



**Lancashire
Constabulary**

police and communities together

JOINT MANAGEMENT BOARD

ITEM 3 Decision: 2016/30	DATE: 15 November 2016
TITLE: Financial position as at 30 September 2016	
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 September 2016. 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 underspend of £4.095m,
- Approve the increase to the capital programme of £1.730m in respect of the following projects:
 - £0.039m - Online recruitment system
 - £1.503m - Average Speed Camera Installation
 - £0.188m - Digital Speed Camera Upgrade
- Approve the revised capital programme for 2016/17, reflecting the above additions and the slippage and underspending detailed in this report, of £24.595m broken down as follows:

	£m
ICT Strategy	9.497
Accommodation Strategy	7.429
Vehicle Replacement	3.100
Other Schemes	4.569
Total	24.595

- Note the forecast year-end position for revenue reserves

Signature Clive Anderson

Police and Crime Commissioner

Date 15th November 2016

*ICT strat
presubmit*

PART I

1. 2016/17 Monitoring Position – As at 30 September 2016

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 2016/17, and
- The impact of the position on the PCC's reserves

2. Revenue Budget

2.1 The budget for the Police and Crime Commissioner was set at £261.521m and, after taking account of the application of the planned use of balances by budget holders to the end of September 2016 (£0.023m), this has increased to £261.544m.

Based on the monitoring position at the end of September 2016, an underspend of £4.095m is currently forecast in 2016/17 as follows:

Forecast Year-end Position 2016/17 as at 30.9.16				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	
	£m	£m	£m	%
Constabulary:				
Staff costs	192.912	194.460	1.548	0.80
ACC Territorial Operations	8.982	8.500	-0.482	-5.37
ACC Specialist Operations	9.764	10.138	0.374	3.83
Director of Resources	15.127	14.395	-0.732	-4.84
Deputy Chief Constable	1.961	1.987	0.026	1.33
Sub Total	228.746	229.480	0.734	0.32
Office of the PCC	1.416	1.416	-	
Communications	0.105	0.105	-	
Crime and reoffending	0.625	0.625	-	
Community Safety	1.841	1.841	-	
Victims and Witnesses of Crime	1.740	1.740	-	
Grant income	-1.740	-1.740	-	
Sub Total	3.987	3.987	-	-
TOTAL DFM BUDGET	232.733	233.467	0.734	0.32
Non DFM				
Constabulary	19.926	16.397	-3.529	-17.71
Office of the PCC	8.885	7.585	-1.300	-14.63
TOTAL BUDGET	261.544	257.449	-4.095	-1.57

overturn

3. Delegated Revenue Budgets

Lancashire Constabulary DFM budget

- 3.1 The Constabulary have centralised the costs of staff within the revenue budget assigning overall control of staffing, and therefore its cost, to the constabulary's senior management team.

Responsibility for the remaining elements of discretionary spend on employees, such as overtime and travelling expenses, along with non-staff spending remains with Divisional budget holders and is reported as such in the table above.

At this stage in the year it is anticipated that there will be an overspend of £1.548m on centrally held staffing costs. This is offset by an underspend on the constabulary non-dfm budget which includes the budget retained for savings from turnover in staff.

There is a forecast underspend of £0.814m on divisionally held budgets which includes overtime and holiday pay costs for officers and staff along with non-staff costs.

Lancashire Constabulary Non-DFM budget

- 3.2 An underspend of £3.529m is forecast on Non-dfm budgets which relates, in the main, to the savings that are being realised on staffing budgets as a result of the turnover of staff and the ongoing review of non-staff budgets to enable recurring underspends to be removed from delegated budgets to deliver savings. Within the non-dfm budget, costs of £0.640m in respect of the implementation of the futures programme (including redundancy costs) are being met. As stated in paragraph 3.1 the underspend on non-dfm budget offsets the overspend in dfm budgets in respect of staffing costs and results in an overall underspend position for the constabulary of £2.8m.

Office of the Police and Crime Commissioner

- 3.3 It is anticipated that overall spending by the Office of the PCC will be in line with its annual DFM.

