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Value for Money Analysis

13 October 2014

1. CoLP's VFM Context

The Business Support Director, Chamberlain's Department, requested if Baker Tilly might be able to assist the City of London Police with some benchmarking on VFM. The Director highlighted that the CoLP have the national HMIC comparisons however they are currently not very meaningful as the CoLP is considered not very comparable to most other forces.

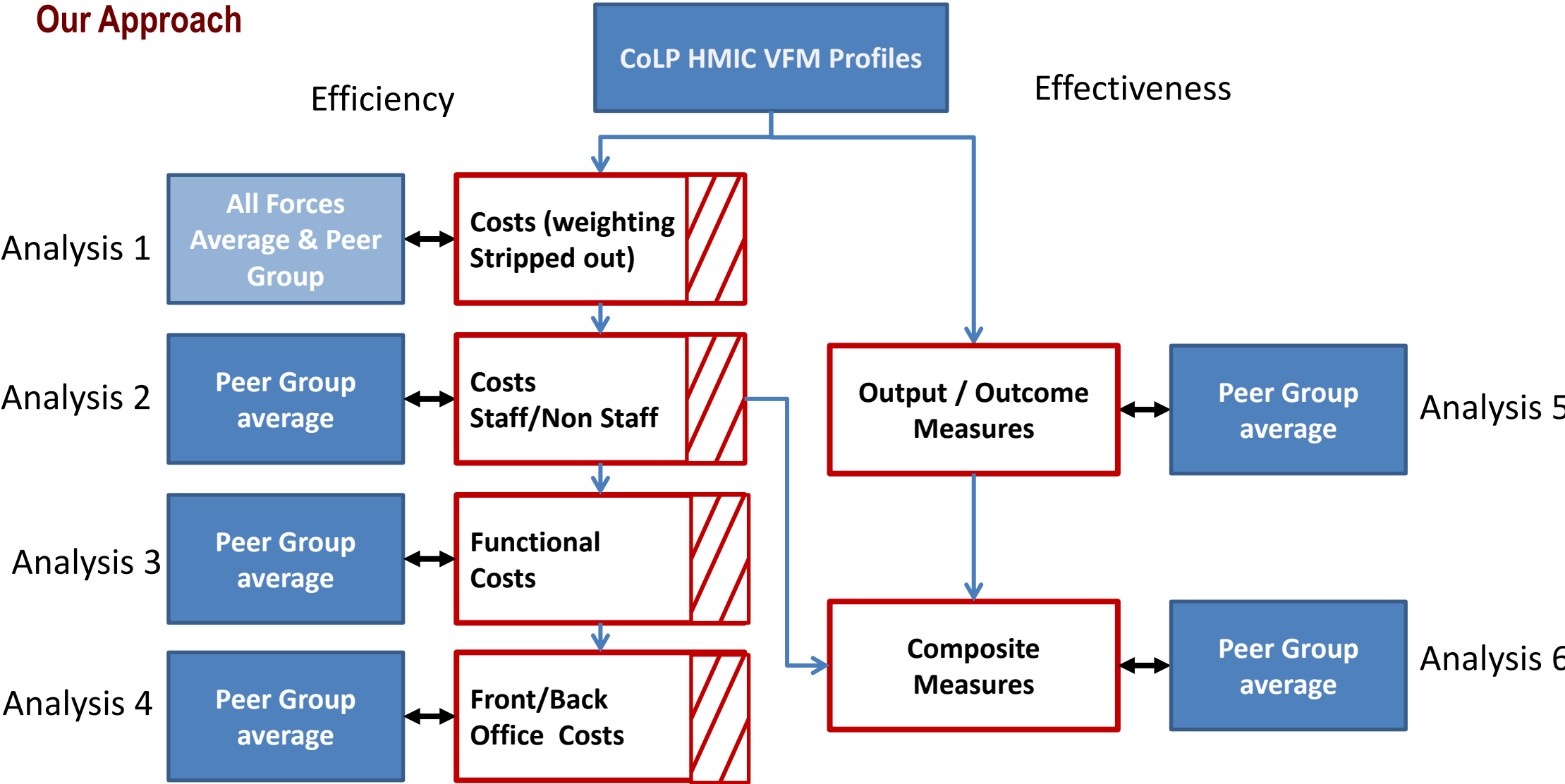
CoL / CoLP have previously concluded that the HMIC VFM profiles does not throw up any surprises due to the unique nature of the CoLP location and remit. The assumption being that the high cost of "unique" services and salaries allied to a small per head of population figure will seemingly always position the Force as an outlier in comparison with other regional forces.

