



**Philip Seccombe
Police and Crime
Commissioner
for Warwickshire**

WPCC 20155 – 2020/21 Quarter 2 budget monitoring report recommendations and approvals

Application Date:	November 2020	Name of Applicant:	Sara Ansell
Application Decision Reference: WPCC20155			
1. Summary of the application			
<p>The PCC set the budget and precept in February 2020 for the 2020/21 year. The approved budget allowed for a draw down from reserves of £3.856m. Since the budget was set the PCC has also approved the creation of a £0.500m earmarked reserve to finance costs arising from the Covid pandemic which can be drawn down as necessary in 2020/21.</p> <p>Following receipt of the quarter 1 budget monitoring report, the PCC approved a further draw down from reserves of £0.828m, if required at year end, to meet the anticipated shortfall in mutual aid and safer roads income in 2020/21. The PCC receives regular budget monitoring report updates and it has become apparent given the ongoing transition of services, which has incurred significant revenue, in some cases rather than capital costs, and the ongoing pandemic, with only part reimbursement of costs agreed by Government, that further approvals are required for additional reserve transfers to finance 2020/21 expenditure and also to ensure that the current levels of reserves are protected where possible to provide flexibility for future financing given the uncertainties created largely by the pandemic regarding future funding and costs.</p> <p>This decision notice seeks approval of a number of recommendations to achieve this.</p>			
2. Background information:			
<p>The quarter 2 report outlines the forecast outturn for 2020/21 as at the end of September 2020. The full report presented to the PCC is comprehensive and covers revenue and capital, along with the projected reserves position over the MTFP.</p> <p>It shows an overspending position, requiring an increased draw down from reserves of up to £8.338m in total at year end.</p>			

Some of this has already been approved as part of the budget (£3.856m) or following the Quarter 1 report (£0.828m), but the quarter 2 report seeks a number of further approvals to finance the increased costs. The recommendations are set out in this decision notice for formal approval. The full confidential report provides more detailed analysis and supports this decision notice.

The increased transfer from reserves at year end will be from a number of specific earmarked reserves including the Covid, safer roads and redundancy reserves, with the remainder being drawn from the budget and transformation reserve. The current pandemic has created some of the overspending and shortfalls in income, with only part reimbursement by Government. However, some additional spend has also occurred due to increased transitional costs, some of which are now considered revenue rather than capital in nature.

History suggests that the forecast may reduce during the remainder of year, partly due to natural prudence in early forecasting, but also as a result of ongoing negotiations and further work. However the transitioning process requires the management of a unique set of circumstances, and costs will continue to be monitored closely during the remainder of the year to manage the required draw down from reserves at year end.

Progress on delivering the in year savings is being made and these are being monitored, along with the overall budget by the PCC at the weekly and monthly meetings with the Chief Constable and his staff. This sits alongside an ever evolving picture regarding Covid cost reimbursement by central Government. Positive progress on both or either of these issues will help to reduce the required draw down from reserves at year end.

The scale and pace of the draw down from reserves is aggressive, although this reflects the significant work and investment required to transition services, much of which is ICT related, but also the increased costs or lost income due to the pandemic. Reserve levels at the end of March 2021, are estimated to be some £12.6m, including the £5m general reserve. As a result the recommendations made in the report also aim to protect future reserve levels to provide flexibility and to manage risk in future financial planning. This includes the replacement of capital financing from reserves with borrowing, not actioning the intended revenue contribution to capital and reviewing the use of S106 funding in accordance with the conditions, to meet costs, to preserve reserves and enable maximum flexibility and options to manage risk given the increased uncertainties around funding, the ongoing transition and the shift of costs between revenue and capital.

The reserves strategy will also remain important in providing a smooth glide-path towards achieving a good and balanced budget over the Medium Term Financial Plan (MTFP).

Work is currently underway on the budget for 2021/22 and to fully refresh the MTFP over an extended term to ensure that the force is viable and sustainable over the longer term as a standalone force.

