

Report to: Finance Group
Agenda item: 4
Date: 17 January 2013
Subject: BTPA 2012/13 Quarter 3
Sponsor: Authority Finance Director
For: Discussion and Noting

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1. Purpose of paper

- 1.1 This paper details the summary financial position at the end of quarter 3 (period 9) and sets out the full year forecast spend for 2012/13 for the Authority. This information has also been included for the combined BTP Fund which shows the overall gross income and costs. It also presents information on the core PSA debtors as at the end of period 9

2. BTP/ A Summary Financial Position Quarter 3 2012/13

- 2.1 Appendix A summarises the total gross income and the total costs for both BTP and the Authority. The phasing of the income budget is in line with the invoicing, i.e. thirteen equal amounts invoiced over the financial year. The year to date budgeted and actual surplus of £20.3 million and £19.3million reflects the phasing of the spend in the final period of the year, when all the depreciation costs are charged together with an additional accrual for payroll costs for the final two weeks of the year.
- 2.2 The overall favourable variance on the surplus year to date is £948k, made up of £167k for the Authority and £781k for the force. The current forecast shows a £136k surplus, all of which is attributable to BTP.

3. BTPA Financial Position Quarter 3 2012/13

- 3.1 At the end of quarter 3 against a budget of £1,169.5k, the Authority has incurred expenditure of £1,002.1k, an under spend of £167.4k. The detailed analysis of spend is detailed in appendix B.

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

	£000
Budget 2012/13 to period 9	1,169.5
Underspend on staff salaries (inc temp staff)	(46.2)
Under spend on member salaries	(30.1)
Underspend on Travel and hotel costs (inc expenses)	(14.4)
Overspend on legal fees	19.2
Net under spend on HMIC timing only	(47.1)
Under spend on consultancy / pensions advice	(18.8)
Under spend on recruitment	(22.0)
Other net under spends	(8.0)
2012/13 Actual to period 9	1,002.1

3.3 **Staff and Member costs** are underspent by £76.3k up to period 9. Member salaries are under spent because the budget assumes that we would have 14 charging members from 1 April 2013 and as at period 9 we have 13 charging members. Staff costs are underspent because the temporary member of staff who runs the charging model was not been employed by us from June to August. In addition to this the PSA manager is working part time against a full time equivalent budget and an administration role was also made redundant in August.

3.4 **Non staff costs** are also underspent, by £81.1k at the end of the first quarter. The only major overspend year to date is in legal costs, which is overspent by £19.2k. It is expected that the majority of this overspend can be absorbed within the overall total budget in 2012/13. The analysis of legal spend is summarised in the table below:

<u>SUPPLIER</u>	<u>DETAIL OF ADVICE</u>	<u>£k</u>
Simons Muirhead	Employment contract advice	70.3
Burges Salmon	Unauthorised pensions advice	35.1
Weightmans	Advice on PSAs	23.6
Other	Scottish and Regs advice	13.6
Total		142.6
Budget		123.4

Overspend		19.2
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- 3.5 The major under spend is on **HMIC is** caused by incorrect phasing of the budget, which will all reverse by the year end.
- 3.6 No major **recruitment** charges have been incurred during the year, leading to a favourable variance of £22.0k

4. BTPA Financial Forecast 2012/13

- 4.1 At this stage there are **no material risks** to delivering the BTPA costs within the total budget of £1.87 million unless there is a legal challenge to the PSA which will become effective 1 April 2013 or the employee professional standard legal advice continues apace. Although with less than three months remaining in the financial year, this becomes increasingly unlikely. The risk of a material over spend will, however, remain for 2013/14.
- 4.2 A full reforecast has been completed and the overall cost is expected to remain in line with budget, although there are some over spends expected, which will be offset by identified under spends. The major movements are outlined highlighted in Appendix B but are set out below with additional commentary,

	£000
Budget 2012/13	1,871.9
Underspend on staff salaries (inc temp staff)	(38.9)
Under spend on member salaries	(21.6)
Underspend on Travel and hotel costs (inc expenses)	(11.0)
Underspend on recruitment	(25.0)
Over spend on Consultancy re Strategy advice	25.0
Overspend on legal fees	27.0
Additional 2011/12 NAO fees (£20k) and estimate of additional fees in 2012/12	40.0
Additional contingency days for Internal audit (20 days)	10.0
Other net under spends	(5.5)
2012/13 Forecast as at period 9	1,871.9

5. Core PSA Debtors position at 2012/13 Q3 end

- 5.1 Appendix C summarises the core PSA debtors.
- 5.2 As at quarter 3 there is a total outstanding debt of 16,750k. 91% of the debt is current. There are no items more than 30 days overdue.
- 5.3 As at 7 January 92.0% of quarter 3 debtors have now been paid, in line with quarter two debt clearance.

6. Recommendations

- 6.1 That Members note the gross year to date revenue and expenditure for BTP and the Authority; the full year forecast for the Authority and the core PSA debtor position.

