



Metropolitan Police Authority

**Metropolitan Police Authority - 27 January 2011
Joint Strategic and Operational Policing Committee and
Finance and Resource Committee – 17 February 2011**

POLICING LONDON BUSINESS PLAN 2011-14

**Report by the Director of Resources on behalf of the Commissioner,
and by the Chief Executive**

Summary

This report outlines amendments to the draft Policing London Business Plan 2011-14 following submission to the Mayor in November, notably a revised budget gap following the Police Grant Settlement and publication of the Mayor's draft consultation budget in December 2010, as well as and proposals to reduce the budget gap and for the KPIs for 2011/12. Members are, in response to a change in the timeline for statutory public consultation, asked to approve the MPA response to the 2011/12 GLA Group budget consultation.

The MPA Treasurer's Statement on the Robustness of the Estimates and the Adequacy of the Proposed Financial Reserves given at **Appendix F**

A. RECOMMENDATIONS – That Members

1. **Note and comment on amendments to the Policing Plan since submission to the Mayor in November 2010, principally on the revised budget gap following the Police Grant Settlement and the publication of the Mayor's draft budget for consultation in December 2010**
2. **Note that despite the challenging fiscal environment the budget proposals maintain operational capability**
3. **Agree the proposals to manage down, although not close completely, the budget gap over the planning period and the need to identify and deliver permanent cost reductions as quickly as is practically possible to close the budget gaps in future years**
4. **Subject to Recommendation 2, agree a change in policy on general fund balances**
5. **Note that work continues to identify options to close the current budget gap of £11.9m in 2011/12**
6. **Comment on options for draft KPIs for 2011/12 and on the approach to target setting**
7. **Approve the MPA's response to the Mayor's draft budget proposals as contained at Appendix C**
8. **Note that this report has been shared with the Mayor pending formal consideration of the budget and business plan by the Authority.**

B. SUPPORTING INFORMATION

The 2011-14 Plan

1. In line with the amended Authority timetable the MPS submitted the draft 2011/14 Budget and Business Plan submission for consideration by the MPA Full Authority on 25 November and onward submission to the Mayor by the end of November.
2. The MPS also responded to Members' questions on aspects of the draft budget and business plan 2011-14 in advance of Full Authority on 25 November. Performance Indicators have subsequently been discussed at MPA Planning Panel on 9 December 2010.
3. It remains the case that the MPS has developed corporate objectives, budget proposals and the performance framework against a challenging and uncertain background. Work to explore the full implications of budget reductions announced in the Comprehensive Spending Review and in the Police Grant Settlement announced on 13 December remains ongoing.
4. The developing Policing Plan, therefore, remains a work in progress based on a series of best assumptions, both in terms of the budget and associated staff numbers and the text that supports much of the activity.

GLA timetable

5. The Government, in response to GLA request, has put back the statutory timetable for public consultation. The GLA is, therefore, now working to public consultation starting on 22 December and ending on 21 January.

Revenue Budgets

6. The financial position for the 2011/12 Revenue Budget was submitted to the Mayor at the end of November and indicated a core budget gap of **£65m**. Whilst details of the position for future years were not provided to the Mayor, at that point the core budget gaps were **£111m** (2012/13) and **£146.2m** (2013/14).
7. The budget gap for 2011/12 represented the gap of £34m as reported to the joint meeting of the SOP/F&R Committee on 11 November 2010 as adjusted for the additional loss of general grant of £28m (due to the 2010/11 in-year grant reductions being made permanent) and a reduction of £3m in police overtime savings due to the pressures expected within public order as a result of the likely number of demonstrations in the coming months as reported to the Full Authority on 25 November 2010.
8. On 13 December 2010, the provisional grant settlement was announced. This indicated a number of things relevant to the MPS:
 - Allocations to all police authorities have been damped in 2011/12 and 2012/13 at the level of the average reduction.
 - Total cash reduction for all police services is 4% in 2011/12 - the amount will vary from force to force.
 - This includes a cash reduction in the general grant elements of 5.1% in 2011/12 and 6.7% for 2012/13.
 - Rule 2 and Crime Fighting Fund grants have now been moved into general grants from specific grants.

