



DECISION PAPER

DECISION: 2017/48	DATE: 16 FEBRUARY 2018
TITLE: Financial position as at 31st December 2017	
REPORT BY: Steve Freeman, Chief Finance Officer	

Executive Summary

This report sets out the monitoring position for the Police and Crime Commissioner's budget as at 31 December 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 £6.982m, and the one-off costs that have contributed to this position.
- Note the forecast year end position for the Capital Programme including slippage of £1.606m and an overspend of £0.168m
- Note the forecast year-end position for revenue reserves

Signature

Police and Crime Commissioner

Date

16th February 2018

PART I**1. 2017/18 Monitoring Position – As at 31 December 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 December 2017, an overspend of £6.982m is currently forecast in 2017/18 as follows:

Forecast Year-end Position 2017/18 as at 31.12.17				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	
	£m	£m	£m	%
Constabulary:				
Staff costs	198.361	200.893	2.532	1.28
ACC Territorial Operations	8.571	9.188	0.617	7.20
ACC Specialist Operations	5.700	7.229	1.529	26.82
Director of Resources	16.206	15.844	-0.362	-2.23
Deputy Chief Constable	5.521	5.840	0.319	5.78
Sub Total	234.359	238.994	4.635	1.98
Office of the PCC	1.347	1.347	-	-
Communications	0.094	0.094	-	-
Community Safety	1.106	1.106	-	-
Reducing Crime and Reoffending	0.960	0.960	-	-
Victim and Domestic Abuse services	0.500	0.500	-	-
Sub Total	4.007	4.007	-	-
TOTAL DFM BUDGET	238.366	243.001	4.635	1.94
Non DFM				
Constabulary	17.308	19.655	2.347	13.56
Office of the PCC	5.973	5.973	-	-
TOTAL BUDGET	261.647	268.629	6.982	2.67

3. Constabulary Revenue Budget

3.1. The Constabulary is currently forecasting an over spend of £6.982m 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 anti Fracking protests	Submission made to Home Office to try to recover additional costs of operation
0.340	Fire at Lancaster	Possible recovery of costs from insurance claim at 98% of the claim may offset this cost
0.706	Implementation costs of futures programme	Includes the cost of redundancy for Front Counters and Occupational Health reviews
1.010	1% unfunded additional pay award for police officers and police staff	Government has stated that there will be no additional, specific funding provided to forces to meet these costs
1.527	Forecast overspend on overtime	Forecast to year end has been reviewed and updated
0.280	Shortfall in PoCA receipts	The Constabulary is examining the issues causing the fall in PoCA receipts however at the current rate of return there is a shortfall forecast for the year end
(0.672)	Savings on non-staff budgets	Identified through the annual review of non-staff budgets
6.982		

- 3.3. To attempt to mitigate the impact of the cost pressure arising from the **anti-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. **Spending on overtime** remains a significant issue with an overspend of approximately £1.5m forecast for the year end. The Constabulary management team have reviewed this and identified actions that are intended to improve the management of overtime.
- 3.5. The annual review of non-staff spending has identified £2.2m of **savings** that can be delivered in 2017/18 due, in the main, to savings on the fuel and energy budgets as well as early organisational review savings. These savings have been generated in the first instance to allow the additional staff cost (£1.5m) associated with the early recruitment of police officers ahead of the summer period. The savings generated 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 £37.639m was agreed by the Commissioner in the last monitoring report.
- 5.2. The forecast year end position for the revised capital programme is:

	2017/18 revised capital programme	Forecast Outturn	Slippage	(Under)/Over spend
	£m	£m	£m	£m
ICT Strategy	10.118	9.757	(0.596)	0.234
Accommodation Strategy	21.109	20.648	(0.450)	(0.010)
Vehicle Replacement	3.726	3.616	(0.110)	-
Other Schemes	2.686	2.180	(0.450)	(0.056)
Total	37.639	36.201	(1.606)	0.168

A total of £1.606m of 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.

A detailed analysis of the capital programme is shown at Annex 1 of this report.

