

***MPA BUDGET SUBMISSION
TO THE GLA
NOVEMBER 2002***

PART 3

***2003/04 Revenue Budget and
Medium Term Financial
Projection***

3. 2003/04 Revenue Budget and Medium Term Financial Projection

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Guidance

1. The revenue budget for 2003/04 and the medium term financial forecasts to 2005/06 set out in the attached statements have been developed in accordance with the guidance issued by the Mayor on 31 May 2002.
2. The guidance included specific policy objectives for the MPA to address in its submission as follows:
 - Increase the number of police officers to the maximum extent that is reasonably practical
 - Work co-operatively and in partnership with TfL to extend the Transport Policing Initiative
 - Maximise the number of officers engaged on operational policing
 - Implementation of recruitment and selection practices that deliver substantial progress to a representational workforce.
3. Specific reference is made to these objectives at appropriate points in the submission.
4. The guidance prescribes the format in which the revenue budget is to be presented and this is reflected in the detailed statements.
5. The guidance also requires that the submission includes details of reserves and balances and related policies.
6. The submission should also demonstrate a clear link between the business planning and budget process. The framework for a three year strategy agreed by the MPA/MPS, Towards a Safer City, is included with the submission and the linkages between the emerging planning priorities and the budget are set out in the following paragraphs.

Overall position

7. A minimum savings target is effectively set for the MPA by defining items to be met through the precept. Savings have to balance the committed budget having regard to levels of indicative grant funding.
8. The draft budget for 2003/04 detailed in this submission totals £2,367.3 million, an increase in total expenditure of £239.7 million over the original 2002/03 budget. However, additional grant to fund counter-terrorism costs was agreed subsequent to the 2002/03 budget being set; if this is discounted the increase in expenditure is £193.7 million (8.9%) over 2002/03.

9. Total funding is estimated at £2,357.7 million, leaving a gap of £9.6 million unfunded expenditure. The funding comprises government grant, council tax precept and a small movement in reserves. The current forecast of government grant totals £1,912.5 million, an increase of 5.5% over the original grant totals for the current year (excluding the counter-terrorism grant referred to above). The council tax precept, based on the Mayor's guidance, has been calculated at £444.2 million, an increase of 22.9% over 2002/03.
10. This overall position is summarised in table 3.1.

Table 3.1: 2003-04 Revenue Budget Submission Overall Position	2002/03 £m	2002/03 including additional grant funding £m	2003/04 £m	% change including additional grant funding
Total expenditure	2,127.6	2,173.6	2,367.3	8.9%
<i>Funding:</i>				
Grant	1,766.2	1,812.2	1,912.5	5.5%
Precept	361.4	361.4	444.2	22.9%
Movement in reserves	0.0	0.0	1.0	n/a
Total funding	2,127.6	2,173.6	2,357.7	8.5%
Funding gap	0.0	0.0	9.6	n/a

11. The Authority will address this funding gap when it reviews the draft budget in the light of the Government's grant settlement announcement in December 2002.
12. Details of the expenditure estimates are set out in Schedules 3.4 to 3.8 and paragraphs 33 to 50. The grant forecast is detailed at Schedule 3.3 and described at paragraphs 24 to 29. The precept calculation is set out at paragraph 30 to 32.
13. The medium term financial projections to 2005/06 are set out in Schedule 3.5 and described at paragraphs 60 to 63.
14. The budget net of specific grant and any movements in the General Reserve is referred to as the 'budget requirement'. This is the basis for comparison with SSA plus police grant and represents the Authority's share of the Government's national provision for police expenditure. The budget requirement is calculated as:

Table 3.2: Budget Requirement	2002/03 £m	2003/04 £m
Total expenditure from table 3.1 above	2,127.6	2,367.3
Less use of reserves		(1.0)
Less assumed closure of funding gap	-	(9.6)
Less Specific Grants*	(89.9)	(188.7)
Budget Requirement	2,037.7	2,168.0
*Specific Grants are:		
	61.9	68.6
Crime Fighting Fund	19.1	22.8
Pay lead grant	2.5	5.6
DNA expansion programme grant	3.9	3.7
Loan charges grant	2.5	2.5
Grant for free rail for police officers	0.0	6.0
Airwave grant	0.0	30.5
Funding for net cost of police reform	0.0	49.0
Funding for counter-terrorism		
	89.9	188.7

Reserves

15. In considering its budget the Authority needs to have regard to the health of its finances as reflected in its balance sheet and in particular the level and adequacy of its financial reserves and provisions.
16. The Authority's approved policy is that it should hold a general reserve of 1% of net budgeted expenditure as the minimum acceptable level, provided that there are appropriate earmarked reserves and accounting provisions, reasonable insurance arrangements, a well funded budget and effective budgetary control. Although the position is improving none of these conditions can be considered as being fully met at this stage:
 - The external auditor has qualified the Authority's accounts for inadequate provisions for pensions and third party liabilities, and there is no reserve for known exceptional future police pension costs.
 - The current insurance arrangements are based on a substantial self funding excess which means that the transfer of risk to external insurers is less than satisfactory.

- The scale of savings required to balance the 2002/03 budget raises a question about how well funded the Authority is to meet policing expectations.
 - The budget overspending in the Authority's first year and the need for exceptional measures to restore control part way through the second year suggests that full reliance cannot yet be placed on the budgetary control systems.
17. The Authority's general reserve at 1 April 2002 stands at £22.269 million, slightly above the 1% minimum policy level. The Authority cannot afford any erosion of this position. There are no budgeted movements to or from the general reserve in 2003/04.
 18. Earmarked revenue reserves totalled £9.442 million at 1 April 2002. These represent sums set aside to meet specific commitments or potential liabilities. Approximately £6.3million is expected to have been used by 31 March 2003. The 2003/04 budget includes a planned movement from earmarked reserves of £1m for process of re-letting outsourced contracts. At this stage all the potential liabilities for which earmarked reserves have been established remain valid.
 19. The Authority has commissioned a report from actuaries Hymans Robertson to assess the future liabilities in respect of police pensions. This report is expected to confirm (and quantify) the prediction of substantial increased costs, in the medium and longer term, arising from increases in the number of officers reaching full service for retirement purposes. There are at present no reserves to meet these costs. Without such reserves, unless the Government recognises these costs through increased grant, there will be a substantial additional demand on the council taxpayer.
 20. The Authority's capital reserves are identified in the relevant section of this submission setting out the five year capital spending plan.
 21. The Authority's accounts for 2000/01 were qualified by the External Auditor because of inadequate provisions in respect of pensions and third party liabilities. Although these provisions have been significantly increased in the 2001/02 accounts, it is expected that those accounts will be qualified too. The accounts qualification is understandable and defensible in the unique circumstances of the establishment of the Metropolitan Police Authority. However qualification over a prolonged period will begin to reflect badly on the Authority's own financial management and could cause actual financial as well as reputational damage.
 22. The provisions at 1 April 2002 represent 55% and 30% respectively of the estimated liability for pensions and third party claims. These shortfalls will have to be substantially reduced, if not eliminated, if the accounts are to be given a clean bill of health in the future. Any in-year

underspendings against the relevant budgets are proposed to be applied to increasing the provisions. The budgets for pensions and compensation for future years should be set on a prudent basis having regard to the unfunded current liabilities.

Funding envelope

23. The funding for the MPA's net expenditure comprises government grant, and council tax income raised through the precept. Grant is determined by the Government although the Authority has the potential to influence levels of settlement through the normal consultation processes. The precept is determined by the Mayor and Assembly and the draft budget has to be submitted to comply with the Mayor's precept intentions. The Authority's budget exercise is therefore essentially one of determining expenditure plans within an externally determined funding envelope. The funding envelope assumed for the purpose of this budget submission is £2,357.7 million. The determination of this sum set out in Table 3.3 below and is explained in the following paragraphs.

