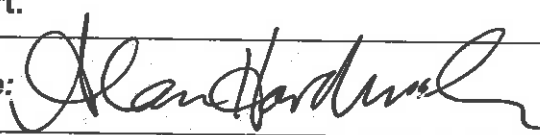


**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE
REQUEST FOR DECISION**

REF: 10/2016
DATE: 5 May 2016

SUBJECT		ALLOCATION TO RESERVES 2015/16 OUTTURN.
REPORT BY	Commissioner's Chief Finance Officer & Force Chief Finance Officer	
CONTACT OFFICER	Tony Tomlinson, Force Chief Finance Officer Tel: 01522 558515	
EXECUTIVE SUMMARY AND PURPOSE OF REPORT		
<p>The revenue and capital outturn for 2015/16 has been completed; the formal accounts are being prepared and will be subject to audit. Decisions are required on the outturn position in order to progress with the drawing up of the accounts.</p> <p>This will:</p> <ul style="list-style-type: none"> • Provide the reserve totals required to allow the preparation of the 2015/16 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 pressures. 		
RECOMMENDATION	<p><i>It is recommended that:</i></p> <ol style="list-style-type: none"> <i>1. The proposed reserves at 31st March 2016 as set out in table A of the report are agreed;</i> <i>2. That the proposed changes to the capital Programme set out in paragraph 12 are agreed;</i> <i>3. That the proposed carry forward of capital spending and funding as set out in Table B is agreed;</i> <i>4. That authority to adjust the proposed reserves to reflect any subsequent changes to the provisional outturn be delegated to the Chief Finance Officer;</i> <i>5. That authority to release funds reserved for a specific purpose in 2016/17 be delegated to the Chief Financial Officer;</i> <i>6. That a virement of £0.110 million for the Volunteers cost centre and use of reserves is approved.</i> 	

POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE	
I hereby approve the recommendation above, having considered the content of this report.	
Signature: 	Date: 05/05/2016

A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC

A1. INTRODUCTION AND BACKGROUND

1. The Commissioner maintains a general, unallocated reserve and a series of earmarked reserves 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 2015/16 is £5.6 million. The existing level of reserve is £5.629 million and it is proposed to maintain the reserve at this level for the purposes of preparing the financial statements.

Existing Earmarked Reserves

3. The following is proposed in relation to the earmarked reserves:
 - **Major Incident** - Maintain at current level of £1.850 million after removing the provision specifically in relation to Operation Tiffany of £0.500 million made in 2014/15. The revenue budget for Major Incidents is based on an average year in terms of incidents occurring. Actual Expenditure in 2015/16 was £0.973 million against a revenue budget of £1.008 million. The reserve will therefore be maintained at the long term level of £1.850 million.
 - **Insurance** – This reserve is required to meet Insurance claims which are outside of the annual Revenue budget provision the reserve is maintained at the long term level of £0.903 million.
 - **The Performance and Productivity Reserve** – funds the one off cost of projects which will improve performance or productivity, or lead to cash savings. The reserve has current commitments allocated against it of £0.041 million. After allowing for spend in 2015/16, this leaves an uncommitted balance of £0.643 million.

It is proposed to earmark against this reserve:

- The funding required in relation to the Policing Transformation Project which has an estimated value of £0.300 million following the unsuccessful Police Innovation Fund Bid to the Home Office. The release of this funding is subject to the provision of a costed Business Case.
- The funding required in relation to a HTCUI/CAT advanced ICT Business case where an urgent need to upgrade ICT equipment and infrastructure has been identified. It is proposed that pending a business case being provided £150k be earmarked. This will need to be examined in conjunction with the proposed capital provision for this work when the final costings are known.

This will leave an uncommitted balance of £0.193 million on this reserve.

- The use of the **Volunteers Reserve** reflects the actual expenditure of £0.277 million on the initiative during the year leaving a balance of £0.216 million on the reserve. In order to reflect the use of reserve and actual expenditure a budget virement of £0.110 million is required between the Volunteers cost centre and use of reserves in 2015/16.

