



## RECOMMENDATION REPORT

<b>DECISION: 2023/41</b>	<b>DATE: 28 FEBRUARY 2024</b>
<b>TITLE: FINANCIAL POSITION AS AT 31 DECEMBER 2023</b>	
<b>REPORT BY: STEVE FREEMAN</b>	
<p><b>Executive Summary</b></p> <p>This report sets out the monitoring position for the 2023/24 revenue and capital budget at 31 December 2023.</p>	
<p><b>Recommendations</b></p> <p>The Police and Crime Commissioner is recommended to:</p> <ul style="list-style-type: none"> <li>• Note the position on the Police and Crime Commissioner's Revenue budget.</li> <li>• Approve an increase to the capital programme of £0.500m as set out in the report</li> <li>• Approve a revised capital investment programme in 2023/24 of £30.381m</li> <li>• Note the position for the capital programme</li> <li>• Note the position on reserves</li> </ul>	

## 1. Background and Advice

### 1.1. Overview

The Commissioner receives regular reports setting out the latest position on income and expenditure and forecast outturn position for the revenue and capital budget. This report sets out the latest position including:

- The position for the PCC's revenue budget for 2023/24,
- The capital programme for 2023/24 and future years, and
- The position on reserves

### 1.2. Revenue Budget 2023/24

The forecast year-end revenue budget position at 31 December 2023 is:

	Budget £m	Forecast £m	Variance £m %	
<b>Chief Constable:</b>				
Pay costs	283.4	283.6	0.2	0.1
ACC Territorial Operations	7.7	8.4	0.7	8.7
ACC Crime	3.4	4.1	0.7	20.37
ACC Specialist Uniform Operations	4.9	4.6	0.7	14.2
Chief Operating Officer	32.7	32.3	-0.5	-1.4
Deputy Chief Constable	1.4	1.5	0.1	7.1
Sub total	333.5	335.5	1.9	2.0
Non-DFM budget	9.4	7.3	-2.1	-21.9
<b>Total Constabulary Budget</b>	<b>342.9</b>	<b>342.9</b>	<b>0</b>	<b>-</b>
<b>PCC:</b>				
Office of the PCC	1.6	1.6	-	-
Communications	0.1	0.1	-	-
Fighting Crime	0.7	0.9	0.2	28.6
Victim and Domestic Abuse services	0.6	0.6	-	-
Sub total	3.0	3.2	0.2	6.7
Non-DFM	9.9	9.7	-0.2	-2.9
<b>Total PCC</b>	<b>12.9</b>	<b>12.9</b>	<b>-</b>	<b>-</b>
<b>TOTAL BUDGET</b>	<b>355.9</b>	<b>355.9</b>	<b>-</b>	<b>-</b>

### 1.3. Forecast budget position

Whilst the forecast is for there to be a 'break-even' position for the revenue budget in 2023/24 there are a number of under and over-spends included in the forecast.

The main elements of forecast under and overspending on the revenue budget are:

	£m
Centralised pay costs	0.2
Overtime & allowances	1.5
Other costs	0.7
Pay award grant	-1.8
Overtime contingency reserve	-0.4
Airwave refund	-0.2
<b>Forecast variance</b>	<b>0</b>

#### 1.4. Delivery of savings

In order to deliver a balanced budget in 2023/24 savings of £5.722m must be delivered.

These planned savings are on track to be delivered in 2023/24. Within the savings plan there are a small number of low-level savings that cannot be made as previously expected, however alternatives have been identified to ensure the total amount required is delivered.

#### 1.5. Capital Programme 2023/24

The **revised capital programme for 2023/24** was approved at **£29.881m** in the quarter 2 monitoring report to the Commissioner.

Changes to the capital programme have subsequently been identified, the addition of £0.5m for the purchase of in car dashcam funded through NDORS income contribution and the transfer of budget of £0.054m from the vehicle replacement programme into the IT programme for telematics.

The Commissioner is ***recommended to approve an increase to the capital programme of £0.500m*** relating to these capital projects.

