

**Report to:** Police Authority  
**Agenda Item:** 6  
**Date:** 29 March 2012  
**Subject:** Finance Group - update  
**Sponsor:** Chair Finance Group  
**Author:** Authority Finance Director  
**For:** Approval

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## 1. Purpose of paper

To report on the outcome and the actions arising from the March meeting of the Authority's Finance Group.

## 2. Background

The Authority's Finance group was established to carry out detailed scrutiny and finance oversight activities in support of the work of the full Authority. This report summarises the total gross cost budget for 2012/13, recommends the L Area budget for approval and highlights any other issues discussed. The Group also scrutinised the PSA charges for 2012/13 which is presented at agenda item 12.

## 3. 2012/13 Budget

### 3.1 BTP Overground Budget

The overground budget that was presented to the Authority in December is attached at appendix A. This represents a standstill budget and is net of a £3,338k carry forward of under spend from 2011/12 and the remainder of the PSA smoothing reserve not required in the current budget year. The proforma for the letters of delegation issued by the Chief Constable was presented to the Finance Group. The detail of the budget was not available.

### 3.2 L Area Budget 2012/13 - for Approval

London Underground fund the policing of L Area primarily by way of direct funding of actual costs within a budget agreed for the year. For 2012/13 the budget has been agreed at **£51,874k**

and is recommended to the Authority for **APPROVAL**. This is an increase of 3.2% over the 2011/12 budget of £50,247k. A Police Medical Response Unit is to be established and this will be a 20 officer unit costing £1,146k and is a growth initiative funded by LU and therefore a substantial proportion of the 3.2% increase.

An additional charge is made for LU to contribute towards FHQ centrally organised services, including the Authority's own costs. This reflects the benefit obtained from these services taking account of the fact that many of the services provided to other Areas are supplied by LU either via the L Area budget or through facilities provided directly by LU. The amount agreed for 2012/13 is £9,365k in line with the standstill Overground budget. The Core PSA charges for 2012/13 will include £5,235k for LU Ltd contributions towards FHQ and £4,130k credited to the BTPA budget. This is separately identified and grossed up when presenting the gross budget.

### 3.3 **BTPA Budget 2012/13**

The 2012/13 BTPA budget was presented to the Authority for approval in November 2011. It was agreed that the total costs of the Authority would remain at £1,870k, in line with the budget for 2011/12.

### 3.4 **Summary Of Gross Budget And Analysis Of Revenue Streams - 2012/13**

Appendix B sets out the gross budget of **£299,957k** for BTP and BTPA, it also sets out the revenue streams we receive to cover the gross costs.

## 4. **Capital Programme and DfT Approval**

4.1 The capital programme of £11.6 million was presented to the Authority in January for approval. This was agreed and we have now received verbal confirmation from the DfT that this has been approved by them. We await the formal letter of delegation.

## 5. Other Matters Discussed

5.1 **Reserve Strategy** - A paper was presented on the PSA smoothing reserve and the Contingency reserve. The investment of the contingency reserved was agreed in principal, subject to complying with DfT and Treasury guidelines. Further work was requested on the absolute level of the contingency fund and the Authority Finance Director and BTP Director of Corporate Resources were tasked with linking the monetary value of the risk registers with the current level of the contingency fund. This will be presented and discussed at the next Finance Group.

## 6. Issues for the next meeting

In addition to the standing items the Finance group will be considering the following at its next meeting in December;

- Quarterly Reporting - Q4 2011/12 for BTP and BTPA
- Scrutiny of financial impact of the BTP WAN project
- The adequacy of the level of the contingency fund.
- Proposal for future reporting of BTP income and expenditure.

## 7. Recommendations

Members are asked to:

**AGREE** the L Area budget at £51,874k and

**NOTE** the gross budget of £299,957k and the issues noted by the Group at its March meeting.

## Appendix A

## Budget Projection for 2012/13 - PSA Funding Envelope at Standstill

	paragraph reference	2012/13 £000
<b>Net Budget approved 2011/12 (excl. BTPA)</b>		<b>199,969</b>
<b>Pay and Inflation</b>		
Police Officer pay award @ 0%	4.2	0
Police Staff pay award @ 0%	4.2	0
EPS Pay Progression	4.3	950
- provided within base	4.3	(950)
London weighting increase of 10%	4.4	214
Non-pay inflation @ 4%,	4.14 - 4.15	2,000
<b>Total Pay and Inflation</b>		<b>2,214</b>
<b>Police Pension employers contributions</b>	4.16	<b>2,000</b>
<b>Full year effects of previous budget adjustments</b>		
WAN contract renewal	4.17	(1,200)
Removal of project set up costs	4.17	(298)
<b>Total full year effects</b>		<b>(1,498)</b>
<b>New budget pressures</b>		
Olympics Year events policing	4.18	500
Firearms project (*tbc)	4.19	200
Airwave Usage Costs	4.20	200
Rent Reviews	4.21	514
Jubilee additional bank holiday	4.22	300
Insurance costs	4.23	20
Carbon Reduction Commitment	4.24	80
<b>Total new budget pressures</b>		<b>1,814</b>
<b>Total Budget Requirement</b>		<b>204,499</b>
<b>PSA Funding Envelope</b>	6.1 - 6.4	<b>196,969</b>
<b>Funding gap (pre savings)</b>		<b>7,530</b>
<b>Savings Proposals</b>		
Full year effect of savings identified in 2011-12		
VSS	5.1 - 5.3	(1,707)
ESR and Futures	5.1 - 5.3	(1,220)
Planned Futures proposals		
Efficiency Review of EPCU (Net)	5.1 - 5.3	(391)
Corporate Resources	5.1 - 5.3	(488)
Territorial Policing and Crime	5.1 - 5.3	(179)
Central Operations	5.1 - 5.3	(11)
Video Conferencing	5.1 - 5.3	(77)
Mobile phones	5.1 - 5.3	(51)
Archiving project	5.1 - 5.3	(30)
Fleet internal hire arrangements	5.1 - 5.3	(25)
Utility uniforms	5.1 - 5.3	(13)
<b>Total Savings Proposals</b>		<b>(4,192)</b>
<b>Funding gap (post savings)</b>		<b>3,338</b>

**APPENDIX B**

		<b><u>£'000</u></b>
<b><u>TOTAL GROSS COSTS</u></b>		
Overground budget - total costs		
EPSA	#	16,248
Cable Theft		3,500
Olympic Funding		12,783
Other Grant Income (ex Olympic Funding)	#	800
Other Income	#	8,445
London Underground - extra		4,130
Core Policing (gross of £3,338k PSA smoothing)		200,307
<b>Total Gross Overground budget</b>		<b>246,213</b>
L Area		51,874
BTPA		1,870
<b>TOTAL GROSS COSTS</b>		<b>299,957</b>
		<b><u>£'000</u></b>
<b><u>REVENUE STREAMS</u></b>		
Core PSA holders		188,216
<i>(ex L U contribution included below)</i>		
L Area contribution to overheads		9,365
L Area		51,874
Enhanced PSA holders		16,248
Grant in Aid - DfT irrecoverable gap		5,388
Grant in Aid - Olympic funding		12,783
Grant in Aid - Cable theft funding		3,500
Grant - other		800
Provision release		3,338
Other income		8,445
<b>TOTAL REVENUE</b>		<b>299.957</b>
<i># Provisional numbers from BTP Finance</i>		