

Decision No 2014/44



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

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

DATE: 20 November 2014

TITLE: 2014/15 Monitoring Position – As at 30 September 2014

Appendix A refers

EXECUTIVE SUMMARY

This report sets out the monitoring position for the Police and Crime budget as at 30 September 2014. 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 £7.5m at 31 March 2015 and that this assumes that £2m of one-off costs relating to the implementation of the organisational reviews that will deliver long term savings in the future will be funded from the transition reserve.
- Agree that the £2m one-off costs relating to organisational reviews will be funded from the transition reserve and will be reported as part of the monitoring process.
- Note the forecast position on the reserves at the end of the 2014/15 financial year.
- Approve additions to the capital programme of £0.402m as set out in the report and note that funding for these has been identified from within existing revenue resources
- Agree that the costs of £0.157m relating to organisational reviews within capital spending will be funded from the transition reserve.
- Note the forecast capital programme position for 2014/15 as follows:
 - Forecast spend of £11.744m in 2014/15
 - Forecast slippage in to 2015/16 and future years of £6.375m
 - Forecast overspend of £0.414m in 2014/15.

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. 2014/15 Monitoring Position – As at 30 September 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 budget and capital programme for 2014/15, 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 £266.024m and after taking account of the planned use of balances by budget holders to the end of September 2014 has increased to £266.378m.

Based on the monitoring position at the end of September 2014, there is a forecast **underspend** of **£7.531m** for the year.

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

Forecast Out Turn Position 2014/15 as at 30.09.14				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	148.022	144.788	-3.234	-2.2
ACC Specialist Operations	54.265	54.630	0.365	0.7
Director of Resources	8.175	7.878	-0.297	-2.3
Deputy Chief Constable	27.092	26.480	-0.612	-3.6
Sub Total	237.554	233.776	-3.778	-1.6
Office of the Police and Crime Commissioner	1.466	1.450	-0.016	-1.0
Community Safety	2.338	2.338	-	-
Victims and Witnesses of Crime	1.548	1.548	-	-
Grant income	-1.548	-1.548	-	-
Sub Total	3.803	3.788	-0.016	-0.4
TOTAL DFM BUDGET	241.358	237.564	-3.794	-1.6
Non DFM				
Constabulary	17.090	13.696	-3.394	-19.9
Office of the Police and Crime Commissioner	7.930	7.587	-0.343	-4.3
TOTAL BUDGET	266.378	258.847	-7.531	-2.83

3. Delegated Revenue Budgets – overall position

Lancashire Constabulary DFM budget

- 3.1 The DFM budget is forecast to underspend by some £3.8m on operational budgets which is due, in the main, to underspending on police officer pay and allowances (£5m) and on non-pay budgets (£0.9m) through a general spend less approach within the Force.
- 3.2 These underspends are offset in part by overspending on overtime (£1m) and agency staff costs (£1.1m) that have been incurred due to a need to cover some vacancies on a temporary basis and to cover the costs of major incidents.
- 3.3 The forecast year end position takes into account the planned recruitment of officers later in the financial year.

Lancashire Constabulary Non-dfm budget

- 3.4 Non-dfm budgets are forecast to underspend by £3.4m at year end reflecting savings on a number of corporately held budgets including:
 - Budget for vacant posts in addition to those savings being realised within operational budgets
 - Budgets retained centrally following the annual review of non-staff costs by the Constabulary determining where budget provision is required, some of these savings will be recur in future years and will therefore emerge as savings in the budget setting process and will be reflected in future years' financial strategy (e.g. the saving delivered from the removal of non contractual inflation increases to operational budgets).
- 3.5 This year end position reflects the forecast costs anticipated to arise from the implementation of Organisational Reviews (£2m) that relate, in the main, to redundancy costs. These costs relate to savings options that have been agreed by the Commissioner in order to reduce the overall budget in future years. The Commissioner has set up a transition reserve to manage the costs of downsizing the organisation and it is recommended that these costs be funded from this reserve. The forecast underspend of £3.4m on non-dfm budgets reflects this.

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 £0.16m savings on staffing costs due to vacancies.
- 3.5 The Non-DFM budget will underspend by £0.343m as a result of favourable changes in the net amount of interest payable on borrowing.

