

Report to: Finance Group
Agenda: 5
Date: 29 November 2012
Subject: Governance – Charges to PSA Holders
Sponsor: Authority Finance Director
Author: PSA Manager
For: Approval

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1. Purpose of paper

- 1.1 To provide the group with the opportunity to comment and review the updated Governance Statement for calculating charges to both PSA and EPSA holders and to approve the circulation of the statement to all relevant parties within BTP and publication on the website from April 2013.

2. Background

- 2.1 The governance statement has been in existence since the consequences of the judicial review project in 2009. It has been reviewed annually and updated when necessary. The purpose of the statement is to provide an update of the governance arrangements to be in place in connection with both PSA and EPSA charges for charges in 2013/14 and thereafter. With the introduction of the new PSA from 1 April 2013, a number of the processes will not be required (e.g. fixed proportion contracts and the irrecoverable gap) and the Governance has therefore been amended.

3. Governance Statement

- 3.1 The updated version of the statement can be found in Appendix A, and it cover the process of calculating the charges for Core PSA holders, EPSA contracts, billing and the arrangements around mid-year changes, including data room submissions.
- 3.2 The changes made are summarised below:
 - The removal of references to charges being calculated using fixed proportion methodology.
 - Including reference to the calculation of charges for Transport for London (TfL).
 - The removal of references to the irrecoverable gap.

- The additional reference to the calculation of charges for Freight operator using the Matrix Model.

4. BTPA Model update for 2013/2014

4.1 The Authority Executive has started the process of collecting and processing the data items for the 2013/2014 model run. Fortnightly meetings on the issues are being held by the Finance team in the Authority. This has included reviewing and assessing current issues that will impact on the calculation of the charges. The issues being reviewed are:

- Up-lifting the Network Rail 2007 Footfall data by calculating the percentage increase over the same time period of station usage data. This is being assessed because the Network Rail footfall data is over 5 years old. If this process is deemed successful, it can be implemented and adopted when station change ownership between an operator and Network Rail. The reason for change is to better reflect the current footfall data despite it not being readily available each year.
- The identification and exclusion of the Olympic Home Office Mutual Aid Officers duty state information, as this activity has been funded from DfT.
- The impact on the centrally funded officers working in Maidstone / Scotland.

5. 5. Diversity issues

5.1 None in relation to this.

6. Recommendations

- 6.1 The Finance Group to approve the revisions to the Governance statement and agree the onward circulation to BTP.
- 6.2 The Finance Group note the progress to date on the 2013/2014 charging model.

GOVERNANCE STATEMENT CHARGES TO PSA HOLDERS

This Statement sets out and formalises the governance arrangements that apply to the calculation and allocation of costs to PSA holders, both for the statutory policing function and the enhanced police services.

STATUTORY POLICING - covered by the Standard Police Service Agreement and is covered under section 1 and 2. Enhanced PSA's are covered under section 3. These protocols apply to the assessment of charges to be paid by PSA holders whose charges are assessed under the new charging model.

1a. Matrix Model Charges

The Matrix Model will be used to calculate the charges for all operators who have signed the 2013 PSA. With reference to freight operators who have signed, their charges will be calculated using the Matrix Model but based on crime data only.

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1a. Collect BTP data (staff data, crime data and Command & Control data). The data is produced for a calendar year and is available in January each year. Carry out verification of the data. Apply to the model.	Charging Manager	Head of Strategic Development Department	n/a
1b. Collect Industry data for previous fiscal year for Long Term recharges and TOC to TOC charges from the PSA holders. Carry out verification of the data.	Charging Manager	Authority FD	n/a
1c. Collect publicly available data for footfall, timetabled train kilometres from The ORR Website and the Network Rail website. Arrange for Delta Rail to submit Station Usage data. Carry out verification of the data. Apply to the model.	Charging Manager	Authority FD	n/a
1d. Collect BTP budget including financial	Charging Manager	Authority FD	n/a

