

MOPAC/MPS BUDGET SUBMISSION 2019-20 to 22-23

1. BACKGROUND

- 1.1. Keeping Londoners safe is the Mayor's top priority. This submission proposes a budget which does everything in the Mayor's power to achieve that. This submission proposes a balanced resource budget in 2019-20. It maximises the number of officers with the funding available, supports much-needed investment in a transformation programme to invest in technology and an estate which provides officers with the tools they need to do their job.
- 1.2. This is against the backdrop of increases in the volume and complexity of crime across London and the UK; total notifiable offences recorded by police have been on an upward trajectory since the summer of 2014. Currently all major crime types excluding criminal damage have seen an increase in recorded crime on the previous 12 months – a trend that has been seen across England and Wales. Non-crime demand is rising too. The demands for protecting our most vulnerable in society, particularly children, have their own unique pressures.
- 1.3. The demands being placed on the MPS are growing in number, size and complexity. Increasing volumes of complex crime, a growing population, rapidly changing demographics, higher income inequality and child poverty levels and higher levels of vulnerability exacerbate these challenges in the capital. The London region bears the largest share of the organised crime threat to the UK and the MPS manage a majority of the terrorist threats. The sustained rise in public order events is anticipated to continue. Fluctuating demand and threats create a complex policing environment.
- 1.4. The MPS has continued to prioritise improvements in efficiency, including a whole-scale transformation of back office support services, reduction in management overheads and a sustained increase in front line productivity through technology – having rolled out 30,000 mobile devices. The MPS have an ambitious forward-looking transformation portfolio which stretches into the 2020s.
- 1.5. Meanwhile, Government funding has been reduced in real terms. The Government's Autumn Budget in November 2018 committed funding in 2019-20 towards Counter Terrorism Policing, but did not make any commitments on additional funding for other areas of policing, despite police forces facing new emerging pressures, including increased employee pension contributions costs. Furthermore, the continued refusal of the Government to increase Police Grant and fully fund the National and International Capital City Grant (NICC) means that the extent of the savings needed to close the resulting funding gap leaves the MPS to make tough choices on where best to allocate scarce resources.
- 1.6. The MPS' balanced resource budget in 2019-20 is predicated on the use of one-off mitigations. The use of one-off mitigations means that in future years there remains

significant cumulative budget gaps of £112.7m in 2020-21, £115.5m by 2021-22 and £239.5m by 2022-23.

- 1.7. This paper sets out the proposed MOPAC/MPS revenue and capital budgets for the period 2019-20 to 2022-23 for approval by the Deputy Mayor for Policing and Crime for submission to the Mayor. These have been prepared in accordance with the Mayor's Budget Guidance issued in June 2018 and will form part of the overall GLA Group Budget to be agreed in February 2019.
- 1.8. The MPS' own Capital Programme (excluding Counter Terrorism) is £1.4bn between 2018-19 and 2022-23. Some of this expenditure will be funded through a contribution from capital receipts generated by the estates transformation programme, and capital grant from Government which is projected to be only £60m based on current funding levels of £12m per year. This represents only a tiny proportion of the MPS' capital expenditure - for example 4.8% of forecast spend in 2018-19. This means that as the opportunity for generating estates capital receipts decreases, increasing reliance will be placed on external borrowing to finance the balance. This will increase the cost of capital financing which is funded from the revenue budget, which will create pressures on already stretched resources.
- 1.9. The MPS hosts the National Counter Terrorism Policing Headquarters, which has a capital programme of £131m between 2018-19 and 2022-23. This is funded through a ringfenced CT grant, which matches the expenditure over the period.

2. MAYORAL PRIORITIES

- 2.1. The Mayor consulted on a draft Police and Crime Plan during the early months of 2017 and approved the Police and Crime Plan - A Safer City for All Londoners 2017-21 in March 2017 [PCD 168].
- 2.2. The strategy sets out the five top priorities in London:
 - A better police service for London
 - A better criminal justice service for London
 - Keeping children and young people safe
 - Tackling Violence Against Women and Girls
 - Standing together against hatred and intolerance
- 2.3. Further detail on the Police and Crime Plan can be found at www.london.gov.uk/police-plan.
- 2.4. During 2018-19 the MPS Violent Crime Task Force (VCTF), funded by the Mayor, has enabled the MPS to allocate resources focused solely on violent crime, weapon-enabled crime and serious criminality. This funding will also allow VCTF officers to continue in post for as long as they are required.

- 2.5. The Mayor has also established a new Violence Reduction Unit, building on the work City Hall, the MPS, local authorities, youth services, health services and criminal justice agencies have been doing to prevent the spread of violent crime in London. The Violence Reduction Unit, building on existing partnerships, will bring together specialists to work together to reduce violence in the capital by taking a public health approach. The new unit also complements the Mayor's £45m Young Londoners Fund, which offers young people positive alternatives to crime and helps those caught up in gangs to get into employment and training.
- 2.6. Furthermore, the Mayor is committed to delivering the MPS transformation programme. This programme, called 'One Met Model 2020' aims to deliver:
- For the public – building confidence and tackling the issues that matter to them most;
 - For the MPS people – providing strong leadership and equipping them with the skills and tools which match their commitment to the job;
 - Digital transformation – renewing IT systems which are at the end of life. Exploiting the digital revolution, new technology and valuing data;
 - Organisational transformation – becoming a flexible and agile organisation.
- 2.7. The Mayor inherited outdated IT systems and platforms on the point of obsolescence. The MPS have had to invest to maintain services and renew IT systems for ongoing use, as well as a prerequisite to being in a position to make the best use of the potential offered by digital policing. For example, the MPS has begun the replacement of seven core policing systems with Connect, bringing it into line with the approach and capabilities of other forces. In the next three years the MPS must make similar progress in replacing its command and control system, embedding smarter working, and tackling the complex issues of legacy data, to enable its transition to become a data-driven organisation.

