

Decision No 2013/44



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

**REPORT BY: Lisa Kitto
Chief Finance Officer**

DATE: 5 March 2014

TITLE: 2013/14 MONITORING POSITION – AS AT 31 JANUARY 2014

Appendix A refers

EXECUTIVE SUMMARY

This report sets out the monitoring position for the Police and Crime budget as at 31 January 2014. 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 £7.7m and that this reflects an allocation of £0.215m following a successful bid to the new Police Innovation Fund.
- Note the projected impact on the reserves at the end of 2013/14.
- Note the favourable position in relation to council tax collection rates for 2013/14 and that one-off additional income of £0.565m will be available for investment in the next financial year.
- Agree that a Commissioner's strategic investment reserve be created and that the £0.114 from the 2013/14 Local Council Tax transition grant, that is currently held in general reserves, be transferred to the new reserve and that the 2013/14 council tax surplus of £0.565m be added to this.
- Note the forecast slippage on the capital programme in 2013/14 of £8.058m and forecast underspend of £0.456m.

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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1. 2013/14 Monitoring Position – As at 31 January 2014

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 January 2014 has increased to £258.906m.

Based on the monitoring at the end of January 2014, there is a forecast **underspend of £7.718m** for the year which represents a **reduction in underspend of £0.7m** since the figure reported to the Commissioner as at the end of October 2013.

In January 2014 the Home Office announced successful bids for the new Police Innovation Fund. Lancashire's bid to support the Early Action Response Initiative was approved and funding of £0.215m has been awarded. The bid and the funding was to support the initial start up and pump priming costs associated with the Early Action Response Initiative and will be fully spent by the end of the year in line with the grant rules. The grant and the associated expenditure is reflected in the monitoring position.

The table below sets out a summary position for the budget;

Forecast Out Turn Position 2013/14 as at 31.1.14				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	146.302	142.321	-3.981	-2.72%
ACC Specialist Operations	68.413	65.722	-2.691	-3.93%
ACC People	7.640	6.764	-0.876	-11.47%
Deputy Chief Constable	4.796	4.600	-0.196	-4.09%
Director of Resources	28.802	27439	-1.366	-4.74%
Sub Total	255.956	246.846	-9.110	-3.56%
Office of the Police and Crime Commissioner	2.702	2.597	-0.105	-4.77%
TOTAL DFM BUDGET	258.658	249.443	-9.215	-3.56%
Non DFM				
Constabulary	8.985	10.805	1.820	20.26%
Office of the Police and Crime Commissioner	-8.737	-9.060	-0.323	-3.70%

TOTAL BUDGET	258.906	251.188	7.718	-2.99%
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2.2 The change in forecast year-end underspend since the last report to the Commissioner is due in the main to:

- Increased underspending on the Constabulary divisional budgets of £1.6m, realised, in the main, on staffing budgets in Territorial and Specialist operations as a result of vacancies in police and PCSO posts
- An increase in overspending on the police Non-DFM budget of £2.3m resulting from:
 - costs associated with the implementation of Organisational Reviews (£1.4m) that will result in further efficiencies in future years
 - and the cost of a further 6 ill-health retirements above those already funded in 2013/14 (£0.7m)
 - a reduction in general spend less savings of £0.2m since the report to the Commissioner for October.
- An increased underspend for the Office of the PCC budget of £0.092m due, in the main, to an £0.080m saving in general supplies and services budgets.

3. Delegated Revenue Budgets – overall position

Lancashire Constabulary DFM budget

3.1 There is a forecast underspend by the year-end of £9.1m 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 approximately £7.5m 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. Costs of £0.898m have been incurred from 1 April 2013 to the conclusion of the trial and the Home office has indicated that these will be covered by special grant. Final confirmation from the Home Office is currently awaited however, as it stands, it is assumed that the application to the Home Office for a one-off special grant will be approved

Lancashire Constabulary Non-DFM budget

3.3 Non-DFM budgets are forecast to overspend by £1.8m as a result of: PCSO vacancies (£1m); savings from a general spend less approach (£1.5m); offset by implementation costs associated with the organisational reviews that have been agreed to deliver savings in the future and further additional ill-health retirements (£0.7m).

