

Minutes

Finance Committee

Thursday 27 November 2014, 13:00 – 15:00

at The Forum

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Present:

Dominic Booth (Chair)

Stella Thomas

Bill Matthews

Andrew Pollins

In attendance:

Andrew Figgures, Chief Executive (BTPA)

Charlotte Vitty, Authority Finance Director (BTPA)

Vicky Tanner, Income and Compliance Manager (BTPA)

Paul Crowther, Chief Constable (BTP)

Simon Downey, Director of Capabilities and Resources (BTP)

Simon Hart, Head of Procurement and Finance (BTP)

Apologies:

None

60/2014 Welcome

Non-Agenda

1. The Chair welcomed everyone to the meeting.

61/2014 Minutes of Finance Committee meeting held on 17 October 2014

Agenda Item 1

2. The minutes from the previous meeting were approved.

62/2014 Actions from previous Finance Committee meetings

Agenda Item 2

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3. Actions 1 and 6 are covered elsewhere on the agenda. Action 3 to arrange a meeting to present the Transformation programme to the Authority has been arranged for the 4 December.
4. Mrs Vitty updated the Committee on action 5 – As agreed at the last committee meeting, the planned review of the data sets used in the charging model has begun. Mrs Vitty had discussed with Mike Furness (Strategic Development Department) the project scope which is focused on the command and control system and crime data. Following the initial meeting, Mr Furness has offered the Authority the assistance of an analyst in reviewing the command and control data used and the movements within this data, with a view to understanding its impact on the police service charges calculated.
5. The Committee were reminded that the Force collects and records this data for operational deployment purposes and the Authority uses the data as an input to the policing charge allocation model. The Chief Constable expressed concern at the commitment of the analyst and that a full long term and commitment could not be made by BTP. Mrs Vitty stressed the analyst would be working on Force data and would be briefed on the charging model only to understand the context in which the Command and Control data was being reviewed. This was essential to the Authority's understanding of the impact of the new Op TRAFALGAR operating model' on the charge allocation model.
6. The Chief Constable again raised concern at the variations in charges generated by the charge allocation model, having raised it at the last finance committee meeting. He furthermore observed that the data integrity requirement for a command and control system was less exacting than that required for a cost allocation model. The Authority Finance Director did not disagree but explained that the charge allocation model is an algorithm informed by multiple external data sources and that a review and understanding of these was required in order to appreciate the measure of approximation these imported into the model and the sensitivity of the outcomes to variation in these. This understanding was essential prior to any proposal for change to the model. The Chair agreed whilst suggesting that it should also be in the interests of the Force to understand their own management information.
7. The Committee agreed that there were three phases of work that were to be completed with respect to the command and control data. First the analyst must review the data within the Force's

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operating system, second this analysis has to be incorporated into the charging model work performed by the Authority finance team, and third this needs to be presented to the Finance committee for review. The Committee directed that the scope of work for the analyst should be clarified, scrutinised and staffed with the Force to ensure both understanding of the requirement and the time line in which it was to be delivered was understood.

8. The remaining actions were either complete or not due to be presented at this meeting.

ACTION - Mrs Vitty to define the scope of the work and time line for the BTP analyst to support the review of the model data input and this to be agreed with the Force.

