

REQUEST FOR DMPC DECISION – DMPCD 2016 17

Title: MOPAC Budget Monitoring 2015 – Period 9

Executive Summary:

This paper summarises the period 9 financial monitoring and requests the DMPC approve budget movements and transfers to and from reserves.

Recommendation:

The DMPC is asked to

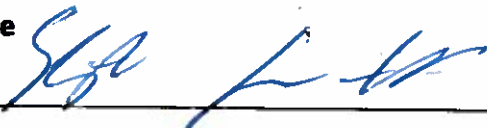
1. Note the period 9 financial monitoring position,
2. Approve the budget movements set out in paragraph 2.4
3. Approve the transfers to and from reserves as detailed in paragraph 2.5

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

18/2/2016

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 £27.1m is forecast for 2015/16, a reduction of £3.1m 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 little time available to further correct this financial position.
- 2.2 In addition, future MOPAC decisions in relation to reserves and decisions by for instance the Home Office at the year end could reduce this forecast to £15m.
- 2.3 The net forecast overspend is mainly due to a £12.4m pressure within Supplies and Services, and a forecast shortfall in income of £12.6m. Savings of £206.7m were planned for in 2015/16. The table in Appendix 1 sets out the forecast achievement of these this year. In summary, of the planned savings of £206.7m, £201.2m has been achieved, a net shortfall of £5.5m.
- 2.4 There is one budget movement proposed, detailed in Appendix 1, which aligns counter-terror (CT) officers pay budget for the pay award. This is funded from CT grant.
- 2.5 There are 4 proposed transfers to reserves and 1 from reserves. Items proposed to be transferred to reserves are
 - £7.3m from DP to the Budget pressures reserves to align TTPi project costs for 2016/17
 - £23k – BAA Airwave Replacement
 - £172k from SO to the National Domestic Extremism and Disorder Intelligence Unit (NDEDIU) reserve, and the roll up of this NDEDIU reserve of £759k to the wider CT reserve
 - £154k to support the National Special Branch Intelligence System (NSBIS) until its replacement expected in 2016/17and the transfer from reserves of £67.8k relates to a drawdown from the Proceeds of Crime Act (POCA) reserve to incentive operational command units.
- 2.6 Appendix 1 sets out further detail of the period 9 financial monitoring position, the budget movements and the transfer to and from reserves.

- 2.7 The forecast outturn for capital expenditure has been revised from £264.3m to £246.1m, a reduction of £18m from last months forecast, and £20m less than the budget of £264.6m. 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 18/02/16

SUMMARY REVENUE AND CAPITAL BUDGET MONITORING REPORT

Period 9 - 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 forecast outturn financial position as at Period 9 for revenue and capital budgets. The **revenue** forecast shows a slight improvement from a forecast overspend of £30.2m to £27.1m, an improvement of £3.1m.

A number of mitigations to this forecast have been identified

- The Major Change Fund (MCF) budget is £15m of which approximately £9m has been allocated to fund various initiatives supporting transformation to the One Met Model. The forecast assumes that all this fund will be utilised in year on the basis that any of this budget that is not spent will be transferred to reserves. As it is likely that a significant proportion of the £15m will not be utilised in year there will be a range of options that could contribute between £6m and a maximum of around £12m to mitigate the overspend. This will be reviewed at year end for the amount (if any) to transfer to reserves.
- There might be the opportunity, with Home Office approval, to receive reimbursement for the incremental costs relating to Protective Security for the General Election (£1.6m) and the Syria Conference (£1m). Claims are being submitted for these costs and the Home Office will make a decision towards the year end.
- There is also the national position of the CT Policing Grant to consider which may provide an opportunity to fund some or all of the MPS CT overspend

Taking into account the above it is possible that these mitigations would reduce the forecast overspend by around £12m leaving a revised outturn overspend of c£15m

The forecast spend on the Capital Programme as at Period 9 is £246.1m, £18.2m lower than the previous forecast, and £19.9m lower than the approved budget of £266.0m.

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

Pressures:	£m	Predominant explanation of variance
Income	12.6	Delay in filling funded posts, reduced sporting and catering income and lower than anticipated income from vehicle recovery fees. In addition, Home Office has reduced the level of ROCU grant which has been mitigated by management action.
Supplies and Services	12.4	Higher than expected legal costs in relation to 3rd party claims, and national policing ICT charges.

Revenue Financial Position – Period 9

The overall forecast as at Period 9 is an overspend of £27.1m (before any mitigation) which is 0.8% of the gross expenditure budget. **Table 1** provides a summary of the Period 9 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 9

