



**Police and Crime Board, 2<sup>nd</sup> June 2021 13:00 – 17:00**

**Venue: Meeting to be held via Teams**

**Attendees:**

- **Police and Crime Commissioner**
- **Chief Constable**
- **Deputy Chief Constable**
- **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**

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. Introduction and opening remarks from new PCC**

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

**5. Key Organisational Risks and Issues**

**6. Performance against Police and Crime Plan**

- a. Integrated Performance and Quality Report
- b. Assurance Report – Cyber crime
- c. Quarterly Vulnerability Report
- d. Strategic Policing Requirement (SPR)

**7. People and Organisational Development Update**

**8. Finance:**

- a. 2020/21 Outturn Report
- b. Annual Treasury Management Report 2020/21

## **9. Major Projects - Highlight Report**

### **10. Professional Standards**

- a. Quarterly Update
- b. IOPC Independent Investigations Update
- c. OPCC Complaints Review Data

### **11. A.O.B**

- a. Regular Lighthouse Safeguarding Unit (LSU) Update
- b. Update Number of Response Trained Drivers and Forward Projections
- c. Crime Data Integrity (CDI) Audit

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

**Date of the Next Meeting: 7<sup>th</sup> July 2021, 13:00 – 17:00**

**DRAFT Minutes of the Police and Crime Board, 31<sup>st</sup> March 2021**

**Held via Teams**

**Attendees:**

Sue Mountstevens, Police and Crime Commissioner  
Sarah Crew, Deputy Chief Constable  
Mark Simmonds, OPCC Interim CEO  
Sally Fox, OPCC Head of Contact and Conduct  
Paul Butler, OPCC Interim CFO  
Nick Adams, OCC CFO  
Louise Hutchison, Deputy Director of People and Organisational Development  
James Davis, Delivery Manager – Portfolio  
Alaina Davies, OPCC Resources Officer  
Carly Jones, OPCC Commissioning and Policy Support Officer

**1. Apologies**

Andy Marsh, Chief Constable  
Jon Reilly, Assistant Chief Constable  
Dan Wood, Chief Officer – People and Organisational Development  
Marc Hole, OPCC Head of Commissioning and Partnerships  
Ben Valentine, OPCC Strategic Planning and Performance Officer

**2. Minutes**

The Board agreed the minutes from the Police and Crime Board Meeting held on 3<sup>rd</sup> March 2021.

**3. Action Update – Response Times**

Immediate (Code 1) response time have been deteriorating over the last 12 months and the Constabulary having been assessing the data to understand the reasons for this. The Constabulary recognise the importance of responding when the public are most in need and that improvements must be a force wide approach. Where calls cannot be resourced by Patrol then Neighbourhood and Op Remedy should be deployed.

It was noted that there are a large number of student officers in Patrol (currently 537 with another 154 being added in June 2021) which impacts on the ability to single crew and they are learning rather than fully trained and operational. Skills retention is an issue – only 30% of the establishment is currently response driver trained.

Issues have also been identified in relation to recording. A number of immediate attendance has not been captured on Qlik and also where subsequent information is provided which has downgraded the call it still shows

as immediate response. The PCC was assured that the Constabulary have plans to address these issues.

The work the Constabulary has done provides a strong evidence base for understanding the issues and identify improvements.

It was noted that the Constabulary are moving to an 8 base model from 1<sup>st</sup> June 2021 which will help maximise the impact of the uplift and focus on “hotspots” by aligning skills with demand more equitably.

#### **4. PCC Comments**

The PCC recognised the considerable pressure the Constabulary has been under as a result of the protests in Bristol and commented on the measured approach taken by the Constabulary in resetting the relationship between the force and the protesters last night.

#### **5. Deputy Chief Constable’s Update**

The Deputy Chief Constable highlighted the good job of the command team in the approach to dealing with protesters in Bristol last night. The following points were raised:

- Sense of unrest and discontent – risk relating to how lockdown and restrictions over the last 12 months will manifest itself in different ways. This could provide opportunities for those who would wish to cause destabilisation to influence others.
- Increased focus on violence against women and girls – risk of loss in confidence in criminal justice and therefore loss of legitimacy. It is important for the force to demonstrate a good understanding and knowledge of the issues locally, particularly relating to Rape and Serious Sexual Assault (RASSO).
- Race and legitimacy – affected by national and international events. Racial disparity report released today and also ongoing high profile trial in the USA has potential for impact locally. The impartial position the police must take in policing unrest was highlighted.
- Sense that there will be more direction and performance scrutiny from central government going forward. Discussed providing contextualised data to ensure the public have the narrative around the data.

#### **6. Key Organisational Risks and Issues**

The red risks on both risk registers were highlighted but no issues were raised by the OPCC in addition to those highlighted by the Constabulary in the IPQR.

#### **7. Performance against Police and Crime Plan**

##### **a. Integrated Performance and Quality Report (IPQR)**

Public confidence remains high with public support through Covid being highlighted – this report pre-dates the recent protests in Bristol. Victim satisfaction rates also remain good.

The improvement focus is on victim contact and follow up, positive outcomes, consistency across teams and timeliness (particularly during the upcoming busy seasonal period).

The Spotlight in the report looked at the local dashboard proposed to report against the National Outcomes Framework. It was agreed at Constabulary Management Board (CMB) to embed local improvement plans into the dashboard and a specific session around performance improvement will be scheduled.

The PCC highlighted the wording in the report around the Offender GPS Tagging scheme and asked that, going forward, the wording describes this as a pathway rather than a pilot.

Victim contact timeliness remains a concern and the PCC is disappointed not to see an improvement. This will need addressing going forward.

The OPCC Interim CEO reflected on the huge improvement in the management information presented to Constabulary Management Board (CMB) and PCB now. The next step is to turn this work into tangible actions – problems have been identified so need to see the improvements going forward. The timing of seeing the improvements has a strong link to resources and uplift.

## **b. Assurance Report – County Lines**

The report highlights the improvements made in tackling County Lines and recommendations for the future. County Lines activity is a challenge for all forces nationally but Avon and Somerset are seen as national leaders in this area. It was noted that when one line is dismantled there will be another to replace it and the impact cuts across all themes of vulnerability.

The Constabulary reported that Avon and Somerset is the first force nationally to use a Slave Trafficking Order granted by the Crown Court, in addition to the prison sentence, which places prohibitions on the individual for 30 years.

The good partnership working and information sharing in this area of business was highlighted. In line with best practice the force use PNC flagging and work with roads policing and tactical support teams.

Covid-19 restrictions caused an increased use of public transport in County Lines activity. The Constabulary has worked with the British Transport (BTP) on weeks of action to disrupt activity.

Recommendation 1 focuses on improvements to the recording of disruption activity and maximising the intelligence from return to home interviews.

Recommendation 2 is around capturing and reporting results to better understand the intelligence work being done and reduce duplication.

The PCC was assured that County Lines work links in with the work of the VRUs – the VRUs dial into the fortnightly County Lines meetings. Risk assessments are done at these fortnightly meeting to identify the highest score threats in relation to violence and child exploitation and target those.

Eight of the highest threat lines have been dismantled over the last 12 months in relation to Op Orochi (London lines) with joint working – good links with the regional County Lines Coordinator and national work with the Met.

The importance of the ‘voice of the child’ in the investigative strategy was highlighted. The dataset shared with Local Authorities informs a richer intelligence picture but all Local Authorities work in difference ways and so the Constabulary is working with them to improve the data sharing.

The Constabulary is looking at emerging cohorts to identify diversionary work that can be done.

The PCC asked if the success in this area of business in North Somerset could be replicated force wide.

The PCC thanked Detective Superintendent Kerry Paterson and her teams for all of the work in this area and supporting in recent Bristol protests as well.

#### **c. Serious and Organised Crime (SOC)**

Improvements and work done since this was last reported were highlighted. There is now a Qlik app to count SOC disruptions. Work is being done around process, systems and working with the Regional Organised Crime Unit (ROCU). Meeting scheduled with financial investigations and cyber to identify further work that can be done to cause disruption to organised crime. Tackling the highest threat, harm and risk but need to assess the impact this has. Organised crime affects so many lives in the community.

Discussed technical improvements that are needed in working with ROCU. It was noted that the PCC needs to be well sighted on changes to national and regional tasking and how it all fits into a proactive stream. The positive update on work being done was noted by the OPCC. The PCC commented that the Constabulary need to find a way of communicating with the public on the amount of positive work being done on SOC.

#### **d. Strategic Planning Meeting (SPM) Update**

This was an energetic, focused and collaborative session looking at:

- Performance – looking at the national and local picture. Ensuring that the investment supports the identified gaps and the investment turns into outcomes and achievements.
- Uplift – agreed the uplift design. Investment in a higher volume of cases going through the Criminal Justice System (CJS) plan will be presented at June SPM.
- Saving – collation of work done by department heads and senior leaders to meet the savings target. Approved Phase 2 plans but gave some direction. Questions and options in relation to Phase 3 were presented to get a steer for the way forward. Detailed ideas in relation to Phase 3 will be presented to June SPM.

The PCC was assured that the Constabulary have checked how all of the activity will fit together and will continue to check this every 3 months. The OPCC Interim CFO commented that it is really positive to see the focus on evidence based decisions and demonstrating returns. Communication with the PCC on plans and progress will be very important. The Constabulary highlighted the insightful work that supported the presentation at SPM and it was agreed that the new OPCC Interim CEO should have sight of the presentation.

#### **e. Stalking and Harassment**

A presentation was given on the deep dive into the Constabulary response to Stalking and Harassment. The Constabulary commissioned some research to look at 46 cases and looked at what the figures show – this provided a good qualitative and quantitative picture. Percentages showed that the outcome rate does not compare well nationally. It has been identified that improvements are needed in relation to investigation quality, victim care, volume of repeat offences, consistency in identifying repeat offences and training/understanding. Need a wider understanding that Stalking and Harassment is often the first step in the escalation of behaviour becoming more violent/threatening.

The cost to the Constabulary of Stalking and Harassment was highlighted. CMB supported the recommendation to invest in taking on the best practise model and introducing a Stalking and Harassment Clinic – it was agreed that this would be the right area to direct some uplift resources. Similar themes are identified as with the RASSO work and needs to be part of a whole approach through the Bluestone solution – opportunity to do some ground breaking work.

Transparency of recording Stalking and Harassment was discussed. The PCC raised concerns with regard to the advice being given. There have been issues with separating the lower risk cases (such as social media arguments between people who live far away from each other) and identifying high risk cases – the guidance on advice will be different depending on the risk. Background checking is needed to improve the service. Often cases are recorded under a different crime type (e.g. criminal damage) so need to link where there is Stalking and Harassment and in

particular where this is repeated. It was noted that 65% of suspects are male and 81% of victims are women.

It is very important to address these issues and give public confidence in the police service. Officer training was discussed and the PCC was assured that one of the recommendation agreed at CMB relates to training. The DCC highlighted the academic work on Bluestone, part of which is, looking at the learning and development content of the Police Constable Degree Apprenticeship (PCDA).

## **8. Decisions**

Please note that Decision Notices are published on the PCC website on the Decisions page under the Openness section.

**2021/005 Treasury Management Strategy 2021/22** – Decision to approve the Treasury Borrowing Strategy (Section 2) for the financial year 2021-22, approve the Treasury Investment Strategy (Section 3) for the financial year 2021-22 and Note the Prudential Indicators (Section 4) for the financial years 2021-2024. The Decision Notice will be signed and published on the PCC's website.

It was also noted that the PCC and OPCC Interim CFO reviewed the decision to drawn down £1.3m of borrowing by the end of 2020/21 in line with the strategy.

## **9. People and Organisational Development Update**

An update on the recruitment position was given. On target for PCSO recruitment and over establishment for polices at the end of March. Improvement in recruitment of police staff and police staff investigators recruitment.

Action is being taken to improve Specials recruitment. Virtual assessment centre held in February which went well and 41 candidates were interviewed over 4 days with 20 being successful – of the successful applicants there was a 50/50 gender split. There are a further 46 candidates scheduled for interviews next week.

Inclusion and diversity in police officer recruitment was discussed. The Constabulary are working on seeing and understanding disproportionality at each stage of the process and taking a data analytical approach. It was noted that attraction levels have been good but there is potentially an issue at eligibility stage in relation to qualifications which needs looking at to see what can be done to improve this. The Constabulary are looking at what other forces are doing such as specific outreach work. The Constabulary are also looking at the size and diversity of the pipeline.

It was noted that the results of the most recent census will also make the representation gap larger. It is also likely that there will be an increased focus on the national comparison going forward.

PCSO recruitment is a positive diversity story and the OPCC asked what can be learned from this for officer recruitment. It is thought that the attraction to the role of PCSO from a more diverse cohort is being a community presence and making a difference to the local community. Also there is an impact from the recruitment/assessment process being a local approach for PCSOs but national for police officers.

The Constabulary highlighted that the Leadership Academy has been launched today. The PCC asked what success of the Leadership Academy looks like. Looking to achieve more consistent and valuable decision making which links through to improved performance. Three priorities will be set each year to focus on.

Also the SARI partnership is in development and is planned for launch in September – focus on operational staff and officers as they are already involved in PCDA training. The PCC asked that working with homelessness charities be included – the Constabulary will discuss this at the Governance Steering Group headed by the Chief Officer for People and Organisational Development.

A new exit interview process in launching tomorrow. This is a more simple form which will highlight clear points which need to be picked up by the organisation.

A paper will be submitted to CMB which includes recommendations with regard to resetting the organisation following the last year of Covid restrictions. With regard to working from home the costs of a future approach will be considered and clarity on ways in which people will be working (formalised approach) to give consistency. It was also noted that HMRC have guidance on what qualifies as a home worker.

The report published today on race disparity was critical of the use of the term Black and Minority Ethnic (BAME) and the Board discussed whether an accepted alternative had been put forward yet. Need to be guided by what is advised nationally.

## **10. Major Projects – Highlight Report**

There are 30 active projects with the following being added:

- Bath
- Taser
- Facial Recognition
- Trinity Rd
- Legacy Pensions
- Fit for Future
- Workforce Resetting

The e-recruitment project is now closed.

Estates updates were given – Williton opened on 15<sup>th</sup> March with positive press coverage. Updates were also given in relation to Pronto, ANAPLAN and Virto.

The PCC asked that the Constabulary Communications Team arrange some public communication with her and the North Somerset Leader on the opening of Weston-Super-Mare Enquiry Office. The Leader was very helpful.

The PCC was assured that Guardians will be put into Wells as soon as the Neighbourhood Police Team move out until the sale has been finalised to avoid vandalism.

## **11.A.O.B**

No other business was raised.

