

CUMBRIA POLICE AUTHORITY
Audit and Performance Committee

28 June 2006

AGENDA ITEM 5

BUDGET OUTTURN REPORT 2005-06

A Report by the Treasurer and Chief Constable

1 SUMMARY

- 1.1 The purpose of this paper is to provide details of the final expenditure on both the revenue and capital accounts for 2005 - 06. The report also contains formal determinations required in relation to the financing of capital expenditure in 2005 - 06 and details of sponsorship received in 2005 - 06 as required by the Authority's financial regulations.

2 RECOMMENDATIONS

- 2.1 The Committee is recommended to: -
- (i) Note the overall position in relation to both revenue and capital accounts for 2005 -06, and approve the total appropriations to earmarked reserves.
 - (ii) Approve the determinations at paragraph 5, in respect of the financing of 2005-06 Capital Expenditure.
 - (iii) Note the details of sponsorship received during the year as set out at paragraph 6.
 - (iv) Note that there were no debts that the Authority are required to write off as set out in paragraph 7.

3 REVENUE ACCOUNT 2005 - 06

- 3.1 The provisional final expenditure for 2005 - 06 amounts to £85,585k as compared with the revised budget approved of £89,115k, both figures before appropriations to earmarked reserves. Net expenditure after proposed appropriations amounts to £88,143k, which will increase the Authority's general balances by £972k to £3,967k. This will increase the value of those balances to 4.4% of the 2005-06 budget. The Authority's accounts are now formally closed and although they are unaudited at this stage, no significant changes are expected.

3.2 A summary showing expenditure and income against the main accounting headings is shown at Appendix 1 for members' information. Details of the material variances are also described below. Members are reminded that the scheme of Devolved Resource Management allows budget holders some flexibility in the use of local budgets, which partly explains movements from the approved budget. Members will also be aware that more detailed explanations of budget variances are presented to the Committee for members' information on a regular basis throughout the financial year.

3.3 **Police Pay and Allowances**

Overall expenditure on Police Officer pay was £585k within the revised budget. This is partially as a result of a £300k reduction in the costs of officers seconded to other organisations, which is offset by a corresponding reduction in income. Of this amount £200k relates to the transfer of officers to SOCA in January. A further £160k of the overall variance results from lower than expected Special Priority Payments, with the remaining variance explained by the natural turnover of officers.

3.4 **Police Staff Pay & Allowances**

Expenditure for Police Staff pay and allowances has come inside the revised budget by £470k. This reflects continuing difficulty in recruiting Police Staff, both generally and especially in a number of specialist areas, which has previously been reported to both the full Authority and also to the Audit and Performance Committee during the year. The situation appears to have been exacerbated in the latter part of the year by uncertainty over the effect of the amalgamation with Lancashire Constabulary.

3.5 **Police Pensions**

Net expenditure on police pensions has come inside the revised budget by £472k. Whilst lower than anticipated expenditure on recurring pensions and lump sum payments have contributed to this variance, it is primarily the result of additional transfer values received from new recruits joining the constabulary from other professions. There had been little indication of this earlier in the year, indeed, earlier in the year it had been forecast that the income target would not be met, although over £300k of transfers were received in the last two months of the financial year. These figures, based on actual expenditure, do not include the bookkeeping adjustments in respect of Financial Reporting Standard (FRS) 17, as shown in the Statement of Accounts, which aim to demonstrate the long term liabilities of police pensions and their impact on the Authority's overall financial position.

3.6 **Other Employees costs**

Spending on this budget line has exceeded the revised budget by £23k, reflecting additional expenditure on both recruiting staff and agency staff to cover vacancies.

3.7 Premises Costs

There are a number of contributory factors, which explain why the premises expenditure came £170k within the revised budget. In overall terms the minor works budget was £130k inside budget. Whilst costs arising from storm damage were £200k lower than anticipated, this was offset by additional costs on urgent projects elsewhere within the Constabulary. Recent inflationary pressures on energy costs resulted in the budget being exceeded by £58k, as reported to members during the budget process. Cleaning costs also exceeded the revised budget by £39k, primarily through contractors having to cover an increased number of sites in North Cumbria. Savings of £36k have been realized on the rates budget resulting from rating revaluations on a number of properties. Rental payments are £80k within budget, partly due to the costs of running LPT sites being charged to other premises budgets, but also as a result of tighter control over the commissioning of additional works payable under the PFI contract.