3. 2018-19 REVENUE AND CAPITAL FORECAST

- 3.1. The 2018-19 Budget was balanced and agreed in February 2018. The key issues during the setting of the budget for this year were the continued underfunding of the National, and International Capital City grant (NICC) by £172m and real-terms reductions in central Government core grant funding.
- 3.2. During the 2018-19 Budget process, the Mayor allocated additional funding of £111.8m in 2018/19. This is made up of 5.1% council tax precept increase and allocation of business rates, which has been spent on:
- £15m combatting knife crime. This funding enabled the setting up of a dedicated Violent Crime Task force
 - £20.2m to fund a two per cent police pay increase

- £13.7m allocated towards boosting officer numbers
- £55m raised from business rates income to contribute towards funding the capital programme, reducing the need for borrowing
- This will result in £3.3m freed up from the cost of borrowing from 2019/20 onwards. This will be spent on improving police response for those taken in by the police with mental health care needs
- £2.1m has been provided for the mental health work in 2018-19 a one-off allocation of retained business rates.

£5m to be spent on recruiting additional police officers in 2018-19

- From 2019-20, the Mayor is investing an additional £59m annually raised predominantly from business rates to support an extra 1,000 police officer posts than would otherwise be affordable.
- Over the past two years, the Mayor has invested an additional £140m into the MPS via council tax precept increases and business rates.

Revenue

- 3.3. The latest financial forecast for 2018-19 is based on monitoring at Quarter 2 - to the end of September. Full details can be found in the latest [MOPAC Quarterly Performance Report](#). In summary, as at the end of Quarter 2, the net revenue position is a £10.1m underspend with a full year forecast of a net underspend of £19.8m, less than 1% of the revised £2,615m budget.
- 3.4. The forecast assumes any overspend on Counter Terrorism and Protective Security would be managed within the overall national CT position. Based on current forecasts, this is a £12.3m risk.
- 3.5. The forecast also assumes receipt of £9.6m Special and Specific Grant from Home Office, for policing special events. This is considered to be a low risk assumption based on positive discussions with Home Office, but funding will continue to be monitored until formal confirmation of receipt of grants.

Capital

- 3.6. The MPS revised capital programme provides for £363.7m of expenditure in 2018-19. This will be funded from a combination of capital receipts, grants, borrowing and other contributions including a revenue contribution from £55m as allocated by the Mayor. The revenue contribution has reduced the need to borrow, releasing £3.3m in the revenue budget which would otherwise be required to finance borrowing. This will be reinvested in Mental Health projects. At Quarter 2 capital expenditure for the year is being reprofiled to £249m following a detailed review of programme requirements.

4. MOPAC/MPS BUDGET 2019-20 TO 2022-23

- 4.1. In preparing the revenue and capital budget MOPAC/MPS carried out a detailed process of reviewing current budgets to identify savings and efficiencies. Budget challenge sessions took place to review current revenue and capital spending plans. The development of this budget proposal has been subject to oversight by the Deputy Mayor through her regular meetings with the Commissioner and the quarterly MOPAC Oversight Board which she chairs, and regular bilateral meetings with the MPS Chief Finance Officer.

5. RESOURCE BUDGET 2019-20 TO 2022-23

- 5.1. The Mayor continues to place the highest importance on policing and keeping Londoners safe is his first priority, by bearing down on violence and tackling vulnerability. The Mayor has made the decision to raise the council tax policing precept by the maximum allowable by the Government in the 2018-19 funding settlement. This generates a further £49m of much-needed funds which the Government has refused to provide. In the 2018-19 budget process, the Mayor also committed to providing an additional £59m annually from 2019-20 onwards, to support an extra 1,000 police officer posts than would otherwise be affordable.
- 5.2. The 2019-20 budget has been balanced through the use of one-off mitigations which include utilisation of the 2018-19 underspend and revising the officer pay budgets in line with the latest workforce forecasts indicate a working assumption of 30,700 officers. The use of one-off mitigations means there remain large budget pressures in future years, leading to a significant cliff edge in 2022-23 when the MPS face a budget gap of £240m. If these required savings came from the officer pay line, this would reduce officer numbers to approximately 26,800. This equates to 3,900 officers lost.
- 5.3. The Autumn budget announced there would be additional funding allocated to Counter Terrorism, which will allow Counter Terrorism Policing to maintain existing capability and capacity and deliver strategic priorities next year. However, this is for 2019-20 only and does not fund any further growth in CT capability. It also does not provide for a longer-term deal which is needed to enable forward planning and to avoid future cliff edges.
- 5.4. The Government's Autumn Budget did not announce any further funding for other areas of policing, and the MPS face real terms reductions in their central Government core grant. Furthermore, the Home Office continue to underfund the National and International Capital City grant by £172m per year compared to the recommendations of Sir Richard Mottram's expert panel.
- 5.5. In the face of this underfunding, financial pressures continue to mount. The Government has made technical changes to the future pension payments discount rate. This has

resulted in increasing employer pensions contributions, which has resulted in an additional £36m net pressure in 2019-20 and £104m in future years. This equates to approximately to 600 officers in 2019-20, and a further 1,133 officers from 2020-21 onwards, equating to 1,733 officers in total. These pressures have been factored into the budgets, creating budget gaps in future years. The Mayor has written to the Prime Minister urgently calling for the Government to give the police the funds they need to manage these pressures.

- 5.6. It is right that central Government provides the majority of MPS funding and this should continue. Notwithstanding this, the Mayor makes a substantial contribution. City Hall is paying a greater percentage of the overall police budget in the capital than ever before – up from 18 per cent in 2010 to 22 per cent today.
- 5.7. Furthermore, the Mayor has committed to increase this support as far as is possible under the current Government policies by raising the Council Tax precept by 5.1% in 2018-19. The Government has indicated that this increased flexibility will also be provided in 2019-20, which has been reflected in this budget submission. Compared to the final budget by the previous Mayor for 2016-17, in 2019-20 the Mayor has provided an additional £185m of council tax and business rates to support the MPS.
- 5.8. Since central Government funding accounts for nearly three quarters (69%) of revenue support, the financial sustainability of the MPS depends on funding decisions taken by the Treasury and the Home Office. For example, for every 1% real terms reduction in the Government grant, council tax precept would have to increase by £18 per Band D household to compensate, an 8.4% increase on current levels.
- 5.9. The 2019-20 MOPAC/MPS revenue budget totals £3,410m funded as follows:

	£m	%
Central Government Police Grant	1,882.1	55%
Specific Grants	463.8	14%
GLA Precept and Business Rates	778.4	23%
Income	256.3	7%
Interest Receipts	0.0	0%
Use of reserves	29.6	1%
Total	3,410.2	100%

- 5.10. If central Government funding continues to fall in real terms while the Mayor provides what he can through Council Tax, the burden for funding the MPS will increasingly fall on Londoners, through a regressive tax that is not linked to householders' ability to pay.

