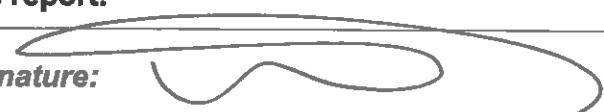


**POLICE AND CRIME COMMISSIONER (PCC) FOR LINCOLNSHIRE  
REQUEST FOR DECISION**

**REF: 010/2018  
DATE: 15 February 2018**

| <b>SUBJECT</b>   |  | <b>BUDGET REPORT</b> |  |
|--|--|----------------------|--|
| <b>REPORT BY</b>   | <b>Chief Finance Officer, Police and Crime Commissioner</b>  |                      |  |
| <b>CONTACT OFFICER</b>   | <b>Julie Flint, Chief Finance Officer<br/>Telephone 01522 947222</b>   |                      |  |
| <b>EXECUTIVE SUMMARY AND PURPOSE OF REPORT</b>   |  |                      |  |
| To propose : <ul style="list-style-type: none"><li>• A revenue budget and council tax precept for 2018/19</li><li>• A medium term financial plan for 2019/20 to 2021/22</li><li>• A capital programme for 2018/19 to 2021/22</li></ul> The proposals will support delivery of the Police and Crime Plan and are consistent with the Commissioner's Financial Strategy. |  |                      |  |
| <b>RECOMMENDATIONS</b>   | <b>The Police and Crime Commissioner is asked to :</b> <ol style="list-style-type: none"><li>1. note the views of the Police and Crime Panel on council tax, summarised at paragraph 2.6 of the report ;</li><li>2. note the Chief Finance Officer's statement on robustness of estimates and adequacy of reserves in section 10 of the report;</li><li>3. approve the council tax for 2018/19 as set out in Table A and Appendix A ;</li><li>4. approve revenue budgets for 2018/19 and medium term financial plan for 2019/20 to 2021/22 as set out in Appendix B ; and</li><li>5. approve the capital programme and its funding for 2018/19 to 2021/22 as set out in Table D.</li></ol> |                      |  |

|   |                      |
|---|----------------------|
| <b>POLICE AND CRIME COMMISSIONER FOR LINCOLNSHIRE</b>   |                      |
| I hereby approve the recommendation above, having considered the content of this report.              |                      |
| <b>Signature:</b>  | <b>Date:</b> 15/2/18 |

## **A. NON-CONFIDENTIAL FACTS AND ADVICE TO THE PCC**

### **A1. INTRODUCTION AND BACKGROUND**

#### **1. Police Grant Settlement**

- 1.1 The Final Police Grant Report 2018/19 and accompanying Written Ministerial Statement was published on 31<sup>st</sup> January 2018. This confirmed the proposals contained within the Provisional Grant Report which was laid before Parliament on 19<sup>th</sup> December 2017. The police settlement covers just one year. In his written statement the Minister confirmed that police grant would be maintained at the 2017/18 level for 2018/19 and PCCs will be able to increase the Council Tax precept by up to an additional £12 per annum for a Band D property without the need for a local referendum.
- 1.2 The Minister also sought to provide greater visibility on plans for 2019/20. He indicated his intention to maintain a broadly flat police grant in 2019/20 and the same precept flexibility in 2019/20 as in 2018/19. However, this would be dependent on the police service delivering clear progress against agreed milestones on productivity and efficiency in 2018. The MTFP assumes the maintenance of total police grant over the years 2019/20 to 2021/22 at the 2018/19 level.
- 1.3 The Minister also referred to the Core Grant Distribution Review (funding formula review) and indicated that this would be revisited in the next Spending Review, which means 2020/21 at the earliest. In light of this announcement, previous assumptions about potential grant increases have been removed from the Medium Term Financial Plan (MTFP).
- 1.4 The provisional settlement was subject to consultation and the Police & Crime Commissioner wrote to the Minister of State for Policing and Fire Services expressing his views. The Final Police Grant Report 2018/19 was debated by Parliament on 7 February 2018.
- 1.5 A Victims' Services Grant has been confirmed by the Ministry of Justice and Lincolnshire's allocation will be £0.864m in 2018/19. It has been assumed that the same level of grant will be continued for the duration of the MTFP.
- 1.6 It is assumed that other Legacy Council tax grants will continue as expected.