3.8 Transport Costs

Expenditure on transport costs exceeded the revised budget by £116k. There were a number of contributory factors. Firstly, and most materially, expenditure on repairs and maintenance was £58k above the revised budget, due in part to the temporary need to outsource some elements of this work. Vehicle hire activity across the force has increased this year, as this is increasingly used as a cost effective means of transporting officers and staff in comparison with the use of public transport and the payment of car allowances, resulting in increased expenditure of £71k. This additional cost is, however, offset by lower travel and subsistence costs reported below.

3.9 Supplies and Services

Supplies and Services costs came inside the revised budget by £265k. Whilst this is a large and diverse area of the budget, which contains a number of individual budget heads the vast majority of the material variances relate to Information Technology. Savings, totaling £960k, have previously been reported to members on Airwave, as a result of the delayed roll out of Airwave functionality and the purchase of a combined purchase and maintenance deal on Airwave equipment, and elsewhere within the IT budget on items such as hardware and software maintenance and radios, which have been incorporated in the revised budget. However, significant further savings were identified towards the end of the financial year through negotiating improved terms on maintenance contracts and not renewing contracts on systems, which are now being discontinued. A further variation, which is worthy of note, is that expenditure on travel and subsistence came inside the budget by £74k. In essence, this offsets much of the additional costs of hire cars referred to above in paragraph 3.8.

3.10 Agency Costs

Agency costs are shown as exceeding the revised budget by £123k. Of the total variance £55k is attributable to contributions to the North West Regional Underwater Search Team, which is offset by additional reimbursement of income. The remainder of the variance relates to invoices for a variety of specialist services, largely provided by other forces, and also to consultancy and payments to Advisory Groups. Again, in many instances, the increased expenditure is matched by additional income contributions.

3.11 Revenue Contributions to Capital Programme

The variance of £1,697k reflects the Authority's decision, in March, to re-engineer financing of the 2005-06 capital programme, by substituting borrowing for revenue contributions. This has released funds to create an earmarked reserve in support of amalgamation costs.

3.12 Exceptional Item

Expenditure in 2005/06 includes exceptional costs totaling £1,615k relating to infrastructure repairs to the North Cumbria BCU Headquarters at Rickergate and resulting business continuity costs to the BCU arising from the Storm of January 2005. Whilst the Authority may, in due course, dependent on independent advice currently being obtained and evaluated, contest the view of Authority's insurer that they have no liability in relation to property damage as a result of the incident, it is considered prudent at this stage to recognise the full cost in the Authority's 2005/06 accounts. The cost of the Storm has been funded from a combination of the earmarked reserve of £400k set up in 2004/05, the operational contingency of £1,036k agreed in 2005/06 and savings on capital project costs reported to the Authority in January.

3.13 Transfers to Earmarked Reserves

The outturn position allows potential for movements to existing earmarked reserves and new reserves to be created, subject to endorsement by members. This would have the combined effect of providing a hedge against a number of future uncertain or unknown events and, in addition, would help to provide some resilience against known commitments in 2006-07 and beyond and in some areas provides headroom as the Authority and Constabulary move towards amalgamation. The following transfers are proposed: -

- (i) Capital Reserve (£3,494k)
This relates to the re-appropriation of Pensions Reserves, which were previously maintained to cover volatility in year to year pensions costs, but are no longer required following the introduction of the new Police Pensions Scheme. Whilst the reserves have not been specifically earmarked to a particular project it is hoped that these funds will be ultimately applied to the construction of the proposed new North Cumbria BCU Headquarters, at Durranshill.
- (ii) North Cumbria BCU (£200k)
As noted in paragraph 3.12 an exceptional item of £1,615k relating to infrastructure damage to North Cumbria BCU Headquarters and subsequent business continuity costs arising out of storm damage

was included in the Authority's accounts for 2005/06. This expenditure was funded from a package of measures agreed by the Police Authority in December. It is recommended that a further sum of £200k be set aside to meet known commitments arising from the Storm including the provision of forensic medical examinations, and the completion of building works, for example the installation of IT infrastructure at the Crown Courts. This will ensure business continuity in North Cumbria BCU until the Durranshill Custody Unit becomes operational.

