

Metropolitan Police Authority
and
Metropolitan Police Service

**Policing London Business Plan
2010-13**

**Supporting Financial
Information**

DRAFT



**METROPOLITAN
POLICE**

Working together for a safer London

MPA

Metropolitan Police Authority

MPA/MPS Draft Corporate Business Plan 2010-13 - Supporting Financial Submission

1. Summary

1.1. This report highlights the issues facing the MPA/MPS, which are expected to impact on next year's budget and the medium term financial forecasts. This summary is complementary to the budget and corporate objectives as set out in the MPA/MPS Policing London 2010-13 Business Plan, and provides a more detailed commentary on the information provided in that document.

1.2. It should, however, be noted that whilst the information provided is based on best estimates, many uncertainties still remain which may impact on the MPA final budget and precept requirement for 2010/11. The main uncertainties are:

- The level of government and GLA funding
- Final determination of savings and growth proposals
- Significant events

Within that context, this report is the MPA/MPS submission in accordance with the requirements of the GLA group 2010/11 budget and business plan process.

1.3. In relation to next year's budget, this summary covers the following issues:

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Annexes 7, 8 and 9 are exempt.

2. Background

- 2.1. This draft budget has been prepared in the context of the Mayor's Budget Guidance issued in June 2009, and supported by the MPS internal budget guidance issued in April 2009. In developing the draft business plan and budgets for 2010-13 there is a general requirement to show where practicable how the plans meet the Mayor's priorities.
- 2.2. The draft Business Plan also reflects requirements of the MPA in carrying out its statutory functions in terms of scrutinising, monitoring and holding the MPS to account, as well as the requirements of the Government in terms of the national policing performance framework.
- 2.3. The MPS detailed guidance was provided to business groups to assist them in preparing their budget and business plans, based on information contained within the medium term financial plan and the strategic objectives of the Service.
- 2.4. The growth and savings submissions by Business Groups were reviewed together with the emerging issues by the MPS Management Board over several months and challenged against the six principles agreed by the Board as the basis for developing the budget and business plan. The proposals were also subject to scrutiny by MPA officers and key MPA Members before formal submission to the Authority.
- 2.5. The final proposals represent an increase of 1.25% against the 2009/10 net revenue expenditure, before the use of reserves. Based on current assumptions on Specific Government Grant, the final proposals reflect an increase of £33m in the MPA's budget requirement to £2,673.3m. This is broadly in line with the Mayor's Guidance in respect of the MPA's 2009/10 Net Revenue Expenditure after the use of earmarked reserves.

3. Timetable

- 3.1. As part of the Mayor's Budget process, the deadline for submitting the draft business plan and budget proposals is 26 November 2009 together with the MPA/MPS response to his draft consolidated budget proposals. The timetable for the remaining budget process is as follows.

Joint meeting of the MPA Strategic and Operational Policing and Finance and Resources Committee - approval of draft Business Plan and budget submission and response to Mayor's consultation on his draft budget proposals	19 th November
MPA Full Authority - approval of draft Policing London Business Plan and budget submission and response to Mayor's consultation on his draft budget proposals	25 th November
MPA Full Authority consider initial draft of Policing London Plan	28 th January
Mayor Statutory Consultation of draft Budget 2010/11	December to January

London Assembly Budget and Performance Committee scrutiny of Mayor's budget proposals	December to February
GLA issue Draft Capital Spending Plan, including consultation of approved borrowing limits, before this date	15 th January
London Assembly to consider Mayor's draft consolidated budget for 2010/11	27 th January
London Assembly final consideration of Mayor's consolidated budget for 2010/11	10 th February
MPA Full Authority considers final draft of 2010-13 Policing London Business Plan (including budget)	25 th February
GLA issue Capital Spending Plan before this date	28 th February
MPA Full Authority considers final 2010-13 Policing London Business Plan	25th March 2010
2010-13 Policing London Business Plan published.	By 31st March
GLA Authorised Limits for Borrowing agreed by this date.	31 st March

4. Achievement Against 2009/10 Budget and Business Plan

- 4.1. Monthly reports are presented to the MPS Senior Management Team and the MPA Finance and Resources Committee on achievements against this year's budget. Service performance is monitored by the MPS Performance Board/Senior Management Team and the MPA Committee and the Strategic and Operational Policing Committee.
- 4.2. The revenue budget monitoring position for 2009/10 at Period 6 (to the end of September) is set out overleaf and reflects a net overspend of £16.6m against the approved budget. The Service is looking to manage expenditure down over the remainder of the year. To the extent that this does not prove possible, any overspend at year end will be covered by drawing down from the Budget Pressures earmarked reserve.

Total Year to Date Budget £000s	Total Year to Date Actuals £000s	Total Year to Date Variance £000s		Approved Annual Budget £000s	Budget Movements £000s	Revised Annual Budget £000s	Annual Forecast £000s	Variance £000s
			Pay					
896,859	894,569	-2,290	Police Officer Pay	1,838,290	17,926	1,856,217	1,836,610	-19,607
287,934	293,625	5,690	Police Staff Pay	606,803	-6,772	600,032	601,901	1,869
74,367	77,095	2,728	PCSO Pay	145,429	5,415	150,844	153,783	2,939
4,466	4,761	295	Traffic Wardens Pay	10,031	-1,519	8,512	9,553	1,041
1,263,626	1,270,049	6,424	Total Pay	2,600,553	15,051	2,615,605	2,601,847	-13,758
			Overtime					
60,456	71,402	10,946	Police Overtime	119,104	6,556	125,660	141,131	15,470
16,422	17,248	825	Police Staff Overtime	32,122	1,165	33,287	33,493	206
537	651	114	PCSO Overtime	1,022	126	1,148	1,363	214
265	269	4	Traffic Warden Overtime	548	-35	513	536	24
77,681	89,570	11,889	Total Overtime	152,796	7,812	160,608	176,523	15,915
1,341,306	1,359,619	18,313	Total Pay & Overtime	2,753,349	22,863	2,776,213	2,778,369	2,157
			Running Expenses					
11,703	11,471	-232	Employee Related Expenditure	33,302	2,766	36,068	35,616	-451
110,156	112,229	2,073	Premises Costs	235,609	-7,848	227,761	231,910	4,149
31,868	32,553	685	Transport Costs	66,824	1,459	68,283	69,649	1,366
191,373	193,607	2,235	Supplies & Services	421,989	9,939	431,928	436,393	4,465
2,327	1,733	-594	Capital Financing Costs	23,100	0	23,100	21,908	-1,192
347,427	351,593	4,167	Total Running Expenses	780,824	6,315	787,139	795,476	8,337
1,688,733	1,711,213	22,479	Total Expenditure	3,534,173	29,179	3,563,352	3,573,846	10,494
			Income					
-1,050	-421	629	Interest Receipts	-2,100	0	-2,100	-2,284	-184
-180,598	-177,412	3,185	Other Income	-357,660	-7,289	-364,949	-358,427	6,522
-181,648	-177,833	3,815	Total Income	-359,760	-7,289	-367,049	-360,711	6,338
			Discretionary Pension Costs					
14,279	14,278	0	Discretionary Pension Costs	29,125	0	29,125	29,125	0
14,279	14,278	0	Total Discretionary Pension Costs	29,125	0	29,125	29,125	0
			Net Expenditure					
1,521,364	1,547,658	26,294	Net Expenditure	3,203,538	21,889	3,225,428	3,242,260	16,832
			Specific Grant					
-258,955	-258,955	0	Specific Grant	-563,238	-17,082	-580,320	-580,532	-212
1,262,409	1,288,703	26,294	Net Revenue Expenditure	2,640,300	4,808	2,645,107	2,661,727	16,620
-7,150	-4,807	2,343	Transfer to/(from) Earmarked Reserves	0	-4,807	-4,807	-21,427	-16,620
		0	Transfer to/(from) General Reserves	0	0	0	0	0
1,255,259	1,283,896	28,637	Budget Requirement	2,640,300	0	2,640,300	2,640,300	0
			Financed by					
-541,815	-541,815	0	Police Grant	-1,083,600	0	-1,083,600	-1,083,600	0
-804,900	-804,900	0	Payments under s.102 GLA Act 1999	-1,556,700	0	-1,556,700	-1,556,700	0
-1,346,715	-1,346,715	0	Total Funding	-2,640,300	0	-2,640,300	-2,640,300	0
-91,456	-62,819	28,637	MPS Total	0	0	0	0	0

4.3. Police Officer Pay – An underspend of £19.6m – 1.1% of budget.

The forecast underspend relates generally to anticipated vacancies across a number of Business Groups. Average strengths throughout the year have been below target. This has been principally caused by the ongoing impact of the deferment of recruits planned for March 2009 into April.

4.4. Police Staff Pay - An overspend of £1.9m – 0.3% of budget.

The forecast overspend is principally within Specialist Crime Directorate primarily caused by forensic services recruiting ahead of their original plans coupled with additional staff being employed due to increased demand from the Criminal Records Bureau. This element is recoverable through additional income. There is also an overspend within Territorial Policing following delays to the implementation of Integrated Prosecution Teams (IPT) and delays to Finance & Resource Manager modernisation.

- 4.5. **PCSO Pay - An overspend of £2.9m – 1.9% of budget.**
As stated previously, the forecast overspend is within Territorial Policing where an average of 60 PCSOs over strength is being forecast following lower than expected wastage and where the movement of PCSOs into other roles is being managed to avoid vacancies.
- 4.6. **Traffic Warden Pay - An overspend of £1m – 12.2% of budget.**
The forecast overspend is within Territorial Policing where an average of 40 Traffic Wardens over strength is being forecast following delays in anticipated transfers to PCSO roles. This is principally within the Transport OCU and whilst the overspend is being managed within the overall “bottom-line” TOCU budget, the position is under review as part of the Safer Transport initiative.
- 4.7. **Police Officer Overtime – An overspend of £15.5m – 12.3% of budget.**
The forecast overspend relates principally to the policing of the G20, Tamil and Climate Camp demonstrations where £9.6m of cost relates to these major operations for which no specific budget provision exists. If the costs for these major operations are excluded then the forecast would show an overspend of £5.9m (4.7% of budget). The remaining overspend results from covering vacancies (and should be viewed alongside the forecast underspend for Police Officer Pay) and additional Royalty and Diplomatic protection. Discussions regarding potential funding of the additional costs incurred as a result of the G20 demonstrations are still being held with the Home Office and the MPA has agreed that reserves may be used to offset the cost of the Tamil demonstrations once the year-end financial position has been established.
- 4.8. **Police Staff Overtime – An overspend of £0.2m – 0.6% of budget.**
A minor variation.
- 4.9. **PCSO and Traffic Warden Overtime – An overspend of £0.2m.**
A minor variation.
- 4.10. **Employee Related Expenditure – An underspend of £0.5m – 1.3% of budget.**
The underspend forecast is principally within the Resources Directorate in respect of reduced tax liability for free rail travel and is offset by overspends forecast within: Specialist Crime principally relating to external training costs; Central Operations relating to seconded officers used for Public Order aid; Directorate of Information for increased advertising costs to address staff recruitment issues.
- 4.11. **Premises Costs – An overspend of £4.1m – 1.8% of budget.**
The forecast overspend is principally within Resources relating to Facilities Management costs with additional overspends forecast in Specialist Crime relating to the refurbishment of the fingerprint bureau at New Scotland Yard and within Central Operations due to additional costs at Marlow House and Bishopsgate Firearms training centre.
- 4.12. **Transport Costs - An overspend of £1.4m – 2% of budget.**
The forecast overspend is principally within Central Operations and relates to additional public order vehicle hire resulting from the G20 and Tamil demonstrations, increasing fuel costs and unfavourable exchange rates relating to helicopter maintenance within the Air Support Unit (the budget was set when exchange rates were approximately £1 to €1.50 - rates are now much lower resulting in an exposure of approximately £0.5m).

4.13. **Supplies and Services - An overspend of £4.5m – 1% of budget.**

The material variances within this category are:

- Development Charges - An overspend of £2.1m - 21% of budget. This relates to additional cost pressures due to the reduction in NPIA grant funding reported above. Also, there has been a revision in forecast for ICT costs reflecting cost savings previously declared in 2009-12 business planning but now no longer achievable in this cost category. These savings are substituted by underspends in pay costs.
- Revenue Contribution to Capital Outlay – An overspend of £1.4m. This relates to vehicle purchases in support of frontline proactive intelligence teams within the Specialist Crime Directorate.
- Dangerous Dogs Act – An overspend of £1.2m - 89% of budget. This relates to the costs of kennelling, veterinary care, and associated expenses for dogs seized by Police Officers under the Dangerous Dogs Act 1991. The number of dogs seized is expected to increase by 66% compared to last year due to increased ownership and use in criminal activity, both as a weapon and as a status symbol. A budget increase of £1.5m per annum has been included as part of the 2010-13 Planning process.
- External Consultants - An overspend of £0.9m - 16.7% of budget. This is principally due to employing consultants in TP to support the MPS Youth Strategy and in DoI to support the Improvement and Rationalisation programmes.
- Forensic Medical Examiner Fees - An overspend of £0.9m - 8.5% of budget. This reflects delays to revised working practices arising from the Herald project.
- Payments to Association of Train Operating Companies - An overspend of £0.6m - 3.7% of budget. This results from an increase to the contract price for the provision of free rail travel to Police Officers. This cost is offset by an overall underspend in total Running Expenses within the Resources Directorate in respect of the tax liability on the ATOC agreement.
- Mobile Phones - An overspend of £0.5m - 14.7% of budget. This reflects increased usage and volume of wireless connections throughout the MPS.
- Scene of Crime Equipment - An overspend of £0.4m - 19.6% of budget. The level of expenditure forecast is consistent with spend during 2008/09. Specialist Crime are examining the budget allocation in this area.
- DNA Testing - An underspend of £3.1m – 42.7% of budget. This reflects changes to working practices resulting in a forecast for fewer tests being requested.
- Forensics - An underspend of £2.9m - 8.1% of budget. This reflects a continuing reduction in forecast activity in this area following the introduction of strict criteria for forensic submissions.

- 4.14. **Capital Financing Costs – An underspend of £1.2m – 5.2% of budget.**
The forecast underspend is principally due to a lower than budgeted forecast for the Minimum Revenue Provision (MRP). This is due to a lower than budgeted 2008/09 capital outturn and hence a lower than expected capital financing requirement. This is partly offset by additional interest payable on new external loans arranged by the Authority in 2008/09.
- 4.15. **Interest Receipts – An over-achievement of £0.2m – 63.4% of budget.**
The forecast includes a £1.5m accounting adjustment in regard to the Landsbanki investments. In 2008/09 the unimpaired portion (83%) of the total debt (£30m) was discounted to net present value (NPV) terms. This year the MPA is due to receive the first part-repayment of the debt (£6.9m in March 2010). On receipt of this repayment the MPA is able to reverse part of the NPV adjustment made in the previous year which means that investment interest is increased by £1.5m.
- 4.16. **Other Income - An under-achievement of £6.5m – 1.8% of budget.**
The forecast under-achievement is within a number of Business Groups and much of it relates to areas where expenditure has also reduced such as for the provision of policing at Heathrow Airport and the Palace of Westminster. There has also been a reduction in funding from TfL for the London Safety Camera Partnership, lower than budgeted income from Immigration receipts and from Wembley stadium events as well as historical income targets set for operational receipts within Specialist Crime Directorate which are not forecast to be achieved.
- 4.17. **Specific Grant – An under-achievement of £0.2m.**
There is an over-recovery of Loan Charges Grant where a lower than expected level of useable capital receipts result in a higher grant. The increase in grant helps to offset reductions in interest earned on investments due to lower cash balances from capital receipts. This is offset by an under-achievement within the Olympics Directorate where a reduction in forecast expenditure is matched by a reduction in grant income.

