



DECISION : 2018/28	DATE: 30 JULY 2018
TITLE: Financial position as at 30 June 2018	
REPORT BY: Steve Freeman, Chief Finance Officer	


Executive Summary

This report sets out the monitoring position for the Police and Crime budget as at 30 June 2018. The report sets out the position for the revenue budget and the capital programme, and reports the current reserves position.


Recommendations

The Police and Crime Commissioner is asked to:

- Note the Revenue budget monitoring report for 2018/19 as at 30 June 2018.
- Agree to the increase in the capital programme of £0.123m in respect of Road Safety Partnership (LRSP) schemes and note that funding for this spending is provided in full from the LRSP reserve.
- Note the revised capital programme position for 2018/19
- Note the position for reserves

Signature 

Police and Crime Commissioner

Date: 30 July 2018 

PART I

1. 2018/19 Monitoring Position – As at 30 June 2018

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;

- The allocation of the PCC's revenue budget for 2018/19,
- An indication of potential cost pressures and savings in 2018/19
- The capital programme for 2018/19 and future years, and
- The position on the PCC's reserves

2. Revenue Budget

2.1 The 2018/19 revenue budget for the Police and Crime Commissioner was set at £267.755m in February 2018, following transfers from Constabulary DFM balances of £0.196m the revised budget for 2018/19 stands at £267.951m.

The revised 2018/19 revenue budget is allocated as follows:

Responsibility Area	Budget £m
Constabulary:	
Staff costs	204.729
ACC Territorial Operations	10.202
ACC Specialist Operations	3.138
Deputy Chief Constable	4.636
Director of Resources	18.836
Head of Change	1.746
Sub Total	243.287
Office of the PCC	1.398
Communications	0.120
Reducing Crime and Reoffending	0.837
Community Safety	0.992
Victim and Domestic Abuse services	0.181
Sub Total	3.528
TOTAL DFM BUDGET	246.815
Non DFM	
Constabulary	17.803
Office of the PCC	3.333
TOTAL BUDGET	267.951

2.2 At this early stage in the financial year a firm forecast of a year-end position is unrealistic however the Constabulary has identified some pressures and potential savings on the budget that will be closely monitored throughout the year. If these impact upon the revenue budget it will be brought to the attention of the PCC and Chief Constable and reported through the financial monitoring process.

2.3 At this stage it is anticipated that the OPCC will spend in line with the budget.

2.4 The pressures and potential savings identified by Constabulary, albeit at a very early stage in the financial year, include:

Pressure/Saving	Over/(Under) at 30/6/18	
	£m	
Police officer pay	0.718	Continued programme of planned 'over recruitment' to ensure full establishment is maintained in future years
Agency Staff - investigations	0.340	45 agency staff were initially recruited on a temporary basis from September last year until the end of August this year to meet a shortfall in resource. Constabulary have made the decision to retain them until the end of the year to enable permanent recruitment to these roles to be delivered. It is expected that the initial 45 will reduce during the year. The overspend at 30.6.18 is £0.340m, this may reach £0.900m by the end of the year. In order to meet the cost Constabulary will apply a proportion of their DFM balances.
Non-DFM savings	(1.107)	The annual review of non-staff budgets leading to the retention in the centre of any budget deemed not required is realising a significant saving. Savings of approximately £0.400m in respect of staff costs, in part due to the payment in full of the non-consolidated pay award in 2017/18 and in part from the recovery of redundancy costs paid in 2017/18 in respect of Ports staff from the National CT unit. At this stage it is anticipated that these saving will contribute to meeting the pressure (above) arising from the 'over strength' position on police officers.
Operation Manilla	0.798	The unbudgeted costs of the operation to the end of June
Overtime	0.234	There continues to be a significant pressure on overtime budgets across a number of Divisions and Departments

As subsequent monitoring reports are presented during the year the forecast year-end position will be identified and the factors impacting upon it will be explained in further detail.

