



# Finance Report 2023/24 – First Quarter (Q1)

SPB

6th September 2023



## 1. PURPOSE AND RECOMMENDATION

- 1.1 The purpose of this report is for monitoring / information.
- 1.2 There are no recommendations made requiring a decision.

## 2. INTRODUCTION & BACKGROUND

- 2.1 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.
- 2.2 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 received 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.

## 3. ISSUES FOR CONSIDERATION

### Financial Highlights – Q1 Year to date outturn: £3,672k underspend

- 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 It should be noted that whilst budgets are phased in equal sums each month, this is not 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.



3.3 We will develop the forecast for the full year in detail in the Q2 report.

3.4 As shown in Appendix 1a, on a group basis there is a year to date underspend at Q1 for 2023/24 of £3,672k against a budgeted underspend position planned of £73k. This is primarily the result of the timing of income from Home Office for the Welsh Top Up element of the Police Grant where the full year's amount has been received ahead of schedule. This will correct itself in subsequent periods. Excluding the funding variances, the net expenditure position is £280k overspent against budget at Q1. The group year to date net overspend arises from the following variances:

**Pay variances – officers and staff: underspend £834k**

3.5 At the end of Q1, police officer pay and salary allowances are under budget by £408k 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 31 March 2023 was met and exceeded. The underspend is a non-recurrent saving for this financial year only. Now the planned recruitment has taken place, the full cost of officers will be realised for 2023/24 budgets onwards.

3.6 The underspend on police officer pay and allowances has a £340k underspend on Staff and PCSO (Police and Community Support Officers) pay and allowances at the end of Q1. Within this, staff pay is underspent by £491k but there are agency costs of £185k and redundancy payments totalling £39k in Q1.

3.7 The assumptions for the 2023/24 budget already reflect probationers being recruited at lower than the mid point of the salary scale and an assumed pay award for officers of 3.5% from 1st September 2023. The UK Government recently announced a 7% pay award for officers with an indication that they would then fund the difference for forces between an average pay award of 2.5% and 7%. The expectation is that a similar pay award will now be approved for staff and PCSOs (Police and Community Support Officers).

3.8 The part year and full year pay award impact at 2.5%, 3.5% and 7% on total pay and allowances (including NI (National Insurance) and pension) for officers, staff and PCSOs in the 2023/24 budget is shown in the table below:

Pay Award	Officers		Staff		PCSOs		Total	
	Part Year	Full Year	Part Year	Full Year	Part Year	Full Year	Part Year	Full Year
	£	£	£	£	£	£	£	£
7%	3,473,567	5,955,162	1,476,815	2,531,566	261,225	447,927	5,211,607	8,934,655
3.50%	1,716,278	2,942,177	738,477	1,265,767	130,669	223,867	2,585,424	4,431,811
2.50%	1,241,407	2,126,973	527,598	904,163	93,320	159,944	1,862,326	3,191,080

3.9 This is based on the establishment in the 2023/24 finance budget of 1506 fte officers, 858 fte staff and 172 fte PCSOs. Discussions are ongoing with Welsh Government over PCSO funding and numbers following a substantial funding cut in the PCSO grant from £4,556k to £3,943k in February 2023.



3.10 The total difference between 7% and 2.5% is therefore £3,349k for a part year (September 2023 to March 2024) and £5,744k for a full year. There is a difference between 7% and 3.5% of £2,626k for the part year and £4,502k for the full year. If the Home Office do fund the full difference of £3,349k/£5,744k, then the Force will receive a funding 'bonus' being the difference between our budgeted pay award at 3.5% and the average pay award at 2.5%. This one off 'bonus' in 2023/24 would equate to £723k for the part year and £1,240k for the full year.

**Overtime – officers and staff: overspend £58k**

3.11 Total overtime costs (officer and staff) at the end of Q1 show a net overspend of £58k, made up as follows:

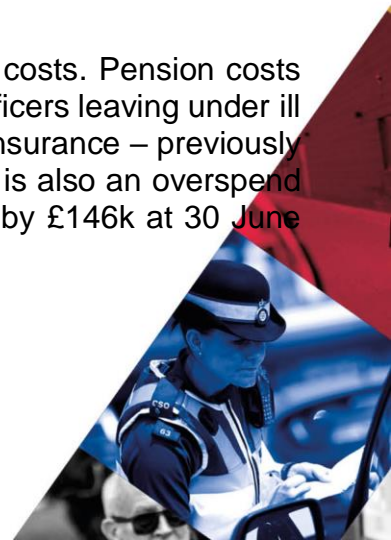
	<b>2023/24 Q1</b>
Police Officer and Staff TOIL (Time off in Lieu) payments	(£31k)
Police Officer overtime overspend	(£86k)
Police Officer rest day overtime overspend	(£121k)
Police Officer public holiday overspend	£119k
Police staff overtime – overspend	(£56k)
Police staff weekend & public holiday enhancements underspend	£117k
<b>Total (over)spend at 30<sup>th</sup> June 2023</b>	<b>(£58k)</b>

3.12 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).