5. 2010/11 Budget Requirement

5.1. The total budget requirement for 2010-13 is summarised as follows:

Outturn 2008/09 £000		Original Budget 2009/10 £000	Revised Budget 2009/10 £000	Forecast 2009/10 £000	Budget 2010/11 £000	Budget 2011/12 £000	Budget 2012/13 £000
1,737,507	Pay						
572,259	Police Officer Pay	1,838,290	1,856,218	1,836,610	1,883,732	1,942,080	1,965,931
138,837	Police Staff Pay	606,803	600,032	601,900	627,035	650,509	650,150
9,951	PCSO Pay	145,429	150,844	153,784	149,415	149,415	149,415
	Traffic Wardens' Pay	10,031	8,511	9,552	8,511	8,511	8,511
2,458,554	Total Pay	2,600,553	2,615,605	2,601,846	2,668,693	2,750,515	2,774,007
	Overtime						
136,637	Police Officer Overtime	119,104	125,660	141,129	114,944	115,000	141,242
33,652	Police Staff Overtime	32,122	33,286	33,494	30,428	30,418	30,418
1,242	PCSO Overtime	1,022	1,149	1,362	978	978	978
518	Traffic Wardens' Overtime	548	513	536	512	512	512
172,049	Total Overtime	152,796	160,608	176,521	146,862	146,908	173,150
2,630,603	TOTAL PAY & OVERTIME	2,753,349	2,776,213	2,778,367	2,815,555	2,897,423	2,947,157
	Running Expenses						
28,625	Employee Related Expenditure	33,302	36,067	35,615	36,350	32,092	33,019
233,023	Premises Costs	235,609	227,761	231,909	262,893	263,393	293,858
74,694	Transport Costs	66,824	68,283	69,649	68,312	69,430	81,602
434,742	Supplies & Services	421,989	431,927	436,394	423,753	432,572	451,246
16,048	Capital Financing Costs	23,100	23,100	21,908	23,700	26,900	29,300
787,132	TOTAL RUNNING EXPENSES	780,824	787,138	795,475	815,008	824,387	889,025
3,417,735	TOTAL EXPENDITURE	3,534,173	3,563,351	3,573,842	3,630,563	3,721,810	3,836,182
	Income						
-12,267	Interest Receipts	-2,100	-2,100	-2,284	-800	-800	-800
-339,716	Other Income	-357,660	-364,948	-358,426	-360,130	-359,374	-361,424
-555,128	Specific Grants	-563,238	-580,321	-580,531	-622,229	-635,534	-741,292
-907,111	TOTAL INCOME	-922,998	-947,369	-941,241	-983,159	-995,708	-1,103,516
	Discretionary Pension Costs						
29,785	Discretionary Pension Costs	29,125	29,125	29,125	30,125	31,125	32,125
29,785	TOTAL DISCRETIONARY PENSION COSTS	29,125	29,125	29,125	30,125	31,125	32,125
	Savings to be identified					-110,753	-145,071
2,540,409	NET EXPENDITURE	2,640,300	2,645,107	2,661,726	2,677,529	2,646,474	2,619,720
					0	0	0
-3,428	Transfer from reserves	0	-8,241	-24,860	-4,229	-574	-320
58,019	Transfer to reserves	0	3,434	3,434	0	0	0
2,595,000	Budget Requirement	2,640,300	2,640,300	2,640,300	2,673,300	2,645,900	2,619,400

Outturn 2008/09 staff		Original Budget 2009/10	Revised Budget 2009/10	Budget 2010/11	Budget 2011/12	Budget 2012/13
31,151	Police Officers	32,534	32,874	32,865	32,592	32,419
1,392	Recruits	749	444	264	308	265
32,543	Total Police Officers (including Recruits)	33,283	33,318	33,129	32,900	32,684
14,329	Police Staff	15,096	15,259	14,944	15,353	15,376
4,567	PCSOs	4,716	4,716	4,716	4,716	4,716
273	Traffic Wardens	219	219	219	219	219
51,712	Total Staffing Requirements	53,314	53,512	53,008	53,188	52,995
2,622	MSC	3,933	3,977	5,330	6,667	6,667
54,334	Total	57,247	57,489	58,338	59,855	59,662

5.2. The draft business plan shows the detailed breakdown by business group of the figures set out above. The 2010/11 net revenue expenditure of £2,677.5m represents a 1.4% increase on the 2009/10 NRE before the use of reserves. Once the agreed use of reserves is taken in to account the 2010/11 Budget Requirement is 1.25% above the 2009/10 NRE. The increase is therefore broadly in line with the Mayor's guidance which is set out in Section 9.

- 5.3. For the following two years, the underlying budget requirement is currently above that as defined within the current GLA budget guidance, based on the Mayor's lower budget limit. The budget gap for future years is £110.7m in 2011/12 and £145.0m in 2012/13, as reflected below:

	2010/11	2011/12	2012/13
	£m	£m	£m
Mayor's Guidance (NRE)	2,673.3	2,645.9	2,619.4
Budget Requirement	2,673.3	2,756.6	2,764.4
Budget Gap	0.0	110.7	145.0

Work is continuing to bridge the estimated gaps in future years which have been reflected in the 2011/12 and 2012/13 budgets as savings to be identified. More information is provided in Section 11.

- 5.4. The changes between the 2010/11 and 2009/10 budget requirement are summarised below:

Changes to spending plans	2010/11 £m
2009/10 budget requirement	2,640.3
Changes due to:	
Inflation	84.0
Committed increases/decreases from the 2009-12 Business Plan process	* 24.0
New Reductions and efficiencies	-100.5
New initiatives and service improvements	** 71.7
Increase in Specific Grants	-42.0
Transfer from Reserves	-4.2
2010/11 budget requirement	2,673.3

* Includes expenditure for Counter Terrorism CSR increase from 2009-12 Business Plan Process,

** Includes expenditure for Olympics grant funded projects and expenditure funded from Reserves.

- 5.5. Within the budget submission, the following general assumptions have been made for pay and price inflation:

- **Officer Pay**
The budget includes provision for the agreed three year pay awards to 2011/12 (2010/11 2.6%; 2011/12 2.55%) and an allowance of 1.2% for 2012/13.
- **Staff Pay**
The budget includes provision for the agreed three year pay awards to 2011/12 of 2.5% for 2010/11, 2.5% for 2011/12 and 1.2% for 2012/13 has been included.

- Non Pay and Income Budgets (excluding those externally funded)
The inflation for non-pay budgets has been fully allocated to Business Groups to cover certain contractual price increases for 2010-13. This broadly covers average inflation of 2.5% a year on those contracts for 2010/11 and 2011/12 and covers 1.2% for 2012/13. This non-pay inflation has been allocated as part of the budget process.

5.6. Preparing a budget for 2010/11 based on an increase of 1.25% on the 2009/10 Net Revenue Expenditure, before the use of reserves, has been difficult given the increased demands and operational pressures on policing. Significant funding pressures have meant the MPS has had to make some hard and difficult decisions. Overall the MPS has tried to set the key direction of the decision making through the key budget principles. These are:

- Priority to public facing services
- Alignment of resources to MPS-wide objectives;
- Improve outcomes and minimise unit cost of delivery;
- Achievability;
- Identification of medium term savings proposals not just concentrating on year 1;
- Understand the impact of cost reductions elsewhere within the organisation;

5.7. Within these overarching principles the MPS has made some planning assumptions and the budget contains items that could potentially not materialise and therefore significantly change the funding requirement.

- Olympics

The London 2012 Olympic and Paralympic Games are being developed in line with a public service agreement and with the Home Office Olympics Security Directorate. The Mayor has committed to support delivery of the London 2012 Games and its legacy, and to implementing the findings of the review of public order policing. Met Olympics details this challenge, including addressing safety, security, terrorism and staffing capacity. The MPS has worked closely with the Home Office to identify additional and opportunity costs in relation to the Games. Costs can only be estimated at this stage and, whilst the Home Office is committed to funding additionality, actual additional costs may differ from current estimates. Current estimate of Olympic-related opportunity costs have been considered by the MPA.

- Income Generation

The Service is increasingly dependent on the generation of income to cover costs. In some cases there is a mismatch between the income targets and costs incurred and/or a risk of withdrawal of income. The potential impact of these issues will have to be managed in year as part of the overall budget position.

- Specific Grant

The current planning assumption is that existing specific grants will continue at the 2009/10 level unless the MPS has received notification of changes. If that proves not to be the case a decision will be required on whether those services should cease or growth in the budget be accommodated by savings elsewhere.

- General Government Grant

Government has already announced the provisional police grant for 2010/11. The level of grant in 2011/12 and beyond will be subject to the outcome of the next comprehensive spending review. CSR changes to the 2010/11 announcement and the results of the CSR will affect the level of savings to be found as will any decision to withdraw protection for authorities on the grant floor. On the basis of the Mayor's current budget guidance the GLA manages the risk/benefit on variations on general government grant.

- Capital

The revenue consequence of the capital programme still needs to be fully assessed in the light of the recent significant adverse impact on the size of the programme of the decline in the property markets and the Authority's ability to generate capital receipts. The impact could give rise to additional costs of maintaining and keeping compliant old, inefficient property/systems, which may partly be offset by savings from delays in bringing some properties and projects into service. This work will be completed before the budget is approved in March. Any resultant costs will have to be contained within the overall financial limit set by the Mayor.

- Partnership Working

The Service is increasingly involved in partnership working in line with its agreed strategy. Strong governance is an essential part of that strategy in terms of protecting the Service's position and ensuring alignment of activity to the Service's strategic outcomes and corporate objectives.

- Performance Framework

The Service continues to develop its performance management framework to ensure alignment to its corporate objectives and national, regional, Authority and local target regimes.

5.8. Three Year Planning

Whilst the package proposed, after the use of reserves, meets the Mayor's Budget Guidance limit for 2010/11, there remain significant shortfalls against the guidance targets for 2011/12 (£110.7m) and 2012/13 (£145.0m) over and above the specific reductions of £168.5m and £193.6m already built into those years respectively. Delivering this level of reduction over the three year planning period will prove challenging. The MPS has however developed frameworks to deliver future efficiency programmes over the medium term as a means of realigning resources to emerging priorities and narrowing potential future budget gaps. The Service Improvement Plan will ensure that the medium term planning for significant reductions and investment is an integral part of the planning framework. The level of potential reductions in 2011/12 and 2012/13 however represents significant challenges to the Service and are likely to impact on front line services.

5.9. Changes to Base Budget

Following the approval of the 2009/10 budget, further budget changes have been approved formally through boards/committees during the year. These changes are shown specifically in the growth & reduction schedules as part of the 2010-13 financial package.

5.10. Economic Climate

The economic downturn could impact adversely on some of the Service's costs and has resulted in a reduction in the estimates for interest income receivable on deposits. Current planning assumes interest income of £0.8m

in 2010/11 compared to the current budget of £2.1m. In 2011/12 and 2012/13 there is likely to be a significant constraints placed on the resources available to the Service from Government and partners.

6. Reduction Proposals

6.1. The MPS is committed to ensuring it operates in an efficient and effective way to make the best use of its resources. The business plan includes:

- The full year effects of savings that relate to 2010/11 and future years that were identified and agreed in the 2009-12 Business Planning process.
- Savings identified as part of the 2010-13 Business Planning process. Each Business Group was requested to identify savings for the planning period. In addition, a number of corporate initiatives supported the identification and delivery of cross-service savings

6.2. The saving options have been scrutinised by key MPA members and officers. Any savings that have an impact on staffing are still subject to delivery plans including full consultation with Unions.

6.3. In terms of giving priority to public-facing services all Business Groups were required to focus budget reductions, as far as was practical, on overheads and support services. In particular, the aim has been to minimise the need to implement initiatives that reduce officer numbers where to do so would result in an adverse impact on service delivery. A number of initiatives have supported the development of the reductions package including:

- Restructuring
- Training
- Procurement Efficiencies
- Support Services
- Income Generation

6.4. Savings and reductions identified as part of the 2009-12 budget process have been reviewed as part of this financial planning process and any changes to the savings are now reflected within the 2010-13 budget. The 2010-13 budget reductions are contained in **Annex 1** and can be summarised as follows:

	2010/11 £000	2011/12 £000	2012/13 £000
New Reductions			
Operational Services	-29,657	-37,787	-37,857
Operational Support	-29,553	-29,778	-37,291
Support Services	-40,338	-70,434	-87,932
Income Generation/Loss	763	763	763
Corporate Provision	-1,668	-2,068	-2,068
TOTAL New Reductions	-100,453	-139,304	-164,385
Full Year effect of 2009-12 budget	-23,583	-29,268	-29,268
TOTAL MPS Reductions 2010-13	-124,036	-168,572	-193,653
MPA (Full Year effect of 2009-12 budget)	50	50	50
TOTAL MPA/MPS Reductions 2010-13	-123,986	-168,522	-193,603

- 6.5. In line with the agreed budget principles priority has been given to protecting public facing services as illustrated in the following table.

Summary MPS Reductions 2010-13	%	%	%
Operational Services	29.5	27.1	23.0
Operational Support	29.4	21.4	22.7
Support Services	40.2	50.5	53.5
Income Generation/Loss	-0.8	-0.5	-0.5
Corporate Provision	1.7	1.5	1.3
TOTAL MPS Reductions 2010-13	100.0	100.0	100.0
MPA	0.0	0.0	0.0
TOTAL MPS/MPA Reductions 2010-13	100.0	100.0	100.0

- 6.6. More information on these reductions is provided in **Annex 1**. These budget reductions need to be considered against the background of cashable and non-cashable savings identified and delivered by the MPS over recent years.
- 6.7. Work is continuing to identify and deliver more budget reductions in 2011/12 and beyond. This will build on the MPS's good record of identifying savings and realigning resources to new and emerging service priorities. For the period 2008/09 – 2010/11, the MPA have set a revised cumulative savings target of £344.9 million. The MPS is on target to over-achieve against this target identifying savings at the end of year 2 (2009/10) of £257.3m, which equates to 75% of the 2008-11 target.
- 6.8. Building on the work of the Service Review and the Met Modernisation Programme the Service Improvement Plan (SIP) has been developed, clearly linked to the budget-planning timetable, to ensure that investments in programmes and projects yield the greatest possible productivity in terms of benefit added and cashable efficiency savings realised. The key activities to ensure continuous improvement include delivering efficiencies and increased productivity, developing effective people skills, improving welfare, equalities and morale, strengthening governance arrangements, maintaining business

continuity and realising benefits through the use of Information, Communication and Technology (ICT).

- 6.9. A number of the SIP programmes are already being implemented and work is underway to progress further reviews to assist the Service in meeting the Mayor's budget guidance limits in 2011/12 and 2012/13. On the basis of existing guidance additional savings of £110.7m and £145.0m in 2011/12 and 2012/13 respectively are required.

7. Growth Proposals

- 7.1. A summary of the growth items included in the 2010-13 budget can be summarised as follows:

	2010/11 £000s	2011/12 £000s	2012/13 £000s
New Growth			
Operational Services	13,060	20,980	19,150
Operational Support	7,038	6,232	6,161
Support Services	5,169	8,169	10,569
Income Generation/Loss	6,610	10,010	7,610
Corporate Provision	1,000	2,000	3,000
TOTAL New Growth	32,877	47,391	46,490
Full Year effect of 2009-12	39,741	66,441	66,441
TOTAL MPS Growth 2010-13	72,618	113,832	112,931
MPA (Full Year effect of 2009-12 budget)	352	487	487
TOTAL MPA/MPS GROWTH 2010-13	72,970	114,319	113,418

- 7.2. More detail of the budget growth reflected in the 2010-13 business plan and budget is included in **Annex 2**. Inclusion of provisions in the budget does not constitute approval to spend. Progress on these initiatives will be subject to the MPA/MPS decision-making processes.

8. Objective and Subjective Analysis

Set out below is an objective analysis of the MPA/MPS budget proposals for 2010-13:

- 8.1. The analysis shows centrally held budgets including inflation and pay awards which will not be allocated to business groups until later in the budget setting process. However, for comparative purposes, **Annex 3** includes an analysis with a provisional allocation of pay and price inflation to Business Groups.
- 8.2. The subjective analysis of the MPA/MPS budget proposals for 2010-13 is set out in paragraph 5.1.

