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British Transport Police Authority

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Report to: Police Authority

Agenda: 11

Date: 12 June 2012

Subject: Report from the Strategy Group on the Strategic Plan and Presentation of the Medium Term Financial Plan

Sponsor: Chief Executive

For: Discussion and Decision

1. Purpose of paper

1.1 The purpose of this paper is to seek approval for:

a) The revised Strategic Plan 12/13

b) The development of a new Strategic Plan 13/14 with a longer horizon

c) The Medium Term Financial Plan (MTFP)

1.2 This paper refers to the minutes of the Strategy Group which are available to members and BTP and which will be published on the Authority website when formally approved by the Strategy Group.

2. The Revised Strategic Plan 12/13

2.1 The revised Strategic Plan 12/13 is at Annex A

a) The plan has been revised with respect to the simplifying the language and spelling out the actions BTP will undertake to deliver the strategic objectives. Chief Superintendent Brogden and Mr Furness will brief the Authority on the metrics the Force will use to show progress with respect to the strategic objectives.

3. The Development of a New Strategic Plan for 13/14 with a longer horizon

3.1 It was noted that there were significant challenges for the Force over the life of the proposed strategic plan, including the exponential growth of the railways, the increasing fragility of safety and security and the economic climate. The status quo was untenable if these factors were to be addressed. A more fundamental review of BTP's approach is therefore required.

3.2 The strategy group were of the view that a future strategic plan should clearly address where BTP wanted to be at the end of the period and how it intended to get there. Metrics were important in demonstrating progress in achieving objectives but aspiration was the key and this would drive the process.

3.3 To deliver the above it was important that there was clarity and understanding of the key priorities for BTP over the course of the plan, including how these could be reached and quantified. The plan needed to be ambitious and demonstrate courage to make a step change in the priority areas to address the economic and policing issues. To achieve this it was suggested that a small joint workshop be arranged with Members and practitioners from BTPA and BTP. The workshop should focus on how BTP could fundamentally change the parameters of its business to be in the best position to meet the challenges, whilst delivering value for money and service excellence. The rationale of using unit cost reduction to drive the strategic plan was suggested for discussion at the workshop as this would mean having to work differently.

3.4 BTP were supportive of the workshop suggestion and accepted the comments with respect to the plan. This broader rework of the strategic plan and workshop was seen as an opportunity to engage the workforce and do things differently. The intention

was to position BTP so that the industry would choose them as their supplier/partner if there was not a statutory remit. This would be achieved by the providing value for money and quality service.

3.5 In providing the new plan the Authority and the Force should aim to generate confidence in Stakeholders with respect to the depth of thought and focus that was being applied to the output. They should also ensure coherence between the strategic plan, the MTFP and the policing plan through a narrative that links these three plans.

3.6 The Authority should review the new strategic plan at the September meeting.

4. The Medium Term Financial Plan

4.1 The Railways and Transport Safety Act 2003 schedule 4 Part 3 Money and Property, at section 20 requires the Authority to make an estimate of the likely ratio of customers contributions in accordance with section 33(4)(b)

a) before and in relation to each consecutive period of five financial years, and

b) at such other times and in relation to such other periods as the Authority things appropriate.

4.2 Through the new format PSA the Authority is able to allocate charges to Network Rail and Train Operating Companies on a common basis. It is therefore possible to meet the above requirement with appropriate caveats. Network Rail and Train Operating companies have been provided with the information that allows them to project the proportion of the PSA Charge to which they might be liable. To project the amount that their proportion of the charge might be, requires the Authority to forecast what the PSA charge might be, hence the MTFP.

4.3 Since last being presented to the Authority, the MTFP has been revised by the Strategy Group in the light of advice from the head of Finance BTP, who has confirmed that the Force could manage within the profile presented. Two scenarios were presented and the judgement of the group was that the requirement would fall within the range banded by the scenarios. The upper band was with police and police staff pay being held at 1% increase and non staff expenditure being uplifted by the increase in RPI for years 13/14 and 14/15. Pay and non staff costs would be contained within an increase based on RPI for 15/16. The MTFP was therefore.

12/13 **£000**	**13/14** **£000**	**14/15** **£000**	**15/16** **£000**
199,969	202,126	205,692	212,829

4.4 The above MTFP continues to deliver a real reduction in the cost of policing the railways. The group favoured the cost per passenger kilometre as the measure to demonstrate this reduction as it was less volatile than the cost per £ of passenger revenue. It was anticipated that a 30% reduction from 0.384p/ passenger kilometre to 0.278p / passenger kilometre could be achieved.

