

Performance and Resources Scrutiny Programme 2021/22

Report to: the Office of the Police, Fire and Crime Commissioner for Essex

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1.0 Purpose of Report

1.1 This report identifies the 2021/22 Month 9 position for the Force.

2.0 Recommendations

2.1 To note the contents of the report.

2.2 To endorse and approve the appropriations to earmarked reserves (virements and journals), as noted in Section 2 of the report.

3.0 Executive Summary

3.1 The revenue forecast underspend as at Month 9 is £0.141m against the 2021/22 revenue budget of £330.3m (0.04% variance), an increase of £5.039m from the Month 8 underspend of £5.180m (1.57% variance).

3.2 Plans for utilisation of the force underspend, totalling £5.239m, were endorsed at Strategic Board on the 14th December 2021, resulting in a significant movement between the Month 8 and Month 9 forecast underspend.

3.3 The capital position for Month 9 reflects a forecast underspend of £6.056m, compared to the original approved budget of £19.1m (31.74% variance), an increase of £1.396m from the Month 8 underspend of £4.660m (24.42% variance).

3.4 The Police Officer strength forecast at the end of December is 3,511 FTE and forecast to be 3,586 FTE at year end. The overspend on Police Officer Pay and Allowances is £1.1m.

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- 3.5 The Police staff strength at the end of November is 2,154 FTE. Vacancies at 30th November were 11 FTEs above the budgeted vacancy factor. The underspend on Police Staff Pay and Allowances is £0.4m.
- 4.0 Introduction/Background**
- 4.1 This report sets out the December, Month 9, financial position.
- 5.0 Current Work and Performance**
- 5.1 The Month 9 financial position is shown at Annex 1.
- 6.0 Implications (Issues)**
- 6.1 The implications are reported in Annex 1.
- 7.0 Links to Police and Crime Plan Priorities**
- 7.1 The Force budget is used to help meet the priorities of the Police and Crime plan.
- 8.0 Demand**
- 8.1 The Force budget is reviewed and re-allocated within virement rules to match demand e.g. overtime funded by vacancies.
- 9.0 Risks/Mitigation**
- 9.1 Risk Register URN 452 - Short and Long Term Capital Finance.
- 10.0 Equality and/or Human Rights Implications**
- N/A
- 11.0 Health and Safety Implications**
- N/A
- 12.0 Consultation/Engagement**
- 12.1 The pay forecasts are based on information received from HR Organisational Management
- 13.0 Actions for Improvement**
- N/A
- 14.0 Future Work/Development and Expected Outcome**
- 14.1 Reviews will continue with budget holders, working towards a balanced budget by year end.
- 15.0 Decisions Required by the Police, Fire and Crime Commissioner**
- 15.1 To endorse and approve the appropriations to earmarked reserves, as noted in Section 2 of the report.

1. Executive Summary

REVENUE

The revenue forecast underspend as at Month 9 is £0.141m against the 2021/22 revenue budget of £330.3m (0.04% variance), a decrease of £5.039m from the Month 8 underspend of £5.180m (1.57% variance).

Plans for utilisation of the force underspend, totalling £5.239m, were endorsed at Strategic Board on the 14th December 2021, resulting in a significant movement between the Month 8 and Month 9 forecast underspend.

The force variance to current budget at subjective level is detailed in Section 3.2 of the report and the movement from Month 8 to Month 9 is detailed in Section 3.3 of the report.

WORKFORCE

The Police Officer strength forecast at the end of December is 3,511 FTE and forecast to be 3,586 FTE at year end. The overspend on Police Officer Pay and Allowances is £1.1m (Month 8 - £1.0m).

The Police Staff strength at the end of November is 2,154 FTE. Vacancies at 30th November were 11 FTEs above the vacancy factor of 152 FTEs. Total vacancies are 163 FTEs. The underspend on Police Staff Pay and Allowances is £0.4m (Month 8 - £0.5m).

The PCSO strength at the end of November is 101 FTE and forecast to be 104 FTE at year end. The underspend on PCSO Pay and Allowances is £0.2m (Month 8 - £0.2m).

The workforce tables are noted in Section 4 of the report.

RESERVES

The net appropriation from earmarked reserves for Month 9 is £1.196m.

A list of all appropriations to and from earmarked reserves is noted in Section 2 of the report. There are three appropriations to earmarked reserves which are not forecast within the overall figures (one of which is a transfer between earmarked reserves in connection with the capital programme), and the virements for the appropriations to earmarked reserves have not been actioned, pending PFCC approval.

The detailed breakdown of all earmarked reserves, provisions and general reserve is noted in Section 5 of the report.

CAPITAL

The capital position for Month 9 reflects a forecast underspend of £6.056m, compared to the original approved budget of £19.1m (31.74% variance), an increase of £1.396m from the Month 8 underspend of £4.660m (24.42% variance). The capital tables and commentary are noted in Section 6 of the report.

The financing requirement for unfinanced capital expenditure is forecast at £8.447m which equates to approximately 65% of the year's financing plan. Based on the latest treasury management information available there is no longer an expectation that any external borrowing requirement will be required in 2021/22.

2. List of Appropriations to/from Earmarked Reserves

| URN | Description | £'000 | Commentary/Description | Governance Process | Earmarked Reserve | Subjective Heading |
|---|--|--------------|--|---|------------------------|--|
| Appropriations to Earmarked Reserves | | | | | | |
| ER022/21 | Future Capital Funding - underspend utilisation proposals | 1,971 | Transfer of forecast revenue underspend to Future Capital Funding Reserve to fund the following agreed projects:- Grays office space conversion (£0.300m), EPC - Replacement portacabins (£0.600m), Conference Room regeneration including Assembly Hall (£0.150m), Laptops for LPT (£0.870m), Soft call taking laptops for PFCR (£0.011m), Audio visual upgrade for Assembly Hall (£0.025m), Mobile Police Station re-fit (£0.015m) | Agreed at December 2021 Strategic Board and via decision report | Future Capital Funding | Various |
| ER023/21 | Legal Claims Reserve - Pension Cost Recovery | 480 | Recovery of lifetime allowance (LTA) pension element from the Home Office to the legal claims reserve for use in future years to cover upcoming liabilities arising from, but not limited to, a number of legal cases, as detailed below* | Chief Officer Group recommend appropriation. PFCC to approve | Legal Claims | Income |
| ER024/21 | POCA ARIS Income | 345 | POCA annual income budget of £211k exceeded, and as per reserve forecasts, surpluses are transferred to the POCA Reserve | Chief Officer Group recommend appropriation. PFCC to approve | POCA Reserve | Income |
| ER025/21 | Future Capital Funding of Dashcam Project | 258 | Dashcams capital business case approved at December 2021 Strategic Board - element of funding to be met from Operational Transformation Reserve/Transformation Reserve | Chief Officer Group recommend appropriation. PFCC to approve | Future Capital Funding | Contribution from Transformation Reserve / OTR |
| Total | | 3,054 | | | | |

| Appropriations (from) Earmarked Reserves | | | | | | |
|---|---|----------------|---|---|--|--|
| ER026/21 | IT Convergence Reserve - Transfer to General Reserve | (1,136) | IT Convergence Reserve unutilised balance transferred to the General Reserve | Agreed at December 2021 Strategic Board and via decision report | IT Convergence | Contribution to General Reserve |
| ER027/21 | Chief Constables Operational C/Fwd Reserve - LPT Laptops | (435) | LPT Laptops - 50% contribution from the Chief Constables Operational C/Fwd Reserve, with the remaining 50% funded from the 2021/22 force underspend | Agreed at December 2021 Strategic Board and via decision report | Chief Constables Operational C/Fwd Reserve | Contribution to Future Capital Funding |
| ER028/21 | Future Capital Funding of Dashcam Project | (214) | Dashcams capital business case approved at December 2021 Strategic Board - element of funding to be met from Transformation Reserve | Chief Officer Group recommend appropriation. PFCC to approve | Transformation Reserve | Contribution to Future Capital Funding |
| ER029/21 | Future Capital Funding of Dashcam Project | (44) | Dashcams capital business case approved at December 2021 Strategic Board - element of funding to be met from Operational Transformation Reserve | Chief Officer Group recommend appropriation. PFCC to approve | Operational Transformation Reserve | Contribution to Future Capital Funding |
| ER030/21 | Data Analytics Reserve | (29) | Drawdown from earmarked reserve to meet 2021/22 commitments in relation to the Analytics for Everyone project | Appropriation from Earmarked Reserve for its intended use | Data Analytics Reserve | Supplies & Services |
| Total | | (1,858) | | | | |
| Net appropriation to/(from) Earmarked Reserves | | 1,196 | | | | |

