

## Notes of the Meeting

### Finance Group

Wednesday 17 October 2012, 14:00 – 16:00

at the Forum

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#### Present:

Mr Jeroen Weimar (Chair)

Mr David Franks

Mrs Wendy Towers

#### In attendance:

Mrs Liz Pike, Finance Director (BTPA)

Mr Andrew Figgures, Chief Executive (BTPA)

T/ACC Mark Newton (BTP)

Mr Simon Hart, Head of Finance (BTP)

Ms Vicky Tanner, PSA Manager (BTPA)

#### Apologies:

Mr Anton Valk

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#### 41/2012 Welcome

Non-Agenda

#### 42/2012 Minutes of Meeting: 22 May 2012

Agenda Item 1

The minutes from the previous meeting were agreed.

#### 43/2012 Matters Arising

Agenda Item 2

Item 3 (22/2012 BTPA Revenue & Capital Programme – Budgeted Establishment) – BTP presented some information to the group setting out what the current budgeted establishment profile would look like up to the end of 2014/15. Discussion took place in relation to understanding the methodology used and it was noted that this is currently an area that BTP are looking to improve. BTP are aiming to

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recruit closer to the budgeted establishment figure but these plans are not yet in place.

The vacancy gap for police officers is rarely more than 50 at any one time. Therefore because of this gap and the current centralised cost savings, money has been identified to fund additional officers in other locations within the existing overall headcount budget. The current plan is to recruit an additional 20 police officers to be located in Maidstone. Better workforce planning will form part of the BTP People Strategy in the future. The members questioned whether or not the budgeted establishment was too high if BTP had experienced this number of vacancies for some time and that it was projected to 2014/15. It was explained that the information presented did not include temporary staff or Special Constables and the profile presented was what the current position would be if BTP did not proactively manage its workforce planning. The profile will now form part of the regular quarterly update report from BTP.

Item 4 (33/2012 VfM) – Andrew Figgures updated the group on progress. The first stage of this has been completed in relation to providing a more granular description of the budget, with the second stage being able to link at a high level the strategic objectives with the budget. A detailed schedule on how the detailed budget should be presented had already been shared with Mark Newton.

Item 6 (36/2012 Annual EPSA Report - Secondments) – The paper provided the group with an overview of the number of police officers and police staff that were currently on secondment. From the information provided assurance was given to the group that if the individuals on secondment came back into BTP they could be absorbed back into the workforce with no risk to budgets because of the current vacancy gap.

Item 7 (36/2012 Annual EPSA Report – Franchise changes) – Liz Pike updated the group with the current position. The issue has been raised with the DfT with a request that EPSA's become a key contract when there are franchise changes which would automatically transfer to the new franchisee. Currently, the EPSAs are submitted to the DfT Data site and to date, new franchise holders have taken on existing EPSA arrangements.

Item 8 (36/2012 Annual EPSA Report – Income opportunities) – BTP are setting up a new unit to maximise future income opportunities. The new unit will support both local and Area activity. The intention is that it will have a more strategic overview and share best practice. The new unit will be funded from existing budgets. Additional assistance may be required in relation to identifying the best intervention points and increasing the understanding of the bidding

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process as a whole. David Franks offered further assistance in this area to BTP should it be required.

Item 10 (40/2012 NewCo) - Mark Newton updated the group on the current situation with NewCo stating that there is a potential risk to BTP in relation to the costs of specific national systems such as PNC and PND. Currently BTP are charged at below the market rate for these systems, and this could become a financial risk for 2013/2014. Once the Head of NewCo is in place, BTP will make contact to assess its impact.

The remaining items on the action log are covered elsewhere on the agenda.

**44/2012 BTP Quarter 2 Report 2012/13**

## Agenda Item 3

BTP provided the group with an overview of their current financial position. BTP are currently forecasting a full year under spend of £98k, after the funding for the additional 20 officers for Maidstone has been taken into account. Spend against the capital budget has been reduced through savings in Fleet and Estates.

BTP are currently 3.6% below their overall establishment as at the end of period 6. The Chair asked whether BTP's aspiration of recruiting up to their budgeted establishment in preparation for the Olympics occurred. BTP stated that this was not achieved as envisaged. On current assumptions, BTP are expecting that they will be 0.5% below budgeted establishment at the end of the year.

BTP will re-circulate the cashflow to the Authority as there was a material error in the version that was circulated with the meeting papers. Capital expenditure should also be detailed within the cashflow.

BTP have centralised savings that have been taken from budget holders within the Areas and FHQ departments. £700k of these savings will be used to partly fund the additional 20 officers for Maidstone. The members asked what the decision making process was in relation to deciding that additional resources were required in Maidstone. BTP explained that the Territorial Policing and Crime portfolio were asked where additional officers were required. Territorial Policing and Crime portfolio have produced a list of 19 locations where additional officers could be of benefit to BTP and Maidstone was the top of the list. These posts will be recruited either by internal transfers within BTP or from transfers from Home Office forces. BTP informed the group that this would be a new police

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station location for BTP and that Network Rail has offered BTP the use of premises free of charge.

By centralising the money at FHQ, it will result in the money being utilised more effectively rather than being left in individual budgets.

The members queried whether by moving the savings out of individual budgets that it effectively reduced the budget holder's ability to recruit up to their establishment. BTP explained that they had centralised the budget and not changed the establishment, and the majority of the money had come from FHQ budgets. The additional officers in Maidstone are being funded for 3 months in 2012/12 from the savings and for the remaining 9 months in 2013/14 from reserves on the balance sheet.

