

Financial Update to the PCP - 24th June 2021

Since the last Police and Crime Panel meeting, the PCC has received a report detailing the Outturn for 2020-21 and the necessary year end reserve transfers. Following scrutiny of this report at the Force Governance Board meeting on the 25th May, the outturn and transfers have now been formally approved by the PCC. Further details are summarised below, and this report serves to provide a high level overview. The Budget Working Group are meeting on the 5th August and will receive a fuller and more detailed report on the 2020-21 Outturn.

The final 2020-21 outturn is shown in the table below, and shows an improved position compared to that last reported to the PCC and subsequently to this Panel in March. The position at the end of January 2021 had indicated an outturn of £10.186m above the core funding of £107.734m, (after using £0.100m of S106 funding), but the actual outturn is £116.213m requiring £8.312m to be transferred from reserves, after applying S106 and ESN grant at year end. £4.111m of reserve usage has been previously approved as part of the budget, and thus the additional approval for reserve transfers at year end is £4.201m.

	2020-21 Original Budget	Variance	2020-21 Revised budget	Year- end Actual	Variance	Previous forecast (as at Jan 2021)	Forecast change
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Govt grant funding	57.592	0.000	57.592	57.592	0.000	57.592	0.000
Council tax precept funding	50.142	0.000	50.142	50.142	0.000	50.142	0.000
Total central funding	107.734	0.000	107.734	107.734	0.000	107.734	0.000
Police officers pay & overtime	55.312	0.094	55.406	57.982	-2.576	57.840	-0.142
Police staff pay & overtime	28.814	0.926	29.740	29.979	-0.239	30.194	0.215
PCSO's pay	3.057	0.000	3.057	2.901	0.156	2.905	0.004
Pensions	1.429	0.000	1.429	1.379	0.050	1.374	-0.005
Other employee costs	0.522	-0.002	0.520	1.586	-1.066	1.794	0.208
Premises	2.961	0.000	2.961	2.921	0.040	3.128	0.207
Transport	2.606	0.000	2.606	2.379	0.227	2.431	0.052
Supplies & Services	11.236	1.377	12.613	14.530	-1.917	15.474	0.944
Third party payments	10.742	-2.105	8.637	9.049	-0.412	9.000	-0.049
Capital financing	2.472	0.035	2.507	1.658	0.849	1.687	0.029
Gross expenditure	119.151	0.325	119.476	124.364	-4.888	125.827	1.463

Income	-10.291	0.002	-10.289	-10.752	0.463	-10.450	0.302
Total force budget	108.860	0.327	109.187	113.612	-4.425	115.377	1.765
PCC (grants and office)	2.730	-0.072	2.658	2.601	0.057	2.643	0.042
Net budget requirement	111.590	0.255	111.845	116.213	-4.368	118.020	1.807
Receipts applied	0.000	0.000	0.000	-0.167	0.167	-0.100	0.067
Contribution to/(from) reserves	-3.856	-0.255	-4.111	-8.312	4.201	-10.186	-1.874

In the last report to this Panel the PCC outlined that whilst he anticipated further fluctuation in the outturn position following his scrutiny of the financial information presented, he recognised that this was likely to be in a downward fashion, and this has now been the case. The change in the forecast is largely due to increased income from the national contractor vetting service, but also some of the anticipated spend on supplies and services not coming to fruition. The latter was largely suspected and was reported as so, to the Panel in March. The lower supplies and services spending is mainly attributable to movements in ICT non-pay costs, delivered through the shared ICT service with West Mercia Police which will continue until September 2021. This consists of the operational hardware and software contracts, licences and maintenance costs of ICT. The operating model for ICT and digital services will change as the force transitions to separate ICT infrastructure and applications, away from West Mercia Police, and this will also bring added benefits of increased control and knowledge for forecasting. As a result, whilst this will always be a complex area to forecast given the level of spend involved, it is hoped that forecasting should improve as Warwickshire staff will have more direct control over the service and payments process.

Revenue spending on the Evolve transformation programme has totalled £5.217m in 2020-21, as part of the circa £20m total transformation and transition programme being undertaken by the force. This accounts for some of the required additional transfer from reserves, but this is also due, as reported previously to some increased revenue run costs in 2020-21 which have now been addressed as part of the £4m of savings to deliver a balanced budget in 2021-22.