***Appropriation to Legal Claims Reserve – Pension Cost Recovery (URN ER023/21)**

Where a police officer's total annual pension savings exceed the HMRC annual allowance (AA) limit, or an officer's total pension savings exceed the HMRC lifetime allowance (LTA) limit, an additional tax charge may fall due. If the officer opts for 'Voluntary Scheme Pays' This is paid by the scheme administrator directly to HMRC on behalf of the officer, and at the point of retirement, their pension benefits are reduced so as to recoup the tax charge. Essex Police have claimed the AA charges via the Home Office top-up grant, but not claimed the LTA element. Having sought advice from the HMRC in order to confirm liability, a sum of £480k, which represents several years LTAs, is in the process of being recovered from the Home Office. Technically the receipt of the £480k should be recorded in 2021/22 as the Home Office have confirmed the rebate, however the actual rebate will not be received until July 2022. As the funds need to be reflected in 2021/22, we are proposing full appropriation to the Legal Claims Reserve.

These funds directly relate to pensions liabilities and it is therefore recommended they are appropriated to the Legal Claims Reserve to cover upcoming liabilities arising from, but not limited to, the following legal cases (*):

1. Evans and Ashcroft vs South Wales Police – relating to deduction of DWP benefits from force funded injury pensions
2. McCloud v Ministry of Justice, and Sargeant v Secretary of State for the Home Department & others rulings (McCloud/Sargeant) – relating to age discrimination, with transitional protection applied when implementing the 2015 CARE scheme
3. McCloud/Sargeant remedy – relating to the PFEW announcement of their intention to appeal against the proposed remedy applied by Government
4. McCloud/Sargeant remedy – immediate detriment cases

(*) Historically there have been a growing number of legal judgements that have impacted upon pensions administrators. This trend shows no sign of reducing and the flurry of further legal challenges to the Government's approach to remedy (following the McCloud & Sargeant judgements) tend to suggest that there will be further claims on this reserve.

3. Revenue

3.1 Revenue Summary

| In Month - Month 9 | | | Year to Date - Month 9 | | | Subjective Heading | Full Year | | | | | | | |
|--|----------------|----------------|------------------------|----------------|----------------|--------------------|------------------------------|--------------------------------|----------------|---------------------|-------------------|---|--|--|
| Budget ¹ | Actual | Variance | Budget ¹ | Actual | Variance | | Original Budget ² | Adjustments to Original Budget | Revised Budget | Year to Date Actual | Year End Forecast | Variance Over/(Under) Spend - Original Budget | Variance Over/(Under) Spend - Revised Budget | Movement from Prior Month - Revised Budget |
| £000 | £000 | £000 | £000 | £000 | £000 | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Employees | | | | | | | | | | | | | | |
| <u>Police Officer Pay and Allowances</u> | | | | | | | | | | | | | | |
| 15,958 | 16,171 | 213 | 143,626 | 142,397 | (1,229) | 189,122 | 2,379 | 191,501 | 142,397 | 192,583 | 3,461 | 1,082 | 46 | |
| 833 | 882 | 49 | 7,495 | 6,424 | (1,070) | 6,707 | 3,285 | 9,993 | 6,424 | 10,422 | 3,714 | 429 | 275 | |
| 98 | 116 | 18 | 880 | 953 | 73 | 1,064 | 109 | 1,173 | 953 | 1,289 | 225 | 116 | (121) | |
| (7) | 0 | 7 | (66) | 0 | 66 | 62 | (149) | (88) | 0 | 0 | (62) | 88 | 0 | |
| 16,882 | 17,169 | 287 | 151,935 | 149,774 | (2,161) | 196,955 | 5,625 | 202,579 | 149,774 | 204,294 | 7,339 | 1,714 | 200 | |
| 298 | 284 | (14) | 2,682 | 2,519 | (163) | 3,574 | 2 | 3,576 | 2,519 | 3,374 | (200) | (202) | (6) | |
| <u>PCSO Pay and Allowances</u> | | | | | | | | | | | | | | |
| <u>Police Staff Pay and Allowances</u> | | | | | | | | | | | | | | |
| 7,334 | 6,461 | (872) | 66,004 | 64,736 | (1,268) | 86,572 | 1,433 | 88,005 | 64,736 | 87,560 | 988 | (444) | 58 | |
| 169 | 254 | 85 | 1,519 | 1,585 | 65 | 1,137 | 888 | 2,026 | 1,585 | 2,409 | 1,272 | 384 | 60 | |
| 7,503 | 6,715 | (787) | 67,523 | 66,320 | (1,202) | 87,709 | 2,321 | 90,030 | 66,320 | 89,970 | 2,260 | (60) | 118 | |
| 341 | 296 | (44) | 3,065 | 3,323 | 258 | 4,496 | (409) | 4,087 | 3,323 | 4,087 | (409) | 0 | 409 | |
| 160 | 135 | (25) | 1,438 | 1,434 | (5) | 1,882 | 36 | 1,918 | 1,434 | 1,885 | 2 | (33) | 0 | |
| 59 | 33 | (26) | 533 | 520 | (13) | 1,526 | (815) | 711 | 520 | 577 | (949) | (134) | (8) | |
| 25,242 | 24,632 | (610) | 227,176 | 223,890 | (3,286) | 296,143 | 6,759 | 302,901 | 223,890 | 304,186 | 8,044 | 1,285 | 712 | |
| 864 | 1,026 | 162 | 7,776 | 6,900 | (876) | 9,978 | 390 | 10,368 | 6,900 | 9,598 | (380) | (770) | (316) | |
| 490 | (371) | (860) | 4,407 | 4,715 | 308 | 5,805 | 72 | 5,876 | 4,715 | 5,802 | (3) | (74) | (20) | |
| <u>Supplies and Services</u> | | | | | | | | | | | | | | |
| 3,106 | 3,382 | 275 | 27,956 | 30,596 | 2,640 | 36,406 | 869 | 37,275 | 30,596 | 36,552 | 146 | (723) | 1,136 | |
| 16 | 0 | (16) | 147 | 0 | (147) | 465 | (270) | 195 | 0 | 0 | (465) | (195) | (5) | |
| 3,123 | 3,382 | 259 | 28,103 | 30,596 | 2,493 | 36,871 | 599 | 37,470 | 30,596 | 36,552 | (319) | (918) | 1,131 | |
| 641 | 744 | 103 | 5,770 | 5,635 | (135) | 9,347 | (1,654) | 7,693 | 5,635 | 7,638 | (1,709) | (55) | 318 | |
| 30,359 | 29,412 | (947) | 273,232 | 271,736 | (1,496) | 358,144 | 6,166 | 364,310 | 271,736 | 363,777 | 5,633 | (533) | 1,825 | |
| (2,986) | (3,559) | (572) | (26,878) | (24,208) | 2,669 | (29,690) | (6,147) | (35,837) | (24,208) | (35,361) | (5,671) | 476 | 3,063 | |
| 27,373 | 25,854 | (1,519) | 246,355 | 247,528 | 1,173 | 328,454 | 19 | 328,473 | 247,528 | 328,416 | (38) | (57) | 4,888 | |
| 6 | 0 | (6) | 58 | 0 | (58) | 77 | 0 | 77 | 0 | (7) | (84) | (84) | 0 | |
| 367 | 0 | (367) | 3,302 | (3,587) | (6,889) | 2,181 | 2,222 | 4,403 | (3,587) | 4,403 | 2,222 | 0 | 151 | |
| 27,746 | 25,854 | (1,892) | 249,715 | 243,941 | (5,774) | 330,712 | 2,241 | 332,953 | 243,941 | 332,812 | 2,100 | (141) | 5,039 | |
| (27,526) | (28,058) | (532) | (247,733) | (248,311) | (578) | (330,310) | 0 | (330,310) | (248,311) | (330,310) | 0 | 0 | 0 | |
| 220 | (2,205) | (2,425) | 1,982 | (4,370) | (6,352) | 402 | 2,241 | 2,643 | (4,370) | 2,502 | 2,100 | (141) | 5,039 | |
| <u>Other Expenditure / (Income)</u> | | | | | | | | | | | | | | |
| <u>Capital and Other Adjustments</u> | | | | | | | | | | | | | | |
| (215) | (786) | (571) | (1,934) | (1,699) | 235 | 798 | (3,378) | (2,579) | (1,699) | (2,579) | (3,378) | 0 | 0 | |
| (5) | 1,136 | 1,142 | (48) | (64) | (16) | (1,200) | 1,136 | (64) | (64) | 77 | 1,277 | 141 | (5,039) | |
| (0) | (1,854) | (1,854) | (0) | (6,133) | (6,133) | (0) | (0) | 0 | (6,133) | 0 | 0 | 0 | 0 | |
| <u>Contribution to/(from) Earmarked Reserves</u> | | | | | | | | | | | | | | |
| <u>Contribution to/(from) General Reserve</u> | | | | | | | | | | | | | | |
| Budget Requirement | | | | | | | | | | | | | | |

