



## RECOMMENDATION REPORT

<b>DECISION: 35/2024</b>	<b>DATE: 24/2/2025</b>
<b>TITLE: FINANCIAL POSITION AS AT 31 DECEMBER 2024</b>	
<b>REPORT BY: STEVE FREEMAN</b>	
<b>Executive Summary</b> This report sets out the monitoring position for the 2024/25 revenue and capital budget at 31 <sup>st</sup> December 2024.	
<b>Recommendations</b> The Police and Crime Commissioner is recommended to: <ul style="list-style-type: none"><li>• Note the position on the Police and Crime Commissioner's Revenue budget.</li><li>• Note the position for the capital programme</li><li>• Note the position in respect of Treasury Management</li><li>• Note the position on reserves</li></ul>	

## 1. Background and Advice

### 1.1. Overview

1.1.1. This report provides the Commissioner with the latest position in respect of the financial health of the organisation. This includes:

- The position for the PCC's revenue budget for 2024/25,
- The capital programme for 2024/25 and future years,
- The position on reserves, and
- A summary of Treasury Management activity for the period.

### 1.2. Revenue Budget 2024/25

1.2.1. The forecast year-end budget position is:

	Budget £m	Forecast £m	Variance	
			£m	%
<b>Chief Constable:</b>				
Pay costs	305.048	305.911	0.863	0.28
ACC Territorial Operations	7.403	7.368	-0.035	-0.47
ACC Crime	3.750	4.450	0.700	18.67
ACC Specialist Uniform Operations	5.727	6.126	0.399	6.97
Chief Operating Officer	34.979	34.284	-0.695	-1.99
Deputy Chief Constable	1.526	1.666	0.140	9.17
Sub total	358.433	359.802	1.372	0.38
Non-DFM budget	7.329	5.932	-1.387	-18.95
<b>Total Constabulary Budget</b>	<b>365.752</b>	<b>365.737</b>	<b>-0.015</b>	<b>0.00</b>
<b>PCC:</b>				
Office of the PCC	1.812	1.812	-	-
Communications	0.130	0.130	-	-
Fighting Crime	1.006	1.006	-	-
Victim and Domestic Abuse services	0.680	0.680	-	-
Sub total	3.628	3.628	-	-
Non-DFM	1.855	1.870	0.015	0.82
<b>Total PCC</b>	<b>5.483</b>	<b>5.498</b>	<b>0.015</b>	<b>0.29</b>
<b>TOTAL BUDGET</b>	<b>371.235</b>	<b>371.235</b>	<b>-</b>	<b>-</b>

1.2.2. The revenue budget is forecast to be in balance at the end of the year.

1.2.3. Whilst the budget position is in balance there are a number of under and overspends that offset each other. The main elements of under and overspending identified are:

	£m	
Cost pressures:		
Pay	0.863	The main pressure on the pay budget is an overspend on the agency staff budget, due, in the main, to a significant level of vacancies in police staff roles
Training income	0.937	Resources are focussed on the training of new officers recruited in to Lancashire Constabulary. This has limited the ability to generate income through courses offered to external forces/organisations
Regional Toxicology	0.441	The regional toxicology collaboration led by Mersey Police has been in development for some time. The collaboration was due to go live in Quarter 4 of 2023/24 but has been delayed. This has resulted in the renewal of the contract with ASI for forensic services at a significant increase in cost.
Ill-health pensions	0.314	Compensation payments for injury settlements form part of this cost and are index linked, this pressure reflects the inflationary impact this has on the budget.
Dangerous Dogs	0.118	New legislation in respect of XL Bully dogs has resulted in a significant increase in costs, particularly in kennelling due to the increased seizures.
Operation Eskin	0.949	Cost incurred by Lancashire in response to the murder of three children in Southport and the subsequent protests and incidents of disorder
Cost mitigations:		
Confiscations	-0.427	Additional one-off income from confiscations from criminals in 2023/24 that has been realised in 2024/25
Pension contribution	-0.841	The proactive management of the payment of police staff employer pension contributions has generated a saving against the budget
Contribution from reserves	-1.031	Specific reserves have been set aside to deal with budget pressures in 2024/25
Operation Eskin	-0.793	It is expected that the government will provide funding for 85% of the costs of operation Eskin under the existing 'special grant' rules
Dangerous dogs	-0.163	DEFRA grant is expected in respect of dangerous dogs
Departmental underspending	-0.367	Sum of underspending across departmental delegated budgets

1.3. In setting the 2024/25 budget, savings of £5.9m were identified:

	£m
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Departmental savings	1.0
Changes to Operating Model	2.7
Reduced cost of energy	2.2
<b>Total</b>	<b>5.9</b>

1.3.1. These savings are on track to be delivered in full this financial year.

#### 1.4. Capital Programme 2024/25

1.4.1. The revised capital programme of £43.802m for 2024/25 was approved by the Commissioner in agreeing the quarter two financial monitoring report.

