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# BRITISH TRANSPORT POLICE AUTHORITY

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## MINUTES

STRATEGY, BUDGET & PERFORMANCE MONITORING COMMITTEE  
18<sup>th</sup> NOVEMBER 2008, 10.00AM

at  
G1 & G2 – FHQ, 25 CAMDEN ROAD

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**Present:** Sir David O’Dowd (Chair)  
Mr M Holden  
Ms C Knights  
Mr J King  
Mr R O’Toole  
Mr J Weimar  
Mr R Gisby  
Mr I Dobbs

**In attendance:** Mr I Johnston, Chief Constable  
Mr A Trotter, Deputy Chief Constable  
Mrs S Burd, Director of Finance and Corporate Services  
Mr P Zieminski, *FrontlineFirst* Programme Director  
Mr A Clarke, Interim Head of Finance  
Mr H Waller, Project Manager - Frontline First Programme  
Ms M Daniels, Acting Head of Strategic Development

Mr R Hemmings, Chief Executive & Clerk  
Mrs S Elvy, Research & Policy Manager  
Ms N Mardell, Research & Data Analyst  
Miss R Pazos, Administration Assistant & Minutes

Mr Colin Skitmore, Head of Benefits Administration *RPMI*  
Ms Jenny Stanley, Client Service Manager *RPMI*

**Observing:** Ms M Banerjee  
Suzanne May – for item 8  
Mr L Adams – for item 8

**32/2008** WELCOME  
Non-Agenda  
The Chair welcomed Ms Banerjee.

**33/2008** MINUTES OF MEETING 15<sup>th</sup> SEPTEMBER 2008  
Agenda Item 1  
Mr Gisby noted that a small change was needed in the minutes about the Performance Report. The West Coast Mainline initiative was funded by Network Rail rather than Virgin Trains.

The minutes were approved as an accurate record.

**34/2008 MATTERS ARISING**

Agenda Item 2

The Chair asked whether there would be an update report to discuss the communications strategy for the disputes process. Mr Hemmings said that a report would be put to the next meeting of the Stakeholder Relations & Communications Strategy Committee in January. He also confirmed that DfT was fully aware of the Authority case and what the implications would be if the Authority was unsuccessful. New evidence had been given to the court to explain how the Authority could go about collecting any shortfall. The Authority wanted to make it clear to the court that, if the challenge was successful, the underpayments would have to be recovered elsewhere. Support had been given to the Authority by some PSA Holders. Mr Gisby said that the new Southern franchise was being let on the basis of the new contract. Mr Hemmings confirmed that a paper was part of the documentation in the data warehouse, explaining to the franchise bidders that the costs would be under the new charging model, and that in fact the Authority would be expecting there to be new PSA, with predicted costs.

Ms Banerjee said that she had reviewed the Members' portfolio and that there was nothing that she would change.

The Chair asked whether a presentation on Forensics should be presented in January. Mr King said that he was now aware that there had been a presentation on Forensics which he missed. Mr King asked the Committee to reconsider the need to do a presentation, that he would not want to put the Force to any extra effort, unless it would be useful for other Members. Mr King would be happy to have an individual briefing. Members would be offered an invite to an appropriate forensics briefing day. The Committee agreed that the presentation would be postponed until next year.

All other actions had been discharged.

**Agreed:**

- **Forensics presentation postponed until next year and Members be invited to one of the Force's future briefing days on forensics.**

**35/2008 REVENUE BUDGET AND CAPITAL PROGRAMME 2008/09**

Agenda Item 3

Mr Clarke informed the Committee that the figures in the report did not reflect the Police Pay Award, as it happened in period 8. This would be in a future report. So far as the revenue budget was concerned the figures were in line until expectations. The increases in the overtime budget were being met largely by additional income. The predicted out-turn was on underspend of £500,000.

The Chair raised concern in regards to the Capital Programme 2008/09 and the likelihood of spending the budget. The Force needed to bring forward all their proposals. Mr Clarke said that the

programming indicated that the Force would spend on target. The concern that Mr Clarke raised was if the Force undertook different capital projects, the impact on Revenue Budget would need to be taken into account to ensure there was no adverse impact.

The Chair commented on an earlier paper to the Committee, about custody facilities. There had been changes for a good reason and the Chief Constable agreed to bring back a future report.

