

**LINCOLNSHIRE POLICE AUTHORITY
FINANCE & PERFORMANCE COMMITTEE
8TH JUNE 2010**

SUBJECT		REVENUE OUTTURN 2009/2010
REPORT BY	CHIEF CONSTABLE	
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SUMMARY AND PURPOSE OF REPORT		
To consider the 2009/2010 revenue account outturn and consider movements in reserves for inclusion within the annual statement of accounts, which will be prepared for consideration by the Audit Risk and Governance Committee.		
RECOMMENDATIONS	<p>1. That the movements in Earmarked Reserves be approved as detailed in Table 2 and the following amounts be contributed from the 2009/10 revenue outturn:</p> <ul style="list-style-type: none"> ➤ ANPR South Division - £75k ➤ Case & Custody Project - £60k. ➤ Marketing - £50k. ➤ Open Day – £65k ➤ 21st Century Uniform Project – £30k ➤ Operations Fusion & NOVA - £15k ➤ Invest to Save - £100k <p>2. That the contribution to the General Reserve of £56k be approved as detailed in Table 2.</p> <p>3. That the Revenue Outturn position be noted.</p>	

A. SUPPORTING INFORMATION

1. INTRODUCTION

- 1.1. This report provides details of the revenue outturn position for 2009/10 completing the management accounting reporting for the year and establishing the closing balances for consolidation into the Financial Statements.

Unfortunately due to the technical nature of the disclosures surrounding revenue expenditure the figures shown in the formal accounting statements are not easily comparable to the budget and expenditure, which is included in this report.

- 1.2. The intention of this report is therefore to provide information on the outturn and budget consistent with that previously presented, with the formal accounts being examined by the Audit Risk and Governance Committee.

2. REVENUE OUTTURN

- 2.1 An overall summary of the outturn is shown in Appendices 1a and 1b, this shows the revenue account analysed by type of spend Police Officers, running costs etc. and by major spending area. The original budget, current budget, actual spend and variance between the budget and spend are shown. After allowing for proposed movements to reserves and provisions detailed later in this report an overall underspend on the revenue account of £56k (or 0.1%) has occurred. This amount arose from underspends across the general devolved revenue budget. The following table shows the affect of the proposed allocation to reserves on the overall outturn:

	£'000	
Gross Revenue Outturn		(451)
Earmarked Reserves		
ANPR South Division	75	
Case & Custody Project	60	
Marketing	50	
Open Day	65	
21 st Century Uniform Project	30	
Operations Fusion & NOVA	15	
Invest to Save	100	395
Contribution to General Reserve		56
Total		-

Table 1: Gross Revenue Outturn 2009/10

- 2.2 During April and May the Management Accountants have undertaken an intensive examination of the revenue accounts in conjunction with the Force budget managers. The primary reason being to ensure that the income and expenditure is recorded in the correct financial year. One of the prime tests which the auditors undertake will be to ensure that we are producing the accounts to "present fairly" the financial position of the Authority for 2009/10.
- 2.3 Provisions have been established to meet the costs of ill health retirements for which a decision was made at 31st March, for legal cases where it is considered

necessary to recognise a specific amount in the accounts and for Major Incidents where an investigation is ongoing across the year end. The accounting rules for provisions are:

“A financial provision should be considered for the previous year's accounts when there was an obligation as at 31st March to transfer economic benefits to another party because of an event which has already happened.”

A Provision need only be made when:

It is likely that there will be a payment in respect of the obligating event (i.e., probability is considered greater than 50%) and

A reliable estimate can be made of the value of the payment

- 2.4 It is considered that these requirements have been met for these provisions. In the case of the Insurance provision the reduction required is a transfer to the earmarked reserve held for this purpose, as the level of provision required for 2008/09 was higher.

Provisions:	Opening Balance 1st April 2009 £'000	Used / Transferred 2009/10 £'000	Contribution 2009/10 £'000	Closing Balance 31st March 2010 £'000
Ill Health Pensions	134	(134)	155	155
Insurance	443	(54)	-	389
Major Incidents	265	(265)	334	334
Total	842	(453)	489	878

Table 2: Movements in Provisions 2009/10

- 2.5 Movements in provisions have been included within the revenue account outturn.
- 2.6 The Authority currently holds a number of earmarked reserves for specific purposes along side the General Reserve. The following table summarises the balances on these reserves full details highlighting the proposed contributions relating to the 2009/10 outturn and movements between balance sheet codes is given in Appendix 2. Explanations are also given relating to the initial setting up of the reserve and subsequently agreed transfers:

Reserve:	Opening Balance 1st April 2009 £'000	Used / Transferred 2009/10 £'000	Contribution 2009/10 £'000	Closing Balance 31st March 2010 £'000
Earmarked Reserves				
Planned Future Investment	2,664	(1,350)	1,430	2,744
Specific Reserves	2,553	(646)	154	2,061
General Reserve	2,907	-	702	3,609
Total	8,124	(1,996)	2,286	8,414

Table 3: Movements in Reserves 2009/10

2.7 The following justifications are given for the establishment of the new earmarked reserves.

ANPR South Division (£75k)

2.8 As part of its planned expenditure during the year South Division have prioritised their devolved budget to undertake a scheme to improve Automatic Number Plate Recognition coverage at key sites in the Division. Whilst the expenditure was committed it was not possible to complete in year.

Case & Custody Project (£60k)

2.9 The Finance and Performance Committee at its meeting in September 2009 considered the implementation of the Niche Case and Custody system in order to achieve significant ongoing revenue savings. The Force identified revenue budget, which would be required to implement this software. Reprofiling of the implementation of the project requires the earmarking of these funds to complete the required work.

Marketing (£50k)

2.10 The Force has identified in the latest Annual Policing Plan that one of its priorities is to transform our internal and external communications so that we are better at listening to what is required from the policing service and also to tell the public what we have done and why. This will help in addressing issues surrounding the Policing Pledge and Trust and Confidence. Funding is proposed to be set aside for the establishment of a marketing strategy.

Open Day (£65k)

2.11 The recently held Open Day and Police National Dog Trials have been concluded to be a very successful day. In accordance with previous practice as the day is not an annual event, funding is not provided for from within the revenue budget, with the Chief Constable meeting the costs from savings across the devolved budget. This has been identified in 2009/10 and a reserve is required to meet the infrastructure costs incurred, in terms of hiring facilities and equipment.

21st Century Uniform Project (£30k)

- 2.12 During 2009/10 the Force undertook a project to re-equip officers with new uniform suitable for current requirements. Funding was set aside to undertake this work and while the vast majority of the uniform in terms of shirts, trousers and outer jackets have been completed and issued, it is proposed to hold the balance of this funding as a reserve for the outstanding items.

Operations Fusion & NOVA (£15k)

- 2.13 The Force earmarked part of its revenue budget during 2009/10 towards one off costs associated with these extremely successful “days of action”. These initiatives are to continue through 2010/11 and it is proposed to set aside the balance of the funding to provide for future events.

Invest to Save (£100k)

- 2.14 The Invest to Save reserve is proposed to meet the requirement for funding initiatives that will generate further business benefits and release resources. This funding will only be released following the agreement of Finance and Performance Committee of a formal business case which;

- Defines the work to be undertaken.
- Details full cost implications, including those associated with implementation.
- Details business benefits, and savings released from the base budget.
- Provides an implementation plan and timescales for achievement of savings.

- 2.15 In November 2008, CIPFA issued updated Guidance on Local Authority Reserves and Balances (LAAP 77). As part of the budget setting for 2009/10 the Authority approved an approach to reserves in the light of this guidance. The Finance and Performance Committee has regularly revisited this during the year.

- 2.16 CIPFA’s Guidance makes clear that the adequacy of an Authority’s Reserves should be assessed in the context of its strategic, operational and financial risks. The following table, shows the current position on Police Authority’s Reserves following the allocations described above. It should be noted that for the assessment only those specific earmarked reserves are included and the balance shown for Insurance includes the amount, which has been shown as a provision for accounting purposes.

Reserve	Proposed Allocation	Area	Risk addressed	Calculation basis		Allocation	
	£'000			Min	Max	Min £'000	Max £'000
General	3,649	General balance	Final, just in case, coverage	0.75% BR (2012/13)	1.5% BR (2012/13)	835	1,669
General		Major Disaster	Threshold of first 1% of budget requirement to be met on major disasters	50% of potential impact	200% of potential impact	542	2,165
General		Council Tax	To provide for future non-payments, reducing yields etc.	1% of council tax (2010/11)	3% of council tax (2012/13)	420	1,350
General		I FRS	Allocation based around initial estimated costs of £1m	75%	125%	750	1,250
General		Partnerships	PCSO Funding of £1.5m from County	25% of Funding	75% of Funding	375	1,125
Earmarked	1,600	Major Incidents	Possibility of in year major incident costs exceeding provision in revenue budget	Reserve and budget to be sufficient to meet historic levels of Demands and costs	Reserve and budget to be sufficient to meet historic levels of Demands and costs	1,400	1,800
Earmarked	750	Insurance	Covers excess on insurance position	2 x current excess (per F&S 19/12/08)	4 x current excess	500	1,000
Total	5,999					4,822	10,359

