

**Devon and Cornwall Police Authority Resources Committee**

**29 June 2006**

Open for the purposes of FOI

Joint Report of the Treasurer and Chief Constable

---

**Revenue and Capital Outturn 2005-06**

**Recommendations:**

- i) That the proposed revenue and capital outturn for 2005-06 be approved, including the suggested treatment of carry forwards, accruals, provisions, reserves, revenue financing and capital financing.**
  
- ii) That the Statement of Accounts for 2005-06 be approved.**

**INTRODUCTION**

1. This report presents the revenue and capital outturn figures for the financial year ending 31 March 2006. The Resources Committee will be discussing the figures on 29 June and their recommendations will be reported at the meeting.

**REVENUE OUTTURN**

**Revenue summary**

2. A summary of revenue performance is shown overleaf and includes proposed adjustments. This shows an underspend against budget of £23,000 after carry-forwards, a variation of less than 0.01%. More detailed analysis is shown in Appendices A, B and C. This is an excellent achievement, particularly given the many challenges faced by the Force throughout the year. In particular, the devolved budget performance from BCUs and some operational departments is notable.
3. The figures here are in line with previous forecasts presented to Members showing the importance of regular monitoring and firm budget management throughout the year. In addition, performance against the national overtime reduction target has been good and the Authority has exceeded the cumulative 3-year 15% reduction target by almost 100%. The 2005-06 national Efficiency Plan targets again have been comfortably exceeded.
4. It should be noted that the target date for considering the final accounts has been brought forward this year at the same time as the introduction of the finance and payroll elements of FIMS, the new integrated management system. Results like these in such challenging circumstances are testimony to the skill and application of finance staff in the Force and to the power of the new system.

<b>Outturn 2005-06:</b>	<u>Revised Budget</u> £000	<u>Actual</u> £000	<u>Variation</u> £000
Operational Spending		206,689	
carry-forward		778	
total	207,794	207,467	( 327)
Non Operational Spending	32,854	33,158	304
Contribution to Reserves	3,063	3,063	0
Reported Outturn Position	<u>243,711</u>	<u>243,688</u>	<u>( 23)</u>

5. The over-run on non-operational spending is due to an extra £754,000 pension costs. These are beyond anyone's direct control and would normally have been funded from reserves. However, savings elsewhere have meant that this is not necessary and reserves are, therefore, higher than they would otherwise have been. On the other hand, a number of devolved budget holders such as those in BCUs have held back spending in the reasonable expectation that they would be allowed to carry forward savings and it would be unfortunate for them to be disadvantaged. It is estimated that this amounts to some £522,000. It is, therefore proposed that the pension transfer value accrual of £499,000 that has been included in the 2005-06 outturn, along with the £23,000 surplus above, be assigned to the Budget Management reserve. This will allow part of the savings to be carried across the year-end. These bids will be scrutinised in 2006-07 to be funded from this reserve if required.

### Police Officer Recruitment

6. The Authority has now achieved its long-term strategy of delivering 3,500 police officers, the highest in the Force's history. In fact this has been slightly over-achieved and numbers will be monitored to keep within budget.

### Provisions

7. Accounting standards require "provisions" to be made when a liability is known but the actual cost or timing is uncertain. The provisions held by the Authority, and proposed adjustments for 2005-06, are:

<b>Provisions 2005-06:</b>	Balance at 01 Apr 05 £000	Proposed charge to Revenue a/c £000	Proposed charge to Provision £000	Proposed balance at 31 Mar 06 £000
Airwave	7,293	0	(706)	6,587
Insurance	1,847	0	0	1,847
	<u>9,140</u>	<u>0</u>	<u>(706)</u>	<u>8,434</u>

## **General Balances and Revenue Reserves**

8. The budget strategy includes contributions to earmarked reserves in preparation for future spending and investment. In addition, the 2005-06 budget has been managed with a view to providing maximum flexibility for "Meeting the Challenge" during 2006-07 and beyond. Proposed changes to general balances and revenue reserves are shown in Appendix D. These maintain general balances within the approved margin of 2% - 3% of net revenue budget.

## **CAPITAL OUTTURN**

### **Capital Spending**

9. Progress in delivering the capital programme continues to fall far behind schedule and is an increasing cause of concern. The capital spend of £7.7m is against a revised programme of £11.6m and an original budget of £14.5m. Appendix E lists spending by scheme and, in particular, shows the shortfall on buildings expenditure.
10. For some time now, results on capital have been disappointing and now represent very serious underachievement. This cannot be allowed to continue and management of the programme must be improved. New capital monitoring arrangements will be presented to future Force Executive meetings to promote more business-led support arrangements and help ensure the more timely delivery of operational benefits. Members are reminded that as part of the budget approval process, the Authority has also decided to take a closer overview of capital bids and delivery during 2006-07.

### **Capital Financing**

11. It is proposed that the capital programme be financed from a mixture of grants, reserves and borrowing. Appendix E shows further details. The proposals restrict borrowing to the funding of long-term assets only, in line with existing policy.
12. Consistent with the approved Treasury Management Strategy, borrowing during 2005-06 has increased from £4.3m to £13.0m in two tranches. £5.1m of this was to convert previous internal borrowing to external, at very favourable long-term interest rates, with the balance to fund capital spending on long-term assets noted above.

## **PRUDENTIAL INDICATORS**

13. When setting the budget for 2005-06, Members approved a range of prudential indicators determined by the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code. Appendix F shows indicators at 31 March 2006.

## **STATEMENT of ACCOUNTS**

14. The Statement of Accounts is now produced from the same ledger figures as the management reports. The most significant balance-sheet changes at this stage are:
  - Stock levels are down by £29k (3%) mainly from a reduction of £38k in vehicle parts inventory; the whole range of inventory management is now under review,

particularly the accounting treatment for ICT equipment and high-cost stationery consumables;

- Bank balances are positive this year, even after moving £7.5m of liquid funds into short-term deposits;
- Creditors include £4.8m payroll (PAYE/NI from March payroll, paid in April), £7.2m on general creditors (approximately 42 days' spending), £0.5m contractor payments, and £5.0m accruals for goods received in March but invoiced by suppliers during April;
- Debtors are £5.0m sundry invoicing, and £2.1m VAT repaid by HM Revenue and Customs in May 2006;
- Borrowing in excess of 12 months is up by £8.7m, representing new asset purchases and replacing previous internal borrowing, still well within Prudential Code limits and the approved Treasury Management Strategy.
- For 2005-06, pension transfers are valued on an accruals basis in accordance with the latest guidance in LAAP 56 and FRS 17.

## CONCLUSION

15. The Force has delivered some significant budget successes throughout 2005-06, while also responding to the needs of the "Meeting the Challenge" restructuring and to a wide range of inspections and audits. This is an excellent achievement. However, whatever the outcome of the national restructuring, the Force must ensure it delivers business-change requirements within defined timescales. All concerned with these processes, and with the overall capital and project programmes, must ensure that future results are more aligned to expectation and tangible business benefits delivered on time. The support of the Force Budget Strategy Panel and of the Authority Budget Working Party is likely to be a key determinant of success.

John Glasby  
Treasurer

---

### *Contacts:*

Colin Papworth, Head of Finance  
colin.papworth@devonandcornwall.pnn.police.uk  
01392 452665

Adrian Rutter, Interim Finance Manager  
adrian.rutter@devonandcornwall.pnn.police.uk  
01392 268319

---