



## DECISION PAPER

<b>DECISION: 2017/31</b>	<b>DATE: 13 NOVEMBER 2017</b>
<b>TITLE: Financial position as at 30 September 2017</b>	
<b>REPORT BY: Steve Freeman, Chief Finance Officer</b>	

### Executive Summary

This report sets out the monitoring position for the Police and Crime Commissioner's budget as at 30 September 2017. The report sets out the forecast position at 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 £5.714m, and the one off costs that have contributed to this position.
- Approve the increase to the capital programme of £1.000m in respect of the following fully funded projects:

£m	
0.500	Investment in equipment for the Forensic Science and UCLAN collaboration
0.490	Vehicle replacement programme
0.010	Additional average speed camera scheme
<b>1.000</b>	

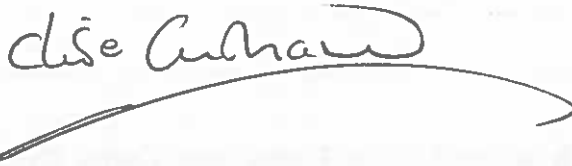
- Agree the transfer of funding within the capital programme from Minor Works to the Blackburn Town Centre accommodation scheme in the amount of £0.500m.

- Approve the revised capital programme for 2017/18, reflecting the above additions and the slippage and underspending detailed in this report, of £37.639m broken down as follows:

	£m
ICT Strategy	10.118
Accommodation Strategy	21.109
Vehicle Replacement	3.726
Other Schemes	2.686
<b>Total</b>	<b>37.639</b>

- Note the forecast year-end position for revenue reserves

Signature



Police and Crime Commissioner

Date 20th November 2017

**PART I****1. 2017/18 Monitoring Position – As at 30 September 2017**

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 2017/18, and
- The impact of the position on the PCC's reserves

**2. Revenue Budget Summary**

2.1. The 2017/18 revenue budget for the Police and Crime Commissioner was set at £261.647m.

2.2. Based on the monitoring position at the end of September 2017, an overspend of £5.714m is currently forecast in 2017/18 as follows:

<b>Forecast Year-end Position 2017/18 as at 30.9.17</b>				
<b>Responsibility Area</b>	<b>Revised Budget</b>	<b>Forecast Spend</b>	<b>Forecast Variance</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Constabulary:</b>				
Staff costs	198.351	200.110	1.759	0.9
ACC Territorial Operations	8.432	9.178	0.746	8.8
ACC Specialist Operations	5.707	7.115	1.408	24.7
Director of Resources	16.174	15.885	-0.289	-1.8
Deputy Chief Constable	5.517	5.758	0.241	4.4
<b>Sub Total</b>	<b>234.181</b>	<b>238.046</b>	<b>3.865</b>	<b>1.7</b>
Office of the PCC	1.340	1.340	-	
Communications	0.094	0.094	-	
Reducing Crime and Reoffending	1.869	1.869	-	
Victim and Domestic Abuse services	0.694	0.694	-	
<b>Sub Total</b>	<b>3.997</b>	<b>3.997</b>	<b>-</b>	<b>-</b>
<b>TOTAL DFM BUDGET</b>	<b>238.178</b>	<b>242.043</b>	<b>3.865</b>	<b>1.6</b>
<b>Non DFM</b>				
Constabulary	17.486	19.335	1.849	10.6
Office of the PCC	5.983	5.983	-	-
<b>TOTAL BUDGET</b>	<b>261.647</b>	<b>267.361</b>	<b>5.714</b>	<b>2.2</b>

**3. Constabulary Revenue Budget**

3.1. The Constabulary is currently forecasting an over spend of £5.714m for the end of the year on its revenue budget.

- 3.2. There are a number of factors included within the forecast overspend, some of which may be mitigated by the end of the year:

£m	Factor	
3.791	Additional costs associated with Fracking protests	Submission made to Home Office to try to recover additional costs of operation
0.336	Fire at Lancaster	Possible recovery of costs (in whole or part) from insurance claim
0.362	Implementation costs of futures programme	In previous years contributions from the transition reserve have met implementation costs not contained within the budget therefore a contribution from the reserve may be needed to meet these costs in 17/18
0.719	1% 'bonus' pay for police officers	Government has stated that there will be no additional, specific funding provided to forces to meet these costs
0.291	Forecast cost of police staff pay award above original assumption	If police staff receive a similar pay award to that awarded to officers there will be a pressure on the revenue budget
1.578	Forecast overspend on overtime	Assumes current rate of overtime spending continues to the year end
1.373	Savings on non-staff budgets	Identified through annual review of budgets
<b>5.714</b>		

- 3.3. To attempt to mitigate the impact of the cost pressure arising from the **fracking** operation a grant claim has been submitted to the Home Office for a full refund of the additional costs identified above. If the claim is approved it will significantly reduce the overspend position reported above. Any mitigation provided from this claim will be reported in future monitoring reports.
- 3.4. The Constabulary are also reporting a pressure on the revenue budget from **spending on overtime** which would produce an overspend of approximately £1.6m by year end if it were to continue at the current rate. The constabulary management team are reviewing this with the intention to reduce the rate of spending. If successful this will bring down the forecast overspend by year end, any progress made by this review will be reported in future monitoring reports.
- 3.5. The annual review of non-staff spending has identified £1.4m of **savings** that can be delivered in 2017/18 due, in the main, to savings on the fuel budget. These savings will also be reflected in the Commissioner's consideration of the 2018/19 revenue budget.

#### 4. OPCC Revenue Budget

- 4.1. It is anticipated that overall spending by the Office of the PCC will be in line with its annual revenue budget in 2017/18.

5. **Capital**

5.1. The revised 2017/18 capital programme of £39.187m was agreed by the Commissioner in the last monitoring report.

5.2. Three further additions are proposed to the programme:

<b>£m</b>		
0.500	Investment in equipment for the Forensic Science and UCLAN collaboration	£0.250m contribution from UCLAN plus £0.250m contribution from the Constabulary to fund the project
0.490	Vehicle replacement programme	£0.147m from Lancashire Partnership for Road Safety plus £0.343m from the constabulary revenue budget in respect of Armed response vehicles, Mobile Armed support to surveillance and a protestor removal vehicle to support the fracking operation
0.010	Additional average speed camera scheme	Funded by Lancashire Partnership for Road Safety
<b>1.000</b>	<b>Increase to capital programme 2017/18</b>	

5.3. The additions to the programme identified above are funded through contributions from reserves and from the revenue budget.

5.4. The Commissioner is **recommended** to approve these additions and increase the total value of the 2017/18 capital programme to £40.187m.

5.5. It is also proposed that £0.500m of funding set aside in the programme for Minor Works to accommodation be transferred to fund the proposed Blackburn Town Centre scheme as part of the Accommodation Strategy.

5.6. The Commissioner is **recommended** to agree the transfer of funding from Minor Works to the Blackburn Town Centre accommodation scheme in the amount of £0.500m

5.7. Including the recommended changes to the capital programme shown above the forecast year end position is:

	<b>2017/18 revised capital programme</b>	<b>Forecast Outturn</b>	<b>Slippage</b>	<b>(Under)/Over spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
ICT Strategy	13.523	10.118	(1.219)	(2.186)
Accommodation Strategy	20.303	21.109	0.650	0.156
Vehicle Replacement	3.772	3.726	(0.056)-	0.010
Other Schemes	2.589	2.686		0.097
<b>Total</b>	<b>40.187</b>	<b>37.639</b>	<b>(0.625)</b>	<b>(1.923)</b>

A total of £0.625m of net slippage has been identified as a result of the phasing of contract payments and the prioritisation of schemes based on the current capacity of departments to deliver the schemes.

