

REQUEST FOR DMPC DECISION – DMPCD 2015 067

Title: MOPAC Provisional Outturn 2014/15

Executive Summary:

This paper summarises the 2014/15 provisional financial outturn. Against a net revenue expenditure budget of £2,448m, MOPAC has spent £2,426m reduced expenditure of £22m, (0.9%). Capital expenditure of £199m was invested in MOPAC assets in 2014/15, against the revised budget of £227m, reduced investment of £28m, (12%). DMPC is asked to approve transfers to and from reserves. The final outturn position will be subject to external audit.

Recommendation:

The DMPC is asked to

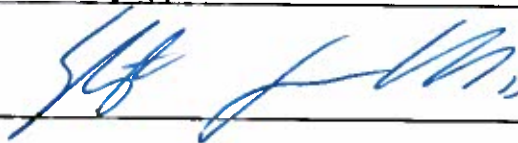
1. Note the provisional financial outturn for both capital and revenue,
2. Note the overall achievement of the net savings target, and
3. Approve the reserve transfers as set out in paragraph 2.3

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

27/5/2015

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. DMPC is also responsible for the approval of all transfers to and from reserves.
- 1.3 This paper is the final reporting for the 2014/15 financial year and sets out the provisional outturn for both revenue and capital expenditure. These results will form an integral part of the annual statutory statement of accounts.

2 Issues for consideration

Revenue

- 2.1 In summary, the net provisional outturn is an underspend of £22.5m. By the end of 2015/16 the target for police officers of circa 32,000 was met, but a slower start to recruitment at the beginning of the year and a lower average cost contributed to the underspend. Whilst police staff numbers reduced there remained pressures on this budget this year due to a slower reduction than planned in numbers and the use of interim and agency staff to maintain capacity in the short term and to retain flexibility. Premises costs also overspent due to slippage in the Corporate Real Estate strategy. These pressures have been more than offset by net reduced operating costs, additional grant and income, and lower than targeted Police Community Support Officers (PCSO) volumes as a number of PCSO's were recruited to be Police Officers. Further detail is set out in Appendix 1.

Savings

- 2.2 The overall 2014/15 gross target savings of £134m has been more than achieved by £13m. There were under-achievements in the police officer rank mix, police staff and property savings targets. These have been offset by over-achievement in police officers, PCSO's and supplies and savings targets. A full analysis is set out in Appendix 1.

Reserves

- 2.3 MOPAC has previously approved a net call from reserves during 2014/15 of £1.9m. Based on budgeted transfers to and from reserves, and issues identified during the year, the provisional outturn now proposes a net contribution to reserves of £7.65m – see below. In addition, the £22.5m underspend is recommended to be transferred to the ear-marked Budget Pressures reserve.

Transfers to Reserves - Policy	£m
Early Departures Reserve	30.00
Major Change Programme Fund Reserve	15.25
MOPAC Reserve	6.12
Airwave Reserve	1.40
Transport for London Equipment Pool Reserve	0.80
POCA Reserve	0.11
Total Transfers to Reserves - Policy	53.68

Transfers to Reserves - Pay Related (as identified in previous reports)	£m
Total Transfers to Reserves - Pay Related	20.00
Transfers from Reserves - Policy	£m
Budget Pressures Reserve	-57.12
Early Departures Scheme Reserve	-7.72
Airwave Reserve	-0.46
Major Change Programme Fund Reserve	-0.45
Communications Project Reserve	-0.15
POCA Reserve	-0.13
Total Transfers from Reserves - Policy	-66.03
Net proposed transfers	7.65

It is recommended that MOPAC reserves are used in 2015/16 to meet DMPC commitments to maintain multi-year funding in respect of both the London Crime Prevention Fund (LCPF), £1,693k and Safer Neighbourhood Boards (SNBs), £651k, and to support the on-going development and delivery of victims services, £3.262m, Business Crime strategy initiatives, £400k and the development of the Independent Custody Visitor (ICV) scheme, £33k.

Capital

- 2.4 Investment of £199m was incurred in 2014/15 to improve the property portfolio to support MetChange and to deliver future property revenue savings, and investing in IT infrastructure and systems for operational front line officers. Capital receipts of £169.6m were generated to finance the capital programme. Detail of capital investment by department is set out in Appendix 1.

Next Steps

- 2.5 The provisional outturn forms an integral part of the statutory Annual Statement of Accounts. The draft accounts will be available to the public for inspection from 1 June 2015, and our external auditors, Grant Thornton, will re-commence their audit of the accounts from 1 June. The final accounts are expected to be published by the end of July.
- 2.6 The earlier closure and reporting of financial outturn and the accounts enhances the transparency of MOPAC. It also informs the work necessary to manage the 2015/16 budget from an earlier point and will inform the work to be undertaken during the summer to set the 2016/17 budget and the financial strategy.
- 2.7 There are a number of pressures facing MOPAC in 2015/16 and future years. Further work will be required to understand the exact nature and value of these pressures and to consider if and how MOPAC reserves might be used to address them.
- 2.8 The underspend on capital in 2014/15 will be further analysed to understand the implications for 2015/16 and future years, and a capital programme submitted to DMPC for approval.

