



DECISION: 2023/11	DATE: 2 JUNE 2023
TITLE: FINANCIAL POSITION AS AT 31 MARCH 2023	
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 2022/23 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 2022/23.• Approve an increase of £0.469m to the capital programme in 2022/23 giving a final approved programme of £25.564m• Note the year end position for the capital programme• Approve that £6.369m be carried forward into the 2023/24 capital programme to enable those projects that have been deferred or have slipped to be completed.• Approve the value of the capital programme in 2023/24 for monitoring purposes at £44.614m• 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 2022/23 and the government funded uplift programme. The Constabulary has been undertaking a service redesign during 2022/23 that will be implemented in 2023/24.

1.2. Revenue Budget 2022/23

The 2022/23 revenue budget for the PCC was set at £338.243m in February 2022. The position at 31 March 2023 is set out below:

	Budget	Spend	Variance	
	£m	£m	£m	%
Chief Constable:				
Pay costs	266.551	264.155	-2.396	-0.90
ACC Territorial Operations	7.294	9.171	1.877	25.73
ACC Crime	3.416	3.947	0.531	15.54
ACC People and Specialist Uniform Operations	5.168	5.084	-0.084	-1.62
Director of Resources	29.412	29.057	-0.355	-1.21
Deputy Chief Constable	1.386	1.419	0.033	2.42
Sub total	313.227	312.833	-0.393	-0.13
Non-DFM budget	15.174	12.836	-2.338	-15.41
Total Constabulary Budget	328.401	325.669	-2.731	-0.83
PCC:				
Office of the PCC	1.489	1.544	0.055	3.71
Communications	0.138	0.162	0.024	17.15
Fighting Crime	0.740	0.596	-0.144	-19.46
Victim and Domestic Abuse services	0.573	0.510	-0.063	-10.96
Sub total	2.940	2.812	-0.128	-4.35
Non-DFM	6.902	5.672	-1.230	-17.82
Total PCC	9.842	8.484	-1.358	-13.80
TOTAL BUDGET	338.243	334.154	-4.089	-1.21

1.3. Year-end position

The **Constabulary** revenue budget has **underspent by £2.731m (0.83%)** in 2022/23.

This position reflects a number of contributions that have been made into DFM reserves during 2022/23 for the following specific reasons:

£m	Reason
1.23	Revenue contribution to capital programme – reprofiled into 2023/24 to match reprofiled spending
0.22	Underspend on ringfenced LRF grant – carry forward for earmarked LRF spending

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

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

Over/(Under) spend (£m)	Area of under/over spending
-4.8	Vacancy savings
1.0	Additional cost of staff pay award above budgeted forecast
1.4	Costs of agency staff to fill vacancies
1.0	Additional overtime in excess of budget
0.8	Cost of Ill Health retirements
0.5	Travel and subsistence
0.3	Hire of transport
0.1	Equipment
0.2	Vehicle parts
0.4	Driver training income
0.2	Insurance
0.1	Catering
0.3	'Other costs' – items less than £0.1m in value aggregated
-0.1	Rates
-0.4	ICT costs
-0.3	Taser cartridges
-0.3	External trainer/lecturer fees
-0.8	Saving from upfront pension contribution payment
-0.3	Additional operation Palisade grant
-0.8	Mutual Aid
-0.3	Oracle saving
-0.1	Operation safeguard
-0.2	Cyber Crime grant funding
-0.6	TOM implementation spend
-2.7	Underspend

The Chief Constable has identified specific commitments in 2023/24 for which he proposes to set aside funds from the 2022/23 Constabulary underspend position (£2.731m).

Target Operating Model (TOM) implementation costs of £0.56m are forecast in 2023/24, the Chief Constable requests that this amount be set aside within the DFM reserve.

The Body Armour reserve has been utilised in full, the Chief proposes to set aside £0.75m in the specific Body Armour reserve to meet future requirements.

The Commissioner is **recommended to agree to these transfers into reserves as requested by the Chief Constable.**

If the Commissioner agrees to these specific contributions to reserves the **remaining underspend of £1.4m is recommended to be transferred into General Reserves** to support the revenue budget in 2023/24.

The **Office of the PCC** has an **underspend of £1.358m (13.8%)** the main elements being:

Over/(Under) spend (£m)	Reason
-1.229	Interest receivable greater than forecast (Interest rate increase)
0.050	Interest payable greater than forecast (Increase rate increase)
-0.051	Financing costs lower than forecast
-0.128	Office of the PCC costs savings including vacancy savings

The underspend of £1.358m reflects the creation of two provisions for future expenditure:

- £131,500 for the cost of the Chairs of Domestic Homicide Reviews for which funding was agreed in 2022/23.
- £160,000 for the cost of a review undertaken by the College of Policing relating to an operation in 2022/23.