GROSS BTP/A BUDGET AND FORECAST AS AT PERIOD 9 2012/13

		Period 9 YTD Actual	Period 9 YTD Budget	Period 9 YTD Variance	Full Year Forecast	Full Year Budget as presented in P9 report	Full Year Variance	Full Year Original Budget
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
TOTAL GROSS REVENUE								
Core PSA holders	#	130,303	130,303	-	188,216	188,216	-	188,216
<i>(ex L U contribution included below)</i>								
L Area contribution to overheads core	#	3,624	3,624	-	5,235	5,235	-	5,235
Grant in Aid – DfT irrecoverable gap	#	3,730	3,730	-	5,388	5,388	-	5,388
Core PSA Charge		137,658	137,658	-	198,839	198,839	-	198,839
Provision release		0	0	-	1,738	3,338	(1,600)	3,338
BTP/A Budget gross of £3.338k PSA Smoothing provision		137,658	137,658	-	200,577	202,177	(1,600)	202,177
L Area contribution to overheads non core	#	2,859	2,859	-	4,130	4,130	-	4,130
L Area core PSA	#	35,913	35,913	-	51,875	51,875	-	51,875
Enhanced PSA holders		12,727	12,783	(56)	19,418	19,492	(74)	18,950
Other income inc Olympics		9,880	9,648	232	13,922	13,750	172	9,598
Grants – Cable theft funding		1,592	1,592	0	4,309	4,309	-	305
TOTAL GROSS REVENUE		200,629	200,453	176	294,231	295,733	(1,502)	287,035
TOTAL GROSS COSTS								
Gross costs as reported by BTPA		176,485	177,090	605	287,095	287,434	339	268,252
BTPA		1,002	1,169	167	1,870	1,870	-	1,870
London Underground – extra		2,859	2,859	0	4,130	4,130	-	4,130
Front Line Initiative		0	0	0	1,000	700	(300)	12,783
TOTAL GROSS COSTS		180,346	181,119	772	294,095	294,134	39	287,035
Savings identified in year		-	-	-	-	(1,600)	1,600	-
Actual Surplus / (Deficit)		20,283	19,335	948	136	(1)	137	-

income accrues evenly over 13 periods

Note only : Gross Income reconciliation to PSA Charges

	£'000
Gross Income	295,733
Less EPSA Income	(19,492)
Less other income inc Olympic funding	(13,750)
Less Cable theft revenue	(4,309)
Less L Area income (core)	(51,875)
Less L Area additional overhead funding netted off in budget	(4,130)
BTP/A Budget gross of £3,338k provision release	202,177
BTPA Budget	1,870
BTP Budget gross of £3,338k provision release	200,307
As above	202,177
Less provision release	(3,338)
Core PSA Charges	198,839

BTPA 2012/13 Budget Monitoring - Quarter 3

	YTD Quarter 3 2012/13			2012/13					2011/12	
	Actual YTD £	Budget YTD £	Variance YTD £	Q2 Forecast £	Revisions to Q2 Forecast	Q3 Forecast	FY Budget £	FY budget vs. forecast variance £	FY Actual £	FY Budget £
Staff Salaries	391,417	422,070	30,653	619,527	-	619,527	649,400	29,873	580,440	610,604
Temporary Staff	20,592	36,092	15,500	46,352	-	46,352	55,352	9,000	56,880	52,800
Members Salaries	146,831	176,970	30,139	249,035	-	249,035	270,660	21,625	209,131	298,693
TOTAL STAFF COSTS	558,840	635,132	76,292	914,914	-	914,914	975,412	60,498	846,451	962,097
Travel and hotel costs (inc Expenses)	9,961	24,356	14,395	31,750	(5,500)	26,250	37,250	11,000	16,829	31,902
Premise and office costs	90,114	88,548	(1,566)	134,621	5,000	139,621	135,426	(4,195)	118,579	126,881
Communications (inc equipment purchases)	20,517	22,465	1,948	34,358	2,985	37,343	30,650	(6,693)	29,416	36,800
Subscriptions and Publicity	32,603	32,269	(334)	53,655	(7,385)	46,270	50,000	3,730	32,761	56,328
Appeals	2,500	11,442	8,942	10,000	-	10,000	17,500	7,500	13,222	17,220
Independent custody visiting	15,165	21,250	6,085	27,500	(5,000)	22,500	32,500	10,000	27,876	38,491
Total consultancy	36,748	55,577	18,829	85,000	25,000	110,000	85,000	(25,000)	104,899	100,000
Legal fees	142,608	123,413	(19,195)	206,500	9,250	215,750	188,750	(27,000)	96,927	200,000
External audit	20,000	11,538	(8,462)	140,000	-	140,000	100,000	(40,000)	110,000	120,000
HMIC Inspections	-	47,077	47,077	77,000	5,000	82,000	72,000	(10,000)	54,000	49,194
Internal Audit	66,708	62,769	(3,939)	106,000	-	106,000	96,000	(10,000)	169,840	97,812
Recruitment and training	2,360	24,372	22,012	37,275	(25,000)	12,275	37,275	25,000	42,795	33,274
Other	3,930	9,258	5,328	13,350	(4,350)	9,000	14,160	5,160		
Transfer to contingency	-	-	-	-	-	-	-	-	200,000	-
TOTAL NON STAFF COSTS	443,214	534,334	91,120	957,009	0	957,009	896,511	(60,498)	1,017,145	907,903
TOTAL BTPA COSTS	1,002,054	1,169,466	167,412	1,871,922	0	1,871,922	1,871,922	0	1,863,596	1,870,000