- (iii) Amalgamation Funding Harmonisation (£1,846k)
Members will recall that at the March meeting of the Authority it was agreed to re-structure financing of the Authority's 2005/06 capital programme to facilitate the creation of a revenue reserve of £1,846k, which would help align the Authority's financial resources in support of the estimated amalgamation costs and the indicative offer of financial assistance from the Home Office.
- (iv) Management of Change (£250k)
Members are asked to approve the transfer of £250k to a reserve to help manage significant change, including the costs of amalgamation not met from government grant.
- (v) Health and Safety (£270k)
It is recommended that Members approve funding of £270k to meet expenditure, which may be needed to comply with Health and Safety legislation requirements, following recent and forthcoming HSE inspections.
- (vi) Budget Holders funds (£479k)
Members will be aware that the facility to allow budget holders in the constabulary to carry forward funds up to 2% of delegated funds, as set out in the scheme of devolution, has only been used sparingly in recent years, because of the Authority's overall financial position. However, it is recommended that £479k be provided to fund a number of specific items of cost pressure in BCUs and HQ departments. This sum represents less than 1% of the value of locally managed budgets in the Constabulary.
- (vii) Sleuth / Impact (£292k)
At the Authority's meeting in August members agreed amended funding arrangements for the RMS / Impact Project, including the transfer of £212k of re-scheduled revenue costs in 2005-06 to an earmarked reserve, with the aim of smoothing the effect on the 2006-07 budget. In addition the PMU re-profiled £80k of IMPACT expenditure so as to maximise the Constabulary's entitlement to grant. Accordingly members are asked to transfer this sum to the reserve to meet future costs, as overall funding requirements for the project are unaffected by the re-engineering exercise.

3.14 **Income**

Total income has come inside the revised budget by £75k. This reflects minor variations to investment income, sales, fees and charges combined with changes on several specific grants. Changes to the expected value of investment income have been regularly reported to members, both in budget variance reports and also as part of Treasury Management activity reports to the main Authority. The figure also incorporates re-imburement of the Constabulary's expenditure on a number of operations in which it has participated, which could not be guaranteed at the time the revised budget was prepared.

3.15 **General Balances**

As set out above, the overall effect of the final results will increase the Authority's general reserves by £972k as at 31 March 2006 to £3,967k, which equates to 4.4% of the 2005-06 budget.

4. **CAPITAL EXPENDITURE 2005 / 06**

4.1 A statement showing the capital expenditure for the year is attached at Appendix 2. It shows total payments of £4,761k in 2005-06, as compared to £5,436k as reported to members at the budget meeting. The reduction in capital expenditure from the forecast previously reported results from a combination of slippage in building projects at HQ and Case and Custody, national delays in the implementation of CRISP and delayed roll out of the upgrade to Windows XP, whilst systems providers upgrade applications to ensure XP compatibility. After making adjustments for year-end accruals, the amount required to finance the 2005-06 capital programme amounts to £5,552k. As members will be well aware, most capital schemes have a duration which exceeds a single financial year, which can lead to significant movements in the spending profile, although the overall expenditure may well be unaffected. The figures in the Appendix attempt to illustrate both the effects both of variations to total budgeted scheme costs, the prime consideration, but also show changes to the expected costs in the year of account, which determines the amount of capital financing to be applied in that year.

4.2 At the end of 2005/06 so far as individual variances to projected scheme costs are concerned only minor variances are reported. The cost of vehicles exceeding the revised budget by £32k, due to the cost of replacing vehicles written off, which will be largely offset by insurance receipts. The only other significant variance is £49k of additional capital costs arising out of the storm damage in North Cumbria.

