



BOARD REPORT

PCC Strategic Board – 24 May 2021

Report Title:	2020/21 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 The financial year 2020/21 has been unique as the Force continued to serve the public of Bedfordshire throughout the Covid19 pandemic with many officers and staff working from home in order to achieve this
- 1.2 This report presents the final outturn position for the 2020/21 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 2021 was a break-even position, this was prior to confirmation of the Special Police Grant of £2.1M for Operation Costello and two additional Covid related grants from the Home Office equating to £0.687M. The final figure is an **under-spend of £2.773M**, of which £0.182M relates to an under-spend for the PCC after using £0.127M from reserves, £0.075M relates to the Community Safety Fund managed by the PCC and £2.516M is an under-spend incurred by the Force.
- 1.3 The capital payments in 2020/21 were **£11.481M** compared to a previously reported estimate of £11.733M. The spend is £2.599M higher than the original programme as a result of progress on the Estates programme offset by delays to national ICT projects.

2. Purpose of Report

- 2.1 To report the 2020/21 final revenue and capital outturn position of the Force and OPCC. The board is also asked to consider how the revenue underspends are distributed and how the capital programme is funded.

3. Background/Supporting Papers

- 2020/21 Budget Report – Police & Crime Panel (Feb 2020)
- 2020/21 Capital Programme – PCC Exec Board (May 2020)
- 2020/21 Revenue Monitor – PCC Exec Board (July & Oct 20)
- 2020/21 Capital Monitor – PCC Exec Board (July & Oct 20)
- 2020/21 Treasury Management Strategy – PCC Exec Board (Mar 20)
- 2021/22 Draft Capital programme & Treasury Management review – PCC Exec Board, Feb 20)

4. Contribution to the Police and Crime Plan

4.1 An effective internal financial control framework is imperative for the Commissioner to ensure that they are 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 2020/21 revenue underspend shown at paragraph 9.7.

5.3 The board are asked to approve the method proposed for financing capital expenditure in 2020/21 as detailed at paragraph 10.16.

6. Appendices or enclosures

- Appendix A – 2020/21 Revenue Outturn OPCC, Force & Group.
- Appendix B – 2020/21 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 2020/21 and also contains a summary of the treasury management activities the Force entered into during 2020/21. The report is therefore split into these three sections.

7.2 The former Commissioner's pledge to increase officers was made possible by the £8.2M increase in funding made available to the Police & Crime Commissioner through a combination of increased Police Grant, Council Tax increase of £10 per band D property and the continuation of the Uplift grant as part of the 2020/21 approved budget. The increased numbers in police officers assisted the Commissioner in delivering against her Police and Crime Plan. The medium-term financial plan covering the next four years, between 2021/22 and 2024/25, that is constantly being reviewed, does place reliance from

reserves to assist in balancing the budget, and it is likely that consideration will need to be given to the replenishment of these reserves 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 a Special Police Grant, in relation to its Boson capability since 2018/19, providing additional funding in support of targeted operations against the use of Guns and Gangs in Bedfordshire and Luton. The grant total £2.9M in 2020/21. In addition to this, flowing from the national operation Venetic, the UK investigation into encrypted messaging platform EncroChat, the PCC also received a grant totalling £2.1M for the level of disproportionate expenditure incurred by Bedfordshire when compared with other Forces in England and Wales. Similar bids have been submitted for the new financial year, 2021/22, but at the time of writing this report it is not known if this vital area of funding will continue into this current financial year.
- The financial impact on Police Forces within England & Wales from Covid19 has been reduced by the various Covid related grants awarded during 2020/21. Bedfordshire received £2.541M of grant funding to pay for additional patrols, personal protective equipment and compensation for lost income.
- Savings of £2.0M have been built into the 2021/22 budget, this has been preceded by the requirement to deliver savings in excess of £15M during the tenure of the outgoing Police & Crime Commissioner Kathryn Holloway. Further savings are required over the lifetime of the medium-term plan through to the 2024/25 financial year. It is also unknown, at this stage what impact Covid has had on the future funding to policing and this will be considered as part of the latest Spending Review, the outcome of which is expected to be known at the end of this calendar year.
- The 2021/22 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 and police grant. A £0.843M contribution to a general reserve known as the Police Fund will bring this reserve up £3.843M, equivalent to approximately 3% of the net revenue budget.
- 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 £2.543 (revenue increased by £3.478M, capital reduced by £0.935M) as a result of the recommendations contained within this paper. However, these will need to be reviewed once the outcome on the Special Grant bids is known in the coming months.

