

Report to: Police Authority
Date: 12 June 2014
Agenda : 6
Subject: Update from the Finance Committee
meeting held on 3 June 2014
Sponsor: Chair of the Finance Committee
Author: Finance Director
For: Information and approval of Virtual Desktop Strategy

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1. Purpose of paper

To report to the British Transport Police Authority (“the Authority”) on the Finance Committee meeting held on 3 June 2014.

2. Background

The Authority’s Finance Committee (“the Committee”) was established to complete the detailed review and scrutiny of the financial activities of BTP and BTPA in support of the full Authority. This report summarises the key issues from the Finance Committee meeting held on 3 June 2014.

3. Standing items

There were no standing items presented at the meeting.

4. Items to report to the Authority

4.1 Items to be discussed

Contribution to centrally organized services charged to LU

The BTP Head of Finance and Procurement was asked to provide support for the contribution to centrally organized services charged to LU by the next Committee meeting.

The BTP Head of Finance and Procurement was asked to present the proposed methodology for completing the 2015/16 BTP budget at the next Committee meeting.

4.2 Terms of reference of the Committee and work plan for the 2014/15 financial year

The terms of reference of the Committee and work plan for the 2014/15 financial year were presented to the Committee and approved.

4.3 **BTP Revenue Budget and Capital Programme 2013/14**

The BTP Revenue Budget and Capital Programme for 2013/14 was presented to the Committee by the BTP Head of Finance and Procurement.

There was an Overground Surplus of £1.1m for the 2013/14 financial year, £0.9m could be used to create a reserve to fund the Accelerated Information Strategy programme and £0.2m could be used to increase the BTPA contingency reserve.

The capital outturn excluding contingency is £8.7m, which is £1.9m below the revised budget of £10.7m, and £0.5m below the period 12 forecast.

The report included a reconciliation of the BTP financial statements to the BTP management accounts. The Authority Chief Executive requested that the report included further explanation of the reconciliation and reconciling items.

The BTP Revenue Budget and Capital Programme 2013/14 is included as an appendix to this report

The Committee recommends that £0.9m of the surplus is used to create a reserve to fund the Accelerated Information Strategy programme and £0.2m be used to increase the BTPA contingency reserve

4.4 **BTPA 2013/14 Year end results**

The total BTPA expenditure for the 2013/14 financial year was £1,876k, which was £6k over the budget of £1,870k. The main reason for the overspend was the costs of hiring an interim finance director and increased expenditure on pensions consultants who were engaged to complete additional work when the finance director was off work due to ill health.

The BTPA 2013/14 Year end results are included as an appendix to this report

4.5 **Police Service Agreement charges Provisional 2014/15 PSA charges**

The PSA holders have all been informed of the provisional PSA charges for 2014/15. In total six PSA holders (Virgin West Coast, Network Rail, East Coast Trains, First Great Western, Croydon Tramlink and DB Schenker) have raised queries and meetings have been held with each PSA holder to explain the charges. I expect that there may be further discussions with Virgin West Coast, Network Rail and DB Schenker.

Actual 2013/14 PSA charges

The process for calculating the actual 2013/14 PSA has commenced. The finance team will be in a position to complete this process once the financial statements have been signed and we have received a breakdown of the audited costs.

Provisional 2015/16 PSA charges

We have held informal discussions with some of the PSA holders and they have indicated that it would be preferable to be informed of their provisional PSA charges earlier in the financial year so that they could include the PSA charges in their budget. The current process is to run the model in February/March so that the provisional PSA charge is calculated using the most relevant and up to date information that is available.

We are currently investigating how to best calculate the provisional charge in September/October to explore the possibility of informing the PSA holders of the provisional charge in time for their annual budgeting process.

The BTPA finance team were asked to complete their work on these three areas and then present back to a sub-group of the Committee with their findings, conclusions and recommendations.

