

REQUEST FOR DMPC DECISION – DMPCD 2015 011

Title: MOPAC Budget Monitoring and Budget & Reserves Movements – Period 8

Executive Summary:

This paper summarises the period 8 financial monitoring and requests the DMPC approve 2 budget movements and 3 transfers to/from reserves.

Recommendation:

The DMPC is asked to

1. Note the period 8 financial monitoring position, and
2. Approve the 2 budget movements and 3 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

19/2/2015

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 8 financial monitoring position. In summary, net cost pressures of £5.3m are forecast for 2014/15, a slight decrease of £1.6m against last month. The main reason for this decrease is due to a number of underspends within Specialist Crime and Operations (SCO), Digital Policing (DP), Shared Services (SS), and Specialist Operations (SO).

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

- Police Staff Pay - £12m
- Police Officer Overtime - £9.8m
- Premises Costs - £7.4m
- Supplies and Services - £10.1m

These are offset by forecast savings in regard to PCSO pay of £5.8m, 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 is £223.3m compared to the revised 2014/15 Capital Programme budget of £227m.

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

- Budget transfers within MOPAC to reflect the change in management reporting of the Evidence and Insight/Analysts function from Police Resources & Performance Directorate, £1.442m and the IOM Directorate, £54k to the Directorate of Strategy, £1.496m
- A reallocation of Counter Terrorism (CT) monies within the MPS arising from
 - i. additional grant to cover additional SO15 training costs, and
 - ii. the reallocation of CT grant from various MPS business groups being consolidated in Specialist Operations (SO) to meet increased overtime costs resulting from the increased threat level,

See attached appendix for further detail.

- 2.5 There are 3 proposed transfers to/from reserves this month

- A drawdown of £219k from the Partnership and Sponsorship reserve to be distributed to various Borough Commands in Territorial Policing. This relates to funding received in advance and now required to fund various partnership initiatives.
- A transfer of £467k to the Property Resilience reserve in regard to the re-imbursement of building disposal fees for properties that were in the process of being sold at the end of last year, from the capital receipt following sale of property this financial year.
- A transfer to MOPAC reserves of £439k to provide for future budget pressures and to secure funding and meet commitments for future agreed Police and Crime Plan priorities in relation to addressing the London crime agenda.

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 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 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

19/02/2015.

SUMMARY REVENUE AND CAPITAL BUDGET MONITORING REPORT PERIOD 8 - 2014/15

Appendix 1

Summary

This report on the MOPAC/MPS finances for 2014/15 provides details of the forecast outturn financial position as at Period 8 for revenue and capital budgets.

The **revenue** forecast is for a small overspend of £5.3m, a reduction of £1.6m from last month due to the identification of a number of underspends within Specialist Crime and Operations (SCO), Digital Policing (DP), Shared Services (SS), and Specialist Operations (SO).

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

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

Pressures:	£m	RAG Status	Predominant explanation of variance
Police Staff Pay	12.0	RED	Over strength at the start of 2014/15 and temporary staff.
Police Officer Overtime	9.8	GREEN	The majority of this overspend is funded by additional income.
Premises Costs	7.4	RED	Delays to Corporate Real Estate (CRE) programme.
Supplies and Services	10.1	AMBER	Principally one-off costs of change in DP
TOTAL	39.3		
Mitigations:			
PCSO	(5.8)		The numbers of PCSO Staff are below the planned strength throughout the year
Capital Financing Costs	(7.3)		This is due to lower than expected borrowing and higher than expected capital receipts.
Non-pay inflation budget	(20.0)		Release of non-pay inflation budgets.
Other net	(0.9)		
NET FORECAST	5.3		

£134m savings have been included in the budget for 2014/15 as part of the overall aim of delivering the increased savings target of £573m between 2013/14 and 2015/16. Based on this year's financial position the major challenge for the next financial year will be the delivery of the staff savings. The MPS will look to mitigate this through devolving the budgets, creating the correct accountability, and managing performance. MOPAC will continue to scrutinise and challenge the MPS in its financial management.

Capital forecast spend is £223m which is £4m below the approved revised budget of £227m. Gross Capital receipts as at November 2014 are £94m and are forecast to reach £150m by the year end, reducing both the need to borrow and the capital financing costs.

Revenue Financial Position - Period 8

The annual forecast as at Period 8 is for a net cost pressure of £5.3m which is 0.2% of the Total Net Expenditure budget as detailed below.