- Basic Command Unit (BCU) Fund grant has also been moved into general grant from specific grant (£7.9m) and there is a decision to be made on whether this initiative continues.
 - NICC grant will continue for the MPS (within the general grant) at £200m in 2011/12, a reduction of £8m (4%) but this is offset by a higher than 5.1% reduction on the rest of the MPS general grant.
 - The MPS's planning assumption was for a 3.9% cash reduction in general grant in 2011/12 compared with the 5.1% now quoted.
 - This adverse position against our 3.9% reduction on core grant is caused by the impact of some protection on specific grant which has resulted in a heavier impact on core grant, i.e. a cash reduction of 5% instead of the average being quoted by ministers of 4%.
 - The impact of these figures will have a compounding effect in 2012/13 and beyond, the scope of which is being assessed.
 - Counter Terrorism grant details by force will be issued in January 2011 - a total fund of £567m is available for 2011/12 and the MPS's allocation can be assessed with a reasonable level of certainty.
 - The national Neighbourhood Policing Fund (PCSO Grant) will continue until 2012/13 and then be merged into the general grant from 2013/14 onwards (the MPS can use this funding flexibly from 2011/12).
 - In terms of Olympics funding, the government will make up to £600m available if required.
9. As stated above, the MPS's planning assumption was for a 3.9% reduction in general grant in 2011/12 in line with the CSR announcement in October. Given that the reduction will be 5.1% this results in an adverse movement of £26.1m in the budget position. **Appendix A** provides a summary of the financial position at this point and shows that the budget gaps were then **£91.1m** (2011/12), **£156.2m** (2012/13) and **£215.5m** (2013/14).
10. Subsequent to the submission of the 2011-14 Budget & Business Plan to the Mayor, the Mayor has now produced a draft consolidated budget for the GLA group that it is currently consulting the public on. The MPS/MPA will need to formally respond to the Mayor's budget proposals and the suggested response is contained within **Appendix C**. It has been indicated to the MPS that an additional £30m of funding will be available in 2011/12 to support the MPS's budget from the precept. At this stage, the budget gaps were **£61.1m** (2011/12), **£126.2m** (2012/13) and **£185.5m** (2013/14). An analysis of this position is provided at **Appendix A**.
11. The key changes in the Mayor's 2011/12 draft consultation budget against the 2010/11 revenue budget can be summarised as:

	£m
2010/11 Budget Requirement	2,673.3
Changes due to:	
• Movement of specific grant	135.6
• Inflation	56.5
• Net growth in existing services and programmes	6.5
• New initiatives and service improvements	69.3
• Savings and efficiencies	-157.9

• Increases in specific grants	-24.7
• Transfer from reserves	3.6
• Savings to be identified	-61.1
2011/12 Budget Requirement	2,701.1

Options for Managing the Budget Gap

12. Whilst the MPA/MPS started the 2011-14 planning process in April 2010 developing the 2011-14 budget and business plan remains a particularly challenging process given:

- clarification of the level of general government grant, including the move of specific grant into general grant, has been received very late in the process
- there remains uncertainty regarding the level of a number of specific grants and third party income from partners
- whilst the Mayor's draft consultation budget provides some clarity on the level of precept support to the MPA/MPS final decisions will not be made until February 2011
- whilst the Service has instigated programmes to deliver significant reductions over the next three years there are risks in terms of both ability to deliver and/or slippage in implementation
- there remain significant restrictions on the Service's ability to reduce costs on some of its activity particularly in respect of officer terms and conditions. The results of the Winsor Review into pay, terms and conditions of police officers are unlikely to deliver any benefits before 2012/13
- the Service needs to maintain operational capability particularly in the run up to the Olympics
- there remain many uncertainties in terms of cost pressures over the planning period particularly in respect of the changing governance arrangements, the abolition of the NPIA and the creation of the National Crime Agency (NCA).

13. The budget and business plan, therefore, continues to be work in progress. The MPA/MPS are, however, in a better place than in the past to face and manage these challenges as we started developing a number of significant projects to reduce several years ago.

14. The Service's focus continues to be on:

- doing all we can to maintain our operational capability
- delivering efficient and effective support services at the lowest possible cost
- making the most productive use of our operational assets

This means:

- reducing our inanimate costs (vehicles, buildings etc) as quickly as possible. We aim to remove 20% of these costs over the coming three years, including 25% of our estates costs

