

PEEL: Police efficiency 2015

An inspection of City of London Police



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

Overall judgment¹



Good

HMIC found that City of London Police is adequately prepared to face its future financial challenges. Through good financial management and a commitment to continuous improvement, it has successfully reduced its spending over the last spending review period, improved its understanding of demand and is planning for future financial challenges. In last year's value for money inspection, which considered how forces had met the challenge of the first spending review period, City of London was judged to be good.

Summary

HMIC judges City of London Police to be good. The force has a good understanding of its current demand and is managing its finances effectively. Although its change plans beyond 2016/17 were not yet finalised at the time of our inspection, a plan aimed at achieving savings and balancing future budgets were being developed. For these reasons the force is graded as good.

Under the City First change programme implemented in 2013, the force has undertaken a three year force-wide review of service structure and functions. While resources have been reduced the force has been able to maintain a high level of service to the public resulting in good levels of public satisfaction.

HMIC found the force understands the majority of the demand it faces and works closely through the City Corporation to further understand demands that have an impact on the City of London.² The force engages well with the City Corporation and the force works together effectively with other organisations to further understand and reduce demand on its services.

The force's current workforce model is meeting demand, organisational and financial requirements. The evidence for this comes from a balanced budget, achievement of savings targets and high victim satisfaction survey results.




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

² City Corporation is the authority responsible for budget setting, police and crime priority setting and holding the police to account.

However, the force needs to develop more detailed plans and improve its understanding of the workforce skills, knowledge and ability. More work is needed to better align workforce plans with the medium-term financial plan.

The force has met its savings target period to 2014/15 and achieved a balanced financial position from the spending review set in 2011. The force is taking a number of steps to control expenditure. The aims of the 2015 to 2018 financial savings plan are for the force to reduce non-pay costs, attract additional revenue income for core policing and reduce pay costs.

The force has effective arrangements for monitoring budgets with strong governance arrangements that underpin budget monitoring. The policing plan for 2015 to 2018 includes the priorities set by the City Corporation and monitoring of the plan and the budget are through the Police Committee.³

<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>Requires improvement</p>	 <p>Good</p>
<p>The force has a good understanding of the demand on its services from the public. It is currently meeting this demand and evidence for this comes from the higher than average victim satisfaction rates and good response times.</p> <p>The force works effectively with the Corporation, other partners and the community to identify better</p>	<p>Since March 2010 the number of officers in the force reduced from 852 to 739 in March 2015.</p> <p>The current workforce model is meeting demand, organisational need and financial requirements. Evidence for this comes from a balanced budget, achievement of savings targets and victim satisfaction rates in line</p>	<p>The force has met its savings target period to 2014/15 and achieved a balanced financial position from the spending review set in 2011.</p> <p>The force does obtain full cost recovery, such as for the national economic crime lead function and has been successful in securing other funding including from the business community.</p>

³ The Police Committee performs the function of holding the City of London police to account on behalf of the City Corporation.

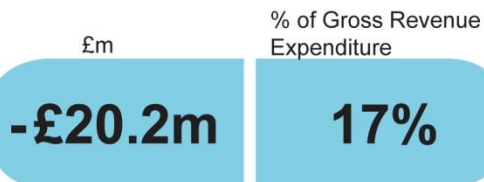
<p>ways of meeting demand and delivering an effective service.</p> <p>It is the national lead for economic crime and has developed an effective approach to dealing with the demands of this crime type locally and nationally.</p> <p>The force has a good understanding of its performance and there is clear governance for accountability both internally and by the City Corporation.</p> <p>The force though recognises the need to change to meet future demand within its future budget. The force's change programme is looking at new ways the force can operate and improve services to meet future demand with a reduced budget.</p>	<p>with England and Wales.</p> <p>The force has conducted reviews in each business area to look at demand and resources and is confident that it has achieved this efficiency in resourcing without having an impact on the provision of policing services to the public.</p> <p>However, the force needs to develop more detailed plans and improve its understanding of workforce skills, knowledge and ability. More work is needed to better align workforce plans with the medium-term financial plan.</p>	<p>It is taking a number of steps to control expenditure and achieve the aims of the 2015/18 financial savings. Future financial plans are still to be fully developed in partnership with the City Corporation but are expected to be finalised in July 2015.</p> <p>The policing plan for 2015 to 2018 includes the priorities set by the Corporation and these include a closer working relationship to further reduce costs and meet the public demand.</p> <p>The force budget and the policing plan are jointly prepared with the City Corporation which, through the Police Committee, holds the force to account effectively.</p> <p>Together with income generation, other efficiencies and potential support from the Corporation, HMIC has confidence that the force should deliver savings and balance future budgets.</p>
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Force in numbers



Financial position

Forecasted change in expenditure 2015/16 to 2017/18



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

City of London Police England and Wales

-1%

-6%

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

City of London Police England and Wales

+4%

-6%

Proportion of police officers on the operational frontline 31 March 2010

City of London Police England and Wales

86%

89%

Proportion of police officers on the operational frontline 31 March 2015

City of London Police England and Wales

88%

92%

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

City of London Police England and Wales

95%

92%



Organisation

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

City of London Police England and Wales

£134

£115

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

City of London Police England and Wales

£188

£165



Key statistics

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

City of London Police England and Wales

-2%

+2%

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

City of London Police England and Wales

-14%

-16%

Victim satisfaction 12 months to 31 March 2015

City of London Police England and Wales

86.9%

83.8%

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

City of London Police England and Wales

No change

No change

Victim satisfaction: City of London confidence interval +/- 3.6 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 City of London Police.

