

**Report to:** Police Authority  
**Date:** 13 December 2017  
**Agenda Item:** 6.2  
**Subject:** BTP 2018/22 MTFP  
**Sponsor:** Dyan Crowther  
**Author:** Yifat Steuer & Ally Cook

The Forum  
 5th Floor North  
 74-80 Camden Street  
 London NW1 0EG

T: 020 7383 0259  
 F: 020 7383 2655

[www.btpa.police.uk](http://www.btpa.police.uk)

## 1. Purpose of paper

1.1 Summaries the BTP MTFP recommendations.

## 2. Recommendations

2.1 We recommended that BTP gross revenue expenditure and BTP capital expenditure budgets are agreed for 2019/20 to 2021/22 at the below amounts:

	2018/19	2019/20	2020/21	2021/22
Force Gross Revenue Expenditure (inc. depreciation)	-310,451,118	-298,005,841	-300,379,550	-303,683,979
Force Capital Expenditure	-19,666,000	-11,259,363	-11,000,454	-11,352,468

2.1.1 Recommended that 2018/19 total gross revenue expenditure budget (including depreciation) delegated to the Force before income for 2018/19 is set at £310.4m, inclusive of Regional CT, ESN, NNS costs and £9.1m gross efficiency target.

2.1.2 Recommended that 2018/19 total capital expenditure budget delegated to the Force for 2018/19 is set at £19.7m, inclusive of Regional CT, ESN, NNS.



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# Strategy & Planning Committee - MTFP

# MTFP SUMMARY

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- The revised MTFP highlights the continued forecast significant financial pressures against the Income & Expenditure account (the basis for PSA charges) that we face across the next three financial years.
- A revenue deficit is forecast in each of the next three financial years:
  - £6.5m in 18/19
  - £8.6m in 19/20
  - £3.7m in 20/21
- This is generated because of the significant pressures which arise in order to implement ESN, NNS, development of Regional CT and Project Scotland.
- Achieving this level of deficit is predicated on delivering an ambitious efficiency programme (largely based on the TOM proposals) which would ultimately achieve a £30m gross reduction in the current annual cost base by 20/21 (minus £5.5m in new outsourced service charges). This equates to c£94m total efficiencies over the MTFP lifetime.
- Significant capital outlay is required for the implementation of ESN, NNS and Regional CT, requiring a forecast capital requirement in 2018/19 of £19.7m (after adjusting for 'overprogramming'). Future years capital requirements are set against a base of £10.5m plus RPI.
- Without additional funding over and above RPI settlements, cash balances would fall below the £10m minimum threshold by week 9 of 2019/20. Cash balances would regularly fall below this threshold throughout 19/20 and 20/21 placing significant risk on being able to meet liabilities.

# DECISIONS REQUIRED / RECOMMENDATIONS

- Recognition of the financial pressures which are faced across the MTFP period due to the high cost of developing and implementing Regional CT, ESN, NNS and Scottish devolution.
- Recommended that the total gross revenue expenditure budget (including depreciation) delegated to the Force before income for 2018/19 is set at £310.4m, inclusive of funding for Regional CT, ESN, NNS but requiring a gross £9.1m efficiency target to be achieved.
- Recommended that the total capital expenditure budget delegated to the Force for 2018/19 is set at £19.7m, also inclusive of funding for Regional CT, ESN, NNS.
- Indicative gross revenue and capital expenditure budgets for planning purposes are agreed for 2019/20 to 2021/22 at the below amounts:

	2018/19	2019/20	2020/21	2021/22
Force Gross Revenue Expenditure (inc. depreciation)	-310,451,118	-298,005,841	-300,379,550	-303,683,979
Force Capital Expenditure	-19,666,000	-11,259,363	-11,000,454	-11,352,468

- Funding totals for core LU and TfL EPSAs are set at RPI increases but subject to ongoing discussions with TfL. Any reduction in income from TfL would require a compensating reduction in expenditure.
- Consideration of funding options as set out in an additional funding paper by the Authority Exec team. Funding needs to be considered beyond the immediate 18/19 period as, while on the face of it the 18/19 revenue and capital deficits could be funded from reserves, this could not be continued into 19/20 and beyond without significantly increasing liquidity risk.



# Section 1 – Overall MTFP

# MEDIUM TERM FINANCIAL PROJECTION

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- The next two slides set out the overall MTFP through to 2021/22.
- They are presented in two different formats:
  - The first version sets out the annual impact on the Income & Expenditure account of each individual line item.
    - For example Regional CT costs are shown at £7.1m in 18/19 which is a mix of implementation and BAU costs. Full BAU costs are shown from that point on (£8.7m plus RPI).
  - The second version shows the incremental impact on the Income & Expenditure account of each individual line item over and above the impact from the previous FY.
    - For example Regional CT costs are shown at £5.9m in 18/19 as this is the cost over and above the £1.2m in 17/18. The £1.2m base from the prior year is taken up into the line items for Pay and Non-Pay.
- Efficiencies are similarly presented in two different formats:
  - The first version shows the cumulative effect which is targeted to be achieved against the like-for-like pay and non-pay cost base.
    - E.g. by 19/20 a cumulative efficiency of £25.2m is expected. Line items for Pay and Non-Pay are not reduced.
  - The second version shows the annual effect which is targeted to be achieved against an adjusted pay and non-pay cost base.
    - E.g. in 19/20 an additional efficiency of £16.1m is expected over and above the £9.1m achieved in 18/19. The £9.1m already deemed to have been achieved during 18/19 has been deducted from the line items for Pay and Non-Pay.

# MEDIUM TERM FINANCIAL PROJECTION V1

Category	2017/18	2018/19	2019/20	2020/21	2021/22
PSA Income	228,831,113	236,178,835	242,555,664	248,619,556	256,575,381
Scottish TOC PSA Income Lost			-22,884,551	-23,456,665	-24,207,278
TfL Core / EPSA / Other Income	66,983,045	70,318,277	72,067,061	73,862,774	76,211,782
Transfer from Reserves	1,120,000				
Pay	-232,811,878	-242,009,885	-226,482,832	-230,910,652	-235,278,348
Non-Pay	-46,918,892	-49,136,691	-47,946,081	-49,144,733	-50,717,364
Depreciation	-11,159,099	-11,380,000	-10,810,441	-10,269,899	-9,712,935
Cyclical / Smaller Ad-Hoc Projects	-1,343,098	-1,700,421	-916,080	-2,000,000	-2,000,000
BTPA	-2,471,699	-2,550,794	-2,341,451	-2,304,931	-2,378,688
Income/(Expenditure) before Pressures and Efficiencies	2,229,491	-280,678	3,241,290	4,395,450	8,492,550
Cumulative Efficiencies		9,088,667	25,178,000	30,378,000	30,378,000
Cost of Change / TOM	-713,500	-3,550,000	-3,500,000	-3,500,000	
Outsourced Service Charges			-5,443,100	-5,579,178	-5,757,711
Regional CT	-1,155,000	-7,110,726	-8,874,000	-9,051,480	-9,232,510
ESN	-350,897	-1,138,587	-3,466,859	-3,967,490	-4,171,275
NNS	-433,454	-1,113,475	-526,778	-526,778	-526,778
IT Strategy		-1,500,000	-1,500,000	-1,500,000	-1,500,000
Additional Depreciation on projects	-57,000	-400,000	-3,574,168	-3,910,250	-4,435,260
Project Scotland	-154,000	-500,000	-10,143,503	-10,397,090	-10,729,797
Income/(Expenditure) after Pressures and Efficiencies	-634,360	-6,504,799	-8,609,117	-3,658,816	2,517,219

