



DECISION: 2022/08

DATE: 27/6/2022

TITLE: FINANCIAL POSITION AS AT 31 MARCH 2022

REPORT BY: STEVE FREEMAN

Executive Summary

This report sets out the final revenue and capital budget position for the Police and Crime Commissioner's budget for the 2021/22 financial year.

Recommendations

The Police and Crime Commissioner is recommended to:

- Note the position on the Police and Crime Commissioner's Revenue budget for 2021/22.
- Approve an increase of £0.447m to the capital programme in 2021/22 giving a final approved programme of £24.938m
- Note the year end position for the capital programme
- Approve that £4.282m be carried forward into the 2022/23 capital programme to enable those projects that have been deferred or have slipped to be completed.
- Approve the value of the capital programme in 2022/23 for monitoring purposes at £28.782m
- Note the position on the PCC's reserves

Signature

Police and Crime Commissioner

Date 27/06/2022

1. Background and Advice

1.1. Overview

The Commissioner has received regular reports throughout the financial year setting out the position for the revenue budget and the progress in the year in respect of the capital programme. In addition to reporting the year-end position, the impact that this has on the Commissioner's longer-term financial strategy is considered as well as the overall financial health of the organisation.

Overall, the Police and Crime Commissioner's budget position means that the organisation is well placed to meet the challenges ahead. Services have been enhanced through investment from the council tax precept set by the Commissioner for 2021/22 and the service redesign that has been undertaken in recent years has been implemented.

The government has provided funding for the recruitment of an additional 20,000 police officers at the national level by 2022/23. Lancashire was provided funding for an additional 150 officers to be recruited during 2021/22 which is reflected in the final budget position.

1.2. Revenue Budget 2021/22

The 2021/22 revenue budget for the PCC was set at £319.391m in February 2021. The position at 31 March 2022 is set out below:

	Budget	Spend	Variance	
	£m	£m	£m	%
Chief Constable:				
Pay costs	250.860	250.411	-0.449	-0.2
ACC Territorial Operations	7.731	8.435	0.705	9.1
ACC Specialist Operations	5.679	6.021	0.342	0.4
Deputy Chief Constable	0.321	0.295	-0.026	-8.0
Director of Resources	27.480	26.980	-0.500	-1.8
ACC Crime	3.500	4.517	1.017	6.0
Sub total	295.571	296.659	1.089	0.4
Non-DFM budget	15.617	15.829	0.212	1.4
Total Constabulary Budget	311.188	312.488	1.300	0.4
PCC:				
Office of the PCC	1.690	1.662	-0.028	-1.7
Communications	0.120	0.047	-0.073	-61.2
Reducing Crime and Reoffending	0.398	0.266	-0.132	-33.1
Community Safety	0.458	0.280	-0.178	-38.8
Victim and Domestic Abuse services	0.647	0.645	-0.002	-0.4
Sub total	3.313	2.900	-0.413	-12.5
Non-DFM	4.890	4.003	-0.887	-18.1
Total PCC	8.203	6.903	-1.300	-15.8
TOTAL BUDGET	319.391	319.391	0.000	0

1.3. Year-end position

The **Constabulary** revenue budget has **overspent by £1.3m (0.4%)** in 2021/22, this includes both pressures and underspends on the budget, the main elements being:

Over/(Under) spend (£m)	Reason
1.7	Additional costs and loss of income as a result of the Covid pandemic
(0.5)	Underspend on staff pay from planned slowdown in recruitment to deliver in-year savings
0.1	Overspend on overtime

The **Office of the PCC** has an **underspend of £1.3m (15.8%)** the main elements being:

Over/(Under) spend (£m)	Reason
(0.887)	Underspend on the cost of capital financing
(0.205)	Reduced activity due to impact of Covid
(0.178)	Reduced Community Safety Partnership activity due to Covid

This gives an overall 'break-even' position on the budget for 2021/22.

1.4. Capital Programme 2021/22

The **revised capital programme for 2021/22** was approved at **£24.491m** in the quarter 3 monitoring report to the Commissioner in March 2022.

The following changes to the capital programme have subsequently been identified:

Description	£m	Source of funding
28 shields	0.031	Firearms Training income
Samsung S7 tablets	0.006	Firearms Training income
8 Samsung tablets	0.005	Revenue contribution
X-Ray Unit	0.031	POCA funding
Contribution to Regional Toxicology Lab	-0.047	
Regional Forensics Courier Service	-0.009	
DNSP Grant Expenditure	0.004	Grant funding
Purchase of Drones	0.046	POCA funding
Handheld laser devices	0.098	Road Safety Partnership funding
Laptops for Blackpool Response	0.008	Grant funding
Heysham STRAP Accommodation	-0.057	
CCTV System - Heysham Port	-0.020	
Leyland Response alterations	0.078	Uplift funding
Increase of Dogs vehicles	0.056	Uplift funding
Increase of MFH vehicles	0.098	Uplift funding
Samsung cost for 143 uplift officers	0.119	Uplift funding
Increase to capital programme	0.447	

It is **recommended** that the Commissioner retrospectively approve these changes to give a final approved programme in 2021/22 of **£24.938m**.