## **12.Action Update**

An update was given on the actions from the previous Police and Crime Board Meeting as follows:

- Lighthouse Safeguarding Unit (LSU) – the number of post-charge cases per Victim and Witness Care Officer has stabilised. The pre-charge tray load has increased in each hub. Working on reducing duplication with the automation but this is not yet fully operational so not much impact yet. Demand into the team is consistent but an increase is anticipated with the easing of Covid restrictions and the impact of the DA Bill – the PCC is concerned regarding the emerging landscape which will impact on workload. The change in shift pattern has created savings which the LSU Manager is going to propose be invested back into the LSU to support this anticipated increase in workload. Bristol has the highest tray volume but the risk is being managed. Recruitment was discussed – keep a dialogue with those on bank and look into increasing the time from 6 to 9 months that they can remain on bank.
- SOC discussed as part of the agenda.
- Update provided on the plans with the Local Authority to tackle issues at Cheddar Gorge.
- Borrowing proposal discussed under the Treasury Management Strategy item on the agenda.

## **13.Publication**

The following items were agreed for publication:

- 3<sup>rd</sup> March 2021 Police and Crime Board Agenda
- 3<sup>rd</sup> March 2021 Police and Crime Board Minutes

### **Actions List:**

See Exempt Actions List

**Date of the Next Meeting: 2<sup>nd</sup> June 2021**

<b>MEETING:</b> Police and Crime Board	<b>DATE:</b>	<b>AGENDA NO:</b> 8a
<b>DEPARTMENT:</b> Finance and Business Services	<b>AUTHOR:</b> Kulbinder Konsal / Simon Thomas	<b>COG Sponsor:</b> Nick Adams
<b>NAME OF PAPER:</b> 2020/21 Revenue and Capital Financial Performance Report	<b>PURPOSE OF THE PAPER:</b> Endorsement & Approval	<b>OPEN SESSION</b>

## 1. PURPOSE OF REPORT AND BACKGROUND

The purpose of this report is to provide the revenue budget and capital programme outturn results for 2020/21 and ask for the endorsement and approval from the Police and Crime Board. The attached Appendices A and B includes details of the outturn revenue position as at 31st March 2021, Appendix C includes information about our reserves and provisions and Appendix D provides the outturn position on our capital programme.

## 2. EXECUTIVE SUMMARY

In light of the uncertainty caused by the global pandemic 20/21 has been a challenging year in which to manage consistent financial forecasting. We have seen expenditure both increase in areas related to our response to the pandemic (e.g. cost of PPE, mobilising workforce to work from home), as well as reduce as we have responded to new ways of working and restrictions on what we could achieve against our original plans (e.g. some reductions in recruitment and savings on fuel, printing etc). Our income has been reduced from that planned (e.g. events policing, airport policing and speed enforcement referral income), which has been offset in part by some compensation from government and some additional COVID-19 grant funding in-year.

The outturn presented shows a **break-even position for 2020/21 once year-end adjustment have been made**. The underlying performance for the revenue budget before other year-end adjustments and planned contribution to capital was **£14.1m/4.3%** underspend, of which £12.3m/3.8% relates to performance against Constabulary managed budgets and £1.8m/36.0% against PCC managed budgets.

The underspend has been accounted for as follows (a fuller breakdown is set out in the section below detailing year-end adjustments proposed):-

- This financial year has seen an overall increase in provisions of **£3.3m**. This is being driven mainly by the insurance provision which has increased by £1.0m requiring a top up of £2.3m after funds have been released in support of settlements made in year; an increase in provision to support the McCloud<sup>1</sup> pension remedy at £0.8m and provision for redundancy costs at £0.2m;
- We have carried forward **£1.7m** in support of commitments at year-end which were unable to be completed across Constabulary budgets;
- As planned for in the MTFP we have ring-fenced underspends of **£1.0m** into reserves in order to balance the revenue budget for 2021/22. The decision not to maximise the £15 precept has left a gap in funding for 2021/22 and this reserve will assist in bridging that gap;
- In accordance with the wishes of the Office of the PCC we have transferred the **£1.8m** commissioning underspend to our victims and commissioning reserve in support of the

<sup>1</sup> The McCloud judgement refers to the Court of Appeal's ruling that Government's 2015 public sector pension reforms unlawfully treated existing public sectors differently based upon members' age on the 1 April 2012.

reducing reoffending programme;

- Following receipt of £1.3m in additional government COVID-19 grant in March 2021 we have ring fenced this funding in reserve to support ongoing COVID-19 enforcement activities planned for 21/22. We have also released £0.9m from last year's COVID-19 recovery reserve to support in year operational activities;
- On review of the general fund risk assessment carried out by the PCC, we have topped up the general fund by £3.0m. This is in recognition of ongoing uncertainty around financial risk that the constabulary may face in the short and medium term;
- New PCC Reserve of £1.0m to provide funds to help support the programme of the new PCC;
- For Collaborations £0.2m underspends has been set aside to support ongoing support activities for example training and equipment in Black Rock and Counter Terrorism Support unit;
- Funds transferred to reserve to support Miscellaneous and Grant activity £0.2m.
- We have released funds of (£0.6m) from the Hinkley Point reserve, representing the accounting for historical overheads not previously recognised;
- We have released £1.3m of SWROCU reserve in order to account for this through the I&E in accordance with the recommendations made by our external auditors; and
- We have transferred £3.8m to capital financing reserves in support of our future capital programme in line with the plans made in our MTFP.

The revenue outturn position includes the following highlights:-

- **Police Officers** – Police officer pay and allowances underspent by £2.8m/1.9%. This has tightened considerably over the last quarter of the year reflecting the recruitment activity in January, February and March, with a year-end headcount of 3,076 officers – 104 more than our national target of 2,972 and in line with the forward trajectory agreed within our MTFP.

The Directorates most significantly affected by the PC/DC variances continue to be Patrol, Op Remedy and Investigations. All new PCDA students are currently being posted into Patrol resulting in over establishment within this area as at the end of this financial year. Investigations has seen considerable movements in its PC/DC vacancies however, there will be a continued need to carefully consider how we will manage the flow of officers into roles where we have vacancies, and this remains the close focus of work being managed through our uplift programme.

Police Officer Overtime has overspent by £564k/9.7% for this financial year. The overtime is predominantly driven by operational activities supporting COVID enforcement and Op Harley/Hyacinth. Where this spend relates to COVID enforcement activity it is offset by specific earmarked funding granted by central government.

- **Police Staff** – Staff pay and allowances are underspent by £3.7m/4.2%. The departments most adversely affected by staffing vacancies are; Detainee Investigation Support £640k; Criminal Justice including Speed Enforcement £948k; Improvement £400k; Learning £387k and Major Crime Investigations £567k.

Staff Overtime is overspent by £461k/36.0%. The overtime is driven in the following areas; Victims and Safeguarding £51k; Intel and Tasking £56k; Investigations £69k and Covid 19 support activities £157k. The drivers for overtime across the force have in the main been vacancies and activities to support Covid enforcement/abstractions. Again where this overspend has been in support of Covid enforcement this has been supported by grant funding.

- **PCSO** – Pay and allowances are underspent by £651k/5.3%. The underspend reflects the profile of recruitment in year, with early focus and prioritisation of officer recruitment. PCSO recruitment was significant in the final quarter of the year, with the year-end PCSO FTE standing at 368 – 28 more than target;

PCSO overtime is overspent by £58k/160.0%. The overtime is driven by vacancies and in support of Covid enforcement.

- **Pensions** –medical retirements overspent by £300k/3.6%, reflecting the cost of 14 medical retirements in year.
- **Premises** – overspent by £900k/6.2% against the planned budget. There has been a considerable movement in the forecast for premises costs with an overall swing of £1.0m against Quarter 3 estimate. The movement has been driven by the write-off of capital costs associated with the new Yeovil Police Station reflecting the status of this project being under-review.
- **Transport Costs** – Underspent by £1.0m/19.8%. The movement in the forecast from quarter 3 (underspend £783k) has been driven by increased underspends within the Transport Services department (£125k). This includes underspends on fuel and write off costs. The remaining variance is driven by force wide travel savings due to home working and better application of IT capabilities such as Teams for meetings.
- **Transfers To / From Reserves** – Overspent by £5.6m/454.0%. This figure includes £1.7m carry forwards; £2.4m contribution to Capital Programme financing and £3.5m year-end reserves adjustments as outlined above.
- **Capital Financing Costs** – underspent by £1.6m/9.2%, this mainly represents the difference between the allocated funding in 2020/21 and that which was actually spent. The remaining balance has been earmarked for the ongoing capital programme as was outlined in the Medium Term Financial Plan (and is therefore part of the capital transfer to reserves included within the above).
- **Income Other** – overachieved by £91k/0.6% against the planned income budget. The income forecast has moved considerably from Quarter 3 where it was estimated that the under achievement was estimated at £2.0m/13.5%. There are a number of factors that have caused the swing that includes; Hinkley surplus income in-year; significant increases to Covid loss of income reimbursement; Speed Enforcement NDORS income (a gradual recovery in the monthly fees to pre-Covid levels); mutual aid for Op Blythe (BREXIT) and UWE PCDA subcontract fees.

We incurred £8.3m of **capital** expenditure this financial year (34% of plan). During the year this spend has delivered:-

- Refurbishment of Kenneth Steele House police station;
- Planned fleet replacement, and estates replacement programmes;
- Continued investment in laptops and other end user devices;
- Improvements to our servers and network infrastructure.

The main reason for the underspend compared to budget is delays on Estates projects, partly due to the COVID-19 pandemic. In particular, the new Yeovil police station project was delayed and is now under review. Of the underspend, £12.8m is being re-profiled to support projects in future years, leaving a remaining underspend of £3.3m released at the end of the year.

### 3. PART ONE – 20/21 REVENUE BUDGET PERFORMANCE

As mentioned above, a **breakeven position** has been recorded at the end of the 20/21 financial year, with an underspend of **£14.1m/4.3%** recorded before carry forward, provisions and final reserve adjustments were made.

	20/21 Outturn	20/21 Budget	Over/ (Under)	
	£'000	£'000	£'000	%
Employee Costs	259,452	265,242	- 5,790	-2.2%
Non-Employee Costs	88,322	82,389	5,933	7.2%
Savings Target	-	-	-	0.0%
Income	-23,221	-23,098	- 122	0.5%
<b>CONSTABULARY SUB-TOTAL</b>	<b>324,553</b>	<b>324,532</b>	<b>21</b>	<b>0.0%</b>
Miscellaneous & Grants	-1,123	-1,123	0	0.0%
<b>CONSTABULARY TOTAL</b>	<b>323,430</b>	<b>323,409</b>	<b>21</b>	<b>0.0%</b>
OPCC	1,534	1,555	- 21	-1.3%
Commissioning	3,488	3,488	-	0.0%
<b>TOTAL</b>	<b>328,451</b>	<b>328,451</b>	<b>0</b>	<b>0.0%</b>

The above reflects the subjective position presented, which is supported by more detail provided in Appendix A. The remainder of part one will focus on the management structure presentation of our budget, which is shown in more detail in Appendix B.

#### **NEIGHBOURHOOD & PARTNERSHIP**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Neighbourhood Policing	29,057	30,298	(1,241)	-4.1%
Road Safety	75	199	(124)	-62.2%
Offender Management	5,173	5,100	73	1.4%
Victims and Safeguarding	4,365	4,378	(14)	-0.3%
Citizens in Policing	426	594	(168)	-28.2%
<b>NEIGHBOURHOOD &amp; PARTNERSHIP</b>	<b>39,096</b>	<b>40,569</b>	<b>(1,474)</b>	<b>-3.6%</b>

The Neighbourhood Directorate has underspent by £1.5m/3.6% against its planned budgets. Highlights from this area of the budget include:

**Neighbourhood** – The reported underspend of £1.2m/4.1% is as a result of the department having an under establishment of PCSO's which has been reported throughout the year. There were also vacancies in police officer posts earlier in the year. These underspends have offset overspends in over established Sergeant posts. Overtime has reported an over spend and some of this is due to vacancy management but it is also due to additional overtime worked around Broadmead. There has also been a £670k variance due to the historic overheads attributed to Hinkley being moved out of reserves.

**Road Safety** – Year end position is an under spend of £124k/62.2%. The reported underspend is due to an overachievement of income relating to increased policing of abnormal loads.

**Victims & Safeguarding** – There is a reported underspend of £14k/0.3% driven by vacancies on police officer pay. The under spend is offset by an over spend on police staff pay as the department has 8 authorised training posts allowing the department to go over established.

**Citizens in Policing** – There is a reported underspend of £168k/28.2%. In the main this is due to a part year vacant Inspector post. Police staff pay is also under spent due to posts being funded for the year but only filled part way through.

## **RESPONSE**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Command and Control	20,065	17,750	2,315	13.0%
Patrol	54,364	52,846	1,518	2.9%
Detainee Investigation Support	6,957	7,718	(761)	-9.9%
<b>RESPONSE</b>	<b>81,387</b>	<b>78,314</b>	<b>3,073</b>	<b>3.9%</b>

In 2020/21 there is an overspend of £3.1m/3.9% against the Response budget. Highlights from this area of the budget includes:

**Command & Control** – The year end position is £2.3m/13.0% overspent. This is due to the additional Police officers in the IAU which were not budgeted for at the start of the year. These IAU posts have now been budgeted for as part of the agreed allocations of our uplift. Staff budgets were underspent but some of this underspend was due to a full year budgeted allocation of support staff investigators, recruitment for which has been delayed. Officer overtime was over spent as there were more officers in the department than budgeted. There were additional travels costs due to dual-running of a second control room in Bridgwater to provide resilience if there was a Covid outbreak.

**Patrol** – there is an over spend reported of £1.5m/2.9%. The main reason for this overspend is the increase and over establishment of PCDA officers, together with a vacancy factor of £470k, which was not been met fully met. Overtime costs whilst still overspent are lower than in previous years at £12k. The income for The Mall at Cribbs Causeway was under achieved due to the abatement given during lockdown due to Covid.

**Detainee Investigation Support** – An under spend of £761k/9.9% relating both to police staff and police officer vacancies. Police officers have continued to hold vacant positions and Police staff have had the full year budget allocation for police staff investigators but recruitment has been delayed throughout the year. Overtime is overspent but this is to be expected due to the high level of vacancies.

## **OPERATIONAL SUPPORT**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
<i>Criminal Justice</i>	14,601	15,115	(514)	-3.4%
<i>Speed Enforcement</i>	(162)	(1,149)	986	-85.9%
Criminal Justice	14,439	13,966	472	3.4%
Operations Major Incidents	874	247	627	254.0%
Operations	6,506	6,682	(176)	-2.6%

Operation Remedy	5,685	6,929	(1,244)	-18.0%
Serious & Violent Crime	1,124	1,124	0	0.0%
Intelligence and Tasking	10,306	10,612	(306)	-2.9%
Tactical Support Team	13,759	14,137	(377)	-2.7%
<b>OPERATIONAL SUPPORT</b>	<b>52,693</b>	<b>53,697</b>	<b>(1,003)</b>	<b>-1.9%</b>

In 2020/21 we have under spent by £1.0m/1.9% against our Operational Support budgets. Highlights from this area of the budget include:

**Criminal Justice** – There is a reported underspend of £514k/3.4% which is after an adjustment for carry forward bids totaling £170k so the in-year financial performance is an underspend of £684k. This underspend is due to vacancies within the staff establishment which is partly offset by overspends on the officer establishment. The Covid pandemic brought particular challenges with the Custody unit with staff absences and also the introduction of Virtual Remand Courts.