Table 3.3: Total funding envelope	Funding 2003/04 £m	Increase £m	Over 2002/03 %
Implied precept from Mayoral Guidance	444.2	82.8	+22.9%
Total grant funding	1,912.5	146.3	+8.3%
Movement in reserves	1.0	1.0	n/a
Funding envelope	2,357.7		

Grant

24. 2003/04 was the last year of the Government's previous three year spending review (SR2000). An initial assessment of the MPA's grant entitlement for 2003/04 was made on the basis of the published information in SR2000. This required significant assumptions about earmarked funding and the impact of other demands for Home Office funding. The detailed calculations are set out in Schedule 3.3.
25. The principal assumptions surrounding the MPA's grant are:
- The cost of the police pay reform package is fully funded by additional grant
 - Counter-terrorism grant funding continues at the same level as 2002/03
 - Crime Fighting Fund continues to meet the full cost of the additional officers recruited under that initiative
 - Pay lead funding continues on the present basis
 - General grant resources increase by 2%.
26. The Government's new three year plans (SR2002) were announced in July 2002, with 2003/04 as the first year. Our grant forecasts based on

SR2000 should therefore be revised to reflect the updated provision in SR2002. However to date this has not proved possible because of continuing uncertainty over the implications of SR2002. The Home Office has provided no detailed information about the total resources available for the police service in 2003/04 nor about the levels of earmarked funding.

27. It is likely that the overall position will not be clarified before the announcement of the Government's grant settlement expected at the beginning of December 2002. There is no evidence to suggest that the position has improved and there is a risk that it may have deteriorated. Therefore the existing assumptions have been retained for the purposes of this submission.
28. The Government has also been engaged in a review of the grant distribution formula for the last year. A consultation paper was published in July 2002 and has been considered by the Finance Committee. Data changes may also impact on the Authority's grant entitlement for 2003/04; initial information suggests that the introduction of 2001 Census population figures may result in a loss of £8 million. At this stage it is considered reasonable to assume a net gain of £20 million for the MPA out of the likely revised distribution and this sum has been incorporated into the grant forecast.
29. The grant forecast detailed in Schedule 3.3 totals £1,912.5 million. The Authority recognises that there is significant risk around this forecast and will review the position in December following the announcement of the grant settlement.

Precept

30. In the Mayor's guidance his precept intentions are set out as a limit which then determines the MPA's savings requirement. The police component of the GLA precept is to be restricted to the elements set out in the following table together with the estimated values:

Table 3.4: Make up of GLA Precept 2003/04	Amount (£'000)	Increase (%)
2002/03 police component of the GLA precept	361,379	
+ 2.5% inflation (on the GLA precept only)	9,034	+2.5
+ additional cost in 2003/04 of additional police officers recruited in 2002/03	21,139	+5.8
+ real growth in police pensions	4,643	+1.3
	396,195	+9.6
+ part year cost of additional officers to be recruited in 2003/04	32,564	+9.0
+ the cost of retention of officers following the implementation of C3i	15,500	+4.3
Precept limit based on Mayor's guidance	444,259	+22.9

31. The 2002/03 precept funded 1,000 additional police officers to be recruited through the year. The financial provision in 2002/03 was broadly equivalent to a half year's cost. Next year's precept therefore needs to provide full ongoing funding for these officers.
32. The assessment of the net increase in officers which could be recruited in 2003/04 and funded from the precept is set out in table 3.6. The precept calculation includes a part year's cost for these officers (a further 1,000) and the cost of officer posts released from control room duties in 2002/03 and 2003/04 under the C3i implementation (see paragraph 39 below).

Net Expenditure 2003/04

33. The expenditure and income plans included in the financial statements that follow at schedules 3.4 to 3.8 reflect total expenditure of £2,367.3 million, an increase of £239.7 million over the 2002/03 budget. A summary of this increase is provided at Table 3.5, a summary of technical assumptions at Schedule 3.1, a fuller analysis at schedule 3.2 with further detailed information of committed changes and new initiatives at schedules 3.9 and 3.10.

Table 3.5: Summary of change between 2002/03 base budget and 2003/04 draft budget	£'000
2002/03 Base Budget	2,127,600
Inflation	73,460
Committed growth	174,425
Committed decreases	-17,598
Efficiency savings	-25,845
New initiatives	
Additional officers	32,564
Other	776
Increase in fees and charges	-2,706
Real terms change to unfunded pensions	4,643
Total	239,718
2003/04 Draft Budget	2,367,318

34. The following paragraphs provide information on key budget components.

Police Officers

35. A key objective in the Mayor's guidance is to make provision for the maximum practicable increase in police officer numbers, subject to

capacity constraints, to be funded either through precept or via the agreement with Transport for London (TfL).

36. The maximum realistic recruitment capacity for the MPS during 2003/04 is considered to be 3,000 officers. This is determined after considering the Service's capacity to absorb inexperienced officers, other training demands e.g. Police Community Support Officers (PCSOs), and workforce development.
37. There are a number of demands on this recruitment capacity as Table 3.6 below shows, resulting in a balance of 1,000 to be funded by an increase in precept.

Table 3.6: Application of the recruitment capacity	Police Officer Numbers
Wastage Provision to cover the forecast profile of officers leaving the service through retirement, transfer, or other reason.	1,600
C3i The protocol agreed with the Home Office as part of the capital funding arrangements requires the MPS to maintain the number of officers following the roles being civilianised. This protocol provides slippage in 2002/03, to cover the revenue implications in 2002/03, which needs to be reinstated during 2003/04.	200
Special Services Agreement with TfL Discussion are ongoing with TfL regarding any potential variation to the SSA. Provision is made for the existing arrangements to be doubled during 2003/04. The costs of these officers will be met in full by TfL.	200
Funded via precept increase The capacity for which direct funding is sought from the Mayor through an increase in the precept, as provided by the Mayor's budget guidance.	1,000
Total capacity	3,000

38. The cost of 1,000 additional officers funded directly has been calculated by considering the full and part year effect of the categories of cost at Table 3.7. These costs assume that in the first year the growth is only 50% funded representing a recruitment profile over the year. Those costs that are enabling the step change in infrastructure and other non-direct costs are included in full in the first year.

Table 3.7: Cost of officers funded via a precept increase	Part Year 2003/04 £'000	Full Year 2004/05 £'000
Pay related items	21,222	44,054
Equipment	3,740	2,828
Operational Command Unit support (civil staff at a ratio of 175 per 1,000 officers)	2,447	5,065
Support Business Groups (inc. Training and Accommodation)	5,155	6,800
Sub total	32,564	58,747
Officers retained following the implementation of C3i (see table 3.8)	15,500	21,750
Total	48,064	80,497

C3i Project

39. Following agreement of the terms of the capital grant with the Home Office the C3i project is now proceeding. The revenue implications are included in two places in arriving at the draft budget.

- The revenue costs associated with the revised business case are included as committed growth in Table 3.5 and schedules 3.2 and 3.10.
- The MPA has made a commitment to resourcing the retained police officer posts following the implementation of C3i as the first priority in its annual and medium term financial plans in the protocol for receiving the capital grant agreed with the Home Office. To meet these terms these posts will need to be funded prior to any absolute growth in officers. The costs have therefore been included as part of the costs of additional officers in the precept calculation at Table 3.4.

40. Table 3.8 below summarises the revenue implication of this project over the period 2003/04 to 2006/07.

Table 3.8: Revenue Implications of C3i	2003/04 £'000	2004/05 £'000	2005/06 £'000	2005/06 £'000
Revenue Implications of Business Case	2,970	10,425	(7,910)	(14,620)
Retention of Police Officers	15,500	6,200	9,700	2,400
Total	18,470	16,625	1,790	(12,220)
Net increase in the base by 2006/07 = £24,665k				

Counter Terrorism

41. Additional funding of £46m has been provided by the Home Office in 2002/03 to fund activity to manage the increased terrorist threat following the events of 11 September 2001. This sum has been reduced from an initial allocation of £49m. For the purpose of this submission the budget has been capped at this initial level, albeit there are demands that cannot be met from this sum.
42. A bid is being made to the Home Office for additional funding support of approximately £15m in 2003/04. This to reflect the full year cost of additional staff recruited under this initiative in 2002/03. This will be the subject of discussions between the MPS and the Home Office over the budget setting period. As this funding cannot be assumed at this stage, this has not been reflected in the submission.
43. Further, the assumption remains that the additional funding provided for 2002/03 will as a minimum continue into 2003/04. It is acknowledged that this funding was supplied in order to recruit more police officers on this activity. The discontinuance of this funding would create a revenue burden on the MPA of £49m. While verbal assurances have been received, at present these are not confirmed in writing. It is expected that as further information becomes available on funding, greater clarity on this issue will be available.