- ensuring our business model is as lean as practically possible. Over 80% of our planned annual service improvements savings from 2013/14 are from support services, and only then
 - mitigating any loss in capability through staff reductions, through process re-engineering and working with others. The Service aims, however, to deliver operational savings through overtime (£12m planned in 2013/14) and allowances (£16m by 2013/14)
15. Whilst the Service continues to develop programmes to deliver permanent reductions in our cost base, it is not considered practical to count on further significant reductions in 2011/12 given the experience of implementing such programmes. In considering the Mayor's draft consultation budget and the need to close a gap of £61.1m in 2011/12 the MPA/MPS has had regard to:
- the need to maintain operational stability particularly in the period leading up to the Olympics
 - the continuing uncertainty on various funding streams
 - the need to manage the MPA/MPS finances whilst programmes are developed to deliver permanent reductions as quickly as is practically possible and in a way that does not create an unsustainable step-change in the cost base in any one year
16. **Appendix B** summarises a number of proposals to manage down the current core budget gap over the planning period which have been discussed with the MPA Chair and Treasurer. If accepted the budget gap would be reduced in 2011/12 to **£11.9m** (2012/13 **£96.8m** and 2013/14 **£178.3m**). More information is provided on these proposals in the following paragraphs.

General Balances

17. The Authority has a policy of maintaining a general fund balance (including Emergency Contingency Fund) at least at 2% of Net Revenue Expenditure (NRE). Compared to the 2010/11 NRE, this balance exceeds the 2% limit by £15m. It is proposed that this resource is released to support spending over two years (2011/12 £8m; 2012/13 £7m).
18. Given the MPA/MPS have some balance sheet resilience from a prudent approach to the establishment of earmarked reserves and the impact of the front-loading of the government grant loss, it is proposed that for the policy on the general fund balance be reduced, at least in the short-term, to 1.5% of NRE. This would release £13m which it is proposed should be utilised to support spending over three years (2011/12 £5m, 2012/13 £4m, 2013/14 £4m).
19. The Authority holds a general reserve and an Emergency Contingency Fund for two main purposes:
- A contingency to cushion the impact of unexpected events or emergencies;
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing.
20. There is no statutory guidance on the level of reserves. CIPFA guidance confirms that, on the advice of their treasurers, authorities should make their own judgements on such matters, taking into account all the relevant matters. The HMIC document Valuing the Police, policing in an age of austerity (July 2010), sets out that CIPFA recommend a benchmark for reserves of between

2 and 5% However, the CIPFA LAAP bulletin - Local Authority Reserves and Balances published in November 2008, state that CIPFA do not accept a case for introducing a generally applicable minimum level of reserves and that chief financial officers, should make their own judgements on such matters. Section 26 of the Local Government Act 2003 gives ministers in England and Wales a general power to set a minimum level of reserves. However, the government has undertaken to apply this only to individual authorities in circumstances where an authority does not act prudently, disregards the advice of its chief financial officer and is heading for serious financial difficulty.

21. The Authority's present policy of holding general reserves of at least 2% of net revenue expenditure is now being revised to a level of 1.5% on the basis that there are reasonable insurance arrangements, allowances for contractual inflation and effective budgetary control to manage in year budget pressures from demand led services. In addition, the proposal allows the use of these resources over three years. If, therefore, some of the planning assumptions need to be adjusted there is time to take remedial action.
22. The position on general fund balances will need to be kept under review with the aim of building up future resilience as permanent reductions are implemented.

2010/11 Spend

23. Period 8 monitoring for 2010/11 forecasts a year end overspend of £2.7m. However with positive management action it is anticipated that, despite current pressures, it should be possible to deliver an underspend of £11m. It is proposed that the MPA/MPS plan on this basis and that the resource is released over two years (2011/12 £6m; 2012/13 £5m).

Basic Command Unit Fund

24. The Basic Command Unit Fund is currently a specific government grant which supports diversionary initiatives with local partners. However, from 2011/12, it is subsumed into the general grant. Given the pressures on the budget it is proposed that the activity supported by this grant stops from 2011/12 unless alternative funding sources can be identified. Currently this grant funds supports 12 officers and 12 staff as well as overtime. Reduction of this funding, however, will affect local flexibility. This would result in an annual saving of £8m a year.

Revenue Contributions to Capital

25. As a result of previous funding decisions by the MPA/MPS the Service had planned to fund some £28m of capital expenditure in 2010/11 from revenue contribution to capital. It is now proposed that £20m of this spend be funded from borrowing.
26. It is expected that this change in funding can be accommodated within the existing prudential borrowing limits. It will, however, have an impact on capital financing costs which will need to be reflected in the budget (2011/12 £1m; 2012/13 £2.1m; 2013/14 £2.1m).

