

Metropolitan Police Authority
and
Metropolitan Police Service

**Policing London Business Plan
2011-14**

**Supporting Financial
Information**

DRAFT



Working together for a safer London



MPA/MPS Draft Corporate Business Plan 2011-14 - Supporting Financial Submission

Summary

1. This report highlights the issues facing the MPA/MPS, which are expected to impact on next year's budget and the medium term financial forecasts. This information is complementary to the corporate objectives as set out in the draft MPA/MPS Policing London 2011-14 Business Plan, and provides a draft financial commentary on the budget particularly for 2011/12.
2. It should, however, be noted that whilst the information provided is based on best estimates, many uncertainties still remain which may impact on MPA final budget and precept requirement for 2011/12. The main uncertainties are:
 - The level of government grant and GLA funding
 - Level of Specific Grant funding
 - Final determination of savings and growth proposals
 - Decisions by partner organisations on service funding
 - Significant events
3. Within that context, this report is the MPA/MPS submission in accordance with the requirements of the Mayor's guidance for the GLA group 2011/12 budget and business plan.
4. The Commissioner has been clear our approach is focussed on:
 - Doing all we can to maintain our operational capability;
 - Delivering efficient and effective support services at the lowest possible cost;
 - And making the most productive use of our operational assets.

This means:

- Reducing our inanimate costs (vehicles, buildings etc) as quickly as possible (we are on track to remove 20% of our costs in those areas over the coming three years, including 25% of our estate costs);
- Ensuring our business model is as lean as is practically possible (over 80% of our planned Service Improvement savings per annum from 2013/14 are from support services); and only then
- Reducing operational officers and PCSOs and mitigating the loss in capacity, for instance through process re-engineering and working with others, however the MPS has aimed to deliver operational savings through savings in overtime (£15m planned by 2013/14) and allowances (£16m by 2013/14);
- Treating our officers and staff fairly and with dignity as the Service shrinks.

Throughout this process we aim to treat our staff with dignity and respect. It is, however, inevitable that the Service will shrink over the next planning period and the Authority has agreed to set aside funds (£53.2m) in a budget pressures reserve to help fund the cost of departures from the Service.

Background

5. This draft budget has been prepared in the context of the Mayor's Budget Guidance issued in May 2010 (supported by the MPS internal guidance) and revised following receipt of the letter from the Mayor dated 22 October 2010, 2011/12 Budget for Greater London Authority and Functional Bodies Preparation of Draft Component Budget, see **Appendix 1** and can be summarised as follows:

'I require that your proposals will include a package of efficiencies and savings which fully balances the budget for 2011-12 and is based on the following assumptions:

- the MPA's share of reductions (excluding the MPS) should be at or nearer to the average reduction announced in the CSR for local government generally, i.e. a real terms reduction of 7.1 per cent in 2011-12, rather than the lower assumed reduction for policing underlying my draft component budget for the MPA in aggregate (including the MPS). This reflects my view that resources should be prioritised for front line policing;*
- no reductions in specific grants to be announced by the Government will be financed from the precept at this stage. However, I will consider how the impact of any potential transfers of specific grants into formula grant (e.g. the Additional Rule 2 grant) and any other changes made to specific grant income used to fund front line policing - including resources for counter-terrorism - might affect the draft component budget requirement following the announcement of the Provincial Local Government Finance Settlement; and*
- there should also be no assumed increase in the overall GLA precept.*

'My Budget Guidance in May set out the format and content of the information I require to publish the draft consolidated consultation budget by mid-December. However, I recognise that the uncertainty over future government grant levels may make it difficult for you to fully comply with the content I originally sought in the time remaining. Therefore, I would urge you to concentrate on:

- exemplifying the impact of savings and efficiencies required to balance the 2011-12 budget; and*
- submitting draft Capital Spending Plans and borrowing limits'*

Following discussion with the GLA about the implications of the CSR it was agreed that the MPA submission should be based on a budget requirement of £2,594.6m for 2011/12 and a grant decrease of 3.9%.

6. The MPS has developed its budget proposals against a challenging and uncertain background. On 22 June the Chancellor announced his intention on public finances for 2011-15 and on 20 October 2010 announced the outcome of the Comprehensive Spending Review (CSR). Further clarification on the scale of the cuts is expected in December when the Government announces the policing grant settlement and specific grants and the Mayor announces his level of precept support for the Service. Even then the detailed impact on our resources will not be known for some months in terms of formula distribution and announcements on specific grants and other income.

7. As a result of the CSR announcement there will be a 20% real or 12% cash reduction in Home Office Grant (both specific and general) over the coming four years. However this is front loaded in profile over four years (i.e. 6%, 13%, 17%, 20%) which is a 5.8% reduction in real terms or a 3.8% cash reduction in year 1.
8. Based the assumption that for the majority of Specific Grants any reduction will be matched with a corresponding reduction in expenditure, the proposals reflect a reduction of £78.7m in the MPS's budget requirement to £2,594.6m in 2011/12.
9. As part of the Mayor's Budget process, the deadline for submitting the draft business plan and budget proposals is 19 November 2010. A timetable of the remaining budget process contained at **Appendix 1**. Given the uncertainties relating to future grant streams it has not proved possible to prepare the full draft three year financial plan this early in the process. Work is continuing with the GLA and a full plan will be prepared in the early part of 2011 when further information is available. In line with the Mayor's guidance the focus is currently on 2011/12.
10. Monthly reports are presented to the MPS Management Board and MPA Finance and Resources Committee on achievements against this year's budget. Service performance is monitored by MPS Performance Board and MPA Strategic and Operational Policing Committee. The revenue budget monitoring position for 2010/11 at Period 6 (to the end of September) is set out at **Appendix 2**.
11. **Appendix 3** contains an overview of the financial position for 2011/12 and brief details:
 - Growth
 - Reductions
 - Corporate Issues
 - Service Improvements
 - Support Services
 - Operational Services
12. **Appendix 4** contains details of the changes to spending plans for 2011/12, how the MPS budget requirement for 2011/12 moves from that for 2010/11.
13. **Appendix 5** contains details of the forecast reserves position as at 31 March 2011 (as at period 6) and descriptions of each of the reserves.
14. The organisation is forecasting the following revenue reserve balances at 31st March 2011 (based on the Period 6 overspend of £8.9m being funded from the general reserve): Earmarked Reserves - £123.8m, General Reserve - £38.6m, Emergencies Contingency Fund - £23.1m, Total - £185.5m.
15. The forecast general reserve balance as at 31st March 2011 of £38.6m is approximately 1.4% of the 2010/11 budget requirement of £2,673.3m. In line with MPA policy, when the Emergencies Contingency Reserve is taken into account the general resources available total £61.7m, which represents 2.3% of the 2010/11 budget requirement.
16. **Appendix 6** contains brief details of the workforce issues facing the MPS over the planning period.

17. **Appendix 7** contains details of the draft capital programme for the seven-year period 2011-18.

18. **Appendix 8** contains a section on the Risk Assessment for the Planning Period.

19. **Appendix 9** contains a section on the Equalities Implications of the business plan process.

Letter from the Mayor - 22 October 2010

GREATER LONDON AUTHORITY
Mayor's Office

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Catherine Crawford
Chief Executive
Metropolitan Police Authority
10 Dean Farrar Street
London SW1H 0NY

Date: 22 October 2010

Dear Catherine

2011-12 Budget for Greater London Authority and Functional Bodies Preparation of Draft Component Budget

1. The purpose of this letter is to consult you before I prepare a draft component budget for MPA in accordance with the provisions of paragraph 2 of schedule 6 of the Greater London Authority Act 1999. It also allows me an opportunity to set out the next stages of this year's budget process.

Present intention

2. As you know there remains great uncertainty about the grant settlement for 2011-12 and future years, but subject to the Provisional Local Government Finance Settlement being announced, I am considering as a base line preparing a draft component budget for the Metropolitan Police Authority of £2,589.6million for 2011-12. This is based on the confirmation in the Comprehensive Spending Review that Central Government grant funding for policing provided by the Home Office will fall by 20 per cent in real terms over the CSR period and by approximately 4.1 per cent next year. Once the Provisional Settlement is announced, I intend to review this planning assumption as part of the publication of my proposed draft consolidated budget in mid-December. Of course, following the Settlement I would hope that a higher draft component budget may be capable of being set. However, and again subject to the Settlement, I may require a lower draft component budget for the MPA in 2011-12 to be set.
3. I am not in a position to take a firm view of the level of the precept or the relative share across the GLA Group pending the outcome of the Local Government Finance settlement. At this stage it should be assumed that there will be no change in MPA's share of the precept from that in 2010-11. As you will be aware MPA will receive £645.6m (70 per cent) of the £923m budgeted GLA precept income in 2010-11.

