



**Strategic Policing and Crime Board
September 2022**

Title: Finance Monitoring 2022/23

Presented by: Mark Kenyon, Chief Finance Officer

PURPOSE OF REPORT

1. To provide members with details of the financial position as at the end of July 2022 (Period 4) and to provide a full year forecast outturn for 2022/23.

BACKGROUND

2. This report details the July 2022 forecast position for both revenue (paragraph 9) and capital (paragraph 17) for the 2022/23 financial year. This report also contains specific updates on the Force position in relation to the Uplift Programme, Counter Terrorism Unit (CTU) and Regional and Organised Crime Unit (ROCU) expenditure. As per previous years, the WMP Change Programme is reported separately and monitored through the programme and project boards.

HEADLINES

3. In summary the Force is currently forecasting a revenue outturn overspend of £5.1m (0.80% of budget). This compares to a forecast overspend of £3.1m as at the end of quarter 1. The main cause of the forecast overspend at this point is a £3.3m pressure on utilities costs and £0.3m pressure on fuel costs. As well as a number of demand and inflationary pressures detailed in paragraph 9 of this report. This overspend is despite a significant number of vacancies in some portfolios which are critical to operational performance. Finance colleagues are working with business leads to identify levers to manage the current pressures within the approved budget envelope.
4. The medium-term financial plan indicates that there will be a significant budget pressure next year. Therefore, the Force Executive Team have approved a number of measures to ensure that the current forecast overspend of £5.1m is managed down to deliver a balanced budget for this year and if possible an underspend at year-end which can be contributed to reserves to alleviate some of these medium-term pressures.
5. The majority of the forecast overspend is due to the additional cost for gas and electricity in police buildings and to a lesser extent on the current high cost of vehicle fuel. Non-pay pressures have also been identified in some supplies and services areas – namely Forensics, IT and Digital, ROCU and Legal Services. These are partially offset by underspends on capital financing costs (due to improved returns on short term investments) and a forecast reduction in third party payments.

6. To address the current revenue overspend forecast finance colleagues are working closely with budget holders to robustly challenge planned expenditure for the rest of this year. Additionally, we have set out a number of opportunities for cost reduction in the second half of the year, which are currently under consideration.
7. The capital expenditure forecast in is line with the capital budget of £22.4m. The in-year estates programme is expected to cost £6.6m, the remaining capital budget for this year consists of £15.1m of business as usual IT and Digital and vehicle costs and £0.7m for specific technology projects. Business as usual capital expenditure is funded through revenue budget contributions to capital. The forecasted funding gap for next has required us to revisit and consider the prioritisation of planned capital expenditure for both this and future years.
8. The Force is on target to recruit 488 additional officers as part of the Uplift Programme this year, with 205 officers starting before recruitment activity paused briefly during the Commonwealth Games. We are on target to recruit all uplift officers by February 2023 and will claim for the full grant available from the Home Office.

The table below summarises the Forces revenue and capital position at 31 July 2022.

	Budget £,000	Outturn £,000	Outturn Variance to Budget £,000	Variance %
Revenue				
Force	649,601	654,635	5,034	
Change Programme	7,580	7,606	26	
Sub Total Police Force	657,181	662,241	5,060	0.77%
Office of the PCC inc. Commissioned Services	8,497	8,497	0	
Regional and National Services	23,366	22,445	-921	
Total Revenue before Reserves	689,043	693,182	4,139	0.60%
Net Use of Other Reserves	-5,574	-5,689	-114	
Net Use of Budget Reserves	-454	-4,479	-4,025	
Total Revenue after Reserves	683,015	683,015	0	0.00%
Capital				
Force (Fleet and IT and Digital)	15,104	15,104	0	
Change Programme	703	703	0	
Estates Strategy	6,619	6,619	0	
Total Capital	22,426	22,426	0	0.00%
Total Revenue before Reserves plus Capital	711,469	715,608	4,139	0.58%

REVENUE OUTTURN 2022/23

9. The revenue outturn for the Police Force (excluding WMP change programme costs) is a forecast overspend of £5.03m (0.77% of total budget). The inclusion of the Force Change Programme brings the Force overspend to £5.06m (0.78% of total budget). 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 (A)	383,408	383,178	-230
Police Overtime (B)	16,655	17,006	351
PCSO Pay (C)	14,982	14,570	-412
PCSO Overtime	17	28	11
Police Staff Pay (D)	153,246	152,404	-843
Police Staff Overtime	1,693	1,848	155
Temporary Staff (E)	971	1,472	501
Other employees expenses (F)	14,331	14,908	577
Sub Total	585,303	585,412	110
Premises (G)	21,339	24,678	3,339
Transport (H)	9,480	9,884	404
Supplies and services (I)	51,617	53,089	1,472
Third Party Payment	14,327	14,280	-48
Capital Financing Costs (J)	21,099	20,826	-273
External income	-53,564	-53,533	31
Total Police Force (Exc. Change Programme)	649,601	654,635	5,034
Change Programme	7,580	7,606	26
Total Police Force (Inc. Change Programme)	657,181	662,241	5,060

