



**Lancashire  
Constabulary**  
police and communities together

## JOINT MANAGEMENT BOARD

<b>ITEM : XX</b>	<b>DATE: 11 August 2016</b>
<b>TITLE: Financial position as at 30 June 2016</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 30 June 2016. 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 2016/17 as at 30 June 2016.
- Note the capital programme position for 2016/17
- Note the position for reserves

Signature

Police and Crime Commissioner

Date: 11 August 2016

## PART I

1. **2016/17 Monitoring Position – As at 30 June 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 future years, and
- The impact of the position on the PCC's reserves

2. **Revenue Budget**

2.1 The 2016/17 revenue budget for the Police and Crime Commissioner was set at £261.521m in February 2016.

The 2016/17 revenue budget is allocated as follows:

<b>Responsibility Area</b>	<b>Budget £m</b>
Constabulary:	
Staff costs	192.784
ACC Territorial Operations	9.015
ACC Specialist Operations	9.640
Director of Resources	15.002
Deputy Chief Constable	1.897
<b>Sub Total</b>	<b>228.338</b>
Office of the PCC	1.316
Communications	0.105
Crime and reoffending	0.625
Community Safety	1.941
Victims and Witnesses of Crime	1.740
Grant income	(1.740)
<b>Sub Total</b>	<b>3.987</b>
<b>TOTAL DFM BUDGET</b>	<b>232.325</b>
<b>Non DFM</b>	
Constabulary	20.311
Office of the PCC	8.885
<b>TOTAL BUDGET</b>	<b>261.521</b>

At this early stage in the financial year a firm forecast of a year-end position is unrealistic however both the Constabulary and the Office of the PCC expect to deliver an underspend on their respective revenue budgets at the year end.

The main reasons for the expected underspend are:

Constabulary

- Savings on staff costs due to turnover in police officer and police staff posts

- a process of zero based budget analysis alongside a reduction to allocations in respect of inflation that will reduce non-staff spending

#### OPCC

- an underspend on the capital financing budget is anticipated due to the low cost of borrowing and the potential delay in taking new borrowing for the new HQ at West capital project.

This early forecast position is reliant on there being no unexpected additional cost pressures arising during the year.

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

	<b>2016/17 capital programme</b>
	<b>£m</b>
ICT Strategy	15.555
Accommodation Strategy	13.514
Vehicle Replacement	4.426
Other Schemes	1.393
<b>Total</b>	<b>34.888</b>

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

#### ICT Strategy

- Voice and data infrastructure refresh (budget £1.930m)  
The project plan and budget breakdown for this project are being finalised currently with some expenditure expected to slip in to 2017/18
- Expansion of wireless capacity (budget £0.141m)  
A proof of concept exercise has taken place and following the outcome of this exercise the project will then be undertaken. It is anticipated that the project will not be completed in 2016/17
- Telephony system and infrastructure (budget £0.949m)  
Specification is being finalised prior to tender invitation being issued. It is expected that the contract will be awarded early in 2017 with the majority of project spend occurring in 2017/18.
- Digital engagement (budget £0.262m)

Project requirements are being finalised prior to commencement of the programme which is unlikely to be completed in 2016/17.

- Replacement intranet/ Digital storage (budget £0.622m)  
The specification for this project is currently being finalised with contract award expected later this financial year. It is therefore expected that some spending will now occur in 2017/18.
- Mobile handheld smart device programme (budget £0.998m)  
Some spending on devices is likely to slip in to 2017/18 as it is dependent upon the scheme to replace the Airwave communications system which is on-going.

#### Accommodation Strategy

- HQ facilities at West division (budget £11.838m)  
Final design is expected to be completed in September following which construction will begin, there remains a risk that the budget for 2016/17 will not be spent in full in-year and will slip into 2017/18.

#### **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 2016/17 and beyond indicates that significant savings will be required with potentially more than £15m 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.
- 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 2016/17 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 current position in respect of the Commissioner's reserves is set out in Annex 1. This position reflects the following:
  - The contribution of £3.298m from the capital investment reserve in to the capital investment programme
  - The budgeted contribution to the transition reserve of £1.698m contained within the Commissioner's 2016/17 revenue budget
  - A contribution of £5.597m from the transition reserve into the capital investment programme in 2016/17
  - A contribution of £0.637m from the road safety reserve into the capital investment programme in 2016/17.

4.5 This position does not reflect any costs that may be incurred as a result of redundancies arising during 2016/17. Any costs that do arise will be met from the transition reserve in line with the Commissioner's reserves strategy

## Reserves position as at 30 June 2016

	Position as at 1/4/16	Planned movement in 2016/17	Forecast y/e Position as at 30/6/16
	£m	£m	£m
<b><u>EARMARKED RESERVES</u></b>			
Capital Funding Reserve	3.298	-3.298	-
Transition Reserve	13.737	-3.899	9.838
PCC Strategic Investment reserve	6.268		6.268
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	-0.637	2.518
<b>Total Earmarked Reserves</b>	<b>30.557</b>	<b>-7.834</b>	<b>22.723</b>
<b><u>GENERAL RESERVES</u></b>			
DFM	2.111		2.111
General Fund	9.873		9.873
<b>Total General Reserves</b>	<b>11.984</b>		<b>11.984</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>	
<b>Director to the Office of the Police and Crime Commissioner (Monitoring Officer)</b>  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.....	