

Police and Crime Board, 3rd November 2020 13:00 – 17:00

Venue: Meeting to be held via Teams

Attendees:

- **Police and Crime Commissioner**
- **Chief Constable**
- **Deputy Chief Constable**
- **Deputy Police and Crime Commissioner**
- **Chief Officer – People and Organisational Development**
- **OCC CFO**
- **OPCC Interim CEO**
- **OPCC Interim CFO**
- **OPCC Head of Commissioning and Partnerships**
- **OPCC Strategic Planning and Performance Officer**
- **Director of Transformation and Improvement**

To support the carrying out of the PCC's statutory functions including overseeing delivery of the Police and Crime Plan, being the forum for formal decision making by the PCC and otherwise allowing for the PCC to scrutinise the work, performance, key projects and budget of the Constabulary and other partners.

AGENDA

1. Apologies

2. Minutes

3. Chief Constable's Update (any risks or issues that the Chief Constable wishes to raise)

4. Key Organisational Risks and Issues

5. Performance against Police and Crime Plan

- a. Integrated Performance and Quality Report
- b. Assurance Report – Mental Health
- c. Quarterly vulnerability report

6. Decisions (to be signed at the meeting)

- CCTV

7. People and Organisational Development Update

- a. Monthly Update
- b. Capacity and Demand Status

8. Finance:

- a. MTFP Update
- b. Q2 Financial Performance Report
- c. OPCC 2020-21 Mid-Year Outturn and 2021-22 Budget Report
- d. Half-Year Treasury Management Report

9. Professional Standards Department

- a. Quarterly Update (verbal update)
- b. IOPC Independent Investigations Update (verbal update)
- c. OPCC Complaints Review Data

10. Major Projects:

- a. Highlight Report
- b. Updates re Yeovil, Bath, Pronto

11. A.O.B

- Neighbourhood Supervisory Ratios

12. Action Update

13. Publication (agree any items for publication other than the Minutes and Decision Notices)

Date of the Next Meeting: 2nd December 2020, 13:00 – 17:00

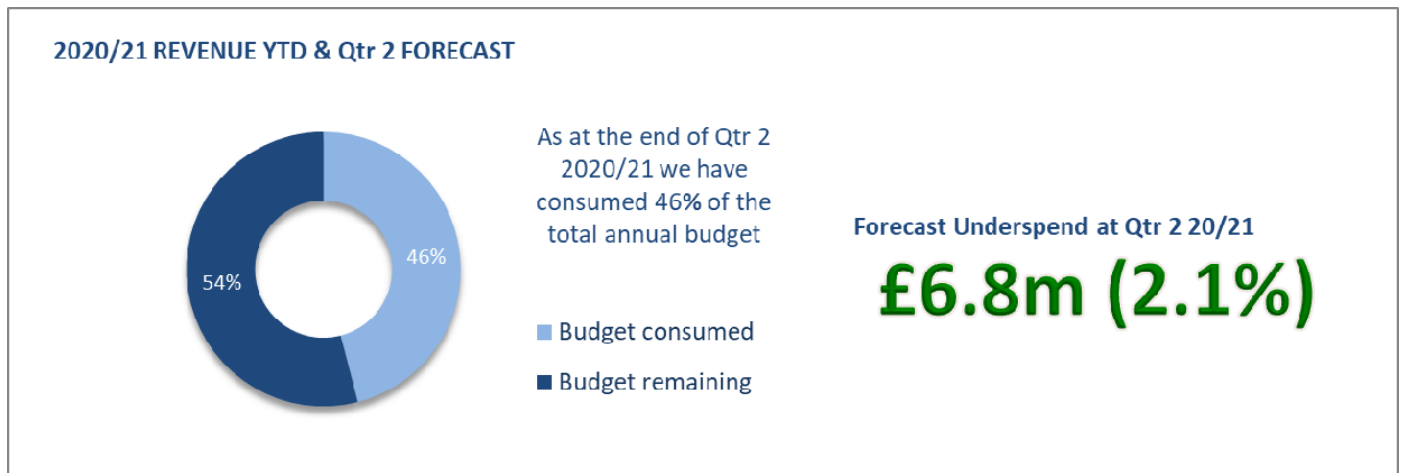
MEETING: Resource Management Board	Date: 22 nd October 2020	Agenda No
DEPARTMENT: Finance and Business Services	AUTHORS: Kulbinder Konsal / Finance Business Partners	8b
NAME OF PAPER: 20/21 Q2 Financial Performance Report		COG Sponsor: Nick Adams

1. PURPOSE OF REPORT AND BACKGROUND

The purpose of this report is to provide an update on the revenue budget and capital programme performance against the plan for 2020/21. The attached Appendices A and B includes details of the outturn revenue position as at 30th September 2020, and Appendices C and D provide more detailed information about overtime spend against budget, Appendix E provides the forecast position for the capital programme.

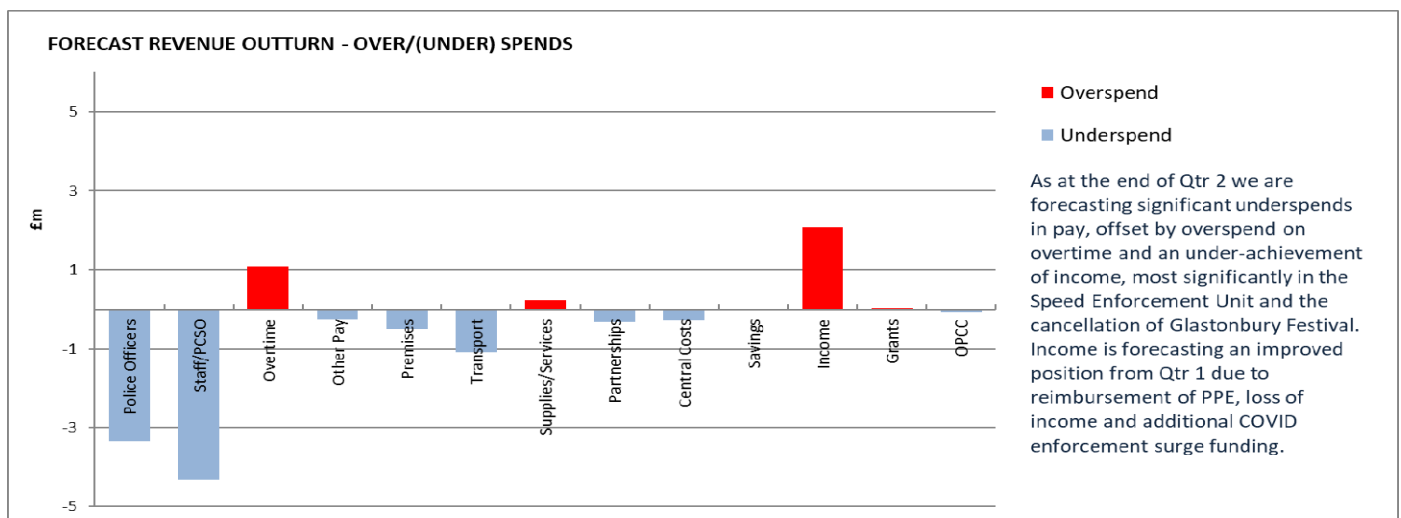
2. EXECUTIVE SUMMARY

The revenue position is forecasting to be **£6.8m underspend at the end of the financial year.**



The above projected figures have been adjusted for PCDA and PCSO recruits and includes an estimated 2.5% pay award for Police Staff Pay. The pay award of 2.5% for Police Officers was implemented in September. The projection for the year-end also assumes that £1.8m of identified recurring revenue savings are moved to reserves to smooth the budgetary position over the short term in response to the Covid pandemic. We welcome a discussion with PCB to ascertain whether further provisions from the forecast underspend should be released to reserves to smooth the financial position for 2021-22.

FORECAST REVENUE OUTTURN - OVER/(UNDER) SPENDS



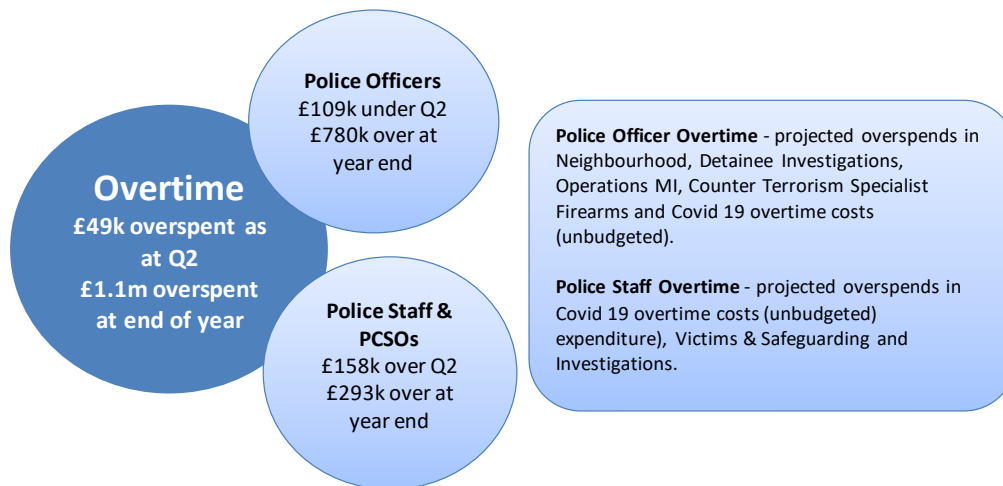
Police Officer Pay & Allowances – £3.0m/4.1% underspend year to date, with a prediction of £3.3m/2.3% underspend at year-end. The figures have been adjusted for student officer intakes and average leavers including retirements. The largest area of underspend on police officer pay is in Investigations where we are projecting a £3.3m underspend and Op Remedy £1.2m underspend. PCDA recruitment has been entirely reflected in the Patrol figures which pushes the department to an estimated overspend by the year end of £1.9m. The underspend includes

realisation of a further reduction in the average cost of an officer compared to budget, reflecting the continued profile of officers towards lower pay scales, which provides some medium term opportunities to reduce future budgets accordingly.

Police Staff Pay & Allowances – £3.2m/7.3% underspend year to date, increasing to £3.8m/4.3% by the end of March. The areas assuming the most significant increase in police staff numbers by the end of the financial year are: Victim & Safeguarding, Command & Control, DIT, Investigation and Learning, in part due to assumptions around recruitment of the new positions generated by the precept increase in 20/21.

PCSO Pay & Allowances – Year to date we are underspent by £558k/9.2%, with a forecast of £507k/4.2% underspend at year end. The projection has been adjusted to assume intakes of 92 PCSOs and 35 leavers by the end of this financial year. This sees an overall increase in PCSO numbers of 57 in the last two quarters but as the courses are weighted towards the end of the year the financial impact is limited. Projection assumes PCSO Supervisors being piloted remain at 9 to the end of the year.

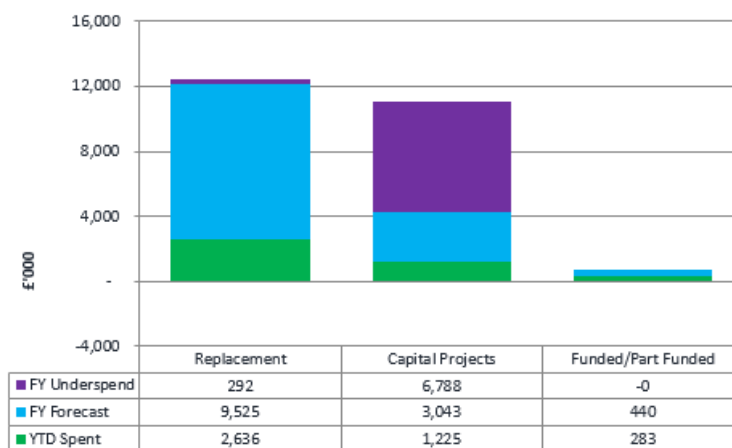
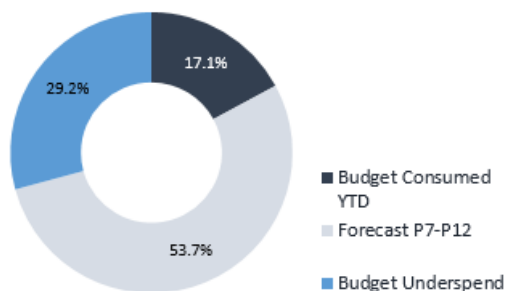
Overtime



Our forecast overtime for officers includes fully spending the new COVID-19 enforcement grant (£0.86m by the end of the financial year). Further detail on our overtime spend and forecasts is provided in Appendices C and D at the back of this report.

