

Decision No 2013/17



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

**REPORT BY: LISA KITTO
CHIEF FINANCE OFFICER**

DATE: 18 SEPTEMBER 2013

TITLE: 2013/14 MONITORING POSITION – AS AT 31 JULY 2013

Appendix A refers

EXECUTIVE SUMMARY

This report sets out the revenue monitoring position for the Police and Crime budget as at 31 July 2013. This is the first monitoring report for the 2013/14 financial year and updates will be presented on a quarterly basis. The report sets out the forecast position for the end of the year for both revenue and capital, the forecast impact on reserves and also sets out some of the issues that may impact in future years.

RECOMMENDATIONS

The Police and Crime Commissioner is asked to;

Note the forecast revenue underspend of £3.191m and the forecast underspend of £8.166m on the capital programme.

Approve the use of the Transitional Reserve for the following:

- £1.5m for a further 20 ill health retirements during 2014/15
- £0.719m to continue to fund services for which planned savings cannot be achieved in 2013/14
- £0.265m for one off ICT investment on key systems

Agree that the carry forward limit for DFM balances be set at 1% 2013/14 and that the level of underspend in excess of this be added to the transition reserve to manage the costs and risks associated with downsizing as a result of the funding reductions.

Note that additional costs associated with downsizing may be occurred during the year which are likely to fall on the transition reserve and to agree that;

- an approval process be drafted and agreed between the Commissioner and the Chief Constable
- that costs be monitored throughout the year and reported to the Commissioner as part of the monitoring process.

Note the projected impact on the reserves at the end of 2013/14.

Approve the addition of £0.032m to the 2013/14 capital programme for the purchase of 2 vehicles as part of the Regional Crime Unit collaboration and note that the costs will be met in full by a contribution from the collaboration.

Note the one-off available resource in 2013/14 of £0.114m received in respect of transition grant funding relating to the introduction of local Council Tax Support schemes and the Commissioner is asked to consider how this be utilised.

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

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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Signed: Chief Constable Date:	Signed: Chief Finance Officer: Date:
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2013/14 Monitoring Position – As At 31 July 2013

The Commissioner receives regular reports which set out the latest position on income and expenditure and forecast out turn position for the revenue budget. This report sets out the latest position including;

- A forecast out turn position for the PCC's revenue and capital budgets
- The impact of the position on the PCC's reserves and
- A summary of any risks or opportunities that may impact on the budget in future years

Revenue Budget

The budget for the Police and Crime Commissioner was set at £258.733m and after taking account of the planned use of balances by budget holders to the end of July 2013 has increased to £258.994m. Based on the monitoring at the end of July 2013, it is forecast that the revised in year budget will be around £3m underspent by the end of the year. The table below sets out a summary position for the budget;

Forecast Out Turn Position 2013/14				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	146.904	145.404	-1.500	-1.02%
ACC Specialist Operations	67.451	66.551	-0.900	-1.33%
ACC People	7.654	7.154	-0.500	-6.53%
Deputy Chief Constable	4.799	4.499	-0.300	-6.25%
Director of Resources	27.884	27.684	-0.200	-0.72%
Sub Total	254.692	251.292	-3.400	-1.34%
Office of the Police and Crime Commissioner	-6.080	-6.090	-0.010	-0.16%
TOTAL DFM BUDGET	248.612	245.202	-3.410	-1.37%
Non DFM	10.382	10.601	0.219	2.11%
TOTAL BUDGET	258.994	255.803	-3.191	-1.23%

In addition there is currently £2.1m of, as yet, uncommitted DFM balances brought forward.

It is still early in the financial year and the overall position is likely to change as emerging trends start to firm up as the year progresses. The general trend is that the forecast year end position improves.

