

**Report to:** Finance Committee  
**Agenda item:** 4  
**Date:** 31 May 2013  
**Subject:** BTPA Year End 2012/13  
**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 2012/13 and sets out the actual 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 13

## 2. BTP/ A Summary Financial Position Quarter 4 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 end surplus of £180k is as reported by BTP in their financial summary for the year. Additionally it is worth noting that the L Area budget has been under spent by £390k which will be returned to London Underground. In addition to this the following amounts have been set aside for use in future years. These are as follows:

	£m
Unauthorised pension penalties to 15/16 (£217k paid in 12/13)	0.7
HR Restructure	0.3
Force Restructure	0.6
Metal Theft	1.0
PSA Smoothing	2.1
Contingency Reserve (increased by £0.3m)	3.6

2.2 The overall favourable variance on the surplus year to date is £201k, made up of £21k for the Authority and £180k for the force. This has been transferred to the Contingency reserve which has been increased to £3.6m.

### 3. BTPA Financial Position Quarter 4 2012/13

3.1 At the end of quarter 4 against a budget of £1,872k, the Authority has incurred expenditure of £1,851k, an under spend of £21k, which as noted above has been transferred to the Contingency Reserve. The detailed analysis of spend is detailed in appendix B.

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

		<b>£000</b>
<b>Budget 2012/13</b>		<b>1,871.9</b>
Underspend on staff salaries (inc temp staff)	(61.8)	
Under spend on member salaries	(24.4)	
<b>Net underspend on staff costs</b>		<b>(86.2)</b>
Overspend on legal fees	44.8	
Overspend on Consultancy / Pensions advice	42.0	
Overspend on External Audit	45.0	
Overspend on Internal Audit	14.8	
Net underspend on ICV / Appeals	(20.9)	
Net under spend on HMIC	(22.0)	
Under spend on recruitment	(11.1)	
Underspend on travel and hotel costs (inc expenses)	(21.3)	
Other net under spends	(5.6)	
<b>Net overspend on non staff costs</b>		<b>65.7</b>
<b>2012/13 Actual (before transfer to Contingency)</b>		<b>1,851.4</b>

3.3 **Staff and Member costs** are underspent by £86.2k in the full year. Member salaries are under spent because the budget assumes that we would have 14 charging members from 1 April 2013 and as at the year end we have 12 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 overspent, by £65.7k at the end of the year. The major overspends are in consultancy, including pensions advice; legal costs; external audit and internal audit.

3.5 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	70.8
Burges Salmon / Roffe Swayne	Unauthorised pensions advice	74.3
Weightmans	Advice on PSAs	39.9
Biggart Bailey	Scottish and Regs advice	35.8
Other		12.8
<b>Total</b>		<b>233.6</b>
<b>Budget</b>		<b>188.8</b>
<b>Overspend</b>		<b>44.8</b>

The total year spend on legal costs is over spent because of unanticipated employment contract advice and the legal costs around the unauthorised pensions. Whereas advice around PSAs was much lower than envisaged.

3.6 The analysis of consultancy advice is as follows:

<u>SUPPLIER</u>	<u>DETAIL OF ADVICE</u>	<u>£k</u>
Punter Southall	Pensions advice	105.2
Fairbanks Weston	Advice on Strategy	16.2
Other	Charging	5.6
<b>Total</b>		<b>127.0</b>
<b>Budget</b>		<b>85.0</b>
<b>Overspend</b>		<b>42.0</b>

Pension advice has been £45k than the original budget. This has arisen because of advice on the unauthorised pensions and advice given on the future structure of the police officer pension scheme after the implications of Hutton were considered, including the useful presentation to the Authority in January 2013.

3.7 The over spend on external audit is caused by two issues, the over spend from 2011/12 audit and an uplift in the 2012/13 charge from £100k to £125k. Internal audit fees were greater than budgeted because of 22 days of additional work on the code of governance; financial scheme of delegation and the additional report requested by the Audit Committee on investigating the costs of the WAN project.

3.8 Under spends in recruitment, independent custody visits, appeals, HMIC inspections and travel partly offset the additional professional fees incurred.

3.9 As agreed previously by the Authority, the net underspend of £20.5k has been transferred to the contingency reserve.

#### **4. Core PSA Debtors position at 2012/13 Q4 end**

- 4.1 Appendix C summarises the core PSA debtors.
- 4.2 As at year end there is a total outstanding debt of 10,608k. 96% of the debt is current. There are no items more than 30 days overdue.
- 4.3 As at 20 May all of the year end debtors, except DLR have been cleared.
- 4.4 Appendix C also shows how the quarter end aged debtors listing have improved over the last year.
- 4.5 With the new direct debit payment terms for all TOCs and Network Rail, this will reduce considerably in 2013/14

#### **5. Recommendations**

- 5.1 That Members note the gross year end revenue and expenditure for BTP and the Authority and the improved core PSA debtor position.