Capital Expenditure

2020/21 CAPITAL OUTTURN



The capital programme is forecasting **£17.2m of expenditure** this financial year, which reflects 71% of our plan, and we are expecting to be £7.1m underspent against budget. Year to date spend of £4.1m has been incurred, with a further £13m expected to be spent in Q3 and Q4. The main reason for the underspend against budget is delays in the Estates projects due to Covid-19 pandemic.

3. PART ONE – 20/21 REVENUE BUDGET PERFORMANCE

NEIGHBOURHOOD & PARTNERSHIPS DIRECTORATE

Department	20/21 YTD	20/21 YTD	20/21 (Under) /	20/21 (Under) /	20/21 Projected	20/21 Annual	20/21 (Under) /	20/21 (Under) /
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	Actual £'000	Budget £'000	Over £'000	Over %	Outturn £'000	Budget £'000	Over £'000	Over %
Neighbourhood Policing	14,153	14,736	(583)	(4.0%)	29,711	30,281	(570)	(1.9%)
Road Safety	41	109	(67)	(61.9%)	238	199	39	19.7%
Offender Management	2,489	2,522	(33)	(1.3%)	5,134	5,062	72	1.4%
Victims & Safeguarding	2,040	2,169	(128)	(5.9%)	4,197	4,378	(181)	(4.1%)
Citizens in Policing	211	283	(73)	(25.6%)	473	594	(121)	(20.4%)
N&P Directorate	18,935	19,819	(884)	(4.5%)	39,752	40,514	(761)	(1.9%)

Neighbourhood – Year to Date under spend £583k/4.0% is mainly a result of police officer and PCSO vacancies (27.56 FTE). There are also year to date under spends on Supplies and Services which are Covid-related e.g. subscriptions, accommodation and travel costs. Overtime is over spent, which relates to vacancy cover as well as some ongoing initiatives in Broadmead using Neighbourhood and Patrol officers.

Forecast to year end – Underspend of £570k/1.9%. The forecast assumes no increase in officers, but also accounts for the increase in PCSO's in line with the trajectory. Overtime is projecting a large over spend by the year end as a result of vacancies and targeted initiatives. Travel is projecting an under spend which will partially be due to Covid. Hinkley income has been received in full, however there is going to be a shortfall in the income achievement relating to HMP Bristol officer post.

Road Safety – Year to Date underspend of £67k/61.9%. Income has overachieved to this point due to a referral fee payment received for the last financial year. Supplies and Services are under spent mainly due to the timing of invoices to be received for the maintenance of equipment.

Forecast to year end is £39k/19.7% overspent mainly due to the national agreement to waive the vehicle removal fee for the three months of lockdown which totals £33k the rest is due to top slice of salaries.

Offender Management – Year to Date underspend of £33k/1.3% is largely based on Communications and Computing costs being underspent.

Forecast to year end is £72k/1.4% over spend mainly as a result of the Ascend workers only being funded until September, this has been approved to be made permanent in future budgets but remains a pressure in this financial year.

Victims & Safeguarding – Year to Date underspend of £128k/5.9% mainly due to the number of vacancies in LSU. This underspend is offsetting an over spend on police staff overtime. There are also year to date underspends on supplies and services as the subscriptions budget is not being utilized.

Forecast to year end is a £181k/4.1% underspend which includes the filling of vacant posts in the LSU which should be done by quarter 3 but does not assume any leavers. Police staff overtime is projecting an over spend which could be attributed the number of vacancies the unit has had. Supplies and services is also projecting an under spend as the subscriptions budget will not be spent in full.

Citizens in Policing – Year to Date underspend of £72.6k/25.6% mainly due to the full year budget being put in for the new staff, also vacant Inspector post. There are over spends on travel and subsistence this is due to the increased number of specials volunteering for shifts through Covid.

Forecast to year end is an under spend of £121k/20.4% which is the full year effect of the budget being input for the new staff and also the projection of the vacant Inspector post. The projection for over spend on supplies and services also are the same in that additional shifts are expected to be worked by Specials because of Covid.

RESPONSE DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Command and Control	9,757	8,796	961	10.9%	18,902	17,750	1,153	6.5%
Patrol	26,123	26,157	(34)	(0.1%)	54,771	52,846	1,925	3.6%
Detainee Investigation Support	3,336	3,823	(487)	(12.7%)	6,976	7,718	(742)	(9.6%)

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Response Directorate	39,216	38,776	440	1.1%	80,650	78,314	2,336	3.0%
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Command & Control – Year to date over spend £961k/10.9%. This is mainly due to the over established posts in IAU. The enhanced IAU has not yet been funded to the number of officers in post and remains a situation to be considered through our Futures programme. This is slightly offset by the vacant budgeted posts for staff that we expect to be filled before year-end.

Forecast to year-end is an over spend of £1.2m/6.5% due to the budget for the IAU not being in place. There is an underspend on police staff costs due to the budget for the whole year being allocated for posts that will start in October.

Patrol - Year to Date under spend £34k/0.1%. The police officers numbers are over the current authorised establishment however, there has been an increase in the budget to offset some of this.

Forecast to year-end is an over spend of £1.9m/3.6% this is forecasting the PCDA officers expected by end of March 2021. Some uplift funding for PCDA's has been allocated to Patrol for this year. In future years, the allocation of this PCDA funding to different departments and Directorates will be determined by the Futures blueprint which we expect to become clearer over the coming months. The income for the special policing at the Mall at Cribbs Causeway will be underachieved due to Covid, a 30% reduction has been agreed for 4 months (April-July 2020).

Detainee Investigation Support – Year to date under spend of £487k/12.7% is due to a number of police officer and police staff vacancies. Police staff investigators have been funded for the year but are not yet in post. Of these, 11 will start by November, the remaining 9 will be later awaiting vetting, and course start dates.

Forecast to year end is an under spend of £742k/9.6%. This assumes that the officer vacancies remain at the same level and also the projection for police staff includes a full year budget for the new police staff investigators. The first course started in August 2020. There is currently an over spend on police officer overtime but due to current vacancies this is expected.

OPERATIONAL SUPPORT DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Criminal Justice Delivery	7,167	7,553	(385)	(5.1%)	14,755	15,097	(342)	(2.3%)
Speed Enforcement	785	(362)	1,148	316.9%	401	(1,149)	1,549	134.9%
Operations	3,346	3,268	77	2.4%	6,786	6,682	104	1.6%
Operation Remedy	2,652	3,513	(862)	(24.5%)	5,614	6,947	(1,333)	(19.2%)
Serious & Violent Crime	366	564	(198)	(35.1%)	1,124	1,124	0	0.0%
Operations Major Incidents	159	106	53	49.8%	396	247	149	60.4%
Intelligence & Tasking	5,106	5,318	(212)	(4.0%)	10,175	10,612	(436)	(4.1%)
Tactical Support Team	6,749	7,053	(304)	(4.3%)	13,975	14,137	(162)	(1.1%)
Ops Support Directorate	26,330	27,014	(684)	(2.5%)	53,226	53,697	(471)	(0.9%)

Criminal Justice Delivery – Year to date an under spend of £385k/5.1% which is due to vacancies on the staff establishment.

Forecast to Year end – an under spend of £342k/2.3% is being forecast for this financial year. This assumes current working practices will continue throughout the year. Adjustments for officers leaving the Force has been made based on previous trends, but no adjustment has been for any replacements. The assumption is that officers will come from other areas of the Force and are being accounted for in that area.

Speed Enforcement Unit – Year to date an over spend of £1.1m/316.9% has occurred as result of the COVID-19 pandemic. There continues to be a significant drop in the income received from NDORS in Q2 compared to previous years as NDORS ceased all education courses during lockdown in March and April. Levels of income received from NDORS are c. £170k-200k per month and we have received £652k against a budget of £2.1m at the end of Q2. NDORS are now running digital courses in order to clear the backlog of people awaiting a course and low level offence detections have resumed although thresholds remain slightly raised above the national level. The courts have also resumed with an online presence and cost recovery in this area has steadily increased back to 'normal' levels at c. £65k received per month in Q2.

Vacancies in the unit are currently 10.9 FTE which accounts for an YTD underspend in Police Staff Pay of (£196k). The posts have all been recruited to subject to vetting clearance.

Forecast to Year-end – An over spend is being forecast of £1.5m/134.9% as a result of the ongoing issues highlighted above. This position is being monitored closely and we hope to limit the financial impact on the organisation by reducing operating costs where possible. Thresholds for offence detection remain slightly higher than the national level and it is anticipated that this will remain the case until the vacancies in the team can be filled. Vetting delays are impacting on the timeframe in which the thresholds can be reviewed which in turn impacts upon the number of offences that can be processed. In the event that cost recovery does not fully cover the running costs of the unit by year end, Speed Enforcement could draw down on the £1.1m reserve to help balance the accounts if required. All other plans for the reserves have been put on hold presently.

Operations Department – Year to date an over spend of £77k/2.4% however this should be shown between the two activities included in this budget. This includes the Operations Department and any rechargeable activities they undertake. These activities include summer-time events such as Badminton Horse Trials, Downs Festival and sporting events. Due to Covid-19 these events have been cancelled so there is no opportunity to generate income for the Force.

- The Operations Department has a year to date underspend of £29k which is primarily on non-pay budgets such as course fees and equipment.
- The Rechargeable budget is reporting an over spend of £106k which is the overall income target which cannot currently be achieved.

Forecast to year end -

- The Operations Department has a forecast underspend of £107k which is mainly due to a projected overspend on Police Officer pay.
- The Rechargeable budget has a forecast overspend of £212k, which shows the impact Covid-19 has on this area of activities. The forecast is based on current social restrictions.

Operation Remedy – Year to date an £862k/24.5% underspend has been created largely from Police Officer Pay (£633k) and Police Staff Pay (£37k) which is due to vacancies in year so far. At the time of reporting, there were 24 FTE vacancies across PC-Insp ranks and 6 FTE police staff roles. There is also a year to date underspend of (£200k) in Supplies & Services which is mainly due to the £189k innovation fund. Whilst c. £85k has been allocated to innovation bids, nothing has yet been spent YTD as some planned activities have been delayed due to current restrictions.

Forecast to Year-end – Forecasting to underspend by £1.33m/19.2%. This is almost entirely driven by Police Officer Pay (£1.2m) alongside Police Staff Pay (£71k) and Supplies & Services innovation (£55k). There remains a sum of innovation funding still to be allocated however the forecast indicates a year end underspend as we try to reallocate some of the bids and surge work to the Serious Violence Grant.

The Home Office are allowing the Q1 and Q2 underspends for the Serious Violence grant to be re-profiled across other activities pending approval in October. As such, some of the Remedy activity, particularly around overtime operations is planned to be recharged to the grant during Q3 and Q4. We will review and consider options for the ring-fencing of this underspend to continue the support for Op Remedy throughout 21/22 financial year while our emerging Futures Blueprint addresses our longer-term plans.

Serious & Violent Crime – Year to date – This area has a cumulative underspend of £198k/35.1% due to a delay in Q1 and the first part of Q2 in filling a number of Officer and PCSO posts. All posts have now been appointed. Hyper-local communication activities have also begun with an extended knife crime campaign in East Bristol with advertising on buses, billboards and community radio. All initiatives and associated costs are being reviewed on a monthly basis and funds will be reassigned to new bids if appropriate.

