

### **Financial Update to PCP 18<sup>th</sup> March 2021**

Since the last Police and Crime Panel meeting, the budget for 2021/22 has been set and the precept increase approved. Billing Authorities have been notified of the precept and the 2021/22 schedule of payments to the PCC has been agreed with them.

To continue and improve the strong working relationship between the panel and the OPCC and to ensure robust scrutiny of the budget setting process, the terms of reference for the budget working group are being refreshed and the Treasurer will continue to work closely with those panel members and their representatives to develop their work plan and reporting requirements over the coming year. A meeting of the working group is planned for later this month, which will include a detailed report and further discussion on current financial issues, including the 2020/21 forecast outturn.

#### **2020/21 outturn**

In terms of 2020/21, the PCC discussed the latest budget monitoring position (as at the end of January) at the February Force Governance Board meeting with the Chief Constable. This showed a very slight reduction in the year end forecast from £10.296m, as at period 8 to £10.286m, requiring an additional draw down from reserves of £6.158m. As a result reserve levels are forecast to be £10.813m as at 31<sup>st</sup> March 2021, compared to a forecast of £10.703m at period 8. This is due to the slight reduction in expenditure now forecast, and following an exercise to review the use of section 106 funding, whereby the use of £0.100m is deemed possible in 2020/21. This will continue to be refined as part of the year end processes in line with the specific section 106 funding conditions.

As we are now well into the last quarter of the financial year the reported forecast outturn position should be more reliable. Budget holders are responsible for forecasting their outturn, (except for police and staff pay that is forecast centrally in conjunction with the HR department and workforce development group) supported by the force finance business partners. The OPCC through its scrutiny and challenge of the monitoring report does recognise that there will be further movement in the forecast outturn up to the 31<sup>st</sup> March, although it is expected that this would be through a reduction in expenditure, as no significant areas of additional cost are anticipated. Any further changes are likely to be due to the complexity of the ongoing transition of ICT services including timing and scale of costs, the developing picture regarding the cost of change to deliver the £4m of evolve 2 savings as included in the 2021/22 budget, natural optimism reflected in forecasting amongst some budget holders about what work can still be delivered before year end, which is offset by more pessimistic views by others of expenditure trends. Any further changes will be reflected

in the final year end reserve transfers. The intended report to the budget working group later this month, will include a summary of the figures for specific areas of cost along with an explanation regarding the key variances. In summary, the variances from the last monitoring report include increased officer costs, increased employee costs to deliver the Evolve 2 savings and one-off costs on the ICT transition and transformation in respect of the ICT infrastructure platforms and transactional services. The forecast overspend of £2.8m on supplies and services which includes the majority of the one-off costs, has been challenged by the OPCC and is based on assurances by the force that this will materialise by year end, but there remains some natural scepticism and it will be closely monitored over the coming weeks. If it does not occur, this will reduce the outturn and the reserve draw down.

The income element of the 2020/21 forecast shows a positive movement, notably by increased National Commercial Vetting Service income which will exceed the budget by approximately £0.200m. This income stream was increased in the 2020/21 budget by £0.500m and performance is outstripping this. Other income from recent operations, and the covid-19 related grants has also helped to improve this element of the forecast outturn.

### **Financial Impact of Covid**

The PCC has continued to submit monthly returns to the Home Office regarding covid costs, and on the 10<sup>th</sup> February a further £0.398m of unconditional funding for Warwickshire was notified as a result. Current Covid-19 related costs are £1.159m, and grants including the recent allocation currently stand at £1.302m. Any 'unspent' Covid-19 related grant at year end, will be carried to the Covid-19 reserve, to meet any ongoing costs in 2021/22. Currently, no additional funding for Covid-19 has been announced for 2021/22 other than the continuation of the income losses reimbursement until the end of June, so any ongoing costs will be met from the PCC's own reserve, unless additional funding is notified in the future.

### **Capital expenditure**

Forecast investment in assets, including buildings, ICT, vehicles and equipment, as part of the capital programme is estimated to be £11.254m compared to a 2020/21 budget of £21.672m (including previous year slippage) resulting in a variation of £10.418m. This reduction in the 2020/21 forecast is mainly within the Evolve programme of works, some is related to costs being revenue based, for example the k-com network and others due to changes associated with progressing ICT and transactional services work as a standalone force. However, much of this reduction is due to timing issues and a greater understanding of need, rather than a reduction in spending, and therefore slippage of these budgets will occur into 2021/22. There is some forecast underspending and slippage on estate projects, but this will be dependent on the estates review work that is being undertaken during 2021/22. Other ICT and vehicle

replacement projects are on track although delivery dates are uncertain and some slippage may occur as we draw closer to year end. In determining capital financing, priority is given to exhausting capital receipts and non-specific capital grant. Where possible S.106 money awarded under planning regulations is used as and when the award conditions are fulfilled. The remainder of the capital programme is financed from borrowing, in order to protect reserves given the level of uncertainty nationally and locally.

### **Reserves position**

Reserves are forecast to reduce from an opening balance of £20.999m to £10.813m (including the £5.000m general reserve) as at the 31 March 2021. Reserves are a limited source of funding for one-off specific issues and once spent they cannot be spent again. As a result reserves will not be used to fund revenue shortfalls beyond 2020/21, and this strategic aim and the associated plans to achieve this have been set out in the 2021/22 budget report, through the delivery of £4m of saving through the Evolve 2 programme by the 1st April 2021. This work is on track and assurances have been sought from the force on progress through the ongoing Evolve programme.

### **PCC grants**

The PCC's grant scheme in 2020/21 has been delivered in a particularly challenging year, and staff have continued to engage with recipients on their work and project progress throughout the year. As the year end draws closer the OPCC is working with them to understand the financial position regarding any underspending of the original award, which will be assessed and recovered as appropriate. This information will help to inform the outturn position for the OPCC, and feed into the forecast previously outlined in this update. The grants process is well underway at the OPCC for evaluating and allocating grants for 2021/22 and applicants will be notified of the outcomes in the next week. Further updates on progress will be provided at future budget working group meetings in accordance with their wishes.

The OPCC has secured additional year 2 ISVA funding of £0.139m from the Ministry of Justice, in addition to increased uplift funding for domestic abuse and sexual violence of £0.153m. The OPCC will continue to engage with government to secure any additional finance that may be available for progressing work that addresses Police and Crime Plan objectives and updates will be provided to the Policed and Crime Panel and / or working group accordingly.

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Office of the Police and Crime Commissioner.