

Committee(s): Police: Performance and Resource Management Sub Committee	Date(s): 18 th March 2015
Subject: Value For Money Benchmarking Update	Public
Report of: Commissioner of Police POL 15/15	For Information
<p style="text-align: center;"><u>Summary</u></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 and analysis of this by external consultants (Baker Tilly). The Assistant Commissioner undertook to update your committee on how the Force will use the methodology going forward and on any discussions with HMIC regarding the notional population for the City of London.</p> <p>This report highlights the key findings from the 2014 VFM using the methodology supplied by Baker Tilly and compares the reduction in spend the Force has made since the City First restructure in terms of Value for Money. The analysis also indicates areas where further detailed work is required to drive down costs to improve performance against both its peers and the national average.</p> <p>Key Findings are: That the cost issues appears to be with :</p> <ul style="list-style-type: none"> • Police Staff Costs • Non staff costs <p>This report also outlines the ongoing work to drive down costs in these areas.</p> <p>Recommendations 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 Force introduced an element of independent scrutiny to the value for money process, and in doing so drive efficiencies and cost savings where applicable.
2. Previous reports to your committee have outlined the work carried out by Baker Tilly who undertook an analysis of the HMIC VfM profiles for the Force and identified a number of suitable forces to find more appropriate comparisons. In addition a comprehensive presentation was also delivered.
3. The review also looked at cost comparisons 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.
4. The VFM profiles for 2014 were analysed utilising the methodology used by Baker Tilly in previous analysis. The review looked at cost comparisons and non-financial indicators to see how the Force performs against both its peers in cost and overall value.

Current Position

5. Analysis of the key areas outlined in table 1 below indicate that reductions in spend have been achieved in most areas. The majority of the savings have resulted from the restructuring of Directorates and the associated reductions in staff numbers, which was the key driver of the City First change programme. These figures are on overall spend against the 2012 data and do not account for analysis using per head of population.

Table 1

Area of Analysis	2012(£m)	2014 (£m)
Policing costs (inc National Policing)	91	85
Police Officer costs (exc National Policing)	53	42.5
Police Staff costs (exc National Policing)	16	17
Non Staff costs	31	25.5
Non Staff costs (Supplies and Services)	21	13.5
Non Staff costs (Premises costs)	4.5	5
Earned Income	11.5	13.5
Police Officers(FTE) (exc National Policing)	757	656
Police Staff (FTE) (exc National Policing)	396	379

6. The areas that require further analysis from the above are Police Staff costs and Non Staff costs most notably the cost for supplies and services and premises.

VfM Analysis

7. Following the initial analysis, total cost comparisons with our notional peer group of smaller forces with similar issues (economies of scale, a smaller resident population) in these particular areas was carried out. The per head of population comparisons are attached at Appendix 1 for reference

Table 2

Area of Spend (£m)	City of London	Cambridgeshire	Gloucestershire	Lincolnshire	Northants	Suffolk	Warwickshire
Police Staff	52.5	30.9	20.2	13.2	47.5	40.9	39.0
Supplies and Services	13.6	14.7	10.2	7.0	12.4	10.4	9.2
Premises	4.8	3.8	5.1	2.6	4.1	5.0	3.5

8. The higher Police Staff costs can be explained to some degree by the higher salaries paid in London compared with our peer

group. The higher staff costs in comparison to 2012 as outlined in table 1 reinforced that this was an area that required review. As a result the Force has conducted reviews of staffing arrangements in two Directorates (ACPO and Corporate Services). As a result of these reviews cost savings have been identified and appropriate arrangements are being put in place to allow the implementation of the findings. This will deliver significant cost savings over the next few years and this continuous review of all our functions will continue as the Force aims to balance its budget within the spending review period. It is anticipated that this will also be reflected in improved VFM calculations.

9. The supplies and services costs which covers all equipment and services (not relating to premises or transport), as well as contracts from third-party suppliers are high in comparison. Further analysis is being undertaken to fully explore the detail of the supplies and services costs. There will again be higher costs for contracts and services in London but the analysis should indicate where savings could be made. It will also ensure that the costs borne are similar in content to our peer group or whether we have City of London Corporation specific costs charged through the recharging model applicable across the whole corporation. In addition work is ongoing with City of London Procurement Services (CLPS) to explore cost savings in equipment and contract purchase. Early indications are that some cost savings can be realised and this will have a positive impact on the overall supplies and services costs.
10. The overall costs of premises also highlight an area where the Force total spend is high particularly in relation to our notional "peer group". Yet again higher costs in London and City specific charges are a contributory factor. The accommodation programme that is currently in progress will reduce costs in the long term through consolidation of the Force estate and reduced running costs.

