

Notes of the Meeting

Finance Group

Thursday 13th January 2011, 10.00 – 12.00am
at The Forum

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Present:

Mr Ian Dobbs (Chair)
Mrs Wendy Towers
Mr Jeroen Weimar

In attendance:

Mrs Liz Pike, Authority Finance Director
Ms Katherine Hogan, PSA Administrator
Mr Andrew Figgures, Chief Executive
Mr Simon Hart, Head of Finance
Mr Andrew Clarke, Acting Director of Finance & Corporate Services
Mr Mike Jennings, BTP Finance

26/2010 Welcome

Non-Agenda

27/2010 Minutes of Meeting 29th November 2011

Agenda Item 1

The minutes were approved.

28/2010 Matters Arising

Agenda Item 2

It was agreed that all matters arising had been actioned for this meeting, except action 9 (new charging model charges 2011/12) which would be presented to the March finance group.

TSSA pay review information had been presented to the December Authority and further clarification was requested. This was successfully agreed by the Members outside of committee over Christmas.

29/2010 BTP 3rd Quarter Report to the Finance Group

Agenda Item 3

The BTP outlined that the revenue position was well controlled and that they were well placed to prepare for a reduced budget in the coming year. An under spend of £969k was forecast, some £353k better than reported at quarter 2. It was noted that there was scope for £820k to be used to top up the contingency reserve as previously agreed subject to consideration by the Authority.

An additional £3million savings to support the 2011/12 budget was now shown on the face of the income and expenditure account as requested at the previous finance group.

The latest forecast of capital was presented and the year to date expenditure was included in the reports as requested by the finance group. It was noted that the forecast spend had been reduced to £8,985k, £15k better than the original budget of £9m and £946k better than previous forecast.

Appendices A and B documented a £969k under spend with an additional £3m set aside for the coming financial year. It was explained that a lot of work had been done on the establishment figures and that this was proving to be a very useful control and it showed the Force (including L Area) to be 169 below budgeted establishment for both police officers, PCSO's and police staff.

The Authority requested that in the next financial year the BTP should report a consolidated budget including London Underground together with a full breakdown rather than reporting the total cost budget. This would enable financial reports to be more consistent.

The overspend in supplies and services was greater than previously forecast owing in large part to the '50 days of change' IT project which was within the £500k maximum spend at the discretion of the Chief Constable. The requirement had come to light after the approval of the 2010/11 budget. The spend had been approved by the Strategic Command Team.

The overspend on overtime was reported to be significantly lower than Q2, and that remaining overtime levels were in place because of high vacancy levels. The large vacancy gap is being held to fund the planned savings in 2011/12. The BTP Resource Allocation Panel is currently exploring those vacancies to determine which would be cut and which would remain.

A paper was circulated to be considered out of committee on the cost of overtime relative to the employment of additional police officers. It was agreed that this would be discussed as at the next finance group.

Agenda Item 5.1

It was noted that EPSA income was forecast to be £228k lower than budget. It was requested that this be addressed in the upcoming EPSA review which would be reported in detail in the finance group scheduled in March 2011

The Authority requested that for the coming financial year all reporting was to be against the original budget as agreed by the Authority. Any changes from this would be documented and the variance analysis would continue to be against the working budget. The supplementary schedule on movements from original budget would be updated each quarter and presented to the finance group. This would enable the tracking of variance to be better understood by the members and the Executive.

It was agreed that the detailed income and expenditure report in the same format used for other Areas would be circulated separately for L Area and would be included routinely from quarter 4.

It was noted that some items in the capital programme had been deferred until 2011/12. Particular projects were highlighted:

- It was confirmed that Network Rail would pay £6m for the Ebury Bridge CCTV project and that the payment was based on the contract agreed with NR. The contribution of £6m would be phased over three years, (2009/10 £150k; 2010/11 £5,450k and 2011/12 £400k). Any under spend against the programme would not be required to be repaid to NR.
- The capital programme for the North London Custody Unit was originally £1.5m. This project was forecast to be materially overspent, with forecast costs of £2.012m. This was as a result primarily of requirements for an electricity sub station. The finance group were disappointed that the over spend had not been anticipated earlier or that the additional work required had not been taken into account at the initial project stage.
- In 2010/11 the WAN project costs in the year were forecast to be overspent by £410k against previous forecast. It was noted that due diligence work had now been completed and that tender prices had been adjusted to comply with the outcome of this exercise. The total capital value of the project was now £3.06m compared to £2.56m previously approved by the Authority. The reasons for variance were explained and a detailed review was requested for the finalisation of the 2011/12 budget which would be presented to the March finance group. It was noted that there had been a material change since the approval of the project by the Authority. It was reported that increases were attributed to unforeseen circumstances but the finance group felt that a higher risk margin should have been considered from the outset. The increased project costs would need to be authorised by the Authority once finalised.