Some of the 2020-21 overspend is due to the increased pay and overtime costs of police officers, this has been largely created through the early recruitment of the uplift officers, in addition to a decision to recruit 15 transferee officers from other forces to deliver specialist capabilities following the alliance termination. Leavers have also been marginally lower than anticipated and have therefore also contributed to the year-end position. The issue of police officer numbers should rectify itself in 2021-22 as the budgeted establishment increases by 41 officers to 1,045 from April with officer numbers forecast to be at this level on average throughout 2021-22. This will however be monitored on a monthly basis to ensure that this remains the case and the budget

is not exceeded. Overtime has also been a significant and increased cost in 2020-21 above the budgeted level, to address a number of major events and incidents. Some of these increased costs, including the Covid response and support to other forces through mutual aid have been reimbursed, and the income is shown separately, but this remains a risk despite the increased overtime budget in 2021-22 and will be monitored accordingly.

As a result of the improved outturn, the year-end reserve balance shows a healthier position than previously forecast with total reserves at year end being £12.688m. This includes the general reserve of £5.000m. The vast majority of Covid related costs have been reimbursed by Government, but the Covid reserve will be retained in case of further costs in 2021-22. The PCC has approved the establishment of a new national contractor vetting reserve at year end, given the importance of this income stream increasingly to the annual budget, to mitigate any future risks. The income levels have exceeded the budget expectations in 2020-21 and further increases are built into the medium term financial plan, and this is simply a prudent measure. The table below shows the total reserve usage and transfers in 2020-21 of £8.312m, (£3.856m was approved as part of the original budget), much of which utilises the net £10.5m settlement from West Mercia following the Alliance termination. Reserves are a limited source of funding for one-off specific issues and once spent they cannot be spent again. It is the PCC's clear strategic aim to not use reserves routinely to fund revenue shortfalls beyond 2020/21, and this is set out within the 2021-22 budget and primarily through the delivery of the £4m of savings in April.

Reserve transfers:	Budget	Variance	Revised budget	Year-end Actual	Variance	Forecast transfers as at Jan 2021	Variance
	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Budget reserve	-1.255	0.000	-1.255	-2.399	1.144	-2.623	-0.224
Transformation reserve	-2.486	0.000	-2.486	-5.217	2.731	-5.724	-0.507
Infrastructure reserve	-0.115	0.000	-0.115	-0.115	0.000	-0.115	0.000
Income reserve	0.000	0.000	0.000	0.000	0.000	-0.500	-0.500
Covid reserve	0.000	0.000	0.000	-0.201	0.201	0.270	0.471
Safer roads reserve - PCC allocated	0.000	-0.272	-0.272	-0.301	0.029	-0.272	0.029
Safer road reserve - NDORS covid shortfall	0.000	0.000	0.000	-0.057	0.057	-0.127	-0.070
Insurance and legal	0.000	0.000	0.000	-0.195	0.195	-0.035	0.160
Redundancy reserve	0.000	0.000	0.000	-0.400	0.400	-1.060	-0.660
National Vetting Service	0.000	0.000	0.000	0.573	-0.573	0.000	-0.573
Total contribution from reserves	-3.856	-0.272	-4.128	-8.312	4.184	-10.186	-1.874

Significant capital investment of £10.200m has taken place in 2020-21. £6.725m of this is in relation to the Evolve and ICT transformation, with the remainder on more regular ICT and equipment replacement programmes, £1.047m on estates and £0.810m on vehicles, but this still falls short of the £21.679m budget, with the variance

now being slipped into 2021-22. This underspending should not hinder the Evolve programme, although some applications will remain shared with West Mercia beyond September 2021, either because it is not cost effective or beneficial to move them, or as part of a prioritisation exercise of the shared ICT resources over the next few months to deliver essential transitional work first.

Further detail on the outturn will be provided to the budget working group when it meets in early August, but the year-end position is an improved one against earlier forecasts, leaving the force in a more sustainable and resilient position, as it moves into the next critical stage of transition and transformation over the next few months until September 2021.

Moving away from the outturn position and by way of an update on other significant financial matters, the OPCC has bid and been successful in recently being awarded £0.737m of additional funding from the Ministry of Justice over 2 years for sexual violence and domestic abuse services. This will secure additional service provision in this area through to March 2023. Work and due diligence is ongoing to allocate this funding to partners who will deliver these services across the county. The OPCC is also currently working with partners with the intention of submitting bids for other national schemes including Safer Streets 3 funding and Domestic Abuse Perpetrator Programme funding. The OPCC will continue to assess all opportunities for accessing additional funding at a national level, and will keep the Panel and/or Budget Working Group updated on progress.

Sara Ansell

Treasurer

Office of the Police and Crime Commissioner.