New initiatives

44. The Authority has considered a list of potential new initiatives totalling £11.3 million. At this stage only two items have been included in the draft budget because considerable savings are required simply to meet committed increases. The Authority will review the remaining proposals in December in the light of the grant settlement when it will be able to assess their affordability.
45. The new initiatives which have been included because it is considered critical to make decisions now rather than in December are as follows:

	£'000
Rape havens – need to match health service funding	695
MPA deputy clerk/policy officer posts – part funding in current budget	81
Total	776

More detail of these initiatives is set out in Schedule 3.9.

46. The remaining proposed new initiatives (see table 3.9 below), and any other items that may have emerged since the last consideration by the Finance Committee, will be reconsidered in December.

Table 3.9: New Initiatives to be reconsidered in December	£'000
Glidewell	2,353
SO3 24hr shift working	457
Best Value Crime review	2,711
Backlog Maintenance	1,000
Increased Guarding	1,300
Renewable Energy	250
Additional customer surveys	265
Child protection	450
Single status for civilian staff	550
Increase DoI client unit	460
MPA growth	752
Total	10,548

47. This list of new initiatives includes the implementation of recommendations of the Best Value Crime review in relation to the creation of telephone investigation bureaux. This is a civilianisation proposal which would release operational policing time valued at £22 million. The C3i project (see paragraphs above) also involves civilianisation which will release up to 800 officers for operational duties. The Authority is concerned that the benefits of civilianisation in terms of enhancing policing capacity and effectiveness need to be recognised as an essential strategy to complement growth in police numbers. This should justify investment in such initiatives.
48. It is recognised that the benefits of civilianisation need to be measurable. To this end the MPS is developing an Operational Policing Measure which will present information on officer time spent on operational duties.

Police Community Support Officers (PCSOs)

49. In 2002/03 the MPS is recruiting 500 PCSOs with earmarked government funding. The draft budget assumes that this level of funding will continue into 2003/04. The Home Secretary has announced that he expects 4,000 PCSOs to be recruited nationally over three years. At present there is no information about further specific funding to meet the costs of additional PCSOs.
50. No provision for PCSOs has been included in the draft budget beyond those being recruited in the current year. This will be reviewed in December when there should be clarification about government funding arrangements. For illustration, the costs of recruiting 500 new PCSOs in 2003/04 would be £14 million (£18 million in a full year). These figures include the pay and superannuation costs of the PCSOs, civil staff

support, recruitment advertising, accommodation, equipment, supplies and services and overhead costs.

Balancing the budget

51. Given the considerable uncertainty around the grant position, the Authority has agreed to have a marginal funding gap in the draft budget submission. Accordingly estimated expenditure exceeds the forecast funding by £9.6 million. This position has to be reviewed in December following the announcement of the grant settlement. In the meantime contingency plans are being developed in case funding still falls short of expenditure at that stage.

Savings proposals

52. For the current year 2002/03, the MPS is on target to deliver £60 million savings against the £63.8 million proposed for this year. The savings requirement was capped at £60 million recognising that some of the savings would prove difficult to realise.
53. Achievement of this level of savings in 2002/03, together with the make up of the base budget, makes the challenge for 2003/04 even greater. Excluding police pay and pensions and committed contractual payments leaves only about 30% of the total budget against which savings can be made. Within this 'reducible budget' 50% is the civil staff pay budget and further savings against this budget runs the risk of resulting in more police officers carrying out civil staff roles rather than operational police duties.
54. Since July 2002, the MPS Budget Change Team have requested MPS Business Groups to identify possible 2%, 3% and 4% incremental efficiency savings, highlighting operational implications. These percentage savings targets were based on the 'reducible budget' as described above.
55. The MPA have considered various savings proposals on many occasions since July 2002. The efficiency and other savings agreed by Finance Committee on 14 November 2002 are set out in table 3.10 below, and in more detail at schedule 3.12.

Table 3.10: Efficiency and other savings	£'000
Deputy Commissioners Command	3,064
Directorate of Information	3,132
Specialist Operations	1,462
Human Resources	2,388
Resources	7,991
Policy Review Standards	496
Territorial Policing	1,330

MPA Direct Budget	82
Centrally held	5,900
TOTAL	25,845

Business and Budget Planning

56. Bringing together the Business and Budget Planning for the MPS/MPA remains a challenge, in particular given the different cycles that operate for reasons determined outside of the control of the MPA/MPS. This divergence of timetable provides practical complications that at present are unresolved.
57. The current approach being adopted is not one of wholesale change to bring these two planning activities together, rather a progressive realignment of activities resulting in closer co-operation between the officers concerned, and the activities involved.
58. It is acknowledged that this approach will not deliver rapid cohesion of these two processes. Against this it is important to recognise that the business planning process for the MPA/MPS (be it Policing Plan or Corporate Plan), reflects largely on the deployment of resources. A budget which is increasing police officer numbers and potentially other policing resources will facilitate changes in deployment to meet evolving priorities. The major variance from this is growth, committed or new, where it should be expected that such growth can be linked to the business plan. Schedule 3.12 identifies the links between the growth items in schedules 3.9 and 3.10, and the sections of the business planning framework document "Towards the Safest City".

Consultation

59. In accordance with the Mayor's budget guidance the MPA is involved in wider consultation on the budget proposals in order to prepare the way for the Mayor's formal consultation in December/January. Presentations on the draft budget have been made to the Pan-London Stakeholders Consultation and the London Business Board. The Society of London Treasurers is being provided with a programme of briefings and the MPA will also meet with the ALG.

Medium Term Financial Projections

60. Financial projections for the period 2003-2006 are set out in Schedule 3.5. The projections for the two years 2004/05 and 2005/06 include committed increases only. In particular there is no provision at this stage for further increases in police officer numbers beyond that assumed in the 2003/04 draft budget.
61. The 2003/04 budget as currently drafted will result in budgeted, police officer numbers approaching 30,000 by March 2004. The Mayor has

indicated his wish to increase numbers to 35,000 by mid 2006 although police community support officers may form part of the increase required to achieve this target. This would therefore require a net increase of 2,500 officers in each of the final years of the medium term projections.

62. On the basis of the experience over the previous three years, this may not be realistic even with a significant proportion of PCSOs. The provision for additional police officers in the medium term will need to be the subject of further dialogue with the Mayor.
63. The Authority is also concerned about the need for infrastructure investment as police officer numbers increase beyond their current planned levels. There are particular concerns surrounding the availability of capital funding in this respect. The MPS is conducting a review of this issue and this will have to be considered by the Authority in the context of plans for future increases in police numbers.

Supporting Information

64. Schedules summarising and supporting the information above are included on the following pages, with a list of these schedules provided within the Contents list at page 2.

Summary of Technical Assumptions

Part 1: Corporately reviewed factors

- The impact of the Police Reform agenda on police pay and allowances (insofar as these can be foreseen at this time). It is assumed that the additional costs will be fully matched by extra funding from Central Government although the intention and route for such funding have yet to be confirmed.
- The future impact of the Hay review on civil staff pay costs.
- The medium term implications of growth in police pensions. These figures may need to be updated in the light of a pending actuarial review.
- Transfer of civil staff pensions to the Civil Service scheme in September 2002.
- The progressive reduction in the cost of rent/housing allowance and compensatory grant.
- The progressive reduction in officers in receipt of the £1,000 allowance to compensate for housing allowance anomalies.
- The progressive effects of the increasing overall cost of the London Pay Lead for police officers.
- The full year effect in 2003/04 of the additional 1000 officers in 2002/03.
- The adjustment of forecast pay awards and latest estimates of movements in RPI.

Part 2: Technical assumptions pertaining to finance projections

- The starting point is the approved 2002/03 base budget.
- Pay awards throughout the period of 3.5% pa for police and civil staff
- Price inflation of 2.5% throughout the period
- The revenue implications of the approved capital programme are reflected in the figures
- There will be no further PFI schemes coming into commission over the period and that levels of capital funding are broadly comparable with the current year.

Part 3: Factors excluded from the finance projections

The projections specifically *exclude* the following:

- Any additional costs associated with measures in the Police Reform Bill, including the employment of Police Community Support Officers (other than those which may be funded from funds provided for counter-terrorism or by TfL for the new Transport OCU). It is assumed that new PCSO's will be externally funded.