3. Capital

- 3.1 The 2018/19 capital programme, approved by the PCC in June 2018, is £23.676m, the detail of which is set out in the table below:

	2018/19 capital programme
	£m
ICT Strategy	8.743
Accommodation Strategy	10.714
Vehicle Replacement	3.377
Other Schemes	0.842
Total	23.676

- 3.2 During the first quarter of 2018/19 Lancashire Road Safety Partnership have identified investment of £0.123m that will be funded from the Lancashire Road Safety Partnership reserve and therefore has no impact on the PCC and Constabulary financial position. This addition amends the capital programme as follows:

	2018/19 capital programme
	£m
ICT Strategy	8.743
Accommodation Strategy	10.714
Vehicle Replacement	3.377
Other Schemes	0.965
Total	23.799

The Commissioner is **recommended** to agree to the increase in the capital programme of £0.123m in respect of Road Safety Partnership (LRSP) schemes and note that funding for this spending is provided in full from the LRSP reserve.

- 3.3 Whilst it is early in the financial year a number of areas of the capital programme have been identified as being at risk of overspending or slipping expenditure into future years. The main areas of risk identified are:

ICT Strategy

- ICCS upgrade (ESN)
The scheme will be delivered in two phases, with phase one at the Preston fallback site being complete in 2018/19. Phase 2 at the HQ site is planned for June 2019 and therefore there will be slippage for future stage payments.
- Endpoint replacement programme
The re-phasing of the work to the control room into later years will cause a consequential delay for an element of spend on the equipment replacement programme.

- Northgate Connect and future developments
Phase 2 of CONNECT incorporating the Crime and Intel modules is due to go live in Autumn 2018. During the development stage, a number of additional requirements have been identified and the committed expenditure to date is £0.231m over the original budget. Other elements of the capital programme are being examined to identify resource to meet this cost and once confirmed will be identified in subsequent reports to the PCC.
- DMIU (Digital Media Investigation Unit)
Significant investment is being made in respect of DMIU and spend in excess of budget is being incurred in 2018/19. The scheme will be re-phased as a first call on funding in 2019/20

Accommodation Strategy

- Rationalisation of HQ
Land purchase made but no further expenditure expected in 2018/19.
- Remedial work at Skelmersdale
Procurement process for the scheme is underway, at this stage it is difficult to forecast the level of spend likely in 2018/19.
- East operating base
Negotiations to purchase land are underway with no further expenditure expected this financial year.
- HQ facilities at West division
The scheme is expected to overspend by £0.833m. Other elements of the capital programme are being examined to identify resource to meet this cost and once confirmed will be identified in subsequent reports to the PCC.

4. Reserves

- 4.1 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.
- 4.2 The financial outlook for 2019/20 and beyond indicates that significant savings will be required with potentially more than £18m of further savings being required 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.
- 4.3 The Commissioner has an established reserves strategy that has made available a significant amount of funding for investment in the capital investment programme in 2018/19 and future years. This investment is key to the delivery of improvements in IT equipment and infrastructure that will in turn improve the productivity and efficiency of the force. The Commissioner's strategy also sets aside funding within his reserves to meet any one-off costs of downsizing the organisation that includes the costs of voluntary redundancy and exit from the force.

4.4 The opening position for 2018/19 in respect of the Commissioner's reserves is set out in Annex 1. The PCC will review his reserves strategy for 2019/20 and future years during 2018/19.

Reserves position as at 1 April 2018

	Position as at 1/4/18 £m
<u>EARMARKED RESERVES</u>	
Transition Reserve	16.177
PCC Strategic Investment reserve	5.998
Clothing Reserves	0.471
POCA Equalisation Reserve	0.640
PCCA/Drugs Forfeiture Reserves	0.266
VMU Reserves	0.040
Operational Policing Reserve	0.364
Forensic collaboration reserve	0.332
LFSA operational reserve	0.074
Well-being reserve	0.025
Road Safety Reserves	1.779
Total Earmarked Reserves	26.166
<u>GENERAL RESERVES</u>	
DFM	2.515
General Fund	9.267
Total General Reserves	11.782

1. Links to the Police and Crime Plan

2. Consultation

3. Implications

a. Legal

There are no legal comments associated with this paper.

b. Financial

The financial implications are contained with the report.

c. Equality considerations


There are no Equality comments associated with this paper.

4. Background Papers

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.....30/7/18.....	