#### **2. Council Tax**

- 2.1 Details of the council tax base have been received from Lincolnshire's district councils. These indicate a 1.3% increase in the tax base in 2018/19. There is also a surplus on council tax collection funds: the Police and Crime Commissioner's share of this surplus is estimated to be £0.458m.
- 2.2 The government confirmed its proposals relating to Council Tax referendum principles for 2018 on 31<sup>st</sup> January 2018. In 2018/19 *all* PCCs will be allowed to increase band D bills by up to £12 pa without triggering a local referendum. The budget is based upon the PCC's proposed increase in the police precept of £11.97 (5.8%) for a Band D property for 2018/19.
- 2.3 The medium term financial plan (MTFP) is based upon annual council tax increases of £11.97 per annum per Band D property in 2018/19 and £12 in

2019/20 in line with the relaxation of the precept cap, it then reverts back to a 2% per annum increase in 2020/21 and 2021/22.

- 2.4 It has been assumed that the taxbase will increase by 1% per annum across the MTFP. This is considered to be a prudent approach.
- 2.5 The details of the council tax requirement are set out in Appendix A and the impact on Lincolnshire council tax payers is summarised in Table A below.

**Table A: Council Tax**

| <b>BAND</b> | <b>2017/18<br/>Council<br/>Tax<br/>£</b> | <b>2018/19<br/>Council<br/>Tax<br/>£</b> | <b>Annual<br/>Increase<br/>%</b> | <b>Annual<br/>Increase<br/>£</b> | <b>Weekly<br/>Increase<br/>£</b> |
|-------------|--|--|----------------------------------|----------------------------------|----------------------------------|
| A           | 136.98                                   | 144.96                                   | 5.8                              | 7.98                             | 0.15                             |
| B           | 159.81                                   | 169.12                                   | 5.8                              | 9.31                             | 0.18                             |
| C           | 182.64                                   | 193.28                                   | 5.8                              | 10.64                            | 0.20                             |
| D           | 205.47                                   | 217.44                                   | 5.8                              | 11.97                            | 0.23                             |
| E           | 251.13                                   | 265.76                                   | 5.8                              | 14.63                            | 0.28                             |
| F           | 296.79                                   | 314.08                                   | 5.8                              | 17.29                            | 0.33                             |
| G           | 342.45                                   | 362.40                                   | 5.8                              | 19.95                            | 0.38                             |
| H           | 410.94                                   | 434.88                                   | 5.8                              | 23.94                            | 0.46                             |

- 2.6 The Lincolnshire Police and Crime Panel met on 5 February 2018 to consider the PCC's proposed council tax increase. The Panel voted unanimously at the meeting to support the proposed 5.8% increase to the policing element of the council tax in 2018/19.

### **3. Other Income**

- 3.1 In order to provide for a balanced budget in 2018/19 it will be necessary to utilise £4.261m of revenue reserves, partly by using the remainder of the reserve specifically earmarked for supporting the revenue budget through periods of funding uncertainty (£1.161m) and partly from the General Reserve (£3.1m). In addition, a planned underspend from 2017/18 of £0.7m will be used. It is also necessary to drawdown £0.122m of capital reserves to fund the increase in capital charges from the capital programme. Beyond 2018/19 the MTFP has a budget gap of £6.9m by 2021/22; future year's budgets are addressed in section 9 below.

- 3.2 Total income is projected over the next four years as shown in Table B below.

### **4. Revenue Expenditure**

- 4.1 Overall revenue budgets are summarised in Table B below and set out in detail at Appendix B.