NPIA and Other Cost Pressures

27. Since the submission in November more information has become available about possible cost transfer to police forces as a result of the abolition of the

NPIA. Whilst the position remains uncertain it is considered prudent to make some additional provision for such costs, i.e. £1m in 2011/12 rising to £8m in 2012/13 and £15m in 2013/14. It should be noted the Service is looking to manage some of the NPIA additional costs and a number of other emerging cost pressures within the currently proposed budget.

Permanent Cost Reductions

28. In considering the proposals outlined above it must be recognised that they give the Service an opportunity to develop and implement permanent cost reductions in a planned way which offers best protection to operational capability. If current savings are not delivered to time and new permanent cost reductions are not developed and implemented as quickly as is practically possible then the impact on the Service will be increasingly severe in the later years of the planning period particularly on operational capability.

Reduced Budget Resilience

29. A provision has been built into the budget as a realism factor reflecting the history of slippage on major change programmes and/or the potential savings double counts between different proposals. It is now believed that £2.8m of this budget resilience can be given up in 2011/12.

Additional MPA Savings

30. The current position includes the MPA making savings of £0.6m (4% of the 2010/11 budget). It is proposed that these savings are increased by a further £0.2m savings. Also the MPA general reserve will be reduced by £0.2m in 2011/12.
31. The Service is currently developing proposals to deliver permanent reductions over the medium term. More information is expected to be available on these proposals over the coming months.

Response to the Mayor's Draft Consultation Budget

32. Given the level of reductions already planned for 2011/12 and the need to maintain, as far as is practical, a stable platform for delivering security for the Olympics, it will be difficult to identify and deliver further significant reductions next year. The Service will continue to work with the aim of reducing the current gap. It is, however, proposed that the response to the Mayor reflects the proposals outlined in this report and recognises that closing the budget gap remains work in progress.
33. **Appendix C** sets out the proposed response to the Mayor's draft consultation budget. The Mayor published his GLA Group Budget Proposals and Precepts 2011/12: Consultation Document in December 2010 and will present his draft Consolidated Budget for 2011/12 to the London Assembly on 10 February 2011. This includes details of the proposed budgets for each of the functional bodies, including the MPA. The deadline for the consultation responses was 21 January 2011 and as part of this process the MPA/MPS has shared the information contained within this report with the proviso that the proposals were subject to approval by the Authority.

Balanced Policing Model

34. In developing the budget and business plan within the constraints of reducing resources the Commissioner has been clear about the need to maintain a balanced policing model.

35. 'Frontline' is a limiting term and does not reflect the wide range of operational services that we deliver. Operational capability better reflects the ability and need for the police to deliver a whole range of policing services to the public. Operational capability encompasses a broad range of policing services and a combination of activities that deliver service outcomes to the public, either directly (neighbourhood policing, murder teams) or indirectly (forensic services, call dispatch). It relates to any policing role that entails the delivery of policing services to the public, whether uniform or non-uniform, police officer or police staff. This is distinct from those people who support these staff in the delivery of policing services (e.g. HR or catering services).
36. Uniform presence is hugely important - we need to deliver uniform governance of the streets. This includes:
 - Single patrol is now the default position, resulting in an additional 400 visible patrols on the streets of London every day compared to the start of the year
 - We are increasing visibility through an increasing MSC capability - now over 4,200 officers
 - We are increasing visible presence, ensuring we talk to people, reassuring the public, making town centres safer

But this clearly is not the full extent of our operational capability. The job of reducing crime, improving safety and confidence is the responsibility of the MPS as a whole.

37. The 'visible presence' we provide is backed up by a number of other important roles; victim contact, CID, family liaison. The many unseen policing services that support local delivery; whether fighting serious crime and terrorism or maintaining public order are of equal importance.
38. The issue of visibility has, however, dominated public comment and there is a danger that this preoccupation with so-called 'frontline' numbers fails to recognise the vital contribution that our specialist support services provide. This is a delicate balance that we must absolutely protect, not least because there is no clear dividing line that marks where visible becomes invisible.
39. Successful local policing depends on specialist support. Successful specialist policing, such as investigation, depends on local knowledge from local officers. The police response, whether local or specialist, is one in the same: the whole Service working together to fight crime and keep the streets safe.

Maintaining Operational Police Officer Resilience

40. The Service has a strategic ambition to reduce its reliance on traffic wardens and PCSOs (outside the core PCSO model) and to use, if at all practical, the released resource to deploy more operational police officer numbers.
41. Based on the first phase of this work, the following proposals have been incorporated into the draft Policing London Business Plan:

A. Safer Transport

The MPS and TfL are currently considering options for improving operational police officer resilience in the Safer Transport Model. Initial indications are that the staffing requirements could change in line with the numbers below.