#### 1.6. Monitoring position on the 2023/24 capital programme

At 31 December 2023 the projected year-end spend on capital is £27.891m representing 91.8% of the programme:

	Programme	Projected Spend	
	£m	£m	%
ICT	7.764	7.462	99.6
Estate	15.533	13.351	51.6
Vehicle Replacement Programme	6.011	6.011	100.0
Other schemes	1.073	1.067	58.7
<b>Total</b>	<b>30.381</b>	<b>27.891</b>	<b>91.8</b>

The main elements of the spend summarised above are:

##### I.C.T.

- £1.279m Network Access and Security
- £1.779m Device upgrade and replacement
- £4.405m System replacement

## Estate

- £2.516m Critical Policing Infrastructure Programme (CPIP)
- £4.823m Chorley Police Station
- £1.651m Pendle Police Station
- £1.379m Minor works programme

Some projects are forecast to 'slip' expenditure (in whole or in part) into future years. The main areas of forecast slippage are:

Scheme	£m
CPIP	0.547
Works at HQ	0.550
Police Station programme	0.306
New and replacement IT systems	0.294
<b>Total slippage</b>	<b>1.697</b>

The slippage above will be reflected in future years' programmes.

Some schemes are forecast to underspend in 2023/24, this will also be reflected in future years' programmes.

Scheme	£m
ICT systems replacement	0.014
Stores accommodation	0.500
Minor accommodation works	0.275
<b>Total underspend</b>	<b>0.789</b>

It is ***recommended that the Commissioner note the forecast position for the capital programme in 2023/24.***

## **1.7. Reserves**

The current position on reserves is:

	<b>Position 1/4/23 £m</b>	<b>Movement in 2023/24 £m</b>	<b>Position 31/12/23 £m</b>
<b><u>EARMARKED RESERVES</u></b>			
Capital Financing Reserve	0.101	0.037	0.138
Employee/Public liability reserve	0.685	0	0.685
LCTS Reserve	2.356	0	2.356
Transition Reserve	1.927	0	1.927
Clothing Reserve	0.786	-0.067	0.719
POCA Equalisation Reserve	0.702	0	0.702
PCCA/Drugs Forfeiture Reserve	0.389	0.062	0.451
VMU Reserve	0.008	0	0.008
Operational Policing Reserve	1.691	0	1.691
Forensic collaboration reserve	0.084	0.020	0.104
LFSA operational reserve	0.202	0.022	0.224
Regional Collaboration – Titan	0.040	0	0.040
Regional Drugs Forensics collaboration	0.120	0	0.120
NDORS course reserve	0.922	-0.075	0.847
Road Safety investment reserve	1.548	-0.052	1.496
<b>Total Earmarked Reserves</b>	<b>11.561</b>	<b>-0.053</b>	<b>11.508</b>

## **GENERAL RESERVES**

DFM	9.267	-0.939	8.328
General Fund	9.382	0	9.382
<b>Total General Reserves</b>	<b>18.649</b>	<b>-3.949</b>	<b>17.710</b>

### Adequacy of Reserves

General reserves (DFM and general fund) are £17.710m and represent 5% of the 2023/24 budget of £355.9m. Other earmarked reserves total £11.5m including £4.3m held in reserves that provide investment for the PCC's capital programme in 2023/24 and future years.

The PCC's Chief Finance Officer believes that the level of reserves remains appropriate and in particular, the level of general reserves is considered sufficient to meet any unexpected or unusual financial issues during the financial year 2023/24 (In line with the PCC's published [Reserves Strategy](#)).

### **1.8. Future risks and opportunities**

The PCC, in conjunction with the CC, maintains a [multi-year financial strategy](#) to deliver efficient and effective financial management for the organisation. The provision of the three-year financial settlement in 2022/23 has assisted with medium-term financial planning however recent economic conditions have increased the level of uncertainty for future cost pressures.

The longer-term financial position is reviewed regularly based on best estimates of the likely level of cost pressures, grant income and council tax receipts. Based on this environment a 'funding gap' of nearly £17m has been identified to 2026/27. This will require a significant level of further savings being made by the PCC and Chief Constable and will impact directly on the shape of future services.

The Constabulary has an on-going business planning programme that will work to develop proposals for how the further savings can be achieved.