# MEDIUM TERM FINANCIAL PROJECTION V2

Category	2017/18	2018/19	2019/20	2020/21	2021/22
PSA Income	228,831,113	236,178,835	242,555,664	225,162,891	232,368,103
Scottish TOC PSA Income Lost			-22,884,551		
TfL Core / EPSA / Other Income	66,983,045	70,318,277	72,067,061	73,862,774	76,211,782
Transfer from Reserves	1,120,000				
Pay	-232,811,878	-242,965,747	-228,678,903	-229,676,943	-230,540,565
Non-Pay	-46,918,892	-49,335,829	-49,910,655	-59,221,827	-56,791,433
Depreciation	-11,159,099	-11,437,000	-11,210,441	-13,844,067	-13,623,185
Cyclical / Smaller Ad-Hoc Projects	-1,343,098	-1,700,421	-916,080	-2,000,000	-2,000,000
BTPA	-2,471,699	-2,550,794	-2,341,451	-2,304,931	-2,378,688
Income/(Expenditure) before Pressures and Efficiencies	2,229,491	-1,492,678	-1,319,356	-8,022,103	3,246,014
Cumulative Efficiencies		9,088,667	16,089,333	5,200,000	
Cost of Change / TOM	-713,500	-3,550,000			
Outsourced Service Charges			-5,443,100		
Regional CT	-1,155,000	-5,955,726	-1,763,274		
ESN	-350,897	-1,138,587	-2,328,272	-500,631	-203,786
NNS	-433,454	-1,113,475	-526,778		
IT Strategy		-1,500,000			
Additional Depreciation on projects	-57,000	-343,000	-3,174,168	-336,083	-525,010
Project Scotland	-154,000	-500,000	-10,143,503		
Income/(Expenditure) after Pressures and Efficiencies	-634,360	-6,504,799	-8,609,117	-3,658,816	2,517,219



# KEY ASSUMPTIONS

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- **Income**
  - RPI increase each financial year on a base of the prior year's budgeted income.
- **Pay**
  - Calculated on a base of the Force's full establishment (3023 Officers, 337 PCSOs, 1582 Staff).
  - *Before any efficiency targets.*
  - 1% pay award per annum, spine point increases and an additional 1% non-consolidated pay award (payable to c80% of all FTE's).
  - Maintains overtime based at 17/18 budgeted levels. *Equates to a 56% reduction of overtime expenditure since 15/16 in nominal terms.*
- **Non-Pay**
  - RPI increase (before recommended efficiency targets) each financial year to cover key pressures such as rent and rate reviews on the BTP estate.
- **Depreciation**
  - Calculated on estimated capital expenditure for core and cyclical requirements.
  - Additional line item added in second half of MTFP table for additional depreciation incurred for capital implementation costs for Regional CT, ESN and NNS.
- **BTPA**
  - Based on current year budget plus RPI – subject to ongoing discussions.
  - Funding of Scotland resources at £350k per annum plus RPI up until end of 1<sup>st</sup> quarter 19/20.
- **Efficiencies**
  - Assumes delivering £30.4m efficiencies gross against the current annual cost base by 20/21 (predominantly via Target Operating Model).
  - Assumes part year effect of proposed efficiencies which could be delivered in 18/19.

# KEY ASSUMPTIONS

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- **Cost of Change**
  - Assumed at c£3.5m per annum. Accounts for:
    - £1m internal programme team costs (assumes half of the programme team is from existing staff who are not back-filled for).
    - £0.7m per annum redundancy costs.
    - £1.5m per annum Delivery Partner costs.
    - £0.3m per annum training costs.
- **Outsourced Service Charges**
  - Assumed at c£5.3m (inc VAT) per annum plus RPI.
  - Assumed at a 20% cost reduction compared to cost of internal team.
- **Regional CT**
  - Midland Hub estimated to be operational in March 18 and estimated to reach full establishment in October 18.
  - Northern Hub estimated to be operational in July 18 and estimated to reach full establishment in March 19.
  - Midland Hub full establishment is 75 staff.
  - Northern Hub full establishment is 74 staff.
- **ESN**
  - Project completion by April 2020.
  - Assumes 1007 connection completed by end of financial year 2018/19.
  - Devices issued based on current airwave device useage (like for like).
  - Handset and vehicle replacement is based on a 5 year and 8 year cycle respectively.
  - No provision yet made for covert devices.
  - 10 year recovery of Home Office development costs.
- **NNS**
  - Go live of Nov 2018, replacing the existing contract with BT which expires Nov' 18.
  - Covers 167 sites across the country.
  - Expected 5 year contract term.

# COSTED FULL ESTABLISHMENT PLAN



Costed Full Establishment	DCC	Finance & Commercial	Capability & Resources	Specialist Operations	PCSC	Territorial Police	Centrally held	Total
	FTE	FTE	FTE	FTE	FTE	FTE	FTE	FTE
Police officers	21	0	33	253	169	2572	-25	3023
PCSO	0	0	0	0	0	337	0	337
Staff	109	37	333	26	634	443	0	1582
<b>Total</b>	<b>130</b>	<b>37</b>	<b>366</b>	<b>279</b>	<b>803</b>	<b>3352</b>	<b>-25</b>	<b>4942</b>
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Police officers	1,803	0	1,931	15,062	10,814	132,830	-1,335	161,104
PCSO	0	0	0	0	0	10,640	0	10,640
Staff	4,726	2,387	15,677	1,111	24,746	15,356	0	64,004
<b>Total</b>	<b>6,529</b>	<b>2,387</b>	<b>17,608</b>	<b>16,173</b>	<b>35,560</b>	<b>158,825</b>	<b>-1,335</b>	<b>235,748</b>

- The cost of the Force's full establishment for a full year would be £235.7m. This includes assumed 1% pay award and spine point increases.
- This would be the cost incurred before any efficiencies are taken. **XXXXXX**
- These costs are reflected within the overall MTFP summary.
- The Force has substantially ramped up its Officers recruitment and plans to go 50 Officers above establishment by end of 17/18 in order to increase the number of deployable Officers. This shall additionally allow cover to C Division officers who are expected to transfer across to meet Regional CT deployment. A compensating 'dolphining' effect would be needed to reduce actuals to meet a budgeted average.

# OVERTIME

FTE Type	Overtime Type	2015/16 Actual	2016/17 Actual	2017/18 Forecast	Proposed 2018/19 Budget	Reduction from 2015/16
Staff	BANK HOLIDAY	110,394	51,135	115,404	24,735	78%
	OVERTIME	1,270,342	832,629	711,889	538,365	58%
	REST DAY WORKING	58,821	3,711	36,653	0	100%
	TOIL	528,226	13,026	30,226	644	100%
<b>Staff Total</b>		<b>1,967,784</b>	<b>900,501</b>	<b>894,172</b>	<b>563,745</b>	<b>71%</b>
PCSO	BANK HOLIDAY	13,488	18,425	4,118	3,165	77%
	OVERTIME	192,266	138,797	149,186	79,662	59%
	REST DAY WORKING	26,585	28,950	-61,026	0	100%
	TOIL	2,531	2,429	4,074	0	100%
<b>PCSO Total</b>		<b>234,870</b>	<b>188,601</b>	<b>96,352</b>	<b>82,827</b>	<b>65%</b>
POLICE	BANK HOLIDAY	2,449,393	1,760,200	1,475,179	1,279,909	48%
	OVERTIME	2,756,283	2,065,925	2,002,448	1,418,584	49%
	REST DAY WORKING	2,427,254	2,488,087	1,427,720	979,303	60%
	TOIL	20,155	-36,495	96,416	51,319	-155%
<b>POLICE Total</b>		<b>7,653,086</b>	<b>6,277,717</b>	<b>5,001,762</b>	<b>3,729,116</b>	<b>51%</b>
<b>Grand Total</b>		<b>9,855,740</b>	<b>7,366,820</b>	<b>5,992,287</b>	<b>4,375,688</b>	<b>56%</b>

- Proposed overtime budgets for 2018/19 would continue the downward pressure placed on use of overtime since 2015/16 and represent a 56% reduction in overtime over this time period.
- The predominant use of overtime would still be necessary to pay for Bank Holiday premiums, overtime incurred for specific events and meeting minimum deployable levels.

