

Report to: Police Authority
Date: 13 December 2012
Agenda Item: 5.1
Subject: Finance Group – Budget
Sponsor: Chair Finance Group
Author: Authority Finance Director
For: Approval

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1. Purpose of paper

To provide an overview of the main business done at, and the actions arising from, the 2013/14 budget meeting of the Authority's Finance Group, which took place on 29 November 2012.

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 key issues emerging from the 2013/14 budget meeting.

3. Standing items

3.1 BTP Proposed Budget (see Agenda Item 5.3):

The Group received the summary budget for the Overground. The detailed paper is attached. The financial risks were discussed and it was noted that there was currently a £0.2m gap between the standstill budget proposed and the current savings achieved. In addition to this, BTP were tasked at the strategy group with finding an additional £1.6 million, to act as a smoothing reserve between 2012/13 and 2013/14 PSA charges. Currently £0.6million had been identified at quarter 2 and a further £1 million needs to be identified. This will be achieved through year to date savings and other cost saving initiatives. Although BTP acknowledged that it would not be easy they believed it could be achieved.

The proposed headline changes in the budget were discussed and the overground budget proposal was agreed at a 2.6% increase with the PSA charges increasing by 1.8% after the release of the PSA smoothing reserve of £1.6 million. The detailed budget sheets would be presented and reviewed in March. The Capital Budget and the L

Area budget for 2012/13 would be presented for approval in January and March respectively.

The group discussed what level of detail was available behind the numbers being presented which were headline movements from the 2012/13 forecast to the proposed budget 2013/14. This is detailed in the appendix to agenda item 5.3. Concerns were raised in relation to how the budget is presented to the Authority as it currently does not contain some of the context around savings made and historical events such as pensions holidays. A proforma has already been proposed by the Authority Executive and it was agreed that this would provide sufficient transparency to the Finance Group and the proforma also details the resources required and the year on year movement.

The risks around delivering the budget were discussed and considered accordingly. The risks include the withdrawal of the £5 million cable theft funding for all police forces for the metal theft task force and the assumption that the current level of terrorist threat remains unchanged.

The other key risks were around the pension auto enrolment, for which no provision had been made and the potential withdrawal of the ability to reclaim VAT in relation to partial exemption on EPSAs (up to £0.5m).

The group requested that the make up of the £3.1m savings in 2013/14 be split between new initiatives and ongoing ones. This is set out below:

£m	Ongoing	Identified in 12/13	Total Savings
Corporate Resources	0.7	-	0.7
Dogs review	-	0.5	0.5
Territorial Policing and Crime	0.4	-	0.4
Work force modernisation	-	0.3	0.3
WAN savings	-	0.3	0.3
Fleet Review	-	0.2	0.2
Pension Plus	-	0.2	0.2
ACC and PA reduction	-	0.2	0.2
Other	0.1	0.2	0.3
Total	1.2	1.9	3.1

3.2 BTPA Proposed Budget (see Agenda Item 5.2)

The detailed budget for BTPA was presented. The total budget proposal has now been reduced to £1,870k at the request of the Finance Group. This shows that the Authority budgets have been at the same level for 3 years. It was noted that the major risk was around legal fees, which had now been set at £0.17 million. It should be noted that £0.2 million has already been transferred to the contingency reserve in 2011/12. If the PSA and charges effective from 2013/14 do not meet with the PSA holder approval, there is a risk of legal challenge, which would arise in 2013/14 and the costs would be likely to be over £0.37 million.

3.3 Overall PSA Charge

As a result of the discussions at the Finance Group and the amendment to the BTPA budget, the proposed overall increase in PSA charges for 2013/14 is set out below:

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
BTP Net Budget Requirement	200.307	202.092	205.609	212.679	219.113
BTPA Net Budget Requirement	1.870	1.870	1.919	1.984	2.043
Total BTP/BTPA Budget Requirement	202.177	203.962	207.528	214.663	221.156
Release of previously found savings	3.338	1.600	0.000	0.000	0.000
BTP PSA	196.969	200.492	205.609	212.679	219.113
BTPA PSA	1.870	1.870	1.919	1.984	2.043
BTPA proposed PSA for BTP and BTPA	198.839	202.362	207.528	214.663	221.156
Increase in PSA over previous year	0.0%	1.8%	2.6%	3.4%	3.0%

4. Other reports received

4.1 PSA Charges and Governance Arrangements

As PSA holders would no longer be charged by means of a fixed proportion but by means of the Matrix model, the governance around PSA charges had been reviewed. The group asked a number of questions and agreed the changes subject to one clarification point from BTP.

In addition to this the finance group was notified of three matters that would need to be considered with respect to running the model to determine the allocation of charges for

2013/14. These were being considered in order to better approximate the charges.

The three matters discussed are as follows:

The approach to the proxy footfall - There are two proxies used in the model which reflect the presence of the public at the stations. 'Station usage' which is derived from ticket sales and is updated annually and this is public information. This information is used to determine the portion of the charge attributable to the presence of the public at the stations operated by the TOCs. 'Footfall' is information, last published in 2007, derived from a survey of the public passing through major stations operated by Network Rail. Although Network Rail had previously been approached for more up to date information, this was not consistently available. It was discussed as to whether the footfall data should be uplifted in line with station usage at those stations to better reflect charges to Network Rail. After a robust discussion it was agreed that we would approach Network Rail again and update the meeting in January on whether a better approximation would be available to refresh the footfall data.

Olympic Activity - It was agreed that the activity monitored by the Home Office police officers at the Olympics in August would be excluded from August activity data used.