This has led to a tacit acceptance (on the part of senior management, elected Members and HMIC) that no immediate remedial action was required. However, the Board and management wish to test this, and to try to identify any meaningful indicators of performance, cost and overall value.



Baker Tilly have undertaken a series of analysis of the HMIC VFM profiles for CoLP and have identified a number of suitable comparable forces to undertake appropriate comparisons. This has involved deducting London weighting and allowances on salaries and ensuring that where possible, costs relating to national policing are excluded to enable a "like for like" comparison .

We have looked at cost comparisons and non-financial indicators to see how CoLP performs against its peers. We have also looked at composite indicators, where more than one indicator or measure is considered together, to give a more representative view of effectiveness and efficiency. The next page gives an overview of the structure of our analysis.

Our Approach



Data Sources:

-  CoLP Report on HMIC 2012 VFM Profile
-  HMIC 2013 VFM Profile

Our Approach

Shown in the diagram on the previous page, the process in finding effective and worthwhile VFM comparisons for CoLP has had several stages.

This has involved taking data and indicators from a consistent source – the 2013 HMIC VFM Profiles – and making adjustments to the CoLP figures to give a more equitable comparison.

This has included:

- Stripping out costs relating to National Policing activities and London Weightings & Allowances
- Identifying a useful peer group of forces for comparisons
- Looking at financial data and measures
- Making comparisons from a number of aspects (type of expenditure, functional basis and front / back office split)
- Looking at non-financial measures and outcomes
- Developing composite indicators, combining financial and non-financial measures

From this multi-stage analysis, we have been able to draw conclusions about how CoLP compares with some other forces and also how effective the force is in terms of VFM. We have also identified areas for further investigation and developed an effective tool / methodology for assessing VFM and performance against peers that can be used in subsequent years and owned and maintained by CoLP.

Summary and Conclusions



Summary & Conclusions

Baker Tilly were tasked by CoLP to assist them in producing objective evidence that would enable them to make an informed claim that as a Force they were either providing VFM or not. In doing so we have provided CoLP with insights on the standard data that has enabled CoLP to begin to make that judgement .

- The initial approach taken was to take the cost data provided by CoLP and developed a methodology that enabled CoLP to compare their cost performance with one that was based on their cost as if they were operating at the average for all English Forces. This identified a cost gap of **~£26m** when the factors of “London weighting” and “Earned Income” were taken into account .
- Having gained approval of this approach, a similar analysis was undertaken but with an identified Peer group of “similar size “ Forces. This analysis narrowed the cost gap to **~ £7.8m** with Police Office Costs and Non staff spend being highlighted as the primary cost issues .
- Staff and Non Staff cost categories were examined in more detail, this identified specific categories were the spend performance with other forces could be improved significantly. Eg there is a potential to make a saving of **~£3m** on the £33m that is spent on Supplies & Services if procured as effectively as the peer group.
- The cost data was also analysed from a Functional basis eg Local Policing, Operations etc this analysis highlighted a significant cost performance gap in Support **~ £10m** when compared with the Peer Group.

Summary & Conclusions

- Upon reviewing the cost data on a Front Office /Back Office basis .eg Visible Front Line, Business Support etc this again has highlighted a significant cost performance gap in respect of Front Line Support and Business Support of **~£13m**
- Therefore the results of the various Cost Performance analysis that have been undertaken has indicated that CoLP have costs performance issues in comparison with their peers specifically in the following areas
 - ***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 VFM terms, cost and efficiency are only one side of the equation. To determine an organisations VFM you need to also look at the outcomes that the organisation produces. For instance if an organisation spent 20% more on running itself then its peers but delivered 20% more in terms of outcomes, you could claim that it was delivering VFM .
- To that effect we have identified/examined a selective number of CoLP outputs/outcomes. Eg No of Visible Officers, % Crime reduction, however these measures in isolation do not give a true picture of how cost effective the CoLP is as an organisation . Therefore we have developed a set of composite indicators eg the cost of achieving crime reduction which we believe gives a more truer indication as to the cost effectiveness of CoLP .