Table 4: Risk Based Reserve Model 31st March 2010

- 2.17 The Authority's current policy is that it should plan to increase the Reserves to a level commensurate with the mid-point of the acceptable range. This remains the Treasurer's advice, particularly given the prospects for public finances. In monetary terms, this would be equivalent to £7.6 million and would require further transfers to the Reserves amounting to £1.5 million.
- 2.18 The draft outturn after allowing for proposed contributions to reserves and provisions amounts to £56k (or an underspend of 0.1% of the total budget for 2009/10. The following paragraphs provide a commentary on this level of spend.

3. MAIN BUDGET VARIANCES

Employees

- 3.1 The overall overspend on the Police Officer element of the budget was due to two main factors:
- Police Officer Pay, this area of the budget has been forecast to be slightly overspent against revised budget during the final quarter of the year. The overspend of £116k represents 0.2% of the budget and is due principally to officer numbers being higher than establishment during the period.
 - Ill Health pensions, expenditure during the year including year end provisions resulted in 22 officers being provided for. Due to higher than anticipated individual costs an overspend of £69k has occurred.
- 3.2 As part of the original budget for 2009/10 the Force reduced the Police Staff budget in the light of ongoing vacancies and increased the planned vacancy factor to 5%. The budget was further reduced during the year with the overall vacancy factor averaging at slightly over 7% for the year, resulting in an underspend of £55k. The remaining underspend of £60k from the staffing resources for the implementation of the Case & Custody system is part of the proposed allocation to reserves included within the supplies and services section.
- 3.3 At the revised budget stage it was highlighted that the Police Officer Overtime budget was showing signs of pressure and budget managers were asked to closely monitor this area of the budget in order to keep within target at the end of the financial year. This has been broadly achieved with only a small overall overspending in this area of the budget of £16k.
- 3.4 Other employee expenses are showing a small underspend of £40k; this is distributed across the devolved budgets.

Premises

- 3.5 The overall underspend in this area of the budget is £303k, the main underspend being due to delays in the scheduled maintenance programme of £201k. With other underspendings occurring across the Divisional devolved budgets in relation to utility costs and Non Domestic Rates.

Transport

- 3.6 Whilst minor variances have been experienced across the devolved budgets the main variance was in the Major Incidents account where transport costs exceeded the allocation by £124k, overall this was subsumed within the total budget for Major Incidents.

Supplies and Services

- 3.7 The main variances on Supplies and Services relate to areas where additional income has been received to fund the costs, or are where a transfer to reserves has been coded. These may be summarised as follows:

- Additional funding received for a Smart Water Project £93k.
- Contribution to Reserves in respect of the Open Day £65k.
- 21st Century Uniforms Projects £107k.
- Hired and Contracted Services with regard to air conditioning in the main server room £53k.
- Provision of resources for additional media courses funded by income £59k.
- Contribution to Reserves in respect of the Case and Custody Project £65k.
- Additional costs incurred regarding the Regional Collaboration team funded by income £140k.

Contracted Services

- 3.8 This area of the budget demonstrates two main variances firstly with regard to costs incurred in relation to the replacement of safety cameras of £206k, which was funded by, grant income received. Secondly, in order to correctly account for the sale of vehicles with a value of under £10k a transfer is required through the revenue account showing the expenditure as Direct Revenue Financing offset by income this year the transfer totalled £216k.

Devolved Income

- 3.9 Overall additional income of £923k was received. The main variances relate to areas where there was a corresponding increase in costs as follows

- Arrangements for Regional Collaboration £140k
- Smart water project £93k
- Media Income £59k.
- Courts additional Income £46k
- Balance Sheet transfers £170k
- Receipts from the sale of vehicles which cannot be treated as capital £216k
- Income in respect of safety cameras £206k.

B. FINANCIAL CONSIDERATIONS

Included in the report.

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

None specific.

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

(including any impact or issues relating to Children and Young People under the Every Child Matters (ECM) framework.)

None specific.

E. RISK MANAGEMENT

None specific.

F. REVIEW ARRANGEMENTS

The Audit Risk and Governance Committee will consider the statutory accounting statements at its June meeting and the final audited accounts at its September meeting.

G. LIST OF BACKGROUND PAPERS

Date	Description	File
	None	