

PCC FOR LINCOLNSHIRE GROUP

SUMMARY STATEMENT OF

ACCOUNTS

2017-18

This document summarises the 2017-18 Financial Statements for the Police and Crime Commissioner Lincolnshire Group (PCC Group) and gives a view of the financial position as at 31 March 2018. The Police and Crime Commissioner for Lincolnshire and the Chief Constable for Lincolnshire have produced statutory accounts. This summary provides the consolidation of the accounts for both bodies.

The Police and Crime Commissioner for Lincolnshire and the Chief Constable for Lincolnshire have a statutory requirement to produce and publish their annual Financial Statements.

The Summary Financial Statements for the Police and Crime Commissioner Lincolnshire Group (the PCC Group) provide a view of the consolidated financial position as at 31 March 2018.

The full published accounts of the PCC Group are available on the Police and Crime Commissioner website at www.lincolnshire-pcc.gov.uk. Copies of the documents can also be obtained from:

The Chief Finance Officer
Police Headquarters
Deepdale Lane
Nettleham
Lincoln
LN2 2LT

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Financial Performance

Analysis of Revenue and Capital Expenditure

Total operational expenditure for the 2017-18 financial year was £115.331m compared with £111.802m for the previous financial year. Total operational expenditure is less than expenditure shown in the financial statements because it excludes regional costs, pension costs and other adjustments for statutory reporting purposes. The table below shows those items which are excluded from total operational expenditure.

2016/17 £000	Total Operational Expenditure	2017/18 £000
180,123	Expenditure as per Financial Statements	196,681
(50,028)	Pensions Accounting	(59,282)
(5,287)	Capital Accounting	(9,678)
(71)	Accumulated Absence Adjustment	(430)
(450)	Collection Fund Adjustment	(107)
(83)	Regional reserves transfer	112
(5,903)	Chief Constable Income Adjustment	(8,481)
(2,206)	Custody Contract Income Adjustment	(2,143)
(2,606)	Regional NICHE pass through Adjustment	(1,277)
(1,569)	Regional ICT non-crime Platform Income Adjustment	-
(118)	Miscellaneous Income	(62)
111,802		115,333

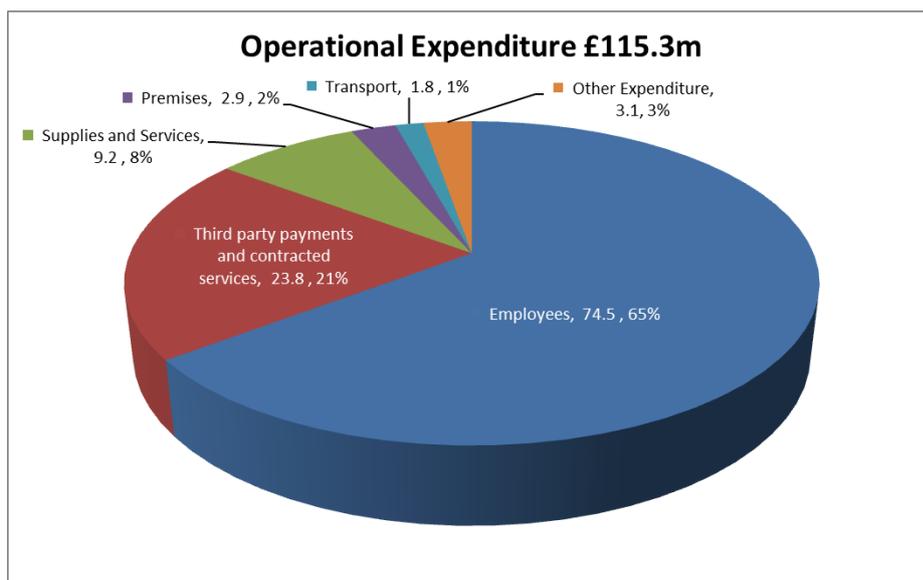
The table and pie chart below provide further analysis of the main components of total operational expenditure.

Employee Spend. Spend on police officers, police staff and police community support officers amounted to 65% of total spending.

Third party payments and contracted services. This represents 21% of the total spending and includes the G4S strategic partnership that provides back office services.

Operational running costs. Spend amounts to 16% for the premises, transport and operational consumables, including uniforms. Premises include 38 police stations and the force HQ which is now shared with the Fire service.

2016/17 £m	Operational Expenditure	2017/18 £m	Ratio for year
66.8	Employees	74.5	65%
23	Third party payments and contracted services	23.8	21%
13.1	Supplies and services	9.2	8%
2.6	Premises	2.9	3%
1.9	Transport	1.8	2%
4.4	Other expenditure	3.1	3%
111.8		115.3	



Funding

Total Funding for 2017-18 was £115.333 million compared with £111.802m for 2016-17. Total funding is less than the income shown in the financial statements because it excludes pension top-up grant, capital receipts and regional contributions. The table below shows those income items that are excluded from total funding.