**Table B: Revenue Budget Totals**

| Income                               | 2017/18<br>£m    | 2018/19<br>£m    | 2019/20<br>£m    | 2020/21<br>£m    | 2021/22<br>£m    |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Police Grant                         | (57.907)         | (57.907)         | (57.907)         | (57.907)         | (57.907)         |
| Council Tax Compensation Grant       | (1.059)          | (1.059)          | (1.059)          | (1.059)          | (1.059)          |
| Council Tax Support Grant            | (5.775)          | (5.775)          | (5.775)          | (5.775)          | (5.775)          |
| Council Tax Precept                  | (46.392)         | (49.571)         | (52.341)         | (53.922)         | (55.551)         |
| Victim Services Grant                | (0.865)          | (0.864)          | (0.864)          | (0.864)          | (0.864)          |
| Special Grant Claim                  | -                | -                | (1.000)          | -                | -                |
| Police Innovation Funding            | (0.250)          | -                | -                | -                | -                |
| Apprentice Levy Clawback             | -                | (0.106)          | (0.111)          | (0.111)          | (0.111)          |
| Proceeds of Crime Income             | -                | (0.120)          | (0.120)          | (0.120)          | (0.120)          |
| Collaborative Services               | (2.143)          | (2.268)          | (2.268)          | (2.268)          | (2.268)          |
| Contribution from Revenue Reserves   | (3.868)          | (4.261)          | -                | -                | -                |
| Contribution from Capital Reserves   | -                | (0.122)          | -                | -                | -                |
| Contribution from 2017/18 underspend | -                | (0.685)          | -                | -                | -                |
| <b>Total Income</b>                  | <b>(118.258)</b> | <b>(122.738)</b> | <b>(121.445)</b> | <b>(122.026)</b> | <b>(123.655)</b> |
| <b>Expenditure</b>                   |                  |                  |                  |                  |                  |
| Police and Crime Commissioner        | 28.652           | 30.606           | 31.539           | 33.966           | 34.900           |
| Joint Services                       | 1.213            | 1.154            | 1.154            | 1.154            | 1.154            |
| Chief Constable                      | 86.251           | 88.710           | 89.941           | 91.028           | 92.202           |
| Collaborative Services               | 2.143            | 2.268            | 2.268            | 2.268            | 2.268            |
| Cost Reduction Programme             | -                | -                | (3.457)          | (6.390)          | (6.869)          |
| <b>Total Expenditure</b>             | <b>118.258</b>   | <b>122.738</b>   | <b>121.445</b>   | <b>122.026</b>   | <b>123.655</b>   |

4.2 Budget changes across the period of the MTFP are summarised in Table C below.

**Table C: Summary of Expenditure Budget Changes**

| Expenditure Budget Changes         | 2017/18<br>£m  | 2018/19<br>£m  | 2019/20<br>£m  | 2020/21<br>£m  | 2021/22<br>£m  |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Opening base budget                | 116.789        | 118.258        | 122.738        | 121.445        | 122.026        |
| Cost pressures                     | 3.475          | 7.997          | 3.304          | 3.534          | 2.008          |
| Savings                            | (1.948)        | (3.107)        | (4.637)        | (2.933)        | (0.479)        |
| Operational income related changes | (0.058)        | (0.410)        | 0.040          | (0.020)        | 0.100          |
| <b>Annual Budget</b>               | <b>118.258</b> | <b>122.738</b> | <b>121.445</b> | <b>122.026</b> | <b>123.655</b> |

## 5. PCC direct expenditure

- 5.1 The budget proposals include provision for victim's services expenditure in line with the grant. In addition, following a review of services during 2017/18, service developments amounting to £100k per annum are proposed from 2018/19.
- 5.2 Provision for community safety grants and contributions has been included at £0.72m.

- 5.3 The budget for strategic partnership contract payments is set in line with the agreed annual schedule of payments and projected increases for contract price indexation. A non-recurring cost pressure of £1.5m has been included across 2020/21 and 2021/22 to provide for costs associated with the Strategic Partnership current contract ending in 2022. In addition, the strategic partnership budget has been reduced by £407k as a result of Firearms Enquiry Officers and interpretation services now being delivered directly by the Force. It also provides for service pressures:
- £150k for additional training costs including for the larger student intake (£85k);
  - Forensic Medical Examiners (£150k);
  - Crime Management Bureau (£130k);
  - ICT additional posts to support the Technology Futures programme (£150k).
- 5.4 The budget to address the deficit in the Local Government Pension Scheme (LGPS), as required by the scheme actuary, has been increased by £146k in 2018/19. In 2020/21, £0.750m has been added to this budget reflecting the likely outcome of the next triennial revaluation.
- 5.5 Capital financing charges usually present a cost pressure as borrowing to fund capital spending creates additional annual repayment and interest costs. The budget for capital financing budget is £3m in 2018/19, rising to £4.9m by the end of MTFP, this reflects the increased capital programme. The budget takes account of;
- changes in the capital programme;
  - contributions from grant and partners;
  - use of capital receipts from asset sales;
  - active treasury management to minimise interest costs.
- 5.6 The contingency budget for pay pressures arising during 2018/19 amounts to £1.2m.

