



STRATEGIC POLICING AND CRIME BOARD
26th September 2023

Period 5 Finance Report 2023/24

PURPOSE OF REPORT

1. To provide members with details of the financial position as at the end of August 2023 (Period 5) and to provide a full year outturn forecast for 2023/24.
2. To share the updated Fees and Charges Booklet, following amendments to reflect the 7% pay award. Please see Appendix 1.

BACKGROUND

3. This report details the August 2023 forecast position for both revenue (paragraph 13) and capital (paragraph 18) for the 2023/24 financial year. This report also contains specific updates on the Force position in relation to the Counter Terrorism Unit (CTU) and West Midlands Regional and Organised Crime Unit (ROCU WM) expenditure.

HEADLINES

4. In summary, the Force is currently forecasting a revenue outturn managed underspend of £16.7m (2.4% of budget). This compares to a forecast underspend of £11.9m as at the end of period 4. The most notable areas for the change in underspend from month 4, is the funding for the pay awards, which given the prudent position budgeted, has given some additional in-year flexibility of some £4m.
5. The managed underspend of £6.9m on Police Staff, is in place to ensure that in-year pressures are contained and that headroom is created in advance of next year's savings requirement.
6. Additional income has been achieved through two key areas:
 - Operational safeguard, which supports the prison service by housing prisoners in police cells on a short-term basis forecast for the year forecast at £3.5m.
 - Higher interest returns on short-term treasury management investments.
7. These underspends are offset in part by pressures on overtime of some £2.3m and pressures on supplies and services in specific areas of professional legal fees, and interpreter costs. Additionally, pressures are noted in premises costs for reactive building maintenance. More details are provided in relation to these pressures in paragraph 13 of this report. Finance colleagues are working with business leads to identify levers to manage the current pressures within the approved budget envelope over the course of the year.
8. In accordance with our financial plans, it is essential the current managed underspend is ringfenced and transferred to reserves, so that this funding can be used to alleviate some of the financial pressures identified in the Medium Term Financial Plan. Paragraph 17 summarises the expected use of reserves in the current year.

9. Police Officer and Police Staff overtime budget remain under pressure, with current forecasts showing an overspend of £2.3m. Of this, £1.4m relates to police officers and £0.9m to police staff. These budgets will remain under close monitoring throughout the year.
10. Whilst we are forecasting an underspend finance colleagues are continuing to work closely with budget holders to ensure that planned expenditure for the rest of this year is necessary and proportionate. Additionally, plans for budget setting using a priority-based methodology have been developed and scoped as the force further develops its plans to balance the budget 2024/25 and beyond.
11. The capital expenditure forecast in is line with the capital budget of £23.7m. The in-year estates programme is expected to cost £7.5m, however the Estates Strategy is currently under review, which will see a reduction in Capital Expenditure and consequent revenue spending. The remaining capital budget for this year consists of £14.8m of business as usual IT and Digital and vehicle costs and £1.4m for specific technology projects.
12. The Force is on target to maintain police officer numbers above the Home Office baseline of 7,909 officers as a condition of continued Uplift grant funding for this year. The force recruited an additional 100 officers at the end of March 2023 to assist the national target to deliver 20,000 officers. The Chief Constable has an ambition to recruit further officers this year. We are on target to maintain Uplift numbers throughout the current financial year and to claim the full grant available from the Home Office.

The table below summarises the Forces revenue and capital position at 31 August 2023.

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000	Variance %
Revenue				
Force inc. Change Programme	695,619	678,912	-16,707	-2.40%
Office of the PCC inc. Commissioned Services	11,722	11,577	-145	
Regional and National Services	22,053	22,899	846	
Total Revenue before Reserves	729,394	713,388	-16,006	-2.19%
Net Use of Other Reserves	0	0	0	
Net Use of Budget Reserves	-10,892	5,114	16,006	
Total Revenue after Reserves	718,502	718,502	0	0.00%
Capital				
Force (IT and D and Fleet)	16,210	16,210	0	
Estates Strategy	7,500	7,500	0	
Total Capital	23,710	23,710	0	0.00%
Total Revenue before Reserves plus Capital	753,104	737,098	-16,006	-2.13%