Centrally funded resources - The final issue discussed related to a number of police officers who were being funded from the centre by centralized savings and were to be deployed in Maidstone and Scotland. It was debated as to whether these deployments were permanent and therefore should properly be allocated to areas or whether they should be allocated as part of the FHQ overheads. It was agreed that BTP should, in generating the area budgeted establishment, make clear which approach had been adopted in order for the Authority to consider the best way of reflecting this activity in the charges.

5. Recommendations

Members are asked to:

- 5.1 give provisional approval to the BTP Overground subject to scrutiny by the Finance group of the detailed budget breakdown;
- 5.2 approve the BTPA budget for 2013/14;
- 5.3 approve the overall PSA charge as set out in paragraph 3.3 subject to para 5.1; and
- 5.4 to note the ongoing discussions on the charging model.



Report to: Finance Group and Strategy Group
Agenda item: 3
Date: 27 and 29 November 2012
Subject: BTP Medium Term Financial Plan
Sponsor: Interim Director of Corporate Resources
For: Information

1. PURPOSE OF PAPER

- 1.1 This report presents the refreshed BTP Medium Term Financial Plan (MTFP) based on the MTFP set out in the Chief Executive's paper to Strategy Group on 19 April 2012 and following the review of MTFP assumptions as presented to Strategy Group on 24 October 2012.
- 1.2 The refreshed MTFP and 2013/14 budget will be presented to the BTPA for approval at its meeting on 13 December 2012.

2. BACKGROUND

- 2.1 The approved net budget for BTP for 2012/13 is £252.181m. This is made up of £200.307m for over ground operations and £51.874m for operations on London Underground.
- 2.2 The approved budget for BTP allows for the use of £3.338m from savings previously achieved in order to meet the funding gap which arises from the PSA being lower than the Budget Requirement. After allowing for the use of these savings the resulting 2012/13 PSA for BTP was set at £196.969m, a standstill on the 2011/12 amount which in itself was a reduction of 2.5% on the 2010/11 PSA.
- 2.3 The combined BTP/BTPA PSA Charge for 2012/13 is £198.839m including £1.870m for the BTPA.



2.4 At the Police Authority meeting on 1 November 2012 BTPA proposed a PSA over the medium term as set out in table 1 below.

Table 1 – BTP/BTPA Budget Requirement and Proposed PSA

	2012/13	2013/14	2014/15	2015/16	2016/17
	£m	£m	£m	£m	£m
BTP Net Budget Requirement	200.307	202.092	205.609	212.679	219.113
BTPA Net Budget Requirement	1.870	1.904	1.953	2.020	2.081
Total BTP/BTPA Budget Requirement	202.177	203.996	207.562	214.699	221.194
Release of previously found savings	3.338	1.600	0.000	0.000	0.000
BTPA proposed PSA for BTP	196.969	200.492	205.609	212.679	219.113
BTPA proposed PSA for BTPA	1.870	1.904	1.953	2.020	2.081
BTPA total proposed PSA for BTP/BTPA	198.839	202.396	207.562	214.699	221.194
Increase in PSA over previous year	0.0%	1.8%	2.6%	3.4%	3.0%

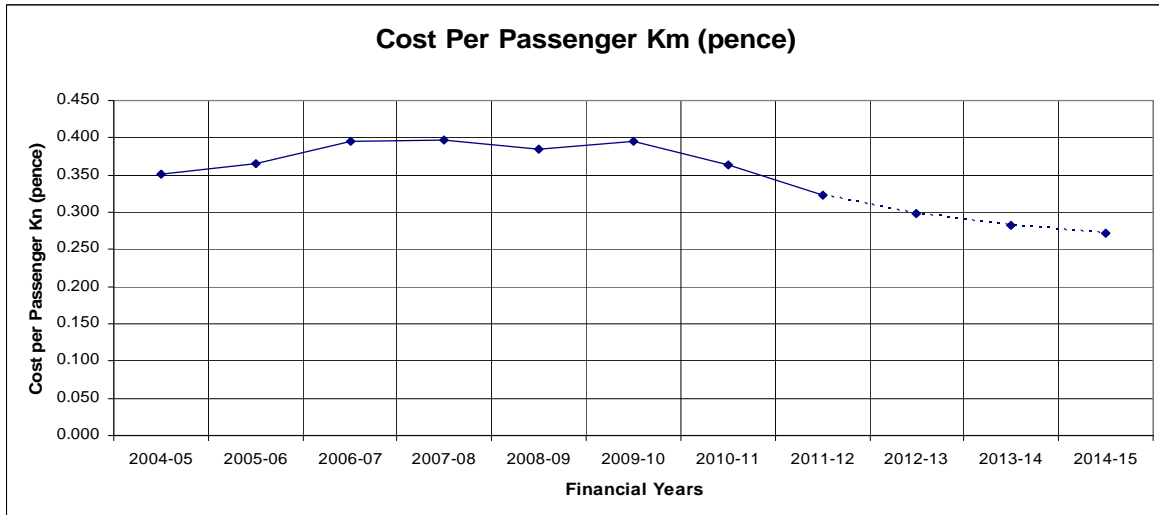
Source: BTPA 1 November 2012 - PSA Charge Paper (extrapolated for 2016/17)

2.5 BTP has worked hard to keep the budget within BTPA's PSA proposal and this is despite a number of significant and unforeseen budget pressures which have been managed by finding further savings. While at the time of writing this report there remains a small funding gap at the above proposed PSA levels, the Chief Constable is confident that this can be managed and that the budget can be set within the PSA proposed by the BTPA.

