



**Lancashire
Constabulary**
police and communities together

JOINT MANAGEMENT BOARD

ITEM : 3	DATE: 4 November 2015
TITLE: Financial position as at 30 September 2015	
REPORT BY: Steve Freeman, Chief Finance Officer	

Executive Summary

This report sets out the monitoring position for the Police and Crime budget as at 30 September 2015. The report sets out the forecast position for the end of the year for the revenue budget, reports upon the capital programme, and reports the forecast impact on reserves.

Recommendations

The Police and Crime Commissioner is asked to;

- Note the forecast revenue budget underspend of £0.460m
- Approve the increase to the capital programme of £3.518m in respect of the West Division Headquarters project and note the re-phasing of this investment over the capital programme period
- Approve the increase to the capital programme of £0.326m in respect of the investment in mobile hand-held devices and note the re-phasing of this investment over the capital programme period
- Approve the transfer from the transition reserve of £4.626m in 2015/16 to meet the investment required in mobile hand held devices
- Note the revised capital programme position for 2015/16.
- Note the forecast year-end position for revenue reserves

Signature

Police and Crime Commissioner

Date

PART I

1. **2015/16 Monitoring Position – As at 30 September 2015**

1.1 The Commissioner receives regular reports which set out the latest position on income and expenditure and forecast out turn position for the revenue and capital budget. This report sets out the latest position including;

- A forecast out turn position for the PCC's revenue budget
- The capital programme for 2015/16 and future years, and
- The impact of the position on the PCC's reserves

2. **Revenue Budget**

2.1 The budget for the Police and Crime Commissioner was set at £258.871m and, after taking account the application of the one-off council tax surplus brought forward from 2014/15 (£1.090m) and the planned use of balances by budget holders to the end of September 2015 (£0.167m), this has increased to £260.128m.

Based on the monitoring position at the end of September 2015, an underspend of £0.460m is currently forecast in 2015/16 as follows:

Forecast Year-end Position 2015/16 as at 30.9.15				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
Constabulary:				
Staff costs	196.703	195.123	-1.580	-0.80
ACC Territorial Operations	8.943	8.971	0.028	0.31
ACC Specialist Operations	8.363	8.328	-0.035	-0.42
Director of Resources	16.784	16.256	-0.528	-3.15
Deputy Chief Constable	1.886	1.888	0.002	0.11
Sub Total	232.679	230.566	-2.113	-0.90
Office of the PCC	1.395	1.695	0.300	21.50
Communications	0.105	0.105	-	-
Crime and reoffending	0.625	0.625	-	-
Community Safety	1.713	1.413	-0.300	-17.51
Victims and Witnesses of Crime	1.656	1.656	-	-
Grant income	-1.656	-1.656	-	-
Sub Total	3.838	3.838	-	-
TOTAL DFM BUDGET	236.517	234.404	-2.113	-0.89
Non DFM				
Constabulary	15.759	18.412	2.653	16.83
Office of the PCC	7.852	6.852	-1.000	-12.74
TOTAL BUDGET	260.128	259.668	-0.460	-0.18

3. Delegated Revenue Budgets – overall position

Lancashire Constabulary DFM budget

- 3.1 The Constabulary have centralised the costs of staff within the revenue budget in 2015/16, assigning overall control of staffing, and therefore its cost, to the constabulary's senior management team.

Responsibility for the remaining elements of discretionary spend on employees, such as overtime and travelling expenses, along with non-staff spending remains with Divisional budget holders and is reported as such in the table above.

At this stage in the year it is anticipated that there will be an underspend of £2.113m on the Constabulary DFM budget.

This position is due, in the main, to savings from staff costs arising from the number of vacancies being held in respect of police officer, PCSO and police staff positions. In addition, the spend less approach within the Constabulary will also result in savings being achieved in non-pay areas.

This a net underspend position that also reflects the additional cost of temporary staff that have been employed to fill some vacant positions whilst the implementation of the outcomes of a number of Futures projects takes place and recognises (and contains) the cost of the Constabulary Futures Team.

This forecast position does not include any costs that might arise from the forthcoming Voluntary Exit scheme for Police Officers, the process for which has recently started.

Lancashire Constabulary Non-DFM budget

- 3.2 An overspend of £2.653m is forecast on Non-dfm budgets which relates, in the main, to the costs of voluntary redundancy. As previously agreed it is intended that these costs, of around £3.5m, (and therefore the related overspend) will be managed within the overall revenue budget for 2015/16. The Constabulary has continued to closely manage the overall resources allocated and has continued the zero based approach to devolving budgets, only allocating inflation as required and taking out savings from contract renewals as well as early review savings; this has resulted in an underspend of some £1m in other areas of the budget to offset some of the costs of potential redundancies.