8. Statutory Requirements

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

9. Revenue Outturn 2020/21

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 2020/21.

Revenue Budget Provision

9.2 The revenue budget was set at £120.485M analysed as follows;

	£'M
Force Budget	118.663
PCC (inc. Community Safety Fund)	1.822
Total	120.485

Final Outturn

9.3 The PCC Executive Board have received regular budget monitoring reports during the year, the latest position contained in the 2021/22 budget report forecasted a year-end break-even position. This was before we had confirmation of the award of the Special Police Grant at **£2.1M** for Operation Costello plus two late grants awards totalling **£0.687M** relating to Covid19. These late changes have put the Force into an underspend position.

9.4 The final outturn position for the Force and OPCC is an under-spend of **£2.773M**. This includes funding £0.110M revenue spend on road safety initiatives from the reserve set aside for that specific purpose. In addition, as reported during the year, due to the actual grant received in 2019/20, for Operation Boson, being less than had been anticipated, the outturn includes a £0.197M contribution from the budget reserve.

9.5 The outturn is analysed at Appendix A by department with the table below providing a high-level subjective analysis of the final outturn for both the OPCC and Force.

Table One – Year End Variances - PCC

Area	£'000	Description
Pay Costs	-165	The year-end underspend reflects the level of vacancies incurred during the year.
Non-Pay Costs	93	Included in this variance is spend funded by the use of the Road Safety Reserve
Community Safety Fund	-75	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 2021/22.
Road Safety Reserve	-110	Used to fund road safety initiatives included in "non-staff costs"
Total	-257	

Table Two – Year End Variances - Force

Area	£'000	Description
Police Pay	-191	This budget has been monitored closely as we look to increase our establishment by making use of the uplift grant which was fully utilised this year. Vacancies during the year explain this small underspend.
Police Overtime	773	The overtime budget has overspent as forecast during the year. While some overtime has offset the police pay underspend the overspend is primarily as a result of our response to the Covid19 pandemic.
Staff Pay	-342	We have had vacancies within Crime & Investigation, Public Contact and Strategic Improvement plus others throughout the Force, some staff posts have been filled by Agency workers and recruitment took longer than normal due to Covid19.
Staff Overtime	492	This overspend was caused by supplementing the shortfall in staff numbers, issues within Athena and work backlog in intelligence.
Agency Staff	212	Agency staff have been used to fill some vacant staff posts due to recruitment delays.
Non-Staff Costs	1,654	The cost of recent legal cases, refurbishment at Dunstable Police Station (funded by Uplift grant) and some costs associated with Covid19 have contributed to this overspend.
Externally Funded & Income	662	Lost income due to falling passenger numbers at Luton Airport is reflected in this figure. However, it is masked by the budget underspend for Operation Kenova. The Kenova underspend is being put into a specific reserve to be drawn against as the investigation continues.
Collaboration	308	An overspend in Organisational Support, National Police Air Service and Joint Protective Services has been offset by underspends in ERSOU & Operational Support. These figures have reduced in the last quarter of the year.
Grants	-7,541	Special Grants & Covid related grants are listed separately at 9.8.
Contribution to Reserves	1,457	The full breakdown of payments to and from reserves is shown at 9.10
Total	-2,516	

Note: the variances above are gross variances and therefore additional expenditure, incurred resulting from additional grants received in the year, is included within individual subject headings

Grants Received

9.6 This financial year has been exceptional and all Forces have been supported by the Government with grants relating to Covid. These have primarily been targeted at the purchase of personal protective equipment (PPE), surge funding for additional patrols, support for border control and lost income recovery. Bedfordshire has also benefitted from two special police grants relating to Operation Boson, that has been funded since 2018/19, and Operational Costello in this financial year. The following table lists the grants received during the year that had not been awarded and therefore budgeted for, at the time the budget was approved.