The PCC and the Constabulary have a proven track record, as recognised by both HMIC and external audit reports, in their ability to identify and deliver financial savings and it is anticipated that this will continue. However, as the economic position continues to be challenging, it will be increasingly difficult to find savings on the scale required.

#### ***Specific Risks*** include:

##### Inflation and pay award

- The rate of inflation has fallen in recent months and current forecasts expect the rate to fall further in the coming months. The rate at which inflation will reduce is still uncertain and is different for different types of expenditure. In particular the cost of insurance is increasing at a rate that is significantly higher than general inflation and this cost in particular will be closely monitored as part of the continuing financial planning process in preparation for setting the 2024/25 budget.
- The pay award for policing in September 2023 is a significant increase of 7%. The government has provided grant funding to support PCCs in meeting the cost pressure this represents. Forecasts of the pay award in future years remain uncertain as they will be affected by the current rate of inflation.

- Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

#### Maintaining the Police Uplift

- The uplift programme has a direct impact on how the budget is managed.
- The government has been clear that failure to deliver and maintain the uplift allocation would mean a reduction in funding.
- This affects how savings can be delivered by the organisation as police officer pay represents around 58% of the total budget for the organisation.
- A risk has been identified nationally that this could lead to staff being made redundant and police officers filling staff roles to meet savings targets whilst maintain the uplift number of officers.
- This doesn't represent the best use of resources or maximise value for money.

#### Delivering the capital programme

- The Commissioner has agreed an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning.
- There is a risk that both internal and external factors could delay the delivery of projects which will in turn impact upon the budget position and future years of the programme.

#### Future government funding

- Recent announcements by both the Prime Minister and Chancellor have indicated that firm control over government spending in future years is necessary.
- There is therefore significant risk in any assumption on government funding in future years that will, undoubtedly, be subject to significant pressure.
- It is considered appropriate however, to assume a small increase in government funding in future years and the MTFs assumes a 1% increase in such funding each year beyond 2024/25. There is clearly a risk that this may not be realised.

#### Additional government funding

- The three-year funding announcement made by the Minister of Policing in December 2021, and the financial settlements subsequently provided, gives greater certainty to inform financial planning over the spending review period.
- There continues to be a significant amount of additional funding for a number of areas including for Serious Violence, Violence Against Women and Girls and for Victims of Domestic and Sexual Abuse over the three-year funding period. Access to such funding requires a process of bidding that can be done against extremely short timescales. Successful bids can then require spending to be completed in a short space of time which can put pressure on resources and decision making.
- The amount of funding for these area remains uncertain at this time and will be announced in the coming months.

#### Emergency Services Network (ESN) - Replacement of Airwave

- The emergency services communications network 'Airwave' replacement programme has already 'slipped' by several years. There is a financial consequence of a delay in moving over to the new system that is not yet clear.

- There is also a capital requirement for the equipment that will be required to operate on the new system that will impact upon future years' capital investment programme.
- The financial impact of these is not yet fully known with estimated provision included in the draft capital programme based on best available information. When further information is received from the Home Office the financial forecast will be updated

#### Impact of the Police Pensions Remedy

- The Government introduced changes to public sector pensions and introduced revised pension arrangements for Police Officers in 2015. As part of the implementation a series of protection measures were put in place to protect those officers within 10 years of their normal retirement date.
- This policy was successfully challenged in the Courts and was found to be discriminatory on the basis of age. The Government has recently announced its proposals to remedy the discrimination. Whilst these proposals will take some time before they are in place, initial indications are that the cost of administering the remediation will be an additional cost on police forces and the ultimate cost of the remedy may require an increase in employer contributions of 10%.
- This will form detailed discussion with the Government and the extent to which sufficient funding is made available will be a key element of the discussion.

### **1.9. Conclusion**

The overall financial health of the Police and Crime Commissioner's budget remains strong. The PCC and the Constabulary have been able to demonstrate:

- Strong financial control through service redesign reviews that has led to significant savings and reprioritised investment.
- Strong delivery arrangements through achieving the delivery of savings early and ensuring funding is available to support the costs of downsizing the organisation in future years.
- Flexibility in ensuring resources are targeted to priority areas and that high-level service delivery is achieved.

