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| Finance Report  2023/24 – Fourth Quarter (Q4) |
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| CHIEF OFFICER TEAM  REPORT |
| 29th May 2024   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 2**: Covid19 costs – details of specific expenditure arising from the Covid19 situation reported to the Home Office each month. * **Appendix 3a**: Cash and investments – details of level of cash the force has and how much money is on investment. * **Appendix 3b**: Debtors position. This details the level of income yet to be cash receipted and the age of the debt. * **Appendix 3c**: Creditors position. This details the level of expenditure yet to be cash paid and the age of the liability. * **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. * **Appendix 4**: Usable reserves. This schedule identifies the level of cash backed reserves in line with the Reserves Strategy and the MTFP. * **Appendix 5**: Medium Term Financial Plan. This provides a longer-term view on the financial position of the force.  1. ISSUES FOR CONSIDERATION   Financial Highlights – Q4 Year to date outturn: £2,814k underspend before reserve transfers   * 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. The year end position shows an underspend of £2,814k at 31st March 2024. This is largely attributable to a £1,584kk increase in investment income as a result of higher interest rates across the UK, coupled with avoiding £1,329k of capital charges as no borrowing was needed to fund the capital programme this year. Cost saving measures have been successful in ensuring the gross expenditure on pay and non-pay costs is largely in line with the original budget (excluding capital charges).   3. As shown in Appendix 1a, on a group basis the actual net expenditure before transfers for the year amounts to £168,933k. Total funding from Revenue Support Grant, National non-Domestic Rates, Police Grant and Council Tax for 2023/24 totals £163,845k. This gives an underspend of £1,367k before the revenue contribution to the capital programme and the use of earmarked reserves. After these, the total amount transferred back to reserves is a £2,814k underspend, resulting in a break-even position on a group basis and the OPCC at year end. The group year end net underspend arises from the following variances:   Pay variances – officers and staff: overspend £2,078k   * 1. At the end of Q4, police officer pay and salary allowances are over budget by £2,078k due primarily to the year to date effect of the timing of the cohorts of new officers from Op Uplift entering the Force in September and March. The Operation Uplift target for 1,506 officers at 31st March 2023, 30th September 2023 and 31st March 2024 was met and exceeded. Now the planned recruitment has taken place, the full cost of officers will be realised for 2024/25 budgets onwards.   2. In addition, the Home Office agreed to fund an extra 21 officers within the force above the 1,506 fte Uplift target for 2023/24, with the target numbers confirmed at 30th September 2023 and 31st March 2024. The cost of these additional officers is included in the Q4 overspend, but the additional one-off funding from the Home Office is shown within income. This additional funding comes to £945k based on 21 officers at £45,000 per officer and has been claimed at the yearend in line with the scheme.   3. There is also an overspend on of £708k on Staff and CSO (Community Support Officers) pay and allowances at the end of Q4. Within this, staff pay is underspent by £200k but there are agency costs of £591k, redundancy payments totalling £39k in Q2, and £141k of early retirement costs. The level of agency cost is lower than 2022/23 to cover vacancies in the short term. Whilst it is acknowledged there are a significant number of force projects that are resourced with agency staff, it remains a substantial overspend on the police staff pay budget.   4. The original assumptions for the 2023/24 budget already reflect probationers being recruited at lower than the midpoint of the salary scale and an assumed pay award for officers of 3.5% from 1st September 2023. The UK Government confirmed pay awards for officers and staff of 7% from 1st September 2023 and these awards have been fully reflected in the September payroll.   5. The budget assumes 172fte CSOs are in post for the full year but, following the Welsh Government’s request to Welsh forces to freeze all new CSO recruitment, attrition reduced the CSO establishment to 148.95fte at 31st March 2024. There will be a non-recurrent saving in Q3 and Q4 as a result, which was offset by the confirmed reduction in Welsh Government funding. Welsh Government have now confirmed funding for only 61fte CSOs for 2024/25 with an expectation this is match funded by the Commissioner/force. Workforce Planning predicts natural attrition in 2024/25 will reduce CSO numbers to approximately 133fte by 31st March 2025 – still higher than the revised target level of 122fte - and this is reflected in the 2024/25 budget. An element of Welsh Government funding for 2024/25 has been identified to cover the costs of transitioning to these new numbers, but it does not cover the full cost. Discussions continue across Wales and with the Welsh Government on the level and distribution method for transitional funding, and any local investment by individual Commissioners to support neighbourhood policing.   