Office of the Police and Crime Commissioner Non-DFM budget

- 3.4 An underspend of £1.3m is forecast for the PCC Non-DFM budget in respect of capital financing costs. This is due to the level of borrowing required for the capital programme being lower than anticipated as a result of the significant re-phasing of the accommodation element of the programme in recent years. An element of this saving is expected to recur in future years, this has been reflected in the latest iteration of the financial outlook reported to JMB in October 2016.

4. Capital

- 4.1 The 2016/17 capital programme was set at £34.888m, the detail of which is set out in the table below:

	2016/17 capital programme
	£m
ICT Strategy	15.554
Accommodation Strategy	13.515
Vehicle Replacement	3.084
Other Schemes	2.735
Total	34.888

4.2 The monitoring position and forecast year end position as at 30 September 2016 is shown in the table below:

	2016/17 capital programme	Forecast Outturn	Slippage	(Under)/Over spend
	£m	£m	£m	£m
ICT Strategy	15.554	9.458	-4.242	-1.854
Accommodation Strategy	13.515	7.429	-6.147	0.061
Vehicle Replacement	3.084	3.100	-	0.016
Other Schemes	2.735	2.878	0.143	-
Total	34.888	22.865	-10.246	-1.777

A total of £10.246m 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.

4.3 The main areas of slippage are:

ICT Strategy

4.3.1 ANPR (£0.465m)

Phase 2 of the scheme is now in progress with final payments expected to fall into 2017/18 along with Phase 3 of the project.

4.3.2 Telephony system and infrastructure (£0.500m)

Tender requirements are being finalised with contract award expected to take place in 2017/18

4.3.3 Endpoint replacement programme (£0.250m)

It is anticipated that final delivery of orders will fall into 2017/18.

4.3.4 Mobile Handheld Smart Device Programme (£0.512m)

Spending on devices is being affected by the delay in the implementation of the national programme to replace the Airwave emergency services communication system

4.3.5 Emergency Services Network (£1.6m)

The national programme to replace the Emergency Services Communications Network (previously Airwave) has been delayed with earliest implementation now expected during 2017/18. Expenditure in the capital programme represents the costs to the constabulary of meeting the local costs of complying with the national programme

4.3.6 Integrated HR system (£0.277m)

The final stage payment of this programme will be made in 2017/18.

4.3.7 Sleuth replacement – CONNECT Crime and Intelligence system (£0.548m)

The final stage payments for this project will be made in 2017/18.

4.3.8 ARLS Telematics (£0.090m)

Tender requirements are being finalised and contract award is likely to be made early in 2017.

Accommodation Strategy (6.147m)

4.3.9 HQ facilities in West Division

The design phase is on track and the bulk of the budgeted expenditure will be confirmed once construction commences. The tender process for a large number of the works packages within the project is now under way with award expected early in 2017.

- 4.4 A number of under and over spends have also been identified in the forecast year end position for the capital programme.

ICT strategy

There are a number of schemes within the ICT strategy that have been reviewed and under and over spending identified as follows:

Project	£m
Voice and Data Infrastructure refresh	-0.120
ANPR	-0.140
CSP penetration testing	-0.117
Expansion of Wireless Capability	-0.111
Video conferencing	-0.111
ANPR – mobile	+0.140
Digital Engagement	-0.243
WAN & Encryption refresh and Network uplift	-0.226
SQL Licences	-0.065
Replacement Intranet / Digital Storage	-0.144
Contact management telephony / ICCS stability	-0.248
Endpoint replacement programme	-0.128

Accommodation strategy

4.4.1 Accrington Police Station (overspend £0.140m)

Costs relating to the ICT elements of the scheme including the communications mast have been greater than expected

4.4.2 Miscellaneous Minor Works (underspend £0.079m)

Other Schemes

4.4.3 HQ Ops Specialised Equipment Replacement (underspend £0.074m)
No further expenditure is expected on this scheme

4.5 During 2016/17 three additional schemes have also been identified to add to the capital programme in 2016/17 as follows:

4.5.1 Online recruitment system - £0.039m
The provision of an online e-recruitment system to be funded by a contribution from the Constabulary DFM reserve

4.5.2 Average Speed Camera Installation - £1.503m
Funded by the Lancashire Road Safety Partnership

4.5.3 Digital Speed Camera Upgrade - £0.188m
Funded by the Lancashire Road Safety Partnership

4.6 In order to reflect the latest forecast for 2016/17 and the identification of additional schemes in 2016/17 it is therefore recommended that the Commissioner approves the following changes to the capital programme:

4.6.1 That the capital programme for 2016/17 be revised to reflect the slippage of £10.246m and the net underspend of £1.777m identified in paragraph 4.2

4.6.2 That the capital programme for 2016/17 be increased for the three additional projects identified in Paragraph 4.5:

Project	£m
Online recruitment system	0.039
Average Speed Camera Installation	1.503
Digital Speed Camera Upgrade	0.188

4.7 If the Commissioner agrees to the recommended changes above this has the following impact on the 2016/17 capital programme:

	2016/17 Original programme	Slippage	Under / over spend	New schemes	2016/17 Revised programme
	£m	£m	£m	£m	£m
ICT Strategy	15.554	-4.242	-1.854	0.039	9.497
Accommodation Strategy	13.515	-6.147	0.061	-	7.429
Vehicle Replacement	3.084	-	0.016	-	3.100
Other Schemes	2.735	0.143	0	1.691	4.569
Total	34.888	-10.246	-1.777	1.730	24.595

It is recommended that the Commissioner approve the revised capital programme for 2016/17 at £24.595m.

5. Reserves

- 5.1 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.
- 5.2 The financial outlook for 2017/18 and beyond indicates that significant savings will be required with potentially more than £14m of further savings being required between 2017/18 and 2019/20. 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.
- 5.3 Based on the current forecast year-end financial position, earmarked reserves are anticipated to be £29.560m and general reserves £11.922m at 31 March 2017. A position on reserves is set out at Annex 1.
- 5.4 This position reflects:
 - 5.4.1 The transfer of the forecast revenue underspend of £4.095m in to the Transition Reserve,
 - 5.4.2 The approved contributions to reserves from the revenue budget of £1.684m to support the capital programme plus £1.6m to reflect the specific addition to the capital programme of the costs that will arise when the Emergency Services communication Network is replaced (expected in 2017/18),and
 - 5.4.3 Contributions to the financing of the capital programme of £7.417m from the capital financing reserve and £1.164m from the transition reserve.
- 5.5 This reserves position does not reflect any costs that may be incurred as a result of the futures programme including the costs of redundancy as these are met, in the first instance, within the Constabulary's delegated revenue budget. There remains the commitment from the Commissioner that any such costs that cannot be contained within the revenue budget will be met from reserves if required.

Reserves position as at 30 September 2016

	Position as at 1/4/16	Movement in 2016/17	Recommended Movements in 2016/17	Forecast y/e Position as at 30/9/16
	£m	£m	£m	£m
<u>EARMARKED RESERVES</u>				
Capital Funding Reserve	3.298	4.119	-7.417	-
Transition Reserve*	13.737	1.698	2.931	18.366
Clothing Reserves	0.655			0.655
POCA Equalisation Reserve	0.664			0.664
PCCA/Drugs Forfeiture Reserves	0.156			0.156
VMU Reserves	0.040			0.040
Operational Policing Reserve	2.584			2.584
Road Safety Reserves	3.155		-2.328	0.827
PCC Strategic Investment reserve	6.268			6.268
Total Earmarked Reserves	30.557	5.817	-4.626	29.560
<u>GENERAL RESERVES</u>				
DFM	2.111	-0.062		2.049
General Fund	9.873	-		9.873
Total General Reserves	11.984	-0.062	-	11.922

**Recommended movement in 16/17 includes expected drawdown of £1.164m for financing of the capital programme and the expected transfer of £4.095m from the Revenue Budget underspend.*

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 set out in 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.....	