

PEEL: Police efficiency 2015

An inspection of the Metropolitan Police Service



October 2015

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ISBN: 978-1-78246-886-8

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Overview – How efficient is the force at keeping people safe and reducing crime?

Overall judgment¹



Good

HMIC found that the Metropolitan Police Service (MPS) is well prepared to face its future financial challenges. The force understands demand, has balanced the budget and has a good track record of achieving savings. Currently resources match demand and the force has the foundations in place to align its resources in order to meet future demand within its projected budgets. In last year's value for money inspection, which considered how forces had met the challenge of the first spending review period, the force was judged to be good.

Summary

HMIC judges the Metropolitan Police Service to be good. It has a thorough understanding of current demand and is managing its finances prudently. In addition, the force has a good track record at meeting financial challenges through change.

There is a very clear understanding of the end results and costs of policing activity. The force is working together with other organisations and the public to manage and reduce demand and continue to achieve the target to reduce recorded crime, set by the Mayor of London's police and crime plan 2013-2016.

The force is making further savings and efficiencies through the continued success of the change programme and its associated plans to improve technology, rationalise its estate and to increase the productivity of its workforce.

There are currently skill gaps for the force that are being addressed through training and work has started to understand what capabilities the force will need in 2020 and beyond.

The force recognises that it will need to change its operating model in the medium to long term and is committed to making itself more representative of the characteristics of the London communities it serves. Its latest intake of recruits is more representative of London than ever before.

¹ Outstanding, Good, Requires improvement or Inadequate – see Annex A.

Good arrangements for the governance of the MPS are provided by the Mayor's Office for Policing and Crime (MOPAC). The two organisations also share information and assumptions to progress change that will meet future demand within the predicted finances.

The MET Change 2 change programme to provide an affordable and sustainable operating model for the force in 2020 is well developed with assumptions used to underpin financial plans that are reasonable and prudent.

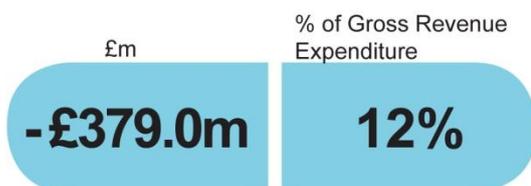
<p>How well does the force use its resources to meet its demand?</p>	<p>How sustainable and affordable is the workforce model?</p>	<p>How sustainable is the force's financial position for the short and long term?</p>
 <p>Good</p>	 <p>Good</p>	 <p>Good</p>
<p>The force has a good understanding of its current demands on its services from the public through its analysis of a wide range of information and by engaging with the public and its partners.</p> <p>It has a plan in place to improve its understanding of demand over the next five years and is well placed to match resources efficiently to demand over short and medium term.</p> <p>The force has reduced the volume of victim-based crimes in seven principal categories over the last three years and is on track to meet the target set in the Mayor of London's police and crime plan 2013 to</p>	<p>Currently the workforce model requires 32,000 police officers to be in place by 2016, which is one of the objectives set by the Mayor's Office for Policing and Crime to support the aim of reducing crime.</p> <p>The force is able to match resources to current demand, even at times of peak demand and when it is managing major capital city events.</p> <p>Current skill gaps for the force are being filled through training and the force is starting to understand what capabilities it will need in 2020 and beyond.</p>	<p>Over the last four years the force has a proven track record of making changes to its operating model to meet reductions to its funding.</p> <p>The force achieved the required savings from the government's spending review in 2011. This was despite the impact of the London Olympics in 2012, delaying the force's plans.</p> <p>The force achieved its required savings and balanced the budget for 2014/15. It has balanced its budget for the current financial year, which does include the use of reserves.</p>

<p>2016.</p> <p>The force has introduced new ways for the public to report crime and has improved accessibility for the public, demonstrating a continuing commitment to adapt how it operates to meet the needs of the community.</p> <p>It is proactively managing demand, particularly through prevention measures and working with partner organisations. However, it is less proactive in managing demand at the point where members of the public call the police.</p> <p>The force has a clear understanding of the results and outcomes of its activity and it knows the costs of providing its services to the public.</p> <p>Since the last inspection the force has made progress in its plans to use technology to realise savings and further rationalised its estate.</p>	<p>The force recognises that it will need to change its workforce model in the medium to long term and has a clear plan that sets out how it will maintain a workforce fit to meet the organisational and financial challenges ahead.</p> <p>It is committed to recruiting from members of the London communities it serves, and has a policy that requires police officer applicants to have lived in London for three years. It has adopted a direct entry scheme to superintendent rank, along with several other schemes, in order to bring different skills and experience to the force.</p> <p>The force has modelled options for the medium and long term as part of the MET Change 2 programme.</p>	<p>Where HMIC has examined assumptions used to underpin financial plans they were found to be reasonable and prudent.</p> <p>The force's financial plans closely reflect the objectives set out by the Mayor of London's police and crime plan 2013-2016. MOPAC governance arrangements have ensured that the force is held to account and that MOPAC works with the force to identify savings and provide a sustainable workforce model to meet demand.</p> <p>The MET Change 2 programme sets out a range of change options to deliver a sustainable workforce model, meet demand and achieve savings during the period to 2020.</p> <p>The options had not yet been agreed at the time of inspection as they were to be considered by the senior management board in June 2015.</p>
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Financial position

Forecasted change in expenditure 2015/16 to 2018/19

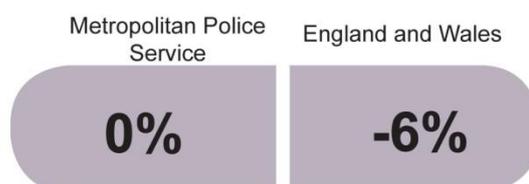


It is important to note that some forces only provided figures for savings they had formally signed off at that point, while others provided estimates for the whole period. As a result, the savings figure above might not reflect the full saving which the force might have to make. 2014/15 GRE has been used here as a baseline.