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 %
1,328.6	1,320.4	-8.2	Police Officer Pay	1,777.0	1,766.6	-10.3	-0.6%
378.8	380.7	1.9	Police Staff Pay	500.7	501.5	0.9	0.2%
51.5	50.8	-0.7	PCSO Pay	68.7	66.7	-2.0	-2.9%
1,758.9	1,751.9	-7.0	Total Pay	2,346.3	2,334.9	-11.4	-0.5%
63.3	71.5	8.2	Police Officer Overtime	84.4	95.4	11.0	13.0%
17.5	17.3	-0.1	Police Staff Overtime	23.3	23.0	-0.3	-1.1%
0.2	0.1	-0.1	PCSO Overtime	0.3	0.2	-0.1	-24.7%
81.0	89.0	8.0	Total Overtime	108.0	118.7	10.7	9.9%
1,839.8	1,840.8	1.0	Total Pay & Overtime	2,454.3	2,453.5	-0.8	0.0%
13.9	21.9	8.0	Employee Related Expenditure	17.4	19.8	2.4	13.6%
133.8	136.6	2.8	Premises Costs	172.0	174.8	2.8	1.6%
45.1	39.9	-5.2	Transport Costs	60.4	59.6	-0.8	-1.3%
306.1	299.3	-6.9	Supplies & Services	423.3	435.7	12.4	1.7%
499.0	497.7	-1.3	Total Running Expenses	673.1	689.9	16.8	1.8%
37.9	34.7	-3.2	Capital Financing Costs	50.6	50.6	0.0	0.0%
26.9	25.4	-1.5	Discretionary Pension Costs	35.9	34.7	-1.2	-3.1%
2,403.6	2,398.6	-5.1	Total Gross Expenditure	3,213.9	3,228.7	14.8	0.3%
-206.4	-202.1	4.3	Other Income	-281.2	-271.0	10.2	-3.6%
-370.3	-367.8	2.6	Specific Grants	-498.1	-495.7	2.4	-0.5%
-5.0	-8.7	-3.7	Transfers to/(from)Reserves	-73.9	-74.2	-0.3	-6.4%
1,821.9	1,820.0	-1.9	Total Net Expenditure	2,360.7	2,387.8	27.1	1.1%
-	-	-	Funding (General Grant & Precept)	-2,360.7	-2,360.7	0.0	0.0%
1,742.2	1,742.2	0.0					
79.7	77.8	-1.9	Overall MPS & MOPAC Total	-0.0	27.1	27.1	-

Period 9 Commentary - Summary of Key Issues

Police officer business group variances

Police officer pay and overtime shows a forecast net overspend of £0.7m. The end of December strength is a small decrease of 104 ftes compared to the strength at the end of November, however the numbers are expected to increase to 31,720 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 £28.8m and an underspend of £40.8m in SC&O. Finance, HR and the Design Authority are working on options to correct this issue for the 16/17 budget.

Police Staff Pay

Table 1 shows a projected pressure this year of £0.9m which is an adverse movement of £2m from the forecast reported in Period 8. The increase in the forecast is on temporary staff and mainly in Forensics and Strategic HR. Business Groups are required to manage police staff pay expenditure within the agreed budget.

The table below shows that the main area of overspend is within Specialist Crime and Operations and is due to having more staff than budgeted for in Met Command and Control. 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.

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	48.7	4.1	52.8	53.5	-0.7
Specialist Crime & Operations	172.9	2.6	175.5	170.4	5.1
Digital Policing	23.1	3.7	26.8	26.1	0.7
MetHQ (excluding DP)	56.0	8.8	64.8	63.6	1.2
Shared Support Services	79.4	3.0	82.4	84.7	-2.3
MOPAC	7.7	0.2	7.9	8.4	-0.5
Centrally Held	1.7	0.0	1.7	1.5	0.2
Totals	478.8	22.7	501.5	500.6	0.9

Overtime

Against current budgets there is an overall pressure of £10.7m, entirely on Police Officers (£11m). The pressure on Police Officer overtime has increased slightly by £0.4m from that reported at Period 8. The next table shows that when various funding streams and additional income are taken into consideration the overall pressure is around **£8.3m**. (9.8% of budget). As with police staff, there is an expectation that business groups manage this overtime within available budgets.

The most significant overspend is £6.6m within Specialist Operations (SO) due to operational pressures, high level of vacancies and the threat level being increased to severe from August 2014. £2m of this overspend is funded by Protective Security and Counter Terrorism grants.

Summary of Police Overtime

	Forecast Outturn Variance	Mutual Aid Income & CT Grant Reallocation	Balance
Business group / Operation	£m	£m	£m
Specialist Crime & Operations	2.2	0.0	2.2
Specialist Operations	6.6	2.0	4.6
Ecuadorian Embassy	1.6	0.0	1.6
Territorial Policing	0.7	0.7	0.0
Met HQ	-0.1	0.0	-0.1
Digital Policing	0.0	0.0	0.0
Totals	11.0	2.7	8.3

Emerging pressures and risks:

Project Cull - Currently, c£2m has been identified as needing to be written off to revenue with further write-offs possible. This write-off has been included in the forecast, has no matching budget provision, and therefore contributes to the overall overspend.

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, which is due to conclude by the end of February.