Revenue budget - summary by service

Outturn 2008/09 £000		Original Budget 2009/10 £000	Revised Budget 2009/10 £000	Forecast 2009/10 £000	Budget 2010/11 £000	Budget 2011/12 £000	Budget 2012/13 £000
	Business Groups:						
1,481,388	Territorial Policing	1,387,560	1,412,062	1,431,908	1,382,729	1,391,392	1,383,832
395,100	Specialist Crime Directorate	389,745	403,018	399,532	409,796	408,690	408,945
241,286	Specialist Operations	5,471	5,839	7,171	8,848	8,848	5,448
226,064	Central Operations	200,517	200,469	206,191	200,472	199,521	200,904
252,728	Directorate of Resources	245,717	245,282	244,736	254,960	252,902	249,266
223,138	Directorate of Information	212,258	217,019	217,019	223,328	221,059	211,373
149,117	Human Resources	153,963	186,669	185,370	148,646	139,194	136,399
6,447	Directorate of Public Affairs	5,820	6,021	5,961	6,858	6,749	6,678
57,804	Deputy Commissioner's Portfolio	53,698	54,608	52,954	52,228	51,749	51,623
3,033,072	Total Business Groups	2,654,749	2,730,987	2,750,842	2,687,865	2,680,104	2,654,468
	Corporate Budgets:						
29,785	Discretionary Pension Costs	29,125	29,125	29,125	30,125	31,125	32,125
-3,348	Centrally Held	50,187	-21,244	-23,391	51,078	134,202	164,002
16,048	Capital Financing Costs	23,100	23,100	21,908	23,700	26,900	29,300
-12,267	Interest Receipts	-2,100	-2,100	-2,284	-800	-800	-800
-535,576	Specific Grants	-127,704	-127,704	-127,704	-127,704	-127,704	-127,704
	Savings to be identified					-110,753	-145,071
-505,358	Total Corporate Budgets	-27,392	-98,823	-102,346	-23,601	-47,030	-48,148
12,695	Metropolitan Police Authority	12,943	12,943	13,230	13,265	13,400	13,400
2,540,409	Net revenue expenditure	2,640,300	2,645,107	2,661,726	2,677,529	2,646,474	2,619,720
-3,428	Transfer from reserves	0	-8,241	-24,860	-4,229	-574	-320
58,019	Transfer to reserves	0	3,434	3,434	0	0	0
2,595,000	Budget requirement	2,640,300	2,640,300	2,640,300	2,673,300	2,645,900	2,619,400

9. Mayor's Guidance – Upper/Lower Funding Limits for 2011/12 and 2012/13

9.1. The business plan has been developed having regard to the Mayor's guidance of a Net Revenue Expenditure of £2,673.3m for 2010/11 i.e. 1.25% increase on 2009/10. For 2011/12 and 2012/13 there is considerable uncertainty over the level of grant funding and the Mayor has reflected this in his guidance which reflects an upper and lower funding limit. The MPS has based its budget submission on the lower funding limit, that assumes a reduction of 1.5 per cent in general grants for each year and an upper limit that assumes a cash freeze which would improve the budget gap by £30m in 2011/12 and £60.4m in 2012/13.

10. Publicity

10.1 The MPS, under the requirements of Section 5(1) of the Local Government Act 1986, is required to identify expenditure on publicity. Publicity is defined as any communication, in whatever form, addressed to the public at large or to a section of the public. However, any notice, advertisement, plan or other document where a specific obligation to publish is imposed on the local authority or under any enactment is excluded.

10.2 The information from the MPS accounts for 2007/08 and 2008/09 is set out below along with the equivalent figures for 2009/10 and the proposed budget for 2010/11 that will be reviewed in the light of final recruitment plans.

	Actual 2007/08 £000	Actual 2008/09 £000	Budget 2009/10 £000	Forecast 2009/10 £000	Budget 2010/11 £000
Staff Recruitment Advertising	5,342	5,244	2,862	3,095	3,095
Other Publicity	4,054	5,111	3,379	3,102	4,102
Total	9,396	10,355	6,241	6,197	7,197

11. Service Improvement Plan (SIP) and Performance Management

11.1. The MPS has established a medium term Service Improvement Plan as part of our planning and budget process. The emerging 2010-13 SIP reflects the Service's focus on reducing support costs and overheads, areas of service improvement requiring investment and the long lead – in time required to deliver real change. The current SIP programmes and projects are set out in **Annex 9**. The plans is split into four productivity themes:

- **Supplies & Services** - to reduce the cost of supplies and services
- **Lean management** - to eliminate waste, deliver improved service and value and satisfy customer requirements
- **Shared Services** - to realise the benefits of exploiting potential synergies that may exist internally and externally
- **Compliance** - to reduce the cost of non compliance

11.2. The programmes/projects included in the plan are at different stages of development, ranging from 'already in implementation' to 'scoping'.

11.3. The MPS Management Board has supported the development of the SIP as an integrated element of the Service's budget and business planning process. The programmes/projects in the Plan provide a means of reviewing aspects of the Service's work, which cut across Business Group boundaries. The expectation is that reviews already in hand and due to start in 2010/11 will make a significant contribution to the savings which need to be identified for 2010/11 and future years. When considering individual programmes/projects, due regard does, however, need to be given to:

- the potential for double counting between programmes/projects
- some savings will relate to cost avoidance rather than budget reductions.

11.4. The table below provides an analysis of the growth and savings within the 2009-12 and 2010-13 budgets that relate to SIP projects:-

	Growth			Savings		
	2010/11 £000	2011/12 £000	2012/13 £000	2010/11 £000	2011/12 £000	2012/13 £000
Already built into the budget as part of the 2009-12 process or early part of the 2010-13 process	16,947	15,743	16,843	-22,129	-20,545	-29,570
Recommended for inclusion into the budget as part of the 2010-13 process	3,462	9,283	7,677	-27,644	-47,397	-56,487
	20,409	25,026	24,520	-49,773	-67,942	-86,057

- 11.5. **Annex 9** provides details of the current financial commitments/bids against the SIP fund. Those projects that are funded by the SIP fund do not form part of overall growth as they are funded from an existing budget. It should be noted that amounts within **Annex 9** will still require approval from the Service Improvement Board or SMT as appropriate.
- 11.6. In supporting and informing SIP, the Strategy and Improvement Department and the Finance Services Department play important roles in developing a more comprehensive picture of MPS performance than has previously been possible. In particular, this work involves:
- identifying major cost drivers in the Service;
 - developing spend analysis and carrying out appropriate benchmarking exercises on general spend patterns and/or specific services;
 - developing standards for service reviews and comparisons;
 - providing assistance and advice to business groups in carrying out reviews and comparisons with outside bodies;
 - identifying potential areas for improvement from audit and inspection reviews.
- 11.7. It is important to emphasise that SIP will focus upon those projects and programmes that offer the biggest savings and service improvements, and particularly those with cross-business group dependencies and benefits. It is recognised that the portfolio of projects within SIP will need to be kept manageable, and that oversight and monitoring will need to focus on 'exception reporting' in terms of any shortfall in declared benefits.
- 11.8. SIP aims to meet the service needs of the MPS and is not an exercise in its own right. In recognising the need for SIP to be owned at the highest level of the organisation, Management Board has agreed that the progress of SIP will be overseen by a Service Improvement Board (SIB) (chaired by Director of Resources).

12. Fees and Charges

- 12.1. The MPA Finance and Resources Committee approved the MPA's Fees and Charges Policy for 2009/10 at their meeting on 19 March 2009. These fees and charges can be classified under a number of specific categories:
- MPS calculated fees and charges;
 - Fees advised by other agencies;
 - Fees and charges as detailed within statute or legislation.
- 12.2. The schedule of fees and charges for 2009/10, effective from 1 April 2009, unless stated otherwise, have been reviewed against the formal guidance on charging for police services produced by the ACPO Finance and Resources Business Area endorsed by ACPO Chief Constables' Council in 2005.
- 12.3. The budget proposals reflect the current fees and charges policy. Fees and charges for 2010/11 will be reviewed later in the budget process and any changes will be incorporated in the final 2010-13 Policing London Business Plan.

13. Officer/Staff Establishments

13.1. The officer and staff numbers for the organisation are explained in detail within the 2010-13 Business Plan under the 'Police Officers and Staff' section.

14. Revenue Reserves

14.1. The position on the main revenue reserves maintained by the Authority as at 30th September 2009 (Period 6) is set out in the table below:

Description	£m
Earmarked Reserves	195.6
Emergencies Contingency Fund	23.1
General Reserve	47.5
Total Reserves	266.2

14.2. Revenue reserves are cash backed balances, held on the balance sheet until they are spent or released for other purposes. As such, they can only be spent once, and are not part of the ongoing base budget.

Earmarked Reserves

14.3. A summary of the earmarked reserves as at the 30th September 2009 (Period 6) is provided in the table below:

CATEGORY	OPENING BALANCE 2008/09 £m	Movements in-year £m	CLOSING BALANCE 2008/09 £m	Movements in-year 2009/10 as at Period 6 £m	2009/10 Balance as at Period 6 £m
Accommodation strategy/property related costs	34.0	3.5	37.5		37.5
Operational Costs	76.5	22.7	99.2	-2.4	96.8
Revenue support to Capital rephasing	9.8	4.8	14.6	-2.0	12.6
Major Change Programmes	16.1	12.3	28.4	-0.3	28.1
Budget Pressures	9.4	10.2	19.6		19.6
MPA Initiatives	0.9	0.2	1.1	-0.1	1.0
Total	146.7	53.7	200.4	-4.8	195.6

14.4. The MPA Finance & Resources Committee will approve any further draw down of reserves during 2009/10 at the appropriate time.

14.5. Accommodation Strategy/Property Related – this category of reserve has been earmarked to fund costs associated with delivering the organisation's estate strategy. It will be kept under review in order to assess whether there

is potential flexibility to use this funding to support the overall budget. The main individual reserve items within this category are:

- Dilapidations (£12.7m) – this reserve will fund the short-term future costs of dilapidations on the estate and is significantly less than the potential dilapidation liabilities.
- Central London Accommodation Strategy (£12.5m) – this reserve has been set aside to fund costs associated with delivering the organisation's estates strategy. In particular, this reserve will assist the organisation in smoothing the impact of increased rental payments on operational buildings such as Empress State Building.
- The remaining £12.3m has been set aside to fund a number of items such as the development of firearms facilities (£1m), various property works that ensure the organisation's buildings function effectively (£2.8m) and compliance with statutory energy performance standards (£0.8m). There is also £5.8m set aside to fund costs associated with delivering the Safer Neighbourhoods programme and is dependent on the delivery of the capital programme in terms of spend profile.

14.6. Operational Costs – The reserve provides for a number of planned operational activities. The main individual reserve items within this category are:

- Well-being (£11.5m) – this reserve was created during 2007/08 from the saving that resulted from a delay in the pay award from September 2007 to December 2007. It is planned to utilise this reserve to fund the modernisation of catering services (£6m) and a number of occupational health initiatives (£2.5m). The remaining £3m will be utilised in due course.
- Counter Terrorism (£13.9m) – this reserve was set aside to fund the costs of capital projects that have been rephased from 2007/08 into future years. Home Office approval for this treatment of the grant has been received.
- Communications Project (£6.4m) – this reserve was set aside to provide for an integrated communications system for the MPS. The reserve is expected to be utilised in full during the medium term.
- Sums have been set aside to fund a number of operational priorities such as Criminal Justice Initiatives (£6.2m) i.e. integrated prosecution teams, virtual courts etc, Youth and Violent Crime initiatives (£2.8m), Proceeds of Crime Act funded schemes (£2.3m), Kickz (£1.6m) to fund crime reduction projects funded with the Football Association, development of car pound facilities (£3.2m) and MetTime (£3.6m) to fund costs of the development of the system. There is also a legal reserve (£1.5m) set aside to cover any unbudgeted legal costs that are incurred and a Motor Insurance Reserve (£2.9m) set aside to provide for the MPA approved insurance strategy, which allows for savings on motor insurance premiums, a Pump Priming Reserve (£2m) was established to encourage new, more efficient and/or effective ways of doing business where there is a need for either 'repayable' pump priming monies or start up support (it is planned to include this reserve within the major change reserve in the future). In addition Property reserves have been established although

these reserves are planned to be utilized in 2009/10 and beyond to fund general budget pressures relating to contractual price increases within the Directorate.

- There are a number of other smaller reserves that have been set aside within this category including :
 - Covert Surveillance (£0.8m)
 - ICT Contract issues (£0.7m)
 - Special Priority Payments (£0.7m)
 - Virtual Courts (£0.6m)
 - Recruitment of trainers to develop the initial police training programme (£0.3m)

It is likely that these reserves will be utilised in full over the short-term.

14.7. Revenue support to Capital rephasing - This reserve has been set aside to cover the revenue impact of the rephasing of the Capital Programme. Following a review of the revenue impact of the capital programme, £6m was been removed from Dol's 'projects into service' provision for 2009/10 on the basis that, if needed, funding would be available in this reserve (£2m drawn down in 2009/10 by Period 6).

14.8. Major Change Programmes – this category of reserve has been earmarked to fund costs associated with the major change programmes that the organisation is currently embarking on, e.g. potential redundancy costs. The main individual reserve items within this category are:

- Met Modernisation (£10m) – this reserve was set aside from the underspend in 2007/08 and will fund costs associated with the organisation's modernisation programme.
- Service Improvement Fund (£13m) -this reserve has been set aside from underspends against the £15m revenue budget available to pump-prime major change programmes within the organisation.
- Transforming HR (£3.2m) – this reserve was set aside to reflect the revised profile of expenditure on the programme and will be utilised in full in 2009/10 as agreed by the MPA Finance and Resources Committee.

14.9. Budget Pressures – this reserve offers potential flexibility to support the overall budget, however consideration is being given to use some of this reserve to fund the future costs of the organisation's outsourcing programme and support the delivery of the SIP. The main individual reserve items within this category is:

- Budget Pressures (£19.6m) – this reserve was set aside to fund general pressures such as the re-phasing of reduction proposals, unanticipated demand pressure and pay and price volatility. The current forecast overspend in 2009/10 (Period 6) of £16.6m will require funding from reserves if the overspend position is not eradicated by the end of the year.

14.10. MPA Initiatives - this category of reserve has been set aside to fund projects that the MPA expects to undertake.

General Reserve & Emergencies Contingency Fund

14.11. At 31st March 2009, the general reserve balance was £47.5m which represented some 1.8% of the 2009/10 Net Revenue Expenditure. The

Emergencies Contingency Fund is available to assist in exceptional circumstances to support operational requirements, which will normally not have been budgeted for. This reserve totalled £23.1m at 31st March 2009.

- 14.12. In line with MPA policy, when the Emergencies/Contingency Reserve is taken into account the general resources available total £70.6m which represents 2.7% of the 2009/10 Net Revenue Expenditure.
- 14.13. At Period 6, there is a forecast overspend within the revenue budget of £16.6m. This overspend will require funding from a revenue reserve for Budget Pressures and obviously will impact on the overall level of reserves held by the organisation at 31st March 2010.
- 14.14. The Authority has a policy of maintaining a general reserve (including Emergency/Contingency Reserve) of at least 2% of Net Revenue Expenditure. Given the current uncertainties facing the MPA/MPS there are no proposals at this stage to make available any of the current balance to reduce the budget requirement. The Treasurer is required to determine if the level of general reserve is considered adequate given the level of earmarked reserves maintained and the risks faced by the MPA/MPS. Final decisions on the use of the general reserve will be made when the budget is finalised in February/March 2010.
- 14.15. This position will be kept under review pending the final approval to the 2010-13 budget.

