

## Performance and Resources Scrutiny Programme 2021/22

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

<b>Title of Report:</b>	<b>2021/22 Provisional Outturn &amp; Capital Outturn Report</b>
<b>Classification of Paper:</b>	<b>Official</b>
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<b>Chief Officer</b>	<b>DCC Prophet</b>
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<b>Report from:</b>	<b>Essex Police: Corporate Finance</b>
<b>Date of Meeting:</b>	<b>30<sup>th</sup> May 2022</b>
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<b>Date of Approval:</b>	<b>18<sup>th</sup> May 2022</b>

#### **1.0 Purpose of Report**

1.1 This report identifies the 2021/22 provisional outturn 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 and subject to PFCC Decision Report.

2.3 To approve the year end balances on earmarked reserves of £17.107m and the general reserve of £14.980m (4.5% of the 2021/22 force budget of £330.3m), subject to revision noted at point 2.4 below.

2.4 To approve the recommendation of the creation of an earmarked Insurance Reserve, to mitigate the impact of ongoing volatility with insurance claim values and reduce the impact on future in-year budget variances. The proposal will utilise the appropriation of the 2021/22 insurance claims underspend of £0.603m, thus also providing an opportunity to reduce the in-year claims budget in the 2023/24 budget setting process.

#### **3.0 Executive Summary**

3.1 The provisional outturn underspend is £1.882m against the 2021/22 revenue budget of £330.3m (0.57% variance), an increase of £1.242m from the Month 12 underspend of £0.640m (0.19% variance)

3.2 The final capital outturn position for 2021/22 reflects a forecast underspend of £6.909m, compared to the original approved budget of £19.1m (36.2% variance), an increase of £0.178m from the Month 12 underspend of £6.731m (35.3% variance).

- 3.3 The Police Officer strength forecast at the end of March is 3,572 FTE. The provisional outturn overspend on Police Officer Pay and Allowances is £1.0m.
- 3.4 The Police staff strength at the end of March is 2,151 FTE. Vacancies at 31<sup>st</sup> March were 16 FTEs above the budgeted vacancy factor. The underspend on Police Staff Pay and Allowances is £0.5m.

#### **4.0 Introduction/Background**

- 4.1 This report sets out the provisional outturn, highlighting the changes from the Month 12 position.

#### **5.0 Current Work and Performance**

- 5.1 The provisional outturn 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 N/A

#### **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** - N/A

#### **15.0 Decisions Required by the Police, Fire and Crime Commissioner**

- 15.1 To endorse and approve the appropriations to earmarked reserves (virements and journals), as noted in Section 2 of the report and subject to PFCC Decision Report.
- 15.2 To approve the recommendation of the creation of an earmarked Insurance Reserve, to mitigate the impact of ongoing volatility with insurance claim values and reduce the impact on future in-year budget variances. The proposal will utilise the appropriation of the 2021/22 insurance claims underspend of £0.603m, thus also providing an opportunity to reduce the in-year claims budget in the 2023/24 budget setting process.

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# 1. Executive Summary

## REVENUE

The provisional outturn underspend is £1.882m against the 2021/22 revenue budget of £330.3m (0.57% variance), an increase of £1.242m from the Month 12 underspend of £0.640m (0.19% variance).

The force variance to current budget at subjective level is detailed in Section 3.2 of the report and the movement from Month 12 to provisional outturn is detailed in Section 3.3 of the report.

## WORKFORCE

The Police Officer strength at the end of March is 3,572 FTE. The provisional outturn overspend on Police Officer Pay and Allowances is £1.0m (Month 12 - £1.2m).

The Police Staff strength at the end of March is 2,151 FTE. Vacancies at 31st March are 16 FTEs above the vacancy factor of 152 FTEs. Total vacancies are 168 FTEs. The underspend on Police Staff Pay and Allowances is £0.5m (Month 12 - £0.6m).

The PCSO strength at the end of March is 94 FTE. The underspend on PCSO Pay and Allowances is £0.2m (Month 12 - £0.3m).

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

## RESERVES

A list of all appropriations to and from earmarked reserves for the month is noted in Section 2 of the report.

There are a series of proposed appropriations to earmarked reserves, totalling £0.494m, which are included as part of the provisional outturn report. As detailed in the Month 12 report, the provisional outturn incorporates a series of year-end adjustments in support of the statutory work of the department, which could not be established at the time of producing the Month 12 report. Appropriations to earmarked reserves require Chief Officer Group support and/or PFCC approval.

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

## CAPITAL

The final capital outturn position for 2021/22 reflects a forecast underspend of £6.909m, compared to the original approved budget of £19.1m (36.2% variance), an increase of £0.178m from the Month 12 underspend of £6.731m (35.3% variance).

The financing requirement for unfinanced capital expenditure in 2021/22 is forecast at £7.614m which equates to approximately 63% of the year's financing plan, however this is subject to changes once the actual outturn has been agreed. As previously expected there has been no requirement to source any external borrowing during 2021/22.

The capital tables and commentary are noted in Section 6 of the report.