Forecast to Year-end – We are forecasting to spend the full £1,123k grant. This forecast assumes that that year to date underspends in PCSO and Police Pay posts will be redirected to overtime for additional proactive and county lines operations as well as some youth engagement & prevention projects pending the Home Office approval of our re-profiled bid (due mid-October).

Intelligence & Tasking – Year to date – An under spend of £212k/4.0% is being reported which is due to vacancies on officer and staff establishment. Some areas of non-pay have reduced significantly from last year e.g. mileage,

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travel and courses which is attributed to working from home and other Covid-related restrictions.

Forecast to Year-end – an under spend of £436k/4.1% is forecast for this financial year. This assumes current working practices will continue throughout the year. Adjustments for officers leaving the Force has been made based on previous trends, but no adjustment has been for any replacements. The assumption is officers will come from other areas of the Force and are being accounted for in that area.

Tactical Support Team – Year to date is an under spend of £304k/4.3% which reflects vacancies (£157k) and underspend in non- pay areas – e.g. courses postponed. For some areas, orders have been raised and will be spent in Q3. The forecast reflects that most vacancies are anticipated to be filled by October 2020. Anticipated overtime spend for abstraction and/or backfill of Firearms officers to attend training is estimated at £75k. This was not included in the TST business case paper.

INVESTIGATIONS DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Investigation	13,538	15,681	(2,142)	(13.7%)	27,663	31,495	(3,832)	(12.2%)
Investigation Major Incidents	273	480	(207)	(43.2%)	750	899	(149)	(16.6%)
Investigations Directorate	13,811	16,161	(2,350)	(14.5%)	28,413	32,394	(3,981)	(12.3%)

Investigations – Year to date – An under spend of £2.1m/13.7% is due to the number of officer vacancies within the Directorate. In September, the Officer vacancies were 79.9 FTE which represents 17% of the authorised establishment.

Forecast to Year end – an under spend of £3.8m/12.2% is being forecast. The new Precept posts have been incorporated into the budget together with a provisional plan of when these posts will be filled. Some posts have been filled and more appointments have been confirmed. Adjustments for officers leaving the Force has been made based on previous trends, but no adjustment has been for replacements. The assumption is officers will come from other areas of the Force and are accounted for in that area.

Investigations Major Incidents – Year to date – An under spend of £207k/43.2% is being reported which is due to a relatively low number of operations. This underspend should be considered with the Operations Major Incident budget above.

COLLABORATIONS

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Scientific Investigation	3,670	4,053	(383)	(9.4%)	8,117	8,120	(3)	(1%)
Major Crime Investigation	2,227	2,603	(375)	(14.4%)	4,665	5,325	(661)	(12.4%)
South West ROCU	1,713	1,713	(0)	(0.0%)	3,406	3,406	0	0.0%
Special Branch	568	588	(21)	(3.6%)	1,176	1,189	(14)	(1.2%)
Black Rock	490	640	(150)	(23.5%)	990	1,239	(249)	(20.1%)
Counter Terrorism	200	391	(190)	(48.6%)	625	797	(172)	(21.6%)
SWPCP ACC	21	21	0	0.0%	43	43	0	0.0%
Collaborations	8,889	10,009	(1,120)	(11.2%)	19,022	20,120	(1,098)	(5.5%)

Scientific Investigations – Year to date, an under spend of £383k/9.4% relates mainly to the 19/20 carry forward amount, which was ring fenced to support our share of the cost of change in this area, which is still to be spent.

Major Crime Investigation – Year to date, an under spend of £375k/14.4% relates to vacancies in officers (4) and Staff (12) of which 4 PC posts will be filled by October, along with 6 staff posts, leaving 6 posts vacant at year end based on current forecasts.

Black Rock – Forecasting an under spend of £250k/20.1% at the year-end due to a slow recruitment process in year. This remains a focus for the Tri-Force management and governance boards.

Counter Terrorism Specialist Firearms – Forecasted underspend to year end £172k/21.6% as a result of 9 current vacancies of which it is estimated that 6 vacancies will remain at March 2021. This is due to a national shortage of SFO officers, lack of course availability and a low pass- rate.

INFORMATION TECHNOLOGY DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Technology Services	14,116	14,433	(317)	(2.2%)	21,312	21,031	281	1.3%

The IT Directorate at the end of September is reporting an under spend of £317k/2.2% against the YTD budget and a projected authorized overspend position of £281k as at the end of 20/21.

This position is impacted by costs associated with Robotic Process Automation and the Records Review Team (RRT). In these areas temp funding was approved that actually exceeds the cost being incurred but this additional funding is not represented in the 20/21 budget. For RRT the temp funding agreed covered 7 posts for Data Quality and a further 4 posts for Digitalisation. At present the approval for these roles covers the period to end March 21. The estimated year-end position for the department with the budget adjusted for approved temp funding would be an under spend of £276k.

The year to date under spend (£317k) is being generated by the profiling of IT support contracts. The projected position is over spent due to billing issues with BT around data circuits (which remain under review) offset by savings in mobile telephony.

FINANCE AND BUSINESS SERVICES DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Chief Officer Group	1,015	931	84	9%	1,654	1,627	26	1.6%
Stores & Evidential Property	1,155	1,305	(150)	(11.5%)	2,373	2,616	(242)	(9.3%)
Transport Services	1,992	2,234	(242)	(10.8%)	4,443	4,731	(287)	(6.1%)
Services Hub	1,985	2,267	(283)	(12.5%)	4,157	4,571	(414)	(9.1%)
Finance	862	972	(111)	(11.4%)	1,850	1,966	(116)	(5.9%)
Strategic Procurement	259	268	(9)	(3.3%)	419	542	(122)	(22.6%)
Estates & Facilities	7,135	7,698	(563)	(7.3%)	14,406	14,510	(103)	(0.7%)
F&BS Directorate	14,402	15,675	(1,273)	(8.1%)	29,302	30,562	(1,259)	(4.1%)

Chief Officer Group – Over spend at end of year the result of 1 x unbudgeted Insp post supporting the DCC's National portfolio offset by savings on travel and conference expenses.

Stores & Evidential Property – Year to date underspend of £150k/11.5% relates to lower than expected uniform supply costs. This under spend trend is also forecasted to the year-end position. An allowance has been made for additional police officer recruits, however a significant saving is still forecasted on the issue of uniform.

Transport Services – savings on fuel, tyres and hired vehicles are driving the under spend. Overtime continues to be an area of challenge for the department who need to ensure tight controls are in place to reduce the overtime cost however their ability to achieve this is impacted by some long term sickness in the workshop.

Services Hub – Year to date underspend of £283k/12.5%. The under spend is being generated by staff vacancies in the Enquiry Office, against PA provision and the Admin Hub. There are also significant savings on stationery and postage as a result of working from home. We will recommend a saving from these budgets for 21/22 so efforts will need to be made to ensure we do not revert to pre-Covid ways of working.

Finance – The department is underspending year to date because of recruitment delays in filling the additional

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approved posts in the recent business case. The projection assumes these staff will be in post shortly. They have been selected and are awaiting completion of vetting and recruitment checks.

Estates & Facilities – Year to date underspend of £563k/7.3%. The variance is driven by saving against planned & responsive maintenance and utilities. Last financial year it was decided that estates would receive an injection of funds to accelerate the proactive work being under taken on our estate. However, due to COVID this planned work stalled in the first quarter of the year. The decrease in staff footfall at key sites will also have a direct impact on estates usage which consequentially will help reduce our energy cost in the short-term.

Forecast to Year end is an under spend of £103k/0.7%. The forecast assumes significant claw back on work that has stalled due to COVID.

PEOPLE AND ORGANISATIONAL DEVELOPMENT DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
HR Operations	2,483	2,543	(61)	(2.4%)	5,073	5,070	4	0.1%
Organisational Development	340	438	(98)	(22.4%)	811	1,011	(200)	(19.8%)
Learning	2,896	3,645	(749)	(20.5%)	6,817	7,258	(441)	(6.1%)
Legal	910	773	137	17.7%	1,847	1,557	290	18.6%
Occupational Health	410	483	(73)	(15.2%)	970	970	(0)	(0.0%)
Health & Safety	48	51	(3)	(6.7%)	104	104	0	0.1%
P&OD Directorate	7,086	7,934	(848)	(10.7%)	15,622	15,969	(347)	(2.2%)

HR Operations – Year to date underspend of £61k/2.4%. The year to date underspend is largely due to savings in Supplies & Services where budgets for advertising, professional fees and course fees have not been spent according to the budget profile due to rolling out of Oleo and the current Covid situation. The forecast position is largely to budget, reflecting the continuation of approved temporary roles supporting the delivery of our officer uplift.

Organisational Development – Forecast to year-end is an under spend of £200k/19.8%. The variance is driven by an underspend relating to a vacant sergeant post and some over-achieved income together with savings against the Wellbeing and Leadership Review budget. A £21k budget for LGBT is not expected to be spent due to COVID-19 restrictions.

Learning – Year to date underspend of £749k/20.6%. The year to date underspend is primarily due to number of officer and staff vacancies within the department, particularly trainer assessors and driving trainers. Recruitment is underway and majority of these posts will be filled in Q3 & Q4.

Forecast to year-end shows an underspend of £441k/6.1%. The variance is largely driven by Police Officer and Staff Pay due to vacancies earlier in the year.

Legal – Year to date overspend of £137k/17.7%. The variance relates to an over spend on Legal Costs & Services, Court Application fees and Professional fees. This is expected to continue and is reflected in the forecasted overspend of £290k/18.6%. A £43k forecasted overspend relates to posts approved as per Information Management Business Case but funding will only be allocated from 1st April 2021.

Occupational Health – Year to date underspend of £73k/15.1%. The year to date underspend is primarily due to savings in Supplies & Services as result of current COVID-19 restrictions and working from home. Savings against the Selected Medical Practitioner reviews budget also contributes to this favorable variance.

TRANSFORMATION & IMPROVEMENT DIRECTORATE

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Transformation	1,103	1,236	(132)	(10.7%)	2,361	2,500	(139)	(5.6%)
Improvement	879	1,151	(271)	(23.5%)	2,020	2,372	(352)	(14.8%)

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Force Crime & Incident Registrar	139	138	2	1.1%	283	278	5	1.7%
Strategic Projects	387	432	(45)	(10.4%)	931	1,046	(115)	(11.0%)
Corporate Communications	408	464	(56)	(12.2%)	927	986	(58)	(5.9%)
Professional Standards	1,102	1,211	(109)	(9.0%)	2,431	2,452	(21)	(0.8%)
T&I Directorate	4,019	4,632	(613)	(13.2%)	8,953	9,633	(680)	(7.1%)

Transformation – Year to date underspend of £132k/10.7%. This year to date underspend is largely driven by staff pay and is the result of various vacancies that are ongoing within the department. These vacancies are expected to continue and are reflected in the forecasted underspend of £139k/5.6%. It should be noted that the department is likely to be re-structured and the business case is not factored in at this stage. There are £38k Savings in Supplies & Services also contributes to the favorable variance.

Improvement – Year to date underspend of £271k/23.5%. This year to date underspend is primarily driven by officer and staff pay and is the result of various vacancies that are ongoing within the department. The staff vacancies are expected to continue and are reflected in the forecasted underspend of £352k/14.8%. Officers who were working in the IAU because of COVID have now returned to the Improvement team. It should be noted that the department is likely to be re-structured and the business case is not factored in at this stage.

Strategic Projects – Year to date underspend of £45k/10.4%. The variance is driven by an underspend relating vacant Outreach Worker posts together with savings against Diversity & Inclusion professional fees budget. This is expected to continue and is reflected in the forecasted underspend of £115k/11%.

Corporate Communications – Year to date underspend of £56k/12.2%. The year to date underspend is largely due to savings in Supplies & Services where budgets for employer brand and course fees have not been spent according to the budget profile due to current COVID-19 restrictions. This is expected to continue and is reflected in the forecasted underspend of £58k/5.9%.