## **6. Joint services**

- 6.1 The Finance element of this budget includes organisational costs and has been maintained at £0.8m in 2018/19, where it remains to 2021/22.
- 6.2 The Commercial Partnership Team budget includes both staff and running costs, at £0.4m.

## **7. Chief Constable**

- 7.1 The Chief Constable's budget makes provision for an overall total strength of 1,100 police officers by the end of the MTFP period. A budgeted average of 118 PCSOs is included across the MTFP period. The Police Staff budget has been included assuming the establishment is fully costed with a vacancy factor of some 7%.
- 7.2 Cost pressures of some £5.3m (6.0%) result in an increase in the overall budget, however this is netted off by savings of £2.8m (3.2%); the total budget requirement is £88.7m in 2018/19.
- 7.3 The main cost pressures in 2018/19 are:

- Realigning the Police Officer budget to the agreed workforce plan (£3.130m);
- Policing of local football matches, given Lincoln City's current place in the league and other overtime working (£0.296m);
- Increased costs towards Regional Collaborative arrangements (£0.108m)
- Increased costs in fleet, premises, HR and ICT (£0.731m).

**7.4 The main savings in 2018/19 are:**

- Increase in Police led prosecution income (£0.100m);
- Reduction in average salary cost for Police Officers due to workforce mix changes (£1.310m);
- Reduction in overtime working as a consequence of increased number of officers (£0.120m);
- Increase in vacancy factor on Police staff budgets (£0.171m);
- Introduction of telematics (£0.150m);
- Review of running cost budgets across the Force (£0.813m).

**8. Capital Programme**

- 8.1** The capital programme for 2018/19 to 2021/22 and its funding is summarised in Table D below. This outlines the funding made available, however business cases will be completed before funding is released.
- 8.2** The 2018/19 to 2021/22 capital programme includes the continuation of the Blue Light Collaboration Programme (BLC). It is anticipated this will now be completed in 2019/20.
- 8.3** Building maintenance and improvements has a budget of £1.3m in 2018/19, reducing to £1m per year from 2019/20 onwards.
- 8.4** Vehicle replacement budget is £1.1m in 2018/19, and £1.2m for the rest of the MTFP period. A prudent annual capital receipt of £0.06m has been included in relation to vehicle sales.
- 8.5** The ICT transformation budget includes £1.76m for an ICT refresh which has moved forward a year to 2018/19; provision for a new Command and Control system plus a number of smaller projects in relation to the force's ICT infrastructure.
- 8.6** Additional amounts include £0.4m for ANPR (slipped from 2017/18), and £0.5m for Telematics. There is budget provision for equipment replacement; the budget allocation will be subject to business case approval.