1.5. Year-end position on the 2021/22 capital programme

A total of **£15.005m** has been spent on capital projects in this year:

	£m
IT Strategy	6.116
Estate	5.792
Vehicle Replacement Programme	2.321
Other schemes	0.776
Total	15.005

The main elements of the spend summarised above are:

I.T. Strategy

- £1.505m Network Access and Security
- £1.728m Device upgrade and replacement
- £2.883m System replacement

Estate

- £3.553m Skelmersdale Station refurbishment
- £1.044m East BCU Accommodation strategy
- £0.608m Bamber Bridge – ISO accreditation requirement

Other Schemes

- £0.365m Replacement of specialist equipment
- £0.060m ANPR equipment and infrastructure
- £0.183m Control room upgrade
- £0.129m Regional collaborations

Spend in 2021/22 of £15.005m has resulted in a variation against the programme of £9.933m set out below:

SUMMARY	Revised Programme	Actual	Variation
	£m	£m	£m
ICT	7.355	6.116	(1.239)
Estate	11.451	5.792	(5.659)
Vehicle Replacement Programme	4.409	2.321	(2.088)
Other schemes	1.723	0.776	(0.947)
Total	24.938	15.005	(9.933)

Detail of the variation for each project in the capital programme is included at Annex A.

The main variations in the capital programme for 2021/22 are:

- ICT
 - (£0.9m) expenditure on the Oracle system upgrade has been brought forward from 2022/23
 - £0.6m spend for Network and security projects re-phased into future years
 - £0.3m spend relating to the Emergency Services Network programme rephased into future years
 - £0.3m for Process Automation project rephased into future years
 - £0.3m for the device replacement programme rephased into future years
 - £0.2m underspend on the forensic science platform
- Accommodation

- £1.6m rephasing of the Critical Policing Infrastructure Programme
- £1.5m rephasing for Pendle briefing base project
- £0.8m rephasing of the police station refurbishment programme
- £1.0m rephasing of minor works programme
- £0.4m rephasing of the Bamber Bridge ISO project
- Other Capital Schemes
 - £0.7m rephasing of ANPR camera replacement programme
- £2.1m for the rephasing of the Vehicles Replacement Programme

1.6. Financing of 2021/22 capital expenditure

The following table shows how the expenditure of £15.005m has been financed:

	£m
<i>Financing</i>	
Capital Grant/Contribution	0.545
Revenue Resources	5.584
Revenue Reserves	3.656
Borrowing	5.220
TOTAL FINANCING 2021/22	15.005

1.7. Capital programme 2022/23

It is proposed that the year-end position on the capital programme for 2021/22 be reflected in the programme for 2022/23 with the impact on the capital programme as follows:

	£m
New starts 22/23	13.041
ADD	
Previously agreed re-profiled spend	11.459
Further reprofiled spending	4.282
Capital Programme 2022/23	28.782

The Commissioner is **recommended to approve** the value of the **capital programme at £28.782m** in 2022/23 as set out in the table above.

1.8. Reserves

Taking the agreed movements and recommendations identified previously in this report for both the revenue budget and the capital programme into account, the year-end reserves position is:

	Position as at 1/4/21 £m	Movement in 2021/22 £m	Final Position as at 31/3/22 £m
<u>EARMARKED RESERVES</u>			
Capital Financing Reserve	0.175	-0.024	0.151

Employee/Public liability reserve	0.685	0	0.685
LCTS Reserve	0	2.356	2.356
Transition Reserve	6.048	-3.655	2.392
Clothing Reserve	0.223	-0.196	0.028
POCA Equalisation Reserve	0.547	0	0.547
PCCA/Drugs Forfeiture Reserve	0.423	-0.137	0.286
VMU Reserve	0.008	0	0.008
Operational Policing Reserve	1.691	0	1.691
Forensic collaboration reserve	0	0.084	0.084
LFSA operational reserve	0.132	0.033	0.165
Wellbeing reserve	0.017	0	0.017
Regional Collaboration	0.022	0.440	0.462
Road Safety Reserves	2.400	0.233	2.633
Total Earmarked Reserves	12.371	-0.866	11.505
<u>GENERAL RESERVES</u>			
DFM	2.311	1.014	3.325
General Fund	9.416	-0.034	9.382
Total General Reserves	11.727	0.980	12.707

1.8.1. Adequacy of Reserves

The general reserves (DFM and general fund) at 31 March 2022 are £12.707m and represent around 3.8% of the 2022/23 budget of £338.243m. Other earmarked reserves total £11.505m including £4.748m held in reserves that provide investment for the PCC's capital programme in 2022/23 and future years.

