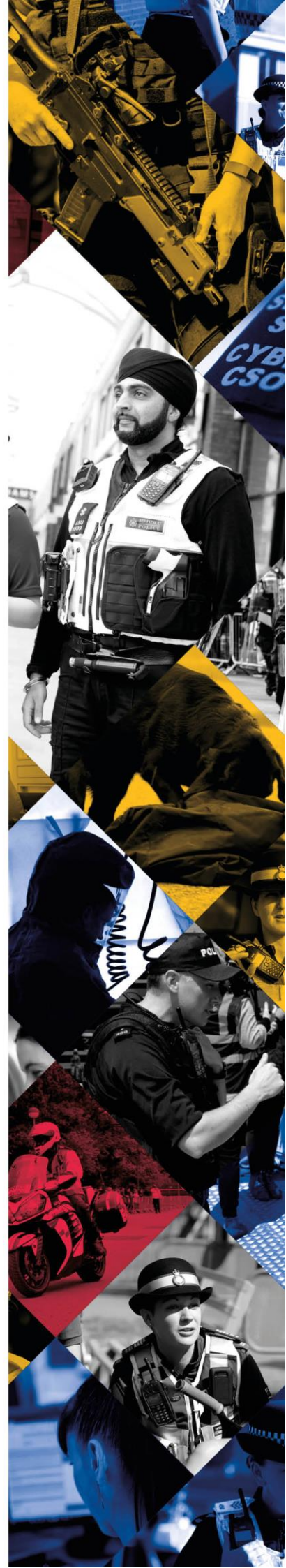




# Finance Report 2021/22 – Fourth Quarter (Q4)

2022



# 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

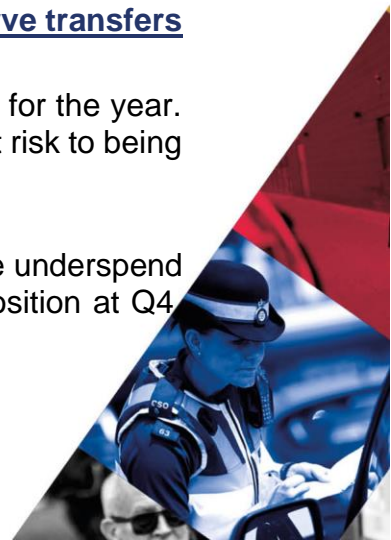
- 2.1 This quarterly financial report presents detailed information on revenue, balance sheet and working capital balances (debtors, creditors and cash/investments). This provides a comprehensive position for Chief Officers to consider and inform decision making.
- 2.2 The quarterly report includes:
  - **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

- Q4 Year to date outturn: £4,090k underspend before reserve transfers

- 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 As shown in Appendix 1a, on a group basis there is a year to date underspend at Q4 for 2021/22 of £4,090k against a budgeted break even position at Q4.



before reserve movements. There is a break even position on a group basis after reserve movements. The OPCC is showing a break-even position at year end. The group year to date net underspend arises from the following variances:

**Pay variances – officers and staff: underspend £3,949k**

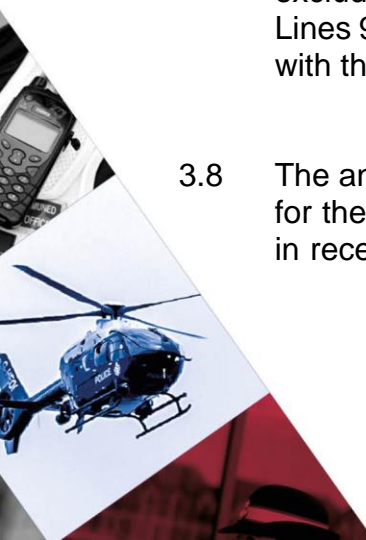
- 3.3 At the end of Q4, police officer pay and salary allowances are under budget by £3,745k due primarily to the year to date effect of current vacancies and the timing of the cohorts of new officers from Op Uplift entering the Force in July, January and March. The Operation Uplift targets for officer numbers at 31 March 2022 were met.
- 3.4 The underspend on police officer pay and allowances is matched by a £204k underspend on Staff and CSO pay and allowances at the end of Q4.
- 3.5 Against the finance budgeted establishment of 2,415.69 FTE, there are 27.75 FTE vacancies (Q3: 106.18 vacancies; Q2: 74.85 vacancies; Q1: 125.94 vacancies) in total for officers and staff at 31 December 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 2021/22 budget already reflect probationers being recruited at lower than the mid point of the salary scale. The actual YTD underspend on staff and CSO pay is also net of agency costs of £756k that cover some of those vacancies in the short term. There were no redundancy payments in Q4.