PSD – Year to date underspend of £109k/9%. The year to date underspend is due to recruitment delays in filling the additional posts approved from the Futures Board. The projection assumes these staff will be in post shortly as they have been interviewed and are awaiting recruitment checks.

CENTRAL COSTS

Department	20/21 YTD Actual £'000	20/21 YTD Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	20/21 (Under) / Over £'000	20/21 (Under) / Over %
Pensions	4,909	5,175	(265)	(5.1%)	10,338	10,346	(8)	(0.1%)
Officer & Staff Allowances	674	1,005	(331)	(32.9%)	1,535	2,132	(597)	(28.0%)
Central Costs	(149)	(539)	390	(72.3%)	8,384	7,923	461	5.8%
Covid 19	532	2	530	33,141.6%	(545)	3	(549)	(17,141.5%)
Central Savings	0	0	0	0.0%	1,838	1,895	(57)	(3.0%)
Student Officers	1	0	1	0.0%	1	0	1	0.0%
Central Costs	5,967	5,642	324	5.8%	21,551	22,299	(748)	(3.4%)

Pensions – The year to date underspend is the result of budget profile not being in line with payments of the pension lump sum (£113k) and underspend on the Basic Injury pensions paid (£112k). These underspends are offset by increased costs on Capital Equivalent Payment Charges* (CECP) currently at 6 CECP payments and SLA payment to Peninsula pensions.

(*CECP - payment of a charge for each early ill-health retirement as a medical retirement with an early ill-health pension is more expensive for the pension scheme than the cost of that same officer leaving the service with a deferred pension. The capital-equivalent charge is paid for each early ill-health retirement at twice the average pensionable pay. The payment of the charge is made in full in the year in which the retirement occurs.)

The projection has been adjusted to assume full payment of the LGPS (Local Government Pension Scheme) lump

sum and 15 CECP payments, against a budget for 12 generating £333k overspend offset by the full year effect of the basic injury pension underspend to date (£103k) and pension administration costs.

Officer & Staff Allowances – The year to date underspend of £331k/32.9% is driven by contingency held for changes to both police staff and police officer budgets (£73k), savings on police staff standby allowance (£51k), savings on tutorship payments (£59k) and Apprenticeship Levy (£73k). A underspend of £597k/31.6% is forecasted at year-end for the above reasons. The reported underspend is offsetting the cost of one direct entry Supt £98k and a Chief Inspector secondment to Bristol City Hall £45k.

Covid-19 costs – A forecasted underspend of £549k is reported at the end of Quarter 2. Included within this cost centre are direct costs of responding to COVID-19 offset by expected funding to support these costs. This includes:-

- **PPE** – the costs of securing personal protective equipment for officers and staff, which we expect to be supported by grant funding of £0.84 from the Home Office in Q3;
- **Covid-19 Enforcement** – the anticipated receipt of grant funding of £0.69m for COVID-19 enforcement which at this stage we have assumed will offset forecast officer overtime of the same value (this may change as we firm up our plans for this funding);
- **Income recovery funding** – the anticipated receipt of £1.1m being the current amount we assess we will be able to reclaim from the Home Office based on their income recovery scheme. This return has yet to be submitted, but we have included within our forecast at this stage. This funding offsets income losses experienced elsewhere in the budget.

The forecast underspend here is therefore reflective of the income recovery funding which offsets losses reported elsewhere within the budget.

Central Costs –

ANNEX B - Mgt Structure 2020/21 Revenue Outturn September 2020	20/21 YTD Actual £'000	20/21 YTD Budget £'000	Over/ (Under) £'000	Over/ (Under) %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	Over/ (Under) £'000	Over/ (Under) %
<i>Bristol Airport</i>	200	(7)	206	(3,171.1%)	145	(25)	170	(680.4%)
<i>Glastonbury Festival</i>	0	(617)	617	(100.0%)	0	(617)	617	(100.0%)
<i>HQ Central</i>	3,136	2,702	433	16.0%	11,723	11,649	74	0.6%
<i>Reserves</i>	(3,485)	(2,618)	(867)	33.1%	(3,485)	(3,084)	(401)	13.0%
<i>UC Claims</i>	0	0	0	0.0%	0	0	0	0.0%
<i>Wilfred Fuller</i>	(0)	0	(0)	0.0%	0	0	0	0.0%

Bristol Airport – underachievement of income due to reduced service required at the Airport as a result of Covid 19 pandemic which is generating an overspend. At Q2 the service has now resumed but with a temporary reduction to the resourcing profile at the Airport.

Glastonbury Festival – cancellation of the festival and the resulting impact on income to be received.

HQ Central – the year to date over spend of £433k/16.0% is due to incorrect posting of pensions cost to HQ central this will corrected in the subsequent period. The forecasted position is an overspend of £74k/0.6%. This is largely due to under achievement on income in areas such as interests on investments (£144k), reports tapes income (£50k) and fees on holding illegal immigrants (£74k).

Reserves –

Subjective	YTD Actual	YTD Budget	YTD Variance	Projection	Annual Budget	Variance
Police Officer pay and allowances	0	733	(733)	0	16	(16)
PCSO Overtime	0	(11)	11	0	0	0
PREMISES COSTS	0	(220)	220	0	20	(20)
S&S - Communications and Computing Costs	0	254	(254)	0	254	(254)
S&S - Other costs	551	662	(111)	551	662	(111)
Transfers to/(from) reserves	(4,109)	(4,109)	(0)	(4,109)	(4,109)	(0)
TOTAL	(3,558)	(2,692)	(867)	(3,558)	(3,158)	(401)

Supplies & Services - Communications & Computing – Growth allocated for National Management Centre costs (£254k), however provision not required this year and funded centrally. Direct charging for this service expected from 21/22 financial year.

Supplies & Services - Other – Remaining balance is the Emerging Issues budget (£70k) and correction to Black Rock contribution budget (£41k).

Transfers to/from reserves – balance of expenditure funded from reserves this year which includes; departmental carry forwards (£1.8m), Meeting Rooms at HQ, Yeovil Decant Costs, Embedding Diversity, Branding in Corporate

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Communications (£0.76m), Community Trust Donation (£0.2m) and Op Remedy (£1.3m).

Central Savings – At the request of the Constabulary CFO we have sought to ring-fence identified revenue savings during the year with a view to transferring these to reserve in order to help manage the emerging risk associated with balancing the 21/22 revenue budget. To date £1.8m has been identified and is forecast to be transferred to reserve before the end of the year. We would welcome a discussion with members of PCB on the options of increasing the current provisions in light of the wider underspends reported at quarter 2.

4. PART TWO – 20/21 CAPITAL BUDGET PERFORMANCE

In January 2020 the anticipated new capital plan for 20/21 totalled £19.9m with the addition of carry forwards of capital schemes in progress amounting to £3.9m at the end of 19/20. The capital plan has since been reviewed and schemes have been added, removed or profiled into future years as necessary. These adjustments show a revised capital plan for Avon and Somerset of £24.2m for 20/21.

The table below summarises this movement:

	20/21 Plan	C/Fwd. from 19/20	TOTAL Plan	Adjusts	TOTAL Revised Plan
	£'000	£'000	£'000	£'000	£'000
Asset Replacement & Renewal	10,749	1,372	12,121	333	12,454
Digital Projects	1,644	842	2,486	0	2,486
Estate Projects	7,094	1,504	8,598	(428)	8,170
Other projects	400	0	400	0	400
Funded or part funded projects	0	201	201	522	723
TOTAL	19,887	3,919	23,806	427	24,233

20/21 CAPITAL PROGRAMME OUTTURN

	Total Plan	Actual P1-P6		Forecast Outturn		Over/(Under)	
	£'000	£'000	%	£'000	%	£'000	%
Asset Replacement & Renewal	12,454	2,636	21.17%	12,162	97.7%	(292)	(2.3%)
Digital Projects	2,486	144	5.79%	1,377	55.4%	(1,109)	(44.6%)
Estate Projects	8,170	1,081	13.23%	2,754	33.7%	(5,416)	(66.3%)
Other projects	400	0	0.00%	138	34.4%	(263)	(65.6%)
Funded or part funded projects	723	283	39.18%	723	100.1%	0	0.1%
TOTAL	24,233	4,145	17.10%	17,153	70.8%	(7,079)	(29.2%)

At the end of Q2 20/21 £4.1m (17.1%) of the capital programme had been spent, further details of which are included within Annex E. We are anticipating a £7.1m underspend against budget, mainly due to push back of Estates projects to following years and lower than expected IT project costs. The plan continues to be reviewed and our plans prioritised as we move forward to year-end. The key highlight of the capital plan is as follows:

ASSET REPLACEMENT AND RENEWAL

The expenditure at the end of Q2 is £2.6m (21% of the plan) with a forecast of £12.2m (98% of the plan) to the end of the financial year.

- IT Renewal and replacements - £2.2m expenditure incurred to date, mainly on laptops, body worn video and storage/backup. Expected to be on budget by end of year; Lower mobile phone replacement costs due to push back of renewal programme to 21/22 (£1.6m) and lower than expected body worn video costs (£545k) are offset by higher than anticipated costs on Servers & Networks and replacement Airwave handsets;
- Estates rolling replacement and renewal – £50k expenditure to date. Expenditure of £1.9m is the forecast outturn position, approximately in line with budget. Still expecting significant costs in Q3 and Q4 on Admin building refurb (£300k), HQ roof covering (£300k), upgrades to electrics/lighting, fire precaution and central heating (£250k) and Wilfred Fuller arena (£200k), all consistent with budget;
- Vehicle replacements - £255k has been spent on replacement vehicles to date. A further £2.5m is anticipated to be spent towards the end of year due to lead times on orders, though costs should still be £356k under budget. Part of the forecasted spend relates to the purchase of specialist items including a Horsebox. Proposals to generate savings on fleet replacement in future years are in progress;

- Capital Equipment Replacement – Expenditure of £411k is anticipated to be incurred during 20/21, mainly on replacement ANPR equipment hardware (£275k) and £120k on ANPR Tollbooth replacement.

DIGITAL PROJECTS

There has been £144k of expenditure as at end of Q2. £1.4m (55% of the plan) is forecast to be incurred in year, with an expected underspend against budget of £1.1m.

- National Systems – we are currently forecasting £244k underspend, mainly due to lower than anticipated costs on Emergency Services Network this year.
- CCTV -£209k under budget as actual capital costs of project are lower than anticipated.
- Digital Media Analytics – £300k budgeted value is not now expected to be spent this year.
- Case Management Solution - still forecast in line with budgeted spend (£250k).
- ERP replacement - £225k forecast to be spent, though will continue to be reviewed.

ESTATES PROJECTS

By the end of Q2 £1.1m (13% of the plan) was spent on the infrastructure programme. The forecast expenditure in 20/21 is £2.8m (34% of the plan), meaning there is expected to be a £5.4m underspend, mainly due to delays caused by Covid 19 pandemic.

- Underspend of £3.8m on Yeovil police station expected this year due to re-profiling of this project. £72k has been spent so far, mainly on professional fees. £766k is forecast to be spent by year-end, as per latest plan from supplier.
- Kenneth Steel House - £966k forecast to end of year, of which £872k has already been incurred. Actual costs are expected to come in line with total lifetime budget.
- Bristol Trinity Road - £228k underspend expected resulting from delays in the progress of this project, which is dependent on the buyer and developer of this site.
- Bath Neighbourhood base – Project has been delayed due to Covid 19; only £47k expected to be incurred this year, so will be £668k under budget. Project is under review.
- Williton - £365k forecast to be spent this year, in line with budget. Only £2k incurred so far due to delays with Covid 19.
- Minehead now being pushed back as proposed site was unsuitable due to flood risk, so £255k underspend against this year's budget expected.
- Radstock Neighbourhood Base –forecast underspend of £320k as project unlikely to go ahead this year.
- Wells Neighbourhood base -forecast to be £120k underspent in year of which £93k to be re-profiled into future years as a result of delays in progress against original planned timescales.

