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British Transport Police Authority

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Report to: Police Authority
Agenda item: 5.1
Date: 1 November 2010
Subject: Quarter 2 Finance Report
Sponsor: Report from the Finance Group
Author: Treasurer
For: Information

1. Purpose of paper

To inform Members of the Finance Groups review of BTP/BTPA 2nd Quarter Financial Outturn.

2. Background

This was the third meeting of the Finance Group. The data set presented continues to improve as does the quality of analysis contained in the commentary. It was possible for the Group to effectively discharge their function.

3. BTP 2nd Quarter Report

3.1 Establishment Data. The work on developing the establishment data was reviewed. BTP's review process and control of establishment changes were described together with the officer and staff planning process. A break down by rank of police officers was requested. The establishment data was scrutinised and the year end forecast was to be reported from quarter 3 onwards. The pricing of the fixed establishment was discussed as this would form the basis of the budget planning process.

3.2 Staff Costs and Overtime. It was noted that overtime costs appeared to be high but that there was however a relationship between vacancies and the use of overtime to fill these. The Authority specifically requested additional work to be done around the marginal cost of overtime compared to employing a

full time member of staff. This will be formally presented to the next Finance Group meeting.

3.3 Non staff costs. A number of specific issues were raised, particularly around the areas of budget savings and reduction in discretionary spend, which totalled £2.5 m. It was agreed that rather than being disclosed as 'spend' in the full year under Finance, it would be shown on the face of the Income and expenditure until BTP had agreed its use with the Authority.

3.4 Full Year Forecast – the Group noted the forecast saving of £0.6m. BTP confirmed to the AO that all funds received and disbursed were captured within the reports presented

3.5 London Underground – a number of anomalies were highlighted by the Members, overall savings for the year were expected to total £400k

3.6 Capital Programme – Further information has been requested on the year to date spend and commitments to enable the group to monitor spend in the full year. It was noted that a number of projects would be accelerated in to December to benefit from the lower VAT rate. At period 9 a more rigorous review was required and BTP were reminded that capex should not exceed the budget of £9m not understanding the over-programming of £0.9m. Further details were also requested on all large capital projects which had been authorised by the Authority. It was agreed that The WAN upgrade would form part of this report. The report highlighted the possibility of making some revenue contributions to any over programming of capital. This was not agreed.

3.7 Balance Sheet and Cashflow– It was noted that £16.2 million of the loan from the DfT was repaid in September. The Head of Finance presented cash flow forecasts until May 2011. It was noted that if ATW have not settled their outstanding debt and any underfunding is not recovered from the DfT, BTP were forecasting a cash flow deficit. More work was requested in this area to improve the forecasting and develop management actions to reduce the deficit before approaching the DfT to balance any shortfall.

4. BTPA

4.1 Year to date spend – The BTPA is under spent in both staff and non staff costs. Year to date expenditure is £618.7k compared to a budget of £824.8k. The under spends are in both staff and non staff costs.

4.2 **Current Forecast** – The risks to outturn are:

- Arriva Arbitration – Subject to legal costs
- Pensions – Pension advice was not budgeted for
- Overrun in internal audit costs owing to investigation of fraud at FHQ
- Overrun in 2009/10 NAO audit fees of £15k

4.3 **Revised Forecast** - a revised forecast will be presented to the Q3 finance group meeting. This will incorporate the effects of the staff restructuring of the Executive in line with the paper presented to the members of the Authority.

4.4 **Budget 2011/12** - at the request of the Finance Group the BTPA budget for 2011/12 will be presented to the Finance Group meeting to be held on 29 November 2010, six weeks earlier than last year.

4.5 **PSA Debtors** – progress on the JR debtors was discussed and noted. It was noted that the ATW arbitration remained on hold whilst the DfT considered the implications of any settlement on other PSA holders. The meeting were updated on the ongoing discussions with the DfT regarding DB Regio Tyne and Wear.

5. Budget Review Process

5.1 The basis of scrutinizing the BTP budget for 2011/12 was discussed and it was agreed that the next meeting would be re scheduled two days earlier to enable BTP and BTPA to incorporate any changes requested at the Finance Group. The meeting has now been re scheduled for 29 November.

5.2 The Group will scrutinize the savings made in 2010/11 and consider their treatment.

5.3 Risks and Opportunities around delivery of the budget and the policing plan would be highlighted.

5.4 High level Sensitivities around the budget would also be presented.

5.5 It was acknowledged that the budget will be at a high level and will not have been split between areas and FHQ departments. This could be looked at later when it was completed.

5.6 A comparison to this year's original budget and revised forecast was requested for the overall summary.

5.7 A commentary will also be presented to explain year on year movements.

6. Charging Model 2011/12

6.1 An outline timetable was presented to the Finance Group. It was agreed and the Finance Group will scrutinize the charges in March before they are presented for approval to the Authority on 24 March 2011. It was agreed that a detailed sub timetable should be issued to BTP regarding the crime and incident data and BTP budget requirements, this has now been completed.

6.2 Work had already commenced on collecting the data and a number of additional steps had been included in the process to further improve the data quality.

7. Recommendations

7.1 The Authority is asked to note this report.