

Decision No 2012/12



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

REPORT BY: LISA KITTO, CHIEF FINANCE OFFICER

DATE: 15 FEBRUARY 2013

TITLE: 2012/13 REVENUE MONITORING - AS AT 31 DECEMBER 2012

EXECUTIVE SUMMARY

This report sets out the revenue monitoring position for the Police and Crime budget as at 31 December 2012. This is the last monitoring report that the Commissioner will receive before the year end report is presented later in the year, although the Chief Constable will continue to provide monthly budget monitoring and will advise the PCC's Chief Financial Officer of the financial position. The report sets out the forecast position for the end of the year for both revenue and capital, the forecast impact on reserves and also sets out some of the issues that may impact in future years.

RECOMMENDATION

The Police and Crime Commissioner is asked to;

- note the forecast underspend of £4.065m on the 2012/13 budget
- note the receipt of additional income of £1.2m from policing the Open Golf and the one-off grant as a contribution to the costs for providing support to the London Olympics and agree that this be added to the Operational Policing Reserve in order to manage the additional costs of any planned or un-planned events that may arise in the future
- agree that DFM carry forward balances be reduced to 1% for 2012/13 and that as a consequence of this £2.296m be transferred into the transitional change reserve in order to assist with the delivery of the financial strategy in future years
- note the forecast position on reserves and consider the proposal to use £265k from the transitional change reserve to set up an ICT Innovation Fund to enable updates to key systems to be carried out
- note the potential for additional ill health retirements and that a further report setting out the details and the financial implications will be presented in the near future

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)	YES	NO
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Original decision required to be amended and decision as detailed below:

The reasons for the amended decision are as detailed below:

Police and Crime Commissioner: Comments

DECLARATIONS OF INTEREST

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation.

Signed: Police and Crime Commissioner Date:	Signed: Chief Officer: Date:
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Signed: Chief Constable Date:	Signed: Chief Finance Officer: Date:
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Appendix A

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

- A forecast out turn position for the PCC's revenue budget
- The impact of the position on the PCC's reserves and
- A summary of any risks or opportunities that may impact on the budget in future years

Revenue Budget

The budget for the Police and Crime Commissioner was set at £265.337m and after taking account of the planned use of balances was increased to £266.853m to take account of known pressures. Based on the monitoring at the end of December 2012, it is forecast that the in year budget will be £4.065m underspent by the end of the year. This will lead to DFM balances of £5.239m at the year end. The table below sets out a summary position for the budget;

Forecast Out Turn Position 2012/13				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	152.539	152.574	+0.035	+0.0%
ACC Specialist Operations	65.251	63.727	-1.524	-2.3%
ACC People	10.251	9.717	-0.534	-5.2%
Deputy Chief Constable	4.913	4.742	-0.171	-3.5%
Director of Resources	27.668	27.463	-0.205	-0.7%
Sub Total	260.622	258.223	-2.399	-0.9%
Office of the Police and Crime Commissioner	1.867	1.774	-0.093	-5.0
TOTAL DFM BUDGET	262.489	259.997	-2.492	-0.95%
Non DFM	4.364	2.791	-1.573	-36%
TOTAL BUDGET	266.853	262.788	-4.065	-2.0%

DFM Budgets

Lancashire Constabulary

The underspend of £2.399m on the DFM budgets is as a result of vacancy management on police staff posts together with tighter management of budgets by budget holders. During the year an additional 50 police officers have been recruited some of which were filled by existing PCSOs and this has subsequently resulted in an underspend on the PCSO budget. Additional savings are also currently emerging as some organisational reviews are releasing savings ahead of schedule although it is anticipated that some of this may be utilised by the end of the year to meet implementation costs.

A review of DFM schemes and in-year spend has been carried out by the Director of Resources with divisional commanders, and the underspends that were identified as part of this process are reflected in the figures above.

Office of the Police and Crime Commissioner

The budget for the Office of the Police and Crime Commissioner is forecast to underspend by £93k due to savings made on members allowances and other efficiencies on the running costs of the office. Some of the efficiencies have been offset by the costs of a restructure that has been carried out following the election of the Commissioner to strengthen the senior management team and ensure there are the right mix of skills and knowledge to support the work of the office.

Non DFM Budgets

Non DFM budgets are forecast to underspend by £1.5m. This is largely due to the receipt of additional income and a one-off grant as a contribution to the costs of providing policing support to the Open Golf and the London Olympics.

Pressures/Risks

A number of pressures and risks remain within the budget. A high profile court case is being staged in Preston and is likely to last for several weeks. There are additional policing costs associated with this of which £1.3m is above what is currently in the DFM budgets. An Operational Policing reserve currently exists in order to manage the financial implications of any one-off planned or unplanned events that may arise during the course of a financial year. There is currently £0.7m in the reserve and this is not considered to be sufficient to meet the ongoing costs of the case and any other unplanned events that may emerge. Given that the one-off income of £1.2m has been received as a contribution to the cost of providing additional police resources to support both the Open Golf and the London Olympics it is proposed that this funding be transferred to the Operational Policing reserve.