OTHER PROJECTS

Other projects are expected to be £263k under budget this year due to no spend on Regional Niche projects. The only expected other spend is £137.5k on Airpoint replacement in Q4.

FUNDED OR PART FUNDED PROJECTS

There are several projects outside of the immediate control of our capital programme, often reflecting the specific restrictions on the funding and, or the partnership basis of the initiative being supported. It is anticipated that £723k will be spent in 20/21 and the key highlights from this element of the capital plan include:

- Counter Terrorism Policing SW (CTPSW) Premises – upgrade boiler and lighting £74k
- CTPSW IT and Equipment – £121k
- SW Regional Organised Crime Unit Vehicles £399k and CTPSW vehicles £130k

CAPITAL FUNDING

The level of borrowing is forecast to be approximately £1.3m, though is currently being reviewed. This is significantly lower than the £5.06m expected in the last MTFP, mainly due to the delays in the Yeovil police station and other Estates project.

5. EQUALITY ANALYSIS

All business cases in support of change, both with revenue and capital implications are subject to an equality impact assessment. This way we can ensure that those decisions on how we allocate our funding across

budgets and plans are cognisant of equality issues.

6. SUSTAINABILITY

Sustainability is important in regard to ensuring the organisation is living within both its financial limits (financial sustainability) as well as within its environmental limits through ensuring effective and efficient use of natural resources. In fulfilling the objectives in terms of financial sustainability, this report, and our annual financial planning which culminates in the publication of our Medium Term Financial Plan, ensure we are able to maintain a good overview of our financial sustainability. Wider environmental sustainability considerations are also accounted for within the budget and capital programme.

7. CONCLUSIONS AND RECOMMENDATIONS

This report for Q2 shows a forecasted underspend at the year-end of £6.8m which is 2.1% of the total authorised budget. Total spend during the quarter is 46% of the total budget which is a reflection of Covid-19 slowing the progress of spend in many areas, as well as the profile of our spend being naturally weighted towards the latter half of the year as a consequence of inflationary pay awards being effective from September.

The need to identify savings to both meet this year's MTFP plans and also to cover excess Covid costs is ongoing and detailed scrutiny of budgets and spend will be made over the next quarter to provide an accurate base for 2020/21 MTFP planning.

Capital spend has continued to lag over the second quarter with several projects on hold. The revised forecast is still ambitious in some areas but now shows a more realistic picture developing than was projected at Q1.

Members of CMB and PCB are invited to review and discuss this financial performance report.

ANNEX A - Subjective Structure 2020/21 Revenue Outturn September 2020	20/21	20/21	Over/	Over/	20/21	20/21	Over/	
	YTD	YTD	(Under)	(Under)	Projected	Annual Budget	(Under)	
	Actual	Budget	£'000	%	Outturn	£'000	£'000	£'000
	£'000	£'000	£'000	%	£'000	£'000	£'000	
Police Officer pay and allowances	70,847	73,852	(3,005)	(4.1%)	144,398	147,732	(3,334)	(2.3%)
Police Officer Overtime	2,577	2,686	(109)	(4.1%)	6,288	5,508	780	14.2%
Police Staff pay and allowances	40,441	43,645	(3,204)	(7.3%)	84,276	88,084	(3,808)	(4.3%)
Police Staff Overtime	760	605	155	25.5%	1,590	1,299	292	22.5%
PCSO pay and allowances	5,499	6,057	(558)	(9.2%)	11,705	12,212	(507)	(4.2%)
PCSO Overtime	20	16	4	24.6%	36	35	1	2.6%
Indirect Employee Expenses	820	872	(52)	(6.0%)	1,580	1,690	(110)	(6.5%)
Pensions	3,942	4,143	(201)	(4.8%)	8,128	8,282	(154)	(1.9%)
EMPLOYEE COSTS	124,905	131,876	(6,971)	(5.3%)	258,001	264,841	(6,840)	(2.6%)
PREMISES COSTS	7,258	7,434	(175)	(2.4%)	13,939	14,449	(510)	(3.5%)
TRANSPORT COSTS	1,970	2,494	(523)	(21.0%)	4,052	5,131	(1,079)	(21.0%)
S&S - COMMUNICATIONS AND COMPUTING COSTS	11,722	12,283	(560)	(4.6%)	16,197	16,022	175	1.1%
S&S - FORENSICS COSTS	43	52	(8)	(16.2%)	95	102	(7)	(6.6%)
S&S - OTHER COSTS	8,452	8,956	(504)	(5.6%)	15,819	15,763	57	0.4%
PARTNERSHIP COSTS (3RD PARTY PAYMENTS)	7,277	7,236	40	0.6%	13,762	14,085	(323)	(2.3%)
TRANSFERS TO/(FROM) RESERVES	(4,243)	(3,576)	(667)	18.6%	(1,441)	(1,278)	(163)	12.7%
CAPITAL FINANCING COSTS	5,245	5,303	(58)	(1.1%)	17,494	17,609	(115)	(0.7%)
OUTSTANDING SAVINGS TARGET	0	0	0	0.0%	0	0	0	0
TOTAL CONSTABULARY EXPENDITURE	162,630	172,057	(9,427)	(5.5%)	337,918	346,723	(8,805)	(2.5%)
INCOME - SPECIAL GRANTS	(3,964)	(3,761)	(202)	5.4%	(7,523)	(7,523)	(0)	0.0%
INCOME - OTHER	(5,896)	(8,201)	2,305	(28.1%)	(12,591)	(14,668)	2,077	(14.2%)
TOTAL CONSTABULARY INCOME	(9,860)	(11,962)	2,102	(17.6%)	(20,114)	(22,191)	2,077	(9.4%)
TOTAL CONSTABULARY (exc Misc/Grants/Secondees)	152,770	160,095	(7,324)	(4.6%)	317,804	324,532	(6,728)	(2.1%)
MISCELLANEOUS	(15)	(1)	(14)	1,665.3%	0	0	0	0.0%
GRANTS	(1,326)	(569)	(757)	133.2%	(1,089)	(1,123)	34	(3.1%)
SECONDEES	0	(6)	6	(100.0%)	0	0	0	0.0%
TOTAL CONSTABULARY	151,430	159,519	(8,090)	(5.1%)	316,715	323,409	(6,694)	(2.1%)
OFFICE OF THE POLICE AND CRIME COMMISSIONER	649	837	(187)	(22.4%)	1,539	1,555	(15)	(1.0%)
COMMISSIONING COSTS	(1,062)	2,018	(3,080)	(152.6%)	3,420	3,488	(68)	(1.9%)
TOTAL OPCC AND COMMISSIONING	(413)	2,855	(3,267)	(114.5%)	4,959	5,042	(83)	(1.6%)
TOTAL REVENUE EXPENDITURE	151,017	162,374	(11,357)	(7.0%)	321,674	328,451	(6,777)	(2.1%)

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ANNEX B - Mgt Structure 2020/21 Revenue Outturn September 2020	20/21 YTD Actual £'000	20/21 YTD Budget £'000	Over/ (Under) £'000	Over/ (Under) %	20/21 Projected Outturn £'000	20/21 Annual Budget £'000	Over/ (Under) £'000	Over/ (Under) %
Neighbourhood Policing	14,153	14,736	(583)	(4.0%)	29,711	30,281	(570)	(1.9%)
Road Safety	41	109	(67)	(61.9%)	238	199	39	19.7%
Offender Management	2,489	2,522	(33)	(1.3%)	5,134	5,062	72	1.4%
Victims and Safeguarding	2,040	2,169	(128)	(5.9%)	4,197	4,378	(181)	(4.1%)
Citizens in Policing	211	283	(73)	(25.6%)	473	594	(121)	(20.4%)
NEIGHBOURHOOD & PARTNERSHIP	18,935	19,819	(884)	(4.5%)	39,752	40,514	(761)	(1.9%)
Command and Control	9,757	8,796	961	10.9%	18,902	17,750	1,153	6.5%
Patrol	26,123	26,157	(34)	(0.1%)	54,771	52,846	1,925	3.6%
Detainee Investigation Support	3,336	3,823	(487)	(12.7%)	6,976	7,718	(742)	(9.6%)
RESPONSE	39,216	38,776	440	1.1%	80,650	78,314	2,336	3.0%
<i>Criminal Justice</i>	7,167	7,553	(385)	(5.1%)	14,755	15,097	(342)	(2.3%)
<i>Speed Enforcement</i>	785	(362)	1,148	(316.6%)	401	(1,149)	1,549	(134.9%)
Criminal Justice	7,952	7,190	762	10.6%	15,155	13,948	1,207	8.7%
Operations Major Incidents	159	106	53	49.8%	396	247	149	60.4%
Operations	3,346	3,268	77	2.4%	6,786	6,682	104	1.6%
Operation Remedy	2,652	3,513	(862)	(24.5%)	5,614	6,947	(1,333)	(19.2%)
Serious & Violent Crime	366	564	(198)	(35.1%)	1,124	1,124	0	0.0%
Intelligence and Tasking	5,106	5,318	(212)	(4.0%)	10,175	10,612	(436)	(4.1%)
Tactical Support Team	6,749	7,053	(304)	(4.3%)	13,975	14,137	(162)	(1.1%)
OPERATIONAL SUPPORT	26,330	27,014	(684)	(2.5%)	53,226	53,697	(471)	(0.9%)
Investigation	13,538	15,681	(2,142)	(13.7%)	27,663	31,495	(3,832)	(12.2%)
Investigation Major Incidents	273	480	(207)	(43.2%)	750	899	(149)	(16.6%)
INVESTIGATION	13,811	16,161	(2,350)	(14.5%)	28,413	32,394	(3,981)	(12.3%)
Scientific Investigation	3,670	4,053	(383)	(9.5%)	8,117	8,120	(3)	(0.0%)
Major Crime Investigation	2,227	2,603	(375)	(14.4%)	4,665	5,325	(661)	(12.4%)
South West ROCU	1,713	1,713	(0)	(0.0%)	3,406	3,406	0	0.0%
Special Branch	568	588	(21)	(3.5%)	1,176	1,189	(14)	(1.1%)
Black Rock	490	640	(150)	(23.5%)	990	1,239	(249)	(20.1%)
Counter Terrorism Specialist Firearms	200	391	(190)	(48.8%)	626	797	(172)	(21.5%)
SWPCP ACC	21	21	0	0.0%	43	43	0	0.0%
COLLABORATION	8,889	10,009	(1,120)	(11.2%)	19,022	20,120	(1,098)	(5.5%)
Technology Services	14,116	14,433	(317)	(2.2%)	21,312	21,031	281	1.3%
INFORMATION TECHNOLOGY DIRECTORATE	14,116	14,433	(317)	(2.2%)	21,312	21,031	281	1.3%
Chief Officer Group	1,015	931	84	9.0%	1,654	1,627	26	1.6%
Evidential Property & Stores	1,155	1,305	(150)	(11.5%)	2,373	2,616	(242)	(9.3%)
Transport Services	1,992	2,234	(242)	(10.8%)	4,443	4,731	(287)	(6.1%)
Services Hub	1,985	2,267	(283)	(12.5%)	4,157	4,571	(414)	(9.1%)
Finance Department	862	972	(111)	(11.4%)	1,850	1,966	(116)	(5.9%)
Strategic Procurement Services	259	268	(9)	(3.3%)	419	542	(122)	(22.6%)
Estates and Facilities Department	7,135	7,698	(563)	(7.3%)	14,406	14,510	(103)	(0.7%)
FINANCE & BUSINESS SERVICES DIRECTORATE	14,402	15,675	(1,273)	(8.1%)	29,302	30,562	(1,259)	(4.1%)
HR Operations	2,483	2,543	(61)	(2.4%)	5,073	5,070	4	0.1%
Organisational Development	340	438	(99)	(22.5%)	811	1,011	(200)	(19.8%)
Learning	2,896	3,645	(749)	(20.5%)	6,817	7,258	(441)	(6.1%)
Legal Services	910	773	137	17.7%	1,847	1,557	290	18.6%
Occupational Health	410	483	(73)	(15.2%)	970	970	(0)	(0.0%)
Health & Safety	48	51	(3)	(6.7%)	104	104	0	0.1%
PEOPLE & ORG DEVELOPMENT DIRECTORATE	7,086	7,934	(848)	(10.7%)	15,622	15,969	(347)	(2.2%)
Transformation	1,103	1,236	(132)	(10.7%)	2,361	2,500	(139)	(5.5%)
Improvement	880	1,151	(271)	(23.6%)	2,020	2,372	(352)	(14.8%)
Force Crime & Incident Registrar	139	138	2	1.1%	283	278	5	1.7%
Strategic Projects	387	432	(45)	(10.5%)	931	1,046	(115)	(11.0%)
Corporate Communications	408	464	(56)	(12.2%)	927	986	(58)	(5.9%)
Professional Standards Department	1,102	1,211	(109)	(9.0%)	2,431	2,452	(21)	(0.8%)
TRANSFORMATION & IMPROVEMENT DIRECTORATE	4,019	4,632	(613)	(13.2%)	8,953	9,633	(680)	(7.1%)
Pensions	4,909	5,175	(265)	(5.1%)	10,338	10,346	(8)	(0.1%)
Officer & Staff Allowances	674	1,005	(331)	(32.9%)	1,535	2,132	(597)	(28.0%)
Bristol Airport	200	(7)	206	(3,171.1%)	145	(25)	170	(680.4%)
Glastonbury Festival	0	(617)	617	(100.0%)	0	(617)	617	(100.0%)
HQ Central	3,136	2,702	433	16.0%	11,723	11,649	74	0.6%
Reserves	(3,485)	(2,618)	(867)	33.1%	(3,485)	(3,084)	(401)	13.0%
UC Claims	0	0	0	0.0%	0	0	0	0.0%
Wilfred Fuller	(0)	0	(0)	0.0%	0	0	0	0.0%
Central Costs	(149)	(539)	390	(72.3%)	8,384	7,923	461	5.8%
Covid 19	532	2	530	33,141.6%	(545)	3	(549)	(17,141.5%)
Central Savings	0	0	0	0.0%	1,838	1,895	(57)	(3.0%)
Student Officers	1	0	1	0.0%	1	0	1	0.0%
CENTRAL COSTS	5,967	5,642	324	5.8%	21,551	22,299	(748)	(3.4%)
TOTAL CONSTABULARY (exc Misc/Grants/Secondees)	152,770	160,095	(7,324)	(4.6%)	317,804	324,532	(6,728)	(2.1%)
MISCELLANEOUS	(15)	(1)	(14)	1,665.3%	0	0	0	0.0%
GRANTS	(1,326)	(569)	(757)	133.2%	(1,089)	(1,123)	34	(3.1%)
SECONDEES	0	(6)	6	(100.0%)	0	0	0	0.0%
TOTAL CONSTABULARY	151,430	159,519	(8,090)	(5.1%)	316,715	323,409	(6,694)	(2.1%)
OFFICE OF THE POLICE AND CRIME COMMISSIONER	649	837	(187)	(22.4%)	1,539	1,555	(15)	(1.0%)
COMMISSIONING COSTS	(1,062)	2,018	(3,080)	(152.6%)	3,420	3,488	(68)	(1.9%)
TOTAL OPCC AND COMMISSIONING	(413)	2,855	(3,267)	(114.5%)	4,959	5,042	(83)	(1.6%)
TOTAL REVENUE EXPENDITURE	151,017	162,374	(11,357)	(7.0%)	321,674	328,451	(6,777)	(2.1%)

