

WEST MERCIA POLICE AND CRIME PANEL

25 NOVEMBER 2021

BUDGET MONITORING REPORT (APRIL – SEPT 2021)

Recommendation

Members of the Panel are asked to note this report.

Introduction

1. The purpose of this report is to update members of the panel on the half year position on the West Mercia budget for 2021/22.

Revenue Budget

2. The annual budget for 2021/22 is £244.838m. The forecast outturn is £240.926m, which represents an underspend of £3.973m (the variance represents 1.6% of total budget)
3. Net expenditure to the end of September 2021 was £122.555m, against the profiled year to date budget of £122.765m, which is an underspend of £0.210m. This is the first time that profiling of budgets has been applied and this coupled to the lack of an historic West Mercia cost base to build from means that the profile must be read with a caveat.

Analysis by Business Function

Business Function	Current Budget £m	Budget YTD £m	Actual YTD £m	Variance YTD £m	Q2 Forecast £m	Forecast Variance to Budget £m
Crime & Vulnerability	29.686	14.755	14.123	0.632	28.595	1.091
Operations Support	40.627	20.714	20.607	0.107	39.523	1.165
Local Policing	98.417	49.113	50.611	-1.498	97.000	1.417
Business support	48.325	24.194	24.582	-0.388	48.837	-0.512
Corporate Support	4.185	1.951	1.833	0.118	4.201	-0.016
PCC & YOS	14.373	7.134	5.409	1.725	14.306	0.067
Directorate Total	235.613	117.861	117.165	0.696	232.462	3.212
Corporate Budgets	9.225	4.904	5.390	-0.486	8.464	0.761
Total	244.838	122.765	122.555	0.210	240.926	3.973

Analysis by Subjective Analysis

Subjective Analysis	Annual Budget	Budget Moves	Revised Annual Budget	Budget Year to Date (YTD)	Actual YTD	Variance YTD	Q2 Forecast	Forecast Variance to budget
	£m		£m	£m	£m	£m	£m	£m
Government Grants	(126.227)	0.000	(126.227)	(57.376)	(63.113)	5.737	(126.227)	0.000
Council Tax Precept	(118.812)	0.000	(118.812)	(53.552)	(59.074)	5.522	(118.812)	0.000
External Funding / Net Budget Requirement	(245.039)	0.000	(245.039)	(110.928)	(122.187)	11.259	(245.039)	0.000
Funding to/ from Reserves	0.201	(0.624)	(0.423)	0.201	0.201	0.000	(0.517)	0.094
Total Funding	(244.838)	(0.624)	(245.462)	(110.727)	(121.986)	11.259	(245.556)	0.094
Police Officer pay	125.811	(0.284)	125.527	62.783	61.857	0.926	122.504	3.023
Police Officer Overtime	2.391	0.562	2.953	1.331	1.428	(0.097)	3.102	-0.149
Police Staff Pay	62.144	5.390	67.534	33.876	35.534	(1.658)	69.396	-1.862
Police Staff Overtime	0.566	0.123	0.689	0.316	0.304	0.012	0.759	-0.070
PCSO Pay	7.430	0.000	7.430	3.715	3.461	0.254	6.970	0.460
Injury & Ill Health Pensions	3.776	0.000	3.776	1.443	1.405	0.038	3.624	0.152
Other Employee Expenses	2.025	(0.022)	2.003	0.719	0.626	0.093	2.218	-0.215
Premises	8.846	0.148	8.994	4.883	4.088	0.795	9.133	-0.139
Transport	4.136	0.094	4.230	1.870	1.799	0.071	4.251	-0.021
Suppliers & Services	33.459	0.751	34.210	17.645	14.041	3.604	30.261	3.949
Third Party Payments	16.118	(1.801)	14.317	4.320	6.163	(1.843)	14.966	-0.649
Capital Financing	5.210	0.000	5.210	4.428	3.758	0.670	4.528	0.682
Gross Expenditure	271.912	4.961	276.873	137.329	134.464	2.865	271.712	5.161
Income	(27.073)	(4.338)	(31.411)	(14.563)	(11.908)	(2.655)	(30.129)	-1.282
Net Operational Budget	244.839	0.623	245.462	122.766	122.556	0.210	241.583	3.879
Net Force & OPCC Budget	0.001	(0.001)	0.000	12.039	0.570	11.469	(3.973)	3.973

The principal reasons for the reported underspend of £3.973m are explained below.

4. Police Officer Pay is showing a significant saving, the majority of which is related to a lower than expected cost of employers' pension contributions. It has been identified that there is an increasing number of employees in the organisation who elect not to join the pension scheme. Due to the national scheme for the uplift in Police Officers making up the majority of new employees over the past 2 years, this is where the underspend is having the most impact on the budget. The Force are treating it as an area of concern, and are ensuring that Police Officers are aware of the implications of withdrawing and for planning for their future.
5. There is a budget pressure relating to Police Staff, which is reporting a forecast overspend of £1.862m. The main reasons for this are:
 - (a) Less employee costs being capitalised due to slippage in the delivery of the Change programme
 - (b) A lower than forecast turnover of staff compared to budget,

- (c) A loss of economies of scale from the shared services provided through the Alliance.

