



## RECOMMENDATION REPORT

|   |                             |
|---|-----------------------------|
| <b>DECISION: 16/2024</b>  | <b>DATE: 22 AUGUST 2024</b> |
| <b>TITLE: FINANCIAL POSITION AS AT 30 JUNE 2024</b>   |                             |
| <b>REPORT BY: STEVE FREEMAN</b>   |                             |
| <b>Executive Summary</b><br>This report sets out the monitoring position for the 2024/25 revenue and capital budget at 30 June 2024.  |                             |
| <b>Recommendations</b><br>The Police and Crime Commissioner is recommended to: <ul style="list-style-type: none"><li>• Note the position on the Police and Crime Commissioner's Revenue budget.</li><li>• Approve a revised capital investment programme in 2024/25 of £43.720m</li><li>• Note the position for the capital programme</li><li>• Note the position on reserves</li></ul> |                             |

## 1. Background and Advice

### 1.1. Overview

1.1.1. The Commissioner receives regular reports setting out the latest position on income and expenditure and forecast outturn position for the revenue and capital budget. This report sets out the latest position including:

- The position for the PCC's revenue budget for 2024/25,
- The capital programme for 2024/25 and future years, and
- The position on reserves

### 1.2. Revenue Budget 2024/25

1.2.1. The 2024/25 revenue budget is allocated as follows:

|                                    | <b>Budget<br/>£m</b> |
|------------------------------------|----------------------|
| <b>Chief Constable:</b>            |                      |
| Pay costs                          | 301.3                |
| ACC Territorial Operations         | 8.0                  |
| ACC Crime                          | 3.8                  |
| ACC Specialist Uniform Operations  | 4.9                  |
| Chief Operating Officer            | 34.2                 |
| Deputy Chief Constable             | 1.5                  |
| Sub total                          | 353.7                |
| Non-DFM budget                     | 7.8                  |
| <b>Total Constabulary Budget</b>   | <b>361.5</b>         |
| <b>PCC:</b>                        |                      |
| Office of the PCC                  | 1.8                  |
| Communications                     | 0.1                  |
| Fighting Crime                     | 1.0                  |
| Victim and Domestic Abuse services | 0.7                  |
| Sub total                          | 3.6                  |
| Non-DFM                            | 2.0                  |
| <b>Total PCC</b>                   | <b>5.6</b>           |
| <b>TOTAL BUDGET</b>                | <b>367.1</b>         |

1.2.2. At this stage in the financial year a firm forecast of a year-end position is unrealistic however the PCC and Constabulary are confident that they will manage within budget in 2024/25.

1.2.3. The PCC and Chief Constable will monitor spending closely throughout the year and a number of issues have been identified that may impact on the financial position at the end of the year:

- The recent announcement in respect of pay award for police officers will impact upon the budget in Lancashire.
  - The increase of 4.75% from September 2024 is greater than the amount provided for in the revenue budget (2.5%).
  - The Home Office have confirmed that they will provide additional grant funding to meet the pressure on budgets that the 4.25% pay award will realise for all forces.
- The level of staff vacancies is lower than that forecast when setting the budget which places a pressure on the overall pay budget. The number of vacancies is closely monitored throughout the year and will be managed over the coming months to deliver the budget at year-end.
- The recent demand placed upon policing to deal with the extensive disorder across the County will have a significant impact for managing the budget. Whilst government has provided some assurance that these costs will be met centrally the extent to which the operational impact of this activity will have on the budget remains uncertain.
- The level of income generated from external organisations is lower than previous years placing pressure on the budget. This is because the training resources available are being consumed by the Constabulary's own officers and staff. This is a result of the significant influx of new officers through the uplift programme.
- A delay in the start of operations for the regional toxicology collaboration has meant additional cost will be incurred above the budgeted provision, it isn't yet clear when the collaboration will be able to begin its operation.

1.3. As subsequent monitoring reports are presented during the year the forecast year-end position will be provided and the factors impacting upon it will be explained in further detail.

1.4. In setting the 2024/25 budget, savings of £5.9m were identified:

|                            | £m         |
|----------------------------|------------|
| Departmental savings       | 1.0        |
| Changes to Operating Model | 2.7        |
| Reduced cost of energy     | 2.2        |
| <b>Total</b>               | <b>5.9</b> |

1.5. The delivery of these savings will be closely monitored through the year and reported in each quarterly financial monitoring report.

## 1.6. Capital Programme 2024/25

1.6.1. The capital programme for 2024/25 was approved at £51.807m.

1.6.2. At 30 June 2024 £10.113m of spend has been committed against this programme and the forecast spend at the end of the year is £43.720m:

|                               | <b>Programme<br/>£m</b> | <b>Committed<br/>£m</b> | <b>Forecast<br/>£m</b> |
|-------------------------------|-------------------------|-------------------------|------------------------|
| ICT                           | 11.150                  | 5.384                   | 11.150                 |
| Estate                        | 34.296                  | 3.164                   | 26.209                 |
| Vehicle Replacement Programme | 5.175                   | 1.293                   | 5.175                  |
| Other schemes                 | 1.186                   | 0.272                   | 1.186                  |
| <b>Total</b>                  | <b>51.807</b>           | <b>10.113</b>           | <b>43.720</b>          |

1.6.3. The main elements of the forecast spend for the year, summarised above are:

### I.C.T.

- £2.178m Network Access and Security
- £2.571m Device upgrade and replacement
- £5.754m System replacement
- £0.647m Development and innovation

