

DEVON AND CORNWALL POLICE AUTHORITY
9 JULY 2004

(Open for the purposes of FOI)

Joint Report of the Treasurer and Chief Constable

REVENUE AND CAPITAL OUTTURN 2003-04

INTRODUCTION

1. This report presents the revenue and capital outturn figures for the Devon & Cornwall Police Authority for the financial year ending 31 March 2004.
2. The Resources Committee discussed the outturn position in some detail at their meeting in June. This report and the associated recommendations reflect the deliberations and conclusions of that meeting.

REVENUE OUTTURN 2003-04

Revenue Outturn Summary

3. At the budget meeting in February 2003, the Police Authority approved a budget requirement for the financial year 2003-2004 of £220.160 million. Performance against the budget is shown below and includes proposed adjustments. This shows an overspend against budget of £0.051 million, a variation of 0.02%. A more detailed analysis of the above figures is shown in Appendices A (subjective analysis) and B (Force internal report).

	<u>Budget</u> £000	<u>Actual</u> £000	<u>Variation</u> £000
Operational Spending	185,662	186,436	774
Non Operational Spending	30,798	29,527	(1,271)
Contribution to Service Commitment Reserve	1,300	1,848	548
Contribution to General Balances	2,400	2,400	-
Reported Outturn Position	220,160	220,211	51
Adjustment to Service Commitment Reserve		(51)	(51)
Final Position	220,160	220,160	-

4. This is a remarkable achievement and great credit must go to budget managers, finance staff, the Members of the Authority and all those in the Force who played their part in delivering such a result. This is especially so when considering the need to make savings of £3.2 million to balance the budget initially and the need to recover the £2.4 million overspend carried forward from 2002-03. Moreover, the final outturn position has been achieved whilst sustaining performance and developing the policing style.

5. The Force has faced key issues during the year in respect of forensics, data quality and, most significantly, the well documented number and timing of major operations. This last item alone accounted for an overspend of some £0.8 million against the major operations budget (equivalent to 56%). The impact of concurrent major investigations on the Force from November onwards cannot be overstated. Resources were, and continue to be, stretched, but

the Force showed formidable resilience to cope with such unprecedented demand and without affecting the development of neighbourhood beat policing. There is little doubt that this could not have been achieved without the additional police officer numbers provided by the Police Authority in recent years.

6. The pressures on the budget were tackled in part by investing in resource management systems in order to improve data quality and make processes and the use of resources more effective. Investments were more performance related and pressure on the budget forced a reassessment of priorities, with the result that a number of programmes and projects were curtailed or postponed. The ongoing process of reassessing priorities is now embedded throughout the Force with the introduction of the Corporate Assessment Framework and the need to make ongoing savings to meet budget targets. In support of this, the measures taken by the Police Authority last year to strengthen the budgetary control framework have proved successful.

7. The medium term financial plan allowed for replenishing general balances by £2.4 million and for a significant contribution to the service commitment reserve to smooth the costs of policing over time. Both of these have been achieved. The overspend of £0.051 million will need to be financed. This could be achieved by carrying forward this amount and reducing budgets in the current financial year. However, given the efforts to produce such an outstanding outturn position, it is recommended that the funding be found by reducing the planned contribution to the service commitment reserve, from £1.848 million to £1.797 million. This is reflected in paragraph 3 above and in the table proposing movements in revenue reserves.

8. The overall overspend position comprises a number of under and overspends at budget holder level. It should be noted that a number of carry forward adjustments will take place in the current year to reflect internal performance in 2003-04. This will be achieved through the use of virements between budget holders.

9. The Police Authority is required to plan to reduce overtime expenditure by 15% by 2005-06 using 2001-02 as the base year. Overtime expenditure for 2003-04 totalled £5.476m, a significant reduction over the previous financial year. This is despite the additional overtime burden caused by the unprecedented number of concurrent major operations. The Authority is well on track to achieve the 2005-06 target despite the ongoing resourcing requirements created by the major inquiries.

10. The target set by the Police Authority for police officer numbers as at the 31 March 2004 was 3,308. In the event, 3,311 were employed at that date. This is an important part of the Authority's strategy and it is pleasing to report that the target was achieved, particularly considering the other pressures on the budget during the year.

Provisions

11. The proposed changes to provisions are shown in the table below.

	Balance at 01 Apr 2003 £000	Proposed Charge to Revenue A/C £000	Proposed Charge to Provision £000	Proposed Balance at 31 Mar 2004 £000
Airwave	8,759		(216)	8,543
Police Officer Pensions	5,812	492		6,304
Insurance	1,363	229		1,592
	<u>15,934</u>	<u>721</u>	<u>(216)</u>	<u>16,439</u>

12. The charge to the Airwave provision reflects the ongoing revenue costs, mainly staffing, incurred during the year. The increase in the other provisions ensures coverage for the full estimated liabilities of the Authority in respect of lump sum pension payments for those police officers eligible to retire and for a substantial element of estimated liabilities in respect of insurance as at the 31 March 2004.

General Balances and Revenue Reserves

13. The proposed changes to general balances and revenue reserves are shown in the table below.

	Approved Balance £000	Proposed Transfer to Reserves £000	Proposed Transfer from Reserves £000	Proposed Balance at 31 Mar 2004 £000
General Balances	3,507	2,400	-	5,907
Revenue Reserves				
Service Commitment Reserve	-	1,797		1,797
CFF Pensions Reserve	736			736
	736	1,797	-	2,533

14. The proposed transfer of £2.4 million to general balances reflects the previous decision of the Police Authority to recover the budget overspend from 2002-03. Other movements are based on previous Police Authority decisions, reflecting the medium term financial plan.

CAPITAL OUTTURN 2003-04

Capital Outturn Summary

15. The latest approved capital programme for 2003-04 was £9.451 million. Actual expenditure against the approved programme was £7.006 million, giving an underspend of £2.445 million. Final expenditure is very much in line with previous monitoring reports presented to the Resources Committee and members of that committee have been kept aware of the issues on Barnstaple Police Station and the co-location project with the Crown Prosecution Service. Slippage on schemes will be managed in the current financial year. Appendix C provides details of spending on individual schemes

16. Although capital expenditure for the year totalled £7.006 million, current capital accounting regulations allow only cash payments made during the year to be financed. In effect, this means that adjustments have to be made for opening and closing capital creditors. After allowing for these adjustments, the actual amount of capital spending that needs to be financed is £7.361 million.

17. The proposed sources of financing are shown in Appendix C. This makes full use of the general capital grant and unused credit approvals. The planned contribution of £0.395 million from revenue funding is in line with the medium term financial plan. There were no capital receipts during the year.

Capital Reserves

18. The proposed use of funds to finance the capital programme would result in the following changes to capital reserves.

	Approved Balance £000	Capital Grants Received £000	Proposed Capital Financing £000	Proposed Balance at 31 Mar 2004 £000
Capital Development *	1,248		(1,027)	221
Vehicle Purchase *	679			679
Helicopter Replacement *	450			450
Airwave	3,708		(1,408)	2,300
PIF (Barnstaple)	-	450	(450)	-
Air Support	-	107		107
Video Facilities	-	115		115
	<u>6,085</u>	<u>672</u>	<u>(2,885)</u>	<u>3,872</u>

* Technically, these are revenue reserves. They are shown in this section since they are used to finance capital expenditure.

Recommendations: That the proposed revenue and capital outturn for 2003-04 be approved, including the suggested treatment of carry forwards, accruals, provisions, reserves, revenue financing and capital financing.

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