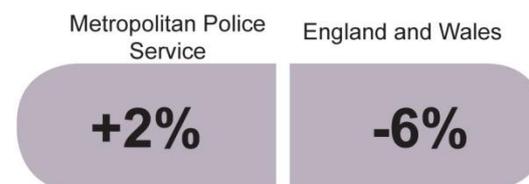


Providing policing

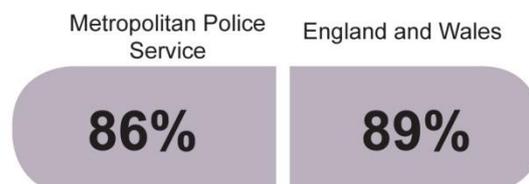
Planned change in police officer numbers 31 March 2015 - 31 March 2018



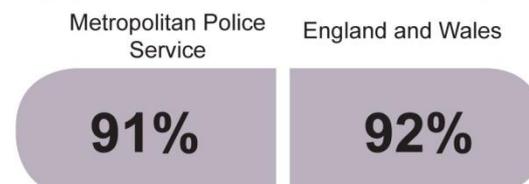
Planned change in total workforce numbers 31 March 2015 - 31 March 2018



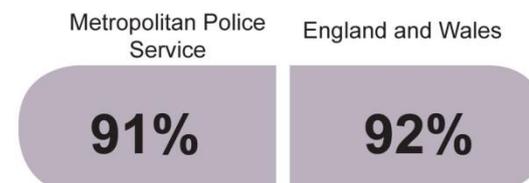
Proportion of police officers on the operational frontline 31 March 2010



Proportion of police officers on the operational frontline 31 March 2015



Planned proportion of police officers on the operational frontline 31 March 2018





Organisation

Police officer cost per head of population compared to England & Wales (2014/15)

Metropolitan Police Service England and Wales

£197

£115

Workforce cost per head of population compared to England & Wales (2014/15)

Metropolitan Police Service

England and Wales

£268

£165



Key statistics

Changes in recorded crime (excluding fraud) 12 months to 31 March 2014 to 12 months to 31 March 2015

Metropolitan Police Service

England and Wales

+1%

+2%

Changes in recorded crime (excluding fraud) 12 months to 31 March 2010 to 12 months to 31 March 2015

Metropolitan Police Service

England and Wales

-12%

-16%

Victim satisfaction 12 months to 31 March 2015

Metropolitan Police Service

England and Wales

79.9%

83.8%

Changes in victim satisfaction 12 months to 31 March 2011 to 12 months to 31 March 2015

Metropolitan Police Service

England and Wales

Increased

No change

Victim satisfaction: The Metropolitan Police Service confidence interval +/- 0.6 percent. England and Wales confidence interval +/- 0.2 percent.

For full details on the data used in this graphic see annex A in the efficiency national report.

Introduction

In October 2010, the Government announced that central funding to the police service in England and Wales would reduce by 20 percent in the four years between March 2011 and March 2015. Now, in a period of sustained budget reductions, forces need to continue to make efficiencies while focusing on reducing crime and keeping communities safe.

As part of its annual inspections into police effectiveness, efficiency and legitimacy (PEEL), HMIC's Efficiency programme assessed how a force maximises the outcomes from its available resources. We reviewed both the financial and workforce planning of police forces while examining wider questions of cost, capability and productivity. Our inspection focused on the overall question, 'How efficient is the force at keeping people safe and reducing crime?'

To answer this question we looked at three areas:

- How well does the force use its resources to meet demand?
- How sustainable and affordable is the workforce model?
- How sustainable is the force's financial position for the short and long term?

During our inspection we collected data and plans from forces, surveyed the public to see if they had noticed any changes in the service they received, and conducted in-force inspections. We interviewed chief constables and the chief officers responsible for finance, organisational change, human resources and performance in each force and held focus groups of officers and staff at different grades and ranks, and made unannounced visits to police stations.

This report sets out the findings from this wide-ranging inspection of the Metropolitan Police Service.

How well does the force use its resources to meet its demand?

HMIC examined how the force understands the demand on its service and how it allocates its staff and financial resources to meet that demand. We then assessed whether these decisions are leading to good results for the public – that the police are visible and that they attend promptly when called, that they are fighting crime and keeping communities safe, and that victims are satisfied with the service they receive.

How well does the force understand its demand?

The Metropolitan Police Service (MPS) has a good understanding of its current demand for its services from the public. The force has put in place a community engagement process to help improve this understanding. This gives the force the necessary information as to what is important to the people of London and what emerging crime issues may require a different policing response in the future.

The force has a daily process to monitor demand levels based on an assessment of threat, risk and harm which is conducted in the 32 police boroughs across London. This assessment analyses the volume of calls to the police, the known policing operations that are taking place, and the current intelligence picture of criminal and terrorist threat. The force has reviewed the demand it faces internally, its national policing responsibilities, and the specific requirements to deal with vulnerability.

The force is planning for a major programme of change called MET Change 2. The aim of this programme is to meet the challenges of further cuts in funding over the next five years while keeping people in London safe and reducing crime. In April 2015, using a methodology approved by the College of Policing, the force undertook a high level analysis of demand. This analysis will inform a broader demand management plan being devised to provide the evidence base for changes planned as part of the MET Change 2 programme.

The force understands its current levels of demand on its services from the public and has in place a plan to understand and manage demand over the next five years.

How well does the force match resources to demand?

On a daily basis, resource is matched to demand. The three 'grip and pace' meetings each day maintain a tactical picture of demand and the resource management system allows flexibility to meet changes in that demand. The chief inspectors based at the three central communications command locations are fully empowered to direct resources across the force area to meet demand. The force has mapped its processes for responding to public demand from the force receiving the call through to officers attending the incident to make this process more efficient.

As a capital city police force there are peaks in demand that require very high levels of uniformed policing to be available such as state occasions, New Year's Eve celebrations and the general election. Staff absences have led to some feelings of discontent with officers and staff. HMIC found evidence that some individuals regularly had to change shifts at short notice and reschedule rest days.

A new IT system, called Command Point, will replace the three existing systems currently used for command and control within the MPS. Command Point will establish new functions such as the ability to allocate resources to incidents based on location, availability and skills. The implementation of the new system has been delayed and is not now expected to be fully in place until 2016.

Overall, the force has the capacity and processes to match resource to demand across London even during peaks in demand.