**Speed Enforcement Unit** – An overspend of £986k/85.9% is reported at the year-end due to a number of factors but most significantly, it is as a result of :-

- The underachievement of cost recovery by £1.7m which has been offset by underspends in Police Staff Pay (£315k), postage and stationery costs (£94k), fees and hired (£80k) and equipment costs (£163k) some of which is as a result of clearing ageing outstanding commitments on SAP during Quarter 4.
- High levels of vacancies throughout the year. This has been significantly reduced during the last quarter and at year end there were only 2.1fte vacancies.
- COVID-19 has had a significant impact on the year end position as costs recovered from NDORS have reduced. The level of cost recovery has recovered slowly during the year with an average per month in Q1 of £59k, Q2 - £175k, Q3 - 225k, Q4 - 212k.
- The reasons for the reduction are as a result of national lockdowns and vacancies in the team as;
- Fewer vehicles were on the roads during Q1 and Q2, and during the third lockdown over Christmas and the new year;
- Speed thresholds have been maintained above the national level during 2020-21 as vacancies meant fewer offences were able to be detected and processed. This is reviewed on a monthly basis and has been reduced when possible in year.
- The overall income figures indicate £3.4m has been received against a budget of £5.1m creating a variance of £1.7m at year end.

**Operations Major Incidents** – the reported overspend of £627k/254.0% is due to the number of protests the Force has had to manage during the year. The most significant in cost are Ops Harley and Hyacinth during March 2021 and these alone are £500k (in overtime and mutual aid). Other significant operations include raves and the Extinction Rebellion protest.

**Operations Department** – the under spend of £106k is after an adjustment for carry forward bids of £41k so the in-year financial performance is an under spend of £146k. A large proportion of this underspend is due to Covid restrictions which has prevented travel, the attendance on courses and associated accommodation costs (£90k).

**Rechargeable Operations** – additional income of £70k was achieved in this financial year. As a result of Covid restrictions most annual events were cancelled however mutual aid was provided for Brexit which compensated for the loss of event income.

**Operation Remedy** – there is a reported underspend of £1.2m/18.0% which is due to officer and staff

vacancies throughout the year. The under spend has been created largely from a Police Officer (£1.0m) and Staff Pay (£130k) outturn position which is the cumulative effect of vacancies in year. The remaining balance is as a result of smaller underspends in forensic costs (£17k), transport (£10k) and officer & staff overtime (£21k).

**Serious & Violent Crime** – we have reported spend as £1.1m/0.0% which has achieved the full grant available to the Force in 2020/21 and the Quarter 4 Home Office return has been submitted to reflect this position. There was a slight overspend against the grant at year end and the additional costs have been offset against the Remedy budget.

**Intelligence and Tasking** – there is a reported underspend of £306k/2.9%, which is due to officer and staff vacancies during the year.

**Tactical Support Team** – there is a reported underspend of £377k/2.7%. The police officer pay underspend £332k relates to vacant posts in RPU and AFO throughout the year. Non pay expenditure is underspent by £60k for courses, £50k for equipment and £30k for travel and subsistence costs.

## **INVESTIGATION**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Investigation	27,695	31,495	(3,800)	-12.1%
Investigation Major Incidents	672	899	(227)	-25.3%
<b>INVESTIGATION</b>	<b>28,366</b>	<b>32,394</b>	<b>(4,027)</b>	<b>-12.4%</b>

**Investigations** – the reported underspend of £3.8m/12.1% is due to the level of police officer vacancies throughout the year. The year started with just over 74 FTE vacancies and increased until the appointment of Detective Now and DHEP officers in February 2021. In March 2021 the officer vacancies had reduced to 47.75 FTE. During the year an additional 27 FTE staff investigator posts were added to the Directorate which were funded by an increase in precept. In addition to these funded posts there are some PSI posts to support the demand created by the vacant officer posts.

**Investigation Major Incidents** – this budget is demand-led and used when overtime is required for operations outside of daily business and any investigations carried out by MCIT. In this year, the Serious and Violent Crime grant has covered the cost of some operations which would normally have been funded by this budget. The reported underspend is £227k/25.3% which will go towards the over spend within the Ops Major Incident budget.

## **COLLABORATIONS**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Scientific Investigation	8,190	8,120	70	0.9%
Major Crime Investigation	4,919	5,325	(406)	-7.6%
South West ROCU	3,117	3,406	(290)	-8.5%
Special Branch	1,075	1,189	(114)	-9.6%
Black Rock	968	1,239	(272)	-21.9%
Counter Terrorism Specialist Firearms	625	797	(172)	-21.5%

# OFFICIAL

Regional ACC	45	43	2	5.1%
<b>COLLABORATION</b>	<b>18,939</b>	<b>20,120</b>	<b>(1,181)</b>	<b>-5.9%</b>

In 2020/21 there was an underspend of £1.2m/5.9% against our Collaboration budgets. Highlights from this area of the budget include:

**Scientific Investigations** – the over spend of £70k/0.9% relates to an increase carry forward of £507k to support approved business change costs in 2021/22.

**Major Crime Investigation** – the under spend of £406k/7.6% relates to mainly staff vacancies of £664k offset by collaboration payments of £137k.

**SWROCU** – an under spend of £290k/8.5% is reported. It was assumed at Quarter 3 that the full provision set as a contribution payment for SWROCU would be fully utilised however, due to vacancies and lower than anticipated non-pay costs, underspend has been returned to each force.

**Special Branch** – the under spend of £114k/9.6% relates to pay underspends due to vacancies and non-pay underspend of £105k. £60k was undercharged for the collaboration costs offset by an under achievement of income of £44k as the National Registration offices were closed due to Covid.

**Black Rock** – against the budget there was a £272k/21.9% underspend as a result of police officer vacancies through the year.

**Counter Terrorism Specialist Firearms** – the under spend of £172k/21.5% relates to vacant Police officer posts. Currently there are 6 vacant posts.

## **INFORMATION TECHNOLOGY DIRECTORATE**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Information Technology	21,257	21,031	225	1.1%
<b>INFORMATION TECHNOLOGY DIRECTORATE</b>	<b>21,257</b>	<b>21,031</b>	<b>225</b>	<b>1.1%</b>

In 2020/21 there is an overspend of £225k/1.1% in the Information Technology Directorate. This is mainly due to renewal costs of data circuits particularly on private circuit lines. The Directorate has also absorbed within pay underspends ongoing costs associated with process automation and the data quality team.

## **FINANCE AND BUSINESS SERVICES DIRECTORATE**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Chief Officer Group	1,784	1,700	84	5.0%
Evidential Property & Stores	2,759	2,616	143	5.5%
Transport Services	4,429	4,731	(301)	-6.4%
Services Hub	4,109	4,556	(447)	-9.8%
Finance Department	1,806	1,966	(160)	-8.1%
Strategic Procurement Services	434	542	(108)	-19.9%
Estates and Facilities Department	15,152	14,525	627	4.3%

<b>FINANCE &amp; BUSINESS SERVICES DIRECTORATE</b>	<b>30,473</b>	<b>30,634</b>	<b>(162)</b>	<b>-0.5%</b>
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In 2020/21 there is an under spend of £162k/0.5% in the Finance and Business Service Directorate. Highlights from this area of the budget include:

**Chief Officer Group** – an overspend of £84k/5.0%. The budget was under pressure in this financial year due to an unfunded position supporting the DCC's National Portfolio and an increased requirement to contribute to National initiatives.

**Evidential Property & Stores** – an overspend of £143k/5.5% is reported. The main movement from the underspent position predicted at Quarter 3 is a stock adjustment relating to uniforms costs.

**Transport Services** – an underspend of £323k/6.8% is reported. The single largest factor for the variance here is fuel. The fuel underspend has been generated both by reduction in fuel pricing from that envisaged in plan (fuel prices were down pre-pandemic, and came down further during the first part of the year, rising slowly over the course of the year) and through a general reduction use as there have been less demand for non-marked vehicles during the year. In addition we have also benefitted from the BP free fuel initiatives which have saved us circa £70k. A saving has been taken from this budget in the 2021/22 financial year as we have adjusted for both price changes and some reductions in our fleet where this has been possible.

**Services Hub** – an underspend of £447k/9.8%. There have been vacancies within the Enquiry Office, Admin Hub and Secretariat throughout the financial year generating underspend of £198k. In addition to this the force-wide postage and stationery budgets are within this budget area and have underspent considerably. A permanent saving has been taken from these budgets going forward.

**Finance Department** – an underspend of £160k/8.1%. The underspent is a result of staff vacancies. Current position suggests the department will be fully established by the end of June 21.

**Strategic Procurement Services** – an underspend of £108k/19.9% is reported. Underspend driven by vacancies and the secondment of the Head of Procurement to Devon and Cornwall Force, prior to this service moving formally into regional collaboration with effect from 1<sup>st</sup> May 2021.

**Estates & Facilities Department** – an overspend of £627k/4.3%. The over spent position as at year end includes £863k of costs for the Yeovil build written off to revenue, reflecting the accounting treatment required given the uncertainty with this project. Without this adjustment the department shows an underspend, mainly driven by over achievement of the rental income budget for The Bridewell and staff vacancies.

## **PEOPLE AND ORGANISATIONAL DEVELOPMENT DIRECTORATE**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
HR Operations	4,810	4,878	(67)	-1.4%
Organisational Development	1,432	1,649	(217)	-13.1%
Learning	6,365	7,258	(893)	-12.3%
Legal Services	1,773	1,557	216	13.9%
Occupational Health	818	970	(152)	-15.7%
Health & Safety	100	104	(4)	-4.2%
<b>PEOPLE &amp; ORG DEVELOPMENT DIRECTORATE</b>	<b>15,298</b>	<b>16,415</b>	<b>(1,117)</b>	<b>-6.8%</b>

In 2020/21 there is an under spend of £1.1m/6.8% in this area. Highlights from this area of the budget

include:

**HR Operations** – an underspend £67k/1.4% relates to savings in Supplies & Services where budget for advertising, professional fees and course fees have not been spent due to rolling out of Oleo and the current Covid situation. These savings are partially offset by overspends on staff pay due to the continuation of approved temporary roles supporting the delivery of our officer uplift as well as overspend associated with reasonable adjustments.

**Organisational Development** – There is a reported underspend of £217k/13.1%, however, this is after an adjustment for carry forward bids totalling £425k (including £155k for the Leadership Academy Project, £246k for Diversity & Inclusion Project and £24k for the LGBT conference), so the in-year financial performance is an underspend of £642k. This underspend is due to the budget set aside for Diversity & Inclusion Project, Leadership Academy Project and Wellbeing not being fully spent. Underspend on Federation costs of £104k and Organisational Development costs of £43k also contribute to the favourable variance.

**Learning** – an under spend of £893k/12.3% due to vacancies within the department throughout the financial year generating an under spend of £882k. £495k relates to police officer vacancies earlier in the year, particularly trainer assessors and driver trainers. £387k relates to police staff vacancies, particularly training assessors earlier in the year. The current position suggests the department will be fully established by the end of June 2021.

**Legal** – £216k/13.9% overspend in legal costs & services, court application fees and counsel fees. Due to Covid-19 and one team member having a period of long term sickness, the department utilised Counsel during a large proportion of the time to attend court hearings however they are now able to attend court virtually.

**Occupational Health** – the under spend of £152k/15.7% largely relates to underspends in the Selected Medical Practitioner reviews budget. Savings in supplies & services budget as result of current COVID-19 restrictions and working from home also contributes to this favorable variance.

#### **TRANSFORMATION AND IMPROVEMENT DIRECTORATE**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Transformation	2,251	2,500	(248)	-9.9%
Improvement	2,080	2,372	(292)	-12.3%
Force Crime & Incident Registrar	280	278	2	0.8%
Strategic Projects	518	600	(82)	-13.6%
Corporate Communications	948	986	(38)	-3.9%
Professional Standards Department	2,399	2,452	(53)	-2.1%
<b>TRANSFORMATION &amp; IMPROVEMENT DIRECTORATE</b>	<b>8,476</b>	<b>9,187</b>	<b>(710)</b>	<b>-7.7%</b>

In 2020/21 we have underspent by £0.7m/7.7% in this area. Highlights from this area of the budget include:

**Transformation** – the underspend £248k/9.9% is due to the continued level of staff vacancies during the year. Transformation funding and posts have been reviewed as part of disaggregation of T&I which has now completed and is in implementation phase.

**Improvement** – the underspend £292k/12.3% is mainly due to the level of vacancies within the department during the year. Improvement funding and posts have been reviewed as part of the disaggregation of T&I which has now been completed. These underspends have allowed for spend on Anaplan software £149k which was not budgeted for.

**Corporate Communications** – the underspend of £38k/3.9% is largely due to savings in supplies & services where budgets for publications and course fees have not been spent according to the budget profile due to Covid-19 restrictions. Underspend against employer brand budget also contributes to this favourable variance.

**Professional Standards** – an under spend of £53k/2.1% however, this is after an adjustment for a carry forward totalling £40k so the in-year financial performance is an under spend of £92k. This underspend is due to recruitment delays in filling the approved additional posts approved. The departments has now filled all of these posts.

**Regional Projects** – Against the SWPCP there is a reported underspend of £82k/13.6% due to vacancies in year.

### **CENTRAL COSTS**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
Pensions	10,913	10,483	430	4.1%
Officer & Staff Allowances	1,687	2,132	(444)	-20.8%
Central Costs	18,663	7,697	10,966	142.5%
Central Savings	0	1,856	(1,856)	-100.0%
Student Officers	1	0	1	0.0%
CoVid 19 Costs	(2,696)	3	(2,699)	0.0%
<b>CENTRAL COSTS</b>	<b>28,568</b>	<b>22,171</b>	<b>6,397</b>	<b>28.9%</b>

In 20/21 we have overspent by £6.4m/28.9% in this area, however this is after we have completed all year-end accounting to take underspends reported elsewhere to earmarked reserves. Highlights from this area of the budget include:-

**Pensions** – This budget relates to medical retirements. At quarter 3 it was forecasted that the pension's budget would be over spent by £747k. It was estimated that there would be 15 medical retirements, however in year there were only 14. An adjustment has been made to correct historical medical pensions charges which has reduce the overall overspend in this area.

Within pensions a £800k provision has been set aside for the McCloud pension remedy as agreed during quarter 3 reporting. This reflects the anticipated increase in number of claimants under the claim being co-ordinated through the police federation.

**Officer & Staff Allowances** – this represents the under spend on centralised budgets for police officer allowances and pay reserves held in year. The main factors are:

- Pay reserves held for in year for unforeseen changes and demand (£264k);
- Comp Grant, Housing allowance and Tutorship payments (£166k)
- Apprenticeship levy payment (£213k)

- Offset by a redundancy provision of £206k for T&I and IT Directorate restructures.

