



---

**Report to:** Strategy & Planning Committee  
**Date:** 19<sup>th</sup> September 2017  
**Agenda Item:** 6B  
**Subject:** Medium Term Financial Plan & 2018-19 Business Planning  
**COG Sponsor:** Alistair Cook  
**Authors:** David Fox - Deputy Director Decision Support; Larry Aromiwura -  
Financial Strategy & Analysis Manager  
**For:** Endorsement

---

## **1. PURPOSE OF PAPER**

1.1 This report sets out:

- revised Medium Term Financial Plan (MTFP) through to 2020-21 and its underlying assumptions
- approach that shall be taken to developing the 2018-19 business planning process.

## **2. RECOMMENDATION**

2.1 The Committee is asked to:

- Confirm the assumptions behind the revised MTFP and note the significant financial pressure in 2018-19.
- Endorse the planning assumptions for the 2018-19 business planning process.
- Note the risks for the 2018-19 business planning process.

## **3. MTFP to 2020-21**

3.1 Our top level assumptions behind the MTFP are:

- RPI increases to PSA charges each year (3.2% for year one)
  - Pay increases of 2% (1% pay deal plus spine point progression) plus a bonus 1% pay award
  - Contractual and other non-pay increases in line with RPI
-



- 
- Reduction of income and expenditure of c£23m pa from April 2019 relating to transfer of D Division to Police Scotland
  - Gross Efficiencies in line with targets proposed to DFT in October 2016 – an increase of £5m in 2018-19 and a further increase of £18m in 2019-20. The MTFP applies an assumed cost of change of 25% of the efficiency target each year. This cost of change is applied 50/50 between the year in which the efficiency is delivered and its preceding year.
  - Regional CT hub revenue / operational costs of £9-10m pa
  - Revenue costs for the Government-mandated Emergency Service Network (ESN) programme being in line with latest programme assumptions and slippage. Costs rise across the MTFP period to being £5m pa in excess of current Airwave costs by 2020-21. Beyond the MTFP period, the assumptions take the annual costs to over £6m pa above current Airwave costs.
  - Revenue investment in a new, contractually required, WAN / LAN infrastructure - £1.5m of revenue set up costs in 2018-19 then give rise to £1m pa savings from 2019-20
  - Project Scotland costs of £0.5m in 2018-19. Then from 2019-20 the loss of c£9.5m of Scottish income contributing to BTP's central operational costs and overheads. The MTFP assumes that compensating savings are achieved from the targeted efficiency level
  - Additional depreciation charges on the capital requirements for Regional CT, ESN and WAN / LAN, rising to £3.57m in 2020-21
  - Capital expenditure of c.£9m pa on cyclical investment in vehicles, IT etc plus a range of smaller projects. Additional capital over this amount for regional CT hubs, ESN and LAN / WAN, all of which have significant capital requirements.
  - TOM is assumed as the key mechanism for achieving the efficiency target. The marginal costs of delivering TOM is therefore assumed within a combination of the cost of change line within revenue plus an assumption that any capital requirements can be funded from within the cyclical investment budget of £8.4m.

3.2 Our top level risks behind the MTFP are:



- 
- Base assumption for EPSA and Other Income has been a 2% increase. These assumptions will be verified against the terms of the individual agreements.
  - Risk that RPI rates shall change. Reduced RPI would result in lower income and create financial pressure.
  - Similarly there would be a risk if DfT pushed for RPI to be replaced by CPI. CPI rates are c1% lower than RPI.
  - There may be pressure on revalorisation which leads to an average cost pressure which exceeds the assumed 2% increase, particularly with the recent announcement to lift the 1% public sector pay cap.
  - The assumed Pay starting position is based on full establishment.
  - The most significant risk would surround any potential rent reviews exceeding the estimated provisions made.
  - Risk that capital investment required to deliver TOM changes is substantial and unaffordable within cyclical investment budget.

#### Efficiency

- The target assumes an additional £18m of efficiencies can be achieved in a single year (19/20). However the feasibility of doing so will be dependent on the agreement of and timing of recommended efficiencies from the Target Operating Model review.
- There is a degree of risk that the assumption of a cost of change of 25% may be insufficient. We will need to subsequently consider such detail as potential cost of redundancies against these estimates.

