

Decision No 2013/30



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

**REPORT BY: LISA KITTO
CHIEF FINANCE OFFICER**

DATE: 3 DECEMBER 2013

**TITLE: 2013/14 MONITORING POSITION – AS AT 31
OCTOBER 2013**

Appendix A refers

EXECUTIVE SUMMARY

This report sets out the monitoring position for the Police and Crime budget as at 31 October 2013. 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 and may need to be taken into consideration as part of the development of the 2014/15 revenue and capital budgets.

RECOMMENDATIONS

The Police and Crime Commissioner is asked to;

- Note the forecast revenue budget underspend of £8.4m and the forecast underspend of £8.2m on the capital programme.
- Agree that the carry forward limit for DFM balances be set at 1% for 2013/14 and that the level of underspend in excess of this be added to the transition reserve at the end of the year to manage the costs and risks associated with downsizing as a result of the funding reductions.
- Note the projected impact on the reserves at the end of 2013/14.
- Approve the addition of £0.574m to the 2013/14 capital programme for the purchase of additional vehicles to support the delivery of future savings and that £0.067m be added to the 2014/15 revenue budget to provide the required funding.

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

Original decision required to be amended and decision as detailed below:

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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:

Signed:

Chief Constable

Date:

Signed:

Chief Finance Officer:

Date:

Appendix A

1. 2013/14 Monitoring Position – As At 31 October 2013

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 and capital budgets
- 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

2. Revenue Budget

2.1 The budget for the Police and Crime Commissioner was set at £258.733m and after taking account of the planned use of balances by budget holders to the end of October 2013 has increased to £259.143m. Based on the monitoring at the end of October 2013, there is a forecast underspend of £8.4m for the year. The table below sets out a summary position for the budget;

Forecast Out Turn Position 2013/14				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	146.442	143.273	-3.169	-2.16%
ACC Specialist Operations	67.495	65.475	-2.020	-2.99%
ACC People	7.640	6.807	-0.833	-10.90%
Deputy Chief Constable	4.795	4.560	-0.235	-4.90%
Director of Resources	28.280	27.020	-1.260	-4.46%
Sub Total	254.652	247.135	-7.517	-2.95%
Office of the Police and Crime Commissioner	2.657	2.644	-0.013	-0.4%
TOTAL DFM BUDGET	257.309	249.779	-7.530	-2.93%
Non DFM				
Constabulary	10.571	10.045	-0.526	-4.98%
Office of the Police and Crime Commissioner	-8.737	-9.091	-0.354	-4.05%
TOTAL BUDGET	259.143	250.733	-8.410	-3.25%

- 2.2 The forecast year-end underspend is higher than the £3.191m underspend forecast at the end of July. This is not unusual as budget forecasting at the beginning of the year tends to be more cautious due to the fact that trends may change and that some spending patterns identified early in the year may change as a result of changes in demand etc. However as the year progresses and emerging trends stabilise these can be more reflected in the forecasting with greater certainty.
- 2.3 There are some significant financial challenges in the years ahead with an estimated £33m of savings required up to 2017/18. In preparation for this the Commissioner has agreed a package of proposals put forward by the Constabulary that will save £20m over the next 4 years. Work on implementing these proposals so that they can deliver the required level of savings in future years has already started and as a consequence of this some underspends have started to emerge in the current financial year.

3. Delegated Revenue Budgets

Lancashire Constabulary DFM budget

- 3.1 There is a forecast underspend by the year-end of £7.5m within the Constabulary budget. The majority of this saving is resulting from current vacancies on police officers and police staff which are forecast to deliver £5.5m of pay related savings by the end of the year. In addition to this, tighter control of overtime budget and management of staffing rotas is reducing spend on police officer overtime and public holiday pay costs and this will generate an additional underspend of £600k. Reduced expenditure on non-pay budgets and a general spend less approach will also deliver a further underspend of £1m.
- 3.2 Earlier in the year, there was additional pressure faced by the Constabulary's budget as a result of the Dale Cregan trial. These costs incurred from 1 April 2013 to the conclusion of the trial will be met by a further one-off grant made available from the Home Office and therefore there is a nil impact of this policing operation on the 2013/14 budget.