The PCC currently receives grant funding towards the cost of PCSOs. Funding is allocated by the Home Office to those forces that achieving a Home Office target number of posts. For Lancashire this is 417. It is anticipated that at the 31st March 2013 the Force could be around 50 short of this number, primarily due to 32 PCSO's being successful in their applications to join the regular Force on 7th January 2013. This could result in clawback of up to £400k although in previous years the Police Authority has been successful in presenting a case setting out a rationale for any variances which has avoided any clawback of the grant.

Within the ICT department a significant amount of resource is being targeted to deliver phase 2 of the Protecting Vulnerable People (PVP) database. This is impacting on the internal development capacity and some additional capacity may be required, through partnering, to enable updates to C3PO and other systems (£0.210M) and also allow for the purchase of Microsoft Dynamics licences (£0.055M) to support work around process reengineering and the development of more customer focussed self service applications. The total cost is estimated to be £265k and it is proposed that an Innovation Fund be established in order to fund this work.

Reserves

Reserves and provisions have been set aside to manage the financial risks within the financial strategy. The financial outlook for 2013/14 and beyond indicates that significant savings will be required with a further £20m still to be identified between 2014/15 and 2016/17. 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. Based on the current forecast out turn position, earmarked reserves are forecast to be £9.266m and general reserves £13.794m. A position on reserves is set out at Annex 1.

Funding Equalisation Reserve

In June 2012 the Police Authority agreed that £2m of general reserves should be earmarked to manage the risks associated with the localisation of council tax. The funding for the reserve was transferred from general reserves during 2013/14. The impact of the localisation of council tax has been monitored carefully throughout the budget setting process for 2013/14 and the impact has been managed within the overall budget strategy. Whilst there is still likely to be some fluctuations in the funding as District and Unitary authorities finalise their schemes, the full £2m is not likely to be required. Should the position remain the case at the end of the financial, it is likely that some of the reserve can be transferred back to general reserves. A final position will be reported as part of the 2012/13 final accounts report.

Police Operational Reserve

The Operational Policing Reserve was established to meet the pressures around numerous planned and unplanned events at which significant policing resources would be required and the budget for which is not built into the base funding. Events during 2012 include support for the Preston Guild, London Olympics and the Open Golf. The reserve has been utilised throughout the year and in anticipation of other costs arising from other events such as the major trial that has just started in Preston it is proposed that the additional income and the one-off grant that has been received to cover some of the additional costs incurred for providing support to the Open Golf and the London Olympics be added to the Operational Policing reserve to meet these costs.

DFM Reserves

The current DFM arrangements allow the constabulary and the OPCC to carry forward up to 2% of their budget into a DFM reserve that can be carried forward from one year to the next. In recognition of the significant financial challenges ahead the constabulary is proposing that this be reduced to 1% for 2012/13. This will release £2.296m of forecast underspends and existing DFM reserves for transfer into the transitional reserve and, in doing so, will provide greater flexibility in managing future budgetary pressures and risks.

Transition Reserve

The transition reserve has previously been used to assist in the delivery of the financial savings. This includes funding additional ill health retirements that have enabled savings to be achieved from dis-establishing these posts. This is likely to be a strategy that will continue in the future and a further paper setting out future requirements and potential budget will be provided in the near future. Adding additional resources to the transition reserve from DFM balances will assist in the process of delivering the financial savings required over the next few years.

Recommendations

The Police and Crime Commissioner is asked to;

- note the forecast underspend of £4.065m on the 2012/13 budget
- note the receipt of additional income of £1.2m from policing the Open Golf and the one-off grant as a contribution to the costs for providing support to the London Olympics and agree that this be added to the Operational Policing Reserve in order to manage the additional costs of any planned or un-planned events that may arise in the future
- agree that DFM carry forward balances for the constabulary be reduced to 1% for 2012/13 and that as a consequence of this £2.296m be transferred into the transitional change reserve in order to assist with the delivery of the financial strategy in future years
- note the forecast position on reserves and consider the proposal to use £265k from the transitional change reserve to set up an ICT Innovation Fund to enable updates to key systems to be carried out
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Forecast Position on Reserves		
Reserve	Position as at 31 March 2012	Forecast Position As At 31 March 2013
	£m	£m
Earmarked Reserves;		
Capital Funding Reserve	7.198	5.874
Transition Reserve	5.902	1.006
Funding Equalisation Reserve	0	2.000
Clothing Reserve	0.504	0.500
POCA Equalisation Reserve	0.486	0.323
PCCA/Drugs Forfeiture Reserve	0.098	0.100
Vehicle Maintenance Reserve	0.028	0.043
Operational Policing Reserve	0.712	0.700
Road Safety Reserve	0.142	0.782
PCC ICT Replacement Reserve	0.038	0.038
Early Debt Repayment Reserve	-2.400	-2.100
Total Earmarked Reserves	12.708	9.266
General Reserves;		
DFM	4.265	5.239
General Fund	8.981	8.555
Total General Reserves	13.246	13.794
TOTAL RESERVES	25.954	23.060