

Report to: Finance Committee
Agenda item: 4
Date: 16 July 2014
Subject: British Transport Police Authority 2014/15 quarter 1 results
Sponsor: Authority Finance Director
For: Discussion and Noting

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1. Purpose of paper

1.1 The purpose of this paper is to:

- present the financial performance of the British Transport Police Authority (“the Authority”) for 2014/15 Q1
- present the revised 2014/15 Q1 forecast of the Authority
- review the British Transport Police debtors position

2. Financial performance of the Authority for 2014/15 Q1

2.1 The total expenditure incurred in 2014/15 Q1 was £319k which was £57k below the budget of £376k. These results are summarised in appendix A.

2.2 The significant variances between 2014/15 Q1 actual and budgeted results are summarised below:

	£000
Budgeted costs for 2014/15 Q1	375.8
Underspend on legal fees	(19.2)
Underspend on HMIC inspections	(12.0)
Underspend on appeals and independent custody visits	(8.7)
Underspend on members salaries	(8.1)
Underspend on recruitment and training	(7.2)
Overspend on consultancy	2.6
Other net underspends	(4.6)
2013/14 Q1 Actual	318.6

- 2.3 There has been an underspend on legal fees as in the budget the legal fees are assumed to be incurred evenly through out the financial year. In 2014/15 Q1 only £0.5k has been incurred on legal fees. This is expected to increase later in the year as there will be legal fees incurred on the review of the Enhanced Police Service Agreement contract, the Police Service Agreement charging process and potential legal fees incurred due to the review of the Authority pension arrangements.
- 2.4 The underspend on HMIC inspections is due to an over accrual at the end of the 2013/14 financial year as it was anticipated that the HMIC invoice would include VAT. The inspections completed by HMIC are exempt from VAT which resulted in the release of £12k of the accrual.
- 2.5 The underspend on independent custody visits is due to an over accrual at the end of the 2013/14 financial year as it was anticipated that the invoice would include VAT. The independent custody visits are exempt from VAT which resulted in the release of £3k of accrual. In addition to this, the budget assumes that the costs of independent custody accrue evening through out the year but the Authority only receive an invoice at the end of the year. From period 4 onwards the estimated cost of independent custody visits will be estimated and accrued for.
- 2.6 There was an underspend on members salaries due to the budget assuming that all fifteen member vacancies would be filled but in 2014/15 Q1 only thirteen members vacancies were filled (this will decrease to twelve members when Lew Adams leaves the authority).
- 2.7 There was an underspend on recruitment and consultancy as the Authority has not incurred any costs for the recruitment of an Assistant Chief Constable or a Finance Director at the time of reporting. It is anticipated that these recruitment costs will be incurred in Q2.

3. 2014/15 Q1 forecast of the Authority

- 3.1 The Authority Q1 forecast is attached in appendix A.
- 3.2 The budget for temporary staff has been increased by £60,000 in the Q1 forecast as two BTPA Executive members will be on maternity leave from 1 December 2014 so temporary cover will need to be arranged. In addition, it is planned to extend the contract of the BTPA charging model consultant as the charging model will need to be run twice a year going forward.

- 3.3 The total budgeted costs of £297k for Authority Members (“Members”) decreased by £16k to £281k in the Q1 forecast. This is because the budget assumed that the Authority had fifteen Members but there are currently only twelve Members and it is expected that it will take six months to recruit an additional three members so there will be reduced salary costs.
- 3.4 The total budgeted for legal expenses have been decreased by £20,000 in the Q1 forecast. At the time of reporting there have been virtually no legal costs incurred against a budget of £19k therefore it is anticipated that legal costs may be less than budgeted.
- 3.5 The total budgeted costs of £72k for HMIC inspections have decreased by £24k to £48k in the Q1 forecast. The 2013/14 year end accrual and the 2014/15 budget assumed that the HMIC costs included VAT but these costs are actually exempt from VAT. This has resulted in there being a £12,000 credit in the year and the 2014/15 budgeted costs being overstated by £12,000.
- 3.6 2014/15 Q2 forecast will be completed and presented to the Finance Committee at the October Finance Committee meeting.

4. Debtors position at the end of period 4 2013/14

- 4.1 With the exception of Virgin West Coast all core PSA holders pay by direct debit so at the time of reporting all core PSA charges have been fully paid.
- 4.2 Virgin West Coast pay their PSA charges on invoice. At the time of reporting Virgin West Coast had paid the first two instalments of their 2014/15 PSA charge (period 1 and period 2). Historically, Virgin West Coast have always paid invoices 60 days after receipt of invoice so we expect that the Virgin PSA charges will be paid in full.
- 4.3 At the time of reporting there is £1,188k of non PSA debtors that are over 90 days overdue and have not been provided against.
- 4.4 London Underground (“LU”) owe £737k of the £1,188k. This relates to one invoice which LU has misplaced and is expected to be paid in full once LU have received the replacement invoice.
- 4.5 Network Rail (“NR”) owe £240k across approximately fifteen invoices. The BTP finance team has contacted NR and are in the process of reviewing the invoices to ensure that the debt is fully recovered.

- 4.6 The remaining £152k is owed by eight different entities and BTP has contacted each entity to ensure these debts are recovered as soon as possible.
- 4.7 The BTP finance team and the Authority Finance Director are focused on recovering these debts and will report back to the Committee on progress at the next Finance Committee meeting.

5. Recommendations

- 5.1 It is recommended that the Finance Committee note the BTP Fund gross budget, the revised 2014/15 Q1 forecast of the BTP Fund, the financial performance of the Authority for 2014/15 Q1, the revised 2014/15 Q1 forecast of the Authority and the BTP debtors position at the end of period 3