32

|  |
| --- |
| Finance Report  2024/25 – Third Quarter (Q3) |
|  |
| Joint Audit Committee |
| March 2025   1. PURPOSE AND RECOMMENDATION    1. The purpose of this report is for monitoring / information.    2. There are no recommendations made requiring a decision. 2. INTRODUCTION & BACKGROUND    1. 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.    2. The quarterly report includes:  * **Appendix 1a, 1b, 1c:** Income and Expenditure for the group, force and OPCC (as previously reported). The income and expenditure reports consider 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 2a**: Cash and investments – details of level of cash the force has and how much money is on investment. * **Appendix 2b**: Debtors position. This details the level of income yet to be cash receipted and the age of the debt. * **Appendix 2c**: Creditors position. This details the level of expenditure yet to be cash paid and the age of the liability. * **Appendix 2d**: Capital & Project spend report. This details the spend to date on capital projects and the budget remaining to the end of the financial year. * **Appendix 2e**: Seized Money. This details the cash in and out of the seized money account and the age of the liability. * **Appendix 3**: Usable reserves. This schedule identifies the level of cash backed reserves in line with the Reserves Strategy and the MTFP. * **Appendix 4**: Medium Term Financial Plan. This provides a longer-term view on the financial position of the force.  1. ISSUES FOR CONSIDERATION   Appendix 1a  Financial Highlights – Q3Year To Date (YTD) outturn: £4,186k overspend  Forecasted Year-End (YE) Outturn: £2,788k underspend   * 1. 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.   2. It should be noted that whilst budgets are phased each month, this is not always reflected in the expenditure patterns across non pay budget headings and therefore is not an informative basis on which to assume out-turn spending for year end.   3. As shown in Appendix 1a, on a group basis there is a year to date overspend at Q3 for 2024/25 of £4,186k and a forecasted YE outturn of £2,788k underspend. The group year to date net overspend and the YE forecast position arises from the following variances:   Pay variances – Officers and Staff: YTD Overspend £1,124k  Forecast YE Overspend £2,207k   * 1. At the end of Q3, police officer pay and salary allowances are overspent by £588k due primarily to the higher pay award than budgeted. This trend of overspent will continue as the financial year end approaches.   2. The year end forecast shows the police officer pay and allowances will be overspent by £1,064k, this is primarily due to the difference between the planned (3.5%) and actual pay award (4.75%) as reported in Q1. This overspend will be offset in 2024/25 by a specific grant from the Home Office of £1.684m for the difference between budgeted and actual pay awards. This is a non-recurrent gain for the financial year.   3. The overspend on Staff and PCSO (Police and Community Support Officers) pay and allowances has a overspend of £537k at the end of Q3. This is primarily due to the difference between the planned (3.5%) and actual pay award (4.75%) & £442k agency cost.   Overtime – Officers and Staff: YTD overspend £1,716k  Forecast YE Overspend £1,553k   * 1. Total overtime costs (officer and staff) at the end of Q3 show a net overspend of £1,716k, made up as follows:  |  |  | | --- | --- | |  | **2024/25**  **Q2** | | Police Officer and Staff TOIL (Time off in Lieu) payments | (£71k) | | Police Officer overtime underspend | (£225k) | | Police Officer rest day overtime overspend | (£824k) | | Police Officer public holiday overspend | (£139k) | | Police staff overtime – overspend | (£159k) | | Police staff weekend & public holiday enhancements overspend | (£297k) | | **Total (over)spend** **at 31st December 2024** | **(£1,716k)** |  * 1. The position above includes expenditure on Police Staff Enhancements and excludes Major Incidents and Tasking, 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 including MI&T (Major Investigation Team).   2. Operational and finance staff are doing substantial work to analyse and challenge cultures and behaviours locally on overtime as the level of overtime spending remains a concern.   3. To date overtime overspent of £1,716k includes £377k overtime related to Op Lumley and is funded by specific Home Office grant and will offset the overspend to some degree.   Other employee related costs: YTD underspend £253k  Forecast YE underspend £267k   * 1. There is a net underspend of £253k for other employee related costs. The net pension overspend of £190k is a combination of lower injury pension payments, higher payments for officers leaving under ill health pensions and 30+ pension costs. The timing of the payment for employee insurance – previously in Q1 in 2023/24 but not received yet. External training costs are lower than expected by £236k at 31st December 2024.   