**Central Costs** – The £11.0m overspend includes:-

- HQ Central – the over spend here is driven by a top-up to the insurance provision, an overall increase of £2.3m. On review of our self-insurance fund the additional top-up has been necessary to ensure ongoing financial cover for outstanding liabilities.
- Reserves – the main elements of this overspend is the £3.0m transferred to the general fund reserve, £1.0m to support revenue funding for 2021/22, £1.0m to support the programme of the new PCC and £1.3m set aside for Covid enforcement funding and £2.4m has been earmarked as capital reserves to fund the capital program for future years. Against the Covid budget, £900k has been released to support in-year Covid financial recovery.

**Central Savings** – This represents the in-year savings identified. As agreed at quarter 3 with the PCC, these savings have been used to fund other year-end adjustments as outlined in the reserves paragraph. The Constabulary has managed to claim reimbursement from central government for some loss of income due to Covid which in turn has enabled the force to repurpose funding set aside for recovery.

**Covid-19 Costs** – The under spend reported here relates to the funding that has been received from central government to support Covid enforcement. The funding also covers reimbursement of PPE kit and loss income. To offset this under spend, associated overtime costs are being accrued force-wide to support Covid enforcement. As noted in the reserves section, £1.3m funding has been transferred to reserves to support COVID enforcement.

#### **MISCELLANEOUS, GRANTS AND SECONDEES**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
MISCELLANEOUS	0	0	0	0.0%
GRANTS	(1,123)	(1,123)	0	0.0%
SECONDEES	0	0	0	0.0%

These items are reported on separately from our main budget as they represent areas of spend which can otherwise distort the presentation of financial information.

#### **POLICE & CRIME COMMISSIONER MANAGED BUDGETS**

	20/21 Outturn	20/21 Annual Budget	Over/(Under)	
	£'000	£'000	£'000	%
OFFICE OF THE POLICE AND CRIME COMMISSIONER	1,534	1,555	(21)	-1.3%
COMMISSIONING COSTS	3,488	3,488	0	0.0%
<b>TOTAL OPCC AND COMMISSIONING</b>	<b>5,021</b>	<b>5,042</b>	<b>(21)</b>	<b>-0.4%</b>

There was an underlying underspend of £21k in relation to non-pay budgets for example in travel and supplies and services costs. Against commissioning costs £1.8m has been transferred back into the

victims and commissioning reserve to support commissioning activities in 2021/22.

### **YEAR-END ADJUSTMENTS – PROVISIONS AND RESERVES**

The table below shows how the **£14.1m/4.3%** underspend has been accounted for as shown in the above analysis:

<b>Provisions &amp; Reserves Adjustments</b>	<b>£'000</b>
Provisions for Insurance, Pensions & Legal	3,324
General Fund top-up	3,000
Transfer to Capital Financing Reserve	3,586
Commissioning Costs	1,793
Carry Forwards	1,651
Covid 19 Enforcement Earmarked Reserve	1,327
Revenue Budget Support Reserve	1,000
New PCC reserves fund	1,000
Grants & Miscellaneous	117
Black Rock Training Collaboration Carry Forward	114
Counter Terrorism Specialist Firearms Collaboration Carry Forward	107
Detained Property Reserve	69
Serious & Violent Crime Reserve	3
Release of Strategic Projects Collaboration Carry Forward	-10
Release of Yeovil decant capital funding	-168
Release of Hinkley Reserve	-585
Release of Covid 19 recovery Reserve	-890
Release of South West ROCU Reserve	-1,299
<b>TOTAL</b>	<b>14,138</b>

At the end of the financial year it is necessary for us to make provisions for known liabilities the timing or value of which remains uncertain. As part of our year-end adjustments we have reviewed these provisions, the significant provision movements are explained by:-

- £3.2m funding in support of our self-insurance provision, pension and legal provision (£2.3m to insurance provision and £0.8m to further support the national McCloud remedy);
- £3.0m increase to General fund. On review with the PCC, it has been recommended that general fund provision is increased to ensure mitigation against risk and uncertainty;
- £1.8m transfer to victims and commissioning reserve on behalf of the PCC to support commissioning activities
- £1.7m devolved carry forward provisions;
- £1.3m set aside to fund ongoing Covid enforcement in 2021/22;
- £1.1m to fund capital from revenue contribution;
- £1.0m set aside to support revenue budget for 2021/22. This is in light of the panel's decision not to maximise the £15 precept that was available;
- £1.0m to provide funds to help support the programme of the new PCC;
- (£0.6m) release of Hinkley policing reserve. This movement is to take account of funding allocated to cover historical force-wide overheads;
- (£0.9m) release of Covid 19 recovery reserve, repurposed for other year-end adjustments;

- (£1.3m) net reduction to SWROCU reserve. This movement is to reinstate reserves in order to only show the Avon & Somerset share of the SWROCU reserves, in accordance with the recommendations of our external auditors.

The table below summarises the position in relation to our provisions at the end of the financial year:

	Bal as at 1st April 2020 £'000	Movement During Yr £'000	Bal as at 31st March 2021 £'000
Insurance Provision	8,969	963	9,932
Legal Services Provision	304	(65)	238
Ill-health retirements Provision	104	513	618
UCPI Provision	2,433	371	2,804
Pensions claims Provision	138	800	938
<b>TOTAL PROVISIONS</b>	<b>11,948</b>	<b>2,582</b>	<b>14,530</b>

Our reserve levels are also reviewed at the end of the financial year. These include our earmarked revenue and capital reserves, as well as the general fund which is the subject of a risk assessment undertaken by the OPCC CFO, and discussed and agreed with the Constabulary.

A number of transfers to and from reserves were carried out before year end and are detailed in appendix C.

The following table provides a summarised version of our reserve position (a full breakdown is provided at Appendix C):-

	31/03/2020 £'000	31/03/2021 £'000	Increase/ (Decrease) £'000
Earmarked revenue reserves - discretionary	7,891	7,483	(407)
Earmarked revenue reserves – non-discretionary	7,450	7,342	(108)
Earmarked revenue reserves – capital and PFI	20,627	24,216	3,589
Capital receipts reserve	3,982	5,602	1,620
General Fund	9,000	12,000	3,000
<b>TOTAL USEABLE RESERVES</b>	<b>48,950</b>	<b>56,643</b>	<b>7,693</b>

Our useable reserve levels have increased by £7.7m/15.7% over the course of the year. The following points of note are highlighted:-

- Our discretionary reserve levels have decreased by £0.4m. The operational remedy reserve (£1.3m) and COVID 19 recovery fund (£1.0m) are no longer required. The buildings and sustainability (£0.5m) and transformation reserve (£0.3m) have also been partly used during the year. However these decreases have been partially offset by the addition of three new reserves:
  - COVID Enforcement Reserve (£1.3m) – to support the challenges to policing caused by the COVID 19 pandemic and funded by year-end government grant funding; and
  - Budget Support Reserve (£1.0m) – to provide funds to help support the expected budget pressures in the 2021/22 financial year; and
  - New PCC Reserve (£1.0m) – to provide funds to help support the programme of the new PCC.
- Our non-discretionary reserves have decreased by £0.1m, which is a result of reductions in several

reserves including Hinkley Point (£0.4m) and SWROCU (£1.3m), offset by increases for Victims and Commissioning (£0.5m), Regional Programme Reserve (£0.6m) and Proceeds of Crime Reserve (£0.4m).

- Our capital and PFI reserves have increased by £3.6m, which mainly represents the additional 20/21 revenue contribution of £3.4m in support of our future capital programme;
- Our capital receipts reserve has increased by £1.6m, reflecting property sales through the year: Taunton police station (£1.4m), and a police house (£0.2m).
- The general fund has increased by £3m, following review discussed and presented to PCB in February, mainly in response to the increased risk of ongoing economic disruption caused by COVID 19.

#### **DEBT MANAGEMENT**

The bad debt provision for 20/21 is £192K, a decrease of £33K from 19/20. Debt over 90 days old has reduced by £406K over the course of the year.

### **4. PART TWO – 20/21 CAPITAL BUDGET PERFORMANCE**

#### **20/21 CAPITAL PROGRAMME OUTTURN**

	Total Plan	Actual Outcome		Over/ (Under)		Re-profile to 20/21
	£'000	£'000	%	£'000	%	£'000
Asset Replacement & Renewal	12,454	6,057	48.63%	(6,397)	(51.4%)	6,259
Digital Projects	2,486	417	16.77%	(2,069)	(83.2%)	1,065
Estate Projects	8,170	1,122	13.74%	(7,048)	(86.3%)	5,481
Other projects	400	0	0.00%	(400)	(100.0%)	0
Funded or part funded projects	947	713	75.31%	(234)	(24.7%)	0
<b>TOTAL</b>	<b>24,457</b>	<b>8,309</b>	<b>33.97%</b>	<b>(16,148)</b>	<b>(66.0%)</b>	<b>12,805</b>

At the end of 20/21 we had spent £8.3m (34.0%) of the capital programme, and we were £16m under our original plan. The main reasons for the underspend are delays on Estates projects, partly due to the COVID-19 pandemic. In particular, the new Yeovil police station project was delayed and is now under review. In addition, IT replacement costs have been pushed back to next year.

We have already re-profiled £10.7m of the underspend to future years in the MTFP. We are now carrying forward an additional £2.1m to next year's budget, meaning a total of £12.8m is being re-profiled to future years.

Further details of the capital plan are included within Appendix D.

#### **ASSET REPLACEMENT AND RENEWAL**

At the end of 20/21 £6.1m (49%) of the budget had been used during the year and we were £6.4m under budget. We have re-profiled £6.3m of the underspend to next year. The key highlights from this element of the capital plan are:-

- ICT Replacement – £3.0m spent on projects including end user devices (£1.7m), storage & back up (£0.4m), servers and network security (£0.3m). We were £4m under budget, mainly due to re-profiling of mobile phone and servers replacement to next year.
- Estates Replacement – £0.6m spent on projects including the HQ Admin roof (£0.3m), as well as

upgrades to lighting and mechanical & electrical systems (£0.2m). £0.7m of the £1.3m underspend is being re-profiled in support of projects next year.

- Fleet Replacement – £2.1m spent on fleet replacement during the year. We were £1m underspent compared to budget, mainly due to increased lead times on delivery of vehicles caused by COVID 19. The remaining vehicles will be delivered in early 21/22, so the underspend is being carried forward to next year.
- Capital Equipment Replacement – £0.4m spent on capital equipment renewal, including £0.3m on replacement ANPR equipment and infrastructure.

### **DIGITAL PROGRAMME**

At the end of 20/21 £0.4m (17%) of the plan had been consumed and our costs were £2.1m under budget, mainly due to re-profiling of spend to future years. The key highlight from this element of the capital plan are:-

- Digital Mobilisation – We spent £0.3m in year on the E-recruitment solution and Chronicle learning platform. We have re-profiled other projects (CCTV, ERP replacement, Case Management Solution and Digital Media Analytics) to next year.
- National Systems – We have incurred £0.2m on the Emergency Services Network and National Enabling Programme during the year. We will carry forward £0.3m on these projects to next year.

### **INFRASTRUCTURE AND ASSET PROGRAMME**

At the end of 20/21 £1.1m (14%) of the plan had been consumed and we were £7.0m under budget, mainly due to the review of the Yeovil project and delays caused by COVID 19. We are re-profiling £5.5m of the underspend to next year. The key highlights from this element of the capital plan are:-

- Somerset East – We are £5m under budget on the New Yeovil Police station project. Due to the ongoing review, we have considered it prudent to write off all capital expenditure incurred on the project to date (£863K). We are still assuming the remaining spend originally expected will be re-profiled to future years, pending the outcome of the review.
- Mendip / Sedgemoor - £0.3m was spent in the year, mainly on Wells Neighbourhood base. We were £0.5m under budget, mainly because the Radstock Neighbourhood Base project did not go ahead in year.
- Bristol / North sites - £0.9m spent in the year, mainly on Kenneth Steele House refurbishment (£0.9m). We were £1.2m under spent against budget, mainly due to re-profiling of New Bath Neighbourhood Base & EO, Bristol Trinity Road and Broadbury Road projects to next year.
- Somerset West site - £0.2m spent on the New Williton site. We are £422k under budget, mainly due to the postponement of the Minehead project due to the flood risk at the originally proposed location.

### **OTHER PROJECTS**

No expenditure was incurred on other projects or the regional programme during the year

### **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. During the year £0.7m was spent on these projects, with key highlights including:-

- SWROCU vehicles - £414k spent this year
- CTPSW vehicles - £115k spent this year

**CAPITAL FUNDING**

We have utilised a number of sources of funding in order to support the expenditure incurred during 2020/21 on the capital programme as shown in the table below:

	Funding Available	Utilisation of Funding	Funding C/Fwd into 21/22
	£'000	£'000	£'000
General purpose capital grant	269	269	-
Specific capital grant	663	220	442
Direct revenue contributions	7,939	6,955	985
Capital contributions from partners	41	41	-
Borrowings	1,853	721	1,132
Earmarked capital reserves	176	100	76
General capital reserves	18,859	-	18,859
Capital receipts	5,602	-	5,602
<b>TOTAL Funding</b>	<b>35,401</b>	<b>8,305</b>	<b>27,096</b>
Movement in Creditors		4	
<b>Total Capital Programme</b>	<b>35,401</b>	<b>8,309</b>	<b>27,096</b>

New borrowings of £1.3m were taken out during 20/21, with the majority of this applied to capital expenditure incurred at Kenneth Steele House. We will carry forward the residual borrowing to fund projects in future years.

**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, the PCC has adopted the set of Key Financial Health Indicators which were originally adopted by the Police Authority and which are reported on within the content of this report. Wider environmental sustainability considerations are also accounted for within the budget and capital programme.

**7. CONCLUSIONS AND RECOMMENDATIONS**

Our revenue performance is broadly in line with the forecasted financial reporting throughout the year with underspends in police officer and staff pay. We continue to deliver plans for the National Uplift programme at pace however the underlying recruitment of existing vacancies will still need to be considered alongside.

Our capital performance has improved over the year against planned expenditure with 77.6% of the

plan spent. We will look to re-profile our future capital plans, and report these back as part of our Q1 reporting in July 2020.

