



DECISION : 2020/23	DATE: 16 NOVEMBER 2020
TITLE: Financial position as at 30 September 2020	
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 2020. 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 30 September 2020.
- Agree to meet any overspend at year-end on the revenue budget resulting from 'futures implementation costs' from the Transition Reserve.
- Agree to the increases in the capital programme as follows:
 - £0.048m Radios
 - £0.033m Body Worn Video
 - £0.071m Handsets
 - £0.044m Accommodation works
 - £0.141m Neighbourhood vehicles
 - £0.025m Vehicle for facilities management
 - £0.025m Vehicle for Drone team
 - £0.032m Specialist equipment – analytical instruments
- Agree to a revised capital programme for 2020/21 of £28.587m
- Note the position for reserves

Signature

Police and Crime Commissioner

Date: 20 November 2020

PART I

1. **2020/21 Monitoring Position – As at 30 September 2020**

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 2020/21,
- An indication of potential cost pressures and savings in 2020/21
- The capital programme for 2020/21 and future years, and
- The position on the PCC's reserves

2. **Revenue Budget**

2.1 The 2020/21 revenue budget for the Police and Crime Commissioner was set at £302.192m in February 2020.

The forecast year-end position for the 2020/21 revenue budget as at 30 September 2020 is:

	Budget	Forecast	Variance	
	£m	£m	£m	%
Constabulary:				
Staff costs	235.821	235.860	0.039	0.02
ACC Territorial Operations	11.451	12.743	1.292	11.28
ACC Specialist Operations	3.206	3.689	0.483	15.07
Deputy Chief Constable	1.296	1.715	0.419	32.33
Director of Resources	24.826	25.312	0.486	1.96
Sub Total	276.600	279.319	2.719	0.98
Office of the PCC	1.284	1.284	-	-
Communications	0.120	0.120	-	-
Reducing Crime and Reoffending	0.708	0.708	-	-
Community Safety	0.669	0.669	-	-
Victim and Domestic Abuse services	0.593	0.593	-	-
Sub Total	3.374	3.374	-	-
TOTAL DFM BUDGET	279.974	282.693	2.719	0.97
Non DFM				
Constabulary	19.183	22.548	3.365	17.54
Office of the PCC	3.035	3.035	-	-
TOTAL BUDGET	302.192	308.276	6.084	2.01

2.2 The **Constabulary** forecast year-end position is an **overspend of £6.084m**. The main elements of this are:

	Year-end Forecast
	£m
Covid related expenditure on staff time, protective and other equipment	2.581
Loss of income due to Covid	0.661
Operation Bermuda	0.900

Operation Colindale	0.430
Futures implementation costs	0.371
Overtime	0.697
Non-staff costs	0.444
	6.084

- 2.3 There are a number of mitigating elements identified that offset a significant proportion of this overspend including grant funding from the government and savings identified within the constabulary budget including:

	Year-end Forecast
	£m
Grant funding from Government for Covid	-3.264
Reduced number of Ill-health retirements	-0.350
Savings from vacancy freeze	-0.400
Reduced cost of employer pension contributions	-1.200
	-5.214

- 2.4 Once the mitigating elements have been taken into account an **overspend of £0.870m remains**. This includes 'futures implementation costs' of £0.371m (costs of redundancies and change associated with the reorganisation of the constabulary). These costs are contained within the revenue budget when possible. If these costs cannot be contained in this way, *the Commissioner is recommended to agree to the transfer of funding from the 'Transition Reserve' to meet any pressure these costs place on the revenue budget.*
- 2.5 If the futures implementation costs of £0.371m are met from the Transition reserve the forecast year-end **overspend position is brought down to £0.499m**. The constabulary will continue to develop further savings options to reduce the overspend position by the end of the financial year.
- 2.6 At this stage, it is anticipated that the OPCC will spend in line with the budget.

3. Capital

- 3.1 The revised 2020/21 capital programme, approved by the PCC when agreeing the monitoring position as at 30 June 2020, is £46.860m,
- 3.2 In the period 1 July 2020 to 30 September 2020 further capital requirements (and associated funding) have been identified as follows:
- **£0.048m** Radios
 - **£0.033m** Body Worn Video
 - **£0.071m** Handsets
 - **£0.044m** Accommodation works
 - **£0.141m** Neighbourhood vehicles
These additions are funded through the government grant provided for the officer uplift programme
 - **£0.025m** Vehicle for facilities management
Funded by a revenue contribution
 - **£0.025m** Vehicle for Drone team
Funded by a revenue contribution

- **£0.032m** Specialist equipment – analytical instruments
Funded by a revenue contribution

3.3 The Commissioner is **recommended to approve the additions to the capital programme for 2020/21 as set out in 3.2** increasing the programme to £47.279m.