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?

HMIC found the force understands the majority of the demand it faces. The City of London Police works closely through the City Corporation and as a result there is a mutual understanding of many aspects of this demand. The force engages well with the City Corporation and there is an effective working relationship. Operation Acton was a successful targeted initiative involving both police and other organisations working together to tackle the homelessness problem within the City. The force has effective methods to engage with the public, for example through the Insight Survey conducted in May 2015 which sought to understand what the public wants and how it wishes to see its police force operate. Analysis and improvement plans as a result of the survey findings are being developed.

The force's strategic assessment sets out the threats and demands it faces but this is not a comprehensive picture as there remain some areas of crime where it needs to improve understanding, such as offences relating to drugs.

There is a growing night-time economy and public order demand driven by its iconic location for protest. The force responds effectively to the issue of counter terrorism through Project Griffin which aims to work with the business community and residents along side counter-terrorist security advisors on this issue.

Economic crime is another area of increasing demand for the force and this crime type has grown over the last five years. The force realised this and has adjusted its resources to respond to this increase, establishing an Economic Crime Department (ECD). Action Fraud (AF) has also recently joined the force's National Fraud Investigation Bureau (NFIB) resulting in a more joined-up approach being taken to dealing with economic crime.

Sources and levels of demand are understood. The force has identified areas of increasing demand such as complex online offences, violence and disorder. But improvements in force IT systems could be made in order to support better deployment and resource allocation to demand such as the analysis of who has what workload and human resource (HR) data such as succession planning and skills.

Officers are regularly deployed on non-police calls for service as this is 'what we have always done'. The culture of responding to everything can result in a lack of focus on problem-solving activity with repeat callers for services so it can understand and address the underlying problem.

How well does the force match resources to demand?

There is a tactical co-ordinating group (TCG) process that matches resources to demand. Response times and victim satisfaction are very good suggesting the match is generally correct. Recent reviews of the intelligence and crime recording, and investigation processes have identified system improvements to meet demand better.

The force works well with the Metropolitan Police Service (MPS) to share public order and crime investigation resources, including intelligence. Both forces benefit from the efficiencies brought about by this arrangement

The force undertook a review of each directorate to ensure that resource levels are suitably matched to demand. An example of this is the review of support services, which included human resources (HR) and finance. The review has identified efficiencies that can be made.

In 2009 the force signed a special service agreement with Transport for London (TFL) aimed at reducing the number of road traffic collisions. Following the announcement of the cycle super highway which identified additional demand, the force obtained funding of £350,000 from TFL to fund four additional police officer posts to focus on the road/cycle network. This has provided an additional resource to focus on early intervention and road safety activity aimed at reducing serious high profile cycle collisions.

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

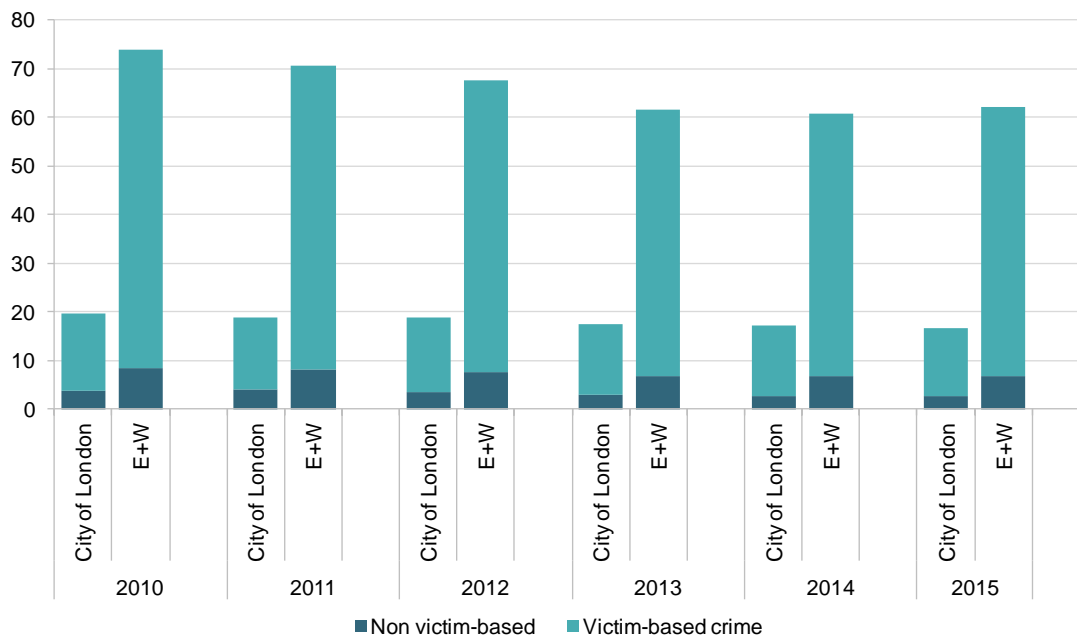
To assess the force's response to public demand, HMIC considered crime figures and rates in the City of London; victim satisfaction levels; and whether the force is using different ways to communicate and engage with the public.