Population data for the City of London

11. With the Force established as an outlier in the HMIC VfM profiles, a key factor has always been the figure used for the notional population of the City of London. The 2013 figure used by HMIC was 317,000. In order to establish a more reflective population figure discussions took place with the City of London

Economic Development Office to ascertain the figures used for conducting research within the City. The working population uses the Office for National Statistics (ONS) Business Register and Employment Survey (BRES) as its reference and has total employment 392,400 as the headline figure. For the residential population, the 2011 Census figure of 7,400 is used. These two figures added together would give a notional figure in the region of 400,000. This figure and the rationale have been communicated to HMIC who indicate that they will revisit the population figure for the City of London for the 2015 VFM data collection. Previous analysis has shown that any significant increase has a significantly favourable result for the Force and highlights the sensitivity of the analysis to this figure.

Conclusion

12. The cost analysis indicates that the Force has an overall cost performance issue when compared with 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 Staff costs
 - Non staff costs
13. From the work completed in the review of our ACPO and Corporate Services functions indicates that the Force is cognisant of the cost savings to be made in this area. This along with the restructuring of our estate and the reviewing and consolidation of contracts and services will result in cost savings for the Force in these areas.
14. The spreadsheets supplied by Baker Tilly will be used for future VFM analysis and your committee will receive updates when the analysis is completed on an annual basis.
15. A major factor in the VFM analysis is the issue of the population figure allocated to the City of London. The discussion currently underway with HMIC may result in an increase to a more reflective figure. This will have a significantly favourable result for the Force in terms of per head of population comparisons with the average and our peer group.

Background Papers:

Pol 73/14 – December 2014 Performance and RM Sub Committee.