5. **CAPITAL DETERMINATIONS 2005 / 06**

5.1 Part IV of the Local Government and Housing Act 1989 requires a number of "determinations" to be made and approved in relation to the financing of capital expenditure. These are set out below: -

- (i) Usable capital receipts amounting to £285k have been applied to meet capital expenditure under part IV of the Act (Section 60.2 of the Act)

- (ii) A sum amounting to £119k has been set aside in the revenue account as a minimum revenue provision (MRP) for credit liabilities (Section 63.5 of the Act).

6. SPONSORSHIP

- 6.1 The Authority's financial regulations require details of gifts, loans and items of sponsorship to be provided to the Authority on an annual basis. Four items of sponsorship were received during 2005-06 as set out in the table below: -

Donating body and amount	Description
BAC Systems Barrow - £250	Sponsorship of Barrow Police Boat
Mr R.A.Johnston - £15	Donation towards Grange Blue Lamp
G.O.S. Civic Society - £15	Donation towards Grange Blue Lamp
British Nuclear Group - £250	Donation to running costs at Barrow.

7. BAD DEBTS

- 7.1 There are no bad debts that are required to be written off by the Authority in 2005/06.

Douglas Thomas
Treasurer

Michael Baxter
Chief Constable

Attachments

Revenue outturn Appendix 1
Capital outturn Appendix 2

Contact points for further information

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CUMBRIA POLICE AUTHORITY

Appendix 1

Revenue Outturn 2005-06

Expenditure Category	2005-06 Original Budget £'000	2005-06 Revised Budget £'000	2005-06 Final Outturn £'000	2005-06 Outturn Variance £'000
Police Pay & Allowances	47,521	48,755	48,170	(585)
Police Staff Pay & Allowances	19,144	18,621	18,151	(470)
Police Pensions	13,396	12,812	12,340	(472)
Other Employees Costs	1,020	1,096	1,119	23
TOTAL EMPLOYEE COSTS	81,081	81,284	79,780	(1,504)
Premises Costs	3,264	3,755	3,585	(170)
Transport Costs	2,136	2,389	2,505	116
Supplies & Services	10,753	10,295	10,030	(265)
Support Services	101	108	113	5
Agency Costs	239	338	461	123
Capital Financing Charges	208	308	203	(105)
Revenue Contributions to Capital	1,475	1,697	0	(1,697)
Police Authority	677	654	643	(11)
Exceptional Items	0	0	0	0
GROSS EXPENDITURE	99,934	100,828	97,320	(3,508)
General Income	(4,370)	(5,133)	(5,083)	50
Grants	(5,772)	(6,746)	(6,871)	(125)
NET EXPENDITURE	89,792	88,949	85,366	(3,583)
Contingency	200	142	0	(142)
Amending Report 2003-04	219	219	219	0
Earmarked Reserves	(992)	(658)	2,558	3,216
Transfer to / from General Reserves	(104)	463	972	509
Total (Including Reserves)	89,115	89,115	89,115	0
Home Office Police Revenue Grant	(36,572)	(36,572)	(36,572)	0
Rate Support Grant (RSG)	(17,572)	(17,572)	(17,572)	0
National Non-Domestic Rate Pool (NNDR)	(7,958)	(7,958)	(7,958)	0
Precepts	(27,013)	(27,013)	(27,013)	0
Total External Funding	(89,115)	(89,115)	(89,115)	0