## 2. List of Appropriations to/(from) Earmarked Reserves

### 2.1 List of Appropriations to Earmarked Reserves

URN	Description	£'000	Commentary/Description	Governance Process	Earmarked Reserve	Subjective Heading
<b>Appropriations to Earmarked Reserves</b>						
ER039/21	POCA ARIS Income	(92)	Reversal of Month 12 appropriation following revision of year end adjustment (see URN: ER040/21)	Approved as part of Month 11 reporting, subject to decision report	POCA Reserve	Income
ER040/21	POCA ARIS Income	76	POCA annual income budget of £211k exceeded, and as per reserve forecasts, surpluses are transferred to the POCA Reserve, following receipt of final quarter income	To be supported by Chief Officer Group and approved by PFCC	POCA Reserve	Income
ER041/21	PFCC Commissioning Budgets 2021/22 C/Fwd	329	PFCC Commissioning Budget net underspend for Community Safety Fund, Community Safety Development Fund, Victims, and Violence & Vulnerability to C/Fwd reserve for use in 2022/23	To be approved by PFCC	PFCC Commissioning Budget C/Fwd Reserve	Income
ER042/21	Forfeiture monies income	52	Outstanding element of 2016/17 drugs-related seizures now being transferred to earmarked reserves, in accordance with previously agreed procedure whereby creditors balance only holds a maximum of five years income at any time (e.g. drugs fund element transferred to Forfeitures Reserve)	To be supported by Chief Officer Group and approved by PFCC	Forfeiture Monies Reserve	Income
ER043/21	Op Dagenham planned maintenance	32	2021/22 capital maintenance costs for Op Dagenham asset, as per Essex share of costs advised by Beds Police (who are responsible for the asset on behalf of 7F). Addition to Future Capital Funding Reserve is offset by a corresponding withdrawal from Op Dagenham Reserve	To be supported by Chief Officer Group and approved by PFCC	Future Capital Funding	Op Dagenham Maintenance Reserve
ER044/21	Crime balances	31	Outstanding element of 2016/17 crime-related seizures now being transferred to earmarked reserves, in accordance with previously agreed procedure whereby creditors balance only holds a maximum of five years income at any time (e.g. crime element transferred to POCA Reserve)	To be supported by Chief Officer Group and approved by PFCC	POCA Reserve	Income
ER045/21	Op Caesar	20	Contribution from Thurrock Council for Op Caesar (Quad Bikes) capital acquisitions, being transferred to Future Capital Funding Reserve (in accordance with approved capital business case)	To be supported by Chief Officer Group and approved by PFCC	Future Capital Funding	Income
ER046/21	Op Dagenham planned maintenance	14	Annual contribution for future capital maintenance costs for Op Dagenham asset, as per Essex share of costs advised by Beds Police (who are responsible for the asset on behalf of 7F). Addition to Op Dagenham Reserve is offset by a corresponding withdrawal from Estates budgets in 2021/22, with separate budget provision to be built into future years	To be supported by Chief Officer Group and approved by PFCC	Op Dagenham Maintenance Reserve	Premises
ER047/21	Op Caesar	12	Contribution from Thurrock Council for revenue consequences element of Op Caesar (Quad Bikes) capital acquisitions, being transferred to Restricted Grants Reserve (in accordance with approved capital business case)	To be supported by Chief Officer Group and approved by PFCC	Restricted Grant Reserve	Income
ER048/21	Allard Correction	10	Correction to reserves in respect of Allard-related entries processed at the end of 2020/21, due to a refund subsequently being received through force bank account in 2021/22	To be supported by Chief Officer Group and approved by PFCC	Legal Claims Reserve	Employee costs / Supplies and Services
ER049/21	Op Grip	10	Home Office agreement to carry forward unutilised grant received, relating to 2021/22 for use in 2022/23, to be held in the Restricted Grant Reserve	To be supported by Chief Officer Group and approved by PFCC	Restricted Grant Reserve	Income
<b>Total</b>		<b>494</b>				

## 2.2 List of Appropriations from Earmarked Reserves

URN	Description	£'000	Commentary/Description	Governance Process	Earmarked Reserve	Subjective Heading
<b>Appropriations (from) Earmarked Reserves</b>						
ER050/21	Redundancy Costs - Severance and Financial Strain adjustment	(105)	Reassessment of required value for year-end reserve in accordance with latest information available in respect of redundancies, restructuring and associated business cases across the force	2021/22 Budget Setting (Police Fire and Crime Panel 04/02/21)	Restructuring Reserve	Employee costs
ER051/21	Op Dagenham planned maintenance	(32)	2021/22 capital maintenance costs for Op Dagenham asset, as per Essex share of costs advised by Beds Police (who are responsible for the asset on behalf of 7F). Withdrawal from Op Dagenham Reserve is offset by a corresponding addition to Future Capital Funding Reserve	Approved by May 2021 P&RS board and PFCC decision report (in respect of original appropriation to earmarked reserve for this purpose)	Op Dagenham Maintenance Reserve	Future Capital Funding
ER052/21	Forfeiture monies income	(16)	£16k use of Forfeitures Reserve for Kinesense CCTV analytical tool funds being transferred to IT budget	Approved by September 2020 POCA Board and PFCC decision report	Forfeiture Monies Reserve	Supplies and Services
<b>Total</b>		<b>(153)</b>				
<b>Net appropriation to/(from) Earmarked Reserves</b>		<b>341</b>				