Summary & Conclusions

- To that effect six composite indicators have been identified which following a comparison with the peer group we have then attempted to rate as to whether the indicator is showing the CoLP to be effective or not. To date we have as a results of the comparison that CoLP are not effective in two of the indicators and effective in two of the others , two further indicators require discussion .
- Finally, one of the key pieces of data that has been used throughout the analysis is the population size for CoLP ie 317k. (This figure is the one used by HMIC and is taken from data provided by ONS) This has been challenged by CoLP who have suggested that this figure should be higher and have identified a figure of 380k . We have undertaken a piece of analysis using the 380k figure to see what effect this may have on the result . The analysis shows that this has a significant effect on the cost gap performance and produces a positive cost gap of~ £3m as opposed to a negative~ £7m . Also we have identified that for every increase in the population of 10,000 this has a positive £1.8 m effect.
- A summary of the analysis can be seen on page 17

Results Summary

Category	Analysis Result
1.Overall Cost Performance vs Peer Group (popn 317k)	Indicates a ~£7.8m overall overspend
2.Cost performance on Non Staff Costs vs peer group	Indicates a ~£7.6m overspend
3.Cost performance of Functions vs peer group	Indicates a ~£13.5m overspend
4.Cost performance of Front/Back Office vs peer group	Indicates a ~£13.3 m overspend
5.Six Cost effective composite indicators	Indicates a mixed result
6.Overall Cost Performance vs Peer Group (popn 317k)	Indicates a ~£3m overspend

Please note that 2, 3, 4, cannot be added to give a total savings as they are the results of independent analysis

In Conclusion

- The cost performance analysis provides some evidence that indicates that perhaps CoLP have an overall cost performance issue when compared with the all English Forces and the notional Peer group. Even when the London weighting and earned income have been taken into account, it shows a significant cost gap based on the 317k population.
- We would recommend rerunning the analysis based on this years HMIC data profiles which will give you an up-to-date picture. You may wish to have the results independently verified.
- In particular the areas that the analysis has highlighted as consistently being of concern with regards cost effectiveness have been
 - Police Office Costs (across all Functions)
 - Premises Costs (across all Functions)
 - Investigation Costs
 - Support Costs (both in functional terms and as a “Back Office” split

We would recommend that these specific areas require more detail investigation in relation to spend analysis with other forces

In Conclusion

- In relation to the non financial measures of effectiveness ie the composite indicators that we have identified here the picture is a little mixed in terms of how cost effectively CoLP are delivering their outcomes and more analysis and discussion around the what the key composite indicators should be than we have been able to cover in the timescale.
- However overshadowing all the above analysis is the issue of what is the correct population figure that should be allocated to CoLP. As our 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.
- Regardless of which population figure is used , the analysis has shown that there are specific areas that the CoLP do not appear to be delivering VFM