Overtime – officers and staff/CSOs: overspend £654k   * 1. Total overtime costs (officer and staff/CSOs) at the end of Q4 show a net overspend of £654k, denoted ( ), made up as follows:  |  |  |  |  | | --- | --- | --- | --- | | **Narrative** | **2021/22** | **2022/23** | **2023/24** | | Police Officer & Staff TOIL (Time off in Lieu) | - | (£285k) | (£120k) | | Police Officer general overtime | (£314k) | (£398k) | (£137k) | | Police Officer rest day overtime | (£653k) | (£746k) | (£339k) | | Police Officer public holiday | £79k | (£53k) | £295k | | Police staff/CSOs general overtime | (£356k) | (£444k) | (£188k) | | Police staff/CSOs weekend & public holiday enhancements | £175k | £158k | (£165k) | | **Total (over)spend** | **(£1,069k)** | **(£1,768k)** | **(£654k)** |  * 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. The annual overtime budget was reduced by £1m for 2020/21 and has been unchanged since then. The net position at the end of 2023/24, whilst a definite improvement on the previous years, still shows an overspend against budget. Substantial work continues across the force to analyse and challenge cultures and behaviours locally on overtime. Transparency of reporting using Global Rostering system (GRS) and Power BI reports, and authorisation by higher ranks has resulted in a substantial slowing of the rate of general overtime spends in recent months. Issues remain in some specific service areas – e.g. custody, operational support, firearms collaborative activities. Further scrutiny is needed of rest day overtime and police staff/CSOs overtime to consider implementing additional controls. The 2024/25 budget setting process has again challenged the current budgets and locations for rest day and bank holiday overtime with senior officers and staff.   Other employee related costs: underspend £431k   * 1. There is a net underspend at Q4 of £431k for other employee related costs. This arises from lower than budgeted costs of employee liability insurance and claims (£60k), and reduced net pension costs from officers leaving on injury and ill health pensions (£92k) in the year. Expenditure on external training courses and recruitment costs were also lower than budget at year end by £200k.   Non-pay variances – Premises costs: overspend £134k   * 1. Premises costs are overspent at Q4 by £134k. This resulted from the additional rental costs following the new Fleet workshops lease signed in March 2023 (£224k) and higher than budgeted utility costs (£139k). The ongoing investment in electrical infrastructure to instal solar panels to suitable buildings across the estate has continued (pump prime initiative to save revenue in future years) and is already starting to reduce electricity costs for the force. in November 2023). Planned and reactive maintenance was largely on budget with a small overspend of £52k while property insurance was also over budget by £44k. Offsetting these overspends were savings from the one off rates rebate for old HQ (£141k), and a recurring saving from the renegotiated cleaning contract with Glen (£95k).   Non-pay variances – Transport costs: overspend £115k   * 1. Transport costs are overspent at Q4 by £115k. Insurance work for recovery costs are underspent by £173k and the cost of vehicle fuel was also lower than budget at Q4 by £168k as prices continued to fall. The Fleet Department’s move to the new workshops has impacted on accident repairs and repairs with outside contractors, resulting in overspends of £150k and £108k respectively against budgets at Q4, although this is offset by lower expenditure on vehicle spares within Fleet (£113k). Vehicle insurance costs continue to rise with a £62k overspend at year end. Continued long lead times on new vehicles and minibus hires has also resulted in additional costs for vehicle hire of £63k at Q4. In addition, there was an extra charge of £132k for increased flying hours above the contracted level from NPAS for helicopter hire.   Non-pay variances – Supplies & Services costs: underspend £2,088k   * 1. Supplies & services costs are underspent at Q4 by £2,088k and there are many variations between the cost headings in this category.   2. The biggest variations are found within the cost category of Consultants’ Fees – a £1,931k underspend against budget. The main underspend relates to reduced professional fees on the Estates strategy resulting from the pause in the GPOF programme of works. Reduced spending on this and the ACEs programme (£428k) has been offset by a number of non-recurrent costs. In particular these include the conclusion of a long running professional standards investigation in the year (£224k) and increased analysis and research costs (£147k   3. There is a net underspend of £355k for Partnership fees and third party service contributions, firearms and ammunition (£161k); Pathologists fees (£68k). The re-negotiated Custody medical contract has also resulted in savings of £133k for the year. Clothing and uniform costs continue to reduce as equipment/kit options and suppliers are rationalised, reorder levels are reviewed, and stock levels are reduced (£318k).   4. In addition, there is £1,131k of underspends on ICT costs for software & hardware maintenance contracts, mainly due to changes in the timing of projects from within the overall ICT revenue and capital programme.   