

OFFICE OF THE POLICE AND CRIME COMMISSIONER	
LEAD CHIEF OFFICER:	Nigel Stephens
TITLE:	Financial Performance Report 2018/19 including Key performance indicators
DATE:	3rd June 2019
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 fourth and final quarter of financial year 2018/19.
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>Quarterly reporting enables business partnering to provide robust analysis to the work stream leads. It also reduces the burden on year end reporting as information is maintained regularly throughout the year.</p> <p>This position presents the out-turn reporting in the draft annual accounts which will be submitted to Joint Audit Committee and reviewed by the Wales Audit Office. They are therefore subject to change with the audited accounts timetable due to conclude by 31 July 2019.</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 report takes 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: Investment fund – details of items approved, spent and budget reallocated. 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

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	<p>yet to be cash paid and the age of the liability.</p> <p>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.</p> <p>7) Appendix 4: Usable reserves. This schedule identifies the level of cash backed reserves in line with the Reserves Strategy and the MTFP.</p> <p>8) Appendix 5: Medium Term Financial Plan. This provides a longer term view on the financial position of the force.</p> <p>Further development of the dashboard of high level financial indicators continues.</p>
3.	<u>Financial Highlights – Year End Outturn: underspend £106k (Q3: £217k)</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	On a group basis, there is an underspend of £106k at the year end. This is comparable to the Q3 position of £217k and confirms the committed expenditure for body armour replacement, and investment scheme deferred expenditure of £658k both of which have been transferred to an earmarked reserve. There have also been some additional costs pressures on pensions, redundancies and additional medical retirements in this quarter. The OPCC has overspent at 31 March 2019 by £47k for the year following the implementation the new organisational structure part way through the year. The group underspend arises from the following variances:
	Pay variances – officers and staff: underspend £3,720k (Q3: £3,566k)
3.3	<p>At the end of Q4, police officer pay and salary allowances at the end of the financial year are under budget by £3,720k due to :</p> <p>Budget variance re: spinal points on Officer pay: £3,196k</p> <p>Impact of retirees/transferees: £524k</p> <p>Total: £3,720k</p>
3.4	As previously reported in Quarters 1, 2 & 3, the budget variance for police officers of £3,196k is due to the standard budget assumptions using the mid-point of the salary scale for new officers. In 2017/18 there were approximately 100 new officers and a further 78 in 2018/19. These posts are paid initially at the bottom of the grade rather than the mid point. These probationers cost approximately £18,000 less than the average salary of officers. The full year effect of the 2017/18 recruitment and the partial effect of the 2018/19 recruitment accounts for the positive variance of £3,196k against the original budget. The assumptions for the 2018/19 budget have already been changed to reflect probationers being recruited at lower than the mid point of the salary scale.
3.5	Impact of retirees (£350k): The original budget assumed 55 officers would

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	retire in 2018/19. In most cases the retired officer would be at top of grade and this is what was budgeted for. The effect of replacing experienced officers with equivalent officers at the bottom of the grade is estimated at £350k.												
3.6	The remaining underspend is due to an additional 10 officers transferring into new externally funded posts which will mean that there will be less officers to fund from the base establishment.												
3.7	At the end of Q4, staff and PCSO pay costs were overspent by £93k (Q3: overspend £9k). Within this, staff pay was underspent by £1,257k due to vacancies which was offset by agency costs of £1,076K to cover vacancies in the short term. Additional pension capital costs from early retirements of £162k and £112k of additional redundancy costs were incurred.												
	Overtime – officers and staff: overspend £52k (Q3: underspend £105k)												
3.8	Total overtime costs (officer and staff) at year end show a net overspend of £52k, made up as follows:												
	<table border="1"> <tr> <td>Police Officer overtime overspend</td> <td align="right">£182k</td> </tr> <tr> <td>Police Officer rest day overtime overspend</td> <td align="right">£296k</td> </tr> <tr> <td>Police Officer public holiday underspend</td> <td align="right">(£180k)</td> </tr> <tr> <td>Police staff overtime – overspend</td> <td align="right">£41k</td> </tr> <tr> <td>Police staff weekend & public holiday enhancements underspend</td> <td align="right">(£287k)</td> </tr> <tr> <td>Total overspend at 31 March 2019</td> <td align="right">£52k</td> </tr> </table>	Police Officer overtime overspend	£182k	Police Officer rest day overtime overspend	£296k	Police Officer public holiday underspend	(£180k)	Police staff overtime – overspend	£41k	Police staff weekend & public holiday enhancements underspend	(£287k)	Total overspend at 31 March 2019	£52k
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	Other employee related costs: underspend £957k (Q3: £552k)												
3.9	There is a net underspend of £957k for other employee related costs. There are fewer early medical retirements than anticipated resulting in an underspend of £753k (Q3: £675k). This is offset by additional pension costs for injury payments of £160k against budget. There were also underspends in training costs (£260k), medical treatments (£15k) and employee insurance (£25k).												
	Non-pay variances – Premises costs: overspend £861k (Q3: £528k)												
3.10	Premises are overspent at year end by £861k due primarily to £410k of additional rates costs claimed for the Operational Training Centre for which the rates appeals process has been initiated. Other overspends includes unplanned and planned maintenance (£162k), contracted services (£162k) and buildings insurance (£53k).												
	Non-pay variances – Transport costs: overspend £103k (Q3: £347k)												
3.11	Transport costs are overspent at year end by £103k, primarily due to overspends on mileage and travel costs (£156k) and an underspend on helicopter hire (£26k).												
	Non-pay variances – Supplies & Services costs: overspend £2,014k (Q3: £1,223k)												
3.12	Supplies & services costs are overspent at year end by £2,014k. This overspend includes significant investment on the operational collaborations												

	<p>(£1,206k), medical examination and custody medical contract budgets (£357k), custody medical contract (£246k) due to increased demand for the services. The costs associated with HQ design & relocation have now been transferred from revenue expenditure to capital costs as assets under construction, following approval of the HQ planning application.</p> <p>The operational collaborative overspend can be further split into Firearms (£531k), Joint Scientific Investigation Unit (£285k), Regional Organised Crime Unit (£389k).</p>								
	Other movements: net (overspend) movement £1,541k (Q3: £1,908k)								
3.13	The net movements are explained by a £1,918k underspend on the investment fund, additional other income totalling £852k offset by a £2,805k (Q3: £2,800k) transfer from revenue to capital reserves to fund the development of the new HQ and the FFF technology rollout. A number of schemes were not achieved in 2018/19 due to delays and the projected cost of these schemes has also been transferred into earmarked reserves to be released in 2019/20 to cover the cost.								
4	<u>Financial Highlights – investment priorities</u>								
4.1	<p>Appendix 2 provides more detail on the planned expenditure from this budget and is made up as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Original Investment Fund budget</td> <td style="text-align: right;">£5,641,025</td> </tr> <tr> <td>Add additions to budget in year</td> <td style="text-align: right;">£586,000</td> </tr> <tr> <td>Less amounts allocated out at budget set</td> <td style="text-align: right;">(£2,386,477)</td> </tr> <tr> <td>Total original budget</td> <td style="text-align: right;">£3,840,548</td> </tr> </table> <p>Appendix 2 shows that the total value of all identified projects currently marked for funding by the Investment Fund is £4,373k. A number of potential investments remain with the Chief Officers for discussion and approval. These are annotated by “TBC” within Appendix 2. The actual spend for 2018/19 is £2,536k (Q3: £2,835k) – a further reduction on Q3 as some projects have been deferred to 2019/20.</p>	Original Investment Fund budget	£5,641,025	Add additions to budget in year	£586,000	Less amounts allocated out at budget set	(£2,386,477)	Total original budget	£3,840,548
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5.	<u>Financial Highlights – balance sheet.</u>								
5.1	<p>The information within section 5 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 								

