

STRATEGIC POLICING AND CRIME BOARD
16 February 2021

Finance Monitoring 2020/21

PURPOSE OF REPORT

1. To provide members with details of the financial position at the end of December 2020 (Period 9) and to provide a full year forecast outturn for 2020/21.

BACKGROUND

2. This report details the December 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 £9.90m (1.61% of budget). This compares to a forecasted underspend of £9.76m in the last report. The movement in forecast is due to small changes across a few expenditure lines and is explained below in section 8.
4. The financial pressure placed on the Force as a result of the COVID-19 pandemic is forecast to be £11.84m. 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 £4.71m. (£4.77m in October report). This slightly improved position on the last report is due to some reductions in overtime outside of enforcement patrols. If the net cost of COVID-19 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 Force's revenue and capital position at December 2020.

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000	Variance %
Revenue				
Force	601,261	587,029	-14,232	
Change Programme	16,695	16,312	-384	
COVID-19	-1,617	3,097	4,714	
Sub Total Police Force	616,340	606,437	-9,902	-1.61%
Office of the PCC inc. Commissioned Services	12,383	11,897	-486	
Total Revenue before Reserves	628,723	618,335	-10,388	-1.65%
Net Use of Other Reserves	-11,309	-1,417	9,892	
Net Use of Budget Reserves	-6,775	-6,278	497	
Total Revenue after Reserves	610,639	610,639	0	0.00%
Capital				
Force	12,159	12,159	0	
Change Programme	4,161	4,161	0	
Estates Strategy	34,813	22,657	-12,156	
Total Capital	51,133	38,977	-12,156	-23.77%
Total Revenue before Reserves plus Capital	679,856	657,312	-22,544	-3.32%

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 last report in October and current budgets for December 2020.

	October budget £,000	December budget £,000	Total Movement £,000
Police Force – Expenditure (A)	659,927	658,919	-1,008
Police Force – Income	-57,666	-57,658	8
Change Programme (B)	12,295	16,695	4,400
COVID-19	-1,617	-1,617	0
Office of the PCC	12,383	12,383	0
Contribution to / from Earmarked Reserves (C)	-14,683	-18,083	-3,400
Total Revenue Budget	610,639	610,639	0
Total Capital Budget	51,133	51,133	0

Revenue Budget

- A. The Police Force Expenditure budget has been amended by £1.08m since October 2020. The majority of this relates to supplies and services where adjustments have been made between centrally held costs and what will be contributed to earmarked reserves
- B. The change programme budget has increased by £4.4m since the last report, this now reflects the Connect project budget carried forward from the previous year of £2.4m and additional budget to account for the costs (e.g. Innovation and Integration Partnership resources) associated with the revised go live date of April 2021.
- C. These changes are met by an additional contribution from earmarked reserves (change programme and budget reserves) as detailed in the table supporting paragraph 14.

REVENUE OUTTURN 2020/21

8. The revenue outturn for the Police Force (excluding WMP2020 project costs) is forecast to be an underspend of £14.23m. (2.37% of total budget). This compares with an underspend of £13.91m forecast at the end of period 7. WMP2020 is forecast to be £0.38m underspent in year, which will be re-profiled to 2021-22, bringing the net forecast underspend including the change programme to £14.61m. The impact of COVID-19 on the Force is shown separately with forecast expenditure of £11.84m 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
Police Force by Account			
Police pay including Overtime (A)	376,377	375,544	-832
PCSO pay including Overtime (B)	14,852	15,306	454
Police staff pay including Overtime (C)	144,323	143,419	-904
Other employees expenses	12,134	12,198	64
Sub Total	547,686	546,468	-1,218
Premises	18,665	18,755	90
Transport (D)	7,606	6,816	-790
Supplies and services (E)	45,532	43,943	-1,588
Third Party Payment (F)	12,607	13,013	406
Capital Financing Costs (G)	26,824	15,664	-11,159
External income	-57,658	-57,630	28
Total Police Force (Exc. Change Programme & COVID-19)	601,261	587,029	-14,232
Change Programme (H)	16,695	16,312	-384
Total Police Force (Inc. Change Programme)	617,956	603,341	-14,616
COVID-19	-1,617	3,097	4,714
Total Police Force	616,340	606,437	-9,902

- A. Despite the current challenging environment the Force 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 £1.67m

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 starting to be implemented in the last quarter. Working with the People Organisation Development (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 £0.84m 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. This has been further exacerbated by a number of resources, particularly affecting Custody and Force Contact, either testing positive or needing to self-isolate due to the pandemic. This has been more prevalent following the impact of the more transmissible strains of the virus.

- B. PCSO pay overspends are consistent with the last report. This is due to an over established position at present which will help the Force to provide 12 additional PCSO's for the Coventry City of Culture.