**Table D: Capital Programme**

| Capital Schemes                      | 2017/18<br>Programme<br>£m | 2018/19<br>Proposed<br>Programme<br>£m | 2019/20<br>Proposed<br>Programme<br>£m | 2020/21<br>Proposed<br>Programme<br>£m | 2021/22<br>Proposed<br>Programme<br>£m |
|--------------------------------------|----------------------------|--|--|--|--|
| Building maintenance/improvements    | 1.739                      | 1.300                                  | 1.000                                  | 1.000                                  | 1.000                                  |
| Vehicle replacement                  | 1.600                      | 1.100                                  | 1.200                                  | 1.200                                  | 1.200                                  |
| Blue Light Collaboration Partner/PIF | 5.605                      | 6.010                                  | 0.221                                  | -                                      | -                                      |
| Blue Light Collaboration Police      | 0.676                      | 8.505                                  | 0.301                                  | -                                      | -                                      |
| ICT Transformation                   | 0.244                      | 5.959                                  | 1.570                                  | 0.250                                  | 0.250                                  |
| Telephony Replacement                | 0.850                      | 0.150                                  | -                                      | -                                      | -                                      |
| ESMCP                                | 1.346                      | 1.000                                  | 1.000                                  | -                                      | -                                      |
| ANPR                                 | -                          | 0.400                                  | -                                      | -                                      | -                                      |
| Equipment replacement                | 0.039                      | 0.250                                  | 0.250                                  | 0.250                                  | 0.250                                  |
| Policing Model                       | 0.088                      | -                                      | -                                      | -                                      | -                                      |
| Mobile Data                          | 0.010                      | -                                      | -                                      | -                                      | -                                      |
| Book On Book Off                     | 0.096                      | -                                      | -                                      | -                                      | -                                      |
| Intranet Redevelopment               | 0.085                      | -                                      | -                                      | -                                      | -                                      |
| Drone Trial                          | 0.025                      | -                                      | -                                      | -                                      | -                                      |
| EMOpSS Mobile Data                   | 0.021                      | -                                      | -                                      | -                                      | -                                      |
| Firearms Digital Solution            | 0.155                      | -                                      | -                                      | -                                      | -                                      |
| Agile Working                        | 0.060                      | -                                      | -                                      | -                                      | -                                      |
| Video Conference Facility            | 0.082                      | -                                      | -                                      | -                                      | -                                      |
| Tasers                               | 0.198                      | -                                      | -                                      | -                                      | -                                      |
| Telematics                           | -                          | 0.500                                  | -                                      | -                                      | -                                      |
| <b>Total</b>                         | <b>12.919</b>              | <b>25.174</b>                          | <b>5.542</b>                           | <b>2.700</b>                           | <b>2.700</b>                           |
| <b>Funding :</b>                     |                            |  |  |  |  |
| Capital receipts                     | 0.260                      | 0.060                                  | 0.260                                  | 0.060                                  | 0.060                                  |
| Capital Grants Unapplied - ESMCP     | -                          | 0.450                                  | -                                      | -                                      | -                                      |
| Capital Grants Received in Advance   | 0.021                      | -                                      | -                                      | -                                      | -                                      |
| Earmarked Reserves                   | 0.332                      | 0.500                                  | -                                      | -                                      | -                                      |
| Borrowing - General                  | 5.568                      | 8.543                                  | 4.303                                  | 2.183                                  | 2.183                                  |
| Borrowing - Blue Light               | 0.676                      | 8.505                                  | 0.301                                  | -                                      | -                                      |
| Borrowing - Salix                    | -                          | 0.649                                  | -                                      | -                                      | -                                      |
| Grant - General                      | 0.457                      | 0.457                                  | 0.457                                  | 0.457                                  | 0.457                                  |
| Grant - Blue Light Innovation Fund   | 4.849                      | -                                      | -                                      | -                                      | -                                      |
| Blue Light Partner Contribution      | 0.756                      | 6.010                                  | 0.221                                  | -                                      | -                                      |
| <b>Total</b>                         | <b>12.919</b>              | <b>25.174</b>                          | <b>5.542</b>                           | <b>2.700</b>                           | <b>2.700</b>                           |

## 9. Medium Term Financial Plan

9.1 Forecasting beyond 2018/19 is challenging particularly as future grant allocations beyond 2019/20 are uncertain. The Ministerial Statement indicated that the Core Grant Distribution Review (funding formula review) would be revisited in the next Spending Review, which means 2020/21 at the earliest. Current overall forecasts are set out in Table E below:

**Table E: Medium Term Financial Plan**

| Medium Term Financial Plan | 2017/18<br>£m    | 2018/19<br>£m    | 2019/20<br>£m    | 2020/21<br>£m    | 2021/22<br>£m    |
|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Police Grant               | (57.907)         | (57.907)         | (57.907)         | (57.907)         | (57.907)         |
| Council tax                | (46.392)         | (49.571)         | (52.341)         | (53.922)         | (55.551)         |
| Other income               | (10.091)         | (10.192)         | (11.197)         | (10.197)         | (10.197)         |
| <b>Total income</b>        | <b>(114.390)</b> | <b>(117.670)</b> | <b>(121.445)</b> | <b>(122.026)</b> | <b>(123.655)</b> |
| Expenditure                | 118.258          | 122.738          | 124.902          | 128.416          | 130.524          |
| <b>Forecast deficit</b>    | <b>3.868</b>     | <b>5.068</b>     | <b>3.457</b>     | <b>6.390</b>     | <b>6.869</b>     |
| Use of Reserves            | 3.868            | 5.068            | -                | -                | -                |
| <b>Budget Gap</b>          | <b>0.000</b>     | <b>0.000</b>     | <b>3.457</b>     | <b>6.390</b>     | <b>6.869</b>     |

