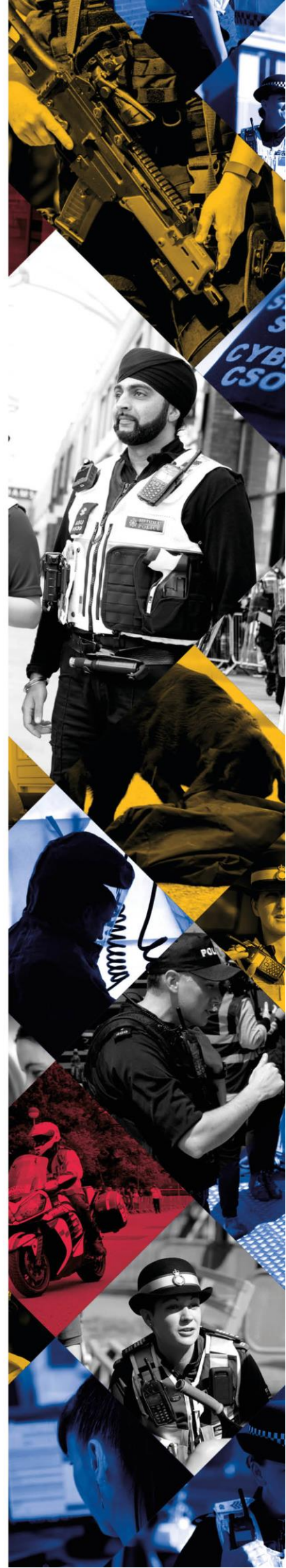




Finance Report 2021/22 – Third Quarter (Q3)

Strategy and Performance Board

2nd March 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

- Q3 Year to date outturn: £8,401k underspend
- Full Year forecast outturn: £5,137k underspend (before transfers to reserves)

- 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 Forecasts have been included for Q3.

3.3 As shown in Appendix 1a, on a group basis there is a year to date underspend at Q3 for 2021/22 of £8,401k against a budgeted underspend position at Q3 of £5,451k. The group year to date net underspend arises from the following variances:

Pay variances – officers and staff: full year forecast underspend £2,841k

3.4 At the end of Q3, police Officer pay and salary allowances are under budget by £2,754k due primarily to the year to date effect of current vacancies and the timing of the last cohort of new officers from Op Uplift entering the Force in early July. The full year forecast is an underspend of £2,841k by 31/3/2022 following additional officer intakes of 49 in January and 50 in March 2022.

3.5 The underspend on police officer pay and allowances is matched by a £581k underspend on Staff and CSO pay and allowances at the end of Q3. The full year forecast is an underspend of £650k.

3.6 Against the finance budgeted establishment of 2,394.40 FTE, there are 106.18 FTE 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 £532k (full year forecast £709k) that cover some of those vacancies in the short term. There were no redundancy payments in Q3.

Overtime – officers and staff: forecast overspend £584k

3.7 The actual YTD overspend on overtime at 31 December 2021 is £1,096k. Total overtime costs (officer and staff) at year end are forecast to show a net overspend of £584k, made up as follows:

Police Officer overtime overspend	(£396k)
Police Officer rest day overtime overspend	(£943k)
Police Officer public holiday underspend	£539k
Police staff overtime – overspend	(£304k)
Police staff weekend & public holiday enhancements underspend	£520k
Total under/(over)spend forecast at 31 March 2022	(£584k)

3.8 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.

- 3.9 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. However, if the current overspend trend continues for the rest of the financial year, there is a risk that the forecast overspend against budget at 31 March 2022 will be much higher, offsetting any underspends on pay and allowances.

Other employee related costs: forecast underspend £83k

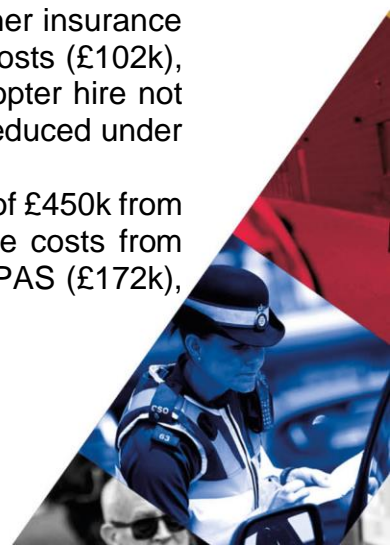
- 3.10 There is an Actual YTD underspend of £431k for other employee related costs. The easing of Covid19 restrictions means more external training is taking place but it remains substantially below the pre-covid period with a forecast underspend of £214k at year end. Pension costs are forecast to be fully utilised for the year but there are lower injury pension payments and no officers leaving under the “30+ pension payments” so far resulting in a YTD underspend of £508k. Non-recurrent savings may be recognised at year end if the number of injury and ill-health retirements remains low in Q4. However, this underspend will be offset by the £119k increase in employee liability insurance premiums from earlier in the year that effectively doubled the original budgeted cost to £222k for 2021/22.