OFFICIAL

Annex E – Capital Spend

£000's	Planned Spend				2021 actual spend	Q3 forecast	Q4 forecast	Total project 2021 cost	Over /(Under) spend to 2021 budget
	MTFP	C/F 1920	Adjs	Total Budget					
Information and Communication Systems	6,425	497	33	6,955	2,182	874	4,092	7,147	192
Estates	1,244	359	300	1,903	50	1,319	520	1,889	-14
Fleet	2,672	398	0	3,070	255	826	1,633	2,714	-356
Equipment	408	118	0	526	149	0	262	411	-115
Total Replacement and Renewal Programme	10,749	1,371.7	333.0	12,454	2,636	3,019	6,507	12,162	-292
Digital Projects	1,644	841.7	0.0	2,486	144	193	1,040	1,377	-1,109
Estates Projects	7,094	1,504	-428	8,170	1,081	1,015	658	2,754	-5,416
Total Programme	8,738	2,346.0	-428.0	10,656	1,225	1,207	1,698	4,131	-6,525
Regional Programme	100	0	0	100	0	0	0	0	-100
Other Projects	300	0	0	300	0	0	138	138	-163
Funded / Part Funded Projects	0	202	522	723	283	204	236	723	0
Total Capital Programmes	19,887	3,919.5	426.6	24,233	4,145	4,430	8,578	17,153	-7,080

AVON AND SOMERSET POLICE AND CRIME BOARD

3rd November 2020

**OPCC OUTTURN REPORT 2020 - 2021 and
OPCC BUDGET 2021 - 2022 proposals**

REPORT OF THE PCC's CHIEF FINANCE OFFICER ("CFO")

PURPOSE OF THE REPORT

1. This report sets out an update on the forecast budget outturn position for the Office of the PCC ("OPCC") in 2020/21 and also set out proposals for the OPCC budget and use of reserves in 2021/22.

2. **OPCC Commissioning and Grants**
 - 2.1 The PCC's victims commissioning, community safety and grant budget for 2020/21 was agreed as £3.48 million and is supported by MoJ funding for Victims services.
 - 2.2 There is a small underspend forecast this year in the commissioning and grants budget that will be transferred to the Victims and Commissioning reserve.
 - 2.3 This budget continues to support core commissioned services for Victims; community safety; drugs and alcohol referral services; Restorative justice; services to support victims and tackle offending in CSE and CSA and to fund Mental Health triage service in the Force control room.
 - 2.4 The Victims services budget in 2020/21 is stated net of £2.03 million funding from the MoJ for victims services of which £0.9 million is a contribution to the Integrated Victim Care Lighthouse service provided by the Constabulary. The balance is used to commission third party support and advocacy services for victims.
 - 2.5 The mental health triage service funding is in place until the end of March 21. As part of a service review, a revised reporting framework and structure has been devised and implemented, although as this was implemented in August it is too early to draw conclusions. Other mechanisms that support lower-risk mental health referrals are being considered to help inform decision making post March 21.
 - 2.6 The budget proposed for 2021/22 is £3.52 million which supports the planned grants and commissioning work agreed with the PCC. This small increase reflects additional funding from the MoJ which is specifically for ISVAs.
 - 2.7 The new PCC, following next year's election, will wish to review the use of the Police & Crime Grant, as well as the areas funded from reserves. We also recognise the need for a commissioning reserve to enable the PCC to address identified priorities and to create a strategic flexibility within the funding framework.

OPCC Commissioning and Grants 2020/21 outturn and draft 2021/22 budget

Cost Area £'000s	Budget <u>2020 21</u>	Forecast <u>2020 21</u>	Draft Plan <u>2021 22</u>
Custody and courts (drugs & alcohol) referral service	553	553	553
Victims incl. SARC, CSE & CSA	1,784	1,735	1,777
MoJ grant top-slice to support OPCC grants process	0	0	50
Appropriate Adults (net of partner contributions)	52	50	88
Mental Health triage	159	107	122
Restorative Justice	180	179	179
Police & Crime Grants (community safety & YOT)	740	740	740
Commissioning other 3 rd party work	20	20	20
Other – from underspend (commissioning decisions in-year e.g Call In)	0	35	0
TOTAL	3,488	3,419	3,529

2.7 Planned Use of Victims & Commissioning reserve

This reserve is fully allocated against existing and planned activities between 2020 and 2023. The core earmarked projects being funded from these reserves are as follows:

Reducing Reoffending £1m – local and regional work

Spend against this £1m is earmarked as follows:

- Southwest Regional Reducing Reoffending Senior Responsible Officer (SRO) £23k – over 2 years
- Resolve SRO £17k – 5 months of 20/21
- Court Up £160k – over 2 years
- DRIVE £300k – over 3 years

- HMP Eastwood Park Programme £8k – over 1 year
- Integrated Offender Management (IOM) Review £30k – 3 months of 20/21
- Julian House £25k – over 1 year
- Ready for Release £370k – over 2 years
- Support, Help, Engagement (SHE) £20k – over 1 year
- Start to Finish £48k – over 1.5 years

Victims and Commissioning allocated as follows:

Serious Violence {reduction} fund £40k

Reserves have been allocated to a fund to support match funded local projects with CSPs. Three of the Local Authorities took this up in 2019/20 (£60k) and the other two have taken up the remaining £40k in 2020/21.

DEP Evaluation £18k

DEP Backlog £15k

Out of Court Disposal Hate Crime Pathway £18k – 2 year pilot

Mental Health Triage £10k

ASCEND Evaluation £10k

Bristol City Council Mutual Gain £17k

Serious Violent Crime £500k – this will be an underspend at 2020/21 year-end to be transferred to the victims and commissioning reserve

This amount was transferred from the Constabulary to the OPCC Commissioning cost centre as a result of precept funding they had planned to utilise, as agreed, in 2019/20 on funding PCSOs in schools. The Constabulary then received funding in-year from the Home Office which they used to fund these posts and as such the funding was returned to the OPCC in 2020/21 for spend on Serious Violence work. £50k has been earmarked so far for VRU evaluation and it is proposed that £41k be used to fund a VRU Analyst for 1 year in order to further this work.

OFFICE OF THE PCC (OPCC) Budget

Outturn report for 2020/21

3. OUTTURN 2020/21

The PCC set an office budget for 2020/21 of £1.55, an increase from £1.39 in 2019/20 to support additional commissioning activity and the September 2020 pay awards – increases were partly offset by savings in other areas of the budget.

4. The OPCC's out-turn spend in 2020/21 is forecast to be slightly under budget. (see table below). The main variances are -

Savings in:

- Travel, office stationary and events (as a result of Covid-19)
- Staff costs as no overtime claimed yet, Ad hoc PCC driver not used (as a result of Covid-19) and saving from having a part time interim CEO and no independent CFO from April to July 2020. Please note that staff costs may be spent in full dependant on when the new Contacts and Conduct Officer starts (this is a 6 month fixed term post to mitigate the risk within the Contacts Team from an increased volume of work). Savings from the CEO/CFO arrangement have also been used to fund other in-year

establishment changes such as the appointed of a DPCC which was not otherwise budgeted for.

Cost increases arose from:

- Increase in the APCC Annual Subscription.

5. BUDGET 2021/22

The PCC proposes an increase in the OPCC budget in 2021/20 to:

- Cover the increase in the Annual APCC Subscription, £8k;
- Account for staff pay awards based on national settlements, forecast currently at 2.5% from Sept 2020 and 2.5% increase in September 2021, £30k;
- To allow for role re-grading of x7 posts (agreed in 20/21), £26k;
- To allow for x2 new senior commissioning and policy officers focusing on Criminal Justice and Reducing Reoffending, £113k
- To recruit a commissioning support officer £38k;
- To recruit a VRU Analyst for a 1 year fixed term, £41k;
- To allow for the final two months of the Contacts and Conduct Officer (6 month fixed term post) and ten months of the new Community Engagement Communications Officer, £46k; and
- Include the Police Appeals Officer in the staff costs going forward, £21k. Under the Police and Crime Act changes were brought in requiring the PCC to take over responsibility for reviews which were carried out by the Constabulary into complaints where the complainants are not satisfied with the outcome of the complaint but it is not a criminal/gross misconduct matter which will remain within the remit of the Independent Office of Police Conduct – this work was carried out by a team based in PSD. Following advice, the team and its budget transferred to the OPCC when the Act was implemented. This is an equal saving from the Force budget –so net neutral.