**GROSS BUDGET AND FORECAST AS AT YEAR END 2012/13**

		Full Year Actual £'000	Full Year Budget as presented in P13 report £'000	Full Year Variance £'000	Full Year Original Budget £'000
<b>TOTAL GROSS REVENUE</b>					
Core PSA holders <i>(ex L U contribution included below)</i>	#	188,216	188,216	-	188,216
L Area contribution to overheads core	#	5,235	5,235	-	5,235
Grant in Aid – DfT irrecoverable gap	#	5,388	5,388	-	5,388
<b>Core PSA Charge</b>		<b>198,839</b>	<b>198,839</b>	-	<b>198,839</b>
Provision release		1,738	3,338	(1,600)	3,338
<b>BTP/A Budget gross of £3.338k PSA Smoothing provision</b>		<b>200,577</b>	<b>202,177</b>	<b>(1,600)</b>	<b>202,177</b>
L Area contribution to overheads non core	#	4,130	4,130	-	4,130
L Area core PSA	#	51,485	51,875	(390)	51,875
Enhanced PSA holders		19,380	19,484	(104)	18,950
Other income inc Olympics		12,523	12,422	101	9,598
Release of Balance Sheet Provisions		1,044	1,044	-	-
Grants – Cable theft funding		4,123	4,123	-	305
<b>TOTAL GROSS REVENUE</b>		<b>293,262</b>	<b>295,255</b>	<b>(1,993)</b>	<b>287,035</b>
<b>TOTAL GROSS COSTS</b>					
Gross costs as reported by BTPA		286,082	286,955	873	281,035
BTPA		1,870	1,870	-	1,870
London Underground – extra		4,130	4,130	-	4,130
Front Line Initiative		1,000	700	(300)	-
<b>TOTAL GROSS COSTS</b>		<b>293,082</b>	<b>293,655</b>	<b>573</b>	<b>287,035</b>
Savings identified in year		-	(1,600)	1,600	-
<b>Actual Surplus / (Deficit)</b>		<b>180</b>	<b>0</b>	<b>180</b>	<b>-</b>

# income accrues evenly over 13 periods

**Note only : Gross Income reconciliation to PSA Charges**

	£000
<b>Gross Income</b>	<b>295,255</b>
<b>Less EPSA Income</b>	<b>(19,484)</b>
Less other income inc Olympic funding	(12,422)
Less Cable theft revenue	(4,123)
Less L Area income (core)	(51,875)
Less Balance Sheet Provision release	(1,044)
Less L Area additional overhead funding netted off in budget	(4,130)
<b>BTP/A Budget gross of £3,338k provision release</b>	<b>202,177</b>
<b>BTPA Budget</b>	<b>1,870</b>
<b>BTP Budget gross of £3,338k provision release</b>	<b>200,307</b>
<b>As above</b>	<b>202,177</b>
<b>Less provision release</b>	<b>(3,338)</b>
<b>Core PSA Charges</b>	<b>198,839</b>

## BTPA 2012/13 Budget Monitoring - Year End

	2012/13					2011/12	
	Q3 Forecast £	Change in actual spend £	Q4 Actuals Forecast £	FY Budget £	FY budget vs. Actual variance £	FY Actual £	FY Budget £
Staff Salaries	619,527	(22,814)	596,713	649,400	52,687	580,440	610,604
Temporary Staff	46,352	(152)	46,200	55,352	9,152	56,880	52,800
Members Salaries	249,035	(2,747)	246,288	270,660	24,372	209,131	298,693
<b>TOTAL STAFF COSTS</b>	<b>914,914</b>	<b>(25,713)</b>	<b>889,201</b>	<b>975,412</b>	<b>86,211</b>	<b>846,451</b>	<b>962,097</b>
Travel and hotel costs (inc Expenses)	26,250	(10,291)	15,959	37,250	21,291	16,829	31,902
Premise and office costs	139,621	2,051	141,672	135,426	(6,246)	118,579	126,881
Communications (inc equipment purchases)	37,342	(11,804)	25,538	30,650	5,112	29,416	36,800
Subscriptions and Publicity	46,270	3,798	50,068	50,000	(68)	32,761	56,328
Appeals	10,000	(494)	9,506	17,500	7,994	13,222	17,220
Independent custody visiting	22,500	(2,931)	19,569	32,500	12,931	27,876	38,491
Total consultancy	110,000	16,984	126,984	85,000	(41,984)	104,899	100,000
Legal fees	215,750	17,820	233,570	188,750	(44,820)	96,927	200,000
External audit	140,000	5,000	145,000	100,000	(45,000)	110,000	120,000
HMIC Inspections	82,000	(32,000)	50,000	72,000	22,000	54,000	49,194
Internal Audit	106,000	4,810	110,810	96,000	(14,810)	169,840	97,812
Recruitment and training	12,275	13,888	26,163	37,275	11,112	42,795	33,274
Other	9,000	(1,635)	7,365	14,160	6,795	-	-
Transfer to contingency	-	20,517	20,517	-	(20,517)	200,000	-
<b>TOTAL NON STAFF COSTS</b>	<b>957,008</b>	<b>25,713</b>	<b>982,721</b>	<b>896,511</b>	<b>(86,210)</b>	<b>1,017,145</b>	<b>907,903</b>
<b>TOTAL BTPA COSTS</b>	<b>1,871,922</b>	<b>0</b>	<b>1,871,922</b>	<b>1,871,922</b>	<b>0</b>	<b>1,863,596</b>	<b>1,870,000</b>