BRITISH TRANSPORT POLICE

Annex 1

REPORT TO:	**British Transport Police Authority**
DATE:	**4 March 2008**
SUBJECT:	**Proposed 2008-09 Revenue and Capital Budget**
SPONSOR:	**Chief Constable**
AUTHOR:	**Director of Finance & Corporate Services**

1. PURPOSE OF PAPER

1.1 The report provides the British Transport Police Authority (BTPA) with British Transport Police's (BTP's) proposed revenue and capital budgets for 2008-09 and seeks its approval.

2. BACKGROUND

2.1 The BTPA meeting on 22 January received a paper containing initial draft proposals for both the revenue and capital budgets for 2008-09, though work was still underway at the time.

2.2 The Strategy, Budget & Performance Monitoring (SB&PM) Committee meeting on 12 February received a paper which set out the Medium Term Financial Plan (MTFP) for the period 2008-11 and the capital programme for the same period; and members had the opportunity to scrutinise the proposals. Members recommended the budgets to be put forward to BTPA for approval.

3. BUDGET CONTEXT

3.1 <u>The Strategic Plan</u>

2008-09 is the first year of the new BTPA Strategic Plan which presents further challenges for BTP in terms of improving service delivery and meeting increased demands.

3.2 It builds on the successes of the 2005-08 Strategic Plan period which saw a period of increased investment in BTP and the consequent improvements in performance. The plan set demanding targets but recognised that BTP would need to expand and modernise if it were to achieve the goals.

3.3 Moving into 2008-09 BTP is making better use of its resources, recognises the need to become more efficient and has set itself challenging targets in the Policing Plan to deliver service improvements through its Front Line First Efficiency Programme.

3.4 The External Environment

There remain strong inflationary pressures on wages. BTP is not immune from wage pressures as it needs to compete with other police forces and the private and public sector employment market for new recruits. BTP also needs to ensure its pay packages remain attractive to encourage people to stay within it. Energy and fuel cost increases above the level of inflation are likely to continue for the foreseeable future and will increase BTP costs.

3.5 Demand for Policing

Passenger numbers are expected to increase significantly over the next five years. Although the correlation between numbers and incidents (or perception of safety) is not clear cut, there is enough evidence to indicate more densely populated environments increase demand. Certainly the demand for policing events such as football matches has risen and is now policed virtually seven days a week.

4. REVISED BUDGET 2007-08

4.1 During the course of the year BTP has been developing its budget monitoring processes and regular updates are now being provided to the SB&PM Committee.

4.2 The forecast for the revenue budget for 2007-08 is an underspend of £600,000 resulting from the recent decision regarding the non-backdating of the police officer pay award. As a result of the late arrival in year of increased income (e.g. increased overhead contribution from LU) it has been possible to redirect resources to a number of other priority areas in the year – namely the establishment of the Cable Theft team, and to make an initial contribution to enable the 'Contingency Reserve' to be set up. This reserve will enable BTP to provide for unexpected events that may require additional financing. Both the Department for Transport (DfT) and Treasury have agreed to the reserve. A prudent level for a reserve of this kind is usually 1-3%

of annual expenditure and BTP's current view is that BTPA should aim to establish a reserve of £3m. This initial contribution allows a phased approach to reach that sum.

5. PROPOSED REVENUE BUDGET 2008-09

5.1 One of the key requirements of both good financial management and budget planning is the ability to have a forward view of both future costs and income. In order for BTP to develop its financial planning further than one year ahead it is an essential requirement to have in place an effective MTFP that incorporates the 'financial view' that supports the Strategic Plan and direction of BTP. The medium term planning process adopted by BTP is part of a more comprehensive, risk based approach to financial planning and will be developed further through the forthcoming financial year.

5.2 Table 1 (page 5) shows the draft budget funding requirement for 2008-09, and forecasts the second and third years as part of the 2008-11 MTFP which underpins and makes links to BTP's Strategic Plan 2008-11.

5.3 The MTFP aims to show the future impact of former and current budget decisions and identifies new budget pressures that BTP is likely to face in 2009-10 and 2010-11 within the RPI funding constraint. The information for the 2008-09 budget requirement is well developed, however as the plan moves forward into the second and third years, future demands and pressures are harder to identify and quantify at present. Whilst a careful assessment of future costs, risks and economic factors, (along with an evaluation of the new Strategic Plan and revenue effects of the new three year capital programme) will go some way towards minimising the risk, there are likely to be future costs or pressures which will materialise after the MTFP is developed.

5.4 In formulating budget proposals we have been particularly mindful of the following financial factors:-

a) Increases in contributions from PSA funding in the MTFP/Strategic Plan period will be based on RPI only. The intention is to use the RPI rate in August of each year to give a consistent approach and to enable the budget process to be developed earlier within a

defined funding envelope. By adopting a fixed month it also enables the train operating companies (TOCs) to plan appropriately. The RPI increase incorporated into the 2008-09 budget is 4.1%.

b) Wherever possible, maintain or improve performance levels particularly in the context of the Strategic Plan. The agreed approach is that further service enhancements than currently available will be funded through the programme of Front Line First and Efficiency strategy, and be monitored as part of the Policing Plan.

5.5 In effect the above factors mean that the Base Budget for 2007-08 of £186m is uprated by RPI to form the budget for 2008-09. There are however underlying supporting changes that impact on the base. These represent:

- unavoidable increases resulting from cost increases over and above inflation and outside BTP's control such as depreciation charges and/or changes in legislation such as equal pay

- the revenue impacts of the second year of modernisation programme approved by BTPA in 2007-08

- provision for inflation

- revenue effects of previous and future capital programmes

- funding for items which are no longer required, or have been deferred e.g. the loan repayment to the DfT which is now to be repaid over three years as agreed with the DfT

- additional resources received during the current year which will reoccur in subsequent years.

BRITISH TRANSPORT POLICE

Annex 1

Table 1 – Medium Term Financial Plan

Proposed budget for 2008-09	**2008/09**	**2009/10**	**2010/11**
	£'000	£'000	£'000
BTP element of PSA funding in 2007/08	**185,880**	**192,830**	**200,736**
Pay and Price Inflation	**5,277**	**5,752**	**6,152**
Unavoidable & committed costs			
Baseline cost increases	587	650	800
Depreciation/MHCA	500		250
Modernisation of police staff terms & conditions	2,000	(250)	
Control rooms project	1,900	(1,160)	(609)
Case and custody project	150	50	
Revenue impact of capital programme 2008-11	2,382	1,917	572
Police staff pension contributions	0	250	150
Mobile data revenue costs	0	850	
	7,519	**2,307**	**1,163**
Technical adjustments/Funding increases			
Repayment of loan	(3,500)	200	100
Non recurring expenditure	(1,300)		
LU Contribution increase	(2,200)	(500)	
Reduced income in PSA re CTRL	(644)		
Changes in accounting treatment	(600)		
Integrated Business Systems programme		(519)	
	(8,244)	**(819)**	**100**
Cost of the Strategic Plan			
Cable theft team	1,300		
Available towards strategic priorities	1,068	666	815
	2,398	**666**	**815**
Net Total	**192,830**	**200,736**	**208,966**

6. SERVICE DEVELOPMENTS TO MEET STRATEGIC PLAN

6.1 Initial assessments of the operational and financial implications of the new three year Strategic Plan indicate that further resources are required in all three years if the objectives of the Strategic Plan are to be achieved and future pressures are to be contained. The resource implications of the Strategic Plan are shown overleaf in Table 2. The Force Delivery Plan that

underpins the realisation of the Strategic Plan contains examples of the links between the costs shown in Table 2 and the Strategic Plan requirements e.g. under the objective of "Reducing Crime and disorder" (Performance); "Ensuring BTP has sufficient capacity and capability to deal with serious organised and major crime" (Major Investigations Team); "making the best use of forensic science to bring more offenders to justice" (Forensic Proactive Teams LS & LN) and under the objective of "Providing a better service to passengers and the railway community" (Performance) (Victims manager LS).

