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Report to: Finance Group

Agenda item: 4

Date: 13 October 2011

Subject: BTPA 2011/12 Quarter 2

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 2 (period 6) and sets out the full year forecast spend for 2011/12 for the Authority. It also presents information on the core PSA debtors as at the end of period 6.

2. BTPA Financial Position Quarter 2 2011/12

2.1 At the end of quarter 2 against a budget of £702.6k, the Authority has incurred expenditure of £570.8k, an under spend of £131.8k. The detailed analysis of spend is detailed in appendix A.

2.2 In summary the major variances year to date are set out below:

	£000
Budget 2011/12	**702.6**
Underspend on staff salaries	(11.4)
Underspend on member salaries	(43.7)
Overspend on recruitment	18.5
Underspend on legal fees	(32.6)
Underspend on subscriptions	(11.7)
Underspend on HMIC inspections	(20.7)
Underspend on Consultants and temp staff	(13.3)
Underspend on ICV	(10.4)
Under spend on rent for the Forum (renegotiated below budget assumptions)	(8.5)
Other net under/over spend	2.0
2011/12 Actual	**570.8**

2.3 **Staff and Member costs** are under spent by £55.1k cumulatively to the end of quarter 2.

2.4 On **staff costs**, we currently have a staff vacancy for the PSA manager. This position is currently being recruited, although the position is unlikely to be filled immediately as the recruitment process has just been kicked off.

2.5 Member salaries are under spent because of one vacancy. The budget also assumed that we would have 14 members charging allowances from the beginning of the financial year, at the end of period 6 we have only 8. Three new members started on 1 September and three more are being recruited. The favourable variance will therefore reduce.

2.6 **Non staff costs** are under spent by £76.7k at the end of the second quarter. The major overspend is caused by recruitment costs for the new Director of Corporate Resources post, which has cost £31.5k including advertising. Originally the recruitment budget was £20k; the forecast has been further increased to £36k which will also accommodate the costs of recruiting the PSA Manager.

2.7 The other under spends in the non staff costs are predominantly timing only. It is worth noting that under **premises and office costs**, the scheduled review for the Forum was going to results in a 20% increase in rent. This has been successfully reduced to a 10% increase in this year and fixed for five years.

2.8 All other costs have been reviewed for the full year forecast which is presented in the following section.

3. BTPA Financial Forecast 2011/12

3.1 A thorough review of the full year forecast has been undertaken in the period. However despite under spends in the staff and member salary costs, this has been used to accommodate actual and potential risks in the non staff cost forecast. The major changes are outlined below:

	£000
Budget	**1,870.0**
Savings in member salaries	(10.0)
Additional costs re recruitment	10.0
Previous Forecast	**1,870.0**
Staff costs – vacancy gap for part of year	(35.3)
Member costs	(50.5)
Additional Legal costs (more employment advice)	50.0
Additional HMIC activity	22.8
Additional Consultancy costs – on charging model	8.4
Savings in External audit	(10.0)
Additional Internal Audit Work	5.6
Further recruitment costs	6.0
Other	3.0
Revised Forecast	**1,870.0**

3.2 Our forecast remains in line with the agreed budget of £1.87 million.

3.3 The expected staff and member costs vacancies have been incorporated into the full year forecast, leading to a full year saving against budget of £85.8k.

3.4 An additional £50k has been forecast for legal costs, this is to cover legal advice on the charging model and also an extra allowance for additional professional advice on the restructuring of the BTP senior command team.

3.5 An allowance of £10k has been included in the budget for advice from LEK on the draft modelling of PSA charges, otherwise it is currently intended that any remodelling will be done in house. Any change from this strategy will result in additional unbudgeted costs.

3.6 HMIC costs have been increased to be in line with the actual charges for 2010/11 which came through late last year.

3.7 The external and internal audit costs are in line with the latest estimates from the NAO and Tribal.

4. Core PSA Debtors position at 2011/12 Year End

4.1 Appendix B summarises the core PSA debtors.

4.2 As at Quarter 2 there is a total outstanding debt of £16,426k. 93% of the debt is current. The main items over 60 days are Freightliner (£194.7k), which is in line with our agreement reached with them at the time of the JR negotiations and disappointingly London Underground (£541.4k). BTP Finance are still pursuing the latter but there is no reason to doubt that this amount will be paid.

4.3 Of the debt outstanding at the end of period 6, £14,780k (90% of debt at the end of the quarter) was cleared by 21 September.

5. Recommendations

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