

| OFFICE OF THE POLICE AND CRIME COMMISSIONER | |
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| LEAD CHIEF OFFICER: | Nigel Stephens, ACO-Resources |
| TITLE: | Finance Report 2020/21 – Quarter (Q2) |
| DATE: | 10TH December 2020 |
| TIMING: | Quarterly |
| PURPOSE: | For monitoring |
| 1. | <u>RECOMMENDATION</u> |
| 1.1 | To consider and note the financial performance of the Force and OPCC for quarter 2 of financial year 2020/21. |
| 2. | <u>INTRODUCTION & BACKGROUND</u> |
| 2.1 | <p>This quarterly financial report presents detailed information on revenue, balance sheet and working capital balances (debtors, creditors and cash/investments). This provides a comprehensive position for Chief Officers to consider and inform decision making.</p> <p>The quarterly report includes:</p> <ol style="list-style-type: none"> 1) Appendix 1a, 1b, 1c: Income and Expenditure for the group, force and OPCC (as previously reported). The income and expenditure reports take into account expenditure commitments made as at the quarter end but have not yet been invoiced or paid and a forecast of the year end position. Appendix 1a also presents the forecast year end out-turn. 2) Appendix 2: Covid19 costs – details of specific expenditure arising from the Covid19 situation which is also reported to the Home Office each month. 3) Appendix 3a: Cash and investments – details of level of cash the force has and how much money is on investment. 4) Appendix 3b: Debtors position. This details the level of income yet to be cash receipted and the age of the debt. 5) Appendix 3c: Creditors position. This details the level of expenditure yet to be cash paid and the age of the liability. 6) Appendix 3d: Capital & Project spend report. This details the spend to date on capital projects and the budget remaining to the end of the financial year. 7) Appendix 4: Usable reserves. This schedule identifies the level of cash backed reserves in line with the Reserves Strategy and the MTFP. 8) Appendix 5: Medium Term Financial Plan. This provides a longer term view on the financial position of the force agreed at budget setting. |

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| 3. | <p><u>Financial Highlights –</u></p> <p><i>Q2 Year to date outturn: £4,549k underspend</i></p> <p><i>Full year forecast outturn: £793k underspend following transfer to reserves of £5.5m.</i></p> | |
| 3.1 | <p>The information below provides details on key trends and results for the year. Where a variance (favourable or adverse) represents a significant risk to being able to meet budget, a more detailed analysis is provided.</p> | |
| 3.2 | <p>Forecasts have been included for Q2.</p> | |
| 3.3 | <p>As shown in Appendix 1a, on a group basis there is a year to date underspend at Q2 for 2020/21 of £4,549k against a budgeted underspend position planned of £466k.</p> <p>The group year to date underspend arises from the following variances:</p> | |
| <p>Pay variances – officers and staff: forecast underspend £4,584k</p> | | |
| 3.3 | <p>At the end of Q2, police officer pay and salary allowances forecast at the end of the financial year are under budget by £2,128k. This is the result of differences between the timing of actual recruitment of the additional 62 officers due under Operation Uplift by 31st March 2021 compared to the full year cost of those additional officers fully grant funded at the start of the year.</p> <p>The assumptions for the 2020/21 budget already reflect police officer probationers being recruited at lower than the mid point of the salary scale.</p> | |
| 3.4 | <p>The underspend on police officer pay and allowances is matched by a £2,457k forecasted underspend on Staff and CSO pay and allowances at the end of Q2.</p> <p>Within this, staff pay was underspent by £3,315k, again due to the need to reflect the full year cost of posts in the budget for Op Uplift and a significant number of ongoing vacancies. This is partially offset by agency costs of £790k that cover some of those vacancies in the short term and also normal police staff overtime.</p> | |
| <p>Overtime – officers and staff: forecast overspend £450k</p> | | |
| 3.5 | <p>Total overtime costs (officer and staff) at year end are forecast to show a net deficit of £450k, made up as follows:</p> <p>Police Officer overtime overspend</p> <p>Police Officer rest day overtime overspend</p> <p>Police Officer public holiday overspend</p> <p>Police staff overtime – overspend</p> <p>Police staff weekend & public holiday enhancements underspend</p> <p>Total under/(over)spend at 30 September 2020</p> | <p>(£297k)</p> <p></p> <p>(£155k)</p> <p>(£31k)</p> <p>(192k)</p> <p>£225k</p> <p>(£450k)</p> |
| 3.6 | <p>The position above includes expenditure on Police Staff Enhancements but excludes Major Incidents and Tasking (MI&T), which is reported separately on Lines 9 and 10 of Appendix 1a, therefore the position is not directly comparable with the Force Overtime Performance report which shows an overspend of £373k at quarter 1 for the force including MI&T.</p> | |