15. Risk Assessment for Planning Period

- 15.1. The Service takes an active approach to managing risks and has developed a risk management framework to assess and manage corporate and directorate risks. The major risks which impact upon the medium-term financial plan are identified below:
 - **Delivering public confidence and satisfaction in policing.**
Given the size and complexity of the MPS, there continues to be a challenge in improving satisfaction levels, particularly at the point of initial contact, and our response to emergency calls from the public.
 - **Maintaining Performance**
The Service has a strong record of police performance and reducing crime. There continues to be a challenge to maintaining and improving the record within a period of recession and reducing resources.
 - **Enhancing Counter-Terrorism Capability and Capacity**
International terrorism continues to present a real and enduring threat to the safety and security of London's communities. This continues to have an impact on the Service, both in terms of work in the capital and undertaking the national lead on policing activity. The Service continues to work closely with Government on this activity.
 - **Preparing for the London 2012 Olympic Games and Paralympic Games**
The MPS is the national policing lead on the security of the London 2012 Games. This is a major programme of work and the Service is working closely with the Government in terms of ensuring resources and service capacity is adequate to support the delivery of a safe and secure London

2012 Games. There is also a need to ensure the policing legacy from the London 2012 Games is optimised.

- **Capacity and Capability**
The MPS spends some £3.6bn a year and employs over 50,000 officers and staff. The Service is engaged in major change programmes and areas of new activity including increasing levels of partnership engagement. To support this work and ensure the effective and efficient delivery of its business the MPS continues to review its approach to talent management with a view to achieving greater flexibility and the recruitment, development, and retention of key skills.
- **Capital Programme**
The downturn in the economy and the property market has had an adverse impact on the Authority's Capital Programme. This has placed additional pressure on the revenue budget in terms of both identifying funding to support the capital programme and the revenue consequences of maintaining assets which are no longer fit for purpose in delivering an effective and efficient police service.
- **Resources**
The financial landscape over the planning period continues to be challenging and is expected to worsen, particularly given the growing demand on the MPS's resources. The Service will continue to explore ways of increasing its productivity and efficiency to ensure resources are realigned to emerging priorities. This work will be carried out in the context of the Flanagan review of policing and the Government frameworks for Local Area Agreements, Public Service Agreements and Assessments of Policing and Community Safety as well as the outcome of the next comprehensive spending review.
- **Partnership Working**
The MPS Partnership strategy and plans for developing and delivering partnership working are built around four principles:
 - Partnership working is properly integrated into the Service's medium term planning and budget work;
 - Partnerships can demonstrate the delivery of added value and that their achievements outweigh the cost of developing and maintaining them;
 - Best practice is shared across the Service and proper guidance and support is available to Business Groups, and
 - Partnerships are supported by appropriate governance arrangements and comply with MPA/MPS decision-making and governance processes.

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

resource intensive although, over time, may result in efficiencies for some or all the agencies involved.

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

- **Non Compliance**
The Service has experienced a number of instances of non-compliance on issues of internal control against contract regulations and agreed systems of internal control. As a result, the Service has instigated programmes of work to embed its corporate governance framework across Business Groups. In addition, the Developing Resource Management Programme includes workstreams on the MPS Scheme of Delegation, contract compliance and management, corporate decision making, purchase to pay processes, strategic procurement plans, finance and resources support and advice and partnership work. Implementation of this programme aims to improve and embed effective internal control across the service.
- **Treasury Management**
All MPA investments are made in accordance with the Authority's Treasury Management Strategy and comply with the CIPFA Code of Practice for Treasury Management in local authorities. Amendments to the Authority's Treasury Management Strategy in response to the current financial market together with Bank of England decisions on interest rates have had a significant impact on the Authority's interest income levels.

15.2. The Authority received an unqualified opinion on its 2008/09 accounts, including for the first time on its value for money activity.

Police Use of Resources Evaluation (PURE)

15.3. In addition, the MPA/MPS achieved an overall score of 2 on its Police Use of Resources Evaluation (PURE) for 2008/09, which reflects adequate performance and remains unchanged from 2007/08 despite the assessment criteria becoming more stringent. The score judgement against the PURE themes is summarised below:

- Managing Finances 2
- Governing the Business 2
- Managing Resources 3

The work currently in progress on the corporate governance framework and the DRM programme will help the Authority/Service improve these scores.

Internal Audit Opinion

15.4. The Internal Audit Annual Report 2008/09 concluded that 'the adequacy and effectiveness of internal controls in the MPS falls below an acceptable standard' and highlighted a number of high risk systems where 'internal control fell well short of the expected standard'. The Director of Internal Audit did however note good progress in a number of areas including the work on the Developing Resource Management Programme which is seen as a 'key to ensuring a structured and effective enhancement of financial and business

capability, governance and control within the MPS' and the positive impacts of the implementation of the Service's Audit and Inspection Strategy.

Corporate Strategic Assessment

- 15.5. The MPS-wide objectives are set against the outcome of the annual Corporate Strategic Assessment (CSA) that analysed performance and intelligence information from across the Service, including business risks, emerging external issues and an assessment of the internal capabilities of the Service. The requirements of key stakeholders have also been taken into account. The aim of the Corporate Strategic Assessment (CSA) is to identify the key strategic issues/challenges facing the MPS and to directly inform corporate decision-making and planning to ensure that the organisation is best placed to fulfil its core role. It is not intended to reiterate activities that are 'business as usual' in terms of delivering the MPS's outcomes. The CSA is also intended to help the MPS influence strategic and policy development at a national level.

16. The London 2012 Olympic Games and Paralympic Games

Introduction

- 16.1. The overall security budget controlled by the Home Office is £600m.
- 16.2. The MPS is estimated to spend £301m in the three financial years from 2010/11 – 2012/13. The Home Office lead the London 2012 Olympic Safety and Security Programme, which constitutes c30 projects. All projects are subject to HO approval, are committed to covering all the additional costs incurred by the Service and approved under this process.
- 16.3. The MPS estimates incurring costs in a number of these projects as reflected in **Annex 7** (Exempt).
- 16.4. All figures quoted for the Olympics are estimates based on outline business cases. The Commissioner has delegated authority to ACCO and DoR to scrutinise the full business case for each of the projects. This scrutiny will be undertaken by the Olympic Strategic Coordination Meeting (OSCM) chaired by ACCO with representatives from all MPS business groups. Subject to ACCO and DoR approval business cases will then be passed to the MPA for final authorisation prior to submission to the Olympic Investment Appraisal and Monitoring Board (OIAMB) in the Home Office.

MPA Scrutiny

- 16.5. As agreed with the MPA Olympic and Paralympic Sub-Committee the majority of the proposed expenditure is subject to MPA scrutiny before a final request for funding is submitted to the Home Office.
- 16.6. The Memorandum account details those projects that will be subject to MPA scrutiny and those that will be approved through this budget process.

Projects

- 16.7. The costs for projects where no further scrutiny is proposed are predominantly for additional officers and staff to work within the MPS alongside existing officers and staff already undertaking similar activity but not in relation to the Olympics. For example.

- a team to work within the CO11 operational planning OCU, which will focus solely on the operational plans for the Olympic events,
 - an International Unit
 - a team to coordinate community engagement activity in Olympic boroughs
 - Operational planners within Transport and Specialist response
 - Technical support to GIS/mapping and the Olympic accreditation project.
- 16.8. All other projects will submit a business case to the MPA Olympic and Paralympic Sub-Committee for scrutiny before onward submission to the MPA Finance and Resources Committee and the Home Office.
- 16.9. Currently the Olympics are monitored as part of the MPA monthly process. Going forward there have been discussions with the MPA to on the development of an Olympics Projects monthly monitoring report, including traffic lights, to report and monitor Olympic projects.

17. Counter Terrorism Memorandum Account

- 17.1 The MPS have developed a memorandum account that aims to highlight the full cost of Counter Terrorism activity across the business groups. The account provides information regarding:
- Total costs of Counter Terrorism activity across the MPS (including overheads)
 - Funding available to support existing expenditure across the grant
- 17.1 The draft account is summarised in **Annex 8** (Exempt) and will be refined as more detail is obtained on activities across the Service.

18. Capital Spending and Borrowing Plan

- 18.1 The MPS's capital spending plan reflects the approved MPA Capital Strategy which focuses on the:
- Need to meet statutory requirements, or those resulting from a public enquiry
 - Compliance with health and safety enforcement notices
 - Essential replacement or upgrade of core infrastructure upon which other elements of the investment programme depend
 - Impact on delivery of MPS strategic objectives
 - Continuation or completion of projects where significant investment is already committed or where the MPA is already contractually committed
 - Delivery of significant capital or revenue savings
 - Delivery of business benefits with particular emphasis on performance improvement

The Strategy is supported by individual property, information technology and transport strategic plans, as well as developed asset management programmes.

- 18.2 Funding sources for the capital spending plan comprise Government grants, third party contributions, reserves, capital receipts, revenue contributions, other third party income and borrowing.

- 18.3 The corporate planning process involves a report being submitted to the MPA Finance Committee in November seeking approval to a seven-year capital borrowing and spending plan. The report will have received prior endorsement by the MPS Management Board. This will feed into the Mayor's Capital Spending Plan for the GLA Group, which will have been approved in February 2010.
- 18.4 The proposed capital expenditure for 2010/11 is £259.2m and a summary of the draft capital plan is included in the draft business plan. Details of the seven-year capital programme for 2010/11 to 2016/17 are shown in the main 2010-13 Policing London Business Plan.
- 18.5 The budget guidance requires that a borrowing and capital spending plan commencing in 2010/11 and spanning at least three financial years is prepared. To enable efficient and effective planning of investment requirements, the MPA/MPS has recognised that a more long-term perspective needs to be adopted. Therefore, the capital programme covers a seven-year period. The programme is reviewed on an annual basis.
- 18.6 The capital programme has in part been funded each financial year by the generation of capital receipts from the disposal of redundant or obsolete property and other tangible capital assets. The present downturn in the property market has resulted in a reduction in the level of capital receipts that will be available. Consequently the size of the capital programme that is deemed affordable has also fallen. To this can be added specific funds in respect of counter-terrorism initiatives, and assets to support the policing of the 2012 Games, as well as third party contributions for named projects. This would result in expected levels of expenditure of between £118m to £172m per year over the seven-year programme period.
- 18.7 The capital programme has been built upon the Authority being able to afford £40m of borrowing per year to support capital investment. This level of borrowing has been determined in accordance with the indicators set down within the Prudential (Code) borrowing framework. The Authority has reviewed its borrowing capacity and has agreed that a further £60m be made available as a contingency sum to ensure that key investment opportunities are not missed. It has been agreed that this additional £60m will be used to support the capital programme (£50m in 2010/11 and £10m in £2011/12) pending a review of the present asset disposals programme.
- 18.8 Borrowing is presently constrained by the Mayor's borrowing limits for the GLA Group as a whole, and the resultant capital financing charges and their impact on the revenue budget. A level of 'headroom' presently exists between the borrowing limits set by the Mayor for the Authority and the overall level of external debt actually held. This will allow for the proposed level of additional borrowing. The 'headroom' also provides much needed scope to the Authority in deciding when, and by how much, increased levels of borrowing may be considered. The situation will need to be closely monitored to ensure capital financing charges remain manageable.
- 18.9 It has also been agreed that capital and revenue reserves will be used in 2010/11 to enable core infrastructure projects to be delivered. This results, with the additional borrowing, in the planned expenditure level increasing from £172m to £259.2m.

- 18.10 The Authority has recognised that given the uncertainties associated with resources, capacity issues, and the time required to plan major schemes, that managing the capital programme represents a significant challenge. Tight management of the capital programme is required to ensure spend in any particular year does not exceed the resources available. It is also essential to limit 'slippage' in order that unused resources taken forward for completion of schemes will not raise concerns on the ability/capacity to deliver future projects.
- 18.11 Work continues on achieving the best match between investment needs and strategic objectives, with proposals for increasing capacity being assessed. However, concern over capital receipts and borrowing levels has meant that affordability of the programme in general terms, as well as its impact on the medium term budget has been a critical consideration. Review of the Authority's asset disposal and borrowing policies are underway to ascertain the opportunities for expanding the capital programme to meet the underlying demand for investment. The scope for securing specific grants e.g. EU development funds is also being explored.
- 18.12 The table below summarises the current implications of the proposed capital programme and spending plans against likely funding sources including affordable borrowing levels.

Proposed Expenditure	2009/10 £000 Budget	2009/10 £000 Forecast	2010/11 £000 Proposed	2011/12 £000 Proposed	2012/13 £000 Proposed
Main Programme	193,769	210,616	236,327	140,432	141,150
Over Programming	-15,040	-16,724	-37,511	1,173	-6,803
Olympics/Paralympics	27,066	1,190	34,842	12,738	17,535
Counter Terrorism	10,350	18,960	25,539	2,000	2,000
Capital Spending Plan	216,145	214,042	259,197	156,343	153,882
Funding Sources					
SIP Funds	8,150	7,112	12,240	2,580	30
Revenue Contribution to Capital Outlay - From Dedicated Revenue Reserves	2,000	5,048	7,376	1,856	0
Revenue Contribution to Capital Outlay - From In Year Revenue Savings	1,823	7,401	5,581	6,675	12,275
Other Capital Grants & Third Party Contributions	2,894	5,510	2,689	2,052	3,600
Olympics/Paralympics - Home Office Specific Grant	27,066	1,190	34,842	12,738	17,535
Counter Terrorism - Home Office Specific Grant	10,350	18,960	25,539	2,000	2,000
Dedicated Funding - Sub Total	52,283	45,221	88,267	27,901	35,440
Main Funding:					
Police Capital Grant	38,442	38,442	38,442	38,442	38,442
Capital Receipts	20,000	23,600	20,000	40,000	40,000
Capital Reserves - Main Programme	42,420	38,928	13,488	0	0
Borrowing (Supported + Unsupported)	50,000	54,851	40,000	40,000	40,000
Revenue Contribution To Capital Outlay - General Revenue Reserves	13,000	13,000	9,000	0	0
Main Funding - Sub Total	163,862	168,821	120,930	118,442	118,442
Total Funding - Present Position	216,145	214,042	209,197	146,343	153,882
Additional Unsupported Borrowing	0	0	50,000	10,000	0
Total Possible Funding	216,145	214,042	259,197	156,343	153,882

Prudential Indicators

18.13 The borrowing limits for the MPA is set by the Mayor and approved by Treasury. Problems were experienced last financial year in that the initial borrowing limits were set so close to predicted long-term debt figures that the MPS's financial flexibility would have been severely curtailed. However, this situation was resolved as a result of the decision to purchase New Scotland Yard. Initially the decision was taken to finance the acquisition through external borrowing. Consequently, it was necessary to approach the Mayor to raise the borrowing limits to allow for the total purchase sum of circa £130m to be secured from the money market. This was agreed by the Mayor. However, the MPA's cash position at the time of the purchase was such that it did not prove necessary for the full £130m to be negotiated as external debt. This has resulted in 'headroom' between the actual level of debt held by the Authority and the present borrowing limits. This provides much needed scope to the Authority in deciding when, and by how much, increased levels of borrowing may be considered. Full details of the Prudential Indicators are contained in **Annex 4**.

19. Financial Implications

- 19.1. This report is wholly concerned with the financial implications of the 2010/11 budget.
- 19.2. A robust financial strategy is an essential component of the MPS's planning framework. The agreed strategy (**Annex 5**) describes how the deployment of revenue resources contributes to the delivery of the MPS visions and objectives. It sets out:
- The Service's corporate planning objectives
 - Our approach to planning and controlling revenue expenditure
 - How we obtain resources for revenue and capital spending
 - The links to other strategies and plans
- 19.3. Given the uncertainties relating to the Service's evolving activities, it is difficult at this stage to determine with accuracy the cost of all these activities over the next three years. However all the submissions in respect of the 2010/11 budget include financial estimates for 2010/11, 2011/12 and 2012/13. Wherever possible, emerging issues over the next three years have been included in the draft business plan and budget.

Robustness Statement

- 19.4. As part of the requirements of the Local Government Act 2003, the Chief Finance Officer must report on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. For the MPA, the Acting Treasurer is the Chief Finance Officer and will report to the Finance and Resources Committee on the position on, and process for determining, the reserves held in respect of the MPA/MPS's activities.
- 19.5. The summary forecasts for 2009/10 contained in Section 4 of this report have been reviewed to ensure they reflect, as appropriate, the Service's financial position in the current year based on Quarter 2 monitoring. The impact that the forecasts have on the reserves means that the Authority should have adequate resources to meet identified liabilities and a degree of unforeseen risk.
- 19.6. The internal controls of the Service continue to be reviewed by the Authority's internal auditor as well as HMIC and the Audit Commission thus ensuring any risk to the financial standing of the Service is minimised.
- 19.7. Section 15 sets out the approach to risk management and the major risks over the planning period, including issues in respect of internal control and contract compliance where the MPA/MPS have achieved an overall score of 2 for 2008/09, which reflects adequate performance.
- 19.8. In accordance with the requirements of the Local Government Act 2003, the Service's financial position is monitored against the approved budget requirement and reported to the MPS SMT and the MPA Finance and Resources Committee on a monthly basis and to the Mayor and London Assembly on a quarterly basis.
- 19.9. Based on the information provided in this report and other information available to her, the MPA Acting Treasurer will, before the draft business plan and budget submission is made to the GLA, make a judgement on the

robustness of estimates made for the purposes of the calculations in this report and the adequacy of the reserves.