- C. Police staff pay underspend (including overtime and temporary staff costs) has contracted to £0.90m from £2.09m in the last report. There have been increases in pay forecasts in Corporate Asset Management, Operation Guardian, Force Contact and People and Organisational Development service areas. This is a combination of increased demand for services, over establishment (in the case of Force Contact) and enhanced service offers. Whilst this is a significant movement since the last report we expect any further movements in this forecast to be minimal as the current underspend is consistent with police staff vacancies in the Force.
- D. The underspend on travel and transport is largely due to the continued reduction in travel across the Force area. In addition the Force took advantage of a free fuel offer from BP which ran from March 2020 until 8 June. This offer has now been reinstated and will run from 25 January until the end of the financial year. The travel and transport forecast is being reviewed in light of the most recent government guidance that suggests that current lockdown arrangements will continue into March.
- 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 £0.41m on third party payments is due to additional contributions to projects for the National Police Chiefs Council (£0.31m) 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 an increase in underspend by £0.62m. This is due to a change in the IT and D forecast for capital spend in year.
- H. The forecast for the WMP2020 change programme now shows a £0.38m underspend compared to a £0.63m underspend in the last report. This is due to changes in the Connect project as explained in the budget changes section above.

COVID-19 RELATED EXPENDITURE AND INCOME

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

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
Covid-19			
Expenditure	959	11,841	- 10,882
Income	- 2,576	- 8,744	6,168
Total	- 1,617	3,097	- 4,714

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 2020 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:

- £5.90m of PPE, £4.40m of which related to the national PPE order.
- £4.38m of pay related costs including temporary staff and overtime. The overtime includes enforcement patrols supplemented by £1.83m income from a national surge funding.

- £1.56m 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 £4.71m 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.

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

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 of 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 in total an additional 1,200 officers and 400 police staff will be in post through the uplift programme.

COUNTER TERRORISM UNIT OUTTURN 2020/21:

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
CTU Revenue			
Main Grant	39,183	36,791	-2,392
Organisational Development Unit (ODU)	1,997	1,345	-652
Vulnerability Support Hub (VSH)	509	507	-2
CBRN	2,691	2,528	-163
CBRN PPE	15,194	15,161	-33
Force Managed (SBC)	3,161	3,053	-108
Total Revenue	62,736	59,385	-3,351
CTU Capital			
Main Grant	2,223	1,534	-689
CBRN	113	81	-32
Total Capital	2,336	1,615	-721
Grand Total CTU	65,072	61,000	-4,072

11. Overall CTU revenue costs are forecast to be underspent by £3.35m, with capital expenditure forecast to underspend by £0.72m. The variance on the main CTU grant is due to the impacts of COVID with overtime, transport costs, training and IT costs showing underspends of a combined £1.783m. The balance of the underspend is due to police officer vacancies.

Underspends on the ODU of £0.65m is also due to the impact of COVID through reduced travel, officer and staff vacancies of £0.33m, IT costs of £0.28m and other underspends of £0.04m. 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) relates to officer pay and 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	1,018	82
Enabling Services	237	282	45
Intelligence	4,735	4,869	134
Operations	5,829	5,823	-6
Covert Operations	2,143	2,182	39
Operations Support	5,399	5,130	-269
Sub Total ROCU (WMP Portion of joint capabilities)	19,279	19,304	25
Covert Operations Bureau	375	368	-7
Communications Data Investigation Unit	2,129	2,181	52
DSU	2,345	2,483	138
Sub total ROCU (WMP only capabilities)	4,849	5,032	183
Total WMP ROCU	24,128	24,336	208

12. The above table includes only the WMP element of the capabilities that are managed as part of the Regional Organised Crime Unit. The £0.03m overspend by West Midlands Police is partially due to overtime in the intelligence capabilities. When taking the regional position into account the overall regional budget is £28.39m for 2020/21 with a forecast expenditure of £26.82m. Regionally PCCs have agreed to fund the Enabling Services team for the next 2 years from reserves at a cost of £0.65m. West Midlands Police will receive 57% of the balance of the remaining underspend per the funding formula in place – currently £0.55m.

OFFICE FOR THE POLICE AND CRIME COMMISSIONER:

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
Office of Police and Crime Commissioner			
Office of Police and Crime Commissioner	2,781	2,781	0
Commissioned Services			
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
Total Commissioned Services	9,602	9,116	-486
Total Office of the Police and Crime Commissioner	12,383	11,897	-486

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		
Devolved Budget Reserve	-4,278		284	-3,995
Major Incident Reserve	-2,000		2,000	0
Budget Reserve	-9,075		7,417	-1,658
Change Programme Reserve	-12,359		4,703	-7,656
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
Total Earmarked Reserves	-48,034	-11,258	19,092	-40,201
General Fund Reserve	-12,042			-12,042
Total Reserves	-60,077	-11,258	19,092	-52,243

In total we expect to contribute £11.26m to reserves in 2020-21 and to utilise £19.09m. This will be a net use of reserves of £7.8m. 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 13;
- Use of £7.42m of the Budget Reserve. It was originally planned to use £2.92m of the Budget Reserve to address the 2020-21 funding gap. The increase reflects a combination of additional forecast movements, contributions to this reserve from the Uplift Programme and use of reserves to support the additional cost of the Connect project;
- Use of £4.26m of the carry forward reserve;
- Use of £4.70m of change programme reserves to account for changes in the programme in year (including an additional £2.4m use of reserves to support the Connect project);
- 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
Business As Usual (A)	12,159	12,159	0
Total WMP2020 (B)	4,161	4,161	0
Estates Strategy (C)	34,813	22,657	-12,156
Total Capital Programme	51,133	38,977	-12,156

- A. The BAU budget includes £7.37m for vehicles, £4.30m for IT equipment and services and £0.49m 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