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| | The annual overtime budget was reduced by £1m for 2020/21. The Assistant Chief Constable is reviewing the position for individual departments and units to understand the reasons for this overspend position. |
| | Other employee related costs: forecast underspend £812k |
| 3.7 | There is a forecast underspend of £812k for other employee related costs. The reason for this has been fewer external training courses resulting in a forecast underspend of £616k at the end of quarter 2. Pension costs are down by £178k with lower injury pension payments and no officers leaving under the “30+ pension payments”. |
| | Non-pay variances – Premises costs: forecast underspend £654k |
| 3.8 | <p>Premises are underspent at Q2 by £859k due primarily to the effect of the Covid19 lockdown restrictions and timings on rent/rates payments.</p> <p>Covid19 has limited the opportunities for planned and reactive maintenance work to be carried out on the estate (£612k) and there are savings too with electricity costs reduced by £78k. However, cleaning costs have increased by £88k reflecting the enhanced cleaning requirements.</p> <p>The timing of rent and rates payments means there is an underspend of £115k at Q2 although this will be paid in full by the end of the financial year.</p> |
| | Non-pay variances – Transport costs: forecast underspend £418k |
| 3.9 | <p>Transport costs are underspent at Q2 by £533k, again due in large part to the effect of Covid19 lockdown. Because fewer officers and staff are travelling outside of the force for courses, meetings etc, mileage and travel costs are down by £110k. Fuel costs are also down by £168k in Q2.</p> <p>Additionally, due to Covid19 restrictions the force has used local suppliers to maintain some fleet vehicles. This has created a increased expenditure with external suppliers that has been offset by savings on parts in the workshop.</p> <p>The NPAS payment was expected in quarter 2 but will now be later in the year when the invoice is received, resulting in a temporary underspend of £293k. The cost of vehicle insurance is also £74k higher than originally budgeted following completion of the annual insurance review.</p> |
| | Non-pay variances – Supplies & Services costs: forecast underspend £617k |
| 3.10 | <p>Supplies & services costs are underspent at quarter 2 by £1,688k and there are many variances between cost headings in this category.</p> <p>This category of expenditure is broad and it has been reviewed in detail as part of 2021/22 budget setting process. This has informed recurrent savings that can be released to support the underlying pressures in the force.</p> <p>The largest elements that make up the forecast underspend of £617k are £81k printing/stationery/photocopying, £495k telecoms and mobile phone costs and also £306k underspend on the custody medical contract.</p> <p>The timing of collaboration and consultancy expenditure has created an underspend of £1,300k which will balance at year end.</p> <p>This masks Covid19 related expenditure on the following: operational equipment, non-operational equipment, protective equipment, ICT costs for additional ICT services.</p> |