20. Strategy Implications

- 20.1. The budget and business plan submissions are fundamental elements of the framework established to deliver policing priorities and strategies, and also to support the Mayor's objectives. Within the Plan the Commissioner clearly defines what the Service aims to achieve (strategic outcomes) for policing London and the ways in which we will deliver the service (corporate objectives). Annual Business Group Business Plans and the Annual Policing Plan are developed to clearly demonstrate how the Service will deliver against the medium term (three year) corporate objectives to meet strategic outcomes, where resources are deployed to best achieve this, and how the Service will measure and monitor performance.

21. Equalities Implications

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

During 2009 the MPS published a new Diversity and Equality Strategy for 2009-2012. It has four strategic themes:

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

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

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

22. Environment and Sustainability

- 22.1. Environmental sustainability and social inclusion issues are also seen as drivers for improvement within the Service. More detail is contained within Annex 6.

- 22.2. The MPS is developing a Corporate Social Responsibility (CSR) Strategy for 2010-13 which clearly outline the ways in which the MPS contributes to an improved quality of life for all Londoners, and provides a new framework to report our sustainability performance against.

23. Shared Services

- 23.1. The Mayor's Guidance has asked for specific information to be provided as part of the budget submission on the work done by the MPA/MPS on shared services. Collaboration with the GLA Group functional bodies has been identified as a significant opportunity to achieve economies of scale and other benefits through shared services (e.g. IT).
- 23.2. The MPS is working to identify key interdependencies and present a coordinated approach to the GLA group Shared Services programme. We are developing our Shared Services approach as part of our Productivity work, one strand of the Commissioner's 5Ps. Shared Services is a key productivity theme encompassing a number of programmes and projects concerned with the sharing of resources both internally and externally.

Within the GLA group we are currently working in three main areas:

- Procurement
- IS/IT
- Property

- 23.3. The MPS however also works with other agencies and Police Services to deliver services in the most effective way possible.

24. Legal Implications

- 24.1. The Mayor is responsible for the preparation of the budget for the component and consolidated budgets of the GLA group including the MPA. The London Assembly's role is to scrutinise the budgeting decisions of the Mayor and to approve the Mayor's budget (with or without amendments) and to set a budget in the event the Mayor does not do so in time. Once the component and consolidated budgets are approved the MPA is responsible for approving the operational budget for the MPA and MPS.
- 24.2. The Mayor must consult the MPA before preparing the MPA's draft component budget requirement.
- 24.3. The determination of the component and consolidated budget requirements is expected to take place between December (when central Government's provisional financial settlement is published) and before the end of February when the budget will be finalised. The budget requirement set by the Mayor can be 'capped' by the Secretary of State under paragraph IVa of the Local Government Act 1992. The GLA's calculation of its budget requirements for the GLA group may not be questioned except by way of judicial review. This restriction applies as long as the GLA's calculation was made in accordance with the statutory procedures.
- 24.4. Expenditure or activities undertaken by the MPA, as a statutory body, must be based on the specific statutory powers given to it. Expenditure should

only be budgeted for activities which fall within those statutory powers and can only be spent for such purposes whether budgeted or not.

- 24.5. In considering the budget requirement for the MPA/MPS the Authority must, having regard to all relevant facts, balance the budget implications of service demands with its fiduciary duty to the council tax payer.

25. Meeting the MPA/Mayoral Requirements

- 25.1. Below is a table demonstrating how the Supporting Financial Information provides the financial information requested by the GLA’s Budget Guidance.

GLA Budget Requirement	MPS Information
Budget Requirement to Budget Requirement	2010/11 Budget Requirement (Section 5)
Service Analysis	Objective and Subjective Analysis- (Sections 5 and 8 and Annex 3)
Inflation	Section 5
Committed change	Section 7
Increases in service and new initiatives	Section 7
Savings and efficiencies	Section 6
Reserves	Reserves (Section 14)
Subjective analysis	Objective and Subjective Analysis (Section 5 and 8 and Annex 3)
Details on Committed change, increases in services & new initiatives and, savings & efficiencies	Reduction Proposals (Section 6 and Annex 1) and Growth Proposals (Section 7 and Annex 2)
Diversity in the workforce	Annex 6

- 25.2. Below is a table demonstrating how the MPS Corporate Objectives meet with the Major’s and MPA’s priorities.

MPS STRATEGIC OUTCOMES	MPS CORPORATE OBJECTIVES	MAYOR'S PRIORITIES	MPA METFORWARD
CONFIDENCE			
Convince communities we are on their side	Build confidence in the police by delivering on the Pledge and improving people's experience of our services	Confidence in Policing. Enhance MPS Professionalism.	Met Life - Confidence, Policing Pledge, Engagement, Crime Mapping. Met Standard - Customer service.
SAFETY			
Reduce crime and catch criminals	With our partners, make neighbourhoods safer by responding to local priorities, tackling crime and anti-social behaviour and reducing road casualties	Transport network & hubs (Tyrol). Town Centres (Agora). Safer Road Transport. Illegal Minicabs TfL. Community Safety activity.	Met Streets - SN teams, Town Centres (Agora), Visibility, Transport (Tyrol), 10,000 Specials. Met Specialist - Talking more. Met Partners - London Crime Reduction Board, Hate Crime, Criminal Justice. Met Standard -Borough resource
Be intolerant of violence	Reduce serious violence and protect young people	Gun & Knife Crime, Status Dogs. Children's and Young People's Strategy, Mayors Fund. Payback London. Time for Action programme. Violence against Women (VAW). Rape and sexual assault. Detective capability.	Met Streets - Knife Crime (Blunt 2), Dangerous Dogs (Cerberus), Met Specialist - Public Protection, Rape, Met Partners - JEMS, Serious Youth Violence, Violence against Women. Met Standard - Detective capability, Investigation.
	Reduce serious and organised crime by disrupting criminal networks	Gang Crime. Reduce trafficking for sexual exploitation.	Met Streets - Gangs (Kraken) Met Specialist - Organised crime
Deliver security of our streets	Enhance our CT capability and capacity while developing our approach to preventing violent extremism	Reduce risks of Terrorism.	Met Specialist - Counter-terrorism
	Plan for and effectively police major events in London and prepare for the 2012 Olympic and Paralympic Games	Review of Public Order policing London 2012 Games legacy.	Met Specialist - Public Order and Civil Liberties, Firearms and Tasers Met Olympics
IMPROVEMENT			
The right service at the right price	Lead and manage our service to ensure the most efficient, effective and economic use of all the resources entrusted to us	Living Wage for London. Equalities Framework - ELCfA Race and Faith Enquiry. Workforce modernisation. Value for Money, Financial Effectiveness & Rigour. GLA Group Procurement. Invest in Infrastructure. Quality of Life for Londoners. Sustainable Transport. Carbon Reduction -60%. Climate change - BEEP.	Met Life - Borough Commanders, Equalities. Met People - Leadership, Representative workforce, Workforce development, Benefits, Family support, ACPO review, Training Met Support - Finance & budgets, Estates, Procurement, ICT Met Standard - Culture change
PRESENCE, PERFORMANCE, PRODUCTIVITY, PROFESSIONALISM, PRIDE			

Reduction Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
2010-13 Proposals												
Staffing												
Enhanced management of the Police Officer Deployment Plan	-10,000	-10,000	-10,000									
HR - Special Priority Payments	-8,300	-8,300	-8,300									
Police Officer Overtime Efficiency Savings	-5,461	-5,304	-5,071									
Police Staff Overtime Efficiency Savings	-889	-899	-899									
SCD,CO,DCP,DPA,DoR - Police Officer and Police Staff Efficiency Savings	-3,254	-3,612	-3,638	-30	-34	-36	-28	-25	-26			
DoI - Reduction in police staff establishment following reorganisation.	-559	-715	-825				-8	-12	-15			
SCD - Removal of the July Review Group	-647	-647	-647	-4	-4	-4	-4	-4	-4			

Reduction Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
SCD - Removal of the proactive team (Operation Grafton)	-560	-560	-560	-9	-9	-9						
TP - Revision to Operation Herald profile (SIP)	-3,328	-695	-5,900									
SCD - Reductions through remodelling Murder Investigation Team and modernization	-2,000	-2,000	-2,000	-27	-27	-27	-7	-7	-7			
Reduction in London Safety Camera Partnership (LSCP) income received from TfL (2009/10)	0	0	0	-13	-13	-13	-63	-63	-63			
TOTAL Staffing	-34,998	-32,732	-37,840	-83	-87	-89	-110	-111	-115	0	0	0
Supplies and Services/General Efficiencies												
Supplies and Services/General efficiencies	-1,948	-6,330	-6,365	3	3	3	3	3	3			
HR - Efficiencies in Management of Uniform Storage (SIP)	-500	-1,000	-1,000									
HR - Fleet Management (SIP)	-1,400	-1,999	-1,999									

Reduction Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
Consultancy, marketing, R&D and other efficiencies.	-1,185	-1,731	-1,731									
CO - Deferred growth due to slippage in implementation of second permanent Firearms site.	0	-7,500	-7,500									
HR - Catering - efficiencies in the delivery of catering services throughout the Service. (SIP)	-1,000	-1,400	-1,400				-35	-50	-50			
SCD - Forensic reductions through greater management control and more efficient procurement. (SIP)	-4,000	-4,000	-4,000									
SCD - Non expansion of the Telephone Investigation Unit	-500	-500	-500	-2	-2	-2	-7	-7	-7			
DoI - Corporate Print Management Solution (SIP)	0	-840	-1,510				2	2	2			
Training delivery efficiency savings (SIP)	-2,438	-3,546	-3,652	-46	-58	-62	16	16	19			
HR - Transforming Human Resources (SIP)	0	0	-3,820**									

** staffing implications to be determined

Reduction Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
HR,DoR - Reducing the tax paid on police officers free travel (offset by direct costs of ATOC charges).	-857	-1,340	-1,292									
DCP - Reduction in provision for 3rd party claims linked to creation of G20 Civil Action Group)	-2,000	-2,000	-2,000									
HR - Recruitment Advertising savings	-100	-200	-200									
Total Supplies and Services/General Efficiencies	-15,928	-32,386	-36,969	-45	-57	-61	-21	-36	-33	0	0	0
Information Technology												
DoI - Evidential analysis rationalization	-500	-750	-750									
DoI - Reduction in pre-paid ICT transition costs draw down.	0	-1500	-7800									
DoI,TP - Improving Police Information (SIP)	-650	-3,780	-6,350									
DoI - Retire existing applications (SIP)	-3,118	-3,118	-3,118									
DoI - Corporate licensing and data retention savings	-700	-1,282	-1,282									

Reduction Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
Total Information Technology	-4,968	-10,430	-19,300	0	0	0	0	0	0	0	0	0
Other												
Review of centrally held budgets	-13,500	-20,000	-20,000									
TP - Reduction in TPHQ Budget (10%).	-6,297	-6,297	-6,297	-1	-1	-1	-79	-79	-79			
TP - Reduction in Borough Devolved Budget (5%).	-8,903	-8,903	-8,903				-145	-145	-145			
DoR - PSD - Delivery of Service (SIP)	-5,400	-12,201	-12,201				-65	-65	-65			
DoR - PSD - Real Estate Utilisation (SIP)	-2,971	-8,867	-15,387									
Specific grant review	-6,110	-6,110	-6,110									
Total Other	-43,181	-62,378	-68,898	-1	-1	-1	-289	-289	-289	0	0	0
Income												
CO - Increase Traffic and Criminal Justice's Income Target	-1,200	-1,200	-1,200									

Reduction Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11 £000	2011/12 £000	2012/13 £000	2010/11 No.	2011/12 No.	2012/13 No.	2010/11 No.	2011/12 No.	2012/13 No.	2010/11 No.	2011/12 No.	2012/13 No.
HR - Increased income from police officers and police staff Secondment budget.	-178	-178	-178									
Total Income	-1,378	-1,378	-1,378	0	0	0	0	0	0	0	0	0
TOTAL 2010-13 Proposals	-100,453	-139,304	-164,385	-129	-145	-151	-420	-436	-437	0	0	0
TOTAL full year effect 2009-12	-23,583	-29,268	-29,268	-521	-877	-877	-365	-366	-366	0	0	0
GRAND TOTAL	-124,036	-168,572	-193,653	-650	-1,022	-1,028	-785	-802	-803	0	0	0
MPA												
Metropolitan Police Authority												
Full Year effect of 2009-12 budget	50	50	50									
Corporate provision Total	50	50	50									
GRAND TOTAL MPA/MPS	-123,986	-168,522	-193,603	-650	-1,022	-1,028	-785	-802	-803	0	0	0

Growth Proposals

Description	Amount			Staffing								
	2010/11	2011/12	2012/13	Police Officers			Police Staff			PCSO		
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
2010-13 Proposals												
Staffing												
CO - Creation of 4.5 Band D Disclosure Officer posts in Traffic Criminal Justice Unit (CO16) to meet CPS requirements for dealing with disclosure issues.	157	157	157				5	5	5			
HR - Salary Sacrifice Scheme - 2009-12 saving not achievable following change in law	1,000	1,000	1,000									
TP - MSC - Increase to 6,667 posts (2 million total hours worked by all MSCs)	3,006	8,433	6,827	28	28	28						
SO - Increase to Dedicated Security Posts Funding (linked to a £1m reduction in DSP Police Overtime)	5,000	5,000	5,000	50	50	50						

Growth Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
TP - DDO posts to increase staff numbers to required establishment and linked to Drug Interventions Programme (DIP) testing which is no longer funded within the cash limited Home Office grant.	1,116	1,116	1,116				31	31	31			
CO - Establishment of G20 Civil Actions Review Group (linked to a reduction in 3rd Party claims provision and subject to business case review)	2,033	2,033	2,033	24	24	24	6	6	6			
DoI - Capitalised Staffing Pool (permanent staff replacing Agency staff for Capital Projects)							100	100	100			
CO - Firearms Command Unit Co-ordination Office	879	879	879	11	11	11	1	1	1			
CO - Implementation of F&R Modernisation programme.	280	280	280				7	7	7			
CO - Reinstatement of Accident Statistics Group in Traffic Criminal Justice Unit due to failure of the Traffic Reporting and Information System (TRIS).	396	396	396				13	13	13			

Growth Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
TP - Mainstreaming of Operation Blunt (net).	2,518	2,518	2,518	27	27	27	5	5	5			
DCP - Co-ordination of MPS wide legal work	515	515	389				5	5	5			
SCD - Additional growth required for Sapphire for Rape Investigations - Intelligence capability	1,300	1,300	1,300	9	9	9	16	16	16			
SCD - Implementation of HMIC Recommendation (Child Abuse) - Net	1,000	1,000	1,000	38	38	38	51	51	51			
TP - Review of Integrated Prosecution Teams	456	850	850				23	27	27			
TP - Review Virtual Courts project roll-out	0	1,300	1,300		26	26						
CO - Olympics Planning (Expenditure netted off by Home Office Grant)	0	0	0	37	74	-132	39	69	93			
SO - Realignment of Staff	0	0	0	50	100	100						
TOTAL Staffing	19,656	26,777	25,045	274	387	181	302	336	360	0	0	0
Supplies and Services/General Efficiencies												

Growth Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
DoI - Third-party agreements - savings through ICT supplier discounts. Previously submitted saving.	100	200	200									
CO - Crisis improvements to Traffic Criminal Justice Unit's legacy IT Systems due to failure of TRIS.	50											
Events Futures Management	378	421	252									
Dangerous Dogs - Kennelling.	1,500	1,500	1,500									
DoI - Support for Central Operations events - Airwave support costs.	230	230	230									
DPA - Confidence and Community engagement	1,000	1,000	1,000									
CO - Business Support and Emergency Preparedness	273	273	273	1	1	1	4	4	4			
DoR - Additional costs of borrowing £60m to fund the capital programme (Approved by MPA)	0	2,900	5,300									
DoR - Statutory increase in business rates.	2,680	2,680	2,680									

Growth Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
HR - Discretionary Pension implications of additional reviews of officers on restricted duties	1,000	2,000	3,000									
Total Supplies and Services/General Efficiencies	7,211	11,204	14,435	1	1	1	4	4	4	0	0	0
Income reduction												
Reassessment of recoverable income	4,710	8,110	5,710	-12	-12	-12						
DoR - Loss of income due to reduced interest rates (linked to approved Treasury Management Strategy)	1,300	1,300	1,300									
Total Income reduction	6,010	9,410	7,010	-12	-12	-12	0	0	0	0	0	0
TOTAL 2010-13 Proposals	32,877	47,391	46,490	263	376	170	306	340	364	0	0	0
Total Full Year effect of 2009-12	39,741	66,441	66,441	519	549	549	163	555	555	0	0	0
TOTAL MPS	72,618	113,832	112,931	782	925	719	469	895	919	0	0	0
MPA Metropolitan Police Authority Full Year effect of 2009-12 budget	352	487	487									

