

Devon and Cornwall Police Authority**15 July 2005**

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Joint Report of the Treasurer and Chief Constable

Revenue and Capital Outturn 2004-05**Recommendation:**

That the proposed revenue and capital outturn for 2004-05 be approved, including the suggested treatment of carry forwards, accruals, provisions, reserves, revenue financing and capital financing.

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1. This report presents the revenue and capital outturn figures for the financial year ending 31 March 2005. The Resources Committee discussed the figures in some detail at their meeting in June. This report reflects the outcome of that meeting.

REVENUE OUTTURN**Revenue Outturn Summary**

2. At the budget meeting in February 2004, the Police Authority approved a budget requirement for the financial year 2004-05 of £233.170 million. A summary of performance against the budget is shown below and includes proposed adjustments. This shows an underspend against budget of £12,000 after carry forwards, a variation of less than 0.01%. A more detailed analysis of the figures is shown in Appendices A (type of spending) and B (Force internal report).

	<u>Budget</u> £000	<u>Actual</u> £000	<u>Variation</u> £000
Operational Spending	196,654	195,051	(1,603)
Non Operational Spending	31,789	30,901	(888)
Contribution to General Balances	193	193	0
Net Contribution to Earmarked Reserves	4,534	5,674	1,140
Contribution to Budget Management Fund	0	1,339	1,339
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Reported Outturn Position	233,170	233,158	(12)
Adjustment to General Balances	0	12	12
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Final Position	<u>233,170</u>	<u>233,170</u>	<u>0</u>

3. This is an excellent achievement, particularly given the many challenges faced by the Force throughout the year. The devolved budget performance in particular is notable, with each of the BCUs recording small variations against budget and departmental budgets delivering savings in year.
4. Members have been kept informed throughout the year of the demands on the major operations budget. Final spending against this budget line was £2.848 million, an overspend of £1.135 million. This budget line continues to be under pressure during 2005-06 and will once again be monitored closely on an ongoing basis. In the main, this overspend has been managed corporately and offset by a corresponding underspend of £1.326 million against corporate programmes and projects.
5. The budget allowed for contributions to general balances and earmarked reserves. In addition to this, further adjustments have been necessary. Net police officer pension costs show an underspend against budget as a result of the level of transfer values received. Also, the government has confirmed recently that the Authority will receive a share of the Proceeds of Crime Act for the financial year 2004-05. It is proposed that appropriate amounts are transferred to the Service Commitment Reserve to account for these changes and this has been reflected in the outturn figures for completeness.
6. The outturn report includes proposals for carrying forward sums for specific budget holders into 2005-06 via the Budget Management Fund. Details are provided in Appendix B. Further, it is proposed that the underspend against budget of £12,000 be transferred to general balances.
7. The Pension Reserve has been adjusted by £950,000 to stand at £6m to reflect the outstanding liability on police officer pension commutations as at the 31 March 2005.

Police Officer Recruitment

8. The Authority had 3,386 officers in place at the end of March 2005. This is seven officers above the original target for the year, but a little lower than the revised target of 3,400, due to wastage over the last few months of the year being higher than expected.

Provisions

9. The spending figures include an increase to the insurance provision of £255,000. The revised provision should cover the full extent of estimated liabilities as at the 31 March 2005. This will be subject to further review in July 2005 to assess the liabilities of the fund on an actuarial basis. Both revenue and capital expenditure were incurred during the year against the Airwave provision. The proposed changes to provisions are shown in the table below.

	Balance at 01 Apr 2004 £000	Proposed Charge to Revenue A/C £000	Proposed Charge to Provision £000	Proposed Balance at 31 Mar 2005 £000
Airwave	8,543		(1,250)	7,293
Insurance	1,592	255		1,847
	<u>10,135</u>	<u>255</u>	<u>(1,250)</u>	<u>9,140</u>

General Balances

10. The proposed changes to general balances are shown in the table below. This reflects the issues discussed earlier in the report.

	Balance at 01 Apr 2004 £000	Proposed Transfer to Reserves £000	Proposed Transfer from Reserves £000	Proposed Balance at 31 Mar 2005 £000
General Balances	<u>5,907</u>	<u>205</u>	<u>-</u>	<u>6,112</u>

CAPITAL OUTTURN 2004-05

Capital Spending

11. Actual expenditure for the year totalled £8.5 million, against a revised programme of £10.410 million. The original programme for 2004-05 was adjusted during the year to reflect a more realistic assessment of spending levels. The revised programme was presented to the Police Authority in February as part of the 2005-06 budget proposals. Final spending is generally in line with the revised programme, although there is some slippage, mainly on Airwave. In effect, this is a timing issue. The Airwave roll out and implementation is going well and the spending should catch up during the early months of this financial year. A break down of spending by scheme is shown in Appendix C.
12. Although capital expenditure for the year totalled £8.5 million, a technical adjustment requires that capital creditors of £0.3 million from 2003-04 need to be financed in addition. After allowing for this adjustment, the actual amount of capital spending that needs to be financed is £8.8 million. The proposed sources of financing are shown in Appendix C. This includes external borrowing of £2 million. The budget envisaged borrowing of £4 million. However, this was reduced due to slippage in the original capital programme.

Capital Reserves

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

	Balance at 01 Apr 2004 £000	Proposed Transfer to Reserves £000	Proposed Transfer from Reserves £000	Proposed Balance at 31 Mar 2005 £000
Capital Development *	221			221
Vehicle Purchase *	679			679
Helicopter Replacement *	450	200		650
Airwave Grant	2,300	69	(2,369)	0
Co-location Grant	0	400	(330)	70
Air Support	107		(20)	87
Video Facilities	115			115
	<u>3,872</u>	<u>669</u>	<u>(2,719)</u>	<u>1,822</u>

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

PRUDENTIAL INDICATORS

14. When setting the budget for 2004-05, Members had to agree a number of prudential indicators. These were determined by the Prudential Code, published by the Chartered Institute of Public Finance and Accountancy (CIPFA) to support changes to capital financing regulations.
15. Where applicable, the prudential indicators have been monitored and reported to the Resources Committee during the year. The final indicators for the year are now reported in Appendix D for information, with comparisons given against the budgeted figures.

CONCLUSION

16. The Force has faced many challenges throughout 2004-05, not least the unprecedented pressure on the major operations budget. Despite this, the provisional outturn has been contained within budget and represents an excellent achievement by all involved. Some improvement needs to be made in project planning and delivery. The work being progressed in this area must ensure that future results are more aligned to expectation and that real business benefits are delivered.

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