Mr Holden thanked the finance team for the report and said there was a big improvement over what the Committee had seen last time. Mr Holden would have liked to see the year to date and the forecast year end position in the same table. There would be a single explanation for each item instead of having it repeated. He also commented that the way that ACC (Operations) figures were presented appeared to be misleading. Mr Holden said that ACC (Crime) description gave an incorrect impression; it seemed as if activities just happened without any control and the Force should be a bit more specific in regards to the causes of overspend, and explain what actions had been taken.

The Chief Constable explained there had been overspend within the crime budget, but this was being rectified. Part of the problem had been around initial budget allocations, but there had also been areas of growth. For example, there were challenges around cable theft and the Force was encouraging people to do more and more in Forensics. The outcome was greater value for money. Three or four years ago the Force were running a 17% detection rate, which was now running at 33%. Mr Holden said if the money was being well spent, there might be an issue about not wanting to slow the rate down and actually vire resources from elsewhere.

Mr Dobbs agreed with Mr Holden that a 10% overspend (accepting that it would probably be due to budget reason), was a big variance. The comments on Operations, and the fact that money was being held back to support overtime for the year, would have to be reflected in the budget. Tighter financial arrangement would make things easier. Financial forecasting must be part of the management process and not done in isolation.

Mr King said that it would be very helpful to get a profiled budget for next year.

The Chair asked Ms Burd and Mr Clarke for their comments on supplies and services, which had showed £700k overspend on Revenue Budget 2008/09. Mr Clarke said that the supplies and services was a mixture of very wide ranges in a devolved budget environment. If a budget holder want to buy particular equipment, they could do so. The proposal for next year's budgets was to make the profile more accurate. Mr Clarke said he was satisfied that the spending represented good value for money.

**Agreed**

- **The Chief Constable would bring paper on revised proposals around custody to next meeting.**

**36/2008**

Agenda Item 4

**UPDATE ON FRONTLINEFIRST**

DCC Trotter said that the purpose of this report was to show progress on the drive to find the efficiencies, as agreed by the Authority sometime ago. The Force was intending to look at intelligence in the light of the investment on intelligence functions by the Headquarters and on Areas. The development of the control rooms should produce efficiencies and savings.

New posts had been created from the savings already achieved. The Force was continually checking to make sure that tangible savings were being achieved. Areas were responding, and the Committee expressed the hope that ideas were being transferred between areas.

The next areas for scrutiny in the Frontline First programme will be business process, the way manpower planning links with payroll and duty rota planning. These processes will be subject to rigorous internal review and management challenge.

The Committee wanted to see closer correlations between the monitoring of the revenue budget and the outcomes from Frontline First. The Members want greater clarity about when and how savings from the programme were being made and when and how they are being deployed. The Committee also expressed concern that if the savings fall away, any costs that are being funded can be controlled. The Committee felt that in future the Frontline First financial statement should be part of the overall budget review. The Committee wanted a high level reconciliation between budget forecast, predicted savings and savings that had been achieved. The Committee agreed that considerable progress had been made, which was encouraging.

**Agreed further reports are made, as proposed:**

- **A high level financial reconciliation be part of the budget performance reports**
- **The Financial impacts from Frontline First be incorporated within the budget overview report**

**37/2008**

Agenda Item 5

**PERFORMANCE REPORT**

The Chief Constable spoke to his paper. 66 local targets had been met, which was really good news in relation to prevention. In regards to targets in Crime, if it was compared to last year's numbers, it would still show a great reduction. The Force had missed some targets; but he was confident that this situation would be rectified.

In particular, the Chief Constable highlighted the following:

- Fatality management. The Force were undertaking joint training with the railway industry.
- Proceeds of crime. Currently, the Force was collecting £1.3m. Whether money came to the Force or went to central Government (when 30% would be distributed to the Force) was dependent on the particular power being used to seize goods and property;
- Dealing with staff assaults had been particularly successful;
- The new Area Commander in the North East had set some challenging targets, which was reflected in their performance data;
- Thefts of and around a ticket machines was growing. The Force had seen an increase in reporting.

The report was noted and the Committee congratulated the Force on the achievements made.

**38/2008 STRATEGIC PLAN MONITORING**

Agenda Item 6

The Chief Constable confirmed that there was close management oversight of progress.

The report was **noted**

**39/2008 MANPOWER PLANNING – INTERIM RESPONSE**

Agenda Item 7

Ms Burd spoke to her paper. The purpose of the report was to show how the Force managed overtime budgets and were achieving its manpower targets.

