

**STRATEGIC POLICING AND CRIME BOARD**  
**15 December 2020**

**Finance Monitoring 2020/21**

**PURPOSE OF REPORT**

1. To provide members with details of the financial position at the end of October 2020 (Period 7) and to provide a full year forecast outturn for 2020/21.

**BACKGROUND**

2. This report details the October forecast position for both revenue (paragraph 7) and capital (paragraph 15) for 2020/21. This report also contains specific updates on the Force position in relation to COVID-19, the Uplift programme, Counter Terrorism Unit (CTU) expenditure and Regional and Organised Crime Unit (ROCU) expenditure. As per previous years, the WMP2020 projects are reported separately and are monitored through the Force's Organisational Change Board (OCB).

**HEADLINES**

3. In summary the Force is currently forecasting a revenue outturn underspend of £9.76m (1.59% of budget). Previously we reported forecasted overspend of £2.32m. The reason for the movement primarily relates to the Uplift Programme. We have previously forecast to budget, however following a detailed review of the Uplift Programme we have re-profiled some of the non-pay expenditure. In order to align capital expenditure to when recruits are due to start we have now ring-fenced and carried forward circa £10.8m of Uplift funding. Furthermore, we have completed a similar exercise on smaller amounts relating to IT & D.
4. The financial pressure placed on the Force as a result of the COVID-19 pandemic is forecast to be £11.90m. This has been offset by grants received and reimbursements of £8.74m, towards PPE, lost income and overtime for enforcement patrols. The forecast variance to budget for COVID 19 is expected to be £4.77m. If this is not reimbursed by the Home Office this will require the Force to utilise its reserves. The COVID-19 position is explained in more detail in paragraph 9 below.
5. The capital investment forecast is £38.97m against a capital budget of £51.13m. The estates programme of work has been re-profiled as we were required to pause some projects during the first quarter of the year as a result of COVID-19. This has also meant that the timeline for planned disposals has changed and some revenue costs e.g. leases will continue to be paid for longer than originally planned.
6. The non-pay expenditure and forecast for the Uplift Programme has been worked through in detail and revised in this period. The 366 uplift officers that were planned to be recruited this year were recruited by October 2020. It is expected that the required capital expenditure to deliver 1,200 officers over the next 2 years will continue in 2021/22 and the related funding has been carried forward within reserves.

The table below summarises the Forces revenue and capital position at October 2020.

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000	Variance %
<b>Revenue</b>				
Force	602,261	588,354	-13,907	
Change Programme	12,295	11,661	-634	
COVID-19	-1,617	3,160	4,777	
<b>Sub Total Police Force</b>	<b>612,940</b>	<b>603,176</b>	<b>-9,764</b>	<b>-1.59%</b>
Office of the PCC inc. Commissioned Services	12,383	11,897	-486	
<b>Total Revenue before Reserves</b>	<b>625,323</b>	<b>615,073</b>	<b>-10,250</b>	<b>-1.64%</b>
Net Use of Other Reserves	-7,909	1,983	9,892	
Net Use of Budget Reserves	-6,774	-6,417	358	
<b>Total Revenue after Reserves</b>	<b>610,639</b>	<b>610,639</b>	<b>0</b>	<b>0.00%</b>
<b>Capital</b>				
Force	12,159	12,159	0	
Change Programme	4,161	4,161	0	
Estates Strategy	34,813	22,657	-12,156	
<b>Total Capital</b>	<b>51,133</b>	<b>38,977</b>	<b>-12,156</b>	<b>-23.77%</b>
<b>Total Revenue before Reserves plus Capital</b>	<b>676,456</b>	<b>654,050</b>	<b>-22,406</b>	<b>-3.31%</b>

## BUDGET CHANGES IN 2020/21

7. The revenue and capital budget was approved by the Police and Crime Commissioner in February 2020 as part of the budget setting process. The table below summarises the revisions to the budget made since the revised budget in July (per the previous report) and between July and October where a detailed review of the Uplift Programme has taken place.