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. Crime rates are reported as a number of crimes per 1,000 population in each force area to enable comparison between areas. Total police 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 police recorded crime in the year ending 31 March 2015.

This increase in police recorded crime may have been affected by the renewed focus on the quality and compliance of crime recording since HMIC carried out a national inspection of crime data integrity in 2014.

In the 12 months to 31 March 2015, City of London Police had a victim-based crime rate of 14.2 and a non-victim-based crime rate of 2.6 per 1,000 population. This represents a decrease (9 percent) in the victim-based crime rate and a decrease (34 percent) in the non-victim based crime rate since the start of the spending review in 2010. During the same time 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 both crime rates by 15 percent and 19 percent respectively since the start of the spending review. The scale of the change in crime rate can be seen in Figure 1.

Figure 1: Police recorded crimes per 1,000 population in City of London 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 City of London, 86.9 percent⁴ were satisfied with their whole experience with the police in the 12 months to 31 March 2015. This is similar to the national victim satisfaction rate of 83.8 percent⁵ over the same period.

⁴ City of London, confidence interval +/- 3.6 percent.

⁵ England and Wales, confidence interval +/- 0.2 percent.

There has been no significant change in victim satisfaction between the 12 months to 31 March 2011 and the 12 months to 31 March 2015 in the City of London.

HMIC found that the force has systems in place to improve its service to the public; this included a three year force-wide review of service structure and functions implemented in 2013 under the City First change programme. Although resources in frontline policing were reduced the force was able to maintain a high level of service to the public resulting in victim satisfaction rates in line with England and Wales.

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

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

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

Source: HMIC Efficiency data collection

The force deploys resources around assessment of threat risk harm and vulnerability. The force has a good focus on protecting vulnerable people and has a dedicated vulnerability database called 'Pegasus', aimed at those people with a disability. A concern mentioned by staff was the amount of time dealing with suicides and attempted suicides, particularly from mentally ill people and the major role of partnership working with the NHS on mental health issues.

There is a joint control room proposal with the Corporation that will give a better understanding of demand and provide an improved service to the public. Managing joint demand will be through the new community safety hub, part of the Safer City Partnership which will facilitate the co-location of staff in order to provide further collaboration and integration with the Corporation. The intention is to reduce and re-direct demand; for example, road safety and rough sleepers.

Future plans around rationalising the number of supervisors and enhancing skills through the force leadership programme may provide a more effective way for the force to meet the demand on its services from the public and contribute to efficiency savings.

How well is the force managing demand?

HMIC found limited evidence of the force attempting to reduce demand. The commissioner's commitment that an officer should attend every crime and incident does not appear to have a detrimental impact on the force's ability to meet demand, attendance times or public expectation. There is evidence of the City of London Police working with other organisations; this has been particularly effective on dealing with anti social behaviour (ASB).

Successful intelligence-led crime prevention work is in the force prevention plan and monitored through the force tasking co-ordination group and daily management meeting. Scanning, analysis, response and assessment (SARA) processes on thefts from gyms; bike theft and ASB have all benefited the community in terms of crime reduction, public satisfaction and in turn a reduction on the demand for policing services.

The force has carried out critical analysis of functions to review existing demand involving partner organisations. Historically, the police were in the past responsible for managing the Lord Mayor's Show, but lead responsibility of the event has been given to the Corporation to manage the event. Corporation members are now trained gold and silver commanders which has reduced demand on police planning resources. This has required partners to invest more resources to respond but has reduced the demand on policing significantly.

The existing arrangement in terms of call handling works effectively. First contact is dealt with by MPS who will identify the call through the location and transfer over to the force. The number of calls, amount of time and staff it takes to process and handle the calls determines the cost of this service by the MPS for providing this service. The City of London has the same system as the MPS which makes for easier deployment and ensures effective transfer of incidents between the two forces. Where possible, attempts are made to direct some of the incident reporting to other agencies, for example noise nuisance to the City Corporation.

The force is developing plans to manage demand of calls for services better and is looking at how it will work with its partners to be more efficient, effective and economical. The demand on the Corporation Call Centre and Force Control Room is understood by both the Corporation and City Police. The intention is to pool resources to achieve improved efficiency and effectiveness to meet the demand from the public.

