



REPORT TO: Audit and Corporate Governance Committee
DATE: 15 December 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
- Banking arrangements
- Follow up on old PwC audit reports
- Other activity within the Department.

3. BUDGET MONITORING AND REPORTING:

3.1 The latest revenue budget position (as at period 8 ending 30 October 2009) was reported to the Authority at its meeting on 9 December. This indicates that the year to date position is underspent by £141,000 against the profile for the period with the forecast for the year indicating, at this stage, an actual outturn very close to budget. This is after £400,000 has been taken to reserves following the decision at Strategy, Budget & Performance Monitoring



Committee (SBPM) in November from the inflation provision as decisions on the police staff pay award mean that it is not required.

- 3.2 The capital programme is on target to achieve a spend of at least £13m in respect of schemes and projects supported by DfT grant. Spend to date is better than has been the case in previous years, although there is some slippage on the LN Custody Project which will allow some other small projects to be considered for spend in the current year.
- 3.3 Members of the SBPM have requested that the format of the reports is enhanced to provide further information. This will be worked on during the fourth quarter with the Chief Executive and Treasurer to enable the new reports to be available for the start of the 2010-11 financial year.

4. CLOSURE OF ACCOUNTS 2008-09:

- 4.1 The formal Statement of Accounts was approved by the Authority at its meeting on 9 December after scrutiny by this Committee. This approval was significantly delayed because of the impact of the Judicial Review as it meant detailed verification of all the PSA charges going back to 1999-2000. This has been fully reported to the Authority – the latest detailed report being 24 September 2009.
- 4.2 Subject to final approval by the Auditor and Comptroller General the accounts will be laid before Parliament early in January 2010. Both internal audit (Tribal) and the NAO have worked with us in ensuring the accounts are as accurate as possible and do present a true and fair view of the financial position of the Authority at 31 March 2009.

5. MEDIUM TERM FINANCIAL PLAN:

- 5.1 An updated MTFP was brought to the Authority at its meeting on 9 December based on the recommendation from SBPM of a 1.3% increase in the PSA for 2010-11 and that there should be no increase in the average PSA charge for 2011-12 or 2012-13.



6. JUDICIAL REVIEW:

- 6.1 The Finance Team has worked closely with the Authority to verify the amounts due from PSAs following the Judicial Review (JR). This work was completed in respect of all charges from 1999-2000 to 2009-10 in October 2009. The resulting charges were quality assured by internal audit and formed a major part of the NAO's audit work on the 2008-09 accounts.
- 6.2 Invoices have been issued to all PSA Holders who were affected by the revised charges in respect of the years 1999-2000 to 2008-09. The report on the impact of the JR on the accounts to the meeting of the Committee on 1 December provided more details of the likely recoverability of amounts owed. Following the issue of interim invoices for the first nine periods of 2009-10, adjusted invoices have been sent to PSA Holders for the remaining periods of this year. At this stage, there is no real indication as to the debtors' reaction to these invoices as the amounts due will not be fully due until later this month.
- 6.3 The first tranche of grant (£4m) from the DfT to cover irrecoverable amounts as a result of the JR has been received and a further draw down of the loan (subject of the Agreement with the DfT reported to SBPM at its meeting in November) of £12.5m will be received this week. Further grants and/or loans from DfT will be available to cover cashflow shortfalls. The arrangements for the conversion of loan to grant where an amount due is deemed irrecoverable are covered in the Agreement.
- 6.4 Elsewhere on this meeting's agenda is a report covering future governance arrangements for calculating the charges under PSAs and enhanced PSAs so that the problems of the past as far as calculating the charges are concerned should not be repeated.

7. BANKING ARRANGEMENTS:

- 7.1 As reported to the Committee at previous meetings, the Bank of England is ceasing to provide retail banking services in March 2010. Following a full tendering process, the Royal



Bank of Scotland was successful and, after detailed negotiations, terms have been agreed. The administrative processes for the switch to RBS are almost completed and it is expected that the new banking services will be provided from January 2010.

7.2 There are some significant efficiencies from the change – not just in terms of administrative processes (for example, the Bank of England would never allow Direct Debits to be paid out of BTPA's account).

7.3 A further report will be brought to the Committee once the changeover has been completed.

8. FOLLOW UP ON OUTSTANDING PwC AUDIT REPORTS:

8.1 At the meeting of the Committee on 08-09-09, there were two outstanding matters on the follow up reports to earlier audits carried out by PwC. One was in relation to payroll procedures and the other in respect of IT data security.

8.2 As part of the work carried out on the audit of the 2008-09 accounts, NAO conducted a detailed review of payroll and proposed that further work be undertaken by Tribal. This is currently taking place and will also review all the policies and procedures (including how the HR database and the payroll database interact). This has therefore overtaken the matters in the outstanding PwC report and will be covered by Tribal's report to the Committee in due course.

8.3 The IMPACT Programme Board (chaired by the DCC) has, as part of its remit, a number of issues relating to IT data security and similar matters and it is considered that the best approach to the outstanding recommendation is to include it in the work being carried out on the IMPACT Programme.



9. OTHER ACTIVITY WITHIN THE DEPARTMENT:

- 9.1 In order to support further improvements to Finance & Corporate Services (F&CS) a piece of work has begun which will define the vision and working model for F&CS of the medium term. This is timely in the light of budgetary pressures and the continuing drive for efficiencies. A short, sharp and focused review will look at the work, structure and processes within the F&CS function across the Force. It will ensure that there is a coordinated and structured way to address issues, roles, responsibilities and the like. I will keep members informed through these regular updates.
- 9.2 The move to IFRS which requires the restatement of the 31 March 2009 Balance Sheet in the new format will be completed now that the accounts for 2008-09 are signed off.
- 9.3 The financial and other protocols connected with BTP's relationship with London Underground Limited (LUL) and Transport for London (TfL) are being reviewed in detail and a progress report is elsewhere on this meeting's agenda.

10. RECOMMENDATION:

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