



## BOARD REPORT

### PCC Strategic Board– 21 February 2021

<b>Report Title:</b>	<b>2021/22 Revenue Budget Monitoring Report</b>
<b>Author:</b>	<b>Stuart Goodwin Head of Finance</b>
<b>Report for:</b>	<b>PCC/CC</b>
<b>Document reader status:</b>	<b><del>RESTRICTED / OFFICIAL / PUBLIC</del></b>
<b>Mandatory Question:</b>	<b>Is any 'Restricted' information within this report or appendices? YES / NO</b> <b>If yes, state reason for restriction:</b>

#### 1. Executive Summary

- 1.1 This report monitors the Police & Crime Commissioner's (PCC), Force and group, Revenue Budget for 2021/22. It explains how the budget was set, the variance to date and forecasts an **under spend of approximately £0.500M** as the year end outturn position for the group. This is after a transfer of £2.1M is transferred from the earmarked reserves to the capital reserve following the successful special grant application for Operation Costello this has the impact of reducing the borrowing requirements of the Force. This latest forecast is consistent with that provided in October although the estimated underspend has reduced by £0.379M. While there will be lots of variations within the two forecasts the obvious changes are the cost of legal advice obtained by the OPCC in relation to operation Pope, further reductions in our forecast of income for services provided to the Airport offset by a reduction in the spend on the FTTCG fund as we look to maximise grant claims. We have provided a case to the Home Office explaining the financial impact that Covid has on the Airport but at this stage it is assumed no funding will be received. As with previous years the underspend, due to the receipt of Special Grants for Boson and Costello, continues to mask overspends within the normal operating capacity of the Force, which continues to reinforce the need for a change in the funding formula that recognises the need for Bedfordshire.

#### 2. Purpose of report

- 2.1 To provide an overview of the financial performance of the revenue budget during 2021/22.

#### 3. Background/Supporting papers/Implications

- 2022/23 Budget Report – Police & Crime Panel (Feb 2022)
- 2021/22 Revenue Monitor – PCC Exec Board (Oct 2021)
- 2021/22 Revenue Monitor – PCC Exec Board (July 2021)
- 2020/21 Revenue, Capital & Treasury Management Outturn Report – PCC Exec Board (June 2021)
- 2021/22 Budget Report – Police & Crime Panel (Feb 2021)

#### **4. Contribution to the Police and Crime Plan**

- 4.1 An effective internal financial control framework is an imperative for the Commissioner to ensure that he is ensuring value for money in the use of public monies and an important part of that framework is to review on a regular basis how the revenue budget is being utilised both in terms of under and overspends but also in conjunction with the Force performance to ensure that resources are being used to build a safer Bedfordshire

#### **5. Recommendation**

- 5.1 That the report is noted.

#### **6. Appendices or enclosures**

- 6.1 Appendix A – Spend against budget & year-end Forecast as of 31 January 2022.
- 6.2 Appendix B – Reserves Projection 2021/22 Financial Year

#### **7. 2021/22 Budget**

- 7.1 The 2021/22 budget was presented to the Police & Crime Panel on 2 February 2021. The approved budget of **£127.430M**. This figure was achieved after taking £1.969M worth of savings out of the budget and included a contribution to reserves of £0.843M.
- 7.2 The increase in the size of the net revenue budget of £6.9M compared to the previous year reflects the PCC's commitment to increase officer numbers within Bedfordshire Police. This was made possible by the increase in Police Grant of £4.3M combined with the additional Council Tax receipts of £3.0M. The increase in Council Tax receipts was only possible because of an increase of £15 on the council tax figure that was the maximum allowed. This was offset to a certain degree but a loss on the collection fund and reduction in the number of households paying Council Tax, these reductions were as a direct result of the impact of Covid19, reducing individual's ability to pay Council Tax. The PCC was also awarded a ring-fenced grant of £0.902M to help support the planned national increase in police officers. The combination of these funds has meant the PCC can fund additional police officers enabling the budgeted establishment to increase by 53 officers in 2021/22 as well as replacing all of those that leave or retire during the years. This means that the Force are expected to recruit approximately 200 officers to achieve this.
- 7.3 Despite the increase in the Police main grant, inflationary pressures and pay awards are being met through budget reductions and Council Tax. The savings were primarily achieved through the budget challenge work that took place as part of the budget setting exercise.

- 7.4 The PCC has also received funding from the Home Office in the last three financial years through the Special Police Grant administered by the Home Office for Operation Boson, this was extended to Operation Costello last year. We have been awarded a combined total of £7.2M in 2021/22. This makes a significant difference to the current budget and underlines the acceptance that Bedfordshire has not been appropriately funded to tackle the extraordinary activities it faces in relation to tackle gun, gang and knife crime and organised crime groups in the Force area. It is the Special Police Grant award that has helped us to Police in these specialist areas.
- 7.5 The group budget of £127.430M comprises of £1.979M for the PCC and £125.451M for the Force.