#### Regional CT

- Delays to completing necessary estates and technology fit out.
- Challenges in recruiting teams sufficiently in line with target date of August-18 for being fully operational (assumption of limited impact on current C Division resources).

#### TOM

- the cost of change is more significant than we have allowed for
- the timing of its delivery does not match the profile of the efficiency target



3.3 Further detail on assumptions (and their risks) underpinning each line of the MTFP are set out in Appendix A.

3.4 Table 1 below sets out the high level forecast of the Force's Income & Expenditure account. Its structure is such that it starts with the projected I&E position based on like for like activity, before accounting for the additional costs and/or savings from change initiatives and the target efficiency programme.

***Table 1 – MTFP Income & Expenditure Account to 2020-21 (all figures £m)***

	2018/19	2019/20	2020/21
Funding w/RPI Increase	303.52	288.61	295.72
Operational Spend	-291.13	-274.60	-280.23
Bonus Pay Award	-2.34	-2.39	-2.44
Depreciation	-10.71	-10.36	-10.07
Net Surplus / (Deficit) pre Efficiencies	-0.66	1.27	2.99
Target Efficiencies	4.98	22.98	22.98
Cost of Change - Revenue	-3.50	-2.25	
Net Surplus / (Deficit) post Efficiencies	0.83	22.00	25.97
Regional CT	-9.19	-9.37	-9.56
ESN	-1.18	-2.02	-4.90
WAN/LAN	-1.45	0.99	0.99
Project Scotland	-0.50	-9.50	-9.50
Extra Capital Charges	-1.76	-3.12	-3.57
Net Surplus / (Deficit) post Pressures	-13.25	-1.03	-0.58

3.5 The MTFP starts with a position of like for like expenditure against a base of the 2017-18 financial year against an assumed funding position based upon RPI increases (after factoring out funding that covers wash-up charges). In doing so, the MTFP sets out an initial forecast surplus for each of the three years, effectively a result of forecast RPI exceeding the assumed rate of average pay increases.



- 
- 3.6 However, RPI increases are not sufficient to also fund the additional I&E impact of additional change initiatives. The projections show that the Force faces considerable affordability pressures due to programmes to deliver ESN, Project Scotland and Regional CT.
- 3.7 In 2018-19, the forecast deficit against the I&E equates to £13.3m. The assumption here is that funding increases and achievement of the efficiency target previously agreed with DfT (minus cost of change) is insufficient to fund an assumed 1% bonus pay award, ESN and WAN/LAN revenue costs, costs incurred on the Scottish devolution project and significant deployment for Regional CT hubs
- 3.8 Scottish devolution is assumed at 1st April 2019. A loss of income from Scottish TOC's of £23m is assumed, with compensating reduction made from 'Operational Spend'. However, the funding from Scottish TOC's supports the cost of overall overheads. The MTFP therefore highlights a pressure of £9.5m that the Scottish TOC funding contributes to overheads that would otherwise need to be saved via efficiencies (or charged to the remaining English and Welsh TOC's).

### ***Capital Expenditure***

- 3.9 Table 2 below sets out the top level projection for capital expenditure over the next three years. The projections are underpinned by capital investment into Regional CT Hubs, ESN and WAN/LAN being in addition to capital investment of £8.4m plus RPI investment into cyclical investment requirements and smaller change initiatives (such as Fleet replacement, estates works, IT asset acquisitions). Investment requirements resulting from TOM implementation would be assumed to be funded from the cyclical investment fund.
- 3.10 The additional capital expenditure required for implementation of Regional CT, ESN and WAN/LAN, falls largely in 18/19, based on current assumptions and profiles (as set out in Appendix A). With forecast capital expenditure forecast to exceed depreciation in 18/19, a significant cashflow pressure results.



**Table 2 – High Level Capital Investment MTFP to 2020/21**

	2018/19	2019/20	2020/21
Portfolio Projects (inc. Cyclical) - C	-8.40	-8.90	-9.13
Regional CT (Capital)	-4.19		
WAN/LAN - C	-4.53		
ESN - C	-1.16	-3.77	-0.73
Capital Expenditure	-18.29	-12.67	-9.85

#### 4 Medium Term Cashflow Projection

4.1 The above MTFP projections are all based on highlighting the impact to the Income and Expenditure account based on accrual accounting. Table 3 below sets out a high level projection of the impact of the I&E projection (table 1) plus the capital projection (table 2). For simplicity purposes, the projection assumes that timing of cashflow mirrors the accrued position.