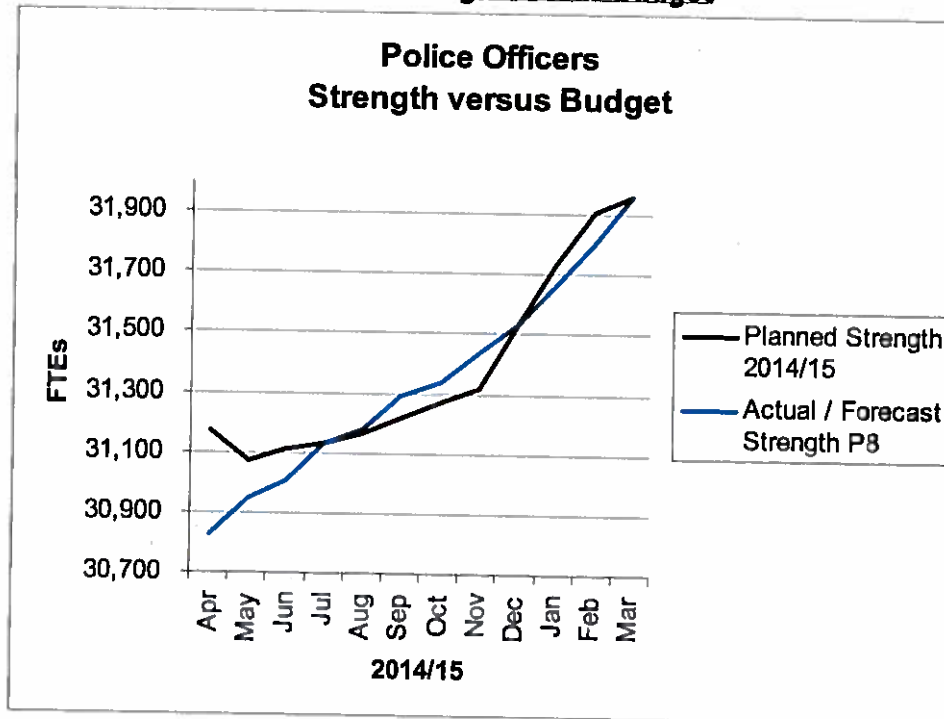
Table 1 - Subjective comparison of year to date and forecast annual expenditure and income to budget - Period 8

2014/15	Period 8 Year to Date Budget £m	Period 8 Year to Date Actual £m	Period 8 Year to Date Variance £m	2014/15 Annual Budget £m	Period 8 Annual Forecast £m	Period 8 Annual Forecast Variance £m	Variance %
Police Officer Pay	1,165.8	1,157.8	-8.0	1,763.0	1,763.0	0.0	0.0%
Police Staff Pay	340.8	352.8	12.0	551.0	563.0	12.0	2.2%
PCSO Pay	52.9	49.1	-3.8	79.4	73.6	-5.8	-7.3%
Total Pay	1,559.5	1,559.7	0.2	2,393.4	2,399.6	6.2	0.3%
Police Officer Overtime	55.8	60.5	4.7	83.7	93.5	9.8	11.7%
Police Staff Overtime	15.4	15.8	0.4	23.4	24.1	0.7	3.0%
PCSO Overtime	0.3	0.1	-0.2	0.4	0.3	-0.1	-25.0%
Total Overtime	71.5	76.4	4.9	107.5	117.9	10.4	9.7%
Employee Related Expenditure	18.1	16.0	-2.1	26.2	26.8	0.6	2.3%
Premises Costs	119.4	112.5	-6.9	169.1	176.5	7.4	4.4%
Transport Costs	40.7	38.7	-2.0	61.6	60.3	-1.3	-2.1%
Supplies & Services	212.2	231.9	19.7	385.1	395.2	10.1	-2.4%
Non Pay Inflation	13.3	0.0	-13.3	20.0	0.0	-20.0	-100.0%
Total Running Expenses	403.7	399.1	-4.6	662.0	658.8	-3.2	-0.5%
Capital Financing Costs	39.8	34.1	-5.7	59.7	52.4	-7.3	-12.2%
Discretionary Pension Costs	25.2	24.0	-1.2	37.9	35.6	-2.3	-6.1%
Total Gross Expenditure	2,099.7	2,093.3	-6.4	3,260.5	3,264.3	3.8	0.1%
Income	-174.9	-182.0	-7.1	-264.3	-264.5	-0.2	-0.1%
Specific Grants	-322.5	-324.7	-2.2	-484.2	-482.8	1.4	0.3%
Transfers to/from Reserves	-0.3	-1.1	-0.8	-63.8	-63.5	0.3	0.5%
Total Net Expenditure	1,602.0	1,585.5	-16.5	2,448.2	2,453.5	5.3	0.2%
Funding (General Grant & Precept)	-1,651.0	-1,650.9	0.1	-2,448.2	-2,448.2	0.0	0.0%
Overall Total	-49.0	-65.4	-16.4	0.0	5.3	5.3	0.2%

