



BOARD REPORT

PCC Strategic Board – 19 May 2020

Report Title:	2019/20 Revenue, Capital & Treasury Management Outturn Report
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Report for:	Police & Crime Commissioner (PCC)/Chief Constable (CC)
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Mandatory Question:	Is any 'Restricted' information within this report or appendices? YES / NO If yes, state reason for restriction:

1. Executive Summary

- 1.1 This report presents the final outturn position for the 2019/20 revenue budget and capital programme. Treasury Management performance is also monitored via the comparison of prudential indicators. The latest estimated year-end revenue position reported in February 2020 was an over-spend of £2.500M, this was prior to confirmation of the Special Police Grant of £2.975M received in March 2020. The final figure is an **under-spend of £1.097M**, of which £0.094M relates to an under-spend for the PCC after using £0.174M from reserves, and £1.003M is an under-spend incurred by the Force after accounting for the Police Special Grant of £2.975M. The capital payments in 2019/20 were **£5.387M**.

2. Purpose of Report

- 2.1 To report the 2019/20 final revenue and capital outturn position of the Force and OPCC. The board is also asked to consider how the revenue overspends and the capital programme is funded.

3. Background/Supporting Papers

- 2019/20 Budget Report – Police & Crime Panel (Feb 2019)
- 2018/19 Revenue, Capital & Treasury Management Outturn Report – PCC Exec Board (June 2019)
- 2019/20 Revenue Monitor – PCC Exec Board (July & Nov 19, Feb 20)
- 2019/20 Capital Monitor – PCC Exec Board (May, Sept & Nov 19)
- 2019/20 Treasury Management Strategy – PCC Exec Board (Mar 19)

- 2019/20 Treasury Management mid-year review – PCC Exec Board, Nov (19)

4. Contribution to the Police and Crime Plan

4.1 An effective internal financial control framework is imperative for the Commissioner to ensure that she 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 over spends but also in conjunction with the Force performance to ensure that resources are being used to build a safer Bedfordshire.

5. Recommendations

5.1 The board are asked to note the revenue outturn at paragraph 9.4 and the capital outturn at 10.2.

5.2 The board are asked to approve the proposed use of the 2019/20 revenue underspend shown at paragraph 9.7.

5.3 The board are asked to approve the method proposed for financing capital expenditure in 2019/20 as detailed at paragraph 10.10.

6. Appendices or enclosures

- Appendix A – 2019/20 Revenue Outturn OPCC, Force & Group.
- Appendix B – 2019/20 Capital Programme Outturn
- Appendix C – Treasury Management Performance
- Appendix D – Reserves Balances

7. Introduction

7.1 This report sets out the outturn position of Bedfordshire Police for both revenue and capital expenditure in 2019/20 and also contains a summary of the treasury management activities the Force entered into during 2019/20. The report is therefore split into these three sections.

7.2 The Commissioner's on going pledge to increase officers was made possible by the £9.7M increase in funding made available to the Police & Crime Commissioner through a combination of increased Police Grant and a Council Tax increase of £10 per band D property as part of the 2020/21 approved budget. The increased numbers will help to deliver the Commissioners Police and Crime Plan. The medium term financial plan covering the next four years, that is constantly being reviewed does place reliance from reserves to assist in balancing the budget, these will need to be replenished over the same period. It is helpful to be aware of some specific context in relation to the current financial environment as highlighted below.

- Bedfordshire Police has received Special Police Grant in both the 2018/19 & 2019/20 financial years, at this stage it is not known if this vital area of funding will continue into 2020/21
- The financial impact on Police Forces within England & Wales from Covid19 is not known at this stage. While we are making representations to the Home Office loss of

income combined with the cost of public protective equipment and increased recruitment costs will be significant.