**Table 3 – High Level Cashflow MTFP to 2020/21**

Cashflow	2018/19	2019/20	2020/21
Balance B/F	27.20	6.47	3.53
Net Operational Surplus / (Deficit)	-13.25	-1.03	-0.58
Funding for Depreciation	10.81	10.76	10.74
Capital Expenditure	-18.29	-12.67	-9.85
Balance C/F	6.47	3.53	3.83

4.2 The table assumes a balance brought forward from 17/18 of £27.2m. This table shows from a high level that the forecast deficit in 18/19, coupled with capital expenditure exceeding funding received for depreciation, will equate to a net cash outflow in 18/19 of c£21m without any additional source of funding being obtained. Therefore the requirement from this high level sets out a need for cover to support the cashflow of both the revenue and capital pressures emanating from Regional CT and ESN.

#### 5. MTFP Funding Options



- 
- 5.1 ***Approach to DfT for budget cover and grant funding (e.g. to directly support Regional CT growth and/or ESN and/or Scotland impact).*** Our forecast resource and capital pressures for 18/19 have already been communicated and logged with DfT as part of the past quarterly MTFP submission requested by DfT. DfT have indicated they will be willing to consider a grant funding of up to £10m for BTP capital funding. Obtaining grant funding would negate the need to place charges onto the industry which exceed RPI. At the time of writing the paper, no clear indication has yet been provided as to whether any additional funding would be provided.
- 5.3 ***Additional charges set to industry.*** This would equate to an additional charge in 18/19 above RPI of c3% against the 17/18 base. This would be contrary to the price promise agreed with DfT that charges would not exceed RPI. However, this would be seen as an exceptional circumstance, essential in order to meet the agreed development of Regional CT capability. This option would not require additional Resource DEL (departmental expenditure limit) budget cover from DfT as the additional income received would match against expenditure. This option would not necessarily address the additional capital requirement.
- 5.4 ***Seek earlier delivery of target efficiency savings.*** The alternative is to set a requirement to achieve additional efficiency savings within 2018-19, effectively bringing forward the timing of delivering the savings from 2019-20. There may be a possibility to achieve greater net efficiency savings over and above the target £5m via the implementation of Target Operating Model (TOM) review changes. However the realism of being able to achieve additional savings via TOM recommendations within 2018-19 would need to be tested much more thoroughly.
- 5.4 ***Review the Portfolio Projects replenishment policy and non-mandatory project phasing.*** Critically review the policies and projects phasing to establish if we have scope to amend these and ease the cash outflow pressure.
-



5.5 **Utilisation of cashflow balances.** To fund our forecast additional requirements would depend on risk appetite and significant treasury management, given periodic outgoings currently equate to circa £23m per period. This option would avoid additional charges being placed to industry. Utilisation of cash balances to fund any deficit position against funding received would still require DfT approval to increase Departmental Expenditure Limits / Budgetary Control Totals.

## **6 2018-19 Business Planning**

6.1 The above development of the high level MTFP, subject to agreement, sets the assumed structure within which the Force is currently developing its 2018-19 business planning.

6.2 The key principles to be adopted during the 2018-19 business planning preparation process are:

- To protect priority services;
- To protect our ability to manage threat, risk and vulnerability;
- To reduce “discretionary spending”, streamline business processes and to continuously deliver ongoing effectiveness and efficiency;
- To invest in technology to protect service delivery against future cuts;
- To ramp up investment in counter terrorism;
- To invest in areas where future savings can be attained.

6.3 The key assumptions behind the 2018-19 plan shall be consistent with those set out in the MTFP update above. Further assumptions and approach is set out in Appendix B.

6.4 The timetable for business planning and budget delivery is set out in table 3 below. It is an intense process which we aim to complete with final approval by BTPA before Christmas.

