



**Lancashire
Constabulary**
police and communities together

JOINT MANAGEMENT BOARD

DECISION : 2018/48	DATE: 13TH FEBRUARY 2019
TITLE: Financial position as at 31 December 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 31 December 2018. The report sets out the position for the revenue budget and the capital programme and provides the current reserves position.

Recommendations

The Police and Crime Commissioner is asked to:

- note the Revenue budget monitoring position for 2018/19 as at 31 December 2018.
- approve the following additions to the capital programme for 2018/19 totalling £0.335m which increases the programme to £18.768m:
 - £0.011m vehicle replacement programme funded by Lancashire Road Safety Partnership
 - £0.021m Variable messaging sign funded by Lancashire Road Safety Partnership
 - £0.211m HQ Solar panel scheme funded through interest free loan repaid through revenue savings generated by the scheme
 - £0.092m purchase of two drones funded by the PoCA reserve
- note the revised capital programme position for 2018/19
- note the forecast year end position for reserves
- Approve the transfers to reserves as follows:
 - £0.700m from the OPCC revenue budget in to General Reserves
 - £2.0m in to the Operational Policing reserves in respect of the special grant award for the Fracking operation costs incurred in 2017/18

Signature

Police and Crime Commissioner

Date: 13th February 2019

PART I

1. **2018/19 Monitoring Position – As at 31st December 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 £1.151m the revised budget for 2018/19 stands at £268.906m.

The forecast year end position for the revenue budget as at 31st December is set out below and includes the impact of recommendations made later in this report.

	Revised Budget	Forecast outturn	Forecast variance	
	£m	£m	£m	%
Constabulary:				
Staff costs	205.457	207.283	1.826	0.9
ACC Territorial Operations	10.357	11.899	1.542	14.9
ACC Specialist Operations	2.982	3.439	0.457	15.3
Deputy Chief Constable	4.628	4.781	0.153	3.3
Director of Resources	19.219	18.736	-0.483	-2.5
Head of Change	1.752	1.954	0.202	11.5
Sub Total	244.395	248.092	3.697	1.5
Non-DFM	17.645	16.858	-0.787	-4.5
Total Constabulary budget	262.040	264.950	2.910	1.1
PCC:				
Office of the PCC	1.398	1.398	-	-
Communications	0.120	0.120	-	-
Reducing Crime and Reoffending	0.837	0.750	-0.087	-10.4
Community Safety	0.859	0.859	-	-
Victim and Domestic Abuse services	0.181	0.217	0.036	19.9
Sub Total	3.395	3.344	-0.051	-1.5
Non-DFM	3.471	3.341	-0.130	-3.7
Total PCC	6.866	6.685	-0.181	-2.6
TOTAL BUDGET	268.906	271.635	2.729	1.0

Constabulary

2.2 The Constabulary is forecasting an overspend on their revenue budget of £2.910m (1.1%) at year-end if the proposed contribution to operation Manilla shown in the table below is agreed. The key elements of this forecast position are:

	£m	
<u>Overspends:</u>		
Operation Manilla	2.8	Additional costs (as defined by Home Office - being all costs of the operation except officer time on 'normal duty') The claim submitted to Home Office has been successful and will offset £2.3m of this cost, the balance will be met from the Operational Policing Reserve
Overtime	1.2	Continued pressure on the overtime budget persists. The overtime spend forecast assumes a similar level of demand to that incurred to date. The budget proposal for 2019/20 includes an increase in the overtime budget to reflect the on-going requirement
Police and Staff Officer pay	1.5	Reflects the agreed over recruitment of officers to manage demand and change programmes.
Organisational reviews	0.8	Costs incurred in the delivery of organisation reviews conducted through the futures programme. The majority of these costs reflect additional training and equipment costs to deliver the uplift in ARV officers (approx. 30 officers) and the costs of redundancies across reviews
Divisional non-staff spending	1.4	Overspend on non-staff budgets held by divisions
Pension injury payments	0.4	Reflecting the current trend of increase in injury awards to officers retiring on ill-health grounds
<u>Offset by savings:</u>		
Revenue consequences of capital programme	(0.3)	Reduction in spend reflects slippage in the capital programme
Fees and Charges	(0.6)	A number of additional fees and charges receipts have been identified that offset additional non-staff divisional spend
Non staff cost savings	(1.5)	Delivered through the annual 'zero based' budget approach and earmarked specifically to offset the costs of over recruitment
Contribution from Operational Policing Reserve	(0.5)	It is proposed that a contribution is taken from the operational policing reserve to meet balance of 2018/19 additional costs of operation Manilla when the year-end position is confirmed.
Special Grant	(2.3)	Special grant award for 2018/19 costs of operation Manilla (85% of additional costs)

The Constabulary will continue to examine revenue budgets to identify any further savings that can be realised to bring down the forecast overspend position as much as possible.