The Commissioner is **recommended to agree the provisions as set out above.**

The Commissioner is **recommended to transfer the underspend of £1.358m into general reserves to support the 2023/24 revenue budget.**

1.4. Capital Programme 2022/23

The **revised capital programme for 2022/23** was approved at **£25.095m** in the quarter 3 monitoring report to the Commissioner in February 2023.

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

Description	£m	Source of funding
Single on-line home project	0.050	Grant
Increase to endpoint replacement programme	0.050	Revenue budget
Telephone handsets	0.004	Uplift – revenue budget
Mobile Smart Devices	0.050	Uplift – revenue budget
Endpoint replacement programme	0.012	Uplift – revenue budget
NLEDS	0.130	Grant
Bamber Bridge refurbishment	0.083	Revenue contribution
Moor Farm SOCU refurbishment	0.009	Revenue contribution
Leyland Police station refurbishment	0.006	Uplift – revenue budget
Skelmersdale refurbishment	0.028	Revenue budget
Average speed cameras	0.183	Revenue budget
Specialised Equipment	0.042	Innovation Fund
Mobile ANPR	0.011	Revenue budget
ANPR	0.010	Grant
Forensic Science Academy	-0.198	Revenue budget
Vehicle replacement programme	-0.002	Additional grant
Increase to capital programme	0.469	

It is **recommended** that the Commissioner retrospectively approve these changes to give a final approved programme in 2022/23 of **£25.564m.**

1.5. Year-end position on the 2022/23 capital programme

A total of **£15.079m** has been spent on capital projects in this year:

	£m
IT Strategy	6.973
Estate	4.343
Vehicle Replacement Programme	3.093
Other schemes	0.670
Total	15.079

The main elements of the spend summarised above are:

I.T. Strategy

- £0.697m Network Access and Security
- £3.681m Device upgrade and replacement
- £2.595m System replacement

Estate

- £1.501m Critical Policing Infrastructure Programme
- £0.210m Skelmersdale Station refurbishment
- £0.303m Solar Panel installation
- £1.268m Bamber Bridge – ISO accreditation requirement
- £0.917m 'Minor works programme'

Other Schemes

- £0.396m Replacement of specialist equipment
- £0.162m ANPR equipment and infrastructure
- £0.183m Average speed cameras
- £0.119m Regional collaborations

Spend in 2022/23 of £15.079m has resulted in a variation against the programme of £10.483m set out below:

SUMMARY	Revised Programme	Actual	Variation
	£m	£m	£m
ICT	8.172	6.973	-1.197
Estate	11.109	4.343	-6.766
Vehicle Replacement Programme	4.758	3.093	-1.665
Other schemes	1.525	0.670	-0.855
Total	25.564	15.079	-10.483

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

1.6. Financing of 2022/23 capital expenditure

The following table shows how the expenditure of £15.079m has been financed:

	£m
Financing	
Capital Grant/Contribution	0.670

Revenue Resources	10.088
Revenue Reserves	0.647
Borrowing	3.675
TOTAL FINANCING 2022/23	15.079

1.7. Capital programme 2023/24

It is proposed that the year-end position on the capital programme for 2022/23 be reflected in the programme for 2023/24 with the impact on the capital programme as follows:

	£m
New starts 23/24	33.214
ADD	
Previously agreed re-profiled spend	5.031
Further reprofiled spending	6.369
Capital Programme 2023/24	44.614

The Commissioner is **recommended to approve** the value of the **capital programme at £44.614m** in 2023/24 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 1/4/22	Movement in 2022/23	Final Position as at 31/3/23
	£m	£m	£m
<u>EARMARKED RESERVES</u>			
Capital Financing Reserve	0.151	-0.050	0.101
Employee/Public liability reserve	0.685	0	0.685
LCTS Reserve	2.356	0	2.356
Transition Reserve	2.392	-0.647	1.746
Clothing Reserve	0.028	0.758	0.786
POCA Equalisation Reserve	0.547	0.156	0.702
PCCA/Drugs Forfeiture Reserve	0.286	0.103	0.389
VMU Reserve	0.008	0	0.008
Operational Policing Reserve	1.691	0	1.691
Forensic collaboration reserve	0.084	0	0.084
LFSA operational reserve	0.165	0.036	0.202
Wellbeing reserve	0.017	-0.017	0
Regional Collaboration – Titan	0.462	-0.422	0.040
Regional Drugs Forensics collaboration	0	0.120	0.120
NDORS course reserve	0.842	0.080	0.922
Road Safety investment reserve	1.792	-0.243	1.548
Total Earmarked Reserves	11.506	-0.126	11.380