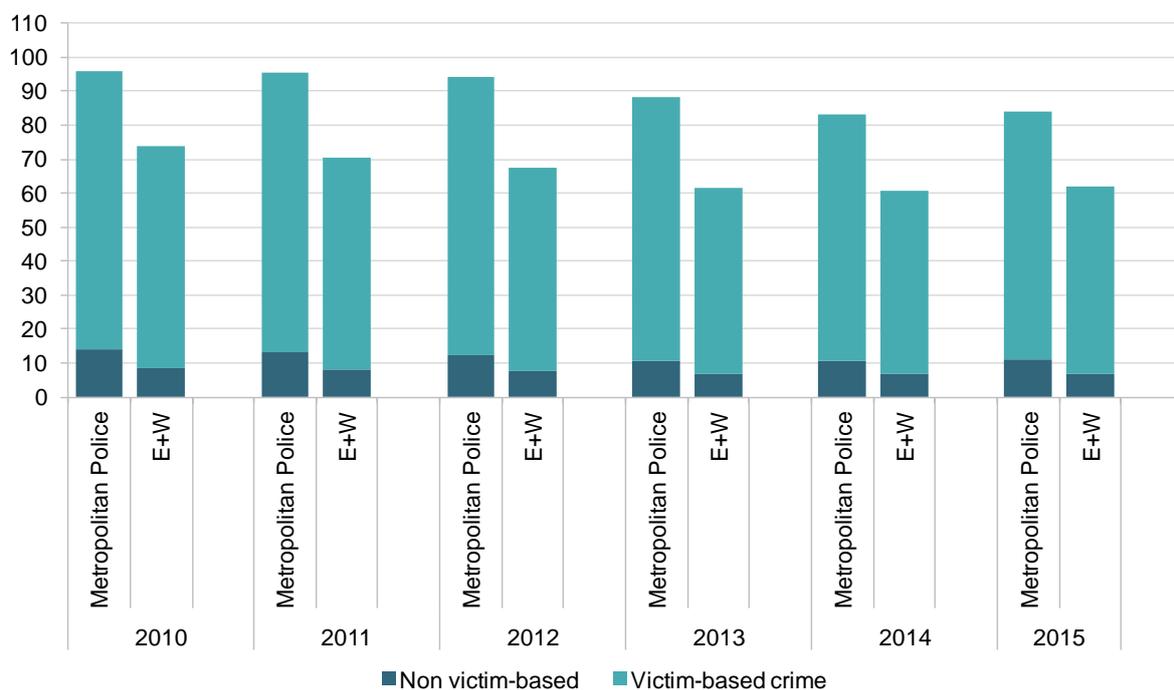
How well are the force's services meeting the demand from the public?

To assess the MPS response to public demand, HMIC considered: recorded crime rates; victim satisfaction levels; and how well the force is communicating with and engaging the public.

Although police recorded crime is by no means a complete measure of the totality of demand a force faces, it does provide a comparable performance indicator across all forces. Recorded crime rates are reported as a number of crimes per 1,000 population in each force area to enable comparison between areas. Total recorded crime is made up of victim-based crime (e.g. theft) and non victim-based crime (e.g. possession of drugs) Two thirds of forces showed an annual increase in total recorded crime in the year ending 31 March 2015. This increase in police recorded crime may have been affected by the renewed focus on compliance with crime recording rules since HMIC carried out a national inspection of crime data integrity in 2014.

In the 12 months to 31 March 2015 the MPS had a victim-based crime rate of 72.9 and a non-victim-based crime rate of 11.2 per 1,000 population. This represents a decrease (11 percent) in the victim-based crime rate and a decrease (20 percent) in the non-victim based crime rate since the start of the spending review in 2010. During the same period, England and Wales had a victim-based and non victim-based crime rate of 55.2 and 6.9 per 1,000 population respectively. This represents a decrease in these recorded crime rates by 15 percent and 19 percent respectively since the start of the spending review. The scale of the change in recorded crime rate can be seen in Figure 1.

Figure 1: Police recorded crimes per 1,000 population in Metropolitan Police in the 12 months to 31 March 2010 to the 12 months to 31 March 2015, compared to England and Wales



Source: Home Office crime statistics and ONS mid-2013 population estimates (2013 population data are used across multiple years to reveal actual change in recorded crimes, rather than changes due to population change)

Of those who have been the victim of a crime in the MPS area, 79.9 percent² were satisfied with their whole experience with the police in the 12 months to 31 March 2015. This is lower than the national victim satisfaction rate of 83.8 percent³ over the same time period. There has been a significant increase in victim satisfaction between the 12 months to 31 March 2011 and the 12 months to 31 March 2015 in the MPS area.

² Metropolitan Police, confidence interval +/- 0.6 percent.

³ England and Wales, confidence interval +/- 0.2 percent.

The force is providing the level of service necessary to meet demand from the public, but the quality of that service can suffer when demand is high.

Performance measures show that the force has met the Mayor’s Office for Policing and Crime (MOPAC) challenge target of reducing recorded crime across seven victim-based crime types by 20 percent overall. The force is not meeting the MOPAC challenge target for public confidence. The force has made a commitment that all victims of crime will be offered a visit by a police officer. Police officers told HMIC that their efforts to provide a better service were being frustrated by the need to move on quickly and respond to another call rather than meeting fully the needs of the previous victim.

The force has systems in place to improve its services to the public. It reviews complaints from the public to identify common themes and has an internal quality assurance monitoring process to identify process failures or individual mistakes. This information is used to change processes where necessary, and informs training material and guidance to staff to improve the level of service provided to the public.

HMIC monitored how a force engages with the public as part of this inspection. Figure 2 below shows that the MPS uses a range of methods (including Facebook, Twitter, and email) to engage with the public.

Figure 2: Methods of public engagement used by Metropolitan Police in the 12 months to 31 December 2014

Are the following communication channels being used by the Force?	
Facebook	Yes
Twitter	Yes
Email	Yes
Text message	Yes
Web forum	Yes
Instagram	No
Local phone (not 999 or 101)	Yes

Source: HMIC Efficiency data collection

The MPS is exploring different ways of how the public can access policing services, such as the use of social media. Exploratory development work is underway to improve ease of contact for the public through on-line services rather than by more traditional means such as the telephone.

Social media is widely used by the force to disseminate information quickly, saving staff time that is then available to meet other demand from the public.

How well is the force managing demand?

The force is proactively managing demand, particularly through crime prevention measures and effective working with other organisations. However, it is less proactive in managing demand when members of the public call the police. Crime prevention activity to reduce demand includes initiatives such as hotspot mapping of crimes and incidents in an area, crime prevention information, working together with mental health organisations, and burglary 'cocooning' (which is where properties in close proximity to a burglary are visited and warned). However the approach to crime prevention differs depending on: how busy officers are; local priorities; and the level of training received.

Working closely with partners has helped the force to manage some demand. An example of this is where the MPS has worked in partnership with the nine London mental health trusts to make changes to how section 136 Mental Health Act detainees are managed in London. Joint protocols have been signed with the nine trusts leading to a large decrease in the number of section 136 detentions requiring police custody. The impact of this is that people with a mental illness are less likely to be detained in a police station and the police spend less time having to manage mental health referrals.

