

REQUEST FOR DMPC DECISION – PCD 25

Title: MOPAC Provisional Outturn 2015/16

Executive Summary:

This paper summarises the 2015/16 provisional outturn position and requests the DMPC approve budget movements and transfers to and from reserves. The final year end position is a net revenue overspend of £10.1m, 0.3% of gross expenditure. Capital expenditure was £224m against a revised budget of £266m.

Recommendation:

The DMPC is asked to

1. Note the provisional outturn 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

Edie Under

Date

30/6/16

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, there is a net overspend of £10.1m (0.3% of gross revenue budget) for 2015/16, a reduction of £14.4m from the last reported position. In addition, to the planned use of reserves this £10.1m will need to be funded from reserves. This will impact on the planned use of reserves in future years.
- 2.2 The net 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.
- 2.3 A number of the pressures experienced in 2015/16 have been actively addressed during the 2016/17 budget setting process and should not recur in 2016/17, for example, third party claims and income. Police officer overtime is expected to continue to be a pressure which will need to be managed. Oversight of financial reporting has been reviewed and is being strengthened.
- 2.4 There are four budget movements proposed, detailed in Appendix 1, which reflect reductions in income, allocation from the centrally held provision for non-pay inflation, and CT related funding changes.
- 2.5 There is 1 proposed transfer to reserves and 3 from reserves. The item proposed to be transferred to reserves is £1.2m – in relation to obsolete uniform stock.

The three transfers from reserves are

- £5.9m – from the Budget Pressures Reserve to fund liability to pay back-dated pay allowances
 - £8.3m from the Budget Pressures Reserve to fund write off of obsolete equipment following termination of the C&C Futures contract
 - £10.1m to fund the net overall overspend - £5.1m from Budget Pressures reserve and £5m for the Major Change Programme Fund
- 2.6 Appendix 1 sets out further detail of the provisional outturn financial monitoring position, achievement of planned savings, the budget movements, and the transfer to and from reserves.
- 2.7 The outturn for capital expenditure is £224m, a reduction of £19m from the last forecast, and £42m 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:

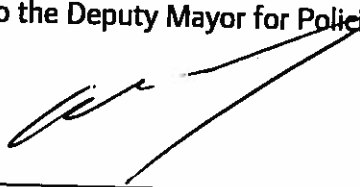
ORIGINATING OFFICER DECLARATION:

	Tick to confirm statement (✓)
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

30/6/16

REVENUE AND CAPITAL BUDGET MONITORING REPORT

Provisional Outturn - 2015/16

Summary

MOPAC/MPS Provisional Outturn - 2015/16

This report provides details of the Provisional Outturn position for revenue and capital budgets.

Revenue Position

The provisional outturn position indicates an **overspend of £10.1m** (0.3% of gross expenditure budget). This is a very minor overspend given the context of an overall savings requirement of in excess of £200m. The position is provisional until the formal audit process is completed, however the position is very unlikely to change. There has been a favourable movement of £14.4m from the position reported at Period 10. The main reason for this movement is additional income received from the national CT budget of £11m and £2m from the Home Office in regard to costs incurred for the Syrian conference.

Within the outturn figures, there is a write-off of capital expenditure of £8.3m relating to the Command and Control Futures programme. This has been matched by a draw down of reserves to ensure that the overall overspend is not increased.

The proposal is to fund this overall overspend by transferring £5m from the Major Change Fund reserve (as discussed previously at Management Board) and the balance of £5.1m from the budget pressures reserve.

Within the overall position there are some variations from budget which are set out in the report. The most notable of which are:

- An underspend of £14.3m on Police Officer Pay.
- A gross overspend of £10.2m on Police Officer Overtime (net £3.3m overspend)
- An overspend of £17.6m on Supplies and Services.

Capital Position

In respect of the delivery of the MPS Capital Programme the provisional outturn is £224m which is £42m less than the revised budget of £266m and £22m less than planned in February. Capital receipts for the year were £206.8m compared with the revised target of £195.4m.

Background

1. The purpose of this report is to inform Management Board of the provisional outturn against revenue and capital budgets for the MOPAC/MPS in 2015/16.
2. The financial year 2015/16 presented a number of key challenges, with additional planned savings of £205m needing to be delivered (the vast majority of which were delivered by the Business Groups).
3. The provisional outturn position shows an overspend of £10.1m which is 0.3% of gross expenditure budget. Clearly overspending the budget is not ideal however the outturn position is £14.4m more favourable than thought at period 10, largely due to additional CT income, explained later in this report.
4. **Table 1** provides a subjective comparison of the provisional outturn expenditure and income compared to the annual budget. **Table 2** provides a high level summary of the financial position by Business Group.

