

**REQUEST FOR DMPC DECISION – PCD 299****Title: Budget Submission 2018/19-2021/22****Executive Summary:**

As part of the production of the GLA Group budget MOPAC is required to submit a budget proposal to the Mayor. This paper sets out the proposed revenue and capital budgets for the period 2018-19 to 2021-22. It proposes a balanced resource budget in 2018-19. It supports much-needed investment in a transformation programme to replace outdated technology and provide officers with the tools they need to do their job, plus rationalises and modernises the estate to support more effective working.

This budget has been prepared against the backdrop of increasing demand faced by the MPS. Total recorded crime in London has risen by 5.7% compared to the previous twelve months, as at Quarter 2. Crime has risen in complexity as well as the volume. High harm crimes are up, for example knife crime offences in London are higher than at any point over the last three years. London has faced four terror attacks in 2017. Experts have described this as an upward shift in terror related activity rather than simply a spike. Meanwhile government funding has been reduced in real terms and Counter Terrorism funding is set to fall by 7% over the coming three years.

Despite this increase in demand, the government's Autumn Budget did not announce any additional funding for the police 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 around £170m per year compared to the recommendations of Sir Richard Mottram's expert panel. This budget submission has been developed in an ongoing challenging period during which the MPS have faced under-funding from central government, increasing demand and the complexity of crime and non-crime demands growing substantially. The MPS are undergoing a significant programme of transformation to alleviate these pressures but there remain significant future budget gaps to be met.

The proposed revenue budget for 2018/19 meets the GLA budget guidance and matches the cash sum allocated by the Mayor from GLA resources for 2018-19 of £645m, including the Council Tax Freeze Grant. This is an increase of £24m compared to 2017-18. Due to the underfunding by central government the Mayor has been forced to abandon the strategic target of 32,000 officers, whilst MPS focus on protecting those most vulnerable and tackling the most serious of crimes.

MOPAC will continue to work with the MPS to transform the way it works to deliver savings and efficiencies and ensure that the front line is protected as far as possible. But in the absence of an increase of additional central government funding this budget has to assume that officer numbers will be reduced to an average of 30,000 in 2018-19 in order to balance the books.

A draft capital programme estimated at £1,721m over the period 2017/18-21/22 is also proposed to invest in existing assets and new technology. This will be met through a combination of capital receipts, grants revenue contributions and borrowing. The funding and borrowing limits to support this level of investment are also set out.

**Recommendation:**

The DMPC is asked to approve the proposed 2018/19-21/22 budget submission to the GLA.

**Deputy Mayor for Policing and Crime**

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

**Signature**

*Edue Under* .

**Date**

*8/12/17*

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. This MOPAC budget submission forms part of the annual process to create the overall GLA Group budget. The DMPC has been delegated the authority to make the annual budget submission to the Mayor of London in line with the agreed Budget Timetable

#### **2. Issues for consideration**

- 2.1. The MOPAC priorities are set out in the published Police and Crime Plan, and provide the framework for the proposed budget set out in the attached document.

#### **2.2. Revenue Budget**

##### Funding

- 2.2.1. MOPAC faces significant financial challenges over this budgeting period during a period of rising demand. MOPAC has assumed Government will continue their policy of cutting the central Government core policing grant in real and cash terms, with increases in Council Tax revenue used to compensate for this. This shifts the burden of funding police from central grant to council tax. The detail of the police settlement is expected mid-December, and any changes will be reflected in later iterations of the Mayor's budget. The flat cash settlement is based on the assumption of a 1.99% increase in Council Tax – the largest increase the Mayor can apply - and buoyancy in the council tax base estimated to be 2%.
- 2.2.2. MOPAC/MPS also face additional funding pressures as a result of the Home Office underfunding of £170m associated with the costs the MPS incurs in providing policing in London for national and international capital city (NICC) functions. The Home Office have accepted that the MPS receive a shortfall in NICC funding but have not yet provided any additional resources to meet this extra cost. MOPAC continues to lobby the Home Office to obtain funding to meet the full cost of providing this service.
- 2.2.3. In September 2016 the Government announced that a further review of the Police Core Grant Distribution Formula would take place with a planned reporting date of spring 2017. MOPAC and the MPS fully engaged with both the technical and strategic working groups set up by the Home Office to inform this process, but as yet the Home Office has not shared its findings with local policing bodies, and has not announced when or how it will progress this work. There remain risks that this review could re-direct resources away from London thereby creating additional financial pressures for the MPS.

##### Operational Demands

- 2.2.4. The Met is facing increased operational pressures. Recent terror incidents (Westminster, London Bridge, Finsbury Park and Parsons Green) indicate a permanent upward shift in the level of threat, rather than a spike. The fire at Grenfell Tower has also added to the pressures facing the Met.

In addition to these incidents current recorded crime figures are showing increases on the last twelve months. Total Notifiable Offences (TNO) have increased including high harm categories such as knife crime and acid attacks. These rises have significant implications for the MPS and their partners.

High harm and complex crimes require more resources and specialist skills to investigate, along with partnership work with other agencies such as the National Health Service and local councils

In addition, non-crime demands (e.g. those in mental health crisis) on policing to be the service of last resort mean that there are additional unfunded pressures on the MPS budget.

Further detail is available in the Quarterly Performance Update Report published at <https://www.london.gov.uk/mopac-publications?order=DESC>

### Pressures

- 2.2.5. Additional unfunded costs and pressures MOPAC faces are estimated at £368m over the years 2018-19 to 2021-22. These cover a range of items including external pressures of pay and non-pay inflation, business rates costs, digital policing running costs and overtime pressures. There are also revenue and financing costs associated with investment in the estates, modern IT and mobility. Further detail is set out in the Appendix.
- 2.2.6. In order to address these rising demands, the changing nature of policing in London and the proposed central government funding scenario the MPS are implementing their One Met Model (OMM) transformation programme. This is designed to invest in and improve the visibility, productivity and effectiveness of our officers, and will enable the release and re-direction of officers to the priorities in the Police and Crime Plan.

