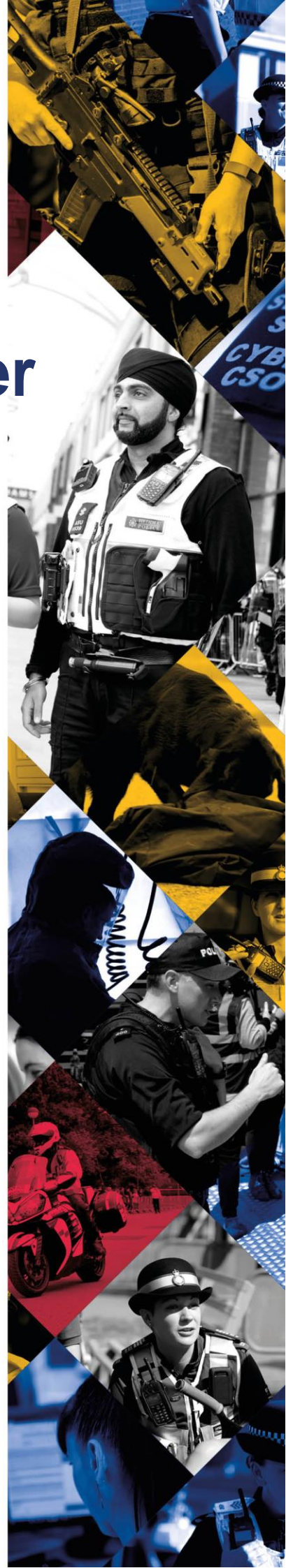




Finance Report 2021/22 – First Quarter (Q1)

CHIEF OFFICER TEAM REPORT

9th September 2021



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 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.
 - **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.

3. ISSUES FOR CONSIDERATION

Financial Highlights – Q1 Year to date outturn: £1,326k overspend

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



3.3 As shown in Appendix 1a, on a group basis there is a year to date overspend at Q1 for 2021/22 of £1,326k against a budgeted overspend position planned of £1,060k. This is primarily the result of the timing of income from Home Office and the phasing of funding budgets in Q1 that will be resolved in Q2. Excluding the income variances, the expenditure budgets are £2,987k underspent against budget at Q1. The group year to date net overspend arises from the following variances:

Pay variances – officers and staff: underspend £1,500k

3.4 At the end of Q1, police officer pay and salary allowances are under budget by £1,145k due primarily to the year to date effect of current vacancies and the timing of the next cohort of new officers from Op Uplift entering the Force in early July. Against the finance budgeted establishment of 2,394.40 FTE, there are 125.94 FTE vacancies in total for officers and staff at 30 June 2021. These posts are budgeted in full for the financial year, hence the phasing of recruitment results in underspends for the period from 1/4/2021 onwards while these posts are unfilled. The assumptions for the 2020/21 budget already reflect probationers being recruited at lower than the mid point of the salary scale.

3.5 This underspend on police officer pay and allowances is matched by a £355k underspend on Staff and PCSO pay and allowances at the end of Q1. Within this, staff pay was underspent by £551k, 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 £188k that cover some of those vacancies in the short term. There were no redundancy payments in Q1.

Overtime – officers and staff: overspend £246k

3.6 Total overtime costs (officer and staff) at the end of Q1 show a net overspend of £246k, made up as follows:

Police Officer overtime overspend	(£77k)
Police Officer rest day overtime overspend	(£174k)
Police Officer public holiday underspend	£33k
Police staff overtime – overspend	(£56k)
Police staff weekend & public holiday enhancements underspend	£28k
Total under/(over)spend at 30 June 2020	(£246k)

3.7 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.



- 3.8 The annual overtime budget was reduced by £1m for 2020/21 and unchanged for the 2021/22 budget. The overspend relates to increased levels of demand in recent months, as well as additional efforts to tackle backlogs and improve performance. If the current overspend trend continues for the rest of the financial year, the estimated overspend against budget would be in the region of £984k which will partly offset any underspend on salary and allowances.

Other employee related costs: underspend £305k

- 3.9 There is a net underspend of £305k for other employee related costs. Covid19 restrictions continue to impact on external training resulting in an underspend of £159k from reduced levels and refunds of cancelled 2020/21 courses at the end of Q1. Pension costs are down by £54k with lower injury pension payments and no officers leaving under the “30+ pension payments” so far. The timing of the payment for employee insurance (anticipated in Q2 2021) means there is also an underspend for Q1 of £99k.