# 3. Revenue

## 3.1 Revenue Summary

In Month - Month 12/13			Year to Date - Month 13			Subjective Heading	Full Year							
Budget <sup>1</sup>	Actual	Variance	Budget <sup>1</sup>	Actual	Variance		Original Budget <sup>2</sup>	Adjustments to Original Budget	Revised Budget	Year to Date Actual	Provisional Outturn	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
<b>Employees</b>														
<u>Police Officer Pay and Allowances</u>														
15,969	17,226	1,258	191,622	192,631	1,009	189,122	2,500	191,622	192,631	192,631	3,509	1,009	(172)	
822	1,433	611	9,862	10,174	312	6,707	3,155	9,862	10,174	10,174	3,467	312	(100)	
105	163	58	1,257	1,373	116	1,064	193	1,257	1,373	1,373	309	116	(68)	
(7)	0	7	(88)	0	88	62	(149)	(88)	0	0	(62)	88	0	
<b>16,888</b>	<b>18,823</b>	<b>1,935</b>	<b>202,653</b>	<b>204,178</b>	<b>1,525</b>	<b>196,955</b>	<b>5,698</b>	<b>202,653</b>	<b>204,178</b>	<b>204,178</b>	<b>7,223</b>	<b>1,525</b>	<b>(340)</b>	
<b>299</b>	<b>277</b>	<b>(21)</b>	<b>3,584</b>	<b>3,351</b>	<b>(233)</b>	<b>3,574</b>	<b>9</b>	<b>3,584</b>	<b>3,351</b>	<b>3,351</b>	<b>(224)</b>	<b>(233)</b>	<b>15</b>	
<b>PCSO Pay and Allowances</b>														
<u>Police Staff Pay and Allowances</u>														
7,333	7,776	443	87,994	87,526	(468)	86,572	1,422	87,994	87,526	87,526	954	(468)	130	
175	477	302	2,094	2,454	360	1,137	957	2,094	2,454	2,454	1,317	360	(10)	
<b>7,507</b>	<b>8,253</b>	<b>745</b>	<b>90,088</b>	<b>89,980</b>	<b>(108)</b>	<b>87,709</b>	<b>2,379</b>	<b>90,088</b>	<b>89,980</b>	<b>89,980</b>	<b>2,271</b>	<b>(108)</b>	<b>120</b>	
341	464	124	4,087	4,081	(6)	4,496	(409)	4,087	4,081	4,081	(415)	(6)	1	
160	169	9	1,924	1,935	11	1,882	42	1,924	1,935	1,935	53	11	4	
61	82	21	736	439	(297)	1,526	(790)	736	439	439	(1,087)	(297)	(151)	
<b>25,256</b>	<b>28,068</b>	<b>2,812</b>	<b>303,073</b>	<b>303,964</b>	<b>891</b>	<b>296,143</b>	<b>6,930</b>	<b>303,073</b>	<b>303,964</b>	<b>303,964</b>	<b>7,821</b>	<b>891</b>	<b>(352)</b>	
850	1,618	768	10,199	9,491	(707)	9,978	221	10,199	9,491	9,491	(487)	(707)	57	
492	640	149	5,901	6,254	353	5,805	96	5,901	6,254	6,254	449	353	446	
	0													
3,337	4,642	1,305	40,040	38,081	(1,959)	36,406	3,634	40,040	38,081	38,081	1,675	(1,959)	1,235	
16	0	(16)	195	0	(195)	465	(270)	195	0	0	(465)	(195)	0	
<b>3,353</b>	<b>4,642</b>	<b>1,289</b>	<b>40,235</b>	<b>38,081</b>	<b>(2,154)</b>	<b>36,871</b>	<b>3,364</b>	<b>40,235</b>	<b>38,081</b>	<b>38,081</b>	<b>1,210</b>	<b>(2,154)</b>	<b>1,235</b>	
<b>Supplies and Services</b>														
645	1,586	941	7,746	7,756	10	9,347	(1,602)	7,746	7,756	7,756	(1,591)	10	(103)	
<b>30,596</b>	<b>36,554</b>	<b>5,958</b>	<b>367,154</b>	<b>365,546</b>	<b>(1,608)</b>	<b>358,144</b>	<b>9,010</b>	<b>367,154</b>	<b>365,546</b>	<b>365,546</b>	<b>7,402</b>	<b>(1,608)</b>	<b>1,283</b>	
(3,506)	(11,437)	(7,931)	(42,067)	(42,447)	(380)	(29,690)	(12,377)	(42,067)	(42,447)	(42,447)	(12,758)	(380)	(473)	
<b>27,091</b>	<b>25,117</b>	<b>(1,973)</b>	<b>325,087</b>	<b>323,099</b>	<b>(1,988)</b>	<b>328,454</b>	<b>(3,368)</b>	<b>325,087</b>	<b>323,099</b>	<b>323,099</b>	<b>(5,356)</b>	<b>(1,988)</b>	<b>810</b>	
6	(10)	(17)	77	(12)	(89)	77	0	77	(12)	(12)	(89)	(89)	(5)	
362	7,988	7,627	4,340	4,340	0	2,181	2,160	4,340	4,340	4,340	2,160	0	0	
<b>27,459</b>	<b>33,095</b>	<b>5,636</b>	<b>329,504</b>	<b>327,427</b>	<b>(2,077)</b>	<b>330,712</b>	<b>(1,208)</b>	<b>329,504</b>	<b>327,427</b>	<b>327,427</b>	<b>(3,285)</b>	<b>(2,077)</b>	<b>805</b>	
(27,526)	(25,874)	1,652	(330,310)	(330,300)	10	(330,310)	0	(330,310)	(330,300)	(330,300)	10	10	(0)	
(67)	7,221	7,288	(806)	(2,874)	(2,067)	402	(1,208)	(806)	(2,874)	(2,874)	(3,275)	(2,067)	805	
<b>Surplus)/Deficit before appropriations</b>														
72	2,591	2,518	870	1,055	185	798	72	870	1,055	1,055	257	185	(2,047)	
(5)	0	5	(64)	(64)	0	(1,200)	1,136	(64)	(64)	1,819	3,019	1,882	1,242	
<b>0</b>	<b>9,812</b>	<b>9,812</b>	<b>0</b>	<b>(1,882)</b>	<b>(1,882)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,882)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	

<sup>1</sup>Even monthly profile of Revised Budget

<sup>2</sup>2021/22 Budget agreed at Police, Fire and Crime Panel

## 3.2 Revenue Summary – Supporting Commentary

### Outstanding items that could impact on provisional outturn and/or require further decisions/approval

- 1) Immediate Detriment costs of circa £163k in relation to Police Officer retirements since November 2021 have been confirmed by ECC on 18/05/22, but are not included in the figures within the provisional outturn report. Their inclusion will have the effect of reducing the underspend of £1.882m.
- 2) Op Allard – Potential impact on provisional outturn if the latest information increases the quantum or the mix between reserve / provision which is continually assessed to ensure compliance with IAS 37, with a potential impact on net cost of services and appropriations.
- 3) To consider the option to create an earmarked Insurance Reserve, to mitigate the impact of ongoing volatility with insurance claim values and reduce the impact on future in-year budget variances (to be approved by PFCC) – see section below. The insurance expenditure budget is £1.3m per annum, which could be reduced by between £200k - £600k (review to be undertaken) if claims above the budget are funded from the reserve.