## 9.2 Forecasting assumptions are based on the following:

- Police Grant forecasts for 2018/19 and 2019/20 are based on the Home Office intention to maintain a broadly flat police grant to 2019/20. Due to a lack of clarity for 2020/21 onwards there is a considerable degree of estimating error in the forecasts for 2020/21 and beyond.
- Council Tax increases by £11.97 per annum for a Band D property in 2018/19 and by £12 in 2019/20, reverting back to a 2% per annum increase in the latter two years of the MTFP.
- Expenditure forecasts are based on retaining total strength figures up to 1,100 police officers and 118 PCSOs.
- Costs are forecast to increase as a result of pay awards and other inflationary increases e.g. fuel price increases.

## 10. Chief Finance Officer's report under section 25 of the Local Government Act 2003

- 10.1 The purpose of this section of the report is to provide the Commissioner with information on the robustness of the estimates and the adequacy of reserves, so that authoritative advice is available when the budget decision is made.
- 10.2 The Commissioner is required to decide each year how much should be raised from council tax. This decision is based upon a budget that sets out estimates of spending plans.
- 10.3 The decision on the level of the council tax is taken before the year begins and it cannot be changed during the year, so allowance for risks and uncertainties that might increase expenditure above that planned, must be made by:
- making prudent allowance in the estimates, and in addition;
  - ensuring that there are adequate reserves to draw on if the estimates turn out to be insufficient.
- 10.4 Section 25 of the Local Government Act 2003 requires that the Chief Financial Officer reports to the Police & Crime Commissioner (PCC) as part of the consideration of the budget and council tax. The report must deal with the robustness of the estimates and the adequacy of the reserves allowed for in the budget proposals. Section 25 also requires the PCC to have regard to the report in making the decision.



## **Robustness of Estimates**

- 10.5 This report provides details of the revenue budget proposals for 2018/19 together with provisional budgets for 2019/20 to 2021/22. The budget proposals presented herein are based upon delivering the PCC's Police & Crime Plan, including maintaining the current level of resources for police officers/PCSOs in Lincolnshire.
- 10.6 I am of the view that detailed estimates for 2018/19 have been prepared on a realistic basis and that the savings incorporated in the budget are deliverable. It will be important to maintain strong financial control as budgets are reduced and to secure the planned savings of £3.8m in 2018/19.

## **Medium Term Financial Plan**

- 10.7 Provisional service budgets are proposed for 2019/20 to 2021/22. The government has yet to set grant allocations for the last two of those years. Estimates have been based on prudent assumptions. There remains the risk that the grant income will be lower than assumed.
- 10.8 There is also uncertainty beyond 2019/20 on the government's future intentions in relation to the limitation of council tax increases.
- 10.9 On current assumptions substantial budget gaps are forecast from 2019/20 onwards, reaching £6.9m in 2021/22, around 5% of the total budget. This is based on maintaining the resources available for police officers/PCSOs, and maintaining the number of Police Staff.
- 10.10 It is clear that, without a more equitable slice of the national police grant, or substantial precept rises in future years, a degradation of service for Lincolnshire from 2019 onwards remains a significant risk.
- 10.11 This risk is mitigated by investment in ICT infrastructure and the implementation of a class-leading Command & Control system which should provide the platform to unlock significant operational benefits through the better use of resources and data, building upon the significant success and savings already achieved from the mobile data platform.,
- 10.12 Whilst the Chief Constable remains committed to maintaining the warranted officer workforce levels at an average FTE of 1100 and PSCO strength of 118, as a service that is largely based on people, the consequence of a large budget deficit will be a reduction in head count. The Chief Constable is clear that any future work force mix will maintain a range of roles including warranted officers and PCSOs. As an illustration, the level of cost reduction required by 2021/22 is equivalent to a reduction of around 80 police officers and 80 PSCOs.
- 10.13 Improving productivity and achieving a fairer share of government funding for Lincolnshire remain key to maintaining safe levels of policing into the medium term.
- 10.14 Sound financial control will also be key to delivering financial balance beyond 2018/19. Reserves to support the revenue budget will have been depleted by 2019/20 and, unless additional funding is made available either by increased government grant or from council tax receipts, cost reductions of £3.4m will be required. It is essential that the programme be developed