**Table 3 – 2018-19 Planning Timetable**

<b>DATE</b>	<b>MEETING</b>	<b>PAPER</b>
17 Aug	FEB	Initial MTFP/budget assumptions





---

5 Sept	BTPA Executive Review Group	Initial MTFP/budget assumptions
19 Sept	Strategy & Planning Committee	Initial MTFP/budget assumptions
18 Oct	FEB	Final budget proposals
30 Oct	COG	Final COG approval of budget proposals if required
9 Nov	BTPA Executive Review Group	Final budget proposals (overground & underground)
23 Nov	Strategy & Planning Committee	Final budget proposals (overground & underground)
13 Dec	Police Authority	Recommended by Strat & Planning Comm to approve gross budget

***Funding***

- 6.5 Our assumptions for overall funding in 18/19 are the same as for the overall MTFP:
- PSA charges and LU core funding are both assumed to increase by RPI.
  - EPSA income and Other Income are assumed to increase by 2%. This is because they largely pay for the costs of FTE provided, for whom we are assuming 2% average cost increase of. As part of the detailed 18/19 planning, these estimates shall be validated against the existing terms of agreements.



---

## Appendix A – MTFP Assumptions

### A.1 *Funding*

- PSA charges and LU core funding are both assumed to increase each year by RPI (3.2% in 18/19; 2.7% in 19/20 and 2.5% in 20/21).
- EPSA income and Other Income are assumed to increase each year by 2%. This is because they largely pay for the costs of FTE provided, for whom we are assuming 2% average cost increase of.
- As part of the detailed 18/19 planning, EPSA and Other Income estimates shall be validated against the terms of agreements.
- Funding from Scotland TOCs is removed from 19/20 onwards, assumed at £22.96m in 19/20 and £23.53m in 20/21.
- No additional funding assumed from Apprenticeship Levy. Consideration will be given to any additional income which could be generated from the 'co-investment' fund if own costs exceed the c£1.0m investment made by BTP.

#### Assumption Risks

- Base assumption for EPSA and Other Income has been a 2% increase. These assumptions will be verified against the terms of the individual agreements.
- Risk that RPI rates shall change. Reduced RPI would result in lower income and create financial pressure.
- Similarly there would be a risk if DfT pushed for RPI to be replaced by CPI. CPI rates are c1% lower than RPI.

***Operational Spend consists of Pay and Non-Pay which are discussed below.***

### A.2 *Pay*



- 
- Pay across all categories is assumed to increase at an average of 2% per annum. This is to allow for an assumed 1% annual pay rise plus a further 1% average per FTE for spine point increases.
  - A bonus pay award each annum of 1% of the total pay bill.
  - Costing based on assumption that numbers of Officers, PCSOs, Staff shall be at establishment by start of 18/19.
  - No assumption is made about any additional costs for potential revalorisation or changes to allowances.
  - It is assumed that pay will need to reduce as part of Scottish devolution and is assumed to be the source of 89% of the required cost savings.

#### Assumption Risks

- There may be pressure on revalorisation which leads to an average cost pressure which exceeds the assumed 2% increase, particularly with the recent announcement to lift the 1% public sector pay cap.
- The additional 1% pay award is assumed as being on the value of that year's pay bill alone, i.e. not a cumulative effect. A cumulative effect would lead to a significant additional pressure by 20/21. This award is assumed to be applicable for Police, PCSOs and Staff.
- The assumed starting position is based on full establishment. However, the risk could be either way with potential lower FTE numbers due to higher attrition levels than addressed with by recruitment levels (for factors such as a greater number of Officers reaching retirement age) or alternatively for pressure to increase establishment, particularly in support of change programmes.

#### A.3 **Non-Pay**

- Non-pay costs have been assumed to increase in line with RPI increases.
- It is assumed that non-pay will need to reduce as part of Scottish devolution and is assumed to be the source of 11% of the required cost savings.



---

Assumption Risks

- The most significant risk would surround any potential rent reviews exceeding the estimated provisions made.

A.4 **Depreciation**

- The first line of depreciation in Table 1 accounts for the estimated depreciation charge applicable to the organisation's existing asset base plus assumed annual capital investment in cyclical and smaller change projects of c£8.5m plus RPI.
- Assets are assumed to depreciate on a straight line basis with an average useful economic life of five years (an assumption that includes leasehold improvements which in practice are depreciated over the remaining length of the applicable lease).

