



<b>DECISION : 2019/51</b>	<b>DATE: 20 FEBRUARY 2020</b>
<b>TITLE: Financial position as at 31 December 2019</b>	
<b>REPORT BY: Steve Freeman, Chief Finance Officer</b>	

### **Executive Summary**

This report sets out the monitoring position for the Police and Crime budget as at 31 December 2019. 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 as at 31 December 2019.
- Agree the amendments to the capital programme as set out in the report
- Note the forecast capital programme position for 2019/20
- Note the position for reserves

Signature

Police and Crime Commissioner

Date:

## PART I

1. **2019/20 Monitoring Position – As at 31 December 2019**

1.1 The Commissioner receives regular reports setting 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 2019/20,
- An indication of potential cost pressures and savings in 2019/20
- The capital programme for 2019/20 and future years, and
- The position on the PCC's reserves

2. **Revenue Budget**

2.1 The 2019/20 revenue budget for the Police and Crime Commissioner was set at £286.065m in February 2019.

2.2 The forecast year-end position for the revenue budget as at 30th September is as follows:

	<b>Revised Budget</b>	<b>Forecast outturn</b>	<b>Forecast variance</b>	
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Constabulary:</b>				
Staff costs	219.527	217.944	-1.583	-0.72
ACC Territorial Operations	11.622	12.912	1.290	11.09
ACC Specialist Operations	3.260	4.148	0.888	27.24
Deputy Chief Constable	0.818	0.649	-0.169	-20.66
Director of Resources	23.010	23.847	0.837	3.64
<b>Sub Total</b>	<b>258.237</b>	<b>259.500</b>	<b>1.263</b>	<b>0.49</b>
Non-DFM	20.498	23.570	3.072	14.99
<b>Total Constabulary budget</b>	<b>278.735</b>	<b>283.070</b>	<b>4.335</b>	<b>1.56</b>
<b>PCC:</b>				
Office of the PCC	1.377	1.377	-	-
Communications	0.120	0.120	-	-
Reducing Crime and Reoffending	0.812	0.812	-	-
Community Safety	0.990	0.990	-	-
Victim and Domestic Abuse services	0.229	0.229	-	-
<b>Sub Total</b>	<b>3.528</b>	<b>3.528</b>	<b>-</b>	<b>-</b>
Non-DFM	3.822	3.750	-0.072	-1.88
<b>Total PCC</b>	<b>7.350</b>	<b>7.278</b>	<b>-0.072</b>	<b>-0.98</b>
<b>TOTAL BUDGET</b>	<b>286.085</b>	<b>290.348</b>	<b>4.263</b>	<b>1.49</b>

## PCC

- 2.3 It is anticipated that the PCC will deliver an underspend of £0.072m on the costs of borrowing as a result of lower than forecast interest rates. It is expected that spending will be in line with the remaining PCC budget.

## Constabulary

- 2.4 The constabulary is forecasting an overspend on their revenue budget of £4.335m (1.6%) at year-end.
- 2.5 However, a proportion of the overspend relates to significant operations that were not built in to the revenue budget in 2019/20.

	£m	
Operation Manilla	1.500	It is anticipated that the Home Office will provide funding for 85% of these costs requiring £0.225m to be taken from the Operational Policing reserve (as approved by the Commissioner).
Operation Bermuda	1.004	The Commissioner has approved the use of the Operational policing reserve to meet these costs

The Commissioner has previously approved the use of the Operational Policing Reserve to meet the unfunded elements of each of these operations in 2019/20. This currently gives a forecast draw down on this reserve of £1.229m at the end of the year.

As a result this element of the overspend will not impact upon the revenue budget at year-end.

- 2.6 There remains a further £1.831m overspend forecast for 2019/20 that will impact upon the revenue budget, the main elements of this forecast position are:

	£m	
Overtime	0.6	Overspend - Pressure on the overtime budget persists as a result of the unprecedented number of major incidents during 2019/20
Officer pay	0.65	Impact of pay award at 2.5% compared to budgetary provision of 2%
Delivery of uplift recruitment	0.6	Cost of additional resources required to deliver uplift recruitment process in excess of grant provided in 2019/20
Forensic Science	0.3	Due to a shift in the market costs have increased by 30% during the year. This pressure is reflected in the 20/21 budget proposal
Organisational reviews	0.75	Costs incurred in the delivery of organisation reviews conducted through the futures programme including: £0.556m Disestablishment costs £0.198m Equipment and accommodation costs
PoCA Income	0.3	Income is expected to fall below the budget target
Cleaning	0.2	Overspend on various elements of cleaning programme
Non staff costs overspend	0.5	£0.103m Energy costs £0.074m General cleaning and waste collection £0.069m furniture and equipment

		£0.034m fleet costs £0.100m ICT shortfall on Sleuth income £0.135m HR
Non staff cost savings	(0.7)	Delivered through the annual 'zero based' budget approach
Staff costs saving	(1.4)	Savings due to vacancies within the year
<b>Total</b>	<b>1.8</b>	<b>Projected Overspend</b>

2.7 The Commissioner and Chief Constable will continue to review spending in the final quarter of the financial year to attempt to reduce the pressure shown above and reduce the resulting impact on the Commissioner's reserves at year-end.

