

Decision No 2014/70



REPORT TO: POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

**REPORT BY: Lisa Kitto
Chief Finance Officer**

DATE: 13 March 2015

**TITLE: 2014/15 Monitoring Position – As at 31 December 2014
Appendix A refers**

EXECUTIVE SUMMARY

This report sets out the monitoring position for the Police and Crime budget as at 31 December 2014. 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 £8.590m at 31 March 2015.
- Note the forecast capital programme position for 2014/15 as follows:
 - Forecast spend of £10.418m in 2014/15
 - Forecast slippage in to 2015/16 and future years of £6.573m
 - Forecast underspend of £0.855m in 2014/15.
- Agree the addition to the capital programme in 2014/15 of £0.126m for the purchase of a digital post room and document management system
- Note that a contribution from Speed Awareness income within the revenue budget of £0.126m will be made to finance the purchase of a digital post system
- Agree the following further additions to the capital programme in 2014/15:
 - £0.065m for a proof of concept project for Kelvin Connect to enable the provision of hand held devices investment to be delivered
 - £0.018m proof of concept project for 'Meganexus' as part of the Digital Engagement programme
 - £0.030m for the Community Messaging Service within the digital engagement programme
 - £0.150m for priority 1 ANPR investment sites
 - £0.357m for the purchase of toughbooks and additional costs of delivering the 'VDI for Confidential Environment' project within the previously approved capital programme
 - £0.072m for additional consultancy costs for the disaster recovery project
- Agree a contribution of £0.695m from the revenue budget in 2014/15 to finance the additions to the capital programme
- Note the underspend on the capital programme of £1.490m in respect of facilities in Accrington and the removal of the spend and relevant financing from the capital programme
- Note the forecast position on the reserves at the end of the 2014/15 financial year.

Decision taken by the Police and Crime Commissioner for Lancashire:

Original decision, as set out in the attached

YES

NO

report, approved without amendment (please delete as appropriate)		
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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:
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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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1. 2014/15 Monitoring Position – As at 31 December 2014

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

- A forecast year-end position for the PCC's revenue budget and capital programme for 2014/15, and
- The impact of the position on the PCC's reserves

2. Revenue Budget

The budget for the Police and Crime Commissioner was set at £266.024m and after taking account of the planned use of balances by budget holders to the end of December 2014 has increased to £266.400m.

Based on the monitoring position at the end of December 2014, there is a forecast **underspend** of **£8.590m** for the year.

The table below sets out a summary position for the budget;

Forecast Out Turn Position 2014/15 as at 31 December 2015				
Responsibility Area	Revised Budget	Forecast Spend	Forecast Variance	Percentage variance
	£m	£m	£m	%
ACC Territorial Operations	147.940	145.115	-2.825	-1.9
ACC Specialist Operations	54.314	54.482	0.168	0.3
Director of Resources	27.196	26.365	-0.831	-3.1
Deputy Chief Constable	8.068	7.891	-0.177	-2.2
Sub Total	237.518	233.853	-3.665	-1.5
Office of the Police and Crime Commissioner	1.515	1.505	-0.010	-0.7
Community Safety	2.288	1.638	-0.650	-28.4
Victims and Witnesses of Crime	1.514	1.214	-0.300	-19.8
Grant income	-1.514	-1.214	0.300	19.8
Sub Total	3.803	3.143	-0.660	-17.4
TOTAL DFM BUDGET	241.321	236.996	-4.325	-1.6
Non DFM				
Constabulary	17.149	13.227	-3.922	-22.9
Office of the Police and Crime Commissioner	7.930	7.587	-0.343	-4.3
TOTAL BUDGET	266.400	257.81	-8.590	-3.2

3. Delegated Revenue Budgets – overall position

3.1 *Lancashire Constabulary DFM budget*

The DFM budget is forecast to underspend by some £3.665m on operational budgets which is due, in the main, to underspending on police officer pay and allowances (£4.782m) and on non-pay budgets (£1.437m) through a general spend less approach within the Force.

These underspends are offset in part by overspending on overtime (£1.083m) and agency staff costs (£1.471m) that have been incurred due to a need to cover some vacancies on a temporary basis and to cover the costs of major incidents.

The forecast year-end position takes into account the recruitment of officers during the year.

3.2 Lancashire Constabulary Non-dfm budget

Non-dfm budgets are forecast to underspend by £3.922m at year end reflecting savings on a number of corporately held budgets the main areas of underspend being:

- The budget for vacant posts that is held centrally and is delivering a further saving to that being realised within operational budgets
- The budgets retained centrally following the in-year annual review of non-staff costs by the Constabulary determining which identifies areas of underspend.

Some of these underspends will be recur in future years and will therefore emerge as savings in the budget setting process for 2016/17.

