
Report to: Police Authority
Agenda item: 9
Date: 10 November 2016
Subject: Medium Term Financial Plan
Sponsor: Ally Cook
For: Information / Decision

1. PURPOSE OF PAPER

1.1 To set out the rationale for, and seek approval to, the funding requirement for 2017-18.

2. BACKGROUND

2.1 Under the 2013 Strategy, annual increases in BTP's funding are to be kept within RPI. 2016-17 funding was flat-lined (0% increase), but with separate consideration being reserved for additional CT investment of £3.5m.

2.2 To keep within current year (2016-17) funding levels and absorb c£8m of central / external pressures (in areas such as pay increases, rent reviews, Op Canberra and financial transformation), BTP has needed to run officer and staffing levels below current establishment. A top priority for 2017-18 is to rebuild frontline officer strength. The efficiency planning work (taken to the DFT challenge meeting) has identified the scope to reduce police staff levels, particularly in the back office, through a number of initiatives, and this is reflected in a phased way in the 2017-18 budgeting.

2.3 Including the return to frontline strength, there is c£11m of pressure to absorb in 2017-18, plus £3.5m of choices relating to police staff revalorisation and officer allowances (currently unaffordable). £7.5m of offsetting savings have also been identified.

3. PROPOSALS

3.1 The current year (2016-17) charge, including TFL's share of the central costs / overheads, was £215.3m. Adding to this a £600k income deficit, the CT growth of £3.5m

and RPI of 1.9% provides a 2017-18 charging requirement and funding envelope of £223.6m.

Core PSA Requirement (including TfL Overhead)	16/17 Bud £m
PSA Income (excl TfL)	204,761
PSA TfL	5,045
TfL Income (Overhead)	5,555
Provision 1617 PSA Charge	215,361
PSA Income deficit	600
Reserve Drawdown	1,050
CT Expenditure (baseline adjustment)	3,500
1617 Funding Requirements	220,511
Remove reserve drawdown	-1,050
	219,461
RPI 1.9%	4,170
Funding Envelope (pre ESMCP)	223,631

3.2 This is an £8.3m increase (3.8%). £4.1m (1.9%) of this enables the CT growth to be absorbed within the core budget and charging requirement, and corrects the income deficit. £4.2m (1.9%) is for RPI. The actual increase in funding is slightly less than the 1.9% RPI, as c£1m of current year funding was taken from reserves rather than charged to the industry. This is not proposed to be replicated going forward.

3.3 Finance Committee have considered and agreed this funding envelope. Two additional matters have been considered for funding, but are not approved at this point:

- An estimated £4m for ESMCP – we have little control over the timing and extent of these costs as they arise from an externally mandated (Home Office) programme. With slippage in the programme, it is unlikely that we will incur major spend in 2017-18 other than our own internal programme costs and potentially doing some ‘enabling’ work to our systems. Also we need to finalise a business case (dependent on updated Home Office information) and take this through Authority, DFT and potentially Cabinet Office approvals, and I don’t think we can propose a charge on



the industry in advance of doing this. The likelihood however is that there will be a much bigger funding requirement in 2018-19 and there could be a significant dispute on who pays for this.

- £6m for a Northern CT Hub, as discussed at RDG

3.4 There are a separate set of challenges for TFL / LU funding for 2017-18. A review is being undertaken of the overhead charges to confirm the quantum and provide more transparency on these charges. There is also a need to tie down with TFL the funding target for 2017-18 and what the service offering looks like in the eventuality of a further reduction in funding.

4. NEXT STEPS

4.1 We are working to a very tight timetable in order to get provisional charges communicated to the industry by end of November.

5. RECOMMENDATIONS

5.1 That the Authority approves a funding envelope of £223.6m, for overground plus TFL's share of central costs / overheads.

5.2 That the Authority notes the next steps and the position in relation to ESMCP and Northern Hub.