is ongoing to align MetHR to the Design Database and this will be used to allocate the staff budgets in 2015/16 and to generate accurate and reliable police staff analysis at a local level in time for the start of the 2015/16 financial year.



6. **PCSO Pay:** YTD underspend of £3.1m (6.7%); Forecast saving of £6.5m (8.2%).

- **Graph 2** shows that numbers of PCSO Staff are below the planned strength throughout the year.

**Graph 2 - PCSO Staff - Strength versus Budget**

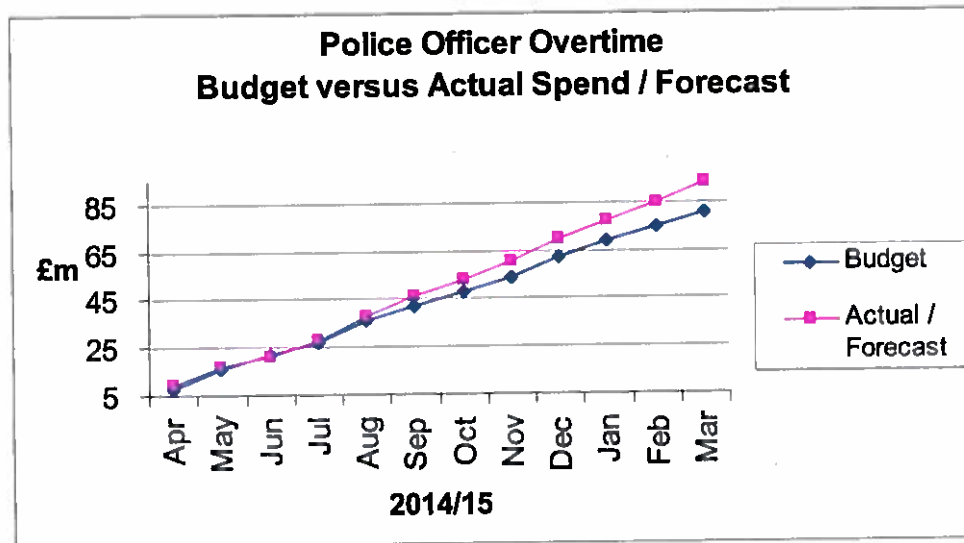


7. **Police Officer Overtime:** YTD overspend of £3.1m (6.4%); Forecast pressure of £11.7m (14.4%).

- **Graph 3** shows that expenditure starts to significantly rise above budget from September and the pressure gradually increases as the year progresses.
- The main areas of pressure are in Specialist Operations (£6.6m) where the level of vacancies is generating overtime to cover posts plus the rise in the threat level to Severe is also having an impact. However this pressure will be funded by managed underspends elsewhere within the Specialist Operations budget.
- The other main pressure is in Specialist Crime and Operations (£5.1m) on the Public Order Aid Fund mainly due to the public order and infrastructure security for the NATO summit. This is mostly offset by Mutual Aid reimbursement estimated at £4.3m. There is also a pressure of £1m shown as a cost within Centrally Held in regard to policing the Ecuadorian Embassy.
- However **Table 3** shows that when various funding streams and additional income are taken into consideration the overall pressure is minimal at £0.9m.

**Table 3 - Summary of Overtime**

	Forecast Variance	Income / Grant	Balance
Pressures	£m	£m	£m
SC&O	5.0	4.3	0.7
SO	6.5	6.5	0.0
CH	1.0	0.0	1.0
TP	-1.1	0.0	-1.1
SSS	0.3	0.0	0.3
Totals	11.7	10.8	0.9

**Graph 3 - Police Officer Overtime - Budget versus Actual Spend**

8. **Running Costs:** YTD underspend of £3.5m (1.0%): Forecast saving of £4.0m (0.6%).

The main forecast pressures are due to the slippage associated with delivery of the CRE programme because of slower than planned building exits (£5.3m), revenue support to capital projects and one-off costs of change within Digital Policing (DP) (£8.4m), and catering (£1.4m). £20m is held centrally for non-pay inflation and MPS propose to use this budget to mitigate pressures elsewhere in the budget.