DFM Budgets

Lancashire Constabulary

There is a forecast underspend of £3.4m within the Constabulary budget. This is largely attributed to current vacancies on police officers and police staff. Tight control over overtime and non-pay budgets is also contributing to this positive picture. Earlier in the year, there was additional pressure faced by the Constabulary's budget as a result of the Dale Cregan trial. These costs incurred from 1 April 2013 to the conclusion of the trial will be met by a further one-off grant made available from the Home Office and therefore there is a nil impact of this policing operation on the 2013/14 budget.

Office of the Police and Crime Commissioner

The budget for the Office of the Police and Crime Commissioner is forecast to underspend by £10k due to the management of vacancies within the office and lower than anticipated subscriptions to the Association of Police and Crime Commissioners. To assist the PCC in developing the victims' agenda, a senior officer from Lancashire Probation Service has been seconded for a period of 18 months with the costs shared equally between the Probation Service and the PCC's office. The cost for 2013/14 will be met by the PCC and will be funded from the transition reserve and this is reflected in the forecast out turn position.

Non-DFM Budgets

Non-DFM budgets are forecast to overspend by £0.219m and is largely due to an overspend arising from higher than anticipated number of ill health retirements (£1.5m), savings from Organisational Reviews (ORs) not achieved as planned (£0.719m) offset by an underspend of £2m on other budgets;

The forecast position on Non DFM currently anticipates an overspend of £1.5m on ill health pensions. The budget reflects 10 ill health retirements, however, it is anticipated that up to 30 retirements could be approved during the year at an additional cost of around £1.5m. The use of ill-health retirement provides an effective mechanism to reduce the number of officers who are deemed unfit for operational tasks. This approach also offers value for money as long term cashable savings can be achieved as the organisation deals with reductions in funding and the associated down sizing of the organisation that is needed to meet this challenge. As in previous years, it is recommended the Transitional Reserve be used to meet additional costs of £1.5m arising from ill health retirements that are in excess of the budget.

This overspend is currently offset by a savings on vacant PCSO posts some of which are as a result of partner funding ceasing (£1m), general spend less approach by not passporting all budgeted inflation to budget holders (£0.4m) and reviewing and reducing budget provision for other non-staffing budgets (£0.6m).

As detailed later in this report, it is anticipated that some £0.719m of OR savings will not be achieved as planned in 2013/14. As in previous years it is recommended that the Transitional Reserve be used to meet this shortfall.

Pressures/Risks

A significant level of savings was agreed as part of the 2013/14 budget process that need to be delivered in order to achieve a balanced budget. Monitoring of these will continue throughout the year as part of the budget monitoring process.

Available Resources

2013/14 is the first year that Local Authorities have become responsible for administering and funding Local Council Tax Support Schemes. Central Government provided a 'transition grant' for this first year to authorities that delivered schemes within certain parameters. A number of District Council's in Lancashire qualified for this grant and as a result the major precepting authorities also qualified for a share of the funding.

As a result the PCC has received £0.114m in 2013/14 in respect of this grant and is now asked to consider how this one-off additional resource should be utilised.

Reserves

Reserves and provisions have been set aside to manage the financial risks within the financial strategy. The financial outlook for 2014/15 and beyond indicates that significant savings will be required with a further £30m still to be identified between 2014/15 and 2017/18. 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. Based on the current forecast out turn position, earmarked reserves are forecast to be £13.755m and general reserves £12.573m. A position on reserves is set out at Annex 1.

Transition Reserve

The Transition Reserve is available to assist the organisation as it downsizes in response to the significant funding reductions. The balance on the reserve at 1 April 2013 was £6.729m. To respond to the significant financial challenges, the organisation is required to deliver significant savings. The ability to deliver these savings is not without risk both in terms of being able to deliver savings when they are required but may also in managing any additional costs incurred in re-shaping services and service delivery. In the past these costs have included additional costs relating to ill health retirements which have then led to a reduced number of posts within the organisation.

