

**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE
REQUEST FOR DECISION**

REF: 17 / 2015

DATE: 15 May 2015

SUBJECT	ALLOCATIONS TO RESERVES
REPORT BY	Chief Finance Officer
CONTACT OFFICER	Alun Jones, Finance Officer Tel 01522 558187
<p>EXECUTIVE SUMMARY AND PURPOSE OF REPORT</p> <p>The accounts for 2014/15 have now been closed and, subject to audit, show a surplus of income over expenditure of £2.042m. Slippage on existing projects is one of the main reasons for the surplus.</p> <p>The surplus increases reserves by £2.042m and this report proposes how this should be allocated between the various reserves.</p> <p>This will :</p> <ul style="list-style-type: none"> • Provide the reserve totals required to allow the preparation of the 2014/15 financial statements • Confirm that the previously agreed funding is carried forward for those projects where there has been slippage • Make funding available for unavoidable cost increases, including the increase in Home Office charges for ICT, and other cost pressures • Increase the provision made for future uncertainty in government funding. 	
RECOMMENDATIONS	<p><i>It is recommended that:</i></p> <p><i>(a) the proposed reserves at 31 March 2015 as set out in Table A of the report are agreed;</i></p> <p><i>(b) the proposed carry forward of capital spending and funding as set out in Table B is agreed;</i></p> <p><i>(c) the proposed reserves be adjusted to reflect any changes to the provisional accounts by the Chief Finance Officer in consultation with the Police and Crime Commissioner.</i></p>

POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE

I hereby approve the recommendation above, having considered the content of this report.

Signature:  **Date:** 15/05/15

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC

A1. INTRODUCTION AND BACKGROUND

1. The Commissioner maintains a general, unallocated reserve and a variety of reserves earmarked for specific purposes.

General reserve

2. The requirement for a general reserve for general financial risks is based on a financial risk assessment. The current assessment suggests that reserves for general risks should be maintained at around 5% of total annual expenditure. The amount for 2014/15 is £5.6m. The existing level of reserves is £5.663m and it is proposed to maintain the reserve at this level for the purposes of preparing the financial statements.

Earmarked reserves

3. The following is proposed in relation to the main earmarked reserves :
 - Major incidents – increase by £0.500m. The revenue budget for major incidents is based on an average year in terms of incidents. Actual expenditure in 2014/15 was £0.497m against a revenue budget of £0.600m. The proposed increase for 2015/16 reflects the expected increase in costs related to Operation Tiffany.
 - Insurance – increase by £0.153m. The provision in the accounts for insurance claims has been reduced by this amount to reflect a reduced assessment of likely claims at 31 March 2015. The assessed reduction may be reversed at future year ends and it is proposed to increase the insurance reserve correspondingly to mitigate this risk.
 - The Performance and Productivity Reserve funds the one off costs of projects which will improve performance or productivity, or produce cash savings. An addition to the reserve of £0.206m was agreed in January. £0.226m of the reserve was spent in 2014/15 on agreed projects. This will leave a balance of £0.943m in the reserve of which £0.561m is uncommitted.
 - The use of the Volunteers Reserve reflects actual expenditure of £0.327m on this initiative during the year.
 - Similarly, the use of the Second Homes and Carry Forward reserves reflects actual expenditure during the year.
 - It was agreed in January to establish a reserve for the Dangerous Persons Management Unit. £0.185m is required for this.
 - It was also agreed to establish a Pensions Reserve to meet future pension costs. This is not now required as provision has been made in future budgets.
4. It is proposed to provide £1.175m in a reserve earmarked for Slippage as detailed below :

	Slippage	£m
1	Mobile data project – revenue funding of capital expenditure	0.280
2	Mobile data project – one off revenue costs	0.193
3	Public Service Network– revenue funding of capital expenditure	0.220
4	CATS / Niche records conversion	0.100
5	Contract milestone payments	0.238
6	Hi Tech crime computer analysis	0.068
7	Body worn cameras	0.076
	Total	1.175

5. It is proposed to place £0.500m in a Chief Constable's Cost Pressures reserve. This will be required for increased national and other ICT charges and other cost pressures. The reserve will be allocated by the Chief Constable on the basis of agreed business cases.
6. It is proposed to place £0.600m in a Development and Partnership Working reserve for allocation to projects where business cases are agreed by the Commissioner.
7. Finally, it is proposed to add the balance of £1.056m to the Budget Shortfall reserve. There is considerable uncertainty about future government funding as public spending reductions continue and on the future government's intentions on limiting council tax increases.

