AGENDA ITEM 5 - APPENDIX B

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Report to: Finance Group

Agenda item: 4

Date: 16 January 2012

Subject: BTPA 2011/12 Quarter 3

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 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 9.

2. BTPA Financial Position Quarter 3 2011/12

2.1 At the end of quarter 3 against a budget of £1,082k, the Authority has incurred expenditure of £917k, an under spend of £165k. 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	**1,081.9**
Underspend on staff salaries	(20.0)
Underspend on member salaries	(61.4)
Overspend on recruitment	12.1
Underspend on legal fees	(78.9)
Underspend on subscriptions	(17.4)
Overspend on internal audit (timing only)	26.4
Underspend on ICV	(13.4)
Under spend on rent for the Forum (renegotiated below budget assumptions)	(11.1)
Other net under/over spends	(1.6)
2011/12 Actual	**916.6**

2.3 **Staff and Member costs** are under spent by £81.4k cumulatively to the end of quarter 3.

2.4 On **staff costs**, as of 1 January 2012, there are no staff vacancies as the position of PSA manager has now been filled. A small under spend will continue to the end of the year, mainly because of some staff continuing to remain outside of the pension scheme.

2.5 **Member salaries** are under spent by £61.4k. This has been caused by the vacancy since June of the Deputy Chair and other vacant positions because of slower than expected recruitment by the DfT. 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 had only 8 and at the end of period 9, this had increased to 11. The forecast assumes that there will be no additional members recruited this year and that the remaining non charging member will charge us from 1 January 2012.

2.6 **Non staff costs** are under spent by £83.9k at the end of the third quarter. A full hard close was performed at the end of period 9 and all accruals were scrutinised. As a result we have been able to reduce the forecast for legal costs as the estimated charges at last year end were overly prudent. Coupled with the lack of activity this year, it is proposed that the forecast be reduced this year.

2.7 The major overspend is caused by **recruitment costs** for the new Director of Corporate Resources post, which as noted previously has cost £31.5k including advertising. Originally the recruitment budget was £20k; the forecast has been further increased to £36k which also accommodates the costs of recruiting the PSA Manager, as the position has been filled through a secondment from BTP, this cost will not materialise.

2.8 The other main overspend is for **Internal Audit**, where the budget has been profiled to be spent in period 13 only, The overspend of £26.4k will therefore reverse at the year end.

2.9 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. The year to date favourable variance of £11.1k is expected to reduce because of additional works being performed by the Landlord and notified to us during this year. This will potentially slip into 2012/13.

2.10 A full analysis of legal costs has been undertaken in the quarter, together with an estimation of the costs for the remaining four periods. This is set out below:

	Accrual b/f	Invoices received to P9	Reassess accrual at P9 Hard close	**Total Charge at P9**	Forecast spend P10 – P13	**Total 2011/12**
	£k	£k	£k	**£k**	£k	**£k**
Weightmans	(36.0)	40.6	3.1	**7.7**	20.0	**27.7**
Field Fisher (Professional Standards advice)	(14.9)	40.6	4.2	**29.9**	10.0	**39.9**
LEK	-	20.4	-	**20.4**	-	**20.4**
Simons Muirhead (Employment advice)	(30.0)	7.2	18.0	**(4.8)**	10.0	**5.2**
Burgess Salmon (Pensions advice re unauthorised payments)	-	-	-	**-**	30.0	**30.0**
Other	(20.8)	17.8	1.2	**(1.8)**	8.6	**6.8**
TOTAL	**(101.7)**	**126.6**	**26.5**	**51.4**	**78.6**	**130.0**
Budget						**200.0**
Favourable variance to budget						**70.0**

The forecast spend in quarter 4 is very prudent and includes £30k for professional fees for independent advice on the unauthorised pension payments. It is therefore proposed to reduce the full year forecast spend on legal costs to £130k.

3. BTPA Financial Forecast 2011/12

3.1 A thorough review of the full year forecast was undertaken in quarter two. A further review has been undertaken since then. As noted in para 2.10 above the legal fee forecast spend has been reduced to £130k. The major changes are outlined below:

	£000
Budget	**1,870.0**
Staff costs - vacancy gap for part of year	(35.3)
Member costs	(60.5)
Additional Legal costs (more employment advice)	50.0
Additional HMIC activity	22.8
Additional Consultancy costs	8.4
Savings in External audit	(10.0)
Additional Internal Audit Work	5.6
Further recruitment costs	16.0
Other	3.0
Previous Forecast (Q2)	**1,870.0**
Further saving in Member costs	(30.0)
Legal fee revision of forecast spend downwards	(120.0)
ICV savings - renegotiated rates	10.0
External audit - potential additional costs re pension work	(10.0)
Revised Forecast (Q3)	**1,720.0**

3.2 Our forecast has been reduced by £150k to £1.72 million. It is proposed that this money be transferred to the contingency fund and earmarked for the Authority. This will allow us to cover any additional legal costs if we find ourselves in an arbitration or other legal challenge in 2013/14 once the revised PSA and revised charges have been rolled out.

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 £125.8k.

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

3.5 The external and internal audit costs are in line with the latest estimates from the NAO and Tribal, including an additional allowance for potential work that may arise on the pension's issue.

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

4.1 Appendix B summarises the core PSA debtors.

4.2 As at Quarter 3 there is a total outstanding debt of £16,701k. 91% of the debt is current. The main items over 60 days are Freightliner (£129.8k), which is in line with our agreement reached with them at the time of the JR negotiations and London Underground (£541.4k). However since period 9 end, £523k of the LU balance has now been settled. A further £18k is being investigated by BTP and LU Finance.