As in previous years the use of the transition reserve is needed to help manage the risks and additional costs resulting from the downsizing and it is proposed that the reserve in 2013/14 be used to fund;

- £1.5m additional costs of ill health retirements
- £0.719m of planned savings that cannot be delivered in 2013/14
- £0.265m on one-off ICT costs

These are in addition to £1.3m previously agreed by the Commissioner to support the implementation of the Virtual desktop Infrastructure and mobile/agile working solution and £0.216m to support the Citizens in policing Scheme.

III Health Retirements

As set out earlier in the report, a further 20 ill health retirements in addition to those budgeted for are anticipated at a cost of £1.5m. These costs have already been reflected in the monitoring forecast out turn position set out earlier in the report.

Planned savings that cannot be delivered in 2013/14

Set out in the table below are agreed savings for 2013/14 that cannot be delivered in line with the originally agreed timescales. Many of these are part of wider reviews to deliver savings in 2014/15 and the use of the transition reserve to fund these services for a further year is requested.

	£m	Detail
Custody Review	0.455	This has been delayed and forms part of the wider Basic Command Unit Review that is currently underway and which will deliver savings in 2014/15.
Admin Review	0.020	This has been delayed and forms part of a wider review of admin that will deliver savings in 2014/15.
Contact Management	0.106	This saving has been delayed due to the fact that the planned move to a single control room has taken longer than anticipated.
Sustaining Excellence	0.112	The anticipated reduction in resource requirements has not been achievable due to the continuation of the funding reductions and the need to continue to support the organisational review programme.
Partnership review	0.026	The delivery of these savings has taken longer than planned but will be fully delivered in 2014/15.
TOTAL	0.719	

One-Off ICT Costs

One-off investment of up to £0.265m in ICT is required to deliver innovative approaches to key systems. The bulk of this investment (£0.160m) is to enable the legacy custody and case preparation system (C3PO) to receive some essential upgrades to enable better, more efficient working practices to take place. The Commissioner is asked to approve the use of the Transition reserve to fund this one-off investment and to note that if approved, this will be added to the 2013/14 capital programme.

Other Downsizing Costs

During the course of the year there may be additional downsizing costs such as redundancy payments. It is recommended that these be funded from the transition reserve. It is recommended that an approval process be agreed between the Commissioner and the Chief Constable and that costs be monitored throughout the year and reported to the Commissioner as part of the monitoring process.

Carry Forward

In recognition of the fact that the Transition Reserve will be called upon in 2013/14 to help manage risks and on-off costs that will arise, it is proposed that the limit on DFM balances for 2013/14 continues to be at 1% in line with that agreed for 2012/13 to ensure that this reserve remains at a level sufficient to meet the ongoing risks within the financial strategy.

CAPITAL BUDGET

The revised 2013/14 capital programme for the Police and Crime Commissioner is £16.9m, the detail of which is set out in the table below.

	£m
<i>Original 2013/14 Programme</i>	9.618
<i>Add: Approved Slippage from 2012/13</i>	6.125
<i>Previously Agreed Additions;</i>	
<i>Horsebox</i>	0.060
<i>VDI Infrastructure/mobile data project</i>	1.126
Revised 2013/14 Capital Programme	16.929

Previously Agreed Additions

The Commissioner has previously agreed an investment in the VDI/ mobile data project of £1.3m which is likely to cover a two year period with costs estimated at £1m in 2013/14 resulting in a further increase to the original programme. The balance of £0.3m will be included as a commitment in the emerging capital programme requirements for 2014/15 onwards which will be considered by the PCC later in the year. In addition to this a further £0.126m was agreed to provide additional technical expertise, on a call off basis, to support the roll out of the programme. These budgets have been added to the 2013/14 capital programme.

REGIONAL CRIME UNIT COLLABORATION

Lancashire is part of the Regional Crime Unit collaboration for which Merseyside is the lead force area. A request to replace two vehicles, at a cost of £0.032m has been received for which Lancashire will be fully re-imbursed. Although cost neutral, the scheme needs to be added to the 2013/14 capital programme and approval from the Commissioner is sought.

