

Decision No 2014/26



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

REPORT BY: Lisa Kitto
Chief Finance Officer

DATE: 3 September 2014

TITLE: 2014/15 Monitoring Position – As at 31 July 2014

Appendix A refers

EXECUTIVE SUMMARY

This report sets out the monitoring position for the Police and Crime budget as at 31 July 2014. The report sets out the forecast position for 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 £0.067m.
- Note the additional one-off resource of £0.565m available in 2014/15 resulting from the Collection Fund surplus in 2013/14 and agree that this is transferred to the Commissioner's strategic investment reserve.
- Note the additional one-off costs of £0.610m relating to the implementation of organisational reviews and agree that this be funded by a contribution from the transition reserve.
- Note the forecast position on the reserves at the end of 2014/15.
- Note the capital programme position for 2014/15.

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)	YES	NO
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Original decision required to be amended and decision as detailed below:
The reasons for the amended decision are as detailed below:

Police and Crime Commissioner: Comments
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DECLARATIONS OF INTEREST

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation.

Signed: Police and Crime Commissioner Date:	Signed: Chief Officer: Date:
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Signed: Chief Constable Date:	Signed: Chief Finance Officer: Date:
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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 impact of the position on the PCC's reserves and
- The capital programme for 2014/15 and future years

2. Revenue Budget

2.1 The budget for the Police and Crime Commissioner was set at £266.024m and after taking account of the planned use of balances by budget holders to the end of July 2014 has increased to £266.173m.

Based on the monitoring position at the end of July 2014, there is a forecast **overspend** of **£0.067m** for the year.

The table below sets out a summary position for the budget;

Forecast Out Turn Position 2014/15 as at 31.7.14				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	148.434	147.997	-0.437	-0.29
ACC Specialist Operations	52.794	53.543	0.749	1.42
Director of Resources	26.909	26.780	-0.129	-0.48
Deputy Chief Constable	8.250	8.140	-0.110	-1.33
Sub Total	236.387	236.460	0.073	0.03
Office of the Police and Crime Commissioner	1.466	1.445	-0.021	-1.43
Community Safety	2.338	2.338	-	-
Victims and Witnesses of Crime	1.514	1.514	-	-
Grant income	-1.514	-1.514	-	-
Sub Total	3.804	3.783	-0.021	-0.55
TOTAL DFM BUDGET	240.191	240.243	0.052	0.02
Non DFM				
Constabulary	18.052	18.632	0.580	3.21
Office of the Police and Crime Commissioner	7.930	7.365	-0.565	-7.12
TOTAL BUDGET	266.173	266.240	0.067	0.03

3. Delegated Revenue Budgets – overall position

Lancashire Constabulary DFM budget

3.1 There is a forecast overspend of £0.073m on operational budgets that is due, in the main, to pressure on overtime and Public Holiday working budgets (£0.616m) and the costs of agency staff (£0.495m). The Constabulary is examining the management of 'day

to day' overtime which contributes significantly to this pressure, however, there have been 3 major incidents during the year that have also contributed to the overspend (Operations Skyline, Nemesis and Sheridan). It is expected that the management review and subsequent action will bring overtime spend and allocated budget back into line as the year progresses.

The overspend on agency staff has resulted from the requirement to cover operational vacancies and provide support to major incidents. These overspends are offset by the delivery of on-going savings on staff costs due to vacancies in Police Officer and staff posts and PCSOs (£0.746m) and the agreed policy to hold back inflation from non-staff cost budgets (£0.324m).

Lancashire Constabulary Non-DFM budget

- 3.3 There is an overspend of £0.580m on Non-dfm budgets which £0.610m relate to the cost of implementing the organisational reviews. These costs are largely redundancy related costs. In order to manage the costs in downsizing the organisation a transition reserve was established and it is proposed that these costs should therefore be funded from the transition reserve.

Office of the Police and Crime Commissioner

- 3.4 The DFM budget for the Office of the Police and Crime Commissioner is forecast to underspend by £0.21m reflecting an underspend on staffing costs realised by savings due to vacant and disestablished posts.
- 3.5 The Non-DFM budget will underspend by £0.565m as a result of a surplus on Council tax Collection Fund income in 2013/14. It is recommended that this one-off additional resource is transferred to the Commissioner's Strategic Investment reserve.

4. Reserves

- 4.1 Reserves and provisions have been set aside to manage the financial risks within the financial strategy. The financial outlook for 2014/15 and beyond indicates that significant savings will be required with a further £19.6m still to be identified between 2014/15 and 2017/18. 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. Based on the current forecast year-end position, earmarked reserves are forecast to be £26.512m and general reserves £12.538m. A position on reserves is set out at Annex 1.