Office of the Police and Crime Commissioner

- 3.3 It is anticipated that overall spending by the Office of the PCC will be in line with its annual DFM. However within the overall budget some areas of off-setting over and under spending have been identified including:
- 3.3.1 An overspend of £0.110m on staff costs including the costs of redundancy and the employment of temporary staff to fill vacant posts whilst restructuring of the office takes place
- 3.3.2 A contribution of £0.100m to the successful Transformation Challenge award bid in respect of CCTV developments which represents the Commissioner's agreed match funding for the project

3.3.3 A contribution of £0.080m to the Early Action programme representing the Commissioner's match funding contribution to the successful Innovation Fund bid for the project

3.3.4 An underspend on the Community Safety budget of £0.300m with future allocations for this budget under review.

Office of the Police and Crime Commissioner Non-DFM budget

3.4 An underspend of £1.000m is forecast for the PCC Non-DFM budget in respect of capital financing costs.

This is due the level of borrowing required for the capital programme being lower than anticipated as a result of the significant re-phasing of the accommodation element of the programme in recent years.

This represents a non-recurring saving as the costs of financing will increase as the HQ facility at West Division project commences in earnest in 2016/17.

4. Capital

4.1 The 2015/16 capital programme is £24.863m, the detail of which is set out in the table below:

	2015/16 capital programme £m
ICT Strategy	12.660
Accommodation Strategy	7.075
Vehicle Replacement	3.431
Other Schemes	1.697
Total	24.863

4.2 It has been identified that two major schemes within the capital programme have been subject to an increase in forecast cost and an adjusted view of the phasing of anticipated spend.

The following table shows the impact on the Commissioners capital programme

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total £m
ICT Strategy – Mobile Handheld devices						
Original Phasing	1.440	£1.340m	£1.340m	£1.340m	£1.340m	£6.800
Revised Phasing	4.626			£2.500m		£7.126
Impact on capital programme	3.186	-1.340	-1.340	1.160	-1.340	0.326
Accommodation Strategy – HQ facilities at West Division						
Original Phasing	4.900	13.000	2.000	1.000		20.900
Revised Phasing	0.742	11.866	11.810	-		24.418
Impact on capital programme	-4.158	-1.134	9.810	-1.000		3.518

It is therefore recommended that the Commissioner approves the following changes to the capital programme:

- 4.2.1 An increase to the programme of £0.326m in respect of the provision of mobile hand held devices
- 4.2.2 That the full cost of this project, including the increase identified above, be met from the earmarked revenue reserve set aside for investment in the capital programme
- 4.2.3 That a contribution of £4.626m is made from the transition reserve in 2015/16 to the funding of this project
- 4.2.4 An increase to the programme of £3.518m in respect of the delivery of HQ facilities at West Division
- 4.2.5 That this increase in cost be met through borrowing funded through the capital financing budget within the Commissioner's revenue budget

4.3 If the Commissioner agrees to the recommended changes above this has the following impact on the 2015/16 capital programme:

	2015/16 Original capital programme	Re-phasing of programme	2015/16 Revised capital programme
	£m	£m	£m
ICT Strategy	12.660	3.186	15.846
Accommodation Strategy	7.075	-4.158	2.917
Vehicle Replacement	3.431	-	3.431
Other Schemes	1.697	-	1.697
Total	24.863	-0.972	23.891

4.4 The forecast year-end position against this revised programme is described in the table below:

	2015/16 Revised capital programme	Forecast Outturn	Slippage	(Under)/Over spend
	£m	£m	£m	£m
ICT Strategy	15.846	13.416	-1.577	-0.854
Accommodation Strategy	2.917	1.668	-0.194	-1.055
Vehicle Replacement	3.431	1.351	-2.080	0.003
Other Schemes	1.697	1.134	-0.565	-
Total	23.891	17.569	-4.416	-1.906

4.5 The main areas of **slippage** are:

ICT Strategy

4.5.1 ANPR (£0.323m)

This scheme covered three phases with the first phase delayed due to contractual negotiations and discussions with Lancashire County Council. This has had a knock on effect on the latter two phases with costs of priority 3 work now falling into 2016/17. The new procurement contract has resulted in a significant cost reduction with an underspend also anticipated on the scheme.

4.5.2 Video conferencing (£0.101m)

The original plan to use Lync for video conferencing is no longer viable as this proved unsuitable for some key stakeholders. An alternative solution is currently being tested at HQ and West prior to roll out delaying implementation until 2016/17.

4.5.3 Telephony system and infrastructure (£0.490m)

A consultancy report has been received and a detailed project specification is being prepared with implantation expected in 2016/17.