2. There is unbudgeted ex-gratia payments forecasted in relation to the nurses shift allowance and associated costs of around £120k which offsets against forecasted underspends in training £205k at Q3.   Non-pay variances – Premises costs: YTD overspend £158k  Forecast YE Underspend £795k   * 1. Premises costs are overspent at Q3 by £158k. There are lower cleaning costs from the new contract (£196k), and smaller utility bills (£263k). This is offset by overspends planned & reactive maintenance of £423k, on property insurance of £16k which has been billed in full for the year in Q2, and the timing of rental and rate costs resulting in an overspend of £203k. These variances will even out as the financial year progresses and the phasing of expenditure corrects itself.   2. The year end forecast underspend is estimated at £795k before any transfers to fund long term project spend related to the work being carried out at Ystrad Mynach. The main areas of underspend are repair and maintenance costs (£471k), Contracts and testing (£143k) and rent and rates (£166k). £320k of the forecasted underspend has been committed to funding the additional cost of the refurbishment work being carried out at Ystrad Mynach.   Non-pay variances – Transport costs: YTD underspend £270k  Forecast YE underspend £165k   * 1. Transport costs are underspent at Q3 by £270k. The underspends are primarily Insurance work for recovery costs (£200k) vehicle insurance (£15k) and fuel (£87k). Some of this underspend is offset by an overspend in vehicle repair & maintenance (£59k).   2. The forecast position for fleet is expected to be an underspend of £165k, this includes underspends on fuel (101k) and insurance work for recovery (200k). The areas with forecasted overspend are repair and maintenance (£77k), vehicle insurance (£23k), mileage and travel cost (£23k) and vehicle hire (£4k). The underspend on fuel is a combination of price and usage, fuel prices has decreased between 11-12% since September 2023 accounting for most of the savings to date.   Non-pay variances – Supplies & Services costs: YTD overspend £1,792k  Forecast YE Underspend £1,856k   * 1. Supplies & services costs are overspent at Q3 by £1,792k and there are many variations between the cost headings in this category.   2. There is a net overspend of £102K under operational and non-operational equipment, including £183K overspend to date under Furniture purchase. £153K overspend under Furniture is due to additional costs on projects from within the estate revenue and capital programme *(Neighbourhood Stations - Capital Maintenance, Abergavenny Police Station new build, Tredegar - property evidence store and Refurb of Ystrad Mynach Custody Unit)* and £33K under estate revenue budget. Some of the overspend is offset by underspend under specialist equipment £34K and Firearms & Ammunitions £47K at Q3.   3. Uniform – There is an underspend of £130K to date under uniform expenditure.   4. Crime Scene Investigation – All £46K to date overspend under Forensic Analysis is covered through underspend under Pathologists fee, leaving a net underspend of £73K.   5. Animal Welfare – Year to date overspend is £488K, largely due to overspends under Dangerous Dog Act (£438K) and Veterinary fee (£50K). This is due to the additional cost of boarding XL Bullies.   6. Profession Fee and Charges - There are timing differences in Partnership fees, Consultants’ fees and collaboration contributions resulting in a net overspend of £666k. The year to date overspends under professional fee and charges is £531K largely due to overspend under consultancy cost (£824K) and (£499K) under collab contribution that is partly offset through underspend of £658K under partnership cost. Overspend under consultancy is related to additional costs (£1,149K) on GPOF under projects from within the estate revenue and capital programme and will be funded through reserve or external borrowing. Excluding overspent under GPOF, forecasted underspend under Partnership fees, Consultants’ fees and collaboration contributions is £1,839K.   7. ICT Expenditure – The year to date overspend is £1,267K which is partly offset against underspend £264K under Comms and £120K under other supplies and services.   8. The IT overspend is related to software purchases and software maintenance contracts, partly because of timings of invoicing but also some additional costs on projects from within the overall ICT revenue and capital programme.   9. The year end forecast position is showing as underspent for supplies and services and consists of savings in professional fees and charges of £1,890k, operational equipment £136k, CSI £579k, ICT expenditure £572k and Uniform £130k. The main area of concern is Animal Welfare, where costs are expected to increase substantially, creating an overspend of £504k due to the additional cost of boarding XL Bullies. Comms costs are also expected to overspend by £321k due to unbudgeted telecom rentals and network services costs.   **Other movements:**   * 1. The Force’s contribution to the Police Digital Services is overspent by £132k at Q3. This is due to remain an overspend until year end and is due to higher than anticipated Police ICT costs.   2. Investment income has overachieved its target to date by £638k due to higher than anticipated interest rates and principal, mainly due to slippage in the Capital and Long-Term Projects Programme. The forecasted position is expected to be £896k overachievement against budget due to the same rationale as the year-to-date overachievement.   3. Other Income is lower than budget by £652k due to changes in the timing of receipt of grants monies from the Home Office and the Welsh Government. The timing of payments made in relation to this government specific grant funding is uncoordinated with prior years’ experience, for example the Welsh Government’s PCSO grant funding has only been confirmed in Q2. The forecast position after the timing effects have reversed out is an overachievement of income of £1,511k against budget, due to mutual aid and SPS (365k) and sale, fees and charges (£266k) and £1,000K income from Op Lumley.   4. There are some slight phasing differences between the budget and actual for the main funding creating an underspend of £78k to date but this will even out over the course of the year and will result in a nil variance.   5. Overall full year underspend is forecasted as £2,788K largely due to overachieving investment income £896, saving on interest charge of £1,190 and unused contingency for collab and long-term ICT projects.   Appendix 1c  Office of the Police & Crime Commissioner – underspend £1,644k  Forecast YE Underspend £317k   * 1. Salary and employee related expenditure – there is a overspend of £168k due to unbudgeted staff costs in relation to maternity cover and grant related salary that will be funded at year end.   2. Non-pay expenditure – there are underspends totalling £1,061k in non-pay expenditure. This is primarily due to the reversal of year end accruals and timing of partnership contributions, which will resolve themselves in subsequent periods.   3. Other income – again, timing differences in the receipt of grant income have contributed to £751k overachieving income in Q3. No issues have been identified with the receipt of this income for the year.   **Financial Highlights – Balance Sheet**   * 1. The key areas that are significant to the overall financial performance of the force are:   Investment and cash (appendix 2a)   * 1. At 31st December 2024, £26m 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. Actual cash held within the bank account at 31st December 2024 was £1,568k.   2. The average interest rate on investments is 4.88% (30th September 2024: 5.04%; 30th June 2024: 5.31%; 31st March 2024: 5.50%). The Bank of England reduced the interest rates from 5.00% to 4.75% in Nov 2024 in line with the expectation and it is anticipated that the rate will reduce to 4.50% in the February meeting. These changes will impact on the future rates secured on any new investments but will not impact on the ones already agreed on which we are expecting interest in 2024-25.   **Debtors (Appendix 2b)**   * 1. Total sales invoices that were unpaid as at 31st Dec 2024 totalled £723k (30th September 2024: £1,840k). Outstanding debtors have reduced over the year due to tracing of debt, regular chasing, and reminder letters.   2. The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 2b, total £493k (72% of total debtors by value) and are all public sector bodies. The balance due from the College of Policing relates to seconded officers and is being actively pursued. No debts have been written off in Q1-3 2024/25.   Creditors (Appendix 2c)   * 1. As of 31st Dec 2024, there were £878k of creditors which is a slight increase on the total creditors of £806k at 30th September 2024. This has resulted from early orders being placed for replacement vehicles with Ford and Volvo, and New Pathways invoices being paid post year end in Q1.   2. Of this total, £11k or 1.2% (Q2 2024/25: £294k) of the total is overdue for payment. This is a significant improvement from last month as majority of the outstanding invoices were paid.   **Capital (Appendix 2d)**   * 1. The initial budget for the capital and projects was £19,751k but this has been revised to £22,537k to reflect a number of additional projects identified in year. These include additional spend on LPA (Local Policing Area) vehicle replacements, property and evidence store, and access control upgrades across the estate.   2. The expenditure to date on capital and long-term projects is £11,780k leaving a remaining budget of £10,757k. Progress on the delivery of the projects in line with the Estates Strategy and within the capital programme is overseen by the Capital Strategy Board.   