How well does the force monitor and understand outputs, outcomes and costs?

The force has a comprehensive performance monitoring process in place. Detailed analysis of output and outcome performance data is produced monthly by the force. This is used to inform performance discussions at three levels of monthly performance meetings called CrimeFighters meetings. The lowest level meeting is at operational command unit (OCU) level where performance is considered internally within that unit. Next is at area level where units operating in the same specialist crime areas or geographic region come together to identify common problems and share solutions and to be challenged on their performance by the senior manager for the area. At the highest level this is repeated at a meeting where all operational command units are represented and performance is challenged by an assistant commissioner. The Mayor's Office for Policing and Crime monitors performance and the commissioner is questioned by the Mayor of London on force performance at a quarterly public meeting.

Centrally, the force understands the cost of its different service areas and this allows comparisons with other forces. However information on costs did not appear to be available or used at an operational command unit (OCU) level to make decisions on

resource deployment in the same way as data on performance was used at 'CrimeFighters' meetings to increase effectiveness. For example, while the central communications commands (CCC) know where demand is highest, they do not know which of the three CCC locations is the most efficient. This is a missed opportunity as it is widely accepted that operational managers and staff are in a good position to identify how processes could be carried out with improved efficiency.

Costs are understood centrally within the force but do not feature as part of the resource decision-making process by tactical managers. This may lead to opportunities for more efficient working to be missed by the force.

How well is the force using new working methods to improve services?

The force is in the process of finalising its MET Change 2 change programme. This aims to deliver the anticipated savings of approximately £800m required by the year 2020 while keeping the people of London safe and further reducing recorded crime. The plans are ambitious and will change the way some parts of the force operate and deliver services. The primary areas where change is planned are in: the provision of back office support; the introduction of new technology to reduce running costs and improve efficiency; further rationalisation of the estate; and greater collaboration with other blue light services and the criminal justice agencies.

The MPS has ambitious plans to improve its IT systems with the aim of improving officer productivity.

HMIC considers that the planned changes described in the MET Change 2 programme as comprehensive. They are focused on establishing an operating model that will allow the MPS to meet the predicted demand in London in 2020 and beyond, while enabling it to meet future financial pressures.

Summary of findings



Good

The force has a good understanding of its current demands on its services from the public through its analysis of a wide range of information and by engaging with the public and its partners.

It has a plan in place to improve its understanding of demand over the next five years and is well placed to match resources efficiently to demand over short and medium term.

The force has reduced the volume of victim-based crimes in seven principal categories over the last three years and is on track to meet the target set in the Mayor of London's police and crime plan 2013 to 2016.

The force has introduced new ways for the public to report crime and has improved accessibility for the public, demonstrating a continuing commitment to adapt how it operates to meet the needs of the community.

It is proactively managing demand, particularly through prevention measures and working with partner organisations. However, it is less proactive in managing demand at the point where members of the public call the police.

The force has a clear understanding of the results and outcomes of its activity and it knows the costs of providing its services to the public.

Since the last inspection the force has made progress in its plans to use technology to realise savings and further rationalised its estate.

How sustainable and affordable is the workforce model?

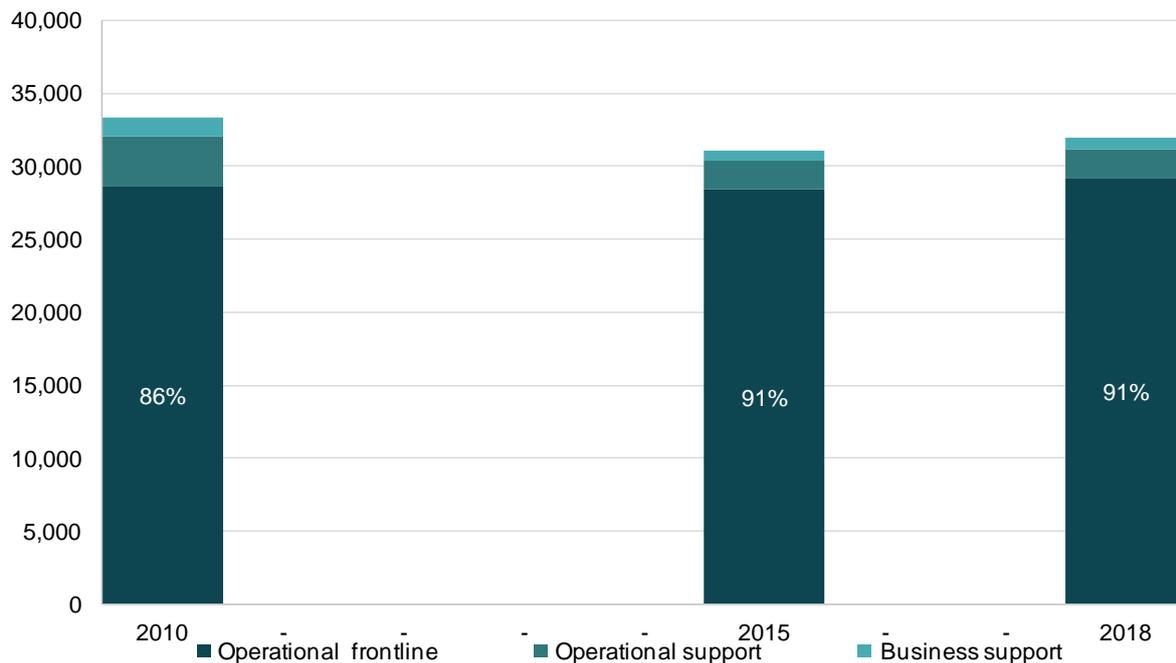
HMIC examined how the Metropolitan Police has structured its workforce (i.e. its mix of police officers, staff and PCSOs, and the proportion of all these groups working in frontline positions), and assessed whether this was affordable and sustainable as the force responds to its financial challenge. We also considered what the force is doing to ensure the workforce has the right skills and capacity to fight crime and keep communities safe now and in the future.

How well does the force's current workforce model match demand, organisational and financial requirements?

The MPS forecasted a total savings requirement over the first four years of the spending review as part of the value for money inspection programme (2011/12 to 2014/15) of £821.m, the equivalent of 22 percent of the 2010/11 gross revenue expenditure for the force. Savings were made in both the pay and non-pay budgets. Since 2010, the Metropolitan Police has seen a reduction of 1,489 police officers, 3,186 staff and 2,857 PCSOs full-time equivalent (FTE).