### Savings

- 2.2.7. Previously agreed savings and the identification of further savings through this budget cycle have been balanced against these pressures. Over the 4 year period 2018-19 to 2021-22 the Met has identified £185m of savings to offset the financial pressures it faces. This should be considered in the light of c£600m of savings made in the recent past. Our ambition is that back office costs associated with support functions be reduced to 15% of total MPS expenditure. Future years' budget gaps which exist as a result of underfunding by central government remain to be addressed.

Since officer and staff pay accounts for three quarters of MPS expenditure the Mayor has been forced to abandon the strategic target of 32,000 officers, whilst continuing to protect those most vulnerable and tackling the most serious of crimes. In the absence of an increase of additional central government funding this budget assumes that officer numbers will be reduced to an average of 30,000 in 2018-19 in order to balance the books. This will reduce expenditure by £100m a year from 2018-19. We will continue to lobby for a fairer funding settlement for London in future years.

### Use of Reserves

- 2.2.8. General reserves are held to cover the cost of unexpected pressures. MOPAC is forecasting general reserves of £46.6m as at 31 March 2018. This is less than 2% of net expenditure. Current proposals are that this position will be maintained at the end of 2021-22. These reserves represent in excess of 1.5 percent of the forecast outturn net revenue expenditure in 2017-18, and the 2018-19 to 2021-22 balances represent in excess of 1.5 per cent in each year respectively. This is in line with MOPAC's policy.
- 2.2.9. Earmarked reserves are being held for specific purposes. These include funding One Met Model transformation programme which supports much-needed investment to replace outdated technology, improves the effectiveness of officers, increases productivity and drives future efficiencies. Earmarked reserves also help managing one-off impacts on the medium term budget, to provide for insurance strategies and to meet one off exit and redundancy costs.

2.2.10. From 2017/18-2021/22 they are forecast to reduce by 75% from 2017/18-2021/22. This is a reduction from a balance of £193.0m in 2017-18 (8% of Net Expenditure) to £48.8m as at the end of March 2022 (2% 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.

#### Future years budget gaps

2.2.11. The MOPAC budget is balanced in 2018-19. But in the absence of additional central government funding further savings and/or additional resources will need to be identified in 2019-20, 20-21 and 21-22. If these savings are delivered through officer number reductions it is estimated that the officer headcount will fall to 26,900 by 2021-22. MOPAC/MPS and GLA will continue to make the case to the Home Office to obtain a fairer and more sustainable level of funding for policing, and will continue to attempt to identify further opportunities to reduce costs.

Future years' cumulative budget gaps are currently estimated at

2019/20	£72.5m
2020/21	£128.9m
2021/22	£183.3m

### **2.3. Capital Budget**

2.3.1. This budget sets out an ambitious capital programme for the MPS. This will deliver significant transformation including renewal of outdated 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 £1,721m investment programme over the 5 year period to 2021-22.

2.3.2. 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, and the profile of capital receipts. Provision has been made in the draft revenue budget for these borrowing costs based on the anticipated profile of expenditure and income.

2.3.3. 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. This is an ongoing process. The MPS are carrying out a further review of this draft capital programme, which contains a number of large and complex inter-dependent investments, to ensure that it is capable of being delivered. The final capital spending profile is subject to finalising these details in advance of the final Budget submission.

### **2.4. Robustness of Budget**

2.4.1. The MOPAC Chief Finance Officer has provided assurance as to the robustness of the estimates proposed and the adequacy of the proposed financial reserves. The current policy on reserves is to maintain general reserves at a level of 1.5% of net revenue expenditure. The proposals made in the attached will result in a level of general reserves of 1.9% at the end of 2018-19, and 1.8% for each of the following years. It is important to maintain sufficient reserves, particularly during periods of organisational change or when budgets are reducing, to provide financial cover to meet any short term pressures while the organisation adjusts to meet the financial resources available.

2.4.2. A suite of appendices providing further detail and analysis is included.

### **3. Financial Comments**

3.1. This is a financial report and the details are set out in the body of the report.

### **4. Legal Comments**

4.1. MOPAC is subject to the budget setting requirements of the Greater London Authority Act 1999, as amended. As set out above the proposed budget submission reflects the Mayor's guidance.

4.2. Further to the creation of the MOPAC, pursuant to section 6 of the Police Reform and Social Responsibility Act 2011 ("the Act"), MOPAC must issue a police and crime plan within the financial year in which each ordinary election is held, which is underway and on schedule for completion before the end of March.

4.3. Under section 3 (6) of the Act, MOPAC is under a duty to secure the maintenance of an efficient and effective police force. Under paragraph 7 of schedule 3 of the 2011 Act MOPAC may do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of its functions. Under section 79 of the Act, MOPAC must have regard to the Policing Protocol when exercising its functions. The Policing Protocol provides that PCCs (including MOPAC) as recipient of all funding, must determine how this money is spent. In London, this is also to be read within the context of the GLA Act 1999, and the Mayor's budget setting requirements.

4.4. MOPAC/MPS as statutory bodies must only budget for activities that fall within its statutory powers. Further, the Commissioner must ensure that good value for money is obtained in exercising functions, which includes securing that persons under his direction or control obtain good value for money in exercising their functions. Any future proposals for a reduction in staff/officer posts must comply fully with employment law and People Services and the Directorate of Legal Services at the MPS, as appropriate, will need to be engaged to ensure compliance with any statutory or regulatory requirements in relation to any redundancy or redeployment matters.

### **5. Equality Comments**

5.1 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, as demonstrated by the Public Access Consultation EIA which was published online.

