

<u>OFFICE OF POLICE AND CRIME COMMISSIONER</u>	
<u>OFFICE OF CHIEF CONSTABLE</u>	
LEAD CHIEF OFFICER:	Nigel Stephens
TITLE:	Finance Report 2020/21 – First quarter (Q1)
DATE:	10th September 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 the first quarter 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. 2) Appendix 2: Covid19 costs – details of specific expenditure arising from the Covid19 situation 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.

3.	<u>Financial Highlights – Q1 Year to date outturn: £2,182k underspend</u>												
3.1	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.												
3.2	Where possible forecasts of the year end position have been included for Q1 2020/21 in this report. This currently shows a forecast underspend for the year of £4,010k but we will revisit these forecasts in more detail in the Q2 report.												
3.3	As shown in Appendix 1a , on a group basis there is a year to date underspend at Q1 for 2020/21 of £2,186k against a budgeted overspend position planned of £1,082k. The group year to date underspend arises from the following variances:												
	Pay variances – officers and staff: underspend £1,375k												
3.3	At the end of Q1, police officer pay and salary allowances are under budget by £543k due primarily to the full year effect of the new officers from Op Uplift being assumed in the budget when they are recruited quarterly through the year. An underspend of £580k on police officer pay was offset by a £36k overspend on unsocial allowances, bonus payments and other payments. The assumptions for the 2020/21 budget already reflect probationers being recruited at lower than the mid point of the salary scale.												
3.4	This underspend on police officer pay and allowances is matched by a £832k underspend on Staff and CSO pay and allowances at the end of Q1. Within this, staff pay was underspent by £1,107k, 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 however offset by agency costs and seconded in staff costs of £265k that cover some of those vacancies in the short term. There were no redundancy payments in Q1.												
	Overtime – officers and staff: overspend £138k												
3.5	Total overtime costs (officer and staff) at the end of Q1 show a net overspend of £138k, made up as follows:												
	<table border="1"> <tr> <td>Police Officer overtime overspend</td> <td>(£56k)</td> </tr> <tr> <td>Police Officer rest day overtime overspend</td> <td>(£58k)</td> </tr> <tr> <td>Police Officer public holiday underspend</td> <td>(£20k)</td> </tr> <tr> <td>Police staff overtime – overspend</td> <td>(£29k)</td> </tr> <tr> <td>Police staff weekend & public holiday enhancements underspend</td> <td>£25k</td> </tr> <tr> <td>Total under/(over)spend at 30 June 2020</td> <td>(£138k)</td> </tr> </table>	Police Officer overtime overspend	(£56k)	Police Officer rest day overtime overspend	(£58k)	Police Officer public holiday underspend	(£20k)	Police staff overtime – overspend	(£29k)	Police staff weekend & public holiday enhancements underspend	£25k	Total under/(over)spend at 30 June 2020	(£138k)
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3.6	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 which shows an overspend of £110k for the force including MI&T.												
	The annual overtime budget was reduced by £1m for 2020/21. Against this revised budget, the Q1 forecast overtime position for the full year shows a												

	total projected overspend across officers and staff of £631k.
	Other employee related costs: underspend £342k
3.7	<p>There is a net underspend of £342k for other employee related costs. Because of Covid19 officers have been on very few external training courses resulting in an underspend of £93k at the end of Q1. Pension costs are down with lower injury pension payments and no officers leaving under the “30+ pension payments” in 2020-21, resulting in a further underspend of £43k. The timing of payment of employee insurance (anticipate in Q2 2020) means there is also an underspend for Q1 of £94k.</p>
	Non-pay variances – Premises costs: underspend £1,130k
3.8	<p>Premises are underspent at Q1 by £1,130k due primarily to the effect of the Covid19 lockdown restrictions and timings on rent/rates payments.</p> <p>Covid 19 has limited the opportunities for planned and reactive maintenance work to be carried out on the estate (£496k) and there are savings too with electricity costs are reduced by £112k. However, cleaning costs have increased by £58k as well.</p> <p>The timing of rent and rates payments means there is an underspend of £613k at Q1 although this will be paid in full by the end of the financial year.</p>
	Non-pay variances – Transport costs: underspend £237k
3.9	<p>Transport costs are underspent at Q1 by £237k, 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 £66k. Fuel costs are also down by £102k in Q1.</p> <p>Additionally, due to Covid19 restrictions officers have opted to use accident repair for minor repairs rather than bringing back vehicles in the workshop for such repairs. These additional external costs and a number of high-performance car repairs have been mostly offset by savings in spares costs within the workshops.</p> <p>The NPAS payment was expected in Q1 but will now be later in the year when the invoice is received, resulting in a temporary underspend at Q1 of £147k. the cost of vehicle insurance is also £62k higher than originally budgeted for.</p>
	Non-pay variances – Supplies & Services costs: underspend £1,951k
3.10	<p>Supplies & services costs are underspent at Q1 by £1,951k and there are many variations between the costs headings in this category.</p> <p>There is a timing difference in Partnership fees and consultancy fees resulting in an underspend of £1,405k which will reverse out in future periods. Collaboration payments are also lower by £851k but again this expenditure is expected to increase in future periods. Telecoms and mobile phone costs are also down £112k against budget for Q1.</p> <p>Offsetting this are additional costs of £254k within protective equipment for additional costs of PPE equipment, and £112k of additional ICT costs for software purchases and maintenance contracts.</p> <p>This category of expenditure is large and varied and we will be reviewing it in detail as part of 2021/22 budget setting in Autumn 2020. This will help us identify any savings from areas such as custody medical contract and medical examinations (both showing reduced spend in Q1 and full year forecast).</p>