In the Metropolitan Police area, there have been falls in the total number of police officers (FTE) over the period 2010 to 2015, as shown in figure 3 on the following page. During this period the proportion in frontline roles has increased from 86 percent in 2010 to 91 percent in 2015. The force expects to maintain this proportion looking forward to 2018.

Figure 3: Actual and planned changes to police officer full time equivalents (FTE) in operational frontline, operational support and business support roles in Metropolitan Police, from 31 March 2010 to 31 March 2018



Source: Home Office annual data return and HMIC efficiency data collection

For further information about the data for figure 3 please see Annex B

The force has a people plan in place for the period 2013 to 2017. This sets out the challenges facing the force and its priorities for overcoming them. Priorities for the force include making the workforce meet the demands of the future while meeting the future financial requirements.

The commitment by the Mayor of London in his police and crime plan for the capital to have 32,000 police officers in frontline roles has supported the force to meet the performance targets set by Mayor’s Office for Policing and Crime.

However, both the Mayor’s Office for Policing and Crime and the leadership of the MPS acknowledge that the future cuts of approximately £800m will require a new operating model which is likely to include a different mix of staff and officers. The change plans developed by the MPS are comprehensive and credible and if implemented successfully, should deliver a sustainable workforce model.

As with all major change programmes, the MPS is experiencing some transitional difficulties as it reduces headcount and makes changes to the way it structures its support services. This has resulted in some instances where police officers are being taken away from their primary role and used for tasks that would previously have been undertaken by police staff. Leaders are aware of this problem, and HMIC was satisfied it is a temporary result of the changes that are being made.

The force does not currently have enough trained detectives. It anticipates that it will take two years to train enough detectives to fill vacancies across the force. The force actively manages the movement of staff into specialist roles and monitors recruitment and retention rates of staff. In addition there is a greater awareness of recruiting staff with existing skills (such as language and information technology) rather than training them once employed. These internal structures and processes should help the force achieve the workforce it needs.

How well does the force's projected workforce model match demand, organisational and financial requirements?

Figure 4: Actual and planned changes in workforce FTE from 31 March 2010 to 31 March 2018 for Metropolitan Police compared to England and Wales

	March 2010	Difference between 2010 and 2015		March 2015	Difference between 2015 and 2018		March 2018*
		Force	England and Wales		Force	England and Wales	
Police Officers	33,367	-4%	-12%	31,877	0%	-6%	31,957
Police Staff	14,504	-22%	-19%	11,318	5%	-6%	11,926
PCSOs	4,645	-62%	-27%	1,787	3%	-11%	1,839
Workforce total	52,515	-14%	-15%	44,983	2%	-6%	45,722

Source: HMIC Efficiency inspection data collection, HMIC Policing in Austerity data collection from 2010 to 2014 and Home Office workforce statistics

*MPS planning has developed considerably from the time of inspection and as a result its workforce projections now are different from those presented in figure 4

For further information about the data for figure 4 please see Annex B

The work to understand what the force's future workforce model should be was still under development at the time of our inspection. For the short term, plans are in place to meet organisational requirements. The force has modelled options for the medium and long term but these cannot be finalised until the management board have finalised the MET Change 2 programme.

The force has a recruitment policy which is designed to make the workforce more representative of the community it serves. This stipulates that recruits must have resided in the UK for the three years prior to applying, with new police constables having lived in London for three of the past six years prior to applying. The force has a direct entry scheme to superintendent rank to enable it to access high quality

people from non-policing organisations. This year's training priorities reflect current known skills gaps such as in investigation capability and in the policing of cyber-crime, child sexual exploitation, and domestic abuse. All of these practices should meet the immediate capability needs of the force. The force is starting work to understand what capabilities it will need in 2020 and beyond as changing the workforce's skills will take some time to come into effect.

Summary of findings



Good

Currently the workforce model requires 32,000 police officers to be in place by 2016, which is one of the objectives set by the Mayor's Office for Policing and Crime to support the aim of reducing crime.

The force is able to match resources to current demand, even at times of peak demand and when it is managing major capital city events.

Current skill gaps for the force are being filled through training and the force is starting to understand what capabilities it will need in 2020 and beyond.

The force recognises that it will need to change its workforce model in the medium to long term and has a clear plan that sets out how it will maintain a workforce fit to meet the organisational and financial challenges ahead.

It is committed to recruiting from members of the London communities it serves, and has a policy that requires police officer applicants to have lived in London for three years. It has adopted a direct entry scheme to superintendent rank, along with several other schemes, in order to bring different skills and experience to the force.

The force has modelled options for the medium and long term as part of the MET Change 2 programme.

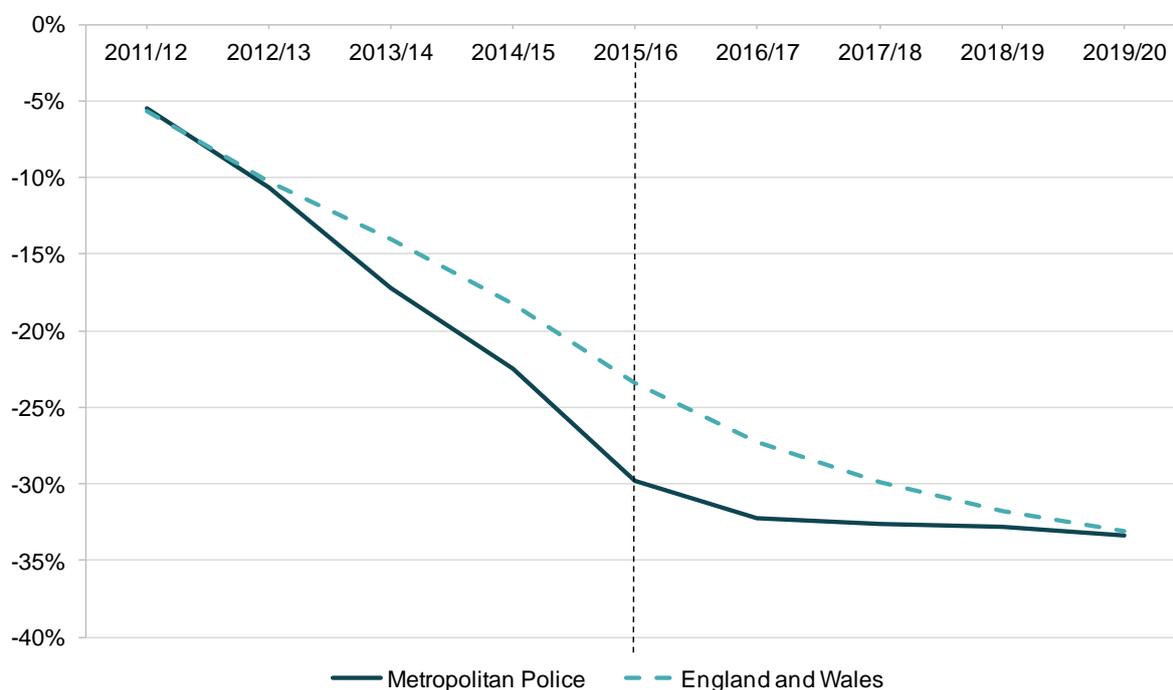
How sustainable is the force's financial position for the short and long term?