- Savings of £2.7M have been built into the 2020/21 budget, this has been preceded by the requirement to find savings in excess £37M between 2011/12 and 2019/20. Further savings are expected to be found up to and including the 2023/24 financial year.
- The 2020/21 budget has been built on the basis that we wish to avoid the use of reserves, this has been made possible by the increase in council tax, police grant and a new ring-fenced grant aimed at increasing officer numbers.
- An increasing percentage of the annual budget is spent on areas of policing delivered by collaborated units. While this has provided savings for the Force and increased resilience, the priorities for Bedfordshire within those service areas that are collaborated have to be considered alongside those of Hertfordshire and Cambridgeshire Constabularies.
- The level of reserves held by the Police & Crime Commissioner has increased by £0.076M (revenue increased by £0.922M, capital reduced by £0.846M) as a result of the recommendations contained within this paper.

8. Statutory Requirements

8.1 This report complies with the Commissioner’s financial management scheme.

9. Revenue Outturn 2019/20

9.1 Under the budget management scheme the PCC’s Executive Board receive regular information comparing revenue expenditure to available resources. This report summarises the final outturn for 2019/20.

Revenue Budget Provision

9.2 The revenue budget was set at £113.421M analysed as follows;

	£’M
Force Budget	111.694
PCC (inc. Community Safety Fund)	1.727
Total	113.421

Final Outturn

9.3 The PCC Executive Board have received regular budget monitoring reports during the year, the latest position contained in the 2020/21 budget report forecasted a year-end outturn position of a £2.5M overspend. This was before we had confirmation of the award of the Special Police Grant at £2.975M which put the Force into an underspend position.

9.4 The final outturn position for the Force and OPCC is an under-spend of **£1.097M**. This includes funding £0.175M revenue spend on road safety initiatives from the reserve set aside for that specific purpose and is only possible because of the Special Police Grant of £2.975M supporting the Force’s efforts to tackle gang-related serious crime during 2019/20.

9.5 Putting the award of the grant to one side the year end outturn variance has improved by £0.622M compared to our estimated position at the end of January. This is as a result of a number movements that combined together has been favourable to Bedfordshire Police. We were able to maximise our grant income, most noticeably for VERU & the Surge grant,

enabling us to divert £0.112M of spent away from local budgets. Our income though the proceeds of crime act increased dramatically in the final quarter of the year increasing income by £0.123M that had not been expected and mutual aid income also increased by £0.078. Other cost savings in the last two months of the year such as a reduction in counsel fees and training that did not go ahead all contributed to the improved position. While the OPCC wish to carry a small underspend forward from the Community Safety Fund it recommended that the £1.080M of the total underspend is placed into the budget reserve in line with our planning assumptions when developing the medium term financial plan as part of the 2020/21 budget setting process. The outturn position, was as stated at the beginning of the financial year, heavily reliant on the awarding of the Special Police Grant which is not a sustainable position for future years. The medium term plan will be reviewed between late spring and early summer and will incorporate a review of the reserve position of the PCC. We are also in consultation with the Home Office regarding the potential for further special grant funding in 2020/21.

- 9.6 The variances for both the PCC and the Force have changed as described above since we last reported in February. Overspends are shown in all areas of the Force apart from staff pay highlighting the need of the Special Police Grant received at the end of the year. The year-end spend is shown by department at Appendix A with a subjective analysis of this is detailed in the tables below.

Table One – Year End Variances - PCC

Area	£'000	Description
Pay Costs	-139	The year-end underspend reflects the level of vacancies incurred during the year.
Non Pay Costs	194	Included in this variance is spend funded by the use of the Road Safety Reserve
Community Safety Fund	-17	Delays to the start date or completion date of some projects has caused this underspend. This report has been written on the basis that this will be carried forward into 2020/21.
Road Safety Reserve	-132	Used to fund road safety initiatives included in “non-staff costs”
Total	-94	

Table Two – Year End Variances - Force

Area	£'000	Description
Police Pay	174	As our recruitment steps up officer numbers exceeded the budgeted establishment during the last quarter of the year. This overspend has been funded by Uplift Grant aimed at increasing officer numbers nationally.
Police Overtime	279	The overtime budget has overspent as forecast during the year. We have been able to reduce this overspend in the last quarter of the year by funding specific initiatives from the Surge grant funding.
Staff Pay	-370	This underspend has been achieved despite the 2.5% pay award from September 2019, compared to the 2% built into the budget. This reflects vacancies in Public Contact and Crime Management and funds the resultant overspend in staff overtime.