The movement from the year to date underspend of £16.4m to forecast overspend of £5.3m is due in the main to Police Officer Pay (£4.0m) as recruitment increases, Police Officer Overtime (£5.1m) relating to additional planned expenditure in the last four months of the year, and Premises Costs (£14.3m).

As reported in P7 there is a year to date underspend of £8.0m (0.7% of budget) in respect of **Police Officer pay** due to the numbers of Police Officers being below the planned strength for the first quarter as highlighted in graph 1. The forecast is to break even.

Graph 1 - Police Officers - Strength versus Budget



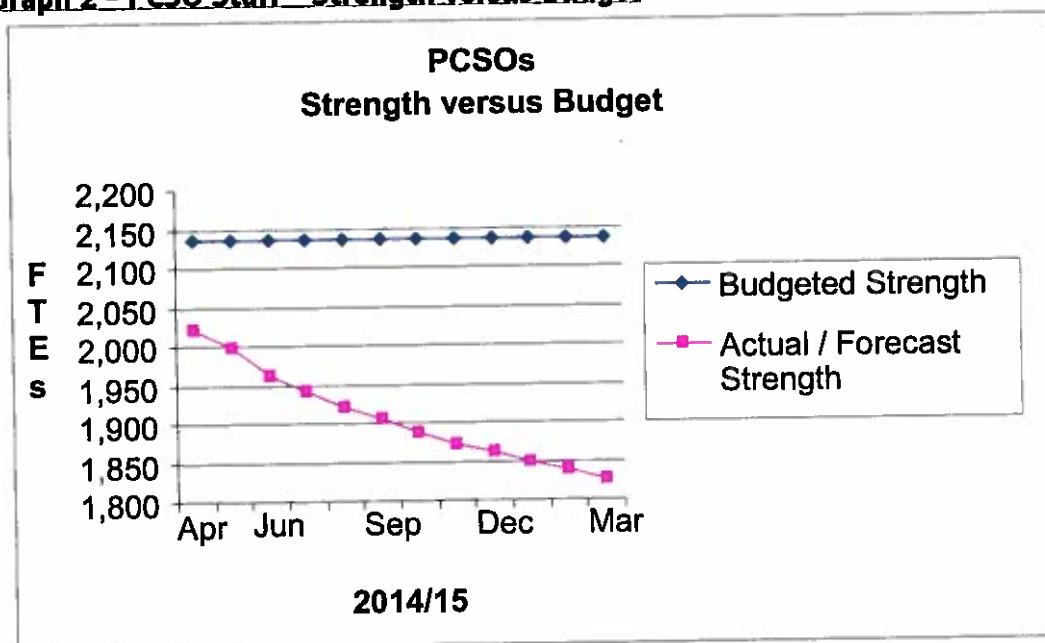
Police Staff Pay: There is a year to date overspend of £12.0m (3.5%), and a forecast pressure of £12.0m (2.2%).

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.

The position has been reassessed as part of the Period 8 process and the previously reported forecast overspend of £12m remains. The 2014/15 Police Staff Pay award is estimated to cost £7m this financial year. This creates an additional pressure this year of £3.6m because the pay award is budgeted at £3.4m. The cost of the 2014/15 pay award is expected to be contained by reduced recruitment and wastage for the remainder of the year.

PCSO Pay: The year to date underspend is £3.8m (7.2%), with a forecast saving of £5.8m (7.3%). The position has been reassessed as part of the Period 8 process and the previously reported forecast underspend of £6.5m has reduced to £5.8m due to the additional cost of the pay award for 2014/15.

