

Warwickshire Police Authority – 28 June 2010

Summary of Amendments to Financial Outturn Report 2009/10

Report of the Assistant Director of Resources (Finance)

Recommendations

That the:

1. Amendments to the Final Outturn Report are received and noted;
2. The revised budget adjustments set out in Section 1 are approved;
3. Revised Capital determinations as set out in Section 3 are approved
4. Prudential Indicators set out in Section 3 are approved.
5. Authority approves the recommended method of calculating the Minimum Revenue Provision (MRP) for 2009/10 and 2010/22 as detailed in Section 3.

Introduction

The Financial Outturn Report was presented to the Police Authority at its meeting on the 26th May 2010, as a provisional outturn, subject to any adjustments arising from the production of the Statement of Accounts.

The Statement of Accounts, subject to Audit, have now been finalised and the main accounting statements have been scrutinised by the Audit Committee. The Statement of Accounts is presented for the approval of the Police Authority elsewhere on this agenda.

The changes to the provisional outturn position are set out below and for completeness a revised copy of the Financial Outturn report presented in May is attached. The changes result in a revised under spend against the revenue budget of £3,236k, a small reduction of £118k compared to the provisional figure. This change results in a minor reduction in the reported level of reserves, to £17,241m.

Although the Capital Outturn is as previously reported this report proposes technical adjustments to the way in which the financing of the expenditure and the resultant capital determinations.

1. Budget Adjustments

The table below sets out the budget adjustments approved by the Authority at its May meeting. These adjustments have been reviewed, as part of the production of the Statement of Accounts, which has revealed that, in order to comply with accounting practice, two of the adjustments are now longer required namely:

Note 4 – Various items of equipment and vehicles have been purchased through the year from revenue budgets and should be treated as capital expenditure funded from revenue and shown in the revenue account as a Revenue Contribution to Capital. This does not give rise to a variance as the corresponding charge is shown in the revenue account.

Note 6 – Alcohol reduction grant of £7k received and not spent in full is to be returned in 2010-11. This grant has been retained within the balance sheet and this budget transfer to revenue is not necessary.

	Note	May £'000	June £'000
2009/10 Revised Budget at Quarter 3		92,909	92,909
Westbere – Expenditure funded from reserves for 2009-10	Note 1	514	514
PCSO grant – contribution to earmarked reserve	Note 2	(1346)	(1346)
Use of earmarked reserve for revenue costs of Financial Management (FM) project	Note 3	116	116
Revenue Contributions to the Capital Programme	Note 4	(340)	
Carry forward approved in year, not required	Note 5	28	28
Alcohol Reduction Grant to be returned	Note 6	7	
Insurance receipt – Operation Westbere	Note 7	(197)	(197)
2009-10 Revised Budget		91,691	92,024

2. Revenue Expenditure Adjustments

Following the production of the Outturn report, there have been a small number of necessary adjustments to the expenditure or income values, these are set out below;

	£'000
Provisional Outturn	88,337
Revenue Contributions to Capital (as per note 4 above)	340
Bad Debt Provision – Increase to the provision from £125k to £173k per the accounting policy	48
LAA Contribution – invoice relating to 2009-10 was not received until after the year end	60
Property Act Fund income shown in the Authority's income – this should be held as a balance within the balance sheet as it is not the Authority's income, but is held on behalf of the Property Act Fund	4
Alcohol Enforcement Grant - £7k relating to the repayment of grant funding – per note 6 above, this was already held within the balance sheet ready to be repaid.	(7)
Additional Costs within Local Policing Directorate relating to accrual of expenditure into 2009-10	6
Final Outturn	88,788

The final outturn of £88,788k compares to a revised revenue budget of £92.024m resulting in a net under spend of £3,216k. The attached report provides a detailed explanation of the variations.

3. Capital Determinations

Although the Capital Outturn is as previously reported this report proposes technical adjustments to the way in which the financing of the expenditure and the resultant capital determinations and the table below sets out the changes to the Capital Determinations between the provisional outturn report in May and the Final Outturn position.

	Provisional Outturn £	Final Outturn £
Capital Expenditure	25,184,167	25,184,167
Funding		
Specific Grant	385,578	385,578
Capital Grant	1,714,576	1,714,576
Earmarked Reserve (Justice Centre Interest on Balances accrued during 2008/09)	699,000	
Contributions from Justice Centre Partners	15,797,308	15,797,308
Sub Total: Money Provided by Other Persons	18,596,462	17,897,462
Earmarked Reserve (B/Fwd from RCCO in 2008/09)		87,855
Earmarked Reserve (Justice Centre Interest on Balances accrued during 2008/09)		699,000
Capital Receipts	338,924	343,786
Revenue Contributions	427,451	339,596
Borrowing	5,821,330	5,816,468
Capital Funding	25,184,167	25,184,167

Revised Capital Expenditure Determinations

Capital Funding determinations include all capital expenditure, including that of the Justice Centre project.