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

The force has an established performance framework managed through its performance management group and force change board where the assistant

commissioner (AC) holds directorate heads to account for progress against objectives in the police plan. Directorate heads have their own plans to deliver the objectives. These focus on core business areas such as foreign national offenders or outstanding warrants which are part of staff performance development reviews (PDRs) as individual measurable outputs.

Some income is tied to demand and outcomes, such as economic crime, and all contracts are being re-negotiated to reflect outcomes, such as insurance fraud. The force has worked with consultants to improve its understanding of costs and how it compares with other organisations. However, the force needs to do more work to ensure it understands the costs of the services it provides.

Governance structures within the force and Corporation provide necessary challenge and oversight. These are also seen as helpful vehicles to secure change. The chief officer team is seen as accessible; senior officers feel empowered and able to affect change. However, governance within the City of London Police can be seen as bureaucratic, creating too many layers and can be time consuming.

The force has identified that communication and the link between directorates, HR and finance management could be better and that the flow of information between directorates should be enhanced.

The force uses analysts to monitor and understand outputs and outcomes. Recent examples of this included identifying a crime spike around bogus crime and cycle thefts where analysts assisted, resulting in a successful policing operation. There is a significant issue with retaining analysts; the force trains them and they then leave to get jobs in the City. The force is aware of the difficulties of retaining analysts which is also a challenge that other forces face.

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

The force change board (FCB) has an overview of the change programme, City Futures, which includes looking at new ways the force can operate and work to improve services. Part of the change programme includes conducting process reviews aimed at making efficiencies. Future collaboration with the Corporation, on IT provision through shared services and one IT manager for both force and Corporation, will make savings. The force is focusing on IT projects that will provide efficiencies and will reduce demand through mobile working. The force also has 'an innovations forum' where all staff can challenge the way that the force works and submit ideas about better ways of working.

Business support has also carried out peer reviews in areas such as HR with a view to comparing its processes. It is sharing information with other forces, albeit it is difficult to make like-for-like comparisons with other forces. Given this, the force has

engaged a consultant to do some cost benefit analysis which should assist the force in future decision making.

City Futures has an ambitious IT programme for the force to reduce running costs and improve efficiency. Tablet computers for uniformed response officers will assist with mobile working, while body-worn cameras for officers and GPS systems for the force control room will enhance evidence gathering processes and improve the deployment of resources.

The force is using new internal communications channels effectively such as the commissioner's blog and the City Futures that has its own micro-website. The 'Ask the AC' facility on the intranet is popular with staff and the force also uses other methods of communication such as chief officers being visible and accessible and face-to-face briefings.

The force is working well with partner organisations to improve outcomes where there are shared problems. Operation Acton is an initiative to work with aggressive beggars as part of a homelessness initiative which seeks to address the needs (i.e. substance misuse and mental health) of homeless persons. The needs of a vulnerable individual or group of people are prioritised and if appropriate put before any enforcement activity with a view to addressing the underlying problem and reducing demand in the long term.

Summary of findings



Good

The force has a good understanding of the demand on its services from the public. It is currently meeting this demand and evidence for this comes from the higher than average victim satisfaction rates and good response times.

The force works effectively with the Corporation, other partners and the community to identify better ways of meeting demand and delivering an effective service.

It is the national lead for economic crime and has developed an effective approach to dealing with the demands of this crime type locally and nationally.

The force has a good understanding of its performance and there is clear governance for accountability both internally and by the City Corporation.

The force though recognises the need to change to meet future demand within its future budget. The force's change programme is looking at new ways the force can operate and improve services to meet future demand with a reduced budget.

How sustainable and affordable is the workforce model?

HMIC examined how City of London 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?

City of London Police forecasted a total savings requirement over the first four years of the spending review as part of the Valuing the Police programme (2011/12 to 2014/15) of £13.11m, the equivalent of 14 percent of the 2010/11 gross revenue expenditure for the force. Savings were made in both the pay and non-pay budgets. Since 2010, City of London police has seen a reduction of 113 police officers and 42 PCSOs, but an increase of 97 police staff (full-time equivalent) (FTE).