All of these are characteristic of organisations with well-managed finances. These together with a strong balance sheet that has resources set aside to mitigate against identified risks, as well as risks that may emerge during a year, place the Commissioner in a strong position to manage the significant financial challenges in the years(s) ahead.

**2. Links to the Police and Crime Plan**

Effective management of the revenue budget in conjunction with strong medium-term financial planning including for investment in futures years is vital to enable the PCC to deliver the Police and Crime Plan

**3. Consultations**

None

**4. Implications:**

**a. Legal**

None

**b. Financial**

The financial implications are contained within the report

**c. Equality Impact Assessment**

None

**d. Data Protection Impact Assessment**

None

**5 Risk Management**

N/A

**6. Background Papers**

N/A

**7. Public access to information**

N/A



<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>Author</b></p> <p>Signature _____ Date 30/1/2024</p>	
<p><b>Sponsor</b></p> <p>I have read the above report and confirm this is factually correct.</p> <p>Signature _____ Date 30/1/2024</p>	
<p><b>Chief Finance Officer to the Office of the Police and Crime Commissioner</b></p> <p>I have read the above report and have considered the financial implications. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.</p> <p>Signature _____ Date 30/1/2024</p>	
<p><b>Chief Executive 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>	

**Contact:** Steve Freeman, Chief Finance Officer  
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## Capital Programme 2023/24

