



## POLICE & CRIME COMMISSIONER

ITEM : 2016/51	DATE: 10 <sup>th</sup> February 2017
TITLE: Financial position as at 31 December 2016	
REPORT BY: Steve Freeman, Chief Finance Officer	


### Executive Summary

This report sets out the monitoring position for the Police and Crime budget as at 31 December 2016. The report sets out the forecast position for the end of the year for the revenue budget, reports upon the capital programme, and reports the forecast impact on reserves.

### Recommendations

The Police and Crime Commissioner is asked to;

- Note the forecast revenue budget underspend of £3.623m
- Note the capital programme position for 2016/17.
- Note the forecast year-end position for revenue reserves

Signature   
Police and Crime Commissioner  
Date 10<sup>th</sup> February 2017

**PART I****1. Monitoring Position – As at 31 December 2016**

1.1. The Commissioner receives regular reports which set 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:

- A forecast out turn position for the PCC's revenue budget
- The capital programme for 2016/17 and future years, and
- The impact of the position on the PCC's reserves

**2. Revenue Budget**

2.1. The budget for the Police and Crime Commissioner was set at £261.521m and, after taking account the application of the planned use of balances by budget holders to the end of December 2016 (£0.021m), this has increased to £261.542m.

2.2. Based on the monitoring position at the end of December 2016, an underspend of £3.623m (1.39%) is currently forecast as follows:

<b>Forecast Year-end Position as at 31.12.16</b>				
<b>Responsibility Area</b>	<b>Revised Budget</b>	<b>Forecast Spend</b>	<b>Forecast Variance</b>	<b>Percentage variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Constabulary:</b>				
Staff costs	192.906	194.509	1.603	0.83
ACC Territorial Operations	8.363	7.833	-0.530	-6.31
ACC Specialist Operations	10.412	10.831	0.419	4.02
Director of Resources	15.127	14.283	-0.844	-5.58
Deputy Chief Constable	1.963	2.043	0.080	4.08
<b>Sub Total</b>	<b>228.771</b>	<b>229.499</b>	<b>0.728</b>	<b>0.32</b>
Office of the PCC	1.595	1.595	-	-
Communications	0.105	0.105	-	-
Crime and reoffending	0.625	0.625	-	-
Community Safety	1.512	1.512	-	-
Victims and Witnesses of Crime	1.656	1.656	-	-
Grant income	-1.656	-1.656	-	-
<b>Sub Total</b>	<b>3.837</b>	<b>3.837</b>	<b>-</b>	<b>-</b>
<b>TOTAL DFM BUDGET</b>	<b>232.608</b>	<b>233.336</b>	<b>0.728</b>	<b>0.31</b>
<b>Non DFM</b>				
Constabulary	19.901	16.550	-3.351	-16.84
Office of the PCC	9.033	8.033	-1.000	-11.07
<b>TOTAL BUDGET</b>	<b>261.542</b>	<b>257.919</b>	<b>-3.623</b>	<b>-1.39</b>

**3. Delegated Revenue Budgets – overall position**

**Lancashire Constabulary DFM budget**

3.1. The Constabulary forecasts an overspend on its DFM budget of £0.728m in 2017/18 broken down as follows:

	Forecast variance £m	Reason
Pay Budgets	1.603	Overspend on staffing budgets for additional resources not in existing establishment
Divisional/Departmental non-staff budgets	-0.875	Savings have been made across a number of non-pay budgets within divisional and departmental budgets
DFM overspend	<u>0.728</u>	

**Lancashire Constabulary Non-DFM budget**

3.2. An underspend of £3.351m is forecast from the unallocated staffing budget held in the non-DFM element of the Constabulary budget. This budget is held in the non-DFM budget to represent the potential saving that can be delivered in the year from staff turnover and vacancies, early delivery of OR savings and through the annual zero based budget exercise.

3.3. This directly offsets the overspend for additional resource reflected in the DFM budget shown above.

**Office of the Police and Crime Commissioner**

3.4. It is anticipated that overall spending by the Office of the PCC will be in line with its annual DFM budget.

**Office of the Police and Crime Commissioner Non-DFM budget**

3.5. An underspend of £1.000m is forecast for the PCC Non-DFM budget in respect of capital financing costs.

3.6. This is due the level of borrowing required for the capital programme being lower than anticipated as a result of the significant re-phasing of the accommodation element of the programme in recent years.