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: Annabel Cowell 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 27/05/2013



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SUMMARY REVENUE AND CAPITAL PROVISIONAL OUTTURN 2014/15

Summary

This report on the MOPAC/MPS finances for 2014/15 provides details of the provisional outturn financial position for revenue and capital budgets.

The provisional **revenue** outturn is a underspend of £22.5m, an increase in the underspend of £15m from the previous forecast. In addition to previously agreed transfers to and from reserves and the planned and previously identified transfers MOPAC is asked to approve the transfer of the £22.5m underspend to the budget pressures reserve.

The pressures have been mitigated via underspends on PCSO pay budgets, reductions in capital financing costs, additional income 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	Predominant explanation of variance
Police Staff Pay	11.1	Over strength at the start of 2014/15 and temporary staff plus the impact of the 2014/15 pay award.
Premises Costs	2.9	Includes delays to the Corporate Real Estate (CRE) programme
TOTAL	14.0	
Mitigations:		
Police Officer Pay	(17.2)	Lower than expected average pay and fewer officers than expected at the start of the year
PCSO	(5.9)	The numbers of PCSO Staff are below the planned strength throughout the year
Capital Financing Costs	(8.5)	This is due to lower than expected borrowing and higher than expected capital receipts.
Net running expenses	(13.5)	Lower training and recruitment costs, reduced supplies and services expenditure, fewer ill-health and 30+ retirement cases and lower injury award pensions.
Additional grant & income (net of overtime)	(16.7)	Additional mutual aid, officer contributions for rail travel, and counter terrorism grant, partially offset by additional overtime costs.
Transfers to reserves	25.3	Net planned and previously identified transfers to and from reserves
NET OUTTURN	(22.5)	

£134m gross savings were 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 provisional outturn is £199m which is £28m below the revised budget of £227m. Gross Capital receipts are £169.6m, above the budget of £150m, reducing both the need to borrow and the capital financing costs.

Revenue Financial Position – Provisional Outturn

The provisional outturn is a net underspend of £22.5m which is 0.9% of the Total Net Expenditure budget as detailed below.

Table 1 - Subjective comparison of provisional outturn 2014/15

2014/15	2014/15 Annual Budget £m	2014/15 Provisional Outturn £m	2014/15 Outturn Variance £m	2014/15 Outturn Variance %
Police Officer Pay	1,762.6	1,745.4	-17.2	-1.0%
Police Staff Pay	521.6	532.7	11.1	2.1%
PCSO Pay	79.3	73.4	-5.9	-7.4%
Total Pay	2,363.5	2,351.5	-12.0	-0.5%
Police Officer Overtime	85.4	88.4	3.0	3.5%
Police Staff Overtime	23.5	23.2	-0.3	-1.3%
PCSO Overtime	0.4	0.2	-0.2	-50.0%
Total Overtime	109.3	111.8	2.5	2.3%
Employee Related Expenditure	27.8	24.4	-3.4	12.2%
Premises Costs	167.5	170.4	2.9	1.7%
Transport Costs	61.7	62.1	0.4	0.6%
Supplies & Services	397.2	390.8	-6.4	-1.6%
Total Running Expenses	654.2	647.7	-6.5	-1.0%
Capital Financing Costs	59.6	51.1	-8.5	-14.3%
Discretionary Pension Costs	37.9	33.8	-4.1	-10.8%
Total Gross Expenditure	3,224.5	3,195.9	-28.6	-0.9%
Income	-265.7	-277.9	-12.2	-4.6%
Specific Grants	-491.0	-498.0	-7.0	-1.4%
Transfers to/from Reserves	-19.6	5.7	25.3	129.1%
Total Net Expenditure	2,448.2	2,425.7	-22.5	-0.9%
Funding (General Grant & Precept)	-2,448.2	-2,448.2	0.0	0.0%
Overall Total	0.0	-22.5	-22.5	0.0%

Provisional Outturn Commentary

There is a underspend of £17.2m (1.0% of budget) in respect of **Police Officer pay** due to the numbers of Police Officers being below the planned strength for the first quarter, and lower than planned average pay for officers. By the end of 2015/16 the target of circa 32,000 officers was achieved.

Police Staff Pay: There is a overspend of £11.1m (2.1%). The budget is based on 12,200 FTE across the year. This is the result of total staff (including agency) being above the budgeted level for the first 6 months of the year and the significant number of agency staff costing more than the average costs of a permanent member of staff. Agency staff have been used to obtain expertise and capacity as the organisation transforms itself and to retain flexibility in the future as to staff numbers.

PCSO Pay: The underspend is £5.9 (7.4%), due to PCSO numbers being below strength throughout the year, in part due to PCSO recruitment to become Police Officers.

