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Report to: Police Authority
Agenda Item: 5
Date: 12 June 2012
Subject: Finance Group – update
Sponsor: Chair Finance Group
Author: Authority Finance Director
For: Approval

1. Purpose of paper

To report on the outcome and the actions arising from the May 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 end of year spend for 2011/12 for the Authority and the Force and an update on the WAN project. It also details the L Area budget for 2012/13.

3. 2011/12 end of year report

3.1 BTP end of year report

The 2011/12 end of year was presented and is attached at Appendix A. In summary the approved revenue budget outturn was £1.2m underspent against the approved revenue budget of £247.2m.

The final capital spend was £10.6m in 2011/12, £0.6m below the budget of £11.2m and £0.40 below the Period 12 forecast.

The one significant difference to forecast previously scrutinized by the Finance Group at period 9 related to the WAN project which is explained later in this paper.

The surplus of £1,154k reflected savings achieved against the core BTP budget and is in line with the budget strategy for next year which was to deliver an £850k surplus to add to the balance of previously identified savings to meet the 2012/13 projected budget deficit. The balance of the surplus over the £850k was used to strengthen the Contingency Reserve as directed by BTPA.

A provision of £975k was made in the management accounts for the expected costs of the unauthorised pensions. This adjustment was reversed out in the Statutory Financial statements after discussions with the NAO and the Authority Executive.

It was noted that a number of revenue provisions were set up, these were created as a result of in year savings 'transferred' to the centre and release of a provision previously set up for EPS. BTP have therefore earmarked within distributable reserves: £250k for Airwave at Liverpool Street and £848k for the WAN project in 2012/13. It was also noted that as a result of the centralisation of these savings BTP will not need to draw down any of the £3m of savings identified in 2010/11 which have been set aside to support the 2011/12 budget. This existing balance with the additional contribution from this year's Provisional Surplus gives a sufficient balance to meet the 2012/13 projected budget deficit.

Future changes to reporting to the finance group were discussed and future establishment numbers will be presented in future, together with a risk and opportunity schedule.

3.2 **BTPA– end of year report**

BTPA had underspent by £206k against the budget of £1,870k. This was mainly caused by under spends in staff and member salary costs caused by vacancy gaps and savings in legal costs. £200k was subsequently transferred to the Contingency reserve to bring the total provision to £3.3m.

The progress on the core PSA charges was also noted, with 99%of the debt at year end paid by the time of the meeting. It was also noted that all the major core PSA holders had settled at least one of the invoices raised for 2012/13 charges.

4. L Area Budget 2012/13

As directed at the previous meeting an explanation of the increase in L Area budget was presented. The increase of 3.2% was clarified as covering the extra cost of funding the pension recovery plan on the Police Officer scheme, additional overtime to cover the Jubilee and additional events around the Olympics and inflation for non pay costs. The proposed additional activities around ERUs and Medical response units were outlined and it was confirmed that these would be included within the pan London agreement currently being negotiated with TfL.

5. WAN

A detailed paper on the WAN was presented giving objective evidence that assured the group that overall the project would be under spent and the cost of extended parallel running would give rise to an overspend. The over spend arising from the parallel running was caused by the delay in rolling out the project and Global Crossing increasing their costs when they were not awarded the WAN contract. Further work has been requested from BTP compare to set out the original business case with the revised forecast, excluding parallel running cost and also to include a comparison of budgeted and forecast NPV and project savings. It was agreed that this would be presented to the July finance group.

6. Other Matters Discussed

6.1 **Contingency Reserve -** A paper was presented proposing a method for assessing the financial impact of the strategic risks presented. It was agreed as a sensible approach and more importantly the range of outcomes presented were sufficiently covered by the current Contingency Reserve. It was agreed that this work would be refreshed each quarter and would be presented through the Finance group on a quarterly basis.

6.2 **Governance Statement – PSA and EPSA** – this noted by the Group after minor changes had been made to the process.

7. Agenda for the next meeting

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

- Quarterly Reporting – Q1 2-12/13 for BTP and BTPA
- Financial impact of the BTP WAN project
- Annual Report - EPSAs.
- Future Cost Model of BTP and linkage between resources employed to performance and output
- Estates Strategy

8. Recommendations

Members are asked to note the report arising from Finance group: