

Meeting	Police & Crime Panel
Date	23 July 2020
Title	Financial Impact of Covid-19
Submitted By	Chief Finance Officer
Suggested resolution	That the report is noted

1. Purpose

1.1 The purpose of this report is to update PCP on the latest direct financial impacts of the ongoing Covid-19 pandemic.

1.2 Operation Bullrush is the policing response to Covid-19. Phase 1 of the operation is the policing response to the on-going pandemic and will be followed by Phase 2 as the Constabulary returns to business as usual. Phase 2 planning is underway but it is still too early to establish reliable estimates of any financial impact over the longer term. The figures in this report are therefore largely limited to the current phase.

1.3 The reports sets-out:

- Areas of Potential Additional Expenditure;
- Areas of Potential Loss of Income;
- Potential Savings;
- Additional Funding / Enhanced Cash Flow; and
- Council Tax Precept.

2. Summary

2.1 Actual spend to date totals £536k, the majority of which, £423k, has been spent on PPE and a further £72k on police officer overtime. In total, additional costs are expected to sit in the range £0.5m to £1.3m and lost income between £0.5m and £1.0m dependent upon the duration of the pandemic and the speed of the phased return to 'normal'.

3. Areas of additional expenditure

3.1 The majority of costs have been incurred in the current year (2020/21) although a small element (£5k overtime and £30k PPE costs) was spent in 2019/20.

3.2 Operational Capacity

At the outset of the pandemic, consideration was given to the options available to enhance capacity in the event of significant abstraction levels (of up to 40%) and/or a spike in demand. In practice, abstraction levels are close to expected norms (around 8%) and overall demand is generally lower than would be expected under normal conditions. The Gold Commander's assessment of policing in Herts remains 'green' and as such, other than limited use of overtime, no other costs associated with enhancing capacity are currently forecast.

3.3 Overtime

Recorded overtime levels charged to Operation Bullrush to date remain low at £72k and based on current demand and officer availability it is not anticipated that total overtime costs will exceed £250k.

3.4 Personal Protective Equipment (PPE)

In order to maintain the safety of operational officers and staff, expenditure on the provision of PPE has formed a majority of the costs incurred to date:

- Costs incurred on PPE to date total £0.423m and include the purchase of gloves, masks, cleaning gels and goggles.
- A 7 Force Procurement arrangement is now in place for PPE, with Herts committed potentially up to a further £0.6m of expenditure representing its expected share of an overall £4.4m regional cost. Final costs will be apportioned to forces on the basis of actual use with only residual stocks charged on an NRE basis.
- Longer term consumption cannot be accurately forecast since it is contingent on the length of the pandemic and prevailing rules/guidance on use. However, current demand is well understood by the Operation Bullrush team who are in regular contact with the 7 Force Procurement team to ensure that appropriate supplies are in place.
- Based on current demand, the anticipated 12 weeks cost is circa £0.4m and 20 week cost is up to £0.9m. If there is a significant demand or a second peak this cost would be expected to increase significantly.

3.5 Agile / Remote Working Costs

In order to enable social distancing and maximising the ability to work remotely, either from home or alternative work places, a significant volume of mobile ICT equipment has been issued. The majority of equipment has been from stocks already held within BCH In particular laptops, already purchased as part of the on-going ICT rollout programme and charged to the 2019/20 capital programme, have been allocated to Herts for issue to remove vulnerable officers and staff from the

work place and meet business continuity requirements to enable critical functions to be undertaken remotely. The current assumption is that some of these laptops will be returned for re-issuing as per the existing renewals programme as officers and staff return to more pre-pandemic working arrangements (although precisely what form those working arrangements will take is still to be established). On this basis there will be no requirement to replace this stock and as such no additional demand on the 2020/21 capital programme.

3.6 Planning Team

A dedicated team of 8 police officers and 2 police staff has been established for the duration of Operation Bullrush at an estimated opportunity cost of £0.350m to £0.550m.

3.7 Re-employment/retention of officers

No costs are expected for this.

3.8 Buy-back of leave

No costs are expected for this.

3.9 Estates Costs

Additional Estates expenditure includes additional cleaning of the Force Control Room (FCR) and other high traffic areas. In addition, expenditure has been incurred on building entrance hand sanitiser stations and social distancing screens. In total additional Estates costs are anticipated to be between £50k and £100k.

4 Areas of Potential Loss of Income

4.1 Cameras, Tickets and Collisions (CTC)

There will be a short-term impact on this income largely due to the inability to run retraining courses in the traditional fashion and the significantly reduced traffic volumes.

The BCH budget for CTC (pre-pandemic) was £5m gross expenditure with an expected forecast surplus to be returned to forces of circa £1.0m, however recent BCH modelling now indicates a potential £1.9m reduction in gross income.

4.2 Treasury Management

In late March in order to minimise the impact of credit risk (the risk of a debtor being unable to pay interest and/or principal in a timely fashion) the organisation acted swiftly to liquidate its Money Market Fund (MMF) holdings and opted instead to retain its surplus cash in the Treasury's Debt Management Office (DMO), thereby sacrificing yield in favour of security. The rate of interest being paid by the DMO is 0.04% per annum and to date less than a thousand pounds of investment income has been generated; compared to the budgeted income figure of £0.155m for 2020-21 (£0.248m actual in 2019-20).

5 Potential Savings

The current lower activity levels may have a positive impact on non-Bullrush overtime – although this position may be reversed as restrictions are relaxed.

In addition, there is expected to be reduced expenditure on travel/transport related costs such as fuel and casual mileage payments.

6 Additional Funding / Cash Flow

The government has announced a number of limited measures to help forces address the impact of the pandemic, these have been restricted to advancing grant payments and the redirection of existing funding, rather than additional resources. In particular:

- The payment of the non-ring fenced £2m police pension grant from the Home Office two months earlier than originally expected; and
- On 27 April the Home Office wrote to the NPCC setting out the “repurposing” of half of the Police Uplift Programme ring fenced funding. This funding, totalling £1.2m for Herts, that was originally to be paid quarterly in arrears upon achievement of recruitment numbers, will now be paid monthly over a 6-month period and can be spent on either recruitment costs or covid-19 expenditure. It should be noted that the full £2.4m of uplift grant has already been included against planned uplift costs in the 2020/21 budget and as such is already required to support the programme.

7 Council Tax precept

As the furlough scheme tapers off toward the end of October, there is expected to be an impact on council tax receipts for 2020-21. These reduced tax yields in 2020-21 will be factored into the Collection Fund calculation for 2021-22 and ordinarily the precepting authorities would be expected to repay any deficit within one year, however on 2 July the Government announced that these can now instead be spread over three years i.e. repaid by the end of financial year 2023-24.