

<b>Committee(s):</b> Police: Performance and Resource Management Sub Committee	<b>Date(s):</b> 4 <sup>th</sup> December 2014
<b>Subject:</b> Value For Money Benchmarking Analysis	<b>Public</b>
<b>Report of:</b> Commissioner of Police Pol 73-14	<b>For Information</b>
<p style="text-align: center;"><b><u>Summary</u></b></p> <p>Her Majesty's Inspectorate of Constabulary (HMIC) produces Value for Money (VFM) profiles annually for all police forces as a means of comparing budgets and spending with each other. Previous reports to your Sub Committee have identified the various contributory factors positioning the Force as an outlier. As a result Members asked for more work to be done in partnership with the Chamberlain's Department to ensure the City of London Police are delivering value for money in delivering its policing services.</p> <p>The review looked at cost comparisons and non-financial indicators to see how the Force performs against both its peers and the national average.</p> <p>Key Findings are:</p> <p>That the cost issues appears to be with :</p> <ul style="list-style-type: none"> <li>• Impact of National Policing</li> <li>• Police Officer costs</li> <li>• Non staff spend</li> </ul> <p>Further to the above:</p> <ul style="list-style-type: none"> <li>• a key factor is the figure used for the notional population of the City of London</li> </ul> <p>This report outlines the key findings of the Value for Money Analysis (Appendix A) carried out on behalf of the Force by external consultants.</p> <p><b>Recommendations</b></p> <p>It is recommended that Members note the contents of this report.</p>	

## **Main Report**

### **Background**

1. In order to provide some objective analysis in relation to Value for Money benchmarking, the Assistant Commissioner chaired a meeting with representatives from the Chamberlain's and Town Clerk's departments. The objective was to introduce an element of independent scrutiny to the value for money process, and in doing so drive efficiencies and cost savings where applicable.
2. It has been a working assumption that the City of London Police (CoLP) consistently appearing as a Value for Money (VFM) outlier in the HMIC VFM reports was due to the fact that it delivered a "unique" set of services in a "unique" set of circumstances. At the request of Members of the Performance and Resource Management Sub Committee, the Force, working jointly with the Chamberlain's Department, decided to test this assumption, and identify meaningful indicators of performance, cost and overall value.

### **Current Position**

3. External Consultants undertook an analysis of the HMIC VfM profiles for the Force and identified a number of suitable forces to find more appropriate comparisons. This process involved deducting London Weighting and allowances on salaries and ensuring that where possible, costs relating to national policing were excluded.
4. The review looked at cost comparisons and non-financial indicators to see how the Force performs against both its peers and the national average. In addition, composite indicators were created where more than one indicator or measure are considered together, to give a more representative view of effectiveness and efficiency.
5. In the course of the discussions with the consultants, the issue of our National Lead responsibilities for Economic Crime and its consequential impact on our on-costs was raised. In 2014 since Action Fraud reporting has moved to CoLP, a new governance

structure, chaired by the Home Office, has been constituted which scrutinises National Lead Force (NLF) performance against a comprehensive performance framework. It was agreed therefore that this current work should focus upon the “core” Policing functions and responsibilities of the Force and not include the Lead Force responsibilities.

## **VfM Analysis**

6. The initial analysis showed that there appears to be approximately £26m cost performance gap between the Force if operating at an average spend level (including earned income of approximately £11.3m). The analysis would indicate that the cost issues appears to be :

- Impact of National Policing
- Police Officer costs
- Non staff spend

The 46% difference between the Force spend and the average may also indicate that the Force is delivering more value in terms of outcomes and performance than the national average.

7. Following the initial analysis, it was agreed that a better comparison than just the average of all forces could be developed. The establishment of a notional peer group of smaller forces with similar issues (economies of scale, a smaller resident population). The result of this analysis reduces the difference between the Force and the Peer Group average for total gross expenditure by some £6.15m. This therefore reduces the overall performance gap to £15.14m

8. The Force has always been an outlier, in a positive way, by the amount generated in earned income. Once this earned income is taken into account, it reduces the cost performance gap to £7.8m (14%). This analysis appears to indicate cost issues in the following areas:

- Police Officer costs
- Non staff spend

These findings are consistent with the findings of the overall analysis at paragraph 6.

9. As well as the subjective analysis of costs, analysis was carried out on a functional basis. The VfM profiles also give data for the peer group on what forces spend on the different functions of policing. The outliers highlight yet again the support costs to the Force in comparison with others.

### **Non-financial VfM measures**

10. In an attempt to identify the effectiveness aspect of VfM, further analysis focused on outcomes as opposed to inputs, or outputs. This can therefore help to put the costs and VfM into context. The Force has lower levels of recorded crime (particularly victim-based crime) and also has a much lower number of officers in visible roles. The Force also has the highest sanction detection rates of the peer group. Looking at these measures in isolation does not give a complete picture of performance or of VfM. By looking at composite indicators, a more meaningful picture of VfM can be derived.
11. Analysis of the composite indicators and comparisons with the peer group show that in some areas the Force is not considered an outlier, namely:
  - Net spend per % sanction detection rate
  - Net spend per % reduction in crime (other)

However, in other areas, CoLP remains high-cost, when compared to others. The lower level of visible officers (in absolute terms), does not equate with a higher rate of recorded crime per visible officer, suggesting that staffing levels could be higher.

### **A revised approach for comparing HMIC profile data**

12. With the Force established as an outlier in the HMIC VfM profiles, a key factor in this was the figure used for the notional population of the City of London. The 2013 figure used by HMIC was 317,000 (Supplied by the Office for National Statistics) but there are arguments for using a higher figure. If we used a figure of 380,000 (which has been used in GLA analysis and projects), then this could be seen as a more representative measure of population and hence, Force activity.

13. As expected, by increasing the denominator for cost and performance measures, the ranking improves significantly, and the Force is no longer an outlier. A 10,000 increase in population has a £1.8 million positive effect on the Force budget in relation to VfM. Whilst this is a much better picture than the previous analysis, the rationale for changing the population figure needs to be robust and valid otherwise all other forces could argue for a similar change in their population figures. The Assistant Commissioner will be engaging with HMIC to argue a case for a higher notional population to be used, in conjunction with further work on cost elements in the areas above.

## **Conclusion**

14. The cost performance analysis provides some evidence that indicates that the Force has an overall cost performance issue when compared with all Forces and also the notional peer group. In particular, the areas that the analysis has highlighted as consistently being of concern with regard to cost effectiveness have been –

- Police Officer Costs (across all Functions)
- Premises Costs (across all Functions)
- Investigation Costs
- Support Costs (both in functional terms and as a “Back Office” split)

In relation to the non financial measures of effectiveness i.e. the composite indicators identified, have shown mixed results in how cost effective the Force is in delivering its outcomes.

15. However, over shadowing all the above analysis is the issue of what is the correct population figure that should be allocated to the City of London. The analysis has shown that an increase of 63k has a significantly favourable result for the Force and highlights the sensitivity of the analysis to this figure.
16. This work has produced a diagnostic model that the Force can use to analyse future HMIC VfM profiles in a more meaningful way and identify more useful areas for further scrutiny.

**Background Papers:**

Pol 13/14 - February 2014 Performance Sub- Committee.

**Appendices**

Value for Money Analysis

**Contact:**

*T/ Supt Tony Cairney*

*Strategic Planning*

*020 7601 2098*

[Tony.cairney@cityoflondon.police.uk](mailto:Tony.cairney@cityoflondon.police.uk)