



DECISION: 2024/04	DATE: 5/6/2024
TITLE: FINANCIAL POSITION AS AT 31 MARCH 2024	
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 2023/24 financial year.	
Recommendations The Police and Crime Commissioner is recommended to: <ul style="list-style-type: none">• Note the position on the Police and Crime Commissioner's Revenue budget for 2023/24.• Approve the transfers into reserves as set out in the report.• Approve an increase of £0.101m to the capital programme in 2023/24 giving a final approved programme of £30.482m• Note the year end position for the capital programme• Note the position on the PCC's reserves	

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 2023/24 and the government funded uplift programme. The Constabulary has implemented a service redesign during 2022/23 that will be completed in 2024/25.

1.2. Revenue Budget 2023/24

The revenue budget position at 31 March 2024 is:

	Budget	Spend	Variance	
	£m	£m	£m	%
Chief Constable:				
Pay costs	283.310	283.956	0.646	0.23
ACC Territorial Operations	7.679	8.251	0.572	7.45
ACC Crime	3.582	4.196	0.614	17.14
ACC People and Specialist Uniform Operations	4.886	5.108	0.222	4.54
Chief Operating Officer	32.834	31.704	-1.130	-3.44
Deputy Chief Constable	1.363	1.544	0.181	13.28
Sub total	333.654	334.765	1.105	0.33
Non-DFM budget	9.295	7.550	-1.745	-18.77
Total Constabulary Budget	342.949	342.309	-0.640	-0.19
PCC:				
Office of the PCC	1.621	1.592	-0.029	-1.79
Communications	0.126	0.129	0.003	2.38
Fighting Crime	0.739	0.779	0.040	5.41
Victim and Domestic Abuse services	0.560	0.560	0	0
Sub total	3.046	3.060	0.014	0.46
Non-DFM	9.933	9.603	-0.330	-3.32
Total PCC	12.979	12.663	-0.316	-2.43
TOTAL BUDGET	355.928	354.972	-0.956	-0.27

1.3. Year-end position

The **Constabulary** revenue budget has **underspent by £0.640m (0.19%)** in 2023/24.

This position reflects transfers into DFM reserves during 2023/24 for the following specific reasons:

£m	Reason
0.357	Credit notes providing an underspend to be carried forward to meet Airwave payments if they are successful in a legal challenge against Competition and Market Authority (CMA) decision in 2023/24 that generated the credits
0.248	Underspend on training to be carried forward to meet significant, one-off, additional cost pressure for training in 2024/25

The Commissioner is **recommended to note the transfers into DFM reserves set out in the table above.**

This position reflects that the £7.875m of savings required to deliver the budget have been achieved in 2023/24.

The year-end position for the Constabulary revenue budget includes both pressures and underspends, the main elements being:

Over/(Under) spend (£m)	Area of under/over spending
0.6	Pay costs
1.1	Overtime
0.8	Under delivery of income for training for external organisations
0.4	Vehicle repairs, parts and tyres
0.2	Counsel fees
-0.3	Mast rental income
-0.5	Telephony and ICT stores costs
-1.1	Energy
-1.8	Funding provided by collaboration arrangements and grant income
-0.6	Underspend

The Commissioner **is recommended to agree to the transfer of the underspend of £0.640m into the Transition Reserve** to support investment in the revenue budget and capital investment programme in 2024/25.

The **Office of the PCC** has an **underspend of £0.316m (2.43%)** the main elements being:

Over/(Under) spend (£m)	Reason
-0.6	Interest receivable greater than forecast
0.4	Interest payable lower than forecast (Lower than forecast capital spending)
-0.1	Financing costs lower than forecast
-0.3	Underspend

The underspend of £0.316m reflects a contribution to the PCC DFM reserve of £0.160m for the cost of developing the victim service for Lancashire

The Commissioner is **recommended to agree to a contribution to DFM reserve of £0.160m for the development of the victim service.**

The Commissioner is **recommended to transfer the underspend of £0.316m into Transition Reserve** to support investment in the revenue budget and capital investment programme in 2024/25.

1.4. Capital Programme 2023/24

The **revised capital programme for 2023/24** was approved at **£30.381m** in the quarter 3 monitoring report to the Commissioner in February 2024.

A further increase to the capital programme was subsequently identified. The Vehicle replacement programme has been increased by £0.101m met from the funding available for the delivery of the national uplift programme.

It is **recommended** that the Commissioner retrospectively approve this increase to give a final approved programme in 2023/24 of **£30.482m**.

