

## PART 2 – CONFIDENTIAL DECISION, FACTS AND ADVICE

### REQUEST FOR DMPC DECISION – PCD 1280

**Title MOPAC/MPS 2022/23 Financial Forecast as at Quarter 1 30 June 2022**

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000 (FOIA). In the event of a FOIA request for information contained in this report, please consult the Head of Governance and Risk for advice.

#### **Executive Summary:**

This report sets out the 2022/23 financial forecast for MPS and MOPAC as at 30 June 2022. This is the first financial monitoring report for the year and is to be considered alongside the published quarterly monitoring report that also sets out key outcomes information.

Since the MOPAC/MPS budget was approved in February 2022 there have been a number of changes to the approved budget following confirmation of grants, approved use of reserves and carry forward of budgets from 2021/22 which were agreed as part of the out-turn process. This report sets out the revised changes to the budget since the original budget was set in March 2022.

As at the end of June 2022 MPS and MOPAC are forecasting an underspend of £11.1m for the end of the 2022/23 financial year of which £1.1m relates to MOPAC and £10m relates to MPS. The forecast position includes transfers to reserves of £8.1m for MOPAC projects where delivery will now take place in 2023/24, this subject to DMPC approval.

The Capital Programme remains unchanged since it was approved in February 2022 and is forecasting an underspend of £38.6m largely driven by underspends in Property Services (£8.6m), Transformation (£8.9m) and Digital Policing (£12.9m).

The forecast position on reserves is also set out in the report and shows that earmarked reserves are forecast to reduce from £522.7m at the end of 2021/22 to £409.6m by the end of 2022/23. The reduction in reserves is £10.9m less than anticipated when the budget was set due a number of reasons including, reprofiling of projects into future financial years requiring funds to be carried forward from both 2021/22 into 2022/23 and also 2022/23 into 2023/24, and changes in planned usage of reserves.

#### **Recommendation:**

The Deputy Mayor for Policing and Crime is asked to:

1. Approve the revised budget for MOPAC/MPS as set out in the report, noting the increase in gross expenditure is funded through a combination of additional grant income and transfer from reserves.
2. Note the forecast full year underspend at Quarter 1 of £11.1m, of which £1.1m relates to MOPAC and £10m relates to the MPS. The forecast underspend will be subject to further scrutiny in advance of Quarter Two budget monitoring.

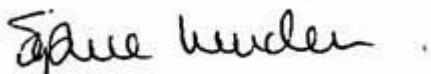
3. Note the forecast full year underspend of £38.6m on the 2022/23 capital programme.
4. Approve budget virements with an individual value in excess of £0.5m to reflect decisions made in the MPS budget after the budget was approved in February 2022, a detailed breakdown is provided at Appendix Two.
5. Approve the transfer from MOPAC earmarked reserves totalling £8.1m for MOPAC projects where delivery will now take place in 2023/24, a detailed breakdown is provided at Appendix Four;
6. Approve the net transfer to MPS earmarked reserves totalling £12.3m, a detailed breakdown is provided at Appendix Five;
7. Note the forecasts currently assumes the £2.1m underspend on the interest payable budget will be used as a Revenue Contribution to Capital Outlay (RCCO), reducing borrowing requirements in future years. This is subject to further scrutiny. An update, and relevant recommendation will be included in the Quarter Two Budget Monitoring Report.
8. Note the MPS are forecasting to deliver £62.7m savings against an approved savings target of £68.1m. The under delivery of the savings target will be subject to further scrutiny in advance of the Quarter Two Budget Monitoring.

**Deputy Mayor for Policing and Crime**

I confirm that I have considered whether 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** 15-9-22

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

### **Decision required – supporting report**

#### **1. Revised MOPAC/MPS Revenue Budget 2022/23**

- 1.1. In February 2022, MOPAC/MPS 2022/23 revenue budget was set at £3,186.1m, comprising of a £4,269.1m expenditure budget and a £1,083m income budget (this included a £124m transfer from reserves). Of this net expenditure £64.5m related to MOPAC, and £3,121.6m to the MPS.
- 1.2. Since the budget was approved the MOPAC budget has been updated to reflect an increase in gross expenditure of £20.8m. This is offset by a corresponding increase in the transfer of reserves of £9.5m the majority of which relate to the carry forwards assumed in the 2021/22 outturn position and changes in grants of £11.3m. Whilst net expenditure remains unchanged, gross expenditure has increased to £130.5m, and income has increased to £66m (this includes a £27.2m transfer from reserves). A detailed breakdown of the changes is attached at Appendix One.
- 1.3. The MPS budget has also been updated to reflect an increase in gross expenditure of £45.9m. The changes are as a result of a reduction in the planned use of reserves of £12.3m, additional income (including grants) of £59.3m and budget virements which are net nil. The net impact is a reduction in budgeted expenditure of £1.1m. A detailed breakdown of the changes is attached at Appendix Two. Once all the proposed adjustments are accounted for, the revised MOPAC/MPS 2022/23 budget reduced by £1.1m to £3,185.1m, comprising of a £4,335.8m expenditure budget and a £1,150.8m income budget (this includes a £121.2m transfer from reserves).

