

Notes of the Meeting

Finance Committee

Thursday 16 January 2014, 14:00 – 16:00

at The Forum

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Present:

Mr Dominic Booth (Chair)

Mr Bill Matthews

Mrs Stella Thomas

In attendance:

Mr Andrew Figgures, Chief Executive (BTPA)

T/ACC Mark Newton, Acting Director of Corporate Resources (BTP)

Mr Barry Hutton, Temporary Head of Finance (BTP)

Mr Simon Hart, Head of Finance (BTP)

Ms Vicky Tanner, Income and Compliance Manager (BTPA)

Mr Allan Shrimpton, Head of Technology (BTP – part of the meeting)

Chief Inspector Phil Wilkinson (BTP)

Apologies:

Mrs Liz Pike, Authority Finance Director (BTPA)

Mr Jeroen Weimar

01/2014 Welcome

Non-Agenda

Mr Weimar was unable to attend the meeting and Mr Booth was asked to be Chair in his absence. Mr Booth welcomed everyone to the meeting.

02/2014 Minutes of Meeting 22 November 2013

Agenda Item 1

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The minutes from the previous meeting were reviewed and approved.

03/2014 Matters Arising

Agenda Item 2

Mr Figgures provided an updated on action 20/2013. The Authority is waiting for the sector information to see if this could be used to calculate their annual charges. Ms Tanner has spoken to Croydon Tramlink and provided them with an update

All of the other actions on the log are covered elsewhere on the agenda.

04/2014 BTP Quarter 3 Report 2013/14

Agenda Item 3

T/ACC Newton explained to the Committee that Simon Hart is now returning to this substantive role as Head of Finance and that this is currently a handover taking place between Mr Hutton and Mr Hart.

At the end of quarter 3 BTP have a small underspend on the revenue budget of £219k which equates to 0.1% which is in line with the forecast. The quarter 3 position of the capital budget shows an underspend. The outturn is £9.8m including the revised contingency of £300k against the revised budget of £11m. The trend within establishment continues with the Force at the end of quarter 3 being 156 ftes below the overall establishment of 4,778.

The Committee asked if being 3% below budgeted establishment was affecting the force operational capability. It was confirmed that in some areas of the business it was having an impact, but this was being managed internally. BTP confirmed that by October'14 the restructure and required recruitment will be completed.

The balance sheet reserves of £1.1m previously being held to fund the restructure project are now no longer required due to savings being found elsewhere. The £1.1m could be used to smooth the 14/15 PSA charge or held to smooth future PSA charge increases. There may still be some further savings from the restructure project as recruitment is still continuing and the monies required for VSS have fallen.

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Concerns were raised about the budget allocated for the training of new staff because within the restructure project only £50k is being allocated for that activity. BTP provided reassurance that as well as the £50k within the restructure project the HR department hold the central training budget and bids are currently being received for training requirements for 14/15.

Mr Figgures raised a concerns around the expected income to BTP from sources such as POCA and could the income from these other sources be estimated during the year to ensure the Authority does not exceed any delegation limits imposed by the DfT. Mr Hart explained that POCA income can only be used for certain activities such as training the financial investigators.

The Capital programme as at the end of quarter 3 was £4.8m against a year to date budget of £6.3mm. A proportion of this underspend was due to the delays on two technology projects as further work was required before they could be presented to the Authority for approvals, these being Data Warehouse project and Network Optimisation. The Estates capital programme does have an element of being back loaded due to the time it takes to award contracts and start on site. The Fleet capital programme is in line with its forecast at this point of the year.

At present there have been no bids on the reduced £300k capital contingency. BTP confirmed that there were no aged EPSA debtors and that the cash-flow was as expected at this point in the year.

Actions

- BTP to provide a forecast to the next meeting on potential income in 14/15 from none train operator sources such as POCA.

4/2014 BTPA Quarter 3 2013/14

Agenda item 4

Mr Figgures presented the paper to the Committee. The Executive budget at the end of quarter 3 was £127k under-spent against a budget of £973.8k. There are underspend in a number of areas including staffing costs, but two new members of staff will be starting in quarter 4. Any underspend will be transferred to the reserves at the end of the year. The Executive's 14/15 budget will be under a number of pressures due to the on going pension strategy work and the cost of the Interim Finance Director who will be starting mid-February.

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5/2014 BTP Budget 2014/15 – Capital Programme

Agenda Item 5

The paper presented at the committee set out the Capital programme for 2014/15 – 2017/18. T/ACC Newton explained that internally there had been meetings to review the plans to ensure that the total costs were within the DfT DEL limit. At the start of the process it was understood that the DfT DEL limit was £11.6m but from more recent correspondence with DfT this has been reduced to £11.2m which means that the current programme for 2014/15 will need to be reviewed to ensure that it falls within the £11.2m envelope. The Committee discussed what the best approach would be in highlighting this risk of this reduction to DfT. Mr Hart suggested that when the best time to raise this with DfT would be when the Authority submits its supplementary estimates to DfT in June. It was suggested by Mr Figgures that the gap of £0.4m was considered as the contingency for the 2014/15 programme as to date this has not been called upon, and this was agreed by the Committee as a good approach to the situation.

The Estates Capital programme included the costs for a number of new locations which are required to support the restructure of the force. These locations are Manchester Victoria and Gatwick. Within the programme £1m has been set aside for the changes and moves required to London North AHQ as this will no longer be required, but additional functions also operate out of this location and these would need to be maintained until new locations can be found.

The Technology Capital programme supports the new five years Technology Strategy that is due to be presented to the Strategy committee in the coming weeks. The strategy includes desktop virtualisation along with the procurement of a new integrated replacement system in light of the issues with e-case and e-custody. The spend in 2014/15 includes the upgrade required for the Integrated Command and Control system that the control rooms use.

