



REPORT TO: Audit and Corporate Governance Committee
DATE: 8 September 2009
SUBJECT: Finance Position – Summary Report
SPONSOR: Director of Finance and Corporate Services
AUTHOR: Head of Finance

1. PURPOSE OF PAPER

1.1 This report informs the Committee of significant developments within the Finance Department during the last few months.

2. BACKGROUND

2.1 The Committee has received a regular update on the activities within the Finance Department and this report looks at the following matters:

- Budget monitoring and reporting
- Close of accounts for 2008/09
- Medium Term Financial Plan
- Judicial Review
- Pensions salary sacrifice
- Other activity within the Department.

3. BUDGET MONITORING AND REPORTING

3.1 The latest revenue budget position (as at period 5 ending 14 August 2009) will be reported to Strategy Budget & Performance Monitoring (SB&PM) Committee at its meeting on 9 September. This indicates that the year to date position is underspent by just under £2m against the profile for the period with much of this underspend due to police officer and police staff vacancies. The forecast for the year indicates, at this stage, an actual outturn very close to budget.



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- 3.2 As part of the budget settlement for 2009/10, savings of £1.5m were required to provide a PSA increase of 3.5% (less than RPI) and how these savings will be achieved is being considered by the Senior Command Team (SCT).
- 3.3 As part of the regular finance reviews with budget holders a greater emphasis is being placed on officer and staff numbers and on overtime as these matters have a very significant impact on budgets and spending.
- 3.4 The capital programme is on target to achieve a spend of at least £13.3m in respect of schemes and projects supported by DfT grant. Spend to date is better than has been the case in previous years as plans are in place to spend most of the programme by 31 December to take advantage of the lower VAT rate of 15%.
- 3.5 Much more detailed monitoring of individual schemes and projects with the programme is now taking place which will allow more effective remedial action should this be required.
- 4. CLOSURE OF ACCOUNTS 2008/09**
- 4.1 As reported to the last meeting of the Committee, the formal Statement of Accounts has yet to be approved because of the impact of the Judicial Review (see paragraph 6 below). All other aspects of the accounts have been cleared by NAO but some work is still required to verify the position on sums outstanding from PSA holders, the amount of irrecoverable sums which DfT has agreed to fund.
- 4.2 The Statement of Accounts will be presented to a future meeting of the Committee as soon as the various changes have been made and these are cleared by the National Audit Office (NAO).



5. MEDIUM TERM FINANCIAL PLAN

- 5.1 An updated MTFP was brought to the Authority for discussion at its July meeting. Since then further refinements have been made to include the effect of changes in the current year and expected changes for the next two years. These refinements will continue and a revised version will be presented to SB&PM at its meeting in October.

6. JUDICIAL REVIEW

- 6.1 The Finance Team continues to work closely with the Authority in verifying the amounts due from PSAs following the Judicial Review (JR). This work continues but is almost complete – a verbal update on the latest position will be given at the meeting. This verification work has been quality assured by the internal auditors and will be reviewed by NAO before final figures are declared.
- 6.2 Interim invoices have been issued as agreed by the Authority and, in the majority of cases, these are being paid. Updated invoices, including those relating to adjustments for previous years will be issued once the final figures are agreed and these will be preceded by letters from the Authority explaining how the figures have been arrived at.
- 6.3 The first tranche of grant (£4m) from the DfT to cover irrecoverable amounts as a result of the JR is due early in September and further grants and/or loans from DfT will be available to cover cashflow shortfalls. The loan agreement is currently with DfT and should be signed within the next week or so.
- 6.4 Elsewhere on this meeting's agenda is a report covering future governance arrangements for calculating the charges under PSAs and enhanced PSAs.



7. PENSIONS SALARY SACRIFICE

- 7.1 As part of the Efficiency Plan for 2009/10 are potential full year cashable savings of the order of £0.8m as a result of a salary sacrifice in respect of pension contributions. Work has begun on implementing this and, subject to consultation with employees and staff associations etc, there should be some part year savings in the current year.
- 7.2 The way the scheme works is for staff to accept a reduced salary (equivalent to their current salary less their existing pension contribution) with the employer paying both what was the employee's pension contribution and their own. Thus the payment to the pension fund remains the same (and therefore all the pension benefits are unaffected) but the gross pay for national insurance purposes is reduced. This means that both the employee and the employee save on their national insurance contribution.
- 7.3 This type of scheme is widely used within the private sector (and within the railway industry) and HMRC has already indicated that it will give approval to the scheme once worked up in detail.

8. OTHER ACTIVITY WITHIN THE DEPARTMENT

- 8.1 The review of the "purchase to pay" processes within FHQ that was undertaken earlier in the year has been extended to cover the process around capital as well as revenue' The "Practitioner Group" is working through these recommendations and a number are being implemented during this financial year.
- 8.2 Tenders have been received in respect of replacing the banking arrangements currently provided by the Bank of England and presentations are being made by the tenderers in the next few days. On the basis of the submissions so far received, the new arrangements will be far more flexible than those currently provided at very little additional cost.



8.3 “Trigger point 3” in respect of the move to IFRS is due in September and we are on target to meet all those requirements – the main one of which is to restate the 31 March 2009 Balance Sheet in the new format. This can only be done once the accounts for 2008/09 are signed off.

10. DIVERSITY ISSUES

10.1 There are none.

11. RECOMMENDATIONS

11.1 It is recommended that the progress on the matters outlined in this report is noted.