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Report to: Police Authority

Agenda Item: 5

Date: 2 November 2011

Subject: Finance Group – Q2 2011/12 update

Sponsor: Chair Finance Group

Author: Authority Finance Director

For: Information

1. Purpose of paper

To report on the outcome and the actions arising from, the quarter 2 meeting of the Authority's Finance Group.

2. Background

The Authority's Finance group was established to carry out detailed scrutiny and finance oversight activities in support of the work of the full Authority. This report summarises the key issues emerging from the quarter 2 meeting of the Group which took place on 13 October 2011.

3. Standing items

3.1 BTP Q2 (see Appendix B):

The Group received the detailed Q2 summary and the full year forecast, both are attached at Appendix B. The discussion is summarised in the attached minutes at Appendix A. The forecast outturn indicates an over spend of £0.8 million. However these costs include £1.6 million relating to additional staff costs (mainly overtime) incurred on Operation Bench. This has been highlighted to the DfT and has been requested to be financed centrally by them.

BTP has identified and centralised in year savings of £2.5 million of permanent savings in 2011/12. As a result of the centralization of these savings BTP is currently forecasting that the full amount of the £3m PSA Smoothing Reserve will not be required leaving a balance on this reserve to assist with

maintaining expenditure within the PSA in future years. However this outcome is dependent upon DfT funding.

It was noted that currently the budget holders at Areas and FHQ have been requested to make savings to fund the direct costs of Operation Bench, although this is putting additional pressure on the Area resources. The Authority noted that despite the overtime costs for Operation Bench and Regal there was still an issue around using overtime to cover every day functions, such as cable theft operations, although after excluding Operation Bench and Operation Regal, the overtime spend was 3% below budget..

The Finance Group scrutinised the spend by area and expressed concern that there was an under spend against budget on non staff costs of £0.6m at the end of quarter 2. This was forecast to reverse into an overspend of £0.6m by year end. BTP would be reviewing the timing of spend and whether further savings could be made in the last six months of the year.

On the Capital Programme all projects were reported to be on track and were not expected to require further approval from the BTPA, with the exception of the Disaster recovery project which would be presented to the Strategy Group. The BTPA also requested a report outlining the full plan of business cases requiring approval from the full Authority on the next 18 months.

The BTPA requested that the cash flow analysis show greater detail in future to enable the BTPA to have a better understanding of the cash flow position. A comparison against previous forecast and reconciliation with the cash balance on the Balance Sheet presented to the finance group was required.

3.2 **BTPA Q2 (see Appendix C)**

The year to date expenditure for the Authority was presented which showed an under spend of £132k against a budget of £570k. The major variances were explained as savings in staff and member's salary costs, HMIC and legal fees. These were offset by an over spend on the cost of recruitment. It forecast that the outturn would be within budget. The major risks were identified as potential work required on the charging regime and legal costs arising from the new PSA. The full year forecast had been reviewed in the period and under spends in staff and member salaries were expected to be offset by additional legal

costs. It was also noted that should savings emerge these could be used to fund savings in 2012/13 , subject to approval by the Authority.

3.3 The core PSA debtors at year end were presented. It was noted that 93% of debt is now current and that 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. LU had an amount outstanding from 2010, of £541k, and although it was envisaged that this debt was recoverable, required to ensure the administrative error at LU was rectified by the next Finance Group.

4. Other reports received

4.1 **London North Custody unit -** A more detailed report was presented on the project. It was noted that Britspace the main contractor had gone into liquidation and the Finance Group noted the risks around this. The BTPA scrutinized the London North Custody Suite capital spend and expressed concern around the levels of contingencies included in that project and other projects. The level of contingency within the project was thought to be too low and questions were raised around credit checks done around potential suppliers at the contract tendering stage. It was requested that in a completion report a clear financial statement should be presented and compared against the initial assumptions around capital and revenue costs, together with comparison to any savings that had been forecast as part of the business case.

4.2 **Capital Programme Prioritisation –** BTP presented a very detailed paper on how the force intended to allocate capital in the future. A number of suggestions were raised which BTP agreed to incorporate in the process.

5. Issues for the next meeting

In addition to the standing items the Finance group will be considering the following at its next meeting in December;

- Budget – 2012/13 for BTP and BTPA
- Total cost definitions for incorporation into the charging model.
- EPSA – risk assessment on termination or partial termination of the TFL / LOROL arrangements

- The new Chair of the Finance Group will also be meeting the Authority Finance Director to discuss what additional areas need to be scrutinized over the coming twelve months

6. Recommendations

Members are asked to note progress made and issues noted by the Group at its quarter 2 meeting.