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4. An important final factor I will need to consider is that the Government confirmed in the Comprehensive Spending Review that it will introduce an incentive scheme to reward local authorities which freeze or reduce their council tax in 2011-12. Approximately £0.7 billion has been provided nationally for each year of the Spending Review period. The Government has stated that local authorities which deliver a freeze in 2011-12 will receive a sum equivalent to what a 2.5 per cent increase in council tax would have generated. For the GLA this equates to an estimated £23m per annum based on the £923m of revenue generated from the precept in 2010-11. Precise details on how the scheme will operate including the timing of the payment of any reward are expected to be announced alongside the Provisional Local Government Settlement.
5. Should the GLA be eligible for this incentive scheme then I will consider how this will affect my decision on the level of the GLA precept in 2011-12 and also how it could be used to support the GLA group budget over the CSR period.
6. In order for me to prepare to discharge my statutory responsibilities in publishing a proposed draft component budget for the MPA by mid-December, I do require by 19 November to receive, as a minimum, from you the information specified below.
7. I require that your proposals will include a package of efficiencies and savings which fully balances the budget for 2011-12 (set out in paragraph 2 above) and is based on the following assumptions:
 - the MPA's share of reductions (excluding the MPS) should be at or nearer to the average reduction announced in the CSR for local government generally i.e. a real terms reduction of 7.1 per cent in 2011-12, rather than the lower assumed reduction for policing underlying my draft component budget for the MPA in aggregate (including the MPS). This reflects my view that resources should be prioritised for front line policing;
 - no reductions in specific grants to be announced by the Government will be financed from the precept at this stage. However, I will consider how the impact of any potential transfers of specific grants into formula grant (e.g. the Additional Rule 2 grant) and any other changes made to specific grant income used to fund front line policing – including resources for counter-terrorism – might affect the draft component budget requirement following the announcement of the Provisional Local Government Finance Settlement; and
 - there should also be no assumed increase in the overall GLA precept.

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8. My Budget Guidance in May set out the format and content of the information I require to publish the draft consolidated consultation budget by mid-December. However, I recognise that the uncertainty over future government grant levels may make it difficult for you to fully comply with the content I originally sought in the time remaining. Therefore, I would urge you to concentrate on:

- exemplifying the impact of savings and efficiencies required to balance the 2011-12 budget; and
- submitting draft Capital Spending Plans and borrowing limits.

Equalities

9. In exemplifying the impact of savings and efficiencies I must also ask you to have due regard to equalities legislation and in particular guidance issued recently by the Equality and Human Rights Commission on using the equality duties to make fair financial decisions. In summary, their advice is for public bodies to ensure that they do carry out an equality impact assessment prior to making difficult financial decisions. Therefore, I need you to provide details of how you have addressed the equality duties and of any equality impact assessment undertaken.

Reserves

10. In order to make proposals in my budget consultation on the potential use of reserves, I also require some additional information. Please set out:

- A statement of your earmarked and non-earmarked reserves as at 31.3.10, including a detailed description of the purpose of each reserve; and
- A description of any proposed changes to the use of earmarked and non-earmarked reserves from 1.4.10 onwards, together with a justification for any increases in earmarked reserves or re-classification of earmarked reserves.

Future years and timetable

11. I do not propose at this stage to set out planning figures for future years after 2011/12. These will be issued later in the budget planning process, once the Provisional Local Government Finance Settlement - which is expected to provide indicative grant allocations for 2011-12 and 2012-13 - has been announced.

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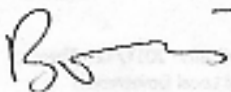
12. I set out below an outline of the remaining stages to the budget timetable.

Date	Description
19 November	Deadline for Functional Bodies to respond to the Mayor's letter of 22 October, including submitting required information for publication of draft consolidated budget.
15 December	Publication of a proposed draft consolidated budget for consultation.
26 January	Assembly to consider draft consolidated budget
10 February	Assembly's final consideration of consolidated budget
28 February	Last date to set GLA precept.

13. As it is likely that the Provisional Local Government Settlement will require a different level of savings than that assumed above, it would be prudent to timetable how any additional savings could be presented. Once the Provisional Settlement is announced, I may need to issue a revised draft component budget for the MPA which will specify the level of any additional savings required over that assumed. This will be confirmed in the proposed draft consolidated consultation budget planned to be issued on 15 December. I propose to set a deadline for any additional savings that may be required to be made to be returned by 12 noon on Wednesday 12 January. This deadline is so that these savings can be considered at the Assembly's meeting on 26 January. I am conscious that this may require you to re-schedule your Authority's existing meetings or hold a special meeting of your Authority. However, I know you will understand the importance of complying with the statutory budget setting deadlines.

14. Please send any comments on this letter, and the information specified in it, to David Gallie, Assistant Director of Finance at the GLA, (Email: david.gallie@london.gov.uk) by 19 November 2010.

Yours ever,



Boris Johnson
Mayor of London

Cc: MPA Treasurer
MPS Director of Resources
Assistant Director – Finance, GLA

Revenue Position as at Period 6 - 2010/11

As at Period 6 the revenue budget is forecast to overspend by £8.9m (0.3% of budget) at year end. This is after taking into consideration the additional in-year savings announced by the Chancellor of the Exchequer on 24 May 2010. This amounted to a reduction of £28m from the revenue grant and a further £5m from the Counter Terrorism funding. As a consequence of the overall financial position facing the Service, Police Officer recruitment has been put on hold, which is expected to result in further savings of £12.9m in 2010/11.

The table below provides a summary of the forecast outturn position by expenditure and income type as at Period 6.

	Annual Budget £000	Annual Forecast £000	Forecast Variance £000
Police Officer Pay	1,854,165	1,845,330	-8,835
Police Staff Pay	621,220	619,187	-2,034
PCSO Pay	154,598	155,611	1,012
Traffic Wardens' Pay	8,765	8,827	62
Total Pay	2,638,749	2,628,954	-9,795
Police Officer Overtime	108,802	108,039	-763
Police Staff Overtime	30,345	29,093	-1,252
PCSO Overtime	1,405	1,218	-187
Traffic Wardens' Overtime	332	311	-21
Total Overtime	140,884	138,661	-2,223
Total Pay & Overtime	2,779,633	2,767,614	-12,019
Employee Related Expenditure	34,223	36,938	2,715
Premises Costs	232,808	236,046	3,237
Transport Costs	65,959	67,264	1,305
Supplies & Services	416,262	421,702	5,440
Capital Financing Costs	23,700	26,616	2,916
Total Running Expenses	772,952	788,565	15,613
Total Expenditure	3,552,585	3,556,180	3,595
Income - interest Receipts	-800	-800	0
Income - Other	-320,191	-316,825	3,366
Total Income	-320,991	-317,625	3,366
Discretionary Pension Costs	33,125	33,125	0
Net Expenditure	3,264,719	3,271,680	6,961
Specific Grants	-585,916	-583,950	1,965
Net Revenue Expenditure	2,678,803	2,687,729	8,926
Transfers to/from Earmarked Reserves	-5,503	-5,503	0
Transfers to/from General Reserves	0	0	0
Total MPS Budget Requirement	2,673,300	2,682,226	8,926

Whilst the total Pay and Overtime budgets are forecast to underspend by £12m, non pay Running Expenses are forecast to overspend by £15.6m. This is principally

within Premises Costs (£3.2m) where £4m of savings have been applied to meet the reduction in Home Office Grant and is due to Facilities Management costs; Supplies and Services (£5.4m) where £8m of savings have been applied and is mainly due to inflation relating to DoI contracts being higher than budgeted; and Capital Financing Costs (£2.9m) which relates to increased interest charges resulting from borrowing which was undertaken earlier than originally anticipated for cash flow purposes. There is also an under recovery of Other Income against a budget of £3.4m which is principally due to income recovery for seconded Police Officers which is matched by reduced Police Officer Pay expenditure.

To view the complete Period 6 Revenue and Capital Monitoring Report for MPA Finance and Resources Committee on 18 November 2010 please use the link below to MPA website.

<http://www.mpa.gov.uk/committees/finres>

[Please note that the Period 6 report is not yet published on the MPA website as at 5/11/2010]

SUMMARY OF MEDIUM TERM FINANCIAL POSITION 2011-14

	2011/12 1st year of 12% £m
Funding Assumptions	2,594.6
Net Revenue Expenditure (as per 2010-13 BP & P)	2,740.6
NI Change	-7.7
Non-Pay Inflation change	10.4
Pay Inflation (2013/14)	0.0
Capital Financing Costs	7.7
Revised Net Revenue Expenditure	2,751.0
Budget Gap	156.4
Growth	
Operational initiatives	13.9
Support initiatives:	
ICT systems support	14.3
Other	10.4
Total Growth	38.6
Corporate Issues	
Officer and staff pay freeze for two years	-14.6
Withdrawal of Special Priority Payments to Officers	-16.2
Remove existing shift and previous payment schemes to officers	-10.0
Withdraw from ATOC agreement - tax implication	-4.0
Total Corporate Issues	-44.8
Service Improvement	
Recruitment model modernisation	-8.2
Rationalisation of property estate	-8.5
Property Services modernisation and contract rationalisation	-9.5
Catering modernisation	-5.2
Training modernisation	-9.4
Transport rationalisation	-5.0
ICT efficiencies and contract rationalisation	-13.1
F & R modernisation and contract efficiencies	-0.9
Other strategic procurement	0.3
Asset tracking	0.0
Territorial Policing development programme	-26.2
Total Service Improvement	-85.7
Support Services	
Resources Directorate	-8.2
HR Directorate	-0.9
Directorate of Information	-11.4
Deputy Commissioner	-2.0
Directorate of Public Affairs	-0.2
Specialist Crime	-1.0
Total Support Services	-23.7
Operational Services	
Deputy Commissioner	-3.5
Specialist Operations	-1.8
Central Operations	-4.3
Specialist Crime	-7.6
Territorial Policing	-16.9
Additional Police Officers (900)	46.8
Reduction in PCSOs (1,400)	-46.8
Total Operational Services	-34.1
MPA Reductions	-0.6
Total Reductions	-188.9
Budget Resilience	27.9
Revised Budget Gap	34.0