9. There are revenue pressures in DP to fund the one-off costs of change. Further work is being undertaken to assess the amount of this pressure but current estimates are £8.4m in 14/15 (included in this report) and a further £22.5m in 15/16. At present there is approximately £9.3m set aside for Technology projects within the Major Change Programme Fund and £9.7m in Digital Policing earmarked reserves. In addition £7.8m is uncommitted in this year's Major Change Programme Fund (MCPF) and £10.6m uncommitted in 15/16.
10. Whilst there is a continuous review of the CRE programme to try and identify options to mitigate the recognised cost pressures it is likely that this pressure will still remain at year end. At CRE Governance Board work is ongoing to identify additional buildings for disposal, which will increase savings in future years.

## Appendix 1

11. **Income:** YTD over recovery of £1.8m (1.4%): Forecast over recovery of £1m (0.4%).
- Although the forecast is close to budget there is a forecast pressure of £5.2m in Territorial Policing of which £4.7m is due to unfilled and unsold posts.
  - This is offset by additional income for mutual aid reimbursement due to public order policing and infrastructure security provided for the NATO summit.
12. **Capital Financing Costs:** YTD underspend of £4.9m (14.1%): Forecast saving of £7.3m (12.2%).
- This is due to lower than expected borrowing and higher than expected capital receipts.

### Budget Movements

13. **The following budget movements which have occurred since Period 6 and exceed £0.5m require MOPAC approval.**
- £538k has been allocated from Centrally Held to Shared Support Services to fund the Police Staff Pay costs of 17 FTE posts in Records Management.
  - £646k has been credited to Specific Grant and debited to Supplies and Services within Digital Policing (DP). This reflects additional ACPO TAM grant funding that has been allocated to DP to fund projects for National Ports Application development – enhancing capability at borders and ports, and mobile phone software applications.

### Movements in Reserves

14. **The following movements were made to reserves in Period 7. The table within Appendix 1 reflects the reserves position stated in the 2015-17 budget submission due to be sent to the Mayor's office by MOPAC by 28th November.**
- A drawdown of £557k from the Partnership and Sponsorship reserve has been distributed to various BOCUs in Territorial Policing. This relates to funding received in advance and now required to fund various partnership initiatives.
  - A drawdown of £58k from the POCA reserve has been distributed to various BOCUs in Territorial Policing. This relates to rewards provided under the POCA incentivisation scheme, which are re-invested in community engagement, operational and crime preventative initiatives that impact upon the MOPAC 7, gang intervention programmes through partnership youth projects, initiatives to improve confidence and satisfaction, innovation that stimulates further POCA case seizures opportunities and supports MPS Big Wing days i.e. Operations Cubo & Hawk.

### Capital Expenditure and Receipts

15. **Table 4** provides a summary of the current financial position for capital expenditure and receipts. Forecast Capital expenditure as at September 2014 is £227.2m which is £141m below the approved budget of £368.2m. The capital

## Appendix 1

budget spend rate against forecast is 39%, this is as a result of Property Services major projects such as Hendon and Headquarters Estates Strategy slipping into latter months of 2014/15 and slowed down or stopped projects in Digital Policing.

16. Capital receipts as at October 2014 are £93.5m and are forecast to reach £150m by the year end.

**Table 4 - Capital as at Period 7 (October) - 2014/15**

Summary by Provisioning Department	Approved Programme 2014/15	Actuals	Forecast to 31/03/15	% of forecast spent	% of budget spent
<b>Comprising</b>	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	<b>%</b>	<b>%</b>
Digital Policing	170,842	34,598	110,000	31%	20%
Property Services	172,079	47,498	99,787	48%	28%
Transport Services	25,174	5,813	17,314	34%	23%
Other	60	11	60	19%	19%
<b>Total</b>	<b>368,155</b>	<b>87,920</b>	<b>227,160</b>	<b>39%</b>	<b>24%</b>

**Note:** Approved programme 2014/15 relates to budget submission in November 2013.