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British Transport Police Authority

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Report to: British Transport Police Authority

Agenda item: 5.3

Date: 27 January 2011

Subject: BTPA 2010/11 Quarter 3 and Full Year Forecast

Sponsor: Authority Finance Director

For: Discussion and Noting

1. Purpose of paper

1.1 This paper details the financial position at the end of quarter 3 (period 9) and the full year forecast for 2010/11. It also presents information on the core PSA debtors as at the end of period 9 and updates the group on progress made on the judicial review debtors. A more detailed report was scrutinised by the Finance Committee in its meeting of 13 January 2011.

2. BTPA Financial Position Quarter 3 2010/11

2.1 At the end of quarter three against a budget of £1,208.4k, the Authority has incurred expenditure of £1,017.2k, an under spend of £191.2k. The detailed analysis of spend is detailed in appendix A. In summary the major variances year to date are set out below:

	£k
Budget to Quarter 3 2010/11	**1,208.4**
Under spend Staff salaries	(96.8)
Under spend Member salaries	(41.2)
Under spend Recruitment	(16.3)
Under spend Legal fees	(71.6)
Under spend Independent Custody Visits	(27.3)
Under spend on subscriptions and publications	(15.5)
Over spend Consultancy	49.2
Over spend External Audit	15.0
Over spend Internal Audit	35.3
Other net under spends	(22.0)
Actual year to date spend	**1,017.2**

2.2 **Staff and Member costs** are under spent by £138.0k in the year to date. This is caused by two staff vacancies for the Deputy Chief Executive and Research Assistant and two member vacancies. The review of the Authority Executive and the revised salaries are now reflected in the year to date. The revised forecast now reflects the revised salaries and further savings on staff salaries are forecast to be £25.9k for the remaining period to 31 March 2011.

2.3 **Non staff costs** are under spent by £53.2k cumulatively to the end of quarter 3 but are forecast to be overspent by £149.9k by the year end. This catch up on spend is explained in the forecast section

2.4 Consultancy spend is overspent by £49.2k. The major reason for this is for pension's advice from Punter Southall in relation to the Police Officers pension valuation at the end of December 2009 and also continuing advice on the investment strategy of the schemes.

2.5 Legal costs will offer an opportunity to under spend against current budget and more importantly avoid additional legal costs and management time being spent on the full arbitration.

2.6 Internal audit costs are expected to overrun during the year as Tribal have spent additional time on an internal fraud investigation. We will cover this overspend within the overall Authority budget.

2.7 The charge for the external audit in 2009/10 is £15k higher because of the over run of last years audit, this will also be built into the revised forecast but we have also negotiated a reduced charge of £110k against the budget of £120k, therefore overall the external audit fees will be overspent by £5k.

3. BTPA Financial Forecast 2010/11

3.1 The full year forecast has now been reworked and Appendix A details the detailed expected under and over spends to the year end. It is currently showing a small under spend of £10k against budget of £1,918k.

3.2 The major risk during the year has been the potential legal costs for the ATW arbitration. The bulk of these costs will now be avoided but some further legal costs will be incurred as we are currently preparing legal documents to accompany the settlement. We have also incurred additional legal costs on staff redundancy advice; these are expected to total £35k.

3.3 The major overspends during the year are consultancy costs and internal audit fees. The following two paragraphs explain the overspends.

3.4 Internal Audit Fees

The Budget of £91.3m is forecast to be overspent by ££73.2m, £50k of this relates to the BTP travel fraud and the remaining overspend is caused by a VAT under accrual from 2009/10, additional work on payroll and additional days b/f from the initial plan.

3.5 Consultancy Costs

The following table details the expenditure by supplier and sets out the reasons for the total forecast spend of £185k against a budget of £43k.

	Spent to period 9	Committed to date	Forecast still to spend	Total Forecast for year	Details of work undertaken
	£000	£000	£000	£000	
Kroll Consulting	8	-	(8)	-	ATW arbitration to be transferred to Legal costs
Punter Southall	32	36	38	106	Pensions valuation and review of governance Investment strategy
Accenture	-	-	20	20	Advice on vfm
PA Consulting	-	-	31	31	Early work on new charging model
RCM	26	-	-	26	Ian Dobbs support on ATW
Simons Muirhead and Burton	11	-	(11)	-	Legal advice for redundancy issues to be transferred to legal and incorporated in the legal cost forecast.
Other	2	-	-	2	
Total	79	36	70	185	

3.6 The above table details the spend by supplier. The major area of spend has been on pensions advice. Advice has been given on the valuation of the Police Officers pension scheme and is ongoing on investments and governance; this was not budgeted but was undertaken because of the materiality of the deficit. Accenture and PA consulting were not budgeted. The scoping exercise for the work on the PSA and charges has been included at £31k, it is not expected to overspend this year but depending upon decisions made at the Authority this spend could increase in the next budget year.

3.7 The above overspends on internal audit and consultancy has been offset principally by lower staff and member costs and lower recruitment and legal costs.

3.8 An allowance has been included from 1 November for the threatened 20% rent increase on the Forum.

4. Core PSA Debtors position at the end of quarter 3 2010/11

4.1 The aged debtors are still dominated by the impact of the judicial review, although of the additional invoices raised, subject to satisfactory conclusion of the settlement with Arriva Trains UK, only, DB Schenker now remains outstanding. Work will now commence in earnest on the DBS (EWS) debt from 2007/08 to date, a meeting has taken place with Weightmans to discuss the legal complexities and the best way forward before meeting with the contact at DBS.

4.2 After protracted negotiations, an agreement has also been arrived at for Arriva Trains Wales and Arriva Cross Country. It is expected that the agreed write off will be formalised in quarter 4 to allow us to reflect the settlement in the 2010/11 year end accounts.

4.3 The DfT are regularly briefed on the debtors arising from the judicial review and the exposure is covered by our loan agreement with them.

4.4 A detailed analysis of debtors was presented to the Finance Group; additional copies are available if required. Excluding the disputes mentioned above, it is worth highlighting that in December, the DfT have formally agreed to write off the GNER old debt arising out of the historical errors and we have received the small outstanding payment from First Group for Anglia Trains. This now means that all of the £10.8 million debtors arising out of the historical errors have been satisfactorily dealt with.

5. Recommendations

5.1 That Members note the year to date spend, the forecast position and the core PSA debtor position.