HMIC examined how forces have achieved savings over the spending review period, the saving plans that forces have developed for the future, and the assumptions forces have made in the understanding of the financial challenges ahead. We also assessed whether forces have good financial controls and governance, and if spending reflects the priorities outlined in the police and crime plan.

Has the force achieved its saving requirements and balanced the budget for the spending review period and 2014/15?

The Metropolitan Police Service forecasted savings of £821m over the first four years of the spending review (2011/12 to 2014/15), the equivalent of 22 percent of the 2010/11 gross revenue expenditure for the force. Over the period savings were made in both the pay and non-pay budgets, so as to balance budgets by 2014/15. Over the same period, all forces across England and Wales forecasted a total savings of £2.53bn, the equivalent of 18.2 percent of the 2010/11 gross revenue expenditure for England and Wales.

Figure 5: Estimated change in expenditure from 2011/12 to 2014/15, and forecast planned savings for 2015/16 to 2019/20, against the 2010 gross revenue expenditure baseline for the Metropolitan Police Service and England and Wales



Source: HMIC policing in austerity data, HMIC efficiency data collection and The Chartered Institute of Public Finance & Accountancy (CIPFA) Police Objective Analysis data

For further information about the data for figure 5 please see Annex B

The force has commented that for the 2016/17 - 2019/20 savings in figure 5 above only identifies the savings for 2016/17 to 2019/20 that were identified as part of the previous budget process. The MPS is now planning to make further reductions with the aim of achieving total savings of a minimum of £800m by the end of the decade. A financial strategy has been agreed to provide these savings which will involve reducing the cost of back office functions to a maximum of 15 percent of overall affordable expenditure. The strategy will also deliver significant productivity gains in the front and middle office functions.

The force achieved its savings requirement and balanced the budget for 2014/15.

Has the force achieved a balanced budget for 2015/16?

The Metropolitan Police Service has planned a balanced budget of £3,166m for 2015/16, which includes a cut in spending of £374m. It is forecast that the reduction will be split between £167m from the pay budget (45 percent) and £144m (39 percent) from the non-pay budget in this year's savings. The remainder of the spending reductions are being met by a use of reserves. Collectively the forecast reductions since the 2010 baseline year, at the start of the spending review, to 2015/16 represent savings of 33 percent.

As part of the process to set the 2015/16 budget, it was agreed that an amount of reserves would be used to balance the overall position. While a significant amount of the reserves used funded one-off expenditure in 2015/16, an amount of £36m was used to fund permanent expenditure. Therefore, in 2016/17 and beyond, the £36m expenditure will remain within the budget but the reserve funding will no longer be there. This creates a budget pressure in future years.

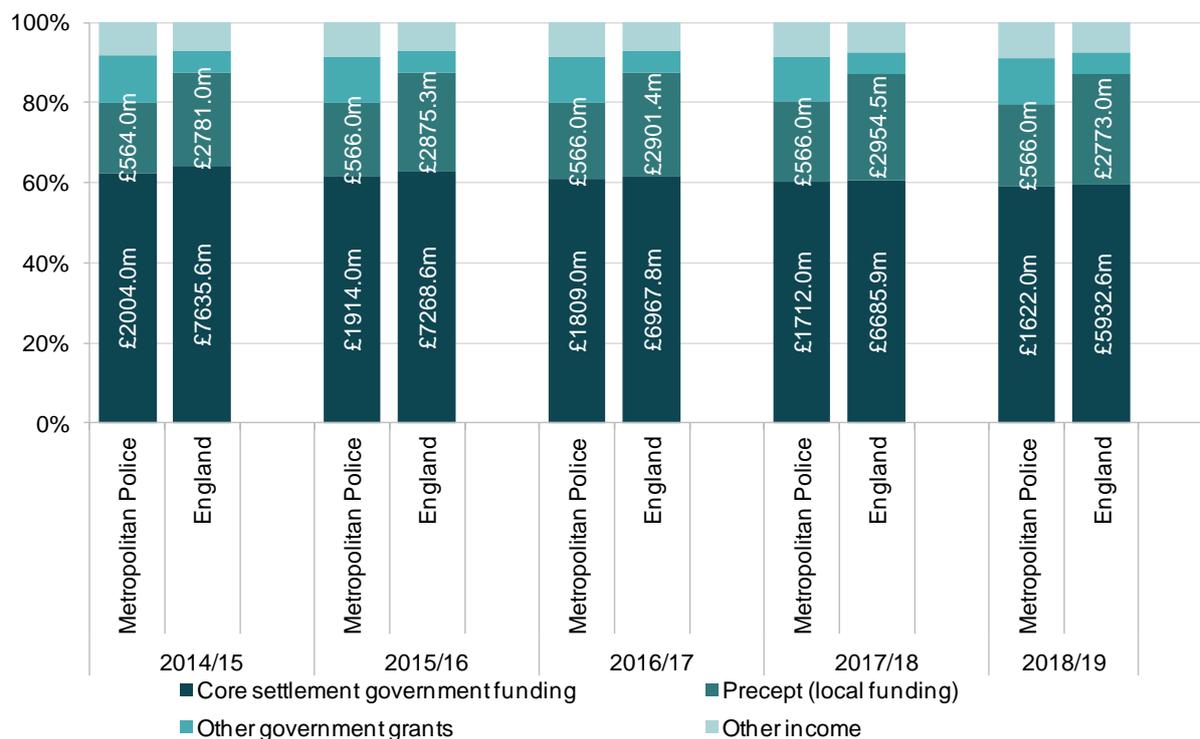
How well has the force maximised other funding opportunities?