2.6 As Strategy Group and Finance Group will be aware, this information has been used to inform our planning against the challenges set out in the McNulty review. Table 2 shows the cost per passenger kilometre over the McNulty period. With current budgetary and savings forecast projected to the end of the relevant McNulty period, BTP budget will have reduced costs in real terms by 13.58%. When assessed against the key McNulty metric of cost per passenger kilometre, BTP costs will have reduced by 29.33% over the same period.



Table 2 – Cost Per Passenger KM (pence)



	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
BTP/A Budget (million)	£127.9	£141.6	£169.0	£187.7	£194.6	£201.4	£204.1	£201.8	£201.8	£204.0	£207.6
Inflation adjusted BTP Budget (million)	£147.0	£157.7	£183.8	£194.8	£194.6	£202.2	£196.3	£184.3	£175.0	£170.1	£168.2
Cost per passenger km (pence)	£0.35	£0.36	£0.40	£0.40	£0.38	£0.40	£0.36	£0.33	£0.30	£0.28	£0.27

N.B. The budget figures reflect the BTPA's upper range 1 PSA settlement for BTP together with an estimate of the BTPA budget.

3. OPERATING CONTEXT

3.1 The operating context during the length of the MTFP will continue to be extremely challenging. Since 2007 BTP has focused on strengthening its frontline resource through improving efficiency and effectiveness and reinvesting savings into frontline officers.

3.2 It is envisaged that, wherever possible, efficiency savings achieved by BTP's Futures Programme will be used to strengthen BTP's ability to protect and serve the railway community through an effective operational response and frontline delivery.



- 3.3 The ongoing growth in the railway industry is likely to increase demand on BTP's resources as both passenger numbers and the size of the infrastructure increase. Passenger journeys have increased from 1.1 billion in 2006 to 1.46 billion in 2011-12, while passenger kilometres travelled also rose from 46.2 to 56.9 billion. Total rail revenue has increased to £7.229 billion this year, up 9.2% in the last twelve months. The Rail Command Paper predicts that there will be further growth of 16-20% in passengers and 23-30% in freight by 2019.
- 3.4 This increase in the number of passenger numbers using the network is likely to lead to an increased demand for BTP and a rise in reported crime and antisocial behaviour (ASB). Although crime has reduced considerably over the last eight years, this is unlikely to be sustainable and it is expected that a tipping point will be reached where the increased use of the railways results in rising crime levels. The growing use of social media to report crime is also likely to lead to a rise in reported ASB incidents; the ease of reporting such incidents could reveal significant latent demand.
- 3.5 With a busier railway, the cost and impact of disruption will rise exponentially. For example, at hotspots such as the West Coast Mainline (which is planned to double its capacity) and at strategic locations around London any delay will have knock on effects which, as well as putting passengers in danger, will have severe financial effects for the railway industry and the UK economy generally. BTP's response to these types of incidents will be crucial, and there will be an expectation that resources continue to be deployed and available at critical locations, which can often be outside of urban and easily accessible areas.
- 3.6 Since 2006 there have been a number of major changes in the policing environment. Eleven new criminal justice related Acts have been published in England, Scotland and Wales creating a variety of new offences. The Police Reform and Social Responsibility Act will introduce elected Police and Crime Commissioners in November 2012, which could impact on the strong cooperative relationships BTP currently has with its Home Office colleagues. The police service as a whole is also facing a more demanding, consumer-led culture; a widening wealth divide; an increasingly diverse population; a



greater proportion of elderly people; an increase in drug use and the rapid spread of mobile and internet technology. All of these issues increase the challenges that the police service must meet.

- 3.7 Protecting the railway infrastructure and those who use it from the threat from international terrorists and other extremist groups will remain BTP's overriding priority. The imperative will be to continue to develop counter-terrorism capability and capacity, together with an enhanced ability to respond to terrorist related incidents. The threat from both Irish Dissident Republicans and from International terrorist organisations continues to be graded as Substantial, meaning that an attack remains a strong possibility.
- 3.8 In summary, the operating context is likely to become increasingly difficult. Demands on BTP resources will inevitably remain high. In order to continue to respond to the needs of passengers, staff and the railway operators, it will be essential to maintain and, wherever possible, strengthen BTP's frontline capability, capacity and effectiveness.

4. MTFP ASSUMPTIONS OVER THE MEDIUM TERM

- 4.1 The key assumptions and risks underpinning the MTFP are set out in the following section.

Pay and Inflation

- 4.2 The MTFP assumes that the two year pay freeze will continue until 2013/14, at that point it is projected that pay costs will rise in line with the amounts set out in the Autumn 2011 Budget Statement ie 1% per annum in 2013/14 and 2014/15. The impact on pay budgets in 2013/14 is a part year effect since the pay award for Police Officers is with effect from 1 September and from 1 July for Police Staff.
- 4.3 As Members will recall following the introduction of the EPS pay arrangements, Police Staff who achieve their PDR objectives are entitled to a salary point increase of 3% each year until they reach the top of their pay scale. For 2012/13 the cost of this pay progression at £950k can be met within budget, however in future years slower than



expected staff turnover means that the scheme does not become self funded through staff turnover as quickly as was anticipated. This gives rise to a budget pressure of £700k in 2013/14, £550k in 2014/15 and £400k in 2015/16.