Table 1 - Subjective comparison of Provisional Outturn expenditure / income to 2015/16 annual budget

Cost category	Revised Annual Budget £m	Outturn £m	Total Annual Variance £m	Total Annual Variance %
Police Officer Pay	1,771.3	1,757.0	-14.3	-0.8%
Police Staff Pay	507.9	507.9	0.0	0.0%
PCSO Pay	68.7	66.6	-2.1	-3.1%
Total Pay	2,347.9	2,331.5	-16.4	-0.7%
Police Officer Overtime	91.1	101.4	10.2	11.3%
Police Staff Overtime	23.3	23.7	0.4	1.7%
PCSO Overtime	0.3	0.2	-0.1	-33.3%
Total Overtime	114.7	125.2	10.5	9.2%
Total Pay & Overtime	2,462.6	2,456.8	-5.9	-0.2%
Employee Related Expenditure	36.4	37.7	1.3	3.6%
Premises Costs	182.9	181.9	-1.0	-0.5%
Transport Costs	60.6	62.0	1.4	2.3%
Supplies & Services	437.7	455.3	17.6	4.0%
Total Running Expenses	717.6	736.8	19.3	2.7%
Capital Financing Costs	50.6	48.8	-1.8	-3.6%
Discretionary Pension Costs	35.9	34.0	-1.9	-5.3%
Total Gross Expenditure	3,275.2	3,276.4	10.2	0.3%
Other Income	-281.6	-277.7	4.0	1.4%
Specific Grants	-379.5	-387.2	-7.7	-2.0%
Transfers to/(from) Reserves	-125.2	-121.0	4.2	3.4%
Total Net Expenditure	2,480.4	2,490.5	10.1	0.4%
Funding (General Grant & Precept)	-2,480.4	-2,480.4	0.0	
Overall MPS & MOPAC Total	0.0	10.1	10.1	

5. It should be noted that **Table 1** above does not include the adjustment to the provision for losses under the Riot (Damages) Act 1886, caused by property damage or theft of contents which occurred in the public disturbances in London in August 2011, or the underwriting of this provision by the Home Office.
6. The majority of the claims for material damages have been processed and compensation paid out by the end of March 2016. The provision has been reduced by a further £78m following a recent verdict of the Supreme Court which ruled that MOPAC was not liable for consequential losses including loss of profits and loss of rent under section 2 of the Riot (Damages) Act 1886. The reduction in the provision has been matched by a similar amount to income as this liability had been underwritten by the Home Office. At the end of March 2016 the provision has reduced to £4.5m reflecting the material damages claims at year end awaiting processing. This remaining balance will be fully funded by the Home Office.

Table 2 – Summary Financial Position by Business Group

Business Group / Unit	Revised Annual Budget	Outturn	Total Annual Variance
	£m	£m	£m
Territorial Policing	1,131.8	1,159.3	27.5
Specialist Operations (Exp)	350.8	357.3	6.5
Specialist Operations (Inc)	-349.0	-356.0	-7.0
Specialist Operations (Net)	1.8	1.3	-0.5
Specialist Crime & Operations	665.3	641.5	-23.8
Digital Policing	190.1	190.1	0.0
MetHQ (excluding DP)	440.8	433.0	-7.8
MOPAC	36.4	36.4	0.0
Centrally Held	-2,466.2	-2,451.5	14.7
Totals	0.0	10.1	10.1

Provisional Outturn Commentary

7. The Provisional Outturn is a net overspend of £10.1m after taking account of the proposed transfers to and from reserves stated in paragraphs 14 to 16. The overall position on reserves after the proposed drawdown to fund the overspend is a balance of £288.3m. The main variations from budgets that explain the provisional overspend of £10.1m are provided below.
8. **Police Officer Pay:** Provisional Outturn saving of £14.3m (0.8%).
 - This is due to timing differences in recruitment during the year compared to the original plan (£4.3m) and a decrease in the average pay of officers due to the relatively high number of recruits (£10m).