Due to the increase in work to support the commissioning process and the number of ad hoc grants, it is proposed that £50k be topsliced from the MoJ grant and transferred to the OPCC Office staff budget to support this work and to offset some of the above. It is also proposed that the £41k cost of the VRU Analyst be covered from the Serious Violent Crime reserve (discussed earlier in the report). Small savings have also been proposed in other parts of the staff budget which will offset some of the above leaving an increase of £200k on the budget in 2021/22 compared to the 2020/21 budget.

6. The revised OPCC budget will be £1.75 million in 2021/22 which includes the transfer of budget from the Constabulary for the Police Appeals Officer (as described above).
7. The Avon & Somerset OPCC remains below the national average. If the average cost per head of population of 118 pence was applied to Avon & Somerset's 1.7 million population then the OPCC costs would be in excess of £2 million.

Summary OPCC Office Budget 2020/21 - and 2021/22 budget proposals:

Cost Area £'000s	<u>Budget 2020/21</u>	<u>Forecast 2020/21</u>	<u>Draft Budget 2021/22</u>
1. Staff costs incl. PCC and training.	1,224	1,233	1,488
2. Transport & travel	20	10	20
3. Audit, annual accounts and joint audit committee	119	110	119
4. Subscriptions: APCC, APACE, PaCCTS, ICT co	30	38	38
5. Communications, media, PR	40	39	40
6. Treasury mgmt	70	70	70
7. Legal, Appeals costs, Actuarial & other professional fees	45	42	45
8. Office stationary, ICT, events	17	13	17
9. Custody visiting	9	3	9
Be Proud Awards – carry forward of sponsorship	2	2	0
Budget transfer from Constabulary – complaints triage not agreed until Apr 20. Cross charge	-21	-21	n/a Complaints triage now in staff costs
MoJ grant top-slice to support grants process	0	0	-50
VRU Analyst – Transfer from reserve	0	0	-41
Total	1,555	1,540	1,755

RECOMMENDATIONS and ACTION

8. The PCC is invited to review and discuss the OPCC budget outturn for 2020/21 and the budget issues and proposals for 2021/22.

PAUL BUTLER - OPCC Interim Chief Finance Officer

3rd NOVEMBER 2020

TREASURY MANAGEMENT MID-YEAR REPORT 2020-21

Report of the Chief Finance Officer

1. Summary

- 1.1. The Treasury Management Strategy for 2020-21 is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (Revised 2018), which includes the requirement for determining a treasury strategy on the likely financing and investment activity for the forthcoming financial year. The Code also recommends that the Police and Crime Commissioner (PCC) is informed of Treasury Management activities at least twice a year.
- 1.2. This report gives a summarised account of Treasury Management activity and outturn for the first half of the year, and ensures the PCC is embracing Best Practice in accordance with CIPFA recommendations.

2. Background

2.1. Economic Background

The spread of the coronavirus pandemic dominated during the period as countries around the world tried to manage the delicate balancing act of containing the virus while getting their populations and economies working again. After a relatively quiet few months of Brexit news it was back in the headlines towards the end of the period as agreement between the UK and EU on a trade deal was looking difficult.

Government initiatives continued to support the UK economy, with the furlough scheme keeping almost 10 million workers in jobs, and grants and loans being made to businesses.

GDP growth contracted by a massive 19.8% in Q2 2020 (Apr-Jun) according to the Office for National Statistics (ONS), pushing the annual growth rate down to minus 21.5%. Construction output fell by 35% over the quarter, services output by almost 20% and production by 16%. Recent monthly estimates of GDP have shown growth recovering, with the latest rise of almost 7% in July, but even with the two previous monthly gains this still only makes up half of the lost output.

The headline rate of UK Consumer Price Inflation (CPI) fell to 0.2% year/year in August, further below the Bank of England's (BoE) 2% target. The ONS' preferred measure of CPIH which includes owner-occupied housing was 0.5% y/y.

In the three months to July, labour market data showed the unemployment rate increased from 3.9% to 4.1% while wages fell 1% for total pay in nominal terms and was down 1.8% in real terms. Despite only a modest rise in unemployment over the period, the rate is expected to pick up sharply in the coming months as the furlough scheme ends in October. On the back of this, the BoE has forecast unemployment could hit a peak of between 8% and 9%.

The BoE maintained Bank Rate at 0.1% and its Quantitative Easing programme at £745 billion. The potential use of negative interest rates was not ruled in or out by BoE policymakers, but then a comment in the September Monetary Policy Committee (MPC) meeting minutes that the central bank was having a harder look at its potential impact than was previously suggested took financial markets by surprise.

The US economy contracted at an annualised rate of 31.7% in Q2 2020 (Apr-Jun). The Federal Reserve maintained the Fed Funds rate at between 0% and 0.25% but announced a change to its inflation targeting regime, which will mean interest rates at low levels for an extended period.

The European Central Bank maintained its base rate at 0% and deposit rate at -0.50%.

Equity markets continued their recovery, with the Dow Jones climbing to not far off its pre-crisis peak. Performance was driven by a handful of technology stocks including Apple and Microsoft, with the former up 75% in 2020. The FTSE 100 and 250 have made up around half of the losses seen at the height of the pandemic in March. Central bank and government stimulus packages continue to support asset prices, but volatility remains.

Ultra-low interest rates and the flight to quality continued, keeping gilts yields low but volatile over the period with the yield on some short-dated UK government bonds remaining negative. The 5-year UK benchmark gilt yield started and ended the June–September period at -0.06% (with much volatility in between). The 10-year gilt yield also bounced around, starting at 0.21% and ending at 0.23% over the same period, while the 20-year rose from 0.56% to 0.74%.

As gilt yields have a direct correlation to Public Works Loan Board (PWLB) the downward drift in PWLB borrowing rates for most durations can be seen in Tables 2 and 3 in Appendix A.

London Interbank Bid (LIBID) rates based on the Intercontinental Exchange London Interbank Offered Rate (LIBOR) fixings show that there was significant downward movement in rates from April to the end of September, with most periods up to 1 year ending in negative territory. With the BoE MPC actively considering the effects of implementing a Negative Interest Rate Policy (NIRP) the outlook has remained to the downside.

All periods closed on or close to year-to-date lows and the 1-month, 3-month, 6-month, and 12-month LIBID rates had reduced by 0.19%, 0.51%, 0.63%, and 0.68% respectively, and ended the period at -0.08%, -0.06, -0.04%, and 0.03% respectively over the period.

Rates from banks to Local Authorities have followed LIBID rates down with several now offering negative rates (charging for having our money).

The effect that economic conditions had on money market rates during the period, can be seen in Table 1, Appendix A.

2.2. Debt Management

The limited capital spending that has been incurred has been funded using internal resources in lieu of borrowing as it has been the most cost-effective means of financing capital expenditure. This has lowered overall treasury risk by reducing both external debt and temporary investments.

£775k of EIP PWLB Loans have been repaid during the period.

The debt position at the beginning and end of the period are shown below: -

	Balance on 31/03/2020 £m	Debt Matured / Repaid £m	New Borrowing £m	Balance on 30/09/2020 £m	Increase/ Decrease in Borrowing
Short Term Borrowing	0.00	0.00	0.00	0.00	0.00
PWLB	34.268	0.775	0.00	33.493	-0.775
LOBOs	5.275	0.00	0.00	5.275	0.00
Other Market Loans	6.500	0.00	0.00	6.500	0.00
Total Borrowing	46.043	0.775	0.00	45.268	-0.775

The overall rate paid on PWLB loans has increased marginally from 3.35% at 31st March to 3.36% at 30th September. This is as a result of repayment of EIP loans at a lower rate than the average. The average market loan rate at 30th September remained the same at 4.30%.

The average rate of interest payable across the total debt portfolio of £45.27m was 3.61% at 30th September, down from 3.82% from the same time last year as a lower rate loan was taken in March 2020.

2.3. Investment Activity

The Guidance on Local Government Investments in England gives priority to security and liquidity and the PCC's aim is to achieve a yield commensurate with these principles.

Security of capital remained the PCC's main investment objective. This was maintained by following the counterparty policy as set out in the Annual Treasury Strategy, and by the approval method set out in the Treasury Management Practices. Current approved counterparties are listed below. Those used during the first half of the year are denoted with a star.

Bank or Building Society			
Australia & NZ Bank	*	National Westminster	*
Bank of Scotland		Nationwide BS	
Barclays Bank Plc		Nordea Bank AB	
Close Brothers Ltd		OP Corporate Bank	
DBS Bank	*	Rabobank	
Goldman Sachs Int Bank	*	RBS	
HSBC Bank		Santander UK	*
Lloyds Bank	*	Standard Chartered Bank	
Landesbank Hessen-Thuringen		Handelsbanken Plc	*
Oversea-Chinese Banking		Toronto-Dominion Bank	
		United Overseas Bank	
Sterling CNAV Money Market Funds		Other Counterparties	
Deutsche	*	Debt Management Office	
Federated Prime Rate	*	Local Authorities (12)	*
Invesco Aim	*	CCLA Property Fund	*
Insight	*		
LGIM	*		
Aberdeen Standard	*		
SSGA	*		

SCC, as Treasury Management contractor, has continuously monitored counterparties, and all ratings of proposed counterparties have been subject to verification on the day, immediately prior to investment. Other indicators taken into account have been:

- Credit Default Swaps and Government Bond Spreads.
- GDP and Net Debt as a Percentage of GDP for sovereign countries.
- Likelihood and strength of Parental Support.
- Banking resolution mechanisms for the restructure of failing financial institutions i.e. bail-in.
- Share Price.
- Market information on corporate developments and market sentiment towards the counterparties and sovereigns.

Counterparty Update

For all the economic turmoil, there were minimal credit rating changes during the period; however, in April Fitch Ratings applied a Negative outlook to most UK Banks, and S&P followed suit in May, and also included several European and Australian Banks.

Fitch did downgrade Rabobank and ANZ from AA- to A+, S&P did likewise with HSBC. Moody's reduced Nationwide from Aa3 to A1.

There remains much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic and for the UK institutions on our list there is the added complication of the end of the Brexit transition period on 31st December and what a trade deal may or may not look like.

Credit default swap spreads were elevated in March and April as lockdowns occurred and economies suffered. Since then, levels have eased over most of the period but with a certain amount of volatility. At the end of the period, levels were roughly 65% of those at the beginning of April.

While the UK and Non-UK banks on the SCC advisors' counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks was cut to 35 days for new deposits in mid-March.

The PCC continues to hold £2m in a 95-day notice account with Santander UK.

As duration has been reduced on new bank lending, rates in the 35-day term have reduced in line with LIBID, and bank rates have nearly all been below those offered by instant access Money Market Funds (MMFs). In order to place deposits for longer maturities, and to pick up a better yield, more deposits have been placed with UK Local Authorities. This too has been difficult, as the deluge of money from Central Government has increased liquidity and reduced the number of Local Authorities looking to borrow money. At times there have been no Local Authorities looking to borrow, and this has kept rates suppressed.

Liquidity: In keeping with the CLG guidance, the PCC maintained a sufficient level of liquidity through the use of call accounts, Money Market Funds, and short-term deposits. No short-term loans were necessary during the period.

Ninety-three deposits totalling over £314m were made during the first half of the year. The average weighted maturity, or duration of investments as at 30th September was 86 days, or 2.9 months. This is slightly higher than the 2019-20 figure of 79 days.

CCLA Property Fund: The Authority has a £3m investment in the CCLA Property Fund. As a reminder, this Fund has been in existence for more than 25 years and is only available to Local Authorities. It is an actively managed, diversified portfolio of UK Commercial Property with a stated investment objective "to provide investors with a high level of income and long-term capital appreciation".

The decision to invest more in the CCLA Property Fund was driven by the original 2 key factors i.e. diversifying away from unsecured Bank deposits, and to mitigate the risk of negative returns (real negative returns, or inflation adjusted returns) posed by the low interest rate environment.