¹Even monthly profile of Revised Budget

²2021/22 Budget agreed at Police, Fire and Crime Panel

3.2 Revenue Summary – Supporting Commentary

- **Police Officer Pay and Allowances - £1.714m overspend**

Explanation of forecast variance

The overspend is due to opening strength being 44 FTE more than budget, 22 FTE less leavers forecast up to December, and an adjustment to the joiner recruitment profile since budget setting to reflect 33 FTE less, resulting in a year end strength of 3,586 FTE. The average salary for force funded leavers is also contributing to the overspend due to the salary levels of actual leavers being lower than previously forecast, in line with estimates included at Budget Setting (see Note 3, Section 4.1).

The forecast includes an overspend on Police Officer Overtime, with the main overspends being £335k for OPC and £250k for SCD. The OPC overspend is predominantly connected to Op Demand, which is for overtime incurred to resource Armed Response Vehicles to meet the Force Strategic Risk Assessment (STRA) and is also subject to a 2022/23 budget setting bid. The SCD overspend is currently subject to a 2022/23 budget setting bid in recognition of the size of the directorate and the ongoing resourcing requirement in response to proactive and reactive demand.

The forecast includes an overspend of £182k on Temporary Duty Allowance due to substantive vacancies waiting to be filled from the promotion process, as well as the impact on abstraction from LPA teams for other demands such as Custody and Oscar 1.

Explanation of adjustments to Original Budget (virements)

The adjustments from Original Budget to the Revised Budget during Month 9 (which have a corresponding forecast change) include Police Officer overtime and Detective Bonus Payments agreed proposals for utilisation of force underspend, as approved at the December 2021 Strategic Board (£832k increase and £422k increase, respectively). A further virement of £183k between pay and income is included to reflect Home Office funding for 2 FTE additional Officer posts, increasing the force establishment from 3,553 FTE to 3,555 FTE. Previously reported adjustments to Original Budget, up to and including Month 8, total £4.188m.

- **PCSO Pay and Allowances - £0.202m underspend**

Explanation of forecast variance

Net strength in the first half of the financial year has been lower than budget setting strength of 103 FTE, albeit the year end strength is forecast to reach 104 FTE.

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- **Police Staff Pay and Allowances - £0.060m underspend**

Explanation of forecast variance

The Police Staff strength at the end of November is 2,154 FTE and total vacancies are 163 FTEs (11 FTEs above the budgeted vacancy factor of 152 FTEs). Delays in the recruitment to force staff growth posts is also contributing to the force underspend of £0.444m (0.51% of both the original and revised budget).

The underspend noted above is offset by an overspend on Police Staff Overtime (with the main overspends being for Contact Management and SCD) and Police Staff Agency (with the main overspend being for the PFCCs Office, which is offset by an underspend on staff pay). Contact Management has utilised £180k of the devolved pay budget for the Command (0.95%) to fund staff overtime from Police Staff vacancy underspends.

Explanation of adjustments to Original Budget (virements)

The adjustments from Original Budget to the Revised Budget during Month 9 (which have a corresponding forecast change) include Police Staff overtime agreed proposals for utilisation of force underspend, as approved at the December 2021 Strategic Board (£126k increase). Previously reported adjustments to Original Budget, up to and including Month 8, total £2.195m.

- **Pensions (Ill Health/Medical)**

Explanation of adjustments to Original Budget (virements)

Includes a virement of £0.409m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for Pensions (Ill Health/Medical) based on a leavers profile of five constables and one sergeant, compared to the budgeted amount of ten leavers.

- **Other Employee Expenses - £0.134m underspend**

Explanation of forecast variance

Includes underspends for External Assessment Centres in relation to 2021/22 growth budget, and underspend for Police Staff Excess Travel payments which is now a claimable expense and is subject to 2022/23 non-pay budget savings.

Explanation of adjustments to Original Budget (virements)

The adjustment from Original Budget to the Revised Budget includes the appropriation of the redundancy budget agreed at 2021/22 Budget Setting (£900k) to the restructuring reserve for utilisation as and when required during the financial year, of which £56k has been appropriated to date for severance and financial strain expenditure.

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- **Premises - £0.770m underspend**

Explanation of forecast variance

Includes an underspend on rates payable following the refurbishment of Chelmsford station where the expected increase did not materialise, so both the forecast and future budget requirement has been reduced by £0.3m. The forecast also includes an underspend on utilities due to reduced usage across the force, despite the inclusion of estimates for inflation. The purchase of the Boreham site has released 6 months of rental payments and various contract savings which have also been included as part of 2022/23 budget setting.

Explanation of adjustments to Original Budget (virements)

The adjustment from Original Budget to the Revised Budget reflect the previously approved appropriation from the Transformation Reserve for the revenue consequences resulting from the capital purchase of the Boreham site (£191k) and agreed proposals for utilisation of force underspend for consultancy costs for a joint fleet workshop and accessibility building audits, as approved at the December 2021 Strategic Board (£200k increase).

- **Supplies and Services - £0.918m underspend**

Explanation of forecast variance

Includes previously reported underspends at Month 8 in respect of Communications and Technology (£0.7m), Council Tax Sharing Agreement (£0.3m) and IT investment no longer required for Body Worn Video (£0.1m), offset by an overspend of £0.2m for increased Safeguarding Contributions that are due to be incurred from Force budgets. Further underspends at Month 8 include a reduction in Forensic analysis costs of £0.1m due to submission costs not increasing as expected following the raising of the national submissions cap, a £0.2m reduction in Revenue Consequences of Capital due to existing IT revenue budgets now being able to absorb and cover new costs included with capital projects, offset by a £0.1m overspend in respect of the amount of council tax income to be redistributed to billing authorities as per the Q2 sharing agreement forecasts received from Essex County Council.

Explanation of adjustments to Original Budget (virements)

Includes a virement of £1.3m to create a budget for agreed underspend utilisation proposals resulting from a previously reported force underspend for Forensic Services and Revenue Consequences of Capital. The adjustments from Original Budget to the Revised Budget during Month 9 (which have a corresponding forecast change) include agreed proposals for utilisation of force underspend for Safer Streets funding, ICCS supplier replacement costs, DFU Full Business Case development, Estates planning consultancy, and an app to support preparing disclosure schedules, as agreed at the December 2021 Strategic Board (£2.058m increase). Previously reported adjustments to Original Budget, up to and including Month 8, total £0.183m (credit).