The PCC's Chief Finance Officer believes that the level of reserves remains appropriate in the context of the "Futures" programme and the potential reductions in funding and increasing cost pressures forecast for future years. In particular, the level of general reserves is considered sufficient to meet any unexpected or unusual financial issues during the financial year 2022/23.

1.9. 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 significantly.

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 and further savings of c £20.5m are currently forecast to be required for the period to 2024/25. This is a significant challenge for the PCC and the Constabulary and work is already underway to develop plans on how these 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 becomes more difficult, it will be increasingly challenging to find savings on the scale required.

The level of funding and demand pressures for 2022/23 and future years remains uncertain.

Specific Risks include:

➤ ***Economic uncertainty***

Increased inflation is having a significant impact for financial planning. The costs of goods and services are increasing at a significant rate which in turn has a potential impact for increases in pay. These factors will put greater pressure on the budget in future years requiring further savings to be identified which may then impact upon the level of service provided in Lancashire.

➤ ***National 'Uplift' programme***

The government has provided funding for the national programme to deliver an additional 20,000 officers by March 2023. However, PCCs have alerted the government to the risk to the delivery of this programme caused by significant increases in costs such as pay and inflation on non-staff costs. If significant savings are required, it may affect the ability of forces to meet their respective uplift targets including the potential for reductions in police staff roles in order to maintain officer numbers.

➤ ***Review of the Funding Formula***

The formula used to allocate grant to PCCs by the Home Office is considered redundant. A review of the formula is being undertaken by the Home Office and the impact for Lancashire is uncertain.

Any change to the formula could have a significant impact on the allocation that Lancashire receives (positive or negative) making effective financial management much more complex.

➤ ***Emergency Services Network (ESN) - Replacement of Airwave***

The emergency services communications network 'Airwave' programme has 'slipped' even further. There is a growing financial consequence of a delay in moving over to the new network that is not yet clear. There is also a separate capital requirement that will be required to operate on the new system that will impact upon future years' capital programme. The financial impact of these is not yet known and an estimated impact is reflected in the capital investment programme based upon the best information currently available. When further information is received from the Home Office, the MTFs and the capital programme will be amended accordingly.

➤ ***Changing nature of Police demand***

The demand on police services is changing with a reduction in traditional high-volume crimes. However, as recognised by the National Audit Office (NAO) crime levels are a limited measure of demand and do not show the full range of work carried out by the police. This situation is echoed in Lancashire, where recorded crime does not include all types of crime, it does not take account of complexity, nor does it take into consideration those emerging more complex risks and threats such as cyber-crime and child sexual exploitation, which have historically been under-reported.

There is increasing pressure on digital services within policing as advances are made in the use of data as well as the way the public access the service, in turn driving demand up.

This changing profile within the context of economic uncertainty requires the Constabulary to ensure that it places emphasis on driving out efficiencies wherever possible to increase the capacity to meet the challenge.

1.10. Conclusion

The overall financial health of the Police and Crime Commissioner's budget at the end of the 2021/22 financial year 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 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

Chief Executive Officer (Monitoring Officer)

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.



Signature.....Date 27/06/2022.....