The year-end position reflects the forecast costs anticipated to arise from the implementation of Organisational Reviews (£1.6m) that relate, in the main, to redundancy costs. These costs relate to savings options that have been agreed by the Commissioner in order to reduce the overall budget in future years. The Commissioner has set up a transition reserve to manage the costs of downsizing the organisation and it is recommended that these costs be funded from this reserve. The forecast underspend of £3.922m on non-dfm budgets reflects this.

3.3 Office of the Police and Crime Commissioner

The DFM budget for the Office of the Police and Crime Commissioner is forecast to underspend by £0.650m on the Community Safety budget. This is due to a number of payments to statutory organisations having been reduced in 2014/15 following a review of the services they provide to the Commissioner.

The Community Safety budget allocation for 2015/16 is under review and will ensure that all of the resource is utilised in future years within the Commissioner's overall revenue budget allocation.

The Non-DFM budget will underspend by £0.343m as a result of favourable changes in the net amount of interest payable on borrowing.

3.3 Commissioning

There is a forecast underspend of £0.300m on Victims Services that will in turn reduce the amount of grant funding received. This therefore has no adverse impact on the 2014/15 revenue budget position. This underspend has arisen due to the costs of setting up a framework for the provision of Victims' services being lower than originally anticipated. All of the costs that have been incurred are being reviewed to identify if any further spend should be allocated against this grant funding.

4. Capital

The revised 2014/15 capital programme for the Police and Crime Commissioner is £17.846m, the detail of which is set out in the table below:

	£m
Originally approved programme for 2014/15	7.805
Add (previously agreed):	
Schemes deferred from 2013/14	3.990
Slippage from 2013/14	5.493
Previously approved in year additions:	
L&D – bike training	0.011
Rapid Hit DNA	0.249
Digital Engagement 'Do it online' programme	0.049
Vehicle Replacement Programme-Initial Pursuit Training	0.026
Hydra Suite	0.098
Add further addition to the programme:	
Digital post room and document management system	0.126
Revised Capital Programme 2014/15	17.846

4.1 *In-year additions to the Programme:*

The Commissioner has previously approved funding from reserves for a number of capital projects during the year to date as follows:

- the provision of a Hydra Suite at the Training Centre (£0.073m)
- Digital Engagement (“Do it Online” website £0.049m)
- Pursuit Training (additional vehicles £0.026m)

The Commissioner has been successful in securing funding from the 2014/15 Innovation fund for the development of 'RapidHit DNA' implementation (£0.249m). This is a project being undertaken in collaboration with Northamptonshire Police and will deliver DNA test results in 2 hours instead of the current period of 5 days enabling a significant improvement in the efficiency of investigations. This project is fully funded through the innovation fund grant.

Since being approved the cost of the Hydra Suite project has increased to £0.098m however this will be managed through a contribution from the Learning and Development Department's DFM balances (£25k).

A bid was made to the Police Innovation Fund for 2014/15 to provide a Dynamic Digital Solution for all Motoring Matters which was supported by the PCC but, unfortunately, was not approved for grant support. The scheme had significant benefits in terms of efficiencies in working practices and the potential to reduce staff numbers with an annual saving of around £0.060m.

It is **recommended** that the purchase of a 'Digital Post Room and Document Management System Solution' at a capital cost of £0.126m is approved and added to the capital programme for 2014/15 which will be fully funded from Speed Awareness levy income in the revenue budget.

These additions are now reflected in the revised 2014/15 capital programme as set out above and give an overall programme of £17.846m.

The table below sets out the breakdown of the capital programme in 2014/15 and the forecast outturn position at the end of the financial year:

	Revised Programme	Forecast Outturn	Slippage	Under /Overspend
	£m	£m	£m	£m
ICT Strategy	7.589	6.433	-1.842	0.686
Accommodation Strategy	4.540	0.687	-2.350	-1.503
Other Schemes	2.423	1.332	-1.053	-0.038
Vehicle Replacement	3.294	1.966	-1.328	0.000
Total	17.846	10.418	-6.573	-0.855

4.2 Further additions to the programme

As part of the ongoing monitoring and review of the capital programme the requirement for further additions have been identified, the details of which are as follows:

- £0.065m - Proof of Concept for Kelvin Connect within Voice and Data Infrastructure in relation to handheld mobile office facilities.
- £0.150m - ANPR priority 1 investment areas to develop ANPR as agreed by the Task and Finish group.
- £0.018m - Proof of Concept for Meganexus within Digital Engagement to allow digital media to be uploaded as part of the online reporting facility.
- £0.030m - Community Messaging Service within Digital Engagement to enable targeted and relevant messages to be sent via e mail, text or voice message based on people's interest and where they live.
- £0.357m - VDI for Confidential Environment, as this scheme has developed there has been an identified essential requirement for 80 toughbooks for response officers and on-going costs of outside contractors to allow the scheme to progress as required.
- £0.072m - Disaster Recovery where it is necessary to incur additional consultancy services from Sysec and STORM which were in addition to the BTLS contracted costs.

