



# **POLICE & CRIME COMMISSIONER & CHIEF CONSTABLE FOR CHESHIRE**

## **Financial Performance Statement 2020/21**

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

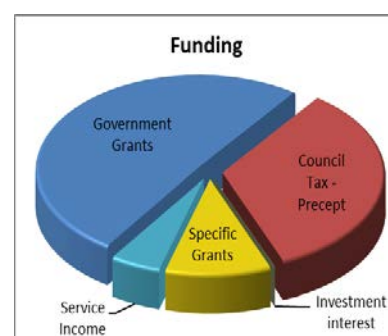
The Commissioner is usually elected by the public every four years to secure the maintenance of an efficient and effective police force and to hold the Chief Constable to account. In line with this, elections were due to be held in May 2020 but were postponed with the Commissioner elected in May 2016 continuing in the role for an additional 12 months as a result of the Covid-19 pandemic. Consequently, the term for the current Commissioner elected in May 2021 will be three years. 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 2020/21 is shown below:

	<b>Funding £000</b>	
Government Grants	(118,563)	50.7%
Council Tax - Precept	(79,294)	33.9%
Investment Interest	(55)	0.0%
Specific Grants	(24,439)	10.4%
Service Income	(11,767)	5.0%
	<b><u>(234,118)</u></b>	<b>100.0%</b>



#### 4. Coronavirus (Covid-19)

The Coronavirus situation brought about an unprecedented public health emergency. During this major incident, policing has been at the forefront of ensuring that the public follow the rules and stay safe. This has required additional patrols, the use of personal protective equipment (PPE), social distancing and all the while continuing with operational policing, using the following strategy:

- Engage people in a friendly manner
- Explain why we and the Government are asking them to take the action
- Encourage people to take the appropriate action
- Enforce only when necessary

The Constabulary's top priorities have been to maintain the best service to the public, protect officers and staff and support the national response. The Constabulary have continued to provide all of the essential and proactive services that you expect from them, whilst also supporting the NHS and other organisations to keep everyone safe. Agile working has facilitated a large part of the organisation to work from home and the use of technology has enabled social distancing to be observed. As a result, the sickness levels for the Constabulary, including self-isolation, have been low and resilience has been maintained throughout.

The majority of the costs relating to the pandemic have been incurred during 2020/21. To assist, additional funding has been provided by Central Government for some of the expenditure mentioned – specifically around PPE, additional cleaning, creating Covid-19 secure buildings and overtime relating to Covid-19 restrictions compliance patrols. The Constabulary has also received income loss compensation funding to mitigate the loss of income in respect of some specific services.

#### 5. Analysis of Financial Performance

The 2020/21 outturn shows an underspend of £0.8m after taking into account £2.6m of approved carry-forward commitments into 2021/22 due to much of 2020/21 being blighted by the Covid-19 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 July 2021 – please see Commissioner's website.

	Full Year	Outturn	Carry	Total	Outturn Variance	
	Budget	Actual	Forwards	Outturn	£000	%
	£000	£000	£000	£000	£000	%
Police Pay	108,125	108,078	0	108,078	(48)	(0%)
Overtime	2,677	2,821	0	2,821	144	5%
Local Policing	17,542	17,830	137	17,967	426	2%
Investigations	15,795	14,929	174	15,103	(692)	(4%)
Centrally Delivered Services	5,491	4,968	180	5,148	(343)	(6%)
Business Services	35,903	34,622	932	35,554	(349)	(1%)
Collaborations	11,315	11,191	0	11,191	(125)	(1%)
Contingency	245	0	0	0	(245)	(100%)
Covid Pressures Grant received 25/3/21	0	(872)	872	0	0	
Corporate Costs	(3,528)	(3,095)	0	(3,095)	433	(12%)
<b>Total Constabulary Costs</b>	<b>193,565</b>	<b>190,473</b>	<b>2,295</b>	<b>192,768</b>	<b>(798)</b>	<b>(0%)</b>
Office of the Police & Crime Commissioner	715	675	0	675	(40)	(6%)
Commissioning	1,339	1,072	267	1,339	(0)	(0%)
<b>OPCC Total</b>	<b>2,054</b>	<b>1,747</b>	<b>267</b>	<b>2,014</b>	<b>(40)</b>	<b>(2%)</b>
<b>Total Service Costs</b>	<b>195,620</b>	<b>192,219</b>	<b>2,562</b>	<b>194,781</b>	<b>(838)</b>	<b>(0%)</b>