1.5. Year-end position on the 2023/24 capital programme

A total of **£18.768m** has been spent on capital projects in this year:

	£m
IT Strategy	5.610
Estate	5.897
Vehicle Replacement Programme	6.863
Other schemes	0.398
Total	18.768

The main elements of the spend summarised above are:

I.T. Strategy

- £0.826m Network Access and Security
- £1.608m Device upgrade and replacement
- £3.176m System replacement

Estate

- £3.623m Chorley police station
- £1.426m Pendle police station

Other Schemes

- £0.125m Replacement of specialist equipment
- £0.154m ANPR equipment and infrastructure
- £0.119m Regional collaborations

Spend in 2023/24 of £18.768m has resulted in a variation against the programme of £11.713m set out below:

	Revised Programme	Actual	Variation
	£m	£m	£m
ICT	7.764	5.610	-2.153
Estate	15.529	5.897	-9.632
Vehicle Replacement Programme	6.115	6.863	0.748
Other schemes	1.074	0.398	-0.676
Total	30.482	18.768	-11.713

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

1.6. Financing of 2023/24 capital expenditure

The following table shows how the expenditure of £18.768m has been financed:

	£m
Financing	
Capital Grant/Contribution	0.112
Revenue Resources	10.750
Revenue Reserves	2.698
Borrowing	5.208
Total	18.768

1.7. 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 1/4/23	Movement in 2023/24	Final Position as at 31/3/23
	£m	£m	£m
<u>EARMARKED RESERVES</u>			
Capital Financing Reserve	0.101	0.064	0.165
Employee/Public liability reserve	0.685	0	0.685
LCTS Reserve	2.356	-2.356	0
Transition Reserve	1.927	0.717	2.644
Clothing Reserve	0.786	-0.147	0.638
POCA Equalisation Reserve	0.702	0	0.702
PCCA/Drugs Forfeiture Reserve	0.389	0.176	0.565
VMU Reserve	0.008	0	0.008
Operational Policing Reserve	1.691	0	1.691
Forensic collaboration reserve	0.084	0.036	0.120
LFSA operational reserve	0.202	0.022	0.224
Regional Collaboration – Titan	0.040	0.338	0.378

Regional Drugs Forensics collaboration	0.120	0.062	0.181
NDORS course reserve	0.922	-0.516	0.406
Road Safety investment reserve	1.548	-0.234	1.315
Total Earmarked Reserves	11.561	-1.838	9.722
<u>GENERAL RESERVES</u>			
DFM	9.267	0.981	10.248
General Fund	9.388	0	9.388
Total General Reserves	18.655	0.981	19.636

1.7.1. Adequacy of Reserves

The general reserves (DFM and general fund) at 31 March 2024 are £19.636m and represent around 5.3% of the 2024/25 budget of £367.083m. Other earmarked reserves total £9.722m including £2.644m held in reserves that provide investment for the PCC's capital programme in 2024/25 and future years.

The 2024/25 budget includes a contribution from general reserves of £3.011m which would reduce the level of general reserves to £16.625m (4.5% of the 2024/25 revenue budget).

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.

1.8. 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 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 £16.9m are currently forecast to be required for the period to 2026/27. This is in addition to the £5.9m of savings that will be delivered in 2024/25 and represent a significant challenge for the PCC and the Constabulary.

Business planning programmes are underway to develop proposals for how the further savings 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 continues to be extremely challenging, it will be increasingly difficult to find savings on the scale required.

The level of funding and demand pressures for 2024/25 and future years remains uncertain.

Specific Risks include:

Inflation and pay award

- The rate of inflation has fallen in recent months and current forecasts expect the rate to fall further in the coming months. The rate at which inflation will reduce is still uncertain and is different for different types of expenditure. In particular the cost of insurance is increasing at a rate that is significantly higher than general inflation and this cost in particular will be closely monitored as part of the continuing financial planning process in preparation for setting the 2024/25 budget.
- The pay award for policing in September 2023 is a significant increase of 7%. The government has provided grant funding to support PCCs in meeting the cost pressure this represents. Forecasts of the pay award in future years remain uncertain as they will be affected by the rate of inflation and other cost of living pressures.
- Every 1% increase in pay costs for Lancashire equates to increased budget requirement of approximately £3m.

Maintaining the Police Uplift

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

Delivering the capital programme

- There is an ambitious capital programme for the forthcoming period which impacts directly upon the revenue budget and medium-term financial planning.
- 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

- A general election will be held on 4 July 2024 which will impact upon future budgets and therefore funding for policing.
- There is therefore significant risk in any assumption made for government funding in future years.

Additional government funding

- Lancashire will receive 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 in 2024/25.

- There has been no confirmation that this funding will continue beyond 31 March 2025 which will result in a significant reduction in support for victims of such crimes.
- The uncertainty of this funding makes effective financial planning extremely problematic, particularly when planning future service delivery.

Emergency Services Network (ESN) - Replacement of Airwave

- 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.
- 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.
- 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

- 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.
- 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%.
- 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.

1.9. Conclusion

The overall financial health of the Police and Crime Commissioner's budget at the end of the 2023/24 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 *Steve Freeman*Date 05/06/2024.....