Andrew Figgures queried whether there was an audit trail of the decision making process in relation to the additional officers at Maidstone, as he was unable to recall any issues being raised by BTP concerning performance or activity in Maidstone. BTP were able to provide assurance to the group that this could be evidenced.

Liz Pike updated the group that once the charges for 2013/14 have been run, that the Authority will be circulating the budgeted establishment figures to the PSA holders as part of the new PSA requirement. It would be important to understand this movement of resources and its implications on the charging model.

BTP updated the group that at the end of period 6 the police staff overtime budget had exceeded the 5% tolerance level and this is being analysed further.

The Authority and BTP are yet to receive formal confirmation from DfT that they will fund the additional £800k that could be required as a result of Winsor Part 2 effect on the Olympic deployment. Indications are that the amount will be lower but that the DfT have agreed to fund the higher amount.

The reduction in capital expenditure spend of £1.1 million was presented. This arose as a result of savings within Fleet and Estates. It was the first time that the group had seen this proposed reduction in capital expenditure in 2012/13. Some depreciation savings would result from this reduced capital expenditure.

**Actions**

- BTP to re-issue the Q2 cashflow and to separate capital expenditure

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## **45/2012 BTPA Quarter 2 Report 2012/13**

### Agenda item 4

A gross income and cost statement was presented for BTP and BTPA, including L Area. It was proposed that this schedule would be presented each quarter and showed a forecast gross revenue budget of £295 million.

The Authority Finance Director provided the group with an overview of the current financial position for the Authority. Currently the Authority is showing an under-spend on a number of different areas including staff and member salaries and an over spend in relation to legal costs. This can be attributed to recent employee disputes.

The members asked if there was a possibility of having a contract with the Authorities legal suppliers to try to manage and reduce these legal costs. It was confirmed that at present the Authority pay for each engagement on an hourly rate. The Procurement team are looking at the possibility of reducing the hourly rates that the Authority currently get charged. The Authority Finance Director clarified that the spend on legal services related to advice on PSAs, unauthorised pensions and employee disputes. The NAO have also invoiced for an addition £20k for last year and are intending to increase their fee for 2012/13 to £120k.

The forecast was presented which incorporates this additional NAO spend and after taking into consideration savings in staff related costs, the forecast was expected to be in line with the overall budget of £1.9 million.

The core PSA debtors were presented with current debt representing 89% of total debt. 95% of total debt at period 6 was cleared by 9 October. All JR debt has now been received and two out-standing payments from Pre-Metro Operations and North Yorkshire Moors were also received.

## **46/2012 Pensions**

### Agenda Item 5

The Authority Finance Director updated the group on the current situation regarding auto-enrolment and the Hutton report. A pensions sub-group meeting is scheduled for 13 November where these issues will be discussed. A full valuation of the Police Officer pensions scheme is due at 31 December 2012. The deficit at the end of June is around £110m and if the asset values do not materially improve by the end of December, a recovery plan will be required.

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The recommendations in the Hutton report will be costed and presented to the pensions sub group for discussion. The potential financial impact of auto enrolment will need to be provided from May 2013 onwards and the impact of any recovery plan will not be required until, at the earliest 1 April 2014.

In relation to auto-enrolment, the provisional figures that BTP have provided are that 141 officers and 235 police staff are not members of the respective pension schemes. If a decision is taken that these employees are auto enrolled into the existing scheme, it would increase employers' costs considerably. The pensions sub-group will review the options available, such as the RPMI off the shelf defined contribution scheme or NEST. Auto-enrolment must be in place for BTP by May 2013.

The Chair requested that the Authority FD update the next finance group meeting on the discussions at the next Pensions sub Group, particularly in respect of the impact on the budget for 2013/14.

**Actions**

- Authority FD to report back to the Finance group on the options available and likely costs.

**47/2012 WAN - Lessons Learnt**

## Agenda Item 6

As requested by the Finance group in July, BTP presented a lessons learnt paper in relation to the WAN project. The review was carried out by the BTP's Portfolio Management Office (PMO). BTP were able to confirm that the paper had been presented and discussed to SCT on 25 September. Section 4 of the paper sets out the findings and associated action plan to resolve the issues that had been found. A number of the actions have already been completed, with the last action due for completion by February 2013. Progress against the actions will be monitored by the Service Improvement Board.

Following a lengthy discussion, it was agreed by the group that the Audit Committee has responsibility concerning the control issues within the project. It was confirmed that the financial impact of the project had already been included in the current year forecast and the MTFP. It was recommended by the Chair and agreed by the members that this report would be forwarded to the Audit Committee for review.

**Actions**

- The lessons learnt report on the WAN will be presented to the December Audit Committee, who would monitor the action plans.

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**48/2012 Contingency Reserve**

Agenda Item 7

The Authority Finance Director presented the paper to the group, highlighting the fact that it now included a mid-point in relation to assigning value to each of the risks. This is presented to the group quarterly following the presentation of the strategic risk registers to the preceding Audit Committee. It was noted that the Reserve of £3.3million was well within the financial range of the risks of £1.7 million to £4.7 million.

A discussion was held as to whether the Authority and BTP should invest an amount of money equal to the value of the Contingency Reserve into a separate bank account with its current provider RBS. Any investment would need to adhere to the principles set out in Managing Public Money.

BTP confirmed that at present BTP held approximately £45k with the Government Banking Service as BTP are required to hold an account with the service, although the head of finance was concerned about holding more with them as from previous experience the service they provide is not acceptable.

Following the discussion the members agreed that BTP would not invest the Contingency reserve separately as it would yield very little income. This decision would need to be revisited if interest yields increased.

**49/2012 Any Other Business**

Agenda Item 8

None.

Date of next meeting: 29 November 2012

Signed.....

Chairman