Strategic Plan 2008-11 – Table 2	**2008/09** £'000	**2009/10** £'000	**2010/11** £'000
Reducing Crime and disorder			
Major Investigations Team	600		
Forensic Proactive teams	184		
DNA Sampling	64		
Victims Manager	60		
Brought forward unfunded bids		1620	
New service demands			1,600
Providing better service to the railway community			
Central Events Planning team	300		
Neighbourhood policing teams x 6	2,280		
Brought forward unfunded bids		3,340	
New service demands			1,750
Increasing capability and capacity through improving efficiency & Effectiveness			
Front Line First	200		(200)
Change in uniform	640	(500)	
Airwave channel supervisors	63		
Claims system and Web technology costs	67		
Brought forward unfunded bids		1,710	
New service demands			1,850
IFRS	500		
Contribution to reserves	600	600	400
	5,558	**6,770**	**5,400**
Less additional resources	**(1,068)**	**(666)**	**(815)**
Net total	(4,490)	(6,104)	(4,585)

7. RISK ASSESSMENT

7.1 The 2008-09 funding requirement and MTFP shown earlier in Table 1 excludes any provision for the following uncertainties facing BTP at present, as listed below:

- Old TOC disputes relating back to 1998-99 amounting to approximately £7.5m which have been covered by funds provided by the DfT. There is no change in the current position which is that, the DfT has requested that BTP should be required to repay these funds and this is being contested by BTP. There is no clear timescale for a response for resolution and it is increasingly unlikely that this issue will be resolved in the near future.

- New TOC disputes. Any adverse outcome with the DfT, will pose some serious issues for BTPA, PSA holders and the DfT. It is hoped that the present disputes will be dealt with quickly to avoid a funding gap.

- Olympics- Members will be aware that BTP has submitted estimated costs for both planning towards and policing of the Olympics in 2012. The estimated revenue expenditure in 2008-09 in the bid is in the order of £2.08m. Although DfT have determined BTP will now receive both revenue and capital funding, the amount and any phasing has not been confirmed. This is expected to be resolved shortly.

7.2 The table overleaf indicates the risks which need to be considered in the preparation of a budget and MTFP, albeit that these risks become more difficult to assess within a medium term timescale.

Risk	Likelihood	Impact
Medium term spending plans may not be sustainable	Medium	Efficiency Review Programme in place to identify and enable reallocation of resources. Base budget reviews are part of process but further action may be required.
General inflation higher than budgeted	Low	We have assumed general price inflation in line with Treasury forecasts. A higher allowance has been made for utility costs and some specialist costs reflecting current market trends. Significant increases in building/estates costs in the medium capital programme period could have an impact on estimates.
Unforeseen costs or costs greater than estimated	Low	Any unbudgeted costs would have to be met from economies or reductions in planned spending for the year.
Reduction in income levels in MTFP due to lower level of RPI	Medium	Funding envelope reduces and requires further base budget reviews/additional efficiencies sought.

7.3 Notwithstanding the risks above, realistically there are bound to be some elements of expenditure which BTP will need to incur which are not included in the budget or MTFP. For example there will always be the threat of major incidents to accommodate within the budget. These are extremely hard to manage within budget particularly if they occur towards the year end. To provide for unexpected events that require additional financing and to prevent the budget from overspending in any particular year BTP has recently agreed a contingency reserve with the DfT and Treasury.

8. BTP – LONDON UNDERGROUND REVENUE BUDGET 2008-09

8.1 As members are aware the budget for the London Underground Area is agreed directly with Transport for London (TfL).

8.2 In 2007-08 TfL carried out a 5 year funding review and have set the following funding figures:-

	£'000	%
2007-08	49,112	(as budget)
2008-09	50,309	+2.4
2009-10	51,530	+2.4
2010-11	52,856	+2.6
2011-12	54,555	+3.2

The total budget for 2008-09 from TfL for LU Area will therefore be £50,309,000, an increase of 2.4%.