1.4.2. At 31<sup>st</sup> December 2024, £35.016m of spend has been committed against this programme and the forecast spend at the end of the year is currently £47.175m:

	<b>Programme £m</b>	<b>Committed £m</b>	<b>Forecast £m</b>
ICT	11.164	7.648	11.045
Estate	26.209	21.676	29.700
Vehicle Replacement Programme	5.161	4.597	5.161
Other schemes	1.268	1.096	1.269
<b>Total</b>	<b>43.802</b>	<b>35.017</b>	<b>47.175</b>

1.4.3. The main elements of the forecast spend for the year, summarised above are:

##### I.C.T.

- £1.879m Network Access and Security
- £2.571m Device upgrade and replacement
- £6.096m System replacement
- £0.499m Development and innovation

##### Estate

- £15.366m Pendle Police Station
- £5.661m Operational bases and divisional HQs
- £2.430m Chorley Police Station
- £2.407m Critical Policing Infrastructure Programme (CPIP)
- £1.300m Refurbishment of custody suites
- £0.995m Minor works programme

##### Other Schemes

- £0.699m ANPR equipment and infrastructure
- £0.198m Replacement of specialist equipment
- £0.082m Average Speed Cameras

#### 1.5. Treasury Management

1.5.1. Lancashire Constabulary's Finance department took over the role of Treasury Management from Lancashire County Council (LCC) on 12/7/24. Treasury Management is the responsibility of the Police and Crime Commissioner, but the financial management of the Chief Constable's budget heavily impacts on the liquidity of the organisation and as a result, a brief summary is reported here for information.

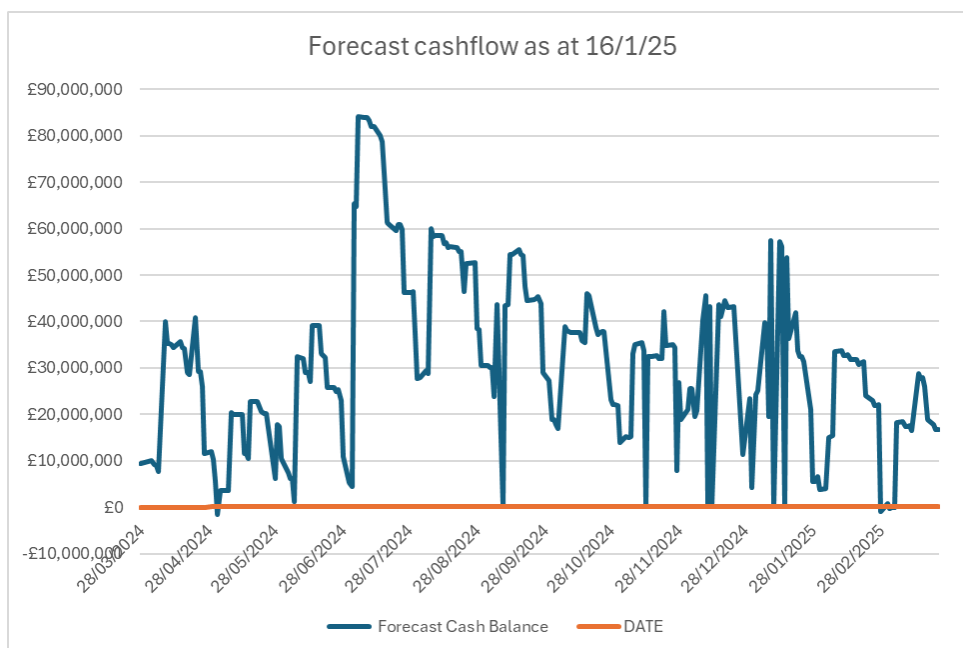
1.5.2. The following chart shows the Treasury Management position as at 30/9/24.

	<b>31.3.24 Balance £m</b>	<b>Movement £m</b>	<b>31.12.24 Balance £m</b>	<b>31.12.24 Rate %</b>
Long-term borrowing				
- PWLB	42.362	-1.474	40.888	1.55% to 4.88%
Short-term borrowing	50.000	+10.000	60.000	0.75% - 5.65%
<b>Total borrowing</b>	<b>92.362</b>	<b>+8.526</b>	<b>100.888</b>	
Short-term investments	9.497	-0.372	9.125	4.7% - 5.3%
Cash and cash equivalents		+2.004	2.004	1.7%
<b>Total investments</b>	<b>9.497</b>	<b>+1.632</b>	<b>11.129</b>	
<b>Net borrowing</b>	<b>82.865</b>	<b>+6.894</b>	<b>89.759</b>	

1.5.3. The Capital Funding Requirement (CFR) is the underlying need to borrow for historic capital expenditure. The CFR was £77.565m at the beginning of the year and was covered by a mix of long-term and short-term borrowing. In the first half of the year, due to the receipt of the pension grant in July and the capital expenditure on the main accommodation schemes being profiled towards the end of the year, cash balances have been high, particularly in quarter 2 with the highest balance being around £84m.

1.5.4. This position on cash balances has resulted in the finance department mainly carrying out investment activities since the onboarding of the Treasury Management function. These have been predominantly overnight investments with the HM Treasury Debt Management Office. For the period 12/7/24 to 31/12/24, this investment activity has generated £1.019m in interest.

