

Report to: Authority Members
Date: 1 October 2024
Subject: BTPA Financial Oversight update
Sponsor: Chief Executive
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For: Endorsement

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1. Purpose of paper

- 1.1. The purpose of this paper is to provide an update to the [January 2024 paper](#) to the Authority Board Development Day on enhanced financial oversight of BTP.

2. Background

- 2.1. During 2023-24 BTPA received a £8.5m increase in its DfT RDEL budget cover to be funded through reserves. The overspend arose due to a substantial level of over-programming from the outset of 2023-24, which ultimately proved unmanageable due to a combination of both internal and external factors including operational requirements and inflationary pressures. The following conditions were attached to DfT's agreement to provide this additional budgetary cover:
 - 2.1.1. New discretionary projects that create budgetary pressures are not to be undertaken without approval from DfT;
 - 2.1.2. DfT does not expect similar issues to emerge in 2024-25. Any financial support in 2023-24 should have no future impact; and
 - 2.1.3. DfT expect more granular reporting to be provided from P1 in the next financial year (2024-25).
- 2.2. The paper presented to the Authority Board Development Day in January 2024 addressed how the Authority could enhance financial oversight and scrutiny of BTP to help mitigate the risk of an overspend recurring in the future. The progress of the recommendations from that paper is discussed in this paper.
- 2.3. To note, the Force is bringing a paper on managing the current 2024-25 forecast pressures and any decisions in this paper should have due regard of the recommendations in the Force's 2024-25 pressures paper.

3. Progress on areas of enhanced Financial Oversight

- 3.1. In accordance with the Authority Code of Governance, Finance, Legitimacy and Performance (FLP) Committee is responsible for ensuring the effective review by the Authority of financial performance. A review of the FLP Finance reporting pack was carried out and an improved reporting pack has been provided to increase the effectiveness and transparency of the reporting, together with a cover paper by the Executive CFO to highlight any items of interest to FLP; this is informed by the monthly review of the FEB reporting. This Committee is also responsible for monitoring progress against delivery and spend on capital projects and major revenue schemes approved by the Authority and the pack contains detailed information on AFotM in-year spend. A condensed version of the FLP pack is also now presented to the Full Authority.

- 3.2. The Strategy & Planning Committee (SPC) is ultimately responsible for recommending a Strategy and MTFP for approval by Authority. Given AFOTM underpins both the Strategy and MTFP, reporting has been designed which will enable Members to have increased visibility over the planned benefits realisation of the projects within this initiative. This new reporting received positive feedback from the September 2024 SPC. This increased reporting of efficiency and benefits will also help BTPA meet the reporting requirements under HMT's Government Efficiency Framework during a time when the Government is focused on efficiency within the public sector. SPC also receive detailed reporting on the Lonon Estates programme to enable comprehensive oversight and scrutiny. Though it was suggested in the January 2024 paper that this oversight should be done by FLP, this reporting has remained with SPC.
- 3.3. The BTPA CFO Audit and Risk Assurance Committee (ARAC) report has been broadened and enhanced to include a summary of the key financial oversight activities which the Executive team have undertaken and any significant outcomes which the Executive consider need to be raised to ARAC (or other Committees). This is in addition to highlighting key issues identified during the quarter on areas related to financial matters as well as risk, control and governance, for example though the CFO's monthly review of the FEB reporting packs.
- 3.4. There have been discussions internally, including at the Strategic Finance Working Group in July 2024, on whether a MTFP Working Group consisting of BTP/A colleagues and nominated members should be set up to ensure early collaboration and engagement before the 25/26 – 29/30 MTFP is presented to SPC in November. These discussions concluded that setting up a Working Group was not compatible with BTP's internal processes and may overly complicate the process during the MTFP development phase. Instead, the MTFP Directive issued in August 2024 went into greater detail than previous years to clearly communicate the Authority's expectation of what the MTFP should cover.
- 3.5. The formation of a Finance Committee was considered in January 2024 and was not recommended at that time but for the decision to be revisited at the October 2024 Full Authority following assessment of the effectiveness of the oversight activities outlined in this paper. One of the arguments for finance oversight to remain with FLP and SPC is to ensure finance is considered in the context of operational performance and people to enable effective strategic oversight.
- 3.6. In June 2024, the Chair requested a Strategic Finance Working Group consisting of members and BTP/A colleagues be set up to agree a set of principles and protocol governing how BTP/A worked together. This would sit alongside existing governance documents. The principles and protocol were agreed at the end of July 2024 and are annexed to this paper for approval by the Full Authority. While agreeing these principles and protocol it became apparent that Code of Governance needed to be updated which is addressed in a separate paper.

4. Recommendations

- 4.1. Members are asked to:
 - 4.1.1. Consider the enhanced oversight activities outlined and confirm that a Finance Committee is not created
 - 4.1.2. Approve the Strategic Finance working group set of principles and protocol governing how BTP/A work together.
 - 4.1.3. Recognise that the establishment of a Working Group to oversee the development of the 25/26 – 29/30 MTFP has not proved feasible.