MONITORING POSITION

It is still early in the financial year and the overall position will change as the year progresses, however, some trends are starting to emerge and based on the information available to date, forecast expenditure is £8.763m which is resulting in a forecast underspend of £8.166m of which £8.057m is slippage and £0.109m is underspend. Further detail is set out in the table below;

	Capital Programme Value	Projected Costs to 31 March 2014	Slippage	Underspend (-) /Overspend (+)
	£m	£m	£m	£m
ICT Strategy	7.752	5.429	-2.314	-0.009
Accommodation Strategy	4.891	0.301	-4.490	-0.100
Vehicle Replacement	2.607	2.607	-0.000	0
Other Schemes	1.679	0.426	-1.253	0
Total	16.929	8.763	8.057	-0.109

SLIPPAGE

Slippage on the following projects is likely to occur in 2013/14 and the main areas are set out in more detail below. These schemes are still required and funding to enable them to be completed in 2014/15 is still required and it is proposed that, subject to a full review of the capital programme for 2014/15, the funding be rolled forward to 2014/15;

ICT Strategy

- **Automatic Number Plate Recognition (ANPR).** £0.120m was expected to be spent in 2013/14 but it is likely that only £0.018m will be incurred with £0.102m earmarked for costs now falling in 2014/15.
- **Digital Voice Recording.** Two bids have been received and are currently being assessed. The outcome of the tender evaluation and the business case associated with this will be submitted to the Commissioner for consideration and approval. Should the project proceed it is likely that the costs in the current year will be significantly less than originally planned. At this point in time it is likely that there will be slippage of £1.392m in 2013/14 and that these costs will fall into 2014/15.
- **Electronic Case Files.** This scheme has many dependencies including mobile working and a revised or new custody and case system. This work needs to be completed by the end of March 2014, after which the electronic case files will be introduced. This work will therefore not be fully completed in 2013/14 and the planned costs of £0.6m will fall into 2014/15.
- **Other IT projects.** A number of planned specific projects are still being developed and the costs are likely to be incurred in 2014/15. These include Voice and Data Infrastructure Refresh (£0.056m), Data Storage (£0.096m) CJ Exchange (£0.043m) and Video Conferencing (£0.025m).

Accommodation Strategy.

- As part of the Organisation review process to deliver revenue savings there is a review of the Basic command Unit structure. This is likely to impact on future accommodation requirements and therefore the longer term accommodation needs are being considered as part of the review. Until the work is completed the planned works on a HQ for the Western Division and a police station in Accrington will be delayed and as a result slippage of £4m in 2013/14 is forecast.

Other Schemes

- **Digital Speed Camera Upgrade.** This scheme was originally phased over two financial years, 2012/13 and 2013/14, and is funded from Road Safety Partnership contributions. There have been delays in progressing this as previous tender solutions had not been certified by the Home Office, resulting in a further tendering process now needing to be undertaken. This is only likely to commence in September this year which means that the planned spend in 2013/14 of £1.253m is unlikely.

UNDERSPENDS

An underspend of £0.1m is projected on the minor works budget and this is partly affected by the BCU review and the strategic review of the long term accommodation requirements.

Forecast Position on Reserves		
Reserve	Position as at 31 March 2013	Forecast Position As At 31 March 2014
	£m	£m
Earmarked Reserves;		
Capital Funding Reserve	6.686	3.697
Transition Reserve	6.729	7.713
Clothing Reserve	0.530	0.500
POCA Equalisation Reserve	0.312	0.550
PCCA/Drugs Forfeiture Reserve	0.133	0.100
Vehicle Maintenance Reserve	0.043	0.043
Operational Policing Reserve	1.952	1.952
Road Safety Reserve	0.933	1.000
Early Debt Repayment Reserve	-2.100	-1.800
Total Earmarked Reserves	15.218	13.755
General Reserves;		
DFM	2.427	2.700
General Fund	9.873	9.873
Total General Reserves	12.300	12.573
TOTAL RESERVES	27.518	26.328