4.5.4 WAN and encryption refresh & Network uplift (£0.252m)

A reprioritisation within the ICT strategy will delay implantation of this project to 2016/17

4.5.5 Endpoint replacement programme (£0.111m)

Whilst progress has been significant a small proportion of the programme will slip in to 2016/17

4.5.6 Other ICT schemes (£0.300m)

A number of small schemes has been subject to minor delay causing some spend to slip into 2016/17.

Vehicle replacement programme (2.080m)

4.5.7 A review of the current fleet is being undertaken by the Futures team and further replacements are on hold pending the outcome of the review. The cost to date reflects the value of orders raised and a significant element of the programme is expected to slip into 2016/17.

Other schemes

4.5.8 Digital speed camera update (0.485m)

The scheme will be funded from Road Safety Reserves and has three phases; the final phase will not be complete until 2016/17.

4.5.9 HQ Crime and HQ Ops specialist equipment (£0.080m)

Awaiting information from the regional collaboration organisation of any requirements for such equipment causing a potential slip of spend to 2016/17

4.6 A number of underspends have also been identified:

ICT strategy

4.6.1 ANPR (£0.300m)

As reported above, the change in supplier has resulted in reduced costs.

- 4.6.2 ANPR Upgrade to Windows 7 (£0.118m)
The test device highlighted compatibility issues with Windows 7. An alternative solution using the Samsung mobile device software and connection is being investigated.
- 4.6.3 Single Front End Search Facility (£0.300m)
This is currently low on the list of IT priorities this scheme will commence following the completion of Electronic Case & Custody files.
- 4.6.4 Virtual Desktop Infrastructure for Confidential Environment (£0.144m)
The data storage solution will negate the need for new hardware representing a reduced cost for the scheme.

Accommodation strategy

- 4.6.5 East Operating Base (£1.000m)
No detailed plan for this scheme has been developed which is therefore unlikely to proceed before March 2016.
- 4.6.6 Miscellaneous Minor Works (£0.098m)
The planned upgrade of Keasden block is on hold pending the review of the HQ site.

5. Reserves

- 5.1 Reserves and provisions have been set aside to manage the financial risks within the financial strategy and to provide funding to support the Commissioner's capital investment programme.
- 5.2 The financial outlook for 2016/17 and beyond indicates that significant savings will be required with potentially more than £50m to £80m of further savings being required between 2016/17 and 2019/20. In assessing the level of reserves it is essential that the challenges ahead are taken into consideration and that there is sufficient available to meet any financial risks that may arise in addition to the support being provided to the capital investment programme.
- 5.3 Based on the current forecast year-end financial position, earmarked reserves are anticipated to be £35m and general reserves £12.416m at 31 March 2016. A position on reserves is set out at Annex 1.
- 5.4 This position reflects the budgeted contribution to reserves of £2.728m contained within the Commissioner's 2015/16 revenue budget and the recommended contribution of £4.626m in respect of the project to deliver mobile hand held devices being made to the capital programme included in this report (at 4.2.3).
- 5.5 This position does not reflect any costs that may be incurred as a result of the commencement of the Voluntary Exit for Police officers scheme. Any costs that do arise will be met from the transition reserve in line with the commissioners reserves strategy

Reserves position as at 30 September 2015

	Position as at 1/4/15	Movement in 2015/16	Recommended Movements in 2015/16	Forecast y/e Position as at 30/9/15
	£m	£m	£m	£m
<u>EARMARKED RESERVES</u>				
Capital Funding Reserve	6.617			6.617
Transition Reserve	21.243	1.228	-4.626	17.845
Clothing Reserves	0.611			0.611
POCA Equalisation Reserve	1.208			1.208
PCCA/Drugs Forfeiture Reserves	0.138			0.138
VMU Reserves	0.040			0.040
Operational Policing Reserve	2.584			2.584
Road Safety Reserves	2.220			2.220
PCC Strategic Investment reserve	3.737			3.737
Early Debt Repayment Reserve	-1.500	1.500		0
Total Earmarked Reserves	36.898	2.728	-4.626	35.000
<u>GENERAL RESERVES</u>				
DFM	2.543			2.543
General Fund	9.873			9.873
Total General Reserves	12.416	2.728	-	12.416

1. Links to the Police and Crime Plan

2. Consultation

3. Implications

a. Legal

There are no legal comments associated with this paper.

b. Financial

c. Equality considerations

There are no Equality comments associated with this paper.

4. Background Papers

5. Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	
<p data-bbox="156 725 1286 761">Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</p> <p data-bbox="156 792 1366 927">I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.</p> <p data-bbox="156 994 1174 1030">Signature.....Date.....</p>	