Cumbria Police Authority

Capital Programme 2005-2006

Project Descriptions	Approved Programme £	Expenditure to 31-Mar-05 £	Approved Programme 05/06 £	Revised Programme 05/06/06 £	Outturn 2005 / 2006 £	Future Years Spend	TOTAL COST £	Variance £
2005 / 2006 SCHEMES								
Vehicle Purchases 05/06			639,000.00	678,940.00	490,385.28	213,827.08	704,212.36	25,272.36
Vehicle Adaptors 05/06			129,000.00	158,595.00	155,141.14	10,621.86	165,763.00	7,168.00
Telephony			1,172,000.00	172,000.00	68,627.62	103,372.38	172,000.00	-
Share Point Portal			74,000.00	85,840.54	-	85,840.54	85,840.54	-
IT Replacements 05/06			526,000.00	564,270.00	-	564,270.00	564,270.00	-
Initial Police Learning and Development Programme			440,000.00	450,000.00	431,352.64	18,647.36	450,000.00	-
Information Management Programme								
Record Management System			1,755,000.00	2,591,000.00	56,159.38	2,534,840.62	2,591,000.00	-
Data Warehouse			85,000.00	85,000.00	-	85,000.00	85,000.00	-
IMPACT			-	899,000.00	377,530.45	521,469.55	899,000.00	-
New Schemes 2005 / 2006								
Photographic Equipment			-	19,175.00	19,175.00	-	19,175.00	-
North Cumbria BCU Estates Infrastructure			-	4,572,000.00	23,308.66	4,548,691.34	4,572,000.00	-
HQ Accommodation Adaptors			-	85,000.00	4,200.00	-	85,000.00	-
New Schemes 2006 / 2007								
				1,686,000.00		1,686,000.00		
Sub Total			4,820,000.00	12,006,820.54	1,625,880.17	10,413,380.73	12,039,260.90	32,440.36
2004 / 2005 SCHEMES								
Vehicle Purchases 04/05	720,000.00	625,777.35	94,222.65	102,430.60	102,430.60	-	728,207.95	-
Vehicle Adaptors 04/05	271,693.00	153,531.72	118,161.28	22,710.81	-	-	176,242.53	-
Refurbishment Of Previous Chad Accommodation	167,000.00	149,616.20	17,383.80	2,989.85	1,540.69	-	148,075.51	1,449.16
NTU - Roof Repairs	78,000.00	71,984.60	6,015.40	1,644.63	1,638.63	6.00	73,629.23	-
Disability Discrimination Act Works	212,000.00	110.00	211,890.00	211,890.00	23,200.19	188,689.81	212,000.00	-
Museum conversion	55,263.13	55,263.13	-	40.00	514.25	-	55,777.38	474.25
IT Hardware Replacements 04/05	789,799.30	317,741.45	472,057.85	472,057.85	392,941.51	79,116.34	789,799.30	-
Generator Replacements	74,000.00	71,862.37	2,137.63	-	-	-	71,862.37	-
Whitehaven Training Room	41,006.71	41,006.71	-	1,193.75	-	-	42,200.46	-
Command and Control System Enhancements	105,000.00	-	105,000.00	0.00	-	-	0.00	-
Case and Custody	1,565,000.00	606,089.39	958,910.61	758,910.61	539,104.03	219,806.58	1,365,000.00	-
ANPR	164,000.00	-	164,000.00	264,000.00	251,333.50	12,666.50	264,000.00	-
Camera Scheme	132,469.16	123,469.16	9,000.00	9,000.00	9,150.00	-	132,619.16	150.00
PROMAT	86,000.00	-	86,000.00	86,000.00	75,475.77	10,524.23	86,000.00	-
Insurance Storm Damage	609,810.26	609,810.26	-	110,000.00	158,645.51	-	768,455.77	48,645.51
Vehicles - Storm Damage Insurance	122,805.00	96,329.34	26,475.66	22,138.50	22,138.50	-	118,467.84	-
Sub Total	5,193,846.56	2,922,591.68	2,271,254.88	2,059,026.90	1,598,936.36	510,809.46	5,032,337.50	50,718.92
Project Descriptions	Approved Programme £	Expenditure to 31-Mar-05 £	Approved Programme 05/06 £	Revised Programme 05/06/06 £	Outturn 2005 / 2006 £	2006 / 07 £	TOTAL COST £	Variance £
EARLIER SCHEMES								
OS / Property Roof	30,000.00	-	30,000.00	30,000.00	-	30,000.00	30,000.00	-
Windows XP system	1,323,000.00	254,430.43	1,068,569.57	1,068,569.57	292,822.98	775,746.59	1,323,000.00	-
National Management Information Systems	636,400.00	292,241.13	344,158.87	344,158.87	196,079.43	148,079.44	636,400.00	-
Airwave	3,820,817.00	363,405.69	3,457,411.31	3,450,060.76	765,294.45	2,684,766.31	3,813,466.45	-
Premises Improvement Fund 2003/2004	660,226.59	584,536.60	75,689.99	37,227.85	24,571.10	12,656.75	621,764.45	-
SICCS (DS 2000)	1,064,018.00	879,275.50	184,742.50	192,093.05	192,093.05	-	1,071,368.55	-
Action for justice Interview Suites	652,000.00	302,745.41	349,254.59	239,254.59	12,975.38	226,279.21	542,000.00	-
Communication Centre	2,227,000.00	2,210,942.63	16,057.37	947.35	947.35	0.00	2,211,889.98	-
PIF - Public Access	205,551.89	205,551.89	-	6,580.88	6,580.88	0.00	212,132.77	-
Bacs Payment System	15,000.00	-	15,000.00	15,000.00	7,468.00	7,532.00	15,000.00	-
SYNERGY	1,037,065.00	918,334.68	118,730.32	118,730.32	34,304.97	84,425.35	1,037,065.00	-
Intell System	100,000.00	56,103.64	43,896.36	-	-	-	56,103.64	-
Intranet	30,000.00	18,159.46	11,840.54	-	-	-	18,159.46	-
Security Info System	50,000.00	26,446.87	23,553.13	23,553.13	-	23,553.13	50,000.00	-
HOLMES II	235,124.00	204,859.30	30,264.70	30,264.70	2,750.00	27,514.70	235,124.00	-
Sub Total	12,086,202.48	6,317,033.23	5,769,169.25	5,556,441.07	1,535,887.59	4,020,553.48	11,873,474.30	-
B/FWD Creditors & Accruals Adjustment					790,950.18			
Grand Total	17,280,049.04	9,239,624.91	12,860,424.13	19,622,288.51	5,551,654.30	13,741,288.36	28,945,072.70	83,159.28