Growth

The total growth proposals are **£38.6m** for 2011/12, of which Territorial Policing **£7m** (18%), Specialist Crime Directorate **£2.9m** (7%), Specialist Operations **£1m** (3%), Central Operations **£3m** (8%), Centrally Held **£5m** (13%), Directorate of Resources **£1.5m** (4%), Directorate of Information **£15.4m** (39%) and Human Resources **£3m** (8%)

The main areas of growth are as follows:-

Territorial Policing

Dedicated Detention Officers for Virtual Courts (**£1.0m**)
Additional resources for Anti-gang activity (**£2.0m**)
Implementing Child Sex Offender disclosure process (**£1.3m**)
Criminal Justice initiatives (**£2.5m**)

Specialist Crime Directorate

SCD2 Sapphire - Rape investigations (**£1.2m**) in addition to an internal transfer of **97** officers and staff (**£5.8m**) within SCD from Homicide and other Business Units to Rape Command.

Telephone Investigation Unit (**£1.2m**)

Specialist Operations

Aviation security - Loss of overhead income (**£1.0m**)

Central Operations

Reduction in cost recovery for sporting events (**£2.6m**)

Centrally Held

Assessment in the likely reductions Rule 2 and Crime Fighting Fund that cannot be specifically matched to items of expenditure (**£4.9m**)

Directorate of Resources

Carbon Credit Scheme retention of credits by Treasury as part of CSR settlement (**£1.5m**)

Directorate of Information

Projects into Service, these are the associated revenue costs of bringing new Dol projects into operational service (projects for various Business Groups) (**£15.3m**)

Human Resources

Discretionary Pensions (**£2.0m**)
Uniform Storage (**£1.0m**)

Reductions

Corporate Issues

Police Officer and Staff pay freeze for two years - pay awards for 2011/12 and 2012 /13 removed following the announcement on 22 June 2010 by the Chancellor on his intentions for public finances for 2011-15.

Withdrawal of Special Priority Payments (SPP) to Police Officers - This reduction represents the removal of the remaining SPP budget for Police Officers.

Removal of existing shift and previous payment scheme to Police Officers - This represents a review of various pay elements currently received with alteration or adjustment following negotiation.

Withdrawal from ATOC agreement (tax implications) - In future years the payment made to HMRC by the MPS to represent the taxable benefit on free rail travel for Police Officers will not be made. Police Officers will be expected to make the payment.

Service Improvement

Recruitment Model Modernisation

The proposal for the new model of recruitment and training of police officers represents an innovative and significant shift in traditional recruitment, development and training. Currently, police officers are recruited through generic, lengthy ongoing campaigns and receive 25 weeks of foundation training upon appointment; the development and training does not take into account previous experience or prior relevant learning and qualifications.

Under the proposal, there will be discrete, time-limited recruitment campaigns using a range of methods, including MetCareers website, MPS Intranet and local advertising, based upon the budgeted deployment plan with a range of alternative training options. The majority of applicants (including police staff) will come from the Metropolitan Special Constabulary (MSC), where participants will receive development and training opportunities to gain independent patrol status (IPS), together with a qualification in relevant law and policing equivalent to that currently delivered through the Initial Police Learning and Development Programme (IPLDP), and be ready for immediate deployment upon appointment as regular police officers.

Applicants will also come from serving Police Community Support Officers (PCSO) and others excluded from membership of the MSC by either statute or personal circumstances. Participants from these groups will be required to undertake a recognised qualification in law and policing before being eligible to apply as regular police officers. A bursary scheme is being considered for those ineligible to receive the internally delivered course. The initial training will then focus upon the skills and knowledge required to gain IPS (approximately 10 weeks).

The proposal will result in significant cash savings, improve local service provision and provide participants with a range of transferable skills.

Rationalisation of Property Estate

Description of Project:

The principles of the Rationalisation of Property Estate project are to implement corporate standards to reduce the operational running costs of facilities, and maximise the use of accommodation through the provision of flexible workspace, enabling the release of surplus properties. The Rationalisation of Property Estate principles supporting office, training and storage will now be used to drive the increase in utilisation of core buildings across the estate, enabling the accelerated vacation of identified properties.

Objectives:

Rationalisation of Property Estate is expected to:

- Ensure the MPS estate is fit for purpose and to enable high quality policing in London
- Optimise the efficiency of the MPS estate, making best use of accommodation and disposing of assets where appropriate
- Achieve cashable savings to ensure officer/staff roles are protected

Main benefit areas:

The Rationalisation of Property Estate project will increase the utilisation of core properties thus enabling the disposal of underused, inadequate or comparably costly MPS properties.

Property Services Modernisation and Contract Rationalisation

Description of Project:

A review of the Property Services Modernisation and Contract Rationalisation was commissioned as part of the 2009/10 business planning process, with the objective of identifying service improvement and savings opportunities. The Property Services Modernisation and Contract Rationalisation project (and related savings) is made up of three strands:

1. Review of Property Services processes and staffing arrangements
2. Review/renegotiation of Property contracts (Facilities Management and Met Property Information Centre, security guarding, in house cleaning and energy)
3. Review of asset leverage opportunities, including Private Finance Initiative contracts (PFI).

Objectives:

Review of Property Services processes and staffing arrangements

- Ensure that the service is cost effective and fit for purpose
- Ensure the professional services and support provided by PS add value to the organisation
- Enhance professionalism and technical skill sets to support the delivery of the Rationalisation of Property Estate approach.

Review/renegotiation of Property contracts (Facilities Management and Met Property Information Centre, security guarding, in house cleaning and energy)

- Achieve cashable savings through contract revision and restructuring opportunities
- Achieve cashable savings through the joint re-tender of the MPIC and FM contracts in 2014

Review of asset leverage opportunities, including Private Finance Initiative contracts (PFI) -

- Achieve cashable savings through contract revision and restructuring opportunities on leasehold and freehold tenures
- Review opportunity to refinance contracts (dependent on market conditions)
- Ensure best use of space and services at PFI sites
- Support Central Operations (CO) in reducing the current overspend at Gravesend

Catering Modernisation

Description/Scope

There are 96 locations with catering facilities. A number of these are open 24/7 and a number cater for a relatively small number of MPS officers and staff. With investment in the Catering estate including the provision of modern vending machines, retail servery's, up to date dining room facilities and EPOS systems, catering services will be able to rationalise the number of catering operations and drive the improvement in patronage.

Summary of Progress

The Programme includes the following strands;

- Refurbishment of the dining room and servery at NSY - Refurbishment of NSY dining room and servery completed on time and on budget, increase in sales 35% per annum delivering a £500,000 reduction in the subsidy.
- Provision of modern vending machines - PQQ published on Blue Light - 21 expressions of interest, with 10 completed submissions. Subject to agreement to proceed, contract installation dates for all sites will be January 2011. The minimum offer will be a modern beverage machine and a snack merchandise. Tender process nearing completion. Paper will be submitted to October's contract board.
- Provision of a high street coffee offer - Install bean to cup in 50/60 canteens to deliver a premium coffee offer. Objective to increase gross profits by £350,000. Tender issued November 2009, contract awarded February 2010. Installation commenced June 2010 and now nearing completion.
- Provision of EPOS in a number of key canteens - Objective to measure and manage the business.
- 3 EPOS providers have been identified. An obstacle to delivery is that DOI have a requirement for EPOS to interface with SAP
- Refurbishment of front of house canteen facilities at key canteens - Potentially 8 - 10 key canteens to be upgraded to provide a modern cost effective facility. Objective to increase revenue through increased patronage, therefore reduce subsidy. Sites at Charing Cross, Lambeth, Wembley, Croydon identified.
- Outline costs received. On schedule for delivery in April 2011
- Refurbishment of Night Kitchens - Generally poor state of repair, objective in conjunction with PSD and the business improve the night kitchen and remove the canteen in small scale stations. In conjunction with PSD this is being reviewed in line with the estate rationalisation.

