

## AUDIT PANEL

### Friday, 31 March 2017

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## Budget Position – Financial Savings Plan and Delivery

Report by: The Acting Director of Finance, MPS

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### 1. Report Summary

This report summarises the current medium term financial projects and savings committed in the MOPAC/MPS budget submission for 2017-21. It also sets out the financial position at quarter three of 2016/17.

### 2. Recommendations

Audit Panel to note:

- a) The overall medium term financial projections including budget gaps.
- b) The savings committed to in the medium term.
- c) The in-year financial position at quarter three.
- d) Governance and controls built into the budgets.

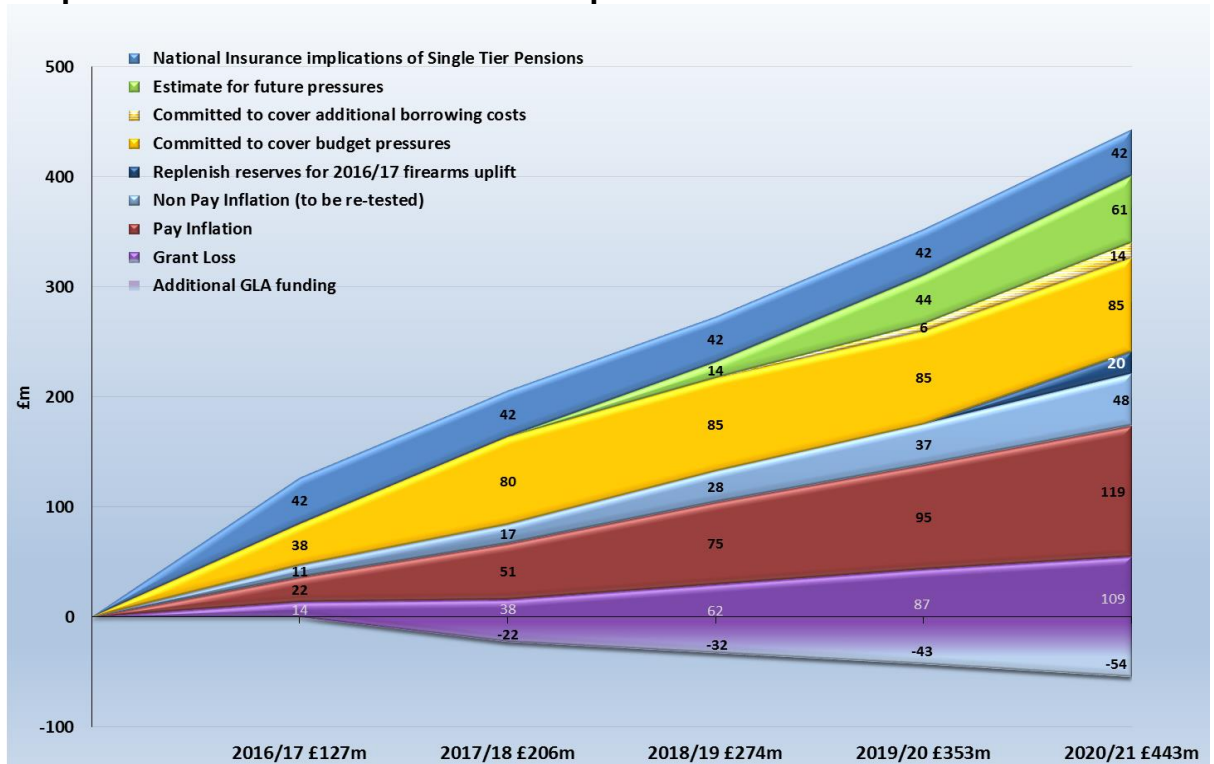
### 3. Supporting Information

- 3.1 The figures included within this report were used for the MOPAC/MPS budget, (included within the Mayor's consolidated GLA budget) approved by the London Assembly on 20 February 2017.

#### Revenue pressures

- 3.2 The MPS faces significant financial pressure in the medium term. Whilst police grant has been protected in real terms, this is on the assumption that income from precept (and from precept buoyancy) will increase. For 2017/18 police grant reduced by £23m, (equivalent to a 2% precept increase and 2% for Council Tax buoyancy). We assume similar annual reductions across the medium term with partial offset through Council Tax buoyancy. In addition we have a number of cost pressures that drive the need for further compensating savings. These are summarised in the graph below:

**Graph 1 – MPS medium term financial pressures**

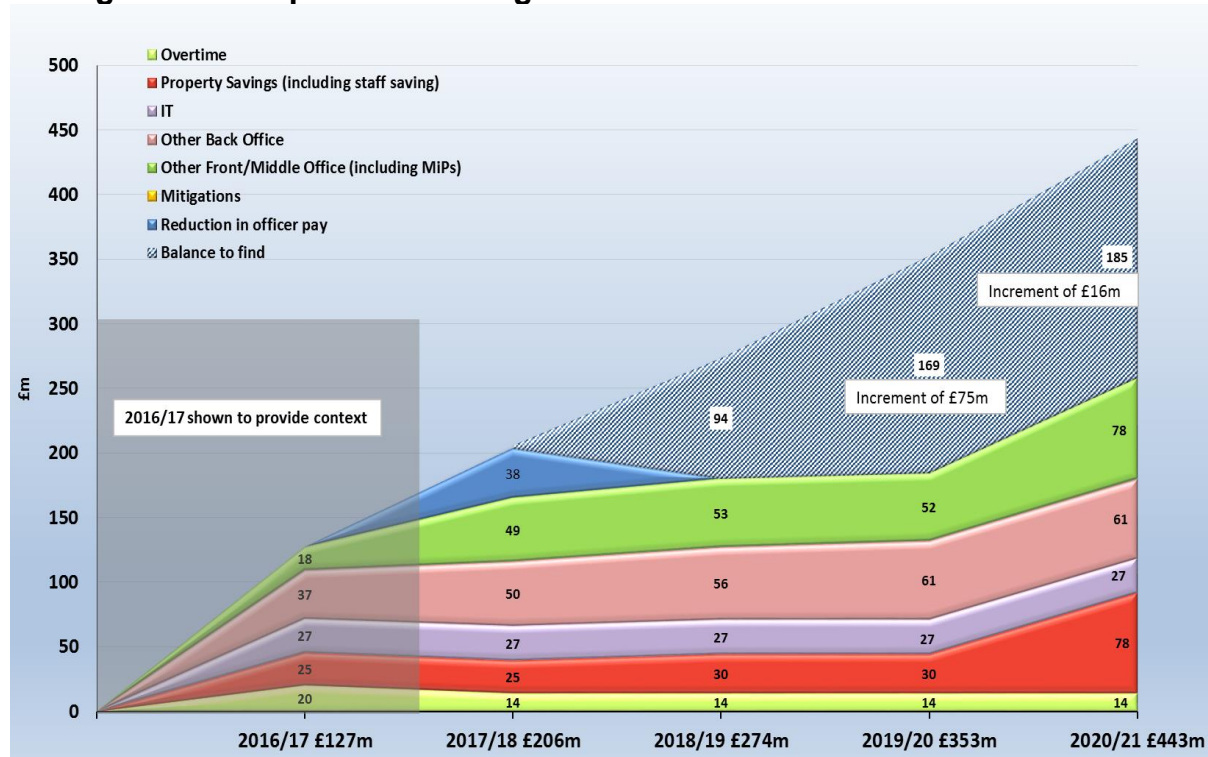


- 3.3 Our estimates in identifying the above pressures currently exclude any impact of the Funding Formula review, which we see as a significant risk to MPS funding. There is a risk of funding reductions following the Government's efficiency review (Government Departments have been asked to model 3% - 6% cost reductions, the Home Office is not a protected department). We are in the process of modelling the potential impact of these issues on our future budgets.

### Revenue savings

- 3.4 The budget submission also set out savings against these pressures. These savings balance the budget for 2017/18 leaving gaps to close in future years of £94m (2018/19), £169m (2019/20) and £185m (2020/21). Savings were identified as part of formal budget scrutiny processes chaired by the Deputy Commissioner with senior MPS budget holders and MOPAC involvement. The identified savings to date are included in the summary graph below:

## Savings that form part of the budget submission



### In-year monitoring

- 3.5 Delivery against savings plans is reported through the monthly financial reporting process. Detailed reports are prepared each quarter summarising our progress, and confidence of delivery, in relation to the £127m savings committed for 2016/17. As at the 31 December we were confident of £81.4m of savings, with a further £8.8m slipping into 17/18. The remaining £36.7m was viewed as high risk (the majority (£26.9m) and is mainly in relation to IT savings.
- 3.6 Where savings are at risk, mitigating in year savings have been identified and we will continue to test delivery of existing plans and identify further savings through the upcoming budget process.
- 3.7 Further context on the 2016/17 financial position is included in the attached report – Financial Reporting for Quarter Three 2016/17, with full details on the in-year savings position included at Appendix 1 of that report.

### Governance

- 3.8 Management Board and Oversight Board monitor both the in-year and future financial position throughout the year.
4. **Equality and Diversity Impact**  
Not applicable.
5. **Financial Implications**  
As summarised in main section of this report.

**6. Legal Implications**

Not applicable.

**7. Risk Implications**

Not applicable.

**8. Contact Details**

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**9. Appendices and Background Papers**

Annex 1 – Financial performance report for Quarter Three 2016/17 -  
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