Non-pay variances – Premises costs: forecast underspend £1,013k

- 3.11 Premises costs are overspent at Q3 by £102k due primarily to electric infrastructure costs, the reduced planned maintenance activity in the first half of the year, and the timings of rent and rates payments. This is offset by higher reactive maintenance costs, and cleaning costs following additional cleaning requirements resulting from Covid19 and additional facilities such as Ystrad Mynach. The full year forecast reflects a substantial decrease in planned maintenance of £570k from deferred capital projects, rent underspends of £194k and £122k underspend on services contracts for equipment fixed.

Non-pay variances – Transport costs: forecast underspend £451k

- 3.12 Transport costs are overspent against budget YTD by £139k at Q3 largely from increases in mileage costs (£69k) following the revised guidance, vehicle repairs with outside contractors and from accidents (£148k), higher insurance costs (£334k). These increases are offset by lower vehicle fuel costs (£102k), 9 months of the anticipated increase in NPAS charges for helicopter hire not materialising (£129k), travel/accommodation/subsistence costs reduced under ongoing covid restrictions (£115k), and vehicle tyres (£41k).
- 3.13 The forecast year end position continues to show an underspend of £450k from the full year effect of reduced travel/accommodation/subsistence costs from covid restrictions (£135k), lower helicopter hire charges under NPAS (£172k),



lower vehicle spares costs (£102k) and reduced vehicle fuel costs (£292k). However, vehicle insurance costs remain above the £204k budget for the year with actual costs of £421k as premiums were raised by the current supplier. In addition, mileage costs are also forecast to be £82k higher than the £104k budget at year end. A full procurement exercise for fleet insurance will be carried out in 2021/22.

Non-pay variances – Supplies & Services costs: forecast underspend £1,224k

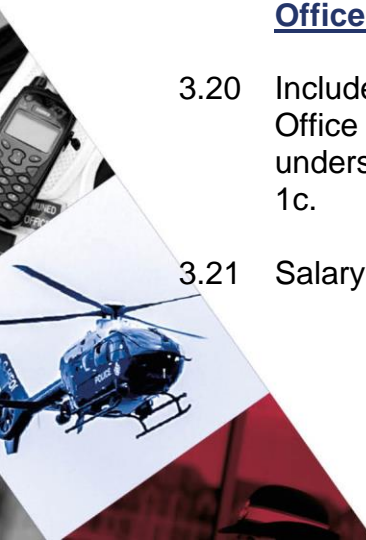
- 3.14 Supplies & services costs are underspent at Q3 by £1,532k and there are many variations between the cost headings in this category.
- 3.15 As noted in Q2, the timing differences in Partnership fees, collaboration contributions and consultancy fees have largely reversed out, resulting in only a net underspend of £60k at Q3. Further underspends at Q3 are noted on Airwave costs (£111k), the Custody medical contract (£195k), Insurance (£48k), Public Liability (£138k) and Mobile Phone rental (£86k).
- 3.16 Within ICT costs there is £375k 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, which is forecast to be £564k underspent at year end.
- 3.17 The full year forecast of £1,247k reflects predicted underspends against budget of £115k on Firearms and ammunition from a lower level of Taser trained officers, lower network services costs of £160k, the full year effect of custody medical contract savings of £292k, and net ICT underspends of £564k.

Other movements:

- 3.18 The invoices for the contribution to national technology programmes managed by the Police Digital Services have now been received in full and they are £158k higher than originally budgeted.
- 3.19 Other Income is lower by £703k at Q3 as we are awaiting payment of Home Office Grants for Operation Uplift and specific pension grant, local partnership income and reimbursement of seconded out officer costs. We expect the specific pension grant will be received in full by the end of the year.