Cost Centre	Revised Programme £	Committed Expenditure £	% of budget committed to date	Budget Remaining	Projection	Slippage	(Underspend)/Overspend
<b>NETWORK ACCESS AND SECURITY</b>							
4518200 General Provision for Infrastructure and Security	1,025,000	445,000	43.4%	580,000	1,025,000	0	0
4518218 Telephony System & Infrastructure	24,000	14,000	57.4%	10,000	24,000	0	0
4518233 Network Improvements	212,000	188,000	88.7%	24,000	212,000	0	0
4518235 High Capacity Microwave Link	17,000	18,000	101.5%	0	18,000	0	0
<b>TOTAL NETWORK ACCESS AND SECURITY</b>	<b>1,279,000</b>	<b>665,000</b>	<b>52.0%</b>	<b>614,000</b>	<b>1,279,000</b>	<b>0</b>	<b>0</b>
<b>DEVICE UPGRADE AND REPLACEMENT</b>							
4518001 Endpoint Replacement Programme	949,000	913,000	96.2%	36,000	949,000	0	0
4518019 Mobile Handheld Smart Device Programme	830,000	812,000	97.8%	18,000	830,000	0	0
<b>TOTAL DEVICE UPGRADE AND REPLACEMENT</b>	<b>1,779,000</b>	<b>1,725,000</b>	<b>97.0%</b>	<b>54,000</b>	<b>1,779,000</b>	<b>0</b>	<b>0</b>
<b>NEW AND REPLACEMENT SYSTEMS</b>							
4518020 Connect & Future Developments	132,000	(17,000)	-13.0%	149,000	132,000	0	0
4518022 Telematics	66,000	51,000	76.4%	16,000	51,000	0	(16,000)
4518024 CCTV Custody Sewer Refresh	66,000	66,000	99.7%	0	66,000	0	0
4518025 Door Entry Alarms/Proximity/CCTV	41,000	41,000	100.0%	0	41,000	0	0
4518039 Learning Management System	55,000	56,000	100.5%	0	56,000	0	0
4518048 Future Developments (COTS)	12,000	0	0.0%	12,000	12,000	0	0
4518049 Digital Evidence Management & Transfer	10,000	0	0.4%	10,000	0	(10,000)	0
4518050 Office 365 Migration	14,000	14,000	101.4%	0	14,000	0	0
4518053 WiFi Rollout	20,000	15,000	73.1%	5,000	20,000	0	0
4518055 Centralised Access System	80,000	80,000	99.7%	0	80,000	0	0
4518057 DMIU Storage Uplift	250,000	18,000	7.4%	232,000	250,000	0	0
4518058 ESN Airwave Replacement	28,000	4,000	15.7%	24,000	28,000	0	0
4518060 Process Automation (RPA)	200,000	201,000	-	(1,000)	201,000	0	1,000
4518061 Pronto Development	251,000	0	0.0%	251,000	251,000	0	0
4518062 Replacement Vetting System	14,000	0	0.0%	14,000	14,000	0	0
4518063 Force Video Conferencing Capability	7,000	6,000	79.2%	1,000	7,000	0	0
4518064 Facilities Mgt Case Management System	150,000	143,000	95.5%	7,000	150,000	0	0
4518067 Oracle ERP System	115,000	70,000	60.2%	46,000	115,000	0	0
4518068 In Car Dashcam (WatchGuard)	733,000	456,000	62.2%	277,000	456,000	(277,000)	0
4518069 Single Online Home (SOH)	12,000	0	3.3%	11,000	12,000	0	0
4518072 Cloud BI Migration - Data Analytics	125,000	0	0.0%	125,000	125,000	0	0
4518074 Storm Database Audit & Archiving (Steria)	47,000	36,000	77.5%	11,000	47,000	0	0
4518076 NLEDS	187,000	21,000	11.1%	167,000	187,000	0	0
4518077 FCR Queue Buster	84,000	84,000	100.0%	0	84,000	0	0
4518078 DR, Resilience and Business Continuity	100,000	40,000	40.4%	60,000	100,000	0	0
4518079 DCS Resilience	80,000	70,000	88.1%	10,000	80,000	0	0
4518080 Data Quality	90,000	0	0.0%	90,000	90,000	0	0
4518081 HR Lewis Rationalisation & OLEEO	78,000	0	0.0%	78,000	78,000	0	0
4518082 Fleet Management Tool (Tranman Replacement)	155,000	98,000	63.7%	56,000	155,000	0	0
4518083 Route to Live	100,000	0	0.0%	100,000	100,000	0	0
4518085 ICT Consultants	1,199,000	888,000	74.0%	311,000	1,199,000	0	0
4518227 ICCS Upgrade (ESN)	206,000	53,000	25.6%	153,000	206,000	0	0
<b>TOTAL SYSTEMS REPLACEMENT</b>	<b>4,707,000</b>	<b>2,493,000</b>	<b>53.0%</b>	<b>2,213,000</b>	<b>4,405,000</b>	<b>(287,000)</b>	<b>(15,000)</b>
<b>SUB TOTAL - IT STRATEGY</b>	<b>7,764,000</b>	<b>4,883,000</b>	<b>62.9%</b>	<b>2,881,000</b>	<b>7,462,000</b>	<b>(287,000)</b>	<b>(14,000)</b>