# NON-PAY

	2018/19	2019/20	2020/21	2021/22
Non-Pay Base	47,613,072	49,136,691	50,463,381	51,724,966
RPI	1,523,618	1,326,691	1,261,585	1,655,199
MTFP Estimate pre-Efficiencies	49,136,691	50,463,381	51,724,966	53,380,165
Annual Efficiencies Target	- 2,400,000	- 1,000,000	- 2,000,000	-
Prior Year Efficiencies	-	- 2,400,000	- 3,400,000	- 5,400,000
Revised Non-Pay Target	46,736,691	47,063,381	46,324,966	47,980,165

- The MTFP initially reflects an RPI increase against the Force's existing budget for non-pay costs (2017/18 = £47.6m).
- The Force has undertaken a bottom-up process to determine non-pay budget requirements for 18/19. These totalled £49.4m after accounting for £0.5m efficiencies already previously agreed (via estates exit and more economical use of fleet in particular) but highlighted pressures for:
  - *Rent reviews and rate increases against the central Estate - c£0.7m*
  - *Additional IT costs due to implementation of Mobile and greater number of application licences linked to a higher FTE actual – c£1m*
  - *Higher hotel costs to support ongoing recruitment of Officers to reach establishment (Officers' 22 week training is delivered in London and hence additional accommodation is provided at Northwick Park during this time) – c£0.6m.*
- The Force therefore recommends setting a non-pay base against 17/18 budget plus annual RPI but to set a further stretch target of a further £2.4m efficiency savings to be achieved in 18/19, growing to a £5.4m annual efficiency saving to be achieved by 21/22. COG have scrutinised the current cost base and expect that these further savings would be expected to be possible to achieve through continued commercial savings, reduced fleet and travel costs and a smaller estate.

# POTENTIAL TOM EFFICIENCIES

The Force is considering the following areas for progressing the delivery of efficiencies:

Potential Efficiency Programme	2018/19	2019/20	2020/21	2021/22	Total
Network Policing	£4,200,000	£0	£0	£0	£4,200,000
3CI	£865,000	£2,215,000	£0	£0	£3,080,000
Crime & Safeguarding	£4,400,000	£2,700,000	£0	£0	£7,100,000
Operational Support	£2,060,000	£4,630,000	£3,200,000	£0	£9,890,000
Non-Core Service	£708,000	£0	£0	£0	£708,000
Non-Pay	£2,400,000	£1,000,000	£2,000,000	£0	£5,400,000
Sub-Total	£14,633,000	£10,545,000	£5,200,000	£0	£30,378,000
Timing Adjustment	-£5,544,333	£5,544,333			
Revised Total as per MTFP	£9,088,667	£16,089,333	£5,200,000	£0	£30,378,000

- Each of these potential sources of efficiency savings are being considered by COG in detail (in large part as part of TOM implementation).
- Some of these proposed efficiency savings (namely for Police Staff) could immediately be accounted for in operating at a base of current FTE actuals for Police Staff rather than being budgeted at full establishment. This would immediately achieve c£3.1m of the £9.1m target in 18/19.
- The cost estimates are shown as a full year effect if enabled from 1<sup>st</sup> April of each year. Consequently the value of any potential savings would be dependent upon agreement to proceed, consultation, timing of delivery, approval of any upfront investment needed. The MTFP assumes an adjustment factor c40% would be necessary for timing against 18/19 proposals to derive a revised target at £9.1m of efficiencies for 18/19.

# TfL FUNDING



TfL Funding Streams	2017/18	2018/19	2019/20	2020/21	2021/22
TfL Core Income	47,400,000	48,916,800	50,237,554	51,493,492	53,141,284
EPSAs & Other Income	10,280,000	10,608,960	10,895,402	11,167,787	11,525,156
Overheads	17,521,090	18,081,765	18,569,973	19,034,222	19,643,317
Total TfL	75,201,090	77,607,525	79,702,929	81,695,502	84,309,758

- The starting point for assumed income from TfL is for an RPI increase.
- Discussions with TfL have recently commenced. TfL have set an initial expectation of providing total funding of £73.7m.
- TfL have been made aware that any request to reduce funding below this level will require TfL to specify which services (potentially via existing EPSAs) that it wants to be reduced from what is currently provided. Agreement would first be needed from the Mayor's Office to proposed reductions.
- There is some potential for reductions against overtime and some direct non-pay expenditure. Savings would not be expected to be made from the current funding provision against core overheads.
- The above does not include any provision for capital funding which may be required to ensure TfL funded fleet meets the Mayor's Office environmental requirements.

# PROJECTS PORTFOLIO

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- The following slide sets out summarised implementation costs and future BAU costs of the Force's key change programmes (NNS, ESN, Regional CT) plus the current forecasts for other cyclical programmes.
- This is set for both capital and revenue expenditure.
- This demonstrates the significant impact on BAU revenue costs which arise from these new programmes - by 21/22 an estimated £13.4m per annum over and above the cashable benefits from existing services.
- A total estimate of £19.7m capital expenditure is forecast for 18/19. This estimate has been previously registered with DfT as part of quarterly updates to MTFP. The Force would expect to manage down its current £23.7m forecast by £4.0m in order to operate within this control total.
- Additional provision is made for capital and revenue budgets in line with existing budget totals in 20/21 and 21/22 as a placeholder to allow for any future programmes which would likely materialise by this point in time.