- 4.4 The Police Staff pay strategy for 2012/13 includes an increase in London Weighting Allowance (which has been held at its current level since 2008) as a means of helping to ensure that salaries do not become increasingly uncompetitive. Increasing the London Weighting Allowance by 10% a year is reflected in the MTFP at a cost of approximately £300k per annum. The Appointments and Remuneration Committee at its meeting in July 2012 approved the increase in London Weighting Allowance for 2012/13. Consideration needs to be given to increasing this allowance in future years and the MTFP assumes a 10% increase year on year but is subject to BTPA approval each year.
- 4.5 Since the MTFP assumptions were last presented to Strategy Group a new budget pressure has emerged as a result of the unsocial hours provisions of the Winsor Review of Police Officer and Staff Remuneration and Conditions. The full year impact of these additional costs is in the order of £700k per year. There is no provision within the current MTFP for these costs and provision will need to be made in the refreshed MTFP.

Police Officer and Police Staff Numbers

- 4.6 The budgeted establishment for BTP in 2012/13 is shown below in table 3. The establishment for 2013/14 and future years is dependent on the final approved budget and will be determined as part of the People Strategy work which is underway.

Table 3 – 2012/13 Budgeted Establishment

	Police Officers	PCSOs	Police Staff	Total
London North	437	118	103	658
London South	396	51	90	537
London Underground	678	112	232	1,022
North East	271	19	63	353
North West	257	36	58	351
Scotland	218	0	48	266
Wales and Western	250	66	69	385
FHQ Departments	358	0	819	1,177
Total	2,865	402	1,482	4,749



- 4.7 The current number of Police Officers in post is 2,841 only 24 or 0.8% below establishment. Detailed workforce planning is in place to ensure that there is effective management of staff numbers over the medium term. This workforce planning looks at takes into account the patterns of leavers, starters and the timing and size of Police Officer intakes.
- 4.8 Projections for the number of Police Officers based on past patterns of leavers and starters indicates a very small gap between budgeted and projected police officer numbers at about 0.5% to 1% throughout the MTFP period. With the aid of detailed workforce planning and proactive management of centralised recruitment the intention is to further minimise this gap and at times, subject to affordability, go over the establishment number.

Non-pay Inflation

- 4.9 The current MTFP assumptions on the impact of non-pay inflation as set out to Strategy Group by the Chief Executive are shown in table 4. The 2013/14 RPI assumption has been updated to reflect the latest forecast for RPI as published by HM Treasury (Forecast for the UK Economy a comparison of independent forecast – October 2012):

Table 4 – Non-pay inflation assumptions in the current BTP MTFP

	2012/13 %	2013/14 %	2014/15 %	2015/16 %
RPI Range	2.6 - 5.7	1.3 - 4.0	1.9 - 4.0	2.7 - 4.5
RPI based assumption in 2012/13 MTFP	4.0	2.9	3.0	3.5
Proposed RPI based assumption for 2013/14 MTFP		2.5	3.0	3.5
Calculated Inflator	2.9	1.8	1.4	1.3

Source: Paragraph 6 – MTFP for Financial Years 2012/13 to 2015/16 – Strategy Group 19 April 2012

- 4.10 The decision on which non pay inflation assumption to use is largely based on the Authority and Force’s appetite for risk in that the RPI based assumption is less risky than the calculated inflator assumption which makes a number of specific assumptions about inflation impacts on categories of spend. It is proposed to use the revised RPI assumption for 2013/14 of 2.5% rising to 3% in 2014/15 and to 3.5% thereafter.



Budget Increases Included in the Refreshed MTFP

- 4.11 There are a number of emerging budget pressures in addition to the impact of the Winsor pay reforms as mentioned above which have been addressed as part of next year's budget and the MTFP. The full list of budget increases including the newly emerging budget pressures are:
- 4.12 **Airwave Usage Costs** – As is the case for a large number of police forces BTP is subject to escalating costs of using the Airwave radio system. The use of the Airwave network is proactively managed within BTP to ensure that costs are minimised, however each year, as for every other force, the usage costs charged by the Airwave supplier continues to increase. **The MTFP includes a further £200k in 2013/14 to meet this budget pressure.** A further increase is projected for 2014/15 at which point the budget will be held for future years.
- 4.13 **Rent Reviews** – BTP negotiates any proposed increases in rent very robustly however this is an area of budget volatility and pressure. **The MTFP includes £50k to meet known rent increases in 2013/14**, the main properties this relates to are Birmingham and Callaghan Square.
- 4.14 **CCTV Maintenance** – As Members will be aware there has been significant investment funded by Network Rail and the rail industry into BTP's CCTV capacity and capability. This investment which totals over £14m to date, with more being proposed, has enabled the building of a technical CCTV Hub which improves BTP's ability to manage and process CCTV, and respond to live events and incidents, from 14 train operators. To ensure the systems remain operational at all times, maintenance cover is required to ensure all hardware and software is supported. Proactive and reactive maintenance is required, together with additional support for major events e.g. New Years Eve. Previously interim maintenance support was provided and this proved invaluable to BTP for the Jubilee, Notting Hill Carnival, Olympics and Paralympics. **The estimated cost of this maintenance is £500k per annum** which when considered against the significant capital investment which has been funded externally represents good value.