5.11. The draft budget and workforce assumptions may be revised following any further Government announcement in December via the police funding settlement.

5.12. The 2019-20 MOPAC/MPS revenue budget is distributed as follows:

	£m	%
Police Officer Costs	1,940.1	57%
Police Staff Costs	534.3	15%
PCSO Costs	54.4	2%
Other Staff Costs	53.1	2%
Subtotal Staff Costs	2,581.9	76%
Supplies and Services	533.3	15%
Premises Costs	172.9	5%
Transport Costs	66.4	2%
Capital Financing Costs	55.7	2%
Total	3,410.2	100%

5.13. Inflation factors have been applied to various expenditure budgets for 2019-20 to reflect the anticipated cost increases. Inflation (pay and non-pay) is budgeted to cost £60.5m. This includes an assumed 2% pay increase for officers, staff and PCSOs.

5.14. Officer and staff pay and overtime account for over three quarters of MPS expenditure (76%), while supplies and services, such as external suppliers, uniforms, utilities and kit, account for 16% and premises costs for 5%. Considerable savings have already been delivered in recent years through rationalisation of the MPS estate and operational efficiencies. The Mayor will continue to work with the MPS to identify and realise further efficiencies, but this will be challenging.

The scale of further pressures faced by the MPS from 2020-21 is significant. The Mayor and the MPS will continue to seek the maximum improvements in business support services efficiency and front-line productivity. But efficiency alone cannot solve the funding gap. In 2022-23 the MPS will be required to have delivered £334.9m in cumulative savings in order to close the funding gap. This budget process has identified £95.4m of those savings. These include back office savings identified relating to making efficient use of staff and officer time in front and middle office roles, increasing income generated and streamlining HR processes and technology improvements. But £239.5m in savings remain to be identified.

	2019-20	2020-21	2021-22	2022-23
Identified Savings	-35.1	-39.8	-90.0	-95.4
Unidentified Savings	0.0	-112.7	-115.5	-239.5
Total	-35.1	-152.5	-205.5	-334.9

- 5.15. If the MPS are forced to close the funding gap entirely through officer number reductions, the officer workforce would fall to 26,800 by 2022-23, unless the Government provides a real-terms increase in core grant funding.
- 5.16. Annex 1 presents the proposed budgets from 2019-20-2022-23 and details of savings, efficiencies and pressures. This includes:
- The 2019-20 proposed budget and forecast budgets for 2019-20 to 2022-23. Figures for the 2018-19 budget and forecast are provided for comparative purposes. The budgets are presented by subjective analysis (i.e. by cost type) and by business group.
 - Pie charts showing the proportionate spend of the 2019-20 revenue budget by subjective analysis and different funding streams.
 - The gross pressures, savings and efficiencies from 2019-20 to 2022-23. Savings and efficiencies are presented on an incremental as well as cumulative basis, with the planned savings as identified in the 2018-19 budget submission and the new savings identified in the 2019-20 submission shown distinctly.
 - Analysis of changes from the 2018-19 budget to that of 2019-20 explaining the reasons for the movements in budget including inflation, savings and efficiencies and use of reserves.

6. FUNCTIONS MANAGED DIRECTLY BY MOPAC: BUDGET 2019-20 TO 2022-23 DETAIL

- 6.1. The 2019-20 MOPAC/MPS revenue budget includes funding allocated to MOPAC. MOPAC is led by the Mayor of London, Sadiq Khan in his capacity as Police and Crime Commissioner (PCC) for London. In this role of PCC he is supported by the Deputy Mayor for Policing and Crime (DMPC), Sophie Linden.
- 6.2. MOPAC has responsibilities set out in the Police Reform and Social Responsibility Act 2011, including overseeing the Metropolitan Police Service (MPS), ensuring public accountability and delivering victims services and crime prevention programmes. These programmes include convening partners across the Criminal Justice System for London, and commissioning programmes that provide vital services. Our commissioning includes innovative pilots which have aided the development of cross-London and cross-sector partnerships and has levered in new sources of match funding.
- 6.3. MOPAC's net budget excludes external income and reserve draw down and is funded from the MPS revenue budget. During this Mayoralty between 2016-17 and 2018-19 MOPAC's net budget has increased by £1.1m. This increase largely relates to the one-off additional funding in 2018-19 allocated by the Mayor towards Violence against Women and Girls prevention and funding a new Countering Violent Extremism programme. Over the same period the Mayor has increased council tax and business rates funding for the

MPS by £140m. The proposed net budget in 2019-20 is £37.1m. This is a £1m reduction compared to 2018-19.

6.4. This proposed budget presents a MOPAC's gross budget of £58.7m in 2019-20. This is total expenditure, less revenues received from permanent income streams for audit services and the Police Property Act Fund (PPAF).

6.5. The 2019-20 MOPAC Budget expenditure and funding is as follows;

	£m	%
Police Staff Costs and Employee Related Expenditure	9.5	16%
Premises costs, Supplies and Services	3.7	6%
Commissioned services	48.0	78%
Total	61.3	100%

	£m	%
Central Government Police Grant	37.1	61%
Specific Grants	18.5	30%
Income	2.6	4%
Use of reserves	3.1	5%
Total	61.3	100%

6.6. The Mayor's Violence Reduction Unit (VRU), announced in September 2018, has been set up with an initial allocation of £0.5m in 2018-19. The VRU building on existing partnerships, will bring together specialists to work together to reduce violence in the capital by taking a public health approach. Ongoing funding to support the VRU will be considered by the Mayor as part of the 2019-20 budget process.