- A. Police pay is forecast to be £0.23m under budget this year. The underspend is due to a significant number of vacancies in some departments. The force has received some funding towards the £1,900 per officer pay award for police officers announced in July, but that still left the force with a funding gap of £1.83m to be found from existing budgets.
- B. Police officer overtime is forecast to overspend by £0.35m after the first 4 periods. Pressures in relation to overtime are being noted as a consequence of the number of vacancies in departments included Force CID, Public Protection Unit and Force Contact set against a growing demand for service in these areas. Finance colleagues will be working closely with the business to significantly reduce overtime spend in the second half of the year.
- C. PCSO pay is forecast to underspend by £0.41m. There are currently 33 PCSO vacancies, the last 2 cohorts of new starters have not been filled and a number of PCSO's leave their roles regularly to become Police Officers. The current underspend will be revised pending decisions in relation to the number of recruitment cohorts that will be delivered during the rest of the year
- D. Police staff pay is forecast to underspend by £0.84m at this point. This is due to a number of vacancies in enabling departments such as IT and Digital and Corporate Asset Management as well as Business Transformation and Strategy and Direction which are undergoing a significant restructure. Future pressures on the Police Staff pay budget could occur if an agreement is reached to amend the current pay award for 2022/23.
- E. The use of temporary staff to fill essential posts or respond to increased demand have resulted in a forecast overspend of £0.50m. Finance have initiated a review of all

temporary staff posts against the planned recruitment to permanent posts and will challenge the business where temporary staff are not aligned to existing vacancies.

- F. Other employee expenses are expected to overspend by £0.58m. This relates to forecasted exit costs for staff impacted by departmental restructures and is offset in part by expected underspends in Learning and Development due to reduced PEQF cohort numbers compared to budget.
- G. The overspend on premises costs relates principally to the increased cost of gas and electricity in police buildings. The force contract provides for a fixed cost for 2022/23 so the force will not be further affected this year by any further rising costs. Finance colleagues are working with CAM colleagues to identify levers to reduce energy usage. A smaller proportion of the overspend relates to greater than planned spend on reactive maintenance on the Force's older buildings.
- H. Transport costs are overspent due to a combination of high fuel costs and higher values of claims from officers and staff for travel expenses following a national policy change which allows for home to work mileage to be included in most travel claims. CAM colleagues are providing management information to allow the force to ensure that it is getting the best value from the fleet and POD colleagues have provided some clarifications on the new travel policy to ensure that best value travel options are chosen.
- I. The forecast overspend on supplies and services is £1.47m. The most significant budget pressures are within Forensics (serious crime submissions and outsource spend); IT and Digital (server and storage costs); ROCU (equipment and training costs); and Legal Services (external counsel fees). These are all predominantly demand related.
- J. Capital financing has seen a reduction in forecast and is now expected to be underspent by £0.27m. This is due to improved investment returns forecast after increases in interest rates.

POLICE UPLIFT:

10. The budget for the uplift of police officers for 2022/23 is £29.7m. The funding will support the recruitment of 488 additional police officers. This consists of 462 officers as part of planned recruitment and a further 26 officers specifically for the Regional Organised Crime Unit. This funding includes a ring-fenced element of £8.24m which is conditional on the force delivering its recruitment target and is payable only when the target numbers are achieved. The force expects to reach this target by February 2023. The Uplift budget is presented in the table below:

Uplift Funding	2022/23 £m
Officer Pay	20.2
Staff Pay	4.9
Total Pay	25.1
Non -Pay	3.2
Capital	1.4

Total	29.7
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11. The majority of these budgets are recognised within business as usual and are supporting all the items that our new officers require to discharge their duties such as uniform and IT. We have apportioned £0.32m of the non-pay budget to the uplift implementation programme to support expenditure required within the Corporate Asset Management portfolio to deal with the short-term impacts of these additional officers.

COUNTER TERRORISM UNIT OUTTURN 2022/23:

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
<u>CTU Revenue</u>			
Main Grant	39,262	38,195	-1,067
Organisational Development Unit	3,221	3,390	169
Vulnerability Support Hub	589	588	-1
Castors	414	418	4
CBRN	3,140	2,996	-144
CBRN PPE	450	450	0
Force Managed (SBC)	5,087	4,827	-260
Total Revenue	52,163	50,864	-1,299
<u>CTU Capital</u>			
Main Grant	2,574	2,555	-19
CBRN	406	406	0
CBRN PPE	0	0	
Total Capital	2,980	2,961	-19
Grand Total CTU	55,143	53,825	-1,318

12. Overall CTU revenue costs are forecast to be underspent by £1.32m. This will not be carried forward but recognised in the amount of grant claimed. The variance on the main CTU grant is due to the impact of officer and staff vacancies and corresponding underspends on premises and IT costs.