Pol 13/14 – February 2014 Performance and RM Sub Committee

Appendices

Value for Money Analysis

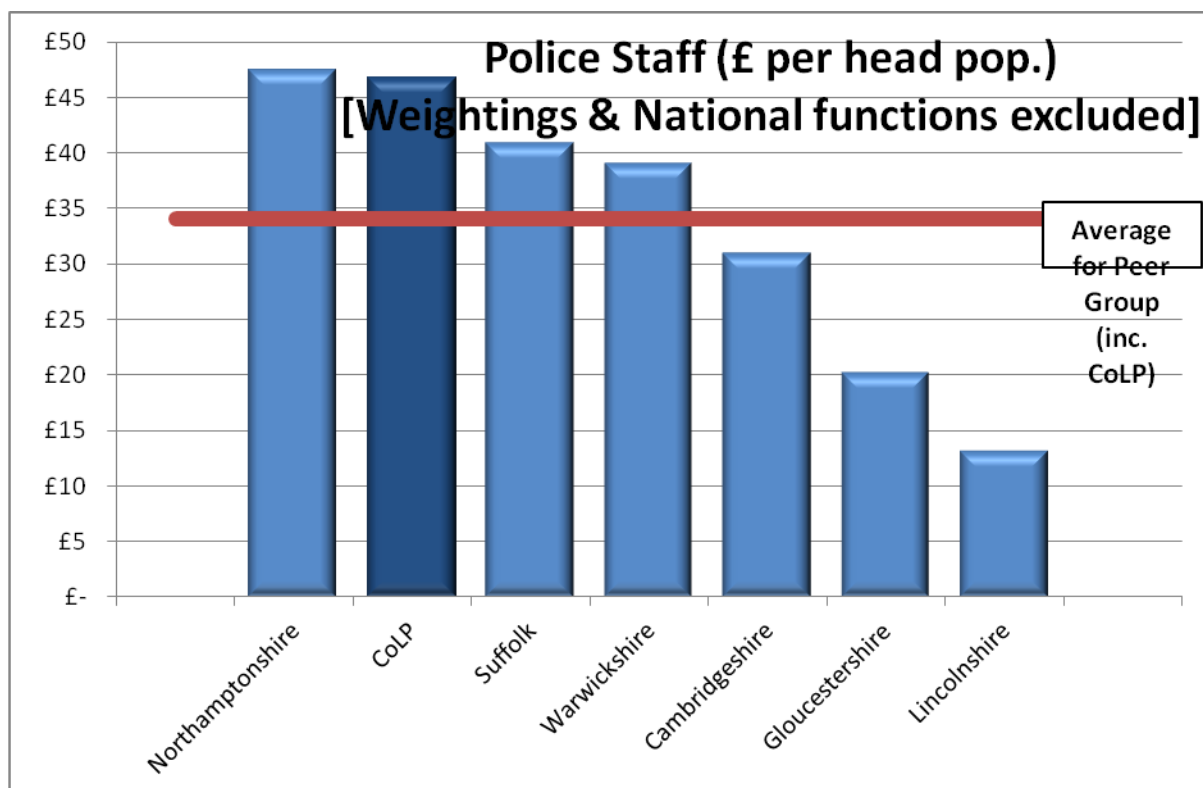
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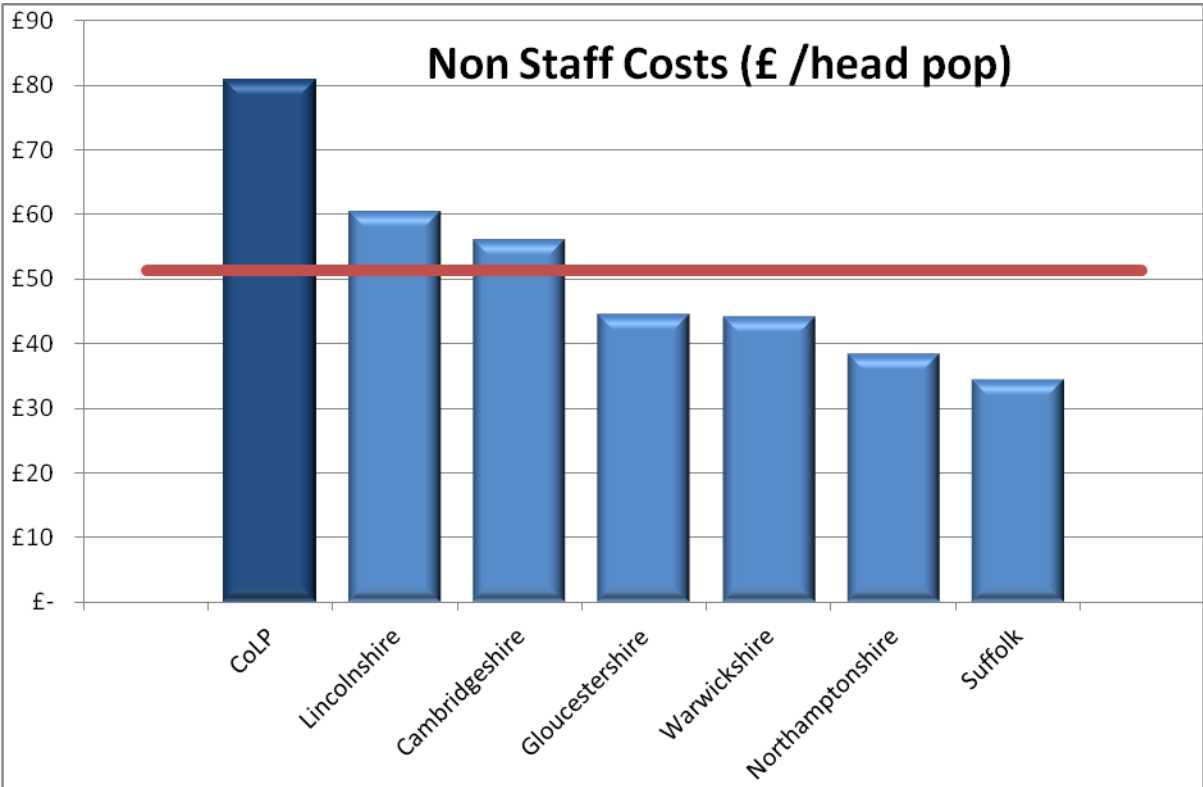
Chief Inspector Tony Cairney

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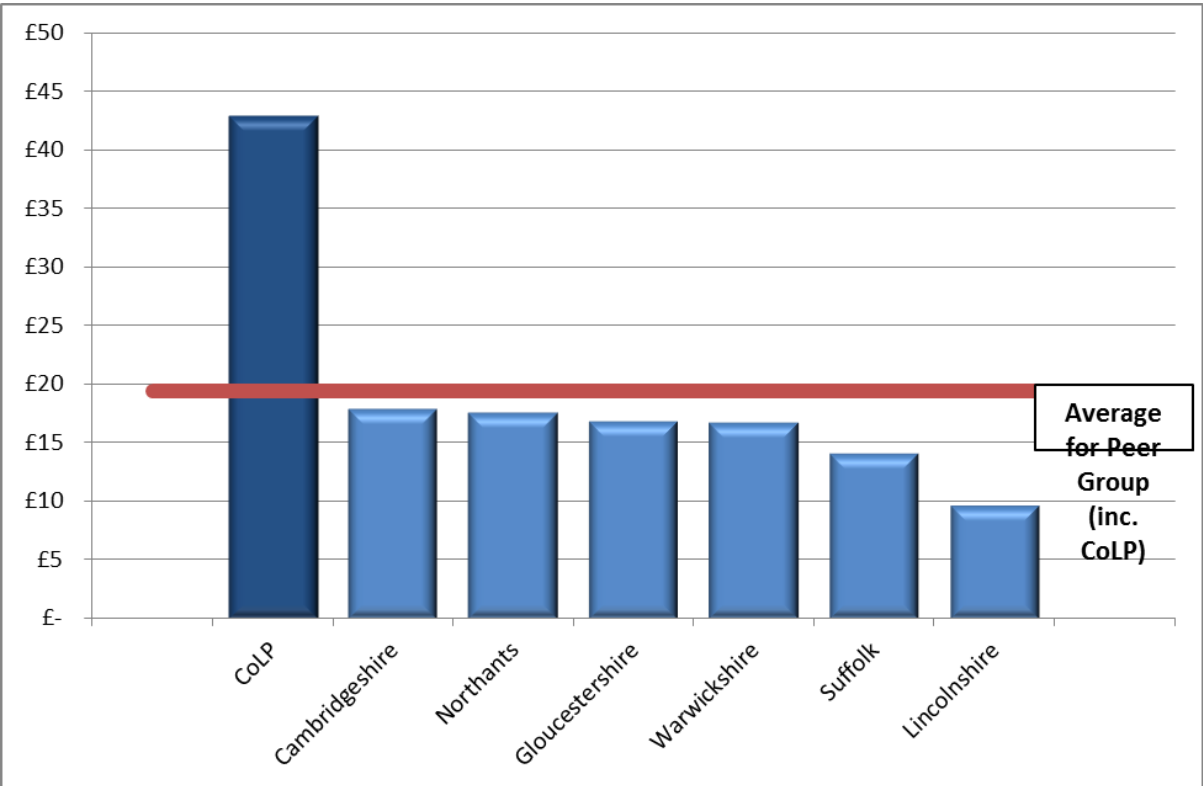
Tony.cairney@cityoflondon.police.uk