Appendices



Appendix A: Establishing a Peer Group for CoLP

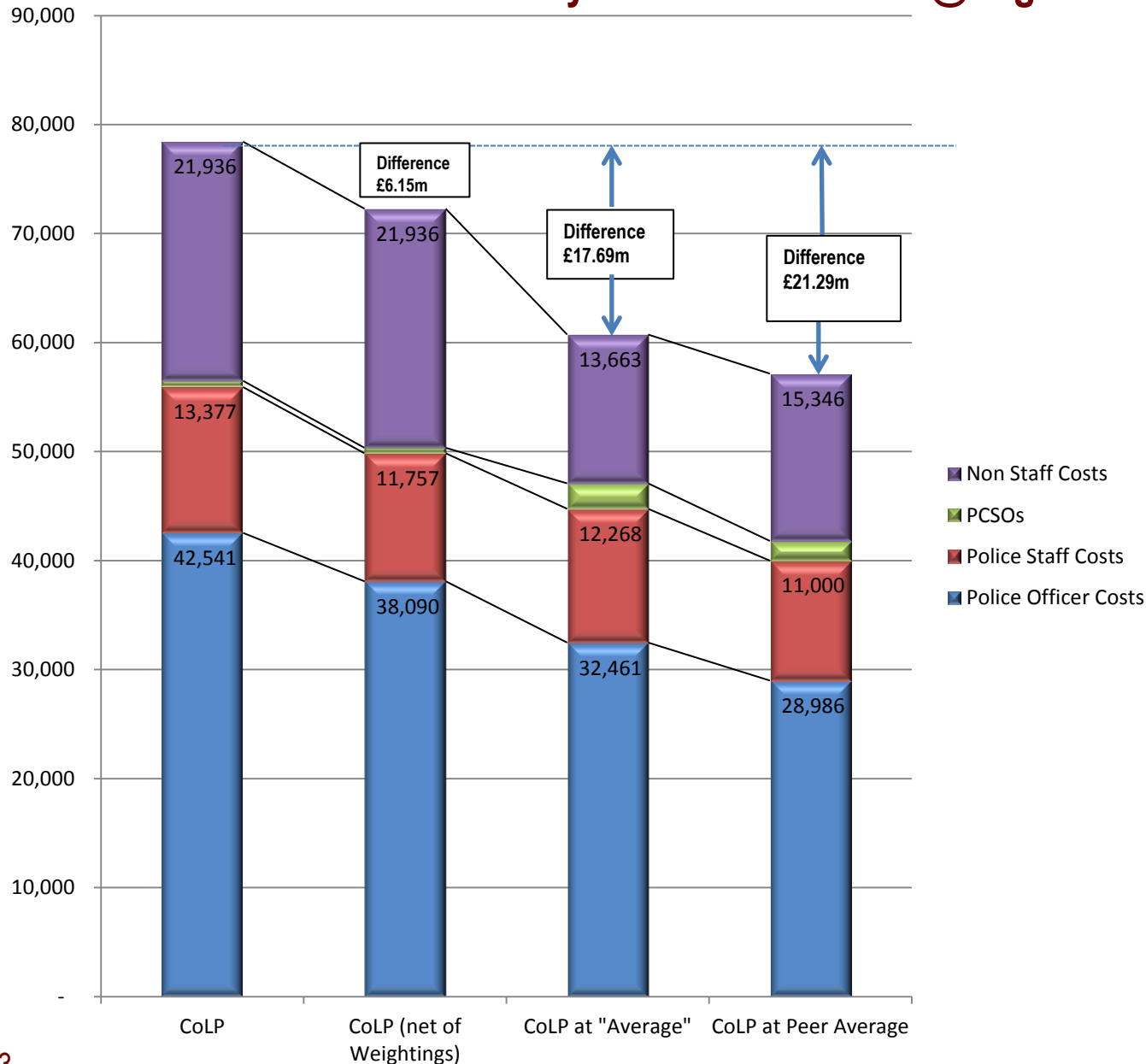
We have chosen a group of 6 other forces with a relatively small population and a similar sized workforce, and the group covers a range of 2.1 to 3.3 workforce FTEs per 1,000 population .

The Peer Group comprises:

Force	Population	FTEs	FTE/ 000 Pop.
CoLP	317,000	1,028	3.24
Cambridgeshire	807,000	2,325	2.88
Gloucestershire	598,000	1,811	3.03
Lincolnshire	715,000	1,473	2.06
Northamptonshire	694,000	2,178	3.14
Suffolk	730,000	2,248	3.08
Warwickshire	547,000	1,447	2.65

Comparisons have then been made to the average of this peer group (including CoLP data). **A consistent data source of the HMIC 2013 VFM Profiles was used.**

Appendix B: Initial Benchmark Analysis based on CoLP @Avg of Peers (Based on 2013 HMIC data)



This graph shows 4 columns and comparisons.

