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**REPORT TO:** Audit and Corporate Governance Committee  
**DATE:** 18 March 2010  
**SUBJECT:** Finance Position – Summary Report  
**SPONSOR:** Director of Finance and Corporate Services  
**AUTHOR:** Head of Finance

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## **1. PURPOSE OF PAPER**

- 1.1 This report informs Members of the British Transport Police Authority's (BTPA's) Audit and Corporate Governance (A&CG) Committee of significant developments within the Finance Department during the last few months.

## **2. BACKGROUND**

- 2.1 Members of the A&CG Committee receive regular updates on the activities within British Transport Police's (BTP's) Finance Department and this report looks at the following matters:

- Budget monitoring and reporting
- Statement of Accounts 2008-09 and plans for close of 2009-10 accounts
- Budget 2010-11 and monitoring arrangements
- Exit from Tadworth
- Banking arrangements
- PSA Charges – governance arrangements
- PensionPlus – the pensions salary sacrifice scheme
- Follow up on previous audit reports
- Review of Finance and Corporate Services
- Other activity within the Department.

### **3. BUDGET MONITORING AND REPORTING**

- 3.1 The latest revenue budget position (as at period 11 ending 29 January 2010) was reported to the BTPA at its meeting on 11 March. This indicates that the year to date position is underspent by £0.434m against the profile for the period with the forecast for the year indicating, at this stage, an underspend of £0.487m (0.24%). As explained in the report to the BTPA, much of this underspend is because of vacancies being held against posts deleted from the establishment from 1 April to meet the budget challenges for 2010-11 and later years.
- 3.2 The mainstream capital programme is on target to achieve a spend of at least £13m in respect of schemes and projects supported by Department for Transport (DfT) grant. Spend to date is better than has been the case in previous years, although the already reported slippage in the London North (LN) Area Custody Project will allow some other small projects to be considered for spend in the current year.
- 3.3 In addition, the Department for Transport (DfT) has indicated that its forecasts allow for BTP's capital expenditure of £14.2m. In view of the limited resources likely to be available in 2010-11, the replacement of a number of vehicles planned for 2010-11 has been brought forward and consideration is being given as to whether action can be taken to charge further capital expenditure up to the £14.2m ceiling within the current financial year.

### **4. STATEMENT OF ACCOUNTS 2008/09 AND CLOSE OF ACCOUNTS 2009-10**

- 4.1 The formal Statement of Accounts was approved by the Chair of the BTPA and the Chair of this Committee under delegated powers and signed by the Chair of the BTPA and the Chief Constable on 18 January 2010. Following further scrutiny by the National Audit Office (NAO), an unqualified opinion was given by the Comptroller and Auditor General and the Statement of Accounts was laid before Parliament on 4 February 2010.

- 4.2 As has been previously reported, the closure of the accounts for 2008-09 was a difficult and time consuming process because of the impact of the Judicial Review and a number of lessons have been learned which will make the closure of the 2009-10 accounts more timely.
- 4.3 Although dates have yet to be set for the meetings of the Audit Committee for the rest of 2010, one will be required at the end of June to receive a draft of the Statement of Accounts following audit by NAO. This will need to be followed by a meeting of the BTPA if the Accounts are to be laid before Parliament before the summer recess. BTP and the BTPA are working with NAO to set out a detailed timetable for the completion of the audit which will allow us to adhere to these deadlines.
- 4.4 As part of the audit and to follow revised NAO guidelines, a detailed review of the Statement of Internal Control will be carried out.

## **5. BUDGET 2010-11 MONITORING ARRANGEMENTS**

- 5.1 The budget for 2010-11 was approved by the BTPA in December 2009 and detailed allocations to the various budget holders have been made. This provides for net expenditure of £202.176m for BTP (excluding the London Underground (LU) Area), and this will be the basis for monitoring throughout the year.
- 5.2 A report was submitted to the BTPA meeting on 11 March regarding the LU Area budget. Final confirmation of the budget acceptable to LU Limited has not been given at the time of drafting this report. The BTPA Treasurer will also report on the BTPA's own budget and income from core PSA charges.
- 5.3 The capital programme for 2010-11 was approved by the BTPA at its meeting on 11 March 2010. The basic level advised by the DfT within its Departmental Expenditure Limit (DEL) is



£9m. However, they have also confirmed that a level of over-programming is acceptable and the total programme approved was £9.97m.

- 5.4 Consideration is still being given to the future arrangements for capital financing and, as part of this; there is a possibility of an increase in the threshold for defining capital expenditure from £1,000. Discussions regarding this are underway and any transitional arrangements also need to be confirmed and will require further discussion.
- 5.5 As provided for in the BTPA's Plan for 2010-11, budget monitoring reports will be brought to the BTPA covering accounting periods 3, 6, 9 and 12 with a final report on the outturn as soon as possible after the year has ended. The content of these reports and the information to be provided is still under discussion – but it is proposed that, as well as financial information, details of establishment numbers, progress against savings under the *Frontlinefirst2* Efficiency Programme and other appropriate statistics will be provided.

## **6. EXIT FROM TADWORTH**

- 6.1 Discussions with BTP's landlords (British Rail Residuary Board) have resulted in an agreement which enables BTP to vacate the premises by 31 March 2010, following the completion of works at the new training facility at Spring House. The agreement takes the form of a lease with a one month break option, exercisable at any time. That option has been exercised, terminating the lease from the end of March 2010. Whilst there is a marginal increase in the rent payable (from December 2009), there will be no dilapidations payable on exit and any responsibility for the premises ceases on our exit.
- 6.2 Arrangements are in hand for the removal from Tadworth and setting up in the new facility, where building works are programmed for completion by the end of the second week in March.

## **7. BANKING ARRANGEMENTS**

- 7.1 The change from the Bank of England to the Royal Bank of Scotland (RBS) took place in January as planned and the changeover has gone smoothly. Payments are being made from the new bank account and receipts credited to it. Online access to the bank account is proving to be beneficial and it is expected it will allow for some savings in staff costs.
- 7.2 The efficiency gains from the change will be realised over the next months as the new arrangements settle in.

## **8. PSA CHARGES**

- 8.1 The new governance arrangements relating to PSA charges have been reported to the Authority and are now being implemented in respect of the charges for 2010-11. The arrangements between the BTPA and BTP of the practical matters associated with billing and collection etc are being worked on but the BTPA's Treasurer will report regularly on collection arrangements, franchise changes etc – either to the BTPA directly or via the Charges Group.

## **9. PENSIONPLUS – THE PENSIONS SALARY SACRIFICE SCHEME**

- 9.1 This scheme, which allows all pension contributions (both employer's and employees') to be paid for by the employer in exchange for a reduced salary (equivalent to the employees' pension contribution) will generate savings for both employee and employer as it reduces the amount of National Insurance payable. The scheme is possible for BTP and the BTPA because the pension scheme provided is a private scheme and not publicly funded as is the case with other police force schemes. Savings to the employee will vary according to salary level and personal circumstances; and for the employer dependent on take up.
- 9.2 The scheme was launched in January and will be effective in the end of March pay. Take up is voluntary on an opt-out basis. The initial opt-out level is higher than anticipated but it does not impact upon the viability of the scheme.

- 9.3 The scheme will proceed as planned with further discussions with those who declined the offer to see if more can be encouraged to join in a scheme which not only provides increased take home pay to employees for no loss of benefits, but also generates savings for BTP in a time of financial pressures.

## **10 FOLLOW UP TO PREVIOUS AUDIT REPORTS**

- 10.1 Three internal audit reports were submitted to the last A&CG Committee on 15 December 2009. Appendix A gives members an update on the outstanding action points, giving details on the status of the recommendation, the deadline for completion and the on going work to ensure that the recommendation is implemented by the stated deadline.

## **11. REVIEW OF CORPORATE SERVICES FUNCTION**

- 11.1 The Director of Finance and Corporate Services has initiated a review of the whole of Finance and Corporate Services activity across BTP. Given that the function exists in each Area, yet only the activities based at Force Headquarters (FHQ) are under the direct management of the Director, this review, which is being undertaken in close working with all Areas, is charged with the scoping of all activity, the level of resources, processes and procedures. The first phase of the review has been completed and sets a direction for taking this forward through a number of recommendations for improvements to management arrangements, processes and procedures. Those recommendations are currently being developed and evaluated with the objective of putting in place an Implementation Programme for completion by March 2011.



**12. OTHER ACTIVITY WITHIN THE DEPARTMENT**

- 12.1 The Director of Finance and Corporate Services is working with the Treasurer to finalise the new arrangements for the BTPA's and BTP's Accounting Officers. A detailed report will be provided to the BTPA in due course. This will include arrangements for a formal scheme of delegation between the BTPA's Accounting Officer and the Chief Constable as BTP's Accounting Officer.
- 12.2 The move to IFRS which requires the restatement of the 31 March 2009 Balance Sheet in the new format has been completed now that the accounts for 2008-09 are signed off.

**13. RECOMMENDATION**

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

**Follow up to 2009-10 Audit Recommendations**

<b>Reference</b>	<b>Recommendation</b>	<b>Management Comments</b>	<b>Updated Response</b>	<b>Current Status</b>	<b>Deadline for Completion</b>
Review of PSA Charges Recalculation	Written confirmation be requested from the various providers of information that they have no further documentation that would assist in the process.	Meetings have been held with all PSA holders involved in the exercise to ensure there is no further documentation. However we will action the recommendation.	The DfT has received a schedule of all changes and have confirmed verbally this is materially correct. Protocol being developed with the DfT for future franchise changes.	Awaiting letter from DfT formally confirming arrangements.	December 2009
Review of PSA Charges Recalculation	A detailed documented synopsis of how the spreadsheet works and where the source evidence is filed be prepared by the Project Team.	This risk was identified some time ago and the recommendation is in the process of being implemented.	This document is in draft form and is now being updated for additional comments.	Expect to complete by mid March 2010 – delayed as made the document more comprehensive.	November 2009
Review of PSA Charges Recalculation	A much more robust system of master records needs to be maintained in the future to prevent a re-occurrence of the “incomplete records” exercise. This should include a file sign-off before any future changes are made.	This recommendation is fully accepted. File sign off procedures are already in place and master records are in the course of introduction.	Corporate Governance on PSA charges agreed at Audit and Corporate Governance meeting in 2009. Now adopted.	<b>Complete</b>	November 2009



<b>Reference</b>	<b>Recommendation</b>	<b>Management Comments</b>	<b>Updated Response</b>	<b>Current Status</b>	<b>Deadline for Completion</b>
Compliance Review of the Training College (Tadworth) Arrangement	Finance to ensure that monies for the outstanding invoice of £7,309 are collected and allocated back to the Training School.	This invoice is being chased by the Dog School for payment. The Belgian Police has been contacted and have confirmed payment will be forthcoming. The Dog Training Manager will continue to monitor.	The money has been received.	<b>Complete</b>	
Compliance Review of the Training College (Tadworth) Arrangement	Management to ensure that prior to exiting the centre, a complete and accurate listing of items is checked so that all items can be properly accounted for prior to disposal.	Tadworth currently has an inventory, which will be reviewed prior to exit to ensure all items are accounted for in accordance with the BTP's Disposal Policy.	The inventory has been updated. Estates are dealing with the disposal of all items at Tadworth when it closes in March 2010.	<b>Complete</b>	March 2010
Compliance Review of the Training College (Tadworth) Arrangement	An action plan be developed for the disposal / movement of items belonging to the Social Club so that all items can be properly accounted for.	An inventory of items belonging to the social club has been produced and an action plan is in place to ensure that items are returned to their rightful owners.	Inventory completed and held by the club committee.	<b>Complete</b>	March 2010
Review of Responsive Maintenance Arrangements	A formal post inspection process be developed.	The post inspection process is woven into the remit of new staff members and will be fully implemented on completion of the departmental restructure.	Limited technical inspections completed, but additional resources will improve monitoring.	<b>Ongoing</b>	April 2010

<b>Reference</b>	<b>Recommendation</b>	<b>Management Comments</b>	<b>Updated Response</b>	<b>Current Status</b>	<b>Deadline for Completion</b>
Review of Responsive Maintenance Arrangements	Management to ensure that adequate funds are provided so that the service can be delivered and become measurable by cost.	Due to a drive to contract planned proactive maintenance activity in this financial year funds previously allocated for reactive maintenance were moved into the planned maintenance budget line within the Maintenance overall budget for 2009/10. The contracting process has taken longer than anticipated and as such a more detailed review of the current and future year planned / reactive budget split has now been completed and resultant budget implications has been effected by the management accounts team to ensure adequate funds for ongoing responsive maintenance.		<b>Completed</b>	October 2009
Review of Responsive Maintenance Arrangements	A regular review of outstanding jobs be carried out to ensure completion of works within the allocated timescales.	A process to regularly review outstanding jobs is now in place within the Maintenance Team and reported and monitored by the Departmental Management Team. Management exception reports to highlight these tasks have been drafted for the use of the Maintenance Manager. The emailing of these reports on a weekly basis is to be automated.  Performance is to be reported in FMT from December.	Review process in place as well as performance monitoring.	<b>Complete</b>	December 2009

<b>Reference</b>	<b>Recommendation</b>	<b>Management Comments</b>	<b>Updated Response</b>	<b>Current Status</b>	<b>Deadline for Completion</b>
Review of Responsive Maintenance Arrangements	Training or further guidance be provided on the costing of jobs using the scheduled hourly rates provided by contractors.	<p>This issue arises from our current programme of contracting and specifically bringing on board new suppliers. Whilst the contractual rates were available to helpdesk staff and in use the variation in final costs as a result of parts costs were not explained by suppliers in quotation, this has now been addressed with suppliers.</p> <p>Additionally further training has been conducted and regular sampling will take place to confirm this procedure is being followed.</p>	Processes with suppliers has now been completed. Training has taken place.	<b>Complete</b>	November 2009
Review of Responsive Maintenance Arrangements	An alert be placed on the Concept system to notify users of properties upon which notice has been given to avoid unnecessary works.	<p>The previous arrangement of such priorities being identified through knowledge of the estate/liaison with Regional Estates FM is now possible to be replaced through development of the Concept system.</p> <p>A property status change workflow will be configured to send an email on the change of property status to any non-operational status, requesting the Maintenance Co-ordinator. The Maintenance Co-ordinator will review outstanding tasks , assess if they are still required and review what further types of reactive maintenance options should be associated to the property from this point forward.</p>	Workflow changes have been made within Concept system to alert users as agreed.	<b>Complete</b>	December 2009