63/2014 Reserves

Agenda Item 3

9. The Reserves paper was presented to the Committee by Mrs Vitty. The Chair acknowledged that it was a very clear paper laying out a highly technical topic. Mrs Vitty detailed the process undertaken to produce the paper and the recommendations, which involved detailed research covering the last 4 years Authority meetings, accounts and correspondence with the DfT.
10. Mrs Vitty explained that the PSA charges incorporated the depreciation charged to the P/L from the writing off of assets over their useful life. This has therefore resulted in a recovery of the assets initially purchased by funds from DfT which were held in the Capital Financing Reserve. In addition it was noted that in the last financial year an amount of £11m was recovered via the PSA charges for Depreciation, with £11m being spent on fixed asset additions, resulting in the capital programme being funded in year by cash recovered from PSA holders.
11. It has been confirmed by DfT (David Buchan DFT Group Financial Controller 15/10/2014) that no amounts are being held as owed to the department from the BTPA and therefore no further amounts would be repayable to the DfT in relation to previously funded capital items. This is reflected in the 2013/14 Authority accounts
12. Mrs Vitty recommended that both the Capital Financing reserve and Working Capital reserve be transferred into the Distributable reserve as these amounts now relate to BTPA funds only. In addition a detailed review of the 'free cash' position is required in order to

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understand the amount of available reserves at the disposal of the Authority to fund future projects within the BTP.

13. It was critical that the Authority controlled its cash and good practice suggested that at least every month a forecast of income and expenditure on a week by week basis for at least the next six months should be made. Provided this was prepared accurately the Authority could not run out of cash since there was sufficient warning time to initiate remedial action should it be required. This cash flow analysis should be presented to the Committee on a quarterly basis and to him on at least a monthly basis.
14. The Committee approved the recommendations in the paper. Following the concerns being raised by the Committee it was also agreed that an independent review was required given the differing opinions on the nature and amount of the reserve and that this should report back to the Finance and Audit committees. Finally the committee recommended that the reserves are also reviewed by the Audit and Risk committee as part of the statutory accounts process at year end.
15. The report was noted.

Action - The Chief Constable to meet with the Authority FD to talk through the reserves position and paper.

Action - the recommendation in 3.1 that the remainder of the Capital Finance Reserve should be transferred to the Distributable reserve in line with the depreciation charge in the P/L on the remaining DfT funded assets

Action - Independent review on the circumstances surrounding the build up of the Reserves balance and the controls and reporting procedures in place

Action - The true 'free cash' position is to be identified. This was to be confirmed by an external independent review, and to be reported back to the Finance Committee

Action - Independent review of the reserves should be reported directly to the Audit and Risk committee initially, and then to the Finance committee.

Action - The Audit & Risk committee should within their review of the year end accounts ensure that the reserve position is fairly and clearly stated

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Action – A cashflow forecast covering a 6 month projected period will be produced on a weekly basis detailing all cash inflows and outflows of the business.

64/2014 BTPA Budget for 2015/16

Agenda item 4

16. The proposed BTPA budget for 2015/16 was presented to the Committee for consideration and approval. Mrs Vitty outlined the budget had been constructed from a bottom up approach to capture each individual element of budgetary requirement for the following year. It has resulted in a request for a 1.68% increase on the 14/15 budget. This assumes that all of the members will be in place by the 1 April and that there will not further vacancies during the year.

17. In addition to the 1.68% increase the Authority sought provision for an additional £63k that would include an additional £20k for website improvements, £15k for additional internal audit work including a review of the charging model and £28k to re run the stakeholder survey.

18. The Committee raised concerns that the total budget increase that was being requested was above RPI and equated to a 4.92% increase. The Committee directed that the BTPA budget for 15/16 to be re-presented to the next meeting in January and that the increase should not exceed the RPI price promise and that £30k needs to be taken out of the of the 15/16 budget proposal.

19. The report was noted.

ACTION – The BTPA budget for 15/16 to be re-presented to the Committee in January with the proposed increase being inline with the price promise.

65/2014 BTP Medium Term Financial Plan

Agenda Item 5

20. The Chair acknowledged the work completed by the BTP on the MTFP and budget since the last committee meeting, he, however expressed his concern that it was still not a presentation of a full Gross Budget and MTFP including TfL and EPSAs. Because of this

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it was not possible for the committee to approve the Gross Budget and full MTFP.