The current yield of circa 3.6% net will provide approximately £107,000 of income per annum, circa £98,000 more than if invested in cash at current rates.

Yield: As at 30th September cash balances (Inc-Property) stood at £91.31m (£81.512m in 2019-20) and had averaged just under £79.5m for the year-to-date (£65.8m 2019-20). The average return for the year-to-date was 0.58% including Property, 0.46% excluding (1.01% and 0.86% respectively for 2019-20). When compared to the target 0.45% (7-day LIBID + 50 bps) overall returns have over-performed by 0.13%. This has produced investment income in the order of £230k during the period (£105k less than for the same period 2019-20) on average balances of over £13.7m more.

By comparing returns with money market rates in Table 1 of Appendix A, it can be seen that investment cash performance (Ex-Prop) of 0.46% has outperformed the average market rate for 3-month LIBID, 0.13%, 6-month LIBID, 0.24%, and 12-month LIBID, 0.37%, by 0.33%, 0.22%, and 0.09% respectively for the period. This has been achieved with a conservative portfolio that averaged under 3-months duration.

The significant one-off pension top-up payment of £54.4m in July again had a significant effect, meaning that short-term (and thereby lesser paying) counterparties had to be used. As the top-up is more or less uniformly spent during the year, it also limits the maturity options for deposits, i.e. only a proportion can be lent in longer periods where rates are better. Similar to last year, deposit rates were toward the low and heading much lower when this lump sum was received.

As duration has been reduced on new bank lending, rates in the 35-day term have reduced in line with LIBID, and bank rates have nearly all been below those offered by instant access Money Market Funds (MMFs). In order to place deposits for longer maturities, and to pick up a better yield, more deposits have been placed with UK Local Authorities, hence the increase in this area.

The table below sets out changes in the lending portfolio over the period: -

	Balance on 31/03/2020 £m	Percentage of portfolio	Balance on 30/09/2020 £m	Percentage of portfolio	Increase/ Decrease in Lending £m
Call A/cs & MMFs (Short-term)	12.90	22.3%	24.31	26.7%	+£11.41
Notice A/cs (95,35,& 32 day)	22.00	38.0%	14.00	15.3%	-£8.00
Deposits (Banks)	13.00	22.4%	14.00	15.3%	+£1.00
Deposits (Local Authorities)	7.00	12.1%	36.00	39.4%	+£29.00
CCLA Property Fund	3.00	5.2%	3.00	3.3%	+£0.00
Total Lending	57.90	100.0%	91.31	100.0%	+£33.41

		Rate as at 31/03/2020		Rate as at 30/09/2020	Change in Rate
Total		0.92%		0.39%	-0.53%

2.4 Compliance and Prudential Indicators

The PCC can confirm that it has complied with its Prudential Indicators for 2020-21. Indicators agreed by the Finance Committee and actual figures as at 30th September are included below: -

	2020-21 £m	As at 30-09 £m
Authorised limit (Excludes PFI)	52	47.3
Operational boundary (borrowing only)	50	47.3

Maturity structure of borrowing

	Upper Limit	Lower Limit	As at 30-09-20
Under 12 months	30%	0%	2.26%
>12 months and within 24 months	30%	0%	3.97%
>24 months and within 5 years	25%	5%	18.43%
>5 years and within 10 years	25%	0%	10.62%
>10 years and within 20 years	35%	0%	24.05%
>20 years and within 30 years	15%	0%	4.21%
>30 years and within 40 years	45%	10%	36.46%
>40 years and within 50 years	10%	0%	0%
>50 years and within 75 years	0%	0%	0%

	2020-21 £m	As at 30-09 £m
Prudential Limit for principal sums invested for periods longer than 365 days	20	3

Credit Risk Indicator

The PCC has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating / credit score of its investment portfolio. This is calculated by applying a score to each investment (AAA=1, AA+=2, etc.) and taking the arithmetic average, weighted by the size of each investment. Unrated investments are assigned a score based on their perceived risk.

Credit risk indicator (Actual to be below)	Target	Actual
Portfolio average credit rating (score)	A (6.0)	AA- (3.63)

CIPFA no longer recommends setting upper limits on fixed and variable rate exposures, so these are no longer calculated for this paper.

2.5 Outlook for Quarters 3 & 4

The medium-term global economic outlook is weak. While the strict initial lockdown restrictions have eased, coronavirus has not been suppressed and second waves have prompted more restrictive measures on a regional and national basis. This ebb and flow of restrictions on normal activity will continue for the foreseeable future, at least until an effective vaccine is produced and importantly, distributed.

The scale of the economic shock to demand, on-going social distancing measures, regional lockdowns and reduced fiscal support will mean that the subsequent pace of recovery is limited. Early signs of this are already evident in UK monthly GDP and PMI data, even before the latest restrictions.

This situation will result in central banks maintaining low interest rates for the medium term. In the UK, Brexit is a further complication. Bank Rate is therefore likely to remain at low levels for a very long time, with a distinct possibility of being cut to zero. Money markets have priced in a chance of negative Bank Rate.

Longer-term yields will also remain depressed, anchored by low central bank policy rates, expectations for potentially even lower rates and insipid inflation expectations. There is a chance yields may follow a slightly different path in the medium term, depending on investor perceptions of growth and inflation, or if the UK leaves the EU without a deal.

Bank Rate is expected to remain at the current 0.10% level and additional monetary loosening in the future most likely through further financial asset purchases (QE). While the central case for Bank Rate is no change from the current level of 0.1%, further cuts to Bank Rate to zero or even into negative territory cannot be completely ruled out.

Gilt yields are expected to remain very low in the medium term. Shorter-term gilt yields are currently negative and will remain around zero or below until either the Bank of England expressly rules out negative Bank Rate or growth/inflation prospects improve.

Downside risks remain in the near term, as the government reduces its fiscal support measures, reacts to the risk of a further escalation in infection rates and the Brexit transition period comes to an end.

The table below shows a forecast for base rate to September 2023 and includes an assessment of the relative risks to it being maintained at 0.10%.

Base Rate forecast to 2023

	Dec 20	Mar 21	Jun 21	Sep 21	Dec 21	Mar 22
Upside Risk	0.00	0.00	0.00	0.15	0.15	0.15
Base Rate	0.10	0.10	0.10	0.10	0.10	0.10
Downside Risk	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

	Jun 22	Sep 22	Dec 22	Mar 23	Jun 23	Sept 23
Upside Risk	0.15	0.30	0.30	0.30	0.30	0.30
Base Rate	0.10	0.10	0.10	0.10	0.10	0.10
Downside Risk	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50

2.6 Other issues

Revision to PWLB Lending Rates:

On 9th October 2019 HM Treasury, without warning, imposed a 1% premium on all loans from the PWLB, making it relatively expensive. Market alternatives are available; however, the financial strength of individual authorities will be scrutinised by investors and commercial lenders, and there can be substantial up-front costs.

The Chancellor's March 2020 Budget statement included significant changes to Public Works Loan Board (PWLB) policy and launched a wide-ranging consultation on the PWLB's future direction. £1.15bn of additional "infrastructure rate" funding at gilt yields plus 0.60% was made available to support specific local authority infrastructure projects for England, Scotland and Wales for which there is a bidding process.

The consultation titled "Future Lending Terms" allows stakeholders to contribute to developing a system whereby PWLB loans can be made available at improved margins to support qualifying projects. It contains proposals to allow authorities that are not involved in "debt for yield" activity to borrow at lower rates as well as stopping local authorities using PWLB loans to buy commercial assets primarily for yield. The consultation also broaches the possibility of slowing, or stopping, individual authorities from borrowing large sums in specific circumstances.

The consultation closed on 31st July 2020 with the announcement and implementation of the revised lending terms expected in the latter part of this calendar year or early next year.

2.7 Summary

In compliance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during the first six months of 2020-21. As indicated in this report all treasury activity was conducted within the benchmarks set as Prudential limits for prudent and sustainable capital plans, financing, and investment. A risk-averse approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

In order to mitigate increased risk posed by unsecured bank bail-in, and the risk of negative returns (real negative returns, or inflation adjusted returns) posed by the low interest rate environment, the Authority has continued investment in the CCLA Property Fund and has diversified deposit investments with Local Authorities where possible.

Cash Investment returns are above the average rate for 6 and 12-month LIBID for the period. (If the Property investment were included, it would be 0.34% higher than 6-month and 0.21% more than the 12-month LIBID rate). This has been achieved with a conservative portfolio that averaged just under 3-months duration.

The PCC has pursued a passive borrowing strategy. The limited capital spending that has been incurred to date has been funded using internal resources in lieu of borrowing as it has been the most cost-effective means of financing capital expenditure.

Monthly performance papers are produced by SCC Treasury Officers and virtual meetings have been held monthly to discuss performance, the economic and financial environment, and any tactical and strategic responses to be implemented.

Appendix A**Money Market Data and PWLB Rates**

The average low and high rates correspond to the rates during the financial year-to-date, rather than those in the tables below.

Table 1: Bank Rate, Money Market Rates (LIBID Rates based on Intercontinental Exchange LIBOR rates)

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid
01/04/2020	0.10	-0.06	0.00	0.11	0.45	0.59	0.71	0.48
30/04/2020	0.10	-0.07	-0.03	0.08	0.47	0.56	0.70	0.42
31/05/2020	0.10	-0.07	-0.06	-0.03	0.10	0.25	0.44	0.25
30/06/2020	0.10	-0.07	-0.06	-0.03	0.02	0.17	0.30	0.18
31/07/2020	0.10	-0.07	-0.06	-0.03	-0.04	0.04	0.19	0.10
31/08/2020	0.10	-0.08	-0.07	-0.07	-0.06	-0.01	0.11	0.10
30/09/2020	0.10	-0.08	-0.08	-0.08	-0.06	-0.04	0.03	0.07
Average	0.10	-0.07	-0.05	0.00	0.13	0.24	0.37	0.22
Maximum	0.10	0.08	0.10	0.16	0.56	0.62	0.77	0.51
Minimum	0.10	-0.08	-0.08	-0.08	-0.07	-0.05	0.02	0.01
Spread	0.00	0.16	0.18	0.24	0.63	0.67	0.76	0.50

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2020	129/20	2.12	2.30	2.76	2.75	2.61	2.54
30/04/2020	168/20	2.09	2.27	2.62	2.59	2.43	2.34
31/05/2020	206/20	1.98	2.19	2.61	2.62	2.50	2.43
30/06/2020	250/20	1.94	2.18	2.63	2.64	2.55	2.47
31/07/2020	296/20	1.87	2.11	2.60	2.64	2.56	2.48
31/08/2020	336/20	2.02	2.37	2.90	2.96	2.91	2.81
30/09/2020	380/20	1.94	2.22	2.71	2.75	2.68	2.59
	Low	1.87	2.11	2.57	2.56	2.40	2.33
	Average	2.00	2.24	2.69	2.71	2.61	2.52
	High	2.19	2.39	2.93	3.00	2.94	2.85
	Spread	0.32	0.28	0.36	0.44	0.54	0.52

Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2020	129/20	2.10	2.12	2.32	2.60	2.76	2.80
30/04/2020	168/20	2.06	2.09	2.28	2.51	2.63	2.64
31/05/2020	206/20	1.98	1.98	2.21	2.47	2.61	2.65
30/06/2020	250/20	1.93	1.94	2.19	2.48	2.63	2.67
31/07/2020	296/20	1.88	1.87	2.13	2.43	2.60	2.65
31/08/2020	336/20	1.95	2.04	2.39	2.72	2.91	2.97
30/09/2020	380/20	1.92	1.94	2.24	2.54	2.71	2.76
	Low	1.85	1.87	2.13	2.43	2.57	2.60
	Average	1.98	2.00	2.26	2.54	2.70	2.74
	High	2.16	2.20	2.41	2.75	2.94	3.00
	Spread	0.31	0.33	0.28	0.32	0.37	0.40