5. Additional expenditure incurred above the 2023/24 budget includes furniture related to the estates projects within the capital programme (£99k); forensic analysis services reflecting the changed national pricing structures and demand (£111k); Dangerous Dogs Act spend which continues to be an operational pressure (£171k); veterinary fees (£38k); externally provided financial services related to the McCloud Pension remedy (£232k); solicitors fees relating to claims and PSD hearings (£239k); telecoms and mobile phone rental and network services (£210k) following the rollout of new mobiles and infrastructure updates as part of the capital programme. Most of the remaining over/underspends noted at Q3 have come back into balance with the annual budget at 31 March 2024. Finance Business Partners continue to keep a close eye on these pressures via monthly meetings with budget holders.   **Other movements:**   * 1. The Force’s contribution to Police Digital Services for national technology programmes remains underspent by £65k at 31st March 2024. No borrowing to fund the long-term capital programme has been needed this year, resulting in an underspend of Capital Charges (capital repayment and interest debt finance) of £1,321k at 31st March 2024.   2. As flagged in previous quarterly reports, investment income has been substantially higher than originally budgeted. Following the increases in interest rates by the Bank of England over the past 12 months, investments with these higher rates have matured giving £1,584k of additional income than budgeted.   3. Other Income is also higher by £2,705k following a number of additional non-recurrent grants/income being received in the year. This includes funding for 21 additional Op Uplift officers of £945k, Home Office PEQF funding of £491k, mutual aid income of £260k, and HMPPS income relating cell availability through Operation Safeguard of £180k.   Office of the Police & Crime Commissioner – Q3 underspend £1,772k (Q2 underspend £496k); full year forecast underspend £259k   * 1. Included within the group figures above are underspends relating to the Office of the Police & Crime Commissioner totalling £678kk. These are shown separately in Appendix 1c.   2. Salary and allowances – there is a small underspend of £9k.   3. Non-pay expenditure – there are underspends totalling £430k in non-pay expenditure. However, this follows agreed changes on partnership costs and income relating to Women’s pathfinder and Domestic Abuse Perpetrator.   4. There are no risks to receipt of the full £72,998k of Council Tax 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 March 2024, £24.0m of cash reserves were held as investments with local authorities or held within the money market. This is substantially lower than the cash reserves held at 31st December 2023 of £31.5m. 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 March 2024 was £1,879k.   2. The average interest rate on investments is 5.50% (31st December 2023: 5.14%; 30th September 2023: 4.94%; 30th June 2023: 3.71%; 30th September 2022: 1.52%). Interest rates have continued to increase slightly on previous periods as the Bank of England changes or maintains the base rate to combat inflation pressures in the wider economy. These rates are expected to reduce going forward and this has been reflected in the Force’s income budget for 2024/25.   **Debtors (appendix 2b)**   * 1. Total sales invoices that were unpaid as at 31st March 2024 totalled £1,040k (31st December 2023: £1,406k), of which £198k (31st December 2023: £180k) was overdue. Outstanding debtors have decreased from period 9 to period 6 due to a 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 £799k (76.8% of total debtors by value) and are all public sector bodies. The £469k and £127k balances not yet due from Dyfed Powys Police and South Wales Police are for collaborative funding of Go Safe and WECTU resourcing respectively. The balance due from the City of London relates primarily to a cyber-crime grant for 2023/24. All balances are being actively pursued for payment.   Creditors (appendix 2c)   * 1. As of 31st March 2024, there were £3,355k of creditors which is a substantial increase on the total creditors of £870k at 31st December 2023. This has resulted from early orders being placed for replacement vehicles with Ford and Volvo   2. Of this total, only £214k or 6.4% (Q3 2023/24: £486k) of the total is overdue for payment. The largest elements of these balances relates to a number of old invoices for New Pathways that have only just been provided to finance with related purchase orders. They have already been actioned in Q1 of 2024/25 financial year. The average age of an invoice paid during Q4 is 22.81 days on average, which is shorter than the previous quarter (23.16 days) and still within the 30 day target. It is expected that the average age will continue to meet the target going forward.   **Capital (appendix 2d)**   * 1. The initial budget for the capital and projects was £23,902k but this has been revised to £29,902k to reflect a number of additional projects identified in year. These include additional spend on LPA (Local Policing Area) vehicle replacements, Maindee Police station refurbishment, Abergavenny build, Fleet workshop relocation, and Gwent Operational Facility costs. The forecast expenditure for the full financial year, however, is £21,160k which is more in line with the initial budget and the reduction is largely down to the lower collaborative contributions to the Joint Firearms Range in 2023/24 due to slippage in the planning process.   2. The expenditure to date on capital and long-term projects is £18,137k leaving a remaining budget of £12,878k. 