Training Modernisation

Description/Scope

The Training Development Proposals were presented to Management Board and Governance Board in May. The Implementation Team have been asked to look at extending the original scope of the project to identify additional savings areas and review the timescales for delivery. As part of the scope, the Implementation Team are:

- Examining the training organisation to enhance efficiency and to ensure it is fit to meet corporate training priorities
- Aiming to use trainers differently, providing them with the skills and support to deliver across a multitude of disciplines
- Develop the training organisation moving away from a large number of small units towards a regional learning centre model (5 sites at the moment) which will deliver both the regional and specialist faculties that are required to deliver training

This will enable the improvements to the utilisation of the training estate whilst standardising class sizes, student to trainer ratios and reduction of management and support roles reducing the overall headcount. Key milestones include establishing an interim Regional Learning Centre model by the beginning of next financial year.

Transport Modernisation

Description/Scope

Improvements to Transport Services are achievable across a number of areas including: vehicle replacement (procurement), the current transport support contracts and the allocation and ownership of the vehicle fleet, in particular the high level of reliance on daily hire to supplement perceived fleet shortages. This project will:

- Engage with vehicle manufacturers to identify areas of improvements in the procurement process. The aim is to procure the same for less, or the same with significant enhancements at no extra cost.
- Review current transport support contracts, for further efficiencies and service improvements.
- Develop a Vehicle Resource Allocation Model to improve the MPS fleet profile, whilst changing the mindset from Ownership to Stewardship. To assist with this we will develop an internal hire fleet to reduce the reliance on external suppliers, this will be underpinned by a trading account to realise the savings. It is envisaged that some of this fleet will have corporate markings, thus supporting the Presence agenda and improving the visibility of the Police family to the public.

Main benefit areas

- Greater partnership with fewer manufacturers.
- Vehicle Standardizations
- Manufacturers production of OEM Police Vehicles reducing delivery times
- Review levels of service and support provided against those required.
- Vehicle Resource Allocation Model to encourage stewardship rather than ownership to provide better fit of fleet profiles to requirements.
- Pilot and evaluation of telemetric system with potential to replace log books

Next steps

Review of existing contracts - working with Procurement to get the necessary contract amendments in place. Improvements in Procurement Process - at recent ACPO Standardisation Group MPS given lead for police vehicle selections and other technical areas. Work is commencing to share expertise at a national level. Internal Hire Fleet - responses to ITT have been received and evaluated. The recommended supplier awaits contract award. Consultation continues locally re pooling of assets and work on the resource model. Reduction in Daily Hire - currently levelling out at 700 vehicles per day. 2nd Generation business cases are due with 403 for re-approval across BG's.

ICT Efficiencies and Contract Rationalisation

ICT Efficiencies and Contract Rationalisation is made up of a number of different projects detailed below:

The **Corporate Print Management Solution (CPMS)** is a five year commitment to replace multiple printing, photocopying, scanning and faxing contracts with a single agreement, with significant operational, financial and environmental benefits. This will rationalise the number of printing devices and refresh the hardware where appropriate with multifunctional devices, delivering a net saving of some £4m a year by 2013/14. Revenue savings will be generated from 2011/12.

Our **Improving Policing Information (IPI)** programme aims to support operational decision-making through more effective management and use of policing information. In future, systems will enable officers and staff to search, record and manage policing information from multiple databases through a single easy to use entry point.

DoI Lean Programme - aims to achieve a sustainable transition to a lower cost operating model, while preserving and, where possible, improving quality of service.

Implications of a Reduction of the MPS Estate - ICT asset reductions/disposal and through reductions to support costs for networking for the remaining buildings.

Corporate Benefits Management - The aim of this project is to review the requirement for a corporate approach to Benefits Management and identify how a structure and support arrangement can be implemented using the expertise that has been built up within the DoI in this area.

Gen 2 Plus is a contract with Capgemini to extend delivery of Information, Communication and Technology (ICT) services to the MPS until 2015. The contract focuses on providing value for money and cost savings to the amount of £23 million a year by 2013/14. The projected savings will help the MPS achieve its back-office spending cuts through greater contract management, increased automation, improved joint processes and rationalisation of products and services.

The Project Hub Programme (Project Hub) - will drive a step change for the DoI in the delivery of IT Projects both from an organisational and cultural perspective. The intent will be to move from the current inconsistent ways of working that are heavily reliant on third party contractors to one where the DoI restructures as a streamlined "Intelligent Client Function" that engages with internal clients to understand business need and ensures delivery through the active management of our primary IT Services provider, Capgemini. By taking this approach the DoI will be able to leverage the technical and project management capabilities of Capgemini across the project lifecycle to ensure effective, timely and on-budget delivery of appropriate solutions at reduced cost.

Data Centre Consolidation & Server Virtualisation - Virtualization leverages under-utilized system resources and streamlines efficiency by consolidating hardware, saves power, simplifies support and maintenance and creates a flexible easily managed environment. This programme relates to virtualisation technologies within the Data Centre (to Servers, Storage etc) and will enable a reduction in data centre space utilisation.

Real Time Communications (RTC) programme - will address the significant end of life and out of support issues on the existing MetPhone voice and AWARE data networks, and deliver a cost-effective, enterprise class integrated voice and data network to the MPS.

F & R Modernisation and Contract Efficiencies - Developing Resource Management Programme

Description of Project:

The Developing Resource Management programme (DRM) was formed to improve MPS services through effective governance, by minimising the risk of control failures and maximising cashable efficiencies to support our frontline services. The programme delivered significant improvements and efficiencies across:

- Finance and resources support functions - creating dedicated, professionalised Finance Manager and Resource Manager roles
- Purchase-to-pay process - achieving our target 80% compliance with the correct routes to purchase in August 2009
- Contract compliance management - mapping and reviewing all contracts, and developing monitoring and reporting mechanisms
- Partnership working - developing oversight and governance arrangements for partnerships, a toolkit and best practice network
- Corporate decision making - revising the operating model, developing a new business case process
- Scheme of delegation (financial authorisation limits) - implementing consistent spend authorisation limits across the organisation with 100% compliance

Objectives:

- Savings - To make cost savings and better and more efficient use of resources
- Control & Process - Creating sustainable control and due process throughout activities and operations and ensuring current processes are fit for purpose and deliver value
- Compliance - Continuing to build and enforce compliance throughout the MPS - satisfying both Metropolitan Police Authority (MPA) and external scrutiny with confidence
- Capability - Enhancing the directorate's capability to manage risk and change through its people and processes
- Value for Money - Driving transparency in Value for Money operations, realising benefit throughout the portfolio of projects planned and visibility of spend

Main benefit areas:

- Making Business as Usual processes more efficient
- Using economies of scale to save money
- Streamlining existing processes to make them more efficient and focussed
- Making use of synergies to deliver more than the sum of the parts
- Continuing to improve compliance through P2P and CCM
- Continuing to drive and create cashable savings through SPPs and realisation of SAP

Other Strategic Procurement

Description of Project:

Strategic Procurement Plans (SPPs) involves work to identify a programme of procurement projects requiring professional Procurement support to assist the Business Groups to deliver major efficiency savings for the organisation.

Objectives:

- Savings - To maximise cost savings (both targets and deliverables) through accelerating and expanding existing SPPs and identifying new opportunities, and facilitate better and more efficient use of resources.
- Reach agreement with the business groups on the optimum process for the signing off efficiency targets.
- Value for Money - Driving transparency in Value for Money operations, realising benefit throughout the portfolio of projects planned and visibility of spend.
- Compliance to corporate contracts.

Main benefit areas:

- Further maximising economies of scale
- Streamlining existing processes to make them more efficient and focussed
- Making best use of synergies to deliver more than the sum of the parts
- Continuing to drive, create and significantly increase the scale of cashable savings
- Drive step change in the volume, value and speed to market of savings identified to meet further stretched targets.

MPS Wide savings on Supplies and Services

This focuses on generating value for clients from better buying in the market. This is achieved on categories of spend that are common to most organisations (e.g. office supplies, travel, office equipment, temporary labour, etc.) and provides the opportunity for clients to plug into existing high volume contracts and benefit from access to competitive pricing by leveraging high volume contracts. Effectively it is a super aggregation model, which is based on the concept of exploiting economies of scale through working with other organisations to pool buying power i.e. “a buying club”.

Through these activities, organizations can achieve substantial cost reductions by “bundling” and transferring non-critical spend to a third party provider, thereby transforming this spend into a strategic category and gaining a substantial competitive advantage. It also enables organizations to gain access to a range of suppliers; access to best-in-class procurement practices/technologies and category experts in non-police specific spend areas i.e. using an organisation that has already made the investment.

Asset Tracking

Asset Management is vital for the delivery of efficient, effective policing, so that we have a firm grasp of our asset base. It will also ensure that we maximise the value of our assets, in line with the MPS strategic priorities, and underpins some other key improvement programmes such as Corporate Real Estate and TP Development.

The Asset Tracking Project will be the first stage of the overall Asset Management Strategy Programme across the MPS, deploying SAP technology to develop best in class supply chain operations and realise significant business benefits. Learning lessons from the Metafor project, technology, systems and processes will be deployed via a phased approach with minimal risk to ongoing operations.

This first stage will provide asset tracking capability to Uniform Services, Criminal Exhibits, and Transport Services - providing a proof of concept for further projects involving property stores, warehouse capacity and stock management to be undertaken. Early analysis suggests significant benefits will be achieved when asset management is implemented across TP.