### Proposed Insurance Reserve appropriation

It is proposed to utilise the insurance claims underspend of £0.603m and appropriate this to a new Insurance reserve. There are several perceived benefits of doing this, not least smoothing out the impact of insurance claims volatility but also ensuring the PFCC has sufficient resources available to meet insurance-related liabilities as they fall due. Five of the other 7F have a similar earmarked reserve for the same purpose as this proposal.

The year-end movement from the month 12 insurance claims forecast was £0.403m reflecting the ongoing issue with claims estimation volatility. Corporate Finance are reliant on forecast values for liability claims from Legal, who apply a best estimate when the claim is received, with updates applied thereafter. Unfortunately these claim values fluctuate regularly with two employer liability claims moving by in excess of £0.200m alone at year-end.

The implementation of an Insurance reserve would utilise the aforementioned £0.603m and thereafter be used to negate the impact of material claim movements as they arise. A minimum threshold would be applied (circa £0.1m) whereby the reserve is used to neutralise claims movements in year, thus ensuring that monthly forecast movements provided to the PFCC are less volatile. This would also mean that the PFCC could look to reduce its base insurance claims budget and achieve a saving within the 2023/24 budget setting process.

Based on data from the PFCC's insurance fund auditors (A J Gallagher) the PFCC does not hold sufficient resources to meet ongoing claims commitments as they fall due. Whilst known claims are accounted for in the Insurance Provision (£2.724m at 31/3/22) emerging claims, whereby new incidents have occurred but have not yet been notified to the PFCC, are not included. In addition, the potential for long-covid related claims needs to be considered. Based on the 31/3/21 estimate from A J Gallagher, the forecast total liability was in excess of £7m, and whilst this value is not proposed to be ringfenced a value of circa £1m would provide additional resilience to meet future demand, as well as provide additional funding for premium-related costs and other SEERPIC-related workstreams such as the single claims handling system and moving towards a captive/mutual insurance arrangement.

## Official

- **Police Officer Pay and Allowances - £1.525m overspend**

### **Explanation of forecast variance**

The overspend is due to opening strength being 44 FTE more than budget, 15 FTE less leavers up to March, and an adjustment to the joiner recruitment profile since budget setting to reflect 40 FTE less, resulting in a year end strength of 3,572 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 £0.312m for SCD and £0.220m for OPC, offset by unallocated in-year funding in respect of Force Tasking and Op Sunshade of circa £0.1m. The SCD overspend is in recognition of the size of the directorate and the ongoing resourcing requirement in response to proactive and reactive demand, and 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). The 2022/23 budget has now been set and additional funds have been assigned to these areas of expenditure.

The forecast includes an overspend of £0.196m 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 adjustment from Original Budget to the Revised Budget at provisional outturn includes a funding contribution of £84k for the Chief Inspector and Inspector post connected to the Violence & Vulnerability unit from the PFCC V&V Commissioning Budget. Previously reported adjustments to Original Budget, up to and including Month 12, total £5.494m.

- **PCSO Pay and Allowances - £0.233m underspend**

### **Explanation of forecast variance**

Strength is 9 FTE below budget setting establishment, which has been broadly preserved throughout the financial year.

- **Police Staff Pay and Allowances - £0.108m underspend**

### **Explanation of forecast variance**

The Police Staff strength at the end of March is 2,151 FTE and total vacancies are 168 FTEs (16 FTEs above the budgeted vacancy factor of 152 FTEs). Delays in the recruitment to force staff growth posts has contributed to the force underspend of £0.468m (0.53% of the 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 £0.180m 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)**

Previously reported adjustments to Original Budget, up to and including Month 12, total £2.232m.

- **Pensions (Ill Health/Medical) - £0.006m underspend**

**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 - £0.297m 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 (£0.9m) to the restructuring reserve for utilisation, as and when required during the financial year, of which £0.1m has been returned to the General Reserve as part of a year end exercise to calculate future years requirement.

- **Premises - £0.707m underspend**

**Explanation of forecast variance**

Includes an underspend on rates payable following the refurbishment of Chelmsford station where the expected increase did not materialise; utility bills due to reduced usage across the force, despite the inclusion of estimates for inflation; and six months of rental payments following purchase of the Boreham site and various contract savings which have also been included as part of 2022/23 budget setting. The underspend is partially offset by an increase to reactive maintenance costs following a serious water leak which has adversely impacted on IT and electrical systems, and the inclusion of the Force's share of dilapidation costs for a building at Stansted.

**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 of £191k resulting from the capital purchase of the Boreham site and agreed proposals for utilisation of force underspend for consultancy costs for a joint fleet workshop and accessibility building audits, which has subsequently been placed in the Transformation Reserve.

## Official

- **Transport - £0.353m overspend**

### **Explanation of forecast variance**

Includes an overspend on vehicle fuel due to the national fuel price increase experienced over the course of the financial year, and increased levels of expenditure on parts and equipment for a significant volume of the fleet that have been repaired, rather than replaced due to the ongoing Covid impact.

- **Supplies and Services - £2.154m underspend**

### **Explanation of forecast variance**

Includes previously reported underspends in respect of Communications and Technology (£0.8m), Revenue Consequences of Capital (£0.4m), Council Tax Sharing Agreement (£0.2m), Public Liability Insurance Claims (£0.2m), Forensic Services (£0.1m), 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 provisional outturn include a £0.4m reduction for insurance claims reflecting updated assessment of outstanding liabilities at year-end, the impact of which is included in the annual movement on the Insurance Provision. Further year-end underspends totalling £0.1m on Specialist Operational supplies and services against a range of non-pay budgets.

