



REPORT TO: British Transport Police Authority

DATE: 27 January 2009

SUBJECT: Draft Revenue Budget 2009/10 and Draft Capital Programme 2009/10 to 2011/12

SPONSOR: Chief Constable

AUTHOR: Director of Finance and Corporate Services

1. PURPOSE OF REPORT:

1.1 This report sets out the draft revenue budget for 2009/10 and the draft capital programme 2009/10 to 2011/12 for early consideration by the Authority. Further detailed budget information will be presented to SBPM on 6 February with a view to final budget proposals for 2009/10 being presented to the Authority for approval in March.

2. CONTEXT:

2.1 SBPM received a Medium Term Financial Plan (MTFP) for the period 2009/10 to 2011/12 at its meeting on 15 September which indicated that there were potential budget deficits of £2.3m in 2009/10, £5.5m in 2010/11 and £2.6m in 2011/12.

2.2 Since then our work has continued on firming up figures and a number of other changes have been made and this report provides the latest update of the MTFP for next year and two future years.

2.3 The police officer pay award agreement is for three years (2008, 2009 and 2010) and therefore there is more certainty in estimating pay related expenditure for those years.



- 2.4 The current economic situation means, among other things, that it is very difficult to predict what RPI will be in August 2009 – let alone in 2010. For the purposes of the figures for 2011/12 shown in paragraph 3.1 below and Appendix A, it is assumed that an RPI increase will be approved also for that year. Any RPI increase that is less than the agreed police officer pay award (2.60% in 2009 and 2.55% in 2010) will present a significant challenge in future years.
- 2.5 In updating the earlier MTFP and preparing a more detailed revenue budget for 2009/10 the Force’s priorities and commitments, as set out in the three year Strategic Plan, and in the annual Policing Plan, have been taken into account. Other regulatory and legislative demands, such as those related to the management of police information, the national IMPACT programme etc, have also been taken into account.
- 2.6 There are a number of demands on the revenue budget related to changes in accounting arrangements (particularly the move to International Financial Reporting Standards [IFRS]) which will have an impact in 2009/10 and beyond which cannot be avoided. All of these have been included in earlier versions of the MTFP.

3. REVENUE BUDGET 2009/10:

3.1 Appendix A sets out the draft revenue budget for 2009/10 and updates the MTFP for the following two years. A revised MTFP for the three years 2010/11 to 2012/13 will be presented to the Authority for consideration in September 2009. In summary the figures indicate that there is a funding shortfall for each of the years as follows:

	<u>£m</u>
2009/10	2.0
2010/11	3.7
2011/12	2.5

3.2 The above figures are inevitably based on a number of assumptions and will therefore change for 2009/10 as budget figures are refined in order to present a final budget to



the Authority's next meeting. There are also likely to be variations for the future two years when the MTFP is updated. The main factor being the level of RPI at August 2009 (assumed to be 2.0%) and one year later (assumed at 2.5%) and it is accepted that these assumptions could be out by a factor of 1% or more. For illustrative purposes only, a 1% reduction in RPI in August 2009 would result in the budget shortfall in 2010/11 being increased by approximately £2m to £5.7m. If the August 2010 figure continued to be lower by 1% (i.e. August 2009 at 1% and August 2010 at 1.5%), the shortfall for 2011/12 would increase by £5m to £7.5m.

- 3.3 In considering the 2009/10 budget, therefore, it is important to ensure that new commitments made in next year are sustainable in future years and, as severe restrictions in spending seem likely then. They will need to be recognised as priorities over some current activities, which may have to be curtailed to make them affordable.
- 3.4 The budget for 2009/10 needs be seen in the context of the current year's revenue account. Elsewhere on this meeting's agenda is the Director of Finance and Corporate Service's budget monitoring report to period 10 (up to 2 January 2009). This shows that the expected outturn for 2008/09 is an underspend in the order of £1.6m – most of which is due to one-off additional income being received that was not provided for in the original budget (e.g. CTRL and VAT). Subject to further discussions, it is considered that the most prudent use of the predicted underspend is to bring forward some expenditure that will go somewhat towards meeting the challenges of future years. Examples would be to address future depreciation charges, severance costs relating to the HR Transformation project, and to add to the contingency reserve.
- 3.5 Table 1 below summarises the changes that have been made to the current year's budget in order to arrive at a draft position for next year (Appendices A and B provide more detail as well as the figures for future years). This budget does not include any service development proposals. The PSA income is based on a 4.8% increase (RPI in August 2008).