Officer	PCSO	Traffic
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posts	posts	Warden posts
+413	-300	-210

This proposal reflects an additional 32 officers being deployed from the pool identified in C below.

MPS Funded Activity

B. Safer Schools

The Safer Schools initiative currently involves 183 officers and 102 PCSOs. It is proposed to increase the officer posts by 70 making a total of 253 officers focussing on areas of high risk and demand with support from local SN teams. The dedicated PCSO posts will be deleted.

C. Other

It is proposed to deploy 156 officer posts from the resources released from the change in the Safer Schools (102) model and the deletion of the PCSO posts from:

CT (core)	50
Government Security Zone	50
Youth Courts	12
Diamond Districts	12

These officer posts will be available to support Safer Schools (70), Safer Transport (32) as well as partnership and other operational priority activity across the Service.

D. Summary

The impact of these proposals can be summarised as follows:

	Officer posts	PCSO posts	Traffic Warden posts
Safer Transport:	+413	-300	-210
Safer Schools	+70	-102	-
Other	-	-124	-
Operational Priorities & Partnership Arrangements	+54	-	-
	+537	-526	-210

42. This work will continue with the aim of further increasing operational capacity in 2012/13 and beyond if at all practical. In particular, the Service is reviewing its delivery of front counter services, victim support services and the SNT 1:2:6 model.

Officer and Staff Numbers

43. Based on the planned reduction and growth proposals including the proposals to maintain operational police officer resilience, the impact on officer and staff numbers can be summarised below. These figures reflect the position at the end of each financial year.

	2011/12	2012/13	2013/14
A. Officers (incl. recruits):			
2010/11 position	33,091	33,091	33,091
2010/11 approved changes	-236	-452	-452
2011-14 business plan proposals	-345	-726	-839
Total change	-581	-1,178	-1,291
2011-14 position	32,510	31,913	31,800
B. PCSOs:			
2010/11 position	4,639	4,639	4,639
2010/11 approved changes	-	-	-
2011-14 business plan proposals	-790	-890	-890
Total change	-790	-890	-890
2011-14 position	3,849	3,749	3,749
C. Traffic Wardens			
2010/11 position	218	218	218
2010/11 approved changes	-	-	-
2011-14 business plan proposals	-210	-210	-210
Total change	-210	-210	-210
2011-14 position	8	8	8
D. Staff			
2010/11 position	14,986	14,986	14,986
2010/11 approved changes	+409	+332	+332
2011-14 business plan proposals	-621	-1,117	-1,186
Total change	-212	-785	-854
2011-14 position	14,774	14,201	14,132
E. Specials	6,667	6,667	6,667

More information on these numbers is provided in the following paragraphs.

44. Further significant reductions on inanimate and business model costs in the short term will be difficult to achieve. Therefore, further reductions could impact on officer numbers. However, every effort is being made to avoid such reductions.
45. Officer and staff numbers could be further reduced if specific grant and/or third party income is lost.
46. Based on the planning assumptions as outlined in this report, the impact on officer posts over the three year planning period as compared to 2010/11 can be summarised as follows:

	2011/12	2012/13	2013/14
Net posts with little or no operational impact:			
• Recruits	-308	-265	-265
• Operation Herald	-250	-250	-250
• Other	-501	-810	-923
	-1,059	-1,325	-1,438
Posts with operational impact:			

• Planned growth	+37	+36	+36
• Operational police officer resilience	+537	+537	+537
• Olympics	+156	-196	-196
• Planned reductions	-252	-230	-230
	<u>+478</u>	<u>+147</u>	<u>+147</u>
Net reductions in officer posts against 2010/11 planned strength	<u>-581</u>	<u>-1,178</u>	<u>-1,291</u>

Officer strength may also be affected by the withdrawal of specific grant or third party income. Current estimates assess this risk as a potential reduction of between 350 and 520 officers if the Service cannot attract any further funding to close the current budget gap.