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 £0.105m reflecting an underspend on the hardship fund that was established following changes to council tax benefit (£40k) and general savings as a result of a spend less approach (£90k) offset in part by a budgeted contribution from reserves that is not required (£37k).

- 3.5 The Non-DFM budget will underspend by ££0.323m 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 £19.2m 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 £16.489m and general reserves £11.873m. 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. As in previous years, it is recommended that the Commissioner agrees to all underspends to be transferred to the transitional reserve at the end of the year in recognition of the fact that significant downsizing costs are likely to be incurred in future years as the organisation restructure in order to meet the significant financial challenge as a result of reductions in funding:

	£m
Opening balance	6.729
Contribution from forecast revenue underspend	7.718
Contributions from the reserve previously agreed	-4.000
Closing balance	<u>10.447</u>

- 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 £10.4m 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. Future Years

Each year District councils submit an annual return setting out the amount of council tax they are expected to recover in that financial year. The information received at the end of January 2014 indicates that the Police and Crime Commissioner will receive an additional £0.565m over and above that which was originally forecast for 2013/14. Whilst the additional income will be received in future years and has been built into the financial strategy and the 2014/15 budget, the additional income for 2013/14 is one-off and is available for investment in the Commissioner's priority areas. The funding is paid retrospectively and will be received in 2014/15. It is proposed that this be added to the £0.114m received from the Local Council Tax Support Scheme transition grant and

which is currently held in general reserves and be transferred to a Strategic Investment reserve for allocation by the Commissioner on specific projects.

7. **Capital**

7.1 The revised 2013/14 capital programme for the Police and Crime Commissioner is £17.7m, 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>Vehicle replacement in respect of ORs</i>	0.574
<i>Revised 2013/14 Capital Programme</i>	17.695

7.2 Spending to date against the revised programme of £17.695m as at the end of December is £7.687m. The forecast spend by the end of the year is £9.181m leaving slippage into future years of £8.058m and an underspend on the programme of £0.456m.

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	5.507	-1.815	-0.590
Accommodation Strategy	4.891	0.143	-4.490	-0.257
Vehicle Replacement	3.213	2.713	-0.500	0
Other Schemes	1.679	0.818	-1.253	0.391
Total	17.695	9.181	-8.058	-0.456

7.3 Slippage

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:

Scheme	Slippage £m	Comments
Automatic Number Plate Recognition (ANPR)	-0.102	The majority 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
Miscellaneous ICT Schemes	-0.157	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)
Digital Voice Recording	-1.392	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
VDI for Confidential Environment	+0.105	Additional spend greater than originally anticipated
Disaster Recovery	-0.269	Re-phasing of planned work/start date
Blackpool DHQ	-2.000	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.
Accrington Police Station	-1.990	
Miscellaneous Minor Works	-0.500	No schemes have been identified against this provision
Digital Speed Cameras	-1.253	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 2014 this year which means that the planned spend in 2013/14 of £1.253m is unlikely. As previously reported
Vehicle Replacement	-0.500	A number of vehicles will not be delivered until 2014/15
Total	8.058	

7.4 Underspend

An underspend of £0.5m is projected and is broken down as follows:

Scheme	Amount	Main issues
	£m	
IT Strategy – various schemes	0.010	A number of minor under and overspends on projects
Electronic Case Files	-0.600	Scheme deferred to 2015/16
Accommodation	-0.257	Underspend on works at HQ
OR Implementation	0.391	Additional requirements for delivery of OR implementation
Total	-0.456	

7.5 2014/15 Capital Programme

The year-end position in respect of slippage and under spending will be reflected in a revised capital programme in 2014/15 once the final position for 2013/14 has been reported.

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	10.447
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	16.489
General Reserves;		
DFM	2.427	2.000
General Fund	9.873	9.873
Total General Reserves	12.300	11.873
TOTAL RESERVES	27.518	28.362