- **Third Party Payments**

Explanation of adjustments to Original Budget (virements)

Includes a virement of £0.334m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for ERSOU due to timing differences between Essex and ERSOU Budget Setting timeframes and the need for an estimate to be included within the Budget agreed by the Police, Fire and Crime Panel. The adjustments from Original Budget to the Revised Budget during Month 9 (which have a corresponding forecast

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change) include an agreed proposal for utilisation of force underspend for an ERSOU operation (£45k increase). The adjustments from Original Budget to the Revised Budget reflect the other side of some of the adjustments noted under Police Officer Pay and Allowances, Police Staff Pay and Allowances and Supplies and Services. Previously reported adjustments to Original Budget, up to and including Month 8, total £1.365m.

- **Income - £0.476m overspend**

Explanation of forecast variance

The overspend includes an agreed reduction in recharge to Manchester Airport Group for the Policing of Stansted Airport in the first quarter of the financial year, and a shortfall in connection to the private hire income budget which has been adjusted as part of 2022/23 budget setting.

Explanation of adjustments to Original Budget (virements)

Includes a virement of £3.1m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for the Local Council Tax Support Grant of £2.022m and a projected surplus for mutual assistance income of £0.650m for COP26 (United Nations Climate Change conference) and £0.370m for Op Trelawney (G7 Summit in Cornwall). The adjustments from Original Budget to the Revised Budget during Month 9 (which have a corresponding forecast change) also include a virement of £183k between pay and income to reflect Home Office funding for 2 FTE additional Officer posts, increasing the force establishment from 3,553 FTE to 3,555 FTE. The adjustments from Original Budget to the Revised Budget reflect the other side of some of the adjustments noted under Police Officer Pay and Allowances, Police Staff Pay and Allowances, Supplies and Services and Transport. Previously reported adjustments to Original Budget, up to and including Month 8, total £2.882m.

- **Capital and Other Adjustments**

The adjustment from Original Budget to the Revised Budget predominantly include a series of adjustments to the Future Capital Funding Reserve.

- **Net Contribution from Earmarked Reserves**

The detailed breakdown of earmarked reserves is noted in Section 5 and appropriations listed and/or requested for approval in Section 2 of the report.

- **Contribution to General Reserve - £0.141m**

As noted in Section 3.1 of the report. The movements from Month 8 to Month 9 are noted in Section 3.3 of the report and reflect the forecast underspend.

In-Month and Year to Date variances

Following a PFCC request from the Head of Finance/s151 Officer and the Strategic Head of Performance and Resources, the inclusion of in-month and year to date information has been supplied in the Revenue Summary table in Section 3.1.

Due to the current version of SAP not being able to support monthly budget profiling, and that the force, in line with government practice, does not perform a monthly accruals/closedown process, the budget reflects an even monthly profile of the revised budget (i.e. 1/12th per month) and the actuals reflect the position at the end of each month, without any adjustments for accruals and prepayments.

This results in some significant differences when compared to the forecast position and by using two examples, we can demonstrate the primary reason for the differences resulting from the systems and resourcing limitation and practice noted above:

Year to Date Actuals: The year to date credit actuals of £6.1m include various budget lines with credit actuals of £3.6m that have a net zero impact on the Net Expenditure position by year-end, as they are statutory accounting entries which have no impact on the General Reserve. This is further described below within *Capital and Other Adjustments*.

Police Officer Pay and Allowances: The year to date variance reflects a £2.2m underspend, however the forecast variance is a £1.7m overspend. This is because the forecast reflects the probationer intakes to reach an end of year position of 3,586 FTE, whilst the year to date variance reflects actuals in relation to a maximum of 3,511 FTE (as noted at the end of December), compared to a monthly budget profile based on an end of year position of 3,555 FTE. Another contributing factor is that overtime is paid a month in arrears.

Supplies and Services: The year to date variance reflects a £2.5m overspend, however the forecast variance is a £0.9m underspend. This is due to many factors based on the range of non-pay budgets included within an overall total of £37m, however one example would be annual IT software maintenance contracts which are paid for upfront for the forthcoming year, which distorts the actual expenditure to date compared to an even monthly budget profile.

Capital and Other Adjustments: The year to date variance reflects a £6.9m underspend, however there is no forecast variance in relation to Capital and Other Adjustments. The difference is due to the presence of various budget lines feeding into this category, which are causing the current actual to date of £3.587m. All of these budget lines have a net zero impact on the Net Expenditure position by year-end, as they are statutory accounting entries which have no impact on the General Reserve. These amounts include depreciation, impairment, capital grants and capital receipts, all of which are reversed out to the balance sheet by the time the outturn position is finalised. The format of the Revenue Summary table noted in Section 3.1 has altered for Month 8 to include Gross Expenditure and Net Cost of Services subtotals to assist with the presentation of the year to date actuals which do not represent or contain statutory accounting entries.

3.3 Main Forecast Movements

Main Changes to Forecast Outturn Variance since Month 8

| | Change in Forecast Outturn £m | Virement - Underspend Utilisation £m | Change in Forecast Outturn Variance £m | |
|--|----------------------------------|---|---|--|
| Month 8 Forecast Outturn Variance | (5.2) | | (5.2) | Underspend |
| Police Officer Pay and Allowances | 0.2 | | 0.2 | Includes recruitment profile changes, including 5 FTE less leavers forecast in December and 7 FTE more transferee joiners in March, to reach a year end strength of 3,586, partially offset by additional Home Office funding for 2 FTE Officer posts. Ongoing resource shortfalls generated an increased overtime forecast for OPC for Op Demand, Contact Management in FCR, and SCD. |
| Police Staff Pay and Allowances | 0.1 | | 0.1 | Includes backdated correction to shift allowance payments for SCD Digital Media Advisors, partially offset by 3 FTE net more leavers than previously forecast. Ongoing resource shortfalls has also generated an increased overtime forecast for Contact Management in FCR. |
| Pensions (Ill Health/Medical) | | (0.4) | 0.4 | Includes a virement of £0.4m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for Pensions (Ill Health/Medical) based on a leavers profile of five constables and one sergeant, compared to the budgeted amount of ten leavers. |
| Premises | (0.3) | | (0.3) | The expected increase in the rateable value following the refurbishment of Chelmsford station did not materialise so both the forecast and future budget requirement has been reduced by £0.3m. |
| Supplies and Services | (0.2) | (1.3) | 1.1 | Includes a reduction in Forensic analysis costs of £0.1m due to submission costs not increasing as expected following the raising of the national submissions cap, a £0.2m reduction in Revenue Consequences of Capital due to existing IT revenue budgets now being able to absorb and cover new costs included with capital projects, and a £0.1m increase in respect of the amount of council tax income to be redistributed to billing authorities as per the Q2 sharing agreement forecasts received from Essex CC. Includes a virement of £1.3m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for Forensic Services and Revenue Consequences of Capital. |
| Third Party Payments | | (0.3) | 0.3 | Includes a virement of £0.3m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for ERSOU due to timing differences between Essex and ERSOU Budget Setting timeframes and the need for an estimate to be included within the Budget agreed by the Police, Fire and Crime Panel. |
| Income | | (3.1) | 3.1 | Includes a virement of £3.1m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for the Local Council Tax Support Grant of £2.022m and a projected surplus for mutual assistance income of £0.650m for COP26 (United Nations Climate Change conference) and £0.370m for Op Trelawney (G7 Summit in Cornwall). |
| Capital and Other Adjustments | | (0.2) | 0.2 | Includes a virement of £0.2m to create a budget for agreed underspend utilisation proposals resulting from a force underspend for Minimum Revenue Provision (MRP) charges in relation to previous years capital expenditure. |
| Underspend Utilisation | 5.3 | 5.3 | 0.0 | As agreed at December 2021 Strategic Board (<i>see next page for further breakdown</i>). |
| Month 9 Forecast Outturn Variance | (0.1) | 0.0 | (0.1) | Underspend |