### **Explanation of adjustments to Original Budget (virements)**

Includes adjustments between income and expenditure for PFCC Commissioning Budgets totalling approximately £4.7m to reflect in-year funding (and corresponding commissioning expenditure) from the Home Office, Ministry of Justice and other partner contributions (in addition to existing base budget allocations totalling £4.8m), offset by Safer Streets rounds 2 and 3 funding of £1.755m that has been appropriated to a new earmarked reserve for utilisation in 2022/23. Previously reported adjustments to Original Budget, up to and including Month 12, total £0.135m.

- **Third Party Payments - £0.010m overspend**

### **Explanation of adjustments to Original Budget (virements)**

The adjustments from Original Budget to the Revised Budget reflect the other side of some of the adjustments noted under Police Officer Pay, Police Staff Pay, and Supplies and Services. Previously reported adjustments to Original Budget, up to and including Month 12, total £1.602m.

- **Income - £0.380m underspend**

### **Explanation of forecast variance**

Surplus income includes a COVID Tax Income Compensation Scheme grant, a NPAS rebate from the Metropolitan Police Service with regards to Lippitts Hill, and further items reported at Provisional Outturn as documented in Section 3.2 of the report (i.e. Miscellaneous Home Office grants, 7 Forces income, firearms certificates, vehicle seizure income, externally funded motor repairs, vehicle disposals and insurance recoveries). This surplus income is partially offset by an agreed reduction in recharge to Manchester Airport Group for the Policing of Stansted Airport in the first quarter of the financial year

## Official

(decreased at Provisional Outturn stage), a shortfall in connection to the private hire income budget which has been adjusted as part of 2022/23 budget setting, and a shortfall in connection to Magistrates Costs awarded.

### **Explanation of adjustments to Original Budget (virements)**

Includes adjustments between income and expenditure for PFCC Commissioning Budgets totalling approximately £4.7m to reflect in-year funding (and corresponding commissioning expenditure) from the Home Office, Ministry of Justice and other partner contributions (in addition to existing base budget allocations totalling £4.8m). Previously reported adjustments to Original Budget, up to and including Month 12, total £6.155m.

- **Capital and Other Adjustments**

### **Explanation of adjustments to Original Budget (virements)**

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 – £0.185m Overspend**

### **Explanation of forecast variance**

Contribution to Chief Constables Operational C/Fwd of £0.185m to be held at maximum amount of £0.750m, as permitted within financial regulations.

- **Contribution to General Reserve - £1.882m**

### **Explanation of forecast variance**

Contribution to the General Reserve of £1.882m, representing the 2021/22 force underspend, pending further potential adjustments for the creation of an Insurance Reserve, immediate detriment costs on Police Officer retirements and Op Allard Reserve / Provision calculations.

## 3.3 Main Outturn Movements

### Main Changes to Forecast Outturn Variance since Month 12

	Change in Forecast Outturn £m	Virement - Month 12 appropriation £m	Change in Forecast Outturn Variance £m	
<b>Month 12 Forecast Outturn Variance</b>	<b>(0.6)</b>		<b>(0.6)</b>	<b>Underspend</b>
Police Officer Pay and Allowances	(0.2)		(0.2)	Adjustments made in the March payroll, to include funding contribution for Ch/Insp and Insp for Violence & Vulnerability unit from PFCC V&V Commissioning Budget.
Police Staff Pay and Allowances	0.1		0.1	Adjustments made in the March payroll, to include year end movement on Kent recharges for collaborative departments.
Police Officer Overtime	(0.1)		(0.1)	Underspend in relation to unallocated in-year funding in respect of Force Tasking and Op Sunshade.
Other Employee Expenses	(0.1)		(0.1)	As part of the planned review of the level of Redundancy Reserve that is likely to be required in future years, it has been identified that the balance on the reserve can be reduced by £0.1m. This has been appropriated back into the revenue account to be returned to the General Reserve.
Premises	(0.1)	(0.2)	0.1	Includes a virement of £0.2m for Estates consultancy work to be placed in the Transformation Reserve for utilisation in 2022/23, as agreed at Month 12. Also includes a further underspend of £0.1m on utilities expenditure across the force.
Transport	0.4		0.4	National fuel prices have increased 16% over the final quarter of the financial year. A Large volume of vehicles are being repaired rather than replaced due to the ongoing impact from COVID. The price of parts has been volatile throughout the financial year and a delay in receipt of supplier invoices resulted in unaccounted spend at financial year end.
Supplies & Services	(0.5)	(1.7)	1.2	Includes a virement of £1.755m for PFCC Safer Streets contribution to earmarked reserves, as agreed at Month 12. Includes a £0.4m reduction for insurance claims reflecting updated assessment of outstanding liabilities at year-end, the impact of which is included in the annual movement on the Insurance Provision. The provisional outturn variance includes a reduction for two EL claims which comprise £0.2m of the variance, with the remainder spread across other EL, PL and motor claims. Further year-end underspends totalling £0.1m on Specialist Operational supplies and services.
Third Party Payments	(0.1)		(0.1)	7 Force underspend mainly relates to the project team within 7 Forces. This team has been subject to a recent business case to review the workload and distribution of projects remaining for 7 Forces, resulting in the team being significantly reduced for 2022/23.
Income	(0.6)	(0.1)	(0.5)	Includes a virement of £0.1m for quarterly POCA ARIS income to earmarked reserves, as agreed at Month 12. The outturn variance includes: miscellaneous Home Office grants that were received at financial year end and are awaiting details from the Home Office as to what workstreams they relate to (£0.1m); a reduction in the Stansted Airport rebate to MAG which is partly offset by increased force funded overtime and officer pay costs (£0.1m); a reduction to 7 Forces Income, representing full cost recovery from forces on payroll related expenditure that effectively underspent (£0.1m); further underspend relating to Firearms certificates and Vehicle Seizure Income was recognised at financial year end, due to increased levels of activity (£0.05m and £0.08m, respectively); an increase to the external motor repairs carried out for City of London Police, for which costs are recharged (£0.04m); increased level of income received for vehicle disposals less than £10k based on year on year comparison (£0.03m); and insurance recoveries income increased during the last quarter of 2021/22 due to additional resource allocated towards insurance recoveries (£0.06m).
Contribution to/(from) Earmarked Reserves	0.0	2.0	(2.0)	Includes a series of virements for appropriations to earmarked reserves agreed at Month 12 for PFCC Safer Streets, Estates consultancy work and quarterly POCA ARIS income.
Further Variances	(0.1)		(0.1)	Various changes across the force to reflect latest information which are less than £100k.
<b>Provisional Outturn Variance</b>	<b>(1.9)</b>	<b>0.0</b>	<b>(1.9)</b>	<b>Underspend</b>