Schedule 3.2

On going impact of 2003/04 budget changes

(figures are shown as incremental)

Status	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Inflation/pay awards on 2002/03 base budget	61,760	66,050	68,200	70,420
Future years' impact of announced National Insurance changes – Budget 2002	11,700	0	0	0
Sub-Total	73,460	66,050	68,200	70,420
Committed increases (see schedule 3.10)				
Full year cost of additional officers in 2002/03	21,139	376	1,046	1,083
Net effect on police pay of Police Reform Bill proposals	30,487	8,287	7,848	2,056
Future impact of Hay award on civil staff pay costs	9,949	8,542	7,178	5,452
Progressive increase in number of officers receiving London pay lead	4,463	3,553	2,472	2,695
Cost of Police Posts released by C3i	15,500	6,200	9,700	2,400
Debt finance impact of increased level of Supplementary Credit Approval	704	674	646	620
Counter Terrorism Growth	49,000	0	0	0
Implementation of Airwave	6,050	2,080	(-610)	2,150
DNA analysis growth	3,144	923	569	1,254
PFI	14,223	4,790	492	103
Additional Revenue costs of C3i	2,970	10,425	(-7,910)	(-14,620)
Rent Reviews	4,588	2,816	85	2,260
Increased Business Rates	2,954	536	1,010	950
Increase Estate Costs	350	70	50	0
Revenue cost of IT Capital Programme	3,325	2,975	2,100	1,400
Process of re-letting outsourced contracts	2,250	(-350)	(-750)	(-50)
Cost implication from re-tendering outsourced contracts.	700	2,000	150	150
Increase fees for Forensic and Medical examiners	582	35	36	40
Vulnerable and intimidated witnesses Protection	1,232	0	0	0
Congestion charging	500	0	0	0
MPA increases including Policy development officers, Community consultative coordinators and member recruitment	314	0	0	0
Sub-Total	174,424	53,932	24,112	7,943
Committed decreases (see schedule 3.11)				
Effect of transfer of civil staff pensions to Civil Service scheme	(-6,663)	0	0	0
Progressive reduction in housing related allowances	(-5,655)	(-5,547)	(-6,627)	(-7,026)
Implementation of Aware	(-1,000)	0	0	0
One-off items in base dropping out (female MetVest, Public order equipment, covert body armour)	(-1,580)	0	0	0
-Reduction in base for lower pay settlement	(-2,700)	0	0	0
Sub-Total	(-17,598)	(-5,547)	(-6,627)	(-7,026)

(figures are shown as incremental)

Status	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Efficiency and other savings (see schedule 3.12)				
Proposed budget savings	(-24,625)	142	0	0
Reduced Aware desktop costs	(-1,220)	0	0	0
Sub-Total	(-25,845)	142	0	0
New initiatives (see schedule 3.9)				
Additional officer growth in 2003/04	32,564	26,183	1,314	2,041
Provision for 2 Havens (Sexual Offences Centre) & for Camberwell	695	(-210)	0	0
Deputy Clerk and Policy Officer	81	0	0	0
Sub-Total	33,340	25,973	1,314	2,041
Increases in fees and charges				
Income from London Safety Camera partnership	(-2,706)	0	0	0
Real Term Changes in unfunded pensions				
Growth in police pensions	4,643	12,376	26,159	23,901
Total	239,718	152,926	113,158	97,279

Schedule 3.3

Projected Grant Funding 2002/03 – 2006/07

	Notes	2002/03 £'000	2003/04 £'000	2004/05 £'000	2005/06 £'000	2006/07 £'000
Central funding allocated by national allocation formula (i.e. main police grant, RSG and NNDR)	1	1,479,321	1,508,908	1,539,085	1,569,867	1,601,265
<i>Annual increase</i>			2.0%	2.0%	2.0%	2.0%
Grant reduction due to change in civil pensions arrangements	2		-6,663	-6,796	-6,932	-7,071
Additional SSA arising from higher SCAs during period	3		584	1,144	1,680	2,195
Additional grant settlement (Treasurer's assessment)	4		20,000	20,400	20,808	21,224
MPS special payment	5	197,000	200,940	204,959	209,058	213,239
<i>Annual increase</i>		3.1%	2.0%	2.0%	2.0%	2.0%
Hypothecated grants:						
Crime Fighting Fund	6	61,900	68,584	70,420	72,311	74,259
Pay lead grant	7	19,100	22,755	25,271	27,221	29,298
DNA expansion programme grant	8	2,500	5,644	0	0	0
Loan charges grant	9	3,900	3,700	3,500	3,400	3,300
Grant for free rail travel for police officers	10	2,500	2,500	2,500	2,500	2,500
Airwave grant	11	0	6,050	8,130	7,520	9,670
Funding for net cost of police reform	12	0	30,487	38,774	46,622	48,678
Funding for counter-terrorism	13	0	49,000	49,000	49,000	49,000
TOTAL FUNDING		1,766,221	1,912,489	1,956,387	2,003,055	2,047,557
<i>Annual increase</i>			8.3%	2.3%	2.4%	2.2%

Notes

1. See Schedule 3.3 Part 2 for further details around assumptions underpinning formula-allocated funding. No assumption has been made about the availability of PFI credits.
2. Assessed net reduction in grant following change in civil staff pension arrangements assumed to match savings in expenditure.
3. SSA will be increased in recognition of additional Supplementary Credit Approvals granted to fund higher capital expenditure throughout the period. Assumed to be at 83% of cost.
4. Expected beneficial impact of grant formula – see main body of report.
5. MPS special payment is assumed to increase at same rate as police grant.
6. Crime Fighting Fund runs to 2002/03. Funding arrangements thereafter are unclear but this line shows the sums that will need to be obtained through the formula allocation to meet the cost of all officers recruited under the CFF scheme.
7. Assumes HO will fund London pay lead at 75% of annual cost excluding ERNIC. Approaches have been made to HO for full funding; outcome may depend on Comprehensive Spending Review.
8. Grant payments available up to 2003/04, subject to qualifying expenditure. Grant assumed to cease after that year.
9. This grant is paid as a contribution to costs associated with pre-1990 debt and will disappear over time.
10. HO grant towards cost of free rail travel expected to continue throughout planning period.
11. Assumes all Airwave costs will be funded by grant from HO.
12. Assumes full cost of police reform proposals will be funded by additional grant.
13. Assumes counter-terrorism grant continues at 2002/03 level.

Schedule 3.3

Part 2: Technical assumptions underpinning funding projections

- The forecast increase in general grant funding has been based on the SR2000 provision for 2003/04 which provides for an overall increase in police resources of 3.1%. However the overall increases in the two previous years have translated into increases at only half their level for formula-distributed grant to police authorities. If this pattern were repeated it would imply an increase in formula-distributed grant for 2003/04 of just 1.5%. Consideration of the likely relative movements in earmarked grants suggests that this would be over-pessimistic and the projections in the funding projection are based on an assumed increase of 2% as the mid point of a range of 1.5%-2.5%. Each 0.5% change in the assumption would change the grant forecast by approximately £8.5 million.
- The grant projections are subject to change through (a) changes in the level of resources earmarked for policing at national level and (b) changes in the distribution of the national provision.
- SR2002 will re-set the national total for police expenditure in the Government's plans for 2003/04 and establish the position for the two subsequent years. A change in the overall provision will feed through proportionately to all police authorities.
- The distribution of resources is affected by annual data changes and by changes in the methodology for setting the distribution formula. There will be significant variations within the planning envelope as new data from the 2001 census is incorporated within the distribution formula since this involves a ten year data change in a single adjustment. No changes to the distribution formula have been factored into the projections.
- There has been a moratorium on methodology changes to the formula for the last three years but a review is currently under way to determine changes which would affect 2003/04. The review has not yet concluded. The major areas likely to be affected are:
 - i. The elimination of the remaining 10% weighting for the establishment factor – which damped the impact of the new formula introduced in 1995 – is virtually certain. This will result in a loss to the MPA of about £20 million.
 - ii. The Area Cost Adjustment (ACA), which compensates for higher costs in London and the South East is under review. The MPA may be disadvantaged by any agreed changes.
 - iii. The police activity analysis underlying the allocation formula is being updated. Initial results suggest that this may prove favourable to the MPA but it is too early to draw firm conclusions.
 - iv. Any favourable movement in the formula towards the MPA is likely to prompt further questioning of the level of the special payment.