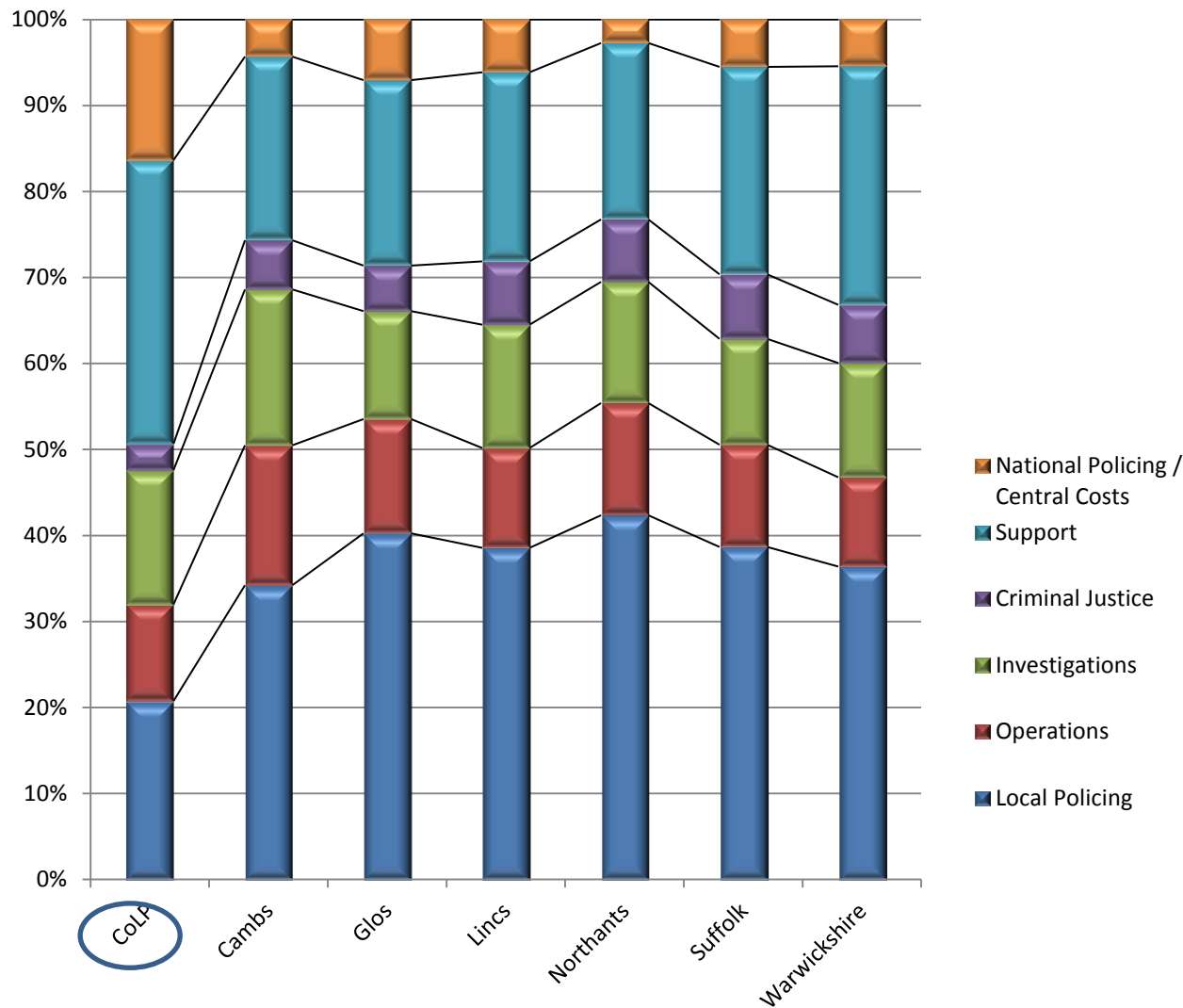
The first column on the left is the CoLP spend as per the 2013 VFM Profile.

The second strips out London Weightings to give a fairer comparison.

The third column is what CoLP would spend, if it spent at the average level of **all** forces.

The final column is CoLP spend if it spent at the average level of the **peer** group.

Appendix C: Composition of Spend – across functions



From the graph, it can be seen that CoLP spends a significantly lower percentage of its expenditure on:

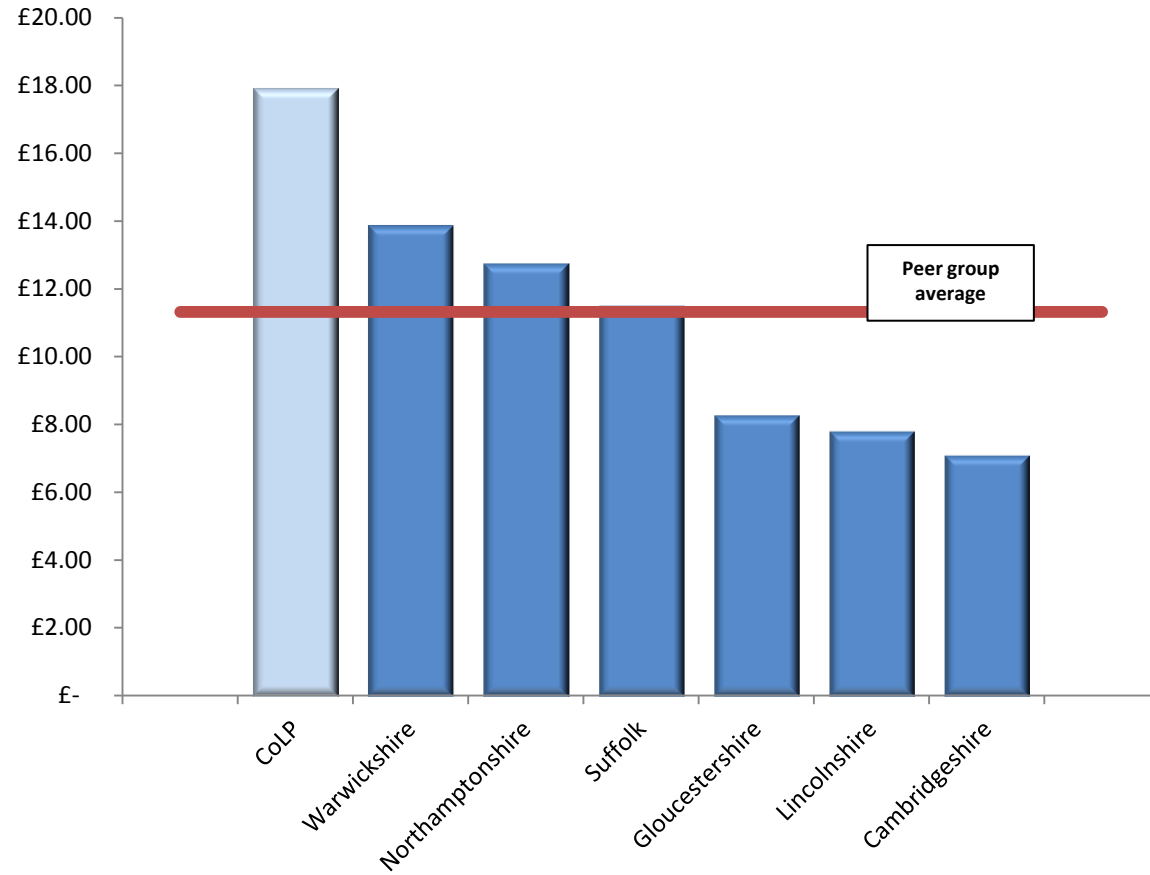
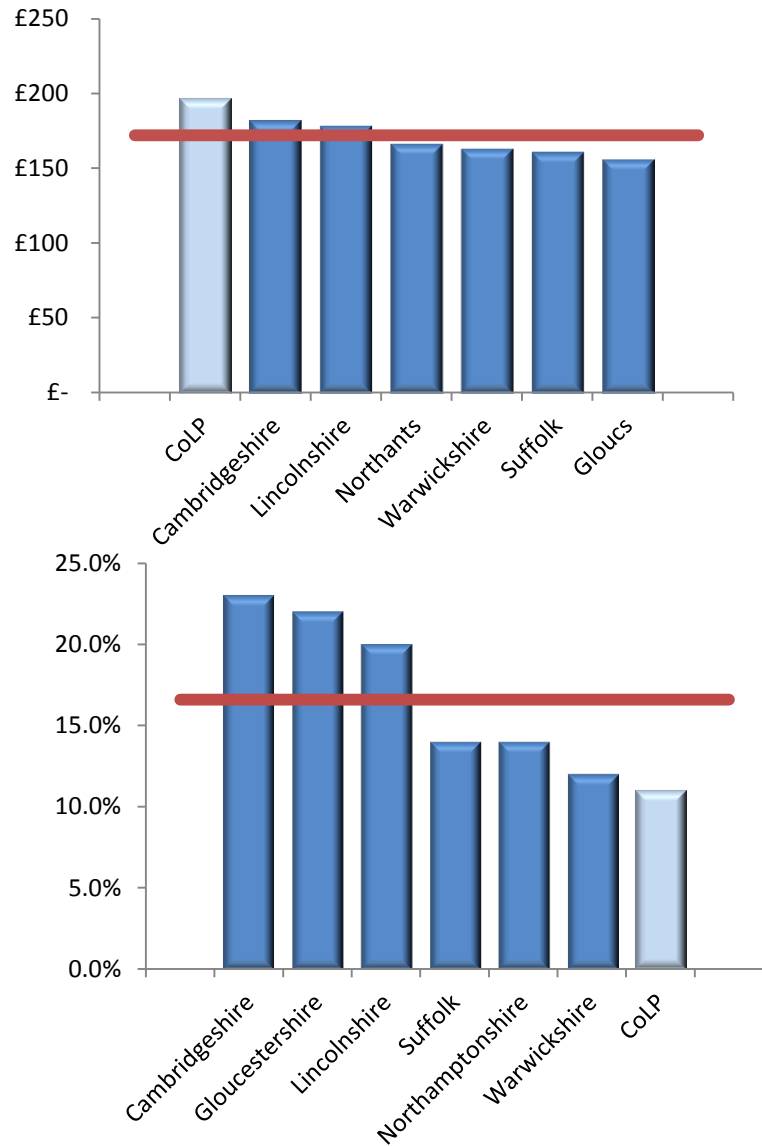
- Local Policing and
- Criminal Justice

