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Report to: Police Authority
Agenda item: 5.3
Date: 1 November 2010
Subject: BTPA 2010/11 – Second Quarter
Sponsor: Chief Executive
Author: Treasurer
For: Noting

1. Purpose of paper

This paper details the financial position at the end of quarter 2 (period 6) and the full year forecast for 2010/11. It also presents information on the core PSA debtors as at that date. A more detailed version has already been presented to the Finance Group on 14 October. Draft minutes of the meeting are attached at Appendix A.

2. BTPA Financial Position Quarter 2 2010/11 and Full Year Forecast

2.1 At the end of quarter two against a budget of £824.8k, the Authority has incurred expenditure of £618.7k, an under spend of £206.1k. 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 4 2010/11	824.8
Under spend Staff salaries	(62.1)
Under spend Member salaries	(33.2)
Under spend Recruitment	(10.3)
Under spend Legal fees	(29.8)
Under spend Consultancy	(8.8)
Under spend Internal Audit	(22.3)
Under spend Subscriptions and Publications	(25.9)
Other net under spends	(13.7)
Actual year to date spend	**618.7**

1.1 **Staff and Member costs** are under spent by £95.3k 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 has now been agreed by the Authority and we will complete the consultation process on 31 October. Revised salaries will be paid in period 9. A fully revised forecast will be completed at that point, together with the budget for 2012/13.

1.2 **Non staff costs** are under spent by £67.7k in quarter 2 and £110.8k year to date. The only area of overspend incurred so far is for pensions advice from Punter Southall in relation to the Police Officers pension valuation at the end of December 2009. The assumptions behind the valuations have now been agreed by the Authority, although they are still subject to Trustee approval. Once the past service deficit has been agreed, we will be seeking additional advice from them on investment strategy and the affordability of any plan to recover the pensions deficit. Subscriptions and publications are under spent by £25.9k, this is principally because of a difference in timing between the budget and spend on the APA subscription of £24k. Legal costs may offer an opportunity to under spend, depending on what happens with the potential ATW arbitration costs. If we go to a full arbitration, these costs will be considerably overspent.

1.3 Internal audit costs are expected to overrun during the year as Tribal have spent additional time on an internal fraud investigation. We would expect to cover this overspend within the overall non staff Authority budget. We have also been informed that the charge for the external audit in 2009/10 will be £15k higher because of the over run of the Audit, this will also be built into the revised forecast.

2. Core PSA Debtors position at the end of quarter 2 2010/11

2.1 Appendix B summarises the core PSA debtors. Of the judicial review, debtors, only Arriva Trains Wales, Arriva Cross Country, DB Schenker and GNER (now in liquidation) remain unpaid. A provision has been made in the year end accounts for these debts, in line with our assessment of their recoverability. A verbal update will be given at the meeting on progression in any discussions with Arriva Group.

2.2 The DfT are regularly briefed on the debtors arising from the judicial review and the exposure is covered by our loan agreement with them. We have written to them requesting formal write off of GNER (£340K) and are in discussions with them over Tyne and Wear Metro.

2.3 Appendix B is annotated with comments on debt recovery.

3. Recommendations

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