Police Officer Overtime: The overspend is £3m (3.5%). All of this pressure is offset by additional grant and income. The main areas of pressure are in Specialist Operations (£4.6m) where the level of vacancies earlier in the year generated additional overtime to cover vacant posts plus the rise in the threat level to Severe also had an impact. However this pressure will be funded by managed underspends elsewhere within the Specialist Operations budget. There is also a pressure of £1.3m shown as a cost within Centrally Held in regard to policing the Ecuadorian Embassy.

Running Costs: There is a underspend of £6.5m (1.0%). There were a number of pressures such as slippage associated with delivery of the CRE programme because of slower than planned building exits and PFI sites not achieving planned savings, additional external forensic laboratory submissions as the Lambeth site is refurbished and there is reduced internal capacity, and consultancy costs of preparing support services for market engagement. The overspends are more than offset by underspends in Territorial Policing, Shared Support Services and MOPAC.

Capital Financing Costs: The outturn underspend is £8.5m (14.3%). This is due to lower than expected borrowing and higher than expected capital receipts.

Discretionary Pension Costs: There is a underspend of £4.1m (10.8%) due to the 30+ abatement scheme being closed and as no new officers are being added there are reduced costs. In addition there are fewer officers retiring on ill-health grounds, and there is less provision required for injury award pensions.

Income: There is additional income of £12.2m (4.6%). This is mainly due to mutual aid reimbursement (£5.4m), officer contribution to subsidised rail travel, (£4m) and the write back of £3.8m relating to goods receipting.

Specific Grant: There is additional grant of £7m (1.4%). This is mainly due to counter terrorism grant.

Transfer to/from Reserves: The provisional outturn for transfers to and from reserves is a net £5.7m contribution to reserves. Previously agreed transfers totalled a net £1.9m call on reserves, and this outturn reflects a proposed net £7.65m contribution to reserves as set out below.

Transfers to Reserves - Policy	£m
Early Departures Reserve	30.00
Major Change Programme Fund Reserve	15.25
MOPAC Reserve	6.12
Airwave Reserve	1.40
Transport for London Equipment Pool Reserve	0.80
POCA Reserve	0.11
Total Transfers to Reserves - Policy	53.68
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Savings

The comparison of actual savings against the planned 2014/15 savings target of £134m is set out below. This shows a net over-achievement of £13m.

Description	2014/15 Budgeted saving (£m)	2014/15 Actual saving (£m)	Variance (£m)	RAG Status	Comments
Police Officers (Volume)	0.0	-20.6	-20.6	Green	Actual strength was below planned strength for 1st quarter. Recruitment was adjusted to be below planned strength for last 4 months to offset rank mix pressure.
Police Officers (Rank mix)	-14.4	-11.0	3.4	RED	The main areas for concern are at Inspector and Sergeant ranks.
Police Officers (Winsor)	-15.5	-15.5	0.0	Green	Savings achieved
Total Police Officer Pay Savings	-29.9	-47.1	-17.2		
Police Staff - Reduction in numbers	-34.2	-23.1	11.1	RED	Although the number of permanent staff is below target strength the cost of temporary staff is higher than the savings made on the vacancies.
PCSO Changes	-8.7	-14.6	-5.9	Green	The planned PCSO savings are over achieved due to strengths being below target throughout the year.
Total Police Staff and PCSO Pay Savings	-42.9	-37.7	5.2		
Police Officer/Police Staff & PCSO Overtime	-7.2	-4.7	2.5	Green	The savings were not achieved due to NATO Summit, Commonwealth Games and Protection Commands where rise in threat level to severe is having an impact. However, additional income received more than offset these pressures, hence the "Green" RAG status.
Total Overtime Savings	-7.2	-4.7	2.5		
Technology Savings	-9.7	-9.7	0.0	Green	Savings achieved.
Property Savings	-20.0	-17.1	2.9	RED	The planned savings were not delivered mainly due to delays in the disposal of buildings.
Supplies and Services savings	-16.8	-23.2	-6.4	Green	Savings in TP, SSS & MOPAC have offset pressures in Forensics and Met HQ consultancy in preparation for support services market engagement.

Total Running Expenses Savings	-46.5	-50.0	-3.5		
Reduction in central resilience	-7.5	-7.5	0.0	Green	Savings achieved.
Total Savings	-134.0	-147.0	-13.0		

Capital Expenditure and Receipts

Table 2 provides a summary of the provisional outturn position for capital expenditure. The underspend is due to slippage and underspends in Digital Policing £26.5m and Transport £0.9m.

Table 2 - Capital Expenditure Outturn 2014/15

Summary by Provisioning Dept	Revised Programme 2014/15	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	110,000	83,475	78,000	-26,525	76%	5,475	107%
Property Services	99,787	99,612	95,951	-175	100%	3,661	104%
Transport Services	17,150	16,201	15,949	-949	94%	253	102%
Other Plant & Equipment	60	71	60	11	118%	11	118%
Budget	226,997	199,358	189,959	-27,639	88%	9,399	105%

Capital receipts as at 31 March 2015 are £169.6m. These receipts are used to help finance the capital programme above