### **6. Background/supporting papers**

Quarterly Performance Update Report Q2  
Draft Budget Submission return to GLA

**Public access to information**  
 Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.  
 If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Part 1 Deferral:**  
 Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:  
 Until what date:

**Part 2 Confidentiality:** Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form –NO

**ORIGINATING OFFICER DECLARATION:**

	<i>Tick to confirm statement (✓)</i>
<b>Head of Unit:</b> The Chief Finance Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
<b>Legal Advice:</b> The MPS legal team has been consulted on the proposal. OR Legal advice is not required.	N/A
<b>Financial Advice:</b> The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
<b>Equalities Advice:</b> Equality and diversity issues are covered in the body of the report. AND/OR The Workforce Development Officer has been consulted on the equalities and diversity issues within this report.	N/A

**OFFICER APPROVAL**

**Chief Executive**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature *R. Lawrence* Date *8/12/17*





## **MOPAC/MPS BUDGET SUBMISSION 2018/19-21/22**

### **1. BACKGROUND**

- 1.1. This submission proposes a balanced resource budget in 2018-19. It supports much-needed investment in a transformation programme to replace outdated technology and provide officers with the tools they need to do their job, plus rationalises and modernises the estate to support more effective working and release savings.
- 1.2. This is against the backdrop of increases in the volume and complexity of crime across London and the UK; total recorded crime in London has risen by 5.7% compared to the previous 12 months. Crime has risen in complexity as well as the volume. High harm crimes are up, for example knife crime in London has risen by 19% since last year<sup>1</sup>. And London has faced four terror attacks in 2017. Experts have described this as an upward shift in terror related activity rather than simply a spike. Meanwhile government funding has been reduced in real terms and Counter Terrorism police funding is set to fall by 7% over the coming three years.
- 1.3. The government's Autumn Budget in November 2017 did not make any commitments on additional funding for the police, despite the savings needed by the MPS rising to £368m by 2021-22. As the Mayor repeatedly warned, the continued inaction of the Government to increase Police Grant and properly fund the National and International Capital City Grant (NICC) and the extent of the savings required leave us with no choice but to reduce the budgeted officer headcount – which accounts for the majority of the Met's spending - in order to balance the budget. This budget is based on a reduction in the officer workforce to an average of 30,000 in 2018-19. Over the period to come the Mayor will work closely with the MPS to minimise the size and impact of officer number reductions.
- 1.4. This paper sets out the proposed MOPAC/MPS revenue and capital budgets for the period 2018-19 to 2021-22 for approval by the Deputy Mayor for Policing and Crime. These have been prepared in accordance with the Mayor's Budget Guidance issued in June 2017 and will form part of the overall GLA Group Budget to be agreed in February 2018.

### **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

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<sup>1</sup> Statistics as at Quarter 2 (September 2017)

- 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](http://www.london.gov.uk/police-plan).

2.4. During 2017/18 MOPAC has consulted further and approved strategies in relation to Knife Crime and Public Access. In addition, needs assessments have been or are being carried out to inform the development of future strategies, for example on Violence Against Women and Girls and Engagement. These strategies provide a framework to guide the Commissioner in decisions about the operational deployment of her resources. The Mayor's vision for policing in London has had a tangible impact on the front line and 75% of all London Wards now have Dedicated Ward Officer posts in place, with 100% coverage by the end of December 2017<sup>2</sup>.

2.4.1. 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 – exploiting the digital revolution, new technology and valuing data;
- Organisational transformation – becoming a flexible and agile organisation.

### **3. 2017/18 REVENUE AND CAPITAL FORECAST**

3.1. The 2017-18 Budget was balanced and agreed in February 2017. 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) of some £170 million; real and cash reductions in central Government core grant funding and accommodating external pressures stemming from the Apprenticeship Levy and Single Tier Pension reforms. Further pressure was added during the year with the Government's announcement of an unfunded 1% additional pay rise for police officers from September.

#### **Revenue**

3.1. The latest financial forecast for 2017/18 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 £18.8m underspend with a full year forecast of a net underspend of £17.7m, less than 1% of the revised £2,504m budget.

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<sup>2</sup> As at Quarter 2 (September 2017)

- 3.2. Demands caused by terrorist incidents and the Grenfell Tower fire have created additional pressures on the Met's gross budget. Additional funding is being sought from the Government and in the case of the costs associated with the terrorist incidents some reassurance have been provided by the Government that funding will be forthcoming. There are also a number of ongoing commercial and contractual discussions with suppliers with cost implications. The Met continue to work through these issues and uncertainty inherent in their outcome create risks in the forecast.

#### Capital

- 3.3. The Mayor has approved a capital programme that provided for £268m of expenditure in 2017-18. This will be funded from a combination of capital receipts, grants and other contributions. At Quarter 2 capital expenditure for the year is forecast at £218m.

#### **4. MOPAC/MPS BUDGET 2018/19-2021/22**

- 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 MOPAC Oversight Board which she chairs.

#### **5. RESOURCE BUDGET 2018/19-2021/22**

- 5.1. This budget has been prepared against the backdrop of increasing demand faced by the MPS. Total crime in London has risen by 5.7% compared to the previous twelve months, as at Quarter 2. Crime has risen in complexity as well as the volume. High harm crimes are up, for example knife crime offences in London are higher than at any point over the last three years and have risen by 19% since last year. And London has faced four terror attacks in 2017. Experts have described this as an upward shift in terror related activity rather than simply a spike.
- 5.2. Despite this increase in demand, the Government's Autumn Budget did not announce any additional funding for the police and the MPS face real and cash reductions in their central government core grant. Furthermore the Home Office continue to underfund the National and International Capital City grant by around £170m per year compared to the recommendations of the Sir Richard Mottram's expert panel. In addition Counter Terrorism police funding is set to fall by 7% over the coming three years.
- 5.3. In September 2016 the Government announced that a further review of the Police Core Grant Distribution Formula would take place with a planned reporting date of spring 2017. MOPAC and the MPS fully engaged with both the technical and strategic working groups set up by the Home Office to inform this process, but as yet the Home Office has not shared its findings with local policing bodies, and has not announced when or how it

will progress this work. There remain risks that this review could re-direct resources away from London thereby creating additional financial pressures for the MPS.