- 5.3. The main areas of slippage are:

£m	
	ICT
0.033	ANPR – higher spend in year than initially anticipated
-0.156	Telephone system & infrastructure – project expected to finish in May 2018 with stage payments rephased into 2018/19
-0.384	Emergency Network Services – the contract for the ICCS upgrade will be phased across 2017/18 and 2018/19
-0.295	Endpoint replacement programme – refresh of control room equipment delayed until decision reached on redesign
0.335	Systems replacement – DmiU infrastructure contract let earlier than forecast moving some cost in to 2017/18
-0.103	Northgate CONNECT & Future developments – Phase 2 of CONNECT is due to go live in October 2018 and therefore the final stage payments will fall into 2018/19.
-0.026	Delay in spending on door alarm/site CCTV project in to 2018/19
	Accommodation
-0.400	Remedial Work at Skelmersdale – tender process delayed due to investigations into the cladding required following the fire at Grenfell Tower. This scheme will now not commence until 2018/19.
-0.050	Some costs for HQ West slipped back to 2018/19
-0.110	Vehicle replacement programme – the replacement of some vehicles has been delayed until 2018/19 due to lower mileage than anticipated.

Other Schemes	
-0.450	Forensic Science & UCLAN Collaboration – work to develop the building at HQ to accommodate the staff and students is unlikely to commence until 2018/19.
-1.606	Slippage on capital programme

- 5.4. 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	
	ICT Strategy
0.328	Voice and Data Infrastructure refresh
-0.025	Data storage
-0.013	Expansion of wireless capability
0.027	WAN & Encryption refresh and Network uplift
0.001	SQL Licences
0.008	Replacement intranet/digital storage
-0.040	ANPR replace mobile computer in ROPU fleet
-0.015	Support for PSN
0.006	Digital Voice recording
0.010	Body Worn Video
-0.025	Integrated HR system
0.053	ARLS mapping
-0.006	ARLS telematics
-0.010	ITBM replacement
-0.065	Provision for systems replacement
	Accommodation
-0.010	Misc Minor Works
	Other schemes
-0.019	Digital Speed Camera replacement
-0.037	Average Speed Cameras
0.168	Overspend

- 5.5. The commissioner is recommended to note the forecast year end spend of £36.201m against the revised capital programme for 2017/18 of £37.639m.

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 £17m by 2021/22. 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 2.

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.