3.4 Underspend Utilisation approved at December 2021 Strategic Board

Underspend Utilisation as agreed at December 2021 Strategic Board

| | Forecast - Underspend Utilisation £m | Virement - Underspend Utilisation £m | |
|-----------------------------------|---|---|--|
| Police Officer Pay and Allowances | 0.4 | 0.4 | Detective Bonus Payments |
| Police Officer Pay and Allowances | 0.8 | 0.8 | Police Officer Overtime - various |
| Police Staff Pay and Allowances | 0.1 | 0.1 | Police Staff Overtime - various |
| Premises | 0.2 | 0.2 | Joint fleet workshop and accessibility building audits |
| Supplies and Services | 2.1 | 2.1 | Safer Streets funding, ICCS supplier replacement costs, DFU Full Business Case development, Estates planning consultancy, and an app to support preparing disclosure schedules |
| Third Party Payments | 0.1 | 0.1 | ERSOU operation (overtime contribution) |
| Capital and Other Adjustments | 2.0 | 2.0 | Grays office space conversion, EPC - Replacement portacabins, Conference Room regeneration including Assembly Hall, Laptops for LPT, Soft call taking laptops for PFCR, Audio visual upgrade for Assembly Hall, Mobile Police Station re-fit |
| Earmarked Reserves | (0.4) | (0.4) | LPT Laptops - 50% contribution from Chief Constables Operational C/Fwd Reserve |
| Underspend Utilisation | 5.3 | 5.3 | As agreed at December 2021 Strategic Board |

4. Workforce Analysis

4.1 Police Officer – FTEs and Monthly Financial detail

2021/22 - Police Officers Pay/Strength - Using 2021/22 Budget Setting Model

| Ref | 2021/22 Budget Setting | | | | | | | | | | | | | |
|-----|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| | <u>Strength</u> | Apr FTEs | May FTEs | Jun FTEs | Jul FTEs | Aug FTEs | Sep FTEs | Oct FTEs | Nov FTEs | Dec FTEs | Jan FTEs | Feb FTEs | Mar FTEs | Total FTEs |
| 1 | Strength @ beginning of month (note 1) | 3,369 | 3,358 | 3,421 | 3,404 | 3,387 | 3,476 | 3,459 | 3,522 | 3,505 | 3,568 | 3,551 | 3,534 | |
| 2 | Leavers | (19) | (19) | (19) | (19) | (19) | (19) | (19) | (19) | (19) | (19) | (19) | (19) | (228) |
| 3 | Starters - To cover attrition | 0 | 42 | 0 | 0 | 44 | 0 | 42 | 0 | 44 | 0 | 0 | 32 | 204 |
| 4 | Starters - Transferees | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 24 |
| 5 | Starters - Growth | 6 | 38 | | | 62 | | 38 | | 36 | | | 4 | 184 |
| 6 | Starters | 8 | 82 | 2 | 2 | 108 | 2 | 82 | 2 | 82 | 2 | 2 | 38 | 412 |
| 7 | Net change | (11) | 63 | (17) | (17) | 89 | (17) | 63 | (17) | 63 | (17) | (17) | 19 | 184 |
| 8 | Officer strength - month end (note 9) | 3,358 | 3,421 | 3,404 | 3,387 | 3,476 | 3,459 | 3,522 | 3,505 | 3,568 | 3,551 | 3,534 | 3,553 | |
| 9 | Difference to 3,553 FTEs - over / (under) | (195) | (132) | (149) | (166) | (77) | (94) | (31) | (48) | 15 | (2) | (19) | 0 | |
| | <u>Budget</u> | Apr £m | May £m | Jun £m | Jul £m | Aug £m | Sep £m | Oct £m | Nov £m | Dec £m | Jan £m | Feb £m | Mar £m | Total £m |
| 10 | 1st April 2021 Strength (note 2) | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £15.41m | £184.89m |
| 11 | 2021/22 Leavers (note 3) | (£0.09m) | (£0.17m) | (£0.26m) | (£0.35m) | (£0.43m) | (£0.52m) | (£0.61m) | (£0.69m) | (£0.78m) | (£0.87m) | (£0.95m) | (£1.04m) | (£6.75m) |
| 12 | 2021/22 Starters - Constables (to cover attrition) | £0.00m | £0.12m | £0.12m | £0.12m | £0.25m | £0.25m | £0.37m | £0.37m | £0.50m | £0.50m | £0.50m | £0.60m | £3.73m |
| 13 | 2021/22 Starters - Transferees | £0.01m | £0.02m | £0.03m | £0.04m | £0.05m | £0.06m | £0.07m | £0.08m | £0.09m | £0.11m | £0.12m | £0.13m | £0.82m |
| 14 | 2021/22 Starters - Growth | £0.03m | £0.21m | £0.21m | £0.21m | £0.50m | £0.50m | £0.68m | £0.68m | £0.85m | £0.85m | £0.85m | £0.87m | £6.43m |
| 15 | 2021/22 Starters - Total | £0.04m | £0.35m | £0.36m | £0.37m | £0.81m | £0.82m | £1.13m | £1.14m | £1.45m | £1.46m | £1.47m | £1.59m | £10.98m |
| 16 | Monthly Budget (note 5 & 6) | £15.36m | £15.59m | £15.51m | £15.43m | £15.78m | £15.70m | £15.93m | £15.85m | £16.08m | £16.00m | £15.92m | £15.96m | £189.12m |

| 2021/22 Current Forecast - Based on HR information received 16th December 2021 | | | | | | | | | | | | | | |
|--|--|----------|---------|----------|---------|----------|---------|---------|---------|--------------|----------|----------|----------|----------|
| Strength | Actual FTE | | | | | | | | | Forecast | | | | |
| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Total | |
| | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | |
| 17 | 1st April 2021 Strength | 3,413 | 3,409 | 3,392 | 3,438 | 3,415 | 3,495 | 3,474 | 3,531 | 3,523 | 3,511 | 3,573 | 3,556 | |
| 18 | Leavers (note 7) | (8) | (20) | (16) | (24) | (18) | (22) | (16) | (12) | (14) | (19) | (19) | (19) | (206) |
| 19 | Starters (note 8) | 4 | 2 | 62 | 1 | 98 | 1 | 73 | 4 | 2 | 81 | 2 | 49 | 379 |
| 20 | Net change | (4) | (18) | 46 | (23) | 80 | (21) | 57 | (8) | (12) | 62 | (17) | 30 | 173 |
| 21 | Officer strength - month end | 3,409 | 3,392 | 3,438 | 3,415 | 3,495 | 3,474 | 3,531 | 3,523 | 3,511 | 3,573 | 3,556 | 3,586 | |
| 22 | Difference to 3553fte - over / (under) | (144) | (161) | (115) | (138) | (58) | (79) | (22) | (30) | (42) | 20 | 3 | 33 | |
| Actuals /Forecast £ | Actual £ | | | | | | | | | Forecast £ | | | | |
| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Total | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | |
| 23 | Costed Strength before starters/leavers | £14.89m | £15.60m | £15.40m | £15.68m | £15.72m | £16.73m | £16.07m | £16.18m | £16.19m | £16.10m | £16.04m | £17.48m | £192.08m |
| 24 | 2021/22 Leavers | | | | | | | | | | (£0.06m) | (£0.13m) | (£0.19m) | (£0.38m) |
| 25 | 2021/22 Starters | | | | | | | | | | £0.16m | £0.32m | £0.42m | £0.90m |
| 26 | Other Costs | | | | | | | | | | (£0.01m) | (£0.01m) | (£0.01m) | (£0.02m) |
| 27 | Monthly Actual | £14.89m | £15.60m | £15.40m | £15.68m | £15.72m | £16.74m | £16.07m | £16.18m | £16.19m | £16.19m | £16.22m | £17.70m | £192.58m |
| Forecast Change from budget setting | | | | | | | | | | | | | | |
| | Actual FTE | | | | | | | | | Forecast FTE | | | | |
| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Total | |
| | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | FTEs | |
| 28 | Strength @ beginning of month (negative=reduction) | 44 | 51 | (30) | 33 | 28 | 18 | 14 | 9 | 17 | (58) | 21 | 21 | |
| 29 | Leavers (positive number = less leavers) | 11 | (1) | 3 | (5) | 1 | (3) | 3 | 7 | 5 | 0 | 0 | 0 | 22 |
| 30 | Starters | (4) | (80) | 60 | (1) | (10) | (1) | (9) | 2 | (80) | 79 | 0 | 11 | (33) |
| 31 | Month End Strength Change - FTEs | 51 | (30) | 33 | 28 | 18 | 14 | 9 | 17 | (58) | 21 | 21 | 32 | (11) |
| 32 | Change per month FTEs | 7 | (81) | 63 | (6) | (9) | (4) | (6) | 9 | (75) | 79 | 0 | 11 | |
| | Actual £ | | | | | | | | | Forecast £ | | | | |
| | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | £m | |
| 33 | Monthly Financial Change | (£0.47m) | £0.01m | (£0.11m) | £0.25m | (£0.06m) | £1.04m | £0.14m | £0.33m | £0.11m | £0.19m | £0.30m | £1.74m | £3.46m |