GENERAL RESERVES

DFM	3.325	2.942	6.267
General Fund	9.382	2.758	12.140
Total General Reserves	12.707	5.700	18.407

1.8.1. Adequacy of Reserves

The general reserves (DFM and general fund) at 31 March 2023 are £18.407m and represent around 5.1% of the 2023/24 budget of £361.127m. Other earmarked reserves total £11.380m including £4.102m held in reserves that provide investment for the PCC's capital programme in 2023/24 and future years.

The 2023/24 budget includes a contribution from general reserves of 3.011m which would reduce the level of general reserves to £15.396m (4.3% of the 2023/24 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 2023/24.

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 £9.855m are currently forecast to be required for the period to 2025/26. This is in addition to the £7.875m of savings that will be delivered in 2023/24 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 2023/24 and future years remains uncertain.

Specific Risks include:

Inflation and pay award

- Recent announcements about the rate of inflation and the forecast of future rates indicate that there will be significant pressure placed upon budgets in future years. The level of inflation remains uncertain and will be closely monitored as part of the continuing financial planning process.
- In turn it is expected that this pressure will impact upon the level of pay award made to police officers and staff which will directly affect the PCC budget in future years.

- 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 deliver and maintain the uplift allocation would mean a reduction in funding
 - If we fall short of our uplift target by more than 35 officers we would lose £7m of funding
- This affects how savings can be delivered by the organisation 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

- The Commissioner has agreed an ambitious capital programme for 2023/24 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

- Recent announcements by both the Prime Minister and Chancellor have indicated that firm control over government spending in future years is necessary.
- There is therefore significant risk in any assumption on government funding in future years that will, undoubtedly, be subject to significant pressure in future years.
- The MTFs therefore assumes no increase in government grants beyond 2024/25.

Additional government funding

- The three-year funding announcement made by the Minister of Policing in December 2021, and the financial settlements subsequently provided, gives greater certainty to inform financial planning over the spending review period.
- There continues to be 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 over the three-year funding period. Access to such funding requires a process of bidding that can be done against extremely short timescales. Successful bids can then require spending to be completed in a short space of time which can put pressure on resources and decision making.
- The amount of funding for these area remains uncertain at this time and will be announced in the coming months.

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.

1.10. Conclusion

The overall financial health of the Police and Crime Commissioner's budget at the end of the 2022/23 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 Angela Harrison.....Date 6th June 2023.....

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

Capital Programme 2022/23

	Budget	Spend	Variance	Reprofile to future years	(Under)/ Over spend
	£	£	£	£	£
General Provision for Infrastructure and Security	1,167,000	405,000	(762,000)	(225,000)	(536,000)
Telephony System & Infrastructure	28,000	25,000	(3,000)	(3,000)	0
Network Improvements	278,000	250,000	(28,000)	(28,000)	0
High-Capacity Microwave Link	34,000	17,000	(17,000)	(17,000)	0
NETWORK ACCESS AND SECURITY	1,507,000	697,000	(810,000)	(274,000)	(536,000)
Endpoint Replacement Programme	1,496,000	1,708,000	212,000	114,000	99,000
Mobile Handheld Smart Device Programme	1,434,000	1,971,000	538,000	0	538,000
Agile Workforce	101,000	1,000	(100,000)	0	(100,000)
DEVICE UPGRADE AND REPLACEMENT	3,031,000	3,681,000	650,000	114,000	536,000
Northgate Connect & Future Developments	254,000	172,000	(82,000)	(82,000)	0
Telematics	44,000	32,000	(12,000)	(12,000)	0
Door Entry Alarms/Proximity/CCTV	64,000	87,000	23,000	23,000	0
Learning Management System	13,000	13,000	0	0	0
Future Developments (COTS)	14,000	3,000	(12,000)	(12,000)	0
Digital Evidence Management & Transfer	11,000	11,000	0	0	0
Office 365 Migration	47,000	33,000	(14,000)	(14,000)	0
WiFi Rollout	26,000	25,000	(1,000)	0	(1,000)
Centralised Access System	210,000	210,000	0	0	0
ESN Airwave Replacement	53,000	35,000	(18,000)	(18,000)	0
Replace Forensic Science Platform	290,000	143,000	(147,000)	(147,000)	0
Process Automation (RPA)	372,000	372,000	0	0	0
Pronto Development	240,000	240,000	0	0	0
Replacement Vetting System	51,000	37,000	(14,000)	(14,000)	0
Force Video Conferencing Capability	24,000	17,000	(7,000)	(7,000)	0
DMS Upgrade	18,000	18,000	0	0	0
Oracle ERP System	550,000	559,000	9,000	9,000	0
In Car Dashcam (WatchGuard)	250,000	17,000	(233,000)	(233,000)	0
Single Online Home (SOH)	51,000	39,000	(12,000)	(12,000)	0
Cloud BI Migration - Data Analytics	125,000	0	(125,000)	(125,000)	0
Storm Database Audit & Archiving (Steria)	49,000	2,000	(47,000)	(47,000)	0
NLEDs	225,000	38,000	(187,000)	(187,000)	0
ICCS Upgrade (ESN)	650,000	493,000	(157,000)	(157,000)	0
NEW AND REPLACEMENT SYSTEMS	3,634,000	2,595,000	(1,039,000)	(1,038,000)	(1,000)
TOTAL IT STRATEGY	8,172,000	6,973,000	(1,199,000)	(1,197,000)	(1,000)