- 5.4. In the face of this underfunding, financial pressures continue to mount. Pressure from pay inflation is heightened by the government's unfunded 12 month 1% non-consolidated pay award for police officers. Business rates and other external factors drive non-pay inflationary pressures. Investing in maintenance of technology, transformation and estates rationalisation come with upfront costs in 2018-19, but will deliver resource and capital savings in future years.
- 5.5. The MPS continues to bear down on back office costs, making use of national benchmarking with other forces to help keep the costs of administrative support functions as low as possible. Our ambition is that back office costs associated with these support functions are reduced to 15% of total MPS expenditure.
- 5.6. The 2018/19 MOPAC/MPS revenue budget totals some £3.215bn funded as follows:

	£m	%
Central Government Police Grant	1,858	58
Specific Grants	423	13
GLA Precept and Business Rates	645	20
Income	264	8
Use of reserves	25	1
<b>Total</b>	<b>3,215</b>	<b>100</b>

- 5.7. It is right that central government provides the majority of MPS funding and this should continue. Notwithstanding this, the Mayor makes a substantial contribution. Revenue raised through Council Tax within London and provided through standalone grants accounts for 20% of MPS income. 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 1.99% per year from 2018-19 to 2021-22. Should the Government provide greater flexibility in future years the Mayor will consider the relative merits of alternative changes in the precept.
- 5.8. Since central government funding accounts for nearly three quarters (71%) of revenue support, the financial sustainability of the MPS is geared towards funding decisions taken by the Treasury and the Home Office. If central government funding continues to fall in real and cash terms while the Mayor provides what he can through Council Tax, the burden for funding the Met will increasingly fall on Londoners, rather than the wider business and taxpayer population who also benefit from their services.

5.9. The 2018/19 MOPAC/MPS revenue budget is distributed as follows:

	£m	%
Police Officer Costs	1,836	57
Police Staff Costs	479	15
PCSO Costs	54	1
Other Staff Costs	56	2
Supplies and Services	506	16
Premises Costs	184	6
Transport Costs	58	2
Capital Financing Costs	42	1
<b>Total</b>	<b>3,215</b>	<b>100</b>

5.10. Inflation factors have been applied to various expenditure budgets for 2018/19 to reflect the anticipated cost increases. Non-pay inflation is expected to be £10.5m. A 1% pay increase for officers, staff and PCSOs costs roughly £25m. In total new expenditure pressures amount to £130m in 2018-19. In addition the MPS have absorbed the government's unfunded 1% pay award for police officers which amounts to a £5m cost for the MPS in 2018-19 in addition to the £7m cost in 2017-18.

5.11. Officer and staff pay and overtime account for three quarters of MPS expenditure (73%), while supplies and services, such as uniforms, utilities and kit, account for 16% and premises costs for 6%. 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 push for more efficiency. But in the absence of additional central government funding; delivering the savings required to accommodate the £130m in new pressures can only be achieved with reductions in officer numbers.

5.12. Reducing officer numbers must be done through a carefully managed process, recognising the constraints associated with rapid reductions in officer numbers. Therefore it is important to plan ahead and ensure funding is available while the MPS adjust to the new workforce size. In order to achieve this, over the course of 2017/18 the Deputy Mayor is approving the transfer of officer pay underspend to the MPS earmarked reserves. This funding will be drawn upon to provide for the additional police officer pay award in 2017-18 and 2018-19 and to protect funding for medium term officer recruitment plans.

5.13. The Government has indicated that it will consider further pay increases of greater than 1%, but has not confirmed whether additional government funding will be forthcoming to

cover the resulting cost. This is in contrast to the NHS where the Government have confirmed that new funding will be provided to cover the costs of above 1% pay rises for nurses. This budget assumes that pay rises for officers, PCSOs and police staff will revert to 1% per year once the 12 month additional pay award expires. Further unfunded pay increases would therefore represent an additional pressure on the MPS budget.

- 5.14. The Mayor and the MPS have sought to make savings wherever possible. For example, a major estates review has been undertaken and disposals of significant numbers of properties, including the previous building known as New Scotland Yard, to generate capital receipts which in turn are used to support the transformation programme. In order to protect as far as possible the front line and police officer numbers, this year the Mayor further reviewed the MPS estate. Following a Public Access and Engagement Strategy Consultation, a Public Access Strategy was approved which reduced the number of front counters and is expected to generate capital receipts of £164m and annual revenue savings of £8m. This is coupled with a commitment to improve and modernise the way that the public can interact with the police, mindful of the fact that just 8 per cent of crimes are reported at police front counters. So London will retain one 24/7 police front counter in every borough, alongside more Dedicated Ward Officers who will be in better contact with the communities they serve, and an improved telephone and online service that will mean that Londoners are able to contact the police in the way that suits them best.
- 5.15. However, in the absence of increased funding from central government the MPS have been forced to seek additional savings from elsewhere to accommodate the £130m in cost pressures. Last year the Mayor was forced to make the difficult decision to make a one off £38m reduction to the MPS budget in order to deliver a balanced budget which was met through underspends in the officer pay bill reflecting the position in officer numbers. Since officer and staff pay accounts for three quarters of MPS expenditure the Mayor has been forced to abandon the strategic target of 32,000 officers, whilst continuing to protect those most vulnerable and tackling the most serious of crimes. This will reduce annual expenditure by £100m from 2018-19.
- 5.16. The scale of the further pressures the MPS faces from 2019/20 onwards will mean that further reductions in officer numbers are needed to balance the budget unless the government provide real terms increases in core grant funding. The Mayor and the MPS will continue to seek the maximum improvements in back office efficiency and front line productivity. However, if we are forced to close the funding gap entirely through officer number reductions, the officer workforce is expected to fall to 26,900 by 2021-22.
- 5.17. Annex 1 presents; the proposed budgets from 2018/19-2021/22 and details of savings, efficiencies and pressures. This includes:
- The 2018/19 proposed budget and forecast budgets for 2019/20- 2021/22. Figures for the 2016/17 outturn and the 2017/18 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 2018/19 revenue budget by subjective analysis and different funding streams.
- The gross pressures, savings and efficiencies from 2018/19-2021/22. Savings and efficiencies are presented on an incremental as well as cumulative basis, with the planned savings as identified in the 2017/18 budget submission and the new savings identified in the 2018/19 submission shown distinctly.
- Analysis of changes from the 2017/18 budget to that of 2018/19 explaining the reasons for the movements in budget including inflation, savings and efficiencies and use of reserves.

5.18. The 2018/19 MOPAC/MPS revenue budget includes funding allocated to MOPAC for its oversight, convening and delivery role. Funding has remained broadly flat between 2017-18 and 2018-19 with budget pressures managed through back office efficiencies. The MOPAC 2018/19 resource budget totals £59.038m. Staff pay accounts for roughly 15% of this and commissioned services most of the remaining 85%. The MOPAC budget is funded as follows:

	£m	%
Central Government Police Grant	37.028	63
Specific Grants	16.309	28
Income	1.901	3
Use of reserves	3.800	6
<b>Total</b>	<b>59.038</b>	<b>100</b>

## 6. CAPITAL BUDGET

6.1. This budget sets out an ambitious capital programme for the MPS. This will deliver significant transformation including renewal of outdated 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 £1,721m investment programme over the 5 year period to 2021-22.