#### **2. MOPAC/MPS Revenue Budget 2022/23**

- 2.1. As at the end of Quarter One MOPAC/MPS are forecasting an underspend of £11.1m of which £1.1m relates to MOPAC budgets and £10m to MPS budgets. As this is the first monitoring of the 2022/23 financial year, a number of assumptions have been made and the forecast position is likely to change as the year progresses. There are also a number of risks that are being managed, in particular in relation to inflation and the potential clawback of grant should recruitment targets not be met. These risks are being actively managed and will be monitored throughout the year. A summary of the variances as at the end of June 2022 is set out below.

##### **MOPAC Budget**

- 2.2. The underspend on the MOPAC budget of £1.1m is as a result of an underspend on supplies and services (£3.2m), MOPAC are forecasting an underspend of £1.1m against the revised budget of £64.5m. This is predominately due to a forecast underspend on supplies and services of £3.4m, of which £5.8m relates to expenditure offset by corresponding grant income for Operation Soteria, and a £8.1m underspend in relation to projects where delivery has been reprofiled into 2023/24, which is offset by a corresponding transfer to reserves.

##### **MPS Budget**

- 2.3. The MPS are forecasting a year end underspend of £10m. The main variances are:
  - Pay and Overtime is forecasting an overspend of £0.8m, this is made up of £53.1m underspend in pay offset by a £53.9m overspend in overtime. Officer pay is forecast to underspend by £12.1m over the year.

This assumes full recruitment of the 1,825 Home Office funded officer uplift in 2022/23. There are challenges to achieving this recruitment target which create downside risk on this forecast and will be monitored closely through the year.

- Running Expenses is forecast to underspend by £12.3m, with a £23.0m underspend in Supplies and Services and minor underspends in Premises costs (£0.2m) offset by overspends in Employee Related Expenditure (£5.9m) and Transport costs (£5.1m) which is largely as a result of inflationary pressures on fuel.
- The Capital financing forecast is a £0.3m overall underspend. This includes the impact of new borrowing this year (£200m borrowed in June 2022). Based on the GLA Treasury team forecast the total borrowing costs this year are estimated at £14.3m, this represents a £2.1m favourable variance on the interest payable budget. The forecast currently assumes the £2.1m will be used as a Revenue Contribution to Capital Outlay (RCCO), reducing future borrowing costs. Alternatively the £2.1m could be invested elsewhere. The use of the £2.1m underspend is subject to DMPC approval and will form part of the Quarter Two budget monitoring report.

2.4. Within the 2022/23 budget there are budgeted efficiencies of £68.2m of which only £62.7m is forecast to be delivered. The progress on efficiencies is being monitored. Further work will be undertaken with MPS to establish why some of the targets cannot be achieved and what mitigating actions can be put in place.

### **3. Capital Budget 2022/23**

3.1. The Capital Programme is forecasting expenditure of £357.1m against the approved budget of £395.6m. this represents an underspend of £38.6m. The main variances are set out below.

- Property Services is forecasting an underspend of £8.6m and is mainly due to an underspend of £22.5m on the transforming the workplace projects due to project slippage offset by an overspend in the Central Estates Programme 10 of £13.1m mainly due to projects reprofiled from 2021/22 and additional third party funded spend.
- Digital Policing are forecasting an underspend of £12.9m and includes a central £18m over-programming reduction in the forecast to reflect delivery challenges and uncertainties.
- Transformation are forecasting an underspend of £8.9m predominately due to slippage in the delivery of Programme 2 - Optimising Contact and Response.
- CTPHQ are forecasting an underspend of £4.6m due to the technology refresh budget which is unlikely to be spent during the year as a result of supply chain issues, as well as the resourcing constraints.

3.2. Further detail of the Quarter One revenue and capital forecast position including reserves for 2022/23 can be found at Appendix Three.

### **4. Reserves**

4.1. Earmarked reserves of £522.7m were available from 1 April 2022 and the budget approved in February 2022 included the proposed use of reserves totalling £124m. The planned use of reserves is forecast to reduce from £124m to £113.1m as a result of the reprofiling of projects into future financial years requiring funds to be carried forward from both 2021/22 into 2022/23 and also 2022/23 into 2023/24, and changes in planned usage of reserves.

