

MEDIUM TERM FINANCIAL PROJECTIONS

APPENDIX 2

	Notes	2002/03 £m	2003/04 £m	2004/05 £m	
1	2001/02 cash limit	2,040.1			1
2	Transfer of function - NCS/NCIS levies	-35.9			2
3	<b>Previous year's cash limit (net of function transfers)/committed budget after efficiency savings</b>	<b>2,004.2</b>	<b>2,111.9</b>	<b>2,196.1</b>	3
4	Pay awards/price inflation	52.8	55.1	56.6	4
5	Sub-total	2,057.0	2,167.0	2,252.7	5
	<b>Commitments:</b>				
6	Full year cost of 26,650 police officers	16.5	0.0	0.0	6
7	Extra cost of London pay lead	6.5	3.4	3.5	7
8	Housing allowance anomalies	3.3	0.0	0.0	8
9	Reduction in housing allowance/compensatory grant	-5.5	-5.5	-5.1	9
10	Free rail travel for police officers	3.6	0.0	0.0	10
11	Pensions growth	5.3	16.4	16.9	11
12	Recruit accommodation growth	1.4	0.0	0.0	12
13	Firearms PFI	0.6	1.7	0.0	13
14	SE London police stations PFI	1.1	9.7	0.0	14
15	Hayes Archive PFI (MoD led)	0.1	0.1	0.0	15
16	C3i	0.0	15.0	0.0	16
17	Pension transfer payments	1.5	-1.5	0.0	17
18	Backlog maintenance requirement	5.0	0.0	0.0	18
19	Expenditure on DNA expansion programme to qualify for additional HO grant	12.1	0.8	0.0	19
20	Estimated impact of <i>de minimis</i> capital at £5k	12.0	0.0	0.0	20
	Reduced interest receipts on cash flow	2.0	0.0	0.0	17
21	<b>Total commitments</b>	<b>65.5</b>	<b>40.1</b>	<b>15.3</b>	21
22	<b>Committed Budget</b>	<b>2,122.5</b>	<b>2,207.1</b>	<b>2,268.0</b>	22
	<i>Less</i>				
23	Efficiency savings (0.5% cashable)	-10.6	-11.0	-11.3	23
24	<b>Committed budget net of efficiency savings</b>	<b>2,111.9</b>	<b>2,196.1</b>	<b>2,256.6</b>	24
25	% change	5.4%	4.0%	2.8%	25
26	Cumulative effect of developments to date	<b>0.0</b>	<b>76.3</b>	<b>97.9</b>	26
	<b>Developments:</b>				
27	Increase police officer numbers to 27,325 by 31/03/03	15.3	12.9	0.0	27
28	Increase police officer numbers to 28,000 by 31/03/04	0.0	15.7	13.0	28
29	Raising civil staff pay levels to market median	15.0	0.0	0.0	29
30	Additional resources for Performance Management Framework	3.0	0.0	0.0	30
31	Funding to support affordable housing initiatives	1.0	0.0	0.0	31
32	Full resourcing for serious crime	11.0	0.0	0.0	32
33	Building up general reserves	10.0	-10.0	0.0	33
34	Contributions to(+)/from(-) pensions smoothing reserve	10.0	3.0	3.5	34
	<i>Major bids carried forward from 2001/02:</i>				
35	Accommodation/environmental enhancements to support Borough based policing	2.9	0.0	0.0	35
36	Support for local Crime and Disorder partnerships	1.3	0.0	0.0	36
37	Communications Strategy	4.5	0.0	0.0	37
38	Rape havens	1.3	0.0	0.0	38
39	MPA consultation	1.0	0.0	0.0	39
40	<b>Total developments</b>	<b>76.3</b>	<b>21.6</b>	<b>16.5</b>	40
41	<b>Total Budget including developments</b>	<b>2,188.2</b>	<b>2,294.0</b>	<b>2,371.0</b>	41
42	<i>Annual increase</i>	<i>9.2%</i>	<i>4.8%</i>	<i>3.4%</i>	42

**Notes to Appendix 2**

1. Pay awards for police and civil staff are assumed to be 3% in each year. Price inflation assumed to be 2.5%.
2. Full-year cost of increasing to 26,650 officers by March 2002.
3. Progressive increase in cost of London pay lead payable to all new recruits.
4. Payment of £1,000 to about 3,000 officers affected by anomalies in housing allowance has been agreed by the Home Secretary.
5. Allowance frozen. Progressive reduction reflects wastage of officers in receipt of the allowance.
6. Payment of £2.5m to ATOC for free rail travel for police officers and £1.1m payment to Inland Revenue for tax liability.
7. Pensions growth reflects figures in FPBV report no 10 considered at 20 February meeting.
8. Latest analysis indicates that additional recruit accommodation will have to be made available in order to meet officer growth targets. This assumption supports cost of accommodation provision and related travelling costs.
9. Figures are consistent with latest business case. Cost in 2002/03 reflects Jan 2003 start date.
10. Costs consistent with business case considered by FPBV Committee on 20/2/2001. Cost in 2002/03 reflects Jan 2003 start date.
11. Assumes MPS staff transfer to MoD contractor mid 2002/03 and new premises built by April 2004.
12. Difference between overall existing costs of £80m and £95m affordability limit set by Management Board and MPA. Eventual solution may involve reallocation of resources with resulting impact on staff numbers.
13. Mid-point of possible pension transfer costs on SE London PFI and minimal cost of Hayes PFI.
14. Estimate of revenue budget increase required to address backlog maintenance levels.
15. Additional expenditure on DNA testing and associated support costs to qualify for full payment of special grant by HO (offsetting entry on funding table).