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Capital Programme 2023/24

Cost Centre	Revised Programme £	Committed Expenditure £	Year to date Variance £	Slippage £	(Underspend)/ Overspend £	Outstanding Commitments 31/3/24 £
NETWORK ACCESS AND SECURITY						
4518200 General Provision for Infrastructure and Security	953,000	608,000	(345,000)	(345,000)	(345,000)	426,000
4518218 Telephony System & Infrastructure	24,000	8,000	(15,000)	(15,000)	0	14,000
4518233 Network Improvements	212,000	192,000	(20,000)	(20,000)	0	5,000
4518235 High Capacity Microwave Link	17,000	18,000	0	0	0	0
TOTAL NETWORK ACCESS AND SECURITY	1,206,000	826,000	(380,000)	(380,000)	0	445,000
DEVICE UPGRADE AND REPLACEMENT						0
4518001 Endpoint Replacement Programme	949,000	796,000	(153,000)	(153,000)	0	318,000
4518019 Mobile Handheld Smart Device Programme	830,000	812,000	(18,000)	(18,000)	0	0
TOTAL DEVICE UPGRADE AND REPLACEMENT	1,779,000	1,608,000	(171,000)	(171,000)	0	318,000
NEW AND REPLACEMENT SYSTEMS						0
4518020 Connect & Future Developments	311,000	194,000	(117,000)	(117,000)	0	10,000
4518022 Telematics	66,000	52,000	(15,000)	(15,000)	0	0
4518024 CCTV Custody Server Refresh	66,000	66,000	0	0	0	0
4518025 Door Entry Alarms Proximity CCTV	58,000	58,000	0	0	0	0
4518039 Learning Management System	55,000	56,000	0	0	0	0
4518048 Future Developments (COTS)	12,000	0	(12,000)	(12,000)	0	0
4518049 Digital Evidence Management & Transfer	30,000	30,000	0	0	0	0
4518050 Office 365 Migration	14,000	12,000	(2,000)	(2,000)	0	2,000
4518053 WiFi Rollout	20,000	18,000	(4,000)	(4,000)	0	0
4518055 Centralised Access System	80,000	80,000	0	0	0	0
4518057 DMU Storage Uplift	337,000	103,000	(234,000)	(234,000)	0	0
4518058 EN Airwave Replacement	44,000	15,000	(28,000)	(28,000)	0	0
4518059 Replace Forensic Science Platform	0	0	0	0	0	0
4518060 Process Automation (RPA)	655,000	698,000	44,000	44,000	0	102,000
4518061 Pronto Development	267,000	333,000	66,000	66,000	0	78,000
4518062 Replacement Vetting System	14,000	3,000	(11,000)	0	(11,000)	52,000
4518063 Force Video Conferencing Capability	7,000	8,000	1,000	1,000	0	0
4518064 Facilities Mgt Case Management System	150,000	68,000	(82,000)	(82,000)	0	75,000
4518067 Oracle ERP System	329,000	265,000	(64,000)	(64,000)	0	37,000
4518068 In Car Dashcam (WatchGuard)	789,000	448,000	(340,000)	(340,000)	0	841,000
4518069 Single Online Home (SOH)	12,000	0	(11,000)	(11,000)	0	0
4518072 Cloud BIM Migration - Data Analytics	163,000	38,000	(125,000)	(125,000)	0	0
4518074 Stom Database Audit & Archiving (Steria)	52,000	11,000	(41,000)	(41,000)	0	30,000
4518076 LEDS	214,000	36,000	(178,000)	(178,000)	0	4,000
4518077 FCR Queue Buster	95,000	95,000	0	0	0	0
4518078 DR, Resilience and Business Continuity	153,000	153,000	0	0	0	0
4518079 DCS Resilience	80,000	70,000	(10,000)	(10,000)	0	0
4518080 Data Quality	170,000	78,000	(92,000)	(92,000)	0	53,000
4518081 HR Lewis Rationalisation & OLEEO	78,000	0	(78,000)	(78,000)	0	0
4518082 Fleet Management Tool (Tranman Replacement)	155,000	98,000	(56,000)	(56,000)	0	56,000
4518083 Route to Live	100,000	44,000	(56,000)	(56,000)	0	0
4518085 ICT Consultants	0	0	0	0	0	0
4518227 IC CS Upgrade (ESN)	206,000	47,000	(159,000)	(159,000)	0	16,000
TOTAL SYSTEMS REPLACEMENT	4,779,000	3,176,000	(1,603,000)	(1,592,000)	(11,000)	1,356,000
SUB TOTAL - IT STRATEGY	7,764,000	5,610,000	(2,153,000)	(2,143,000)	(11,000)	2,120,000