47. In terms of police staff, based on the planning assumptions as outlined in this report, the impact over the three year planning period compared to 2010/11 can be summarised as follows:

	Operational Services	Operational Support	Support Services	Total
2010/11 Approved Establishment	1,456	8,073	5,457	14,986
2010-13 process:				
• Committed Growth	+438	-	+18	+456
• Committed Savings	-1	-	-123	-124
2011-14 proposals:				
Growth	+53	-	-	+53
Savings	-279	-412	-548	-1,239
2013/14 Revised Establishment	1,667	7,661	4,804	14,132

48. In line with the Service's objective of maintaining operational police officer resilience, significant reductions are included in the current proposals relating to Operational Support and Operational Services with only very minor adjustments to staff within Operational Services. The committed growth from the 2010-13 process principally relates to Operation Herald which is the reform of custody arrangements agreed by the Authority in 2008. There is no additional growth currently planned for Operational Support or Support Services.
49. Between 2008/09 and 2010/11, the police staff establishment has reduced from 15,340 to 14,986 posts, i.e. a reduction of 354 posts. However, this needs to be viewed in the context of the growth in posts relating to Operation Herald of 430 posts. Therefore the overall reduction in posts (excluding Herald) was 784 posts.
50. The London 2012 Olympic and Paralympic Games will undoubtedly present a challenge to the MPS in 2012/13 both in terms of providing the resources to deliver the policing of the Games and managing the return to business as usual after the Games. Financial estimates for the Games security are subject to change as plans are refined but based on current assumptions, there will be approximately 352 police officers and 178 police staff working on Olympic

security in 2011/12, all fully funded via additional Olympic security grant from the Home Office. The majority of these officers and staff will remain in post until the Games, with additional growth required to manage Games-time requirements in the summer of 2012. The Home Office have made clear there will be no Olympic security funding after 2012/13 and therefore the transition from Olympic posts to business as usual posts must take place between September 2012 and March 2013 to ensure the MPS has no additional financial liability moving into 2013/14.

51. Exact requirements for 2012 are being developed, however it is expected the Service will look to redirect certain staff from core duties to 'Olympic' duties during the period of the Games, for example to provide staff within the National Olympic Coordination Centre. This process will be managed via the MPS Workforce Deployment Plan.

Summary

52. Based on the proposals outlined in the 2011-14 budget and business plan the officer and staff establishment can be summarised as follows:

	Original 2010/11	Revised 2010/11	2011/12	2012/13	2013/14
Police Officers	32,827	32,827	32,510	31,913	31,800
Police Recruits	264	264	0	0	0
	33,091	33,091	32,510	31,913	31,800
Police Staff	14,986	15,178	14,774	14,201	14,132
PCSOs	4,639	4,639	3,849	3,749	3,749
Traffic Wardens	218	218	8	8	8
	52,934	53,126	51,141	49,871	49,689
Special Constables	5,330	5,000	6,667	6,667	6,667
TOTAL	58,264	58,126	57,808	56,538	56,356

These figures will change as initiatives are developed to maintain operational police officer resilience and to close the current budget gaps over the planning period.

HR Implications

53. During 2010 it became clear that the Service would be required to make significant savings from 2011/12 onwards which might require a reduction in staff and/or officer numbers. Mindful of the risk of entering the financial year 2011/12 with police officer strength greater than the budget could support, the MPS instigated a pause in recruitment pending clarification of the budget position. The currently predicted end of year strength (31 March 2011) is 32,136 which is 955 below the target originally set in the 2010/13 Policing Plan. This assumes no further officer recruitment during this year.
54. A lot of hard work is going towards closing the 2011/12 budget gap with the aim of restarting officer recruitment as soon as is practically possible. The final decision on the Mayor's budget will be taken in February.

55. Following approval to the use of reserves by the Authority in December 2010, the Service has implemented the first phase of a voluntary redundancy scheme which, in part, aimed to create opportunities for the redeployment of PCSOs to support the aim of increasing operational police officer resilience. At the conclusion of the first phase 67 traffic wardens and 55 SROs had accepted the early departure offer. Both these groups carry out duties which are currently also carried out by PCSOs. In addition, 218 PCSOs successfully completed officer recruitment selection, but had not been given an offer of appointment, before the pause on recruitment was actioned. Therefore, depending on the Authority's/Service's ability to close the budget gap, limited officer recruitment could be started during the current financial year with the aim of maximising employment opportunities for PCSOs.
56. The Service is currently reviewing its HR and Business Group resources to ensure appropriate systems and processes are in place to support management in the significant programme of officer and staff redeployment and redundancy which is required to deliver the budget proposals included in the 2011-14 Policing London Business Plan and maintain, as far as is practical, operational police officer resilience.
57. The Service is also reviewing the implications of the new Civil Service Compensation Scheme (CSCS) which was launched by the Cabinet Office in December 2010 in terms of facilitating the delivery of agreed change programmes.