Summary Revenue Budget 2009/10	
	<u>£'000</u>
BTP:	
PSA Funding Level 2008/09	192,830
Inflation, accounting etc. changes	5,667
Full year effect of 2008/09 Commitments	524
One-offs in 2008/09 falling out	(707)
Revenue effect of capital programme	2,890
Draft Revenue Budget with no service development:	201,204
BTPA:	
Provisional budget	1,956
Draft PSA requirement with no service development:	203,160
Available for service development and towards strategic priorities	871
Projected PSA Funding:	204,031

Table 1

3.6 The above indicates that there is a sum of £0.87m available to meet policing and other strategic priorities in next year. Table 2 below sets out the more significant issues which remain after detailed and robust internal scrutiny, and are regarded as being of the highest priority. It is clear that all of these items cannot be accommodated within the estimated PSA income available and it will be necessary for the Force to further prioritise these items so that a balanced budget can be recommended. These options will include consideration of what Frontlinefirst cashable efficiency gains may be available and the best use for them, the fact that staffing costs are unlikely to be



incurred for the full year (but always bearing in mind the full year effect in future years) and other possible funding arrangements.

Revenue Budget - Service Development Draft Proposals 2009/10	
	<u>£'000</u>
Service Developments:	
Additional Neighbourhood Policing Teams (3 - outside London)	1,070
Additional resources within the Technology Department to support continued growth in workloads and maintain service level required	180
Crime budget - to provide additional resources where budgets have not kept up to date with volume changes in respect of forensics, PNC access, telephone investigations etc	380
Establish a major incidents fund	300
NE Area - Nottingham - move to 24 hour operation	510
CCTV - Force Control Centre at Birmingham	170
Additional staffing required relating to workload of Taylor Reforms	135
Resource for Phase 2 - Control Rooms and Contact Management	98
Resource to develop purchasing and environmental management	101
Total Service Developments:	2,944

Table 2

3.7 As indicated in Table 1, there is the sum of £0.871m available from a PSA income increase of 4.8% to go towards the cost of the service developments in Table 2. To meet this additional cost of £2.073m (£2.944m - £0.871m) from PSAs would require an increase of 6.1% (or 1.3% above the RPI at August 2008).

3.8 Further work is being done to prepare options for SBPM to consider at its meeting on 6 February so that the Committee can recommend a budget to the Authority at its March



meeting. However, the service development proposals in Table 2 are considered of the highest priority and it may be necessary, in the options to be presented to SBPM, to consider curtailing current activity in order to find resources to meet these additional demands.

- 3.9 Further work on the management of the budget will be undertaken during the first half of the financial year, to ensure that manpower and other forward commitments remain affordable as we gain a better understanding of the likely level and impact of the RPI figure for August 2009.

4. CAPITAL PROGRAMME

- 4.1 Elsewhere on this meeting's agenda is the budget monitoring report for period 10 (ending 2 January 2009) and this indicates that the capital programme for the current year is planned to spend at the £11m funding available – although it is accepted that a large proportion of the expenditure is due to be incurred in the last quarter of the year. This is not an unusual pattern in BTP's recent history, and the Force has in the past managed to deliver its planned work within the relevant timeframe.
- 4.2 Appendix C attached sets out proposals for the capital programme for the next three years (i.e. 2009/10 to 2011/12). The funding available from DfT for 2009/10 is £13m and for 2010/11 is £9m (making up, with the £11m for the current year the £33m agreed this time last year). Appendix C assumes a similar level of funding for 2011/12.
- 4.3 Experience has shown that some of the projects within a capital programme will be delayed for unavoidable reasons, hence spending is not always in accordance with profiles for a programme which can be set up to 15 months before that expenditure is actually incurred. It is therefore considered prudent to “over programme” against the DfT funding, to ensure effective use of the DfT grant.
- 4.4 Major items included in the draft programme for 2009/10 are as follows:



	<u>£m</u>
<u>Land and Buildings:</u>	
Blundell Street Adaptations	1.0
London North Custody	3.4
Possible new provision at Stratford	1.0
Possible Tadworth replacement	0.4
Other projects	1.6
	7.4
<u>Technology:</u>	
EDRMS (Electronic Data Management System)	0.5
IAMP (Identity Access Management project)	0.5
Remote access	0.3
Server, desktop and other equipment replacement	0.5
Network replacement	0.3
Other projects	1.9
	4.0
<u>Force IT Requirements:</u>	
Case and Custody System	0.2
CCTV equipment	0.2
Scientific Support Unit equipment	0.2
Other projects	0.4
	1.0
<u>Vehicle replacement programme:</u>	1.9

The vehicle replacement programme is based on a replacement cycle as per the agreed strategic plan.

5. RECOMMENDATION:

- 5.1 It is recommended that the Authority note the draft proposals for the 2009/10 revenue budget and 2009/10 to 2011/12 capital programme.