The force also spends a higher proportion than others within the peer group on:

- National Policing and
- Support

Proportions of spend on Operations and Investigations are broadly in line with other forces.

Appendix D: Net Expenditure per head for every 1% reduction in crime (Overall)



CoLP spends significantly higher than average for each percentage reduction in crime.

Appendix E: VFM Analysis based on the Composite Indicators

Composite Indicator	Avg Peer	CoLP	Diff	%Diff	Effective /Not Effective
Net Expenditure per head for every 1% reduction in crime (Overall)	£11	£18	£7	64%	Not Effective
Net Expenditure per head for every 1% reduction in crime (Victim-based)	£14	£28	£14	100%	Not Effective
Net Expenditure per head for every 1% reduction in crime (Other)	£10	£7	(£3)	(30%)	Effective
Recorded crimes per visible officer	49	22	27	(110%)	Depends on view
Sanctions per Visible Officer	12.0	6.5	5.5	(85%)	Depends on view
Cost (Net Exp per head) for every % of Sanction Detection Rate	£7.00	£6.80	(£0.20)	(3%)	Effective

Analysis of the composite indicators and comparisons with the peer group show that in some areas CoLP 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, for example, suggesting that staffing levels could be higher than is necessary.

Appendix F: Post Script - Revisiting the Original Analysis

(based on data from HMIC VFM profiles with revised notional population figures for CoLP)

A revised approach for comparing HMIC profile data

With CoLP established as an outlier in the HMIC VFM profiles, a key factor in this was the figure used for notional resident population – far lower than for other forces.