Staff Overtime	253	The overtime spend was expected to overspend primarily as a result of the vacancies in Public Contact and Crime Management and reflecting additional work additional work being undertaken in Crime, Public Protection and Intelligence
Agency Staff	270	In some areas of the Force such as Crime & Public Protection, Intelligence and Local Policing spend is being incurred on agency staff that is not budgeted for, in most cases these are filling vacancies. Once vacancies are filled the agency cost will go down. This spend has reduced considerably since last year following the priority based budgeting (PBB) process.
Non Staff Costs	177	This overspend has also been anticipated during the year but has come down significantly as we have received the Uplift Grant and have also been able to recoup other costs against Surge Funding. Counsel fees were lower than anticipated and we have recovered some insurance costs from ERSOU and seen an increase in income from the proceeds of crime act.
Deferred Savings	994	Deferred savings from the PBB process reported throughout the year.
Collaboration	195	Organisational support overspends forecast throughout the year combined with the rising cost of the National Police Airport Unit are offset to some degree by underspends from Joint Protective Services and Operational Support.
Special Police Grant	-2,975	Special Grant awarded during the year in recognition of the Force's efforts to tackle gang-related serious crime.
Total	-1,003	

Proposed Use of Underspend

- 9.7 As a result of the award of the Special Grant towards the end of the financial year Bedfordshire Police are reporting a year end underspend of £1.097M. The Force is committed to increase the officer establishment and has set itself challenging recruitment targets as a result. The 2020/21 budget has been built without the use of reserves but as a result of the Covid19 epidemic we find ourselves in a position that is far different to when the budget was set. The medium term financial plan is reliant on the use of reserves from 2021/22 onwards so with this in mind it is recommended that £1.080M of the underspend is placed into the budget reserve set aside to support the budget build in the medium term, it may also be required to fund overspends as a result of Covid19. The OPCC has requested to carry forward a small underspend of £0.017M from the Community Safety Fund Grant to support initiatives they have already committed to. Like all Forces within England & Wales we are working with the Home Office to secure additional grant to help fund Covid19 related additional spend and significant drops in income.

Use of Reserves

- 9.8 The PCC has made continued use of the Road Safety Reserve supporting initiatives by providing grants to external organisations such as the Roads Victims Trust, Brake, Bedfordshire Fire & Rescue and investing a mobile digital media triage vehicle for the Beds Police Cyber Hub.
- 9.10 On the assumption that the recommendation to place the reported underspend into the budget reserve is also approved the anticipated movement of reserves nets out to a total investment into reserves of £0.076M broken down in table three below.

Table Three – proposed Movement of Reserves

Reserve	£'000	Description
Road Safety Reserve	-175	The PCC has made use of the Road Safety Reserve in 2019/20 awarding grants to external bodies and investing in
Earmarked Reserve	17	The PCC wishes to carry forward this small underspend to continue funding initiatives they have already committed to without impacting on other projects.
Capital receipts Unapplied	-846	The balance of unused receipts from the sale of Ampthill Police Station in 2018/19 will be used to part fund the 2019/20 capital programme as planned.
Budget Reserve	1,080	It is recommended that the majority of the outturn underspend is placed into the Budget Reserve in line with our medium term financial plan assumptions.
	76	

