

Decision No 2012/08



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

REPORT BY: LISA KITTO, CHIEF FINANCE OFFICER, POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

DATE: 14 DECEMBER 2012

TITLE: REVENUE BUDGET MONITORING AS AT OCTOBER 2012

Appendix A refers

EXECUTIVE SUMMARY

In order to maintain overall strategic control of the finances, regular budget monitoring reports are presented at key intervals during the course of the financial year. The purpose of these reports is to highlight issues identified as high risk and identify the likely position at the end of the financial year as well as any impact on the overall financial strategy. The report attached at Appendix 'A' is the first for 2012/13 for the Police and Crime Commissioner and is based on information to the end of October 2012.

This report provides a summary of the forecast financial position for 2012/13 based on information available to the end of October 2012. As well as looking at the in-year position, the report also looks at the impact of the issues arising in 2012/13 and financial performance in the current year on the remaining years of the comprehensive spending review period.

RECOMMENDATION

The Police and Crime Commissioner is asked to note the forecast out turn position for 2012/13

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)	YES	NO
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Original decision required to be amended and decision as detailed below:
The reasons for the amended decision are as detailed below:

Police and Crime Commissioner: Comments
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DECLARATIONS OF INTEREST

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

STATEMENT OF COMPLIANCE

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation.

Signed: Police and Crime Commissioner Date:	Signed: Chief Officer: Date:
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Decision No 2012/08

**REPORT TO POLICE AND CRIME COMMISSIONER
14 DECEMBER 2012**

REVENUE BUDGET MONITORING AT END OF OCTOBER 2012

1 INTRODUCTION

In order to maintain overall strategic control of the finances, the Police and Crime Commissioner for Lancashire will receive regular reports on the revenue budget. The purpose of these is to highlight issues identified as high risk and identify the likely position at the end of the financial year as well as any impact on the overall financial strategy. This report provides a summary of the forecast financial position for 2012/13 based on information available to the end of October 2012. As well as looking at the in-year position, the report also looks at the impact of the issues arising in 2012/13 and financial performance in the current year on the remaining years of the comprehensive spending review period.

2 BACKGROUND

The Police Authority set a revenue budget for 2012/13 of £265.337m in February 2012 and in addition to this planned to spend £1.392m of reserves to meet known pressures. The cash limit was therefore increased to £266.729m. The latest monitoring position, at the end of October 2012, show that an overspend of £0.023m is predicted for the year. The table below sets out a summary of the monitoring position.

Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	% Variance
	£m	£m	£m	%
Lancashire Constabulary				
ACC Territorial Operations	151.639	153.554	+1.915	1.3
ACC Specialist Operations	65.023	64.073	-0.950	-1.5
Director of Resources	27.728	27.638	-0.090	-0.3
ACC People	9.654	9.244	-0.410	-4.3
Deputy Chief Constable	4.906	4.703	-0.203	-4.1
Sub Total	258.950	259.212	0.262	0.1
Office of the PCC	1.845	1.845	+0.000	0.0
TOTAL DFM	260.795	261.057	+0.262	+0.1
Non-DFM	5.934	5.695	-0.239	-4.0
TOTAL BUDGET	266.729	268.752	+0.023	+0.0

3 DEVOLVED FINANCIAL MANAGEMENT (DFM) BUDGETS

Lancashire Constabulary - £0.262m overspend

The Constabulary budget, under the day to day management of the Chief Constable, is forecast to overspend in year by around £0.3m. The main area of the projected overspend is on pay within territorial Divisions (£1.9m). This overspend is offset by underspends in other parts of the constabulary in particular; underspends on pay and forensic services within specialist operations (£1m) as well as an underspend on pay within other parts of the constabulary (£0.7m).

Some of the overspend on pay within territorial divisions was anticipated due to the fact that the budgeted savings from ongoing organisational reviews are taken out at the start of the financial year even though the implementation of the OR recommendations may take longer. The constabulary is however managing the position by using savings elsewhere in its budget. A review of pay budgets within divisions has also been carried out and has established that some realignment of pay budgets between divisions is required. The Chief Constable will continue to closely monitor and manage the pay budget to ensure that the pay budget remains in control.

Office for the Police and Crime Commissioner – Nil Variance

The budget for the Office of the Police and Crime Commissioner is forecast to break even at the end of the financial year.

Non DFM Budgets - £0.239m under spend

Non DFM budgets are forecast to underspend by £0.239m due to OR savings achieved in advance of the financial strategy (£0.4m) offset by additional injury pensions and awards/gratuities (£0.15m).

4 RISKS

There still remain a number of issues that could have an impact on the current forecast:-

Organisational Reviews

A number of reviews will be likely to be implemented ahead of schedule. This will result in some savings emerging earlier than planned but some of these may be offset by implementation costs. Any savings identified ahead of schedule will help manage any other risks that may emerge during the year.

Clawback of Surpluses

In order to provide a means to manage budgetary pressures the Deputy Chief Constable and Director of Resources will be reviewing budgets with budget holders to establish whether there is any scope for further savings. The outcome of this review will be reflected in the next monitoring report.

Other Pressures

Previous reports have set out pressures caused by a higher than anticipated number of ill health retirements. In recognition of this and the impact that it has on enabling the constabulary to achieve future savings requirements the Police Authority agreed to provide additional funding of £1.1m from the transitional reserve.

5 FUTURE BUDGET ISSUES

The implications of the Winsor recommendations, particularly those in relation to unsocial hours payments, are likely to create a small financial pressure during 2012/13. It is anticipated that this can be contained within existing budget provision. The ongoing cost of the Winsor recommendations is however being reviewed and will be taken into account as part of the budget planning process for 2013/14.

6 RESERVES

Reserves and provisions have been set aside to help manage the risk within the financial strategy. In June 2012, the Police Authority agreed that £2m of general reserves should be earmarked to manage the risks associated with the localisation of council tax. These implications will not impact until 203/14 but the position is being monitored closely now as District and Unitary Authorities develop their council tax benefit schemes for April 2013 onwards.

The Transitional Change Reserve was set up to help manage with the significant change management process required to deliver the significant savings following the announcement of the funding settlement. The current balance is £3.4m however further calls to manage the impact of an increased number of ill health retirements will see this reduce by the end of the year.

The Operational Policing Reserve was established to meet anticipated pressures around the numerous 2012 events requiring additional policing resources such as the Open Golf, Preston Guild and London Olympics/ Paralympics. All of these events have now taken place and the demand on the reserve has not been as significant as anticipated. Utilisation of the reserve will form part of the year future budget considerations.

Recommendation

The Police and Crime Commissioner is asked to note the latest position in relation to the Police and Crime budget.

Lisa Kitto
Chief Finance Officer