

LPM delivers outsource to in-source solution for British Transport Police

Over 5 years, LPM Outsourcing collected over £1.5 billion in public funds as accounts receivable managers for British Transport Police

Key solution benefits delivered

- Improved cash flow, income forecasting, collection levels and reporting quality
- Avoided financial penalties from Department of Transport
- Quick resolution of payment disputes by independent party
- Smooth migration of process and data when in-sourced
- A flexible service delivered by a team of outsourcing experts

Many of the UK's public sector operations now face regular performance reviews and are, in particular, required to examine their internal procedures and seek new ways of improving efficiencies and performance levels. An integral element of many such change initiatives is a review of their sources of funding and this was central to the re-structure of the British Transport Police (BTP) when, in 2004, it became a separate entity and financially independent from the Strategic Rail Authority (SRA).

As part of its independent status, the newly formed BTP was required to invoice and collect its £300 million in annual income directly from the individual train operators that fund this important public service. A significant sum for any organisation, it was vital that BTP was able to minimise any delays in obtaining its monthly income payments and BTP decided upon an "outsource to in-source" service, provided by LPM Outsourcing. Under this model, LPM Outsourcing, which specialises in back office administration for the financial services sector, delivered the processes required to manage BTP's accounts receivable operation on such a large scale, and ensure collections were completely up to date. Then, at a future date, BTP could simply migrate the function to be managed in house.

"Without LPM Outsourcing providing this service, we estimated requiring at least 3 months to develop a workable solution," says Janet Dowding, Principal Accountant at BTP, "and I expect we would have had a lot of queries from the train operators asking why they hadn't received invoices, or worse, experienced situations whereby nothing amiss was highlighted, resulting in the inconvenience of retrospectively invoicing instead, with all the delays this brings."

In addition, the outsourcing relationship with LPM Outsourcing ensured BTP were able to start income collections from day one, and would avoid being financially penalised by the Department of Transport (DOT) - a risk when there is a large discrepancy between budgeted and actual cash flows.

"LPM Outsourcing really helped to manage our cash flow because they accurately forecast our monthly income which minimises the chances of any financial penalty being imposed on us," says Janet Dowding. "If there is a large swing this can potentially amount to a DOT penalty in excess of £10 million for BTP, which, thanks to LPM's efforts, we have always been able to avoid."

How the collections process worked

On average LPM issued 230 invoices a month and since the income generated is significant, this amounted to a major responsibility for LPM as an outsourcing partner. In addition to ensuring the statutory payments arrived with BTP on time, having such process efficiency from the outset enabled BTP to diversify and offer "enhanced services", generating an important new source of income. These new services, which now represent 7% of BTP's annual income, were managed by LPM under separate contracts to existing statutory funding contracts and included initiatives such as Crime Stoppers, a special service for engineering companies maintaining the railways.

On a weekly basis, LPM provided an activity report which BTP then uploaded onto its own financial systems. This file contained the period's most recent activity, which was imported into BTP's main Oracle e-financials system. Adding to the complexity of the process, BTP ran 13 accounting periods, each split into 4 week blocks beginning from 1 April and ending on 31 March. One consequence of the 13 accounting periods was the need to adjust year end invoices to avoid accounting periods slipping into the following financial year. LPM Outsourcing produced accurate invoices and managed collections accordingly, ensuring that BTP was aware of how much residual income still needed to be invoiced before the new financial year commenced.

“As well as everything else, LPM also helped to smooth our VAT returns process,” continues Janet Dowding. “Frankly, if we had been doing the collections in house it would have been a nightmare to try and piece together all the bits of information for our end of year accounts because of the large numbers involved.”

According to BTP, the output and reporting developed by LPM was very flexible. One of the other benefits they delivered as an outsourcing provider was the fact that they can act as a single point of contact for any queries – from either statutory or enhanced services. This ensured any issues were resolved quickly and impartially, with no negative impact on ongoing relationships.

Data migration for In-sourcing to BTP

LPM completed the main data migration process in October 2008, working according to a November break off deadline. “We mostly had the right systems in place and preparation for migration was minimal - we just needed to get the accounts receivable module up and running on our system,” says Janet Dowding. From November, BTP took the precautionary step of running the two systems - via LPM and internally - in tandem for 2 accounting periods. By Christmas, the final stages of the data migration programme were completed and BTP began fully operating their accounts receivable function in-house on 5 January 2009.

“Everything has gone completely to plan, LPM was extremely flexible and professional throughout the process - it has been a job very well done,” says Janet Dowling.

“This project highlights the tangible benefits of outsourcing a financial administration process - lowered operating costs, better cash flow, good customer relations and swift dispute resolution,” says Philip Davies, Managing Director of LPM Outsourcing. “These can be realised by any public sector organisation looking for a ready made solution to manage process change. We are delighted to have enjoyed such a good working relationship with BTP over such a long time and to have delivered real value to their organisation.”

Notes to Editors

About LPM Outsourcing

LPM Outsourcing was formed in 1988 to offer a complete back office administration service to organisations that offer installment finance and equipment leasing and finance. LPM Outsourcing has over £1 billion of receivables currently under management from its clients which include Cisco Capital, SYSCAP, the Strategic Rail Authority and Triple Point LLP.

LPM Outsourcing is a division of Five Arrows Leasing Group and a member of the NM Rothschild banking group.

Visit www.lpmoutsourcing.co.uk for more information and client case studies.

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