ACCOMMODATION STRATEGY						0
4540010 Main Building (Rear) Fire Safety Works	200,000	0	(200,000)	(200,000)	0	0
4540442 Mounted Branch / Dog School Site Security Works	750,000	0	(750,000)	(750,000)	0	0
4540443 Mounted Branch - Drainage Works and Refurbishment	100,000	5,000	(95,000)	(95,000)	0	0
4540454 Moor Farm / Moor Farm House Roof Replacement	265,000	3,000	(262,000)	(262,000)	0	48,000
4540490 HQ CPIP	3,056,000	46,000	(3,009,000)	(3,009,000)	0	2,007,000
4540507 West DHQ General - Solar Panels	500,000	30,000	(470,000)	(470,000)	0	0
4540508 Blackpool Police Station Windows and Drainage Upgrades	250,000	0	(250,000)	0	(250,000)	0
4540653 Refurbishment of Operating Bases - Fleetwood	200,000	0	(200,000)	0	(200,000)	0
4540708 Morecambe Police Station Refurbishment	0	0	0	0	0	0
4540855 Chorley Police Station - Refurbishment	0	0	0	0	0	0
4540881 Ormskirk Police Station Refurbishment	30,000	13,000	(17,000)	0	(17,000)	0
4540904 Skelmersdale Refurbishment	62,000	29,000	(33,000)	0	(33,000)	0
4540930 New Chorley DHQ	4,856,000	3,623,000	(1,233,000)	(1,233,000)	0	0
4541009 Preston Police Station	325,000	0	(325,000)	0	(325,000)	0
4541106 Blackburn DHQ Adaptations	350,000	5,000	(345,000)	(345,000)	0	0
4541142 Refurbishment of Operating Bases - Clither	0	0	0	0	0	0
4541153 Darwin Police Station	10,000	0	(10,000)	0	(10,000)	0
4541181 Longridge Police Station	10,000	0	(10,000)	0	(10,000)	0
4541420 Pendle Police Station	1,684,000	1,426,000	(258,000)	(258,000)	0	407,000
4541430 Burnley Police Station Replacement	250,000	0	(250,000)	(250,000)	0	0
4541961 12 Lindle Avenue Refurbishment	19,000	21,000	2,000	0	2,000	0
4542480 Accrington Grange Lane - ERP New East Lancs ERP	500,000	2,000	(498,000)	0	(498,000)	0
4542992 Bamber Bridge ISO Accreditation	58,000	36,000	(22,000)	0	(22,000)	21,000
4548316 Estates Enabling Posts	402,000	0	(402,000)	(402,000)	0	116,000
TOTAL ACCOMMODATION STRATEGY	13,876,000	5,238,000	(8,637,000)	(7,274,000)	(1,363,000)	2,599,000
TOTAL MINOR CAPITAL WORKS AND REFURBISHMENTS	1,654,000	659,000	(994,000)	497,000	(1,491,000)	1,000
SUB TOTAL - ACCOMMODATION STRATEGY	15,529,000	5,897,000	(9,632,000)	(6,777,000)	(2,854,000)	2,599,000
OTHER CAPITAL SCHEMES						0
4518042 Replacement External CCTV	138,000	55,000	(83,000)	(83,000)	0	158,000
4518205 ANPR	214,000	122,000	(91,000)	(91,000)	0	21,000
4518221 ANPR - Mobile	69,000	32,000	(37,000)	(37,000)	0	1,000
4538456 HQ Crime Specialised Equipment Replacement	207,000	28,000	(179,000)	0	(179,000)	67,000
4538461 HQ Ops Specialised Equipment Replacement P	268,000	1,000	(267,000)	0	(267,000)	8,000
4538468 CCTV System - Heysham Port	0	1,000	1,000	0	1,000	0
4538467 Forensic Science & UCLAN Collaboration	0	0	0	0	0	0
4538468 Force Control Room Upgrade - POD working	23,000	23,000	0	0	0	0
4538469 Taser Uplift	26,000	16,000	(11,000)	(11,000)	0	0
4538471 Regional Drugs Facility - Capital	7,000	0	(7,000)	(7,000)	0	0
4538472 Regional Crime TSU Contribution	121,000	119,000	(1,000)	0	(1,000)	0
SUB TOTAL - OTHER CAPITAL SCHEMES	1,073,000	398,000	(676,000)	(229,000)	(447,000)	512,000
VEHICLE REPLACEMENT PROGRAMME						0
4528400 Vehicle Rep Programme	6,115,000	6,863,000	748,000	748,000	0	98,000
SUB TOTAL - VEHICLE REPLACEMENT PROGRAMME	6,115,000	6,863,000	748,000	748,000	0	98,000
TOTAL CAPITAL PROGRAMME	30,482,000	18,768,000	(11,713,000)	(8,402,000)	(3,312,000)	5,329,000