Non-pay variances – Premises costs: overspend £99k

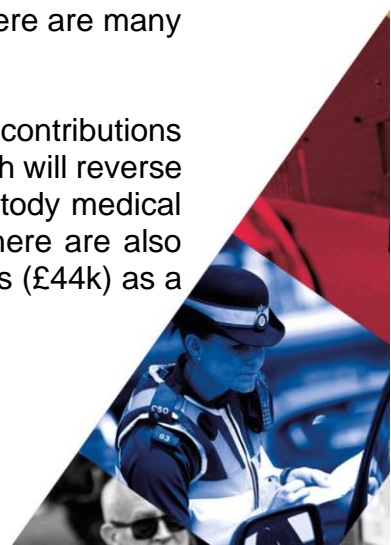
- 3.10 Premises costs are overspent at Q1 by £99k due primarily to the effect of the timings on payments for rent and rates, as well as small delays in invoicing for utilities by new electricity and gas suppliers. There are also some adjustments for a small number of journals made at 2020/21-year end that the finance system will reverse in month 4. The timing of rent and rates payments means that the rent for Mamhilad and Vantage House have been invoiced early and paid in Q1. This overspend variance will reduce as the financial year progresses.

Non-pay variances – Transport costs: underspend £59k

- 3.11 Transport costs are underspent at Q1 by £59k, again due to the ongoing impact of Covid19 with mileage and travel expenses lower by £134k. However, vehicle insurance costs have increased substantially above the £204k budget with actual costs of £345k as premiums were raised by the current supplier. A full procurement exercise for fleet insurance will be carried out in 2021/22 as a result. The first quarterly NPAS payment for helicopter hire was expected in Q1 but has not been received, resulting in a temporary underspend of £186k at the end of June. This is expected to be received in Q2.

Non-pay variances – Supplies & Services costs: underspend £636k

- 3.12 Supplies & services costs are underspent at Q1 by £636k and there are many variations between the costs headings in this category.
- 3.13 There are timing differences in Partnership fees, collaboration contributions and consultancy fees resulting in a net underspend of £915k which will reverse out in future periods. Further underspends are noted on the Custody medical contract (£70k), Insurance (£67k) and Public Liability (£44k). There are also underspends on Mobile Phone rental (£39k) and network services (£44k) as a



result of the rollout of new mobiles and infrastructure updates as part of the ICT programme.

- 3.14 Offsetting this is £468k of additional ICT costs for software maintenance contracts partly as a result of timings of invoicing but also some additional costs on projects such as DEMS. This will be managed from within the overall ICT revenue and capital programme.
- 3.15 Other additional expenditure incurred ahead of the YTD budget include operational and non-operational equipment (£114k), furniture (£46k) and external printing (£33k). The cost of clothing and uniforms is also £40k higher than budget at Q1 due to recent recruitment but further analysis is also planned in this area to identify potential savings. Forensic analysis costs (£31k) and Dangerous Dogs Act costs (£22k) are also higher than YTD budget.

Other movements:

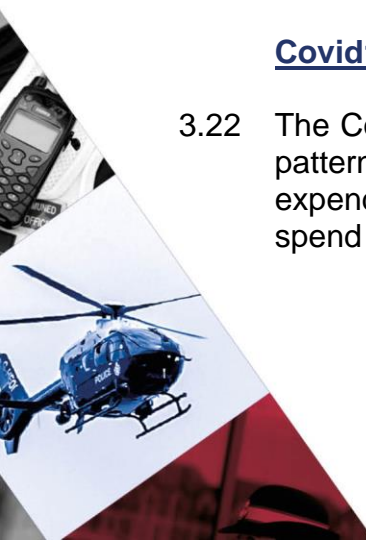
- 3.16 The invoice for the contribution to the Police Digital Service has not yet been received resulting in a £833k underspend at 30 June 2021. This contribution to national technology programmes is a timing difference and the expenditure will be realised in full in future periods.
- 3.17 Other Income is lower by £6,427k 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.

Office of the Police & Crime Commissioner – overspend £648k

- 3.18 Included within the group figures above are overspends relating to the Office of the Police & Crime Commissioner totalling £648k. These are shown separately in Appendix 1c.
- 3.19 Salary and allowances – there is a small underspend of £23k.
- 3.20 Non-pay expenditure – there are underspends totalling £405k in non-pay expenditure. This is primarily due to an underspend of £393k in Supplies & Services for the GDAS contribution, anticipated in Q1 but now due in Q2.
- 3.21 The ‘overspend’ arise from the phasing of the budget for Council Tax funding. There are no risks to receipt of the full £64,159k of Council Tax and the phasing of the budget will be addressed for Q2.

Covid19 costs (Appendix 2)

- 3.22 The Covid19 pandemic continues to affect working patterns, and expenditure patterns in the early part of 2021/22 financial year. 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 continuing to work more agilely and safely



during the April to June period. Some variances on non-pay expenditure are likely to remain as we progress through 2021/22.

- 3.23 The capital programme has also been impacted by Covid19 with a number of projects within the capital programme delayed into 2021/22 and rescheduled for completion in this financial year. The new HQ build has continued throughout the lockdown period and is due to be commissioned in the Autumn 2021.
- 3.24 An analysis of what has been reported to the Home Office as Covid19 related costs between up in 202/21 and Q1 2021/22 is shown in Appendix 2. The total costs identified to date as arising specifically from the Covid19 situation are £1,207k against £1,423k of funding received. The Force has therefore been fully funded for the general costs associated with Covid19 and the surge enforcement, as well as an element of the budgeted income lost as a result of the lockdown restrictions. There remains approx. £216k of funding for any specific Covid19 response throughout the remaining 9 months of 2021/22, but this funding is not ring fenced.