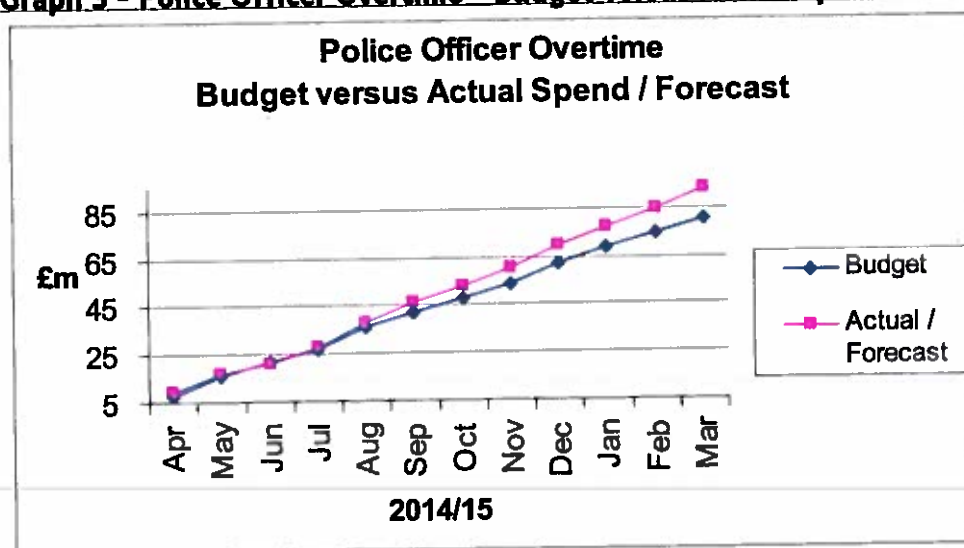
Graph 2 shows that numbers of PCSO Staff are below the planned strength throughout the year.

Graph 2 - PCSO Staff - Strength versus Budget

Police Officer Overtime: The year to date overspend is £4.7m (8.4%) and is forecast to increase to an overspend of £9.8m (11.7%) at the end of March 2015. However, there are various funding streams and additional income which when taken into consideration reduce the overall pressure to £0.5m.

The main areas of pressure are in Specialist Operations (£5m) where the level of vacancies is generating overtime to cover posts. 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.

Graph 3 - Police Officer Overtime - Budget versus Actual Spend

Running Costs: There is a year to date underspend of £4.6m (1.1%) which is forecast to reduce to an underspend of £3.2m (0.5%) by year end due to the use of the centrally held non-pay inflation provision of £20m.

The main forecast pressures are due to

- a) the £5.3m slippage associated with delivery of the CRE programme because of slower than planned building exits. Whilst the MPS continue to review 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.
- b) revenue support to capital projects and one-off costs of change within Digital Policing currently estimated to be £8.4m, and a further £22.5m in 15/16.

Subject to the overall outturn, Major Change Programme Fund and reserves set aside for technology projects will be considered to fund the above.

- c) catering (£1.4m) arising from non-achievement of historic savings targets and reduced income

Income: There is a year to date over recovery of £7.1m (4.1%), but this is forecast to reduce to an over recovery of £0.2m (0.1%) at year end due to 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.

Capital Financing Costs: The year to date underspend is £5.7m (14.3%), and this is forecast to increase to £7.3m (12.2%) by the year end. This is due to lower than expected borrowing and higher than expected capital receipts.

Capital Expenditure and Receipts

Table 2 provides a summary of the current financial position for capital expenditure. Forecast capital expenditure as at November 2014 is £223m which is £4m below the revised budget of £227m.

The capital budget spend rate against forecast is 44%, 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.

Table 2 - Capital as at Period 8 (November) - 2014/15

Summary by Provisioning Department	Revised Programme 2014/15	Actuals	Forecast to 31/03/15	% of forecast spent	% of budget spent
Comprising	£000s	£000s	£000s	%	%
Digital Policing	110,000	44,214	110,000	40%	40%
Property Services	99,787	48,061	96,313	50%	50%
Transport Services	17,150	6,876	16,801	41%	41%
Other	60	93	141	66%	66%
Total	226,997	99,244	223,255	44%	44%

Capital receipts as at November 2014 are £94m and are forecast to reach £150m by the year end.

The following budget movements have occurred since Period 7 and exceed £0.5m in total, and therefore require MOPAC approval. The items in this section reflect additional and a reallocation of CT monies within the MPS.

Business Group	Cost Category	£'000	£'000
SCO	Reallocation of CT grant	652	
DP	Reallocation of CT grant	200	
SSS	Reallocation of CT grant	107	
Met HQ	Reallocation of CT grant	87	
SO	Reallocation of CT grant	324	
SO	Additional CT Grant	377	
SO	Training SO15		377
SO	Police Officer Overtime		1,370