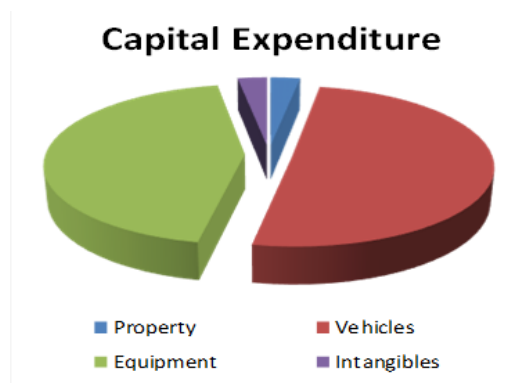
The key reasons for the underspend are:

- The Constabulary have been successful this year in achieving its target to increase police officer numbers. At 31 March 2021, 2,141 police officers were in post compared with the targeted establishment of 2,137. Overall the Constabulary have recruited and trained 160 officers in the year including replacement of leavers and retirements.
- A 2% final net overspend in Local Policing results mainly from positive action being taken throughout the year to maintain the planned Force Control Centre establishment in order to ensure both resilience and continued service delivery throughout the pandemic along with the impact of national lockdown and social distancing measures on numbers attending driver retraining courses during the year.
- A 4% final underspend in Investigations results from savings from a number of short term support staff vacancies during the pandemic along with additional government funding for specific Cyber Crime related activities and Forensic submission costs were lower than anticipated due to potential market price increases not fully materialising.
- Other Corporate and support costs and the call on contingencies were also contained below budget.

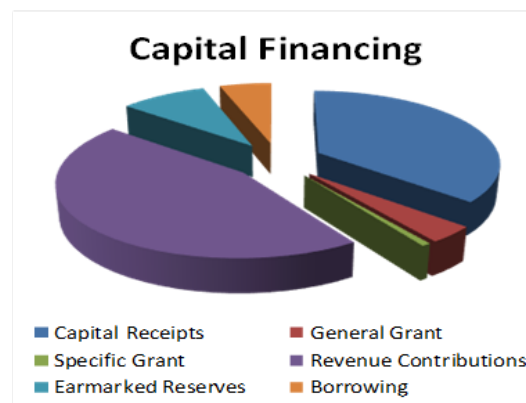
## 6. Capital Expenditure and Financing

In 2020/21 capital investment in new technology, fleet replacement, estate management and equipment was identified in the approved Budget Report which required funding of £7.6m. 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.

<u>Capital Expenditure</u>	<u>£000</u>	
Property	125	2.7%
Vehicles	2,320	50.4%
Equipment	2,038	44.2%
Intangibles	124	2.7%
	<u>4,607</u>	100.0%



<u>Capital Financing</u>	<u>£000</u>	
Capital Receipts	1,670	36.2%
General Grant	173	3.7%
Specific Grant	32	0.7%
Revenue Contributions	2,081	45.2%
Earmarked Reserves	408	8.9%
Borrowing	243	5.3%
Total	<u>4,607</u>	100.0%



## 7. 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 on-going basis. The net financial position helps inform future financial planning and sustain the services we deliver.

Table 1: Summary of Balance Sheet	2020/21 £m	2019/20 £m	Movement £m
What we own (held as 'assets') * <sup>1</sup>	165	175	(10)
What we owe (held as 'liabilities') – General	(71)	(74)	3
What we owe (held as 'liabilities') - Pension Liability * <sup>3</sup>	(2,583)	(2,243)	(340)
Net Financial Position (assets less liabilities)	(2,489)	(2,142)	(347)

\*1 The in-year movement relates to an increase of £2.8m in the value of Current Assets offset by a reduction of £12.7m in the value of Property, Plant and Equipment assets largely resulting from a full revaluation of Land and Buildings assets in accordance with the relevant standards and guidance issued by the Royal Institute of Chartered Surveyors. This downward revaluation has no direct financial impact on either the Commissioner or Council Tax payers.

The net financial position is held in reserves as follows:

Table 2: Summary of Reserves	2020/21 £m	2019/20 £m	Movement £m
General Reserves available for future spend	22	17	5
Other Reserves held for statutory and/or specific purposes * <sup>2</sup>	72	84	(12)
IAS19 Pension Reserve * <sup>3</sup>	(2,583)	(2,243)	(340)
Total Reserves	(2,489)	(2,142)	(347)

\*2 The in-year movement relates mainly to the release of an element of the statutory Revaluation Reserve held to offset the downward revaluation of Land and Building asset values referred to in \*1 above along with movements in a number of other statutory accounting reserves, none of which have any direct financial impact on either the Commissioner or Council Tax payers.