MOPAC draft capital plan	2017/18 Forecast outturn £m	2018/19 plan £m	2019/20 plan £m	2020/21 plan £m	2021/22 plan £m
Property Forward Works	14.2	8.8	9.8	7.5	10.0
IT core infrastructure & Replacement	40.4	31.6	27.7	25.7	25.7
Fleet	24.3	38.7	26.3	22.0	23.3
NCTPHQ	24.2	33.7	25.8	21.0	25.0
Improving Public Access and first contact	1.3	0.0	0.0	0.0	0.0
Optimising Response	13.5	12.4	18.1	33.4	10.5
Strengthening Local Policing	2.0	2.0	1.0	0.3	0.0
Transforming Investigation and Prosecution	30.2	45.1	41.8	40.0	0.0
Strengthening Armed Policing	2.5	2.8	2.5	0.0	0.0
Smarter Working	46.7	20.5	3.6	1.2	0.0
Workforce Futures	0.0	0.0	1.0	1.0	1.0
Information Futures	0.0	5.0	0.0	0.0	0.0
Transforming the MPS Estate	48.1	489.2	242.2	110.3	26.1
<b>Subtotal</b>	<b>247.4</b>	<b>689.8</b>	<b>399.8</b>	<b>262.4</b>	<b>121.6</b>
Over-programming	-16.4	-19.0	8.2	8.2	19.0
<b>Total Programme Cost</b>	<b>231.0</b>	<b>670.8</b>	<b>408.0</b>	<b>270.6</b>	<b>140.6</b>
<b>Cumulative Total Programme Cost</b>	<b>231.0</b>	<b>901.8</b>	<b>1,309.8</b>	<b>1,580.4</b>	<b>1,721.0</b>
<b>Funding</b>					
Capital Receipts	178.9	374.7	101.5	66.3	102.5
Capital grants & other contributions	51.1	56.3	47.4	41.1	37.2
Borrowing		234.4	259.1	163.2	0.9
Revenue Contributions	1.0	5.4			
<b>Total funding</b>	<b>231.0</b>	<b>670.8</b>	<b>408.0</b>	<b>270.6</b>	<b>140.6</b>
<b>Cumulative Total Programme funding</b>	<b>231.0</b>	<b>901.8</b>	<b>1,309.8</b>	<b>1,580.4</b>	<b>1,721.0</b>

6.2. 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. In total capital receipts account for nearly half the funding provided for the capital investment programme. Where a funding shortfall exists after the use of receipts and capital grants, the outstanding balance will be met through borrowing. The Mayor is keen to ensure thorough scrutiny and controls are in place to monitor this borrowing. Annex 2 provides details on the authorised limits and operational limits which are applied.



- 6.3. 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, and the profile of capital receipts. Provision has been made in the draft revenue budget for these borrowing costs based on the anticipated profile of expenditure and income.
- 6.4. 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. This is an ongoing process. The MPS are carrying out a further review of this draft capital programme, which contains a number of large and complex inter-dependent investments, to ensure that it is capable of being delivered. The final capital spending profile is subject to finalising these details in advance of the final Budget submission.
- 6.5. The funding for the existing PFI schemes is provided for within the proposed budget.
- 6.6. Quarterly in-depth reporting on the capital programme forms an element of the oversight and scrutiny function of MOPAC.

## 7. TREASURY MANAGEMENT

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

## 8. RESERVES

- 8.1. Reserves fall into 2 categories: those earmarked for specific purposes, and general reserves set aside to meet unexpected and unforeseeable changes in net expenditure.

Movement in reserves during financial year	Opening Balance 1.04.2017	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Remaining Balance 31.03.2022
General	46.6	0	0	0	0	0	46.6
Earmarked	193.0	-90.6	-25.0	-27.6	-1.0	0	48.8
<b>Total Balance</b>	<b>239.6</b>	<b>149.0</b>	<b>124.0</b>	<b>96.4</b>	<b>95.4</b>	<b>95.4</b>	<b>95.4</b>

- 8.2. 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.
- 8.3. MOPAC is forecasting general reserves of £46.6m as at 31 March 2018. This is less than 2% of net expenditure. Current proposals are that this position will be maintained at the end of 2021-22. These reserves represent in excess of 1.5 percent of the forecast outturn

net revenue expenditure in 2017-18, and the 2018-19 to 2021-22 balances represent in excess of 1.5 per cent in each year respectively. This is in line with MOPAC's policy. The general reserves are held to cover the cost of unexpected pressures

8.4. 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, 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: POCA (Proceeds of Crime Act) income ring-fenced to support POCA related activity.

8.5. Earmarked reserves are being utilised from 2017-18 to 2021-22, forecast to reduce by 75% from 2017-18 to 2021-22. This reduces the balance from £193.0m in 2017-18 (8% of Net Expenditure) to £48.8m as at the end of March 2022 (2% 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.

8.6. 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 £3.3bn. 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.