Appendix 1

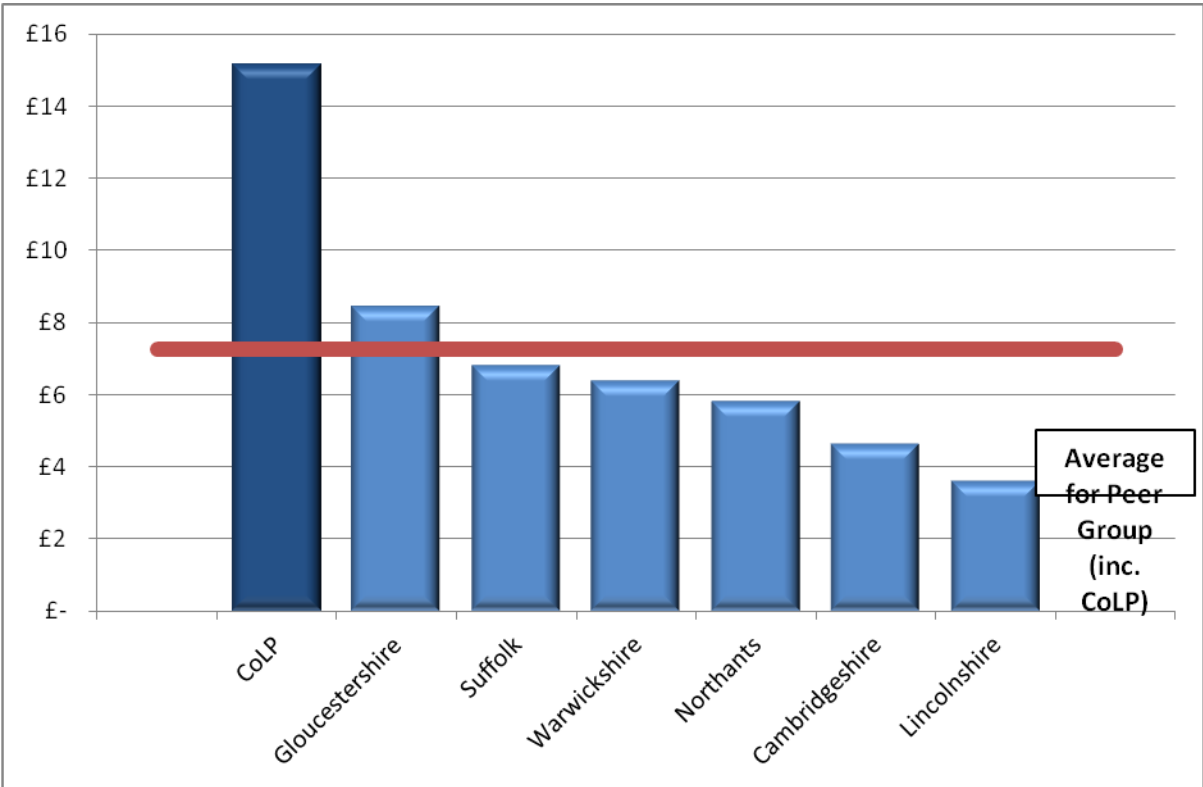




Non Staff Costs



Supplies and Services



Premises Costs