**Overtime – officers and staff: overspend £1,069k**

- 3.6 The overspend on overtime at 31 March 2022 is £1,069k. Total overtime costs (officer and staff) at year end are made up as follows:

Police Officer overtime overspend	(£314k)
Police Officer rest day overtime overspend	(£653k)
Police Officer public holiday underspend	£79k
Police staff overtime – overspend	(£356k)
Police staff weekend & public holiday enhancements underspend	£175k
<b>Total under/(over)spend forecast at 31 March 2022</b>	<b>(£1,069k)</b>

- 3.7 The position above includes expenditure on Police Staff Enhancements and excludes Major Incidents and Tasking (MI&T), 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. Substantial work is being progressed across the force, led by ACC Hobrough, to understand the drivers for overtime claiming at an operational level and improve the reporting from the Electronic Time Management system and Finance. The total overtime budget for 2022/23 is unchanged and with the 'lead in' time for training and deployment of new officers recruited in Q4, there remains a risk that overspends will continue in the next financial year.

#### **Other employee related costs: underspend £581k**

- 3.9 There is an underspend of £581k for other employee related costs. The easing of Covid19 restrictions means that more external training is taking place, but it remains substantially below the pre-covid period with underspends on external training courses of £270k and training fees of £227k. Lower injury and ill-health pension payments, and no officers leaving under the "30+ pension payments", resulted in an underspend of £237k. The non-recurrent savings on training and pensions were offset by employee liability insurance premiums from earlier in the year that were £172k higher than original budget of £103k for 2021/22.

#### **Non-pay variances – Premises costs: underspend £61k**

- 3.10 Premises costs are underspent at Q4 by £61k. Underspends on reactive and planned maintenance (£128k), utilities (£44k) and premises insurance (42k) are offset by higher contract costs (£62k) and rent & rates (£91k). Within these movements, the cleaning contract is substantially higher being £211k more than budget following additional cleaning requirements resulting from Covid19 and additional facilities such as Ystrad Mynach. This has been mitigated by reduced costs for equipment maintenance contracts. Within the rent & rates overspend, the additional 3 year leases taken out in 2021/22 for Blocks A&C at Mamhilad, and venue hire in L&D, contributed to the overspend.

#### **Non-pay variances – Transport costs: underspend £195k**

- 3.11 Transport costs are underspent against budget by £195k at Q4. There were increased mileage costs (£77k) following the revised guidance, vehicle repairs with outside contractors and from accidents (£168k), higher insurance costs (£328k), and vehicle hire (£34k). These overspends are offset by lower vehicle fuel costs (£208k), the anticipated increase in NPAS charges for helicopter hire not materialising (£172k), travel/accommodation/subsistence costs reduced under ongoing covid restrictions (£101k), insurance work for recovery (£183k), and vehicle spares and tyres (£144k). These variations have been built into the 2022/23 budget.

#### **Non-pay variances – Supplies & Services costs: underspend £1,137k**

- 3.12 Supplies & services costs are underspent at Q4 by £1,137k and there are many variations between the cost headings in this category.



- 3.13 The biggest variations relate to movements on partnership fees (£1,572k underspend) offset by higher consultants' fees (£118k). Collaboration fees are also higher by £461k following the reconciliation of final costs at the year end with South Wales Police of actual spend against budgeted contributions for collaborative activities.
- 3.14 Most of the remaining over/underspends noted at Q3 have come back into balance with the annual budget at 31 March 2022. There does remain variation between individual account codes e.g. computer hardware and computer software costs, but these largely net down in line with the budgets and have been managed within the overall ICT revenue and capital programme. The largest single underspend is £268k relates to expected reduction in the Custody medical contract costs for 2021/22.

#### **Other movements:**

- 3.15 The invoices for the contribution to national technology programmes managed by the Police Digital Services have now been received in full and they were £158k higher than originally budgeted.
- 3.16 Other Income is lower by £591k at Q4 from claiming actual amounts from the Home Office for in year Operation Uplift costs, local partnership income and reimbursement of seconded out officer costs.

#### **Office of the Police & Crime Commissioner – underspend £366k**

- 3.17 Included within the group figures above are underspends at Q4 relating to the Office of the Police & Crime Commissioner totalling £366k. These are shown separately in Appendix 1c.
- 3.18 Salary and allowances – there is a small YTD underspend of £47k at Q3.
- 3.19 Non-pay expenditure – there are underspends totalling £238k in non-pay expenditure. However, this follows agreed changes on partnership costs relating to Victim Support.
- 3.20 There are no known risks to the receipt of income or Council Tax funding.

