



**Lancashire
Constabulary**
police and communities together

JOINT MANAGEMENT BOARD

| | |
|---|------------------------------|
| ITEM : 3 | DATE: 4 February 2016 |
| TITLE: Financial position as at 31 December 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 31 December 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 overspend of £4.185m
- Approve the application of the transition reserve to meet the costs of voluntary exit and redundancy as identified in the report
- Note the impact of the contribution from the transition reserve recommended above on the forecast outturn position
- Note the 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 31 December 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 December 2015 (£0.400m), this has increased to £260.631m.

Based on the monitoring position at the end of December 2015, an overspend of £4.185m (1.61%) is currently forecast in 2015/16 as follows:

| Forecast Year-end Position 2015/16 as at 31.12.15 | | | | |
|--|-----------------------|-----------------------|--------------------------|----------------------------|
| Responsibility Area | Revised Budget | Forecast Spend | Forecast Variance | Percentage variance |
| | £m | £m | £m | % |
| Constabulary: | | | | |
| Staff costs | 196.806 | 197.059 | 0.253 | 0.13 |
| ACC Territorial Operations | 8.897 | 9.175 | 0.278 | 3.12 |
| ACC Specialist Operations | 8.407 | 8.482 | 0.075 | 0.89 |
| Director of Resources | 16.873 | 16.272 | -0.601 | -3.56 |
| Deputy Chief Constable | 1.886 | 2.015 | 0.129 | 6.84 |
| Sub Total | 232.869 | 233.003 | 0.134 | 0.06 |
| Office of the PCC | 1.395 | 1.395 | - | - |
| Communications | 0.105 | 0.105 | - | - |
| Crime and reoffending | 0.625 | 0.625 | - | - |
| Community Safety | 1.713 | 1.713 | - | - |
| Victims and Witnesses of Crime | 1.656 | 1.656 | - | - |
| Grant income | -1.656 | -1.656 | - | - |
| Sub Total | 3.838 | 3.838 | - | - |
| TOTAL DFM BUDGET | 236.707 | 236.841 | 0.134 | 0.06 |
| Non DFM | | | | |
| Constabulary | 15.802 | 15.416 | -0.386 | -2.44 |
| Office of the PCC | 7.852 | 6.852 | -1.000 | -12.74 |
| Cost of VR and Voluntary Exit | - | 5.437 | 5.437 | - |
| TOTAL BUDGET | 260.361 | 264.546 | 4.185 | 1.61 |

3. Delegated Revenue Budgets – overall position

Lancashire Constabulary DFM budget

3.1 The Constabulary forecasts an **underspend on its DFM budget of £2m** in 2015/16 broken down as follows:

| | Forecast variance £m | Reason |
|---|----------------------------|---|
| Pay Budgets | -1.917 | Turnover and vacancy savings |
| Contact Management HQ Operations | 0.230 | To maintain service levels through additional overtime working |
| | 0.180 | Additional overtime has been worked over the Christmas and New Year period dealing with floods with around £0.1m of overtime and public holiday costs being incurred. At this time it is unlikely that these costs will be recoverable. |
| Business Support | -0.718 | Mainly relates to savings on premises costs (energy, rent and rates) and reduced costs of mileage (generally redeployment mileage with CJS) |
| ICT | 0.117 | There continues to be pressure on the Departmental budget despite a contribution of £0.128m from DFM balances. Deficit areas will be addressed as part of the budget setting for 2016/17. |
| HR | 0.107 | Mainly related to cover for Force Medical Adviser (FMA) |
| | <u>-2.001</u> | |

3.2 There are, however, a number of **forecast additional costs (£2.2m)** which offset this underspend as follows:

- Concessionary time off (£1.7m)
 - Police Regulations and Force policy currently permit police officers (and specific police staff) who work past the end of their scheduled tour of duty to claim either an overtime payment immediately or time off in lieu (CTO) of this payment.
 - In Lancashire officers and staff have been allowed to accrue leave rather than be paid for this time
 - As the number of officers and staff has reduced considerably in recent years the level of accrued leave is unsustainable from an operational perspective and all such payments are being made in 2015/16.
 - This brings Lancashire in line with all other forces in the region and the majority nationally where this time is paid and not accrued as leave.
 - The cost identified in 2015/16 covers all accrued leave being held, the ongoing cost of the overtime will be paid immediately and will be contained within the annual revenue budget
- Holiday pay (£0.170m)
 - This ruling arising from an employment tribunal imposes additional costs for holiday pay which was previously based on basic pay only but now includes:
 - All forms of overtime (to include public holidays)
 - Unsocial hours
 - Away from Home Allowance
 - Acting up allowance

- Rest day working compensation
 - Part-time additional hours
 - On-Call and Standby Allowances
- The member of staff will only need to claim one of the allowances once for it to be included in the calculation.
 - The first payment to police officers covering a 3 month period will be made in January and then one month in arrears. The annual cost is around £0.350m with £0.170m falling due in 2015/16.
 - This is an additional pressure for 2015/16 but such costs in future years will be managed within the annual revenue budget
- Additional training requirements for the new Case and Custody system (£0.3m)
 - The implementation of the new Case and Custody system has significant training requirements across the Force which is scheduled to commence in February. To enable this training abstraction to occur whilst ensuring operational resilience across the force it is necessary to run 2 times 12 hour shift pattern which will require overtime payments. Therefore, additional costs are likely to be incurred for associate trainers and overtime
 - This is a one-off additional cost in 2015/16

As a result it is forecast that an overspend of £0.134m is likely at year end.