Financial Highlights – balance sheet

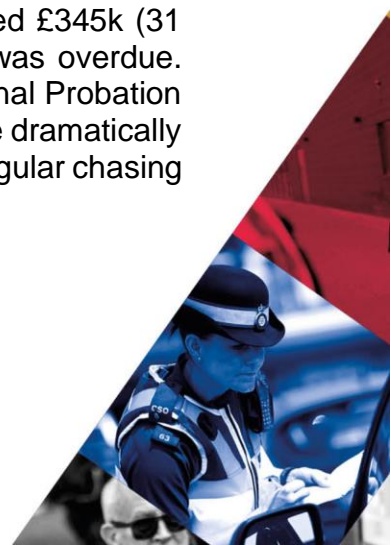
- 3.25 The information within section 6 provides the highlights and key performance indicators in relation to balance sheet items. The key areas that are significant to the overall financial performance of the force are:

Investment and cash (appendix 3a)

- 3.26 As at 30 June 2021, £25.0m 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.
- 3.27 Average interest rates on investments is 0.31% (31 March 2021: 0.36%). 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.
- 3.28 Actual cash held within the bank account at 30 June 2021 was £3,586k.

Debtors (appendix 3b)

- 3.29 Total sales invoices that were unpaid as at 30 June 2021 totalled £345k (31 March 2021: £978k), of which £342k (31 March 2021: £960k) was overdue. The long overdue debt of £540k at 31/3/2021 due from the National Probation Service has now been recovered in full. Outstanding debtors have dramatically reduced from period 1 to period 3 due to tracing of debt and the regular chasing and reminder letters.



3.30 The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b total £244k (71% 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)

3.31 As at 30 June 2021 there was £483k of creditors, a substantial decrease on the total creditors of £1,121k at 31 March 2021. Of this total, the vast majority (£411k or 85% of the total) are not yet due for payment. This is the result of significant work done prior to the 2020/21-year end to clear down the ledgers and resolve outstanding invoices with departments and suppliers.

3.32 The average age of an invoice paid within the quarter was 25.02 days – well within the 30-day target. This is also a significant improvement on the previous quarter (80.59 days) where the average age was adversely affected by the exercise to clear historical balances. It is expected that the average age will continue to meet this target going forward.

Capital (appendix 3d)

3.33 The initial budget for the capital and projects was £18,655k but this has been revised to £29,494k to reflect a number of additional projects deferred from 2020/21 as a result of Covid19. These include additional spend on the new HQ, and further investment in Police Hubs, property evidence store, access control, Blackwood and Maindee Custody refurbishment.

3.34 The expenditure to date on capital and long-term projects is £3,837k leaving a remaining budget of £25,627k. 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.

3.35 Estates – the budget of £22,175k includes major projects relating to the new HQ (£11,900k), Police Hubs (£3,943k), Property Evidence Store (£1,400k), Maindee Custody Refurbishment (£773k) and the Ystrad Mynach CCTV upgrades (£750k).

3.36 Vehicles – The 2021/22 budget is £2,820k and while expenditure to date is only £170k it is expected that this will be fully utilised by the end of the financial year. The telematics system to track vehicle deployment and usage is currently being fitted. The new vehicle purchase contract came into effect on 1 April 2021 and we are now placing orders for delivery of vehicles to meet the usual replacement cycle and to accommodate environmental and Operation Uplift impacts in 2021/22.

3.37 ICT - The budget is £4,299k and while expenditure to date is only £424k, it is also expected this will be fully utilised in 2021/22 as the ICT requirements of the new HQ are completed in Q2 and the rollout of FFF2 begins during the summer.

Reserves (appendix 4)

- 3.38 Appendix 4 details the position in relation to the current balance of reserves of £42,226k based on the audited financial statements at 31 March 2021.

Medium Term Financial Plan (appendix 5)

- 3.39 Appendix 5 provides detail of the latest 2021 version of the MTFP presented to the Police & Crime Panel in January 2021. The current position, pending any announcement on the Comprehensive Spending Review and police funding formula review by the UK Government, is a recurring annual deficit of £3,563k in 5 years' time in 2025/26.
- 3.40 The MTFP will updated during August 2021 and again as part of the 2022/23 budget setting exercise in October/November 2021 when it is expected we will receive the outcome of the Comprehensive Spending Review.

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 2021/22.

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 Comprehensive Spending Review and the ongoing review of the funding formula are still unknown. The predicted loss of funding from 2023/24 is included in MTFP's recurring deficit in 2025/26 of £3.6m.

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

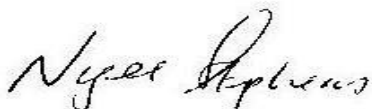
14.1 2021/22 Q1 Financial Performance Report

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.

Signature:



Date: 20.08.2021