## 8. Year End Forecast

- 8.1 The year-end forecast is made up of an estimated under spend of £0.765M for the Force and an overspend of £0.265M for the OPCC resulting in a combined underspend of **£0.500M**. This is shown in detail at Appendix A which is presented at departmental level. The reason we can report an underspend despite the financial pressures facing Bedfordshire Police is because of the award of Special Grant Funding for Operation Boson at £3.6M and Operation Costello at £3.6M. The award for Costello will allow us to bring significant resources in the Force to help deal with organised crime but we do not expect to be able to recruit to those levels in the current financial year. This means that we will be using our existing staff and officers to carry out some of this important work, thus contributing to the under spend position.
- 8.2 A lot of additional expenditure incurred last year as a result of the Covid19 pandemic has now been mainstreamed. The purchasing of personal protective equipment is managed on a national basis so that our officers are as protected as they can be while carrying out their normal duties. As a result of this we are not expecting the additional financial support from the Government that we saw last year. However, we do continue to see loss of income for the Force as a result of the reduced passenger numbers at Luton Airport and this is estimated at £1.6M for the Airport team. Despite putting a business case submission to the Home Office, we have assumed that no compensation will be received for the impacts of Covid19 in this financial year.
- 8.3 We are now nearing the end of the financial and while the forecast is predicated on several assumptions, listed a paragraph 8.4 below, the forecast has become more certain as the number of assumptions reduce. As a result of this while the group forecast is shown as an under spend of **£0.500M** within the appendix, this underspend will increase should any additional funding be made available in relation to Covid19.
- 8.4 The year end forecast is based on the following assumptions.
- That the force will continue to recruit to its target of appointing sufficient officers to increase the establishment by 53 officers after attrition rates.
  - We are currently ahead of our recruitment target for officers, and we currently expect to be over establishment by year end.
  - All the available Uplift Grant of **£0.903M** will be utilised in funding the costs of the 53 officers relating to Bedfordshire's share of the National Uplift programme.
  - The FTTCG will be fully utilised by year end

- We are assuming that no Income Loss Recovery Grant will be received this year. We have made a submission to the Home Office to recover some lost funds.
- Grip Funding Grant of £0.629M will be spent targeting violence “hot spots”.

8.5 The OPCC has plans to spend £384,800 on Road Safety Initiatives, this will be funded from the Reserve set aside for that purpose. The only point of note for the PCC’s budget is the cost of legal advice received in relation to operation Pope, this one-off cost is not something you would normally expect to budget for, and it will either be funded from reserves or as it has been shown in this report by being absorbed into the overall forecast for the group. The impact of this has been reduced because of staff and other underspends within the OPCC of £72,000.

8.6 The projected year-end variances for the Force are summarised in the table below.

**Table One – Estimated Year End Variances - Force**

Area	£'000	Description
Police Pay	219	The assumptions behind this forecast are listed at 8.2 above. Officer numbers have been budgeted for a full year except for those funded via Uplift grant. We have successfully exceeded our recruitment targets causing the estimated overspend.
Officer Overtime	1,230	Overtime payments are in line with recent years exceeding the budget. Some of this will relate to Operation Costello and our response to Covid but it is an area that is constantly under review.
Staff Costs	462	The forecast includes overtime that is overspent in Public Contact, Crime & Public Protection. This and the police pay budget both assume no pay award in September 2021.
Collaboration	265	Despite a reduction in the forecast of £121K we are still seeing a large overspend reported for professional standards due to demand increases and linked to the employment of agency staff and increased legal and counsel fees. The reduced passenger numbers at Luton Airport also impact on the Armed Policing Unit and the ICT budget overspent following an ambitious vacancy factor, re-gradings within the department and escalating project costs.
Reduced Income (Luton Airport)	1,637	Reduced passenger numbers at Luton Airport as a result of Covid19 have had a knock-on effect to the amount of Policing required and resulting income for the Force. Coverage at the Airport was increased during September as passenger numbers increased but we had anticipated a further improved position by year end but to date this has not transpired.
Operation Costello	2,212	The spend on Operation Costello including existing resources diverted to the operation will be funded via Special Police Grant
Other	472	We have seen an increase in the charge received for the National Police Air Service, Motor Insurance has increased along with ICT spend, the overheads associated with Greyfriars.
Grants	-6,997	The detail of grants received is shown in table two below
<b>Total</b>	<b>-500</b>	