5.8. The main areas of slippage are:

£m	
	<b>ICT Strategy</b>
-0.472	Phase 2 of the ANPR scheme is now in progress with Phase 3 of the project expected to fall into 2018/19.
-0.784	General replacement of systems – the replacement of the Digital Media Investigation Unit (DMIU) infrastructure will take place, in the main, in 2018/19
0.037	Northgate CONNECT – higher payment in year than originally anticipated
	<b>Accommodation – earlier payment than programmed</b>
0.650	HQ facilities in West division, some costs have been incurred earlier than forecast in the programme
-0.056	Vehicle replacement programme
<b>-0.625</b>	<b>Net Slippage on capital programme</b>

5.9. A number of under and over spends have also been identified in the forecast year end position for the capital programme, the most significant of which are:

£m	
	<b>ICT Strategy</b>
-0.227	Voice and Data Infrastructure refresh
-0.075	Disaster recovery
-0.070	CSP penetration testing
-0.401	Telephony system and infrastructure
-0.150	WAN & Encryption refresh and Network uplift
0.113	SQL Licences
-0.299	Mobile handheld smart device replacement programme
-0.488	Body Worn video
-0.070	ARLS telematics
-0.100	Door entry/Alarms/Proximity/CCTV
-0.100	DMIU/Forensics
	<b>Accommodation</b>
0.753	Rationalisation of HQ (Hutton)
-0.485	East operating base
-0.117	Misc Minor Works
	<b>Other schemes</b>
0.080	HQ Ops specialist equipment

5.10. The commissioner is recommended to approve the revised capital programme for 2017/18 of £37.639m to reflect the additions identified in 5.2 and the slippage and underspending identified in 5.7 and 5.8.

## 6. Reserves

6.1. 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.

6.2. The financial outlook for 2018/19 and 2019/20 indicates that significant further savings will be required in the order of £13m by 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.

6.3. Based on the current forecast year-end financial position, earmarked reserves are anticipated to be £20.243m and general reserves £11.984m at 31 March 2018. A position on reserves is set out at Annex 1.

6.4. This position reflects:

- The creation of the Forensic Partnership Reserve in the amount of £0.5m,
- Contributions to the financing of the capital programme of £1.458m from the capital financing reserve and £11.514m from the transition reserve.

6.5. The reserves position set out in 6.3 does not reflect the forecast year-end position for the revenue budget. If an overspend occurs it will be necessary to draw down from reserves to meet the liability it generates.

**Reserves position as at 30 September 2017**

	Position as at 1/4/17 £m	Forecast use in year £m	Forecast position 31/3/18 £m
<b><u>EARMARKED RESERVES</u></b>			
Capital Funding Reserve	1.458	1.458	0
Transition Reserve	19.475	11.514	7.961
PCC Strategic Investment reserve	6.144	-	6.144
Forensic Partnership reserve	0	-0.500	0.500
Protective Clothing Reserve	0.623	0.050	0.573
POCA Equalisation Reserve	0.652	0.013	0.639
POCA/Drugs Forfeiture Reserves	0.176	-	0.176
Vehicle Workshop Reserve	0.040	-	0.040
Operational Policing Reserve	2.584	-	2.584
Road Safety Reserves	3.176	1.550	1.626
<b>Total Earmarked Reserves</b>	<b>34.328</b>	<b>14.085</b>	<b>20.243</b>
<b><u>GENERAL RESERVES</u></b>			
DFM	2.542	0.431	2.111
General Fund	9.873	-	9.873
<b>Total General Reserves</b>	<b>12.415</b>	<b>0.431</b>	<b>11.984</b>



## 1. Links to the Police and Crime Plan

Regular financial monitoring enables effective financial planning and control. This is essential to ensure the delivery of operational policing in Lancashire and the delivery of the Commissioner's statutory responsibilities.

## 2. Consultation

N/A

## 3. Implications

### a. Legal

There are no legal comments associated with this paper.

### b. Financial

The financial implications are set out in the report

### c. Equality considerations

There are no Equality comments associated with this paper.

## 4. Background Papers

None

## 5. Public access to information

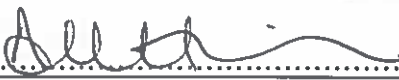
Information in this form is subject to the Freedom of Information Act 2000 and other legislation.

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.

<b>Officer declaration</b>	<b>Date</b>
<b>LEGAL IMPLICATIONS – As above</b>	
<b>FINANCIAL IMPLICATIONS – As above</b>	
<b>EQUALITIES IMPLICATIONS – As above</b>	
<b>CONSULTATION – As above</b>	

**Director to the Office of the Police and Crime Commissioner (Monitoring Officer)**

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.

Signature  Date 20.11.2017