REVENUE OUTTURN 2023/24

13. The revenue outturn for the Police Force is a forecast underspend of £16.7m (2.4% of total budget).

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
Police Force by Account			
Police Pay (A)	418,077	413,050	-5,027
Police Overtime (B)	16,610	18,027	1,417
PCSO Pay (C)	15,287	11,491	-3,796
PCSO Overtime	19	12	-7
Police Staff Pay (D)	166,989	160,131	-6,858
Police Staff Overtime (E)	1,478	2,335	857
Temporary Staff	485	695	210
Other employees expenses	14,575	14,500	-75
Sub Total	633,520	620,241	-13,279
Premises (F)	32,356	33,013	657
Transport	10,048	10,039	-9
Supplies and services	66,780	68,427	1,647
Third Party Payment	15,450	15,665	215
Capital Financing Costs (G)	9,573	7,095	-2,478
External income (H)	-72,108	-75,566	-3,458
Total Police Force (Inc. Change Programme)	695,619	678,914	-16,705

- A. Police pay is currently forecast to be £5.0m under budget this year. The underspend is due to phasing of [police officer recruitment, with plans in place to deliver against all targets by the end of the year.
- B. Police officer overtime is forecast to overspend by £1.4m. Pressures are being noted in investigative functions in Major Crime, Public Protection and Local Investigative teams as more local investigations are being conducted. Finance colleagues will be working closely with the business to seek areas where we can reduce overtime spend in the second half of the year, particularly in relation to unplanned rest day working.
- C. PCSO pay is forecast to underspend by £3.8m, which reflects the current operational numbers of PCSOs deployed by the force.
- D. Police staff pay is forecast to underspend by £6.9m at this point. This is due to the planned vacancy management approach as previously reported, particularly across enabling services. This forecast takes account of all planned recruitment within departments as well as forecasts for known starters and leavers.
- E. Police staff overtime is forecast to overspend by £0.9m. Overtime pressures exist in Force Contact, Shared Services, Force CID and IT and Digital.
- F. The current forecast overspend on premises costs relates principally to the increased cost of reactive maintenance in police buildings. This relates to both increased unit costs and additional demand on some older police buildings, which are under review as part of the Finance colleagues are currently working with CAM colleagues to better understand the drivers for these costs and any levers to reduce expenditure/contain across the remainder of the year.
- G. Capital financing costs are expected to underspend by £2.5m. This is due to favourable investment returns as a result of higher interest rates over the last 12 months.
- H. External income is forecast to be higher than budgeted by £3.5m. The majority of this is income from Operation Safeguard which supports HMP with short term capacity issues.

COUNTER TERRORISM UNIT OUTTURN 2023/24:

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
CTU Revenue			
Main Grant	43,290	44,793	1,503
Organisational Development Unit	3,481	3,640	159
Vulnerability Support Hub	605	652	47
Castors	280	290	10
CBRN	3,268	3,431	163
CBRN PPE	502	506	4
Force Managed (SBC)	233	209	-24
Total Revenue	51,659	53,521	1,862
CTU Capital			
Main Grant	2,425	2,795	370
Organisational Development Unit	38	38	0
CBRN	150	225	75
CBRN PPE	0	0	
Total Capital	2,613	3,058	445
Grand Total CTU	54,272	56,579	2,307

14. Overall CTU revenue costs are forecast to be overspent by £1.9m and capital by £0.5m. The variance on the main CTU grant is principally due to 2 items. Firstly, officer and staff pay forecast includes the 7% pay award but at the end of the first quarter the budget had not been confirmed to support this. Hence the pay forecast is currently over budget by £0.72m. We now had assurances from the Home Office that the pay budgets will be enhanced to support the officer and staff pay award. Secondly the forecast for premises is impacted by higher utilities costs than were budgeted and is expected to overspend by £0.64m. The remaining overspend has occurred in the operations fund against specific operational costs

ROCU OUTTURN 2023/24:

	Budget £,000	Forecast £,000	Variance to Budget £,000
Command Team	1,204	1,044	-160
Enabling Services	352	301	-51
Intelligence	8,946	8,800	-146
Operations	9,637	10,162	525
Covert Operations	2,700	2,504	-196
Operations Support	8,278	8,477	199
Total ROCU (Regional Capabilities)	31,117	31,288	171

15. The above table includes all the capabilities that are managed as part of the West Midlands Regional Organised Crime Unit. (ROCU WM). The current forecast includes the impact of the 7% pay award. The budget will be adjusted to account for the pay award and when applied will return the ROCU WM to a balanced position.