- 4.15 **Frontline Initiative** – During the current financial year BTP has through the process of the 4 weekly Finance Review meetings scrutinised spend and forecast for each Area and Department. This has allowed £700k of budget to be centralised and this together with the forecast under spend of £300k is to be applied to key budget priorities. The Force Executive Board has reviewed a number of options to increase front line resources and has determined to apply this centralised budget to provide much needed front line resources in London South and Scotland. This initiative will initially be funded on a temporary basis by releasing savings achieved in the current financial year to match the spending requirement in 2013/14. The Force Executive Board are resolved to continue to reinforce the front line by reviewing the budget in detail during 2013/14 and redirecting resources to the front line.
- 4.16 **Leadership Academy** – Members will be aware of the proposals to strengthen BTP's Leadership Strategy, **Learning and Development have developed proposals to establish a Leadership Academy at an annual extra cost of £141k.** T/ACC Newton has identified further savings through the review of the Human Resources and Learning and Development Departments to offset the additional cost of this initiative.
- 4.17 **Social Media** – This is an increasingly significant way in which BTP does business. Force Executive Board approved £120k of spending on Social Media in 2012/13 and £100k has been added to the base budget from 2013/14. This amount which is provided for project and development costs does not include any provision for business as usual operating costs such as contact handling and may need to be reconsidered and potentially increased following detailed consideration of the business case for increasing social media capacity. **The refreshed MTFP includes £100k to support the impact of Social Media.**
- 4.18 **NPIA successor bodies increase in charge** – While it is extremely difficult to estimate the likely cost of additional charges falling on BTP following the winding up of the NPIA. **A conservative estimate of a 15% increase in charge from NPIA successor bodies has been included in the MTFP. This amounts to £150k per annum.**



Budget Decreases Included in the Refreshed MTFP

- 4.19 **Reduction in Depreciation** – It is likely that BTP will spend below the original capital delegation of £11.6m in 2012/13. This is for a number of reasons including procurement savings obtained over the purchase of vehicles, revisions to the estates element of the programme to deliver schemes at lower cost and a pause on Technology elements of the programme to allow further consideration of the underlying technology strategy of the Force and ensure compliance to governance requirements. This lower than anticipated capital spend will reduce the capital charges budget in future years through reduced depreciation costs. The final impact of this will not be known until after the capital outturn but it is estimated that a budget reduction of £100k can be factored into next years revenue budget to allow for this.
- 4.20 **Removal of Carbon Reduction Commitment Costs** – Budget provision of £80k was made in 2012/13 for the cost of BTP meeting its Carbon Reduction Commitment. It is now clear that this cost will not fall on BTP and this pressure will be removed from the base budget.

Possible Budget Increases Not Included in the Refreshed MTFP

- 4.21 There are a number of issues which may result in a budget pressure over the medium term but there is significant uncertainty over whether they will lead to a budget pressure and at what level of cost. It is considered prudent not to make provision in the MTFP for these pressures at this time but should they materialise it may be necessary to call on the Contingency Reserve should it not be possible to contain the budget pressure in year. These issues are:
- 4.22 **Additional Police Pension Employers Contribution** - The current MTFP includes an amount of £5m per year indexed to inflation to address the deficit in respect of the British Transport Police Force Superannuation Fund (for Police Officers) which Members will recall stood at £32m at the time of the last valuation. It is possible that following a further valuation of the Fund as at 31 December 2012 (indications are that the deficit may be in the order of £110m) that this level of contribution will need to be increased. However,



no increase has been assumed as part of BTPs MTFP planning assumptions and should an increase in employer's contribution be required from 2014/15, perhaps as part of a package of changes to the contributions, membership and benefits structure of the BTPFSF, it will be necessary to revise upwards the proposed PSA position by an appropriate amount.

4.23 Potential Costs of Pensions Auto Enrolment - Members will be aware that like all employers BTP will in the future need to provide an Automatic Pensions Enrolment facility for all staff. The details of how this facility will be provided are yet to be defined and again there is no assumption in the current MTFP for any additional costs of this provision. The preliminary assessment of the liability for additional employer's contributions in respect of 376 employees who are not current active members of the BTPFSF or BTP Police Section of the Railways Pension Scheme range between £0.5m and £2m pa from 1 May 2013. A range of options on how this funding gap can be addressed have been developed and were subject to initial consideration by the Authority's Pension Sub-Committee on 13 November 2012. In the event that Pensions Auto Enrolment has a financial impact in 2013/14 it will be necessary to call upon the Contingency Reserve until such time that this can be built into budgets going forward.

4.24 VAT Recovery on Business Activities – At present BTP benefits from the ability to recover VAT on EPSAs which are currently deemed by the HMRC to be business activities. At the time this arrangement was agreed with the HMRC it was understood that this was taking advantage of an anomaly in the VAT Code which other Forces benefit from in relation to Football Policing. HMRC have previously indicated that they intend to close off this anomaly for all Forces and there is some prospect that BTP will lose this ability to recover VAT on EPSAs from April 2013, this recovery is worth £500k per annum. Work is in hand with our Tax and VAT advisors to secure agreement from the HMRC to continue with this recovery post April 2013 on the basis that BTP's VAT status is materially different to Home Office forces and while there is some prospect that we will continue to benefit to some extent from this recovery arrangement this cannot be guaranteed. In the event that this budget risk does materialise in 2013/14 it would be necessary for the Authority to meet this cost from the Contingency Reserve.



- 4.25 **VIRGIN Train Passes** – The current franchising process for the West Coast Mainline may result in a medium term budget risk as the current operator provides passes which allow free rail travel. These passes are particularly used between London and Birmingham and the loss of these cards would have a significant financial impact in the region of £400k per annum. The position in respect of the franchising process is very uncertain and it is not considered necessary to make a budget provision at this time but this position may change subject to the outcome of the refranchising process.
- 4.26 **Withdrawal of Metal Theft Taskforce Funding** – The MTFP makes no provision to fund the additional activity which was funded by the £5m of Metal Theft Taskforce funding in 2011/12 and 2012/13. Should BTPA/BTP wish to continue with some of this activity into 2013/14 additional budget provision would need to be made.