Lancashire Constabulary Non-DFM budget

- 3.3 Non-DFM budgets are forecast to underspend by £0.526m as a result on PCSO vacancies (£1m), and a general spend less approach (£1.7m), offset by implementation costs associated with the organisational reviews that have been agreed to deliver savings in the future (£2.2m). The forecast implementation costs assume a worst case scenario and therefore the

underspend on non-DFM budgets could increase should these be lower than is currently forecast.

Office of the Police and Crime Commissioner

- 3.4 The DFM budget for the Office of the Police and Crime Commissioner is forecast to underspend by £13k reflecting an underspend on the hardship fund that was established following changes to council tax benefit (£40k) and general saving on costs (£10k) offset in part by a budgeted contribution from reserves that is not required (£37k).
- 3.5 The Non-DFM budget will underspend by £354k as a result of interest payments on borrowing being lower than anticipated as a result of using cash balances and delaying any new borrowing to support the capital programme.

4. Reserves

- 4.1 Reserves and provisions have been set aside to manage the financial risks within the financial strategy. The financial outlook for 2014/15 and beyond indicates that significant savings will be required with a further £13m still to be identified between 2014/15 and 2017/18. 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 year-end position, earmarked reserves are forecast to be £13.755m and general reserves £12.573m. A position on reserves is set out at Annex 1.

5. Transition Reserve

- 5.1 The Transition Reserve is available to assist the organisation as it downsizes in response to the significant funding reductions. The balance on the reserve at 1 April 2013 was £6.729m. The analysis below reflects the impact of the current forecast year-end position on the revenue budget and the contributions agreed from the reserves at previous decision making sessions:

	£m
Opening balance	6.729
Contribution from forecast revenue underspend	8.410
Contributions from the reserve previously agreed	<u>-4.000</u>
Closing balance	11.139

- 5.2 In view of the significant level of savings that the organisation must find over the next four year period and the ongoing risks to funding and costs that

exist it is deemed appropriate to maintain a level of earmarked reserves that is considered sufficient to manage the changes to the organisation that will be necessary to deliver the savings required.

- 5.3 At £11.2m the level of the transition reserve reflects 4% of the 2013/14 revenue budget and as such is considered to be an appropriate level.

6. *Carry Forward*

- 6.1 In recognition of the fact that the Transition Reserve will be called upon in 2014/15 and future years to help manage risks and on-off costs that will arise, it is proposed that the limit on DFM balances for 2014/15 continues to be at 1% in line with that agreed for 2013/14 to ensure that this reserve remains at a level sufficient to meet the ongoing risks within the financial strategy. A limit of 1% still provides sufficient flexibility for both the Constabulary and the OPCC to manage their budgets throughout the year.

7. CAPITAL BUDGET

- 7.1 The revised 2013/14 capital programme for the Police and Crime Commissioner is £17.1m, the detail of which is set out in the table below.

	£m
<i>Original 2013/14 Programme</i>	9.618
<i>Add: Approved Slippage from 2012/13</i>	6.125
<i>Previously Agreed Additions;</i>	
<i>Horsebox</i>	0.060
<i>VDI Infrastructure/mobile data project</i>	1.126
<i>C3PO investment</i>	0.160
<i>Revised 2013/14 Capital Programme</i>	17.121

- 7.2 Recent proposals agreed by the Commissioner to deliver £20m of savings over the next 4 years include the need to invest in a number of vehicles with a total cost of £0.574m. To fund this, revenue funding of £0.041m in 2013/14 will be required and a further £0.067m from 2014/15 onwards. The impact in 2013/14 can be managed within existing resources however it is proposed that £0.067m be added to the 2014/15 revenue budget to cover the additional cost.