Specific Grants: A significant proportion of funding is derived from specific grants (e.g. Crime Fighting Fund and DNA expansion grant). Many grants are of limited duration, and there is no certainty about future arrangements for funding the associated longer term commitments. Following SR2002 some may continue to enable Home Office to influence the direction in which resources are deployed, whereas others may be subsumed into the level of resources allocated by the distribution formula. The potential risk surrounding these funding projections is considerable but not quantifiable at this time.

Metropolitan Police Authority Objective Summary (1)

2002/03				2003/04		
Expenditure	Income	Net		Expenditure	Income	Net
£'000	£'000	£'000		£'000	£'000	£'000
			Business Groups:			
977,585	-46,041	931,544	Territorial Policing	995,680	-51,268	944,412
366,632	-39,266	327,366	Specialist Operations	403,191	-39,266	363,925
231,033	-2,532	228,501	Deputy Commissioner's Command	242,418	-2,542	239,876
21,888	-311	21,577	Policy, Review and Standards	23,406	-311	23,095
104,610	-27,360	77,250	Human Resources	101,964	-28,660	73,304
237,556	-45,098	192,458	Resources Directorate	265,729	-51,972	213,758
1,939,303	-160,607	1,778,696	Total Business Groups	2,032,389	-174,018	1,858,370
			Corporate Budgets:			
390,533	-87,500	303,033	Pensions	392,143	-87,500	304,643
24,576	0	24,576	Held Centrally	204,079	-7,752	196,327
415,109	-87,500	327,609	Total Corporate Budgets	596,222	-95,252	500,970
2,354,412	-248,107	2,106,305	Total MPS	2,628,611	-269,270	2,359,341
21,294	0	21,294	MPA	7,977	0	7,977
2,375,707	-248,107	2,127,600	TOTAL EXPENDITURE	2,636,588	-269,270	2,367,318
			Funding:			
		-1,676,321	Central funding			-1,723,768
		-89,900	Specific Grants			-188,720
		-361,379	Precept			-444,259
			Movement in reserves			-1,000
		-2,127,600	Total Funding			-2,357,747
		0	Funding Gap			9,571

Metropolitan Police Authority Objective Summary (2)

	Budget	September Forecast (Revised)	Budget	Plan	Plan
	2002/03	2002/03	2003/04	2004/05	2005/06
	£'000	£'000	£'000	£'000	£'000
Business Groups:					
Territorial Policing	931,544	894,354	944,412	944,202	944,202
Specialist Operations	327,366	335,225	363,925	364,848	365,417
Deputy Commissioner's Command	228,501	234,984	239,876	255,498	249,078
Policy, Review and Standards	21,577	23,443	23,095	23,095	23,095
Human Resources	77,250	102,475	73,304	73,304	73,304
Resources Directorate	192,458	208,264	213,758	224,329	226,048
Total Business Groups	1,778,696	1,798,745	1,858,370	1,885,277	1,881,145
Corporate Budgets:					
Pensions	303,033	299,443	304,643	317,019	343,178
Held Centrally	24,576	0	196,327	309,971	401,102
Total Corporate Budgets	327,609	299,443	500,970	626,990	744,280
Total MPS	2,106,305	2,098,188	2,359,341	2,512,267	2,625,425
MPA	21,294	11,687	7,977	8,059	8,059
TOTAL EXPENDITURE	2,127,600	2,109,875	2,367,318	2,520,326	2,633,484
Funding:					
Central funding	-1,676,321		-1,723,768		
Specific Grants	-89,900		-188,720		
Precept	-361,379		-444,259		
Movement in reserves	0		-1,000		
Total Funding	-2,127,600		-2,357,747		
Funding Gap	0		9,571		

Metropolitan Police Authority Objective Summary (3)

	1	2	3	4	5	6	7	8	9	10	11
	2002/03 Budget	Budget Movements and Virements	Pay Awards and Price Rises	Committed Service Increases	Committed Service Decreases	Efficiency and Other Savings	New initiatives - Additional Officer Growth	New Initiatives - Other	Real Terms Changes In/New Fees and Charges	Real Terms Changes In Unfunded Pensions	2003/04 Budget
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Business Groups:											
Territorial Policing	931,544	2,459	0	15,000	-1,250	-1,330	0	695	-2,706	0	944,412
Specialist Operations	327,366	1,207	0	37,144	-330	-1,462	0	0	0	0	363,925
Deputy Commissioner's Command	228,501	5,226	0	12,345	0	-6,196	0	0	0	0	239,876
Policy, Review and Standards	21,577	782	0	1,232	0	-496	0	0	0	0	23,095
Human Resources	77,250	-1,557	0	0	0	-2,388	0	0	0	0	73,304
Resources Directorate	192,458	2,440	0	26,851	0	-7,991	0	0	0	0	213,758
Total Business Groups	1,778,696	10,556	0	92,572	-1,580	-19,863	0	695	-2,706	0	1,858,370
Corporate Budgets:											
Pensions	303,033	3,630	0	0	-6,663	0	0	0	0	4,643	304,643
Held Centrally	24,576	-556	73,460	81,538	-9,355	-5,900	32,564	0	0	0	196,327
Total Corporate Budgets	327,609	3,074	73,460	81,538	-16,018	-5,900	32,564	0	0	4,643	500,970
Total MPS	2,106,305	13,630	73,460	174,110	-17,598	-25,763	32,564	695	-2,706	4,643	2,359,341
MPA	21,294	-13,630	0	314	0	-82	0	81	0	0	7,977
TOTAL EXPENDITURE	2,127,600	0	73,460	174,424	-17,598	-25,845	32,564	776	-2,706	4,643	2,367,318
Funding:											
Central funding	-1,676,321										-1,723,768
Specific Grants	-89,900										-188,720
Precept	-361,379										-444,259
Movement in reserves											-1,000
TOTAL FUNDING	-2,127,600										-2,357,747
FUNDING GAP	0										9,571

Metropolitan Police Authority Subjective Summary

Employee Costs

Forecast 2002/03		Budget 2002/03	Inflation	Growth	Budget 2003/04	Main reasons for change
	Employee Costs:	£'000				
989,030	Police Pay	978,135	41,933	83,835	1,103,903	Mainly additional officers in 2003/04, FYE of 1000 officers in 2002/03, Police reform, London Pay Lead, Transport OCU, Counter Terrorism
279,186	Civil Staff Pay	272,081	11,333	36,426	319,840	Mainly Hay review, Counter Terrorism, C3i and associated costs of additional police officers
15,673	Traffic Wardens' Pay	14,908	614	4,317	19,839	Transport OCU
0	PCSO Pay	0	0	13,085	13,085	Counter Terrorism
1,283,889	Total Pay	1,265,123	53,880	137,663	1,456,667	
105,694	Police Overtime	90,519	2,920	7,688	101,127	Mainly additional officers in 2003/04, FYE of 1000 officers in 2002/03 and Counter Terrorism
20,170	Civil Staff Overtime	19,241	670	-68	19,843	
1,800	Traffic Wardens' Overtime	1,493	50	472	2,015	Mainly Transport OCU
0	PCSO Overtime	0	0	613	613	Counter Terrorism
127,664	Total Overtime	111,253	3,640	8,705	123,598	
86,158	Housing/Rent Allowances	84,320	0	-2,528	81,792	Housing Allowance decrease offset by Counter Terrorism
4,049	Other	3,940	0	2,159	6,099	Mainly additional officers in 2003/04 and C3i
90,207	Total Other Employment Costs	88,261	0	-369	87,892	
1,501,760	Total Employment Costs	1,464,638	57,520	145,999	1,668,157	
	Pensions:					
350,029	Police	349,968	8,750	8,273	366,991	Police Pension changes
40,741	Civil Staff and Traffic Wardens	40,565	1,010	-5,228	36,347	Transfer to PCSPS
390,770	Total Pension Costs	390,533	9,760	3,045	403,338	