(Bill Matthews left the meeting)

21. The Chief Constable explained that Transformation was an ongoing programme with a number of the work streams running concurrently rather than sequentially. The aims and the direction of the programme were given by the Strategy Committee and the Authority, but it seemed that the link with the Finance Committee concerning funding was missing. The Force will be addressing this at the presentation on the 4th December following the last Finance committee's suggestion that this be completed to update all Authority members on the Transformation programme and what it means both operationally and financially for the Force.
22. One of the key elements of the programme is to up skill the staff to enable them to fulfil their potential with a properly constructed training system. One of the key challenges of the programme is that currently this is being provided using business as usual staff and business as usual will therefore start to be adversely impacted by this. The budget for transformation is £1.1m in 2015/16 which will fund 15 new staff to support and implement transformation. An additional 2 staff will also be required to delivered priority based budgeting and extra 4 staff to support the roll out of Op TRAFALGAR. These additional 6 staff would cost an additional £336k. These additional recourses would only require funding for the first year since it is the intention that the BTP absorbs them and returns to its establishment baseline by year 2. This was scrutinised by the Committee with the aid of a slide presentation and information pack distributed and explained by Simon Downey and is attached. The Committee satisfied themselves that the requirement was sound and the costing were realistic.
23. The Committee therefore noted that the proposed increase in the cost of policing the Overground was within the price promise. The major assumptions that had been used to build the MTFP for the Overground and which were applicable to TfL's charges and the cost of EPSAs namely the pay award of 1% for 15/16 and 2% for the following 3 years. The non pay inflation cap of £400k on the non-staff cost budget was recognised as being a challenging target for BTP. The Committee also noted that the MTFP for the Overground had taken into account the pension assumptions. These would also be applicable to the calculation of TfL and EPSA charges.

(Stella Thomas left the meeting)

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24. The Committee confirmed that it would not be agreeing or recommending for approval the current MTFP for the Overground to the Authority at this stage. Subject to further explanation of the operational benefits during the presentation on the 4th December it would be possible for the Committee to recommend to the Authority that it should note the cost of policing the Overground, the financial implications of the assumptions that underpin it and the marginal cost of transformation programme. There should therefore be no delay to the Transformation programme and would enable the Finance Committee to assess the options for funding the Overground PSA charge. .

25. The Chair expressed concern regarding the deadline contained in the TfL PSA for the initial budget presentation to TfL by the 30th November and Simon Hart confirmed that a submission had been made to TfL on the 7th November. The Committee was asked to note that there would be a significant increase in policing requirement by TfL to police the Night Tube, in September 2015 and other enhancements. The Committee was informed that the gross budget for 15/16 would not be ready for presenting to the Committee until January / February 2015.

26. The Chair therefore summed up the view of the Committee as follows;

26.1 There were three phases for approval and not all of them would be approved today as the Committee had not been presented with the totality of the required budget to meet the cost of policing the railways and MTFP.

26.2 Phase one would be agreeing and recommending the overground budget within the price promise.

26.3 Phase two would be the agreement of the budget for transformation,

26.4 with the final phase of approval being the total gross budget including EPSA / TfL and LU funding.

Action - The Gross budget including TfL and EPSA, is to be presented to the Finance Committee on the 16th January 2015, so that it can be recommended to the Full Authority

Action - The Gross budget is to contain all the information as determined in the agreed template following the October Finance Committee meeting.

Action - The Finance committee noted the marginal costs of Transformation as identified in the MTFP paper and which were

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further explained in the Director of Capability’s paper. This paper is to be attached to the MTFP and circulated to the committee.

Action - Following the Transformation presentation on the 4th December the Finance committee will be able to consider the overground budget and the Transformation cost in total with a view to recommend to the Full Authority. No further work surrounding the figures is thought required at this time following the additional papers circulated from Simon Downey.

66/2014 Force Projects update

Agenda Item 6

27.Owing to the earlier discussions this item will be circulated out of committee for review and comment.

Date of next meeting: 16 January 2015

Signed.....
Chairman

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