	July Budget £,000	October Budget £,000	Total movement £,000
Police Force – Expenditure (A)	657,005	659,928	2,923
Police Force – Income (B)	- 58,692	- 57,666	1,026
Change Programme (C)	9,533	12,295	2,762
COVID-19 (D)	0	1,617	1,617
Office of the PCC	12,383	12,383	0
Contribution to / from Earmarked Reserves (E)	- 9,590	- 14,684	5,094
<b>Total Revenue Budget</b>	<b>610,639</b>	<b>610,639</b>	<b>0</b>
<b>Total Capital Budget</b>	<b>51,133</b>	<b>51,133</b>	<b>0</b>

### Revenue Budget

- A. The Police Force Expenditure budget was increased from the July budget to October as a result a budget reduction on police staff pay, reflecting benefits achieved on a number of WMP 2020 projects (-£1.18m) that have been delivered and an increase in supplies and services budget to reflect a reduction in savings expected to be achieved on the WMP2020 programme (£3.76m).
- B. The income budget for the Operations and Crime Portfolios were reduced between July and October by £1.03m due the impact of COVID-19. The specific areas include football policing and prosecution cost recovery.
- C. The revenue budget for WMP2020 change programme reflects an increase in budget for the Ingestion/DDI project (£1.24m), heritage museum project (£0.34m) and a transfer of staff pay benefits from projects to staff pay (£1.18m). These changes bring the current WMP 2020 project budgets to £12.29m.

D. The impact of COVID-19 was not budgeted in the July report. Since then we have provided an expenditure budget to the Gold and Silver command structure to provide resources to manage the impact of the pandemic on our communities. We also added an income budget where income losses mainly in the Operations and Crime portfolio could be recognised.

E. The increase in reserves utilisation between July and October is principally as a result of recognising reduced WMP 2020 project savings in the our Data programme and some overspends in other areas of the budget, such as overtime.

## REVENUE OUTTURN 2020/21

8. The revenue outturn for the Police Force (excluding WMP2020 project costs) is forecast to be an underspend of £13.91m. (2.30% of total budget). This compares with a small overspend of £0.81m forecast at the end of period 4. WMP2020 is forecast to be £0.63m underspent in year, which will be re-profiled to 2021-22, bringing the net forecast underspend including the change programme to £14.54m. The impact of COVID-19 on the Force is shown separately with forecast expenditure of £11.90m and income of £8.74m. The detailed position is shown in the table below along with further explanations.

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
<b>Police Force by Account</b>			
Police pay including Overtime (A)	376,333	375,709	-624
PCSO pay including Overtime (A)	14,852	15,270	418
Police staff pay including Overtime (A)	144,226	142,139	-2,087
Other employees expenses (B)	11,897	11,975	78
<b>Sub Total</b>	<b>547,307</b>	<b>545,093</b>	<b>-2,215</b>
Premises (C)	18,140	18,198	58
Transport (D)	7,583	6,893	-690
Supplies and services (E)	47,116	46,076	-1,041
Third Party Payment (F)	12,956	13,664	707
Capital Financing Costs (G)	26,824	16,252	-10,571
External income (H)	-57,666	-57,821	-155
<b>Total Police Force (Exc. Change Programme &amp; COVID-19)</b>	<b>602,261</b>	<b>588,354</b>	<b>-13,907</b>
Change Programme	12,295	11,661	-634
<b>Total Police Force (Inc. Change Programme)</b>	<b>614,556</b>	<b>600,015</b>	<b>-14,541</b>
COVID-19	-1,617	3,160	4,777
<b>Total Police Force</b>	<b>612,940</b>	<b>603,176</b>	<b>-9,764</b>

A. Despite the current challenging environment the Force has successfully recruited the 366 uplift officers per the recruitment target for 20/21 by the end of October 2020. The current underspend for police pay (excluding police overtime) is £1.48m

Work to identify the teams where uplift officers will be deployed has now been completed and the findings of these reviews have been presented to the OPCC and Force Executive. These recommendations are expected to start to be implemented by 31 December. Working with POD, Business Transformation and Department Heads, we have now commenced work on understanding the impact of these additional officers on other departments such as Force Contact, Forensics and Criminal Justice.