Assumption Risks

- Assumptions are based on expected profile of £8.5m plus RPI investment into capital assets. The assumption is that investment is made on a proportionate basis across a financial year. Historic trends show that investment is likely to be more heavily weighted towards the latter half.

A.5 **Target Efficiencies**

- Forecast efficiencies are based on the profiled savings target set with DfT.
- Efficiencies are shown cumulative of the saving generated against a 17/18 cost base.
- A cost of change is applied, assumed at 25% of the additional efficiency savings generated in that year. However, to achieve the efficiency, this cost of change is assumed to be required up-front and is therefore weighted 50% in the current year and 50% in the preceding year.

Assumption Risks



- 
- The target assumes an additional £18m of efficiencies can be achieved in a single year (19/20). However the feasibility of doing so will be dependent on the agreement of and timing of recommended efficiencies from the Target Operating Model review.
  - There is a degree of risk that the assumption of a cost of change of 25% may be insufficient. We will need to subsequently consider such detail as potential cost of redundancies against these estimates.

***The below sets out some of the high level assumptions that have been made for the additional revenue costs and impact on the Income & Expenditure account as a result of key change projects.***

#### A.6 ***Regional CT***

- Two hubs, one in the North (based out of NR's Manchester Railway Operating Centre), one in the Midlands (based out of Birmingham New Street).
- Resource constitutes Authorised Firearms Officers, Behavioural Detection Officers and Dog Handlers. Teams assumed to have been fully established by August-19.
- Full year costs of teams c£7.9m.
- Additional running costs incurred for running of Estate and technology (total c£1.7m per annum).

##### Assumption Risks

- Unforeseen additional running costs incurred for running of Estate and technology (total c£1.7m per annum).
- Delays to completing necessary estates and technology fit out.
- Challenges in recruiting teams sufficiently in line with target date of August-18 for being fully operational (assumption of limited impact on current C Division resources).
- Different locations identified for the hubs which require different estates fit out and technology requirements to current assumptions.

#### A.7 ***Emergency Services Network***



- 
- Service Ready date of Jan 2019 followed by trials and commencing with the North West in July 2019.
  - Total number of devices at the end of transition is 4470 (including vehicles).
  - Scotland omitted.
  - 10 year recovery of set up costs, all treated as revenue.
  - Beyond the MTFP period, the assumptions take the annual costs to over £6m per annum above current Airwave costs. Approximately £3m of this is due to ending of the Home Office subsidy provided to Airwave users.

#### Assumption Risks

- Change to the assumptions of the number of devices, number of spares needed, cost of installation for each device.
- Changes to the assumed programme milestone dates.
- Significant differences in assumed cost of data and/or devices.

#### A.8 **WAN/LAN (National Networks Programme)**

- Project implementation date currently assumed of November-18.
- Estimates are based on costs of like-for-like replacement; revised detailed costings will be known and based on tender submissions which are currently out to market.
- Revenue cost impact in 18-19 due to implementation costs incurred plus costs of operating existing network.
- Assumed efficiency saving of c£1m per annum generated from replacement of current service.

#### Assumption Risks

- No tender is affordable within current estimates.
- Unable to roll out full implementation due to delay in tender submissions date. Existing BT contract expires November-18, at which point any prolonged requirement of the existing contract would come at significant additional cost.



---

#### A.9 ***Additional Depreciation***

- Additional depreciation charges will be incurred against the Income & Expenditure account relating to the capital expenditure required for the above projects.
- Depreciation assumed as straight line, all assets with 5 year useful economic lives.
- Assets assumed to have been acquired half way through financial year.

##### Assumption Risks

- Profile of expenditure unlikely to be proportionate across the financial year.
- Dependent on accurate capital acquisition profiles.

#### A.10 ***Project Scotland***

- Assumed £0.5m additional marginal costs incurred per annum in lead to Scottish devolution in April-19.
- Lose c£9.5m of Scottish income contributing to BTP's central operational costs and overheads from 19-20.
- No specific efficiency savings assumed.

##### Assumption Risks

- Unable to meet timescales for April-19 devolution.
- Additional resource required to deliver programme successfully.