**Members of PCB are invited to review and discuss this financial performance report, and agree upon the proposed reserve accounting outlined at Appendix C.**

# OFFICIAL

ANNEX A - Subjective Structure 2020/21 Revenue Outturn	20/21 Outturn pre adjust £'000	Capital Reserves £'000	Carry Forwards £'000	Provisions £'000	Reserves £'000	20/21 Outturn post adjust £'000	20/21 Annual Budget £'000	Over/(Under) £'000 %	
Police Officer pay and allowances	144,997	0	0		0	144,997	147,773	(2,777)	(1.9%)
Police Officer Overtime	6,407	0	0		0	6,407	5,843	564	9.7%
Police Staff pay and allowances	84,410	0	0		0	84,410	88,124	(3,714)	(4.2%)
Police Staff Overtime	1,743	0	0		0	1,743	1,282	461	36.0%
PCSO pay and allowances	11,561	0	0		0	11,561	12,212	(651)	(5.3%)
PCSO Overtime	94	0	0		0	94	36	58	159.5%
Indirect Employee Expenses	1,484	0	0	176	0	1,660	1,690	(30)	(1.8%)
Pensions	7,780	0	0	800	0	8,580	8,282	298	3.6%
<b>EMPLOYEE COSTS</b>	<b>258,475</b>	<b>0</b>	<b>0</b>	<b>976</b>	<b>0</b>	<b>259,452</b>	<b>265,242</b>	<b>(5,790)</b>	<b>(2.2%)</b>
<b>PREMISES COSTS</b>	<b>15,343</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>15,343</b>	<b>14,449</b>	<b>895</b>	<b>6.2%</b>
<b>TRANSPORT COSTS</b>	<b>4,135</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>4,135</b>	<b>5,159</b>	<b>(1,023)</b>	<b>(19.8%)</b>
<b>S&amp;S - COMMUNICATIONS AND COMPUTING COSTS</b>	<b>16,214</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>16,214</b>	<b>16,023</b>	<b>192</b>	<b>1.2%</b>
<b>S&amp;S - FORENSICS COSTS</b>	<b>92</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>92</b>	<b>102</b>	<b>(10)</b>	<b>(9.5%)</b>
<b>S&amp;S - OTHER COSTS</b>	<b>14,905</b>	<b>0</b>	<b>0</b>	<b>2,347</b>	<b>0</b>	<b>17,252</b>	<b>15,774</b>	<b>1,478</b>	<b>9.4%</b>
<b>PARTNERSHIP COSTS (3RD PARTY PAYMENTS)</b>	<b>14,836</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>14,836</b>	<b>14,362</b>	<b>473</b>	<b>3.3%</b>
<b>TRANSFERS TO/(FROM) RESERVES</b>	<b>(3,233)</b>	<b>2,452</b>	<b>1,649</b>		<b>3,474</b>	<b>4,342</b>	<b>(1,227)</b>	<b>5,569</b>	<b>(454.0%)</b>
<b>CAPITAL FINANCING COSTS</b>	<b>16,107</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>16,107</b>	<b>17,747</b>	<b>(1,640)</b>	<b>(9.2%)</b>
<b>OUTSTANDING SAVINGS TARGET</b>	<b>0</b>	<b>0</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>TOTAL CONSTABULARY EXPENDITURE</b>	<b>336,874</b>	<b>2,452</b>	<b>1,649</b>	<b>3,324</b>	<b>3,474</b>	<b>347,774</b>	<b>347,631</b>	<b>143</b>	<b>0.0%</b>
INCOME - SPECIAL GRANTS	(8,880)	0	0		1,327	(7,554)	(7,523)	(31)	0.4%
INCOME - OTHER	(15,667)	0	0		0	(15,667)	(15,576)	(91)	0.6%
<b>TOTAL CONSTABULARY INCOME</b>	<b>(24,547)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,327</b>	<b>(23,221)</b>	<b>(23,098)</b>	<b>(122)</b>	<b>0.5%</b>
<b>TOTAL CONSTABULARY (exc Misc/Grants/Secondes)</b>	<b>312,327</b>	<b>2,452</b>	<b>1,649</b>	<b>3,324</b>	<b>4,801</b>	<b>324,553</b>	<b>324,532</b>	<b>21</b>	<b>0.0%</b>
MISCELLANEOUS	(48)	0	0		48	0	0	0	0.0%
GRANTS	(1,192)	0	0		69	(1,123)	(1,123)	0	(0.0%)
SECONDEES	0	0	0		0	0	0	0	0.0%
<b>TOTAL CONSTABULARY</b>	<b>311,087</b>	<b>2,452</b>	<b>1,649</b>	<b>3,324</b>	<b>4,918</b>	<b>323,430</b>	<b>323,409</b>	<b>21</b>	<b>0.0%</b>
OFFICE OF THE POLICE AND CRIME COMMISSIONER	1,532	0	2		0	1,534	1,555	(21)	(1.3%)
COMMISSIONING COSTS	1,695	0	0		1,793	3,488	3,488	0	0.0%
<b>TOTAL OPCC AND COMMISSIONING</b>	<b>3,226</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1,793</b>	<b>5,021</b>	<b>5,042</b>	<b>(21)</b>	<b>(0.4%)</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>314,314</b>	<b>2,452</b>	<b>1,651</b>	<b>3,324</b>	<b>6,711</b>	<b>328,451</b>	<b>328,451</b>	<b>0</b>	<b>0.0%</b>

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ANNEX B - Management Structure 2020/21 Revenue Outturn	20/21 Outturn pre adjust £'000	Capital Reserves £'000	Carry Forwards £'000	Provisions £'000	Reserves £'000	20/21 Outturn £'000	20/21 Annual Budget £'000	Over/(Under) £'000	%
Neighbourhood Policing	29,642	0	0		(585)	29,057	30,298	(1,241)	-4.1%
Road Safety	75	0	0		0	75	199	(124)	-62.2%
Offender Management	5,163	0	10		0	5,173	5,100	73	1.4%
Victims and Safeguarding	4,287	0	78		0	4,365	4,378	(14)	-0.3%
Citizens in Policing	426	0	0		0	426	594	(168)	-28.2%
<b>NEIGHBOURHOOD &amp; PARTNERSHIP</b>	<b>39,593</b>	<b>0</b>	<b>88</b>	<b>0</b>	<b>(585)</b>	<b>39,096</b>	<b>40,569</b>	<b>(1,474)</b>	<b>-3.6%</b>
Command and Control	20,065	0	0		0	20,065	17,750	2,315	13.0%
Patrol	54,364	0	0		0	54,364	52,846	1,518	2.9%
Detainee Investigation Support	6,957	0	0		0	6,957	7,718	(761)	-9.9%
<b>RESPONSE</b>	<b>81,387</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>81,387</b>	<b>78,314</b>	<b>3,073</b>	<b>3.9%</b>
Criminal Justice	14,269	0	170	0	0	14,439	13,966	472	3.4%
Operations Major Incidents	874	0	0		0	874	247	627	254.0%
Operations	6,465	0	41		0	6,506	6,682	(176)	-2.6%
Operation Remedy	5,685	0	0		0	5,685	6,929	(1,244)	-18.0%
Serious & Violent Crime	1,121	0	0		3	1,124	1,124	0	0.0%
Intelligence and Tasking	10,250	0	56		0	10,306	10,612	(306)	-2.9%
Tactical Support Team	13,669	0	90		0	13,759	14,137	(377)	-2.7%
<b>OPERATIONAL SUPPORT</b>	<b>52,334</b>	<b>0</b>	<b>357</b>	<b>0</b>	<b>3</b>	<b>52,693</b>	<b>53,697</b>	<b>(1,003)</b>	<b>-1.9%</b>
Investigation	27,695	0	0		0	27,695	31,495	(3,800)	-12.1%
Investigation Major Incidents	520	0	152		0	672	899	(227)	-25.3%
<b>INVESTIGATION</b>	<b>28,215</b>	<b>0</b>	<b>152</b>	<b>0</b>	<b>0</b>	<b>28,366</b>	<b>32,394</b>	<b>(4,027)</b>	<b>-12.4%</b>
Scientific Investigation	7,682	0	507		0	8,190	8,120	70	0.9%
Major Crime Investigation	4,870	0	49		0	4,919	5,325	(406)	-7.6%
South West ROCU	4,416	0	0		(1,299)	3,117	3,406	(290)	-8.5%
Special Branch	1,075	0	0		0	1,075	1,189	(114)	-9.6%
Black Rock	853	0	0		114	968	1,239	(272)	-21.9%
Counter Terrorism Specialist Firearms	518	0	0		107	625	797	(172)	-21.5%
Regional ACC	45	0	0		0	45	43	2	5.1%
<b>COLLABORATION</b>	<b>19,460</b>	<b>0</b>	<b>556</b>	<b>0</b>	<b>(1,078)</b>	<b>18,939</b>	<b>20,120</b>	<b>(1,181)</b>	<b>-5.9%</b>
Technology Services	21,257	0	0		0	21,257	21,031	225	1.1%
<b>INFORMATION TECHNOLOGY DIRECTORATE</b>	<b>21,257</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>21,257</b>	<b>21,031</b>	<b>225</b>	<b>1.1%</b>
Chief Officer Group	1,780	0	5		0	1,784	1,700	84	5.0%
Evidential Property & Stores	2,759	0	0		0	2,759	2,616	143	5.5%
Transport Services	4,407	0	22		0	4,429	4,731	(301)	-6.4%
Services Hub	4,109	0	0		0	4,109	4,556	(447)	-9.8%
Finance Department	1,806	0	0		0	1,806	1,966	(160)	-8.1%
Strategic Procurement Services	434	0	0		0	434	542	(108)	-19.9%
Estates and Facilities Department	15,152	0	0		0	15,152	14,525	627	4.3%
<b>FINANCE &amp; BUSINESS SERVICES DIRECTORATE</b>	<b>30,446</b>	<b>0</b>	<b>27</b>	<b>0</b>	<b>0</b>	<b>30,473</b>	<b>30,634</b>	<b>(162)</b>	<b>-0.5%</b>
HR Operations	4,810	0	0		0	4,810	4,878	(67)	-1.4%
Organisational Development	1,006	0	426		0	1,432	1,649	(217)	-13.1%
Learning	6,365	0	0		0	6,365	7,258	(893)	-12.3%
Legal Services	1,773	0	0		0	1,773	1,557	216	13.9%
Occupational Health	818	0	0		0	818	970	(152)	-15.7%
Health & Safety	100	0	0		0	100	104	(4)	-4.2%
<b>PEOPLE &amp; ORG DEVELOPMENT DIRECTORATE</b>	<b>14,873</b>	<b>0</b>	<b>426</b>	<b>0</b>	<b>0</b>	<b>15,298</b>	<b>16,415</b>	<b>(1,117)</b>	<b>-6.8%</b>
Transformation	2,251	0	0		0	2,251	2,500	(248)	-9.9%
Improvement	2,080	0	0		0	2,080	2,372	(292)	-12.3%
Force Crime & Incident Registrar	280	0	0		0	280	278	2	0.8%
Strategic Projects	523	0	5		(10)	518	600	(82)	-13.6%
Corporate Communications	948	0	0		0	948	986	(38)	-3.9%
Professional Standards Department	2,360	0	40		0	2,399	2,452	(53)	-2.1%
<b>TRANSFORMATION &amp; IMPROVEMENT DIRECTORATE</b>	<b>8,442</b>	<b>0</b>	<b>44</b>	<b>0</b>	<b>(10)</b>	<b>8,476</b>	<b>9,187</b>	<b>(710)</b>	<b>-7.7%</b>
Pensions	10,113	0	0	800	0	10,913	10,483	430	4.1%
Officer & Staff Allowances	1,511	0	0	176	0	1,687	2,132	(444)	-20.8%
Central Costs	8,719	2,452	0	2,347	5,144	18,663	7,697	10,966	142.5%
Central Savings	0	0	0		0	0	1,856	(1,856)	-100.0%
Student Officers	1	0	0		0	1	0	1	0.0%
CoVid 19 Costs	(4,023)	0	0		1,327	(2,696)	3	(2,699)	0.0%
<b>CENTRAL COSTS</b>	<b>16,321</b>	<b>2,452</b>	<b>0</b>	<b>3,324</b>	<b>6,471</b>	<b>28,568</b>	<b>22,171</b>	<b>6,397</b>	<b>28.9%</b>
<b>TOTAL CONSTABULARY (exc Misc/Grants/Secondees)</b>	<b>312,327</b>	<b>2,452</b>	<b>1,649</b>	<b>3,324</b>	<b>4,801</b>	<b>324,553</b>	<b>324,532</b>	<b>21</b>	<b>0.0%</b>
MISCELLANEOUS	(48)	0	0		48	0	0	0	0.0%
GRANTS	(1,192)	0	0		69	(1,123)	(1,123)	0	0.0%
SECONDEES	0	0	0		0	0	0	0	0.0%
<b>TOTAL CONSTABULARY</b>	<b>311,087</b>	<b>2,452</b>	<b>1,649</b>	<b>3,324</b>	<b>4,918</b>	<b>323,430</b>	<b>323,409</b>	<b>21</b>	<b>0.0%</b>
OFFICE OF THE POLICE AND CRIME COMMISSIONER	1,532	0	2		0	1,534	1,555	(21)	-1.3%
COMMISSIONING COSTS	1,695	0	0		1,793	3,488	3,488	0	0.0%
<b>TOTAL OPCC AND COMMISSIONING</b>	<b>3,226</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>1,793</b>	<b>5,021</b>	<b>5,042</b>	<b>(21)</b>	<b>-0.4%</b>
<b>TOTAL REVENUE EXPENDITURE</b>	<b>314,314</b>	<b>2,452</b>	<b>1,651</b>	<b>3,324</b>	<b>6,711</b>	<b>328,451</b>	<b>328,451</b>	<b>0</b>	<b>0.0%</b>