breakdown by FHQ Portfolio and Area from the Head of Finance.			
2. Produce first run of the outputs	Charging Manager	Authority FD	n/a
3. Apply outputs to the budget figure	Charging Manager	Authority FD	n/a
4. Agree the schedule of charges per PSA holder with charge, budgetary increase and full explanation of any difference.	Authority FD	Chief Executive	Authority
5. Once authorised - include charges as advised under section 2 (overall summary of core PSA charges)	PSA Manager	Authority FD	n/a
6. Issue charging letters to Matrix Model PSA holders explaining any significant difference as appropriate.	PSA Manager	n/a	Authority FD
7. Review the explanation of the way in which the Matrix Model calculated the current year charges and it necessary update.	PSA Manager	n/a	Authority FD

1b. Transport for London (TfL) / London Underground Charges

TfL / London Underground charges are determined through negotiation. The effect of this negotiation must be considered in relation to the charges to the other PSA holders.

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1. Negotiate the amount to be charged to Transport for London (TfL) for recovery of central overheads in advance of budget setting in agreement with the Authority FD.	Head of Finance	Authority FD	Chief Executive

2. Approve the cash amount, reconciling against approved budget and confirming proportion to be charged to TfL and quantify effect on other PSA holders (if any).	Authority FD	Chief Executive	Authority
3. Once authorised - include charges as advised under section 2 (overall summary of core PSA charges)	Authority FD	n/a	n/a

1.c Small PSA holders

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1. Increase / decrease the annual charges from the previous year by the overall budgetary increase / decrease to the core budget.	Charging Manager	Authority FD	n/a
2. Approve the cash amount, reconciling against approved budget and confirming proportion to be charged to small PSA holders and quantify effect on other PSA holders (if any).	Authority FD	Chief Executive	n/a
3. Once authorised - include charges as advised under section 2 (overall summary of core PSA charges)	Authority FD	n/a	n/a
4. Issue charging letters to Small PSA holders.	PSA Manager	Authority FD	n/a

2. Overall Summary of Core PSA Annual Charges

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1. Summarise all agreed schedules of charges for the core PSA holders from: a - Matrix model charges b - TfL / London Underground Charges c - 'Small' PSA holders	Charging Manager	Authority FD	n/a
2. Compare to actual budget and ensure there is no discrepancy.	Charging Manager	Authority FD	n/a
3. Present schedule of charges to the Finance Group for scrutiny.	Authority FD	Chief Executive	N/A
4. Formally agree schedule of charges with the Chief Executive before submission to the Authority.	Authority FD	Chief Executive	n/a
5. Statement to the Authority on all charges to be levied	Authority FD	n/a	Authority

3. Enhanced PSAS

These PSAs cover specific policing activities commissioned and paid for by TOCs and other rail industry partners. The EPSA defines specific resources which are deployed almost exclusively for the purposes specified. The initiatives for EPSAs derive almost exclusively from Area Commanders as a result of discussions locally with TOCs. EPSAs should not include charges for indirect overheads unless the EPSA partner does NOT hold a core PSA with BTPA. If the EPSA holder does hold a core PSA with BTPA then only direct overheads can be charged and these should be specified within the EPSA.

In the event that an EPSA funded post is vacant, BTP should make every effort to fill the post or provide cover from its core policing resources. In accordance with the EPSA holder's contract, a credit may be appropriate if the terms of the EPSA are not delivered, but this will be carried out through negotiation with the Area and EPSA holder.

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1. Defining the resources needed to provide the services, to include resources, IT, other capital costs and overheads as appropriate.	Area Commander advised by Area Finance Manager	ACC (TP & Crime) and Director of Corporate Resources	n/a
2. Determine the costs to be included	Area Finance Manager	Head of Finance	n/a
3. Instructions to BTPA for the agreement	Area Commander	Authority FD	Chief Executive
4. Agreement drafted and finalised	PSA Manager	Authority FD	Chief Executive
5. Update schedule of all EPSA's. Copy to Head of Finance and Area Commander.	PSA Manager	Head of Finance and Authority FD	n/a
6. Ensure that ALL EPSA income is identifiable in the appropriate budget lines.	Area Finance Manager	Head of Finance	n/a
7. Annual report to the Authority of Enhanced PSA's - BTPA to ensure in line with EPSA contract records.	Head of Finance	Authority FD	Authority

4. Billing:

Once the annual amounts to be charged to PSA holders are agreed, invoices will need to be sent in accordance with the proportion for each accounting period and receipts from those invoices appropriately monitored.