4.3 Of the debt outstanding at the end of period 9, £15,373k (92% of debt at the end of the quarter) was cleared by 3 January 2012.

5. Recommendations

5.1 Members are recommended to note the year to date spend and the core PSA debtor position.

5.2 Members are invited to discuss the revised forecast and recommend to the Authority that the £150k expected betterment in budget is transferred to the Contingency reserve at year end.

BTPA 2011/12 Budget Monitoring - Quarter 3

	YEAR TO DATE			2011/12					2010/11	
	Cumulative to Quarter 3 Actual	Cumulative to Quarter 3 Budget	Variance	Revised FY Forecast	Previous FY Forecast	FY Budget	Variance to previous Forecast	FY budget vs. forecast variance	FY Actual	FY Budget
Staff	387,513	407,505	19,992	592,087	592,087	627,459	0	35,372	526,463	654,967
Members	130,408	191,807	61,399	203,758	233,758	294,262	30,000	90,504	240,765	298,161
Total staff costs	**517,921**	**599,312**	**81,391**	**795,845**	**825,845**	**921,721**	**30,000**	**125,876**	**767,228**	**953,128**
Travel and hotel costs	5,124	5,434	310	10,845	10,845	8,322	0	(2,523)	9,016	9,351
Premise and office costs	71,629	82,696	11,067	126,300	126,300	126,881	0	581	128,947	118,938
Telephones	5,444	4,236	(1,208)	7,000	7,000	6,500	0	(500)	7,374	5,513
Independent custody visiting	11,651	25,087	13,436	28,491	38,491	38,491	10,000	10,000	7,911	37,552
Total consultancy	120,085	115,512	(4,574)	185,584	185,584	177,231	0	(8,353)	136,537	42,790
Legal fees	51,425	130,351	78,927	130,000	250,000	200,000	120,000	70,000	369,768	348,629
Appeals	3,870	11,223	7,353	17,220	17,220	17,220	0	0	28,269	16,800
Subscriptions and Publications	19,356	36,712	17,357	56,328	56,328	56,328	0	0	52,001	55,161
General(inc. conferences, catering , vending machines)	9,905	8,945	(960)	14,360	14,360	13,725	0	(635)	4,717	13,111
HMIC Inspections	35,410	32,063	(3,347)	72,000	72,000	49,194	0	(22,806)	72,000	47,470
External audit	0	0	0	120,000	110,000	120,000	(10,000)	0	125,000	120,000
Internal Audit	26,360	0	(26,360)	103,452	103,452	97,812	0	(5,640)	170,801	91,254
Postage, printing and stationery	6,822	10,803	3,981	16,575	16,575	16,575	0	0	8,016	18,191
Recruitment	31,619	19,500	(12,119)	36,000	36,000	20,000	0	(16,000)	4,852	40,000
Total non staff costs	**398,699**	**482,562**	**83,863**	**924,155**	**1,044,155**	**948,279**	**120,000**	**24,124**	**1,125,208**	**964,759**
GRAND TOTAL	**916,621**	**1,081,874**	**165,253**	**1,720,000**	**1,870,000**	**1,870,000**	**150,000**	**150,000**	**1,892,436**	**1,917,887**

BTPA - QUARTER 3 CORE PSA DEBTORS

Customer Name	Outstanding Balance	Current	up to 30 days overdue	31 - 60 days overdue	over 60 days overdue	Comments
Arriva Cross Country	700,240	350,120	350,120			
Arriva Trains Wales	306,145	306,145				
Bombardier Transportation (Uk)	2,775	917	917		941	£941 paid post period end
C2c	172,975	172,975				
Chiltern Railway	128,421	128,421				
Direct Rail Services	3,320	1,660	1,660			
East Midlands Trains	373,301	373,301				
East Coast	420,622	420,622				
Db Schenker Rail (Uk)	59,079	29,540	29,540			
First Greater Western	902,058	902,058				
First Capital Connect	348,723	348,723				
First Scotrail	686,701	686,701				
Freightliner	178,425	16,208	16,208	16,208	129,800	Old debt - in line with agreement to phase payment over three years, £64,700 paid on 30/9/20011, with two final payments due on 31/3/12 and 30/9/12.
Freightliner Heavy Haul	608	304	304			
Grand Central	9,420	3,140	3,140	3,140		
Heathrow Express	44,924	44,924				
Hull Trains Co	13,451	13,451			0	
London & South Eastern Railway	599,996	599,996				
London & Birmingham Railway	790,172	395,086	395,086			
LOROL	147,040	147,040				
London Underground	850,385	720,385			130,000	£523k received; £18.3k still outstanding. BTP pursuing final element
Merseyrail	334,634	334,634				
National Express East Anglia	639,939	639,939				
Network Rail	5,508,901	5,508,901				
DB Regio Tyne & Wear Metro	27,775	27,775				
Northern Rail	973,896	973,896				
Pre Metro Operations	500				500	BTP chasing
Serco Docklands Light Railways	70,341	70,341				
Southern Railway	593,228	593,228				
Stagecoach South Western Trains	696,681	696,681				
Croydon Tramlink	20,640	20,640				
First/Keolis Transpennine	180,841	180,841				
Travel Midland Metro	15,385	15,385				one month outstanding, compared to three in quarter 2
Virgin West Coast Trains	488,454	488,454				
	16,289,994	**15,212,431**	**796,975**	**19,348**	**261,241**	
	100%	93.4%	4.9%	0.1%	1.6%	
Cash received post period end to 3 January 2012	**15,373,438**	**14,049,306**	**780,767**	**19,348**	**524,018**	
	94%	92%	98%	100%	201%	