5. Transition Reserve

- 5.1 The Transition Reserve is available to assist the organisation as it downsizes in response to the significant funding reductions. The balance on the reserve at 1 April 2014 was £13.900m. The analysis below reflects the impact of the current forecast year-end position on the revenue budget.

	£m
Opening balance 1/4/2014	13.900
Contribution to meet the costs of implementing Organisational Reviews	-0.610
Forecast Closing balance 31/3/2015	<hr/> 13.290

- 5.2 In view of the significant level of savings that the organisation must find over the next four year period and the ongoing risks to funding and costs that exist it is deemed appropriate to maintain a level of earmarked reserves that is considered sufficient to manage the changes to the organisation that will be necessary to deliver the savings required.
- 5.3 At £13.290m the level of the transition reserve reflects 5% of the 2014/15 revenue budget and as such is considered to be an appropriate level.

6. Capital

- 6.1 The 2014/15 capital programme for the Police and Crime Commissioner is £17.299m, the detail of which is set out in the table below.

	£m
Originally approved programme for 2014/15	7.805
Add	
Schemes deferred from 2013/14	3.990
Slippage from 2013/14	5.493
2014/15 Programme	17.288
Add in-year additions to the programme	
L&D – bike training	0.011
Revised Programme	17.299

The addition to the programme identified above is for L7D bike training and has been authorised within the limits agreed through the scheme of delegation as set out in financial regulations and will be fully funded via a contribution from the constabulary revenue budget.

- 6.2 The table below sets out the breakdown of the capital programme in 2014/15:

	Original Programme	Brought forward approvals and additions	Revised Programme
	£m	£m	£m
ICT Strategy	5.000	2.541	7.541
Accommodation Strategy	0	4.540	4.540
Vehicle Replacement	2.200	1.068	3.268
Other Schemes	0.605	1.345	1.950
Total	7.805	9.494	17.299

6.3 At this stage in the year the forecast year-end position is still emerging and will become clearer as the financial year progresses. There is, however, a risk that a number of projects within the programme will not progress as anticipated. The main areas of this risk are:

- **ICT Strategy**

- Automatic Number Plate recognition (ANPR) (£0.102m) – most of this remaining provision is for a site in Northern Division; it is likely that some of this spend will now fall in 2015/16; the exact amount is unknown at this stage.
- ANPR Data Storage Capacity Increase (£0.088m) and Upgrade Legacy Sites (£0.180m) – both schemes are subject to an overall ANPR Strategy being developed and some costs may fall into future years.
- Digital Voice Recording (£1.392m) will be rolled out over a 12 month period. It is likely that a proportion of the cost will fall in 2015/16.

- **Accommodation Strategy**

- HQ Facilities at West Division (£2m) – identification of a suitable site is on-going.
- Accrington Police Station (£1.990m) – discussions are on-going with the PCC, police and local authority to determine the operational /accommodation requirements for the area.

- **Other Schemes**

- Digital Speed Camera Upgrade (£1.253m) – this scheme was originally phased over two financial years, 2012/13 and 2013/14, funded from Road Safety Partnership contributions. There have been delays in progressing this as previous tender solutions had not been certified by the Home Office, resulting in a further tendering process having to be undertaken. Tenders have recently been received and are currently being evaluated.
- OR Implementation – some additional costs relating to the implementation of the approved ORs for which there is no budget available within the capital programme. These costs are forecast to be £0.157m and will be funded from the transitional reserve.

- **Vehicle Replacement Programme**

- The provision within the programme (£3.268m) represents an equalised requirement over the 5 year programme with actual expenditure varying year on year. The cost in 2014/15 is estimated to be around £1.9m with the unused provision of £1.4m being required for future years' replacements.

A forecast year-end position will be provided in subsequent monitoring reports to the Commissioner that will provide a greater level of certainty in respect of these risks as the financial year progresses.

Reserves position as at 31 July 2014

	Position as at 31/3/14	<i>Movement in 2014/15</i>	<i>Recommended Movements in 2014/15</i>	Forecast y/e Position as at 31/7/14
	£m	£m	£m	£m
<u>EARMARKED RESERVES</u>				
Capital Funding Reserve	5.634			5.634
Transition Reserve	13.900	-0.610		13.290
Clothing Reserves	0.564			0.564
POCA Equalisation Reserve	0.554			0.554
PCCA/Drugs Forfeiture Reserves	0.193			0.193
VMU Reserves	0.043			0.043
Operational Policing Reserve	2.584			2.584
Road Safety Reserves	1.438			1.438
PCC Strategic Investment reserve	0.114		0.565	0.679
Early Debt Repayment Reserve	-1.800			-1.800
Investment Fund	0	3.333		3.333
Total Earmarked Reserves	23.224	2.723	0.565	26.512
<u>GENERAL RESERVES</u>				
DFM	2.665			2.665
General Fund	9.873			9.873
Total General Reserves	12.538			12.538