Metropolitan Police Authority Subjective Summary

Running Expenses, Income and Funding

Forecast 2002/03		Budget 2002/03	Inflation	Growth	Budget 2003/04	Main reasons for change
	Running Expenses:					
16,778	Employee Related Expenses	16,498	413	1,095	18,006	Mainly C3i and Counter Terrorism
138,734	Premises Costs	132,620	3,266	24,695	160,581	Mainly additional officers in 2003/04, Counter Terrorism, rent/rate changes and PFI schemes
55,083	Transport Costs	44,134	1,104	5,859	51,096	Mainly additional officers in 2003/04, Counter Terrorism, congestion charges and Transport OCU
319,905	Supplies and Services	309,878	7,597	3,454	320,929	Mainly additional officers in 2003/04, Counter Terrorism, Airwave, Dol revenue implications of capital programme and DNA analysis
13,763	Capital Financing Costs	13,777	0	704	14,481	
3,630	MPA Contingency	3,630	0	-3,630	0	
547,893	Total Running Expenses	520,536	12,380	32,177	565,093	
0	Levies	0	0	0	0	
0	Centrally Held	0	0	0	0	
2,440,422	TOTAL EXPENDITURE	2,375,707	79,660	181,221	2,636,588	
-261,722	TOTAL INCOME	-248,107	-6,200	-14,963	-269,270	Mainly London Safety Camera Partnership, Police reform and C3i
2,178,700	NET EXPENDITURE/(INCOME)	2,127,600	73,460	166,258	2,367,318	

NEW INITIATIVES INCLUDED IN THE DRAFT BUDGET

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
1	Provision for 2 Havens (Sexual Offences Centre) & for Camberwell	-	-	1015	-	-	695	-	-	-210	-	-	-	-	-	-
Detail:								Support for Policing Plan priorities:								
<p>In order to comply with Recommendation 15 of the MPA Scrutiny of Rape investigation and Victim Care (April 2002), the MPS proposes to develop the Haven approach to victims of rape/serious sexual assaults so that there is consistency of service across London.</p> <p>The MPS has secured a commitment from the Department of Health to share equally the costs of the current Haven and the creation and running of two further Havens at St Mary's Hospital NHS Trust and Barts & The London NHS Trust. Business cases have been approved by the NHS Trusts at local level but require further approval at regional level. There is a nine-month lead in time for implementation.</p> <p>The costs include provision of accommodation, facilities and forensic medical expertise. The aim is to raise quality of care of victims of crime and collection of forensic evidence. Compensatory savings from provision of existing services and police officer time.</p> <p>In a full year the running costs of the 3 Havens will be £3m with the MPS paying 50% of the cost. This reflects a saving of £140k in the cost of running Camberwell. The figures above also reflect a reduction in payments to Sexual Offences Examiners at locations other than Camberwell as these costs are progressively subsumed in the running costs of the Havens. During the start-up year it is anticipated that only Camberwell will be operational throughout the year with the other two Havens running for half of the year, however the figure for 2003/4 includes 50% of the £1.04m start-up costs for 2 Havens and the premises changes needed at Camberwell.</p>								<p>Improve the police response to vulnerable victims, see Recommendation 15 of the MPA Scrutiny report 'Rape investigation and victim care'.</p> <p>HMCPSP report on the Joint Inspection into the Investigation and Prosecution of Cases Involving Allegations of Rape recommends Havens as Best Practice.</p> <p>The Home Office Action Plan for Improvements to Rape Investigations recommends Havens as Best Practice.</p> <p>Supports the achievement of Objective 11 (Priority 3) in the current plan.</p> <p>This item is linked to Project Sapphire.</p>								
Consequences of Not Obtaining Funds:								Support for Mayoral Priorities:								
<p>The standard of service provided to victims will continue to be a "Post Code" lottery. Failure to meet the recommendations of the MPA and HMIC.</p> <p>Inability to quickly free up officers dealing with victims.</p> <p>Loss of opportunity to gather intelligence from more effective and timely forensics.</p> <p>Lack of provision for third party reporting and therefore loss of intelligence.</p> <p>Loss of opportunity to develop expert witnesses.</p>								<p>The Mayor has made a pledge to improve the safety of women in London; improvements in intelligence and forensics will assist this. Due to the lack of appropriate facilities the provision of victim support by officers takes considerable time and organisational effort. The agreement with the Health Authorities means that they would take responsibility for the victim within an hour of notification, thus freeing up officers to return to operational policing.</p>								

Note: figures revised after further discussions with Health Trusts around shared funding.

Item	Description	2002-03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
2	Deputy Clerk and Policy Officer	-	-	-	-	1	81	-	-	-	-	-	-	-	-	-
<u>Detail:</u>								<u>Support for Policing Plan priorities:</u>								
<p>The MPA commissioned a review of the Secretariat senior support structure from Collinson Grant. The report recommended the appointment of a legally qualified deputy clerk and an additional policy officer. There is already some funding in the MPA budget for a deputy clerk post but the existing funding was based on an earlier vision of what the job would encompass – the job description of the Deputy Clerk post needs amplification, specifically to include legal knowledge.</p>								<p>The appointment of additional high-level staff will enable better support for all four of the policing plan priorities. There should be available a greater resource for scrutiny and direct support to Members of the Authority.</p>								
<u>Consequences of Not Obtaining Funds:</u>								<u>Support for Mayoral Priorities:</u>								
<p>The report found that the demands on the organisation have increased significantly since it was set up and that these demands are not being met adequately. In particular, there is a lack of resilience at the highest level, which leads to somewhat patchy support for the chair and members, and insufficiently robust scrutiny of the MPS. This, taken with the new demands of the Police Reform Act of police authorities, points to a need for reinforcing that level of officer resource. Should funding not be obtained there will continue to be gaps in the support and advice provided to members.</p>								<p>The additional staff will directly contribute to the Mayor's priority of making London a better city for people to live in – particularly in the promotion of public safety and in addressing the needs of London's diverse population.</p>								

Explanation of Growth Items
(Excluding New Initiatives – see schedule 3.9)

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
1	Inflation						73,460			66,050			68,200			70,420
Detail: Provision for rising costs of Pay and Non Pay expenditure.								Basis of calculation Uses the assumptions set out in schedule 3.1 Includes in 2003/04 for the increase of National Insurance Contributions at £11.7m.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
2	Police Reform						30,487			8,287			7,848			2,056
Detail: The estimated cost implication of Police Reform, based on the work done by the MPS Police Reform Steering Group. These amounts relate to the plan complement of officers at 31/3/03, with the implications for growth items being included in these costing for growth.								Basis of calculation The net increase in costs brought about by the Police Reform Bill changes, comprising: <ul style="list-style-type: none"> a) increases to value of pay scale points and shortening of pay scales; b) competency threshold payments to officers who meet the required standard and have served at least 1 year at the maximum of their pay scale; c) special priority payments to officers in roles designated to qualify for such payments; d) cessation of certain allowances and, in some cases, their replacement by reimbursement of actual costs incurred by officers. 								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
3	London Pay Lead						4,463			3,553			2,472			2,695
Detail: All officers who have joined the MPS since September 1994 receive an additional London allowance to bring their pay closer to the level of officers who joined before that date and who receive a housing allowance. Thus the number of officers receiving this additional allowance increases each year								Basis of calculation Recruitment plans, excluding that element covered in any growth bids,								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
4	Increased Debt Financing						704			674		646			620	
Detail: The increase in the level of Supplementary Credit Approvals (SCAs) allocated to the MPA to fund additional capital expenditure in 2002/03 is expected to continue throughout the period. This will result in higher levels of borrowing, with a resulting increase in repayment of principal and interest charges each year.								Basis of calculation Anticipated SCAs.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
5	Hay Review						9,949			8,542			7,178			5,452
Detail: The consequential costs arising from the implementation of the Hay recommendations on civil staff pay structure.								Basis of calculation The costs include the result of grading appeals, the incremental progression of staff who are below the top of their new pay scale and increased ASLC costs arising from implementation.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
6	Counter Terrorism Growth				663	500	49,000									
Detail: The increased threat to the security of the capital, following the events of 11 th September 2001, will continue to present particular challenges to the security, protection, counter-terrorism and firearms command units. The Home Office has provided additional funding to support this activity.								Basis of calculation Based on application of Home Office grant to fund additional officers, and Police Community Support Officers.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
7	Congestion Charging	-	-	-	-	-	500	-	-	-	-	-	-	-	-	-
Detail: The introduction of congestion charges for London will have an impact on our budget. We will not have to pay for MPS owned vehicles, provided they are registered (without charge) as MPS vehicles. It is possible, however, that some MPS vehicles will be ineligible for registration and we may choose not to register some or all of SO and DPS vehicles for reasons of operational integrity. We may also have to pay charges for hired vehicles.								Basis of calculation The current calculation (£500K) is based on approximately 50% of the hire fleet (600) requiring a "pass" each day at £5 per day. It does not take into account those unregistered vehicles which fail to comply with the criteria set, i.e £10 per day if ordered between 10 p.m. and midnight on the day of use, or fines of £40 if no pass has been purchased or £80 if the first fine is not paid within 14 days.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
8	Vulnerable and Intimidated Witness Protection						1,232									
Detail: The Youth Justice & Criminal Evidence Act requires special measures to be taken with these witnesses, the effective date for implementation was 24th July 2002. The MPS Draft Policy is to make greater use of digital equipment for recording interviews which may be used in court.								Basis of calculation The identification of Revenue Cost here are to cover the running of the interview rooms, employment of specialist facilitators, consumables, etc.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
9	Implementation of Airwave	-	-	14,662	-	-	6,050	-	-	2,080	-	-	(610)	-	-	2,150
Detail: The replacement of the MetRadio system with Airwave, a service provided by MM02.							Basis of calculation Based on latest Airwave Business Case it is assumed that the Home Office will continue directly funding the core charge for Airwave. This stops after 2003/4. Hence costs for beyond this increase to £44.5m, £38.6m and £38.6m respectively.									