The Fleet Capital programme represents the normal replacement programme that is required across BTP. The allocations and costs associated with the 2014/15 plans have been reviewed and have been realistically profiled, but the costs and requirements beyond 2015/17 will become more realistic as BTP moves through 2014/15.

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(Post meeting note - It has been confirmed by DfT that the Capital DEL for 2014/15 is £11.6m and the DEL for 2015/16 is £11.2m)

Actions

- On the submission of the supplementary estimates to DfT in June'14 the shortfall on the DfT Del of £0.4m to be raised.

6/2014 BTP Budget 2014/15 - Detailed budget paper

Agenda Item 6

The paper presented to the Committee was an updated version of the paper submitted to the December'13 meeting. The paper sets out some further detail on the budget for 2014/15 including a breakdown of the phasing of the establishment and budget in support of the restructure. Mr Figgures explained to the Committee that the phasing of the budget and any increase in establishment will be included in the PSA charges for 2014/15 and that there will be a reconciliation process as set out in the new core PSA agreement. Any changes to the charges following the reconciliation will be applied to the 2015/16 provisional charges.

The Authority will need to make a decision on whether or not the £1.1m of savings is to be applied to the 2014/15 PSA charges which will reduce the increase from 2.4% to 1.8%, or if this is to be applied to future years PSA charges.

BTP set out what the costs drivers were for the 2014/15 budget which include the funding required for the increased to frontline officers, legislation changes such as auto enrolment and on going maintenance on capital equipment such as CCTV equipment funded by Network Rail.

BTP reminded the Committee that they are able to suspend future recruitment if required if the savings for re-investment do not materialise. The restructure project is approximately 50% complete with staff starting to exit BTP via VSS.

The Chief Constable will be sending out his internal budget delegation letters to all budget holders late February once he has received his delegation letter from the Authority. Due to the size of the new divisions, BTP is aware and has recognised the potential increase in risk in the management of budgets of this size. The new structure within the Finance teams has been created to support the

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budget holders accordingly. BTP will continue with its 4 weekly finance review meetings with budget holders.

Mr Hart provided the Committee with an update on the London Underground budget. Due to the restructure £450k worth of savings have been handed back to TfL. Mr Hart is attending a meeting with TfL concerning the central overhead and EPSA charges for 2014/15 tomorrow and will provide an update at the next Committee meeting. The direct element of the London Underground budget for 2014/15 is a stand still in cash terms.

7/2014 Charging model 2014/15 - Update

Agenda Item 7

Mr Figgures provided the Committee with an update on the work that has taken place to date on the calculations of the core PSA charges for 2014/15. A number of the data items required by the model have already been submitted and verification has begun by the external contractor. The next key piece of information is the BTP budget and establishment information broken down to sector level. Once this has been received and processed this will provide the first clear indication of the impact of the restructure on the PSA charges.

The impact of the move between CP4 and CP5 has been raised by one of the operators and the Authority needs to assess this.

8/2014 Force Project Update

Agenda Item 8

T/ACC Newton presented this paper to the Committee. For the 15 Force level projects, eight are green, one is amber, two are on hold and the remaining four have reached end of project review stage. The amber project - Quantum back is amber due to procurement issues with the equipment. The equipment is now on site and is being built and configured.

9/2014 Contingency Reserve

Agenda Item 9

Mr Figgures presented the quarterly update on the contingency reserve. Based on the mid-point position the estimated value is £0.8m higher than the reserve. If all of the strategic risks listed did

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occur then the Authority does have a number of options on funding any shortfall there maybe.

10/2014 Any Other Business

Agenda Item 8

Mr Shrimpton presented a business case for review and approval for Network Optimisation. This project does form part of the new Technology Strategy and in essence will increase the speed across the current BTP network by 300%. BTP has used this technology before during the Olympic Games and it was successful.

Three options were presented to the Committee, option one - do nothing, option two - install new cabling across BTP sites and option three - network optimisation.

Option one was discounted by the Committee and the other two options were discussed. Option two - would be a lengthy process with an estimated timescale of 15mths to complete based on the current estate footprint of BTP and if any new locations were adopted then this could add additional cost and time to the project. Option three - this is the less expensive of the two options and the work could be completed within three months. The equipment to optimise the network is portable; therefore as the footprint of the estate changes this can be moved. The total cost of option three is £1.552m.

Network optimisation would support BTP's aspiration for a digital evidence systems, body worn cameras and allow BTP to better exploit the use of CTV.

The supplier of the equipment has provided BTP a guarantee that if the 300% increase does not materialise then the equipment can be returned and a full refund provided. Therefore BTP are proposing to implement this in two stages to ensure the benefit is realised prior to the force-wide roll out.

The Committee discussed how this would support the 20 20 10 strategy, but also raised concerns that in a few years time would BTP be asking for funding approval for another Technology project that would increase network capacity as done previously. Mr Shrimpton explained that at this point in time this was the best option for BTP, but Technology is improving along with BTP's network capacity requirements. Network Optimisation is the best options current available to BTP. The shelf life of the equipment is currently 3 years.

Actions**Not Protectively Marked**

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- A revised cover paper to be submitted to the Authority that clarifies the benefits to BTP and how this project supports the strategic plan.
- The Finance Committee to recommend to the Authority that the business case is approved.

11/2014 Action update

Agenda Item 2

This item was discussed in a closed session of the meeting.

T/ACC Newton provided a brief update on the current position of the on-going contractual dispute.

Date of next meeting: 18 March 2014

Signed.....

Chairman

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