



POLICE & CRIME COMMISSIONER & CHIEF CONSTABLE FOR CHESHIRE

Financial Performance Statement 2021/22

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 taxpayer, 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 as a result of the Covid-19 pandemic. Consequently, the term for the current Commissioner elected in May 2021 is three years. Following his election, the Commissioner launched his Police and Crime Plan for 2021-24, setting out his priorities for policing, crime and community safety in the county for his term in office. In addition to outlining the Commissioner’s wider vision, the Plan sets out the strategic direction for Cheshire Constabulary.

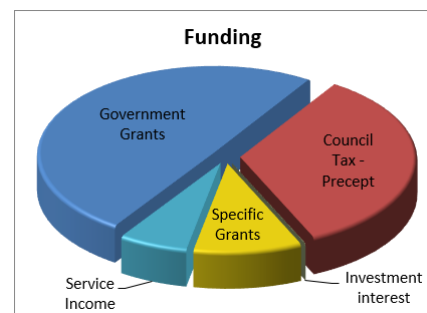
The Chief Constable is responsible for delivering operational policing for the county of Cheshire and reports to the Commissioner. We both work closely with Cheshire East, Cheshire West and Chester, Halton and Warrington Councils, Cheshire Fire and Rescue Service, other local partners and other police 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 2021/22 is shown below:

	Funding £000	
Government Grants	(125,935)	49.7%
Council Tax - Precept	(86,349)	34.1%
Investment Interest	(60)	0.0%
Specific Grants	(25,067)	9.9%
Service Income	(16,088)	6.3%
	<u>(253,499)</u>	100.0%



4. Coronavirus (Covid-19)

2021/22 started with national pandemic related lockdown restrictions still in place and the continuing worldwide disruption has again had an impact both operationally and on the actual outturn expenditure, which necessitates carry forward of some commitments into 2022/23. The Coronavirus situation brought about an unprecedented public health emergency. During this major incident, policing was at the forefront of ensuring that the public follow the rules and stay safe. This 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 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.

The majority of the costs relating to the pandemic were however, incurred during 2020/21 and to assist, additional funding was provided by Central Government for some of this additional expenditure – specifically around PPE, additional cleaning, creating Covid-19 secure buildings and overtime relating to Covid-19 restrictions compliance patrols. The Constabulary also received income loss compensation funding during 2020/21. No further pandemic related funding has been received during 2021/22.

5. Analysis of Financial Performance

The 2021/22 outturn shows an underspend of £0.2m after taking into account £1.5m of approved carry-forward commitments into 2022/23, due to ongoing pandemic related supply chain disruption continuing to impact 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 2022 – please see the Commissioner's website.

	Full Year Budget	Outturn Actual	Carry Forwards	Total Outturn	Outturn Variance	
	£000	£000	£000	£000	£000	%
Police Pay	112,235	112,732	0	112,732	497	0%
Overtime	3,519	3,857	0	3,857	338	10%
Contact, Response & Resolution	11,469	10,515	0	10,515	(954)	(8%)
Crime	10,961	10,593	6	10,599	(362)	(3%)
Neighbourhoods	8,246	7,933	0	7,933	(313)	(4%)
Public Protection	6,197	5,797	61	5,858	(339)	(5%)
Centrally Delivered Services	6,033	5,707	275	5,982	(51)	(1%)
Business Services	39,845	38,779	753	39,532	(313)	(1%)
Collaborations	11,654	11,147	83	11,230	(424)	(4%)
Contingency	29	0	0	0	(29)	(100%)
Covid Surge Funding Projects	65	34	31	65	0	0%
Corporate Costs	(4,821)	(3,075)	0	(3,075)	1,746	(36%)
Total Constabulary Costs	205,432	204,018	1,209	205,227	(205)	(0%)
Office of the Police & Crime Commissioner	1,100	1,097	0	1,097	(3)	(0%)
Commissioning	1,293	1,007	286	1,293	0	0%
OPCC Total	2,393	2,104	286	2,390	(3)	(0%)
Total Service Costs	207,825	206,122	1,495	207,617	(208)	(0%)

The key points to note are:

- The Constabulary have been successful this year in achieving its target to increase police officer numbers. On 31 March 2022, 2,233 police officers were in post compared with the targeted establishment of 2,227. Overall, the Constabulary have recruited and trained 219 officers in the year including replacement of leavers and retirements.
- The overspend relating to overtime is due to the planned targeting of additional resources during the final quarter in recognition of the overall budget underspend position and to enable a number of additional proactive operations.
- An 8% final net underspend in the Contact, Response and Resolution area reflects both additional income relating to the provision of Cheshire officers to assist in policing two high profile national events and high staffing turnover rates experienced early in the year, mitigated by successful delivery of a positive action plan to address vacancies and to achieve target staffing levels in order to ensure future resilience and continuity of service delivery.
- Higher Corporate Costs expenditure relates to two main issues; 1) setting aside 2021/22 resources into reserves to facilitate additional one-off investments approved as part of the 2022/23 budget and in recognition of an approaching period of transition as the recently approved Estates Strategy is delivered, and 2) making provision for the cost of the late approval of a national staff pay award, which is to be backdated to September 2021 for lower paid staff.
- Other Corporate and support costs and the call on contingencies were also contained below budget.