Financing

APPENDIX 2

	Approved Programme 05/06 £	Revised Programme 05/06/06 £	Outturn 2005 / 2006 £	2006 / 07 £
Capital Grants	5,168,090.93	7,495,482.61	1,401,992.87	7,841,582.96
Capital Receipts	560,000.00	434,652.32	284,652.32	150,000.00
Capital Expenditure from Revenue Account				
General	1,910,000.00	-		
UPS HQ				40,000.00
Computers		-		
Observation Vehicles / Airwave Vehicle		-		
Anti Social Behaviour Vehicle		-		
OS Photographic Processing Equipment		-		
RMS		-		
IPLDP		-		
Earmarked Revenue Reserves	100,000.00	-	-	
Specific Capital Grant				
Airwave	766,318.81	766,318.81	765,294.45	1024.36
Premises Improvement Fund 03-04	45,000.00	45,000.00	45,000.00	
IPLDP	76,100.00	76,100.00	76,100.00	
ANPR	100,000.00	200,000.00	200,000.00	
North Cumbria BCU Estates	1,200,000.00	2,800,000.00	23,308.66	2,776,691.34
IMPACT Grant		268,000.00	239,569.49	28,430.51
Additional impact Grant		30,000.00	30,000.00	
Capital Income				
NMIS	226,500.00	141,808.00	141,808.00	
Case and Custody	456,118.73	416,436.83	416,436.83	49999.5
Additional Case and Custody Grant		-		
Motor bikes refund.			35,535.02	
Storm Vehicle write offs	18,295.66	18,295.66	18,295.66	
National Safety Camera Scheme 04-05	9,000.00	67,067.00	9,150.00	57917
Reserves				
General Capital Reserve	1,675,000.00	-		
Airwave Capital Reserve	400,000.00	-		
ANPR Capital Reserve	64,000.00	-		
PROMAT Capital Reserve	86,000.00	-		
Borrowing		5,863,609.00	1,864,511.00	3,999,098.00
Total Financing	12,860,424.13	18,622,770.23	5,551,654.30	13,741,288.36