## 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	<b>Officer strength - month end (note 9)</b>	<b>3,358</b>	<b>3,421</b>	<b>3,404</b>	<b>3,387</b>	<b>3,476</b>	<b>3,459</b>	<b>3,522</b>	<b>3,505</b>	<b>3,568</b>	<b>3,551</b>	<b>3,534</b>	<b>3,553</b>	
9	<b>Difference to 3,553 FTEs - over / (under)</b>	<b>(195)</b>	<b>(132)</b>	<b>(149)</b>	<b>(166)</b>	<b>(77)</b>	<b>(94)</b>	<b>(31)</b>	<b>(48)</b>	<b>15</b>	<b>(2)</b>	<b>(19)</b>	<b>0</b>	
	<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	<b>Monthly Budget (note 5 &amp; 6)</b>	<b>£15.36m</b>	<b>£15.59m</b>	<b>£15.51m</b>	<b>£15.43m</b>	<b>£15.78m</b>	<b>£15.70m</b>	<b>£15.93m</b>	<b>£15.85m</b>	<b>£16.08m</b>	<b>£16.00m</b>	<b>£15.92m</b>	<b>£15.96m</b>	<b>£189.12m</b>

2021/22 Outturn Strength - Based on HR information received 20th April 2022

2021/22 Outturn Strength - Based on HR information received 20th April 2022														
Strength	Actual 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	
17	1st April 2021 Strength	3,413	3,409	3,391	3,437	3,414	3,494	3,473	3,530	3,522	3,509	3,552	3,539	
18	Leavers (note 7)	(8)	(20)	(16)	(24)	(18)	(22)	(16)	(12)	(15)	(21)	(16)	(25)	(213)
19	Starters (note 8)	4	2	62	1	98	1	73	4	2	64	3	58	372
20	Net change	(4)	(18)	46	(23)	80	(21)	57	(8)	(13)	43	(13)	33	159
21	Officer strength - month end	3,409	3,391	3,437	3,414	3,494	3,473	3,530	3,522	3,509	3,552	3,539	3,572	
22	Difference to 3553fte - over / (under)	(144)	(162)	(116)	(139)	(59)	(80)	(23)	(31)	(44)	(1)	(14)	19	
Actuals /Forecast £	Actual £													
	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 (note 10)	£14.89m	£15.60m	£15.40m	£15.67m	£15.73m	£16.73m	£16.07m	£16.18m	£16.19m	£16.92m	£16.17m	£17.08m	£192.63m
24	2021/22 Leavers													
25	2021/22 Starters													
26	Other Costs													
27	Monthly Actual	£14.89m	£15.60m	£15.40m	£15.67m	£15.73m	£16.73m	£16.07m	£16.18m	£16.19m	£16.92m	£16.17m	£17.08m	£192.63m

Variance from Budget Setting

Variance from Budget Setting														
	Actual 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	27	18	14	8	17	(59)	1	5	
29	Leavers (positive number = less leavers)	11	(1)	3	(5)	1	(3)	3	7	4	(2)	3	(6)	15
30	Starters	(4)	(80)	60	(1)	(10)	(1)	(9)	2	(80)	62	1	20	(40)
31	Month End Strength Change - FTEs	51	(30)	33	27	18	14	8	17	(59)	1	5	19	(25)
32	Change per month FTEs	7	(81)	63	(6)	(9)	(4)	(6)	9	(76)	60	4	14	
	Actual £													
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
33	Monthly Financial Change	(£0.47m)	£0.01m	(£0.11m)	£0.24m	(£0.05m)	£1.03m	£0.14m	£0.33m	£0.11m	£0.92m	£0.25m	£1.12m	£3.51m

**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
- 10 Actual cost for March includes costs accrued as part of closure processes

## 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		INTAKE		INTAKE		INTAKE		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)	
	<b>Net Impact</b>												<b>127,578</b>		

	April		May		June		July		August		September		October		November		December		January		February		March <sup>2</sup>		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)
	<b>Net Impact</b>																						<b>637,888</b>		

	April		May		June		July		August		September		October		November		December		January		February		March <sup>2</sup>		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)
	<b>Net Impact</b>																						<b>1,275,777</b>		

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

FTE Changes Effecting Pay Forecasts - 2021/22 Month 12

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 @ 28 Feb 22	3,555	3,539	3,413	346	26	(209)	2	3,578
HR data @ 31 Mar 22	3,555	3,572	3,413	346	26	(213)	0	3,572
Change	0	33	0	0	0	(4)	(2)	(6)

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 @ 28 Feb 22	2,319	2,164			214	(204)
HR data @ 31 Mar 22	2,319	2,151			223	(226)
Change	0	(13)	0	0	9	(22)

\* 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 @ 28 Feb 22	103	95	105	101	8	(15)	0	94
HR data @ 31 Mar 22	103	94	105	101	8	(15)	0	94
Change	0	(1)	0	0	0	0	0	0