Commissioning

- 3.6 Commissioning budgets in 2014/15 have risen as a result of the new Victims Services grant from the Ministry of Justice (MoJ). The Commissioner takes over responsibility for the delivery of Victims and Witnesses of Crime services (including Restorative Justice Services) from the MoJ on 1 April 2015.
- 3.7 The PCC revenue budget for 2014/15 reflects three tranches of funding that have been allocated by the MoJ in preparation for the transfer of responsibility.
 - The first tranche was received in 2013/14 (with a significant element allowed to be carried forward in to 2014/15) in respect of preparing the PCC for the local commissioning of Victims Services (£0.497m)
 - The MoJ has also allocated funding to cover the passporting of some of the spending they have previously incurred for the period October 2014 to March 2015 in advance

of the full transfer of responsibilities in April 2015. This funding is therefore fully committed (£0.506m).

- The final tranche of funding was awarded through a competitive bidding process (Competed Fund process) and must be spent in 2014/15. Lancashire successfully won £0.545m of this funding for 3 specific projects. Further information on this will follow.

The funding for victims services spending in 2014/15 is therefore broken down as follows:

	£m
Preparing for local commissioning of Victims Services	0.497
Funding for passported spending from MoJ for period October to March	0.506
Competed Fund projects:	
Domestic Abuse – One-to-one and Peer Group support and Counselling	0.208
Domestic Abuse – Enhanced Women's Centres and Accommodation provision	0.302
Child Sexual Exploitation – PACE family support workers	0.035
	0.545

Total funding for victims services 2014/15	1.548
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- 3.8 In 2013/14 funding was received in respect of preparing the Commissioner's office for taking responsibility for the local commissioning of Victims Services. Any unspent funding at the end of 2013/14 was allowed to be carried forward in to 2014/15 (£0.497m was carried forward). The MoJ has stated that any unspent monies must be returned at the end of the financial year. Whilst this does not add to the overall financial position the situation is being closely monitored and will be reported to the Commissioner on a regular basis.
- 3.9 The passported funding from the Home Office for the period from October 2014 to March 2015 had commitments to fund local organisations attached to it. It is anticipated that this funding will be spent in full in 2014/15.
- 3.10 Funding received from the 2014/15 Competed Fund was for specific projects that formed the bid. It is anticipated that the related expenditure will be incurred in full in 2014/15 in line with Competed Fund grant conditions.
- 3.11 We have received an indicative level of funding for the provision of Victims Services in 2015/16 of £1.575m, however this is subject to final confirmation by MoJ. This funding will be provided via a specific grant and will therefore require completion of grant returns in line with MoJ requirements at the end of the year.

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 £19.6m still to be identified between 2015/16 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 £30.830m and general reserves £12.538m. A position on reserves is set out at Annex 1.

Transition Reserve

- 4.2 This reserve was set up to assist the organisation as it downsizes in response to the significant funding reductions. The balance on the transition reserve at 1 April 2014 was £13.9m and is currently forecast to increase to £17.7m at year end.
- 4.3 The analysis below reflects: the movements on the reserve agreed by the Commissioner in 2014/15 to date; the further movements as recommended in this report and the forecast year end underspend position on the revenue budget.

	£m
Opening balance 1/4/2014	13.900
<u>Movements previously agreed:</u>	
Costs of ORs to July 2014	-0.610
Contribution to VDI/mobile data project	-0.300
Contribution to Project management costs of IT strategy	-0.202
Contribution to Pursuit Training project	-0.292
Digital Engagement – 'Do it online'	-0.049
Costs of redundancies in the OPCC	-0.135
	<u>-1.588</u>
<u>Recommended movements:</u>	
Forecast of further costs of ORs in Revenue budget	-2.000
Forecast of costs of ORs within the capital programme	-0.157
The Projected underspend on the 2014/15 Revenue Budget	7.531
	<u>5.374</u>
Forecast Closing balance 31/3/2015	<u>17.686</u>

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.

Investment Reserve

- 4.4 A contribution of £0.078m from the Commissioner's investment reserve in respect of the Hydra Training suite has been approved by the Commissioner and is reflected in the revised 2014/15 capital programme.