# PROJECTS PORTFOLIO SUMMARY



	2018/19			2019/20			2020/21			2021/22		
	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.
Regional CT	4,438,000	7,110,726	11,548,726	-	8,874,000	8,874,000	-	9,051,480	9,051,480	-	9,232,510	9,232,510
<i>Implementation</i>	4,438,000	1,155,949	5,593,949	-	-	-	-	-	-	-	-	-
<i>BAU</i>	-	5,954,777	5,954,777	-	8,874,000	8,874,000	-	9,051,480	9,051,480	-	9,232,510	9,232,510
ESN	3,834,671	1,138,587	4,973,258	1,954,956	3,466,859	5,421,815	1,405,872	3,967,490	5,373,362	1,922,112	4,171,275	6,093,387
<i>Implementation</i>	3,834,671	1,138,587	4,973,258	1,954,956	890,557	2,845,513	1,405,872	652,000	2,057,872	1,405,872	540,287	1,946,159
<i>BAU</i>	-	-	-	-	2,576,301	2,576,301	-	3,315,489	3,315,489	516,240	3,630,988	4,147,228
NNS	6,227,899	1,113,475	7,341,375	-	526,778	526,778	-	526,778	526,778	-	526,778	526,778
<i>Implementation</i>	6,227,899	926,216	7,154,115	-	-	-	-	-	-	-	-	-
<i>BAU</i>	-	187,259	187,259	-	526,778	526,778	-	526,778	526,778	-	526,778	526,778
IT Strategy	500,000	1,500,000	2,000,000	500,000	1,500,000	2,000,000	500,000	1,500,000	2,000,000	500,000	1,500,000	2,000,000
Estates	345,000	160,000	505,000	345,000	-	345,000	345,000	-	345,000	345,000	-	345,000
Fleet	3,138,000	-	3,138,000	2,640,000	-	2,640,000	1,201,000	-	1,201,000	1,201,000	-	1,201,000
Programme	628,274	535,000	1,163,274	1,279,407	409,000	1,688,407	307,000	309,000	616,000	307,000	309,000	616,000
IT Projects	4,601,000	1,005,421	5,606,421	4,540,000	507,080	5,047,080	710,000	-	710,000	710,000	-	710,000
Overprogramme	4,046,844	-	4,046,844	-	-	-	-	-	-	-	-	-
New Programmes	-	-	-	-	-	-	6,531,582	1,691,000	8,222,582	6,367,356	1,691,000	8,058,356
<b>Total</b>	<b>19,666,000</b>	<b>12,563,209</b>	<b>32,229,209</b>	<b>11,259,363</b>	<b>15,283,717</b>	<b>26,543,080</b>	<b>11,000,454</b>	<b>17,045,748</b>	<b>28,046,202</b>	<b>11,352,468</b>	<b>17,430,563</b>	<b>28,783,032</b>
<i>Implementation</i>	19,666,000	6,421,173	26,087,173	11,259,363	3,306,637	14,566,000	11,000,454	4,152,000	15,152,454	10,836,228	4,040,287	14,876,516
<i>BAU</i>	-	6,142,036	6,142,036	-	11,977,080	11,977,080	-	12,893,748	12,893,748	516,240	13,390,276	13,906,516

# RISKS

- Efficiencies – estimates assume substantial delivery of the proposed recommendations from the TOM across the MTFP period.
- TfL funding – TfL currently face their own significant efficiency challenge and are expected to seek to reduce funding contributions. Discussions have commenced with TfL which require TfL to set out what correlating reduction in services (possibly via EPSAs) would be requested.
- Rent Reviews – continued impact of further rent reviews could detrimentally impact annual Premises costs. The Force is considering its usage of its highest cost estates in order to seek efficiency savings and mitigate the impact of future reviews.
- NNS – limited number of tender submissions have been received, with submitted costs being challenged for value for money. Potential delay to contract award leading to requirement to extend existing contract at an inflated price.
- IT Strategy - the future IT strategy is currently underdevelopment and due to be presented to FEB in November / December. Likely to lead to a recommendation to progress with cloud based technology which could convert future spend requirements from capital to revenue.
- CT hubs – the current plan places a reliance on securing cheap and secure accommodation.
- No safety net for cash
- Scotland – renegotiation of contracts / risk of loss to BTP on transfer
- ESN delay – potential additional cost if a requirement needed for Airwave extension and potential removal of HO subsidy

# OPPORTUNITIES

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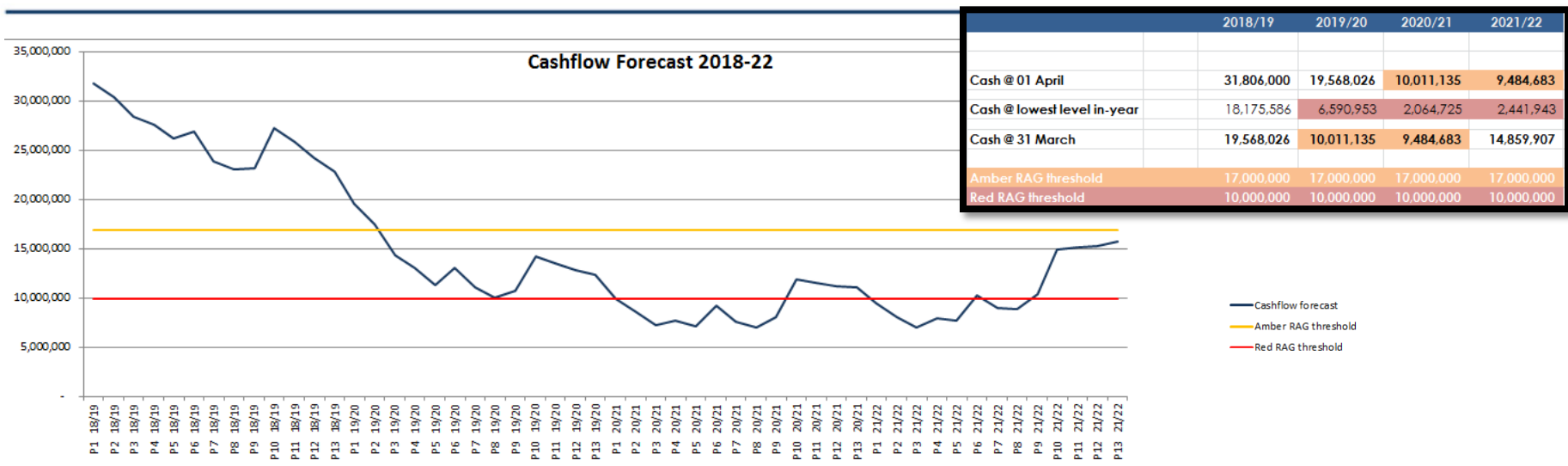
- The majority of opportunities are achieved through delivering an additional £30m of efficiencies over the next three years and therefore already factored into the MTFP estimates.
- A letter on CT funding has been sent to DfT – however no response has yet been received.
- Capital expenditure at £19.7m in 18/19 has been logged with DfT, who have indicated that is already now firmly logged within their planning estimates. DfT have indicated a possibility of providing capital grant in line with the budgetary cover.
- ESN costs include recovery of Home Office development costs over a 10 year period (c£1.5m per annum). We may wish to seek that development costs are treated as sunk costs and therefore not included as part of future liabilities for BTP or that the costs are met over a longer time period (15 years).



BRITISH  
TRANSPORT  
POLICE

## Section 2 - Cashflow Analysis

# CASHFLOW IMPACT - SUMMARY



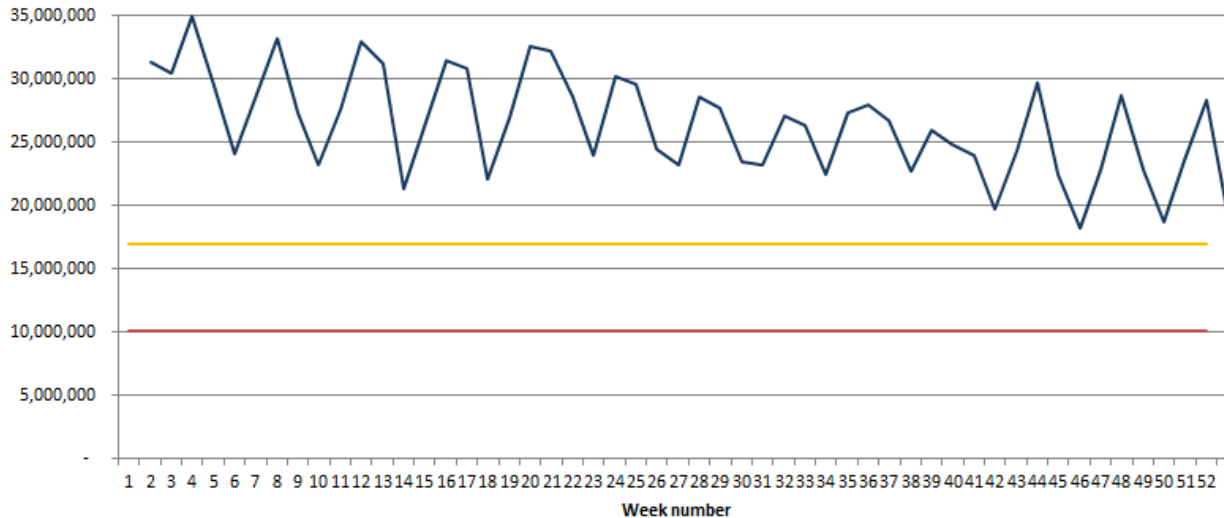
- The above graph sets out the forecast cash balances at the beginning of each period to the end of 2022.
- The table highlights the lowest weekly cash balance in each financial year.
- Without any additional funding for capital projects cash will be below the “Red” RAG threshold at many points through 2019 to 2022. See following pages for detailed weekly analysis for each year.