## Annex 1

### Subjective Analysis 2016-17 to 2021-22

Outturn 2016/17 £000		Revised Budget 2017/18 £000	Forecast 2017/18 £000	Budget 2018/19 £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000
	<b>Pay</b>						
1,788,045	Police Officer Pay	1,792,917	1,792,931	1,754,011	1,767,663	1,788,577	1,809,802
460,546	Police Staff Pay	487,266	451,230	459,157	479,285	480,385	486,202
60,723	PCSO Pay	53,658	53,660	53,596	54,056	54,658	55,363
2,309,314	<b>Total Pay</b>	2,333,841	2,297,821	2,266,763	2,301,003	2,323,619	2,351,166
	<b>Overtime</b>						
92,510	Police Officer Overtime	78,988	105,118	81,675	81,675	81,675	81,675
23,219	Police Staff Overtime	20,004	25,053	20,081	20,081	20,081	20,081
207	PCSO Overtime	217	211	204	204	204	204
115,937	<b>Total Overtime</b>	99,209	130,382	101,939	101,939	101,939	101,939
2,425,251	<b>TOTAL PAY &amp; OVERTIME</b>	2,433,050	2,428,203	2,368,702	2,402,942	2,425,558	2,453,105
	<b>Running Expenses</b>						
51,995	Employee Related Expenditure	21,869	25,977	21,408	21,508	20,608	20,608
171,149	Premises Costs	173,983	170,797	184,418	183,718	171,218	133,438
66,043	Transport Costs	65,672	68,335	57,833	57,847	57,034	57,184
501,283	Supplies & Services	516,966	536,679	506,453	535,849	544,586	600,006
42,956	Capital Financing Costs	41,939	41,504	42,195	57,198	72,608	83,578
33,242	Discretionary Pension Costs	34,434	33,582	34,434	34,434	34,434	34,434
866,668	<b>TOTAL RUNNING EXPENSES</b>	854,863	876,873	846,741	890,554	900,488	929,248
3,291,919	<b>TOTAL EXPENDITURE</b>	3,287,913	3,305,076	3,215,443	3,293,496	3,326,046	3,382,353
	<b>Income</b>						
-2,305	Interest Receipts	-1,300	-1,969	-1,300	-1,300	-1,300	-1,300
-269,734	Other Income	-255,229	-262,854	-262,452	-264,651	-266,150	-269,049
-464,566	Specific Grants	-437,083	-469,112	-423,274	-423,274	-423,274	-423,274
-736,607	<b>TOTAL INCOME</b>	-693,612	-733,935	-687,026	-689,225	-690,724	-693,623
	Savings still to be identified			0	-72,500	-128,890	-183,340
2,555,312	<b>NET EXPENDITURE</b>	2,594,301	2,571,141	2,528,416	2,531,770	2,506,431	2,505,389
-56,951	Transfers to / from reserves	-90,647	-67,487	-25,042	-27,592	-1,042	
2,498,361	<b>NET EXPENDITURE AFTER TRANSFER TO/FROM RESERVES</b>	2,503,654	2,503,654	2,503,374	2,504,178	2,505,389	2,505,389
-1,904,604	General Grant	-1,882,019	-1,882,019	-1,858,365	-1,834,365	-1,809,765	-1,782,865
-27,100	Council Tax Freeze Grant	-29,600	-29,600	-29,100	-29,100	-29,100	-29,100
-566,657	Council Tax Requirement	-592,035	-592,035	-615,909	-640,713	-666,524	-693,424

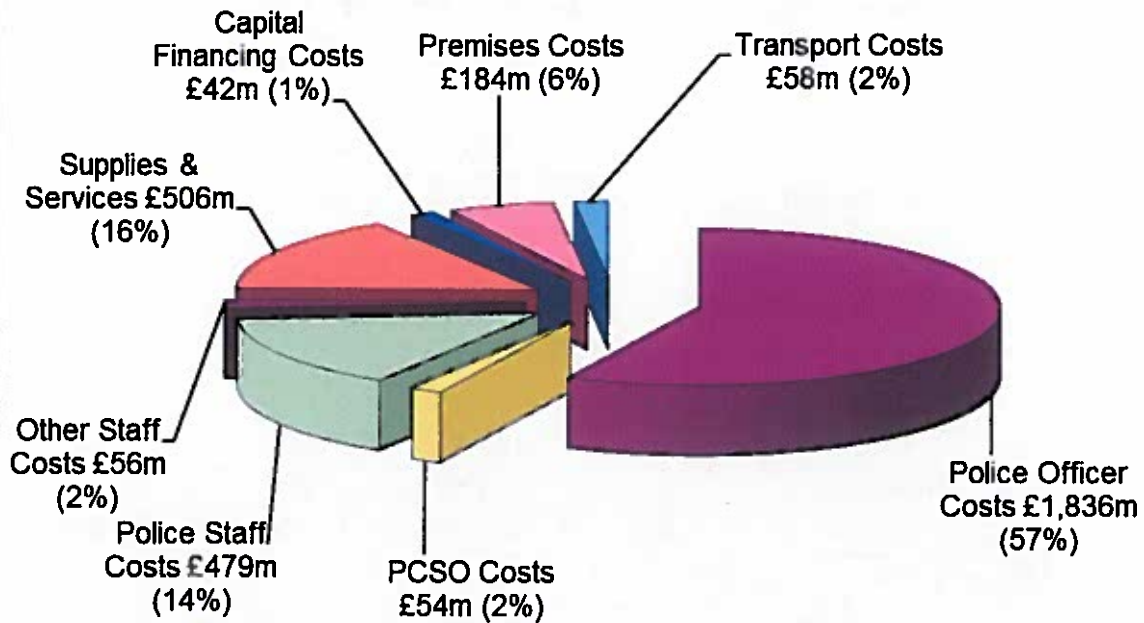
\*The £67,487m forecast transfer to reserves includes the £17.7m underspend as reported at Q2. There are a number of assumptions and risks built into the forecast position with uncertain outcomes; which may change the final position and alter the required transfer from reserves.