6.7. The proposed budgets for 2020-21 to 2022-23 show a reduction in specific grant funding and the relevant expenditure budgets. This reflects the current Home Office transformation funding allocations until March 2020, Home Office early intervention youth fund allocations until March 2019 and GLA Young Londoners Fund allocations until March 2020. These allocations are awarded to fund specific projects over an agreed timescale.

Objective Analysis	Revised Budget 2018-19 £m	Forecast 2018-19 £m	Budget 2019-20 £m	Budget 2020-21 £m	Budget 2021-22 £m	Budget 2022-23 £m
Expenditure budget	61.7	61.2	61.3	53.0	49.3	49.3
Less: Other Income	-1.9	-1.9	-2.6	-2.6	-1.9	-1.9
Mayor's Office for Policing & Crime Gross Budget	59.8	59.3	58.7	50.3	47.3	47.3
Less: Specific Grants	-17.9	-17.3	-18.5	-10.2	-10.2	-10.2
Transfer to / from reserves	-3.8	-3.8	-3.1	-3.0	0	0
Total Net Budget	38.1	38.1	37.1	37.1	37.1	37.1

6.8. MOPAC have published a 2018-19 MOPAC Budget paper which details MOPAC's spend. This can be found here <https://www.london.gov.uk/what-we-do/mayors-office-policing-and-crime-mopac/about-mayors-office-policing-and-crime-mopac/our-finances>

7. CAPITAL BUDGET

Current Prices	2018/19 Forecast	2019/20 Plan	2020/21 Plan	2021/22 Plan	2022/23 Plan	TOTAL
	£m	£m	£m	£m	£m	
Property Forward Works	13.7	15.0	24.9	13.5	25.0	92.1
IT core infrastructure & Replacement	30.2	38.5	40.1	31.1	23.0	162.9
Fleet	28.0	38.2	22.2	20.9	20.0	129.3
NCTPHQ	34.1	31.7	21.2	20.4	24.4	131.9
Improving Public Access and first contact	3.8	2.1	2.1	7.0	5.5	20.5
Optimising Response	8.5	13.7	34.3	38.8	47.7	142.9
Strengthening Local Policing	2.3	0.0	0.0	0.0	0.0	2.3
Transforming Investigation and Prosecution	31.7	56.7	36.3	13.9	12.6	151.1
Strengthening Armed Policing	0.3	0.0	0.0	0.0	0.0	0.3
Smarter Working	19.0	2.3	0.4	0.0	0.0	21.6
Workforce Futures	0.0	1.0	1.0	1.0	0.0	3.0
Information Futures	1.3	8.9	8.0	9.2	11.4	38.7
Transforming the MPS Estate	86.2	250.5	205.7	115.3	20.6	678.3
Total Programme Cost	259.2	458.4	396.0	271.1	190.1	1,574.8
Over-programming	-10.0	-84.8	-89.1	73.1	66.7	-44.1
Total Programme Cost	249.2	373.6	307.0	344.2	256.8	1,530.7

7.1. This budget sets out an ambitious capital programme for the MPS. This will deliver significant transformation including vital renewal of IT, modernisation of the estate and a more efficient operational capacity. Programmes within the proposed capital programme have been selected and prioritised by reference to the One Met Model (OMM). This amounts to a £1,586m investment programme over the 5-year period to 2022-23.

7.2. MOPAC have published a draft Capital Strategy (Link here: <https://www.london.gov.uk/what-we-do/mayors-office-policing-and-crime-mopac/about-mayors-office-policing-and-crime-mopac/our-finances>) in line with CIPFA's Prudential Code requirements. The Capital Strategy outlines the MPS' capital investment ambition and will form part of the GLA Group-wide Capital Strategy

published with the Mayor's 2019-20 budget. The Capital Strategy outlines the 5-year capital programme as well as the wider 20-year Capital Ambition.

- 7.3. The MPS estates rationalisation programme generates receipts in each year of the forecast. These will be fully utilised along with capital grants from the Government to fund the capital programme. The capital grant received from the Government is £12m. This represents only tiny proportion of our expenditure- for example 4.8% of our forecast spend in 2018-19. In the run up to the 2019 Spending review we will continue to engage with the Government about being provided a capital grant which more accurately reflects the investment needs of an organisation of the scale and complexity of the MPS. But in the absence of an increase in central Government funding, the balance in future years is expected to be accounted for by borrowing.
- 7.4. Where borrowing is required, MOPAC is a member of the GLA Shared Service for Treasury Management function which provides access to expert advice for the management of investments and borrowings. The exact timing of this borrowing and resulting impact on the revenue budget will depend upon: the speed at which the programme is implemented, cost variations that may emerge, profile of capital receipts, and judgements about the optimum time to borrow in light of interest rate movements. Provision has been made in the draft revenue budget for these borrowing costs based on the anticipated profile of expenditure and income. Annex 2 provides details on the authorised limits and operational limits which are applied.
- 7.5. Each of the capital programmes have been reviewed, scrutinised and prioritised. Final business cases must be approved by the MPS Management Board and Deputy Mayor for Policing and Crime. This is an ongoing process.
- 7.6. The funding for the existing Private Finance Initiative schemes is provided for within the proposed budget.
- 7.7. Quarterly in-depth reporting on the capital programme forms an element of the oversight and scrutiny function of MOPAC.

8. TREASURY MANAGEMENT

- 8.1. The Prudential Indicators including the annual statement of Minimum Revenue Provision are set out in Annex 2.