Growth Proposals

Description	Staffing											
	Amount			Police Officers			Police Staff			PCSO		
	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13	2010/11	2011/12	2012/13
	£000	£000	£000	No.	No.	No.	No.	No.	No.	No.	No.	No.
MPA Total	352	487	487							0	0	0
GRAND TOTAL MPA/MPS	72,970	114,319	113,418	782	925	719	469	895	919	0	0	0

Memorandum Service Analysis

Outturn 2008/09 £000		Original Budget 2009/10 £000	Revised Budget 2009/10 £000	Forecast 2009/10 £000	Budget 2010/11 £000	Budget 2011/12 £000	Budget 2012/13 £000
	Business Groups:						
1,481,388	Territorial Policing	1,387,560	1,412,062	1,431,908	1,435,852	1,500,896	1,512,420
395,100	Specialist Crime Directorate	389,745	403,018	399,532	422,406	433,536	437,788
241,286	Specialist Operations	5,471	5,839	7,171	9,434	9,959	6,749
226,064	Central Operations	200,517	200,469	206,191	207,915	214,444	218,220
252,728	Directorate of Resources	245,717	245,282	244,736	253,397	252,367	249,163
223,138	Directorate of Information	212,258	217,019	217,019	225,347	224,634	215,561
149,117	Human Resources	153,963	186,669	185,370	155,132	149,815	148,587
6,447	Directorate of Public Affairs	5,820	6,021	5,961	7,007	7,012	6,985
57,804	Deputy Commissioner's Portfolio	53,698	54,608	52,954	53,708	54,497	54,851
3,033,072	Total Business Groups	2,654,749	2,730,987	2,750,842	2,770,198	2,847,160	2,850,324
	Corporate Budgets:						
29,785	Discretionary Pension Costs	29,125	29,125	29,125	30,125	31,125	32,125
-3,348	Centrally Held	50,187	-21,244	-23,391	-31,255	-32,854	-31,854
16,048	Capital Financing Costs	23,100	23,100	21,908	23,700	26,900	29,300
-12,267	Interest Receipts	-2,100	-2,100	-2,284	-800	-800	-800
-535,576	Specific Grants	-127,704	-127,704	-127,704	-127,704	-127,704	-127,704
0	Savings to be identified	0	0	0	0	-110,753	-145,071
-505,358	Total Corporate Budgets	-27,392	-98,823	-102,346	-105,934	-103,333	-98,933
12,695	Metropolitan Police Authority	12,943	12,943	13,230	13,265	13,400	13,400
2,540,409	Net revenue expenditure	2,640,300	2,645,107	2,661,726	2,677,529	2,646,474	2,619,720
-3,428	Transfer from reserves	0	-8,241	-24,860	-4,229	-574	-320
58,019	Transfer to reserves	0	3,434	3,434	0	0	0
2,595,000	Budget requirement	2,640,300	2,640,300	2,640,300	2,673,300	2,645,900	2,619,400

Note: This analysis reflects a provisional allocation, for comparative purposes, of pay and price inflation to Business Groups. The final allocation of this centrally held provision will be determined later on in the budget process.

Capital Spend and Borrowing Plan

Prudential Indicators for the Metropolitan Police Authority

It is recognised that the underlying demand for capital investment cannot be satisfied at the present time due to financial restraints. These Prudential Indicators have been calculated on the basis of the level of funding shown as available to support capital expenditure for the period 2010/11 to 2016/17.

The level of capital receipts to be secured through the disposal of redundant and obsolete property is severely depleted at the present time due to the downturn in the property market. Once this situation changes it will be possible to carry out detailed work on Service demands to ensure the best match with strategic objectives can be achieved. Proposals for increasing capacity in provisioning departments can also be assessed.

The affordability of the programme in terms of its impact on the MTFP will be closely scrutinised. The programme requirements for 2010/11 and beyond should, therefore, be regarded as indicative at this stage. Further refinement of investment needs will be undertaken to align the longer-term plans of the Service to available resources. The prudential indicators will have to be reviewed in light of any changes made.

Annual Statement of Minimum Revenue Provision

For 2010/11 the Authority will make a minimum revenue provision in accordance with:-

(a) the capital financing requirement method for any borrowing undertaken prior to 2009/10, and for all borrowing undertaken since that date supported through the revenue grants settlement: and

(b) the depreciation method for unsupported borrowing undertaken in 2009/10 as permitted by the flexibilities provided under the Prudential Code.

This is the same policy as adopted by the Authority for 2009/10 and at the present time it is not expected to change for future years.

Affordability Indicators

1. Estimate of capital financing costs compared to net revenue stream.

2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
0.56%	0.62%	0.71%	0.78%	0.85%	0.91%	0.98%	1.09%

This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the authority. The Authority's external borrowing is considered low comparative to other authorities and there is a high level of investment income, but this indicator is still important because if the level of borrowing were to increase significantly an important factor in determining the existing and future levels of debt is the level of financial support from government.

The continuation of government support to existing debt commitments is therefore crucial in understanding the affordability, prudence and sustainability of our borrowing policy. It is anticipated that similar support as at present will occur. This indicator assumes the authority adopts the budget submissions in the present report. The authority has a history of utilising internal resources i.e. reserves to negate the need to go to the financial market and take out external loans. This practice is known as 'internal borrowing'. With reserves being heavily utilised during the downturn in the property market in order that investment levels can be maintained, external borrowing is predicted to commence during 2009/10. This is reflected in an increase over financial years in the estimate of capital financing costs compared to net revenue stream. The increased level of borrowing financing the capital expenditure programme also contributes to this.

2. Estimated incremental impact of capital investment decisions on the council tax.

2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
£0.54	£1.45	£0.28	£1.10	£1.10	£1.10	£1.10	£1.10

This indicator shows the actual impact of capital investment decisions on the Council Tax. The indicator is calculated by comparing the cost of the capital programme including proposed increased investment, against the cost of the capital programme assuming no change to the previously approved programme. The council tax cost reflects debt charges on unsupported borrowing, loss of interest on capital receipts used to finance new investment decisions, debt charges on new investment decisions involving supported borrowing reflecting the proportion of precept to budget requirement (reflecting the general non-government grant supported element of investment spending).

Prudence Indicator

3. Net borrowing and the capital financing requirement.

CIPFA's Prudential Code includes the following as a key indicator of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the authority should ensure that net external borrowing does not, except in the short term, exceed the total of Capital Financing Requirement in the preceding year plus the estimates of any additional Capital Financing requirement for the current and next two financial years"

Capital Expenditure Indicators

4. Capital Expenditure

2008/09 Actual £000	2009/10 Estimate £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
297,571	214,042	259,197	156,343	153,882	131,842	125,442	118,442	118,442

This indicator states the total capital spend covering all capital expenditure, not just that financed by borrowing. These figures include the assumptions of expenditure being incurred for Counter Terrorism and the 2012 Olympic and Paralympic Games,

which we are currently expecting to be funded from specific grants provided by central Government.

5. Capital financing requirement (at end of financial year)

2008/09 Actual £000	2009/10 Estimate £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
491,501	528,642	599,284	626,890	643,148	658,481	672,891	686,384	699,968

The capital financing requirement measures the authority's underlying need to borrow for a capital purpose. The Authority chooses not to associate borrowing with particular items or types of expenditure. The Authority has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The Authority has at any point in time, a number of cashflows (both positive and negative) and manages its treasury position in terms of its borrowings and investments in accordance with its approved treasury management strategy. In day-to-day cash management, no distinction can be made between revenue cash and capital cash. External borrowing arises as a consequence of all the financial transactions of the authority and not simply those arising from capital spending. In contrast, the Capital Financing Requirement reflects the authority's underlying need to borrow for a capital purpose.

External Debt Indicators

6. Authorised Limit for External Debt

	2009/10 Original £000	2009/10 Revised £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Borrowing	228,205	228,205	318,150	370,650	412,650	454,651	496,651	538,651	580,651
Other Long Term Liabilities	-	-	-	-	-	-	-	-	-
Total	228,205	228,205	318,150	370,650	412,650	454,651	496,651	538,651	580,651

This is the maximum amount that the authority allows itself to borrow in each year. The Treasurer reports that these Authorised Limits are consistent with the authority's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing. They are also consistent with its approved treasury management policy statement and practices. They are based on the estimate of the most likely, prudent but not worst-case scenario, with sufficient flexibility over and above this to allow for operational management, for example unusual cash movements. Risk analysis and risk management strategies have been taken into account, as have plans for capital expenditure and estimates of cashflow requirements.

The above figures reflect the understanding that from 2008/09 onwards the borrowing needs of the Authority will be matched by the negotiation of external loans. Figures are calculated on a cumulative basis taking account of PWLB repayment schedules.

7. Operational Boundary for External Debt.

	2009/10 Original £000	2009/10 Revised £000	2010/11 Estimate £000	2011/12 Estimate £000	2012/13 Estimate £000	2013/14 Estimate £000	2014/15 Estimate £000	2015/16 Estimate £000	2016/17 Estimate £000
Borrowing Other Long Term Liabilities	217,338	217,338	303,000	353,000	393,000	433,001	473,001	513,001	553,000
	-	-	-	-	-	-	-	-	-
Total	217,338	217,338	303,000	353,000	393,000	433,001	473,001	513,001	553,000

The proposed Operational Boundary for external debt is based on the same estimates as the Authorised Limit but reflects directly the estimate of the most likely, prudent, but not worst case scenario, without the additional headroom included within the Authorised Limit to allow for example for unusual cash movements and equates to the maximum of external debt projected by this estimate.

The concluding paragraph as noted above for the authorised limit for external debt also applies in respect of the operational boundary for external debt.

8. Actual External Debt (at start of financial year 2009/10)

Actual External Debt
1 April 2009 Actual £000
47,338

Treasury Management Indicators

9. Net Outstanding Principal – Limits in interest rate exposure.

Limits in interest rate exposure calculated with reference to net outstanding principal sums.

	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Upper limit on fixed interest rate exposures	95%	95%	95%	95%	95%	95%	95%	95%
Upper limit on variable rate exposures	30%	30%	30%	30%	30%	30%	30%	30%

This indicator reflects the requirement specified under the Code, however the outstanding principal payable and receivable from external loans and investments is exceedingly weighted towards investment.

10. Gross Outstanding Borrowing.

Limits in interest rate exposure calculated with reference to net outstanding borrowing sums.

	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Upper limit on fixed interest rate exposures	100%	100%	100%	100%	100%	100%	100%	100%
Upper limit on variable rate exposures	15%	15%	15%	15%	15%	15%	15%	15%

11. Gross Outstanding Investment.

Limits in interest rate exposure calculated with reference to outstanding investment sums.

	2009/10 Estimate	2010/11 Estimate	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate	2016/17 Estimate
Upper limit on fixed interest rate exposures	100%	100%	100%	100%	100%	100%	100%	100%
Upper limit on variable rate exposures	40%	40%	40%	40%	40%	40%	40%	40%

12. Maturity Structure of Borrowing – Upper and Lower Limits

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

	Upper Limit %	Lower Limit %
Under 12 months	30	0
12 months and within 24 months	30	0
24 months and within 5 years	30	0
5 years and within 10 years	40	0
10 years and above	70	0

13. Principal sums invested for periods longer than 364 days.

The Authority will consider the investment of sums for longer than 364 days but a ceiling of £40m presently operates. This was agreed by the MPA Full Authority on 30 March 2006.

14. The MPA has adopted the CIPFA Code of Practice for Treasury Management in Public Services.

Financial Strategy

Continually Improving the Use of Financial Resources

We will maximise the use of resources to achieve the Authority's objectives through: prioritised spending, ensuring value for money and optimising income. We will achieve this using a framework that supports inclusion and recognises the diversity of the community we serve.

1. Introduction

- 1.1. The MPS mission of WORKING TOGETHER FOR A SAFER LONDON aims to :
 - Convince communities that we are on their side
 - Reduce crime and catch criminals
 - Be intolerant of violence
 - Deliver security to our streets
 - Deliver the right services at the right price.
- 1.2. By focussing on these outcomes we will increase confidence and safety through PRESENCE, PERFORMANCE, PRODUCTIVITY, PROFESSIONALISM AND PRIDE.
- 1.3. The MPS Financial Planning Framework helps the MPS deliver this mission by ensuring resources are aligned to service objectives.

2. Revenue Expenditure

- 2.1. Revenue expenditure is recurring expenditure on the provision of services. Typical examples are employee's salaries, premises running expenses and costs of transport and supplies and services. Revenue expenditure also includes the costs of capital financing expenditure.
- 2.2. Local authority revenue expenditure is defined in Sections 41 and 42 of the Local Government and Housing Act 1989. In practical terms the definition means that revenue expenditure covers all expenditure other than capital expenditure, with capital expenditure being spending on purchasing, improving or constructing land, buildings and major equipment.
- 2.3. Revenue expenditure before deduction of income from fees, charges and grant is called gross expenditure and is a measure of the total amount spent in providing services. After deduction of relevant income it becomes net expenditure. The level of net expenditure is the main focus for the MPS, both in setting annual budgets and in comparing costs of services against other organisations and performance indicators.
- 2.4. The MPS has a clear aim to maximise income where possible. There are opportunities for partnerships between the police and third party organisations, e.g. local councils, for cost sharing where there is a dual benefit. These are supported and encouraged by the MPS and the MPA

where such initiatives facilitate the delivery of the Service's business objectives.

3. Capital

3.1. All capital investment should support core policing services and the achievement of key objectives. The key purpose of the capital strategy is to provide a clear picture of procedures for acquiring and managing capital assets.

3.2. The MPA has approved a capital strategy. The capital strategy focuses on processes to take forward a strategically led, priority driven, capital programme. To enable efficient and effective planning of investment requirements the capital programme spans a rolling seven-year period. This assists in securing strong links between capital investment and associated revenue costs. The effectiveness of the capital strategy will be reviewed annually in the light of changing needs and priorities. The current prioritisation process ensures capital investment meets MPS needs by considering:

- Impact on delivery of MPS Strategic Objectives
- Continuation or completion of capital projects where significant expenditure has already been incurred or where the MPS is already contractually committed;
- Where significant revenue or capital savings would result which could be reallocated elsewhere within the business;
- Business benefits of the project – with particular emphasis on performance improvement.

3.3. The whole capital programme is then assessed in terms of its overall feasibility:

- Revenue costs of borrowing the capital sums required to determine overall affordability;
- Levels of other funding sources, including grants and capital receipts;
- MPS's capability and capacity to implement the proposed capital programme. Both in terms of the project resources of the support departments but also the ability of the receiving departments to resource the necessary business change where applicable

3.4. The MPS Capital Programme Steering Group (CPSG) oversees the production of the Capital Programme, ensuring that there is efficient and effective governance of the Programme. The CPSG also monitors the delivery of the investment proposals.

4. The Prudential Code for Capital Finance in Local Authorities

4.1. A new system of capital finance took effect from 1 April 2004. CIPFA has prepared a Prudential Code for Capital Finance in Local Authorities in order to underpin the new system. Local authorities are now required by regulation to comply with the Prudential Code. For the purposes of the Prudential Code, the MPA/MPS is classified as a local authority.

- 4.2. Under the code, the MPA is required to set a capital spending plan and authorised limits for external debt. The Prudential Code has been developed as a professional code of practice to support local authorities in making these decisions.
- 4.3. The key objectives of the prudential code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. The Prudential Code sets out the indicators that must be used by authorities to show that they meet the objectives, and also sets out a clear governance procedure for setting and revising the prudential indicators.
- 4.4. The main issues covered by the prudential indicators are:
- Impact of capital plans on the council tax;
 - Level of capital expenditure;
 - Level of capital financing requirement;
 - Ratio of capital financing costs to net revenue stream;
 - Authorised limit and operational boundary for external debt;
 - Compliance with the CIPFA code of practice for Treasury Management;
 - Interest rate exposure and structure of borrowing and investments.
- 4.5. The MPA/MPS has developed a capital programme and identified the necessary funding. The MPA/MPS has also adopted the CIPFA code on Treasury Management and has clear procedures in place governing investments including weekly monitoring reports.
- 4.6. The borrowing limits for the Authority are set by the GLA.

