



David Keane
Police & Crime
Commissioner
for Cheshire



**Cheshire
Constabulary**



POLICE & CRIME COMMISSIONER & CHIEF CONSTABLE FOR CHESHIRE

Financial Performance Statement 2019/20

This Financial Performance Statement provides an analysis of the Commissioner and Chief Constable's financial performance and position over the last 12 months.

1. Financial Performance Statement

We have a responsibility to feed back to you, as a local resident or tax payer, on how we spend and manage the Police and Crime Commissioner’s (the Commissioner) for Cheshire and the Chief Constable’s resources.

The financial performance statement compares the budget (what we planned to spend) with what we actually spent and explains the changes. If we have over or under spent, we have explained why.

As well as our annual expenditure, this statement also includes information about our longer-term financial sustainability. This is important so that you know the resources we have available to provide services into the future. The summary shows you what is owned and what is owed together with what is put aside to make sure we can deliver services beyond this year.

You can have confidence in the figures in this report because we have to follow regulations and standards in compiling them and the information from our accounts is independently audited. This information is consistent with that reported in the audited accounts that are available from our respective websites.

2. About Cheshire Police

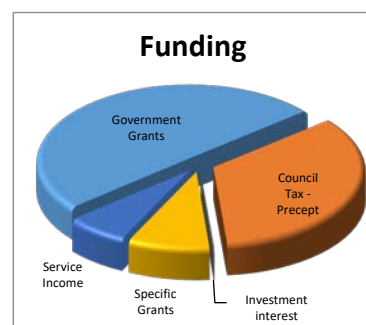
The Commissioner is elected by the public every four years to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account. The Chief Constable is responsible for delivering operational policing for the county of Cheshire and reports to the Commissioner. We both work closely with Cheshire East, Cheshire West and Chester, Halton and Warrington Councils, Cheshire Fire and Rescue Service, other local partners and other police forces and Commissioners.

3. Where we get our funding from

We primarily get our money from council tax and grants from the government. We have to make sure that when we set the budget for the year, we can afford to pay for the services we offer. This includes any plans we make where we need to include longer-term commitments. We must balance our budgets each year (make sure expenditure can be fully paid for), and setting council tax is an important part of this process.

Our total funding for 2019/20 is shown below:

	Funding £000	
Government Grants	(110,012)	50.2%
Council Tax - Precept	(75,548)	34.5%
Investment Interest	(164)	0.1%
Specific Grants	(18,964)	8.7%
Service Income	(14,480)	6.6%
	<u><u>(219,169)</u></u>	100.0%



4. Analysis of Financial Performance

The 2019/20 outturn shows an underspend of £0.9m after taking into account £1.8m of approved carry-forward commitments into 2020/21 due to the final quarter of 2019/20 being blighted by the coronavirus pandemic which has significantly impacted on the delivery of projects and plans.

The following table shows the detail of this underspend against the service headings which are explained in full within the Outturn Report presented to the Joint Management Board in June 2020 – please see Commissioner’s website.

	Full Year Budget	Outturn Actual	Carry Forwards	Total Outturn	Outturn Variance	
	£000	£000	£000	£000	£000	%
Police Pay	104,510	103,786	0	103,786	(725)	(1%)
Overtime	2,435	2,643	0	2,643	208	9%
Local Policing	16,215	16,317	0	16,317	102	1%
Investigation	15,621	14,726	612	15,338	(283)	2%
Centrally Delivered Services	5,083	5,065	19	5,084	2	0%
Business Services	32,215	31,515	727	32,242	27	0%
Collaborations	10,455	10,567	15	10,582	127	1%
Contingency	7	(223)	223	0	(7)	
Pay & Pension Contingency	830	830	0	830	0	0%
Corporate Costs	(6,810)	(7,122)	0	(7,122)	(312)	5%
Total Constabulary Costs	180,561	178,104	1,596	179,700	(860)	(0%)
Office of the Police & Crime Commissioner	788	740	0	740	(48)	(6%)
Commissioning	1,443	1,235	207	1,442	(0)	(0%)
OPCC Total	2,231	1,975	207	2,182	(48)	(2%)
Total Service Costs	182,791	180,079	1,803	181,883	(909)	(0%)

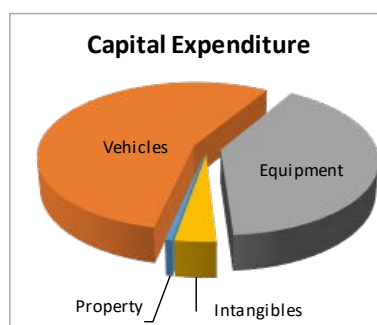
The key reasons for the underspend are:

- The Constabulary have been successful this year in achieving its target to increase police officer numbers to 2,078 by 31 March 2020. Overall the Constabulary have recruited and trained 228 officers in the year including replacement of leavers and retirements. Overall pay costs are below budget due to savings made between leaving dates and appointment of new starters.
- Due to an above average number of serious crimes in the year, additional budget was allocated from the Force operational contingency budget to support ongoing investigations. Forensic submission market costs were however lower than anticipated and along with unavoidable staff turnover this resulted in a 2% final net underspend in this area.
- Other Corporate costs were also contained below budget.

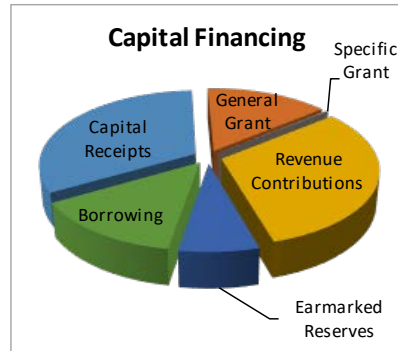
5. Capital Expenditure and Financing

In 2019/20 capital investment in new technology, fleet replacement, estate management and equipment was identified in the approved Budget Report which required funding of £8.3m. The programme was reviewed, amended and changes approved throughout the year as necessary with the year-end position shown below together with details of how this was funded.

Capital Expenditure	£000	
Property	28	0.6%
Vehicles	2,489	55.2%
Equipment	1,824	40.5%
Intangibles	167	3.7%
	<u>4,508</u>	100.0%



Capital Financing	£000	
Capital Receipts	1,474	32.7%
General Grant	661	14.7%
Specific Grant	7	0.2%
Revenue Contributions	1,414	31.4%
Earmarked Reserves	321	7.1%
Borrowing	631	14.0%
Total	4,508	



6. Summary Financial Position

The Commissioner and Chief Constable use your money to provide necessary local services. The summary financial position below (also known as the balance sheet) represents a summary, or 'snapshot', of our financial position at a single point in time. Each year, at 31 March, it sets out what the Commissioner and Chief Constable (known collectively as the Group) own and how much is owed and the resources it has left to support the provision of future services.

Below we show the group financial position at the year-end, which is a summary of the balance sheet in the audited accounts. This information supports the assessment of whether or not the group has a sustainable financial position and is able to support and maintain services on an ongoing basis. The net financial position helps inform future financial planning and sustain the services we deliver.

Table 1: Summary of Balance Sheet	2019/20 £m	2018/19 £m	Movement £m
What we own (held as 'assets')	175	168	7
What we owe (held as 'liabilities') - General	(74)	(71)	(3)
What we owe (held as 'liabilities') - Pension Liability * ¹	(2,243)	(2,452)	209
Net Financial Position (assets less liabilities)	(2,142)	(2,355)	213

The net financial position is held in reserves as follows:

Table 2: Summary of Reserves	2019/20 £m	2018/19 £m	Movement £m
General Reserves available for future spend	17	15	2
Other Reserves held for statutory and/or specific purposes	84	82	2
IAS19 Pension Reserve * ¹	(2,243)	(2,452)	209
Total Reserves	(2,142)	(2,355)	213

*¹ Statutory arrangements require pension benefits earned to be financed as the Commissioner makes employer's contributions to pension funds or eventually pay any pensions for which he is directly responsible. The pension liability and Pension Reserve balances therefore show a substantial shortfall in the benefits earned by past and current employees and the resources set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

7. Financial Sustainability - The ability to plan for the future

We have to plan for the long term to ensure that we can continue to deliver our services in future years and be able to deal with any unexpected events. As a result, it is important that our financial standing (or sustainability) is robust.

We have a medium term financial strategy which includes looking at risks and future demands on services. The biggest risks identified are likely to be:

- Funding – a full three year spending review was expected in 2020, but due to the pandemic, this has been reduced to a one-year settlement which makes medium term planning more challenging.
- McCloud Pension Remedy – due to recent changes in the way pensions are calculated, the increased cost of the pension schemes is one of our biggest budget pressure areas for the foreseeable future.
- COVID-19 – the impact on the amount available through council tax funding and the impact that the pandemic will have on central funding from the Government, is of concern. We are also expecting a rise in demand on our services due to the impact of the recession on increased unemployment and social dissatisfaction, as well as the challenges that the transition to the ‘new normal’ will place on society and policing.