Police officer overtime is forecast to be £0.86m overspent. Underspends in response and operations functions are offset by expected overspends in Force CID, Custody and Birmingham NPUs. These are principally due to additional demand in these areas, response to large gatherings in the community and have been further exacerbated by a number of resources, particularly affecting custody and Force contact, having to self-isolate due to the pandemic.

- B. Police staff pay underspend is consistent with the current number of vacancies across the Force. The pay underspend of £2.65m is partially offset by overspends in police staff overtime of £0.35m and on temporary staff of £0.22m.
- C. The minor premises overspend is due to increased rents at the Cosford training base and additional costs for ROCU temporary re-locations.
- D. The forecast underspend in transport is expected following the significant reduction in business travel in the first 6 months of the year and the free fuel offer for police vehicles which was available to the force up to 8 June.
- E. The underspend in supplies and services results from a general underspend on interpreters, re-profiling of the timing of police now recruits and savings from leadership development which is working to a revised programme.
- F. The overspend of £0.71m on third party payments is due to additional contributions to projects for the National Police Chiefs Council (£0.61m) and bringing forward a contribution to Birmingham City Council for some resilience work from the Commonwealth Games security budget (£0.1m) which was originally profiled for 2021-22.
- G. Capital financing has seen a significant reduction in forecast by £10.57m. This is because the budget was increased following a detailed review of the Uplift Programme which recognise costs within the uplift programme that will be capitalised. The forecast recognises the revenue contribution to capital for the expected future capital costs in relation to the programme.
- H. External Income is expected to be £0.16m over achieved. This is mainly due to additional income in the Regional Organised Crime Unit which is matched by additional expenditure on pay and supplies. Income impacted by COVID-19 has been budgeted and forecasted separately and recorded in the COVID-19 section of the table.

## COVID-19 RELATED EXPENDITURE AND INCOME

9. The table below shows expenditure on COVID-19 in the current financial year to October 2020.

Covid-19	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
Expenditure	959	11,904	- 10,945
Income	- 2,576	- 8,744	6,168
<b>Total</b>	<b>- 1,617</b>	<b>3,160</b>	<b>- 4,777</b>

An expenditure budget of £0.25m was allocated to Covid Gold Command at the start of the Force's response to the pandemic which was increased in August by £0.71m after the movement of overtime budget held on Force Operations for policing football matches. Similarly, budgets for income (£2.58m) that would not be achieved in Force operations from football and from the Airport and criminal justice processes were moved into the COVID-19 budget to assist the management of under achieved income.

The current forecast for expenditure includes:

- £5.80m of PPE, £4.40m of which related to the national PPE order.

- £4.61m of pay related costs including temporary staff and overtime. The overtime includes enforcement patrols supplemented by £1.83m income from a national surge funding.
- £1.49m non pay costs including decontamination and costs of making police buildings Covid secure.

The current forecast for income includes:

- £5.29m for PPE reimbursement (20/21 element)
- £1.83m surge funding to support enforcement patrols
- £1.62m estimated lost income based on 75% of total lost income being reimbursed

It is pleasing that the government has provided additional funding to forces to cover the costs of medical grade and non-medical grade PPE required in relation to COVID-19, 75% of lost income and enforcement activities. However, the Force remains exposed to £4.77m of expenditure which is not covered by any current provision by the Home Office.

### **POLICE OFFICER UPLIFT FUNDING:**

10. The table below provides a summary of the budget and forecast for the revenue and capital elements of the Police Officer uplift programme.

	Budget	Forecast	Forecast Variance to Budget
<b>Officer Uplift</b>	<b>£,000</b>	<b>£,000</b>	<b>£,000</b>
Revenue	22,974	20,216	-2,758
Capital	14,541	3,769	-10,772
<b>Total Officer Uplift</b>	<b>37,515</b>	<b>23,985</b>	<b>-13,530</b>

Within a national funding settlement of £700m the West Midlands Force share was £42.7m. The portion of this which was allocated for uplift was £37.5m as indicated in the table above. The additional £5.2m grant funding is included within the capital financing section of the table at paragraph 8 and is a Revenue Contribution to Capital (RCCO) to fund the business as usual aspects of the capital programme.