9. RESERVES

Minister Classifications	Description	Revised						Closing Balance 2022/23 £m
		Closing Balance 2017/18 £m	Budget (P6) 2018/19 £m	Planned usage 2019/20 £m	Planned usage 2020/21 £m	Planned usage 2021/22 £m	Planned usage 2022/23 £m	
Use within the current MTFP	Supporting OMM and local change	34.6	-19.7	-2.7	-10.4	-0.8	-1.0	0.0
	Historical public inquires	9.6	0.0	-9.6	0.0	0.0	0.0	0.0
	Operational Costs	9.8	0.0	-6.5	2.7	-5.8	-0.2	0.0
	Vetting Delays	1.1	0.0	-1.1	0.0	0.0	0.0	0.0
	Business Group initiatives	7.3	0.0	-7.3	0.0	0.0	0.0	-0.0
	Managing Officer FTEs	27.1	9.1	21.9	-11.3	-38.6	-8.2	0.0
	Specifically funded for third parties	14.1	0.0	-3.0	-5.5	-5.6	0.0	-0.0
	Managing national pensions pressure	0.0	19.8	-19.8	0.0	0.0	0.0	0.0
Use beyond the current MTFP	Property	19.9	20.1	1.5	-3.1	-7.9	-9.0	21.5
	Insurance	6.7	0.0	0.0	0.0	0.0	0.0	6.7
	Other earmarked (POCA)	6.9	-0.2	0.0	0.0	0.0	0.0	6.8
	Specifically funded for third parties- airports	2.0	0.2	0.2	0.2	0.2	0.0	3.0
	MOPAC	15.3	-3.8	-3.1	-3.0	0.0	0.0	5.3
General Reserve	General Reserve	46.6	0.0	0.0	0.0	0.0	0.0	46.6
Grand Total		201.0	25.7	-29.6	-30.4	-58.4	-18.4	89.9

- 9.1. Reserves fall into 2 categories: those earmarked for specific purposes, and general reserves set aside to meet unexpected and unforeseeable changes in net expenditure.
- 9.2. MOPAC's policy on reserves is to hold a general reserve of at least 1.5 per cent of net revenue expenditure. This is on the basis that there are appropriate accounting provisions and earmarked reserves, reasonable insurance arrangements, a well-funded budget, and effective budgetary controls in place.
- 9.3. MOPAC is forecasting general reserves of £46.6m as at 31 March 2019. This is less than 2% of net expenditure. Current proposals are that this position will be maintained at the end of 2022-23. These reserves represent 1.5 percent of the net revenue budget over the next four years. The general reserves are held to cover the cost of unexpected pressures.
- 9.4. The Earmarked Revenue Reserves are held for specific purposes, some of which is to:
- Facilitate the One Met Model transformation programme: supporting much-needed investment to replace outdated technology, which improves the effectiveness of officers and staff, increases productivity and drives future efficiencies.
 - Managing one-off impacts on the medium-term budget, for operational costs, to provide for insurance strategies, to meet one-off exit and redundancy costs.
 - Specific Earmarked: Proceeds of Crime Act (POCA) income ring-fenced to support POCA related activity.
 - Smooth police officer numbers in the medium-term: any decisions around officer numbers requires time to take effect, for example due to recruitment time lags. Therefore, in the face of uncertainty around the MPS' future funding, an element of

officer pay underspends in 2017/18 and future years will be ringfenced into earmarked reserves and used to smooth the officer numbers in the medium-term.

- 9.5. Earmarked reserves are being utilised from 2018-19 to 2022-23, forecast to reduce by 72% from 2018-18 to 2022-23. This reduces the balance from £154.4m in 2017-18 (5% of Net Expenditure) to £43.3m as at the end of March 2023 (1.3% of Net Expenditure). According to analysis by the Association of Police and Crime Commissioners this is lower than the average across most other forces which at the end of 2016-17 stood at 10% for earmarked reserves and 3% for general reserves.
- 9.6. In the opinion of MOPAC's Chief Financial Officer the proposed levels of reserves at the end of the planning period is small in the context of a resource budget of £3.4bn. Whilst the proposed approach remains prudent and MOPAC will have in place adequate earmarked reserves and general reserves including the emergency contingency fund in the short-term. Further work must be undertaken to ensure appropriate reserves in the medium-term, in particular taking account of any impact of the review of the police funding formula.
- 9.7. MOPAC will be publishing a Reserves Strategy on an annual basis, in accordance with guidance issued to Police and Crime Commissioners (PCCs) by the Minister for Policing & the Fire Service. This set out the Government's expectations around the information to be published by Police and Crime Commissioners. This can be found on the Finance section of the MOPAC website: <https://www.london.gov.uk/what-we-do/mayors-office-policing-and-crime-mopac/about-mayors-office-policing-and-crime-mopac/our-finances>