## Business Group Analysis 2016-17 to 2021-22

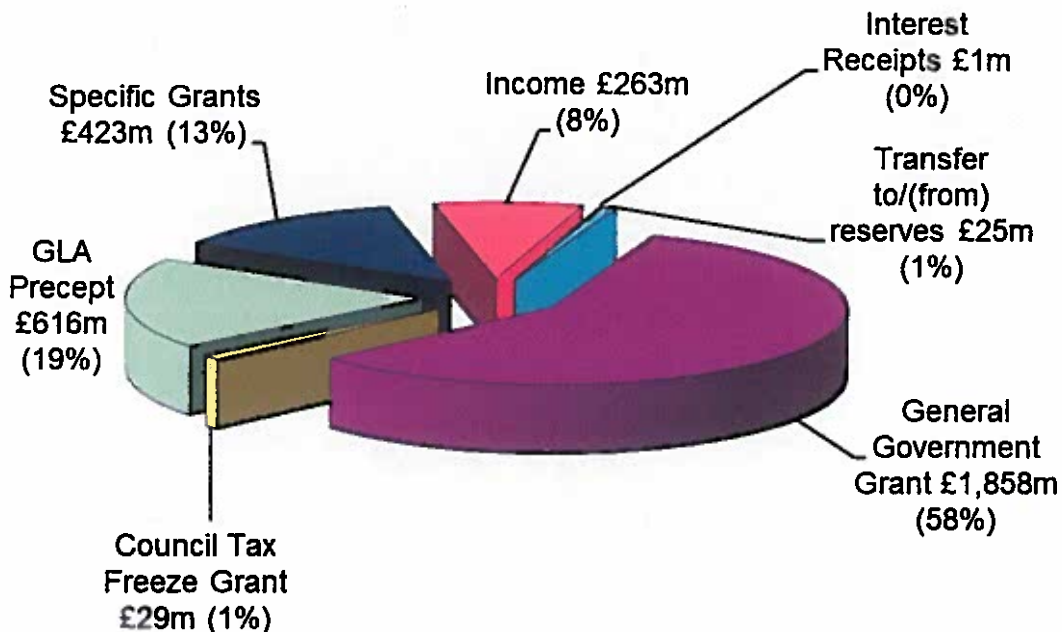
Outturn 2016/17 £000		Revised Budget 2017/18 £000	Forecast 2017/18 £000	Budget 2018/19 £000	Budget 2019/20 £000	Budget 2020/21 £000	Budget 2021/22 £000
	<b>Business Groups:</b>						
1,152,280	Territorial Policing	1,121,384	1,098,437	1,117,049	1,118,949	1,114,234	1,111,686
718,939	Specialist Crime & Operations	713,881	713,861	699,440	702,325	702,325	702,325
347,618	Specialist Operations	340,239	356,347	339,308	335,309	328,310	334,311
613,634 0	Met HQ	646,561	653,808	505,587	522,105	493,292	455,310
<b>2,832,451</b>	<b>Total Business Groups</b>	<b>2,822,064</b>	<b>2,822,453</b>	<b>2,661,385</b>	<b>2,676,689</b>	<b>2,638,162</b>	<b>2,603,633</b>
	<b>Corporate Budgets:</b>						
33,242	Discretionary Pension Costs	34,434	33,582	34,434	34,434	34,434	34,434
62,983	Centrally Held	75,646	86,837	157,840	203,387	261,355	338,322
42,956	Capital Financing Costs	41,939	41,504	42,195	57,198	72,608	83,578
-2,305	Interest Receipts	-1,300	-1,969	-1,300	-1,300	-1,300	-1,300
-464,568	Specific Grants	-437,083	-469,112	-423,274	-423,274	-423,274	-423,274
0	Savings to be identified	0	0	-0	-72,500	-128,890	-183,340
<b>-327,691</b>	<b>Total Corporate Budgets</b>	<b>-286,363</b>	<b>-309,158</b>	<b>-190,106</b>	<b>-202,056</b>	<b>-185,068</b>	<b>-151,581</b>
50,552	Mayor's Office of Policing & Crime	58,600	57,845	57,137	57,137	53,337	53,337
<b>2,555,312</b>	<b>Net revenue expenditure</b>	<b>2,594,301</b>	<b>2,571,141</b>	<b>2,528,416</b>	<b>2,531,770</b>	<b>2,506,431</b>	<b>2,505,389</b>
-56,951	Transfer to / from reserves	-90,647	-67,487	-25,042	-27,592	-1,042	-0
<b>2,498,361</b>	<b>Budget requirement</b>	<b>2,503,654</b>	<b>2,503,654</b>	<b>2,503,374</b>	<b>2,504,178</b>	<b>2,505,389</b>	<b>2,505,389</b>
-1,904,604	General Grant	-1,882,019	-1,882,019	-1,858,365	-1,834,365	-1,809,765	-1,782,865
-27,100	Council Tax Freeze Grant	-29,600	-29,600	-29,100	-29,100	-29,100	-29,100
<b>566,657</b>	<b>Council Tax Requirement</b>	<b>592,035</b>	<b>592,035</b>	<b>615,909</b>	<b>640,713</b>	<b>666,524</b>	<b>693,424</b>

\*The £67,487m forecast transfer to reserves includes the £17.7m underspend as reported at Q2. There are a number of assumptions and risks built into the forecast position with uncertain outcomes; which may change the final position and alter the required transfer from reserves.

### 2018/19 MOPAC/MPS Expenditure (£3,215m)



### 2018/19 MOPAC/MPS Funding (£3,215m)



Gross Pressures 2018/19-21/22

The financial pressures faced by MOPAC/MPS are set out in the table below

Description	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Officer pay inflation, overtime and benefits	77,000	35,500	35,500	35,500
Digital Policing	50,800	4,100	1,000	0
Operational*	(10,600)	0	0	0
Commercial	3,100	(3,100)	0	0
Estates	10,000	0	0	(4,000)
Future pressures	0	25,000	25,000	25,000
Financing costs of borrowing	0	19,700	11,800	20,800
<b>Total</b>	<b>130,300</b>	<b>81,200</b>	<b>73,300</b>	<b>77,300</b>

\*Includes the full year effect of a one-off increase in funding in prior year

Savings and efficiencies 2018/19-21/22

The planned savings and efficiencies from the 2017/18 budget submission have been reviewed and are now set out below.

Incremental

Description	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Estates	0	(5,000)	0	(29,790)
Other Back Office	(4,860)	(3,500)	1,300	0
Other Front/Middle Office (incl MiPS)	(700)	200	(15,000)	0
Forensics Services	(233)	2,085	0	0
Mobility	(1,750)	0	0	0
Amended use of Change Funding	2,000	0	0	0
<b>Total</b>	<b>(5,543)</b>	<b>(6,215)</b>	<b>(13,700)</b>	<b>(29,790)</b>

Cumulative

Description	2018/19	2019/20	2020/21	2021/22
	£000	£000	£000	£000
Estates	0	(5,000)	(5,000)	(34,790)
Other Back Office	(4,860)	(8,360)	(7,060)	(7,060)
Other Front/Middle Office (incl MiPS)	(700)	(500)	(15,500)	(15,500)
Forensics Services	(233)	1,852	1,852	1,852
Mobility	(1,750)	(1,750)	(1,750)	(1,750)
Amended use of Change Funding	2,000	2,000	2,000	2,000
<b>Total</b>	<b>(5,543)</b>	<b>(11,758)</b>	<b>(25,458)</b>	<b>(55,248)</b>