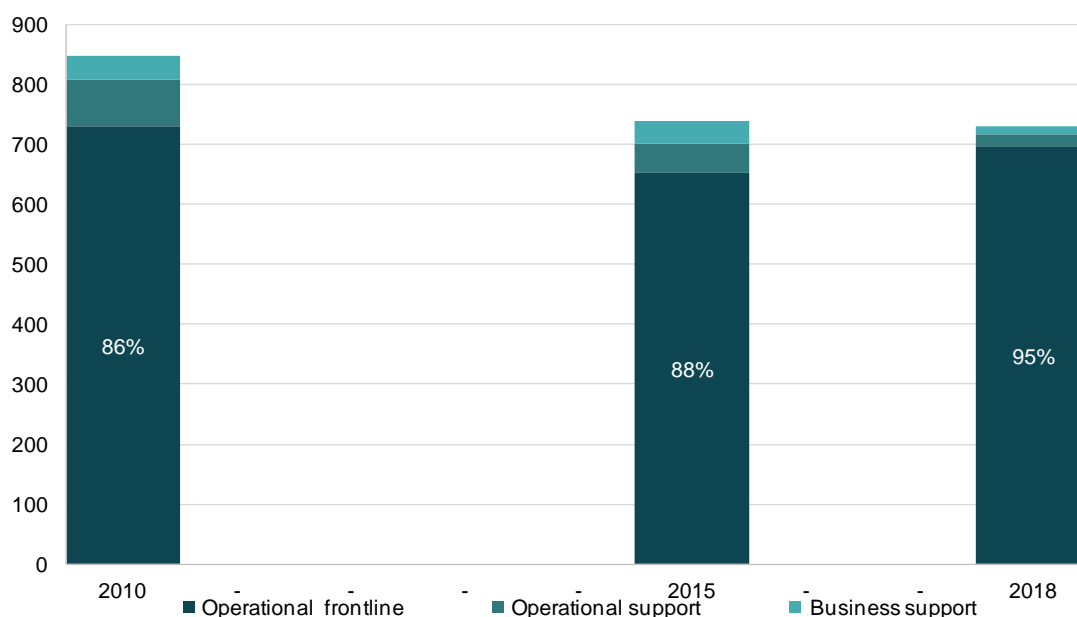
There has been a considerable reduction in PCSOs from 52 to 11 from 2010 to 2015 based on the Home Office data returns, and while their number is set to increase to 16 by 2018, the force is now offering these posts as fixed-term contracts which may pose challenges in attracting potential applicants. The force has received funding from the Proceeds of Crime Act (POCA) fund which they will be using to pay for the additional PCSO posts.

In the City of London, there have been falls in the total number of police officers (FTE) over the period 2010 to 2015, as shown in figure 3. However, during this period, the proportion in frontline roles has increased from 86 percent in 2010 to 88 percent in 2015. The force expects to increase this proportion looking ahead to 2018.

The current workforce model is meeting demand; and organisational and financial requirements through reliance on the use of reserves to balance the annual budget. The current workforce model does match demand as City of London Police has enough resources for the relatively low levels of demand it faces.

In order to meet future financial pressure, the City Futures change programme continues to review this and it is likely the current workforce model will change to meet future organisation and financial requirements.

Figure 3: Actual and planned changes to police officer full-time equivalents (FTE) in operational frontline, operational support and business support roles in City of London 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

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 City of London 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	852	-13%	-12%	739	-1%	-6%	731
Police Staff	310	31%	-19%	406	13%	-6%	461
PCSOs	52	-79%	-27%	11	48%	-11%	16
Workforce total	1,214	-5%	-15%	1,156	4%	-6%	1,207

Source: HMIC Efficiency inspection data collection and Home Office workforce statistics

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

HMIC has examined proposals for the projected workforce model in terms of numbers in the medium-term financial plan and in the commissioner's strategic presentation. However, HMIC has not seen firm plans about the future organisational structure and the plans are still at an early stage. The projected workforce model appears linked mainly to financial not organisational requirements.

The force still needs to set out precisely how many staff its future workforce model will require and hence it could not be specific about staff reductions. These numbers fluctuate between 50 and 70 posts in different plans within the organisation.

The force is confident that it can adjust its workforce model to suit future needs. The economic fraud unit is growing and income generation shortfalls, if any, can be met by reducing staff numbers on fixed-term contracts. The force also believes that the change programme will make the force more flexible in meeting new demands.

The organisation is working hard to provide the flexible working requirements of its workforce model; it balances the needs of its people and those of the organisation well. Many departments have high numbers of staff on flexible working agreements, primarily to support those with child care responsibilities. Individuals are appreciative of the efforts the organisation makes to accommodate individual circumstances and the approach seeks to retain many skilled staff who might have child-caring responsibilities.

HMIC found that there is a need for the force to improve the way it records workforce skills, knowledge and ability. It currently has poor records which do not provide the information it requires: to understand the capabilities of the workforce, to identify any training gaps and to allow for the better deployment of staff to meet the differing demands from the public.

Summary of findings



Requires improvement

Since March 2010 the number of officers in the force reduced from 852 to 739 in March 2015.

The current workforce model is meeting demand, organisational need and financial requirements. Evidence for this comes from a balanced budget, achievement of savings targets and victim satisfaction rates in line with England and Wales.

The force has conducted reviews in each business area to look at demand and resources and is confident that it has achieved this efficiency in resourcing without having an impact on the provision of policing services to the public.

However, the force needs to develop more detailed plans and improve its understanding of workforce skills, knowledge and ability. More work is needed to better align workforce plans with the medium-term financial plan.

Areas for improvement

- The force should develop a future workforce plan that is aligned to its overall demand and budget. The plans should include future resource allocations, the mix of skills required by the workforce and behaviours expected of them.
- To support the workforce plan, the force should improve how it records and retains information concerning the skills and knowledge of the workforce to identify future training needs.