APPENDIX C RESERVES AND PROVISIONS		Bal as at 1st April 2020 £'000	Movement during year £'000	Adjusts £'000	Total movement £'000	Bal as at 31st March 2021 £'000
DISCRETIONARY RESERVES	1. Carry Forwards - 98503	1,826	(2,305)	1,651	(654)	1,172
	2. Operations reserve - 98526	1,500	0	0	0	1,500
	3. Overtime Liability - 98541	1,000	0	0	0	1,000
	4. Buildings and sustainability - 98500/98525	749	(459)	0	(459)	290
	5. Transformation reserve - 98515/98516	472	(277)	0	(277)	195
	6. Operation Remedy reserve - 98542	1,344	(1,344)	0	(1,344)	0
	7. Covid 19 Recovery Fund - 98543	1,000	(110)	(890)	(1,000)	0
	8. Covid Enforcement reserve -98544		0	1,327	1,327	1,327
	9. Budget support reserve -98545		0	1,000	1,000	1,000
	10. New PCC reserve -98546			1,000	1,000	1,000
	<b>TOTAL Discretionary Earmarked Revenue Reserves</b>	<b>7,891</b>	<b>(4,495)</b>	<b>4,087</b>	<b>(407)</b>	<b>7,483</b>
NON-DISCRETIONARY RESERVES	11. Regional Programme Reserve - 98540	385	394	211	606	991
	12. SWROCU reserve - 98529	1,625	26	(1,299)	(1,273)	352
	13. Proceeds of crime reserve - 98523	574	364	0	364	938
	14. Detained Property reserve - 98508	378	(62)	69	7	386
	15. Grants carried forward - 98527	577	0	44	44	621
	16. Hinkley Point - 98531	881	226	(585)	(359)	521
	17. Road Safety - 98530	1,103	(99)	0	(99)	1,004
	18. Local Resilience Forum Reserve - 98533	128	162	0	162	290
	19. Victims and Commissioning Reserve - 98537	1,584	(1,286)	1,793	507	2,091
	20. Miscellaneous Balances Reserve - 98538	216	(67)	0	(67)	149
	<b>TOTAL Non-Discretionary Earmarked Revenue Reserves</b>	<b>7,450</b>	<b>(341)</b>	<b>234</b>	<b>(108)</b>	<b>7,342</b>
<b>TOTAL Earmarked Revenue Reserves</b>		<b>15,341</b>	<b>(4,836)</b>	<b>4,321</b>	<b>(515)</b>	<b>14,826</b>
CAPITAL/PFI	21. Capital Financing reserve - 98100	15,441	0	3,418	3,418	18,859
	22. Capital earmarked reserves - 98104	103	(83)	76	(8)	95
	23. PFI Change Reserve - 98539	477	(20)	0	(20)	457
	24. PFI Sinking Fund Reserve - 98536	4,605	199	0	199	4,804
	<b>TOTAL Earmarked Capital and PFI Reserves</b>	<b>20,627</b>	<b>96</b>	<b>3,493</b>	<b>3,589</b>	<b>24,216</b>
<b>TOTAL EARMARKED RESERVES</b>		<b>35,968</b>	<b>(4,741)</b>	<b>7,814</b>	<b>3,073</b>	<b>39,041</b>
General Fund - 98800		9,000	0	3,000	3,000	12,000
<b>TOTAL REVENUE RESERVES</b>		<b>44,968</b>	<b>(4,741)</b>	<b>10,814</b>	<b>6,073</b>	<b>51,041</b>
Capital Receipts Reserve - 98106		3,982	1,620	0	1,620	5,602
<b>TOTAL USEABLE RESERVES</b>		<b>48,950</b>	<b>(3,121)</b>	<b>10,814</b>	<b>7,693</b>	<b>56,643</b>

## Appendix D Capital report

£000's	Planned Spend				2021 actual spend	Total project 2021 cost	Over /(Under) spend to 2021 budget	Total carry forward/ re-profile to next year
	MTFP	C/F 1920	Adjs	Total Budget				
Information and Communication Systems	6,425	497	33	6,955	2,986	2,986	-3,969	4,254
Estates	1,244	359	300	1,903	599	599	-1,304	663
Fleet	2,672	398	12	3,082	2,063	2,063	-1,019	1,063
Equipment	408	118	-12	514	408	408	-106	278
Total Replacement and Renewal Programme	10,749	1,371.7	333.0	12,454	6,057	6,057	-6,397	6,259
Digital Projects	1,644	841.7	0.0	2,486	417	417	-2,069	1,065
Estates Projects	7,094	1,504	-428	8,170	1,122	1,122	-7,048	5,481
Total Programme	8,738	2,346.0	-428.0	10,656	1,539	1,539	-9,117	6,547
Regional Programme	100	0	0	100	0	0	-100	0
Other Projects	300	0	0	300	0	0	-300	0
Funded / Part Funded Projects	0	202	746	947	713	713	-234	0
Total Capital Programmes	19,887	3,919.5	650.6	24,457	8,309	8,309	-16,148	12,805

**POLICE AND CRIME COMMISSIONER FOR AVON AND SOMERSET**

**JUNE 2021**

**ANNUAL TREASURY MANAGEMENT REPORT 2020-21**

**Report of the Chief Finance Officer**

**1. Purpose of the Report**

- 1.1 The purpose of the report is to inform the Police and Crime Commissioner of the key matters arising from Treasury Management activities during the last financial year. It reports on the performance of the treasury management function, on the effects of the decisions taken and the transactions executed in the past year, and on any circumstances of non-compliance with the organisation's treasury management policy statement and treasury management practices (TMPs).

**2. Background**

- 2.1 The CIPFA definition of Treasury Management is:

*"The management of the PCC's investments and cash flows, its banking and capital market transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks."*

- 2.2 The PCC's treasury management activities are regulated by a variety of professional codes, statutes and guidance. The Local Government Act 2003 (the Act), provides the powers to borrow and invest as well as providing controls and limits on these activities. Statutory Instrument (SI) 3146 2003, as amended, develops the controls and powers within the Act. The SI requires the Authority to undertake any borrowing activity with regard to the CIPFA Prudential Code for Capital Finance in Local Authorities. A Revised edition of this code was published in late December 2017. The SI also requires the Authority to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services. A Revised edition of this code was also published in late December 2017. Under the Act the Ministry for Housing, Communities and Local Government (MHCLG) has issued Investment Guidance to structure and regulate the Authority's investment activities. This was updated in February 2018, effective from 1st April 2018.
- 2.3 The CIPFA Treasury Management Code requires public sector authorities to determine an annual Treasury Management Strategy and, as a minimum, formally report on their treasury activities and arrangements to the Police and Crime Commissioner Mid-year and after the year-end. These reports enable those tasked with implementing policies and undertaking transactions to demonstrate they have properly fulfilled their responsibilities and enable those with ultimate responsibility/governance of the treasury management function to scrutinise and assess its effectiveness and compliance with policies and

objectives.

2.4 This report:

- Is prepared in accordance with the CIPFA Treasury Management and Prudential Codes.
- Presents details of capital financing, borrowing, debt-rescheduling and investment activities.
- Reports on the risk implications of treasury decisions and transactions.
- Gives details of the outturn position on treasury management transactions in 2020-21.
- Confirms compliance with treasury limits and Prudential Indicators or explains non-compliance.

2.5 The report is to the Police and Crime Commissioner and is in addition being submitted to the Police and Crime Board that has responsibility for scrutiny of the Treasury Management function.

### **3. Treasury Management Framework**

3.1 The Office of the Police and Crime Commissioner (PCC) has adopted the CIPFA Code of Practice for Treasury Management in the Public Sector and operates its treasury management service in compliance with this, and the Prudential Code, and other regulatory requirements. Treasury Management activities are structured to manage risk as a priority and then to optimise performance and ensure that borrowing activities are undertaken in a prudent, affordable and sustainable basis.

3.2 It is acknowledged that effective treasury management provides support to the business and service objectives of the PCC.

3.3 During 2020-21, Somerset County Council (SCC) has managed Treasury Management activities. As from 1st April 2020, a new contract had been signed, for Treasury Management services to be supplied to the Police, by SCC, on an ongoing basis.

3.4 The PCC delegates responsibility for the implementation and monitoring of its treasury management policies and practices, and the execution and administration of treasury management decisions, to me as Chief Finance Officer.

### **4 The Economy and Events in 2020-21 including Interest and PWLB Rates**

4.1 All Treasury Management decisions are made in a dynamic environment in which market sentiment, and rates for borrowing and investment are subject to constant change from many different factors. Any volatility in markets makes risk management, forecasting and decision making more difficult. In order to give context, and to help appraise the effectiveness of Treasury Management activity during any given year, it is important to understand the economic, financial, and other external factors that affect Treasury Management decisions. Here follows a brief review of the key issues for 2020-21.

- 4.2 The coronavirus pandemic dominated 2020-21, leading to almost the entire world being in some form of lockdown during the year. The start of the financial year saw many central banks cutting interest rates as lockdowns caused economic activity to grind to a halt.
- 4.3 Some good news came in December 2020 as two COVID-19 vaccines were given approval and the UK vaccine rollout started in earnest; over 31 million people had received their first dose by 31st March.
- 4.4 A Brexit trade deal was agreed with only days to spare before the 11pm 31st December 2020 deadline having been agreed with the European Union on Christmas Eve.
- 4.5 The Bank of England (BoE) held Bank Rate at 0.1% throughout the year but extended its Quantitative Easing programme by £150 billion at its November 2020 meeting.
- 4.6 Inflation has remained low over the 12-month period. Latest figures showed the annual headline rate of UK Consumer Price Inflation (CPI) at 0.7% year on year in March, below expectations (0.8%) and still well below the Bank of England's 2% target.
- 4.7 Despite the furlough scheme, unemployment still rose. Labour market data showed that in the three months to February 2021 the unemployment rate was 4.9%, in contrast to 3.9% recorded for the same period 12 months ago.
- 4.8 After contracting sharply in Q2 (Apr-Jun) 2020 by 19.8% q/q, growth in Q3 and Q4 bounced back by 15.5% and 1.3% respectively. The easing of some lockdown measures in the last quarter of the calendar year enabled construction output to continue, albeit at a much slower pace than the 41.7% rise in the prior quarter.
- 4.9 Monetary and fiscal stimulus helped provide support for equity markets which rose over the period. The FTSE indices performed reasonably well during the period April to November, before being buoyed in December by both the vaccine approval and Brexit deal, which helped give a boost to both the more internationally focused FTSE 100 and the more UK-focused FTSE 250, however they remain lower than their pre-pandemic levels.
- 4.10 The 5-year UK benchmark gilt yield began the financial year at 0.18% before declining to -0.03% at the end of 2020 and then rising strongly to 0.39% by the end of the financial year. Over the same period the 10-year gilt yield fell from 0.31% to 0.19% before rising to 0.84%. The 20-year declined slightly from 0.70% to 0.68% before increasing to 1.36%.
- 4.11 1-month, 3-month, 6-month, and 12-month LIBID (London Interbank Bid) rates averaged -0.05%, 0.01%, 0.07%, and 0.17% respectively over the period. A summary of PWLB and key benchmark lending rates is included below

**PWLB Rates 2020-21 (Maturity rates unless stated)**

	5 Year	5 Year EIP	10 Year	15 Year EIP	30 Year	50 Year
01/04/2020	2.12	1.65	2.04	1.88	2.58	2.44
30/04/2020	2.11	1.78	2.22	2.06	2.71	2.58
31/05/2020	1.98	1.57	1.90	1.74	2.48	2.36
30/06/2020	1.94	1.59	1.88	1.73	2.49	2.36
31/07/2020	1.87	1.40	1.70	1.53	2.41	2.32
31/08/2020	2.02	1.35	1.41	1.31	2.01	1.88
30/09/2020	1.94	1.34	1.47	1.33	2.01	1.87
31/10/2020	1.96	2.48	2.61	2.48	3.18	3.05
30/11/2020	1.03	2.51	2.65	2.52	3.21	3.08
31/12/2020	0.95	2.60	2.87	2.74	3.39	3.25
31/01/2021	1.03	2.45	2.53	2.43	3.04	2.91
28/02/2021	1.40	2.33	2.45	2.32	2.94	2.79
31/03/2021	1.38	2.12	2.34	2.22	2.80	2.58
<b>Average 2020-21</b>	<b>1.70</b>	<b>1.64</b>	<b>2.01</b>	<b>1.86</b>	<b>2.51</b>	<b>2.33</b>
Minimum	0.92	0.87	1.20	1.06	1.71	1.51
Maximum	2.19	2.16	2.48	2.29	3.06	2.90
Spread	1.27	1.29	1.28	1.23	1.35	1.39
<b>Average 2019-20</b>	<b>1.97</b>	<b>1.97</b>	<b>2.20</b>	<b>2.07</b>	<b>2.74</b>	<b>2.60</b>
<b>Difference in average</b>	<b>-0.27</b>	<b>-0.33</b>	<b>-0.19</b>	<b>-0.21</b>	<b>-0.23</b>	<b>-0.27</b>

**Money Market Rates 2020-21 (LIBID Source = ICE LIBOR previously BBA LIBOR)**

	O/N LIBID	7-Day LIBID	1- Month LIBID	3- Month LIBID	6- Month LIBID	12- Month LIBID	2-Yr SWAP
01/04/2020	-0.06	0.00	0.11	0.45	0.59	0.71	0.48
30/04/2020	-0.07	-0.03	0.08	0.47	0.56	0.70	0.43
31/05/2020	-0.07	-0.06	-0.03	0.10	0.25	0.44	0.25
30/06/2020	-0.07	-0.06	-0.03	0.02	0.17	0.30	0.18
31/07/2020	-0.07	-0.06	-0.07	-0.04	0.04	0.19	0.09
31/08/2020	-0.08	-0.07	-0.07	-0.06	-0.01	0.11	0.10
30/09/2020	-0.08	-0.08	-0.08	-0.06	-0.04	0.03	0.08
31/10/2020	-0.08	-0.08	-0.08	-0.08	-0.07	0.00	0.06
30/11/2020	-0.08	-0.09	-0.09	-0.08	-0.06	0.00	0.08
31/12/2020	-0.09	-0.10	-0.11	-0.10	-0.10	-0.04	0.03
31/01/2021	-0.09	-0.09	-0.10	-0.09	-0.08	-0.04	0.10
28/02/2021	-0.09	-0.09	-0.08	-0.06	-0.04	0.02	0.26
31/03/2021	-0.09	-0.08	-0.08	-0.04	-0.01	0.04	0.28
<b>Average 2020-21</b>	<b>-0.08</b>	<b>-0.07</b>	<b>-0.05</b>	<b>0.01</b>	<b>0.07</b>	<b>0.17</b>	<b>0.17</b>
Minimum	-0.09	-0.10	-0.11	-0.10	-0.10	-0.05	0.02
Maximum	-0.06	0.00	0.14	0.56	0.62	0.77	0.50
Spread	0.03	0.10	0.25	0.66	0.72	0.83	0.48
<b>Average 2019-20</b>	<b>0.52</b>	<b>0.53</b>	<b>0.56</b>	<b>0.63</b>	<b>0.70</b>	<b>0.80</b>	<b>0.83</b>
<b>Difference in average</b>	<b>-0.60</b>	<b>-0.60</b>	<b>-0.61</b>	<b>-0.62</b>	<b>-0.63</b>	<b>-0.63</b>	<b>-0.63</b>

## 5 Treasury Outturn for 2020-21

### 5.1. The Portfolio Position as at 31st March 2021

The Treasury portfolio at the start and the end of the financial year is set out below:

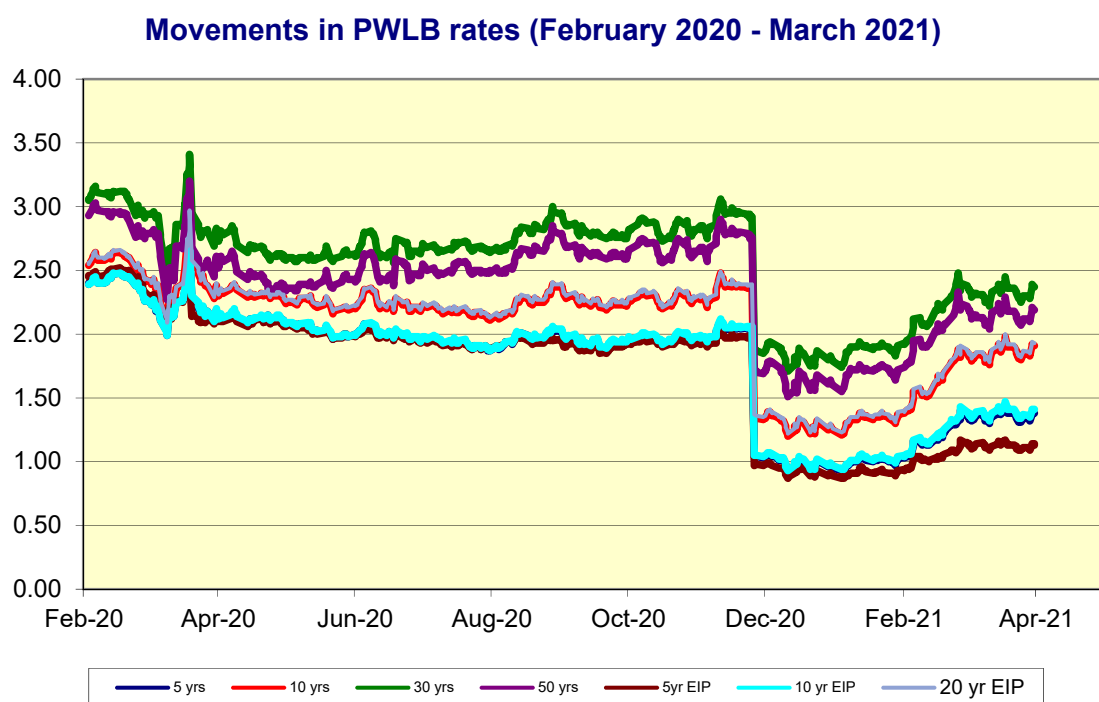
	31st March 2020 £m	31st March 2021 £m
<b><u>Long-term Borrowing</u></b>		
PWLB	34.268	34.282
Market Loans (LOBOs)	11.775	11.775
Market Loans (Short-term)	0.000	0.000
Total	46.043	46.057
Average rate	3.59%	3.56%
<b><u>Short-term Investments</u></b>		
Cash on call	12.90	10.64
Deposits	42.00	48.00
CCLA Property Fund	3.00	3.00
Total	57.90	61.64
Average rate	0.92%	0.49%

### 5.2 Borrowing

- 5.2.1 The PCC did not need to be a short-term borrower during the year, as cash flow was managed to avoid this. Balances are deliberately worked hard so as to be minimal at the low point of the monthly working capital cycle. Cash on call of £10.64m at year-end would not normally be this high but is largely a cash flow timing issue in that Pensions and Creditors of £8m were paid on 1<sup>st</sup> and 6<sup>th</sup> of April 2021.
- 5.2.2 The capital funding requirement for 2020-21 was largely driven by the progress of many smaller programmes and change projects. The exact timing of the proposed expenditure was not certain, but more frequent smaller amounts were anticipated. The balance sheet forecast indicated that the PCC may have a need to borrow up to £5m in 2020-21, and a further £5m in 2021-22. A passive borrowing strategy, borrowing funds internally, was deemed appropriate during the year, as the cost of carry remained elevated. Any required borrowing was to be taken as late in the year as was deemed prudent in the volatile rate environment. The benefits of this strategy were constantly monitored and weighed against the risk of shorter-term rates rising more quickly than expected.

5.2.3 PWLB rates across all durations inevitably ended the year lower than in March 2020 due to the HM Treasury reversal of the extra 1% on rates in November 2020. Rates had been trading within a fairly narrow band up until November, but as Brexit transition talks became tense, and a second wave of coronavirus hit town, rates reduced to year lows in December. Rates did rise significantly in February and March 2021 as the Brexit transition was done, and the coronavirus vaccine programme started to successfully rollout. As a result of the above, 5-year, 10-year and 50-year maturity rates averaged 1.70%, 2.01%, and 2.33% respectively for 2020-21, and at 31st March 2021 were 1.38%, 1.91%, and 2.19%.

5.2.4 Spreads across all shorter maturities were most volatile, the five-year Maturity rate showing a maximum of 2.19% and a minimum of 0.92%, and the 10-year Maturity rate a maximum of 2.48% and a minimum of 1.20%, producing spreads of 1.27% and 1.28% respectively during the year. A summary of rates can be seen in the table on page 5, and graphically below: -

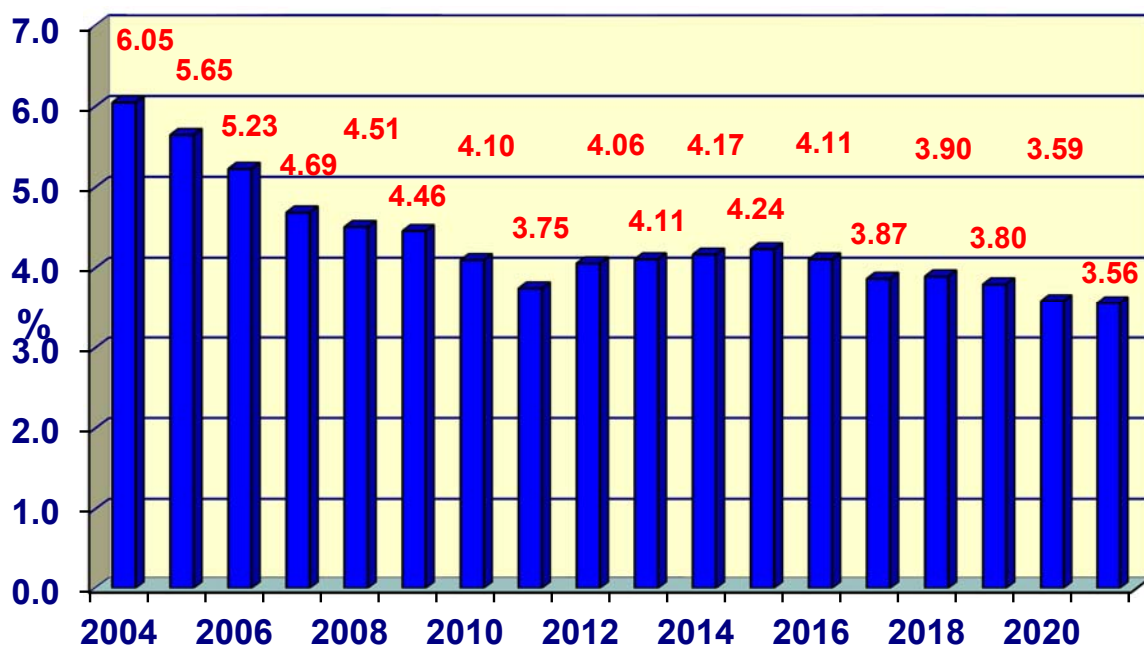


5.2.5 No debt rescheduling was undertaken during the year, as repayment premiums remained at elevated levels.

5.2.6 As expected, the LOBO loan with an option to call during the period did not exercise the right to call. The total of market loans remained at £11.775m at year-end, the average rate being 4.3%.

- 5.2.7 Scheduled repayments of existing EIP loans during the year totalled just under £1.29m. It was anticipated that £5m of new borrowing may have been necessary during 2020-2021, but to avoid the cost of carry, a passive borrowing strategy, borrowing funds internally was deemed the appropriate approach for most of the year, particularly as investment balances were high due to the £54.4m pensions top-up received in July; However, a £1.3m PWLB EIP Loan was taken on 29th March to cover capital spend already incurred during the year, and to refinance loans repaid during the year.
- 5.2.8 A 15-year EIP loan was taken at 1.40%. This was achieved using the 'Certainty Rate' a rate that has to be applied for annually and is 20 basis points below the advertised PWLB rate. The (certainty rate) average for this type and period of loan for 2020-21 was 1.66%.
- 5.2.9 The overall rate for PCC PWLB loans at year end of 3.31% was lower than the 3.35% at the end of 2020 because of the scheduled repayment of EIP loans and the taking of the new loan. The combined LOBO and PWLB rate at year-end 2021, was 3.56%, down from 3.59% as a result of the aforementioned PWLB activity. Annual figures for comparison are highlighted in the graph below: -

**Average Interest Rate of debt**



### 5.3 Lending

5.3.1 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.

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

<b>Bank or Building Society</b>			
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	
<b>Sterling CNAV Money Market Funds</b>		<b>Other Counterparties</b>	
Deutsche	*	Debt Management Office	
Federated Prime Rate	*	Local Authorities (17)	*
Invesco Aim	*	CCLA Property Fund	*
Insight	*		
LGIM	*		
Aberdeen Standard	*		
SSGA	*		
Aviva	*		

5.3.3 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.

5.3.4 For all the economic turmoil during the year, there were minimal credit rating changes during the period. However, in April 2020 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.

5.3.5 There continues to be much uncertainty around the extent of the losses banks and building societies will suffer due to the impact from the coronavirus pandemic. While the UK and Non-UK banks on the Arlingclose counterparty list remain in a strong and well-capitalised position, the duration advice on all these banks remained at 35 days throughout the year, for new deposits.

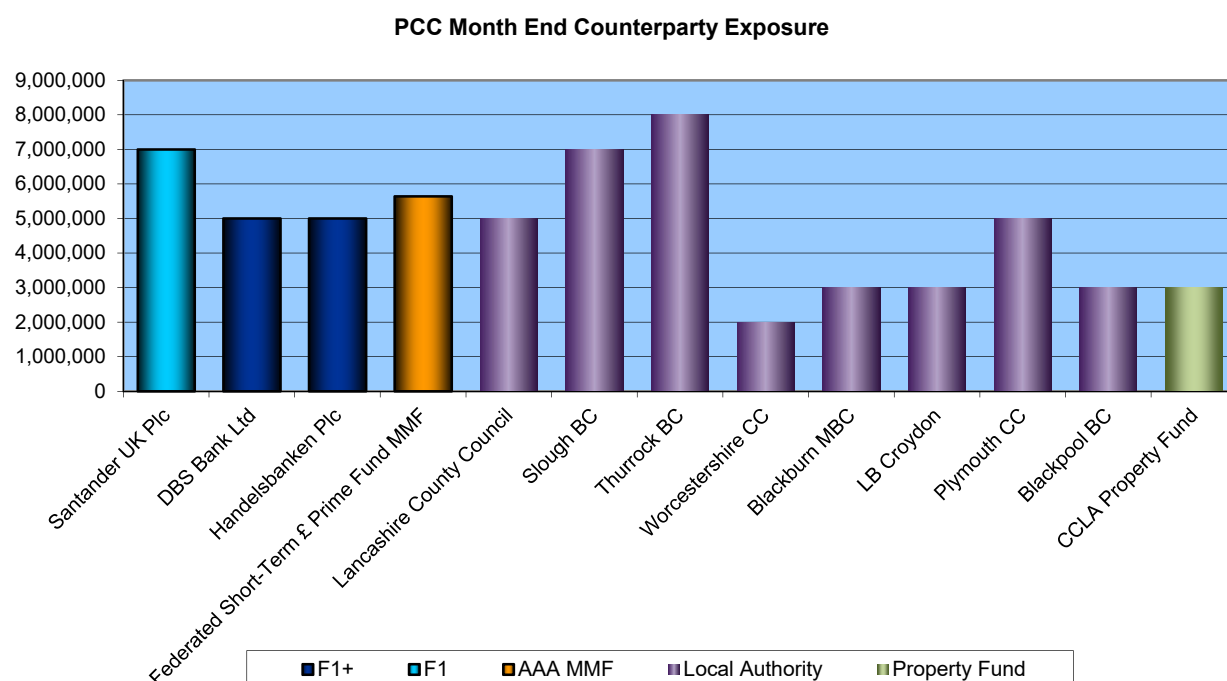
5.3.6 As duration advice has been limited to 35-days on new bank lending (and the number of counterparties recommended by SCC Advisors Arlingclose has been significantly reduced), there have been minimal opportunities to use banks, as they are either not in the market in this period, or rates have been negligible or even negative. In order to place deposits for longer maturities, and to pick up a better yield, more deposits have been placed with UK Local Authorities. At times, 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.

5.3.7 Outside of SCC Treasury advisor's advice, the PCC continues to hold £2m in a 95-day notice account with Santander UK, and an Instant Access account with Handelsbanken Plc, the UK arm of the 6<sup>th</sup> strongest commercial bank in the world 2020.

5.3.8 After spiking in March 2020, credit default swap spreads declined over the remaining period of the year to broadly pre-pandemic levels.

5.3.9 Another means of assessing inherent risk in an investment portfolio is to monitor the duration, the average weighted time to maturity of the portfolio. The PCC portfolio reached a low of 50 days at the end of June 2020, due largely to the fact that longer-term loans are maturing and not being replaced. The year-end duration as at March 2021 was 85 days. The average duration for the year (using month-end figures) was 80 days. This average duration was the same as in 2019-20.

5.3.10 The chart below shows counterparty exposures as at 31<sup>st</sup> March 2021.



5.3.11 **Liquidity:** In keeping with the CLG guidance, the PCC maintained a sufficient level of liquidity through the use of call accounts, MMFs, and short-term deposits.

5.3.12 **CCLA Property Fund:** The Authority has a £3m investment in the CCLA Property Fund. 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”.

5.3.13 As at 31<sup>st</sup> March 2021 the Net Asset Value of the PCC holding was £2,799,310 and a Bid Price (value at which investment could be sold) of £2,755,933. The value of the fund has been steadily increasing since April 2020 after declines in the onset of the Covid pandemic. In the meantime, the average Property Fund yield of circa 4.01% net, was circa 3.65% above cash yields, and provided £120,399 of income during the year.

**5.3.14 Yield:** The PCC sought to optimise returns commensurate with its objectives of security and liquidity. The historically low base rate of 0.10% prevailed throughout the year, and the MPC increased the amount of QE, buying more of both Government and Corporate Bonds. With several members of the MPC stating that negative interest rates should be part of the Bank's toolkit (even if not deployed), a second wave of COVID gaining momentum, and stuttering trade talks with the EU, the market anticipated the worst, and investment rates reflected that. At the nadir in December, all LIBID rates (benchmark BID rates at which banks will lend to each other) out to one year were negative. 1-month, 3-month, 6-month and 12-month LIBID rates reached lows of -0.11%, -0.10%, -0.10%, and -0.04% respectively. However, from early 2021 the improved economic outlook due to a successful trade deal with the EU, various new stimulus packages, together with the approval and successful rollout of vaccines, caused the market to reassess, and longer-term rates at least turned positive.

**5.3.15** 1-month, 3-month, 6-month and 12-month LIBID rates averaged -0.05%, +0.01%, +0.07% and +0.17% respectively for 2020-21, more than 0.60% less than averages for 2019-20.