Table Three – Unbudgeted Grants

	£'000
Special Police	
Boson	2,900
Costello	2,100
Covid Related	
Surge (Patrols)	793
Income Loss Recovery	1,359
PPE	225
Airport Patrols	164
	7,541

Proposed Use of Underspend

9.7 As a result of the award of the Special Grant and Covid Related grants towards the end of the financial year Bedfordshire Police are reporting a year end underspend of £2.773M. The Force is committed to Operation Costello and will need to ring-fence the £2.1M received in relation to this to fund committed expenditure in 2021/22. Should our special grant bid be successful in 2021/22 this decision can be reviewed. The OPCC would like to enhance the work they do with the Community Safety Fund by carrying the balance of £75,208 forward and the region has agreed to carry forward the balance of the Regional Organised Crime Unit (ROCU), for Bedfordshire this equate to £39,640. This leaves a balance of £558,137 that the Force would like to carry forward to fund various initiatives in 2021/22. These includes the recruitment of 8 Victim Engagement Officers to enhance the victim care provided through a timelier consideration of cases, an extension to the Intern Programme, additional support for the RMU and other smaller initiatives including a “Better 4 Beds” programme in 2021/22. Various bids were submitted to the Senior leaders of the Force who prioritised them and made recommendations to the Force Executive.

Table Four – Proposed use of Underspend

	£'000
Force	
Op Costello	2,100
Victim Engagement Officers	316
Other Initiatives	242
OPCC	
Community Safety Fund	75
Regional	
Organised Crime Unit	40
	2,773

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, and investing further into a mobile digital media triage vehicle for the Beds Police Cyber Hub.

- 9.9 As reported during the year the final grant claim in 2019/20 for Operation Boson was not as high as had been anticipated and therefore the contribution to the reserve in 2019/20 needed to be reduced in 2020/21 by £197K.
- 9.10 The proposed use of underspends detailed in Table Four above are represented by the contribution to the earmarked reserves shown in Table Five.
- 9.11 Bedfordshire has been co-ordinating the operation into alleged atrocities in Northern Ireland for some time now, this is known as Operation Kenova and the surplus that has built up over this period is now being placed into a specific reserve which is earmarked for use on Operation Kenova only.
- 9.12 In accordance with good accounting practice a reserve held by Bedfordshire PCC, on behalf of the region for dilapidations at the end of the previous lease agreement, has now been allocated back to the individual Forces, due to the building now being owned by the regional forces. This has no impact on the financial standing of the Bedfordshire PCC as the reserve previously was being held on behalf of those Forces.
- 9.13 On the assumption that the recommendations contained within the report are approved the anticipated movement of reserves (excluding capital that is dealt with later) nets out to a total investment into reserves of £3.478M broken down in table three below.

Table Five – proposed Movement of Reserves

Reserve	£'000	Description
Road Safety Reserve	-110	The PCC has made use of the Road Safety Reserve in 2019/20 awarding grants to external bodies and investing in
Earmarked Reserve	-17	Use of balance carried forward from 2020/21 by the OPCC for the Community Safety Fund
Budget Reserve	-197	Special Grant Over Accrual reported throughout the year
Sixhills Reserve	-625	Technical adjustment, Beds held the reserve on behalf of the region, this has now been distributed to participating Forces
Earmarked Reserve	2,773	Proposed use of 2021/22 underspend as shown in table four above
Kenova Reserve	1,654	Balance of funds held by the Force on behalf of Operation Kenova
	3,478	

10. Capital Expenditure

- 10.1 The table contained at Appendix B shows the actual capital outturn of £11.481M in 2020/21 compared to the original programme of £8.882M approved by the PCC's Executive Board in May 2020.
- 10.2 The outturn position of **£11.481M** represents an increase of **£2.599M** on the original programme.
- 10.3 The variance on the programme of £2.599M can be segregated into three elements, payments ahead of the original schedule where progress has been better than originally anticipated, this equates to **£5.059M**, delays to existing projects for which the payments will be made in future years, equating to **£2.382M** and is known as slippage. The remaining

£0.078M is a net underspend on the remaining projects, within that figure there are over and underspends.

