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CUMBRIA POLICE AUTHORITY

AUDIT AND PERFORMANCE COMMITTEE

Minutes of a Meeting of the Audit and Performance Committee held on Wednesday 28 June 2006 in Conference Room 1, Police Headquarters, Carleton Hall, Penrith commencing at 11.30am.

PRESENT

Mrs L Slavin (Chair)

Mrs C A Egan
Mrs L L Shaw

Mr R Watson

Also present:

Treasurer (Mr D Thomas)
Deputy Chief Constable (Mrs C Twigg)
Constabulary Director of Finance and Resources (Mr M Thompson)
Deputy Clerk (Mr S Edwards)

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

131. APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr M Ash and Mr W Smith.

132. URGENT BUSINESS AND EXCLUSION OF THE PRESS AND PUBLIC

The Chair advised that she intended to take an item by the Treasurer and Chief Constable "Budget Outturn Report 2005/06", as an item of urgent business. This item would be taken before the item on the Statement of Accounts.

The Chair expressed her disappointment at the very late circulation of papers for the meeting. This affected the ability of Members to undertake preparatory work on the papers and to ask informed questions at the meeting.

The Treasurer advised that less time was now available for the preparation and submission of the Accounts.

Exclusion of the Press and Public

There were no items on the agenda for which the press and public were to be excluded.

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133. DISCLOSURE OF PERSONAL INTERESTS

There were no disclosures of personal interests in relation to any item on the Agenda.

134. BUDGET OVERTURN REPORT 2005/06

A report by the Treasurer and Chief Constable had been circulated to Members. The purpose of the report was to provide details of the final expenditure on both the capital and revenue accounts for 2005/06. The report also contained formal determinations required in relation to the financing of capital expenditure in 2005/06 and details of sponsorship received during the course of the year, as was required by the Authority's financial regulations.

The Treasurer advised that the provisional final expenditure for 2005/06 amounted 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 amounted to £88,143k which would increase the Authority's general balances by £972k to £3,967k. This would increase the value of those balances to 4.4% of the 2006/07 budget. This meant that balances were now approaching the 5% recommended as part of the budget and put the Authority's finances in a sound position.

The Authority's Accounts were now formally closed and although they were unaudited at this stage no significant changes were expected.

The Treasurer then directed Members attention to Appendix 1 to the report which provided a summary of expenditure and income against the main accounting headings. Details of the material variances were described in the report itself and detailed explanations of budget variances had been provided to the Committee on a regular basis throughout the year.

Of particular note was the variance with regard to revenue contributions to the capital programme where a variance of £1,697k reflected the Authority's decision in March 2006 to re-engineer financing of the 2005/06 capital programme by substituting borrowing for revenue contributions thereby releasing funds to create an earmarked reserve in support of prospective amalgamation costs.

Furthermore, expenditure in 2005/06 included exceptional costs totalling £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 might, in due course, contest the insurer's view that they had no liability in relation to property damaged as a result of the storm it was considered prudent to recognise the full cost in the Authority's 2005/06 accounts. The cost of the storm had 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 2006.

Appendix 2 to the report by the Treasurer and Chief Constable dealt with the capital expenditure for the year, which showed total payments of £4,761k in 2005/06 as compared to projected expenditure of £5,436k as reported at the budget meeting. The reduction in capital expenditure from that forecast previously reported was a result of a combination of slippage in building projects at HQ, Case and Custody, national delays in the implementation of CRISP and delayed roll out of the upgrade to Windows XP. After making adjustments for year-end accruals, the amount required to finance the 2005/06 capital programme amounted to £5,552k.

Only minor variances were reported with regard to projected scheme costs.

Two "determinations" were required under Part IV of the Local Government and Housing Act 1989 in relation to the financing of capital expenditure, namely –

- (i) usable capital receipts amounting to £285k had been applied to meet capital expenditure under Part IV of the Act (Section 60.2 of the Act);
- (ii) a sum amounting to £119k had been set aside in the revenue account as a minimum revenue provision for credit liabilities (Section 63.5 of the Act)

The Treasurer also reported on four items of sponsorship, totalling £530, received during 2005/06.

The Treasurer advised that there were no bad debts that required to be written off by the Authority in 2005/06.

In response to a question from a Member with regards to staff costs incurred as part of the amalgamation process the Treasurer advised that work was being undertaken by Lancashire and would be reported to a meeting of the Programme Board on 30 June.

Members raised various matters with regard to the costs incurred as a result of the storm in January 2005 and the position with regard to insurance, all of which were responded to by the Treasurer and the Director of Finance and Resources.

In response to a further question from a Member with regard to the commitment of capital schemes that would run beyond 1 April 2006 the Deputy Chief Constable advised that she had asked, through the relevant work stream, that all committed capital items within both Constabularies and Police Authorities be identified.

RESOLVED , that

- (1) the overall position in relation to both revenue and capital accounts for 2005/06 be noted and the total appropriations to earmarked reserves be approved;
- (2) the following determinations in respect of the financing of the 2005/06 capital expenditure be approved -
 - (i) usable capital receipts amounting to £285k be applied to meet capital expenditure under Part iv of the Act (Section 60.2 of the Act);

- (ii) a sum amounting to £119k be set aside in the revenue account as a minimum revenue provision for credit liabilities (Section 63.5 of the Act);
- (3) the details of sponsorship received during the year, as set out in the report, be noted;
- (4) it be noted that there were no debts that the Authority was required to write off in 2005/06.

135. STATEMENT OF ACCOUNTS FOR THE YEAR TO 31 MARCH 2006

The Treasurer advised Members that the publication of a Statement of Accounts was a statutory requirement as set out in Section 27 of the Audit Commission Act 1998 and the Accounts and Audit Regulations 2003. The aim of the Statement was to demonstrate to the reader the overall financial position of the Authority at the end of the financial year together with the cost of the services provided during the year and the financing of that expenditure. In addition it was used by the District Auditor as a basis for giving an opinion on the fairness of the accounts. That audit was now being undertaken and the formal date for calling the audit was 28 July. The publication of the Annual Audit letter represented the end of the process and the Treasurer did not expect any material issues to be raised.

The Treasurer then took Members through the Statement of Accounts in detail a page at a time, drawing attention to and giving explanations on specific issues. A copy of the Statement of Accounts, accompanied by a report by the Treasurer and Chief Constable, had been circulated to Members in advance of the meeting,

In concluding the Treasurer acknowledged the input of the Constabulary's finance team in producing the Statement of Accounts. He reminded Members that the reporting timescales for the production of the accounts had been halved over the last three years and it had been a particular challenge to continue to meet the increasingly stretching reporting deadlines, particularly in the context of recent changes to finance team members and responsibilities, some absences from workplace at the key time and the additional commitments required of finance staff by the amalgamation project.

The Chair stressed the importance of the Statement of Accounts and thanked the Treasurer for taking the time to take Members through the document in such detail.

The Treasurer reminded Members that the Account and Audit Regulations required that the Statement of Accounts be signed by the Chair of the Committee once it had been approved by Members. The purpose of this requirement was to improve Members ownership of the finances of the Authority.

RESOLVED , that the Statement of Accounts for the year to 31 March 2006, as submitted for audit, be approved and the Chair of the

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Committee certify the Accounts in accordance with requirements of the Accounts and Audit Regulations 2003.

The meeting ended at 12.25pm.

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