Asset tracking will provide the facility to monitor and manage vital MPS property and goods as they are moved around the organisation - from an item of officer safety equipment to a criminal exhibit. As an organisation, asset tracking will help the MPS to:

- Achieve economies of scale, with one system to manage all our assets and criminal exhibits
- Maintain security at all times, from despatch to receipt and all points in between
- Save time and effort for investigative officers and police staff, improving efficiency and effectiveness
- Make best use of our existing infrastructure and established SAP systems
- Enable the rationalization of the MPS corporate real estate, a critical improvement programme.

Territorial Police Development Programme

The TP Development Programme is not just a cost saving exercise, but an evidence led strategic improvement programme. It aims to deliver financial and performance improvements through a radical redesign of basic policing, with a relentless focus on implementation and realisation of benefits. The borough is the primary model of policing delivery, and the Safer Neighborhood approach remains a priority.

TP Development Programme Vision

To develop and implement a more cost efficient model for policing that will deliver excellent local services where people who live, work in and visit London are our priority

TP Development Programme Strategic Objectives

- Increased community confidence
- Increased customer satisfaction
- Reduced crime and anti social behaviour
- Improved criminal justice outcomes
- Significant reductions in the overall cost of TP delivery
- Improved value for money for the overall delivery of TP

Design principles

- Matching resource to demand
- Understanding the costs
- Co-operation across OCU and Business Group boundaries
- Best use of capital funding
- Accountability
- Staff empowerment and risk management
- Minimising waste and duplication

TP Development projects in detailed design stage

Integrated Borough Operation (IBO)

The evolution of CCC IBOs means that it is now time to re visit whether the 'grip' and fast-time deployment role for which their funding was sought is still needed in this structural form. In practice they duplicate work completed in CCC. Now that CCC performance has improved, it is possible to disaggregate IBOs, with the intelligence and command & control functions going to CCC, while the resourcing and grip functions are delivered across Areas and Boroughs.

Total Resource Centres

There are currently 32 duties / operations offices on every borough performing similar functions in a variety of different ways. These offices manage the shifts and operational commitments of officers on the borough. These offices also manage local event planning and the off borough deployments to support large scale events known as 'aid'. This project seeks to develop a more efficient business model to deliver duties management.

Front Counters

We understand that a greater number of staff at the busier front counters will improve the 'customer experience'. However this must be balanced against staffing capacity, facilities and IT available at particular sites. Many police stations are old and do not

have modern facilities for 'triage' or large numbers of callers, irrespective of local demand. This programme provides opportunity to improve facilities and processes at front counters according to demand. (There is a direct link to MPA / MPS estate strategy).

Response

This project is focussed on mapping the deployment of our response officer resources to the demand profile for London. Currently we deploy the same number response officers for patrol at 4am & 8am as we do at 8pm in the evening when demand is significantly higher. Response officers are also limited by geographical boundaries to their borough so that often the closest unit to a call is not necessarily the one deployed to handle it. If the MPS alters its deployment of response resources and target the number of calls they deal with to just those requiring a soon or immediate response we can free up resources and deploy them to those areas that need them the most and at a time to suit demands from the public.

Safer Neighbourhoods

Regardless of their complexity, demand profile or local level of confidence all wards have a minimum staff of 1 sergeant, 2 constables and 3 PCSOs. This model has, in some cases, been augmented by local authority (LA) arrangements, with 283 PCSOs and 137 police officers funded by LAs. Early indications are that these partnership resources will diminish this year with changes in the funding situation. Overwhelmingly SNT ward teams bring all their staff on at the same time which results in an standard cover of 8 hours a day 5 days a week. This approach does not always match the demand profile, however when small teams have been split to cover more hours, there have often been negative supervisory and performance impacts.

Crime Recording and Investigation Bureau (CRIB)

The MPS currently has 32 Telephone Recording Bureaus and 32 Crime Management Units all dealing with the reporting of crime over the phone and the management of the administration of crime investigation across London. Unfortunately these different units complete the same functions with differing priorities. This means that the percentage of crimes screened in across London varies from borough to borough, as do detection rates, which impacts on our service and performance.

Custody / Detention

The MPS has 76 custody suites staffed and managed by boroughs. The majority of these are 24/7 facilities with 6 overspill suites. As with the response project it is important to match these resources to demand. This includes assessing cell utilisation data and average time in detention to provide the evidence for effective central cell management across London.

Intelligence and Performance

This is an MPS led project which TP will implement. Currently performance and intelligence are delivered in all 32 boroughs and at Headquarters levels. The project will address the most efficient and effective delivery model for the MPS. The challenge for TP is to continue to deliver intelligence led policing capability within a budget that is increasingly constrained. This will need to be done at the appropriate level to manage risk. This must be done without duplication or repetition, producing products that meet the business need. (This may result in a move away from

traditional crime focus desks to a more holistic approach centred on offender, victim, and location).

Territorial Policing HQ

The new Area Command model, with 5 Area Commands and Westminster have an explicit focus on operational delivery across Boroughs, with the remit to flex resources to reduce risk and deliver crime reduction. To maintain the effectiveness and efficiency of this model, will require a clear focus in the remit of Headquarters, both in how it support TP but also how it operate with other Headquarters functions across in the MPS

Customer Service

Excellent customer service will enable our communities to feel valued and respected and increase community-based intelligence. When expectations are properly managed, witnesses and victims are more likely to stay involved with a case and attend trial, resulting in an increase in detection rates and offenders brought to justice. Ultimately, delivery of excellent customer service should increase the satisfaction of our customers and the confidence of our communities in our ability to maintain high standards of policing.

Our Customer Service Strategy has been drafted. A detailed action and delivery plan is being developed to support the strategy. We are also currently in the process of collating further actions across the other workstreams of the development programme which will support the delivery of the strategy. The current phase of work is moving towards shaping a model for customer service by which our strategy will be realised across every aspect of our customer service delivery.

Equality and Diversity Impact (EIA)

A comprehensive Equalities Impact Assessment process has been developed with support from the Diversity and Citizen Focus Directorate, who have embeded an Advisor in the programme team. The process has been initiated at a earlier stage than on other change programmes, and has been presented to staff associations. There is regular union and staff association consultation at all levels through the programme. A separate EIA will be developed for each workstream and major project. All the projects within the programme are evidence led. The scoping development and detailed design has been fully documented in order to withstand appropriate scrutiny.

Risks implications

Since the TP budget is overwhelmingly staff-related, it is clear that TP cannot make the required savings without reducing overall numbers. This must be viewed as part of the wider reduction in budget across public services to make the most productive use of our operational assets. A critical issue in considering this approach is the imperative to maintain operational capability. The programme is currently analysing the detailed requirements for each function and the potential impact on staff and officers number. The longer term view is the need to deliver efficient and effective support services at the lowest unit cost in a model that is able to meet both customer and organisational need. The programme is also establishing systems to monitor performance through this change process to ensure that is is not affected and services suffer as a result.

Support Services

The total reductions proposed are **£23.7m** for 2011/12, of which Resources Directorate are **£8.2m** (35%), HR Directorate **£0.9m** (4%), Directorate of Information **£11.4m** (48%), Deputy Commissioner's Portfolio **£2m** (8%), Directorate of Public Affairs **£0.2m** (1%) and Specialist Crime Directorate **£1.0m** (4%).

The majority of the reductions are inanimate savings (including supplies and services, premises costs and transport) which represent 89% of the total Support Services savings for 2011/12. These include reductions for the following:-

Directorate of Information

ICT transition costs (**£2m**),

Reduction in the capability enhancing budget (**£1.2m**),

Investment for Growth in Microsoft products no longer required (**£1.4m**), Revenue savings from a reduced Capital Programme (**£1.5m**)

Removing telephones - mobiles and landlines (**£1.3m**)

Directorate of Resources

Reduction in the annual transfer to the motor insurance reserve (**£0.7m**)

Insurance Contract renegotiation (**£0.7m**)

Deputy Commissioner's Portfolio

3rd Party Provisions (**£2m**)

The above reductions in police staff posts account for an overall saving of **£2.2m**.

Operational Services

The total reductions proposed are **£34.1m** for 2011/12, of which Deputy Commissioner's Portfolio are **£3.5m** (10%), Specialist Operations **£1.8m** (5%), Central Operations **£4.3m** (13%), Specialist Crime Directorate **£7.6m** (22%) and Territorial policing **£16.9m** (50%).

The reductions proposals include **£26m** of employee related savings and **£7m** in inanimate/additional income. The proposals include:-

Territorial Policing

Reduction in Temporary Staff across TP boroughs (**£1.6m**)

Reductions in Supplies and Services (**£1.7m**)

Reduction in Police Officer Overtime (**£2.3m**)

Reduction in Police Officers numbers (**£7.0m**)

Reduction in cost sharing initiatives (**£1.5m**)

Reduction of PCSOs in Government Security Zone (**£0.8m**)

Specialist Crime Directorate

7.5% reduction in non-pay running costs (**£4.2m**)

Reduction of Forensics and Intelligence Operational Staff (**£2.0m**)

As with previous years, the budget reductions applied by SCD for 2011-12 onwards have been targeted to minimize the impact on key operational activity. Reductions in police staff posts and day to day running costs have been made as SCD's first preference

The savings proposals include future reductions to be achieved via the SCD re-alignment project, one of the corporate service improvement programmes (SIPs). The project is in its early stages of reviewing the way that SCD operates and the potential for efficiencies. Its findings will be contributing to SCD's savings targets but mainly not until after SCD's commitments to the 2012 Olympics have wound down. The review will help streamline SCD's operational activity, deployment, intelligence gathering and administrative functions.