Appendix A

Revenue Budget 2009/10	Revenue Budget	Revenue Budget Projections		Notes (in Appendix B)
	2009/10	2010/11	2011/12	
	£'000	£'000	£'000	
BTP Revenue Budget				
PSA Funding level brought forward	192,830	204,148	209,824	1
Inflation, accounting etc changes:				
Inflation (pay awards as agreed)	4,725	4,760	4,755	2
VAT reduction to 15% (9 months only)	(500)	500		3
IFRS Capital financing costs	1,242	(136)	(34)	4
DfT Loan	200	100	(1,800)	5
	5,667	5,224	2,921	
Full year effect of 2008/09 commitments:				
NPTs	400			6
Case and Custody Project	106	(75)		
Control Room Project	(432)	(130)		
Impact programme	684		(209)	7
HR Transformation - Project costs	(114)	(1,360)		8
Revised structure	(484)	100		8
Mobile data costs	364			9
PDA replacement programme		400		10
	524	(1,065)	(209)	
One-offs in 2008/09 falling out	(707)			11
Revenue effect of capital programme	2,890	1,545	195	12
Service Developments:				
See Table 2 (paragraph 4.7)	2,944	(28)	1,070	13
	2,944	(28)	1,070	
Draft BTP Revenue Budget:	204,148	209,824	213,801	
BTPA provisional budget:	1,956	1,995	2,044	14
Draft PSA Funding Requirement	206,104	211,819	215,845	
Projected PSA funding:				
Based on RPI of: 4.80%	204,031			
2.00%		208,112		
2.50%			213,314	
Funding shortfall:	2,073	3,707	2,531	



Appendix B

Note
(see
Appendix A)

Revenue Budget 2009/10 – Reasons for additions to Base Budget 2008/09

- 1 BTP Revenue Budget: This is the approved budget level funded from standard PSAs (excludes the BTPA budget which is added at the bottom of the table - see note 15). This is rolled forward each year based on the total BTP spend in the previous year. It is recognised that this includes for 2010/11 the roll forward of service development bids in total – these figures will be updated once the budget is finally agreed.
- 2 Pay awards and other inflation: This is based on the known pay awards for police officers (i.e. 2.65% in September 2008; 2.6% in September 2009 and 2.55% in September 2010) and similar awards for police staff. General inflation has been assumed at 2% where appropriate (this applies to non PSA income as well as those items of expenditure which are generally subject to price variances)
- 3 VAT Reduction: The reduction in the rate of VAT to 15% is until 31 December 2009 only. The saving in 2009/10 therefore falls out in 2010/11.
- 4 IFRS capital financing costs: This increase in 2009/10 is to bring capital financing and other charges in line with IFRS as required by the accounting rules under which BTPA operate. Once the base figure is updated there are minor adjustments year on year.
- 5 DfT Loan: The figures here reflect the repayment schedule agreed with DfT. The loan will be fully repaid in 2010/11.
- 6 Neighbourhood Policing Teams: This is the full year effect of the teams agreed in 2008/09. This does not include the cost of those Teams provided by the Mayor of London (50 officers / PCSOs) which are fully funded and therefore a net nil cost to BTP.
- 7 IMPACT Programme: IMPACT is a significant project to deal with the management of police information and making that information available to other police forces according to an agreed format and protocol. The project begins in 2008/09 and the costs shown for 2009/10 include the set up costs which will fall out in 2011/12.



- 8 HR Transformation Project: This project will be completed next year and the project costs will fall out in 2010/11. The revised structure for the HR Department has involved some severance costs and these will fall out in 2009/10
- 9 Mobile Data Costs: The provision of PDAs and other similar equipment allows for more efficient working but there are some costs with the associated access to computer systems.
- 10 PDA Replacement Programme: These devices are relatively low cost as individual items and it considered appropriate to fund their replacement from the revenue budget (the original supply was funded by Home Office grant). This will not apply until 2010//11
- 11 One-offs falling out: This represents those items funded as on-offs in 2008/09 or previous years which have now been removed from the budget for future years.
- 12 Revenue Effect of the Capital Programme: This figure represents capital charges (depreciation etc) and other revenue costs (such as rents and rates on buildings provided) as a result of items included in the capital programme in this and past years.
- 13 Service Development Proposals: These are listed in Table 2 in the report (paragraph 4.7) and represent the Force's highest priority items. Further details will be provided for SBPM's consideration of the budget options at its February meeting.
- 14 BTPA Budget: For the purposes of this report the Authority's budget has been increased by the same percentage as the PSA income.

Appendix C

Summary Capital Programme 2009/10 to 2011/12	2009/10		2010/11		2011/12		Total	
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	revenue
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL LAND & BUILDINGS	7,370	845	6,140	2,576	1,800	200	15,310	3,621
TECHNOLOGY SPONSORED IT	4,044	380	2,588	100	2,370	100	9,002	580
FORCE IT REQUIREMENTS	1,002	48	-	-	-	-	1,002	48
TOTAL AIRWAVE	747	-	1,083	30	747	-	2,577	30
PLANT & EQUIPMENT	189	4	252	1	250	-	691	5
TOTAL MOTOR VEHICLES	1,900	-	2,500	-	1,650	-	6,050	-
TOTAL PROPOSED SPEND	15,252	1,277	12,563	2,707	6,817	300	34,632	4,284
PROPOSED DFT ALLOCATIONS	13,000		9,000		11,000		33,000	
Surplus / (Deficit)	(2,252)		(3,563)		4,183		(1,632)	