10. Capital Expenditure

- 10.1 The table contained at appendix B shows the actual capital outturn of £5.387M in 2019/20 compared to the original programme of £7.844M approved by the PCC’s Executive Board in May 2019.
- 10.2 The outturn position of **£5.387M** represents a reduction of £2.457M on the original programme. The ICT Strategy had underspends of £0.476M at year end but the majority of this relates to projects that have fallen slightly behind of schedule, the budget is still required in 2020/21 and therefore of this £0.425M has been treated as slippage and built into the following year’s programme.
- 10.3 The work of the Estates department concentrated on the planned replacement of the HQ Custody Suite. Planning permission is being sought for the HQ redevelopment and we are expecting a decision to be made by the end of May despite the difficulties currently being experienced as a result of Covid19. Progress was also made to the working conditions of Luton Police Station but the more structural work will follow in 2020/21. The Force Estate was maintained through the minor works and major plant replacement programmes. Work did not commence at ab proposed new office at Luton Airport and the budget has been built into next year’s programme.
- 10.4 The opening of the Sexual Assessment Referral Centre in February was a great achievement by the OPCC in collaboration with the National Health Service (NHS) moving this important building away from a hospital environment to a far more peaceful setting whilst still retaining the forensic and evidence suites.
- 10.4 While not included at Appendix B the Eastern Region Special Operations Unit (ERSOU) also received permission from all PCC’s within the region to purchase a property they had been formally renting. Similar to the purchase of Enterprise House last year this was an “invest to save” decision saving the region substantial annual rental payments and securing the future of the building. Bedfordshire’s share of this building known as Sixhills was £0.772M after taking grant funding into account, this purchase was agreed after the capital budget was set and was funded by a loan of £0.772M from the Public Works Loan Board.

- 10.5 There were a couple of noticeable underspends within the equipment budget, primarily automatic number plate recognition (ANPR) investment that we were able to finance through grant funding and the access control project has been carried forward to 2020/21. There was an overspend on the vehicle replacement programme although some of this related to vehicles purchased through grant funding and others relate to high ranking staff and officers for which revenue contributions have been made by the individuals foregoing a vehicle allowance.
- 10.6 During 2019/20 the Police & Crime Commissioner and Chief Constable have received regular updates about the progress of the capital programme detailing adjustments to the programme, variations in spend and updated forecasts.
- 10.7 As some of the under-spend relates to ongoing projects included in the 2020/21 onwards capital programme (also included on this agenda) slippage to the value of £2.048M from this outturn position has been carried forward to the new capital programme.

Capital Resources

- 10.8 The resources available in 2019/20 to fund capital expenditure are as follows:

Table Five – Resources Available to Fund Capital Expenditure

	£'000
Internal Borrowing	3,380
External Borrowing	28
Capital Receipts Reserve	846
Capital Grant	429
Direct Revenue Financing	609
Capital Expenditure Reserve	935
Other External Resources	100
Total – Resources Available	6,327

- 10.9 The resources available of £6.327M exceed the requirement to finance expenditure of £5.387M by £0.940M.

Capital Financing

- 10.10 The financing of the capital programme is based upon maximising the carry forward of those resources that can be used to fund both revenue and capital expenditure i.e. capital expenditure reserve and direct revenue financing, thus providing the Commissioner with greater flexibility with her resources in future years. Therefore those resources that can only be used to fund capital expenditure are used initially. On this basis the proposed financing of the capital spend in 2019/20 is as follows:

Table Six – Proposed Capital Financing

	£'000
Internal Borrowing	3,380
External Borrowing	28
Capital Receipts Reserve	846
Capital Grant	429

Direct Revenue Financing	604
Other External Resources	100
Total – Resources Used	5,387

- 10.11 The use of the capital receipts reserve must be limited to funding capital expenditure and any not used in this financial year must be carried forward to the following year for the same purpose. The PCC is keen to ensure that these receipts are used in a way that can be clearly linked to improving the Bedfordshire Police Service. In 2019/20 the receipts reserve was the unused balance from the sale of Ampthill Police Station the previous year. This has been used to part fund the development of the SARC and to continue in the investment on mobile computing throughout the Force that has proved to be so important by enabling officers and staff to work from home during the Covid19 outbreak.
- 10.12 The other external resources shown in the table relate to the contribution made by the NHS as they funded the medical equipment to ensure the SARC works effectively.
- 10.13 When the capital programme was set we had planned to borrow £3.4M from the Public Works Loan Board to part fund our expenditure. Towards the end of the financial year it was clear that we would have sufficient cash balances to delay such borrowing to 2020/21 and so £3.380M of cash balances were used, this is known as internal borrowing and the funds will be replaced with borrowing planned in 2020/21. Borrowing of £0.800M was made from the PWLB to fund our share of the purchase of Sixhills, the balance of £0.028M was used to part fund the capital programme. The borrowing was taken out in February at an interest rate of 2.72% which brings down our average rate for loans taken out.
- 10.14 In utilising the above funds to finance the 2019/20 Capital expenditure, £0.940M remains in the capital expenditure reserve to part fund the on-going capital programme.