#### **Covid19 costs (Appendix 2)**

- 3.21 The Covid19 lockdown continues has affected the phasing of expenditure in 2021/22 but to a lesser extent than in the previous financial year. Some variances in non-pay expenditure categories have been due to the uncertain timing of some expenditure such as external training and estates maintenance costs, and as officers and staff continue to work agilely in line with Force and Government Covid guidance. The effect is expected last into 2022/23 as there remain issues with the global supply chain for items such as vehicles, clothing/uniform and computer chips.



- 3.22 An analysis of reported Covid19 related costs for 2020/21 and 2021/22 is shown in Appendix 2. Funding in 2020/21 and 2021/22 from the UK Government, Welsh Government and Local Government partners totalling approximately £1.497m has been matched with specific Covid related expenditure of £1.302m at 31 March 2022. No further funding for 2022/23 has been identified and going forward the Force will continue to procure PPE kit through the NHS framework at no additional cost. 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.
- 3.23 There remains approx. £195k of funding for ongoing covid related costs which are being increasingly subsumed within 'business as usual' expenditure within the Force. The non-ring fenced funding will therefore be required for general revenue and capital expenditure in 2022/23.

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

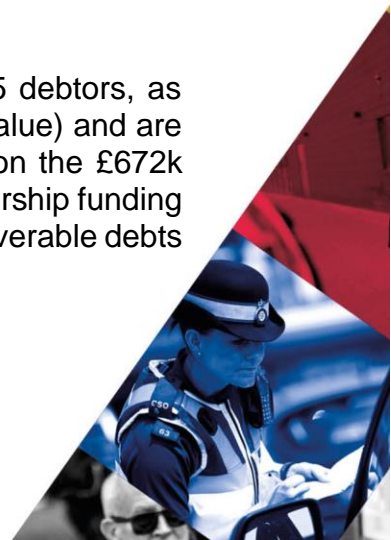
- 3.24 The information within section 6 provides the highlights and key performance indicators in relation to balance sheet items. The key areas that are significant to the overall financial performance of the force are:

### **Investment and cash (appendix 3a)**

- 3.25 At 31 December 2021, £35.0m 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.
- 3.26 Average interest rates on investments is 0.16% (30 September 2021: 0.30%). Interest rates remain very low, 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.
- 3.27 Actual cash held within the bank account at 31 December 2021 was £1,772k.

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

- 3.28 Total sales invoices that were unpaid as at 31 March 2021 totalled £1,043k (31 December 2021: £1,678k), of which £535k (31 December 2021: £925k) was overdue. Outstanding debtors have reduced in Q4 and regular chasing and reminder letters are sent to all overdue debtors.
- 3.29 The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b, total £694k (67% of total debtors by value) and are all police and criminal justice bodies. The queries noted at Q2 on the £672k balance with Dyfed Powys Police related to Safety Camera Partnership funding have been resolved and the balance received. There are no irrecoverable debts identified so far in 2021/22.



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

- 3.30 As of 31 March 2022, there were £2,472k of creditors (31 December 2021: £1,442k). Of this total, £888k or 36% (Q3: £649k and 45%) of the total is overdue for payment. As reported at Q2 and Q3, this is largely due to £601k of the overdue invoices to the SRS who invoice on receipt of orders but before goods/services are delivered. Therefore, requisitioners are unable to approve the invoices for payment until those goods and services are received – in this case some months later.
- 3.31 The average age of an invoice paid within Q3 remains within the 30 day target at 22.63 days on average. The number of invoices received that had a purchase order in Q4 grew slightly from 33.6% in Q3 to 36.8% in Q4. Work continues on clearing down and resolving historic balances within the Accounts Payable team. It is expected that the average age will continue to meet the target going forward.