Cost Centre	Revised Programme £	Committed Expenditure £	% of budget committed to date	Budget Remaining	Projection	Slippage	(Underspend)/O verspend
<b>ACCOMMODATION STRATEGY</b>							
4540010 Main Building (Rear) Fire Safety Works	200,000	0	0.0%	200,000	200,000	0	0
4540442 Mounted Branch / Dog School Site Security Works	750,000	0	0.0%	750,000	375,000	(375,000)	0
4540443 Mounted Branch - Drainage Works and Refurbishment	100,000	0	0.0%	100,000	100,000	0	0
4540454 Moor Farm / Moor Farm House Roof Replacement	265,000	6,000	2.1%	260,000	60,000	(205,000)	0
4540490 HQ CPIP	3,023,000	2,016,000	66.7%	1,007,000	2,516,000	(507,000)	0
4540507 West DHQ General - Solar Panels	500,000	30,000	6.1%	470,000	500,000	0	0
4540508 Blackpool Police Station Windows and Drainage Upgrades	250,000	0	0.0%	250,000	250,000	0	0
4540653 Refurbishment of Operating Bases - Fleetwood	200,000	0	0.0%	200,000	200,000	0	0
4540881 Ormskirk Police Station Refurbishment	30,000	6,000	19.3%	24,000	30,000	0	0
4540904 Skelmersdale Refurbishment	62,000	29,000	46.8%	33,000	62,000	0	0
4540930 New Chorley DHQ	4,823,000	3,567,000	74.0%	1,256,000	4,823,000	0	0
4541009 Preston Police Station	325,000	0	0.0%	325,000	0	(325,000)	0
4541106 Blackburn DHQ Adaptations	350,000	3,000	0.9%	347,000	389,000	39,000	0
4541153 Darwen Police Station	10,000	0	0.0%	10,000	0	(10,000)	0
4541181 Longridge Police Station	10,000	0	0.0%	10,000	0	(10,000)	0
4541420 Pendle Police Station	1,651,000	1,429,000	86.5%	222,000	1,651,000	0	0
4541430 Burnley Police Station Replacement	250,000	0	0.0%	250,000	250,000	0	0
4541961 12 Lindle Avenue Refurbishment	19,000	9,000	47.4%	10,000	9,000	(10,000)	0
4542480 Accrington Grange Lane - ERP New East Lancs ERP	500,000	0	0.0%	500,000	0	0	(500,000)
4542992 Bamber Bridge ISO Accreditation	58,000	57,000	98.5%	1,000	58,000	0	0
4548316 Estates Enabling Posts	500,000	9,000	1.8%	491,000	500,000	0	0
<b>TOTAL ACCOMMODATION STRATEGY</b>	<b>13,876,000</b>	<b>7,160,000</b>	<b>51.6%</b>	<b>6,715,000</b>	<b>11,972,000</b>	<b>(1,403,000)</b>	<b>(500,000)</b>
<b>TOTAL MINOR CAPITAL WORKS AND REFURBISHMENTS</b>	<b>1,654,000</b>	<b>525,000</b>	<b>31.7%</b>	<b>1,129,000</b>	<b>1,379,000</b>	<b>0</b>	<b>(275,000)</b>
<b>SUB TOTAL - ACCOMMODATION STRATEGY</b>	<b>15,529,000</b>	<b>7,685,000</b>	<b>49.5%</b>	<b>7,844,000</b>	<b>13,351,000</b>	<b>(1,403,000)</b>	<b>(775,000)</b>
<b>OTHER CAPITAL SCHEMES</b>							
4518042 Replacement External CCTV	138,000	135,000	97.3%	4,000	138,000	0	0
4518205 ANPR	214,000	106,000	49.8%	107,000	207,000	(7,000)	0
4518221 ANPR - Mobile	69,000	32,000	46.1%	37,000	69,000	0	0
4538456 HQ Crime Specialised Equipment Replacement	207,000	(9,000)	-4.4%	216,000	207,000	0	0
4538461 HQ Ops Specialised Equipment Replacement P	268,000	1,000	0.5%	267,000	268,000	0	0
4538468 Force Control Room Upgrade - POD working	23,000	23,000	0.0%	0	23,000	0	0
4538469 Taser Uplift	26,000	0	0.0%	26,000	26,000	0	0
4538471 Regional Drugs Facility - Capital	7,000	0	0.0%	7,000	7,000	0	0
4538472 Regional Crime TSU Contribution	121,000	90,000	74.6%	31,000	121,000	0	0
<b>SUB TOTAL - OTHER CAPITAL SCHEMES</b>	<b>1,073,000</b>	<b>378,000</b>	<b>35.2%</b>	<b>695,000</b>	<b>1,067,000</b>	<b>(7,000)</b>	<b>0</b>
<b>VEHICLE REPLACEMENT PROGRAMME</b>							
4528400 Vehicle Rep Programme	6,011,000	5,935,000	98.7%	76,000	6,011,000	0	0
<b>SUB TOTAL - VEHICLE REPLACEMENT PROGRAMME</b>	<b>6,011,000</b>	<b>5,935,000</b>	<b>98.7%</b>	<b>76,000</b>	<b>6,011,000</b>	<b>0</b>	<b>0</b>
<b>TOTAL CAPITAL PROGRAMME</b>	<b>30,378,000</b>	<b>18,881,000</b>	<b>62.2%</b>	<b>11,496,000</b>	<b>27,892,000</b>	<b>(1,697,000)</b>	<b>(789,000)</b>

Figures may not total due to rounding