The Home Office has provided a special grant award that allocates £2.3m to Lancashire in 2018/19. The same award also provides £2.0m for 2017/18 to refund costs incurred in previous years and it is considered appropriate to replenish the operational policing reserve that was used to meet the 2017/18 costs of the Fracking operation.

The Commissioner is recommended to transfer the £2.0m awarded for costs incurred in 2017/18 in to the Operational Policing Reserve

- 2.3 The Office of the PCC is forecasting an underspend of £0.181m if the Commissioner agrees with the proposal to transfer in to general reserves the £0.700m underspend realised by the change in accounting treatment of the Minimum Revenue Provision.

The Commissioner is recommended to transfer £0.700m from the OPCC revenue budget in to the General Reserve to support the published reserves strategy.

3. Capital

- 3.1 The revised 2018/19 capital programme, approved by the PCC in the monitoring report for the period to 30th September 2018, was £18.433m, during the period 1st October 2018 to 31st December 2018 a number of additions to the programme have been identified as follows:

Addition to capital programme	£m	Sources of funding
Vehicle replacement programme	0.011	Lancashire Road Safety Partnership
Average speed cameras	0.021	Lancashire Road Safety Partnership
HQ Solar panel scheme	0.211	Interest free loan repaid through revenue savings
HQ Ops specialist equipment replacement	0.092	2 Drones funded through PoCA reserve
Total	0.335	

- 3.2 This increases the revised capital programme in 2018/19 to £18.768m.

The Commissioner is ***recommended to approve the additions to the capital programme for 2018/19 at £0.335m giving a revised programme of £18.768m in 2018/19.***

3.3 The Constabulary has produced a forecast for spend by the end of the financial year as follows:

	Revised Capital Programme 2018/19	Year-end projection	Slippage	(Under)/Over spend
	£m	£m	£m	£m
ICT	7.384	7.398	0.012	0.002
Accommodation	6.452	6.452	-	-
Other schemes	1.752	1.827	0.033	0.042
Vehicle replacement programme	3.180	2.990	-0.190	-
TOTAL	18.768	18.667	-0.145	0.044

3.4 There are no significant individual elements of slippage or under/over spending forecast for the programme at this point in time.

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 potentially more than £22m of further savings are required by 2021/22. In assessing the appropriate level of reserves to hold it is essential that the challenges ahead are taken into consideration and that there is sufficient resource 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 forecast position for 2018/19 in respect of the Commissioner's reserves is set out in Annex 1 and includes the recommendations as set out in this report. The PCC will review his reserves strategy for 2019/20 and future years during 2018/19.

Reserves position as at 31 December 2018

	Position as at 1/4/18	Forecast use in 2018/19	Forecast position at 31/3/19
	£m	£m	£m
<u>EARMARKED RESERVES</u>			
Transition Reserve	16.177	(9.012)	7.165
PCC Strategic Investment reserve	5.998	(0.193)	5.805
Clothing Reserves	0.471	(0.081)	0.390
POCA Equalisation Reserve	0.640	(0.093)	0.547
PCCA/Drugs Forfeiture Reserves	0.266		0.266
VMU Reserves	0.040		0.040
Operational Policing Reserve	0.364	1.500	1.864
Forensic collaboration reserve	0.332	(0.132)	0.200
LFSA operational reserve	0.074		0.074
Well-being reserve	0.025		0.025
Road Safety Reserves	1.779	(0.364)	1.415
Total Earmarked Reserves	26.166	(8.375)	17.791
<u>GENERAL RESERVES</u>			
DFM	2.515	(1.151)	1.364
General Fund	9.267	0.700	9.967
Total General Reserves	11.782	(0.451)	11.331

1. Links to the Police and Crime Plan

Effective management of the revenue budget in conjunction with strong medium term financial planning including for investment in futures years is vital to enable the PCC to deliver 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	
<p>Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</p> <p>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.</p> <p>Signature.....Date.....</p>	