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
10	Additional Revenue costs of C3i	800.9	1,093.5	88,740	(469.5)	562.2	2,970	(66.8)	86.5	10,425	(264.6)	69.8	(7,910)	-	34.0	(14,620)
Detail: The costs above relate to the additional revenue costs required to implement C3i and reflect the latest position within the C3i business case. The costs relate to both project and service costs.							Basis of calculation The profile represents additional revenue expenditure required to implement C3i. The peak of expenditure in 2004/5 relates to dual running of existing technologies and accommodation and some degree of overlap in the command functions between the existing service and C3i. These additional costs are then converted into savings as the full service is implemented.									

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
11	Increase Estate Costs	-	-	-	-	-	350	-	-	70	-	-	50	-	-	-
Detail: Additional buildings are being added to the estate, which need to be maintained and cleaned.							Basis of calculation Additional costs arising from growth in the estate.									

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
12	Increased Business Rates	-	-	19,800	-	-	2,954	-	-	536	-	-	1,010	-	-	950
Detail: The MPA is liable to pay Property Rates which increase annually with rate in £ and due to transition mechanisms. Payment is non-discretionary.								Basis of calculation Estimate includes increase in the estate.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
13	Rent Reviews	-	-	22,638	-	-	4,588	-	-	2,816	-	-	85	-	-	2,260
Detail:								Basis of calculation This profile takes into account new leasehold accommodation (including additional residential space for Peel Centre) and also rent reviews on existing leases.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
14	Revenue cost of IT Capital Programme	-	-	30,000	-	-	3,325	-	-	2,975	-	-	2,100	-	-	1,400
Detail: On-going support costs of projects taken into service. This expenditure is the revenue costs associated with capital infrastructure investments that change and improve on current systems or provide new functionality.								Basis of calculation It is assumed that services delivered from the IS development programme will result in additional support costs. A figure of 14% of the capital spend has been used. Hence, given a capital programme as identified in the capital submission, the above costs are anticipated.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
15	Process of re-letting outsourced contracts	-	-	-	-	-	2,250	-	-	(350)	-	-	(750)	-	-	(50)
Detail: Reflects reviewing and re-letting outsourced contracts will be managed centrally by the Director of Procurement. Expenditure of £1m has been forecast for 2002/03 which will be met from the earmarked reserve.								Basis of calculation An assessment of the additional, administrative, legal, technical, and procurement resource required to undertake the scale of reviews required.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
16	Cost implication from re-tendering outsourced contracts.	-	-	28,661	-	-	700	-	-	2,000	-	-	150	-	-	150
Detail: The proposals move towards more locally managed contracts. These will give more autonomy and control at local level, better meeting the requirements of building users, but are expected to cost more than the existing arrangements.								Basis of calculation An assessment of the contracts to be let during the period, with judgments regarding the lost economies of scale.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
17	PFI Unitary Charges	-	-	1,700	-	-	14,223	-	-	4,790	-	-	492	-	-	103
Detail: PFI – South East London. PFI – Firearm and Public Order .								Basis of calculation Based on known contractual commitments, and utility costs.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
18	DNA analysis growth	-	-	6,972	-	-	3,144	-	-	923	-	-	569	-	-	1,254
Detail: Currently the Home Office are funding all expenditure above a set threshold on particular type of DNA samples. Under the DNA Expansion programme the Home Office provides funding above a set "Threshold" on some DNA samples relating to Volume crime. The type of samples funded are CJ and Crime Scene samples and Evidential Conversions.								Basis of calculation The costs relate to testing of DNA samples by external suppliers e.g. FSS and reflects the implementation of the Scientific Support Strategy and the Home Office DNA expansion programme.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
19	Increase fees for Forensic and Medical examiners	-	-	9,701	-	-	582	-	-	35	-	-	36	-	-	40
Detail: Provision for increase in Forensic Medical Examiners Fees Note: FME costs are estimated to increased in line with NHS guidelines for Doctors, Nurses & Dentists								Basis of calculation Assessment of likely fee increase to be agreed								

Item	Description	2002-03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
20	Policy Development Officers	-	-	-	-	2	74	-	-	-	-	-	-	-	-	-
Detail: Two policy development officers to support, develop and implement the Authority's work around equalities and consultation.								Basis of calculation: Salary and on-costs for two posts								

Item	Description	2002-03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
21	Community Consultation Coordinators	-	-	-	-	2	65	-	-	-	-	-	-	-	-	-
Detail: Two Community Consultation Coordinator posts								Basis of calculation: Salary and on-costs for two posts								

Item	Description	2002-03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
22	Additional running costs – Dean Farrar Street	-	-	-	-	-	75	-	-	-	-	-	-	-	-	-
Detail: Reflects decision of the Authority (CUC/02/19) to cover full year costs for cleaning, portage, postal delivery, etc at Dean Farrar Street.								Basis of calculation: Estimates of the additional costs to be incurred.								

Item	Description	2002-03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
23	Independent Member recruitment	-	-	-	-	-	100	-	-	-	-	-	-	-	-	-
Detail: The current independent members are in position until July 2004 - the Authority will therefore need to advertise and recruit to these positions in advance of that date. The Authority needs to reach all potential applicants to ensure the right mix and calibre of independent member.								Basis of calculation: Estimate based on the need to reach the wide audience of London.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
24	Full year cost of 2002/03 officer growth						21,139			376			1,046			1,083
Detail:							Basis of calculation									
Provision for the full-year cost of the 1000 police officers recruited throughout 2002/03							Comprises: <ul style="list-style-type: none"> ▪ pay related costs of recruits ▪ supervision up to chief inspector level ▪ civil staff support in OCU's ▪ uniform and equipment, IT, radios etc ▪ accommodation costs ▪ developmental training ▪ other support and overhead costs 									

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
25	Retention of Police posts released under C3i				469		15,500	67		6,200	265		9,700			2,400
Detail:							Basis of calculation									
In accordance with C3i protocol between the MPA and the Home Office, cost of retaining and redeploying police posts released by civilianisation and centralization of functions under the C3i project.							a) Pay costs assuming similar ranks structure to that used in 1000 officer costings' b) Civil staff support c) IT costs Other costs e.g. accommodation, uniforms, radios etc are assumed to be within base budget as there is no actual increase in total police numbers.									