Notes

- 1 The budget was built on the assumption that at the start of April 2021 the approved establishment would be 3369 FTE. £415k of funding for 6 ROCU Officers was included within the Third Party Payments budget line at budget setting pending clarification on how the funding would be utilised.
- 2 The above shows the annual total budget divided over 12 months with a 0% payrise in September. There is no profile adjustment for incremental increases which officers are entitled to on the anniversary of their contracted start date.
- 3 Leavers could be at any rank but are costed at £54,715 for the purpose of profiling the monthly budget. Figures are cumulative.
- 4 The monthly budget for starters is based on the profile and rank of agreed growth posts as per budget setting with the balance to cover attrition assumed to be constables.
- 5 The budget includes Police Officer pay, NI, pension, allowances, 0.5% employers apprenticeship levy and recharges for collaborative posts. Overtime and Bank Holiday pay is not included.
- 6 The change in strength and budget may not always match due to the mix of starters and leavers. The cost of a new constable is £19,581 lower than the cost of an average leaver. Growth is based on the appropriate
- 7 Leavers include miscellaneous losses and gains e.g. officers going on secondment or career break. It also includes net adjustments to part time hours
- 8 Starters includes probationers, transferees and rejoiners
- 9 Notification of additional Home Office funding for 2 FTE officers in 2021/22 was received in December 2021, increasing the force establishment to 3,555 FTE. This is not reflected in the tables above

4.2 Modelling of Financial impact from changes to Officers leaver and joiner profile

The table below seeks to model the estimated financial impact from 1, 5, or 10 FTE less leavers than the leavers projections supplied by HR, with an even adjustment to the intakes scheduled for June, August, October and December to maintain an end of year projection of 3,553 FTE Officers. The financial impact of 1, 5 or 10 FTE less leavers per month is £0.128m, £0.638m or £1.276m, respectively. The same would apply in reverse for more leavers.

| | April | May | INTAKE June | July | INTAKE August | September | INTAKE October | November | INTAKE December | January | February | March | Total |
|--|-----------|-----------|----------------|----------|------------------|-----------|-------------------|----------|--------------------|----------|----------|---------|----------------|
| | 12 months | 11 months | 10 months | 9 months | 8 months | 7 months | 6 months | 5 months | 4 months | 3 months | 2 months | 1 month | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Estimated Impact of 1 FTE less Leaver per month | 56,085 | 51,411 | 46,737 | 42,064 | 37,390 | 32,716 | 28,042 | 23,369 | 18,695 | 14,021 | 9,347 | 4,674 | 364,551 |
| Estimated Impact of 3 FTE less probationer joiner per intake | | | (83,889) | | (67,111) | | (51,584) | | (34,389) | | | | (236,973) |
| Net Impact | | | | | | | | | | | | | 127,578 |

| | April | May | June | July | August | September | October | November | December | January | February | March ² | Total |
|--|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|-----------|----------|----------|--------------------|----------------|
| | 12 months | 11 months | 10 months | 9 months | 8 months | 7 months | 6 months | 5 months | 4 months | 3 months | 2 months | 1 month | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Estimated Impact of 5 FTE less Leavers per month | 280,425 | 257,055 | 233,685 | 210,320 | 186,950 | 163,580 | 140,210 | 116,845 | 93,475 | 70,105 | 46,735 | 23,370 | 1,822,755 |
| Estimated Impact of 15 FTE less probationer joiners per intake | | | (419,444) | | (335,556) | | (257,920) | | (171,947) | | | | (1,184,867) |
| Net Impact | | | | | | | | | | | | | 637,888 |

| | April | May | June | July | August | September | October | November | December | January | February | March ² | Total |
|--|-----------|-----------|-----------|----------|-----------|-----------|-----------|----------|-----------|----------|----------|--------------------|------------------|
| | 12 months | 11 months | 10 months | 9 months | 8 months | 7 months | 6 months | 5 months | 4 months | 3 months | 2 months | 1 month | |
| | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| Estimated Impact of 10 FTE less Leavers per month | 560,850 | 514,110 | 467,370 | 420,640 | 373,900 | 327,160 | 280,420 | 233,690 | 186,950 | 140,210 | 93,470 | 46,740 | 3,645,510 |
| Estimated Impact of 30 FTE less probationer joiners per intake | | | (838,889) | | (671,111) | | (515,840) | | (343,893) | | | | (2,369,733) |
| Net Impact | | | | | | | | | | | | | 1,275,777 |

4.3 Police Officers, Police Staff, PCSOs and Specials - FTEs

FTE Changes Effecting Pay Forecasts - 2021/22 Month 9

| 1. Police Officers - Budget Based on Strength | | | | | | | | |
|---|-------------------------|----------------------|----------------------------|-----------------------|--------------------------|----------------------|--|-----------------------------|
| | Current Position - FTEs | | Financial Forecasting FTEs | | | | | |
| | Establishment Target | Strength @ month end | Strength at 1st April 2021 | Starters for the year | Transferees for the year | Leavers for the year | Other adjustments e.g. change in hours | Strength at 31st March 2022 |
| Budget Setting | | | 3,369 | 388 | 24 | (228) | 0 | 3,553 |
| HR data @ 31 Oct 21 | 3,553 | 3,531 | 3,413 | 347 | 23 | (210) | 0 | 3,573 |
| HR data @ 30 Nov 21 | 3,555 | 3,523 | 3,413 | 348 | 31 | (207) | 1 | 3,586 |
| Change | 2 | (8) | 0 | 1 | 8 | 3 | 1 | 13 |

| 2. Police Staff - Budget Based on Establishment (please see note below)* | | | | | | |
|--|-------------------------|----------------------|--|---|-------------------------|------------------------|
| | Current Position - FTEs | | Financial Forecasting FTEs | | | |
| | Establishment @ 100% | Strength @ month end | Establishment @ 100% at 1st April 2021 | Vacancy Factor Establishment @ 1st April 2021 * | Actual starters to date | Actual leavers to date |
| Budget Setting | | | 2,327 | 2,175 | | |
| HR data @ 31 Oct 21 | 2,317 | 2,160 | | | 137 | (131) |
| HR data @ 30 Nov 21 | 2,317 | 2,154 | | | 147 | (147) |
| Change | 0 | (6) | 0 | 0 | 10 | (16) |

* Vacancy Factor is 7% for departments with less than 30 FTE and 9% for departments with more than 30 FTE for all areas except for FCR, Customer Contact, Resolution Centre and OPFCC who have a 0% Vacancy Factor

| 3. PCSOs - Budget Based on Establishment | | | | | | | | |
|--|---------------------------|----------------------|--------------------------------|----------------------------|-----------------------|----------------------|--|-----------------------------|
| | Current Position - FTEs | | Financial Forecasting FTEs | | | | | |
| | Establishment @ month end | Strength @ month end | Establishment @ 1st April 2021 | Strength at 1st April 2021 | Starters for the year | Leavers for the year | Other adjustments e.g. change in hours | Strength at 31st March 2022 |
| Budget Setting | | | 103 | 103 | 0 | 0 | 0 | 103 |
| HR data @ 31 Oct 21 | 103 | 93 | 105 | 101 | 13 | (11) | 0 | 103 |
| HR data @ 30 Nov 21 | 103 | 101 | 105 | 101 | 13 | (10) | 0 | 104 |
| Change | 0 | 8 | 0 | 0 | 0 | 1 | 0 | 1 |