16. Policy change of *de minimis* categorisation implemented in 2001/02 but impact capped at £10m. Figure shown increases provision to full estimated cost commensurate with projected capital programme.
17. Reduction in interest receipts as a result of lower rate of interest and less favourable pattern of cash flow.
18. Increase in officer numbers as part of plan to achieve 28,000 officers by March 2004. The first year of each increase includes up-front costs such as uniforms and equipment. The additional budget for recruitment advertising agreed for 2001/02 is as
19. Sum identified by the Hay review as amount required to bring civil staff pay levels up to the market median.
20. Support for Performance Management Framework including trained performance analysts on Boroughs and additional quality assurance officers.
21. Costs associated with a variety of initiatives being pursued to provide affordable housing for key workers.
22. Outturn in 2000/01 has pointed up that the revised operational approach which has been adopted in the investigation of serious crime involves additional costs above and beyond the deployment of additional officers.
23. Restoring general reserve to around 1% of net budget following depletion as a result of 2000/01 outturn.
24. Contributions to or from pensions smoothing reserve as outlined in FPBV report no 10 considered at meeting on 20 February.
25. Refurbishment of locker rooms and showers, Disability Discrimination Act compliance work, increased levels of planned preventative maintenance of engineering plant to avoid build-up of backlog and maintain adequate working conditions.
26. Provision of £40,000 per Borough to allow local borough commanders a greater direct financial contribution to the partnership work with local authorities on Crime and Disorder Plans.
27. Improved communications strategy, including public relations officers on every borough, taking forward the Contact Campaign currently being piloted in Barnet and Southwark, implementing the new internal communications strategy and undertaking a Corporate Promotion and Information Campaign across London.
28. Provision of rape havens in support of MPA priority.
29. Provision for MPA's consultative commitments.

**PROJECTED FUNDING 2002/03 - 2004/05**

	Notes	2002/03 £m	2003/04 £m	2004/05 £m
Central funding allocated by national allocation formula (ie main police grant, RSG and NNDR)	1	1,543.1	1,589.4	1,637.0
<i>Less</i>				
Reduction in grant to reflect new funding of NCS/NCIS	2	-35.9	-37.0	-38.1
Sub-total	3	1,507.2	1,552.4	1,598.9
<i>Annual increase (before transfers)</i>		4.6%	3.0%	3.0%
MPS special payment	4	196.7	202.6	208.7
<i>Annual increase</i>		3.0%	3.0%	3.0%
Hypothecated grants:				
Crime Fighting Fund	5	58.3	68.4	70.5
Pay lead grant (maintaining 26,650 officers)	6	17.7	19.6	22.0
DNA expansion programme grant	7	12.1	12.9	12.9
Loan charges grant	8	3.9	3.7	3.5
Precept (excluding contribution to council tax benefit)		313.9	313.9	313.9
<i>Annual increase</i>		0.0%	0.0%	0.0%
<b>TOTAL FUNDING</b>		<b>2,109.8</b>	<b>2,173.5</b>	<b>2,230.5</b>
<i>Annual increase</i>		<b>3.4%</b>	<b>3.0%</b>	<b>2.6%</b>

**Notes**

1. Projections for formula funding in 2002/03 and 2003/04 are based on SR2000. Increases in the following years are assumed to remain at 2003/04 level. No assumption has been made about the availability of PFI credits.
2. Central funding of NCS/NCIS assumed to commence in 2002/03.
3. MPS share of available formula funding is assumed to remain at 2001/02 level.
4. MPS special payment is assumed to increase at same rate as police pay rise.
5. Crime Fighting Fund runs to 2002/03. Funding arrangement thereafter are unclear but this line shows the sums that will need to be obtained through the formula allocation to meet the cost of all officers recruited under the CFF scheme.
6. Assumes HO will fund London pay lead at 75% of annual cost excluding ERNIC.
7. Grant payments announced up to 2003/04, subject to qualifying expenditure reaching budgeted levels. Funding arrangements thereafter unclear but for present purposes both expenditure and income assumed to continue at 2003/04 levels.
8. This grant is paid as a contribution to costs associated with pre-1990 debt and will disappear over time.