5. The Planning Framework

- 5.1. The planning framework continues to be developed, to help the MPS fulfil its statutory policing functions, and other discretionary functions, within a financially balanced budget. It is a continually developing process which builds on the new approach to planning the MPS has adopted to ensure that financial planning and budgeting are driven by strategic priorities and business needs. In carrying out this work the MPA/MPS adheres to a number of budget principles:
- Priority to public-facing services
 - Alignment of resources to MPS corporate objectives
 - Improve outcomes and minimise unit cost of delivery
 - Achievability
 - Identification of medium term savings proposals not just concentrating on year one
 - Understanding the impact of cost reductions elsewhere within the organisation

All Business Groups are required to keep their business under review and deliver year on year efficiencies. In addition the Service has established a medium term Service Improvement Plan (SIP) as part of the budget and

business plan process. The SIP reflects the Service's focus on reducing support costs and overheads, areas of improvement requiring investment and the long lead in time to deliver change. The SIP is split into four productivity streams:

- Supplies and Services - to reduce the cost of supplies and services
- Lean Management - to eliminate waste, deliver improved service and value and satisfy customer requirements
- Shared Services - to realise the benefits of exploiting potential synergies that may exist internally and externally.
- Compliance - to reduce the costs of non compliance.

5.2 The integrated business and financial process contributes to the joint-working of finance and performance by providing Management Board and business groups with information that will be fundamental to supporting:

- Strategic decision making
- Making best use of resources
- Continuous improvement in productivity, efficiency and performance
- Accountability for the plans, as well as monitoring performance against plans
- Delivery of objectives, budgetary control and resource use
- Internal and external stakeholders, including the public

5.3 Additionally, the budget and business plan process aims to:

- Contribute to an effective Corporate Governance framework
- Consider budget bids against the established equalities framework;
- Consider budget bids against the established performance and objectives criteria
- Consider budget bids against the established sustainable development framework
- Ensure value for money (VfM) requirements are met
- Continually improve the link between operational business delivery and financial consequences

5.4 The Service budget and business planning process and its wider performance management framework is subject to internal scrutiny through Management Board and externally through the MPA, GLA and Audit Commission.

6. The Revenue Budget and the Three Year Plan

6.1. The revenue budget forms the first year of the MPS's three year financial plan and is approved each February as part of the budget and precept setting process. The budget is reviewed and rolled forward annually.

6.2. The budget document sets out outturn figures for the previous year, original and revised estimates of revenue spending for the current year, approved revenue estimates for the following year and forecast budget requirements

for the following two years. Figures are analysed objectively by Business Group and subjectively by expenditure type, e.g. employee costs. The budget and financial plan is an integral part of the MPS's Business Plan, which provides information at a high level and is supported by detailed work plans for each Business Group.

7. Financing Net Revenue Expenditure

- 7.1. The two main sources of funding for the MPA/MPS's net revenue spending are the General Police Grant and the Precept. Central Government determines the Police Grant and the GLA determines the Precept (the amount to be levied on the London Borough's to be collected via the Council Tax).
- 7.2. The MPS's ability to supplement its revenue resources is limited. However on an ongoing basis, the MPS is seeking to optimise income from other streams, e.g.:
 - Specific Government Grants
 - Partnership agreements
 - Sponsorship
 - Other funding streams e.g. EU Funding
 - Other Fees and charges
- 7.3. The MPA receives specific grants for a number of reasons. The impact of any changes to these grants is managed as part of the overall budget process.
- 7.4. Partnership activity is defined as any joint arrangement with other public and private sector bodies, which involves the use of joint resources to obtain a particular outcome. Under partnership agreements, the partner will have some involvement/influence in how the MPS uses any resources provided. The purpose of partnership agreements within the MPS is, in the main, to enhance public reassurance and to reduce crime and disorder.
- 7.5. The current main EU funding programmes against which the MPS is likely to be able to apply for funding are 'Security and Safeguarding Liberties' and 'Fundamental Rights and Justice'. The programmes are scheduled to run for the period 2008 – 2013 and are likely to involve annual calls for applications. The MPS continues to assess other EU programmes and whether there is a business benefit to the organisation in producing a bid for funding.
- 7.6. These funding streams are not guaranteed. Areas such as sponsorship and partnership are short-term deals, usually two years, which do carry some risk of discontinued funding. The MPS makes assumptions on the potential re-negotiation of such arrangements and feeds this into the medium-term financial plan.

8. Financial Planning Aims

- 8.1. The MPS does not have the revenue resources to do everything it would like to. In planning revenue expenditure we must ensure that the MPA meets its fiduciary duty for the proper management of financial matters and statutory

requirements for the provision of services. We are committed to providing the best possible value for money services to London Council Tax payers.

- 8.2. The MPS's approach to planning revenue and capital expenditure is to:
- Assist the development of strategies and plans that support the MPS's objectives
 - Demonstrate the delivery of key strategies
 - Make links between inter-related activities, e.g. Service Improvement Plans (SIP), the Annual Report, service scrutiny and review, strategies, medium-term plans, annual budget, risk management, and decision making processes
 - Keep Management Board and Business Group managers informed of the MPS's financial position as it is developed and refined to help them to determine priorities and reach decisions on the need for, and timing, of changes
 - Forecast changes in demand and match demand with resources
 - Optimise, both direct and indirect resources available and ensure resources are used effectively in delivering the MPS's objectives, including the development of appropriate income generation policies and strategies
 - Demonstrate the likely implications on spending plans of changes in legislation
 - Show how MPS policies compare with national plans
 - Provide the foundations for performance/efficiency reviews and continuous improvement
 - Assist consultation with partners and stakeholders on setting priorities
 - Provide an effective and flexible means of responding swiftly to a changing environment
 - Assist in setting the annual precept while recognising national constraints
 - Inform the MPA and GLA of all significant developments during the process.
- 8.3. The Financial Strategy, as the overarching mechanism for governing the use of revenue and capital resources, influences most of the MPS's strategies and plans.
- 8.4. The MPS works within the GLA group and has to work within the financial limits set by the Mayor who provides annual guidance on the anticipated level of funding available to the MPA/MPS. The Mayor's precept for the GLA group is subject to the Government's capping regime as determined by the Secretary of State. This means there is a need to balance the needs of the Service against the council tax burden on London residents.

9. Consultation

- 9.1. As part of the business planning process, and as required by the budget guidance issued by the Mayor, the MPA will consult key stakeholders on the budget submission. The MPA is responsible for ensuring that key stakeholders are consulted as part of this process.

10. The Budget Process

- 10.1. The timetable below gives a simplified picture of how the budget and business planning process works and links to other related processes:

On-going liaison between MPS and MPA, guidance, steer, etc to budget/business plan development	July to September
Initial response to Mayor providing information requested in guidance	October
MPS/MPA continue to work together to finalise the budget submission.	November
MPA sign off final Budget Submission to GLA	Late November
Provisional Grant Settlement	Late November, Early December
GLA/Mayor/London Assembly approve budget for MPA & consider capital limits	Mid February
MPS detail budget approved by MPA	March

11. Resources Allocation Guidelines

- 11.1. In planning revenue budgets the MPS has regard to:

- The stated vision and objectives;
- The implementation of MPS strategies;
- Fulfilling statutory obligations;
- Value for money and enhanced performance;
- Alternative funding sources (e.g. specific Government grants).

- 11.2. The MPA needs to maintain a level of balances sufficient to provide a working balance and meet any unexpected costs (e.g., from higher than expected inflation or extraordinary contingencies such as an unexpected and significant drop in interest rates or the effects of terrorism).

- 11.3. The MPA holds earmarked reserves for three main purposes:

- A contingency to cushion the impact of unexpected events or emergencies – this forms part of general reserves;
- A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this too forms part of general reserves;
- A means of building up funds to meet known or predicted liabilities or to smooth significant expenditure requirements – known as earmarked reserves.

- 11.4. Any general balances over and above a prudent level can be made available to assist the revenue budget. The MPA has a policy of maintaining a general reserve (including Emergency Contingency Reserve) of at least 2% of net revenue expenditure. Decisions on the use of earmarked or general reserves are made each year as part of the budget planning process.

- 11.5. The external auditor has responsibility to review the arrangements in place to ensure that financial standing is soundly based. This includes reviewing and reporting on the level of reserves taking into account their local knowledge of the authority's financial performance over a period of time. It is not their

responsibility to prescribe the optimum or minimum level of reserves for an individual authority.

12. Budgetary Control

- 12.1. Spending on the revenue and capital budget is controlled through the annual process of preparing estimates and by regular monitoring of performance against them.
- 12.2. The budget is structured to reflect the organisation of the MPS and to ensure responsibility for budgets throughout the management structure. Estimates on a constant price basis are prepared and responsible officers are expected to manage Service variations and deliver the approved level of service within the cash limit. Pay and price inflation is allocated to services on a set criteria basis. Virement procedures are available to assist managers. A budget provision for pay and non-pay inflation is held centrally and allocated to business groups where appropriate. However, the majority of non-pay inflation has now been built into Business Groups' bas budgets.
- 12.3. Progress is reported against the budget and business plan to the MPS Management Board and the MPA Finance & Resource Committee on a monthly basis. Progress is also reported to the Mayor and London Assembly (Budget Monitoring Sub-Committee) on a quarterly basis. The report details spend against profiled estimates for each Business Group together with explanations of significant variations and proposals for any corrective action necessary. Outturn estimates against the approved budget are also identified and explained.
- 12.4. Final accounts are prepared promptly in accordance with standard local government accounting conventions. All spending activity is subject to review by both internal and external audit and this assists in maintaining financial control.
- 12.5. The MPS has a Corporate Governance framework that includes a scheme of delegation and financial regulations. These arrangements are reviewed periodically and a programme of work is currently underway to ensure the Corporate Governance Framework is effective and remains fit for purpose. A corporate procurement strategy has also been approved which will assist in achieving value for money, supported by a Contracts Code. The MPA has a Corporate Governance Committee which regularly reviews and scrutinises the MPS governance framework.
- 12.6. It is a requirement of the Local Government Act 2003 that the MPA Treasurer, as the Authority's Chief Finance Officer, must report on the robustness of the estimates made for the purposes of the calculations, and the adequacy of the proposed financial reserves. Close working relationships are maintained between the MPA Treasurer and the MPS Director of Resources.

13. Scheme of Delegation

- 13.1. The Scheme of Delegation is intended to set out all significant functions and decisions which are delegated to officers (incorporating police officers and police staff) and which are of a statutory, financial or managerial nature,

other than those of a purely operational nature. The Scheme does not define how those decisions should be taken nor does it attempt to list all the matters which are incidental to the exercise of those responsibilities and which are part of the everyday management functions of authorised officers.

13.2. This document sets out functions delegated to officers of the MPS from;

- The MPA;
- The Commissioner of Police of the Metropolis (the Commissioner).

13.3. The Commissioner and any officers authorised by him, are responsible for the general management of their respective functions including:

- Management of staff resources;
- The effectiveness and efficiency of service delivery;
- Budget management;
- Contract tendering and management;
- Ensuring all staff are aware of and comply with MPS/MPA policies.

13.4. The Scheme of Delegation forms part of the MPS Corporate Governance Framework, which includes:

MPA

- MPA Standing Orders (including Financial, Contract Regulations and the Protocol on compensation cases);
- MPA Business Plan (incorporating the Medium Term Financial Plan).

MPA/MPS

- MPA/MPS Procurement Strategy and Policies.
- MPA/MPS Estates Strategy and Policies.

MPS

- MPS Scheme of Devolved Financial Management;
- MPS Financial Instructions;
- MPS Vision, Values and Behaviours;
- MPS Code of Conduct;
- MPS Equality Schemes;
- MPS Human Resources policies and procedures;
- MPS Internal Control Framework;
- MPS Management Board Operating Framework;
- Also, MPS Management structure including Business Group SMTs and supporting management arrangements, along with strategic committees.

14. Treasury Management

14.1. On 21 March 2002 the MPA formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Treasury Management in the Public Services as set out in Section 4 of that Code.

- 14.2. The Code requires that the MPA will receive an annual strategy and plan in advance of the financial year. This report is submitted in accordance with that requirement.
- 14.3. Additionally, guidance issued on 1 April 2004 by the Secretary of State under Section 15(1) (a) of the Local Government Act 2003, requires an Annual Investment Strategy that contains specific reference to the security and liquidity of investments.
- 14.4. Furthermore under Part 1 of the Local Government Act 2003 local authorities are required by Regulation, effective 1 April 2004, to have regard to the Prudential Code for Capital Finance. The Prudential Code introduced requirements for how capital spending plans are considered and approved as part of an integrated treasury management strategy.

15. Sustainable Development

- 15.1. The financial planning framework promotes the delivery of the policing service whilst having proper regard to the environment within which it operates and to the diversity of the community it serves. The MPS recognises its corporate social responsibility to ensure that key sustainable issues such as environmental management, equalities and diversity, health and safety are monitored and managed.
- 15.2. The MPS recognises that the socially responsible investment of funds can have a significant positive impact on communities and the environment. In managing its investment portfolio the MPS applies an ethical investment policy which, after consideration was agreed by the MPA and will be reflected in the 2010/11 Treasury Management Strategy.

MPA/MPS Sustainable Development Submission 2010/11

1. Introduction

- 1.1 The current MPS Environmental Strategy (2005 – 2010) will conclude in March 2010. Moving forward, the MPS is currently developing a new Corporate Social Responsibility (CSR) Strategy for 2010-13, which will seek to show how the MPS, in delivering an effective and efficient policing service, considers its environmental, social and economic impacts and contributes to the sustainability of London and the UK. The Environmental Management Programme (EMP) will remain a key delivery mechanism, setting out how the MPS will tackle the priority issues of climate change, waste, resource consumption and environmental crime.
- 1.2 To support the development and delivery of the CSR Strategy for 2010-13, a CSR Manager has been appointed within the Environment and Sustainability Team. Their focus is on extending MPS environmental reporting and best practice to include the social and community elements of sustainability and also mainstreaming sustainability throughout MPS corporate planning and decision making processes.
- 1.3 The following Sustainable Development Budget Return and supporting information should be viewed in the context of MPS growth both in terms of revenue (11.9% since 2005/06), staffing levels (6.9% since 2005/06) and the changing nature of MPS operations. In March 2009 the MPS headcount was 51,600, which was an increase of 1.1% on the previous year.

2. Environmental Sustainability

Environmental sustainability is championed at a senior level by the Director of Resources, and is managed through the MPS' Environmental Management Programme. The EMP contains targets and environmental key performance indicators, with performance reviewed quarterly by the MPS Environmental Strategy Steering Group, and monitored by MPS Resources Board, and Performance Board. Detailed performance data and initiatives are reported annually in the MPA/MPS Environment Report (October publication). Environmental priorities and areas of emphasis for the MPS for 2010-11 are detailed below:

- 2.1 The MPS continues to report a positive trend in **reducing energy consumption** despite the organisation growing significantly since the baseline year of 2005/06. It is expected this will continue into 2010-11 in line with the MPS Climate Change Action Plan targets. In 2008/09, based on actual data and against the baseline, MPS energy consumption decreased by 4.2% and consumption per employee significantly reduced by 10.5%. This is within the context of 2008/09 colder winter temperatures affecting overall performance and a resultant increase in gas consumption.
- 2.2 Since 2005/06, MPS **carbon emissions** resulting from buildings have stabilised: levels for 2008/09 have reduced by 0.3% on the baseline. A number of factors influenced 2008/09 performance, including the worsening grid mix for electricity. This resulted in an increase of MPS carbon emissions by 1.5% (2,400 tonnes) on the previous year. The MPS continues to counter balance the impact of growth from an expanding workforce through

implementing energy efficiency initiatives to reduce the carbon footprint of the organisation. In 2008/09, carbon emissions per employee decreased by 6.6% on the baseline. As part of the Mayor's Climate Change Action Plan (CCAP), the MPS has committed to a number of targets to reduce carbon emissions resulting from our building energy use. The MPS is dedicated to reducing carbon dioxide (CO₂) emissions by 10% on 2005/06.