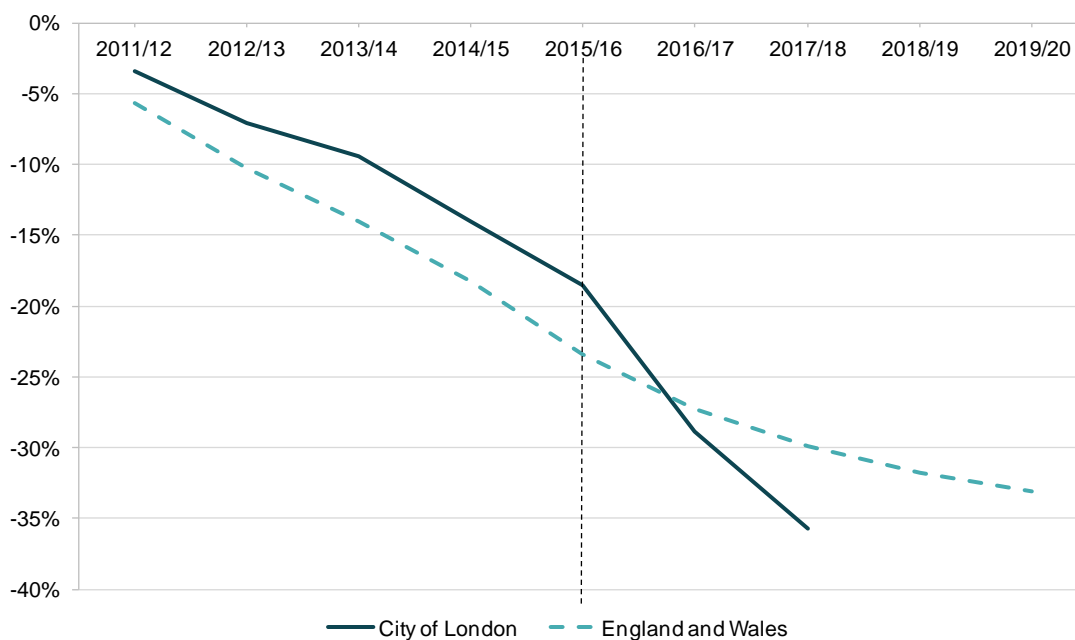
How sustainable is the force's financial position for the short and long term?

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?

City of London Police forecasted savings of £13.11m over the first four years of the spending review (2011/12 to 2014/15), the equivalent of 14 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 requirement 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 2017/18, against the 2010 gross revenue expenditure baseline for City of London Police 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 a medium-term financial plan but has yet to develop its savings plans beyond 2016/17. There is understanding of the financial challenge but the force has yet to provide detailed plans which will ensure the budget is met in 2017/18.

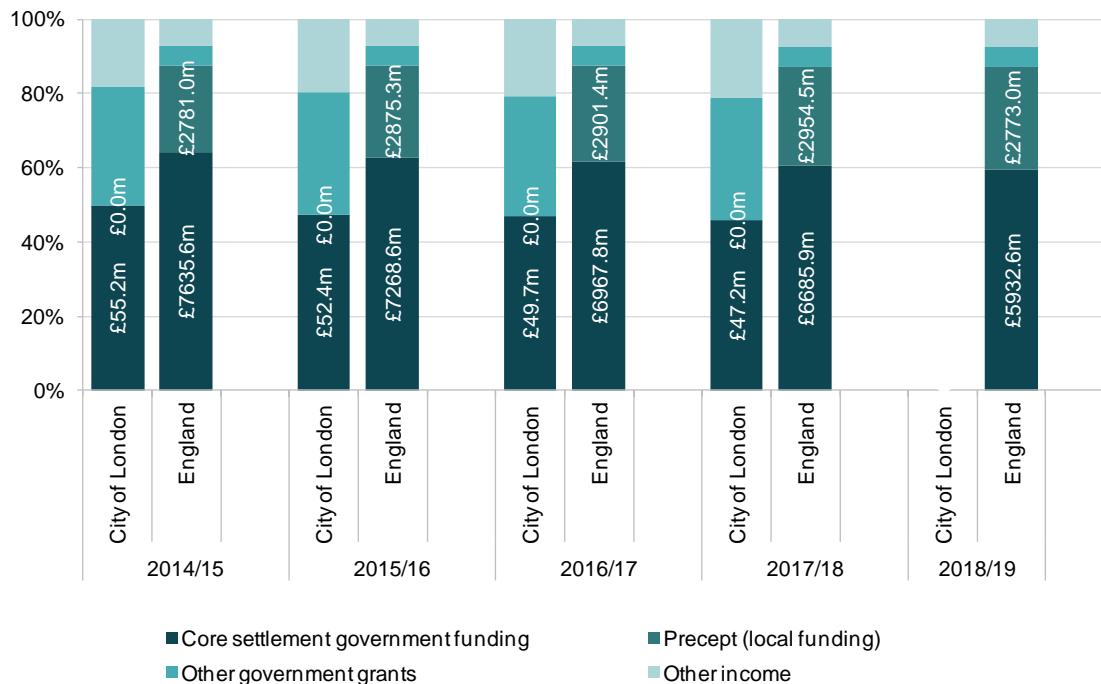
Has the force achieved a balanced budget for 2015/16?