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 revised budget of £21,574k includes major projects relating to the Collaborative Joint Firearms Unit (£7,863k), Abergavenny Police Station new build (£4,324k), Gwent Operational Facility (£2,675k) and the fleet workshops relocation (£2,479k). Expenditure on the Joint Firearms Range has been delayed to 2024/25. The spend on GPOF relates to two separate elements: demolition of the Administration and Annex blocks and site security at the old HQ site, and redesign costs following discussions with the planning department at Torfean Council. The Abergavenny station was completed and became operational in June 2024.   4. Vehicles – The 2023/24 revised budget is £2,682k and expenditure to date is only £1,625k due to ordering and replacement cycles with suppliers. A review is planned of the telematics data and pool car usage in relation to the size of the vehicle fleet, and a Project Initiation Document was approved in October 2023 by Service Improvement Board.   5. ICT - The budget is £5,511k and year end expenditure was £3,793k. Work has continued on the refresh of our FFF (Fixed Field Flexible) capability, and the Data Hall decommissioning at Ty Cyd 1 following SRS’s move from Blaenavon is now complete. The spend on the SAFE mobile app has been deferred. However, the JOINS2 network project to improve network connections between the Force and South Wales Police for 2023/24 was accelerated instead.   Reserves (appendix 3)   * 1. Appendix 3 details the position in relation to the current balance of reserves of £29,774k based on the audited financial statements at 31st March 2023. The position for the unaudited accounts has been slightly delayed due to staff sickness within the finance team and will be reported shortly. The £2,814k underspend will be added to the reserves.   2. Following the review with CFO-OPCC and CFO-CC, adjustments will be made to release some, and consolidate other, earmarked reserves. Adjustments have been made to carry forward specific funding and underspends for specific programme expenditure expected in future years.   3. The General Fund will be increased by £500k to £5,500k to maintain a balance of at least 3% of expenditure as set out in the Reserves Strategy. This reserve provides the PCC and Force with capacity to cover working capital needs   4. Future Budgetary Imbalance reserve – this reserve will be maintained to help cover the projected recurring deficits projected in the Medium Term Financial plan.   5. Earmarked Reserves – these reserves relate to future requirements for both revenue and capital expenditure for specific purposes. They include PCC Commissioning budgets and Force workstream budgets where the unspent funds on individual projects are being carried forward to be used in 2024/25. These activities include the FFF replacement programme, IOM funding, WDBC, and Mini Police.   **Medium Term Financial Plan (appendix 4)**   * 1. Appendix 4 provides detail of the latest version of the 2024/25 to 2028/29 MTFP, updated from the version presented by the Commissioner to the Police & Crime Panel (PCP) meeting on 26th January 2024. At that meeting the Panel agreed with the Commissioner’s proposed council tax precept increase of 7.70% in line with the MTFP. Substantial pressure remained on Force and Commissioner budgets for 2024/25 and beyond, with a clear need to continue to find further savings and efficiencies to help close the anticipated deficit of £2,805k for 2024/25 and the projected recurring annual deficit oat 2028/29 of £12,744k.   2. The impact of global events, and the significant changes in the UK economy over the past 12 months, has created a lot of uncertainty over funding and cost pressures for 2024/25 and subsequent years. The final police settlements and Welsh Government grant funding positions have now been received, along with new cost pressures and savings identified since January 2024.   3. The MTFP has been updated in June 2024 to reflect the final budget for 2024/25 after these additional pressures, further cost savings, and funding changes. The current position shows a new projected net deficit of £1,182k for 2024/25 after efficiencies, and £10,904k at 2028/29. The capital programme expenditure and reserves position is unchanged. This current forecast remains highly dependent on inflationary pressures, borrowing decisions for the capital programme, and excludes any potential funding reductions as a result of the review of the Police Funding formula.  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 financial year 2023/24. 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 2025/26 is not included in MTFP’s recurring deficit at 2028/29 of £10.9m as there has been no further clarity on the review from the Home Office. An organisational risk has already been raised via Service Improvement Board to reflect the risks to the financial position of the Force and PCC. 8. FORCE SCRUTINY 9. The report has been scrutiny 10. 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 11. REPORT AUTHOR     1. Matthew Coe 12. LEAD CHIEF OFFICER     1. Matthew Coe 13. ANNEXES     1. 2023/24 Q4 Financial Performance Report      1. GOVERNANCE BOARD ANDCHIEF OFFICER APPROVAL   I confirm this report has been discussed and approved at a formal Chief Officers’ meeting.  Meeting chaired by: Chief Constable Hobrough.  Meeting date: 15/08/2024  Signature:    Date: 21/08/2024 | | |