- 10.4 The payment ahead of schedule of £5.059M relates solely to the HQ redevelopment project. In approving the capital programme last year, the project hadn't commenced and therefore a draft payment profile was included within the programme. Based upon the progress made to date by the contractors, whilst the majority of cost still sits within the 2021/22 financial year a higher level of payments in 2020/21 have been required. The Board was made aware of this when the draft capital programme was approved in February 2021. The overall cost of the project is still scheduled to come in on budget, with just the timing of payments changing from those initially profiled.
- 10.5 A large part of the slippage relates to timing of the windows replacement project. Whilst significant progress has been made at Luton Police Station, due to the initial lockdown and the impact that had on both contractors and materials the scheme started later than had been expected, when the Programme was agreed. This has the impact of delaying the payment profile and £0.632M of payments have slipped into 2021/22 rather than 2020/21 as had been anticipated. Provision still remains in the capital programme for further refurbishment works at Luton Police station, over and above the significant works that the PCC has already funded at the station, but these will mainly follow the windows replacement at the station, so the payment profile shows a slippage of payments, in this regard into 2021/22 along with a small amount of slippage on major plant, these being £0.081M and £0.030M respectively.
- 10.6 Prior to the Pandemic, in conjunction with London Luton Airport, there were plans to improve the accommodation facilities for our team based at Luton Airport and therefore costs were expected to be incurred during the 2020/21 financial year. However, due to the Pandemic this move has not happened and this move being reviewed. Whilst this review takes place, it is still likely that additional costs will be required on the accommodation at the Airport and therefore the estimated payments of £0.250M have been moved to the 2021/22 programme and will be reviewed once the accommodation requirements are finalised.
- 10.7 Despite all the progress made at Headquarters and Luton Police Station a lot of work has been achieved from the minor works budget which has resulted in an overspend by £0.253M. This includes works that had not originally been planned for at Biggleswade Police Station along with additional work carried out at Dunstable Police Station to ensure that our training facilities and accommodation for the student officers is sufficient in terms of capacity but also to provide the right impression and working culture for our new officers. Some of this additional cost has been funded through the Uplift grant. It was also agreed in year, due to the majority of the workforce working from home, to undertake some required maintenance works and bring the HQ canteen improvement forward.
- 10.8 The only significant variance within the ICT programme is the delay to the Emergency Services Network (the replacement of Airwave), the national programme has taken time to make progress and as a result payment have been moved into later years. Whilst full clarity is still needed on the actual cost of ESMCP and the timing of payments it is still prudent to recognise this significant project in our programme, based upon estimates. The movement of payments from 2020/21 to 2021/22 totalled £0.872M. Also, in this regard it has been

necessary to carry forward payments, totalling £0.209M, covering both the Digital Evidence and Integrated Communication Control System (ICCS) projects.

- 10.9 There are a number of small variances within the ICT programme that make up the overall underspend £0.255M. The larger of these are found within the “Networks” area of the budget that was carried forward from the previous programme which is no longer required as the spend already formed part of the 2020/21 programme. There is also £0.113M underspend in the “Communication” area of the programme relating to the ICCS project.
- 10.10 The equipment budget has underspent by £0.156M and payments totalling £0.308M have been moved into the 2021/22 financial year. The majority of the £0.308M relates to slippage on the access control project that is in its closing stages but for which the payments will be in this current financial year.
- 10.11 The vehicle replacement programme was exceeded by £0.086M. This had been anticipated to support the increase to the officer establishment, the vehicles will support both response and community policing and they have been funded through the revenue budget.
- 10.12 During 2020/21 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.
- 10.13 As some of the under-spend relates to ongoing projects included in the 2021/22 onwards capital programme slippage to the value of £2.382M from this outturn position has been carried forward to the new capital programme.

Capital Resources

- 10.14 The resources available in 2020/21 to fund capital expenditure are as follows:

Table Six – Resources Available to Fund Capital Expenditure

	£'000
Internal Borrowing	1,477
External Borrowing	8,000
Capital Receipts Reserve	30
Capital Receipts	323
Capital Grant	113
Direct Revenue Financing	602
Capital Expenditure Reserve	934
Total – Resources Available	11,479

- 10.15 The resources available of £11.479M match the requirement to finance expenditure of £11.479M.