6. Capital Expenditure and Financing

In 2021/22 capital investment in new technology, fleet replacement, estate management and equipment were identified in the approved Budget Report which required funding of £9.4m. 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>	£000	
Property	42	0.6%
Vehicles	1,137	17.0%
Equipment	2,519	37.6%
Intangibles	3,007	44.8%
	6,705	100.0%



<u>Capital Financing</u>	£000	
Capital Receipts	170	2.5%
General Grant	173	2.5%
Specific Grant	157	2.3%
Revenue Contributions	2,706	40.4%
Earmarked Reserves	482	7.2%
Borrowing	3,017	45.0%
Total	6,705	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, on 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	2021/22 £m	2020/21 £m	Movement £m
What we own (held as 'assets') * ¹	191	165	26
What we owe (held as 'liabilities') – General	(73)	(71)	(2)
What we owe (held as 'liabilities') - Pension Liability * ³	(2,586)	(2,583)	(3)
Net Financial Position (assets less liabilities)	(2,468)	(2,489)	21

*1 The in-year movement relates to an increase of £10.6m in the value of Current Assets mainly due to higher cash balances and increased income due from the Government at 31/3/23 plus an increase of £15.6m in the value of Property, Plant and Equipment assets largely resulting from an upwards revaluation of Land and Buildings assets in accordance with the relevant standards and guidance issued by the Royal Institute of Chartered Surveyors. This upward revaluation has no direct financial impact on either the Commissioner or council taxpayers.

The net financial position is held in reserves as follows:

Table 2: Summary of Reserves	2021/22 £m	2020/21 £m	Movement £m
General Reserves available for future spend	29	22	7
Other Reserves held for statutory and/or specific purposes * ²	89	72	17
IAS19 Pension Reserve * ³	(2,586)	(2,583)	(3)
Total Reserves	(2,468)	(2,489)	21

*2 The in-year movement relates mainly to an increase in the statutory Revaluation Reserve as a result of the increase in value 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 taxpayers.

*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 – the current spending review provides indicative national level funding totals but the lack of confirmed future force level funding allocations 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.
- Inflation risks – Rising energy prices, Pay and other general high inflation levels currently being experienced will introduce significant budget pressure to our medium-term financial strategy.

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 commitments; and unallocated, reserves held to support future service provision and manage risk.

Table 3 – General Reserves	31 Mar 22 £m	31 Mar 21 £m	Movement £m
Earmarked reserves	23	16	7
Unallocated reserves	6	6	0
Total general reserves	29	22	7

10. Raising debt to finance investment

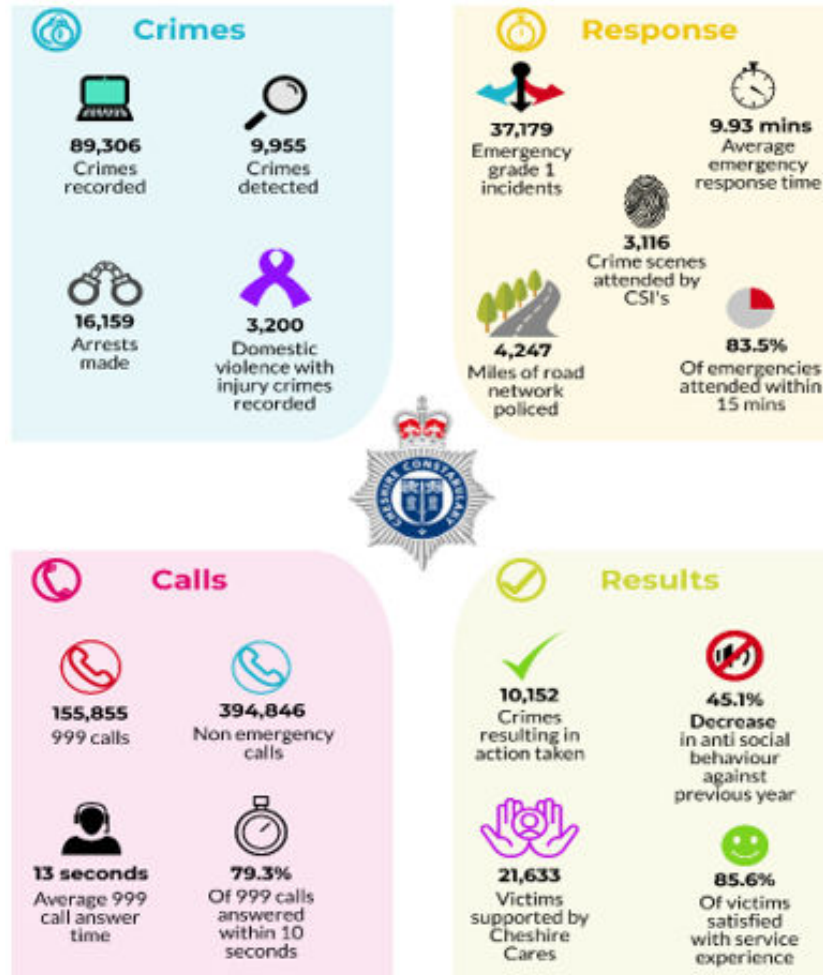
The Commissioner can borrow to invest in property or other infrastructure that supports the delivery of services, but we must ensure that we can pay this amount back. The current level of borrowing is £30.4m (2020/21 £27.9m).

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 2021/22 this amounted to 1.14% (2020/21 1.18%).

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

Performance Data 1 April 2021 to 31 March 2022

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 2021/22

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.