The Force had a commitment to recruit 366 additional officers in 2020-21 which was achieved by the end of October despite challenging circumstances brought about by the pandemic. The underspends against the revenue elements of the uplift budget of £2.76m were due to savings on officer pay (as the uplift budget provided for officers at 1 SCP above the base pay scale), savings on staff pay and savings on fleet revenue costs.

The capital budget is expected to be underspent in year by £10.77m and this will be transferred to a capital reserve while we work through the implications of the uplift funding on the ongoing capital requirements of the programme between now and 2022 when an additional 1,200 officers and 400 police staff will be in post.

## COUNTER TERRORISM UNIT OUTTURN 2020/21:

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
<b>CTU Revenue</b>			
Main Grant	39,105	37,735	-1,369
Organisational Development Unit (ODU)	1,984	1,463	-521
Vulnerability Support Hub (VSH)	509	507	-2
CBRN	2,691	2,645	-46
CBRN PPE	1,900	1,920	20
Force Managed (SBC)	3,161	3,133	-28
<b>Total Revenue</b>	<b>49,350</b>	<b>47,403</b>	<b>-1,947</b>
<b>CTU Capital</b>			
Main Grant	2,151	1,737	-414
CBRN	113	79	-34
<b>Total Capital</b>	<b>2,264</b>	<b>1,816</b>	<b>-447</b>
<b>Grand Total CTU</b>	<b>51,614</b>	<b>49,219</b>	<b>-2,394</b>

11. Overall CTU revenue costs are forecast to be underspent by £1.95m. The variance on the main CTU grant is due to the impacts of COVID with overtime, travel expenses and training showing underspends of a combined £0.76m. The balance of the underspend is due to police officer vacancies.

Underspends on the ODU of £0.52m is also due to the impact of COVID through reduced travel and training of £0.19m pay underspends of £0.27m and IT savings of £0.06m. The capital underspend on the main grant relates to an IT network upgrade, which will not take place until next year due to the impact of COVID on suppliers. The underspend forecast on Force Managed (SBC) will be recognised as an underspend to the Force. All other forecast variances will balance to nil at the year-end as actual expenditure will be matched with the grant income that can be claimed against this.

## ROCU OUTTURN 2020/21:

	Budget £'000	Forecast £'000	Forecast Variance to Budget £'000
Command Team	936	1,014	78
Enabling Services	237	258	21
Intelligence	4,735	4,680	-55
Operations	5,829	5,912	83
Covert Operations	2,143	2,231	88
Operations Support	5,399	5,404	5
<b>Sub Total ROCU (WMP Portion of joint capabilities)</b>	<b>19,279</b>	<b>19,499</b>	<b>220</b>
Covert Operations Bureau	375	368	-7
Communications Data Investigation Unit	2,129	2,181	52
DSU	2,345	2,483	138
<b>Sub total ROCU (WMP only capabilities)</b>	<b>4,849</b>	<b>5,032</b>	<b>183</b>
<b>Total WMP ROCU</b>	<b>24,128</b>	<b>24,531</b>	<b>403</b>

12. The above table includes only the WMP element of the capabilities that are managed as part of the Regional Organised Crime Unit. The £0.22m overspend by West Midlands Police is partially due to overtime in the surveillance unit and also filling other Force vacant posts in the confidential unit. When taking the regional position into account the regional budget is £28.39m with a forecast of £27.018m. West Midlands Police would expect to receive 57% of this overall underspend (currently £0.78m).

**OFFICE FOR THE POLICE AND CRIME COMMISSIONER:**

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
<b>Office of Police and Crime Commissioner</b>			
Office of Police and Crime Commissioner	2,781	2,781	0
<b>Commissioned Services</b>			
Community Safety Funding	5,209	5,209	0
External Commissioning	3,664	3,178	-486
Active Citizens	729	729	0
Victim Services Expenditure	4,314	4,314	0
Victim Services Income	-4,314	-4,314	0
Violet Crime Reduction Unit Expenditure	3,855	3,855	0
Violet Crime Reduction Unit Income	-3,855	-3,855	0
<b>Total Commissioned Services</b>	<b>9,602</b>	<b>9,116</b>	<b>-486</b>
<b>Total Office of the Police and Crime Commissioner</b>	<b>12,383</b>	<b>11,897</b>	<b>-486</b>

13. The Office of the Police and Crime Commissioner's outturn is currently forecast on budget as £2.78m. The budget for commissioned services has been reviewed in October and forecasts a rephasing of expenditure with external commissioning of £0.49m. This will be carried forward into 2021-22.