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 @ 28 Feb 22	478	600
HR data @ 31 Mar 22	465	600
Change	(13)	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	Provisional Outturn Contribution 2021/22 *	In-Year Allocation 2021/22	31st March 2022 - Closing Balance	Description of Earmarked Reserve
<b>1 Reserves held by Essex Police but managed as third party reserves</b>							
Op Dagenham Maintenance Reserve	£0.110m			£0.014m	(£0.032m)	£0.092m	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.
<b>Total</b>	<b>£0.110m</b>	<b>£0.000m</b>	<b>£0.000m</b>	<b>£0.014m</b>	<b>(£0.032m)</b>	<b>£0.092m</b>	
<b>2 Project Reserves</b>							
IT Convergence	£0.000m	£1.200m			(£1.200m)	£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.
<b>Total</b>	<b>£0.000m</b>	<b>£1.200m</b>	<b>£0.000m</b>	<b>£0.000m</b>	<b>(£1.200m)</b>	<b>£0.000m</b>	
<b>3 Ringfenced Reserve</b>							
Proceeds of Crime Act	£2.134m	(£0.402m)	£0.538m	£0.015m	(£0.238m)	£2.047m	POCA Reserve holds receipts received through the Asset Recovery Incentive Scheme to fund crime reduction related expenditure.
Forfeiture Monies Reserve	£0.265m		£0.109m	£0.052m		£0.426m	Forfeiture Monies Reserve holds funds transferred from the Misuse of Drugs Act Seizures Fund.
Restructuring Reserve	£0.234m		£0.900m		(£0.111m)	£1.023m	Reserve to help fund future years restructuring costs (Redundancies, LGPS Financial Strain and relocation expenses).
Operational Transformational Reserve (OTR)	£0.831m				(£0.352m)	£0.479m	OTR report is submitted to OPFCC Performance and Resources Board on a quarterly basis. Drawdown requested to utilise remaining fund in 2022/23.
Transformation Reserve	£1.764m		£0.314m		(£0.968m)	£1.110m	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	Data Analytics and Visualisation Tool. Residual balance at year end will be reflected in 2022/23 budget setting to partially meet the expenditure for 22/23.
Legal Reserve	£0.741m		£0.566m	£0.010m		£1.317m	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.
PEQF Reserve	£0.291m		£0.035m			£0.326m	PEQF mobilisation costs to be used for the introduction of the new PEQF training programme.
Restricted Grant Reserve	£0.000m		£0.081m	£0.022m		£0.103m	Reserve to hold unspent balances of grants that must be recognised as income ahead of the eligible expenditure being incurred. Includes Witness Care grant (£81k), Op Caesar (£12k) and Op Grip (£10k).
<b>Total</b>	<b>£6.317m</b>	<b>(£0.402m)</b>	<b>£2.543m</b>	<b>£0.099m</b>	<b>(£1.698m)</b>	<b>£6.859m</b>	
<b>4 Operational Reserves</b>							
Major Operational Reserve	£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	COVID Roadmap Violence Reduction Reserve used for the purposes of Operation Sunshade. 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		£0.185m		(£0.435m)	£0.750m	Operational Carry Forward held at maximum of £0.750m, as permitted within financial regulations.
Specials Constabulary Reserve	£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	£2.259m	£0.052m		£4.359m	Balance will be utilised in 2022/23 and/or subsequent years - see capital narrative within the monitoring report for detailed explanation of the figures.
<b>Total</b>	<b>£4.783m</b>	<b>£1.442m</b>	<b>£2.444m</b>	<b>£0.052m</b>	<b>(£1.738m)</b>	<b>£6.983m</b>	
<b>5 PFFC Reserves</b>							
Commissioning Grants 2020/21 to 2021/22	£1.089m			£0.329m		£1.418m	£1.418m for OPCC commissioning grants are carried forward to 2022/23.
Safer Streets rounds 2 and 3	£0.000m		£1.755m			£1.755m	Safer Streets rounds 2 and 3, as agreed at December 2021 Strategic Board.
<b>Total</b>	<b>£1.089m</b>	<b>£0.000m</b>	<b>£1.755m</b>	<b>£0.329m</b>	<b>£0.000m</b>	<b>£3.173m</b>	
<b>6 General Reserve</b>							
General Reserve	£13.162m	(£1.200m)	£3.018m			£14.980m	The 2020/21 General Reserve opening balance and closing balance is £13.162m and £14.980m, which represents 4.0% and 4.5% of the 2021/22 force budget of £330.3m, respectively. 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 for the unutilised balance of the IT convergence reserve and £1.882m representing the 2021/22 provisional force underspend.
<b>Total Revenue Reserves</b>	<b>£25.461m</b>	<b>£1.040m</b>	<b>£9.760m</b>	<b>£0.494m</b>	<b>(£4.668m)</b>	<b>£32.087m</b>	

\* To note appropriations to earmarked reserves as part of Provisional Outturn, subject to decision sheet approval

# 6. Capital

## 6.1 Capital Summary

### CAPITAL PROGRAMME 2021/22 OUTTURN POSITION SUMMARY REPORT

	2021/22 Original Budget PF&C Panel	2021/22 Forecast Outturn Month 12	2021/22 Final Outturn	2021/22 Outturn Variance to Budget (Appendix 1)	2021/22 Outturn Variance to Forecast
	£000	£000	£000	£000	£000
<b>EXPENDITURE -</b>					
ANPR projects	230	147	147	(83)	0
Estates projects	6,239	7,663	7,547	1,308	(117)
IT projects	1,361	2,687	2,653	1,292	(35)
Transport projects	301	1,354	1,380	1,079	26
OPC projects	0	126	111	111	(15)
SCD projects	0	119	119	119	(0)
Other projects	351	252	214	(137)	(38)
<i>Subject to Approval projects</i>	<i>10,597</i>	<i>0</i>	<i>0</i>	<i>(10,597)</i>	<i>0</i>
<b>TOTAL EXPENDITURE</b>	<b>19,079</b>	<b>12,348</b>	<b>12,170</b>	<b>(6,909)</b>	<b>(178)</b>
<b>FINANCING -</b>					
Capital Receipts	5,620	4,176	4,273	(1,347)	97
Revenue Contributions	3,046	0	32	(3,014)	32
Capital Grant	251	251	251	0	0
External & Other Income	303	56	0	(303)	(56)
Financing Requirement	9,859	7,865	7,614	(2,245)	(251)
<b>TOTAL FINANCING</b>	<b>19,079</b>	<b>12,348</b>	<b>12,170</b>	<b>(6,909)</b>	<b>(178)</b>