- 2.3 To deliver the above CO₂ emissions target the MPA approved a three year £5.725m **CCAP fund**. In addition a further £2.5m in 2011 and £2.5m in 2012 has been identified to support carbon reduction projects. The CCAP delivery plan primarily focuses on the largest 45 buildings within the MPA portfolio, as the MPS has identified these are responsible for more than 70% of the estate's CO₂ emissions. At the end of 2008/09, emissions from energy used at the top 45 sites had reduced by 2.9% on the 2005/06 baseline year¹. Since the programme mobilised in 2007/08, a total of 57 energy saving projects have been ordered, with 36 already commissioned and completed. There are 21 projects to be delivered during 2009/10; these expect to realise savings of 8,511 tonnes of CO₂ and £1.67m per annum. Therefore, total forecast savings for the 57 projects amount to 11,704 tonnes of CO₂ and £2.19m in energy cost savings. This includes 10 BEEP projects (see BEEP section below) and multiple energy saving technologies. Typically CCAP carbon reduction projects have a payback of less than 10 years.
- 2.4 The MPS is working hard to deliver these projects in a challenging environment and we have been working with our partners to develop solutions. The majority of technologies funded through the MPS CCAP will be implemented during 2009/10 with the full benefits realised from 2010/11 onwards. The MPS is intending to fully review the CCAP performance in 2009/10 to inform the development of targets and strategy going forward. The MPS is further committed to a longer-term target to cut emissions by 30% by 2025, whilst recognising that London will need to make further carbon reductions to avert climate change and contribute to the Mayor's target to reduce carbon emissions by 60% by 2025.
- 2.5 The Greater London Authority is working with the Clinton Climate Initiative (CCI), including the C40 cities programme where London became the first city in the world to sign up to an energy efficiency retrofit programme for public sector buildings. To support this, the MPS is a member of the Steering Group for the Mayor's **Building Energy Efficiency Programme (BEEP)**. Energy Services Companies (ESCOs) have been commissioned to deliver significant reductions in utility costs and consumption across designated GLA sites using energy efficient technologies, backed with an energy savings guarantee. In 2009 the MPS selected a first tranche of 10 buildings to participate in a pilot to test the model. The works identified include five installations of photovoltaic (PV) cells and two Combined Heat & Power plants. Work has already commenced at a number of the ten MPS sites and will continue throughout 2009/10. Collectively the MPS projects are expected to save 2,163 tonnes of CO₂ and £459,456 per annum, which will begin to be realised in the latter part of 2009/10 and 2010/11. The MPS have contributed lessons learnt from the pilot to the BEEP Steering Group and contributed to the development of a new framework for London (led by the LDA) using the

¹ Applying constant correction factor.

BEEP model. As part of the review of performance against the CCAP the MPS will fully review its mechanisms for delivering carbon reductions including the new BEEP framework to develop options for MPA approval.

- 2.6 In 2008/09, overall **carbon emissions from MPS operational vehicles** (road, boats and helicopters) have increased by 2.5% on the previous year. This is primarily due to an increase of 2.3% in the fuel consumption of our road vehicle fleet, which has resulted in a 3% increase in carbon emissions. However, carbon emissions have reduced from both boats (4.7%) and helicopters (4.5%). Additionally average carbon emissions of the car fleet have reduced by 1.7% on the previous year to 169 gCO₂/km and there has also been a 7% reduction in daily car hire utilisation. The MPS is currently reviewing its vehicle fleet as part of the Service Improvement Plan to identify further efficiencies, as well as exploring options for use of alternatively fuelled and sustainable vehicles. The MPS has led on a review of the GLA family vehicle fleet to identify scope for vehicles as part of the Mayor's Electric Vehicle Delivery Plan. The MPS has submitted recommendations to the MPA to lead on the establishment of a pan London public sector framework for electric vehicles, and is working with the DfT to agree an appropriate funding mechanism for additional vehicle costs as part of the Low Carbon Vehicles Public Procurement Programme.
- 2.7 **Carbon emissions from operational air travel** in 2008/09 have decreased by 1% on the previous year and by 29% on 2005/06 baseline levels. During 2008/09 the MPS continued to offset carbon emissions associated with its operational air travel through the Government Carbon Offsetting Scheme (GCOF I), which funds emission reduction projects of equivalent value in developing countries. MPS offsetting processes follow the 'polluter pays' principle whereby individual business units pay directly for the tonnes of carbon generated by their activities. The MPS is working with Government on the development of GCOF II, which is due to be launched in autumn 2009. The MPS will review its policy on offsetting emissions as part of the development of its CSR Strategy for 2010-13.
- 2.8 In 2008/09 the MPS continued to work in partnership with Transport for London (TfL) to develop the **MPS Corporate Travel Plan Framework** which builds upon previous work delivered through the **MPS Sustainable Travel Plan**. To inform the framework, the MPS carried out travel audits and employee surveys for 36 of our largest sites. The results were analysed to develop targets and recommendations to improve the sustainability of employee and business travel. The MPS continues to utilise more sustainable forms of transport for operational policing including approximately 2,000 bicycles, 123 hybrid vehicles and four electric Smart cars.
- 2.9 During 2008/09 the MPS continued the implementation of **sustainable waste management** plans for the MPA estate to achieve the 45% recycling level and 25% waste reduction level by 2010 through our Facilities Management Services (FMS) contract. In the last financial year the MPS generated 7,694 tonnes of office waste which is a reduction of 24.9% on 2004/05 levels. Following the promotion of waste minimisation initiatives the MPS has reported a 2.79% reduction in paper consumption. The installation of office recycling schemes at 91 MPS sites has led to an increased total recycling rate of 41%.

- 2.10 Often minority and/or marginalised communities experience environmental injustice through higher levels of environmental crime. A key tactic for tackling environmental crime in London is through the **Safer Neighbourhoods** community policing initiative, which seeks to improve local quality of life through a reduction in crime and the fear of crime. In 2009, Safer Neighbourhoods Teams' involvement in the Capital Clean Up Campaign saw every MPS Borough organising two clean up projects focusing on littering and graffiti to improve standards of local environmental quality across London. [See Community & Social Inclusion section for other aspects of the Safer Neighbourhoods initiative.]
- 2.11 The **MPS Wildlife Crime Unit (WCU)** is responsible for the coordination and management of wildlife law enforcement, awareness raising and the provision of support to Borough Wildlife Crime Officers (BWCOs) within the London area. It works in close partnership with other agencies including Government, Non-Governmental Agencies (NGOs) and charities both in the UK and internationally. As well as protecting indigenous species, the WCU focuses on combating the illegal trade in endangered species of rare plants and animals. Since its launch in 1995, Operation Charm has been responsible for the seizure of more than 40,000 items made from endangered species. It is currently the only current police initiative against the illegal trade in endangered species in the UK. In autumn 2009, a Wildlife Crime Action Plan has been developed to formalise the MPS approach to tackling wildlife crime issues in London. The action plan provides a framework to deliver enhanced performance on wildlife crime by ensuring consistency of approach and management.

Environmental Sustainability Expenditure Analysis 2010-11

Detail	No. of Staff	Revenue	Capital
	2010/11 £000	2010/11 £000	2010/11 £000
Sustainability Staff			
Environment & Sustainability	3	193	
Recycling Officer	1	48	
Supplier Diversity and Environmental Manager	1	67	
Energy Manager	1	125	
Energy Conservation Officer	1	54	
Climate Change Programme Manager	0.5	<i>(included in CCAP capital costs)</i>	
Energy Engineer	2	<i>(included in CCAP capital costs)</i>	
Energy Manager Special Projects	0.5	35	
Programmes			
Part funding GLA Sustainable procurement unit		120	
Climate Change Action Plan (CCAP) - Building energy efficiency			1,240
Energy and water efficiency benchmarking, CCAP programme costs		375	
Carbon Reduction Commitment		0	
Energy/utilities management consultancy advice		100	
Sustainability/Environmental consultancy		70	
Energy monitoring – Meter operator contract		75	
Sustainable design - micro generation and renewables, rain water harvesting, and sustainable materials (3-5% of MPA development costs – figure is dependent on project programme and approvals)			
Air travel carbon offsetting		135	
London Cycling Campaign		1	
London Liftshare		2	
Green 500		1	
Hybrid lease vehicles		298	
MPS bicycle purchase		123	
Cycle training		40	
Procurement of recycled products		1,250	
Water Efficiency (see above energy and water benchmarking and sustainable design, which includes rainwater harvesting systems and water efficient fittings)			
Total	10	3,111	1,240

3. Social Sustainability

- 3.1 In January 2009 the MPA approved a **Four Year Responsible Procurement Strategy**. In order to successfully implement the strategy a dedicated resource - a Supplier Diversity and Environmental Manager - was recruited. The MPS continues to partially fund the GLA Group's central Responsible Procurement team, to assist with the implementation of the GLA Responsible Procurement Action plan and sharing of best practice. The ongoing development and implementation of the Action Plan will be a key mechanism for delivery of social sustainability benefits. Since January 2009 the MPS has implemented the London Living Wage through its Facilities Management Service cleaning contract. Additionally the MPS has committed to paying SMEs within 10 working days and is currently paying 78% of its SME supply chain within this deadline. This is an increase from 14% of its SME supply chain in February 2009.
- 3.2 Also in 2009, the MPS achieved a gold award in the second audit for the **Mayor of London's Green Procurement Code**. The audit recommendations will be addressed in 2009/10 onwards as part of the Responsible Procurement Strategy.
- 3.3 **53 apprenticeship opportunities** were offered by the MPS in 2008/2009. A detailed delivery plan (agreed with the GLA Apprenticeship Steering Group) is now in place to ensure that the MPS meets a target of at least 150 new apprenticeship places in 2009/2010. Commencing in October 2009, 100 staff will enrol on a range of adult apprenticeship qualifications to develop and enhance skills. Additionally, the MPS is working with the GLA Procurement team to incorporate apprenticeships and wider skills and employment requirements into relevant supply chain contracts, particularly our key suppliers.
- 3.4 Since April 2009, 123 **work experience placements** have been provided to young people across the MPS at multiple locations and Directorates

4. Diversity and Equality

- 4.1 The MPS is committed to recognising and responding to the needs of the diverse communities it serves. It is only through this that we can police effectively. During 2009 the MPS published a new **Diversity and Equality Strategy for 2009-2013**. The strategy has four themes: Delivering fair and responsive services; Enhancing community engagement; Workforce and working culture and Governance & performance management. The strategy will drive the organisation in the delivery of our primary Policing Pledge commitment of fair, dignified and respectful treatment and support how we go about building a talented workforce and developing it to its full potential. It sets priority areas and objectives to benefit the organisation and London as a whole.
- 4.2 In support of the strategy the MPS is implementing the **Equality Standard** for the Police Service for launch in early 2010. This is a national standard being adopted by all police forces. The Standard is a means of measuring and monitoring the achievements and improvements the MPS are making

through the delivery of the Diversity and Equality strategy. It will provide an assessment mechanism that can be used across the organisation to identify and address any gaps in service delivery and allow good practice to be identified and shared.

5. Partnerships

The MPS is committed to building effective partnerships with other organisations and recognises the potential for partnership working to support our mission, improve service quality and deliver cost effectiveness. Partnership working supports the MPS CSR agenda by delivering efficient joined up working and ensuring that wider social issues are recognised through broader stakeholder dialogue. The following programmes and initiatives are priorities or areas for specific emphasis for the MPS in 2010-11:

- 5.1 Establishment of Crime and Disorder Reduction Partnerships (CDRPs) of Local Authority, Health, Probation and police authorities to co-operate and collaborate with a range of organisations to develop local strategies to tackle the problems of crime and disorder across London.
- 5.2 The MPS is joining forces with the UK Borders Agency (UKBA) to tackle immigration crime that blights London's communities. Codenamed Operation Swale, the alliance is being formed in order to crackdown on a small minority of foreign nationals and some UK citizens involved in immigration-related crime and to boost public confidence.
- 5.3 The Safer London Foundation which is a charitable limited company for the MPS to provide funding, research, education and product services to help reduce crime and increase public safety in local neighbourhoods and across London.
- 5.4 The Safer Schools Partnership is a collaborative approach between a school, police and other local agencies working towards the following aims: To reduce the prevalence of crime, anti-social behaviour and victimisation amongst young people and to reduce the number of incidents and crimes in schools and their wider communities.

6. Community & Social Inclusion

Community engagement and social inclusion initiatives are core to MPS policing activity and contribute to the MPS CSR agenda. The following programmes and initiatives are priorities or areas for specific emphasis for the MPS in 2010-11:

- 6.1 The MPS aims to increase the number of **Special Constables** to over 6,500 by 2012, through a wide range of high-profile recruitment campaigns as well as localised recruitment tailored to the needs of each of the 32 MPS boroughs. Special Constables come from a variety of backgrounds (31% BME, 32% female as at 31 August 2009) and volunteer their time to patrol the streets or work in specialist roles. They have the same powers as regular Police Officers, meaning that the Metropolitan Special Constabulary significantly contributes to preventing and detecting crime, whilst providing a high level of reassurance across the capital. A significant component of the Metropolitan Special Constabulary is the Employer Supported Policing (ESP) programme. Staff from a range of industries and sectors are supported by their employers by the provision of leave for training and duties as Specials, with the patrols being relevant or local to the employer's premises or

industry. The ESP partnership is designed to tackle local crime, disorder and other priorities. Key employer benefits include workplace crime reduction, significant staff personal development without the direct training costs for the business, an increase in team productivity through a greater sense of security and enhancement of the employer's Corporate Social Responsibility portfolio. In addition to external employers supporting over 130 of their staff through the ESP programme, the MPS itself supports over 450 of its own Police Staff to be Specials through the programme.

- 6.2 **The Met Volunteer Programme (MVP)** provides volunteers to support the Metropolitan Police Service, enhancing and adding value to core service delivery. In 2008, 1,381 volunteers gave support across all 32 Boroughs with additional involvement with the Olympic Security Directorate and the Training and Development Unit. Met Volunteers come from a variety of backgrounds; currently 18% of volunteers are aged between 18 - 24 years old, 20% over 65 and 44% from the BAME community. 69% of London's wards have at least one MVP volunteer living within it, demonstrating that volunteering opportunities are reaching much of London. In quarter one of 2009, over 70 volunteering opportunities were available to volunteers with the majority of support provided to Safer Neighbourhoods, front counter and role playing activities. In a poll undertaken during National Volunteers' Week in June 2009, managers, police officers, staff and volunteers were asked what difference the MVP made to them. Feedback was overwhelmingly positive, with comments like: "Volunteering within the Met has given me access and insight into how the Met operates, my own pre-conceptions have been challenged...It's really great that the Met are accessible to the public, I feel the Met is reaching out to our community for help and support by working together."
- 6.3 A key means of engaging with communities is through the **Safer Neighbourhoods** community policing initiative. Working with the community is a key aspect of the programme, which seeks to improve local quality of life and reducing crime and the fear of crime through tackling local priorities that are known to have a disproportionate effect on peoples' perceptions of safety and security in their homes and neighbourhoods. Currently 630 dedicated teams of Police Officers and Police Community Support Officers work across 32 London Boroughs to deliver the Safer Neighbourhoods initiative.
- 6.4 **Community Payback** in London is a strand of the Safer Neighbourhood's Programme and is a partnership between London Probation, the Metropolitan Police and local authorities. Community Payback enables unpaid work done by convicted offenders in London to make a positive contribution to the local environment. Currently in 2009 there are 420 Community Payback Projects running across the capital each week. Schemes of work are suggested by members of the public predominantly through local Safer Neighbourhoods Panels and the 'Have Your Say' functionality on the MPS' Safer Neighbourhoods webpage.
- 6.5 To work within the Home Office "Strategy for a Healthy Police Service 2007 – 10", the MPS continues in 2009/10 to proactively manage Health & Safety through the implementation of the MPA/MPS **Health and Safety Policy**, facilitating the promotion and development of effective health and safety risk management practices across the organisation. The targets to be achieved by 2010 are challenging but achievable.

6.6 Approximately 9,000 **accidents** affecting MPS personnel or on MPS premises are reported every year. A comparison of the period of September 07 - August 08 against September 08 - August 09 indicates the following trend:

- Total Accident rate (per 1,000 employees) fell by 9%
- Major injuries rate fell by 16%
- Over 3 Day injuries rate fell by 15%