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

#### Incremental

Description	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
IT Digital Policing	(13,100)	0	0	0
Other Back Office	(1,236)	0	0	0
Other Front/Middle Office	(4,510)	0	0	0
Income Direct Entry Superintendents	(1,200)	0	1,200	0
Transformation (C&C & Resource Management)	0	(3,556)	(2,560)	0
Impact of 30,000 officer establishment	(100,000)	0	0	0
Staff saving (vacancy rate)	(7,800)	0	0	0
Allowance for over-programming	3,100	0	0	0
<b>Total</b>	<b>(124,746)</b>	<b>(3,556)</b>	<b>(1,360)</b>	<b>0</b>
<b>Total - New and Existing</b>	<b>(130,289)</b>	<b>(9,771)</b>	<b>(15,060)</b>	<b>(29,790)</b>

#### Cumulative

Description	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
IT Digital Policing	(13,100)	(13,100)	(13,100)	(13,100)
Other Back Office	(1,236)	(1,236)	(1,236)	(1,236)
Other Front/Middle Office	(4,510)	(4,510)	(4,510)	(4,510)
Income Direct Entry Superintendents	(1,200)	(1,200)	0	0
Transformation (C&C & Resource Management)	0	(3,556)	(6,116)	(6,116)
Impact of 30,000 officer establishment	(100,000)	(100,000)	(100,000)	(100,000)
Staff saving (vacancy rate)	(7,800)	(7,800)	(7,800)	(7,800)
Allowance for over-programming	3,100	3,100	3,100	3,100
<b>Total</b>	<b>(124,746)</b>	<b>(128,302)</b>	<b>(129,662)</b>	<b>(129,662)</b>
<b>Total - New and Existing</b>	<b>(130,289)</b>	<b>(140,060)</b>	<b>(155,120)</b>	<b>(184,910)</b>



Analysis of Change in Council Tax Requirement

<b>2017/18 Council Tax requirement</b>	<b>592.0</b>
<i>Changes due to:</i>	
Inflation	35.5
Savings and efficiencies	-130.3
Net changes in existing service expenditure	15.1
Change in use of reserves	65.6
Net change in Government grants and retained rates	24.2
Net change in Specific grants	13.8
<b>2018/19 Council Tax requirement</b>	<b>615.9</b>



## **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 2018/19 to 2021/22.

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 vagaries 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.

## Affordability Indicators

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

2017/18	2018/19	2019/20	2020/21	2021/22
Estimate	Estimate	Estimate	Estimate	Estimate
1.58%	1.63%	2.23%	2.85%	3.28%

This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the authority. MOPAC's external borrowing is considered low compared to other local authorities but this indicator is still important because the level of debt could be required to increase significantly and it is crucial to understand the affordability, prudence and sustainability of our borrowing policy. There has been a history of financing capital investment by utilising internal resources i.e. using cash balances to negate the need to go to the financial market and take out external loans. This practice is known as 'internal borrowing'. As and when these internal resources reduce there may be the need to finance historic capital investment by further borrowing.

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

	2017/18	2018/19	2019/20	2020/21	2021/22
	Estimate	Estimate	Estimate	Estimate	Estimate
<b>Previously Approved Base</b>	£1.17	£3.35	£3.87	£2.81	
<b>Incremental Impact</b>	-£0.13	£3.39	£3.41	£1.94	£0.66

This indicator shows the actual impact of capital investment decisions on the Council Tax precept by the GLA. 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 (a) debt charges on Prudential borrowing; and (b) loss of interest on capital receipts used to finance new investment.

## 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"

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

## Capital Expenditure Indicators

### 4. Capital Expenditure

2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
177,048	231,029	670,878	407,936	270,521	140,559

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.

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

2016/17 Actual £000	2017/18 Estimate £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
611,932	585,368	794,780	1,017,210	1,132,235	1,078,262

The capital financing requirement as shown above measures the MOPAC's underlying need to borrow for a capital investment purpose. It also takes account of the principal sum noted as outstanding in respect of long term liabilities relating to PFI arrangements and assets subject to finance leases. MOPAC chooses not to have a direct association between borrowing and particular items or types of expenditure. The MOPAC has an integrated treasury management strategy and has adopted the CIPFA Code of Practice for Treasury Management in the Public Services. The MOPAC 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 MOPAC 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 investment purpose.

## External Debt Indicators

### 6. Operational Boundary for External Debt.

	2017/18 Original £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
<b>Borrowing</b>	359,616	359,616	567,631	813,138	962,704	961,582
<b>Long Term Liabilities</b>						
<b>PFI</b>	74,064	74,064	71,226	66,212	60,428	55,065
<b>Finance Leases</b>	5,184	5,184	4,986	4,767	4,526	4,261
<b>Total</b>	<b>438,864</b>	<b>438,864</b>	<b>643,843</b>	<b>884,117</b>	<b>1,027,658</b>	<b>1,020,908</b>

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.

### 7. Authorised Limit for External Debt

	2017/18 Original £000	2017/18 Revised £000	2018/19 Estimate £000	2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000
<b>Borrowing</b>	484,616	484,616	692,631	938,138	1,087,704	1,086,582
<b>Long Term Liabilities</b>						
<b>PFI</b>	74,064	74,064	71,226	66,212	60,428	55,065
<b>Finance Leases</b>	5,184	5,184	4,986	4,767	4,526	4,261
<b>Total</b>	<b>563,864</b>	<b>563,864</b>	<b>768,853</b>	<b>1,009,117</b>	<b>1,152,658</b>	<b>1,145,908</b>

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.

#### 8. Actual External Debt (at start of financial year 2017/18)

<b>Actual External Borrowing</b>
<b>1 April 2017 Actual £000</b>
Long Term – 143,007
Short Term - 16,457
<b>Total - 159,464</b>
<b>Long Term Liabilities</b>
<b>1 April 2017 Actual £000</b>
PFI Arrangements – 77,945
Finance Lease Arrangements – 5,364
<b>Total - 83,309</b>
<b>Total Actual External Debt - £242,773</b>

#### 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, as demonstrated by the Public Access Consultation EIA which was published online.