5. Capital

5.1 The revised 2014/15 capital programme for the Police and Crime Commissioner is £17.705m, the detail of which is set out in the table below:

	£m
Originally approved programme for 2014/15	7.805
Add (previously agreed):	
Schemes deferred from 2013/14	3.990
Slippage from 2013/14	5.493
Previously approved in year additions:	
L&D – bike training	0.011
Add further additions to the programme:	
Rapid Hit DNA	0.249
Digital Engagement 'Do it online' programme	0.049
Vehicle Replacement Programme-Initial Pursuit Training	0.026
Hydra Suite	0.082
Revised Capital Programme 2014/15	<u>17.705</u>

Additions to the Programme:

The Commissioner has approved funding from reserves for a number of capital projects during the year to date as follows:

- the provision of a Hydra Suite at the Training Centre (£0.073m)
- Digital Engagement (“Do it Online” website £0.049m)
- Pursuit Training (additional vehicles £0.026m)

The Commissioner has been successful in securing funding from the 2014/15 Innovation fund for the development of 'RapidHit DNA' implementation (£0.249m). This is a project being undertaken in collaboration with Northamptonshire Police and will deliver DNA test results in 2 hours instead of the current period of 5 days enabling a significant improvement in the efficiency of investigations.

Since being approved the cost of the Hydra Suite project has increased to £0.082m however this will be managed through a contribution from the Learning and Development Department's DFM balances (£9k).

These additions are now reflected in the revised 2014/15 capital programme as set out above and give an overall programme of £17.705m.

5.2 The table below sets out the breakdown of the capital programme in 2014/15 and the forecast outturn position at the end of the financial year:

	Revised Programme	Forecast Outturn	Slippage	Under /Overspend
	£m	£m	£m	£m
ICT Strategy	7.590	7.451	-0.652	0.513
Accommodation Strategy	4.540	1.137	-3.390	-0.013
Other Schemes	2.281	1.193	-1.002	-0.086
Vehicle Replacement	3.294	1.963	-1.331	0.000
Total	17.705	11.744	-6.375	0.414

There is a forecast overspend of £0.513m on the ICT strategy. Further work is being undertaken to establish the reasons for the overspending and any mitigating action that can be taken to bring spending in to line with the programme.

6.3 The forecast year-end position will continue to develop and be monitored as the financial year progresses. There is, however, a risk that a number of projects within the programme will not progress as anticipated. The main areas of this risk are:

- **ICT Strategy**

- Digital Voice Recording (£1.392m) – will be rolled out over a 12 month period. It is likely that a proportion of the cost will fall in 2015/16.

- **Accommodation Strategy**

- HQ Facilities at West Division (£2m) - identification of a suitable site is ongoing and therefore the forecast spend in 2014/15 is unlikely to be incurred until future years.
- The development of a facility in Accrington (£1.490m) is unlikely to incur the projected costs in 2014/15.

- **Other Schemes**

- Digital Speed Camera Upgrade (£1.253m) – this scheme was originally phased over two financial years, 2012/13 and 2013/14, 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 having to be undertaken. Tenders have recently been received and are currently being evaluated, it is likely that spending will not occur until future years.
- OR Implementation – some additional costs relating to the implementation of the approved ORs for which there is no budget available within the capital programme. These costs are forecast to be £0.157m in 2014/15 and it is **recommended** that these are funded from the transitional reserve.

- **Vehicle Replacement Programme**

- (£3.294m) – the provision within the programme represents an equalised requirement over the 5 year programme with actual expenditure varying year on year. The actual cost in 2014/15 is estimated to be around £1.963m with the extra provision of £1.331m required for future years' replacement.

Reserves position as at 30 September 2014

	Position at 01/04/2014	Movement	Recommended Movements	Forecast Position at 30/09/14
	£m	£m	£m	£m
<u>EARMARKED RESERVES</u>				
Capital Funding Reserve	5.634			5.634
Transition Reserve	13.900	-1.588	5.374	17.686
Clothing Reserves	0.564			0.564
POCA Equalisation Reserve	0.554			0.554
PCCA/Drugs Forfeiture Reserves	0.193			0.193
VMU Reserves	0.043			0.043
Operational Policing Reserve	2.584			2.584
Road Safety Reserves	1.438			1.438
PCC Strategic Investment reserve	0.114			0.114
Early Debt Repayment Reserve	-1.800			-1.800
Investment Fund	0	3.820		3.820
Total Earmarked Reserves	23.224	2.232	5.374	30.830
<u>GENERAL RESERVES</u>				
DFM	2.665			2.665
General Fund	9.873			9.873
Total General Reserves	12.538			12.538