

Foreword

Introduction

2005/06 was a year of change for the Humberside Police Force and for the Authority. It saw Cllr Graham Stroud take over as Chairman and the appointment of Tim Hollis as Chief Constable with David Griffin returning as the Deputy Chief Constable.

There were also changes within the Secretariat with additional senior staff appointed to support Members in discharging their obligation to secure the maintenance of an efficient and effective police force for the area of Humberside.

The Force has risen to a number of challenges during the year. Dealing more effectively with call handling and incident response, introducing the Police Standards Unit's Volume Crime Model and preparing for the roll out of Neighbourhood Policing, including the commencement of the programme of recruitment of almost 300 new Police Community Support Officers, have all generated significant workstreams. Improvements in performance have been seen but we remain in engagement with the Police Standards Unit.

From September to March, the Authority considered its response to proposals from the Home Secretary on force amalgamations. In December the Authority indicated its preference for the creation of a Regional Force as the best means of addressing the gap identified in respect of protective services. In March following considerable debate with other authorities in the Region and with the Home Office the Authority decided that it would have to reject the Home Secretary's formal proposal to merge with North, South and West Yorkshire due to continuing uncertainty over a range of issues including funding, precept harmonisation, representation and the potential threats to and lack of local control over neighbourhood policing. Following further consideration of the matter by the new Home Secretary, the proposals were withdrawn.

The Authority's Statement of Accounts for 2005/06 consists of:-

- A Revenue Account setting out details of the Authority's revenue expenditure and income for the financial year
- A Balance Sheet detailing the financial position of the Authority as at 31 March 2006
- A Statement of Total Movements in Reserves bringing together all of the Authority's gains and losses during the year and
- A Cashflow Statement summarising cash inflows and outflows arising from the transactions with third parties on revenue and capital spending

The Accounts are supported by the Statement of Responsibilities, a Statement on Internal Control and by the Statement of Accounting Policies.

Notes to the Accounts analyse the financial statements and provide more detail and a glossary seeks to explain the technical terms used within the document.

Revenue

The revenue budget for 2005/06 was set at £ 156.9m. The Authority agreed a Council Tax precept of £135.72 per Band D property, an increase of 4.43% over the previous year. Budget decisions for 2005/06 reflected local priorities. Annual budget decisions are set in the context of the Authority's 5 year Financial Forecast, its Medium Term Financial Plan.

Regular budget monitoring reports have been submitted to the Authority's Audit and Strategy Committee during the financial year.

A comparison of the actual expenditure with the original approved budget is set out below:-

| | Budget 2005/06 £'000 | Expenditure 2005/06 £'000 |
|--|-------------------------------------|--|
| <u>Employees</u> | | |
| Pay and other employment costs | 122,597 | 118,801 |
| Police Pensions Current Service Cost | 25,381 | 28,076 |
| | <hr/> 147,978 | <hr/> 146,877 |
| <u>Running Expenses</u> | | |
| Premises | 5,007 | 4,333 |
| Transport | 4,782 | 4,707 |
| Supplies and Services | 21,606 | 16,454 |
| Agency Services | 2,650 | 2,719 |
| Special Constables | 412 | 445 |
| Capital Charges | 4,822 | 4,828 |
| Non Distributable Cost (FRS17) | - | 10 |
| | <hr/> 39,279 | <hr/> 33,496 |
| Total Budget / Spending | 187,257 | 180,373 |
| | <hr/> | <hr/> |
| Income | (17,774) | (18,422) |
| | <hr/> | <hr/> |
| Net budget / spending after income | 169,483 | 161,951 |
| | <hr/> | <hr/> |
| Interest received | (1,705) | (2,312) |
| Asset Management Revenue Account | (2,482) | (3,132) |
| Pensions Interest cost and expected return on assets | 51,160 | 51,160 |
| | <hr/> | <hr/> |
| NET EXPENDITURE | 216,456 | 207,667 |
| | <hr/> | <hr/> |
| Transfers to / (from) reserves | (59,546) | (50,529) |
| | <hr/> | <hr/> |
| | 156,910 | 157,138 |

Transfers to and from reserves include provision for external loan repayments, movements in the pensions reserve and contributions in respect of revenue and capital reserves.