Under S.42 (2)(g) of the Local Government and Housing Act 1989 the Police Authority agrees to capitalise expenditure of £17,897,462 to be met out of money provided by other persons (e.g. Police Capital Grant from the Home Office, specific grants, contributions from Justice Centre Partners.)

The Police Authority agrees to borrowing of £5,816,468 as authorisation to capitalise expenditure:

Self Financed borrowing totalling £5,330,468 within the Prudential Code, under the Local Government Act 2003;

Supported Capital Expenditure of £486,000 under S.56(1) of the Local Government and Housing Act 1989.

Under S.60 of the Local Government and Housing Act 1989, the Police Authority agrees to apply useable capital receipts totalling £343,786 to meet expenditure incurred for capital purposes.

The Authority agrees to use revenue funding of £339,596 to support capital expenditure.

The Authority agrees to use Earmarked Reserves of £87,855 relating to revenue funding set aside in 2008/09 for capital expenditure

The Authority agrees to use Earmarked Reserves of £699,000 relating to interest on Justice Centre Partner balances earned in 2008/09.

Under regulations to the Local Government Act 2003, the Police Authority has set aside £811,000 from revenue in respect of financing of it's capital expenditure. The minimum charge required by legislation is £611,000 but the Police Authority can add to the minimum amount.

The prudential indicators based on the final capital outturn and above determinations are attached as Appendix A.

The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 require the Authority to consider and approve its method of calculating the Minimum Revenue Provision for capital expenditure.

For 2010/11 it is proposed that the Authority adopt the Asset Life (Equal Instalment Method). Under this method where capital expenditure on an asset is financed wholly or partly by borrowing then MRP is determined by reference to the life of the asset and an equal amount charged in each year.

Marie Perry
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Prudential indicators - Outturn

2008/09	Indicator	1 Affordability Prudential Indicators	2009/10 Target	2009/10 Actual	Achieved
0.12%	1	Ratio of financing costs to net revenue stream	2.61%	1.95%	✓
(-) £0.01	2	Incremental impact of capital decisions. Increase per council tax payer	£11.37	£0.81	✓
£'000 16,918 16,115 (-) 803 37,897	3	Net borrowing and the capital financing requirement. The net borrowing requirement did not exceed the previous years capital financing requirement (CFR) plus next 2 years estimated borrowing: Net borrowing requirement Brought forward 1 April Carried forward 31 March In year borrowing requirement 2008/09 CFR plus next 2 years estimated borrowing		£'000 16,115 15,304 (-) 811 30,292	✓
£'000 11,603	4	Actual Capital Expenditure Capital expenditure	12,968	25,184	
£'000 16,115	5	Capital Financing Requirement Capital Financing Requirement as at 31 March	31,561	21,099	✓

2008/09	Indicator	2 Treasury Management Prudential Indicators	2009/10 Target	2009/10 Actual	Achieved
£'000 16,094 0 16,693	6	Authorised Limit This limit was not exceeded in the year Borrowing Other long term liabilities Affordable Borrowing Limit	£'000 37,424 0 37,424	£'000 15,304 0 15,304	✓
£'000 16,094 0 16,094	7	Operational Boundary This limit was not exceeded in the year Borrowing Other long term liabilities Operational Boundary Limit	£'000 36,424 0 36,424	£'000 15,304 0 15,304	✓
-	8	Warwickshire Police Authority has adopted the CIPFA Code			✓
100% 0%	9	Limits on Interest rate exposures These limits were not exceeded in the year: Upper limit for fixed interest rate exposure Upper limit for variable rate exposure	100% 25%	100% 0%	✓ ✓
% 5.03 5.09 15.65 22.01 52.22	10	Maturity structure of borrowing The limit of 20% of borrowing maturing in any one year was not exceeded: - Under 12 months - 12 months and within 24 months - 24 months and within 5 years - 5 years and within 10 years - 10 years and above	20 20 60 100 100	% 5.34 5.42 16.04 22.95 50.25	✓ ✓ ✓ ✓ ✓
£'000 0	11	Total Principal sums invested for periods of longer than 364 days This limit was not exceeded in the year: Upper limit for total principal sums invested for 364 days.	£'000 0	£'000 0	✓