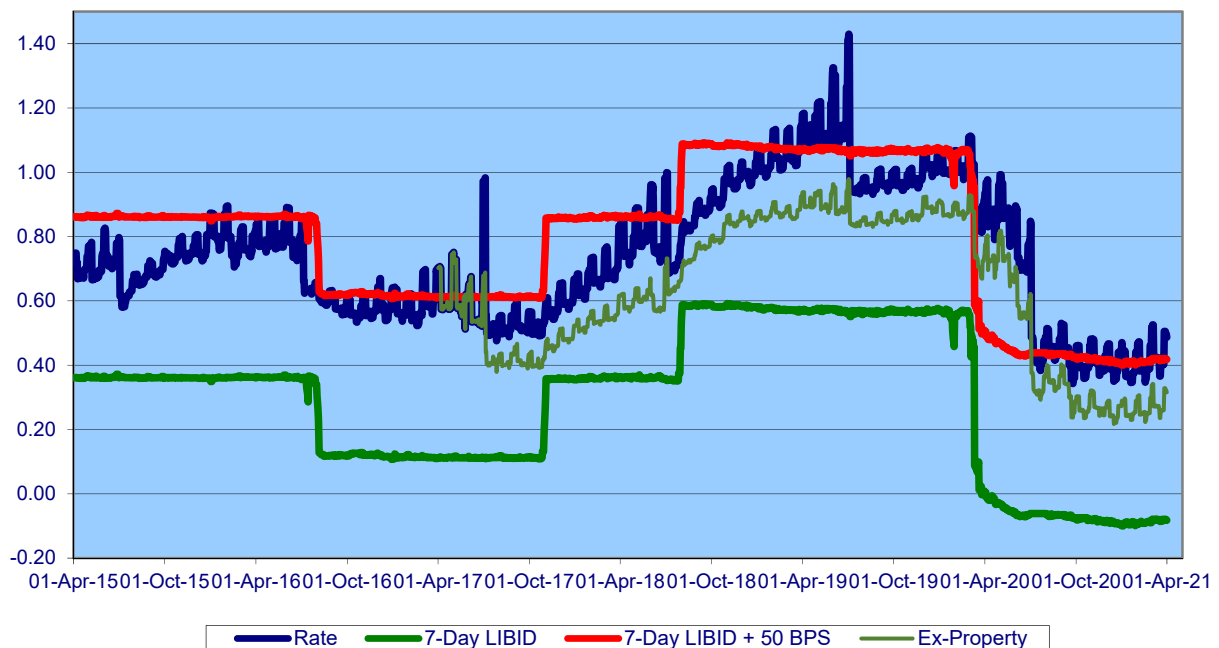
**5.3.16** As at 31st March 2021 1-month, 3-month, 6-month and 12-month LIBID rates were -0.08%, -0.04%, -0.01% and +0.04% respectively. A table of rates is shown on page 5.

**5.3.17 Excluding Property.** The PCC weighted average return for the year was 0.36%, down from 0.86% for 2019-20. With the target of 7-day LIBID + 50bps averaging 0.43% for the period, the return represents an under-performance of 7bps (17bps 2019-20). Although under target, 0.36% does represent a return of 29 basis points above the 6-month LIBID rate and 19 bps above the 12-month LIBID rate, on a portfolio that averaged between 2-4 months. The graph below shows performance against benchmark. It shows a correlation between performance and times when large amounts of cash are received on grant days (return declines as shorter deposits are made and counterparties paying lesser yields are used). This is made abundantly clear when the Pension Top-up is received at the beginning of July each year (£54.4m in July 2020).

**5.3.18 Property Fund.** An investment of £3m was held in the CCLA Property Fund on 31<sup>st</sup> March 2021. To 31st March it delivered an average net income yield of 4.01%, and £120,399 cash.

**5.3.19 Including Property.** The PCC weighted average return for the year including the CCLA Property Fund was 0.49%, 0.06% above the 7-Day LIBID + 0.50% target of 0.43%, and 0.32% above the average 12-month LIBID rate for the year.

PCC Performance v Benchmark - April 2015 to March 2021



5.3.20 The PCC's cash balances stood at £61.64m as at 31<sup>st</sup> March 2021, compared to £57.9m held at 31<sup>st</sup> March 2020. The average daily balance held during the year was £81.68m, an increase of £12.08m on the previous year.

5.3.21 One hundred and seventy-five deposits totalling just over £552m were made during the year, giving an average value of investment at just under £3.16m. Total interest earned amounted to £403,429 a decrease of £293,574 on the £697,003 earned in 2019-20. The decrease in income is attributable to the historically low base rate of 0.10% throughout the year, with the threat of further reduction or even negative rates.

## 5.4 Compliance & Governance

5.4.1 During the year, PCC treasury management policies, practices, and activities remained compliant with relevant statutes and guidance, namely the CLG investment guidance issued under the Local Government Act 2003 and the CIPFA Treasury Management and Prudential Codes.

5.4.2 The PCC can confirm that it has complied with its Prudential Indicators for 2020-21.

5.4.3 Short-term borrowing was not necessary during 2020-21, and the £46.06m debt at year-end was within the stated Prudential limit of £50m. The entire portfolio remained as fixed rate borrowing, whilst the overall rate decreased from 3.59% to 3.56%.

- 5.4.4 The CLG's Guidance on Investments stresses security and liquidity as the primary objectives of a prudent investment policy. All lending was compliant with guidance issued by the CLG, with the investment strategy agreed, and activities conducted within the procedures contained in the TMPs.
- 5.4.5 All treasury activity was conducted within the benchmarks set as Prudential limits for prudent and sustainable capital plans, financing, and investment. Indicators approved for the year are set out in the left hand columns, with actual outturns as at 31<sup>st</sup> March 2021 on the right.

	2020-21 £m	As at 31-03-21 £m
Authorised limit (borrowing only)	52	46.06
Operational boundary (borrowing only)	50	46.06

Maturity structure of borrowing	Upper Limit	Lower Limit	As at 31-03-21
Under 12 months	30%	0%	4.1%
>12 months and within 24 months	30%	0%	7.8%
>24 months and within 5 years	25%	5%	13.3%
>5 years and within 10 years	25%	0%	10.9%
>10 years and within 20 years	35%	0%	24.1%
>20 years and within 30 years	15%	0%	3.9%
>30 years and within 40 years	45%	10%	35.9%
>40 years and within 50 years	10%	0%	0.0%

	2020-21 £m	As at 31-03-21 £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 and will be calculated quarterly.

Credit risk indicator (Actual to be below)	Target	Actual
Portfolio average credit rating (score)	A (6.0)	AA- (3.79)

- 5.4.6 As required by the CIPFA TM Code, a mid-year review was presented to the Police and Crime Board in November 2020.
- 5.4.7 Officers from the SCC Treasury Management team reported debt and investment positions and performance monthly via comprehensive reports, and at quarterly meetings with the PCC Chief Finance Officer.

5.4.8 An Internal Audit was conducted on the SCC Treasury Management function by the South West Audit Partnership (SWAP) during Autumn 2020, reporting in November 2020. It awarded the best possible outcome, 'Substantial Assurance', as quoted below

"SWAP conducted a Treasury Management review as part of the 2019-20 Internal Audit Plan and provided a Substantial assurance opinion. Since then, the COVID-19 pandemic has required the Investments team to move to a fully electronic review and authorisation processes.

This additional Substantial assurance opinion has been given on the basis that the amended processes are operating effectively.

A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited".

#### 5.4.9 **Non-Financial Assets and use of PWLB**

Some Local Authorities have continued to invest in non-financial assets, with the primary aim of generating profit. Others have entered into very long-term investments or providing loans to local enterprises or third sector entities as part of regeneration or economic growth projects.

The National Audit Office and the Public Accounts Committee continue to voice concerns about Local Authority (investment) behaviour. These are:

- Local Authorities are exposing themselves to too much financial risk through borrowing and investment decisions
- There is not enough transparency to understand the exposure that LA's have as a result of borrowing and investment decisions
- Members do not always have sufficient expertise to understand the complex transactions that they have ultimate responsibility for approving

During the year, HM Treasury conducted a [consultation on changes to the Public Works Loan Board](#), which it said would attempt to "focus PWLB loans on service delivery, housing, and regeneration, and ensure that this money is not diverted into financial investments that serve no direct policy purpose".

The conclusion was to ban access to PWLB funds for Authorities that chose to invest in 'investments primarily for yield'. It also reduced PWLB rates to their previous levels in November 2020, i.e. 1% over Gilts from 2%.

Furthermore, a consultation was launched on proposed changes to the CIPFA Treasury Management and Prudential Codes. The outcome will be revealed later in 2021 for implementation in 2021-22.

The PCC does not currently and has no immediate plans to 'invest' in esoteric schemes.

#### **5.4.10 MiFID II**

As a result of MiFID II, from 3rd January 2018 local authorities were automatically treated as retail clients but could "opt up" to professional client status, providing certain criteria was met. This included having an investment balance of at least £10 million and the person(s) authorised to make investment decisions on behalf of the authority have at least a year's relevant professional experience. In addition, the regulated financial services firms to whom this directive applies have had to assess, on an ongoing basis, that the nominated person(s) have the expertise, experience and knowledge to make investment decisions and understand the risks involved.

The PCC continues to meet the conditions to opt up to professional status. As a result, the PCC will continue to have access to products including money market funds, pooled funds, treasury bills, bonds, shares and to financial advice.

**Paul Butler**  
**Chief Finance Officer**

*For further information please contact Alan Sanford or Anton Sweet, SCC Treasury Management, on telephone (01823) 359585 or 359584.*

## **Adjustment to the 2020/21 Revenue and Capital Financial Performance Report (PCB 2<sup>nd</sup> June 2021)**

Following the completion of the 2020/21 Revenue and Capital Financial Performance Report presented to PCB on 2nd June, more certainty was obtained from the Home Office concerning the value of our Income Tax Guarantee Grant.

CIPFA's year-end bulletin recommended that as there was no return condition attached to the grant then there would be a need to recognise the total amount of the Grant in the Comprehensive Income and Expenditure Statement in 2020/21. In addition, as the amounts in question would be paid to authorities in 2021/22, CIPFA also recommended that organisations should consider whether to transfer the 75% Tax Income Guarantee S31 grant to an earmarked reserve.

As we had completed our year end outturn report and virtually completed our draft financial statements we consulted with Grant Thornton as to our approach on accounting for this figure as we understood from reviewing the Grant Thornton audit planning letter that the value fell below the materiality level that Grant Thornton had fixed for the annual audit. However, we did recognise that the value was above the trivial adjustment level that Grant Thornton had set.

Grant Thornton responded that if we did not adjust then they would be required to report the figure as an unadjusted error in their ISA 260 report. They mentioned that this would not impact upon their opinion in isolation given its immateriality. The only potential opinion issue that could arise would be if there were other identified audit adjustments related to income or debtors that in total exceeded the confirmed materiality level.

Considering all the above information, a decision was made to adjust the 2020/21 Revenue and Capital Financial Performance Report to take into account our estimation of this grant.

The value of the grant is estimated to be approximately £414,000 and the effect of the adjustment is to recognise income in the Comprehensive Income and Expenditure Statement and a debtor on the Balance Sheet to this value. An earmarked reserve has been set up in recognition that this funding is part of the overall funding against which our 2021/22 budget is being balanced.

## **CLIENT AGREEMENT FOR MORTGAGE AND INSURANCE**

### **OUR STATUS**

The Mortgage Brain is the trading style of Elmco Ltd which is authorised and regulated by the Financial Conduct Authority. Our FCA registration number is 445887

### **OUR RELATIONSHIP**

Any advice or recommendation that we offer to you, will be based on your stated objectives, circumstances and take into account any restrictions that you wish to place on the type of products you would be willing to consider.

With very few exceptions, we will confirm to you in writing the basis of our reason for recommending the products arranged on your behalf.

Your stated objectives will be reiterated in the Suitability Letter, which we will issue to you following our recommendation, along with details of any special risks associated with the product recommended. Unless confirmed in writing, to the contrary, we will assume that you do not wish to place any restrictions on the advice we give you.

Full details of the products we may recommend to you including, for example, the minimum duration of the product, information on the right to cancel or whether no right to cancel arises, and any other early termination rights and penalties, will be covered in the relevant product disclosure information you will receive before conclusion of any contract.

Any products we have arranged for you, will not be kept under review but we will advise you upon your request. However, we may contact you in the future by means of an unsolicited promotion should we wish to discuss the relative merits of a particular product or service which we feel may be of interest to you.

The Mortgage Brain is not permitted to handle client money and we cannot accept a cheque made out to us (unless it is in respect of an item for which we have sent you an invoice) or handle cash.

You or we may terminate our relationship at any time without penalty. However, where we have undertaken work on your behalf for which a fee is due, we reserve the right to charge you that fee.

If we agree to work on a fee basis in place of, or together with commission, we will provide you with a separate fee agreement confirming our charges and any related expenses before carrying out any chargeable work. Details for the payment of our fees are confirmed in the fee agreement.

We reserve the right to charge you a fee, without the need for a separate fee agreement, if you subsequently cease to pay premiums in the policy we arrange for you. This could apply for a period of up to four years and will reduce pro rata in line with the commission we are obliged to return to the Product Provider. The maximum amount of the fee will be no more than the amount of commission disclosed in the illustration.

Where, on receipt of instructions from you, a financial report is prepared or work undertaken that does not result in commission being paid, or advice given but no transaction is arranged on your behalf, fees will be costed on a time-spent basis at a rate agreed with you in writing.

## YOUR PROTECTION

Circumstances can arise where we or one of our other customers may have some form of interest in business being transacted for you. If this happens or we become aware that our interest or those of one of our other customer's conflict with your interest, we will write to you and obtain your consent before we carry out your instructions, and detail the steps we will take to ensure fair treatment.

In most cases, you can exercise a right to cancel, by withdrawing from the contract recommended to you. In general terms, you will have a 30-day cancellation period for a pure protection policy and a 14-day cancellation period for a general insurance policy. Please note that in most instances you will not be able to exercise a right to cancel a mortgage contract, unless the contract is concluded at a distance (i.e. no face to face advice), at which point you will have a 14-day cancellation period. Additionally, any contracts arranged at your explicit consent (normally referred to an "execution only") do not provide cancellation rights.

The start of the cancellation period will normally begin, for pure protection policies, when you are informed that the contract has been concluded or, if later, when you have received the contractual terms and conditions. In other cases, the cancellation period will begin on the day the contract is concluded or, if later, the day on which you receive the contractual terms and conditions. Instructions for exercising the right to cancel, if applicable, will be contained in the relevant product disclosure information which will be issued to you.

All Policy Documents or Lender's Offer Documents will be forwarded to you as soon as practicable after we receive them. If there are a number of documents relating to a series of transactions, we will normally hold each document until the series is complete and then forward them to you.

Please refer to our separate Data Protection Privacy Terms & Disclosure document, in relation to how we comply with the General Data Protection Regulations (GDPR) concerning your personal data.

## YOUR CONSENT

This is our standard client agreement upon which we intend to rely. For your own benefit and protection, you should read these terms carefully before signing them. If you do not understand any point please ask for further information.

I acknowledge that the Client Agreement will come into effect from the date of issue.

I confirm I have been provided with a copy of the initial disclosure document, which outlines the cost and service provided by The Mortgage Brain.

I also confirm that I am happy to give The Mortgage Brain my express consent to contact me by telephone to discuss my mortgage or insurance affairs in the future.

**Customer Name(s)**

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**Customer Signature(s)**

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**Date of Issue**

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