In anticipation of the creation of the Forensics Evaluation Unit, reductions will be achieved by reducing the number of exhibits that are submitted to external forensic services and would become part of future savings package in 2013/14 and beyond.

In addition to the reduction proposals above, savings in Homicide and other business units (97 police officers) have been used to fund increases in Rape and Serious Offences and a number of the corporate savings are areas that SCD have identified including the centrally held areas such as the Training Service Improvement Plan (SIP).

Specialist Operations

Additional Income from a change in legislation allowing the MPS to recover income from the City of London Airport (**£1.0m**)

A significant element of SO activity is funded from specific grants. Plans are being developed to reflect the potential loss of grant and will be finalised once grant levels are known.

Central Operations

Reduction in the Aid Budget (£1.8m)

CO's expenditure is demand led with the majority of its budgets reflecting MPS wide activity i.e. Traffic, Public Order and Operational Support (including Aid Fund), Firearms (including Command Control and Training) and Territorial Support Group.

The focus has been to find savings in areas such as IT and mobile phones. Another area of savings, which is also a risk to the organisation, is the Aid budget, which is being reduced year on year. The MPS now deploys fewer officers at sports events, and therefore it receives less income.

The budget principles were, wherever possible, to minimise the impact of front line service delivery, and Central Operations is very much a front-line Business Group. Finance and Resources have been centralised, and the Human Resources units have been modernised. The Business Group aims to move its various OCUs from their current 51 different locations, to four or five bases. This will result in future savings.

Change to Policing Model

To enhance operational capability and resilience the Service proposes to reduce the PCSO establishment by 1,400 and create 900 police officer posts. More information on this proposal is included in Appendix 6 - Workforce Implications.

Metropolitan Police Authority

The proposed savings of £0.6m are principally as a result of the recent restructuring exercises with a further reduction of five police staff posts. The remainder of the savings are due to efficiency savings across all categories of expenditure.

APPENDIX 4

The table below shows how the budget requirement for 2010/11 moves to the budget requirement for 2011/12.

Changes to spending plans	2011/12 £m
2010/11 budget requirement	2,673.3
Changes due to:	
Inflation	56.5
Committed increases/decreases from the 2010-13 Business Plan process	6.5
New Reductions and efficiencies	-160.9
New initiatives and service improvements	69.3
Increase in Specific Grants	-19.7
Reduction in transfer from Reserves	3.6
Savings to be identified	-34.0
2011/12 budget requirement	2,594.6

Usable Revenue Reserves

APPENDIX 5

	Balance at 01-Apr-10 £'000	Actual and forecast transfer to £'000	Actual and forecast transfer from £'000	Forecast balance at 31-Mar-11 £'000	
Earmarked Revenue Reserves					
Accommodation strategy/Property related costs					
Dilapidations	-12,727	0	0	-12,727	
Property Related Costs	-23,922	0	7,503	-16,419	1
Total of Accommodation strategy/Property related costs	-36,649	0	7,503	-29,146	
Operational costs					
Communications Project	-6,682		4,381	-2,301	
Insurance	-5,468	-2,108	1,809	-5,767	2
Operational Costs	-45,206	-563	23,378	-22,391	3
POCA	-1,513			-1,513	
Pump Priming Fund	-2,000		2,000	0	
Support for Cap Programme	-9,000		9,000	0	
Vehicle Recovery Services	-1,850		1,850	0	
Total of Operational costs	-71,719	-2,671	42,418	-31,972	
Revenue support to capital rephasing					
Capital Programme Rephasing	-8,150		8,150	0	
Total of Revenue support to capital rephasing	-8,150	0	8,150	0	
Budget Pressures					
Budget Pressures	-19,571		19,571	0	
Total of Budget Pressures	-19,571	0	19,571	0	
Major change programmes					
Modernisation Programmes	-41,353		33,961	-7,392	4
Budget Pressures	0	-53,229	0	-53,229	5
Total of Major change programmes	-41,353	-53,229	33,961	-60,621	
MPA initiatives					
MPA	-1,153		407	-746	
Total of MPA initiatives	-1,153	0	407	-746	
Total Earmarked Reserves before Emergencies Contingency Fund	-178,595	-55,900	112,010	-122,485	
Emergencies Contingency Fund					
Emergencies Contingency Fund	-23,093			-23,093	
Total Emergencies Contingency Fund	-23,093	0	0	-23,093	
Total Earmarked Revenue Reserves including Emergencies Contingency Fund	-201,688	-55,900	112,010	-145,578	
Net movement in Earmarked Revenue Reserves		56,110			
General Revenue Reserve	-47,483	0	8,926	-38,557	6
Net Movement in Revenue Reserves		65,036			

Notes

1. Includes PFI contract reserve
2. Reflects insurance proposals submitted to RAP on 8 November.
3. Reserve balances lower than £1m are generally reported within Operational Costs
4. Balance relates to SIF (£5.9m) and IPI (£1.5m)
5. Budget pressures reserve to help facilitate the shrinking of the organisation, reflected within the transfers from Reserves column
6. Assumes period 6 forecast overspend (£8.9m) to be met from General Reserves

Explanations of Reserves**Accommodation strategy/Property related costs****Dilapidations**

The reserve will be used to fund future expenditure on properties the leases for which have been terminated and result in additional costs.

Property Related Costs

This account reflects the requirement to provide for the cost of various building related projects and to fund part of the costs of a PFI property development.

Operational costs

Communications Project

Monies set aside to provide for the development of an integrated communications system for the MPS. £1.9m is available to fund the Redundancy Reserve.

Insurance Reserve

To provide for costs associated with Motor and Property Insurance. The Personal Insurance Indemnity Reserve will be released in 2010/11 with any future call met from the Emergency Contingencies Reserve.

Operational Costs

The reserve provides for a number of planned operational activities. £7.5m is available to fund the Redundancy Reserve.

POCA

Proceeds Of Crime Act - A reserve funded from proceeds of crime to provide for certain categories of operational activities.

Pump Priming Fund

This reserve was set up to encourage new, more efficient and/or effective ways of doing business where there is a need for 'priming' monies. £2m is available to fund the Redundancy Reserve.

Support for the Capital Programme

Monies set aside to support capital spend in 2010/11.

Vehicle Recovery Services

Reserve allocated to fund operations targeting clamping of uninsured vehicles.

Revenue support to capital re-phasing

Capital Programme Re-phasing

Monies set aside as Revenue Support to agreed Capital Programme Re-phasing in the future years. £8.1m is available to fund the Redundancy Reserve.

Budget Pressures

Budget Pressures

This reserve was to meet specific unbudgeted pressures. £19.3m is available to fund the Redundancy Reserve.

Major change programmes

Modernisation Programme

This reserve is set aside to fund various modernisation programmes, including Transforming Human Resources. £14.4m is available to fund the Redundancy Reserve.

Budget Pressures

This reserve is being created to help facilitate the shrinking of the organisation.

MPA initiatives

The reserve will be used to support projects that the Metropolitan Police Authority expects to undertake in 2010/11.

Emergencies Contingency Fund

An earmarked reserve, available to assist in exceptional circumstances to support operational requirements not normally budgeted for.

General Revenue Reserve

This reserve was established to provide cover for emergencies and contingencies. The reserve, together with the emergencies/contingencies fund is to be maintained at least at 2%the net revenue budget.

Workforce Implications

1. The current 2010-13 Business Plan reflects a deployment plan movement as follows:

	2010/11	2011/12	2012/13
Police Officer	32,827	32,547	32,374
Recruits	264	308	265
	<u>33,091</u>	<u>32,855</u>	<u>32,639</u>

2. The movement between 2010/11 and 2011/12 equates to an agreed reduction of 236 officers reflecting:

- an increase of 44 recruits through the IPLDP process
- an increase of 39 posts to support the delivery of a safe Olympics
- a reduction of 250 officers in respect of Project Herald - the professionalisation of the custody suite function
- other reductions of 69 across all groups

As reflected in the submission, every effort is being made to maintain operational capability.

3. The current proposals would result in the following revision to the 2011/12 deployment plan:

4.