Capital Financing

- 10.16 The financing of the capital programme is based this year upon minimising the amount of borrowing taken by the PCC. When the draft capital budget for 2021-22 was agreed in February it was done so on the basis that £11.3M would be borrowed in 2020-21. We have managed to reduce this figure to £8M by funding part of the programme from revenue contributions and by carrying out “internal borrowing”, meaning that we are using some of

our balances to finance part of the programme. This method will save the Organisation money as the cost of borrowing is higher than any investment income we may receive. This can only be seen as a temporary measure and further use of revenue funding may be considered in the future in order to keep borrowing to a minimum. On this basis the proposed financing of the capital expenditure is shown at Table Seven below.

Table Seven – Proposed Capital Financing

	£'000
Internal Borrowing	1,477
External Borrowing	8,000
Capital Receipts Reserve	30
Capital Receipts	323
Capital Grant	113
Direct Revenue Financing	602
Capital Expenditure Reserve	934
Total – Resources Available	11,479

- 10.17 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 and receipts used this year will contribute to the funding of the HQ redevelopment.
- 10.18 Borrowing of £8.000M was made from the PWLB to part fund our share of the capital programme. The borrowing was taken out in March at an interest rate of 1.99% which is the lowest rate we have achieved and brings down our average rate for loans taken out.
- 10.19 In utilising the above funds to finance the 2020/21 Capital expenditure while we have kept our borrowing to a minimum, it should be recognised that, unless there is an increase in the level of annual capital grant, as part of the Finance Settlement, future programmes will be funded by a mixture of external & internal borrowing, revenue contributions and capital receipts.
- 10.20 It should also be noted that, in accordance with the Prudential Code, £0.577M 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 2020/21 financial year. The Treasury Strategy Statement for 2020/21 which was adhered to throughout the year can be summarised as follows:

- That the main routine treasury management activity of the office of the PCC would be as a lender of funds during 2020/21. 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 2020/21 if it is deemed necessary.

- That the benefits of restricting the long-term debt portfolio would be considered and kept under review during 2020/21.

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. These indicators were adjusted when the Treasury Management activities were reviewed as part of the draft capital programme presented to this board in February. Year-end performance against some of these measures is shown at Appendix C. As a result of taking the decision to borrow internally we dropped below our target of minimum investment levels. This decision is vindicated by the poor return on investment as a result of extremely low interest rates, it is better value to the organisation to delay borrowing as opposed to investing funds. The revenue cost of borrowing indicator was also breached reflecting the low interest rates from investments. The borrowing and investment activity of the Force is shown in table eight below.

Table Eight – Treasury Management Transactions in 2020/21

	Long Term Borrowing £'000	Temporary Borrowing £'000	Temporary Investments £'000	Instant Access Accounts £'000
Balance as at 1 April 2020	11,020	-	5,000	8,973
Raised	8,000	-	1,000	-
Repaid	-	-	-	1,435
Balance at 31 March 2021	19,020	-	6,000	7,538

11.4 The average daily level of funds available for investment during 2020/21 was £20.3M, compared to £21.7M the previous year. This reduction was expected as significant investment has been seen in the HQ redevelopment and some of this has been funded via internal borrowing. The reduction in the capital reserve is reflected in the reserve balances shown in Appendix D but overall balances have increased because of the special grant receipts in 2020/21 detailed in the revenue element of this report.

11.5 Net interest income was £0.028M compared to an original budget of £0.137M. This shortfall was unavoidable as due to the impact of Covid19 on the economy interest rates have dropped to a level that makes it almost impossible to get a reasonable return. This poor rate of return has been used in the decision making to borrow internally in the funding of the capital programme.

12. Reserves

- 12.1 In considering the 2020/21 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 2021) shows that there has been an increase 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 **£2.773M** of which £0.257M relates to an under-spend for the OPCC and £2.516M in an under-spend for the Force. This is after the OPCC utilising £0.110M from reserves to support one off road safety initiatives during the year. It is proposed that the OPCC be allowed to carry forward £0.075M underspend to help finance ongoing initiatives from the Community Safety Fund and the balance of £2.698M is carried forward to 2021/22 via the earmarked reserve. This is primarily to fund Operation Costello while we wait for the outcome of the special grant application. The capital payments in 2020/21 totalled £11.481M, £2.599M higher than the original programme. The financing of the Capital Programme makes use of the remaining balance on the Capital Reserve. The Treasury Management practices of the Commissioner were in accordance with the approved strategy and £8M external borrowing took place, the level of interest from investments dropped in line with interest rates at an all-time low.
- 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.