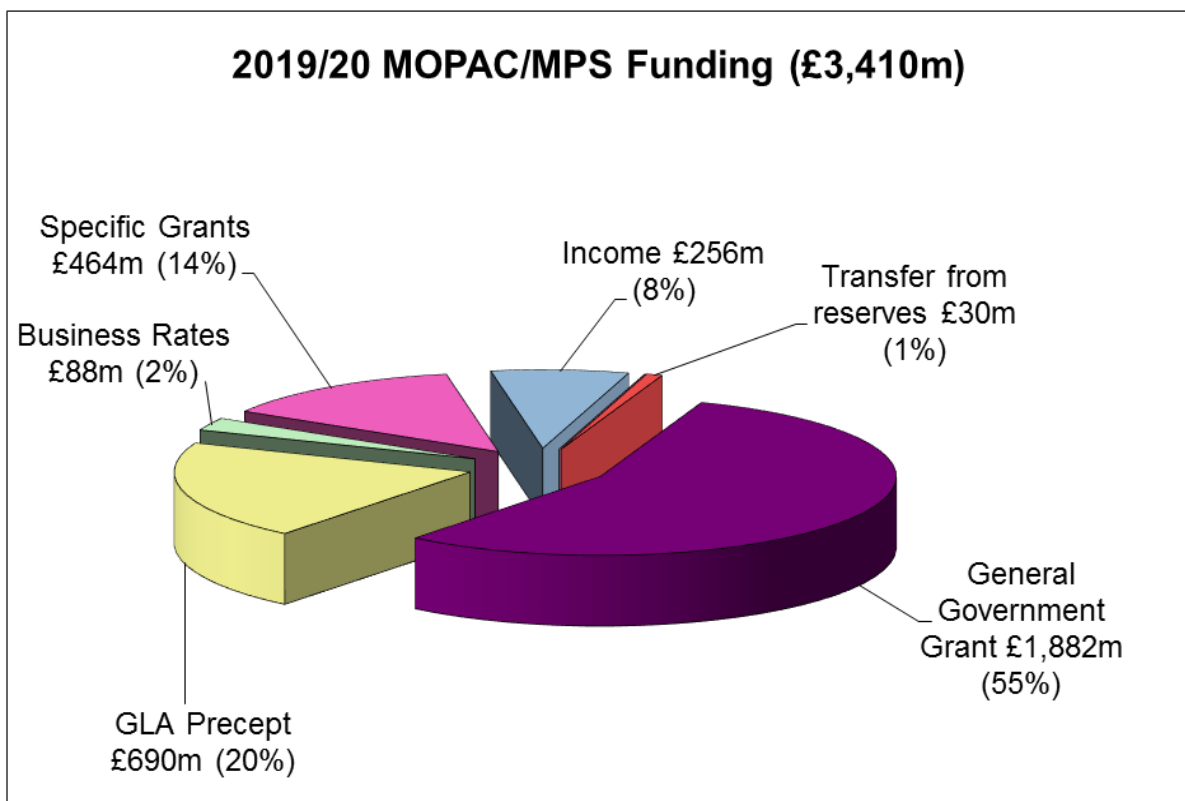
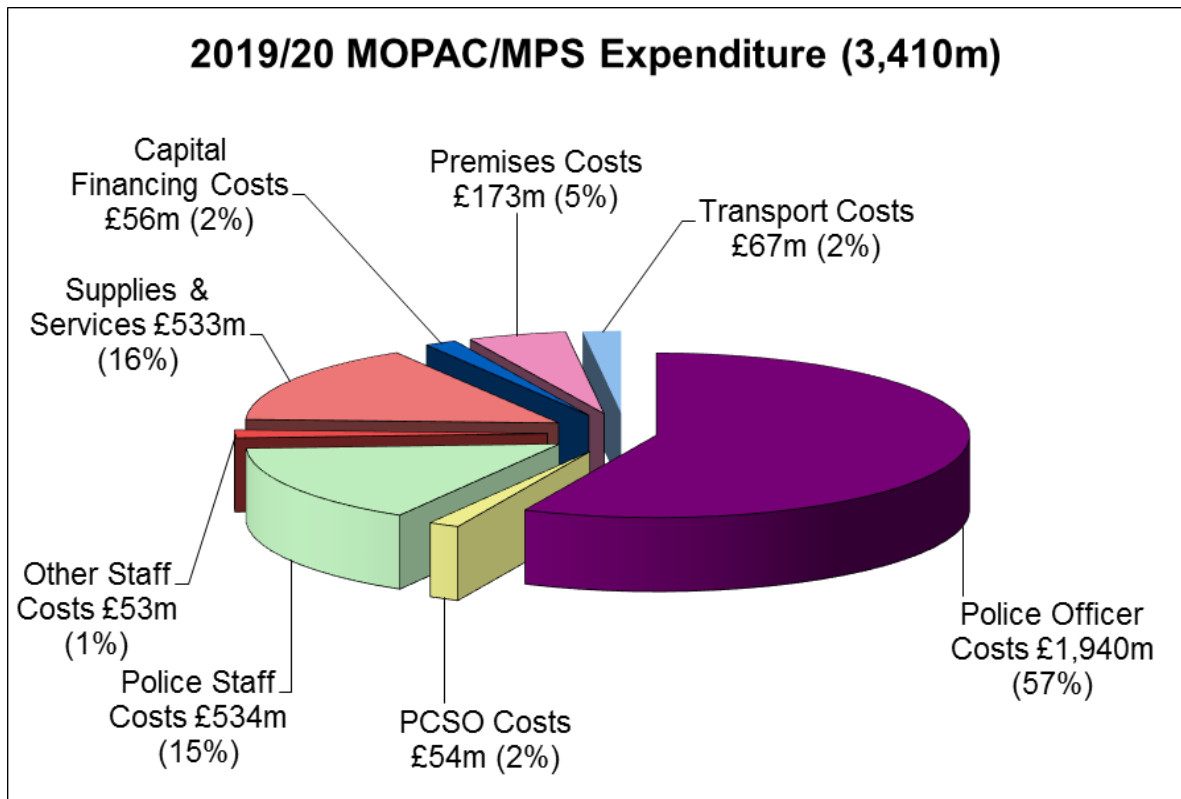
Annex 1

Subjective Analysis 2018-19 to 2022-23

Subjective analysis	Revised Budget	Forecast Outturn	Budget	Plan	Plan	Plan
	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m	£m	£m
Police officer pay	1,803.6	1,777.6	1,848.7	1,949.3	1,984.0	2,047.8
Police staff pay	494.4	455.9	513.5	522.3	532.3	544.0
PCSO pay	53.4	51.4	54.3	55.4	56.6	58.0
Total pay	2,351.4	2,284.9	2,416.5	2,527.0	2,572.9	2,649.8
Police officer overtime	93.6	114.6	91.5	92.5	93.6	94.7
Police staff overtime	20.1	25.6	20.7	20.7	20.7	20.7
PCSO overtime	0.1	0.1	0.1	0.1	0.1	0.1
Total overtime	113.8	140.3	112.3	113.4	114.4	115.5
Employee-related expenditure	18.5	21.0	18.6	17.7	17.7	17.7
Premises costs	160.1	159.9	172.9	180.8	148.7	146.7
Transport costs	70.3	69.8	66.5	66.5	66.8	66.8
Supplies and services	513.3	536.5	533.3	531.7	567.4	596.2
Total running expenses	762.2	787.2	791.3	796.7	800.6	827.5
Capital Financing costs	95.5	100.2	55.7	73.2	84.9	98.3
Total expenditure	3,322.9	3,312.5	3,375.8	3,510.3	3,572.8	3,691.1
Interest receipts	0.0	0.0	0.0	0.0	0.0	0.0
Other income	-260.8	-249.7	-256.3	-257.6	-260.1	-264.2
Total income	-260.8	-249.7	-256.3	-257.6	-260.1	-264.2
Discretionary pension costs	34.4	34.5	34.4	34.4	34.4	34.4
Savings to be identified	0.0	0.0	0.0	-112.7	-115.5	-239.5
Net expenditure	3,096.5	3,097.3	3,153.9	3,174.5	3,231.6	3,221.8
Transfer to/(from) reserves	5.9	25.7	-29.6	-30.4	-58.4	-18.4
Net financing requirement	3,102.4	3,123.0	3,124.3	3,144.1	3,173.2	3,203.4
Specific grants	486.9	507.6	463.8	455.5	455.5	455.5
Retained business rates	92.0	92.0	88.2	88.4	88.5	88.5
Home Office Police Grant	1,882.1	1,882.1	1,882.1	1,882.1	1,882.1	1,882.1
Council tax requirement	641.4	641.4	690.2	718.1	747.1	777.3