- **Development and Partnership Working Reserve** – During the year £0.110 million of the £0.600 million set aside in 2014/15 was released in order to provide funding for the Channel Management project. A further £0.100 million was allocated to this reserve during the year for PCC transition costs. This will leave a balance of £0.589 million. It is proposed that £100k of this balance is earmarked for use on the Blue Light Collaboration Project and released in 2016/17. With a further £0.387 million be allocated to this reserve during the year giving a closing balance at 31st March 2016 of £0.977 million.
- **Mobile Data Costs Reserve** – In 2014/15 £0.193 million was set aside for costs associated with the implementation of the Mobile Data Project during the year £0.063 million was allocated of which £0.033 million was required in 2015/16; a further £0.106 million is required for capital financing in 2015/16 leaving a balance of £0.054 million.
- **Proceeds of Crime Act Reserve** – This reserve is required to carry forward the Force share of the distributed funds received from the Home Office, the reserve is released to fund specific posts within the Economic Crime Unit in 2015/16 £0.032 million is required in the revenue account.
- **CATS / Niche Back office** – A reserve of £0.100 million was created in 2014/15 for the CATS system, work is being undertaken on a Niche system solution to the back record conversion issue and it has been confirmed that this funding is required during 2016/17.
- **Hi Tech Crime Computer analysis** – a reserve created in 2014/15 of £0.068 million was transferred to revenue during the current year, it has been identified that £0.029 million is required to be reserved at the end of the 2015/16 year in order to complete this work.
- Four reserves, the **Employee Welfare Reserve (£0.041 million)**, **LCJB (£0.035 million)** **Innovation Fund (BWV) (£0.076 million)** and **NHS Custody funding (£0.086 million)** are required to be carried forward into 2016/17.
- The **Migration Impact (0.054 million)** and **Licencing Posts Reserve (£0.010 million)** – are no longer required and it is proposed that these are transferred to the **Budget Flexibility Reserve**.
- The **Niche Data Quality Team Reserve** – is held to provide the Force contribution to a regional collaboration, following the release of £0.020 during the year a balance of £0.176 million is required to be carried forward.
- The **Strategic Partnership Reserve** is intended to provide funding for the outstanding Contract Milestone payments together with the cumulative value of service credits held for future joint expenditure initiatives. A review of the balance on this reserve shows that there is a requirement for the total provision of £427k; it is therefore proposed that the balance is carried forward.
- **CSI relocation mileage** was provided in the outturn for 2014/15 it has been identified that following implementation of the new arrangements the payments will not be completed until 2016/17 and therefore £0.010 million will need to be carried forward.
- A reserve for **Interns** established in 2014/15 is intended to cover appointment for an academic year; a carry forward of £0.016 million is required to complete the current contracts.

2015/16 Reserve Requirements

4. A small number of specific items of one off cost pressure have been identified by budget managers and it is proposed that separate reserves be created from the 2015/16 outturn for these items:

- **Blue Light Collaboration Project Resources** – In order to provide for a Project manager and project support officer and meet match funding requirements for the period of the project £0.147 million is required to be reserved.
 - **Corporate Communications** – In order to meet committed expenditure in 2016/17 a requirement to fund £0.030 million has been identified as requiring being reserved.
 - **Interns Scheme** – the continuation of the Interns scheme for a further Academic year funding of £0.036 million is required to be reserved.
5. In addition three specific amounts are required to be carried forward in relation to Regional Collaborations which Lincolnshire is leading on behalf of the East Midlands Region:
- The Force has led two Innovation Funded regional projects, Niche and Virtual Courts and there is a requirement to carry forward £0.749 million to conclude these.
 - In respect of **East Midlands Operational Support** there is a requirement to carry forward funding in respect of Drug Testing received in 2015/16 but required in 2016/17 of £0.083 million.
 - In respect of **East Midlands Criminal Justice** there is a requirement to carry forward funding in respect of work in conjunction with the Courts Service, this was received in 2015/16 but required in 2016/17 of £0.025 million.
6. The Medium Term Financial Plan contains significant capital demands in terms of ICT projects and Blue Light Collaboration, an emerging capital demand in terms of the Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network Transition (ESN) means that there is a requirement to make provision for future capital costs. It is therefore proposed that a Capital Financing Reserve is established utilising the balance of the 2015/16 revenue budget of £0.321 million the application to be determined in future years.
7. The Home Office has announced the results of the Police Innovation Fund bidding process. Following detailed evaluation, the Home Office commented that “the high overall standard of bids has made this process particularly competitive this year”.
8. Whilst Lincolnshire was successful in terms of the Bluelight collaboration project, it was not successful in its bid for funding towards Transforming Policing in Lincolnshire. As part of the budget proposals an assumption had been made that the bid would be successful and an income line of £1.2 million in 2016/17 and £1.3 million in 2017/18 had been made, offset by spending of £0.3 million in 2016/17 and £0.250 million in 2017/18.
9. The Innovation Fund decision results in a net reduction in resources of £0.9 million in 2016/17 and £1.050 million in 2017/18. A proposal has been made in this report to address the one off implementation funding for the Policing Model project. In order to provide for this shortfall in funding and provide for the forecast contributions from reserves contained in the MTFP, it is proposed that a further £1.829 million be added to the **Budget Flexibility Reserve**. This will result in a balance of £5.013 million at 31st March 2016.
10. The following table details the proposed Reserve Balances:

Table A

Reserve	Opening Balance	Used	Proposed Additions	Balance at 31/03/16
	£'M	£'M	£'M	£'M
Budget Flexibility Reserve	3.120	-	1.893	5.013
Capital Financing	-	-	0.321	0.321
Major Incident	1.850	-	-	1.850
Insurance	0.903	-	-	0.903
Performance & Productivity	0.684	-	-	0.684
Volunteers	0.493	(0.277)	-	0.216
Development & Partnership Working	0.589	-	0.388	0.977
Mobile Data Costs	0.193	(0.139)	-	0.054
Proceeds of Crime Act	0.221	(0.032)	-	0.189
CATS / Niche Back office	0.100	-	-	0.100
Hi Tech Crime Computer analysis	0.068	(0.039)	-	0.029
Employee Welfare	0.041	-	-	0.041
LCJB	0.035	-	-	0.035
Innovation Fund (BWV)	0.076	-	-	0.076
NHS Custody funding.	0.086	-	-	0.086
Migration Impact	0.054	(0.054)	-	-
Licencing Posts	0.010	(0.010)	-	-
Niche Data Quality Team	0.196	(0.020)	-	0.176
Strategic Partnership	0.427	-	-	0.427
CSI relocation mileage	0.037	(0.027)	-	0.010
Interns Scheme	0.038	(0.022)	0.036	0.052
Blue Light Collaboration Project Resources	-	-	0.147	0.147
Corporate Communications	-	-	0.030	0.030
Innovation Funds	-	-	0.749	0.749
East Midlands Operational	-	-	0.083	0.083
East Midlands Criminal Justice	-	-	0.025	0.025
Total	9.221	(0.620)	3.672	12.273

Capital Programme

11. The 2015/16 Capital Programme was underspent by £1.136 million largely as a result of slippage in the programme. It is proposed to carry forward £0.743 million to allow completion of the agreed projects. This is shown in Table C below.
12. In order to commence initial work on the Emergency Services Mobile Communications Programme (ESMCP) and Emergency Services Network Transition (ESN) and comply with Home Office timescales; it is proposed that the capital programme be amended to allow for the following expenditure:

	£' million
Control Room Changes	0.249
Regional Project Lead	0.038
Regionals costs	0.030

Force Project Support	<u>0.033</u>
Total	<u>0.350</u>

13. These are indicative figures based on Home Office quantum which will be refined as costs and capital grants are finalised. It is proposed that this is allocated from the provision of £0.500 million made for ICT schemes as part of the Budget Decision. It is possible that a Home Office grant will be provided for the Control Room Changes.
14. A future demand on capital resources has been identified in the HTCUI/CAT advanced ICT Business case where an urgent need to upgrade ICT equipment and infrastructure has been identified. It is proposed that the balance of the ICT capital provision of £150k be earmarked pending a business case being provided. This will need to be considered in conjunction with the proposed revenue reserve for this work when the final costings are known.

Table B

Proposed Carry-Forward of Capital Spending and Funding	Amount £'000
Capital Spending	
Building Schemes	
Rear car park improvements (including Boston External access improvements)	130.0
VWI - new accommodation Lincoln	162.0
Lift upgrade Skegness	9.0
Replacement Heating System (heat emitters) Skegness	28.0
Phase 1 Window Replacement External Wall Upgrade HQ	5.0
Fire door replacement & passive fire protection Force wide	76.0
Gym heating system HQ	45.0
Removal of catering Ventilation System and installation works HQ	9.0
Demolition, provision of RPU and car wash. Boston	170.0
Replace passenger lift Boston	13.0
Replace garage doors Skegness	15.0
Replace front/rear doors - Various	11.0
Total Building Schemes	672.0
ICT	
EMOpSS Agile Working	41.0
Mobile Data	30.0
Total ICT	71.0
Total Spending	743.0
Capital Funding	
Borrowing	
Buildings	510.0
Revenue	
Reserves:	
ICT	71.0
Grant Funded	
NHS Grant VWI	162.0
Total Funding	743.0

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

No direct links other than the most effective use of resources for Policing in Lincolnshire.

B. FINANCIAL CONSIDERATIONS

Included within the report.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

[This should include the legal powers the PCC has for making the decision]

The proposals described in this paper respond to the requirements of the Police Reform & Social Responsibility Act 2011.

D. PERSONNEL AND EQUALITIES ISSUES

None.

E. REVIEW ARRANGEMENTS

The Outturn position will be subject to External Audit review and will be reported as part of the formal Accounting Statements.

F. RISK MANAGEMENT

The Financial, Regulations provide a framework for the operation of Internal Control and give assurance on financial processes. The transactions within this report conform to those requirements.

G. 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

If Yes, for what reason:

ORIGINATING OFFICER DECLARATION

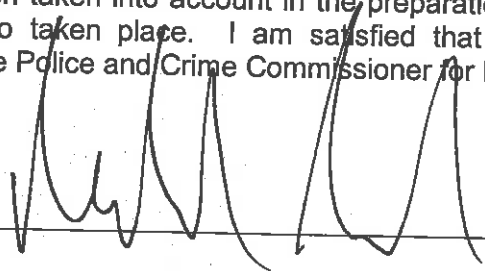
	Initial to confirm
Originating Officer: PCC's Chief Finance Officer recommends this proposal for the reasons outlined above.	JBF
Financial advice: The Deputy Chief Finance Officer has been consulted on this proposal.	Adl.
Monitoring Officer: The PCC's Monitoring Officer has been consulted on this proposal.	[Signature]
Chief Constable: The Chief Constable has been consulted on this proposal	[Signature] PCC.

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:

5/5/16.