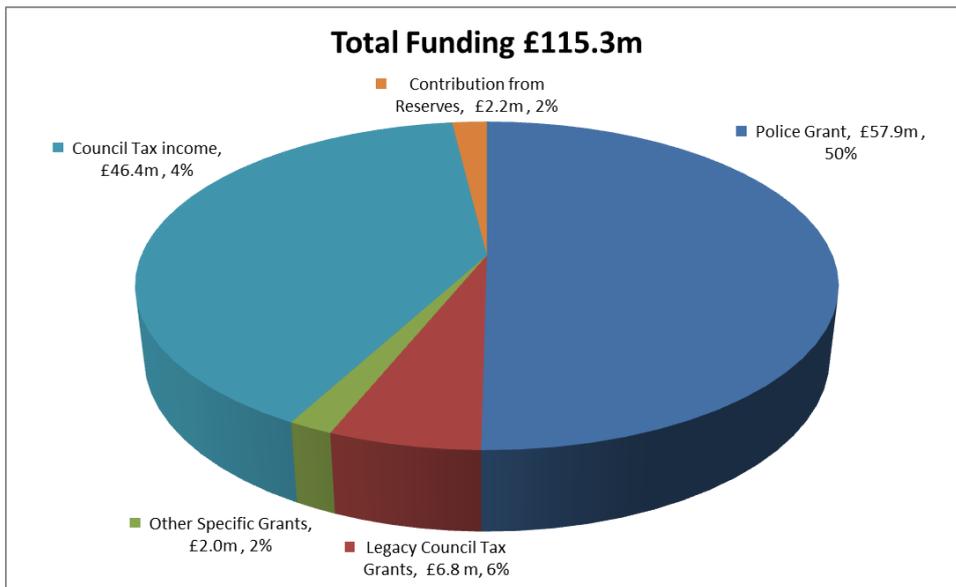
2016/17 £000	Total Funding	2017/18 £000
(151,393)	Expenditure as per Financial Statements	(150,696)
22,008	Pensions Accounting	20,070
2,206	Capital Accounting	2,143
1,569	Accumulated Absence Adjustment	-
2,606	Collection Fund Adjustment	1,277
4,836	Regional reserves transfer	5,540
6,021	Chief Constable Income Adjustment	8,545
346	Custody Contract Income Adjustment	(2,212)
111,802		115,333

The table and pie chart below provide further analysis of the main components of total funding:

Government grants. The majority of funding is from central government grants, including Police Grant and Legacy Council Tax grants;

Local Funding. 40% of funding is provided by local council tax payers.

2016/17 £m	Total Funding	2017/18 £m	Ratio for year
	Central Funding:		
58.7	Police Grant	57.9	50%
6.8	Legacy Council Tax Grants	6.8	6%
1.3	Other Government Grants	2	2%
	Local Funding:		
45.3	Council Tax Income	46.4	40%
(0.3)	Contribution (to)/from Reserves	2.2	2%
111.8		115.3	

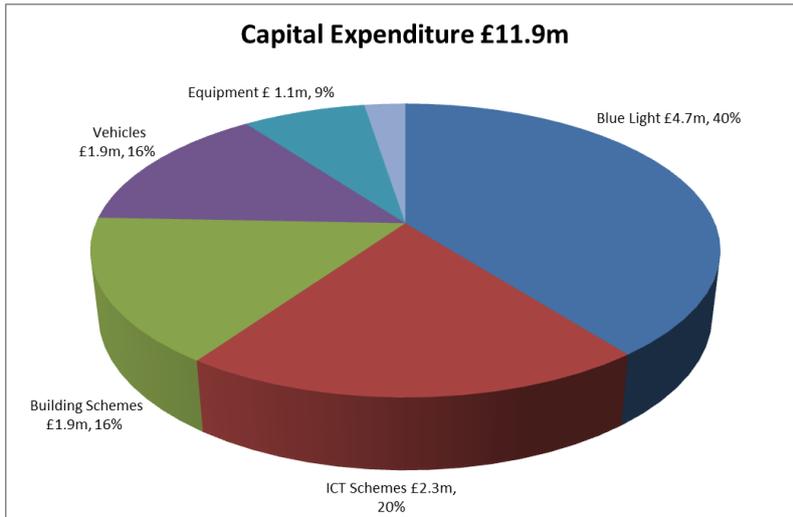


Capital Expenditure

Capital expenditure represents money spent on acquiring, upgrading and improving assets and major operational equipment. It relates to the provision of assets which will bring long-term benefit to the PCC Group. The table below sets out the capital investment made in 2017/18:

2016/17 £m	Capital Expenditure	2017/18 £m	Ratio for year
1.8	Blue Light Project*	4.7	40%
1.5	ICT Schemes	2.4	20%
2	Buildings Schemes	1.9	16%
0.6	Vehicles	1.7	14%
0	Equipment	0.9	8%
0.2	Speed Cameras	-	0%
0.3	Regional	0.3	3%
6.4		11.9	