Contact: Steve Freeman, Chief Finance Officer
Telephone: 01772 535259

Capital Programme 2021/22

	Budget £m	Expenditure £m	Variance £m
NETWORK ACCESS AND SECURITY			
4518200 General Provision for Infrastructure and Security	1,079,000	504,000	(574,000)
4518218 Telephony System & Infrastructure	225,000	172,000	(53,000)
4518233 Network Improvements	327,000	199,000	(128,000)
4518234 Firewall replacement for EOL kit	646,000	630,000	(16,000)
TOTAL NETWORK ACCESS AND SECURITY	2,277,000	1,505,000	(772,000)
DEVICE UPGRADE AND REPLACEMENT			
4518001 Endpoint Replacement Programme	966,000	776,000	(190,000)
4518019 Mobile Handheld Smart Device Programme	1,033,000	951,000	(82,000)
TOTAL DEVICE UPGRADE AND REPLACEMENT	1,999,000	1,728,000	(272,000)
NEW AND REPLACEMENT SYSTEMS			
4518020 Northgate Connect & Future Developments	150,000	204,000	54,000
4518022 Telematics	155,000	112,000	(44,000)
4518025 Door Entry Alarms/Proximity/CCTV	110,000	90,000	(20,000)
4518027 Early Action Multi Agency Case Management System	0	0	0
4518039 Learning Management System	54,000	41,000	(13,000)
4518047 DMIU Platform Expansion	7,000	7,000	0
4518048 Future Developments (COTS)	11,000	0	(11,000)
4518050 Office 365 Migration (NEP)	49,000	2,000	(47,000)
4518051 Storage Array Replacement	25,000	10,000	(15,000)
4518053 Wi-Fi Rollout	42,000	3,000	(39,000)
4518055 Centralised Access System	272,000	272,000	0
4518057 DMIU Storage Uplift	507,000	496,000	(11,000)
4518058 ESN Airwave Replacement	194,000	177,000	(17,000)
4518059 Replace Forensic Science Platform	278,000	38,000	(240,000)
4518060 Process Automation (RPA)	390,000	93,000	(297,000)
4518061 Pronto Development	200,000	200,000	0
4518062 Replace Vetting System (CoreVet)	102,000	51,000	(51,000)
4518063 Force Video conferencing capability	50,000	26,000	(24,000)
4518064 Facilities Mgt Case Management System	66,000	51,000	(15,000)
4518065 DMS V.14.5 upgrade	18,000	0	(18,000)
4518066 FotoWeb	17,000	5,000	(12,000)
4518067 Oracle EBS	107,000	1,008,000	901,000
4518227 ICCS Upgrade (ESN)	276,000	(2,000)	(278,000)
TOTAL SYSTEMS REPLACEMENT	3,079,000	2,883,000	(196,000)
SUB TOTAL - IT STRATEGY	7,355,000	6,116,000	(1,239,000)
ACCOMMODATION STRATEGY			
4540490 HQ CPIP	1,600,000	7,000	(1,593,000)
4540502 HQ Facilities at West	28,000	(10,000)	(38,000)

4540653 Refurbishment of Operating Bases - Fleetwood	574,000	0	(574,000)
4540881 Ormskirk Police Station Refurbishment	20,000	0	(20,000)
4540904 Skelmersdale Refurbishment	3,707,000	3,553,000	(154,000)
4541003 Solar Panels - Preston	250,000	0	(250,000)
4541106 Adaptations Blackburn Greenbank	107,000	69,000	(38,000)
4541142 Refurbishment of Operating Bases - Clitheroe	50,000	0	(50,000)
4541420 Pendle Briefing Base	1,898,000	403,000	(1,495,000)
4541430 Burnley Police Station Replacement	650,000	641,000	(9,000)
4541532 Heysham STRAP Accommodation	97,000	97,000	0
4542992 Bamber Bridge - ISO Accreditation SSD	1,000,000	608,000	(392,000)
4548315 Smarter Working	80,000	65,000	(15,000)
TOTAL ACCOMMODATION STRATEGY	10,060,000	5,431,000	(4,629,000)
TOTAL MINOR CAPITAL WORKS AND REFURBISHMENTS	1,391,000	361,000	(1,030,000)
SUB TOTAL - ACCOMMODATION STRATEGY	11,451,000	5,792,000	(5,659,000)
OTHER CAPITAL SCHEMES			
4518042 Replacement External CCTV	15,000	9,000	(6,000)
4518205 ANPR – Fixed Cameras & NAS	583,000	4,000	(579,000)
4518221 ANPR - Mobile	146,000	47,000	(99,000)
4538456 HQ Crime Specialised Equipment Replacement	100,000	52,000	(48,000)
4538461 HQ Ops Specialised Equipment Replacement P	359,000	313,000	(46,000)
4538466 CCTV System - Heysham Port	14,000	14,000	0
4538467 Forensic Science & UCLAN Collaboration	9,000	4,000	(5,000)
4538468 Force Control Room Upgrade - POD Working	305,000	183,000	(122,000)
4538469 Taser Uplift	55,000	20,000	(35,000)
4538471 Regional Drugs Facility - Capital	17,000	10,000	(7,000)
4538472 Regional Crime TSU contribution	120,000	119,000	(1,000)
SUB TOTAL - OTHER CAPITAL SCHEMES	1,723,000	776,000	(947,000)
VEHICLE REPLACEMENT PROGRAMME			
4528400 Vehicle Rep Programme	4,409,000	2,321,000	(2,088,000)
SUB TOTAL - VEHICLE REPLACEMENT PROGRAMME	4,409,000	2,321,000	(2,088,000)
TOTAL CAPITAL PROGRAMME	24,938,000	15,005,000	(9,933,000)