



Introduction to the Police
and Crime Commissioner's
and Group Statement
of Accounts

2020/21

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OFFICE OF THE **POLICE & CRIME**
COMMISSIONER NORTH WALES





Introduction from the Chief Executive

The last financial year has been a challenge for all concerned. The Police and Crime Commissioner elections which were due to take place in May 2020 were postponed until May 2021, due to the Covid19 pandemic. The Commissioner's Covid Response Plan confirmed that the priorities identified in the Police and Crime Plan 2020/21 would remain in place. These priorities are:

- Domestic Abuse
- Modern Day Slavery
- Organised Crime
- Sexual Abuse
- Delivering Safer Neighbourhoods

Furthermore, the Commissioner identified five further focus points in order to deal with the emergency situation. These were:

- Ensuring the Chief Constable has sufficient resources to respond to the emergency
- Ensuring, on behalf of our communities, that the police respond in ways that are necessary, sufficient, proportionate and ethical
- Facilitating effective partnership working among agencies and groups working in community safety and criminal justice
- Commissioning services, particularly for victims of crime, and providing grants for policing and harm reduction purposes
- Ensuring that the long-term health of North Wales Police is protected by monitoring the organisation's recovery planning and activity beyond the Covid-19 emergency

The budget for 2020/21 was approved on 31 January 2020, before the full impact of Covid-19 was known. The lockdown periods changed both the way staff and officers carry out their work, and the nature of crime. On 23 March 2020, those who were able to do so were advised to work from home. The swift response from the ICT department enabled this to happen immediately and, even at the time of writing, around 800 individuals continue to work primarily from home. While overall crime numbers decreased by around 10%, domestic abuse reports increased when the first lockdown was eased in June 2020, which supports the view that reporting had been suppressed during lockdown.

The Office of the Police and Crime Commissioner was particularly busy during 2020/21, handling £5.200m of commissioned services during the year, an increase of £2.164m compared to normal activity. As well as the usual activities, which include: Checkpoint Cymru, Community Safety Grants, Victims' Services, Dechrau Newydd and VAWDASV, the Commissioning Team administered Covid-19 emergency grants of £1.097m and Safer Streets Funding of £1.067m following two successful applications for funding.

I am pleased to see that, despite the challenging conditions, budgets continue to be managed well. While some costs associated with the pandemic were reimbursed through additional government grants, not all costs were recoverable. However, once again savings were identified during the year, an achievement to be proud of given the significant savings already delivered over the last 10 years. These savings have been used to offset the additional expenditure, meaning that the new Police and Crime Commissioner and Chief Constable can move forward with confidence, in the knowledge that the organisations they lead are financially as sound as they can be in a time of such uncertainty.

Stephen Hughes
Chief Executive



Introduction from the Chief Finance Officer

The Code of Practice on Local Government Accounting in the United Kingdom 2020/21 (CIPFA/LASAAC) provides us with guidance on how we should prepare our accounts to comply with International Financial Reporting Standards, and also in line with legislation, which requires us to show the balance of taxpayers' funds (the usable reserves) at the end of the financial year.

While we must comply with these requirements in preparing our Statement of Accounts, for the purposes of setting council tax and monitoring income and expenditure, we can measure our financial performance in the year by comparing our budget with our outturn (actual income and expenditure within the year) and the impact on the usable reserves.

Due to the Covid-19 pandemic, and the resulting changes to demand and working practices, actual patterns of income and expenditure varied significantly from the budgets. However, due to government grants received to reimburse some of the Covid-related expenditure, together with savings identified during the year, the overall financial impact was minimised, with a transfer to usable reserves of £5.714m at the year end.

The Police and Crime Commissioner is the initial recipient of all income, regardless of whether the funding is used by the Office of the Police and Crime Commissioner or the Force. For this reason, in order to comply with the Code of Practice on Local Government Accounting, within the accounts you will see much higher amounts in the Police and Crime Commissioner's accounts than you would expect to see, based on the expenditure controlled by his office. Similarly, there are items which must feature on the Commissioner's balance sheet, because the Chief Constable is not allowed to own them, such as land and buildings, and surpluses and deficits on the pension funds. The group column on each of the statutory statements shows the overall position, after adjusting for transfers between the two bodies.