### 3. Capital

3.1 The revised 2019/20 capital programme approved by the PCC, is £16.634m, the detail of which is set out in the table below:

	<b>Revised capital Programme 2019/20</b>
	<b>£m</b>
ICT	6.222
Accommodation	5.142
Other schemes	1.510
Vehicle replacement programme	3.760
<b>TOTAL</b>	<b>16.634</b>

3.2 Since the previous monitoring report an additional capital requirement (and associated funding) has been identified as follows:

- **£0.020m** Vehicles for Road Death investigators funded through a third party contribution

3.3 This gives a revised capital programme for 2019/20 as follows:

	<b>2019/20 Revised capital programme</b>
	<b>£m</b>
ICT Strategy	6.222
Accommodation Strategy	5.142
Other schemes	1.510
Vehicle replacement programme	3.780
<b>Total</b>	<b>16.654</b>

The Commissioner is **recommended** to agree to the increase in the revised capital programme for 2019/20 to **£16.654m**.

3.4 Within the revised ICT capital programme the Commissioner is asked to approve the movement of resources as follows:

<b>Amendments to the ICT capital programme</b>	<b>2019/20 Revised capital programme</b>
	<b>£m</b>
Network access and security - Provision for infrastructure and security	0.278
Equipment replacement programme	-0.403
Storage Array Replacement	0.029
ICCS upgrade costs	0.096
<b>Total</b>	<b>0.0</b>

3.5 The Commissioner is **recommended** to approve the movement of resources within the 2019/20 capital programme as detailed in the table above.

3.6 The forecast year-end position against the revised capital programme for 2019/20 is:

	<b>Revised programme</b>	<b>Forecast</b>	<b>(Slippage)/ Re-profiling</b>	<b>(Under)/Over spend</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
ICT Strategy	6.222	6.236	0.022	(0.008)
Accommodation Strategy	5.142	3.313	(1.830)	-
Other schemes	1.510	1.380	(0.130)	-
Vehicle replacement programme	3.780	3.988	0.208	-
<b>Total</b>	<b>16.654</b>	<b>14.917</b>	<b>(1.730)</b>	<b>(0.008)</b>

3.7 A number of areas of the capital programme have been identified as requiring the re-profiling of spend in to 2019/20 or slippage of expenditure into future years. The main areas identified are:

**ICT Strategy (net additional spend in 2019/20 £0.022m)**

**Northgate Connect & Future Developments (slippage of £0.108m)**

CONNECT Express is due to go live later in 2020 and the final stage payments will now fall into 2020/21.

**Replacement External CCTV (COTS) (additional spend in 19/20 of £0.020m)**

Additional works at the Blackpool Municipal accommodation for Taser storage, originally planned for 2020/21, completed during 2019/20.

**WiFi Rollout (additional spend in 19/20 of £0.076m)**

Additional consultant costs incurred to complete the rollout of the programme force wide.

**Centralised Access System (additional spend in 2019/20 of £0.034m)**

It is anticipated that the rollout of the new system will be completed in 2020/21 and additional expenditure has been incurred in 2019/20 ahead of schedule.

### **Accommodation Strategy (slippage of £1.830m)**

#### **HQ Rationalisation (slippage of £0.110m)**

Reduced cost of feasibility study in financial year 2019/20.

#### **Skelmersdale Refurbishment (slippage of £0.515m)**

Additional survey work required before works can commence with the majority of spend anticipated in 2020/21.

#### **Pendle Briefing Base (slippage of £0.180m)**

The planning application is due to be submitted by the end of the financial year, some costs have slipped in to 2020/21.

#### **CSIs ISO Accreditation work (slippage of £0.600m)**

The contract has been let with works due to commence in June 2020.

#### **Minor Capital Works and Refurbishments (slippage of £0.425m)**

There will be some further slippage into the next financial year due to capacity issues within the Estates department as the new structure is implemented.

### **Other Capital Schemes**

#### **ANPR – Mobile (slippage of £0.130m)**

Some purchases will now be made in 2020/21.

### **Vehicle Replacement programme (slippage of £0.208m)**

185 vehicles are scheduled to be purchased and commissioned in year. The replacement of a further 76 vehicles with low mileage have been delayed for replacement until future years to gain maximum use from the vehicles.

## **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 2020/21 and beyond indicates that significant savings will be required with potentially more than £20m of further savings being required by 2022/23. 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 (published here: <https://www.lancashire-pcc.gov.uk/our-money/financial-strategy/>) that has made available a significant amount of funding for investment in the capital investment programme in 2019/20 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 2019/20 in respect of the Commissioner's reserves is set out in Annex 1. The PCC will review his reserves strategy for 2020/21 and future years during 2019/20.

**Forecast Reserves position as at 31 December 2019**


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	Position as at 1/4/19	Forecast use in 2019/20	Forecast position at 31.3.20
	£m	£m	£m
<b><u>EARMARKED RESERVES</u></b>			
Transition Reserve	14.783	(8.483)	6.300
Clothing Reserves	0.384	(0.023)	0.361
POCA Equalisation Reserve	0.547		0.547
PCCA/Drugs Forfeiture Reserves	0.299		0.299
VMU Reserves	0.040		0.040
Operational Policing Reserve	1.915	(1.229)	0.686
Forensic collaboration reserve	0.181	(0.034)	0.147
Regional collaboration reserve	0.056	(0.056)	0
Well-being reserve	0.016		0.016
Road Safety Reserves	1.974	(0.040)	1.934
<b>Total Earmarked Reserves</b>	<b>20.195</b>	<b>(9.752)</b>	<b>10.330</b>
<b><u>GENERAL RESERVES</u></b>			
DFM	1.111		1.111
General Fund	9.064		9.064
<b>Total General Reserves</b>	<b>10.175</b>		<b>10.175</b>



**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.

<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>	
<p><b>Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</b></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>	