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| | Other movements: forecast overspend £169k |
| 3.11 | <p>The forecast overspend of £169k is the result of additional contributions requested this year for national technology programmes.</p> <p>Other Income is lower by £1,848k at Q2 as we are awaiting payment of Home Office Grants, local partnership income and reimbursement of seconded out officer costs. We expect that most of this income will be received by the end of the year.</p> |
| 4 | <u>Office of the Police & Crime Commissioner – forecast break even (year to date underspend £654k)</u> |
| 4.1 | <p>Included within the group figures above are underspends relating to the Office of the Police & Crime Commissioner totalling £654k. These are shown separately in Appendix 1c.</p> <p>Salary and allowances – there is a small underspend at Q2 of £53k.</p> <p>Non-pay expenditure – there are underspends totalling £600k in non-pay expenditure. This is primarily due to an underspend of £574k in Supplies & Services for the GDAS contribution, anticipated in Q1 and not yet received but payable by year end.</p> |
| 5 | <u>Covid19 costs (Appendix 2)</u> |
| 5.1 | <p>The Covid19 lockdown has already had a significant effect on the phasing of expenditure in Q1 and Q2 and this will continue to be a feature for the remainder of the financial year.</p> <p>Most variances in non pay expenditure categories are due in some part to the delay or cancellation of spend as a result of officers and staff working more agilely and safely since March 2020. Given the ongoing Covid19 working patterns, it is still uncertain how this will impact expenditure during the remainder of the year.</p> <p>The capital programme has also been impacted by Covid19 with a number of projects within the capital programme delayed until later in 2020/21. However, the new HQ build has continued throughout the lockdown period.</p> <p>An analysis of what has been reported to the Home Office as Covid19 related costs between March 2020 and October 2020 is shown in Appendix 2.</p> <p>The total costs incurred from Covid19 are £665k, of which £395k relates to PPE equipment for officers and staff. We have now had confirmation from the UK Government that additional funding will now be provided to forces to cover all PPE Equipment costs.</p> <p>PPE equipment is now purchased and distributed by a national centre established by the Department of Health & Social Care, so further local costs are expected. In addition, we have received £308k of additional funding from the UK Government’s Surge Enforcement Fund to cover the costs of policing enforcement activity during the latest round of local and national lockdowns.</p> |
| 6. | <u>Financial Highlights – balance sheet</u> |
| 6.1 | <p>The information within section 6 provides the highlights and key performance indicators in relation to balance sheet items. The key areas that are significant to the overall financial performance of the force are:</p> |

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| | <ul style="list-style-type: none"> • Investments and cash • Debtors • Creditors • Capital • Reserves |
| | Investment and cash (appendix 3a) |
| 6.2 | <p>As at 30th September 2020, £48.0m of cash reserves were held as investments with local authorities or held within the money market. All loans are for 12 months or less and are scheduled to ensure that cash flow is available to cover all commitments as they fall due.</p> <p>Average interest rates on investments is 0.46% (30 June 2020: 0.73%, 31 March 2020: 0.90%). Interest rates have remained static and it is expected this will continue unless the Bank of England changes the base rate. Investment interest, therefore, does not contribute significantly to the force's income budget.</p> <p>Actual cash held within the bank account at Q2 was £1,985k.</p> |
| | Debtors (appendix 3b) |
| 6.3 | Total sales invoices that were unpaid as at 30 th September 2020 totalled £581k (Q1: £712k), of which £568k (Q1: £302k) was overdue. |
| 6.4 | The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b total £471k (81% of total debtors by value) and are all public sector bodies. There are no irrecoverable debts identified in the year. |
| | Creditors (appendix 3c) |
| 6.5 | <p>As at 30th September 2020 there were creditors totalling £740k, a decrease on the total creditors of £1,249k at 30th June 2020. Of this total, the top 5 creditors as presented in Appendix 3c total £384k (51.9% of total creditors by value) mainly with other public sector bodies and relates to invoices for collaborative activities or commissioned services.</p> <p>Of the invoices that are overdue for payment, the largest item is a single invoice for Victim Support where we are awaiting further information to support the invoice amount. Several other items are overdue because of delays in the processing of invoices by departments in the force and the finance department is supporting process improvement.</p> |
| 6.6 | <p>The average age of an invoice paid within the quarter has improved again to 23.63 days (Q1: 25.64 days), within the 30-day target. It is expected that the average age will continue to meet this target going forward.</p> <p>The uptake of purchase orders by the force continues to improve. The value of invoices paid that had a purchase order was £8.9m out of £13.6m (65.6%) in Q2 compared to £10.0m out of £17.7m (54.5%) in Q1. This is confirmed further by a further increase in the number of invoices with purchase orders.</p> |
| | Capital (appendix 3d) |
| 6.7 | The initial budget for capital and projects was £26,365k. The expenditure to date on capital and long-term projects is £6,203k leaving a remaining budget of £20,162k. Progress on the delivery of the projects within the capital |