The Force wanted to ensure that there was a clear correlation between manpower numbers and budget forecasts. This involved a review of issues such as the use of overtime and how this was being managed. In particular, it was important to see to what extent events were being predicted and managed in advance, and how much activity was purely reactive.

The Force was developing a workforce plan and would include staffing numbers in the regular internal monitoring reports. This would enable links to be made with financial forecasts and ensure that recruiting patterns and use of overtime were appropriate.

The Chief Constable said the organisation was more mature and had a much more stable financial regime. The issue was getting the right balance between developing budget responsibility, giving the freedom to operate against central control.

The Committee felt that the arrangements outlined would enhance budgetary control, and endorsed the approach.

The Committee agreed that six monthly reports on this should be made to the Human Resources & Remuneration Committee.

**40/2008 PENSIONS PRESENTATION**

Agenda Item 8

Mr Skitmore from rpmi (who manage the pension arrangements) introduced himself and Ms Stanley, he confirmed that Ms Burd had given him a list of interesting covering topics as follows:

- Background of schemes that BTPA and the Force have
- The roles and the responsibilities on trustee
- Update on valuations
- FR17 – what it means
- The impact of current market conditions.

**Valuation Update**

Both arrangements have pension schemes valuations that take place in different times.

The last valuation of the Police fund was at the end of 2006 and the next valuation would be at the end of 2009. The last valuation for the Police Staff scheme fund had been carried out as at December 2007. The Trustee was in discussion with the Authority about the draft results. The first draft valuation had shown a small deficit on the fund, but subsequent discussion with the Authority about some of the assumptions had resulted in a revised valuation, showing a small surplus. Since then, there had been a dramatic change in the financial markets and on the advice of the Actuary the Trustee had decided to review the basis of the valuations. The Trustee wanted to have an indication of the impact on the valuation of current conditions. In general, there was an update from the actuary, looking at equities in particular there had been a fall in value during the year of about 25%, in addition to which the Trustee would have to take in account that the actuary actually assumed that there would be growth of 5 or 6% over the year.

The actuary wrote to employers in November, because he decided it would appropriate to look at the shared cost section of the Railways Pension Scheme for the staff. His view was that employees like BTP, should establish an additional reserve by adjusting the valuation technical provisions by 3.75%. For the shared cost section, the impact would be to take the position back to approximately where it was when the 2007 was first completed. One of the proposals that the Authority might consider was to pay the BRASS matching contribution, whilst this would have been sufficient to deal with the small deficient in the original draft valuation, other measures might now be needed. Once the revised valuation was available, the Authority and the Trustee must agree a plan before March 2009. Proposals will be worked up, and presented to Members for approval.

So far as the Police fund is concerned, rpmi intends to secure an interim valuation, which should be available to inform the Authority's budget process for 2009/10.

**The roles and the responsibilities on trustee**

Ms Stanley said the Trustee Board had 16 trustee directors, which had overall responsibility for investments decisions and fund management. The Police Section and the staff section each have a management Committee. There is equal representation between the employer and employees. Lew Adams was a Member of the Police Scheme Committee. These Committees have general oversight of the performance of the fund, pensions administration and individual case work.

**FRS17**

Ms Stanley said that the important thing to remember about FRS17 was that it was an accounting standard looking at scheme funding. The principle was that the organisation should account for all potential liabilities, which should be reflected on its balance sheet. This was based on the idea that the assets and the liabilities of the scheme were essentially the assets and liabilities of the employer, which was consistent with other accounting principles.

FRS17, as an accounting standard, had been imposed on all pension funds by the Accounting Standards Board. The key difference between valuing the fund for FRS17 purposes and the actuarial valuation of the fund was that FRS17 represented a very cautious view about the current investment strategy and returns. This assessment assumed investments in bonds, which can make the liabilities look greater. The investment strategy of the funds (and therefore the actuarial valuation) used a mix of investments, including equities, property, bonds and cash. The funds take a long term view of their liabilities, which resulted in a different valuation for pension trust purposes. Therefore, an FRS17 valuation should not be seen as a funding update reflecting the true position of the scheme, and it may not be appropriate for an FRS17 assessment to influence actuarial valuations of the funds or their investment strategies.

The Committee thanked Mr Skitmore and Ms Stanley for attending, and giving the Members the presentation.

**41/2008**      **AOB**  
Agenda Item 9

Ms Burd confirmed that the financial papers had been sent to all Members.

**DATE OF NEXT MEETING:** Friday 6<sup>th</sup> February 2009 at 10.00am

Signed.....

Chairman