4.5 Using the proposed MTFP the next stage would be to set it in context of what has been achieved based on Annex B. The key point was that the MTFP represented a projection based on a number of assumptions which are subject to change. The narrative supporting the MTFP based on Annex B would be circulated out of Committee for comment.

4.6 It was not considered appropriate to project the financial plan beyond 15/16 in the light of economic uncertainty.

5. Recommendations

5.1 The Authority is asked to agree:

a) The revised strategic plan 12/13

b) The development of the strategic plan for 13/14

c) The MTFP with a narrative to be agreed out of Committee.

Annexes

A. Strategic Plan

B. Context for MTFP

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Minutes

Strategy Group

Date: Thursday 19 April 2012, 10.00am
Venue: The Forum, 74-80 Camden Street, London

Present:

Millie Banerjee (Chairman)
Anton Valk

Apologies:

Patrick Butcher
Jeroen Weimar

In attendance:

Paul Crowther, Deputy Chief Constable
Paul Brogden, Chief Superintendent Command Support
Simon Hart, Head of Finance
Michael Furness, Acting Head of Strategic Development

Andrew Figgures, Chief Executive
Liz Pike, Authority Finance Director
Samantha Elvy, Performance Review Manager
Lucy Barrick, Business Manager & Minutes

Observing:

Len Jackson

08/2012 Welcome and Apologies

Agenda Item 1

1. The Chairman welcomed Mr Jackson to the meeting in his capacity as an observer. Mr Jackson would be joining the Authority as a Member from 1 May 2012 and would sit on the Strategy Group. Mr Jackson introduced himself to the Group and gave a précis of his background.

2. Apologies had been received from Mr Weimar and Mr Butcher.

09/2012 Minutes of Meeting 29 February 2012

Agenda Items 2

3. The minutes were approved as an accurate record.

10/2012 Matters Arising

Agenda Item 3

4. All actions had been discharged or were due for completion at a later date.

11/2012 Strategic Plan 2012-15

Agenda Item 4

5. It was noted that there were significant challenges for the Force over the life of the Strategic Plan, including the exponential growth of the railways, the increasing fragility of safety and security and the shortage of money faced on a global scale. To address thee factors the status quo was untenable and a more fundamental review of BTP's approach required.

6. The Members did not feel that the Plan clearly stated where BTP wanted to be at the end of the period or how it intended to get there. Metrics were important in demonstrating how any objectives within the Plan were being achieved but it was the aspiration that would drive the processes and was the most important factor.

7. To deliver the above it was important that there was clarity and understanding of the key priorities for BTP over the course of the Plan, including how these could be reached and quantified. The Plan needed to be ambitious and demonstrate courage to make a step change in the priority areas to address the economic and policing issues. To achieve this it was suggested that a small joint workshop be arranged with Members and practitioners from BTPA and BTP. The workshop should focus on how BTP could fundamentally change the parameters of its business to be in the best position to meet the challenges, whilst delivering value for money and service excellence. The rationale of using unit cost reduction to drive the Strategic Plan was suggested for discussion at the workshop as this would mean having to work differently.

8. BTP were supportive of the workshop suggestion and accepted the comments with respect to the Plan. This broader rework of the Strategic Plan and workshop was seen as an opportunity to engage the workforce and do things differently. The intention was to position BTP so that the industry would choose them as their supplier/partner if there was not a statutory remit. This would be achieved by providing value for money and a quality service.

9. It was noted that the work that had been done to the point of the meeting remained relevant and would be used to help inform the final document. Also, that the Plan should include some information with respect to past achievements as well as areas of continuous improvement and ambition.

10. To provide stakeholders with confidence in the process and outputs the level of thought and focus that had gone into the planning process to ensure a level of aggregation between the three key documents of

Strategic Plan, Medium Term Financial Plan (MTFP) and Policing Plan should be articulated to them.