#### A.11 ***Capital Expenditure***

- Assumed £8.5m plus RPI investment into cyclical investment requirements and smaller change initiatives (such as Fleet replacement, estates works, IT asset acquisitions, Mobile). This is also assumed to include any capital funding required as part of projects emanating from the TOM.
- Additional capital expenditure required for implementation of Regional CT, ESN and WAN/LAN, with the majority of costs falling in 18/19.



#### Assumption Risks

- As per assumptions for individual projects for Regional CT, ESN, WAN/LAN above.
- Risk that capital investment required to deliver TOM changes is substantial and unaffordable within cyclical investment budget.
- Any as yet unknown requirements would also need to be funded from the funding for cyclical investment.





---

## Appendix B – 2018-19 onwards additional details

### ***HMIC Activity Categories and Target Operating Model (TOM)***

- B.6 We shall be seeking to begin demonstrating a clearer link between budgeted expenditure with delivery of our core activities. To this means, we shall be aligning our defined budgets to HMIC's defined activity categories it utilises for its Police Objective Analysis (POA). This will have the benefits of:
- Transparency with HMIC of our expenditure when HMIC undertake future reviews
  - Provides us with defined categories for which we can use to benchmark our performance with other Forces in future
  - Aligns with work being undertaken on the TOM, which is using the same terminology
- B.7 HMIC's set of categories are set out in Appendix C. Note, not all of these will be applicable to BTP.
- B.8 A drawback of the categories used by HMIC is that c40% of our current cost base would fall into 'Incident (Response) Management' within Territorial Policing. We shall undertake further work to determine whether a further sub-level of analysis could be defined and monitored against. Such categories could include:
- Crime investigation
  - Football policing
  - Organised public events
  - Dealing with prisoners
  - Dealing with vulnerable people
  - Directed patrol
  - Retail crime
  - Cycle crime
  - Motor vehicle crime



- 
- Route crime
  - Theft
  - Violence
  - Staff assaults
  - Sexual offences

B.9 By undertaking this approach, we shall be ensuring a consistent basis for evaluating the future impacts from the conclusions and recommendations of the TOM review. This should enable continued progress on the link between achieved efficiency savings and any reinvestment (or new investment).

B.10 However, in developing the budget through the month of September, we do not intend to make any assumptions about TOM conclusions. The timescales for this business planning round are such that agreed TOM conclusions were not available at the time of commencing detailed development of the budget to use as defined base assumptions. It is recommended that any early 'wins' from TOM could be considered for planning submissions where applicable. Any broader and more fundamental changes which come out of the TOM review are not expected to be reflected in this planning round but by using the same categories and terminology, we shall have a basis to more easily factor in any future changes.

***Expenditure – Pay***

B.11 With circa 80% of the Force's cost base incurred on FTE pay, it shall of course play the fundamental part of the business planning process. As set out above, we shall be developing the budget templates to capture expected headcount and costs against the HMIC POA categories in Appendix C.



B.12 The starting basis for headcount FTE shall be establishment numbers. Significant recruitment is being undertaken during 2017/18 to bring headcount numbers up to establishment by the end of March-18. The base establishment numbers are set out in the table below:

COG Group	Officers	PCSO	Staff	Total
A-FHQ	8.0	-	6.0	14.0
B Div	1,410.4	225.0	269.8	1,905.2
C Div	932.0	112.2	127.0	1,171.3
D Div	213.0	-	39.7	252.7
Territorial Policing	2,563.4	337.2	442.6	3,343.2
DCC Command	18.0	-	109.0	127.0
Specialist Operations & CT	253.0	-	26.0	279.0
Public Contract & Specialist Crime	169.0	-	633.6	802.6
Capability & Resources	33.0	-	342.2	375.2
Secondments	16.0	-	3.0	19.0
Finance & Commercial	-	-	37.0	37.0
<b>Total</b>	<b>3,052.4</b>	<b>337.2</b>	<b>1,593.4</b>	<b>4,983.0</b>

B.13 Teams shall be requested to ensure their headcount is profiled accurately, reflective of historic attrition rates and planned recruitment intakes. A 1% pay award will be included in employee expenditure payable from 1<sup>st</sup> September and an additional 1% will be included to cover spine point award and any revalorisation increases. A vacancy factor of 3% will be applied to Police staff FTE. This continues the assumption that a payment of 1% the total payroll cost shall be required for the apprentice levy.