Kate Jackson
Chief Finance Officer

**AT THE END OF THE FINANCIAL YEAR,
THE POLICE AND CRIME COMMISSIONER
TRANSFERRED £5.714M TO RESERVES:**

Revenue Expenditure	Revised Budget 2020/2021	Outturn (Actual) 2020/21	Variance Over/(Under) spend
	£m	£m	£m
Employee costs	144.035	143.437	(0.598)
Non staff costs	35.996	34.159	(1.837)
Capital funding from revenue budget	4.688	4.799	0.111
Contingencies	0.250	-	(0.250)
Partnerships	6.514	6.506	(0.008)
Income	(28.679)	(30.910)	(2.231)
Net operating expenditure	162.804	157.991	(4.813)
Transfers to/(from) earmarked reserves	0.901	5.486	4.585
Transfer to/(from) general reserve	-	0.228	0.228
Total transfers to/(from) reserves	0.901	5.714	4.813
Net overall expenditure	163.705	163.705	-

The primary reasons for the £4.813m underspend are:

Employees – underspend £0.598m

This is the net effect of a number of items. Police officer pay was over budget by £0.631m, as a result of the recruitment plan being to achieve the Operation Uplift (the Government's initiative to increase police officer numbers by 20,000 over three years) target early on, and to maintain officer numbers throughout the year. At the end of the year, there was a net increase of 82 officers compared to the previous year.

Staff pay was over budget by £0.104m, as a result of staffing levels being maintained, and additional agency staff being used to assist with Covid work. Overtime was underspent by £0.145m, due to consistently high staff and officer levels, lower than usual sickness absence, and a 3-month moratorium on most training.

Training was underspent by £0.738m, due to this moratorium and delays in delivery of other training; this underspend has therefore been allocated between the Training Reserve and the PEQF reserve to ensure that these delays do not impact council tax in future years.

Direct pension payments were £0.309m lower than expected, due to 3 fewer officers being retired on ill-health grounds compared to the budget.

Premises – underspend £0.663m

A combination of no increase in the price of fuel, and reduced usage of building resulted in an underspend of £0.140m in energy costs. Of the remaining underspend, £0.394m related to building works which were delayed due to the pandemic.

Transport – underspend £0.668m

The cost of using the force's vehicles was £0.441m below budget. The vast majority of this is due to reduced fuel costs, but approximately £0.080m is the result of reduced accident repair costs. Car and travel allowances were under budget by £0.227m. This is directly attributable to the Covid lockdowns, as most meetings were held online, meaning that travel to and from meetings reduced substantially.

Supplies and Services – underspend £0.506m

Underspends related to individuals working from home and attending meetings online during the pandemic included office consumables (stationery and printing) £0.120m and subsistence £0.168m.

Additional budget was set aside to pay for IT for Operation Uplift Officers; instead this expenditure was met by the Capital Programme, leading to an underspend of £0.210m in IT and Communications.

While the expenditure on clothing and uniforms was as expected for probationers, there was less demand from existing officers and staff, leading to an underspend of £0.169m.

Forensics was overspent by £0.100m, largely due to increased costs for roadside drug testing.

The inflation and general contingency of £0.250m was unspent at the end of the year.

Additional income was received, amounting to £2.231m. Significant items include:

- Income from secondments was £0.464m in excess of the budget
- Specific grants were £1.615m in excess of the budget
- Partnerships – these budgets are managed separately, but are included in the outturn for completeness, and are included in the Statement of Accounts
- Interest on balances was £0.930m less than the budget

Included in the above is Covid-related income and expenditure. This is a net of £0.293m during 2020/21 comprising:

Covid related expenditure included in the overall totals:	£m
Employee costs	0.965
Non-staff costs	0.593
Loss of Income	0.203
Specific grants	(1.468)
Total net expenditure	0.293

Also included in the above is the cost of the Office of the Police and Crime Commissioner. The revised budget for the year was £0.930m and the outturn was £0.828m. Around half of this underspend was the result of the post of Deputy Police and Crime Commissioner being vacant for most of the year, with the remainder resulting from a large number of smaller variances. This underspend has been allocated to the OPCC Office Reserve and the Legal Reserve.

The Office of the Police and Crime Commissioner is responsible for commissioning services to support the Police and Crime Plan. In addition to the Commissioner's Community Safety budget, £3.463m of externally funded expenditure was administered by the Office of the Police and Crime Commissioner during the financial year, bringing the total expenditure to £5.200m. As well as the usual activities, this included £1.097m of Covid-related funding, and £0.993m Safer Streets fund.

A reconciliation between the outturn and the Income and Expenditure Statement is shown in the Group Expenditure and Funding Analysis, which appears on page 19 of the Statement of Accounts.