Table Seven – Resources Carried Forward

	£'000
Capital Expenditure Reserve	940
Total Resources c/f	940

- 10.15 It should also be noted that, in accordance with the Prudential Code, £0.426M has been set aside for Minimum Revenue Provision.

11. Treasury Management

- 11.1 This section of the report summarises the treasury management operations in which Bedfordshire Police has engaged in during the 2019/20 financial year. The Treasury Strategy Statement for 2019/20 which was adhered to throughout the year can be summarised as follows:

- That the main treasury management activity of the office of the PCC would be as a lender of funds during 2019/20. Borrowing (if required) would be infrequent and short term in nature.
- That long-term borrowing may be undertaken from the Public Works Loan Board (PWLB) to finance capital expenditure during 2019/20 if it is deemed necessary.

- That the benefits of restricting the long-term debt portfolio would be considered and kept under review during 2019/20.

11.2 Prudential Indicators are a way of measuring the affordability of the PCC's Treasury Management Strategy. By setting self-imposed targets around the level of borrowing, monitoring the exposure to fluctuations in interest rates and understanding our capital financing requirements the PCC is able to make informed decisions around the capital programme, the effect on the revenue budget and ultimately whether our plans are affordable.

11.3 Performance Indicators are agreed within the Treasury Management Strategy and monitored throughout the year, year-end performance against some of these measures is shown at Appendix C. No performance indicators were breached during the year. The minimum level of investment at any one time stayed well above the target that had been set at the beginning of the year and the net financing costs indicator which shows the net cost of borrowing stayed within target. The lower than planned level of external borrowing at £0.800M helped to ensure indicators did not move much, the borrowing and investment activity of the Force is shown in table eight below.

Table Eight – Treasury Management Transactions in 2019/20

	Long Term Borrowing £'000	Temporary Borrowing £'000	Temporary Investments £'000	Instant Access Accounts £'000
Balance as at 1 April 2019	10,220	-	2,000	9,392
Raised	800	-	3,000	
Repaid	-	-		(419)
Balance at 31 March 2020	11,020	-	5,000	8,973

11.4 The average daily level of funds available for investment during 2019/20 was £21.7M, compared to £17.1M the previous year. This increase brought us back to levels similar to those seen in 2018/19 and indicates how difficult it can be to manage and forecast cash flow fluctuations, this did however give us the opportunity to borrow internally. There has been a small movement in reserve balances as shown at Appendix D.

11.5 Net interest income was £0.136M compared to an original budget of £0.137M. This is an increase compared to previous years as we have expanded our investment portfolio and is quite an achievement when you consider the unprecedented extended period of low interest rates the Country has experienced. It also reflects the higher cash balance available for investment and vindicates the decision to borrow internally.

12. Reserves

12.1 In considering the 2019/20 outturn position for both the capital programme and the revenue budget it is also appropriate to recognise the impact on the PCC's reserve position. The final column at Appendix D (entitled Year End 31 March 2020) shows that there has been very little impact on reserve balances as a result of the changes included within this report.

13. Conclusion

- 13.1 The revenue outturn position was an under-spend of **£1.097M** of which £0.094M relates to an under-spend for the OPCC and £1.003M in an under-spend for the Force. This is after the OPCC utilising £0.175M from reserves to support one off initiatives during the year. It is proposed that the OPCC be allowed to carry forward £0.017M underspend to help finance ongoing initiatives from the Community Safety Fund and the balance of £1.080M is transferred to the Budget Reserve. The capital payments in 2019/20 totalled £5.387M, £2.457M lower than the original programme. The financing of the Capital Programme allowed for £0.940M of resources to be carried forward for future years capital. The Treasury Management practices of the Commissioner were in accordance with the approved strategy and £0.8M external borrowing took place, the level of interest from investments was as per the budget.
- 13.2 In considering the final outturn for both the revenue budget and capital programme the general and earmarked reserves have been aligned to the anticipated needs of the Medium Term Financial Plan and Capital Programme.