	Other movements:
3.11	<p>The underspend of £735k for the contribution to the Police ICT Company is a timing difference and the expenditure will be realised in full in future periods.</p> <p>Other Income is lower by £2,344k as we are awaiting payment of Home Office Grants, local partnership income and reimbursement of seconded out officer costs. We expect this income will be received in full by the end of the year.</p>
4	<u>Office of the Police & Crime Commissioner – underspend £557k</u>
4.1	<p>Included within the group figures above are underspends relating to the Office of the Police & Crime Commissioner totalling £557k. These are shown separately in Appendix 1c.</p> <p>Salary and allowances – there is a small overspend of £26k.</p> <p>Non-pay expenditure – there are underspend totalling £523k in non-pay expenditure. This is primarily due to an underspend of £517k in Supplies & Services for the GDAS contribution, anticipated in Q1 but now due in Q2.</p>
5	<u>Covid 19 costs (Appendix 2)</u>
5.1	<p>The Covid19 lockdown has already had a significant effect on the phasing of expenditure in Q1 and this will continue to unwind as we go through the rest of 2020/21 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 during the April to June period. Given the ongoing Covid19 working patterns, it is still uncertain whether some of this expenditure will materialise later in the year or not.</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 June 2020 is shown in Appendix 2.</p> <p>The total costs identified to date as arising specifically from the covid19 situation are £665k, of which £433k 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>
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> <ul style="list-style-type: none"> • Investments and cash • Debtors • Creditors • Capital • Reserves

	Investment and cash (appendix 3a)
6.2	<p>As at 30 June 2020, £37.0m 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 0.73% (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 30 June 2020 was £2,605k.</p>
	Debtors (appendix 3b)
6.3	Total sales invoices that were unpaid as at 30 June 2020 totalled £712k (31 March 2020: £742k), of which £302k (31 March 2020: £217k) was overdue.
6.4	The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b total £578k (81% of total debtors by value) and are all public sector bodies. There are no irrecoverable debts identified so far in the year.
	Creditors (appendix 3c)
6.5	<p>As at 30 June 2020 there was £1,249k of creditors, an increase on the total creditors of £753k at 31 March 2020. Of this total, the vast majority (11 invoices totalling £789k or 63,2% of the total creditors value) is with the PCC for South Wales and relates to invoices for collaborative activities.</p> <p>Of the invoices overdue for payment, the largest item is the balance with South Wales Police where we are awaiting further information to support the invoice amount. Several other items are overdue because of delays in coding and approving the invoices by other departments in the force, and we are looking at how we can speed up this part of the process going forward.</p>
6.6	The average age of an invoice paid within the quarter was 25.64 days – well within the 30-day target. It is expected that the average age will continue to meet this target going forward.
	Capital (appendix 3d)
6.7	The initial budget for the capital and projects was £26,365k. The expenditure to date on capital and long-term projects is £1,831k leaving a remaining budget of £24,534k. Progress on the delivery of the projects within the capital 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 HQ relocation (£17,702k), Police Hubs & Spokes (£3,275k), Ystrad Mynach CCTV (£500k) and the Newport Central Custody upgrade (£400k).
6.09	Vehicles – The 2020/21 budget is £1,591k and while expenditure to date is only £56k it is expected that this will be fully utilised by the end of the financial year. A telematics system to track vehicle deployment and usage is also being introduced in autumn 2020.
6.10	ICT - The budget is £1,638k and while expenditure to date is only £36k it is also expected this will be fully utilised in 2020/21.

	Reserves (appendix 4)
6.11	Appendix 4 details the current forecast in relation to reserves over the five-year Medium Term Financial Plan (MTFP). The opening balance of usable reserves stand at £55,310k.
7	Medium Term Financial Plan (appendix 5)
7.1	Appendix 5 provides detail of the latest 2020 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, including the expected impact of funding formula cuts remains at £5.6m before planned efficiency savings. 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. The predicted loss of funding from 2022/23 is included in MTFP's recurring deficit in 2024/25 of £5.6m.
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
15.	<u>ANNEXES</u>
15.1	2020/21 Q1 financial Performance report