Business Group Analysis 2018-19 to 2022-23

Objective analysis	Revised Budget	Forecast	Budget	Plan	Plan	Plan
MOPAC	2018-19	2018-19	2019-20	2020-21	2021-22	2022-23
	£m	£m	£m	£m	£m	£m
Frontline Policing	1,166.8	1,173.1	1,193.1	1,198.0	1,193.8	1,193.8
MET Operations	748.7	736.0	735.8	732.3	732.7	732.7
Specialist Operations	382.4	390.1	363.9	366.3	366.4	364.1
Corporate Services	479.7	488.8	504.4	495.4	458.1	440.9
Professionalism	84.0	82.0	100.6	84.3	84.3	84.3
Total business groups	2,861.6	2,869.9	2,897.8	2,876.3	2,835.3	2,815.8
Discretionary pension costs	34.4	34.5	34.4	34.4	34.4	34.4
Centrally held	45.1	33.5	107.3	253.0	345.2	465.5
Capital financing costs	95.5	100.2	55.7	73.2	84.9	98.3
Interest receipts	0.0	0.0	0.0	0.0	0.0	0.0
Total corporate budgets	175.1	168.3	197.4	360.6	464.5	598.2
Mayor's Office for Policing and Crime	59.8	59.3	58.7	50.3	47.3	47.3
Savings to be identified	0.0	0.0	0.0	-112.7	-115.5	-239.5
Net revenue expenditure	3,096.4	3,097.4	3,153.9	3,174.5	3,231.6	3,221.8
Transfer to/(from) reserves	5.9	25.7	-29.6	-30.4	-58.4	-18.4
Financing requirement	3,102.3	3,123.1	3,124.3	3,144.1	3,173.2	3,203.4
Specific grants	486.9	507.6	463.8	455.6	455.6	455.6
Retained business rates	92.0	92.0	88.2	88.4	88.5	88.5
Home Office Police Grant	1,882.1	1,882.1	1,882.1	1,882.1	1,882.1	1,882.1
Council tax requirement	641.4	641.4	690.2	718.1	747.1	777.3



Gross Pressures 2019-20-22/23

The cumulative previously agreed growth by is set out in the table below

Description	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Building exits	0.0	0.0	-4.0	-4.0
Centrally Held pressure - officer rail	0.5	1.0	1.0	1.0
Emergency Services Mobile Communications	3.6	4.6	4.6	4.6
Change to investment to support additional operational policing.	0.0	0.0	0.0	0.0
Mobility growth	0.5	0.5	0.5	0.5
Professionalism inquiries profile	1.0	1.0	1.0	1.0
Revised new Met IT platform	8.6	6.8	6.8	6.8
Previously agreed net savings	-1.4	-1.4	-1.4	-1.4
Fleet contract delays	-3.1	-3.1	-3.1	-3.1
Total	9.7	9.4	5.4	5.4

New Pressures are listed in the table below;

Description	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s
ICT projects	7.2	7.2	14.4	13.5
Property projects	0.0	3.3	4.2	4.2
Fleet investment	5.4	5.4	5.4	5.4
HR and recruitment investment	9.0	3.3	3.3	3.3
Forensics investment	3.0	0.0	0.0	0.0
Detective constable incentivisation	0.0	2.5	2.5	2.5
Vetting investment	0.5	0.5	0.5	0.5
Firearms and Taser uplift	2.7	2.7	2.7	2.7
Revenue to support proposed capital programme	3.5	5.6	6.3	19.7
National increase in pensions costs	36.3	104.4	104.4	104.4
Total	67.6	134.9	143.6	156.1

Total new and previously agreed pressures	77.3	144.3	149.0	161.5
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Savings and efficiencies 2019-20-22-23

The planned savings and efficiencies from the 2018-19 budget submission have been reviewed and are now set out below.

Incremental

Description	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Property	-5.0	0.0	-29.8	0.0
Other Back Office	-1.5	3.0	0.0	0.0
Other Front/Middle Office	0.2	0.0	-15.0	0.0
Forensic Services (digital evidence)	2.1	0.0	0.0	0.0
Income for direct entry superintendents	0.0	1.2	0.0	0.0
Transformation (Command & Control and Resource Management)	-3.6	-2.6	0.0	0.0
Total	-7.8	1.6	-44.8	0.0

Cumulative

Description	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Property	-5.0	-5.0	-34.8	-34.8
Other Back Office	-5	1.5	1.5	1.5
Other Front/Middle Office	0.2	0.2	-14.8	-14.8
Forensic Services (digital evidence)	2.1	2.1	2.1	2.1
Income for direct entry superintendents	0.0	1.2	1.2	1.2
Transformation (Command & Control and Resource Management)	-3.6	-6.1	-6.1	-6.1
Total	-7.8	-6.1	-50.9	-50.9

New savings and efficiencies identified in this budget cycle are set out below.

Incremental

Description	2019-20 £m	2020-21 £m	2021-22 £m	2022-23 £m
Custody TOM	-6.2	-1.2	0.0	0.0
IT Savings	-14.4	-5.1	-5.2	-5.2
Other Back Office	-1.4	-0.1	-0.2	-0.2
Other Front/Middle Office	-5.3	0.0	0.0	0.0
Total	-27.3	-6.4	-5.4	-5.4

Total new and existing savings	-35.1	-4.8	-50.2	-5.4
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Cumulative

Description	2019-20 £m	2020-21 £m	2021-22 £m	2022- 23 £m
Custody TOM	-6.2	-7.4	-7.4	-7.4
IT Savings	-14.4	-19.5	-24.7	-29.9
Other Back Office	-1.4	-1.5	-1.8	-1.9
Other Front/Middle Office	-5.3	-5.3	-5.3	-5.3
Total	-27.3	-33.7	-39.1	-44.5

Total new and existing savings	-35.1	-39.8	-90.0	-95.4
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Analysis of Change in Council Tax Requirement

2018/19 Council Tax requirement	641.4
<i>Changes due to:</i>	
Inflation	60.5
Savings and efficiencies	-35.1
Net changes in existing service expenditure	32.0
Change in use of reserves	-35.5
Net change in Government grants and retained rates	3.8
Net change in Specific grants	23.1
2019/20 Council Tax requirement	690.2

Prudential Indicators for the Mayor's Office for Policing and Crime (MOPAC)

Including the Annual Statement of Minimum Revenue Provision

It is recognised that the underlying demand for capital investment cannot always be fully satisfied by grant, capital receipts or revenue contributions due to present 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 2019-20 to 2022-23.