\*3 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.

## 8. 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 was reduced to a one-year settlement which makes medium term planning more challenging. A three year spending review will be provided in October 2021 which will bring more certainty to future funding levels.
- 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 ongoing 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 continuing concern and uncertainty. There is also a demand risk on our services due to the medium term impact of the pandemic on the economy and associated community wellbeing, as well as the challenges that the transition to the ‘new normal’ will place on society and policing.

## 9. 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 21 £m	31 Mar 20 £m	Movement £m
Earmarked reserves	16	11	5
Unallocated reserves	6	6	0
Total general reserves	22	17	5

## 10. Raising debt to finance investment

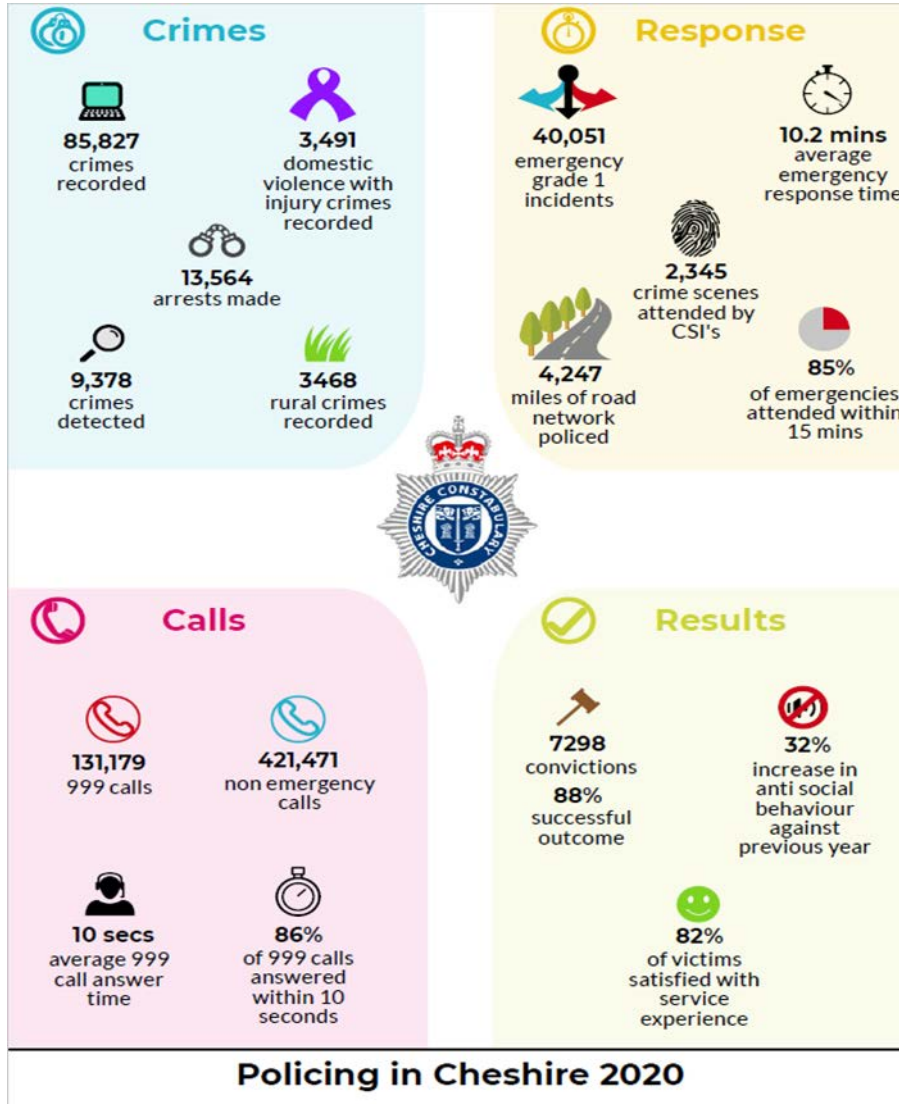
The Commissioner can borrow to invest in property or other infrastructure that supports the delivery of services, but we must ensure that we can pay this amount back. The current level of borrowing is £27.9m (2019/20 £27.9m).

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 2020/21 this amounted to 1.18% (2019/20 1.17%).

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

## Performance Data 1 April 2020 to 31 March 2021

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.



### 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, Chief Finance Officer, 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, Cheshire Police Headquarters, Clemonds Hey, Oakmere Road, Winsford, Cheshire, CW7 2UA.