### Estate

- £2.407m Critical Policing Infrastructure Programme (CPIP)
- £5.269m Operational bases and divisional HQs
- £4.500m Chorley Police Station
- £9.000m Pendle Police Station
- £1.300m Refurbishment of custody suites
- £2.175m Minor works programme

### Other Schemes

- £0.132m Replacement of specialist equipment
- £0.674m ANPR equipment and infrastructure
- £0.108m Regional collaborations

1.6.4. To reflect the forecast spend shown above, it is **recommended that the Commissioner revise the capital programme in 2024/25 to £43.720m.**

## 1.7. Reserves

1.7.1. The reserves brought forward at 1/4/2024 are:

|                                  | <b>£m</b> |
|----------------------------------|-----------|
| <b><u>EARMARKED RESERVES</u></b> |           |
| Capital Financing Reserve        | 0.165     |

|  |               |
|--|---------------|
| Employee/Public liability reserve      | 0.685         |
| Transition Reserve                     | 2.644         |
| Clothing Reserve                       | 0.638         |
| POCA Equalisation Reserve              | 0.702         |
| PCCA/Drugs Forfeiture Reserve          | 0.565         |
| VMU Reserve                            | 0.008         |
| Operational Policing Reserve           | 1.691         |
| Forensic collaboration reserve         | 0.120         |
| LFSA operational reserve               | 0.224         |
| Regional Collaboration – Titan         | 0.378         |
| Regional Drugs Forensics collaboration | 0.181         |
| NDORS course reserve                   | 0.406         |
| Speed enforcement investment reserve   | 1.315         |
| <b>Total Earmarked Reserves</b>        | <b>9.722</b>  |
| <br>                                   |               |
| <b><u>GENERAL RESERVES</u></b>         |               |
| DFM                                    | 10.248        |
| General Fund                           | 9.388         |
| <b>Total General Reserves</b>          | <b>19.636</b> |

#### 1.7.2. Adequacy of Reserves

- General reserves (DFM and general fund) are £19.6m and represent 5.3% of the 2024/25 budget of £361.7m. Other earmarked reserves total £9.7m including £2.6m held to provide investment for the PCC's capital programme in 2024/25 and future years.
- 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 2024/24 (In line with the PCC's published [Reserves Strategy](#)).

### 1.8. Future risks and opportunities

1.8.1. 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 economic conditions over that period increased the level of uncertainty for future cost pressures.

1.8.2. 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 a 'funding gap' of nearly £17m has been identified to 2026/27. This will require a significant level of further savings being made by the PCC and Chief Constable and will impact directly on the shape of future services.

1.8.3. The Constabulary has an on-going business planning programme that will work to develop proposals for how the further savings can be achieved.

1.8.4. 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 challenging, it will be increasingly difficult to find savings on the scale required.

**Specific Risks** include:

Inflation and pay award

- The rate of inflation has fallen in recent months and current forecasts expect the rate to remain consistent in the coming months. However, the rate of inflation is different for different types of expenditure and certain cost areas remain difficult to predict. For example, the cost of vehicle insurance for Lancashire has almost quadrupled in the last 4 years which is significantly higher than the effect of the average inflation rate.
- Costs such as this will be closely monitored as part of the continuing financial planning process in preparation for setting the 2025/26 budget.
- Any change to pay has a significant impact for the revenue budget with pay related costs accounting for more than 80% of total spending.
- The impact of the annual pay award is therefore the main issue faced in setting budgets. In September 2024 pay will increase by 4.75% and forecast increases in future years are uncertain.
- 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.
- 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 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

- The Chancellor recently stated that the financial settlement for policing will be announced in December. It is expected that this will provide confirmation of funding for 2025/26 with outline spending plans for future years.
- A one-year settlement limits the ability to deliver effectively financial management in the medium to longer term as it is difficult to engage in efficient long term planning.
- 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.
- It is considered appropriate however, to assume a small increase in government funding in future years and the MTFs assumes a 1% increase in such funding each year beyond 2024/25. There is clearly a risk that this may not be realised.

#### 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.

### 1.9. Conclusion

1.9.1. The overall financial health of the Police and Crime Commissioner's budget 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.

1.9.2. 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(s) 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**

| <b>Officer declaration</b>  | <b>Date</b> |
|---|-------------|
| <b>LEGAL IMPLICATIONS – As above</b>  |             |
| <b>FINANCIAL IMPLICATIONS – As above</b>  |             |
| <b>EQUALITIES IMPLICATIONS – As above</b>   |             |
| <b>CONSULTATION – As above</b>  |             |
| <p><b>Author</b></p> <p>Signature Steve Freeman <span style="float: right;">Date 22/8//2024</span></p>  |             |
| <p><b>Sponsor</b></p> <p>I have read the above report and confirm this is factually correct.</p> <p>Signature Steve Freeman <span style="float: right;">Date 22/8/2024</span></p>   |             |
| <p><b>Chief Finance Officer to the Office of the Police and Crime Commissioner</b></p> <p>I have read the above report and have considered the financial implications. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.</p> <p>Signature Steve Freeman <span style="float: right;">Date 22/8/2024</span></p>   |             |
| <p><b>The Office of the Police and Crime Commissioner (Monitoring Officer)</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 Ian Dickinson <span style="float: right;">Date 22/8/2024</span></p> |             |

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