The budget and actual sources of finance were:

| <u>SOURCES OF FUNDING</u> | Final Budget £'000 | Actual £'000 |
|----------------------------------|-----------------------------------|-------------------------|
| Police Grant | 68,513 | 68,574 |
| Revenue Support Grant | 36,040 | 36,041 |
| NNDR | 14,324 | 14,490 |
| Council Tax | 38,033 | 38,033 |
| | <hr/> 156,910 | <hr/> 157,138 |

Capital

Capital expenditure was forecast to outturn at £9,397m in 2005/06. Actual expenditure was £7.654m. Major projects during the year included:-

| Project | 2005/06 £'000 |
|---------------------------|--------------------------|
| LPT Programme | 3,316 |
| Vehicles and Equipment | 1,299 |
| Communications Equipment | 1,219 |
| Computer Equipment | 852 |
| Major Incident Facilities | 242 |
| Air Support | 227 |

The Audit and Strategy Committee at its meeting on 23 May 2006 considered a report on the provisional Revenue and Capital Outturn for 2005/06 providing explanations for major budget variations. The Committee agreed to carry forward budget provision of £6.1m (£5.8m protected budgets, £0.3m devolved) and to transfer £5.4m (£3.3m protected, £2.1m devolved) of underspending into the Investment Reserve. On Capital, £1.6m of slippage to 2006/07 was agreed, together with the transfer of a further £0.1m to the Investment Reserve in respect of underspends.

Reserves

At the end of the financial year the reserves were:-

| Reserve | Balance 31 March 2006 £'000 |
|--|--|
| <u>Specific</u> | |
| Planned Budget Carry-Overs/Service Developments. | 3,872 |
| Air Support | 204 |
| Police Authority | 331 |
| Capital Funding | 1,607 |
| Police Pensions | 1,295 |
| Risk Management | 1,665 |
| Investment | 30,109 |
| Total Specific Reserves | 39,083 |
| <u>General Reserve</u> | 62 |
| TOTAL | 39,145 |

I am satisfied that the levels of reserves held by the Authority are adequate. The position will continue to be monitored on a regular basis as part of the system of revenue and capital budget monitoring that will take place throughout 2006/07.

Prospects for 2006/07 and later years

The Police Authority set a budget of £161,796m for 2006/07 with a precept of £142.47 per Band D property (an increase of 4.97%). The Authority received its first two year Revenue Support Grant Settlement although it now appears that 2007/08 will be subject to further consultation later in the year. Work was undertaken to develop and refine the formula for distributing Police Grant in the run up to the Settlement announcement but this was undermined by the need to guarantee a minimum increase in funding for authorities. This

resulted in Humberside receiving an increase in external funding of 3.1% in line with most authorities, effectively a flat rate increase across the board.

The Authority looked to further develop the links between policy priorities and resource allocation and widened the debate to take in the views of CDRP partners, HMIC, PSU, the Government Office for Yorkshire and the Humber etc. Targeting took into account the outcome requirements of partners in addition to those of the Authority itself and importantly the demands of the Home Office.

On 22 March 2006, the Home Secretary informed the Authority that he intended to press ahead with a forced merger to create a Regional Force. Interested parties were given 4 month period from that date to raise objections. The situation with regard to the impending merger remained unclear with issues around funding, governance, precept harmonisation and the impact on Neighbourhood Policing still to be resolved. Following the change of Home Secretary, the proposals for amalgamation were formally withdrawn by the Home Office.

Against this background of uncertainty during the financial year, the Authority had to maintain a business as usual approach with the need for flexibility in its financial strategy to react to the changing police landscape.