13. The underspend forecast on Force Managed CTU (Special Branch) will mostly be recognised as an underspend to the CTU as most functions have been met by the CTU grant since April 2022.

ROCU OUTTURN 2022/23:

	Budget £,000	Forecast £,000	Variance to Budget £,000
Command Team	963	967	4
Enabling Services	390	411	21
Intelligence	5,480	5,666	186
Operations	6,575	6,539	-36
Covert Operations	2,383	2,715	332
Operations Support	5,828	5,265	-563
Sub Total ROCU (WMP portion of joint capabilities)	21,619	21,563	56
Covert Authorities Bureau	381	381	0
Communications Data Investigation Unit	2,539	2,525	-14
DSU	2,596	2,444	-152
Sub total ROCU (WMP only capabilities)	5,516	5,350	-166
Total WMP ROCU	27,135	26,913	-222

14. The above table includes only the WMP element of the capabilities that are managed as part of the Regional Organised Crime Unit. When taking the regional position into account the budget is £32.32m with a forecast of £31.02m. West Midlands Police would expect to receive 57% of this overall underspend (currently £0.74m) based on the agreed split of resources across the region.

The underspend on the WMP capabilities is largely due to additional controls on expenditure in the Dedicated Source Unit (DSU) and a modest cost reduction in relation to professional services for communications data analysis.

OFFICE FOR THE POLICE AND CRIME COMMISSIONER:

	Budget £,000	Outturn £,000	Outturn Variance to Budget £,000
Office of Police and Crime Commissioner			
Office of Police and Crime Commissioner	2,945	2,945	0
Commissioned Services			
Community Safety Funding	3,463	3,463	0
External Commissioning	1,688	1,688	0
Supporting Communities	400	400	0
Victim Services Expenditure	3,409	3,409	0
Victim Services Income	-3,409	-3,409	0
Violent Crime Reduction Unit Expenditure	3,370	3,370	0
Violent Crime Reduction Unit Income	-3,370	-3,370	0
Total Commissioned Services	5,551	5,551	0
Total Office of the Police and Crime Commissioner	8,496	8,496	0

15. The Office of the Police and Crime Commissioner's outturn is currently forecast on budget as £2.95m. All Commissioned Services are currently forecast to deliver on budget.

RESERVES:

16 The table below details the in-year contribution to and use of reserves for 2022/23.

	Budget £,000	Outturn £,000	Outturn Variance to Budget £,000
Use of Reserves			
PCC Carry Forward (Net)	0	0	0
Change Programme (Net)	0	0	0
Contribution from Carryforward Reserve (Net) (A)	-3,087	-3,087	0
Contribution from Council Tax Reserve	-1,640	-1,640	0
Contribution from Uniform and Equipment Reserve (Net)	-425	-425	0
Contribution from National Contingency Reserve	0	0	0
Contribution to / from Budget Reserve (B)	-454	-4,479	-4,025
Total Revenue Budget after use of reserves	-5,607	-9,631	-4,025

- The contribution from carryforward reserves reflects departmental carryforwards from the prior year.
- The forecast for an additional £4.02m use of budget reserves is the net impact of the current forecast overspend. We are confident that over the course of the remainder of the year that current forecast overspends can be brought back in line with budget so that this contribution will be much smaller or not required at all.

CAPITAL OUTTURN 2022/23

17 The capital programme position is a forecast to budget. The programme for 2022-23 is summarised below.

	Budget £,000	Outturn £,000	Outturn Variance to Budget £,000
Business As Usual (A)	15,104	15,104	0
Major Technology Projects (B)	703	703	0
Estates Strategy (C)	6,619	6,619	0
Total Capital Programme	22,426	22,426	0

Funded by:	
Capital Grants	0
Revenue Contributions	19,538
Specific Revenue Contributions to Capital	2,888
Specific Grants	0
Capital Receipts	0
Total	22,426

- A. The BAU budget includes £4.74m for vehicles and £10.37m for IT equipment of which £0.83m is associated with the uplift in police officers.
- B. £0.7m relates to major technology projects which is to fund body-worn cameras.
- C. The Estates Strategy has been revised and work reprogrammed over a 5-6-year delivery horizon. The majority of work planned to take place this year is at the Eastern Custody build with improvement works taking place at Edgbaston, Stechford, and Wolverhampton and initial work to take place in relation to Dudley.

FINANCIAL IMPLICATIONS

18 This report solely deals with financial issues.

LEGAL IMPLICATIONS

19 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

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

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Pete Gillett
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