8. More about our Reserves

Table 3 sets out a breakdown of the general reserves on the balance sheet. These are split into two types of reserves – earmarked, reserves which are planned to fund specific projects or other council commitments; and unallocated, reserves held to support future service provision and manage risk.

Table 3 – General Reserves	31 Mar 20 £m	31 Mar 19 £m	Movement £m
Earmarked reserves	11	8	3
Unallocated reserves	6	7	(1)
Total general reserves	17	15	2

9. Raising debt to finance investment

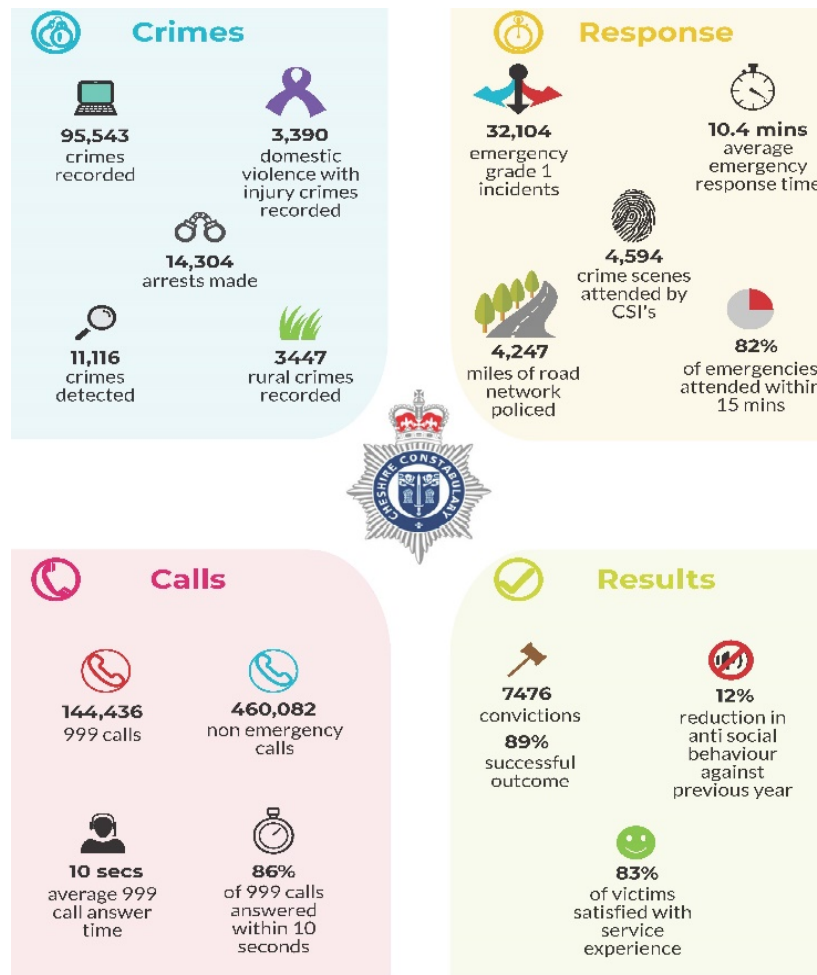
The Commissioner can borrow to invest in property or other infrastructure that supports the delivery of services, but we must ensure that we can pay this amount back. The current level of borrowing is £27.9m (2018/19 £26.8m).

We must set aside a prudent amount of resources each year so we can pay back the borrowing and this must be affordable when compared to our annual income. We compare what this is costing against the funding we receive from council tax and grants to show you what proportion of funding is used for this purpose. For 2019/20 this amounted to 1.17% (2018/19 1.07%).

Further details are available in the Treasury Management Strategy on the Commissioner’s website.

Performance Data 1 April 2019 to 31 March 2020

The Commissioner holds the Chief Constable to account for their performance. Details are published on the Commissioner's website with the latest details at time of preparing the accounts shown below.



Policing in Cheshire 2019/20

Further Information

Every effort has been made to ensure that the information provided in this document is clear and informative. Should you require any further information or if you have any comments, please contact Clare Hodgson, Director of Finance, Office of the Police & Crime Commissioner, on telephone number 01606 364109 or Wendy Bebbington, Head of Finance, Cheshire Constabulary on telephone number 01606 362035 or via the Office of the Police & Crime Commissioner, Stockton Heath Police Station, Grappenhall Road, Warrington, WA4 2AF.