3.13 The annual overtime budget was reduced by £1m for 2020/21 and unchanged for the 2021/22 and 2022/23 budget. Substantial work is being done by operational and finance staff to analyse and challenge cultures and behaviours locally on overtime. Additional reporting using the QlikView platform is due to be implemented shortly which will reflect paid expenses (one month in arrears of claim month). Live / current overtime reports are available in GRS (Global Rostering System) system.

**Other employee related costs: underspend £144k**

3.14 There is a net underspend of £144k for other employee related costs. Pension costs are down by £284k with lower injury pension payments and no officers leaving under ill health pensions so far. The timing of the payment for employee insurance – previously in Q2 in 2022/23 but now received in Q1 2023/24 - means there is also an overspend for Q1 of £155k. External training costs are higher than budget by £146k at 30 June 2023 due to £136k already committed for Q2 2023.



### **Non-pay variances – Premises costs: overspend £340k**

- 3.15 Premises costs are overspent at Q1 by £340k due primarily to the effect of the timings on payments for rent and rates, as well as some earlier invoices received for property insurance. This overspend variance will reduce as the financial year progresses and the phasing of rent payments corrects itself.

### **Non-pay variances – Transport costs: underspend £256k**

- 3.16 Transport costs are underspent at Q1 by £256k. Insurance work for recovery costs are underspent by £165k and the cost of vehicle fuel was also lower than budget at Q1 by £67k.

### **Non-pay variances – Supplies & Services costs: overspend £1,715k**

- 3.17 Supplies & services costs are overspent at Q1 by £1,715k and there are many variations between the cost headings in this category.
- 3.18 There are timing differences in Partnership fees, collaboration contributions and consultancy fees resulting in a net overspend of £373k which will reverse out in future periods. Further underspends are noted on clothing and uniforms (£100k), Crime Scene Investigation expenditure (£77k) and Mobile Phone rental (£157k) and network services (£44k) because of the rollout of new mobiles and infrastructure updates as part of the ICT (Information Communication Technology) programme.
- 3.19 Offsetting this is £634k of additional ICT costs for IT (Information Technology) 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.
- 3.20 Other additional expenditure incurred ahead of the YTD budget includes Dangerous Dogs Act spend (£35k), Subscriptions (£58k) which is due to timing on invoicing, and other insurance costs (£59k). Most of these variances are due to invoices being received earlier than expected against the phasing of the 2023/24 budget, even after that phasing was reviewed and updated to better reflect actual practice in 2022/23. Finance Business Partners continue to keep a close eye on these pressures via monthly meetings with budget holders as we go through the year, and any recurring pressures will be identified as part of the 2024/25 budget setting exercise in October/November 2023.

### **Other movements:**

- 3.21 The Force's contribution to the Police Computer Company is overspent by £179k at 30th June 2023 as the invoice was received earlier than expected based on the prior years' experience. This contribution to national technology programmes is therefore a timing difference and will correct itself in full in future periods.
- 3.22 Other Income is higher by £908k following the reversal of income accruals made at 31<sup>st</sup> March 2023, and receipt of £1,386k of Op Uplift monies for 2022/23 where the income

accrual will now be reversed in Q2. The timing of payments made in relation to Police Grant funding is also uncoordinated with prior years' experience, with the Welsh Top up grant element being received in full in Q1 rather than being paid by the Home Office on a quarterly basis as in 2022/23.

### **Office of the Police & Crime Commissioner – underspend £1,131k**

- 3.23 Included within the group figures above are underspends relating to the Office of the Police & Crime Commissioner totalling £1,131k. These are shown separately in Appendix 1c.
- 3.24 Salary and allowances – there is a small underspend of £22k.
- 3.25 Non-pay expenditure – there are underspends totalling £1,085k in non-pay expenditure. This is primarily due to the reversal of year end accruals and timing of partnership contributions and consultants' fees (e.g. no invoices received in Q1 for Substance Misuse consultants' fees against an expected budget of £339k), which will resolve themselves in subsequent periods.
- 3.26 There are no risks to receipt of the full £72,998k of Council Tax for the year.