*Blue Light Project includes £4.2m of REFUCS



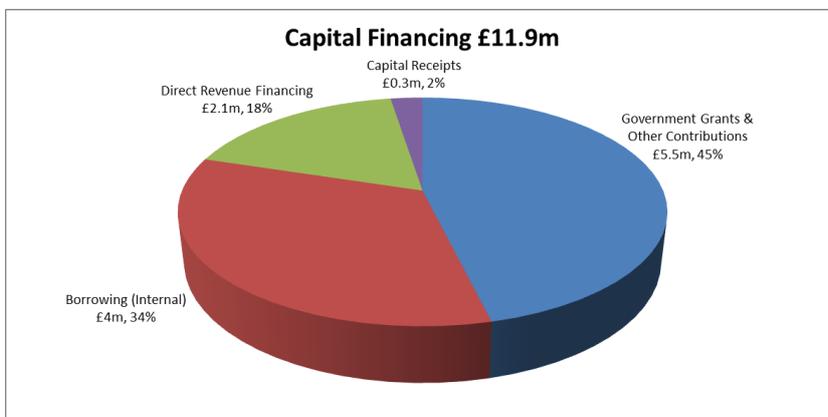
The PCC has approved a capital programme of £25.2m for 2018/19, and includes:

- £14.5m major investment in Blue Light collaboration supported by Innovation Fund grant from the Home Office;
- £1.3m investment in the Force estate;
- £1.6m investment for ICT schemes;
- £1.1m replacement programme for vehicles.

Capital Financing

The PCC Group's capital programme in 2017/18 was financed through grants, contributions from revenue, capital receipts and internal cash balances. External borrowing was not necessary in 2017/18 due to the level of cash balances being held.

2016/17 £m	Capital Financing	2017/18 £m	Ratio for year
4.4	Government Grants and Other Contributions	5.5	45%
1.7	Borrowing (internal)	4.0	34%
0.3	Direct Revenue Financing	2.1	18%
-	Capital Receipts	0.3	3%
6.4		11.9	



Balance Sheet

The balance sheet shows the financial position as at the end of the financial year, with previous figures for comparison. It shows, in particular, the value of the assets owned and any sums owed to and by the PCC Group. The Balance Sheet can be reviewed in the main statements to the accounts.

The figures are dominated by the inclusion of the pension liability which is explained in detail in the pension notes.

Performance Against Budget

In February 2017, the PCC approved a net revenue budget for 2017/18 of £118.3m of which £104.3m was funded from Police Grant and Council Tax receipts.

In order to deliver a balanced budget, use of reserves of £3.9m was required.

A summarised statement of the actual net expenditure for the year attributable to the taxpayer is set out below and compared to the approved original budget for the year:

2017/18	Budget £m	Actual £m	Variance £m
Services			
PCC	30.8	30.0	(0.8)
Chief Constable Delegated Budget	86.3	86.4	0.1
Joint Services	1.2	1.1	(0.1)
Total Service Expenditure	118.3	117.5	(0.8)
Income			
General Police Grant	57.9	57.9	0.0
Special Grant	0.0	0.9	0.9
Council Tax Precept	46.4	46.4	0.0
Innovation Funds	0.3	0.3	0.0
Custody Contract	2.1	2.1	0.0
Other Specific and Non-Specific Grants	7.7	7.7	0.0
Total Income	114.4	115.3	0.9
Total (Surplus) / Deficit	3.9	2.2	(1.7)
Financed by Reserves			
Appropriation to Earmarked Reserves	0.0	2.8	2.8
Appropriation from Earmarked Reserves	(3.9)	(5.0)	(1.1)
	0.0	0.0	0.0

The original budget showed a planned deficit of £3.9m which would be matched by a contribution from reserves. The final net contribution required from reserves was reduced by £1.7m to £2.2m due to a number of factors as follows:

- £0.9m receipt of Home Office Special Grant in respect of a number of specific police operations;
- £0.3m underspend on community grants due to rescheduling of planned programmes. This amount has been transferred to an earmarked reserve for use in future years;
- £0.1m underspend on capital charges due to slippage in the capital programme;

- £0.1m net overspend on the Chief Constable's budget as a result of higher than anticipated staff pay awards offset by vacancies;
- £0.4m net underspend across remaining budget areas.

Reserves

Earmarked reserves as at 31 March 2018 total £11.0m, including regional reserves, and are held for specific expenditure or contingencies.

The PCC's Financial Strategy at the start of 2017/18 required that general reserves be maintained around the mid-point of a target range based on the financial risk assessment in respect of residual financial risks;

As at 31 March 2018, the PCC held a General Reserve of £5.6m, although plans for 2018/19 are that this will be reduced by £3.1m to support the revenue budget.

An assessment in February 2018 indicated the range of required reserves at £5.4m - £11.7m, the mid-point of which is £8.6m. This is set against forecast risk based reserves as at 1 April 2018 of £5.4m representing 4.4% of the revenue budget; General Reserve £2.5m, Major Incident Reserve £1.9m and Insurance Reserve £1m.

As a result, the previous policy is unachievable and the latest approved Financial Strategy requires risk-based reserves at the minimum of the target range. This increases the financial risk being carried by the PCC and is a consequence of the desire to release risk based reserves to mitigate the operational risk.

Nevertheless, given the context of increased financial risk, the need for sound financial control is further emphasised. The role of the Force Chief Financial Officer in supporting the Chief Constable and his team is key to delivering this.