Note: The PCSO Establishment includes 13 FTE partnership funded posts which are externally funded

| 4. Specials - Headcount | Actual Strength | Target Strength |
|-------------------------|-----------------|-----------------|
| Budget Setting | | 600 |
| HR data @ 31 Oct 21 | 508 | 600 |
| HR data @ 30 Nov 21 | 503 | 600 |
| Change | (5) | 0 |

5. Detailed Reserves Analysis

| Earmarked Reserves and Provisions - Opening and Closing Balances | | | | | | | |
|--|----------------------------------|--|------------------------------|----------------------------|--------------------------------------|---------------------------|--|
| Reserve | 1st April 2021 - Opening Balance | Budget Setting Contribution / Allocation 2021/22 | In-Year Contribution 2021/22 | In-Year Allocation 2021/22 | 31st December 2021 - Closing Balance | Forecast Year End Balance | Description of Earmarked Reserve |
| 1 Reserves held by Essex Police but managed as third party reserves | | | | | | | |
| Op Dagenham Maintenance Reserve | £0.110m | | | | £0.110m | £0.110m | Essex share of maintenance reserve held by each of the 7F to fund the cost of minor repairs to multi-occupancy building held for Op Dagenham. |
| Total | £0.110m | £0.000m | £0.000m | £0.000m | £0.110m | £0.110m | |
| 2 Project Reserves | | | | | | | |
| IT Convergence | £0.000m | £1.200m | | (£1.200m) | £0.000m | £0.000m | Essex share of 4F ICT convergence identified as part of 2021/22 Budget Setting. Unutilised balance of £1.136m transferred to General Reserve. |
| Total | £0.000m | £1.200m | £0.000m | (£1.200m) | £0.000m | £0.000m | |
| 3 Ringfenced Reserve | | | | | | | |
| Proceeds of Crime Act | £2.134m | (£0.402m) | £0.100m | (£0.238m) | £1.594m | £1.848m | POCA Reserve holds receipts received through the Asset Recovery Incentive Scheme to fund crime reduction related expenditure. |
| Forfeiture Monies Reserve | £0.265m | | £0.125m | | £0.390m | £0.334m | Forfeiture Monies Reserve holds funds transferred from the Misuse of Drugs Act Seizures Fund. |
| Restructuring Reserve | £0.234m | | £0.900m | (£0.056m) | £1.078m | £1.078m | Reserve to help fund future years restructuring costs (Redundancies, LGPS Financial Strain and relocation expenses). One significant business case for 2021/22 has been deferred. |
| Operational Transformational Reserve (OTR) | £0.831m | | | (£0.364m) | £0.467m | £0.399m | OTR report is submitted to OPFCC Performance and Resources Board on a quarterly basis. Drawdown requested to utilise remaining fund in 2021/22 & 2022/23. |
| Transformation Reserve | £1.764m | | £0.114m | (£1.083m) | £0.795m | £0.767m | Reserve to help fund the one-off costs of implementing the IT and Estates Transformation Strategies. |
| Data Analytics Reserve | £0.057m | | | (£0.029m) | £0.028m | £0.028m | Data Analytics and Visualisation Tool to be delivered in 2020/21 and into 2021/22. Residual balance at year end will be reflect in 2022/23 budget setting to partially meet the anticipated costs for 22/23. |
| Legal Reserve | £0.741m | | £0.086m | | £0.827m | £0.827m | Provision to fund the cost of one-off commitments for legal claims (Allard & Ors v Devon & Cornwall Constabulary) and consultancy/legal costs in respect of McCloud v Sargeant judgement. Awaiting legal advice before utilisation of the reserve. |
| PEQF Reserve | £0.291m | | £0.035m | | £0.326m | £0.326m | PEQF mobilisation costs to be used for the introduction of the new PEQF training programme. |
| Total | £6.317m | (£0.402m) | £1.360m | (£1.769m) | £5.506m | £5.607m | |
| 4 Operational Reserves | | | | | | | |
| Major Operational Reserve | £1.500m | | | | £1.500m | £1.500m | It is good practice to hold a reserve for dealing with major incidents that will not be reimbursed by the Home Office e.g. Colchester murders, Operation Henley. These reserves are typically 1% of the force budget. |
| COVID Roadmap Violence Reduction Reserve | £1.532m | | | (£1.303m) | £0.229m | £0.229m | COVID Roadmap Violence Reduction Reserve to be utilised in 2021/22 for the purposes of Operation Sunshade, which aims to address violent crime reduction surrounding the easing of lockdown measures. The reserve includes funding of £229k for additional enforcement of COVID regulations at Stansted Airport which is to be transferred to the General Reserve as part of 2022/23 budget setting. |
| Chief Constables Operational C/Fwd | £1.000m | | | (£0.435m) | £0.565m | £0.565m | Operational Carry Forward resulting from the 2019/20 and 2020/21 force underspend. Plans for utilisation in 2021/22 include £435k contribution to the procurement of Local Policing Team (LPT) laptops (remaining 50% to be funded from 2021/22 in-year underspends). |
| Specials Constabulary Reserve | £0.145m | | | | £0.145m | £0.145m | Reserve to fund ongoing (non-pay) activities associated with the growth of the Special Constabulary. |
| Future Capital Funding | £0.606m | £1.442m | £2.373m | | £4.421m | £4.099m | Balance will be utilised in 2021/22 and/or subsequent years - see capital narrative within the monitoring report for detailed explanation of the figures. |
| Total | £4.783m | £1.442m | £2.373m | (£1.738m) | £6.860m | £6.538m | |
| 5 PFFC Reserves | | | | | | | |
| Commissioning Grants 2020/21 to 2021/22 | £1.089m | | | | £1.089m | £0.651m | £1.089m for OPCC commissioning grants are carried forward to 2021/22. |
| Total | £1.089m | £0.000m | £0.000m | £0.000m | £1.089m | £0.651m | |
| 6 General Reserve | | | | | | | |
| General Reserve | £13.162m | (£1.200m) | £1.277m | | £13.239m | £13.239m | The 2020/21 General Reserve opening balance is £13.162m, which represents 4.0% of the 2021/22 force budget of £330.3m. The in-year allocation of £1.2m is for the creation of the IT convergence earmarked reserve as identified as part of 2021/22 Budget Setting. The in-year contribution includes £1.136m representing the unutilised balance of the IT convergence earmarked reserve. |
| Total Revenue Reserves | £25.461m | £1.040m | £5.010m | (£4.707m) | £26.804m | £26.145m | |
| 7 Provisions | | | | | | | |
| Severance Provision | £0.140m | | | | £0.140m | £0.000m | Provision to fund redundancy costs recognised as part of the Statement of Accounts process. |
| Insurance Provision | £3.032m | | | | £3.032m | £3.032m | Provision to fund insurance claims expenditure for motor, employers liability and public liability claims. |
| Total | £3.172m | £0.000m | £0.000m | £0.000m | £3.172m | £3.032m | |

6. Capital

6.1 Capital Summary

CAPITAL PROGRAMME 2021/22 MONTH 9 MONITORING POSITION SUMMARY REPORT

| | 2021/22 Original Budget PF&C Panel | 2021/22 Actuals to end of December 2021 | 2021/22 Forecast Outturn | 2021/22 Forecast Budget Variance (Appendix 1) |
|-------------------------------------|---|---|--------------------------------|---|
| | £000 | £000 | £000 | £000 |
| EXPENDITURE - | | | | |
| ANPR projects | 230 | 134 | 145 | (85) |
| Estates projects | 6,239 | 5,667 | 8,447 | 2,208 |
| IT projects | 1,361 | 1106 | 2,304 | 943 |
| Transport projects | 301 | 428 | 1,512 | 1,211 |
| OPC projects | 0 | 107 | 180 | 180 |
| SCD projects | 0 | 65 | 119 | 119 |
| Other projects | 351 | 160 | 297 | (54) |
| <i>Subject to Approval projects</i> | <i>10,597</i> | <i>0</i> | <i>19</i> | <i>(10,578)</i> |
| TOTAL EXPENDITURE | 19,079 | 7,666 | 13,023 | (6,056) |
| FINANCING - | | | | |
| Capital Receipts | 5,620 | 4,269 | 4,269 | (1,351) |
| Revenue Contributions | 3,046 | 0 | 0 | (3,046) |
| Capital Grant | 251 | 188 | 251 | - |
| External & Other Income | 303 | 0 | 56 | (247) |
| Financing Requirement | 9,859 | 3,209 | 8,447 | (1,412) |
| TOTAL FINANCING | 19,079 | 7,666 | 13,023 | (6,056) |

1 The Forecast Budget Variance reflects all changes to the capital programme since the original budget was approved at the PF&C Panel. The forecast £6.056m underspend incorporates slippage and other changes, as set out in Appendix 1.