9. **Police Officer Overtime:** Provisional Outturn overspend of £10.2m (11.3%), adjusted to £3.3m (3.6%) after additional income is taken into account.
- The main areas of pressure are in Specialist Operations (£6.1m) and Specialist Crime and Operations (£2.7m). There is also a pressure of £1.7m in regard to policing the Ecuadorian Embassy.
 - However additional income of £7m has been received from the national CT budget and from HO in regard to the Syrian conference. **Table 3** shows that if this additional income is taken into account then the overall pressure is reduced to £3.3m.

Table 3 - Summary of Overtime

	Outturn Variance	HO income & CT Grant Reallocation	Balance
Business group	£m	£m	£m
Specialist Crime & Operations	2.7	0.9	1.8
Specialist Operations	6.1	6.1	0.0
Ecuadorian Embassy	1.7	0.0	1.7
Territorial Policing	0.1	0.0	0.1
MethQ	-0.3	0.0	-0.3
Totals	10.3	7.0	3.3

10. There will be a significant challenge in 2016/17 to keep overtime spend within budget as the total Police Officer Overtime budget in 2016/17 is £63.4m which is £27.7 m less than the 2015/16 budget and £38m less than the 2015/16 actual spend. Therefore to remain within budget we will need to spend 37% less on Police Overtime in 2016/17 than we have in 2015/16 and business groups need to ensure that sufficient controls are in place to manage this. This pressure will be partly mitigated by the reduction in bank holidays (3 fewer than in 2015/16 primarily because of the dates when Easter falls) and by any additional funding secured by the MPS as in the current year (although there is no certainty of additional funding). The Deputy Commissioner is chairing a Gold Group to ensure overtime is controlled throughout 2016/17.
11. **Supplies and Services:** Business Groups managed Provisional Outturn pressure of £17.6m (4.0%).
The main pressures on supplies and services budgets relate to corporate issues and include:
- Third Party Provision – the revenue contribution is £8.2m higher than the budgeted contribution due to the increased number of active cases and the resulting valuation of the probable liability.
 - Contract Severance – A provision of £2.5m has been created to cover the estimated costs of early contract terminations.
 - Uniform Stock write-off - There is a need to create a reserve of £1.2m to fund the write-off of obsolete uniform stock expected in 2016/17.

Impact on 2016/17 budgets

12. The pressures outlined above that contributed to the 2015/16 overspend have been largely mitigated in setting the agreed budget for 2016/17. For example, income budgets have been reduced in 2016/17 in relation to sporting events, borough partnerships and vehicle seizures. Also, the budget for the third party provision has been increased by £7m in 2016/17 to reflect the level of claims that existed in 2015/16.
13. Despite this, it should be noted that the MPS will need to deliver savings of c£130m in 2016/17. This includes c£20m of overtime savings that will prove challenging given the outturn position described earlier in this report. It also includes c£80m of back office savings that will need to be closely monitored to ensure delivery.

Reserves

14. There are a number of reserve movements required at year end including a £10.1m drawdown from reserves to fund the provisional outturn overspend. Nearly all the reserve movements reflect previously agreed decisions, with the exceptions that require specific DMPC approval listed in below.
15. The significant number of reserve movements at year end reflects the policy from previous years of delaying reserve movements until the outturn position is certain, with the aim of keeping reserves intact where possible. For 2016/17 onwards, the use of reserves has been built into budgets and the actual drawdown from these reserves will take place during the financial year.
16. After all the proposed reserve movements there is a net reduction in total reserves of £131.1m from an opening position of £419.4m to a year end balance of £288.3m.

Capital Monitoring Report - Period 12 of 2015/16

17. The outturn at the end of March 2016 of £224m represents 96% (£235m) of the forecast in February and 84% (£266m) of the published programme budget. Table 4 below provides details by provisioning departments.
18. The majority of the underspend relates to slippage from 2015/16 into 2016/17 on the DP led NSY/IT relocation programme. This programme cannot afford to slip further given the dependencies with the exit of NSY. The situation is being monitored closely with PSD meeting with DP on a regular basis to discuss progress and address any emerging issues or risks.
19. Capital expenditure on digital policing was lower than expected following the termination of a contract (after a series of delays to the delivery of the Command and Control Futures Programme). £8.3m of expenditure was charged to revenue in year and funded by revenue reserves. Expenditure was further reduced in 2015/16 following slippage in the delivery of the Body worn Video Project and the Total technology Platform Infrastructure programme.