3. Whether additional information/report is attached to support this decision application

YES

List of additional information/report

- a) Quarter 2 Money Matters full report - confidential
- b)

4. Expected benefits (non financial)

The additional draw downs from reserves will help to ensure that the forecast overspend can be financed and that there will be minimal impact on the provision of in year services and the force is able to continue its work to transition services from the former alliance with West Mercia.

5. Impact of not approving the application

The budget will not be balanced if the additional transfers from reserves are not undertaken, based on the current forecast, more significant savings would have to be identified in year to finance the shortfalls if the recommendations were not approved. The earmarked reserves are held specifically to meet these types of cost fluctuations, and the realignment of reserves and the changes to the capital financing plans reflect the increased revenue costs, previously considered to be capital, whilst also protecting reserve levels given the future uncertainties, created by the pandemic, to provide flexibility in future financial planning.

6. Costs

All relevant costs are included fully in the confidential Q2 Money matters report.

7. Savings:

Not applicable

8. Equality and Diversity Implications:

All relevant policies apply to the budget, but there are no direct implications from this decision.

9. Treasurer's comments

The full report is very comprehensive and has been scrutinised fully by the PCC with the Chief Constable. Any actions following the approvals made by the PCC will be monitored as part of the normal monthly processes, but also as we move through the budget setting cycle for 2021/22, undertake the annual review of our financial strategies, including reserves and capital and consider more fully our financial planning over the medium term.

It is essential that work continues to ensure that the 2020/21 overspend does not increase further if possible, and that the required levels of savings are made by April 2021 to ensure that the force is able to deliver efficient and effective policing services into the future.

10. Legal/Monitoring Officer comments

The comments of the Treasurer are comprehensive and explain fully the action required to deliver a balanced budget by the end of the financial year.

To maintain an efficient and effective police force on behalf of the public is a key role for the PCC and this DN ensures that the force is financed appropriately for the financial year 20/21.

Decision of the Police and Crime Commissioner

The PCC has noted the contents of the Money Matters Q2 report presented to him by the force, and the subsequent discussions, and approves the following recommendations:

- A further £0.137m is transferred from the Safer Roads Partnership Reserve to finance road safety activity and projects to date. The PCC's road safety grants round has ensured that further work on projects to improve road safety and reduce the number of fatalities on our roads is planned in the remainder of this year, funded from the specific road safety earmarked reserve. Recommendations on the exact level of future drawdowns from the reserve will be identified in future.
- A sum of up to £1.285m to be earmarked from the Transformation Reserve to meet the costs of underwriting the extension of the KCOM network support contract up to February 2021. These costs may reduce pending further work and ongoing negotiations.
- Up to a further £0.959m is drawn down from the Transformation Reserve to meet the in year cost of ICT contractors and goods and services within the Evolve Programme.
- That £0.029m is drawn down from the redundancy reserve to meet such costs within Transactional Services.
- In addition to the specific one-off items listed above up to a further £1.144m be earmarked for drawdown from the budget reserve to meet the increased in year revenue costs although further work and actions should be undertaken during the remainder of the year to reduce this where possible.
- The planned revenue contribution of £0.320m to support the Capital Programme, in lieu of government grant, is not made in 2020/21,

- To replace reserve capital financing with borrowing as shown in the full report and as agreed at year end with the Treasurer and PCC dependent on actual spend
- Transfers between reserves be actioned as per the detailed table in 6.1 of the full confidential report, to reflect current financial plans
- That the strategic risk on finance and the budget be reviewed in line with the current risk management policy, and
- That S106 funding opportunities be reviewed by the force and reported to the PCC to finance existing spend in 2020/21

PCC Signature:

A handwritten signature in black ink, appearing to read "Paul Jervis". The signature is written in a cursive style with a large initial 'P' and 'J'.

Date of Decision: 9th December 2020