Capital Programme 2018/19

Cost Centre	Revised Programme £m	Actual Expenditure £m	Year-to-date Variance £m	Year end Projection £m	Slippage £m	(Under/over) Spend £m
NETWORK ACCESS AND SECURITY						
461E200 Voice And Data Infrastructure Refresh	1,100,000	988,000	(112,000)	1,423,000	0	328,000
461E201 Enterprise Licensing Agreement	838,000	838,000	0	838,000	0	0
461E203 Data Storage	50,000	(12,000)	(62,000)	25,000	0	(25,000)
461E205 ANPR	453,000	485,000	32,000	483,000	33,000	0
461E210 Disaster Recovery	0	0	0	0	0	0
461E212 Penetration Testing & Cyber Security	30,000	20,000	(10,000)	33,000	0	0
461E214 Expansion of Wireless Capability	40,000	3,000	(37,000)	27,000	0	(13,000)
461E215 Video Conferencing	100,000	62,000	(38,000)	103,000	0	0
461E218 Telephone System & Infrastructure	1,096,000	920,000	(176,000)	943,000	(156,000)	0
461E221 ANPR - Mobile	254,000	13,000	(141,000)	254,000	0	0
461E222 Digital Engagement	20,000	0	(20,000)	23,000	0	0
461E223 WAN & Encryption Refresh & Network Uplift	50,000	2,000	(48,000)	77,000	0	27,000
461E224 SD-WAN Licences	613,000	84,000	(1,000)	614,000	0	1,000
461E226 Replacement Intranet /Digital Storage and	105,000	107,000	2,000	113,000	0	8,000
461E227 Emergency Services Network	1,139,000	118,000	(1,020,000)	754,000	(384,000)	0
461E229 ANPR - Replace Mobile Computer Platform on RFU Fleet	40,000	0	(40,000)	0	0	(40,000)
461C200 IT Support of IT ON	15,000	0	(15,000)	0	0	(15,000)
TOTAL NETWORK ACCESS AND SECURITY	5,942,000	4,229,000	(1,714,000)	5,703,000	(507,000)	271,000
DEVICE UPGRADE AND REPLACEMENT						
461E001 Endpoint Replacement Programme	600,000	(283,000)	(888,000)	292,000	(308,000)	0
461E019 Mobile Handheld Smart Device Programme	400,000	43,000	(3,000)	413,000	13,000	0
TOTAL DEVICE UPGRADE AND REPLACEMENT	1,000,000	125,000	(975,000)	705,000	(295,000)	0
SYSTEMS REPLACEMENT						
461E010 Digital Voice Recording	99,000	105,000	6,000	105,000	0	6,000
461E015 BodyWorn Video System	5,000	5,000	0	13,000	0	10,000
461E018 Integrated HR System	50,000	1,000	(49,000)	25,000	0	(25,000)
461E020 Northgate Connect & Future Developments	957,000	864,000	(103,000)	864,000	(103,000)	0
461E021 ARLS Mapping	52,000	105,000	53,000	105,000	0	53,000
461E022 ARLS Telematics	30,000	24,000	(6,000)	24,000	0	(6,000)
461E024 Replacement CCTV in Custody Sites	109,000	108,000	(1,000)	103,000	0	0
461C025 Door Entry Alarms/Proximity/CCTV	101,000	51,000	(50,000)	75,000	(26,000)	0
461E027 Eoriv Action Multi Agency Case Management System	400,000	0	(400,000)	400,000	0	0
461E028 Replacement PI ANET Police Planning System	300,000	0	(300,000)	307,000	0	0
461E029 Internet Based Video System (IBVS)	0	0	0	0	0	0
461E030 Business Intelligence System & Data Warehouse	36,000	5,000	(21,000)	33,000	0	0
461E031 Forensic Services & DMU - M&Purchase	0	0	0	0	0	0
461C032 ITDM Replacement	100,000	90,000	(10,000)	93,000	0	(10,000)
461E033 Chronicle (Skills Management & Annouces)	70,000	21,000	(49,000)	73,000	0	0
TOTAL SYSTEMS REPLACEMENT	2,310,000	1,383,000	(927,000)	2,209,000	(129,000)	28,000
TOTAL GENERAL PROVISION -OR REPLACEMENT OF SYSTEMS	867,000	732,000	(135,000)	1,137,000	335,000	(155,000)
SUB TOTAL - IT STRATEGY	10,419,000	6,529,000	(3,891,000)	9,757,000	(596,000)	234,000
ACCOMMODATION STRATEGY						
464C490 Rationalisation of HQ	753,000	0	(753,000)	793,000	37,000	0
464C502 HQ Facilities at West	18,883,000	18,554,000	(329,000)	18,795,000	(87,000)	0
464C004 Remedial Work Skelmerdale	500,000	61,000	(439,000)	100,000	(400,000)	0
4641121 Creation of New Facilities Abolition Town	505,000	505,000	0	505,000	0	0
4641420 East Operating Base	15,000	0	(15,000)	15,000	0	0
TOTAL ACCOMMODATION STRATEGY	20,556,000	19,125,000	(1,431,000)	20,208,000	(450,000)	0
TOTAL MISCELLANEOUS MINOR WORKS	452,000	0,000	(452,000)	442,000	0	(10,000)
SUB TOTAL - ACCOMMODATION STRATEGY	21,108,000	19,125,000	(1,983,000)	20,650,000	(450,000)	(10,000)
OTHER CAPITAL SCHEMES						
463E461 OR Implementation Costs	17,000	7,000	0	17,000	0	0
463E464 Digital Speed Camera Upgrade	393,000	361,000	(10,000)	361,000	0	(10,000)
463E466 HQ Crime Specialised Equipment Replacement	150,000	90,000	(60,000)	153,000	0	0
463E461 HQ Ops Specialised Equipment Replacement P	637,000	602,000	(35,000)	637,000	0	0
463E465 Average Speed Cameras	999,000	962,000	(37,000)	962,000	0	(37,000)
463E467 Forensic Science & UCLAN Collaboration	300,000	5,000	(495,000)	53,000	(440,000)	0
SUB TOTAL - OTHER CAPITAL SCHEMES	2,006,000	2,040,000	(64,000)	2,102,000	(450,000)	(50,000)
VEHICLE REPLACEMENT PROGRAMME						
462E400 Vehicle Rep Programme	3,726,000	3,081,000	(645,000)	3,813,000	(110,000)	0
SUB TOTAL - VEHICLE REPLACEMENT PROGRAMME	3,726,000	3,081,000	(645,000)	3,813,000	(110,000)	0
TOTAL CAPITAL	37,639,000	30,772,000	(6,867,000)	36,201,000	(1,696,000)	169,000

Reserves position as at 31st December 2017

	Position as at 1/4/17	Forecast use in year	Forecast position 31/3/18
	£m	£m	£m
<u>EARMARKED RESERVES</u>			
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
Total Earmarked Reserves	34.328	14.085	20.243
<u>GENERAL RESERVES</u>			
DFM	2.542	0.431	2.111
General Fund	9.873	-	9.873
Total General Reserves	12.415	0.431	11.984

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.

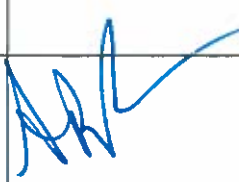
4. Background Papers

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.

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	

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 16.2.2018.