5. BUDGET SAVINGS OVER THE MEDIUM TERM

- 5.1 BTP has an impressive track record of delivering savings. In 2010/11 budget savings equal to 2.5% of the budget were delivered these reduced costs by £5m. The 2011/12 budget included a further £8.2m of savings (4% of budget) which have been permanently removed from BTP's budget. These savings related to the 3.5% Savings Exercise (£6.8m), savings resulting from a review of Area Intelligence Bureau (£795k), and the removal of budget provision for the payment of Special Priority Payments (£605k).
- 5.2 A further £4.2m of savings (2% of budget) were delivered to balance the 2012/13 budget and a number of additional savings proposals for 2013/14 have been developed by the Futures Team in order to constrain pressure on the PSA. The additional savings for 2013/14 within the refreshed MTFP stands at £3.1m. In total the savings identified to balance the budget stand at £20.5m, equivalent to a 10% cash reduction in the budget over a four year period.



6. PROPOSED PSA LEVELS AND FUNDING GAP

6.1 At the BTPA proposed level of PSA there remains a small funding gap in 2013/14 of £190k (see appendix 1). The Chief Constable and Force Executive Board are confident that in addition to the effort taken to balance the budget to date further measures can be found to bridge this funding gap and return a balanced budget.

6.2 The PSA position is predicated on releasing savings as follows:

Previously Found Savings – In its meeting on 1 November 2012 the BTPA asked that BTP try to deliver a managed under spend of £1.6m from the 2012/13 budget in order to establish a savings pot to support a lower than otherwise PSA increase. On-going work within the Force had already identified £637k of savings which have been delivered in 2012/13 and this will reduce the call on the previously found savings. Work is in hand to identify opportunities to deliver further savings to establish the full £1.6m savings pot that is required.

Frontline Initiative Savings – During 2012/13 a number of budget savings were centralised through the Finance Review meetings process and these are to be applied to an initiative to increase the number of Police Officers on the front line. In total £1m has been committed to this purpose of this circa £250k will be spent during 2012/13 and the balance will be carried forward to fund the officers for a part year in 2013/14. The Chief Constable and Force Executive Board are resolved to fund these officers on a permanent basis from further efficiencies.

7. LONDON UNDERGROUND AREA BUDGET

7.1 The net budget for L Area for 2012/13 was set at £51.874m and the charge for centrally organised services provided to L Area was set at £9.365m. Discussions will need to be held with London Underground in order to set a budget for L Area for 2013/14.



8. CAPITAL PROGRAMME

- 8.1 Work is in hand within BTP to update the Capital Programme over the next three years, that work has been brought forward from previous years and incorporated within the Service Improvement Board to ensure there is time to consider and satisfy the authority to spend requirements within the BTPA Corporate Governance Code and Chief Constable's Delegation and Budget Responsibilities Letter.
- 8.2 Early indications from the Department for Transport indicate that the Capital Delegation will be £11.2m in the next two financial years which is in line with expectations.

9. CONCLUSIONS

- 9.1 The paper presents the refreshed BTP MTFP. There are a significant number of additional pressures which have emerged since Strategy Group considered the MTFP last year. These additional pressures have been robustly considered by the Force Executive Board and additional savings have been found in order to keep the budget and MTFP within the BTPA proposed PSA.
- 9.2 A refreshed MTFP and 2013/14 Budget will be presented to the full BTPA for approval at its meeting on the 13 December.



Medium Term Financial Plan - 2013/14 - 2016/17

		2013/14	2014/15	2015/16	2016/17
	para ref	£000	£000	£000	£000
Net Budget approved 2012/13 (excl. BTPA)		200,307	200,307	200,307	200,307
Pay and Inflation					
Police Officer pay award @ 1%, 1%, 2.5%, 2.5% pa	4.2	690	1,880	4,860	7,840
Police Staff pay award @ 1%, 1%, 2.5%, 2.5% pa	4.2	400	930	2,250	3,570
Net Impact of Winsor*	4.5	700	700	700	700
EPS Pay Progression	4.3	700	1,250	1,650	1,650
London Weighting increase of 10%	4.4	291	611	961	1,339
Non-pay Inflation @ 2.5%, 3.0%, 3.5%, 3.5% pa	4.9 - 4.10	1,250	2,950	4,700	6,450
Police Pension Employers Contributions Indexation	4.22	100	300	400	500
Total Pay and Inflation		4,131	8,621	15,521	22,049
Budget Increases/Decreases					
Airwave Usage Costs	4.12	200	400	400	400
Rent Reviews	4.13	50	248	269	269
CCTV Maintenance*	4.14	500	500	500	500
Frontline Initiative*	4.15	750	0	0	0
Leadership Academy*	4.16	141	141	141	141
Social Media*	4.17	100	100	100	100
NPIA successor bodies increase in charge*	4.18	150	150	150	150
Reduced depreciation due to 2012/13 capital spend*	4.19	(100)	(100)	(100)	(100)
Removal of Carbon Reduction Commitment Costs*	4.20	(80)	(80)	(80)	(80)
Total Budget Increases/Decreases		1,711	1,359	1,380	1,380
Budget increased for Pay and Inflation and Budget Increases/Decreases		206,149	210,287	217,208	223,736
Proposed PSA Funding Envelope		200,492	205,609	212,679	219,113
Funding gap (pre savings)		5,657	4,678	4,529	4,623
Futures Savings Proposals					
Corporate Resources	5.2	(693)	(990)	(990)	(990)
Dogs Review	5.2	(544)	(544)	(544)	(544)
Territorial Policing and Crime	5.2	(361)	(808)	(808)	(808)
Workforce Modernisation	5.2	(325)	(325)	(325)	(325)
Wide Area Network	5.2	(261)	(261)	(261)	(261)
Fleet Review	5.2	(223)	(268)	(268)	(268)
Pension Plus	5.2	(223)	(223)	(223)	(223)
ACC & PA posts reduction	5.2	(172)	(172)	(172)	(172)
L&D Savings to fund Leadership Academy	5.2	(141)	(141)	(141)	(141)
Central Operations	5.2	(116)	(268)	(268)	(268)
Central Analysis and Performance	5.2	(58)	(58)	(58)	(58)
Estates Rationalisation	5.2	0	(350)	(350)	(350)
Total Futures Savings Proposals		(3,117)	(4,408)	(4,408)	(4,408)
Funding gap (post savings)		2,540	270	121	215
Release of Savings					
Previously Found Savings	6.1	(1,600)	0	0	0
Frontline Initiative (savings found in 2012/13)	6.2	(750)	0	0	0
Funding Gap (post savings) and after release of savings		190	270	121	215