What is clear is that there are significant financial issues for authorities to face. Even though mergers are off at least for the foreseeable future, the service will still have to fund the work necessary to address the need to close the gap identified in respect of protective services. This is in addition to responding to the usual growth and inflationary pressures. These issues will have to be balanced against the background of continued action to limit increases in Council Tax to 5% or less and emerging evidence of the financial constraints on the Home Office within CSR 2007. There is little or no prospect of additional resources and so the Authority and the Police Service as a whole will once again be expected to continue to do more with the same or less.

Audit

The Accounts are subject to audit and may be amended before final publication. If identified, amendments will be made to the accounts as appropriate where they have a material effect on the reported results or financial position. Changes will be reported to the Authority through the mechanisms required by the Audit Commission.

Acknowledgement

I would like to take this opportunity to thank the staff within the Force who have been primarily responsible for compiling the financial statements and for the support from operational managers in ensuring that we have met the challenge of completing the accounts by the deadline of 30 June, a month earlier than the date for completion last year.

John Bates CPFA
Director of Performance and Resources
Humberside Police Authority

Audit Opinion

Independent auditor's report to the Members of Humberside Police Authority

Opinion on the financial statements

I have audited the financial statements of Humberside Police Authority for the year ended 31 March 2006 under the Audit Commission Act 1998, which comprise the Revenue Account, Balance Sheet, the Statement of Total Movements in Reserves, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them.

This report is made solely to Humberside Police Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of the Chief Finance Officer and auditors

The Chief Finance Officer is responsible for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

I review whether the statement on internal control reflects compliance with CIPFA's guidance: "The Statement on Internal Control in Local Government: Meeting the requirements of the Accounts and Audit Regulations 2003". I report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the statement on internal control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures

I read other information published with the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion the financial statements present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the Authority as at 31 March 2006 and its income and expenditure for the year then ended.


Michael Newbury
Audit Commission
Kernal House
Killingbeck Drive
Killingbeck
Leeds

Date

29 September 2006



Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority's Responsibilities

The authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to regularly review the adequacy and effectiveness of these arrangements.

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for principal local authorities. I report if significant matters have come to my attention which prevent me from concluding that the authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

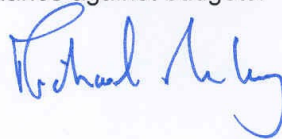
I am required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that I have done so;
- stating whether I believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

I have undertaken my audit in accordance with the Code of Audit Practice and I am satisfied that, having regard to the criteria for principal local authorities specified by the Audit Commission and published in July 2005, in all significant respects, Humberside Police Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2006 except for its failure to put in place arrangements for managing performance against budgets.

Michael Newbury
Audit Commission



Kernal House
Killingbeck Drive
Killingbeck
Leeds

Date 29 September 2006.

Statement of Responsibilities for the Statement of Accounts

The Authority's Responsibilities

The Authority is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this Authority that officer is the Director of Performance and Resources, the Treasurer to the Police Authority.
- To manage its affairs to ensure economic, efficient and effective use of resources and to safeguard its assets.

I confirm that these accounts were approved at the Authority meeting held on 20 June 2006.

Signed on behalf of the Police Authority by the Chair of the meeting approving the accounts:

Date:

Treasurer's Responsibilities

The Director of Performance and Resources is responsible for the preparation of the Authority's statement of accounts which, in accordance with the *Code of Practice on Local Authority Accounting in Great Britain* (the 'Code of Practice'), issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) is required to present fairly the financial position of the Authority at the accounting date, and its income and expenditure for the year ended 31 March 2006.

In preparing this statement of accounts, the Treasurer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice

The Treasurer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with regulation 10(2) of the Accounts and Audit Regulations 2003, I certify that the attached Statement of Accounts presents fairly the position of the Authority at 31 March 2006 and its income and expenditure for the year.

Date:

John Bates
Director of Performance and Resources