## General assumptions:

- Weekly peaks and troughs based on 17/18 updated cashflow forecast
- Income and expenditure figures based on MTFP figures in this pack
- Capital and revenue spend per MTFP workings in this pack
- 3 month time delay between capital/revenue project spend and cash outflow

# CASHFLOW IMPACT – 2018/19

1819 Cashflow Forecast



2018/19	
Cash @ 01 April	31,806,000
Cash @ lowest level in-year	18,175,586
Cash @ 31 March	19,568,026
Amber RAG threshold	17,000,000
Red RAG threshold	10,000,000

— 1819 cashflow forecast  
 — Red RAG threshold  
 — Amber RAG threshold

## Expenditure Stats:

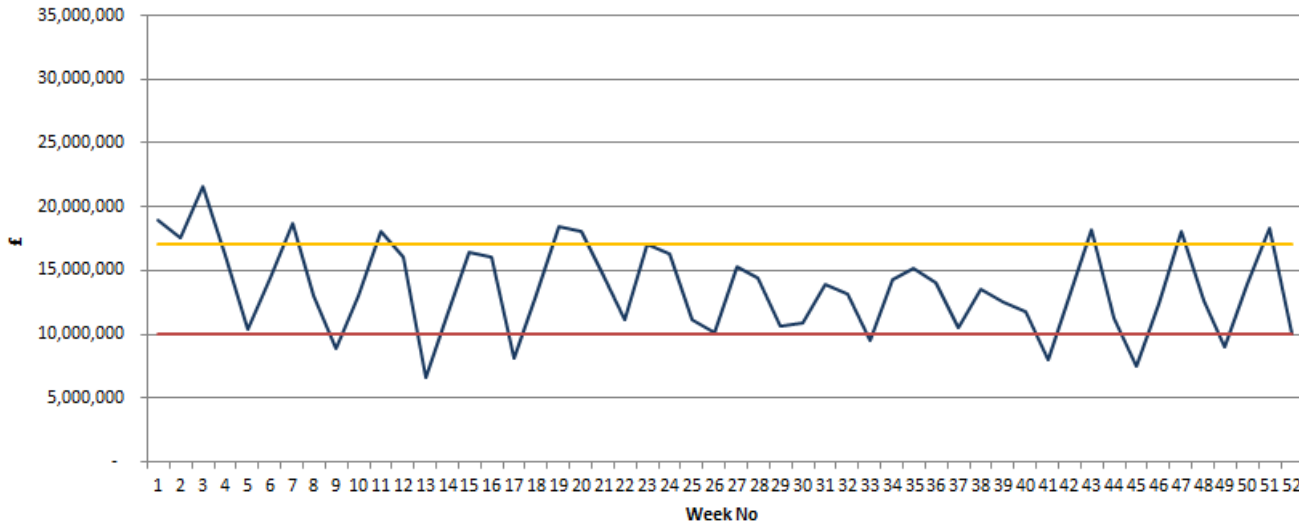
- Capital deficit £8.9m (£19.7m vs. 17/18 cap budget £10.5m + RPI)
- Revenue deficit (inc. depreciation) £6.5m

## 2018/19 forecast & assumptions:

- Overall drop of £12.2m of cash in the year (£16.7m capital spend – offset by in-year surplus excl dep'n of £5.3m)
- 3 month time lag between portfolio spend and cash outflow which pushes £8.7m of capital and revenue portfolio spend to next year vs £6.5m cash outflow relating to 17/18 projects in-year.
- Capital and revenue spend for last half of the year much higher than first half
- Periodic spend profile for 18/19 used as the basis for timing alongside knowledge of weekly peaks/troughs from 2017/18 cashflow work.

# CASHFLOW IMPACT – 2019/20

19/20 cashflow forecast



2019/20	
Cash @ 01 April	19,568,026
Cash @ lowest level in-year	6,590,953
Cash @ 31 March	10,011,135
Amber RAG threshold	17,000,000
Red RAG threshold	10,000,000

- 1920 cashflow forecast
- Red RAG threshold
- Amber RAG threshold

## Expenditure Stats:

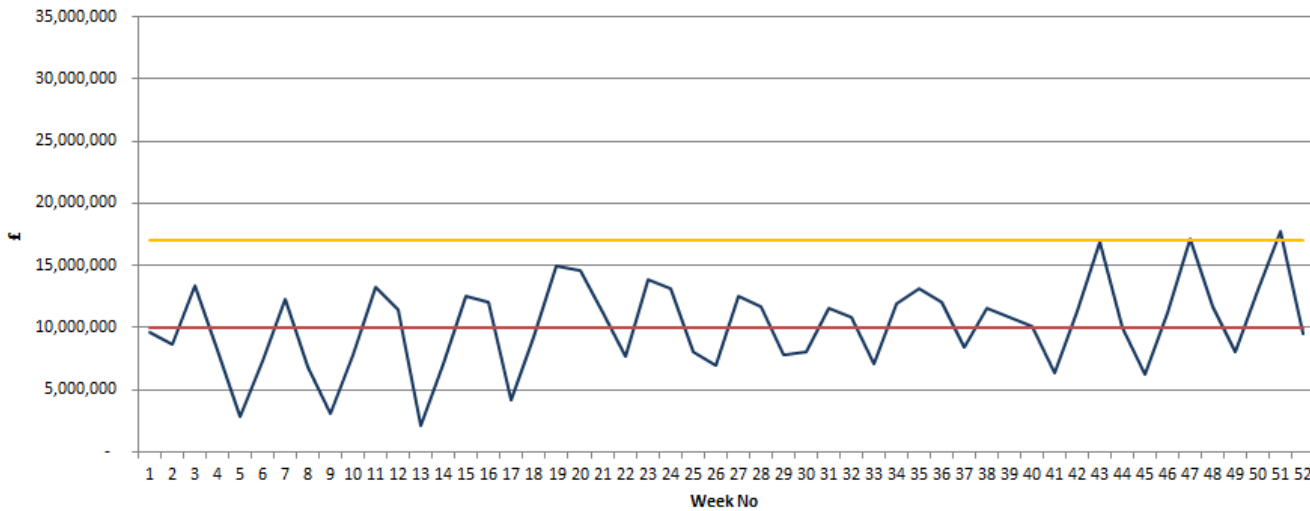
- Capital deficit £0.2m (£11.3m vs. 17/18 cap budget £10.5m + RPI)
- Revenue deficit (inc. depreciation) £8.6m