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 (A)	2,879	2,795	-84
PCC and Board Costs	309	315	6
Commissioned Services			
Community Safety Funding (B)	4,693	4,784	91
External Commissioning	2,756	2,875	119
Helping Communities Fund (C)	918	808	-110
Victim Services Expenditure (inc restorative justice)	3,409	3,409	0
Victim Services Income (inc restorative justice)	-3,409	-3,409	0
Violent Crime Reduction Unit Expenditure (D)	3,537	3,370	-167
Violent Crime Reduction Unit Income	-3,370	-3,370	0
Total Commissioned Services	8,534	8,467	-67
Total Office of the Police and Crime Commissioner	11,722	11,577	-145

16. The forecast for the Office of the Police and Crime Commissioner and Commissioned Services is provided in the table above and in the explanatory notes which follow:

A: outturn is currently forecast to deliver a modest underspend of £0.078m. This is due to some savings on operational expenses within Commissioned Services

B: Community Safety Funding is forecast to overspend by £0.091m due to the impact of increased salary costs. This will be offset by underspends on the Helping Communities Fund.

C: The Helping Communities Fund is forecast to underspend by £0.11m as some projects which were carried over from the previous year have now concluded and have been delivered at a slightly reduced cost.

D: The underspend forecast on the Violent Crime Reduction Unit relates to funds carried forward from the prior year which will not be needed to deliver this service and will be redirected to deliver other external commissioning activity.

RESERVES:

17. The table below summarises the planned use of reserves for 2023/24.

	Budget £,000	Forecast £,000	Forecast Variance to Budget £,000
Use of Reserves			
Uniform and Equipment	-3,678	-3,678	0
PCC Carry Forward (A)	-2,950	-2,950	0
OPCC Helping Communities	-400	-400	0
Estates Strategy	-1,247	-1,247	0
Insurance Reserves/Provision	250	250	0
Contribution to Regional and National Reserves	-234	-234	0
Contribution to / from Budget Reserve (B)	-2,560	14,062	16,622
Total Earmarked Reserves	-10,819	5,803	16,622
Grants With No Conditions	-73	-688	-615
Total Reserves	-10,892	5,115	16,007

A: The PCC Carry forward of £2.9m has been drawn from reserves and contributed to the PCC Commissioned Services to provide a total budget of £11.7m for 2023/24.

B: The budget was set based on an expected contribution of £5.6m from the budget reserve to deliver a balanced budget for this year. This has been adjusted to £2.6m after the application of grants to pay for the police pay award. The current underspend forecast means that it is now expected that a contribution of £14.1m will be made to the budget reserve. This will reduce the funding gap that exists for budget setting in 2024/25.

CAPITAL OUTTURN 2023/24

18. The capital programme is currently forecast to budget. The programme for 2023/24 is summarised below.

	Budget £,000	Outturn £,000	Outturn Variance to Budget £,000
Business As Usual Fleet and IT (A)	14,805	14,805	0
Specific Technology Projects (B)	1,405	1,405	0
Estates Strategy (C)	7,500	7,500	0
Total Capital Programme	23,710	23,710	0

Funded by:	
Capital Grants	0
Revenue Contributions	9,210
Borrowing	14,500
Capital Receipts	0
Total	23,710

- A. The BAU budget includes £4.3m for vehicles and £10.5m for IT equipment of which £3.78m relates to additional laptop purchases to be rolled out across the force this year to support the mobility of police officers.
- B. £1.4m relates to major technology projects which is to fund body-worn cameras.
- C. The Estates Strategy is currently being refreshed and work reprogrammed over a 5-6-year delivery horizon. The majority of work planned to take place this year relates to improvement of existing buildings across the force estate.

REVISED FEES AND CHARGES FOR 2023/24

19. The fees and charges that are chargeable by the PCC and Force in 2023/24 have been updated to reflect the 7% pay award for police officers and police staff from 1st September 2023. The charges have been validated by the National Police Chiefs Council. The fees and charges document is provided as an appendix to this report.

FINANCIAL IMPLICATIONS

20. This report solely deals with financial issues.

LEGAL IMPLICATIONS

21. 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

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

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Chief Finance Officer to the PCC

Peter Gillett
Director of Commercial Services