Agenda Item 5.1

The cash position was reported to be £16.6m in the w/e 3.12.2010, a £10m improvement on the forecast position at that date detailed in the Q2 report. This was attributed to over prudent assumptions on capital and non-payment from PSA holders, as well as the BTP spending less because of efficiency savings. It was noted that the cash forecast did not yet include the forthcoming settlement from ATW and AXC which will total £6.7m and subject to finalising the contract will be settled in mid February.

It was noted that there was a major risk to income in April if charges were not advised to TOCs early. It was agreed that the Executive would advise fixed proportion customers of their charges before the 11th March as approved on the 9th of December to allow TOCs the time to process the charges internally. Charges to fixed proportion PSA holders would reduce by 2.5% and accounted for around 80% of the total core PSA charges. New Model customers would be advised during meetings with the Authority Finance Director as soon as the charges were approved in late March.

Actions

- BTP to report full consolidated budget including L Area with breakdown going forward.
- EPSA review to address why forecast income has been reduced in the 2010// forecast and whether resources have been reduced accordingly.
- All budget reporting to include the budget information from the start of the year with narrative explaining the main budget movements.
- Detailed analysis of the increased costs on the North London custody unit and the WAN to be presented to the next finance group.
- Authority Finance Director to write to fixed proportion PSA holders detailing their new charges before 11 March 2011.

30/2010 BTPA Budget 2011/12 - capital programme

Agenda item 4

The Authority requested that when asked to approve the capital programme that they are requested to approve an amount which is not over programmed.

The Authority requested that a business case be made for a currently provisional proposal to update BTP's CCTV network and presented to the Authority in March.

Actions

- BTP to report the capital budget without over programming.

Agenda Item 5.1

- BTP to develop a business case outlining a proposal to update the CCTV network and present to the Authority in March.

31/2010 2011/12 - Charges to London Underground including central services

Agenda Item 5

Jeroen Weimer declared an interest as Serco ran DLR.

The paper was presented by Mike Jennings and the L Area budget of £50m was discussed. The savings required to deliver the budget would total 2.4% after inflation and the additional pension's deficit contribution. These savings were in line with those being targeted within the other FHQ departments and areas. It was requested that a detailed budget be presented for approval to the March finance group. The finance group recommended the budget for approval to the Authority.

The LU contribution to the centrally organised services was discussed in detail. The apportionment was considered to be a reasonable approximation of the charges and was consistent with the method of recharge used previously. It was agreed that, subject to satisfactory legal advice, the finance group would recommend to the Authority the LU charge of £9,365k, a 2.5% reduction on last year.

Actions

- BTP to supply a detailed report on the 2011/12 budget with supplementary detail for consideration at the next finance group meeting
- Legal advice to be sought on the mechanism for LU contributing to central overheads

32/2010 2011/12 BTPA 3rd Quarter report to the finance group

Agenda item 6

It was noted that there was an overspend in both consultancy fees and the cost of internal audit, the former was partly because of work carried out by Punter Southall which the Executive believed to be good value considering the scale of the issues surrounding pensions.

BTPA reported a forecast under spend of £10k. This included a 20% increase in rent although this increase was likely to be negotiated to a lower figure.

The debtor position was reported to be good; those debts arising from historical errors were reported to be fully recovered, either from PSA holders or from the DfT.

Agenda Item 5.1

33/2010 2011/12 BTP Risk financing programme 2010/11

Agenda item 7

It was clarified that the British Transport Federation were aware that personal insurance was being withdrawn from members and actually provided cover themselves. The Authority requested that this point be clarified in recommendations to the full Authority.

It was noted that there was a risk for BTP around joining SEERPIC but that this had been mediated by operating a one year contract with an option to renew.

34/2010 Charging model 2011/12 update

Agenda item 8

It was reported in relation to the 2011/12 model run all nine levels of input were on target to be delivered on time. The May command and control data had now been tracked down by Sungard. Detailed scrutiny and additional information requested from the TOC's had led to improvements in the accuracy. All information submissions from the PSA holders also now included a sign off letter from the PSA holder FD to say that the figures had been compiled correctly.

35/2010 Any other business

Agenda item 9

It was agreed that the Authority Finance Director would agree meeting dates for October 2011 to March 2012 and circulate to the attendees.

Date of next meeting: Wednesday 16th March 2011.

Signed.....

Chairman