**RESERVES:**

14. The table below details the in-year contribution to and use of reserves for 2020/21.

Reserves	In year			31st March 2021 £000s
	31st March 2020 £000s	contribution to Reserves £000s	In year Use of Reserves £000s	
Uniform and Equipment Reserve	-4,777			-4,777
Devolved Budget Reserve	-4,278		284	-3,995
Major Incident Reserve	-2,000		2,000	0
Budget Reserve	-9,075		6,417	-2,658
Change Programme Reserve	-12,359		2,303	-10,056
Carry Forward Reserve	-4,528	-486	4,264	-750
National Contingency Reserve	-1,090			-1,090
Uplift Reserve	0	-10,772		-10,772
POCA / Drug Squad / PPA	-1,140	0	425	-715
Insurance Reserves	-8,788	0	0	-8,788
<b>Total Earmarked Reserves</b>	<b>-48,034</b>	<b>-11,258</b>	<b>15,692</b>	<b>-43,601</b>
General Fund Reserve	-12,042			-12,042
<b>Total Reserves</b>	<b>-60,077</b>	<b>-11,258</b>	<b>15,692</b>	<b>-55,643</b>

In total we expect to contribute £11.26m to reserves in 2020-21 and to utilise £15.69m. This will be a net use of reserves of £4.43m. The planned contributions to and use of reserves are:

- A contribution to reserves will be made in a new Uplift Reserve to provide £10.77m funding towards future capital costs that may be required in relation to the uplift in officer and staff numbers;

- A contribution to reserves of £0.48m will be made to note the carry forward of PCC commissioning funds as noted in paragraph 11;
- Use of £6.42m of the budget reserves. £2.92m of budget reserves were originally planned to be used to address the 2020-21 funding gap. The increase reflects a combination of additional forecast movements and contributions to this reserve from the uplift programme;
- Use of £4.26m of carry forward reserves;
- Use of £2.30m of change programme reserves to account for changes in the programme in year;
- Use of £2m major incident reserve to account for net costs of the impact of Covid-19 on the force
- Use of POCA and devolved budget reserves of £0.42m and £0.28m respectively. These amounts were budgeted at the start of the year as planned allocations to revenue budgets.

## CAPITAL OUTTURN 2020/21

15. The capital programme is currently forecasting an underspend of £12.16m on the estates strategy, the associated projects will be re-profiled due to COVID-19. The outturn for the capital programme is expected to be £38.98m against a budget of £51.13m. The programme for 2020-21 is summarised below.

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
<b>Business As Usual (A)</b>	12,159	12,159	0
<b>Total WMP2020 (B)</b>	4,161	4,161	0
<b>Estates Strategy (C)</b>	34,813	22,657	-12,156
<b>Total Capital Programme</b>	51,133	38,977	-12,156

- A. The BAU budget includes £7.4m for vehicles, £4.3m for IT equipment and services and £0.95m for CTU buildings. Most of the IT equipment capital spend was re-profiled to be delivered in the first quarter in response to supporting colleagues to work from home during and after the national lockdown.
- B. The £4.16m WMP 2020 budget relates to the Connect project which is expected to go live in spring 2021.
- C. The Estates Strategy is expected to underspend in year with a current forecast of £22.66m. This follows the impacts of COVID-19 on a number of building projects. We are also revisiting the Estates strategy to consider whether the estates needs remain the same.

## FINANCIAL IMPLICATIONS

16. This report solely deals with financial issues.

## LEGAL IMPLICATIONS

17. The production of the PCC's Accounts is governed by the Local Government Act 1982 and Regulations made under that Act. The Local Government Act 1988 requires the PCC to make arrangements for the proper administration of its financial affairs.



## **RECOMMENDATIONS**

18. The Board is asked to note the contents of this report.

Mark Kenyon  
Chief Finance Officer to the PCC

Neil Chamberlain  
Director of Commercial Services