Office of the Police & Crime Commissioner – forecast underspend £95k

- 3.20 Included within the group figures above are underspends at Q3 relating to the Office of the Police & Crime Commissioner totalling £164k, and a forecast underspend for the full year of £95k. These are shown separately in Appendix 1c.
- 3.21 Salary and allowances – there is a small YTD underspend of £24k at Q3.



3.22 Non-pay expenditure – there are underspends totalling £50k in non-pay expenditure. The GDAS contribution, anticipated in Q1, was received in Q2.

3.23 There are no known risks to the receipt of income or Council Tax funding.

Covid19 costs (Appendix 2)

3.24 The Covid19 lockdown continues to affect 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 are still expected 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.

3.25 An analysis of reported Covid19 related costs for 2020/21 and up to Q3 in 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 £1.45m has been matched with specific Covid related expenditure of £1.30m at 31 December 2021. 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. There remains approx. £153k of funding for any specific Covid19 response required in the last 3 months of 2021/22 and into 2022/23.

3.26 The capital programme has been affected to varying degrees from Covid restrictions, partly due to global supply chain issues, which affected the timetable for the handover of the new HQ build and delivery times for key assets such as replacement vehicles, mobile phones and laptops, and elements of the non-ring fenced funding may be required for covid related general revenue and capital expenditure in 2022/23.

Financial Highlights – balance sheet

3.27 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)

3.28 As 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.



- 3.29 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.
- 3.30 Actual cash held within the bank account at 31 December 2021 was £1,772k.

Debtors (appendix 3b)

- 3.31 Total sales invoices that were unpaid as at 31 December 2021 totalled £1,678k (30 September 2021: £1,714k), of which £925k (30 September 2021: £1,101k) was overdue. Outstanding debtors have reduced in Q3 and regular chasing and reminder letters are sent to all overdue debtors.
- 3.32 The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 3b, total £1,490k (89% 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)

- 3.33 As of 31 December 2021, there were £1,442k of creditors (30 September 2021: £1,293k). Of this total, £649k or 45% of the total is overdue for payment. As reported at Q2, 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. The overdue invoice approvals reported at Q2 for Key Forensic Services (£60k) and the £66k balance with Llamau have been resolved and cleared in Q3.
- 3.34 The average age of an invoice paid within Q3 remains within the 30 day target at 21.43 days on average. 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)

- 3.35 The initial budget for the capital and projects was £18,655k but this has been revised to £29,690k 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. The full year forecast spend is £23,818k, indicating a £5,872k underspend on the capital programme by 31 March 2022.
- 3.36 The expenditure to date on capital and long-term projects is £16,803k leaving a remaining budget of £12,887k. 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 £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 a forecast underspend of £5,416k on Estates Schemes where these schemes will be reviewed as part of the 2022/23 capital programme. This includes spend on new Police premises (£1,528k), Ystrad Mynach CCTV (£614k), Property Evidence Store (£1,200k), Collaborative JFU (£474k), Access Control (£450k) and Blackwood watercourse works (£597k).
- 3.38 Vehicles – The 2021/22 budget is £2,820k and expenditure to date has increased again to £997k. 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 a forecast underspend of £995k at 31 March 2022.
- 3.39 ICT - The budget is £4,395k and expenditure to date is £2,680k. 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 Q3 with some costs continuing into early 2022, as well as a number of additional projects including mobile phone rollout (FFF2) rollout, (£499k) additional Airwave vehicle handsets (£212k) and other DSD projects including facial recognition (£120k). There is a forecast underspend of £472k on ICT capital projects as a result.

Reserves (appendix 4)

- 3.40 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)

- 3.41 Appendix 5 provides detail of the latest version of the 2022/23 to 2026/27 MTFP that will be presented to the Police & Crime Panel meeting on 28 January 2022. 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 £9,773k in 5 years' time in 2026/27.
- 3.42 The MTFP will continue to be updated in early 2022 following the Commissioner's precept discussions with the Police and Crime Panel, and a further review of the 2022/23 budget.



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 third 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 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 2026/27 of £9.8m.

10.2 We are still awaiting the final outcome of compensation payments to claimants as part of the wider McCloud Pension remedy issue. The Employment Tribunal was due to rule on the level of payments in December 2021 but has not yet



confirmed the value of compensation for individual claims. However, guidance received in January 2022 from the NPCC confirms that the UK Government will fund the value of these compensation payments rather than individual Commissioners/forces.

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 3.6a Appendix 1a-c
Updated Q3- Dec valu
2021/22 Q3 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: 18.02.2022