3.7. This represents a non-recurring saving as the costs of financing will increase in 2017/18 as the HQ facility at West Division project commences.

**4. Capital**

4.1. The 2016/17 revised capital programme is £24.595m and the forecast year-end position is shown below:

	2016/17	Forecast	Slippage	(Under)/Over
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	Revised capital programme	Outturn		spend
	£m	£m	£m	£m
ICT Strategy	9.497	9.626	0.254	-0.124
Accommodation Strategy	7.429	7.490	0.060	-
Vehicle Replacement	3.100	3.004	-0.375	0.279
Other Schemes	4.569	4.208	-0.361	-
<b>Total</b>	<b>24.595</b>	<b>24.328</b>	<b>-0.422</b>	<b>0.155</b>

4.2. The main areas of slippage and re-phasing of the programme are:

#### ICT Strategy

- Voice and data infrastructure refresh (-£0.310m)  
Re-phasing of the scheme reflecting capacity within the IT department.
- Integrated HR system (+£0.277m)  
Final contract payment made earlier than originally programmed.
- CONNECT – SLEUTH replacement (+£0.287m)  
Initial contract payment made earlier than originally programmed.

#### Vehicle replacement programme (-£0.361m)

- Replacement of vehicles with low mileage has been deferred to 2017/18 in line with the vehicle replacement policy.

#### Other schemes

- Average speed cameras (-£0.375m)  
Part of the scheme re-phased in to 2017/18.

4.3. A number of *under and over spends* have also been identified including:

#### ICT strategy

- Case & Custody underspend (-£0.132m)  
Final contact payment made realising an underspend of £0.132m.

#### Other schemes

- HQ Operations – Specialist equipment replacement overspend (£0.279m)  
Essential replacement of the Force weapon system (handguns and rifles) including additional weapon growth for the ARV uplift agreed as part of the HQ Tactical Operations review. In addition, there has been a requirement for the replacement and uplift of stringers to allow deployment to some Immediate Response patrols.

## **5. Reserves**

- 5.1. 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.
- 5.2. The financial outlook for 2017/18 and beyond indicates that savings will be required in excess of £13m between 2018/19 and 2019/20. 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.
- 5.3. Based on the current forecast year-end financial position, earmarked reserves are anticipated to be £29.1m and general reserves £11.9m at 31 March 2017. A position on reserves is set out at Annex 1.

**Reserves position as at 31 December 2016**

	<b>Position as at 1/4/16</b>	<b>Movement in 2016/17</b>	<b>Recommended Movements in 2016/17</b>	<b>Forecast y/e Position as at 31/12/16</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b><u>EARMARKED RESERVES</u></b>				
Capital Funding Reserve	3.298	4.119	-7.417	-
Transition Reserve	13.737	1.698	2.436	17.871
Clothing Reserves	0.655			0.655
POCA Equalisation Reserve	0.664			0.664
PCCA/Drugs Forfeiture Reserves	0.156			0.156
VMU Reserves	0.040			0.040
Operational Policing Reserve	2.584			2.584
Road Safety Reserves	3.155		-2.328	0.827
PCC Strategic Investment reserve	6.268			6.268
<b>Total Earmarked Reserves</b>	<b>30.557</b>	<b>5.817</b>	<b>-7.309</b>	<b>29.065</b>
<b><u>GENERAL RESERVES</u></b>				
DFM	2.111	-0.062		2.049
General Fund	9.873			9.873
<b>Total General Reserves</b>	<b>11.984</b>	<b>-0.062</b>	<b>-</b>	<b>11.922</b>

**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**

**c. Equality considerations**

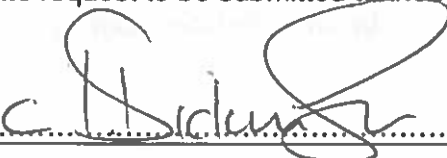
**There are no Equality comments associated with this paper.**

**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	
EQUALITIES IMPLICATIONS – As above	
CONSULTATION – As above	
<p><b>Governance &amp; Policing Lead – Office of the Police &amp; 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...  ... Date... 10.1.17</p>	