8.3 Work is still underway on preparing a detailed budget within this funding envelope.

9. CAPITAL PROGRAMME 2008-11

9.1 DfT has provided BTP with a £33m grant to finance its capital expenditure over the period 2008-11. This is £4.5m less than requested and as a result the proposed programme has been reviewed in order to reduce and profile according to annual grant allocations.

The proposed programme is shown in the table overleaf.

Capital Programme 2008-11								
	2008-09		2009-10		2010-11		Total	
	Capital £'m	Revenue £'m	Capital £'m	Revenue £'m	Capital £'m	Revenue £'m	Capital £'m	Revenue £'m
Estates	6.0	1.9	4.2	3.6	2.6	4.2	12.8	9.7
ICT	3.6	0.5	6.9	0.7	3.9	0.7	14.4	1.8
Fleet	1.4	-	1.9	-	2.5	-	5.8	-
Total	11.0	2.4	13.0	4.3	9.0	4.9	33.0	11.5

9.2 The revenue costs for these projects have been incorporated into the budget for 2008-09, and into the MTFP for the years ahead.

9.3 Details of BTP's proposed capital investment projects for 2008-09 are provided below and business cases are available on request.

9.4 <u>Estates</u>

BTPA received a paper at the meeting on 22 January outlining proposals for the Estates Strategy in the coming year which remains to ensure BTP has a 'fit for purpose' estate. The proposed estates programme of £6m together with further maintenance activity across the estate will further the achievement of that objective. The estates capital programme aims to enable a timely and effective response to forced changes to BTP's estate, emerging pressures for new/enhanced accommodation, together with ongoing upgrading of existing facilities. Each project is targeted at ensuring a fit for purpose property estate aligned to business requirements. Specifically, the schemes are focused to enable the following projects in 2008-09:

Estates Programme	£'m
Completion of the Northern Control Room Project	1.6
Relocation of Ebury Bridge police station	0.3
New custody provision in both London North and London South	3.0
Alternative accommodation in Cardiff	0.6
Improved facilities at Leeds police station	0.3
Minor capital projects	0.2
Total Estates	6.0

9.5 Technology and Communications

The proposed programme for ICT of £3.6m includes some of the larger capital requirements for the projects that have been approved in previous years. These are second year costs for the Case and Custody and Northern Control Room projects.

9.6 The ICT programme also includes the costs of minor IT hardware and software requirements, which covers repair/upgrade or replacement of certain IT assets and caters for unforeseen IT requirements that emerge during the year. One of the new projects is an upgrade of NSPIS HR application suite and the introduction of the latest Oracle technology platform to improve BTP's systems for managing its human resource both from operational and organisational perspectives. The remaining part of the capital budget provides for the communication infrastructure and equipment requirements of BTP. This includes replenishment of Airwave radios and the associated equipment and installation of the radio communication enabling equipment.

ICT Programme	£'m
Crime – Case & Custody	1.13
Northern Control Room	0.37
IT Minor Equipment Replacement	0.1
IT Minor Projects	0.43
Origin – NSPIS HR	0.14
Force Control Centre CCTV	0.35
Airwave	0.68
Vehicles – Radios	0.13
Misc. Operations Projects	0.27
Total ICT	3.6

9.7 Vehicle Fleet

The programme of £1.4m for 2008-09 is directed by the replacement of old vehicles in BTP's existing fleet. In total up to 240 vehicles will need replacing over the next three years. The programme does not increase the current fleet size. However, the newly transformed Vehicle Board will be considering the vehicle requirements for BTP and making future investments based on the Strategic Plan.

10. CONCLUSION

10.1 The 2008-09 budgets for both revenue and capital have been built on the basis of increasing service demands, the new strategic plan and affordability. BTP has taken on board the need to develop its approach to efficiency and is committed to delivering increased service demands by redirecting/releasing resources. Members will be able to evidence our progress on this through the Policing Plan monitoring.

11. RECOMMENDATIONS

11.1 Members approve an overground BTP revenue budget of £192.83m

11.2 Members approve an underground BTP budget of £50.309m as per paragraph 8.2

11.3 Members approve the capital budget for 2008-09 at £11m and the remaining programme as set out in Section 9.