The force is making good use of alternative funding opportunities and is considering how to make the most of any future receipts. The force has re-positioned its income generation function from the finance directorate to the commercial directorate. This is aimed to better exploit those opportunities likely to arise from the outsourcing of some business support functions under the MET Change 2 change programme. The force has successfully bid for £11.1 m of funding from the Police Innovation Fund 2015/16 and the force is preparing its annual bid for the national and international capital city grant. The force has the highest levels of earned income per head of population of any police force in England and Wales.⁴ There are also many police posts funded by local authorities across London. The force regularly discusses funding changes with local authorities so that either party can take account of the likely impact on services and demand.

Figure 6 demonstrates the amount of funding that the force received from a central government grant, as precept from local councils through council tax, and from other sources, such as Home Office special grants. The Metropolitan Police Service is expecting the proportion of its funding that comes from core settlement government funding to remain constant over the coming years, while anticipating the proportion of its funding that comes from precept (council tax funding) to increase over the same time period. It should be noted that the core settlement government funding, both monetary values and proportions of total funding, detailed in figure 6, are from force estimates collected as part of HMIC's efficiency inspection data collection. This data should not be considered as an official projection. The Home Office is currently consulting on changes to the forces' funding formula and therefore any current projections may change over the time period highlighted.

⁴ *HMIC Value for Money Profile 2014*, HMIC, October 2014, page 14

Figure 6: Forecast mix of funding for Metropolitan Police in the 12 months to 31 March 2015 to the 12 months to 31 March 2019, compared to English forces



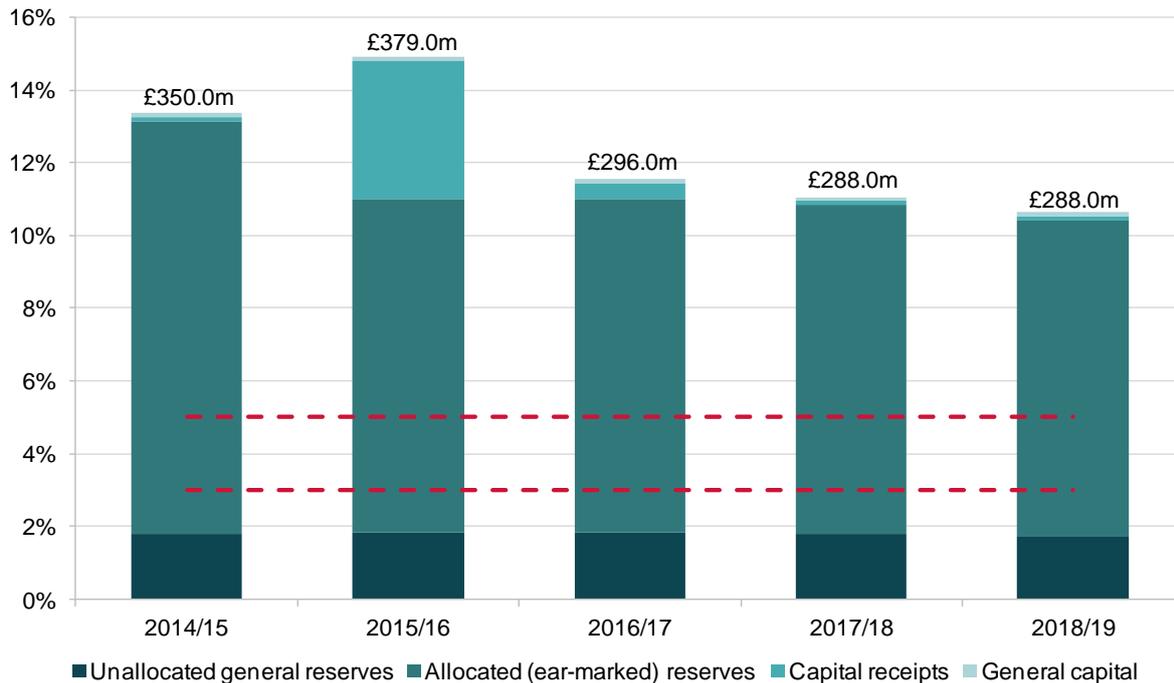
Source: HMIC efficiency data collection

How well does the force control expenditure?

The force's level of reserves and how these are forecast to change over time is shown in figure 7 on the following page. The Metropolitan Police Service reported that its total reserves were £350m in 2014/15. These are broken down into several categories:

- unallocated general reserves – a sum to cushion the impact of unexpected events or smooth uneven cash flows;
- allocated (ear-marked) reserves – these are reserves set aside for specific capital purposes;
- capital receipts reserves – these are proceeds from the sale of assets which can only be used for specific capital purposes; and
- general capital to support future planned capital expenditure.

Figure 7: Breakdown of reserves remaining as a proportion of in-year net revenue expenditure, and total reserves remaining (£), for 2014/15 to 2018/19



Source: HMIC efficiency data collection

For further information about the data for figure 7 please see Annex B

While the reserve figures in the report represent the projected reserve position at the end of the previous budget process, there will be very significant additional commitments against the reserves between 2016/17 to 2019/20. For example, the major transformational change ongoing within the MPS will require significant initial investment and there will be high levels of redundancy costs as posts are reduced to meet the requirements of austerity.

The force closely controls its expenditure through the force's management board reviewing the financial position each month. The director of commercial and finance attends the board meeting to give the force's senior management an overview of force finances and to take direction from the board. By making the savings required during the last period of the government's comprehensive spending review the force has demonstrated its control of expenditure and budgets. At the start of its planning to meet the anticipated savings required by 2020, the management board invited the London School of Economics (LSE) to present its analysis of the likely scale of cuts it would be required to make. The use of external expertise to inform the force's senior leaders of financial matters demonstrates their active management of the force's savings plans and budgets.

The force has, since April 2015, started to de-centralise budgetary control from central finance to operational units. This is planned to increase accountability and make sure there is more specific detail when examining the costs of delivering services in the force. It should enable comparisons of cost to be made between individual units, such as the three central communication commands, which could increase efficiency in delivering this service for London. Financial risks are managed by the force as part of its risk assurance framework.

How well do the force's financial plans reflect the objectives set out in the Mayor of London's police and crime plan?