It is **recommended** that these items be added to the capital programme and a contribution be made from the revenue budget to meet the additional cost incurred in 2014/15.

4.3 Underspend

The Commissioner has approved a decision to take forward the lease of premises in Accrington and as a result an underspend of £1.490m has been identified on the accommodation strategy. The spending and relevant financing will be removed from the programme in 2014/15.

4.4 Slippage

The forecast year-end position will continue to develop and be monitored as the financial year progresses. There is, however, a risk that a number of projects within the programme will not progress as anticipated and will slip into future years. The main areas of this slippage are:

- **ICT Strategy**

There are a number of schemes that will slip into 2015/16 including:

- ANPR (£0.476m) where negotiations with local councils to use existing street furniture are on-going but have delayed the implementation of the programme.
- ANPR software upgrade (£0.122m) where a software upgrade for the system is required for the new mobile technology in use by officers.
- Digital Voice Recording (£0.568m) where a proportion of the programme will now fall in 2015/16.
- Telephony system and infrastructure (£0.300m) where research is being undertaken to identify the force's requirements for the system.
- Desktop replacement programme (£0.306m) where a delay has been experienced due to a change in supplier being identified to secure greater value for money that has required a change in model of desktop being identified that requires testing.

- **Accommodation Strategy**

- HQ Facilities at West Division (£1.850m) – negotiations for the preferred site are on-going and works are expected to commence late in 2015/16.
- Negotiations for the site in Accrington are being finalised and works expected to take place in 2015/16 (£0.500m).

- **Other Schemes**

- Digital Speed Camera Upgrade (£1.002m) – this scheme was originally phased over two financial years, 2012/13 and 2013/14, 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 having to be undertaken. Tenders have recently been received and are currently being evaluated.

- **Vehicle Replacement Programme**

- (£1.328m) – the provision within the programme represents an equalised requirement over the 5 year programme with actual expenditure varying year on year. The actual cost in 2014/15 is estimated to be around £2m with the extra provision of £1.3m required for future years' replacement.

5. 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 £19.8m still to be identified between 2015/16 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 year-end position, earmarked reserves are forecast to be £31.2m and general reserves £12.5m. A position on reserves is set out at Annex 1.

5.1 Transition Reserve

This reserve was set up to assist the organisation as it downsizes in response to the significant funding reductions. The balance on the transition reserve at 1 April 2014 was £13.9m and is currently forecast to increase to £18.050m at year-end.

The analysis below reflects: the movements on the reserve agreed by the Commissioner in 2014/15 to date; the further movements as recommended in this report and the forecast year end underspend position on the revenue budget.

	£m
Opening balance 1/4/2014	13.900
<u>Movements previously agreed:</u>	
Costs of ORs to September 2014	-1.010
Contribution to VDI/mobile data project	-0.300
Contribution to Project management costs of IT strategy	-0.202
Contribution to Pursuit Training project	-0.292
Digital Engagement – 'Do it online'	-0.049
Costs of redundancies in the OPCC	-0.135
Costs of OR within the capital programme	-0.157
	<u>-2.145</u>
<u>Recommended movements:</u>	
Forecast of further costs of ORs in Revenue budget	-1.600
The Projected underspend on the 2014/15 Revenue Budget	8.590
Less: contribution to capital programme recommended in 4.2	-0.695
	<u>6.295</u>
Forecast Closing balance 31/3/2015	<u>18.050</u>

In view of the significant level of savings that the organisation must find over the next four year period and the ongoing risks to funding and costs that exist it is deemed appropriate to maintain a level of earmarked reserves that is considered sufficient to manage the changes to the organisation that will be necessary to deliver the savings required. In addition to this, as part of the 2015/16 budget setting process, the Commissioner has agreed that £12.7m of the transition reserve be used to fund some of the ICT scheme set out in the recently approved capital programme. In doing so, the ICT infrastructure can be maintained and opportunities to work more efficiently and deliver savings in the future through better use of ICT can be supported.

Reserves position as at 31 December 2014

	Position at 01/04/2014	Movement	Recommended Movements	Forecast Position as at 31/12/14
	£m	£m	£m	£m
<u>EARMARKED RESERVES</u>				
Capital Funding Reserve	5.634			5.634
Transition Reserve	13.900	-2.145	6.295	18.050
Clothing Reserves	0.564			0.564
POCA Equalisation Reserve	0.554			0.554
PCCA/Drugs Forfeiture Reserves	0.193			0.193
VMU Reserves	0.043			0.043
Operational Policing Reserve	2.584			2.584
Road Safety Reserves	1.438			1.438
PCC Strategic Investment reserve	0.114			0.114
Early Debt Repayment Reserve	-1.800			-1.800
Investment Fund	0	3.820		3.820
Total Earmarked Reserves	23.224	1.675	6.295	31.194
<u>GENERAL RESERVES</u>				
DFM	2.665			2.665
General Fund	9.873			9.873
Total General Reserves	12.538			12.538