Lancashire Constabulary Non-DFM budget

3.2 An overspend of £5.2m is forecast as follows:

| | Forecast variance £m | Reason |
|----------------------------------|----------------------------|---|
| OR Savings | 5.437 | Projected spend of around £3.9m for the Voluntary Exit scheme for police officers together with £1.5m for redundancy associated costs from ORs. The PCC has previously agreed that these costs will be met from the Transitional Reserve |
| Pensions Operating Account | 0.764 | The budget for ill health retirements was set at 30 but it is expected that up to 35 will retire at an additional cost of around £0.350m. In addition both injury gratuities and injury pensions are forecast to overspend by £0.4m. The impact of the latter has been reflected in the proposed budget for 2016/17 to ensure adequate funding is available |
| Other Expenditure | -0.958 | This relates, in the main, from the early delivery of savings and the reductions in cost identified through ongoing review of budgets |
| | 5.243 | |

As part of his Medium Term Financial Strategy (MTFS) the Commissioner has previously approved the use of the transition reserve to meet any costs of voluntary exit and redundancy that cannot be contained within the annual revenue budget.

It is therefore recommended that an amount equal to the year-end overspend is drawn down from the transition reserve as this will represent the level of such costs that cannot be contained within the revenue budget.

If the forecast position identified above were the final year-end overspend this would mean a contribution of £4.185m being made from the reserve.

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 budget.

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 in 2016/17 as the HQ facility at West Division project commences.

4. Capital

4.1 The original 2015/16 capital programme was set at £24.863m, the revised programme for 2015/16 is £24.226m and the elements that constitute the change from the original programme are detailed below:

| | 2015/16 capital programme £m |
|---|---|
| Original programme | 24.863 |
| Re-phasing of mobile handheld purchase | 3.186 |
| Re-phasing of the West HQ project | -4.158 |
| Capital element of the Early Action PIF project (grant funded) | 0.316 |
| Vehicle for Road Safety partnership (funded from Road Safety Partnership) | 0.019 |
| Total | 24.226 |

4.2 The forecast year-end position against this revised programme is detailed below:

| | 2015/16 Revised capital programme | Forecast Outturn | Slippage | (Under)/Over spend |
|------------------------|--|-----------------------------|-----------------|-------------------------------|
| | £m | £m | £m | £m |
| ICT Strategy | 15.846 | 12.313 | -2.585 | -0.948 |
| Accommodation Strategy | 2.917 | 1.519 | -0.343 | -1.055 |
| Vehicle Replacement | 3.450 | 2.522 | -0.928 | 0 |
| Other Schemes | 2.013 | 1.550 | -0.565 | 0.102 |
| Total | 24.226 | 17.904 | -4.421 | -1.901 |

4.3 The main areas of *slippage* are:

ICT Strategy

4.3.1 ANPR (£0.845m)

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.

4.3.2 Telephony system and infrastructure (£0.550m)

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

4.3.3 WAN and encryption refresh & Network uplift (£0.225m)

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

4.3.4 Endpoint replacement programme (£0.110m)

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

4.3.5 MOBILE handheld Smart Device Programme (£0.297m)

Related to phase 2 of the programme to the Early Action project

4.3.6 Other ICT schemes (£0.558m)

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

Accommodation

4.3.7 Work at Accrington Police Station has been delayed (£0.179m)

4.3.8 A proportion of the miscellaneous minor works programme has been delayed (0.214m).

Vehicle replacement programme (£0.928m)

4.3.9 A review of the current fleet has been completed by the Futures team and a significant element of the programme has been pushed into 2016/17.

Other schemes

4.3.10 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.

4.3.11 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

4.4 A number of ***underspends*** have also been identified including:

ICT strategy

4.4.1 ANPR (£0.300m)

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

4.4.2 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.

4.4.3 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.

4.4.4 Virtual Desktop Infrastructure for Confidential Environment (£0.142m)

The data storage solution will negate the need for new hardware representing a reduced cost for the scheme.

Accommodation strategy

4.4.5 East Operating Base (£1.000m)

No detailed plan for this scheme has been developed which is therefore unlikely to proceed before March 2016.

4.4.6 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 savings will be required in excess of £18m 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 £30.815m and general reserves £12.016m 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 agreed contribution of £4.626m taken from the transition reserve in respect of the capital project to deliver mobile hand held devices.

5.5 This position also reflects the forecast contribution from the transition reserve recommended in paragraph 3.2 of this report

Reserves position as at 31 December 2015

| | Position as at 1/4/15 | Movement in 2015/16 | Recommended Movements in 2015/16 | Forecast y/e Position as at 31/12/15 |
|----------------------------------|--------------------------|------------------------|--|--|
| | £m | £m | £m | £m |
| <u>EARMARKED RESERVES</u> | | | | |
| Capital Funding Reserve | 6.617 | | | 6.617 |
| Transition Reserve | 21.243 | -3.398 | -4.185 | 13.660 |
| 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 | -1.898 | -4.185 | 30.815 |
| <u>GENERAL RESERVES</u> | | | | |
| DFM | 2.543 | -0.400 | | 2.143 |
| General Fund | 9.873 | | | 9.873 |
| Total General Reserves | 12.416 | - | - | 12.016 |

- 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>Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</p> <p>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>Signature.....Date.....</p> | |