



Report to: Finance Committee
Agenda item: 4
Date: 3 March 2016
Subject: Balance Sheet Update Period 12 (as at 12th February 2016)
Author: Interim Financial Controller
Sponsor: Head of Finance and Procurement
For: Information

REFERENCE: BALANCE SHEET AS AT 12th FEBRUARY 2016 (please see final page for statement)

1. PURPOSE OF THIS REPORT

- 1.1 A balance sheet report is produced to present the British Transport Police's financial position on a periodic basis. The report presents assets, liabilities and equities held at the reported date.
- 1.2 A comparison to the final accounts position at the 31st March 2015 is included with explanations/narrative for movements to date by classification type.
- 1.3 The report provides a snapshot of assets held - non-current assets (including fixed assets) and current assets (including cash and debtors). It also provides an update on current and long-term liabilities (provisions / creditors). All of which are supported / balanced by reported reserve balances.
- 1.4 The balance sheet is included as at the foot of this report.

2. PREPARATION BASIS AND ASSUMPTIONS

- 2.1 The balance sheet has been prepared in accordance with relevant accounting standards using a trial balance report run directly from the financial system. The report is run as at reporting period 12, 26th February 2016.
- 2.2 All existing live account codes are linked to relevant sections of the balance sheet. The balances as per the financial system are reviewed by the Financial Control team and adjusted accordingly for known accounting movements.

2.3 As identified in previous reports there have been delays and uncertainty over the timeliness and accuracy of the bank postings and subsequent reconciliation processes dating back to opening balance sheet position. This issue has been addressed, with a full review of P1-P11 undertaken by Financial Control Team/BTPA with support from PWC. Final adjustments are being processed in February 2016. From period 12 the Interim Financial Controller has introduced a new consolidated process which involves direct extract from bank statement to journal upload templates into GL. The full period 12 position is reflected accurately in the GL (posted in P13) and adjusted for within the enclosed P12 balance sheet.

3. NON-CURRENT ASSETS UPDATE

3.1 For Property Plant and Equipment (£53.1m) and Intangible Assets (£8.6m) the figures reported include movements in capitalisation to date, indexation applied to assets and disposals (motor vehicles). All of which are under review (see 3.2).

3.2 The British Transport Police have recruited a Capital Accountant (started 18th January 2016). The Capital Accountant is currently verifying the assets held on the organisations asset register and the outcome of which will lead to adjustments to non-current asset position ahead of year-end, indicative figures available but not confirmed. As well as reviewing existing assets held, the Capital Accountant is analysing the capital expenditure to date to ensure correct accounting treatment, advising business divisions on new projects and updating the organisations asset register to reflect true and fair position. Daily discussions and weekly meetings involving Capital Accountant, Interim Financial Controller and Transformation Specialist are in place to ensure the organisation is on track in this area.

4. CURRENT ASSETS

4.1 Inventories held have increased by £0.3m from 31st March position. Mainly due to purchase of uniforms but utilisation of stock in year is also being reviewed in detail ahead of year end to ensure correct accounting treatment.

4.2 Debtors have increased from the reported year-end published accounts by £9m. The reported figure includes £14.8m relating to direct debit income due for collection after balance sheet date, cash due in period 13.

- 4.3 Regular reporting on AR is now in place, with weekly meetings between the Authority and Financial Control and Transaction Teams. Numbers have improved significantly since the last reported balance sheet (particularly the overdue debtor position).
- 4.4 The debtors figure reported within the balance sheet includes £0.3m accruals and £2.9m prepayments.
- 4.5 The bad debt provision and proposed write-off schedules are also under review and will be reported as part of the adjustment log process and will be discussed with the Authority during the next two weeks.

5. CURRENT AND LONG-TERM LIABILITIES

- 5.1 Creditor position is currently lower than the year-end position reported position in the published accounts (£21m compared with £29m).
- 5.2 Since the last balance sheet report the AP team increased in numbers for a short period to ensure backlog of invoices addressed and older invoices processed. Whilst this may explain reduction in creditors it is worth noting the GL position on Income and Expenditure suggests there may be a surge in year-end creditor accruals.
- 5.3 The period 12 general ledger has been adjusted to reflect cash paid out in this period but posted in period 13 and other bank entries not yet reflected in GL.
- 5.4 The overall creditor position includes £7m accruals and £5.3m receipts in advance.
- 5.5 Provisions held have decreased, predominantly due to release of provision for motor vehicle damage – overall reduction of £0.4m.
- 5.6 Pension Liability is calculated on the balance sheet following receipt of Actuarial valuation report and posted on an annual basis. A meeting is to be scheduled for March to discuss and agree assumptions taken to calculate liability.

6. RESERVES

- 6.1 The Income and Expenditure reserve reflects a snapshot of the GL position of existing reserve balances plus in year net expenditure position. A full review of reserves is underway and scheduled for the new Financial Accountant as high priority on their start date in March.

6.2 Minor movements on the revaluation reserve due to indexation of assets. Balance will be affected by proposed write-off of assets.

7. SUMMARY

7.1 The balance sheet is reported on live system information at period 12. The adjustments made to the general ledger position are fully supported by bank information. Balance sheet reconciliation processes including but not limited to Debtors, Creditors, Fixed Assets and Reserves have been strengthened and detailed reporting on individual areas also being produced and shared, available on request.

7.2 The overall net asset position is showing an increase of £7m to the balance reported in the published accounts however this is subject to change with proposed action on fixed assets and expectancy of movement in accruals and income and expenditure position.

REFERENCE: BALANCE SHEET AS AT 26TH FEBRUARY 2016 (PERIOD 12)

Statement of financial position				
As at 12/02/16	2016		2015	
	As at 12/02/16	£000	As at 31/03/15	£000
	£000	£000	£000	£000
Non-current assets				
Property, plant and equipment	53,051		54,463	
Intangible assets	8,661		5,787	
Finance Lease assets	0		0	
Other receivables	0		0	
Other assets	0		0	
Total non-current assets:		61,712		60,250
Current assets				
Assets classified as held for sale	0		0	
Inventories	2,111		1,736	
Trade and other receivables	27,563		18,495	
Other current assets	0		0	
Cash and cash equivalents	15,893		28,441	
Total current assets		45,567		48,673
Total assets		107,279		108,923
Current liabilities				
Trade and other payables	(21,524)		(29,894)	
Provisions for liabilities and charges	(927)		(1,299)	
Other payables	0		0	
Finance lease liability	0		0	
Total current liabilities		(22,451)		(31,193)
Non-current assets plus net current assets		84,828		77,730
Non-current liabilities				
Provisions for liabilities and charges	0		0	
Pension liabilities	(630,250)		(630,250)	
Other payables	(817)		(817)	
Finance lease liability	0		0	
Total non-current liabilities		(631,067)		(631,067)
Assets less liabilities		(546,240)		(553,337)
Taxpayers' equity				
Income and expenditure reserve	81,856		74,726	
	0			
Revaluation reserve	2,155		2,187	
Pension reserve	(630,250)		(630,250)	
		(546,240)		(553,337)
		(546,240)		(553,337)