The force's financial plans closely reflect the objectives set out by the Mayor of London's police and crime plan 2013-2016. The force jointly agrees its plan and budgets at the joint MPS/MOPAC oversight board. Close working with the Mayor's Office of Policing and Crime and the governance of force performance and oversight of the design of the MET Change 2 programme have led to a shared understanding of assumptions used and the financial position of the force.

How well does the force provide timely and relevant financial information to the Mayor's Office for Policing and Crime, and are shared assumptions used to develop current and future plans?

The MPS/MOPAC oversight board sits regularly and provides an opportunity for communication between the force and MOPAC. This board discusses and agrees budget assumptions relating to the levels of future grants and cost pressures the force may experience. The force's performance analysts work very closely with counterparts in the MOPAC. They share data from force systems with MOPAC and discuss the results of the analysis to reach a shared understanding of what it may mean. The MPS has plans to use the same analytical software tools that MOPAC have to further increase co-operation.

How well developed are the force's plans for possible further savings?

The force's plans to manage further budget reductions were not yet finalised at the time of our inspection. However, HMIC found that the foundations of a well developed plan were in place. The force's analysis of how London will evolve and develop over the medium term has provided the force with realistic assumptions for future demand. The analysis by the LSE of the Chancellor's autumn statement and other budget announcements have provided the force with prudent assumptions on the likely scale of the further savings required between now and 2020. The emerging

detail of the MET Change 2 programme sets out a range of change options that should achieve savings during the period to 2020. The options had not yet been agreed at the time of our inspection; they were to be considered by the senior management board in June 2015.

Summary of findings



Good

Over the last four years the force has a proven track record of making changes to its operating model to meet reductions to its funding.

The force achieved the required savings from the government's spending review in 2011. This was despite the impact of the London Olympics in 2012, delaying the force's plans.

The force achieved its required savings and balanced the budget for 2014/15. It has balanced its budget for the current financial year, which does include the use of reserves.

Where HMIC has examined assumptions used to underpin financial plans they were found to be reasonable and prudent.

The force's financial plans closely reflect the objectives set out by the Mayor of London's police and crime plan 2013-2016. MOPAC governance arrangements have ensured that the force is held to account and that MOPAC works with the force to identify savings and provide a sustainable workforce model to meet demand.

The MET Change 2 programme sets out a range of change options to deliver a sustainable workforce model, meet demand and achieve savings during the period to 2020.

The options had not yet been agreed at the time of inspection as they were to be considered by the senior management board in June 2015.

Annex A – HMIC judgments

The categories are:

- outstanding;
- good;
- requires improvement; and
- inadequate.

Judgment is made against how efficient the force is at keeping people safe and reducing crime. In applying the categories HMIC considers whether:

- the efficiency of the force is good, or exceeds this standard sufficiently to be judged as outstanding;
- the efficiency of the force requires improvement because it is not yet performing at a good level, and/or there are some weaknesses in the organisation; or
- the efficiency of the force is inadequate because it is considerably lower than might reasonably be expected.

Annex B – Further information about the data

Figure 3

Planned changes to police officer full time equivalents (FTE) in operational frontline, operational support and business support roles in the force/constabulary, 31 March 2010 to 31 March 2018.

The data used in figure 3, for March 2010 and March 2015 is taken from the Home Office annual data return 601 and does not include workforce allocated under category '62 other' whereas the data used in figure 4 for March 2010 and March 2015 is taken from the Home Office annual data return 502 and is inclusive of this category. Therefore totals data may not match exactly.

Figure 4

Planned changes in workforce FTE from 31 March 2010 to 31 March 2018 for the force/constabulary compared to England and Wales. The figures in table 4 are rounded to the nearest whole person, full time equivalents (FTEs), and therefore may differ slightly to the exact figures quoted within the report.

For data as at 31 March 2010 and 31 March 2015 we have used Home Office annual data return data which is an 'actual' FTE, whereas for projections for March 2018 are budget based projections and therefore are likely to take into account a vacancy rate depending on a force's/constabulary's planning strategy. In some instances therefore an increase in budgeted posts may not actually indicate the force/constabulary is planning to increase its workforce. In other cases, forces may be planning to reduce their workforce but have a current high vacancy rate which masks this change.

Due to the complex and continually evolving picture of workforce collaboration between neighbouring forces, not all changes in workforce figures are real in terms of the workforce available. Involvement in strategic alliances and/or regional organised crime units (ROCU) would be an example of where changes over time are likely to be skewed. Therefore sharp increases or decreases over time need to be considered with caution as they may simply represent accounting changes related to how staff are allocated to forces, not real changes in staffing levels.

At the time of the inspection, the future financial climate was uncertain. Several forces were in a position where they did not have confirmed/signed-off plans for workforce projections. It is important to note that figures provided are in many instances unconfirmed estimates provided to assist HMIC in its inspection programme and should not be seen as a concrete plan for the future landscape of policing. These comments apply to figure 3 and figure 4.

Figure 5

Estimated change in expenditure from 2011/12 to 2014/15, and forecast change in expenditure for 2015/16 to 2019/20, against the 2010 GRE baseline for the force and England and Wales.

Figure 5 shows how force expenditure has changed over the period of the spending review, relative to the total change in expenditure for all forces across England and Wales. For 2015/16 onwards there has been a change in methodology in comparison to the value for money inspection. The savings requirement is no longer inflated gross revenue expenditure (GRE) minus expenditure but the sum of planned savings and use of reserves to bridge an in-year funding gap. This change is indicated by the vertical dashed line on the chart. The chart shows planned savings (including use of reserves to bridge an in-year funding gap) in future years, calculated using the planned savings for pay and non-pay budgets provided to HMIC at the time of the data collection (February 2015). Some forces only provided figures for savings they had formally signed off at that point, while others provided estimates for the whole period. Therefore small savings requirements do not necessarily equate to a small savings challenge for the future.

Figure 7

Breakdown of reserves remaining as a proportion of in-year net revenue expenditure, and total reserves remaining (£), for 2014/15 to 2018/19.

According to a survey of financial directors conducted by the Audit Commission,⁵ it is commonly considered that three percent to five percent of net revenue expenditure is a prudent level of unallocated general reserves for risk-based planning purposes. This range is shown on the graph by the two horizontal red dotted lines.” after “risk-based planning purposes.

Please note that all categories of reserves for the force/constabulary are held by the PCC apart from City of London and the Metropolitan Police Service where reserves are held by the City of London Corporation and MOPAC respectively.

⁵*Striking a balance: Improving councils' decision making on reserves*, Audit Commission, December 2012. Available from <http://webarchive.nationalarchives.gov.uk>