* indicates new budget increases/decreases since MTFP was approved in 2012/13

Report to: Authority
Agenda item: 5.3
Date: 13 December 2011
Subject: BTPA Budget Proposals 2013/14
Sponsor: Authority Finance Director
For: Approval

1. Purpose of paper

- 1.1 This paper details the detailed budget for the Police Authority budget for 2013/14. A proposed overall increase of 1.8% in PSA charges has been discussed at the Authority in November; therefore this paper presents a detailed budget of £1,904k, representing a 1.8% increase on 2012/13 spend.
- 1.2 However, the Finance Group held on 29 November 2012, proposed that the budget be held for the third year at £1,870k. This was agreed and the required saving of £34k will be achieved by a reduction in the legal budget of £39k offset by an increase in the now agreed NAO budget of £5k. The following paper, as presented to the finance group, has been amended to reflect these changes.

2. The Current Position

- 2.1 At the last Finance Group the current full year forecast was reviewed and the revised forecast was agreed at £1,870k, in line with the overall budget but with small changes between different types of expenditure.

3. Proposed Detailed Budget for 2013/14

- 3.1 The budget proposals have been developed using both the forecast and the budget for 2012/13. The objective is to have no increase in core BTPA budget.
- 3.2 No inflationary pay increases has been included but increments for those staff on the EPS scheme have been incorporated in the plans.
- 3.3 Appendix A summarises the detailed proposal together with a comparison against the 2012/13 quarter 2 forecast and the 2012/13 budget and the actual and budgeted costs for 2010/11 and 2011/12.

3.4 A summary reconciliation is shown below:

	Executive Staff Costs	Members Staff Costs	Total Staff Costs	Non staff costs	Total Costs
	£000	£000	£000	£000	£000
BUDGET 2012/13	704.7	270.7	975.4	894.6	1,870.0
Reduction in days	(18.0)	-	(18.0)	-	(18.0)
Member vacancies	-	(17.1)	(17.1)	-	(17.1)
Pension / NI rate to high and staff not in pension scheme	(22.0)	-	(22.0)	-	(22.0)
Increase in legal fees	-	-	-	16.2	16.2
Additional External Audit fees	-	-	-	40.0	40.0
Other net differences	(7.8)	(0.1)	(7.9)	8.8	0.9
FORECAST 2012/13	656.9	253.5	910.4	959.6	1,870.0
Full year effect of part time roles	37.2	-	37.2	-	37.2
Additional Spine point	21.0	-	21.0	-	21.0
All members in place all year.	-	12.9	12.9	-	12.9
Additional support on pensions and stakeholder engagement	-	-	-	25.0	25.0
External audit decrease	-	-	-	(15.0)	(15.0)
Reduction in legal spend	-	-	-	(33.7)	(33.7)
Reduction in HMIC / Internal Audit reduction in the forecast activity	-	-	-	(16.2)	(16.2)
Reduction in Contingent labour costs re Charging Manager	(26.8)	-	(26.8)	-	(26.8)
Other net differences	7.4	-	7.4	(11.8)	(4.4)
BUDGET 2013/14	695.7	266.4	962.1	907.9	1,870.0

3.5 A detailed reconciliation of the major movements from last years budget to revised forecast and then to 2013/14 proposed budget is set out in Appendix B.

3.6 The staff cost budget reflects the new staffing structure agreed by the Authority in September 2010 and all staff are assumed to be in post for the full year. In the year the Charging Managers role which is currently filled by contingent labour will be replaced by a full time member of staff. There will be a two

month handover. The budget assumes, prudently that all members of staff are members of the pension scheme.

- 3.7 The member staff costs represent 15 members in post for the whole year, with all members charging a fee. In line with an internal audit recommendation, the members' and staff expenses budget has been built up by individual based on the current run rate.
- 3.8 The premises and office costs reduce as one off work from 2012/13 has been completed. Transitional relief on rates is not available from 2013/14 onwards.
- 3.9 Consultancy costs have been budgeted at £110k; this is made up of £60k for continued pensions advice; £15k on DODs for political and legislative monitoring, an additional £15k for stakeholder consultation and £20k for sundry advice.
- 3.10 Legal costs were estimated at £215k, which will cover any work on the PSAs; advice on employment related matters and any other adhoc advice required in the year. The legal advice budget has been around this level for the last three years. In order to accommodate the request of the finance group to hold the budget at 2012/13 levels, this has been reduced by £38.7k to £171.3k.
- 3.11 However there is a significant risk to this budget being over spent if there is a challenge through arbitration or judicial review on the PSA or the charging model. It is not possible to attribute any value to this risk, however it is expected that the contingency reserve of £3.3m will more than cover any additional budget pressure.
- 3.12 It has now been assumed that external audit fees of £125k are included line with the NAO fee quoted for 2012/13.
- 3.13 DfT will be assuming responsibility for our internal audit service from April 2013. A budget has been agreed with the DfT and is based on 200 days at £400 per day plus VAT.