	Recruit	Officers	Total
2010-13 Approved Deployment Plan	264	32,827	33,091
2010/11 Deployment Plan			
Approved changes:			
• IPLDP	+44		+44
• Olympics		+39	+39
• Project Herald		-250	-250
• Other		-69	-69
2011/12 Deployment Plan	308	32,547	32,855
Current Proposals			
A. Little or No Impact on Operational Capability			
• New recruitment model	-308		-308
• New training model		-91	-91
• DoI		-6	-6
• TP Development - impact of more efficient deployment		-384	-384
• Other Budget Movements		-64	-64
	-308	-545	-853
B. Operational Capability			
• TP		-142	-142
• DCP		-29	-29
• CO - Olympics		+103	+103
• Operational Growth		51	51
		-17	-17
Total	-	31,985	31,985
Change to Policing Model			
• Conversion of 1,400 PCSO posts to 900 police officer posts (see below)		900	900
	-	32,885	32,885

Note this establishment could be affected (see paragraph 23 and 24) by:

- loss of specific grant and other income -350 to -520
- reducing budget gap -328

5. Based on an analysis of the likely reductions in specific grant & other income over the medium term, a further reduction in police officers of between 350 and 520 posts would be incurred by the organisation. These numbers are likely to change when further clarity becomes available on these funding streams in December and January.

6. There would also be an impact on officer numbers in terms of bridging the current budget gap of £33.9m in 2011/12. Based on meeting eighty percent of the budget gap from reducing staffing costs, the impact would be 327 police officers, 68 PCSOs and 188 police staff.

Change in Police Model

7. The current Business Plan 2010-13 sets out the funded workforce targets of 4,639 PCSOs for 31 March 2013. This figure includes 1,417 posts which are funded by external agencies.
8. The MTFP identifies potential reductions of 264 PCSOs in 2011/12, leaving a funded strength of 4,375 PCSOs, although it is as yet unclear what impact there will be on posts which are externally funded.
9. In order to offset any reduction in front-line police officer strength proposals are being developed to maintain the current Safer Neighbourhood Teams PCSO strength (2,158 in 631 Safer Neighbourhood Teams) and use the balance of funding to employ more police officers. This would reduce the PCSO strength by a further 1,400 but increase police officer strength by 900 officers. This increase will be used to expand front-line services and not mitigate MTFP savings in support areas. This proposal is dependent on increased flexibility on the use of PCSO specific grant and external agencies continuing to fund 600 Safer Neighbourhood PCSOs.

	Target Strength	MTFP	PCSO->PC	Amended Target Strength	Funding Required for SNT
Core	3,222	-264	-1,400	1,558	1,558
Funded	1,417	0	0	1,417	600
Total	4,639	-264	-1,400	2,975	2,158

The reduction of 1,400 PCSOs will, however, impact on Service provision with the withdrawal of posts dealing with such functions as **victim support, front counters, safer schools and royal parks..** Many of these activities support the Service's reassurance activity and reductions in these areas could impact on the Service's impact levels.

Officer Recruitment

10. The current pause in recruitment will result in the officer establishment being understrength by 950 at 31 March 2011 against the original target strength of 33,091. Many proposals in the MTFP assume full year savings in 2011/12 and therefore require the reductions to be in place by 31 March 2011. In order to manage the proposed reduction of PCSO posts consideration is being given to allowing recruitment of PCSOs to police officer posts in the latter part of 2010/11 when the funding position becomes clearer.

PCSOs

11. The impact of current proposals on PCSO establishment can be summarised as follows:

Approved 2010/11 Establishment	4,639
• Reduction Proposals	-264
• Change to Policing Model	-1,400
Proposed 2011/12 Establishment	2,975

Note this establishment could be affected by:

- loss of specific grant and other income -240 to -330
- reducing budget gap -68

Staff

The impact of the current proposals on staff establishments can be summarised as follows:

Approved 2010/11 Establishment	14,986
Previous year growth - Project Herald	+409
Budget Movements 2010/11	-196
Growth	+53
Reductions	
• Service Improvement Programmes	-663
• Other Support Services	-195
Proposed 2011/12 Establishment	<u>14,394</u>

Note this establishment could be affected by:

- loss of specific grant and other income -120 to -170
- reducing budget gap -189

Funded Posts

12. No adjustment has been made to the officer, PCSO and staff establishments from the potential impact of the loss of specific grant and other income streams. More clarity is expected on this issue in December but an indication of the potential impact is given for Police Officers, Police Staff and PCSOs in the earlier paragraphs.

Traffic Wardens

13. The 2011/12 establishment remains at 216 with the Service aim to convert these posts into PCSO posts at the earliest opportunity to enhance operational resilience.

Redundancies

14. The proposals in this submission will result in the Service shrinking.
15. The current planning assumption is that the cost of redundancies will be met from earmarked reserves over the next planning period. The reserves that could be rationalised for this purpose are as follows:

16.

	£m
Met Modernisation	14.4
Budget Pressures	19.3
Health and Well Being	5.4
Pump Priming	2.0
Capital Slippage	
• Resources Director (DoR)_	4.6
• Director of Information (DoI)	3.5
Special Priority Payments	0.7
DoI - NTL, MetForensics, MetaFor	2.0
Other	1.3
	<u>53.2</u>

These reserves are currently not cashbacked. Their use will therefore result in additional financing costs which will be reflected in the 2011-14 budget proposals.

THE MPA/MPS CAPITAL BUDGET

The capital programme continues to cover a seven-year period. This enables a longer-term perspective to be adopted and allows more efficient and effective planning of investment needs. The programme is reviewed on an annual basis. It is prepared in accordance with the MPA's Capital Strategy, which provides a framework for considering investment proposals against key business priorities and the financial constraints that must apply as a result of internal and external market forces. The Strategy is integral to financial and business planning and supports decisions on the affordability, prudence and sustainability of investment proposals as required by the Prudential Code. These requirements are monitored by use of the prudential indicators. The Capital Strategy is underpinned by specific policies defining the Service's property, information technology and transport investment and asset management needs.

Funding sources for the capital spending plan comprise Government grants, third party contributions, capital reserves, capital receipts, revenue contributions, other third party income and borrowing. Capital receipts arise from the disposal of redundant or obsolete property and other tangible capital assets. The present downturn in the property market has resulted in a reduction in property prices. This adversely affects available capital receipts and the size of the capital programme that is deemed affordable. With central Government capital grant also reduced as a result of the Comprehensive Spending Review it was thought that capital investment would need to be significantly lower than in past years. However, to ensure that future investment levels remain buoyant at least £58m of borrowing per annum has been made available to support capital expenditure.

Capital financing arrangements are set out in the Chartered Institute of Public Finance and Accountancy's (CIPFA) Prudential Code (April 2004). In accordance with the Code, authorised limits for external debt are set by the Mayor. The level of borrowing stated in this capital budget is deemed affordable in accordance with Prudential Code indicators. However, borrowing is controlled by the Mayor's borrowing limits for the GLA Group as a whole, and the resultant capital financing charges and their impact on the revenue budget. It has been assumed that the borrowing limits to be set for the Authority by the Mayor will support the proposed level of borrowing. This situation will be closely monitored to ensure capital financing charges remain manageable.

A level of programming has been incorporated into the plan to enable the dynamic management of the programme, and processes are being strengthened to ensure that Service providers are able to fast track projects when others are delayed. This will enable best use of to be made of available finances whilst ensuring expenditure is contained within the approved budget.

The Authority recognises that given the uncertainties associated with resources, capacity issues, and the time required to plan major schemes, managing the capital programme represents a significant challenge. Steps will be taken to ensure that delivery and timing issues are addressed with the objective of improving the capacity levels of the provisioning departments.

Considerable investment is being made in the MPA Estate to ensure that operational buildings are suitable for the operational needs of a 21st Century police service. An Estate review is also underway with the aim of rationalising increasing efficiency and optimising use of accommodation by consolidating property holdings into fewer

buildings. Similarly, investment in IT allows for improved technology to assist in the detection and solving of crime. The staging of the Olympic and Paralympic Games in 2012 will require major investment in security infrastructure and equipment to provide effective policing of all events. Bids have also been prepared in respect of equipment, etc required for counter-terrorism purposes. Both areas of activity have been subject to considerable scrutiny to ensure expenditure is limited to that which is strictly essential in delivering effective policing.

The affordability of the programme, in terms of impact on the medium term financial plan, will be constantly reviewed.