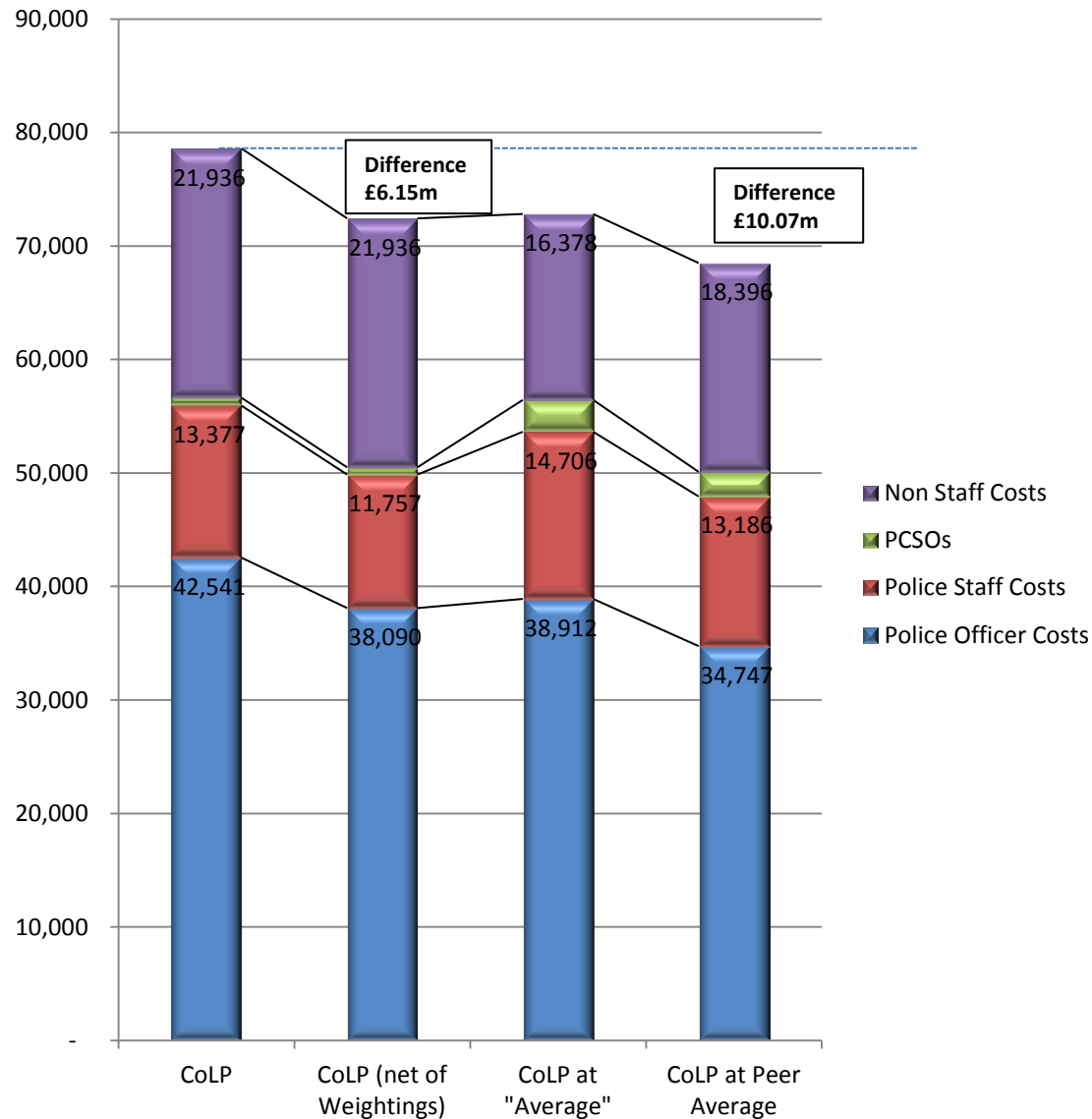
The 2013 figure used by HMIC was 317,000 - but there are arguments for using a higher figure to take account of CoL's transient daytime population.

If we used a figure of 380,000 (which has been used in other GLA analysis and projects) then this could be seen as a more representative measure of population and hence CoLP activity.

As with previous analyses, we have stripped out any London weightings and allowances on salaries.

The cost figures and data for this analysis were taken from the 2013 VFM Profiles for the forces within the peer group (as downloaded from the HMIC website) .

Benchmark Analysis based on CoLP @Avg of Peers (Based on 2013 HMIC data) – 380,000 Pop.



The graph on the next page shows 4 columns and comparisons.

The first column is the CoLP spend as per the 2013 VFM Profile.

The second strips out London Weightings to give a fairer comparison.

The third column is the CoLP spend if it spent at the average level of all forces in England & Wales.

The final column is CoLP spend if it spent at the average level of the peer group.

Summary - Benchmark Analysis based on CoLP @ Peer Average - Notional Pop. of 380,000

	Current CoLP 2013 £000 (a)	Minus London Weighting s £000 (b)	CoLP @ Peer Avg 2013 £000 (c)	Diff £000 (b) – (c)
Police Officer Costs	42,541	38,090	34,747	3,343
Police Staff Costs	13,377	11,757	13,186	(1,429)
PCSOs	571	494	2,170	(1,676)
Non Staff Costs	21,936	21,936	18,396	3,540
Total Expenditure	78,426	72,277	68,499	3,778
Earned Income	(9,859)	(9,859)	(3,093)	(6,766)
Total Exp net Income	£68,567	£62,418	£65,406	(£2,988)

- As expected, by increasing the denominator for cost and performance measures, the ranking of CoLP (in VFM terms) improves significantly, and the force is no longer an outlier. For sensitivities on this, a **10,000 increase in population has a £1.8 million effect**
- 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 other issue is that reliance on this purely notional figure to influence VFM may actually mask the real issues of VFM in the provision and cost of services
- Even with the population increase, CoLP remains high in the group for costs, mainly in the areas of :
 - Staffing costs, number and ranks
 - Non staff spend
- This suggests that a discussion with HMIC is needed on the rationale for a higher notional population, in conjunction with further work on cost elements in the areas above.