4. Risks

- 4.1 The major risk to achievement of this budget is any potential legal or consultancy advice required on the Charging model and the PSA contract. The contingency reserve should allow us to fund any material overspend.

5. Recommendations

- 5.1 It is recommended that the Authority approve the Authority budget for 2013/14 at £1,870k, noting the risk around legal costs.

EXPLANATION OF MOVEMENT FROM 2012/13 BUDGET TO 2013/14 BUDGET

	Executive Staff Costs	Members Staff Costs	Total Staff Costs	Non Staff Costs	Total
Budget 2012/13	704.7	270.7	975.4	894.6	1,870.0
Vacancy gap		(17.1)	(17.1)		(17.1)
Overtime	(2.0)		(2.0)		(2.0)
NI rate too high in budget	(8.0)		(8.0)		(8.0)
Not all members of staff in pension scheme	(14.0)		(14.0)		(14.0)
Reduction in days worked by Charging Manager (Contingent labour)	(18.0)		(18.0)		(18.0)
Increase in legal fees			-	16.2	16.2
Savings in Appeals and ICV			-	(12.5)	(12.5)
Over provision of travel	(5.0)		(5.0)		(5.0)
External Audit fees			-	40.0	40.0
HMIC			-	10.0	10.0
Savings in expenses			-	(5.0)	(5.0)
Internal Audit fees			-	10.0	10.0
Other	(0.8)	(0.1)	(0.9)	6.3	5.4
Forecast 2012/13 at period 6	656.9	253.5	910.4	959.6	1,870.0
Full year effect of part time roles	37.2		37.2		37.2
Additional spine point awarded to staff from 1 July 2011 / 1 July 2012	21.0		21.0		21.0
Full year effect of 15 charging Members in place from 1 April 2013		12.9	12.9		12.9
Expenses			-	2.8	2.8
ICV			-	(7.5)	(7.5)
Reduction in temp staff	(26.8)		(26.8)		(26.8)
Provision for stakeholder engagement survey			-	14.8	14.8
Reduction in internal audit days			-	(6.2)	(6.2)
Additional advice on pension scheme			-	10.0	10.0
Reduction in legal fees			-	(33.7)	(33.7)
Assume all staff joining pension scheme and better average rate used	7.7		7.7		7.7
External Audit			-	(15.0)	(15.0)
HMIC			-	(10.0)	(10.0)
Other	(0.3)		(0.3)	(6.9)	(7.2)
Budget 2013/14	695.7	266.4	962.1	907.9	1,870.0
<i>Increase / (Decrease) on Budget</i>	<i>-1.3%</i>	<i>-1.6%</i>	<i>-1.4%</i>	<i>1.5%</i>	<i>0.0%</i>
<i>Increase / (Decrease) on Forecast</i>	<i>5.9%</i>	<i>5.1%</i>	<i>5.7%</i>	<i>-5.4%</i>	<i>0.0%</i>

BTPA BUDGET 2013/14

	2010/11 Actual	2011/12 Actual	2012/13 Forecast	2012/13 Budget	Budget 2013/14	Variance to last years budget	Variance to latest forecast
Staff Salaries	458.9	580.4	619.5	649.4	685.1	35.7	65.6
Temporary Staff	59.4	56.9	37.4	55.4	10.6	(44.8)	(26.8)
Members Salaries	229.1	209.1	253.5	270.7	266.4	(4.3)	12.9
TOTAL STAFF COSTS	747.5	846.5	910.4	975.4	962.1	(13.4)	51.6
Travel and Hotel Costs (including expenses)	28.5	20.0	38.8	44.3	45.0	0.8	6.3
Property Costs	120.4	118.6	134.6	135.4	132.3	(3.2)	(2.4)
Communications (inc equipment purchases)	23.9	25.4	32.8	30.4	27.5	(2.9)	(5.3)
Subscriptions and Publicity	52.0	33.0	54.2	50.0	50.0	-	(4.0)
Appeals	28.3	13.2	10.0	17.5	12.0	(5.5)	2.0
Independent Custody visits	7.9	27.9	27.5	32.5	20.0	(12.5)	(7.5)
Consultancy	136.5	104.9	85.0	85.0	110.0	25.0	25.0
Legal fees	369.8	96.9	205.0	188.8	171.3	(17.5)	(33.7)
External Audit Fees	125.0	110.0	140.0	100.0	125.0	25.0	(15.0)
HMIC Inspections	72.0	54.0	82.0	72.0	72.0	-	(10.0)
Internal Audit Fees	170.8	169.8	106.0	96.0	99.8	3.8	(6.2)
Recruitment and Training (inc conference fees)	9.8	43.4	43.8	42.8	43.0	0.2	(0.8)
Transfer to Contingency	-	200.0	-	-	-	-	-
TOTAL NON STAFF COSTS	1,145.0	1,017.1	959.6	894.6	907.9	13.3	(51.5)
TOTAL BTPA COSTS	1,892.4	1,863.6	1,870.0	1,870.0	1,870.0	(0.0)	0.1