Capital Programme

58. The current position on capital is as follows:

	2011/12 £m	2012/13 £m	2013/14 £m
Expenditure by provisioning department:			
• Director of Information	94.1	42.5	58.5
• Property Services	102.2	98.9	55.2
• Transport Services	16.0	19.3	14.4
• Misc Equipment	0.3	0.8	0.3
	212.6	161.5	128.4
Less 20% overprogramming	-35.4	-26.9	-
Proposed budget	177.2	134.6	128.4
Funding:			
• Capital receipts	40.0	40.0	40.0
• Prudential borrowing	68.0	58.0	58.0
• Capital reserves	6.2	-	-
• Capital grants and other contributions	44.0	35.2	30.4
• Revenue contributions	19.0	1.4	-
	177.2	134.6	128.4

59. Developing the capital programme and budget remains work in progress particularly in terms of:
- the prioritisation and rationalisation of projects, the demand for which continues to outstrip both resources and capacity to deliver

- funding sources and the balance between borrowing and the use of reserves/revenue contributions
60. These figures do not include Hendon redevelopment. The proposals will be self funding although short term borrowings may be required which will need to be approved by the Mayor. It is expected that work will commence in 2011/12 but will continue for several years. A paper is targeted to come to MPA Finance and Resources Committee in July and the full Project will then be incorporated in the capital plan.

Performance Framework

61. The MPS has, historically, monitored performance against numerous crime type Key Performance Indicators (KPIs), in part driven by the previous Government's performance framework. Monitoring against a significant number of KPIs has not, however, allowed the MPS to focus attention on key priorities. This has prompted a live discussion around the number and shape of the KPIs populating the Policing London Business Plan 2011-14 and beyond.
62. In line with feedback the MPS intends again to propose fewer KPIs this year for inclusion in the 2011-14 Policing Plan, which we intend to base on a portfolio of measures rather than on individual crime types.
63. The MPS Corporate Strategic Assessment (CSA) 2011-14 points towards a problem-solving model based more on Victim Offender Location and Time (VOLT) rather than an approach focused on crime types. This reasons that a greater focus on individuals, offenders and victims, times, locations and themes would concentrate on overall risk and harm reduction, leading to overall crime reduction. The MPS corporate objectives for 2011-14 have been developed around this methodology.
64. Having more broadly based crime KPIs - rather than specific crime types - enables the MPS to adopt a more effective approach to keeping Londoners safe and building their confidence in policing.
65. The needs of individual victims determine the service they receive from the MPS, rather than a police-defined classification of a crime – a “robbery” or a “residential” burglary – which might not match with public perception.
66. A rigorous focus on crime types prevents us from effectively seeing the demands created by offenders who transcend from one crime category to others, the victims who need a range of services and the locations that are host to a disproportionate amount of offending of all classifications.
67. That is, focusing on a portfolio of crimes would enable us to more readily see the connections between crimes, to identify those individuals causing disproportionate harm in our communities who often commit several different types of crime.
68. A performance regime that incentivises long term, demand-reducing interventions will both reduce the prevalence of repeat offending and free up operational space to tackle persistent demands and high risk problems.
69. To facilitate debate around the KPIs for 2011/12, a proposed set is presented in **Appendix E (i)**, with a supporting diagnostic set for those in the SAFETY theme based on a portfolio of crimes. This facilitates the management of some

VOLT based systems and processes in support of service delivery. Members are asked to comment on these suggested 2011/12 draft indicators.

70. Measures will focus on violent and property crime – keeping people safe and keeping their possessions safe. Internal systems and processes will concentrate activity on the most vulnerable and repeatedly targeted victims; on the people repeatedly committing crime; and on the places and times most in need of policing.
71. Three portfolio of measures have been presented. **Appendix E** (ii) illustrates the types of crimes that could be included in these portfolio and **Appendix E** (iii) illustrates the relative proportions of each crime type that would contribute to each portfolio. Data on each crime type can be used as diagnostic measures for changes in performance against the overall portfolio.
72. Individual crime type data in these portfolios and in other areas will continue be collected and analysed to enable thorough scrutiny, a drive for performance improvement, and the tackling of emerging threats. Hence, for example, rape information will continue to be analysed in depth at Business Group level and used to inform tactical decisions. This will also enable reporting to the Authority.
73. If necessary, resources can be moved between different priorities throughout the year to ensure the focus is on emerging threats as opposed to a finite number of narrowly defined targets.
74. Clearly until the shape and nature of the KPIs themselves have been confirmed relevant targets cannot be set. Nevertheless, members are asked to comment on the level of target setting for 2011/12, recognising the realities of the current environment and the uncertainties faced by the Service both operationally and financially. The target level options in broad terms are: **Lower** (crime levels up, sanction detection levels down), **Stable** (crime and sanction detection levels the same as 2010//11), and **Improvement** (crime levels down, sanction detection levels up).
75. MPS Management Board recommends a **Stable** approach given the extremely challenging environment for 2011/12.
76. This will inform proposals for performance targets for 2011/12. Under the Policing Plan Regulations 2008 we are obliged to set out any performance targets established by the authority in the published version of the Policing London Business Plan 2011-14.