11. **Agreed**

    11.1. A joint workshop to be arranged as soon as possible.

12/2012 Medium Term Financial Plan

Agenda Item 5

12. Since last being presented the MTFP had been reviewed with the Head of Finance from BTP who had confirmed that whilst it presented a significant challenge BTP could manage within the numbers presented. The group was reminded that the MTFP was required for a number of reasons including:

    12.1. To provide a financial planning assumption for BTP to underpin strategic and operational planning over the period 2012/13 – 2015/16
    12.2. To inform the rail industry of the projected cost of core overground police services for the period
    12.3. To demonstrate the contribution BTPA/BTP are making to reduce the cost of running the railways.
    12.4. To allow BTPA/BTP to provide data that is as accurate as possible to the DfT data room to inform franchise bids

13. Two scenarios were presented to the Group. The scenarios differed with respect to the non-staff costs inflator used; one scenario used the mid-point RPI measure and the other a calculated inflator. The calculated inflator approach was higher risk as it was more sensitive to inaccuracies. The actual budget requirement was expected fall within the range between the two scenarios which is demonstrated on the below table:

	12/13 £000	**13/14 £000**	**14/15 £000**	**15/16 £000**
BTP Budget Requirement - RPI used as inflator for non staff costs	199,969	202,126	205,692	212,829
BTP Budget Requirement - Calculated Inflator used for non staff costs	199,969	201,026	203,792	209,572

14. Both scenarios continued to deliver a real terms reduction in the cost of policing the railways.

15. The scenarios were presented as a reduction in cost per passenger pound or cost per passenger kilometre (km) to reflect the McNulty metrics. There was discussion as to which measure should be used for presenting the MTFP to the stakeholders. The cost per passenger kilometre was favoured as this was a less volatile measure. It was anticipated that a 30% reduction from 0.384p in 2008/9 to 0.278p by 2014/15 could be achieved but noted that this could be affected by other factors such as an increase in passenger numbers. The use of such a metric would also provide the industry with the opportunity to do their own calculations. There was also vulnerability if the industry decided to increase the 30% saving target, but there was no indication of this happening at the time of the meeting.

16. The cost per passenger pound measure was more volatile and with some fares unregulated there was a concern this could provide too easy a target. There was the possibility that this could be used to demonstrate that the cost of policing was decreasing compared to the unit cost of the railways, but there remained concerns raised with respect to correlation and causality.

17. It was noted that the MTFP must include a measure for freight operators and appropriate narrative.

18. The next stage was to write the narrative that would be sent with the MTFP. This would then need to go to the Authority 'out of committee' for approval. The key point was that it must be clear the MTFP represented a projection based on a number of assumptions which were subject to change and as such the MTFP would be an active document. Also, that the objective was to provide service excellence whilst delivering value for money. To demonstrate this a number of studies and accounts could be provided such as the:

    18.1. TfL analysis of police numbers and reductions in crime
    18.2. Increase in passenger numbers mapped to increase in demand
    18.3. Reduction in the cost of a police officer e.g. redirection of resources to frontline

19. A strategy would also need to be considered in the event that the 30% reduction was not achieved.

20. It was important that the MTFP was published as soon as possible as BTPA and BTP needed to provide figures for the DfT data room with as a number of franchises were due to expire. In future it was agreed that the MTFP and Strategy should be published together but it was noted that this would be not be possible for the present Strategy and MTFP.

21. **Agreed**
    - 21.1. The MTFP and the narrative to go to the Full Authority 'out of committee' for approval as soon as possible.
    - 21.2. The MTFP to include a measure for freight operators and appropriate narrative.
    - 21.3. The MTFP to include the range between the two scenarios.
    - 21.4. The publication of the MTFP and Strategy to be synchronised in the Annual Business cycle for 2012/13.
    - 21.5. A paragraph on the Strategy work to be included in the current MTFP to explain what is happening as the documents cannot be published in partnership.

12/2012 TOC Crime Report Template

Non-Agenda

22. The Group had been sent a copy of the template for the new 'TOC Crime Reports' which had been developed as part of the report rationalisation project. This provided a standard report which used one data set and would be sent to all PSA holders every four weeks. Network Rail Route Managers would also receive copies for their areas. The document was provided BTP with a single information source for stakeholder meetings and prevented the need to produce a high number of bespoke reports.

23. In addition to the new reports a 'Performance Portal' would be opening through which PSA holders would be able to see and analyse data relating to their company.

24. The Group were encouraged by this approach, noting that it was important to provide continuity in the information provided to allow for trend analysis. It was suggested that the template be delivered as a draft for the first few months to ensure that it provided the right information and avoid any continuity issue from changing the document. It was requested that the BTPA Performance Review Team receive the data.

25. It was important to understand how the data in the reports related to the data that fed into the charging model.

26. **Agreed**

    - 26.1. The BTPA Performance Team to receive copies of the reports.

26.2. The Chief Executive to ensure that the correlation of the report data with the charging model data was fully understood.