### **Financial Highlights – balance sheet**

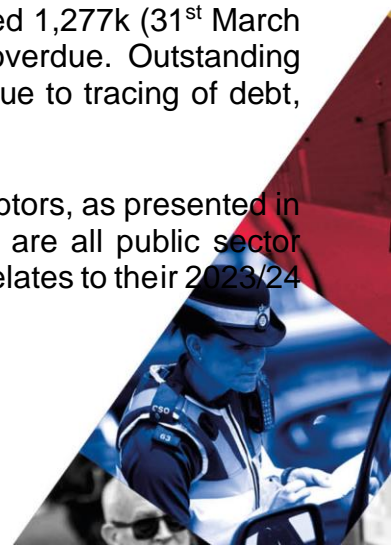
- 3.27 The key areas that are significant to the overall financial performance of the force are:

#### **Investment and cash (appendix 2a)**

- 3.28 At 30<sup>th</sup> June 2023, £34.5m 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 30<sup>th</sup> June 2023 was £1,220k.
- 3.29 The average interest rate on investments is 3.71% (31<sup>st</sup> March 2023: 2.03%, 31<sup>st</sup> December 2022: 1.68%, 30<sup>th</sup> September 2022: 1.52%, 30 June 2022: 0.29%). Interest rates continue to increase on previous periods as the Bank of England changes the base rate to combat inflation pressures in the wider economy. As a result, a higher level of investment interest of approximately £1.2m is now expected which is above the Force's budgeted investment income for 2023/24 of £0.4m.

#### **Debtors (appendix 3b)**

- 3.30 Total sales invoices that were unpaid as at 30<sup>th</sup> June 2023 totalled 1,277k (31<sup>st</sup> March 2023: £339k), of which £566k (31<sup>st</sup> March 2023: £76k) was overdue. Outstanding debtors have dramatically increased from period 1 to period 3 due to tracing of debt, regular chasing, and reminder letters.
- 3.31 The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b total £767k (83.4% of total debtors by value) and are all public sector bodies. The £571k balance with the National Probation Services relates to their 2023/24



GDAS contract contribution. The £141k due from Dyfed Powys Police is for the 2022/23 Go Safe reimbursement balance. The £131k owed by Caerphilly Council relates to the 2022/23 Youth Offender Trust contribution, while the Dorset Police and HM Prison and Probation Services balances are both in relation to seconded officers and staff. All balances are being actively pursued for payment.

- 3.32 We continue with our review and clearance of historic debtor balances and a further three items are noted in Appendix 2b totalling £550. As none of the individual balances exceed the £500 threshold and the cost of chasing this debt will outweigh the value recovered, the write off from these insignificant amounts will be actioned in Q2.

### **Creditors (appendix 3c)**

- 3.33 As of 30<sup>th</sup> June 2023, there were £2,331k of creditors which is an increase on the total creditors of £1,653k at 31<sup>st</sup> March 2023. This has resulted from two balances in particular: one invoice from the Home Office for ICT subscriptions for 2023/24 totalling £1,295k; and another invoice from Newport City Council for the 2023/24 GDAS contract contribution totalling £360k.

- 3.34 Of this total, £1,761k or 75.6% (Q4 2022/23: £244k) of the total is overdue for payment. This increase is due to the Home Office ICT subscriptions invoice noted above, plus a number of outstanding balances with SRS (SHARED RESOURCE SERVICE) totalling £173k where they have invoiced in advance of delivery of laptops and services. The average age of an invoice paid within the 30 day target at Q1 is 22.47 days on average, which remains comparable to the previous quarter (20.77 days). It is expected that the average age will continue to meet the target going forward.

### **Capital (appendix 3d)**

- 3.35 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 refurbishment, Abergavenny build, Fleet workshop relocation, and Gwent Operational Facility costs.

- 3.36 The expenditure to date on capital and long-term projects is £2,586k leaving a remaining budget of £27,316k. 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.

- 3.37 Estates – the budget of £21,574k includes major projects relating to the Collaborative JFU (Joint Firearms Unit) relocation (£7,863k), Abergavenny Police Station new build (£4,324k), Gwent Operational Facility (£2,675k) and the fleet workshops relocation (£2,479k).

- 3.38 Vehicles – The 2023/24 budget is £2,682k and while expenditure to date is only £213k it is expected that this will be fully utilised 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.

- 3.39 ICT - The budget is £5,511k and while expenditure to date is only £648k, it is also expected this will be fully utilised in 2023/24 as the ICT requirements of refreshing our FFF (Fixed Field Flexible) capability; the Control Room project and the associated SAFE mobile app development; and the Data Hall decommissioning following SRS's move out of Blaenavon are completed in the year.