### Forecast Outturn, Covid19 & Special Grant Application

- 8.7 As a result of the uncertainties contained within this report and the mid stage of the year the potential outturn position has been estimated and this is currently stated as being an **under spend of approximately £0.500M.**
- 8.8 The award of two special police grants for Operation Boson and Operation Costello totalling £7.2M is the reason why we can forecast an underspend. We are using existing staff and officers to supplement the specialist staff that we are bringing in throughout the year, the use of existing resources during this transition stage masks to a certain extent the overspends we are seeing in police pay and police & staff overtime as shown at Table One. This does however reinforce the continuation of the increase in demand on the Force that has been highlighted in previous years and is why we believe we have been awarded the two special police grants.
- 8.9 Bedfordshire Police has traditionally been regarded as a small rural Force and has historically been funded as such in terms of its core policing grant. However, the demands placed on the Force are comparable with those of a metropolitan Force in certain areas and the payment of a special grant recognises this point.
- 8.10 This forecast is predicated on receiving grant funding of £9.300M as shown in Table Two below. Of this, £2.429M had already been built into our base budget giving a budget surplus of £6.871M as shown at Table One above.

**Table Two – Grant Funding**

Reserve	£'000	Description
Pension	1,116	The Pension grant was introduced at the time Police Pension Contribution rates were increased and has remained as a ring-fenced grant ever since.
Uplift	984	The grant will pay for the 53 officers to be recruited during the year; each officer is funded for 6 months. A further grant for recruitment and retention has recently been awarded supplementing the base grant.
Special - Boson	3,600	Continuation of the Police Special grant awarded for our operation targeting gangs, guns and drugs
Special - Costello	3,600	Continuation of the Police Special grant awarded for our operation targeting organised crime groups
	<b>9,300</b>	

## 9. Use of Reserves

- 9.1 When setting the current revenue budget this was achieved without any planned use of reserves. A one-off grant of £843,000 was awarded in the 2021/22 final settlement to compensate Forces for the reduction in tax base (the number of households paying Council Tax). The OPCC took the decision to place this into the Police Fund, a general reserve set aside for emergencies, this increased the balance of that reserve to approximately 3% of the current net revenue budget which is perceived to be a prudent level. Reserve levels sat

at £12.452M at the end of the 2020/21 financial year, although £1.654M of this total is held on behalf of Operation Kenova and cannot be used by Bedfordshire, and we estimate that £2.131M revenue reserves will be utilised during 2021/22. Including Operation Kenova, it will result in a net reduction in revenue reserve levels of **£1.288M** during the year as shown in Table Three below.

- 9.2 A potential forecast of reserve levels has been included at Appendix B to illustrate the level that reserve balances are likely to fall by during the year. For the sake of prudence, we have ignored the estimated year-end underspend from the Appendix as it is subject to caveats. Of the £2.773M Force Earmarked Reserves available this year only £0.558M has been committed to date as shown below. £2.1M of the remaining £2.215M has been transferred to the Capital Reserve in order to reduce the borrowing requirements of the Force. This will support the capital programme and reduce future revenue impacts of the programme. The Sixhills Reserve shown in Appendix B is a capital reserves so does not feature in the table below.

**Table Three – Estimated Use of Revenue Reserves**

<b>Reserve</b>	<b>£'000</b>	<b>Description</b>
Road Safety Reserve	-385	Funding Road Safety Initiatives supported by the OPCC
Kenova	-1,188	Bedfordshire Police have been overseeing the operation investigating alleged atrocities in Northern Ireland. The budget for this is supplement from reserves built up over the past few years of this operation.
Earmarked c/f	-558	From the 2020/21 underspend of £2.773M, £0.558M is planned to be used to date leaving a further £2.215M available for distribution. Of this, £2.1M will be moved to the Capital Reserve
Police Fund	843	A one-off funding award to compensate for the reduction in the tax base is being used to increase the Police Fund to £3.843M.
	<b>-1,288</b>	

- 9.3 The figures in the table above represent our assumptions at this stage of the year based on the information we have to date. Should spend on these initiatives change then our reliance on these reserves will also alter.

## **10. Use of Estimated Underspend**

- 10.1 The current estimate of year end position is an under spend of approximately £0.500M that also enabled the movement of £2.1M from earmarked reserves to Capital Reserves. This is based on the use of reserves as described at section 9 and the assumptions at 8.3.
- 10.2 The year end position will continue to be monitored and if during the year the forecast changes the use of reserves will be reviewed in the light of these changes. In doing this the following points will be considered.

- The borrowing requirements of the PCC
- The investment required for collaboration
- The future reliance on the budget reserve built into the medium-term financial plan.
- The wish to fund expenditure originally planned from reserves from revenue underspends.
- The ability to fund one-off, non-recurring expenditure from year-end underspends
- The potential for additional funding for Covid19 related costs including lost income.