City of London Police has planned a balanced budget of £111.1m for 2015/16, which includes a cut in spending of £4.2m. It is forecast that the reduction will be split between £3.0m from the pay budget (71 percent) and £0.5m (12 percent) from the non-pay budget in this year's savings. The force is planning to use reserves to bridge the remainder of their spending reductions. Since the 2010 baseline, at the start of the spending review, this represents savings of 19 percent.

How well has the force maximised other funding opportunities?

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. City of London Police is expecting the proportion of its funding that comes from core settlement government funding to decline 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.

Figure 6: Forecast mix of funding for City of London 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

The force is making use of all external funding streams and is considering how to maximise future receipts. Dedicated security posts (DSP) and National and International Capital City funding (NICC) comes from two different sources which the force would prefer to be consolidated into one funding stream. The force has worked in partnership with the Corporation and raised a levy from late-night licensed premises (£250,000) which is used to police the night-time economy. It also receives revenue funding from the Corporation of £2m per annum.

Full-cost recovery is received for the economic crime directorate (ECD) funded posts. The force faces the risk that a relatively small variance of levels of this funding could be sufficient to alter estimations and assumptions around future budgets.

The force is actively seeking opportunities to secure additional sources of income and has done so successfully through the Home Office and local businesses. The risks to these funding streams are monitored but the force believes that the current position is secure for the short term, in particular as income comes from a range of diverse sources. However, the assumption is that DSP/NICC grant income will fall from the current £7.87m to £6.5m in 2017/18.

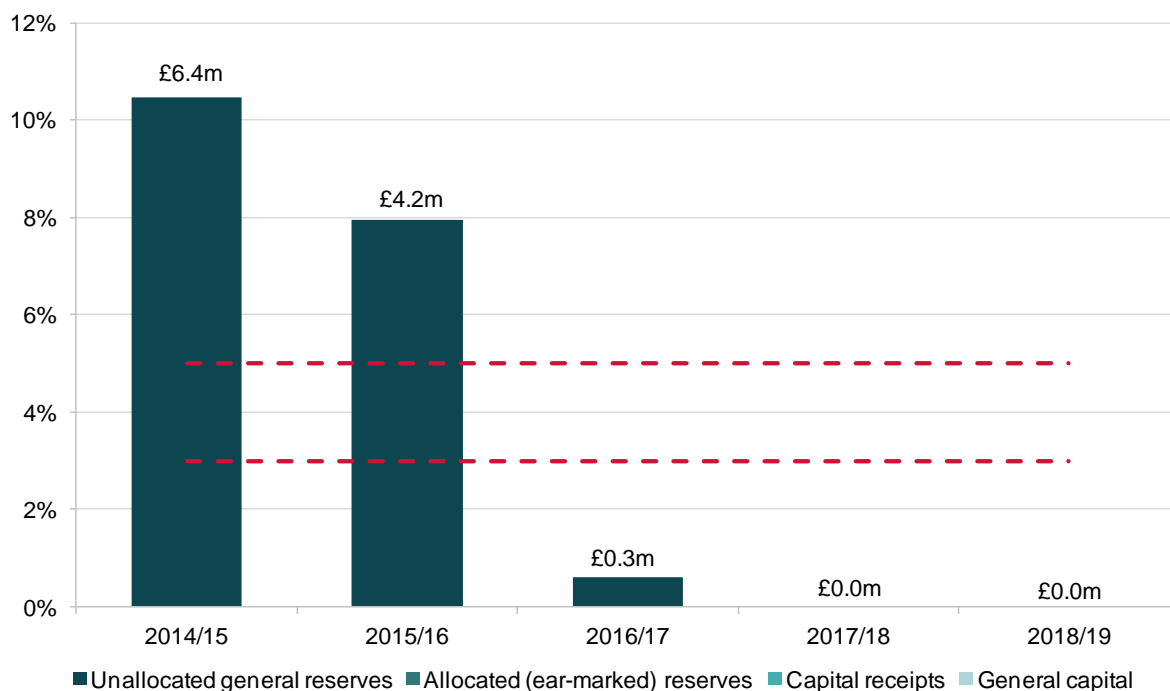
The force has set a balanced budget for 2015/16. To achieve this, it has had to take £1.67m from reserves that now stand at £4.22m. The force is satisfied that this budget is deliverable and past record shows it has the capability to do so.