***Expenditure – Non-Pay***

B.14 The high-level MTFP has established the estimated total cost of non-pay items (Supplies & Services, Transport, Comms & Computers, Premises, Transport & Hotels) based on 17-18 budget inflated by RPI. However, for this planning round, we have set a requirement for all teams to develop zero-based budget requirements. This means defining cost estimates from



---

scratch. Templates require teams to set out estimates profiled across the financial year, detailing the assumptions behind their cost estimates, for example, vehicle servicing costs are estimated based on x number of vehicles serviced at an average rate of £x. Estimates should be underpinned by known commitments for existing contract values wherever possible.

B.15 It is expected that non-pay costs shall continue to be a key source for driving efficiencies. This process is designed to enable greater clarity of our non-pay cost drivers and how the costs are incurred. This will enable us to develop a clearer link between profiled non-pay costs with our commercial pipeline.

B.16 Consideration shall also be given to whether or not to centralise such costs as training, vehicle maintenance and estates management. This is being considered in order to align delegation of budget control totals to where operational decisions are taken. However the decision to do so would account for any impact on charging model.

### ***Centralised Provisions***

B.17 As in previous financial years a central budget will be held for:

- Addressing emerging pressures arising during the financial year;
- Potential costs arising from any emerging restructures;
- Rent Reviews;
- P11D and corporation tax payments to HMRC;

B.18 Depreciation and amortisation non-cash charges to the Income & Expenditure account shall be held centrally. These estimates shall be based on the useful economic lives (UEL) of the Force's existing fixed asset register and any capital additions made in-year. Assets UEL's are deemed to be for five years or the remaining length of the lease for any leasehold improvements.



---

B.19 It is recommended for a contingency of 1% of the total budget to be retained centrally in order to manage any emerging pressures that arise during the financial year.

***Projects Portfolio***

B.20 The assumed available budget to deliver the projects portfolio is expected to be £10.73m, split £8.67m capital funding plus £2.06m revenue funding. This is the equivalent of the £10.4m 17-18 budget uplifted by RPI. This is the assumed funding for projects with the exception of change programmes for Regional CT, ESN and WAN/LAN. This represents a significant cash and budget pressure.

B.21 Development of project requirements shall be undertaken in conjunction with Finance and PMO. Teams shall be expected to capture any additional or reduced revenue and capital costs incurred or saved in support of the development and implementation of cyclical investment projects and major change programmes.

B.22 Any pre-implementation revenue costs are to be captured as part of the projects portfolio. Any costs or savings post-implementation are to be captured as part of BAU budgets.

B.23 The change projects that we will be basing our planning assumptions upon and their current anticipated go-live dates are set out in Appendix D.

***Efficiencies***

B.24 In line with the medium term financial plan and DfT targets, an efficiency saving target of £5.0m will be expected to be derived in the 18-19 budget. This will be devolved across the force as part of the business planning process. We aim to identify budget holders and COG responsible for the delivery of efficiencies so that we can underpin the efficiencies dashboard with a clear link between what savings are being made, which teams they are being made from and set against this knowledge of where any savings have been reinvested.



---

## **Appendix C – HMIC’s Police Objective Analysis (POA) Categories for 18/19 Planning**

### **LOCAL POLICING**

Neighbourhood Policing  
Incident (response) Management  
Specialist Community Liaison  
Local Command Team and Support Overheads

### **DEALING WITH THE PUBLIC**

Front Desk  
Central Communications Unit  
Dealing with the Public Command Team & Support Overheads

### **OPERATIONAL SUPPORT**

Operational Support Command Team and Support Overheads  
Air Operations  
Mounted Police  
Specialist Terrain  
Dogs Section  
Advanced Public Order  
Airports & Ports Policing Unit  
Firearms Unit  
Civil Contingencies  
Event

### **INTELLIGENCE**

Intelligence Command Team and Support Overheads  
Intelligence Analysis / Threat Assessments  
Intelligence Gathering

### **PUBLIC PROTECTION**

Witness Protection (adult and child)  
Child Protection  
Adult Protection

### **INVESTIGATIONS**

Investigations Command Team and Support Overheads  
Major Investigations Unit  
Economic Crime (including Regional Asset Recovery Team)  
Specialist Investigation Units