4.6 Force Projects

Force Projects Update

The Director of Capability and Resources presented the Force Projects Update to the Committee and noted that of the nine current projects six have an overall “green” rating and one project has an overall “red” rating. The Accelerated Information Strategy has not started yet and the Force Restructure Project has been completed so is at end of project review status.

The integrated systems project had been given a red rating because there had been delays in starting the project due to problems in recruiting appropriately qualified staff for the project. The Director of Capability and Resources stated that BTP were focused on recruiting staff for the project and that they expect suitably qualified staff to be recruited soon.

Business case for the Virtual Desktop Infrastructure project

The business case for the Virtual Desktop Infrastructure Project was presented to the Committee by the Director of Capability.

The Director of Capability and Resources noted that the business case had stated that there were three options but in reality the first option was not a viable option as it would not fulfill the mandatory requirement of having the BTPA network being connected to PSN.

Option 2a was the option to install all Virtual Desktop Infrastructure within one year. Option 2b was to run thin client through existing desktop hardware and then replace the hardware with the new thin client hardware per the current cyclical replacement strategy.

The total cost of option 2a would be £2.9m over a five year period and the total cost of option 2b would be £2.0m over a five year period.

The business case recommended that option 2a be taken with total cost of £2.0m (capital expenditure of £2.2m, revenue cost of £1.0m and revenue savings of £1.1m).

The Business Case for the Virtual Desktop Infrastructure is included as an appendix to this report.

The Committee recommends that the Authority approves the business case for the virtual desktop infrastructure project.

4.7 **Contingency Reserve**

The paper was presented to the Committee which provided a range of estimated monetary values attached to the strategic risks of BTPA and BTP. The monetary value of the risks was estimated to be between £1.3m and £4.3m, with a mid-range value of £2.8m. The current balance of the contingency reserve is £3.5m, which is £0.7m in excess of the mid-range value of £2.8m.

4.8 **BTP CCTV Hub - Post implementation review**

Temporary Superintendent Will Jordan presented a report on the BTP CCTV Hub project stating that phase 3 had been completed and was a success and that Network Rail had agreed to fund £6m of further work as part of phase 4 of the project.

The Chair of the Committee requested that the report be amended to provide details of:

- Cost of the project compared to budget
- The benefits and expected outcomes of the project
- A summary of the additional infrastructure that's been installed

- A summary of the improved performance of the CCTV network
- An explanation of the expected operational outputs of the project

4.9 Statements of Accounts for the British Transport Police Fund

The Authority Interim Finance Director reported that the NAO had completed their audit of the Statement of Accounts for the British Transport Police Fund and that the audit had gone well and NAO would be issuing an unqualified audit opinion.

5. Issues for future Committees

In addition to the standing items the Committee will be discussing the following items at the next meeting in July:

- PSA charging process
- 2014/15 Quarter 1 financial performance
- Update on the new pensions strategy
- Accelerated Information Strategy

6. Actions for the Finance Committee

The following actions are required to be completed by members of the Committee

- Provide support for the contribution to centrally organized services charged to LU – BTP Head of Finance and Procurement
- Present the proposed methodology for completing the 2015/16 BTP budget – BTP Head of Finance and Procurement
- Provide an explanation of the reconciliation of the management accounts to the financial statements – BTP Head of Finance and Procurement and Interim Authority Finance Director.

This action has been completed and the updated Revenue and Capital Programme 2013-14 paper has been updated and included as an appendix to this paper

- Complete a review of the PSA charging process and present findings to a sub committee of the Finance Committee – Interim Authority Finance Director
- Update the report on the BTP CCTV implementation review – Acting Superintendent Will Jordan

7. Actions for the Authority

Authority Members are asked to:

- Approve the business case for the Virtual Desktop Strategy
- Approve that £0.9m of the surplus is used to create a reserve to fund the Accelerated Information Strategy programme and £0.2m be used to increase the BTPA contingency reserve
- Note this report