during the early part of 2018/19 so that decision points are clear to ensure the required reductions can be delivered.

### **Reserves**

- 10.15 CIPFA's Guidance makes clear that the adequacy of reserves should be assessed in the context of its strategic, operational and financial risks.
- 10.16 The currently approved Financial Strategy requires that "general reserves will be maintained at the mid-point of a target range based on the financial risk assessment in respect of residual financial risks." The Financial Strategy has been reviewed as part of the budget process and is the subject of a separate decision paper.
- 10.17 The PCC currently holds a General Reserve of £5.6m, although plans for 2018/19 assume that this will be reduced by £3.1m to support the revenue budget. Table F below provides a summary of the risk based assessment that has been undertaken.
- 10.18 The range of required reserves is assessed as £5.4m - £11.7m, the mid-point of which is £8.6m. This is set against forecast risk based reserves of £5.4m: General Reserve £2.5m, Major Incident Reserve £1.9m and Insurance Reserve £1m. As a result, the current policy is unachievable and it is proposed that this be amended to require 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.
- 10.19 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.
- 10.20 In the circumstances, I am satisfied that the level of reserves is both appropriate and just adequate.

**TABLE F Reserves & Risk**

| Area                                      | Risk addressed  | Calculation basis   |   | Proposed allocation |               |
|---|---|---|---|---------------------|---------------|
|   |   | Min   | Max   | Min £000            | Max £000      |
| General balance                           | Budget overspend & general contingency  | 0.5% budget requirement                                     | 1% budget requirement   | 610                 | 1,220         |
| Major Disaster                            | First 1% of budget requirement to be met on major disasters   | 50% of potential impact                                     | 100% of potential impact  | 610                 | 1,220         |
| Council Tax                               | To provide for future non-payments, reducing yields etc.  | 1% of council tax (2018/19)                                 | 3% of council tax (2018/19)   | 480                 | 1,440         |
| Police Staff Pension Scheme Contributions | Actuarial variations in the level of contributions due to market volatility   |   |   | 500                 | 1,000         |
| Business Transformation Partnership       | Risk of financial collapse or force majeure event before end of contract term (£1.5m of contract tender costs built into MTFP). | Based on 10% of Estimated cost of retendering (£1.5m)       | Based on 50% of Estimated cost of retendering (£1.5m)               | 150                 | 750           |
| Budget Adjustment                         | To provide for the potential costs of staff reductions  | 50% of costs of potential redundancy                        | 100% of costs of potential redundancy                               | 1,100               | 2,200         |
| Council Tax                               | To provide for the potential costs of a referendum  | Costs of referendum   | Cost of referendum & rebilling                                      | 1,000               | 1,500         |
| Major Incidents                           | Possibility of in-year major incident costs exceeding provision in revenue budget   | Maximum spend in last 5 years less revenue budget provision | 2 x the maximum spend in last 5 years less revenue budget provision | 400                 | 1,400         |
| Insurance                                 | Covers excess on insurance position   | 2 x current excess  | 4 x current excess  | 500                 | 1,000         |
|   |   |   |   | <b>5,350</b>        | <b>11,730</b> |

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

The revenue budget and capital programme are the financial expression of the Police and Crime Plan and the Commissioner's strategies and is consistent with his Financial Strategy.

## **B. FINANCIAL CONSIDERATIONS**

These have been included in the main report above.

## **C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS**

The Police and Crime Commissioner is required to set a balanced budget, determine the rate of council tax and issue a precept in accordance with the Local Government Finance Act 1992 and the Police Act 1996.