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

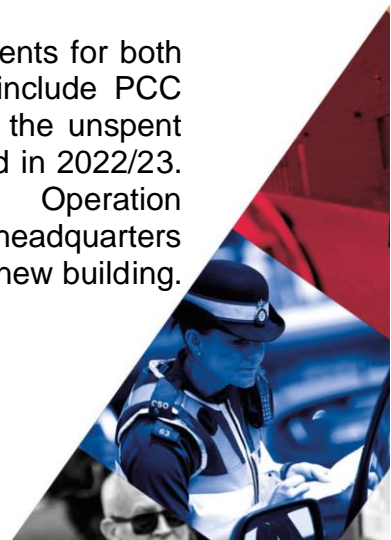
- 3.32 The initial budget for the capital and projects was £18,655k but this has been revised to £30,662k to reflect a number of additional projects deferred from 2020/21 as a result of Covid19. These include additional spend on the new HQ, and further investment in Estate Strategy for specific premises; property evidence store, access control, Blackwood and Maindee Custody refurbishment.
- 3.33 The full year expenditure on capital and long-term projects is £20,597k – an underspend against budget of £10,065k. 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.
- 3.34 Estates – the budget of £22,275k includes major projects relating to the new HQ (£11,900k), Police stations (£3,943k), Property Evidence Store (£1,400k), Maindee Custody Refurbishment (£773k) and the Ystrad Mynach CCTV upgrades (£750k). However, there is an underspend of £7,400k on Estates Schemes where these schemes will be reviewed as part of the 2022/23 capital programme. This includes spend on new Police premises (£3,536k), Ystrad Mynach CCTV (£614k), Property Evidence Store (£1,371k), Collaborative JFU (£494k), Access Control (£500k) and Blackwood watercourse works (£594k).
- 3.35 Vehicles – The 2021/22 budget is £2,849k and expenditure to date has increased again to £1,641k. The telematics system to track vehicle deployment and usage is currently being commissioned. 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. However, supply

issues from manufacturers means that the budget will not be fully utilised, resulting in an underspend of £1,208k at 31 March 2022.

- 3.36 ICT - The budget is £5,338k and expenditure for the year is £4,080k. The supply issues noted above have meant the ICT programme has had to be flexible in its delivery, with some projects deferred such as SAN replacements (£300k), and others brought forward. The ICT requirements of the new HQ were completed in Q4 with a £723k underspend against the revised budget of £2,288k. A number of additional projects have been actioned by year end including additional Airwave vehicle handsets (£254k) and other DSD projects including facial recognition (£120k). There is an underspend at 31/3/2022 of £1,258k on ICT capital projects.

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

- 3.37 Appendix 4 details the position in relation to the current balance of general and earmarked reserves of £42,226k based on the audited financial statements at 31 March 2022. A number of reserve movements have already been approved as part of the 2021/22 Master Budget that was finalised in March 2021 – revenue contribution to Capital £6,897k and Airwave sinking fund £210k.
- 3.38 Following the review with CFO-OPCC and ACOR further adjustments have been 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. The total movement on Usable Reserves year on year is a net decrease of £8,507k from £42,226k to £33,719k (subject to audit).
- 3.39 Other Usable Reserves - As forecast in the Medium Term Financial Plan 2022/23 and in line with the commissioner's reserves strategy, the General Reserve has been increased by £1,000k to £5,000k. This reserve provides the PCC and Force with capacity to cover working capital needs. The balance on the Capital Receipts reserves has been released as part of the funding of the capital programme in 2021/22. The balance of the year end movement of £149k will transfer to the Accelerated Forecast Savings general reserve. In total, a net amount of £6,354k of Other Usable Reserves has been utilised in 2021/22.
- 3.40 Future Budgetary Imbalance reserve – an additional amount of £3,000k has been added to this reserve to help cover the projected recurring deficits projected in the Medium Term Financial plan.
- 3.41 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 2022/23. These activities include Drug Intervention programme, Operation Yellowhammer, Facial Recognition and Tarian. The headquarters Replacement Fund has also been utilised in the year to fund the new building.





In total, a net amount of £2,153k of Earmarked Reserves has been utilised in 2021/22.

### **Medium Term Financial Plan (appendix 5)**

- 3.42 Appendix 5 provides detail of the latest version of the 2022/23 to 2026/27 MTFP following the confirmation of the Council Tax precept increase in February 2022. The current position, pending any announcement on the police funding formula review by the UK Government, is a recurring annual deficit of £9,341k in 5 years' time in 2026/27. The MTFP will continue to be updated throughout 2022.

## **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 fourth and final 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. RISKS

10.1 The outcome of the ongoing review of the funding formula is still unknown. The predicted loss of funding for Gwent Police has been estimated to be £6m from 2024/25 onwards. there is a risk that the loss of funding could be higher than this. The £6m is included in MTFP's recurring deficit in 2026/27 of £9.3m.

## 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, Head of Finance

## 13. LEAD CHIEF OFFICER

13.1 Nigel Stephens, Assistant Chief Officer - Resources

## 14. ANNEXES

14.1 2021/22 Q4 Financial Performance Report



4.9a Appendix 1a-c  
Updated Q4- Mar22 N

## 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 for the reasons stated in 11.3.

A handwritten signature in black ink that reads "Nigel Stephens".

Signature:

Date: 6 May 2022