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. City of London Police reported that its total reserves were £6.4m 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 inspection data returns

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

The Corporation's accountant believed the force has tight control of expenditure and provides value for money (VFM) and the force is taking a number of steps to control spending. The aims of the 2015 to 2018 financial savings plan are for the force to reduce non-pay costs, attract additional revenue income for core policing and reduce pay costs.

The Court of Common Council delegates authority to the Police Committee for oversight of the police service. There is close scrutiny of financial management both by chief officers and by the Police Committee. The force's national work commitment around economic crime is complementary to the force's aim of ensuring that working in partnership with the Corporation and business will maintain London as the financial global centre.

In the last 12 months the force and the Police Committee have started to explore the possibility of the Corporation providing further support to the force budget setting. One consideration was to raise the business rate premium for core policing (as there is no core precept). This business rate was introduced to enhance security in the City of London and the vast majority of this goes to the force. The Corporation was reluctant to increase the business rate premium but it accepted that additional funding may be needed.

The latest financial plan presented to HMIC indicates a worst case scenario of there being a £6m overspend of reserves by 2017/18. The chief officer group are confident that the City Futures Programme will provide the savings necessary to avoid an overspend and this confidence was corroborated by the views of members of the Police Committee.

How well do the force's financial plans reflect the objectives set out in the Police Committee's police plan?

The City of London Police is the smallest territorial police force in England and Wales. It is unlike any other force in that the Court of Common Council is the local policing body that provides the policing governance under the City of London Police Act 1839 and the Police Act 1996. It delegates powers to the Police Committee of the City of London Corporation which fulfils the combined function of the police and crime commissioner and the police and crime panel.

The objectives set by the Corporation are achievable within the force's financial planning. The force budget and the policing plan are jointly prepared and dovetail with each other. Both the plan and the budget are approved by the Police Committee and the Corporation's Court of the Common Council which is the ultimate authority for the approval of all force plans in order to progress further. The policing plan for 2015 to 2018 includes the priorities set by the Corporation and these are reflected in the budget, in particular those to do with greater mutual collaboration. Governance arrangements for monitoring the effectiveness of the plan and the budget are through the Police Committee.

How well does the force provide timely and relevant financial information to the Police Committee, and are shared assumptions used to develop current and future plans?

There are clear lines of communication into the Corporation for reporting on the budget and gaining approval for financial plans. There are comprehensive governance arrangements by both the force and the Corporation. The Corporation has oversight in respect of the medium-term financial plan and joint meetings are held regularly to discuss budget assumptions and reach a shared understanding.

Timely and relevant information is produced for the change board to assist with decision making; this includes information from both HR and finance.

The finance department has recently had a number of staff changes at director level, and a new force finance director has recently been appointed. It is expected that this will resolve the current challenges of sharing data within the finance department. It is essential that reliable and timely management information is produced to inform decision making and budgetary control.

The chief officers consider monthly financial reports on budget outturns. These are also reviewed by the Corporation's finance team on 'a support and challenge' basis. Assumptions in reports are owned jointly by the force and Corporation e.g. on grant changes or inflation factors. The arrangements for producing and reviewing management information reports ensure that the force meets budget expectations.

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

The force's financial plans and future budget beyond 2016/17 were not yet finalised at the time of our inspection and require further work to quantify potential savings and assess whether they will meet savings requirements. HMIC found the foundations of a developing plan were in place which should provide savings and balance future budgets. There was broadly emerging detail of future staff reductions, but as identified earlier the force needs to produce a detailed plan. Together with income generation, other efficiencies and potential support from the Corporation, HMIC has confidence that the force should achieve savings and balance future budgets.

The emerging detail of the City Futures Programme sets out a range of potential options including ; increasing revenue from grant funding, business premium rate, and external contracts. Additional areas being explored include: the reduction of non-pay costs; securing additional revenue streams; and collaborating wherever possible with the Corporation. A reduction in police staff is already planned and the force will

avoid additional costs associated with workforce reductions as they have a number of police staff on fixed term contracts.

The proposed options had not yet been agreed at the time of the inspection, but were expected to be finalised in a report to the Police Committee in July 2015.

Summary of findings



Good

The force has met its savings target period to 2014/15 and achieved a balanced financial position from the spending review set in 2011.

The force does obtain full cost recovery, such as for the national economic crime lead function and has been successful in securing other funding including from the business community.

It is taking a number of steps to control expenditure and achieve the aims of the 2015/18 financial savings. Future financial plans are still to be fully developed in partnership with the City Corporation but are expected to be finalised in July 2015.

The policing plan for 2015 to 2018 includes the priorities set by the Corporation and these include a closer working relationship to further reduce costs and meet the public demand.

The force budget and the policing plan are jointly prepared with the City Corporation which, through the Police Committee, holds the force to account effectively.

Together with income generation, other efficiencies and potential support from the Corporation, HMIC has confidence that the force should deliver savings and balance future budgets.

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 going forwards. 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,⁶ 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.

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.

⁶*Striking a balance: Improving councils' decision making on reserves*, Audit Commission, December 2012. Available from <http://webarchive.nationalarchives.gov.uk>