Table 4 - Capital Expenditure Outturn 2015/16

Summary by Provisioning Dept	Revised Programme 2015/16	Actuals	F11 Forecast	Variance - Actuals v Programme		Variance - Actuals v Forecast	
	£000s	£000s	£000s	£000s	% of Programme spent	£000s	% of forecast spent
Comprising							
Digital Policing	112,204	67,821	78,000	-44,383	60%	-10,179	87%
Property Services	150,178	139,224	139,872	-10,954	93%	-647	100%
Transport Services	20,347	17,004	16,930	-3,343	84%	74	100%
Other Plant & Equipment	0	0	60			-60	0%
Over Programming	(16,726)			16,726			
Budget	266,003	224,049	234,862	-41,954	84%	-10,813	95%

Note: Revised programme 2015/16 relates to budget submission in November 2015.

Capital Receipts and Financing Implications

20. Gross capital receipts as at the end of March 2016 were £206.8m compared with the revised target receipts of £195.4m. There was no requirement to borrow in the year and surplus capital funds will be carried forward.

Planned Savings 2015/16 – Outturn Position

Cost Element Group	Saving Description	Outturn		
		Planned Saving £m	Actual Saving £m	Variance £m
Police Officer Pay	Total Police Officer Pay savings	-31.9	-46.2	-14.3
Police Staff Pay	Total Police Staff Pay savings	-39.1	-35.4	3.7
PCSO Pay	Total PCSO Pay savings	-14.5	-16.6	-2.1
Police Overtime	Total Police Overtime savings	-2.9	0.0	2.9
Technology	Total Technology savings	-16.2	-16.2	0.0
Supplies & Services	Total Supplies & Services savings	-12.1	-8.8	3.3
Transport	Total Transport savings	-0.1	-0.1	0.0
Commercial	Total Commercial savings	-3.0	-3.0	0.0
Income	Total Income savings	-1.5	-1.5	0.0
Capital Financing	Total Capital Financing Costs savings	-9.0	-9.0	0.0
Discretionary Pensions	Total Discretionary Pensions savings	-1.0	-1.0	0.0
Corporate	Total Corporate savings	-75.4	-72.0	3.4
Total Overall savings		-206.7	-209.8	-3.1

Budget movements which have occurred since Period 10 and exceed £0.5m, and therefore require MOPAC approval.

Business Group	Cost category	Dr £000s	Cr £000s	Reason
TP	Police Officer Pay		995	This reflects a reduction in income because 20 match funded posts have not been sold.
TP	Income	995		
CH	Supplies and Services		1,600	Allocation of budget from centrally held to fund the non pay inflation uplift within Property Services
MethHQ	Premises	1,600		
SO	Police Officer Pay	725		Recovery and Realignment of Counter Terrorism grant to match actual spends as at quarter 3 as agreed by CT Grant Board.
SO	Employee Expenditure		45	
SO	Police Staff Pay		370	
SO	Specific Grant		226	
SO	Supplies & Services		60	
SO	Transport		24	
SO	Police Staff Pay	8		Additional income received in January 2016 from Foreign and Commonwealth Office in regards to costs of Operation Traps. The CT response to the terrorist attack in Tunisia.
SO	Police Staff Overtime	12		
SO	Transport	186		
SO	Police Officer Pay	69		
SO	Police Officer Overtime	484		
SO	Income		759	

Transfers to and from Reserves

1. The majority of reserve movements since Period 10 are simply the accounting transactions that recognise the previously agreed policy on reserves and are not included below. Therefore, the MOPAC approval that is sought below is recognising the actual reserve movements that are being transacted at year-end rather than approving any policy decision. Budget moves have been actioned to match all the reserve movements.
2. **Transfer to reserves that require MOPAC approval.**
 - A transfer of £1.2m to a new reserve to fund the cost of obsolete uniform stock that will be written off in 2016/17.
3. **Transfers from reserves that require MOPAC approval.**

Funding for future liabilities

- A drawdown of £5.9m from the Budget Pressures Reserve to fund the provision for the liability to pay back-dated pay allowances to Protection Officers (£4.9m) and CHIS handlers (£1m).

Capital Expenditure write-offs

- A drawdown of £8.3m from the Budget Pressures reserve to fund the write-off of obsolete equipment following the termination of the C&C futures contract.

Funding of overall overspend

- A drawdown of £5.1m from the Budget Pressures reserve to part fund the year end overspend of £10.1m.
- A drawdown of £5m from the Major Change Programme Fund reserve to part fund the year end overspend of £10.1m. (£5m represents the amount of the 2015/16 budget that was not allocated to specific projects).