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| | programme is overseen by the Capital Strategy Board and Capital Monitoring Board. |
| 6.8 | Estates – the budget of £22,627k includes major projects relating to replacement HQ (£17,702k), Police Hubs & Spokes (£3,275k), Ystrad Mynach CCTV (£500k) and the Newport Central Custody upgrade (£400k). Expenditure relating to the new HQ is on target as the build progresses with a total of £5.5m spent in the year to date. |
| 6.9 | Vehicles – The 2020/21 budget is £1,591k and spend to date is only £139k. Orders are now placed for all vehicles to be delivered by 31 st March 2021. A telematics system to track vehicle deployment and usage is being introduced in Autumn 2020 and monitoring of vehicle usage will enable improvements to vehicle allocation across the force. |
| 6.10 | ICT - The budget is £1,638k and while expenditure to date is only £394k it is expected this will be fully utilised in 2020/21. Three additional projects with costs of £126k in Q2 have been added to take advantage of the Covid19 position to refresh ICT equipment early. These are desktop replacement, Covid19 preparedness and custody digitisation. |
| | Reserves (appendix 4) |
| 6.11 | Appendix 4 details the position in relation to the current balance of reserves of £46,107k based on the audited financial statements at 31 st March 2020. The forecast underspend for 2020/21 amounts to £6,293k and has arisen from timing differences between Operation Uplift grant funding and officer/staff recruitment, and the impact of Covid19 on the timing and realisation of expected costs. As a result of the way Government has funded Operation Uplift, the following additional contributions are proposed for 2020/21: <ul style="list-style-type: none"> • An additional contribution to capital reserves of £3.25m to fund both estate and IT (ESN) requirements; • Establish a one-off reserve of £1.0m to fund temporary over establishment of circa 26 PCSOs as we go through the recruitment and training process to create the additional 10 permanent PCSO established posts planned for 2021/22; and • Establish an invest to save revenue reserve of £1.25m to pump prime schemes planned in 2021/22. This will most likely be aligned to the existing Commissioning and Force Initiatives Earmarked reserve. |
| 7 | Medium Term Financial Plan (appendix 5) |
| 7.1 | Appendix 5 provides detail of the mid year version of the MTFP that has been prepared as the final budget for 2020/21. Following the Home Secretary's police grant announcement, the total year 5 deficit, is £5.6m. The MTFP will continue to be updated during 2020/21 and as part of the 2021/22 budget setting exercise. |
| 8. | <u>Risk areas identified</u> |
| 8.1 | The outcome of the Comprehensive Spending Review and the ongoing review of the funding formula are still unknown. |

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| 9. | <u>FINANCIAL CONSIDERATIONS</u> |
| 9.1 | These are detailed in the report. |
| 10. | <u>PERSONNEL CONSIDERATIONS</u> |
| 10.1 | There are no staffing / personnel implications arising from this report. |
| 11. | <u>LEGAL IMPLICATIONS</u> |
| 11.1 | There are no legal implications arising from this report. |
| 12. | <u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u> |
| 12.1 | This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group. |
| 12.2 | In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998. |
| 13. | <u>PUBLIC INTEREST</u> |
| 13.1 | This is a public document. |
| 14. | <u>CONTACT OFFICER</u> |
| 14.1 | Matthew Coe, Head of Finance |
| 15. | <u>ANNEXES</u> |
| 15.1 | 2020/21 Q2 Financial Performance Report |