## **D. PERSONNEL AND EQUALITIES ISSUES**

There are no direct personnel, equal opportunities or diversity issues arising from this report.

## **E. REVIEW ARRANGEMENTS**

The revenue budget and capital programme will be monitored monthly at Resource Governance meetings.

## **F. RISK MANAGEMENT**

The risk of a shortfall in funding resulting in severe financial difficulties for the Police and Crime Commissioner and the Police Force is highlighted in both the PCC and Force risk registers. Particular areas of risk around funding levels, financial control and reserves are highlighted in the report.

## **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

### ORIGINATING OFFICER DECLARATION

|  | Initial to confirm |
|--|--------------------|
| Originating Officer:<br>PCC's Chief Finance Officer recommends this proposal for the reasons outlined above. | JBF                |
| Financial advice:<br>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.  | JL                 |
| Monitoring Officer:<br>The PCC's Monitoring Officer has been consulted on this proposal                      | JBF                |
| Chief Constable:<br>The Chief Constable has been consulted on this proposal                                  | <del>JBF</del>     |

### 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:

15/2/18

## APPENDIX A

## COUNCIL TAX REQUIREMENT 2018/19

| A. BUDGET & COUNCIL TAX REQUIREMENT 2018/19    |                                     | £                         | £                         |                      |
|--|-------------------------------------|---------------------------|---------------------------|----------------------|
| TOTAL BUDGET                                   |                                     |                           | 114,776,291.11            |                      |
| LESS: Victim Services                          |                                     | 864,620.00                | 864,620.00                |                      |
| BUDGET REQUIREMENT                             |                                     |                           | 113,911,671.11            |                      |
| Police Specific Grant                          |                                     | 57,506,980.00             |                           |                      |
| Council Tax Support Grant                      |                                     | 5,774,890.00              |                           |                      |
| Council Tax Freeze Grant                       |                                     | 1,058,670.00              | 64,340,540.00             |                      |
| POLICE AND CRIME COMMISSIONER PRECEPT          |                                     |                           | 49,571,131.11             |                      |
| LESS: District Council Collection Fund Surplus |                                     |                           | 457,967.01                |                      |
| COUNCIL TAX REQUIREMENT                        |                                     |                           | 49,113,164.10             |                      |
| B. PCC ELEMENT OF COUNCIL TAX BY PROPERTY BAND |                                     | Proportion of Band D      | Council Tax £             |                      |
| Band A   |                                     | 6/9                       | 144.96                    |                      |
| Band B   |                                     | 7/9                       | 169.12                    |                      |
| Band C   |                                     | 8/9                       | 193.28                    |                      |
| Band D   |                                     | 9/9                       | 217.44                    |                      |
| Band E   |                                     | 11/9                      | 265.76                    |                      |
| Band F   |                                     | 13/9                      | 314.08                    |                      |
| Band G   |                                     | 15/9                      | 362.40                    |                      |
| Band H   |                                     | 18/9                      | 434.88                    |                      |
| C. PRECEPTS ON DISTRICT COUNCILS               | No. of Band D Equivalent Properties | Council Tax Requirement £ | Collection Fund Surplus £ | PCC Precept £        |
| Lincoln City                                   | 23,942.97                           | 5,206,159.40              | 23,610.00                 | 5,229,769.40         |
| Boston B.C.                                    | 18,713.57                           | 4,069,078.66              | 98,326.00                 | 4,167,404.66         |
| East Lindsey D.C.                              | 43,468.00                           | 9,451,681.92              | 85,794.91                 | 9,537,476.83         |
| West Lindsey D.C.                              | 29,224.12                           | 6,354,492.65              | 81,280.00                 | 6,435,772.65         |
| North Kesteven D.C.                            | 36,700.00                           | 7,980,048.00              | -                         | 7,980,048.00         |
| South Kesteven D.C.                            | 46,519.30                           | 10,115,156.59             | 83,240.24                 | 10,198,396.83        |
| South Holland D.C.                             | 27,302.00                           | 5,936,546.88              | 85,715.86                 | 6,022,262.74         |
| <b>TOTAL</b>                                   | <b>225,869.96</b>                   | <b>49,113,164.10</b>      | <b>457,967.01</b>         | <b>49,571,131.11</b> |