## 2019/20 forecast & assumptions:

- Overall drop of just under £9.6m of cash in the year (£11m capital spend – offset by £6m in-year surplus excluding dep'n)
- Cash balance will drop over the Red risk threshold for the first time in period 3 (week 9) 19/20.
- 3 month time lag between portfolio spend and cash outflow which pushes £4.6m of capital and revenue portfolio spend to next year vs £8.7m cash outflow relating to 18/19 projects in-year.
- Capital and rev portfolio cash outflow just under £3.6m in first 5 weeks of the financial year
- MTFP annual spend 19/20 used as the basis for timing alongside knowledge of weekly peaks/troughs from 2017/18

# CASHFLOW IMPACT – 2020/21

2020-21 cashflow forecast



2020/21	
Cash @ 01 April	10,011,135
Cash @ lowest level in-year	2,064,725
Cash @ 31 March	9,484,683
Amber RAG threshold	17,000,000
Red RAG threshold	10,000,000

— 2021 cashflow forecast  
— Red RAG threshold  
— Amber RAG threshold

## Expenditure Stats:

- Minimal capital deficit (£11.4m vs. 17/18 cap budget £10.5m + RPI)
- Revenue deficit (inc. depreciation) £3.7m

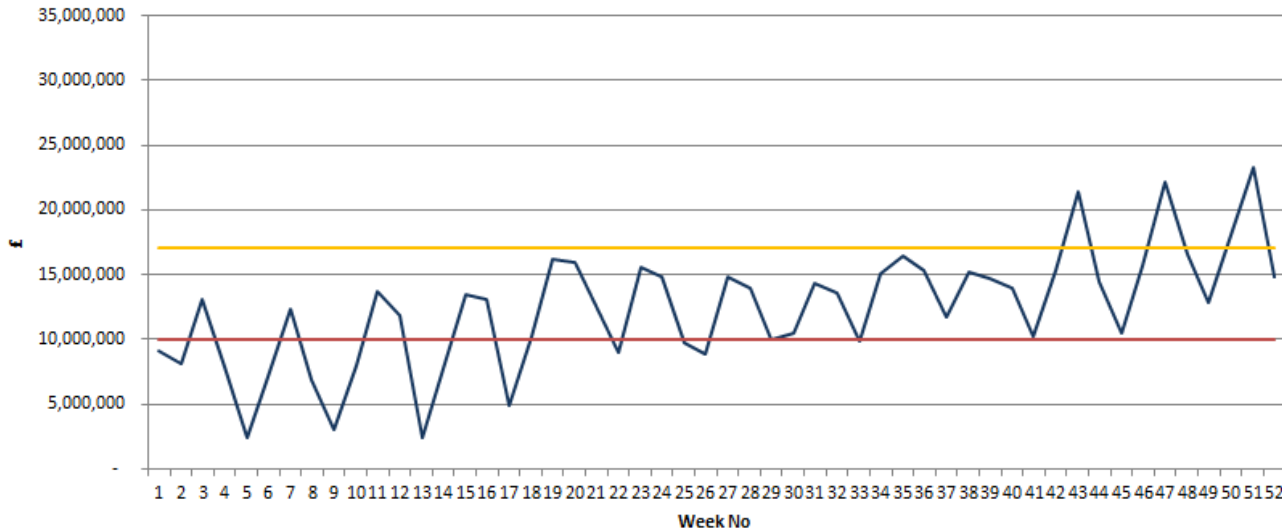
## 2020/21 forecast & assumptions:

- Overall decrease of £0.5m cash in year (£11m capital spend – offset by £10.5m in-year surplus excl. depn)
- 3 month time lag between portfolio spend and cash outflow which pushes £4.6m of capital and revenue portfolio spend to next year vs £4.7m cash outflow relating to 19/20 projects in-year.
- MTFP annual spend 20/21 used as the basis for timing alongside knowledge of weekly peaks/troughs from 2017/18 cashflow work.



# CASHFLOW IMPACT – 2021/22

2021-22 cashflow forecast



2021/22	
Cash @ 01 April	9,484,683
Cash @ lowest level in-year	2,441,943
Cash @ 31 March	14,859,907
Amber RAG threshold	17,000,000
Red RAG threshold	10,000,000

— 2122 cashflow forecast  
 — Red RAG threshold  
 — Amber RAG threshold

## Expenditure Stats:

- Capital surplus £500k (£11.2m vs. 17/18 cap budget £10.5m + RPI)
- Revenue surplus(inc. depreciation) £2.5m

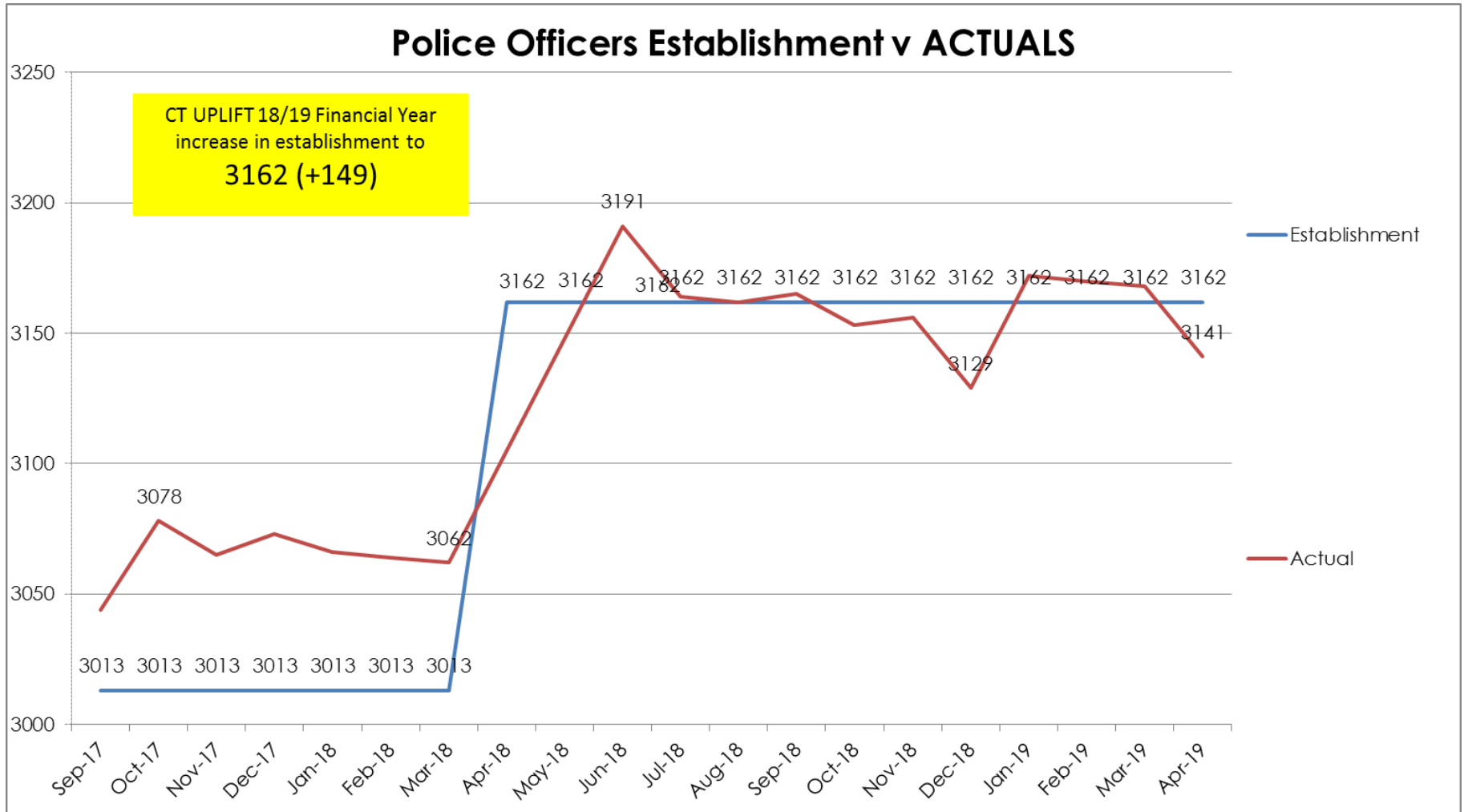
## 2021/22 forecast & assumptions:

- Overall increase of £5.4m cash in year ( £11m capital spend – offset by £17m non-cash surplus)
- Last time that cash reaches “Red” threshold is week 33 period 9
- 3 month time lag between portfolio spend and cash outflow which pushes £4.8m of capital and revenue portfolio spend to next year vs £4.9m cash outflow relating to 20/21 projects in-year.
- MTFP annual spend 21/22 used as the basis for timing alongside knowledge of weekly peaks/troughs from 2017/18 cashflow work.



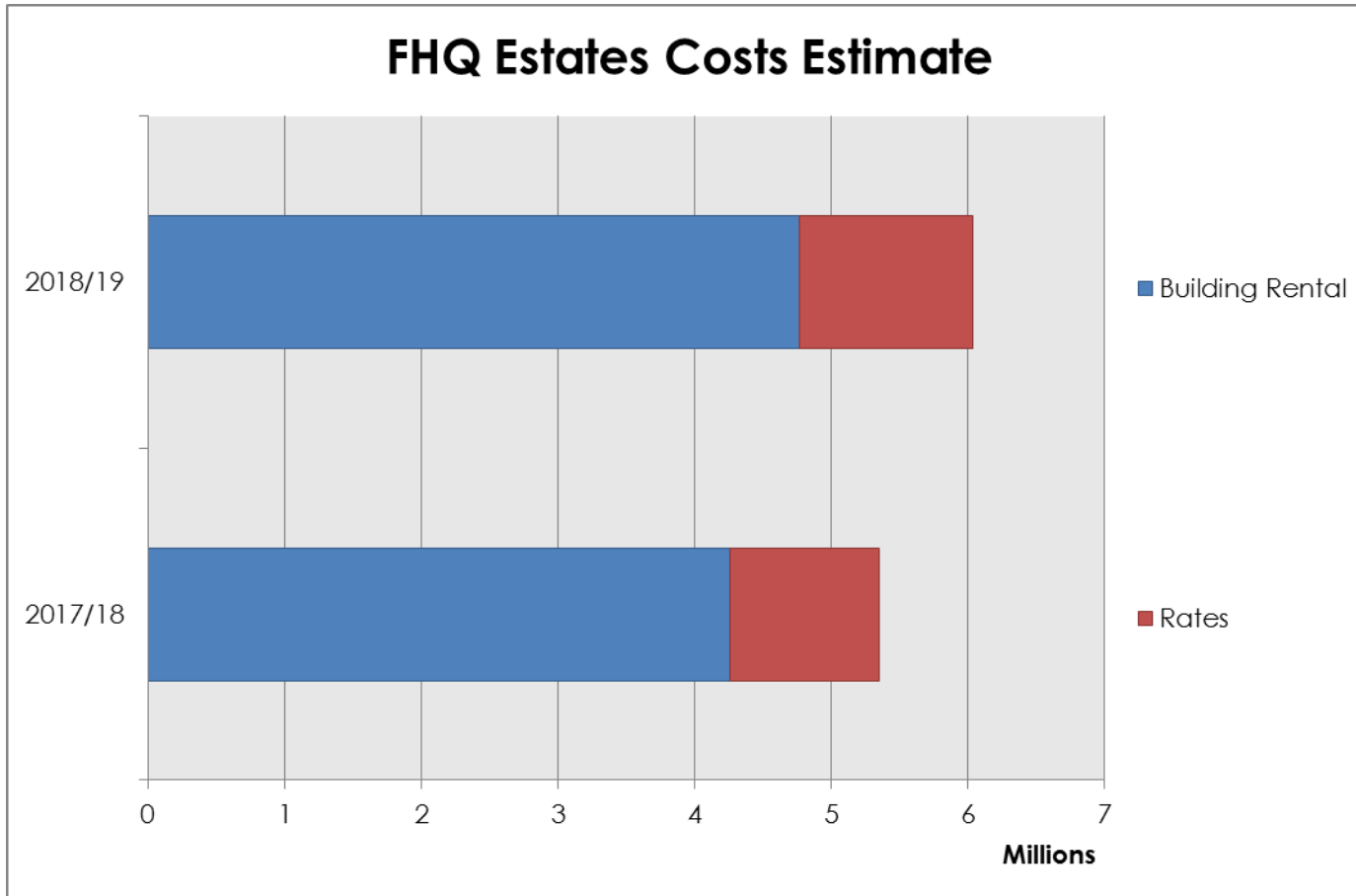
# Annexes

# OFFICERS ESTABLISHMENT PLAN



- N.b. 10 additional Officers added to Establishment since chart developed, funded by new EPSAs agreed with Network Rail for D Division.

# ESTIMATED COST OF CENTRAL ESTATES



\* An example of cost pressures in non-pay is within Estates where the impact of Rent Reviews for Blundell Street and Batches Street plus uplift for rates is estimates to create a c£0.7m (13%) cost pressure against 17/18 costs.

# NON-PAY SAVINGS FROM PRIOR YEARS

Category	2015-16 Actuals	2016-17 Actuals	2017-18 Forecast
Comms & Comps	12,382,549	11,789,122	12,188,426
Premises	16,646,481	17,417,855	17,635,771
Supplies & Services	16,610,349	12,942,131	12,264,954
Travel & Hotels	1,929,908	1,587,723	2,183,757
Transport	2,494,819	2,479,186	2,593,095
<b>Total</b>	<b>47,569,288</b>	<b>43,736,831</b>	<b>44,272,908</b>
Year on Year Nominal Change	-	3,832,457 -8.1%	536,077 1.2%
RPI Index (Jan 2015 = 100)	100.2	101.5	104.3
Comms & Comps	12,357,834	11,614,899	11,685,931
Premises	16,613,254	17,160,448	16,908,697
Supplies & Services	16,577,195	12,750,868	11,759,304
Travel & Hotels	1,926,056	1,564,259	2,093,727
Transport	2,489,839	2,442,548	2,486,189
<b>RPI Adjusted Total</b>	<b>47,474,339</b>	<b>43,090,474</b>	<b>42,447,659</b>
Year on Year Real Change	-	4,383,865 -9.2%	642,815 -1.5%

- The above table highlights that the Force is forecast to have achieved a £3.2m nominal reduction to its non-pay costs (excl. depreciation) since 15/16. This amounts to a £5.0m reduction in real terms after accounting for RPI.
- This has been achieved despite inflation and rent reviews which have increased the nominal cost of premises by £1.0m (6%) during this period.