2 The financing model has been updated as per the separate working paper.

3 The term 'Financing Requirement' refers to the amount of capital spending that has not yet been financed by capital receipts, capital grants or contributions from revenue income i.e. an underlying need to borrow for capital purposes. This need to borrow can include external borrowing from bodies such as the Public Works Loans Board (PWLb) or other public sector bodies. It also includes internal borrowing whereby forces fund capital expenditure from a temporary surplus of cash. For treasury management purposes, and based on the most recently available information, there is no forecast requirement to externally borrow in 2021/22. In relation to the total financing requirement of £8.4m within the above table, this would therefore be fully met by a corresponding amount of internal borrowing.

6.2 Capital Summary – Supporting Commentary

The projected capital position for month 9 reflects an **underspend of £6.1m** compared to the original approved budget of £19.1m, as set at the February Police Fire & Crime Panel. In respect of the movement since month 8 there has been a further forecast **underspend of £1.4m** which is now included in the overall position.

The **£1.4m** reduction in forecast for month 9 is based on the following material changes:-

- Following the recommendation for the utilisation of the force revenue underspend agreed by COG and approved at the PFCC Strategic Board on the 14th December, several bids were identified as capital related projects totalling to **additions of £1.101m** (detailed in table below). These were added to the capital programme in December of which £1.050m related to Estates, £0.036m IT related projects and £0.015m Transport related projects.

| | | |
|--|-----------|-------|
| Grays office space conversion | Estate | £300k |
| Conference Room regeneration including the assembly hall | Estate | £150k |
| Quadbikes | OPC | £20k |
| Audio Visual upgrade Assembly Hall | IT | £25k |
| Soft call taking laptops for FCR | IT | £11k |
| Mobile Police Station Re-Fit | Transport | £15k |
| EPC – Replacement Portacabins | Estate | £600k |

- In month 9 the programme reported **further slippage of £0.972m** with a significant element of movement relating to the new projects added to the programme in month 9, including slippage of £0.6m for the EPC replacement portacabins and £0.036m of IT related projects. The other element of the additional slippage (totalling £0.336m) relates to several previously approved projects, including £0.116m for Infrastructure Technical Refresh, £0.041m for ANPR Remediation, £0.058m for Dispatch Communication Server and £0.038m for Radio Frequency Equipment, which was only approved at the 14th December Strategic Board.
- The other main element of the month 9 movement relates to **reductions of £1.546m**, including £1.485m relating to Digital Forensics Unit (DFU). This followed the receipt of an updated bid for this project for budget setting purposes, where the majority of funding requirement has now switched to revenue, with the remaining capital funding now budgeted in 2022/23 onwards.

The total **£6.1m** forecast underspend being recognised at month 9 is therefore comprised as follows:-

- An increase in expenditure due to **slippage of £5.6m** brought forward **from the 2020/21 programme** including £3.5m for the purchase of Boreham Depot which completed on the 24th August 2021.
- Additions of £3.3m** including the Data Centre Migration Project £1.3m and several projects approved at the Strategic Board in December relating to capitalisation of the revenue underspend of £1.1m was added to the programme in month 9, as previously set out in the table above. Other previous increases reported (totalling £0.9m) include Chelmsford Police Station, the Infrastructure Technical Refresh 2021/22 Programme, Officers PUP-related capital expenditure and the Digital Interview Replacement programme.
- Advanced works of (£0.7m)** relating to monies already spent on the Infrastructure Technical Refresh 2021/22 project in the earlier 2020/21 period.
- Reductions of (£4.2m)** including Data Centre Provision (£1.5m) which has now been superseded by the new migration solution approved instead, and (£1.5m) for the DFU Redesign project which has now moved to 2022/23 subject to approval stage, with a substantial reduction for the capital

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element (with the funding requirement moving to revenue instead). Other areas of reduction include subject to approvals (£0.3m), IT-related reductions of (£0.6m), and other projects of (£0.3m).

- **Slippage of (£10.1m) into future years** including the impact of Subject to Approvals (£3.6m), Fleet Replacement Programme (£1.3m), Estates projects (£3.3m), IT projects (£1.3m) and various other projects (£0.6m)

In relation to the Fleet Replacement Programme, the Transport team are still suffering significant vehicle delivery delays, due to the ongoing issues with the National Vehicle Framework agreement. Orders are being placed but delivery timescales remain unclear until further confirmation has been received from manufacturers that vehicles are in build. This, and the worldwide shortage of semi-conductor chips, is the principal reason for the slippage being recognised.

As can be seen elsewhere in this report the capital programme for month 9 continues to report significant slippage for the period, totalling £10.1m. This is mainly due to the impact of COVID-19 on the current economic conditions and the way this has shaped capital spending plans for 2021/22 and future years. The force has been faced with practical issues including problems with supply chains, shortage of labour, maintaining safe working arrangement and other similar issues. Therefore, there is a risk that the capital programme may slip further in 2021/22 as the current economic conditions continue to challenge the delivery of projects, although as the end of the financial year gets nearer this risk reduces. Budget holders will also be actively challenged about their forecasts at the January Capital Management Board.

The financing plan for month 9 reflects the optimal allocation of capital resources over the medium-term financial period to minimise costs to the force. Capital receipts are forecast at £7.2m for 2021/22, with £4.8m already received as at the end of December 2021. £4.3m of this money is being forecast to be using in financing the Capital Programme in 2021/22.

£4.3m of revenue contributions to capital are forecast to be carried forward to fund the 2022/23 programme, including the element of forecast revenue underspend which has been set aside to fund capital expenditure. This will reduce the immediate financial burden on the revenue account over the coming years from high Minimum Revenue Provision (MRP) charges that would be required if these resources were not held back for this purpose, due to the level of planned spend on short-life assets over the short term. To be able to do this the revenue contributions will need to be appropriated to the Future Capital Funding Reserve at the end of 2021/22.

The financing requirement for unfinanced capital expenditure is forecast at £8.447m which equates to approximately 65% of the year's financing plan. Based on the latest treasury management information available there is no longer an expectation that any external borrowing requirement will be required in 2021/22.

Appendix 1

CAPITAL PROGRAMME 2021/22 MONTH 9 MONITORING POSITION EXPENDITURE VARIANCE REPORT

| | Slippage b/f | Subject to Approvals (to Approved) | Additions | Advanced Works | Reductions | Slippage c/f | Total Variances |
|-------------------------------------|--------------|------------------------------------|--------------|----------------|----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| FORECAST OUTTURN VARIANCES | | | | | | | |
| ANPR projects | - | 0 | 12 | 0 | (9) | (88) | (85) |
| Estates projects | 4,918 | 948 | 1,291 | 0 | (1,657) | (3,294) | 2,207 |
| IT projects | 259 | 1,420 | 1,890 | (667) | (609) | (1,350) | 943 |
| Transport projects | 319 | 2,200 | 16 | 0 | 0 | (1,324) | 1,212 |
| OPC projects | 6 | 528 | 20 | 0 | (72) | (302) | 180 |
| SCD projects | 53 | 61 | 56 | 0 | (12) | (38) | 119 |
| Other projects | 44 | 33 | 0 | 0 | 0 | (131) | (55) |
| <i>Subject to Approval projects</i> | - | (5,190) | 0 | 0 | (1,795) | (3,593) | (10,578) |
| TOTAL VARIANCES TO BUDGET | 5,599 | - | 3,285 | (667) | (4,155) | (10,119) | (6,056) |