INTRODUCTION TO PCC'S & GROUP STATEMENT OF ACCOUNTS

The revenue expenditure table includes the effect of capital expenditure during the year on the income and expenditure account and reserves. The capital programme comprises expenditure on assets with a useful life of more than one year, such as land, buildings, vehicles and some IT equipment. When assets are sold, receipts of more than £10,000 must be transferred to the Capital Receipts Reserve, and can be used only to fund the capital programme or to repay debt. (In contrast, the earmarked reserve called the Capital Reserve derives from revenue, and the Commissioner may transfer amounts between the general fund and any earmarked reserve as he sees fit; these reserves are reviewed regularly to ensure they are allocated suitably to deliver the Commissioner's plans.)

The original capital programme for 2020/21 was £9.906m. Adding in slippage increased this to £12.677m. Largely due to Covid restrictions the programme was re-profiled, with the revised estimate at quarter 3 being £6.087m. The final outturn was £5.258m.

Scheme	Budget 2020/21 (reprofiled)	Expenditure 2020/21	Underspend/ slippage
	£m	£m	£m
Estates	1.889	1.669	(0.220)
Vehicles & equipment	2.033	1.727	(0.306)
IT & Communications	2.165	1.862	(0.303)
Total capital programme	6.087	5.258	(0.829)

The Police and Crime Commissioner is required to hold reserves. He is not allowed to set a budget which would leave the usable reserves overdrawn. A summary of the movement in reserves follows, and further information can be found within the Statement of Accounts.

Movement in Reserves 2020/21	Balance 1 April 2020 £m	Transfers out 2020/21 £m	Transfers in 2020/21 £m	Total Movement £m	Balance 31 March 2021 £m
General reserve	5.189	-	0.228	0.228	5.417
Earmarked Reserves:					
Capital reserve	3.002	-	-	-	3.002
Pensions ill health reserve	1.115	(0.140)	-	(0.140)	0.975
PFI reserve	3.177	(0.071)	-	(0.071)	3.106
Major incident reserve	2.435	-	-	-	2.435
Insurance reserve	1.173	-	-	-	1.173
Estates security and maintenance reserve	2.279	(0.490)	0.103	(0.387)	1.892
Partnerships balances reserve	0.674	(0.050)	0.109	0.059	0.733
Management of change reserve	5.290	(0.259)	1.945	1.686	6.976
Training reserve	0.100	-	0.500	0.500	0.600
Uplift reserve	-	-	1.577	1.577	1.577
ESN reserve	-	-	0.158	0.158	0.158
Covid reserve	-	-	0.597	0.597	0.597
PEQF reserve	-	-	0.325	0.325	0.325
FCIN reserve	-	-	1.080	1.080	1.080
Commissioner's community safety fund reserve	0.510	(0.089)	0.087	(0.002)	0.508
Legal reserve (OPCC)	0.056	-	0.054	0.054	0.110
Office of the Police and Crime Commissioner reserve	0.163	-	0.050	0.050	0.213
Total earmarked reserves	19.974	(1.099)	6.585	5.486	25.460
Total revenue reserves	25.163	(1.099)	6.813	5.714	30.877
Capital receipts reserve	0.054	(0.088)	2.118	2.030	2.084
Total usable reserves	25.217	(1.187)	8.931	7.744	32.961

The usable reserves (shown above) represent the balance of taxpayer's funds that the Police and Crime Commissioner held on 31 March 2021. The balance sheet also includes unusable reserves, which are created from the transactions required for the accounting statements to comply with International Financial Reporting Standards.

The Covid-19 pandemic had a significant impact during 2020/21, which necessitated some activities (such as training) being delayed. This delayed expenditure has been placed into earmarked reserves to ensure it can be used for its intended purpose in future, and there will be no need to increase council tax to pay for these items.

When setting the council tax for 2021/22, it was highlighted that a significant amount of funding will be required for ESN (Emergency Services Network – the replacement for the Airwave radio system), and it was intended to set up a reserve for this purpose at the end of 2021/22. It was decided to allocate an amount of the underspend in 2020/21 towards this, which will reduce the amount we need to borrow for this purpose in future years.

Although there were many and significant variations from the budget allocations for 2020/21, funding was managed well during the year, with delayed expenditure being placed into reserves at the year end. This will ensure that future years' budgets are not impacted by the pandemic. Revenue reserves now stand at 18% of the annual net budget (16% at 31 March 2020) – the equivalent of just over two months' expenditure. With the need to fund ESN, and to recover from the Covid-19 pandemic, and continued uncertainty over future funding, these reserves will be key to our ability to continue to deliver services to the public in North Wales.