# DEPRECIATION

Depreciation	2017/18	2018/19	2019/20	2020/21	2021/22
Projects Portfolio	11.1	11.4	10.8	10.3	9.7
ESN	0.0	0.0	1.0	1.3	1.8
WAN / LAN	0.0	0.0	1.5	1.5	1.5
Regional CT	0.0	0.4	1.1	1.1	1.1
Total	11.2	11.8	14.4	14.2	14.1

## Assumptions:

- Useful life of five years (excluding leasehold spend- which is based on remaining life of lease)
- 2 month lag between spend and depreciation commencement
- No assumption made for impact of disposals
- Capitalisation of assets will occur at completion of project or when assets come into use
- Capital spend on cyclical projects is expected to be restricted to c£5m in 18/19 (specifically to progress with fleet replacement which has had to be deprioritised in prior years) with costs expected to be weighted heavier in the second half of year.
- Minimal depreciation is assumed for NNS and ESN in 2018/19. Capital acquisitions for NNS are assumed to be in the 4<sup>th</sup> quarter, in line with replacement of the existing BT contract.

# NNS 2018/19 Project



NNS is currently delayed, tender submissions are being reviewed and there is an affordability and value for money concern with the bids received. All estimates in this MTFP are based on bids.

## Underlying assumptions

- Go live of Nov 2018, replacing the existing contract with BT which expires Nov' 18.
- Covers 167 sites across the country
- Expected 5 year contract term
- Assumed contract signed by Dec2017 – significant doubt on this being achieved.
- Revenue costs consists of project management team of both BTP and suppliers

### **Interdependencies:**

- Mobile project
- Body Worn Video
- Success of TOM is dependent on go live of this project
  - Flexible remote working
  - Facial recognition (CCTV related)
  - MFSS (access system remotely)
- Skype for business
- CT hubs

# NNS Spend Profile



NNS	2018/19			2019/20			2020/21			2021/22		
	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.
Implementation	6,227,899	926,216	7,154,115	-	-	-	-	-	-	-	-	-
WAN	1,779,755	-	1,779,755	-	-	-	-	-	-	-	-	-
LAN	3,825,665	-	3,825,665	-	-	-	-	-	-	-	-	-
TELEPHONY	622,479	-	622,479	-	-	-	-	-	-	-	-	-
BTP Project Cost	-	926,216	926,216	-	-	-	-	-	-	-	-	-
BAU	-	187,259	187,259	-	526,778	526,778	-	526,778	526,778	-	526,778	526,778
WAN	-	380,536	380,536	-	1,141,607	1,141,607	-	1,141,607	1,141,607	-	1,141,607	1,141,607
LAN	-	413,968	413,968	-	1,241,903	1,241,903	-	1,241,903	1,241,903	-	1,241,903	1,241,903
TELEPHONY	-	315,038	315,038	-	945,114	945,114	-	945,114	945,114	-	945,114	945,114
BTP Project Cost	-	-	-	-	60,000	60,000	-	60,000	60,000	-	60,000	60,000
Benefits	-	922,282	922,282	-	2,861,845	2,861,845	-	2,861,845	2,861,845	-	2,861,845	2,861,845



# ESN Project



ESN is a home office stipulated project, BTP will be directed when works will be carried out. Currently awaiting decision on the delay

## Underlying assumptions

- Project completion by April 2020
- Assumes 1007 connection completed by end of financial year 2018/19
- Devices issued based on current airwave device useage (like for like)
- Handset and vehicle replacement is based on a 5 year and 8 year cycle respectively
- This project has not included covert devices (not known)
- Officer training costs do not include training associated costs ie. overtime, accommodation etc.

## Risks:

- BTP project office team has reduced considerably in recent periods.

# ESN Profile



ESN	2018/19			2019/20			2020/21			2021/22		
	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.	Cap.	Rev.	Tot.
Implementation	3,834,671	830,617	4,665,288	1,954,956	890,557	2,845,513	1,405,872	652,000	2,057,872	1,405,872	540,287	1,946,159
Governance	-	411,458	411,458	-	411,458	411,458	-	411,458	411,458	-	411,458	411,458
BTP Local Configuration	295,464	-	295,464	1,397,448	-	1,397,448	1,405,872	-	1,405,872	1,405,872	-	1,405,872
Control Room	514,343	-	514,343	-	-	-	-	-	-	-	-	-
Devices	3,024,864	69,930	3,094,794	557,508	129,870	687,378	-	9,990	9,990	-	-	-
Coverage	-	128,829	128,829	-	128,829	128,829	-	128,829	128,829	-	128,829	128,829
People Readiness	-	220,400	220,400	-	220,400	220,400	-	101,723	101,723	-	-	-
BAU	-	-	-	-	2,576,301	2,576,301	-	3,315,489	3,315,489	516,240	3,630,988	4,147,228
BTP Local Configuration	-	-	-	-	2,829,414	2,829,414	-	4,430,576	4,430,576	-	5,378,916	5,378,916
Control Room	-	-	-	-	116,472	116,472	-	116,472	116,472	-	137,472	137,472
Devices	-	-	-	-	-	-	-	-	-	516,240	-	516,240
Benefits	-	-	-	-	369,585	369,585	-	1,231,559	1,231,559	-	1,885,400	1,885,400

# Regional CT Hubs – 18/19



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Capital forecast:	£4,438,000
Revenue forecast:	£1,115,949
BAU Revenue :	£5,954,777

The development of planned capability for Regional CT hubs work is on going and is constantly being updated as scope of works are being firmed up.

## Underlying assumptions

- Go live Feb 2018 Midlands hub
- Go live summer 2018 for Northern hub
- Recruitment of 149 officers across both hubs (includes training officers)
- 82 firearm officers
- The number of additional Vehicles to be deployed is to be confirmed
- Review of dog capability on-going
- Full year revenue BAU costs expected to be £8.7m plus inflation are planned into future years.

# Other 2018/19 Portfolio Projects



Capital forecast: £9,212,274  
Revenue forecast: £7,200,421

## Major projects include:

- |                                  |            |
|----------------------------------|------------|
| • TOM implementation             | £3,500,000 |
| • Transactional services (MFSS)  | £3,340,000 |
| • Replacement of 125 vehicles    | £3,138,000 |
| • IT Transformation              | £2,000,000 |
| • Mobile device refresh          | £650,000   |
| • Estate minor works             | £505,000   |
| • Scotland devolution            | £500,000   |
| • Laptop and desktop replacement | £350,000   |
| • CCTV replacement               | £296,000   |

## Risk:

- Impact of TOM has not been reflected

# SCOTLAND DEVOLUTION

	2017/18	2018/19	2019/20	2020/21	2021/22
Income	- 21,662,073	- 22,355,259			
Direct Costs	12,091,503	12,478,431			
Indirect Costs	9,570,570	9,876,828	10,143,503	10,397,090	10,729,797
Net Pressure	-	-	10,143,503	10,397,090	10,729,797

- The above table sets out the forecast income to be received from Scottish TOC's in 2018/19 (based on an RPI increase of 17/18 income) and the resulting pressure which arises post expected devolution on 1<sup>st</sup> April 2019.
- Direct costs from the Force's D Division would be saved based on no continued net obligation for BTP from 1<sup>st</sup> April 2019 onwards for this team.
- However, BTP would otherwise still incur indirect costs, overheads, without compensating savings being made.
- These indirect costs are shown at an increasing pressure based on RPI increase in each financial year (as this is what the costs would go up by).
- Some costs could be immediately be saved from FHQ roles which solely support D Division activity but the majority of costs would be assumed to need to be found from further efficiencies if not charged to remaining TOCs.