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1.Prepare a schedule of agreed and authorised charges for core PSA holders (both small and new model) to be passed to BTP for invoicing	Charging Manager	PSA Manager	Authority FD
2. Prepare schedule of invoices per accounting period for each PSA	Transaction Centre Team Leader	Head of Finance	n/a
3.Monitor receipts on a monthly basis	Principal Accountant	Head of Finance	n/a
4. Report position on receipts as part of regular budget monitoring reports to BTPA	Head of Finance	Director of Corporate Resources	n/a
5. Send period end debtor report for PSA income to Authority FD.	Principal Accountant	Head of Finance	n/a
6. Authority FD to review the debtor report and follow-up any significant out-standing payments.	Authority FD	Chief Executive	n/a
7. Authority FD to report period end aged debtors to the Finance Group on a quarterly basis.	Authority FD through Finance Group	n/a	Authority

5. Amendments to core PSA holder's charges during any given year

At the beginning of the year each PSA holder's charge is calculated for the year and communicated via a letter. Should any reason arise that the agreed charge to a PSA holder needs to be changed after this letter has been sent, the process outlined below must be adhered to. This must be initiated by notification from the DfT. In the case of a new franchise, BTPA must submitted data into the DfT Data Room for potential bidders to access.

<u>Activity</u>	<u>Who by</u>	<u>Responsible Officer</u>	<u>Authorised by</u>
1. Notification of change received from the DfT. The DfT sponsorship team will notify the BTPA of all changes in franchises as and when they occur.	Dept. for Transport	Authority FD	n/a
2. Document the rationale for change including how much the charge is changed and how any gap in the total budget would be filled.	Charging Manager	Authority FD	n/a
3. Approve change to the charge	Charging Manager and Authority FD	Chief Executive	Authority - if annualised change is over £250k across all PSA Holders affected.
4. New letter sent to the PSA holder detailing the change to the charge.	PSA Manager	Authority FD	Chief Executive
5. Revised charges to be sent to the Head of Finance to enable new invoices to be raised, along with schedule of the original charge, reason for change, date of change, and revised annualised amount.	PSA Manager	Authority FD	Chief Executive

Approved by

Chief Executive

Authority Finance
Director

Director of
Corporate Resources

Officer of Tribal

Dated

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Document Change History

Change	Version	Date	Who
Incorporation of final comments and release	V1.0	30.07.09	D. Cotton
London Underground charges added. Core PSA holder charge amendments governance added	V2.0	17.08.09	D. Cotton
1b and 5 - Charging Manager replaced with Head of Finance	V2.1	18.08.09	D. Cotton
Delete Chairman of Audit & Corporate Governance Committee as verifying the Statement in 1a and 1b	V2.2	27.08.09	R. Hemmings
Redraft on assessment by Authority FD	V2.3	05.11.09	K. Hogan
Review by Authority FD	V2.4	16.11.09	E A Pike
Redrafted incorporating comments from Director of Finance and Chair - Audit Committee	V 2.5	26.11.09	E A Pike
Incorporating changes from Colin Foxall	V2.6	26.11.09	E A Pike
Incorporating changes from the Audit Committee (16.12.10)	V2.7	21.12.09	E A Pike
Incorporating change in Accounting Officer responsibilities	V2.8	30.06.10	E A Pike
Incorporating changes in job titles and to reflect recommendations from Tribal Audit	V 2.9	23.11.10	E A Pike
Annual Review	V3.0	11.04.2012	V Tanner
Review and updated pending the new 2013 PSA	V3.1	15.11.2012	V Tanner