3. Estates – the budget of £13,745k includes major projects relating to the Collaborative JFU (Joint Firearms Unit) relocation (£8,500k), property & evidence stores improvements at Bettws (£1,200k) and Ystrad Mynach custody refurbishment/upgrades (£1,000k). A further £730k is included in the budget for the remaining demolition of buildings on the old HQ site at Turnpike Road.   4. Vehicles – The 2024/25 budget is £4,340k and expenditure to date is £3,026k it is expected that there will be 593K slippage from revised budget by the end of the financial year in line with the current fleet replacement cycle. A review is planned of the IR3 telematics data and pool car usage in relation to the size of the vehicle fleet, and a Project Initiation Document will be presented to Service Improvement Board in the coming months.   5. ICT - The budget is £4,323k and while expenditure to date is only £1,200k, it is also expected this will be underspend in 2024/25 by £793k, mainly due to slippage on JOINS2 network links with South Wales Police.   **Seized Money (Appendix 2e)**   * 1. The balance of seized money held as at 31st December 2024 was £1,415k. An amount of £672k (47.5%) has been held for over 12 months at this date compared to £758k (57.8%) as at 30th September 2024. The cashiering team are actively chasing outstanding seized money exhibits for updates from officers in order to reduce the amounts still held by Gwent Police.   Reserves (Appendix 3)   * 1. Appendix 3 details the position in relation to the current balance of reserves of £21,148k based on the unaudited financial statements at 31st March 2024. This shows a reduction of £8,625k in reserves from £29,774k at 31 March 2023 as reserves were used to fund the capital programme in 2023/24. There have been no transfers to or from reserves as at 31st December 2024.   **Medium Term Financial Plan (Appendix 4)**   * 1. Appendix 4 provides detail of the latest version of the 202/25 to 2028/29 MTFP updated as at June 2024. The current position for 2024/25 after additional costs pressures, savings and funding changes have been identified in February and March 2024, is a net deficit £1,182k – a decrease from £2,805k in January 2024. A report on the key movements to 30th June 2024, mitigating actions already being taken and the financial risks has been presented to Chief Officers and OPCC. Work continues in 2024/25 to identify further recurring savings for the remaining £1.2m.   2. The impact of global events continues to create a lot of uncertainty over funding, cost pressures, inflation, and interest rates for 2024/25 and subsequent years. The current forecast of the recurring annual deficit of £10,904k at 2028/29 is therefore highly dependent on these inflationary pressures, borrowing decisions for the capital programme, the police funding formula review, and central government priorities. The MTFP will be updated again in November 2024 as part of the 2025/26 budget setting exercise. Known and anticipated additional pressures on base budgets, further base budget savings, and the annual review of the budget’s underlying assumptions will be carried out in September-November 2024 ahead of the Chief Constable’s 2025/26 budget bid to the Commissioner.  1. COLLABORATION    1. Collaborative activities have been included in the figures above. 2. NEXT STEPS    1. To consider and note the financial performance of the Force and OPCC for the second quarter of financial year 2024/25. 3. FINANCIAL CONSIDERATIONS    1. These are detailed in the report. 4. PERSONNEL CONSIDERATIONS    1. There are no staffing / personnel implications arising from this report. 5. LEGAL CONSIDERATIONS    1. There are no legal implications arising from this report. 6. EQUALITIES & HUMAN RIGHTS CONSIDERATIONS    1. This report has been considered against the general duty to promote equality, as stipulated under the Joint Strategic Equality Plan, and has been assessed not to discriminate against any particular group.    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. 7. RISK    1. The outcome of the ongoing review of the funding formula is still unknown. The predicted loss of funding from 2024/25 is included in MTFP’s recurring deficit at 2028/29 of £10.9m. An organisational risk has already been raised via Service Improvement Board to reflect the in-year and medium-term financial issues. 8. PUBLIC INTEREST    1. In producing this report, has consideration been given to ‘public confidence’? Yes    2. Are the contents of this report, observations, and appendices necessary and suitable for the public domain? Yes 9. REPORT AUTHOR    1. Muhammad Yasir 10. LEAD CHIEF OFFICER     1. Matthew Coe 11. ANNEXES     1. 2024/25 Q3 Financial Performance Report 12. CHIEF OFFICER APPROVAL     1. I confirm this report has been discussed and approved at a formal Chief Officers’ meeting.     2. I confirm this report is suitable for the public domain / is not suitable for the public domain for the reasons stated in 11.3. *(delete as appropriate)*   Signature: *(Insert CO electronic signature)* Date: | | |
|  | | |