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	<ul style="list-style-type: none"> • Reserves
	Investment and cash (appendix 3a)
5.2	<p>As at 31st March 2019, £49m 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 0.89% (Q3: 0.78%, Q2: 0.66%, Q1: 0.56%). Interest rates are starting to increase however they still remain low. Investment interest, therefore, does not contribute significantly to the force's income budget.</p> <p>Actual cash held within the bank account at 31 March 2019 was £2,843k.</p>
	Debtors (appendix 3b)
5.3	Total sales invoices that were unpaid as at 31 st March 2019 totalled £930k (Q3: £385k), of which £350k (Q3: £347k) was overdue. This position continues to improve significantly on Q1 and Q2.
5.4	The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b total £706k (76% of total debtors by value) and are primarily public sector bodies. There are no irrecoverable debts identified in the year.
	Creditors (appendix 3c)
5.5	As at 31 st March 2019 there was £1,374k of creditors, an improvement on the total creditors of £1,380 at Q3, £2,474k at Q2 and £5,592k at Q1.
5.6	The average age of an invoice paid within the quarter was 24.34 days (Q3: 33.57 days, Q2: 51.33 days, Q1: 62.02 days). This is a significant improvement on the start of the financial year with monthly days now regularly meeting the 30 day target. It is expected that the average age will continue to meet this target going forward.
	Capital (appendix 3d)
5.7	The initial budget for the capital and projects was £23,269k, which reduces to £22,789k with the slippage of the Monmouth Hub project (£400k) in 2018/19. The expenditure to date on capital projects is £6,902k leaving a remaining total adjusted budget of £14,547k.
5.8	Estates – the budget £15,527k includes major projects relating to HQ relocation (£9,987k) and Ystrad Mynach PFI (£4,000k). Delays with planning permission for HQ (subsequently granted) means the vast majority of this expenditure is now likely in 2019/20 (Enabling works commenced). The Ystrad Mynach PFI scheme is now at the business case stage and the voluntary termination is planned in the coming months.
5.9	Vehicles – the budget of £1,012k was overspent by £301k at the year end following acceleration of the replacement programme to secure lower prices ahead of the new contract that commenced on 1 April 2019.

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5.10	ICT – the budget of £1,280k relates primarily to mobile devices (£880k) and was overspent at year end by £1,917k following the approval to accelerate the programme for laptop devices following the successful roll out of the mobile devices in October and November 2018.
5.11	Other long term projects – the adjusted budget of £4,200k includes a further £4,000k for Ystrad Mynach PFI that relates to the revenue element of the voluntary termination.
	Reserves (appendix 4)
5.12	Appendix 4 details the current forecast in relation to reserves over the five year Medium Term Financial Plan (MTFP). At year end, usable reserves stand at £55,331k, after a net draw down for the year of £2,402k. This movement reflects the likelihood of the utilisation of the PFI reserve and HQ reserves draw downs deferring into 2019/20 and the transfer of accelerated forecast savings to contribute to the new HQ.
6	Medium Term Financial Plan (appendix 5)
6.1	Appendix 5 provides detail of the latest 2019 version of the MTFP that has been prepared as the final budget for 2019/20. Following the Home Secretary’s police grant announcement, the total year 5 deficit, including the expected impact of funding formula cuts remains at £6.1m. The MTFP will be updated in June.
7.	<u>Risk areas identified</u>
7.1	The underspend for the year is £106k and there is a residual risk that this could change following the external audit of the accounts. The full year cost of collaborative activities is dependent on a final reconciliation of the share of actual costs across the four Welsh forces at 31 March 2019. There has been very little financial information available throughout the year from the collaborative finance section that has impacted the ability to provide an accurate forecast. The quality and timing of reporting processes will be improved in 2019/20.
8.	<u>FINANCIAL CONSIDERATIONS</u>
8.1	These are detailed in the report.
9.	<u>PERSONNEL CONSIDERATIONS</u>
9.1	There are no staffing / personnel implications arising from this report.
10.	<u>LEGAL IMPLICATIONS</u>
10.1	There are no legal implications arising from this report.
11.	<u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u>
11.1	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

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	discriminate against any particular group.
11.2	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.
12.	<u>PUBLIC INTEREST</u>
12.1	This is a public document.
13.	<u>CONTACT OFFICER</u>
13.1	Jackie Glossop, Har Ping Boey, Matthew Coe
14.	<u>ANNEXES</u>
14.1	2018/19 Q4 financial Performance report