Explanation of Committed Decreases

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
1	Effect of transfer of civil staff pensions to Civil Service scheme						-6,663									
Detail: The MPS is likely to make significant savings by its Civil Staff employees transferring to the PCSPS pension scheme. The MPS will make monthly contributions to provide pension cover for those members of staff who are members of the PCSPS. The estimated savings are the difference between 1) the estimated cost of continuing with the MPS (MCSSS) pension scheme and 2) the costs of contributions to the PCSPS.								Basis of calculation The difference between 1) the estimated costs of MPS civil staff pension for 2003/04 (if the transfer did not occur) and 2) the cost of pension contributions to the PCSPS.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
2	Progressive reduction in housing related allowances						-5,655			-5,547			-6,627			-7,026
Detail: Police Regulations allow police officers who joined before September 1994 to receive housing and rent allowance. As these officers retire or resign these payments will reduce.								Basis of calculation The estimated reduction of housing allowances paid to police officers retiring/leaving the MPS.								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
3	Implementation of Aware						-1000									
Detail: As Aware was implemented in 2002/03 there will be a need to run two networks in parallel. Therefore , in 2003/04 it is anticipated that the network costs would reduce by £1m.								Basis of calculation								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
4	One-off items in base dropping out (female MetVest, Public order equipment, covert body armour)						-1,580									
Detail: Theses were one off purchases made in 2002/03, and will not be required in future years apart from on going requirement for new officers.								Basis of calculation								

Item	Description	2002/03 (Base)			2003-04			2004-05			2005-06			2006-07		
		Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000	Police No.	Civil Staff No.	£000
5	-Reduction in base for lower pay settlement						-2,700									
Detail: The initial planning assumption was that the police salaries would increase in 2002/03 by 3.5%. The actual pay settlement ratified in September 2002 was 3.0%. Therefore the police cost base assumption for 2003/04 is accordingly reduced								Basis of calculation The estimated saving arises from police salary base cost not rising by 3.5% in 2002/03 as original assumed but by only 3%.								

PROPOSED BUDGET SAVINGS 2003/04

Theme	Directorate	Proposed Savings	Total
1	Territorial Policing	Reduce Pan-London non-pay budgets by £500k and reduce non-pay devolved budgets by £830k	£1.330m
Territorial Policing Total			£1.330m
2	Specialist Operations	Cut to consultancy budget	£207k
3	Specialist Operations	Cut to forensic budget	£1m
4	Specialist Operations	Cut to jury protection budget	£100k
5	Specialist Operations	Cut in running expenses across business group	£155k
Specialist Operations Total			£1.462m
6	Human Resources (Services)	£164k reduction in medical fees budget and miscellaneous running costs	£164k
7	Human Resources (Selection)	£361k reduction in corporate recruitment budget £22k reductions from miscellaneous running costs	£383k
8	Human Resources (Department of Training and Development)	£172k saving from cancellation of free meals to non-recruit students at Department of Training and Development; £85k reduction in external training budget; £35k reduction in corporate external training budget, £45k saving from corporate vehicle hire budget, £34k saving from miscellaneous travel & subsistence costs, £139k saving from miscellaneous running costs	£510k
9	Human Resources (Strategy)	£81k savings in miscellaneous running costs	£81K
10	Human Resources (Holding)	£250k reduction in the Holding Branch budgets from corporate external training and recruits equipment budgets.	£250k
11	Human Resources	Increased income from secondments based on current levels of activity.	£1.000m
Human Resources Directorate Total			£2.388m
12	Directorate of Information	A renegotiated contract for 22,000 workstations has resulted in a saving of £500k	£500k
13	Directorate of Information	Savings arising from the implementation of release 10 of the Crime Reporting Information System (CRIS), with ensuing lower support costs.	£883k
14	Directorate of Information	METHOLMES 1 has now been superseded by METHOLMES 2; support costs for this application are £60k less.	£60K
15	Directorate of Information	Income from Forensic Sciences for the use of MPS telephony service.	£240k
16	Directorate of Information	savings in training program	£23k
17	Directorate of Information	The migration of Aware has meant a reduction of non corporate I.T purchases.	£12k
18	Directorate of Information	Income from various group visits to Central Control and Command	£75k
19	Directorate of Information	Reductions in expenditure required to match the capital programme	£119k
20	Directorate of Information	Aware desktop support	£1.220m
Directorate of Information total			£3.132m
21	Resources Directorate (Commercial Services)	Recovery of interpreters' fees for work done for the Immigration & Nationality Dept (IND)	£400k

Theme	Directorate	Proposed Savings	Total
22	Resources Directorate (Commercial Services)	Savings arising from the renewal of contract for uniform services	£30k
23	Resources Directorate (Commercial Services)	Reduction to uniform services research & development budget	£199k
24	Catering	Additional recovery of costs incurred in the provision of Catering Services at Heathrow	£190k
25	Catering	Additional Income generation to come from: - Piloting charity scratch cards & Hendon, New Scotland Yard & Charing Cross Pool tables at Peel Centre/Mill Hill recruits training centre General knowledge 'Skills with Prizes' machines	£60k
26	Catering	Additional savings	£78k
27	Finance Services	Reduce budget for bank charges and fees	£50k
28	Finance Services	Reduce budget for MPS liability for tax/national insurance on free travel & cars used by police officers	£250k
29	Finance Services	Additional Investment Income.	£650k
30	Resources	Net income generated by expanded unit in Procurement Services	£500k
31	Property Services Division	Reduction in the spend on new furniture, furniture repair & soft furnishings	£750k
32	Property Services Division	<i>Accommodation costs for new recruits</i> Meal charges for new recruits	£3.834m
33	Resources (PSD)	Advertising and rental of sites for aerals. C/fwd from 02/03 list.	£500k
34	Resources (PSD)	Increased rents to staff. C/fwd from 02/03 list.	£500k
Resources Directorate Total			£7.991m
35	Directorate of Public Affairs	a) Reduce the number of edition of the Job newspaper published b) Reduce the number of hard copies of the Job & Notices printed c) Cut back on the spend for advertising campaigns & publications	£117k
36	Diversity Directorate	Savings in the transport budget	£24k
37	Business Management	Savings in general supplies & services as a result of brigading of Deputy Commissioner's Command support services within Business Management.	£8k
38	Accident Claims	Increase in income from accident claims	£100k
39	Drugs Directorate	Savings in transport and training.	£2k.
40	Directorates of Legal Services & Professional Standards	Underspend on corporate compensation budget	£2.813m
Deputy Commissioner's Command total			£3.064m
41	Policy Review & Standards	Reductions in external consultancy	£316k
42	Policy Review & Standards	Reduction in external training	£100k
43	Policy Review & Standards	Reduction in civil staff overtime	£80k
Policy Review & Standards Total			£496k
44	SO, SC, TP	Reduction in Police Overtime to comply with PNB. Split by Business Group to be determined.	£2.500m
45	All	External consultancy Reduction in expenditure on external consultancy – pro-rata cut on £9m budget across the MPS.	£400k
46	TP/SO	Increased Mutual Aid Recharges	£250k

Theme	Directorate	Proposed Savings	Total
47	All	Reduction in air travel costs. Pro-rata reduction across the MPS.	£500k
48	All	Reduced average cost of officers due to recruitment impact of additional funding.	£2.250k
MPS Wide Total			£5.900m
49	MPA	Contribution to savings	£82k
MPA Total			£82k
Grand Total			£25.845m

Schedule 3.13

Links between growth items and "Towards the Safest City"	Priorities for Londoners				Priorities for Excellence				Cost Base Changes
	In Partnership, to Promote Safer Communities for Londoners	Securing the Capital against Terrorism	To Improve the Quality of Service to Vulnerable Victims	To Reform and Modernise Criminal Justice in the MPS	To Expand our Approach to Include all Aspects of Diversity	To Manage the Demands on the MPS More Effectively	To Make Best Use of Our Staff and Resources	To Develop a Strategic Analytical Capability in the MPS	
New Initiatives									
Extend rape haven to three			✓						
MPA deputy clerk/policy officer – part funding in current budget						✓			
Other Growth									
Inflation									✓
Police Reform	✓			✓			✓		
London Pay Lead									✓
Increased Debt Financing									✓
Hay Review							✓		
Counter Terrorism Growth		✓							
Congestion Charging									✓
Witness Protection			✓	✓					
Implementation of Airwave						✓			
Additional revenue costs of C3i						✓			
Increased Estates Costs									✓
Increased Business Rates									✓
Rent Reviews									✓
Revenue cost of IT Capital Programme							✓		
Re-letting outsourced contracts									✓
Re-tendering outsourced contracts									✓
PFI Unitary Charge									✓
DNA analysis growth	✓							✓	
Forensic Medical Examiners									✓