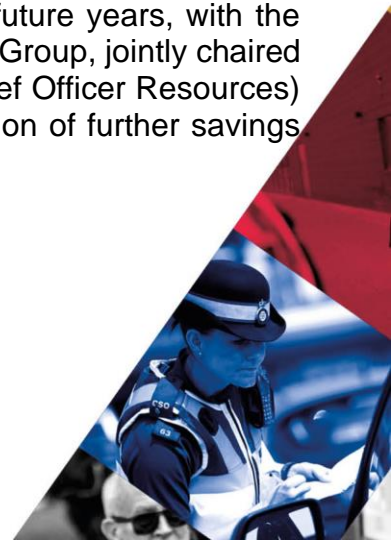
#### **Reserves (appendix 4)**

- 3.40 Appendix 4 details the position in relation to the current balance of reserves of £29,774k based on the unaudited financial statements at 31<sup>st</sup> March 2023. This shows a reduction of £3,945k in reserves from £33,719k at 31 March 2022 as reserves were used to fund the capital programme in 2022/23.

#### **Medium Term Financial Plan (appendix 4)**

- 3.41 Appendix 4 provides detail of the latest version of the 2023/24 to 2027/28 MTFP updated as at June 2023. The current position for 2023/24 after additional costs pressures and funding cuts have been identified in February and March 2023, is a net deficit £5,018k – an increase from £3,547k in January 2023. A report on the key movements to 30<sup>th</sup> June 2023, mitigating actions already being taken and the financial risks has been presented to Chief Officers and OPCC.
- 3.42 The impact of global events continues to create a lot of uncertainty over funding, cost pressures, inflation, and interest rates for 2023/24 and subsequent years. The current forecast of the recurring annual deficit of £21,916k at 2027/28 is therefore highly dependent on these inflationary pressures, borrowing decisions for the capital programme, and the outcome of the review of the Police Funding formula. The MTFP will be updated again in September 2023, and as part of the 2024/25 budget setting exercise. Known and anticipated additional pressures on base budgets, the recent change in Welsh Government funding for CSOs (COMMUNITY SUPPORT OFFICERS), further base budget savings, and the annual review of the budget's underlying assumptions will be carried out in September- November 2023 ahead of the Chief Constable's 2024/25 budget bid to the Commissioner.
- 3.43 Taking the growth in investment income from higher interest rates, a full year saving on borrowing costs, and known additional savings, approximately £2.2m of the £5.0m updated deficit can be closed, but primarily on a non-recurrent basis. Work continues to identify recurring savings for the remaining £2.8m through the Working Group and Change Programme so there remains substantial pressure for future years, with the need for further savings and efficiencies. The Efficiency Working Group, jointly chaired by the DCC (Deputy Chief Constable) and ACOR (Assistant Chief Officer Resources) (Assistant Chief Officer Resources), is leading on the identification of further savings areas to help close the current deficit of £5,018k for 2023/24.

## **4. COLLABORATION**





4.1 Collaborative activities have been included in the figures above.

## 5. NEXT STEPS

5.1 To consider and note the financial performance of the Force and OPCC for the first quarter of financial year 2023/24.

## 6. FINANCIAL CONSIDERATIONS

6.1 These are detailed in the report

## 7. PERSONNEL CONSIDERATIONS

7.1 There are no staffing / personnel implications arising from this report.

## 8. LEGAL CONSIDERATIONS

8.1 There are no legal implications arising from this report.

## 9. EQUALITIES & HUMAN RIGHTS CONSIDERATIONS

9.1 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.

9.2 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.

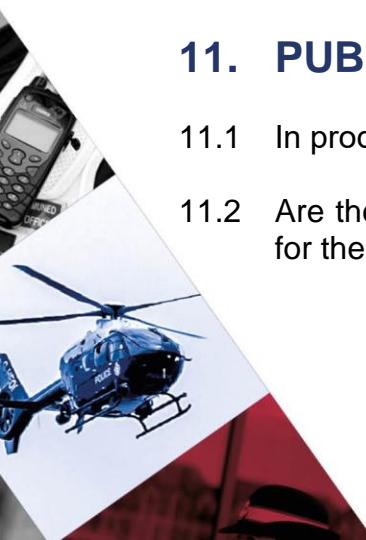
## 10. RISK

10.1 The outcome of the ongoing review of the funding formula is still unknown. The predicted loss of funding from 2023/24 is included in MTFP's recurring deficit at 2027/28 of £21.9m. An organisational risk has already been raised via Service Improvement Board to reflect the in-year and medium term financial issues.

## 11. PUBLIC INTEREST

11.1 In producing this report, has consideration been given to 'public confidence'? **Yes**

11.2 Are the contents of this report, observations, and appendices necessary and suitable for the public domain? **Yes**



## 12. REPORT AUTHOR

12.1 Matthew Coe

## 13. LEAD CHIEF OFFICER

13.1 Nigel Stephens

## 14. ANNEXES

14.1 2023/24 Q1 Financial Performance Report

## 15. CHIEF OFFICER APPROVAL

15.1 I confirm this report has been discussed and approved at a formal Chief Officers' meeting.

15.2 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:**