3.4 The additions to the programme shown in 3.2 give a revised capital programme for 2020/21 as follows:

	2020/21 Revised capital programme
	£m
ICT Strategy	5.917
Accommodation Strategy	34.051
Other Schemes	2.938
Vehicle Replacement	4.373
Total	47.279

3.5 At 30 September 2020 the forecast expenditure on the capital programme for 2020/21 is:

	Revised capital programme	Forecast spend	Variance
	£m	£m	£m
ICT Strategy	5.917	5.946	0.028
Accommodation Strategy	34.051	15.771	(18.280)
Other Schemes	2.938	2.685	(0.253)
Vehicle Replacement	4.373	4.185	(0.187)
Total	47.279	28.587	(18.692)

3.6 The projected variance is made up of slippage into future years of £13.868m and underspending of £4.824m.

3.7 The main items of **slippage** are:

£2.4m Critical Policing Infrastructure Programme (CPIP)

Ongoing design works are underway and subsequent decision making process will push spending on the programme into 2021/22 and future years

£0.653m Skelmersdale refurbishment

A number of issues have been encountered on site, including the identification for concrete treatment and the replacement of the electricals in the custody suite. These issues have caused unavoidable delays whilst the impact assessments were completed. The reported slippage represents the purchase of furniture, fittings and equipment and final stage payments and retention payments to the

contractors, which will now not be made until the next financial year. The work package for the replacement of the annex is currently being finalised and it is anticipated that there will be further slippage on this scheme.

£4.350m Greenbank

An 'East feasibility study' is to be commissioned to review the current provision of accommodation in the division as a whole. Some remedial work will be carried out in year but the main works will be on hold pending the outcome of the study.

£5.681m Pendle briefing base

The formal decision regarding planning permission is awaited at the time of writing this report which has delayed the anticipated programme of works. It is likely that only the purchase of the land will be incurred in 20/21 and works will not commence until 2021/22.

£0.187m Vehicle renewal programme

The impact of Covid could mean delayed delivery of vehicles causing slippage into future years.

3.8 The main items of **underspending** are:

£3.5m Public Order facility

This scheme will now not progress as originally planned and will be included in the overall Critical Policing Infrastructure Programme (CPIP) in future years.

£1.15m Refurbishment of operating bases (Clitheroe)

This scheme is on hold pending the 'East feasibility study'.

3.9 The Commissioner is **recommended to agree to a revised capital programme for 2020/21 of £28.587m** reflecting the slippage and underspending identified above.

3.10 This will give a revised capital programme for 2020/21 as follows:

	Revised capital programme
	£m
ICT Strategy	5.946
Accommodation Strategy	15.771
Other Schemes	2.685
Vehicle Replacement	4.185
Total	28.587

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 2021/22 and beyond indicates that significant savings will be required with potentially more than £25m of further savings being required by 2023/24. 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 2020/21 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 opening position for 2020/21 in respect of the Commissioner's reserves is set out in Annex 1. The PCC will review his reserves strategy for 2021/22 and future years during 2020/21.

Reserves position as at 30 September 2020

	Position as at 1/4/20 £m	Forecast application in 2020/21 £m	Forecast position at 31/3/21 £m
<u>EARMARKED RESERVES</u>			
Transition Reserve	7.149	-6.300	0.849
Clothing Reserves	0.301	-	0.301
POCA Equalisation Reserve	0.547	-	0.547
PCCA/Drugs Forfeiture Reserves	0.372	-	0.372
VMU Reserves	0.040	-	0.040
Operational Policing Reserve	1.691	-	1.691
Forensic collaboration reserve	0.222	-0.222	0
Well-being reserve	0.017	-	0.017
Road Safety Reserves	2.163	-	2.163
Total Earmarked Reserves	12.502	-6.522	5.980
Total General Reserves	10.066	-	10.066

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.

Officer declaration	Date
LEGAL IMPLICATIONS – As above	
FINANCIAL IMPLICATIONS – As above	 25.11.2020
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 25 November 2020	