CAPITAL 7 YEAR PROGRAMME 2011/12 TO 2017/18 - PROPOSED EXPENDITURE BY PROVISIONING DEPARTMENT

Provisioning Department	Proposed Budget 2011/12	Proposed Budget 2012/13	Proposed Budget 2013/14	Proposed Budget 2014/15	Proposed Budget 2015/16	Proposed Budget 2016/17	Proposed Budget 2017/18
	£ms	£ms	£ms	£ms	£ms	£ms	£ms
Directorate of Information	121.3	107.7	136.5	85.4	64.0	59.8	52.7
Property Services	120.4	142.1	91.5	89.4	76.8	57.9	52.1
Transport Services	16.0	19.3	14.4	22.9	17.7	16.9	16.4
Misc. Equipment from Ad Hoc Providers	0.5	1.0	0.5	0.5	18.5	0.5	0.5
Grand Total	258.2	270.2	242.9	198.1	177.0	135.1	121.6

CAPITAL 7 YEAR PROGRAMME 2010/11 TO 2016/17 - PROPOSED FUNDING POSITION

Beneficiary Business Group	Proposed Budget 2011/12	Proposed Budget 2012/13	Proposed Budget 2013/14	Proposed Budget 2014/15	Proposed Budget 2015/16	Proposed Budget 2016/17	Proposed Budget 2017/18
	£m	£m	£m	£m	£m	£m	£m
Territorial Policing	50.4	81.9	93.1	55.4	40.6	20.3	18.3
Specialist Crime Directorate	16.4	9.7	15.2	0.2	0.2	0.4	0.2
Specialist Operations - Counter Terrorism	8.6	3.0	5.0	5.5	1.0	1.0	1.0
Specialist Operations - General	7.1	1.0	1.0	-	-	-	-
Central Operations - Olympics	14.0	0.2	-	-	-	-	-
Central Operations - General	7.9	10.8	16.7	14.0	30.5	6.4	0.6
Directorate of Resources - Property Services	59.1	97.0	46.3	49.9	45.8	33.9	34.1
Directorate of Resources - Other	5.3	3.0	3.0	3.0	3.0	3.0	3.0
Directorate of Information - Infrastructure	49.2	36.5	34.4	29.5	33.5	33.5	33.5
Directorate of Information - Shared Services	9.1	5.7	10.0	7.3	2.7	17.2	11.7
Directorate of Information - General	12.2	3.4	5.1	12.5	3.5	4.1	4.5
Human Resources	5.7	0.1	0.1	0.1	0.1	0.1	0.1
All Business Groups - Corporate	13.3	17.9	13.0	20.9	16.2	15.3	14.7
Grand Total	258.2	270.2	242.9	198.1	177.0	135.1	121.6

RISK ASSESSMENT FOR PLANNING PERIOD

The Service takes an active approach to managing risks and has developed a risk management framework to assess and manage corporate and directorate risks. The major risks which impact upon the medium-term financial plan are identified below:

- **Delivering public confidence and satisfaction in policing.**
Given the size and complexity of the MPS, there continues to be a challenge in improving satisfaction levels, particularly at the point of initial contact, and our response to emergency calls from the public. (PC)
- **Maintaining Performance**
The Service has a strong record of police performance and reducing crime. There continues to be a challenge to maintaining and improving the record within a period of recession and reducing resources. (PC)
- **Enhancing Counter-Terrorism Capability and Capacity**
International terrorism continues to present a real and enduring threat to the safety and security of London's communities. This continues to have an impact on the Service, both in terms of work in the capital and undertaking the national lead on policing activity. The Service continues to work closely with Government on this activity.
- **Preparing for the London 2012 Olympic Games and Paralympic Games**
The MPS is the national policing lead on the security of the London 2012 Games. This is a major programme of work and the Service is working closely with the Government in terms of ensuring resources and service capacity is adequate to support the delivery of a safe and secure London 2012 Games. There is also a need to ensure the policing legacy from the London 2012 Games is optimised.
- **Capacity and Capability**
The MPS spends some £3.6bn a year and employs over 50,000 officers and staff. The Service is engaged in major change programmes and areas of new activity including increasing levels of partnership engagement. To support this work and ensure the effective and efficient delivery of its business the MPS continues to review its approach to talent management with a view to achieving greater flexibility and the recruitment, development, and retention of key skills.

- **Capital Programme**

The main risks to the capital programme concerns its funding over the plan period regarding grant, revenue contributions to capital outlay, reserves, capital receipts and rising interest rates. Post CSR there is uncertainty regarding the level of Home Office Grant although we have assumed a 50% reduction from current levels for general funding. Additionally, the MPS has traditionally been funded by a variety of organisations to deliver additional assets but each of these sponsors are now faced with similar pressures on their Revenue accounts leading to uncertainty on both funding and demand. The draft plan has a high dependency from capital receipts which are anticipated at £40m per annum but there is a clear dependency on the condition of the London economy for this to be achievable. Revenue Contributions to Capital Outlay has previously been used to support the programme either directly or as a result of savings against budget being banked into reserves. Pressures on Revenue mean this support cannot be maintained at previous levels. Shortfall in the grants and RCCO mean the MPS will have to increase borrowing to cover shortfalls to keep expenditure at planned levels causing increased risk from interest rates rises.

- **Resources**

The financial landscape over the planning period continues to be challenging. Whilst the CSR announcement has provided some clarity in terms of resources over the medium-term, there is still uncertainty about the exact level of funding available to the MPS and further detail will not be available until the provisional settlement is announced in December. The Service will continue to explore ways of increasing its productivity and efficiency to ensure resources are realigned to emerging priorities. This work will be carried out in the context of the Flanagan review of policing and the Government frameworks for Local Area Agreements, Public Service Agreements and Assessments of Policing and Community Safety as well as the outcome of the next comprehensive spending review.

- **Partnership Working**

The MPS Partnership strategy and plans for developing and delivering partnership working are built around four principles:

 - Partnership working is properly integrated into the Service's medium term planning and budget work;
 - Partnerships can demonstrate the delivery of added value and that their achievements outweigh the cost of developing and maintaining them;
 - Best practice is shared across the Service and proper guidance and support is available to Business Groups, and
 - Partnerships are supported by appropriate governance arrangements and comply with MPA/MPS decision-making and governance processes.

The MPS continues to build on its history of working with partners, especially at borough level through its Safer Neighbourhood teams and BOCU structures. However, this work in future will need to reflect new Government area-based frameworks that could impact on resources. Further challenges and opportunities are emerging in developing multi-agency responses to improving service delivery to Londoners, for instance in the criminal justice system. Such initiatives tend to be resource intensive although, over time, may result in efficiencies for some or all the agencies involved.

Some £1bn of MPS spend is now supported by partnership funding (specific grants £0.6bn; other £0.4bn). As finances become tighter the service increasingly has to manage the risk of withdrawal of funding from partners which result in the withdrawal of services and the inability to reduce variable and fixed costs in line with reduced income. (PC/SID)

- **Non Compliance**

The Service has previously experienced a number of instances of non-compliance on issues of internal control against contract regulations and agreed systems of internal control. As a result, the Service has instigated programmes of work to embed its corporate governance framework across Business Groups. In addition, the Developing Resource Management Programme includes workstreams on the MPS Scheme of Delegation, contract compliance and management, corporate decision making, purchase to pay processes, strategic procurement plans, finance and resources support and advice and partnership work. Implementation of this programme aims to improve and embed effective internal control across the service.
- **Treasury Management**

All MPA investments are made in accordance with the Authority's Treasury Management Investment Strategy and comply with the CIPFA Code of Practice for Treasury Management in local authorities. The Strategy reflects prevailing financial market conditions and the advice of MPA treasury advisors Arlingclose, with due regard to the overall credit quality of available investment opportunities.
- **Delivery of Savings**

An ambitious programme of savings has been included within the 2011-14 revenue budget. In 2011/12, total savings of £230m (when compared to the 2010/11 budget) are planned to be delivered including a number of savings relating to major change programmes. It is essential that these programmes progress in a timely way in order that a balance budget position is maintained in 2011/12. These programmes have ambitious targets and some of the corporate initiatives may be subject to challenge. Therefore to recognise the risk associated with the delivery of these savings, a resilience provision of £20m has been included in the budget.

- Redundancy Costs

A number of the initiatives included within the 2011-14 Budget & Business Plan that will deliver savings will involve the potential for redundancies. Whilst the exact details are still being calculated, it is likely that a number of posts will be lost and at a significant cost to the organisation. The MPS is aiming to set aside a number of earmarked reserves to fund this potential cost.

The Authority received an unqualified opinion on its 2009/10 accounts.

Equalities Implications

London's diversity is fundamental to its status as a world class city. The MPS is committed to recognising and responding to the needs of the diverse communities it serves. It is only through this that we can police effectively.

The Diversity and Equality Strategy has four strategic themes:

- Fair and responsive services
- Enhancing community engagement
- Workforce and working culture
- Governance and performance management.

The strategy acknowledges the progress that the MPS has made over the last few years and describes our ambitions for the future. It will drive the organisation in the delivery of our primary Policing Pledge commitment of fair, dignified and respectful treatment; and support how we go about building a talented workforce and developing it to its full potential. It sets our priority areas and objectives that will benefit the organisation and London as a whole, increasing the confidence in all communities that the MPS is on their side.

In support of the strategy the MPS is implementing the Equality Standard for the Police Service. This is a national standard being adopted by all police forces. The Standard provides us with a means of measuring and monitoring the achievements and improvements we are making through the delivery of the strategy. It provides an assessment mechanism that can be used across the organization to identify and address any gaps in service delivery and allow good practice to be identified and shared.

The planning framework for 2011-14 will help to ensure that equalities and diversity implications are properly reflected in budget and business plans. Throughout the planning process Business Groups have been encouraged to consider the impact they have on internal and external communities and therefore develop activities that reflects the Service's commitment to equality and diversity issues.

An Equality Impact Assessment on the final Policing London Business Plan 2011-14, based on assessment against our corporate objectives and against key equalities and diversity issues will be available in time for the publication of the plan in March 2011.