1.5.5. The chart below summarizes the forecast cashflow balances as at 31/12/24 which shows a reducing liquidity position, particularly in quarter 4. This is due to the combination of the development of Pendle Police Station that is underway, the commencement of the refurbishment of the new Chorley Police Station and the maturity of short-term loans arranged by LCC.



1.5.6. In quarter 3, the department reviewed existing loans and entered into new loan agreements of £15m to fund the capital works and to cover the year-end predicted reduction in cashflow. This will ensure the liquidity of the organisation over the remainder of the financial year. The new loans are short-term arrangements due to the anticipated reduction in the Bank of England base rate over the next 12 months.

1.5.7. The cashflow position is closely managed and will continue to be managed daily for the remainder of the financial year.

## 1.6. Reserves

1.6.1. The current position on reserves is:

	<b>Position 1/4/24 £m</b>	<b>Movement in 2024/25 £m</b>	<b>Year-end Forecast £m</b>
<b><u>EARMARKED RESERVES</u></b>			
Capital Financing Reserve	0.165	0.211	0.378
Employee/Public liability reserve	0.685	0	0.685
Transition Reserve	2.645	0	2.645
Clothing Reserve	0.638	-0.133	0.505
POCA Equalisation Reserve	0.702	0	0.702
PCCA/Drugs Forfeiture Reserve	0.565	0.174	0.739
VMU Reserve	0.008	0	0.008
Operational Policing Reserve	1.691	0	1.691
Regional collaboration reserve	0.378	-0.380	-0.002
LFSA operational reserve	0.120	-0.032	0.088

Regional Collaboration – Forensics	0.405	0	0.405
NDORS course reserve	0.406	-0.123	0.283
Road Safety investment reserve	1.315	-0.077	1.238
<b>Total Earmarked Reserves</b>	<b>9.723</b>	<b>-0.360</b>	<b>9.365</b>

### **GENERAL RESERVES**

DFM	10.248	-0.852	9.396
General Fund	9.388	-2.915	6.473
<b>Total General Reserves</b>	<b>19.636</b>	<b>-3.767</b>	<b>15.869</b>

### Adequacy of Reserves

- 1.6.2. General reserves (DFM and general fund) are forecast to be £15.869m at the end of the financial year. This represents 4.3% of the 2024/25 budget of £371.2m. Other earmarked reserves total £9.4m including £2.6m held in reserves that provide investment for the PCC's capital programme in 2024/25 and future years.
- 1.6.3. 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 2024/25 (In line with the PCC's published [Reserves Strategy](#)).

### **1.7. Future risks and opportunities**

- 1.7.1. The PCC, in conjunction with the CC, maintains a multi-year financial strategy to deliver efficient and effective financial management for the organisation.
- 1.7.2. 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.
- 1.7.3. The Constabulary has an on-going business planning programme that will work to develop proposals for how the further savings can be achieved.
- 1.7.4. 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

- 1.7.5. Whilst the 'general' rate of inflation is forecast to be relatively stable in the short to medium term there remain some areas of cost that are subject to significant increases, in particular insurance and energy.
- 1.7.6. Consumer prices continue to increase placing pressure on household budgets which in turn it is expected to impact upon the level of pay award made to police officers and staff which will directly affect the PCC budget in future years.
- 1.7.7. Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

## Maintaining the Police Uplift

- 1.7.8. The uplift programme has a direct impact on how the budget is managed.
- 1.7.9. The government has been clear that failure to maintain the uplift allocation would mean a reduction in funding.
- 1.7.10. This affects how savings can be delivered by the organisation as police officer pay represents around 58% of the total budget for the organisation.
- 1.7.11. 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.
- 1.7.12. This doesn't represent the best use of resources or maximise value for money.

## Delivering the capital programme

- 1.7.13. The Commissioner has agreed an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning.
- 1.7.14. 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

- 1.7.15. The government has set out their plans to deliver a 'multi-year' settlement in 2026/27 which will improve financial forecasting, however the Chancellor has repeatedly stated how 'tight' public finances are which may mean significant pressure arising from that settlement.

## Additional government funding

- 1.7.16. 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. This funding has been confirmed for 2025/26, but no certainty has been given



beyond that. Uncertainty of future funding puts the long-term provision of services at risk.

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

- 1.7.17. 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.
- 1.7.18. 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.
- 1.7.19. 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

- 1.7.20. 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.
- 1.7.21. 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%.
- 1.7.22. 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.

### **1.8. Conclusion**

1.8.1. 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.

1.8.2. 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**

**6. Background Papers**

**7. Public access to information**

<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 Steve Freeman <span style="float: right;">Date 25/02/2025</span></p>	
<p><b>Sponsor</b></p> <p>I have read the above report and confirm this is factually correct.</p> <p>Signature Steve Freeman <span style="float: right;">Date 25/02/2025</span></p>	
<p><b>Section 151 Officer for 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 Steve Freeman <span style="float: right;">Date 25/02/2025</span></p>	
<p><b>Chief Executive (Monitoring Officer) for the Office of the Police and Crime Commissioner for Lancashire</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 Anna Hopkins <span style="float: right;">Date 25/02/2025</span></p>	

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