---

Serious & Organised Crime Unit  
Local Investigation/ prisoner processing  
Cyber Crime

**INVESTIGATIVE SUPPORT**

Scenes of Crime Officers  
External Forensic Costs  
Fingerprint / Internal Forensic Costs  
Photographic Image Recovery  
Other Forensic Services  
Investigative Support Command Team and Support Overheads

**CRIMINAL JUSTICE ARRANGEMENTS**

Custody  
Police doctors / nurses & surgeons  
Criminal Justice  
Police National Computer  
Criminal Records Bureau  
Coroner Assistance  
Fixed Penalty Schemes (Central Ticket Office)  
Property Officer / Stores  
Criminal Justice Arrangements Command Team & Support Overheads

**SUPPORT FUNCTIONS**

Human Resources  
Finance  
Legal Services  
Fleet Services  
Estates / Central Building Costs  
Information Communication Technology  
Professional Standards  
Press & Media  
Performance Review / Corporate Development  
Procurement  
Training  
Administration Support  
Force Command  
Support to Associations and Trade Unions



Social Club Support & Force Band

Insurance / Risk Management

Catering

**POLICE CRIME COMMISSIONER**

Cost of the Democratic Process

Office of Police Crime Commissioner

PCC Share of any Formal Shared Service Arrangement

PCC Commissioned Services

**CENTRAL COSTS**

Revenue Contribution to Capital

Capital Financing

Pensions and Exit Costs

**NATIONAL POLICING**

Secondments (out of Force)

Counter Terrorism / Special Branch

ACPO Projects / Initiatives

Hosting National Services

Other National Policing Requirements





**Appendix D – Project Portfolio Dashboard**

**Portfolio Dashboard  
Aug-17**

No.	Project Title	SRO/PM	Stage	Project End
1	Apprenticeship Scheme	Simon Downey / Bola Ajani	Case for Change	TBC
2	Target Operating Model (TOM)	DCC Hanstock / Graham Kyle	Case for Change	Aug-17
3	Holmes House	Leigh Stringer / Michael Highland	Case for Change	Apr-18
4	FHQ Camden Road Exit	Leigh Stringer / Michael Highland	Case for Change	TBC
5	Spring House	Leigh Stringer / Michael Highland	Case for Change	TBC
6	ESN	DCC Hanstock / James Brade	Case for Change	Jun-20
7	Transaction Services Review	Simon Downey / Paul O'Sullivan	Case for Change	Apr-19
8	Core Patrol Strategy	T/ACC Brogden / Sadak Ali	Closure	Closure
9	Stabilisation	Simon Downey / Paul O'Sullivan	Initiate	Sep-17
10	Cardiff Callaghan Square Exit	Simon Downey /Jamie Mellows	Initiate	Mar-18
11	Manchester Piccadilly	Leigh Stringer / Noel Scott	Initiate	tbc
12	Manchester Portland	Leigh Stringer / Noel Scott	Initiate	Aug-17



---

No.	Project Title	SRO/PM	Stage	Project End
13	Newcastle Neville St	Leigh Stringer / Noel Scott	Initiate	Closure (Cancelled)
14	Total Facilities Management (TFM) contract	Leigh Stringer / Heath Waller	Initiate	Feb-18
15	National Networks Programme	Simon Downey / Mark Blakemore	Design	Nov-18
16	Crime Review	T/ACC Brogden / Stirling Blackman	Design	Dec-17
17	Mobile	T/ACC Brogden / John Brown	Design	Dec-18
18	Edinburgh Waverley	Simon Downey / Scott Noel	Design	Jul-17
19	Body Worn Video	T/ACC Brogden / Paul Humphries	Design	Mar-18
20	ISP Command & Control	T/ACC Brogden / Simon Jones	Go Live	Apr-17
21	Demand Review	Simon Downey / Jo Whiting	Go Live	Apr-17
22	Blundell Street Security	Simon Downey / Michael Highland	Closure	Closure
23	FHQ Camden Road Security	Simon Downey / Michael Highland	Closure	Closure
24	VDI	Simon Downey / Ravi Saund	Closure	Closure

---