Proposed reserves

8. Proposals on reserves are summarised in Table A below.

TABLE A

PROPOSED RESERVES	Actual at 31.3.2014 £m	Proposed Use £m	Additions £m	Balance at 31.3.2015 £m
Major incidents	1.850		0.500	2.350
Insurance	0.750		0.153	0.903
Budget shortfall	1.500		1.056	2.556
Performance and Productivity	0.963	-0.226	0.206	0.943
Volunteers	0.820	-0.327		0.493
Second Homes	0.154	-0.009		0.145
Migration impact	0.054			0.054
POCA	0.221			0.221
EMSOU	0.394			0.394
Employee welfare	0.042			0.042
Dangerous Persons MU			0.185	0.185
Carry Forward	2.333	-1.771		0.562
Slippage			1.175	1.175
Chief Constable's Cost Pressures			0.500	0.500
Development and Partnership Working			0.600	0.600
Total earmarked reserves	9.081	-2.333	4.375	11.123
General Reserve	5.699			5.699
Total reserves	14.780	-2.333	4.375	16.822

Capital programme

9. The 2014/15 capital programme was underspent by £2.316m largely as a result of slippage in the programme. It is proposed to carry forward £1.874m to allow completion of the agreed projects. This is shown in Table B below.

TABLE B

PROPOSED CARRY FORWARD OF CAPITAL SPENDING AND FUNDING	£M
Capital spending :	
Building schemes	0.462
Mobile data	0.750
LRSP digital speed cameras	0.420
Public Sector Network	0.220
Live Links	0.022
Total spending	1.874
Borrowing (to fund building schemes)	0.462
Revenue funding	0.701
Capital grants carried forward	0.711
Total funding	1.874

A2. LINKS TO POLICE AND CRIME PLAN AND PCC'S STRATEGIES/PRIORITIES

The proposals are consistent with the Commissioner's Financial Strategy and confirm funding for agreed projects.

B. FINANCIAL CONSIDERATIONS

As described in the report.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

The recommended decisions are lawful within the PCC's discretionary powers.

D. PERSONNEL AND EQUALITIES ISSUES

None.

E. REVIEW ARRANGEMENTS

None required.

F. RISK MANAGEMENT

Financial risks are taken into account in the recommendations e.g. in relation to major incidents, insurance and the level of the general reserve.

H. PUBLIC ACCESS TO INFORMATION

Information in this form along with any supporting material is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC's website within one working day of approval. However, if release by that date would compromise the implementation of the decision being approved, publication may be deferred. An explanation for any deferment must be provided below, together with a date for publication.

Is the publication of this form to be deferred? No

If Yes, for what reason:

Until what date:

Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate part 2 form.

Is there a part 2 form? No

ORIGINATING OFFICER DECLARATION

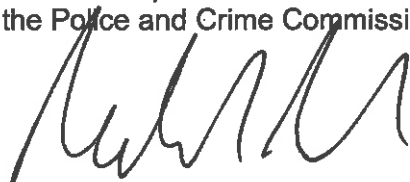
	Initial to confirm
Originating Officer: Alun Jones recommends this proposal for the reasons outlined above.	af
Financial advice: The PCC's Chief Finance Officer has been consulted on this proposal.	JBF
The CC's Chief Finance Officer has been consulted on this proposal.	AL
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal	UD
Chief Constable: The Chief Constable has been consulted on this proposal	MR

OFFICER APPROVAL

Chief Executive

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. Consultation outlined above has also taken place. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lincolnshire.

Signature:



Date: 14/5/15