HQ CPIP	1,874,000	1,501,000	(374,000)	(374,000)	0
West DHQ General - Solar Panels	45,000	0	(45,000)	0	(45,000)
Refurbishment of Operating Bases – Fleetwood	20,000	0	(20,000)	0	(20,000)
Chorley Police Station - Refurbishment	94,000	45,000	(49,000)	(49,000)	0
Ormskirk Police Station Refurbishment	0	0	0	0	0
Skelmersdale Refurbishment	210,000	210,000	1,000	0	1,000
New Chorley DHQ	0	13,000	13,000	13,000	0
Solar Panels - Preston	305,000	303,000	(2,000)	0	(2,000)
Blackburn DHQ Adaptations	1,000,000	0	(1,000,000)	0	(1,000,000)
Greenbank Rolling custody programme	1,125,000	0	(1,125,000)	0	(1,125,000)
Refurbishment of Operating Bases – Clitheroe	1,680,000	0	(1,680,000)	0	(1,680,000)
Burnley Police Station	250,000	0	(250,000)	0	(250,000)
Colne Police Station Refurbishment	0	7,000	7,000	0	7,000
Pendle Briefing Base	1,000,000	5,000	(996,000)	(996,000)	0
12 Lindle Avenue Refurbishment	106,000	74,000	(32,000)	(32,000)	0
Bamber Bridge ISO Accreditation	1,325,000	1,268,000	(58,000)	(58,000)	0
ACCOMMODATION STRATEGY	9,034,000	3,426,000	(5,608,000)	(1,495,000)	(4,114,000)
MINOR CAPITAL WORKS	2,075,000	917,000	(1,158,000)	(1,158,000)	0
TOTAL ACCOMMODATION STRATEGY	11,109,000	4,343,000	(6,766,000)	(2,652,000)	(4,114,000)
Replacement External CCTV	441,000	303,000	(138,000)	(138,000)	0
ANPR	412,000	60,000	(353,000)	(353,000)	0
ANPR - Mobile	152,000	102,000	(49,000)	(49,000)	0
HQ Crime Specialised Equipment Replacement	148,000	41,000	(107,000)	(107,000)	0
HQ Ops Specialised Equipment Replacement	220,000	52,000	(168,000)	(168,000)	0
Average Speed Cameras	183,000	183,000	0	0	0
CCTV System - Heysham Port	0	(1,000)	0	0	0
Forensic Science & UCLAN Collaboration	(293,000)	(298,000)	(5,000)	(5,000)	0
Taser Uplift	35,000	8,000	(26,000)	(26,000)	0
Regional Drugs Facility - Capital	107,000	100,000	(7,000)	(7,000)	0
Regional Crime TSU Contribution	120,000	119,000	(1,000)	(1,000)	0
OTHER CAPITAL SCHEMES	1,525,000	670,000	(855,000)	(855,000)	0
VEHICLE REPLACEMENT PROGRAMME	4,758,000	3,093,000	(1,665,000)	(1,665,000)	0
TOTAL CAPITAL PROGRAMME	25,564,000	15,080,000	(10,484,000)	(6,369,000)	(4,115,000)