4.2. The forecast position on reserves includes £8.1m of MOPAC budget for 2022/23 which is to be carried forward into the next financial year as set out earlier in the report. A detailed breakdown of the MOPAC and MPS changes to reserves is attached at Appendix Four and Five.

4.3. The general reserve opening balance is £46.6m, a reduction of £11.3m to the position reported at the end of 2021/22. This reflects the decision to reclassify a proportion of the general reserve as a MOPAC earmarked reserve, in recognition funds were being used to support the commissioning of MOPAC services in future years. The total General Reserve now stands at £46.6m in line with the amount it was up until 2020/21. Taking into account specific risks and the extent to which these are supported by earmarked reserves this is felt to be sufficient by the MOPAC CFO. This position will be reviewed annually as part of the annual budget setting process.

4.4. In recognition of current and emerging pressures the DMPC recently approved bids totalling £3.415m from the MOPAC budget resilience reserve. This included bids for multi-year funding totalling £0.953m that relates to projects that will be delivered in future years and where funding is tapering. A summary of the requests, aligned to the Police and Crime Plan, is set out in the table below. These will form part of the Quarter Two budget monitoring report but are set out below for completeness.

**Table One: Summary of Bids Approved from Reserves to Support Police and Crime Plan Priorities**

	2022/23	2023/24	2024/25	TOTAL
<b>Police and Crime Plan Priority</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Protecting People from Exploitation and Harm	0.055	0.000	0.000	0.055
Increasing Trust and Confidence	0.514	0.000	0.000	0.514
Reducing and Preventing Violence	1.080	0.450	0.450	1.980
Better Supporting Victims	0.813	0.053	0.000	0.866
<b>TOTAL REQUESTS</b>	<b>2.462</b>	<b>0.503</b>	<b>0.450</b>	<b>3.415</b>

## 5. Financial Comments

5.1. This is the first monitoring for the 2022/23 financial year and the forecast position will change as the year progresses. There are a number of known risks that will be closely monitored, in particular due to inflation and the potential for clawback on the Police Uplift Grant should recruitment targets not be achieved. There is also the potential for further slippage should there be delays in commissioning some services.

5.2. Regular monitoring is in place across MOPAC and MPS on a monthly basis and the risks will be monitored throughout the period and in advance of the Quarter 2 reporting. The outcome of this work will also feed into the budget setting process for 2023/24 and the longer term medium term financial plan.

5.3. The overall position on reserves continues to be higher than previously budgeted and the planned reduction in reserves is already lower than originally anticipated when the budget was set. Deep dives on reserves are underway to ensure that all remain fully committed and, if this is not the case, that they are repurposed to support risks within the MTFP or to target to new and emerging priorities.

5.4. Progress on the capital programme will also be monitored to ensure that trends of previous years which have seen significant slippage are not repeated and that any likely activity and outturn is accurately reflected in the capital programme for 2023/24 and future years.

## **6. Legal Comments**

- 6.1. There are no direct legal implications arising from this proposal.
- 6.2. 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.

## **7. GDPR and Data Privacy**

- 7.1. GDPR matters have been discussed with the Data Protection Officer, who has confirmed that no Data Protection Impact Assessment (DPIA) is required for this area of spend. However, the personal details of any individuals or organisations with whom contract is made for the purposes of the engagement will be managed in accordance with MOPAC's wider Privacy Notice.

## **8. Equality Comments**

- 8.1. MOPAC is required to comply with the public sector equality duty set out in section 149(1) of the Equality Act 2010. This requires MOPAC to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations by reference to people with protected characteristics. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 8.2. There are no equality and diversity implications arising from this report.

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Part 1 Deferral:**

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

**Part 2 Confidentiality:** Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – NO

**ORIGINATING OFFICER DECLARATION:**

<i>Tick to confirm statement (2)</i>	
<b>Financial Advice:</b> The Strategic Finance and Resource Management Team has been consulted on this proposal.	<input type="checkbox"/>
<b>Legal Advice:</b> Legal advice is not required.	<input type="checkbox"/>
<b>Equalities Advice:</b> Equality and diversity issues are covered in the body of the report.	<input type="checkbox"/>
<b>GDPR and Data Privacy</b> GDPR compliance issues are covered in the body of the report. A DPIA is not required.	<input type="checkbox"/>
<b>Head of Unit:</b> The Head of Strategic Finance and Resource Management has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	<input type="checkbox"/>

**OFFICER APPROVAL****Chief Executive**

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 13-9-22