To a lesser extent than seen on Police Officers, there are also savings being generated within Police Staff from reduced pension costs. This has offset some of the budget pressure being reported.

6. Related to cost of employees, Overtime has been a historic budget pressure for the Force. As can be seen in 2021/22 both Officer and Staff budgets are being managed to control expenditure. Whilst pressures exists from certain activities such as policing of football matches, this has been identified early in the budget cycle. The implications on how to deploy officers to avoid this overtime being required is being considered.
7. Supplies and services are contributing a significant amount to the underspend position. This is mainly due to slippage in the Change and Transformation programme. Projects identified for delivery this financial year have slipped due to vacancies in project management team and other work demands. This has meant that purchase of equipment and licences, such as in required for the implementation of Microsoft Office 365, has not occurred.
8. Third party payments variance of £0.649m overspend is due to the final notification of the recharge for access to National IT systems (including Home Office) being higher than what was put in the budget. The notification was received after the budget was approved in February 2021. There is also pressure on the Forensics budget as costs are impacted by unstable market demand.
9. The saving being reported against the cost of Capital Financing is due to the reduced cost of the capital programme as reported below. The consequence of less capital expenditure is that we have not had to borrow to pay for the investment. This has resulted in a saving on the revenue costs of servicing of debt.
10. Income predictions for the year have been impacted by the uncertainty over the level of services being provided to Warwickshire. In September we agreed a Hosted Services agreement that sets out future service level provisions. The impact has been that the recharge for services is lower than the original budget assumptions.

Savings Plan

11. The budget included savings of 4.64m to be achieved in 2021/22. All savings are monitored on a monthly basis and many have already been delivered. At this point in the year there is £0.964m of savings plans which are at risk of not being achieved. A small number of these are recognised as being undeliverable as circumstances have changed and alternatives will be required. The remaining plans continue to be closely monitored and action taken to minimise the risk that

they are not achieved. Further efficiencies are constantly being scanned for, in order to take the pressure off the overall plan.

Capital Programme

12. The capital budget for 2021/22 of £18.870m was approved in February 2021 for new capital projects to be delivered. Since then there has been an additional £7.254m added to this relating to slippage from 2020/21 programme. The revised budget for 2021/22 now stands at 26.124m.

13. The forecast outturn at Quarter 2 is £15.794m which is an underspend of £10.330m.

Capital Expenditure	Revised 21/22 budget	21/22 YTD Actuals (inc. Commitments	21/22 Forecast	21/22 Forecast Variance to revised budget
	£m	£m	£m	£m
Digital Services Transformation	7.558	5.390	6.888	0.670
Transformation Projects	5.625	1.169	2.250	3.375
ICT Replacements	2.012	0.723	1.462	0.550
Total ICT projects	15.195	7.282	10.600	4.595
Estates Projects	8.417	1.368	3.663	4.754
Other Capital Projects	2.512	0.626	1.531	0.981
Total	26.124	9.276	15.794	10.330

14. The forecast underspend in Transformation projects is £3.375m. The delay in recruitment of project managers (resulting in a saving of £0.800m) has resulted in not having the resource to implement some of the planned programme. This includes:

- (a) £0.500m in respect of OCC Saab System testing due to being pushed back to 2022/23.
- (b) £0.200m slippage of the Home Office Biometrics project into 2022/23.
- (c) £0.700m in respect of the In Car Media project being wound down as a project.

15. An underspend of £4.754m is expected across our estates projects, the reason for this is

- (a) £1.97m due to Firearms Range project being returned back to options appraisal stage. This has meant that spend on purchase of land included in the capital programme was not pursued.
- (b) A land purchase of £1.95m in relation to the Northern Hub Estates project was not required this year as originally forecast. The project is still currently at feasibility stage.
- (c) £0.670m saving on the costs of Redditch Police Station due to costs now being shared with HWF&RS.

16. In order to address issues of slippage, ownership, and affordability, and to ensure capital expenditure is in line with force priorities a capital bidding

document has been introduced for the 2022/23 budget planning cycle. The aim is to provide a more robust challenge as to the deliverability of those projects and their inclusion in the capital budget.

Risk Management Implications

This variance represents only 1.6% of the Force budget and there are six months in which expenditure patterns could change.

Financial Implications

Should this forecast prove accurate the PCC will have flexibility as to how that underspend is utilised. The underspend would represent a non-recurring resource that can be either utilised in year or carried in the PCC reserves.

There are known risks to the budget over the MTFS. These include the continuation of Op Lincoln, revenue implications from borrowing to fund the capital programme and the level of backlog maintenance on the estate.

Legal Implications

None

Equality Implications

None.

Supporting Information

None

Contact Points for this report

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