8. MONITORING POSITION

8.1 Spending to date against the revised programme of £17.121m as at the end of September is £5.758m. The forecast spend by the end of the year is £8.949m leaving slippage into future years of £8.057m and an underspend on the programme of £0.115m. Further detail is set out in the table below;

	Capital Programme Value	Projected Costs to 31 March 2014	Slippage	Underspend (-) /Overspend (+)
	£m	£m	£m	£m
ICT Strategy	7.912	5.583	-2.314	-0.015
Accommodation Strategy	4.891	0.301	-4.490	-0.100
Vehicle Replacement	2.639	2.639	-0.000	0
Other Schemes	1.679	0.426	-1.253	0
Total	17.121	8.949	-8.057	-0.115

9 SLIPPAGE

9.1 Slippage in 2013/14 includes the main areas set out below. These schemes are still required and funding to enable them to be completed in 2014/15 is still required and it is proposed that, subject to a full review of the capital programme for 2014/15, the funding be rolled forward to 2014/15:

- **Automatic Number Plate Recognition (ANPR)** (£0.120m) – most of this remaining provision is for a site in Northern Division; this amount was expected to be spent in 2013/14 but it is likely that some of this will now fall in 2014/15.
- **Digital Voice Recording.** Two bids have been received and are currently being assessed. The outcome of the tender evaluation and the business case associated with this will be submitted to the Commissioner for consideration and approval. Should the project proceed it is likely that the costs in the current year will be significantly less than originally planned. At this point in time it is likely that there will be slippage of £1.392m in 2013/14 and that these costs will fall into 2014/15.
- **Electronic Case Files.** This scheme has many dependencies including mobile working and a revised or new custody and case system. This work needs to be completed by the end of March 2014, after which the electronic

case files will be introduced. This work will therefore not be fully completed in 2013/14 and the planned costs of £0.6m will fall into 2014/15.

- **Other IT projects.** A number of planned specific projects are still being developed and the costs are likely to be incurred in 2014/15. These include Voice and Data Infrastructure Refresh (£0.056m), Data Storage (£0.096m) CJ Exchange (£0.043m) and Video Conferencing (£0.025m).
- As part of the Organisation review process to deliver revenue savings there is a review of the Basic command Unit structure. This is likely to impact on future accommodation requirements and therefore the longer term accommodation needs are being considered as part of the review. Until the work is completed the planned works on a HQ for the Western Division and a police station in Accrington will be delayed and as a result slippage of £4m in 2013/14 is forecast.
- Digital Speed Camera Upgrade. This scheme was originally phased over two financial years, 2012/13 and 2013/14, and is funded from Road Safety Partnership contributions. There have been delays in progressing this as previous tender solutions had not been certified by the Home Office, resulting in a further tendering process now needing to be undertaken. This is only likely to commence in September this year which means that the planned spend in 2013/14 of £1.253m is unlikely.

10. Underspend

- 10.1 An underspend of £0.1m is projected on the minor works budget and this is partly affected by the BCU review and the strategic review of the long term accommodation requirements.

11. 2014/15 Capital Programme

- 11.1 The capital programme for 2014/15 is currently being developed and will be presented later in the financial year for approval along with the revenue budget.

Annex 1

Forecast Position on Reserves		
Reserve	Position as at 31 March 2013	Forecast Position As At 31 March 2014
	£m	£m
Earmarked Reserves;		
Capital Funding Reserve	6.686	3.697
Transition Reserve	6.729	11.139
Clothing Reserve	0.530	0.500
POCA Equalisation Reserve	0.312	0.550
PCCA/Drugs Forfeiture Reserve	0.133	0.100
Vehicle Maintenance Reserve	0.043	0.043
Operational Policing Reserve	1.952	1.952
Road Safety Reserve	0.933	1.000
Early Debt Repayment Reserve	-2.100	-1.800
Total Earmarked Reserves	15.218	17.181
General Reserves;		
DFM	2.427	2.000
General Fund	9.873	9.873
Total General Reserves	12.300	11.873
TOTAL RESERVES	27.518	29.054