Planned Savings

2015/16	Planned Saving £m	Forecast Saving £m	Variance £m
Reform:			
Police Officer Pay	-31.9	-40.7	-8.8
Overtime	-2.9	0.0	2.9
Discretionary Pensions	-1.0	-1.0	0.0
Total Reform savings	-35.8	-41.7	-5.9
Reduce:			
Police Staff and PSCO Pay	-53.5	-50.6	3.0
Technology Savings	-16.2	-16.2	0.0
Supplies and Services savings	-33.1	-24.7	8.4
Removal of VE reserve top-up	-30.0	-30.0	0.0
Reduction of non-pay inflation budget	-8.1	-8.1	0.0
Reduction in central resilience budgets	-19.3	-19.3	0.0
Capital Financing Costs	-9.0	-9.0	0.0
Fleet Reduction	-0.1	-0.1	0.0
Increased Income	-1.5	-1.5	0.0
Total Reduce savings	-170.9	-159.5	11.4
Release:			
Property Savings	0.0	0.0	0.0
Total Release savings	0.0	0.0	0.0
TOTAL	-206.7	-201.2	5.5

Capital Financial Position – Period 9

The forecast spend on the Capital Programme as at Period 9 is £246.1m compared to the budget approved by the GLA in November of £264.6m. The table below provides high level details by provisioning departments. The Digital Policing forecast of £85m is £27.2m lower than budget and reflects resource availability and delivery capacity. The Property Services Directorate forecast is £9.5m below budget due to reprogramming of certain projects within the Estate transformation programme. This under delivery is partially offset by an over programming adjustment to the budget of £16.7m.

Capital Expenditure as at Period 9 2015/16

Summary by Provisioning Dept	Budget 2015-16	Actuals	Forecast to 31/03/16	Variance Approved Programme /Forecast	Spend Rate	
	£000s	£000s	£000s		% of forecast spent	% of budget spent
Comprising						
Digital Policing	112,204	52,377	85,000	(27,204)	62%	47%
Property Services	150,178	103,430	140,677	(9,501)	74%	69%
Fleet Services	20,347	12,305	20,339	(8)	60%	60%
Other Plant & Equipment	0	0	60	60		
Over Programming	(16,726)	0		16,726		
Budget	266,003	168,112	246,076	(19,927)	68%	63%

Capital Receipts

Capital receipts as at the end of December 2015 are £142.4m. Forecast net capital receipts are £196m in line with the target of £195m.

Budget Movement

Business Group	Cost category	Dr £000s	Cr £000s	Reason
TP	Police Officer Pay	52		Additional Counter Terrorism Grant to fund Pay Award uplift
TP	Specific Grant		52	
SC&O	Police Officer Pay	152		
SC&O	Police Officer Overtime	3		
SC&O	Specific Grant		155	
SO	Police Officer Pay	633		
SO	Police Officer Overtime	33		
SO	Specific Grant		666	

Transfers to Reserves

1. A transfer of £7.3m to the budget pressures reserves to align DP budget to TTPi project costs in 2016/17. This is funded from the forecast underspend within DP this year.
2. 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 December and HAL will continue to build up this reserve each month throughout the year.
3. A transfer to the National Domestic Extremism & Disorder Intelligence Unit (NDEDIU) of £172k which represents unused funds within related NDEDIU covert accounts which are no longer required. As since 2014 the NDEDIU has been solely funded from the Counter Terrorism grant it would seem sensible to request that the NDEDIU reserve of £795k should be transferred into the general Counter Terrorism (CT) reserve. See below for an explanation as to why there is a need for a CT earmarked reserve.

Reasons for CT Reserve

The CT Policing Grant is an in-year grant and there is no method to carry over any potential underspends. It is prudent to hold a CT reserve to help cover the policing cost of any exceptional CT activity such as a terrorist attack nationally and/or in the Metropolitan Police District which could cause an overspend. There is also a need for the reserve to help support the CT Capital Programme which is coming under increasing pressure. The MPS already delivers most of the National CT Capital Programme. The CT reserve mitigates the risk of any potential overspends on CT specific grant which the MPS and other Forces would (otherwise) have to absorb.

4. A transfer of £154k to the CT reserve. This is a reserve that CT Policing have created in support of its main intelligence application (NSBIS-National Special Branch Intelligence System) that was formerly held on behalf of CT by Nottinghamshire Police. Nottinghamshire Police held the contractual obligation nationally for NSBIS and had created a reserve so that the NSBIS application could be supported up until it was replaced. NSBIS will be replaced by the National Common Intelligence Application (NCIA) which will sit on the National Secure Network (Programme name being Apollo). The NCIA should have been fully rolled-out nationally by March 2017, at which point NSBIS can be closed.

The contractual obligation for NSBIS, since late 2014/15, now sits within the MPS (fully CT Policing Grant funded) and this reserve will be used to fund the on-going support that NSBIS will require. The overall CT Police Grant outturn in 2015/16 will dictate how much of the £154k will need to be drawn down this year. The fact that NSBIS will be required nationally within CT Policing at least until late into the calendar year 2017 means that this reserve will be required within that time frame. The delay in rolling out the NCIA, for which cashable benefits were expected and have been built into the SDSR bid, adds to the CT Policing cost pressures, hence the need for this reserve.

Transfer from Reserve

A drawdown of £67.8k from the POCA reserve in regard to funding awarded from the POCA CATO incentive scheme whereby OCUs can make bids from the reserve in support of work around Proceeds of Crime and confiscations. This drawdown is to distribute the awarded additional budget to the OCUs which made successful bids.