The capital programme has been prepared on the basis that it is supported in part by capital receipts from the disposal of land and properties. The Mayor's Office for Policing and Crime (MOPAC) implements the consolidation of its accommodation, primarily through the Estate Transformation Programme. Decisions will be taken as to how receipts generated through the rationalisation of the estate should be used; whether for further investment, or to repay or negate the need for borrowing to finance capital expenditure. It is to be recognised that the receipts value is subject to the uncertainties of the property market.

The affordability of the capital programme in terms of its impact on the MTFP will be closely monitored. Investment needs will be kept under review to align the longer-term plans of the MOPAC to available resources. The prudential indicators will be adjusted in light of any changes made.

Long-term liabilities include (a) Private Finance Initiative schemes; and (b) assets subject to finance leases. These items have been brought onto the balance sheet in accordance with technical accounting changes necessitated by compliance with International Financial Reporting Standards (IFRS).

Annual Statement of Minimum Revenue Provision

For 2018-19 the MOPAC will make a minimum revenue provision (MRP) in accordance with: -

(a) the capital financing requirement method for any borrowing undertaken prior to 2008/09, and for all borrowing undertaken since that date supported through the revenue grant settlement, and

(b) the asset life method for unsupported borrowing undertaken in 2008/09 and subsequent years as permitted by the flexibilities provided under the Prudential Code.

In accordance with The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2017/18, MRP in respect of (a) Private Finance Initiative schemes; and (b) assets subject to finance leases, both of which are now recorded as long-term liabilities, is made by recognition of an element of the annual unitary charge as repayment of principal.

Prudential Indicator

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"

MOPAC has adopted the CIPFA Code of Practice for Treasury Management in Public Services.

Capital Expenditure Indicators

2. Capital Expenditure (Current prices)

2017/18 Actual £m	2018-19 Estimate £m	2019-20 Estimate £m	2020-21 Estimate £m	2021-22 Estimate £m	2022-23 Estimate £m
431.5	249.2	373.6	307.0	344.2	256.8

This indicator states the total capital spend covering all capital expenditure, not just that financed by borrowing. These figures include assumptions of expenditure to be incurred on projects, which are expected to be funded from specific grants provided by central Government.

External Debt Indicators

3. Operational Boundary for External Debt.

	2018-19 Approved (March 2018) £m	2018-19 Requested Approval (Nov 2018) £m	2019-20 Approved (March 2018) £m	2019-20 Requested Approval (Nov 2018) £m	2020-21 Approved (March 2018) £m	2020-21 Requested Approval (Nov 2018) £m	2021-22 Approved (March 2018) £m	2021-22 Requested Approval (Nov 2018) £m	2022-23 Requested Approval (Nov 2018) £m
Borrowing	567.6	567.6	813.1	832.6	962.7	941.4	906.6	1,176.8	1,363.5
Long term liabilities	76.3	76.2	71.0	71.0	64.9	64.9	59.3	58.5	52.2
Total	643.9	643.8	884.1	903.6	1,027.6	1,006.3	965.9	1,235.3	1,415.7

The proposed Operational Boundary for external debt is based on the estimate of the most 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.

4. Authorised Limit for External Debt

	2018-19 Approved (March 2018) £m	2018-19 Requested Approval (Nov 2018) £m	2019-20 Approved (March 2018) £m	2019-20 Requested Approval (Nov 2018) £m	2020-21 Approved (March 2018) £m	2020-21 Requested Approval (Nov 2018) £m	2021-22 Approved (March 2018) £m	2021-22 Requested Approval (Nov 2018) £m	2022-23 Requested Approval (Nov 2018) £m
Borrowing	692.6	692.6	938.1	957.6	1,087.7	1,066.4	1,031.6	1,301.8	1,488.5
Long term liabilities	76.3	76.2	71.0	71.0	64.9	64.9	59.3	58.5	52.2
Total	768.9	768.8	1,009.1	1,028.6	1,152.6	1,131.3	1,090.9	1,360.3	1,540.7

This is the maximum amount that the MOPAC allows itself to borrow in each year. The MOPAC CFO reports that these authorised limits are consistent with the MOPAC's current commitments, existing plans and the proposals in the budget report for capital expenditure and financing. They are also consistent with the MOPAC's approved treasury management policy statement and practices. They are based on the estimate of the most 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 2018-19 onwards the borrowing needs of MOPAC will be matched by the negotiation of external loans. Figures are calculated on a cumulative basis taking account of PWLB repayment schedules.

5. Actual External Debt (at start of financial year 2018-19)

Actual External Borrowing
1 April 2018 Actual £m
Long Term – 143.0
Short Term – 100.0
Total - 243.0
Long Term Liabilities
1 April 2018 Actual £m
PFI Arrangements – 74.0
Finance Lease Arrangements – 5.2
Total – 79.2
Total Actual External Debt – 322.2

Treasury Management Indicators

MOPAC has its own Treasury Management Strategy and the Treasury Management Indicators are approved at the beginning of each financial year as part of the Treasury Management Strategy.

Equalities Impact Assessment

Throughout the planning process Business Groups conduct detailed Equality Impact assessments against strategies, plans, policies and programmes being developed, to identify benefits and mitigate any adverse impacts. Activities, with focus on significant change programmes, are therefore developed to reflect MOPAC and MPS's commitment to equality and diversity issues