Policing London Business Plan 2011-14

77. The Policing London Business Plan and Budget will continue to be developed over coming months as more information becomes available.

C. OTHER ORGANISATIONAL AND COMMUNITY IMPLICATIONS

Equality and Diversity Impact

1. 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.

2. Given the current uncertainties on funding, the Equality Impact Assessment (EIA) on the Policing Plan is a work in progress. For the 2011-14 Business Plan the MPS faces significant challenges in meeting policing needs against a background of increasingly severe financial constraints of a scale not seen for decades. This will result in an increasing number of EIAs being completed to support major change and improvement programmes being implemented within the Service. These programmes are at different stages of development, some are in implementation whilst some have yet to finalise their business cases. However, the processes in place as part of our planning and performance framework will ensure that EIAs are developed and reviewed over the life cycle of these programmes. Similarly all our policies are subject to EIAs, the completion of which is monitored by the Strategy and Improvement Department.
3. We are currently carrying out an extensive screening exercise to identify any diversity and equality issues that might arise from the cumulative effect of the objectives and activities included in our draft business plan and budget. This work is now being completed as we have more clarity on the financial resources available to support the business plan. An update on the developing EIA for the Policing London Business Plan 2011-14 will be provided to members in February 2011.
4. 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 before publication of the Policing Plan in March 2011.

Financial Implications

5. Whilst the budget and business plan proposals reflect the Commissioner's objective of protecting, as far as is practical, operational capability, they do not yet meet the Mayor's guidance of delivering a balanced budget in 2011/12.
6. The current proposals result in a core budget gap against the Mayor's guidance of £11.9m in 2011/12. Work continues to close this gap.
7. Financial implications are outlined in Section B of this report, and in appendices 1 to 3.
8. To date 454 staff have accepted the voluntary early departure offer at an estimated cost of £12.4m which will be funded from earmarked reserves set aside for that purpose in the current financial year.

Legal Implications

9. The Greater London Authority Act 1999, as amended, sets out the requirements of the GLA to calculate the budget requirements for the Mayor, and the Assembly and its four functional bodies. The budget requirements for each body are calculated by determining the difference between projected expenditure and projected income - including specific Government grants. In order for the GLA to estimate the sums required by the MPA/MPS, the MPA/MPS must provide information to the Mayor and Assembly to facilitate this. The Mayor is required to consult with the MPA/MPS prior to setting the final budget.
10. To help assist budget setting and fulfil meeting the priorities within the Policing Plan, the budget and business development process is a key element to

ensure there are sound financial plans within which the MPA/MPS priorities and objectives are adequately funded.

11. Expenditure or activities undertaken by the MPA/MPS as statutory bodies must only budget for activities that fall within its statutory powers. There are also positive duties under S3 Local Government Act 1999 to secure the continuous improvement in the ways functions are exercised having regard to a combination of the economy, efficiency and effectiveness. This report identifies steps under the budget and business plan process that will be taken to ensure best value is achieved in the delivery of policing services.

Consideration of Met Forward

12. The MPA has been considering how best to refresh MetForward. Following positive engagement with Members over the last weeks, Authority officers will now engage formally with their MPS counterparts to ensure that the Service's views are reflected in a draft revised MetForward that will come to the Authority in February along with the latest version of the Policing Plan.

Environmental Impact

13. The proposed planning framework will help to ensure that environmental sustainability issues are properly reflected in future plans and budgets.

Risk Implications

14. There are significant risks inherent in delivering policing services within the current legislative and financial environment, but these are being managed as part of the 2011-14 Business planning process. This will ensure the MPA and GLA are aware of implications to policing from the reduction in future years funding. These risks were set out in the supporting financial document to the submission considered by the Authority in November 2010.

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