- 1 The Forecast Budget Variance reflects all changes to the capital programme since the original budget was approved at the PF&C Panel. The £6.909m underspend incorporates slippage and other changes, as set out in Appendix 1.
- 2 The outturn variance to forecast column represents a comparison of the draft outturn to the month 12 forecast position.
- 3 The financing model has been updated as per the separate working paper.
- 4 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, there has no requirement to externally borrow in 2021/22. In relation to the total financing requirement of £7.614m within the above table, this has been fully met by a corresponding amount of internal borrowing.

## 6.2 Capital Summary – Supporting Commentary

The final capital outturn position for 2021/22 is comprised of actuals plus accruals with the overall underspend equating to £6.909m compared to the original approved budget of £19.1m, as set at the February Police Fire & Crime Panel. There has been a reduction of £0.178m between the final outturn position compared to the forecast outturn reported in month 12.

The **movement** of £0.178m is represented by the following changes:

- An overall reduction in IT expenditure of £35k including a reduction of £103k expenditure due to delivery of IT equipment previously reported, offset by various overspends within the IT capital programme of £69k relating to the Data Centre Migration project and the Digital interview replacement programme.
- A reduction in Estates expenditure of £117k for various capital projects due to the overall slippage within the Estates capital programme, with further commentary on this slippage provided later in this report. The slippage of £149k includes £30k for the Locker Replacement project, £38k for Grays Office Space Conversion, £47k for Chelmsford Police Station, £23k for various smaller projects offset by £32k relating to Op Dagenham planned maintenance.
- The small increase in transport expenditure of £26k relates to the Fleet Replacement Programme because of delivery of vehicles previously reported as slippage.
- Other reductions in expenditure totalling £53k are for various smaller projects of which £15k relates to the OPC capital programme due to delays in delivery and a decrease of £38k expenditure for other projects.

The final outturn position for 2021/22 is **£6.909m** (as per Appendix 1) and is 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 was completed on the 24th of August 2021.
- £5.190m of Subject to Approvals transferred into the approved programme during 2021/22, across the headings set out in Appendix 1 (**net movement £0m**). Where the approved bid includes either additional or a reduction in funds, these are included in the other columns.
- **Additions of £3.5m** including the Data Centre Migration Project £1.3m and several projects approved at the Strategic Board in December relating to the capitalisation of the revenue underspend of £1.1m, added to the programme in month 9 with a further £0.210m added to the programme in month 10. This included additional spend on the Grays Office Space Conversion project. 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. A further £32k has been added to the Estates capital programme for Op Dagenham planned maintenance, with this expenditure being fully funded from the corresponding earmarked reserve.
- **Advanced works reflecting decreases 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 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.
- **Decreases of £11.177m due to slippage into future years** including the impact of Subject to Approvals £3.60m, Fleet Replacement Programme £1.474m, Estates projects £4.35m, IT projects £0.93m, OPC projects £0.450m, SCD projects £0.038m, ANPR project £0.156m and various other projects £0.186m.

The final outturn position for 2021/22 for the Fleet Replacement Programmes is reporting an overall slippage of £1.474m which continues to reflect the ongoing pressures the Transport team face in respect of significant vehicle delivery delays due to the ongoing issues with the National Vehicle Framework agreement and worldwide shortage of semi-conductor chips This is the principal reason for the slippage being recognised. There were some improvements towards the end of 2021/22 represented by an increase in expenditure of £0.026m compared to the forecast outturn position. In addition to the existing challenges mentioned above, the Transport team are now facing further challenges due to the Russia / Ukraine conflict and the current position in China and Asia due to their new COVID lockdown, thus impacting the overall availability and supply of components worldwide.

As can be seen elsewhere in this report the final outturn for the capital programme continues to report significant slippage for the period, totalling £11.177m compared to the forecast outturn reported for the year. The force continues to be faced with delays in the delivery of the capital programme including problems with supply chains, shortage of labour, maintaining safe working arrangements and other similar issues due to the ongoing effects of the pandemic. In addition, there are internal resourcing issues in respect of recruiting to key vacant positions within Estates Services contributing considerably to the delay in delivery of their major capital schemes. The pandemic continues to present significant challenges for the feasibility and delivery of the capital programme due to the impact of COVID-19 in 2021/22 and the way this has shaped capital spending plans for 2021/22 and future years

The outturn position for the financing reflects the optimal allocation of capital resources over the medium-term financial period to minimise costs to the force.

The capital receipts are £5.2m for 2021/22, with £4.27m of this money being used to finance the Capital Programme in 2021/22. £4.33m of revenue contributions to capital are forecast to be carried forward to fund the 2022/23 programme, including the element of 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 period. 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 in 2021/22 is forecast at £7.614m which equates to approximately 63% of the year's financing plan, however this is subject to changes once the actual outturn has been agreed. As previously expected there has been no requirement to source any external borrowing during 2021/22.

Appendix 1

**CAPITAL PROGRAMME 2021/22 OUTTURN 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
<b>FORECAST OUTTURN VARIANCES</b>							
ANPR projects	0	0	82	0	(9)	(156)	(83)
Estates projects	4,918	948	1,463	0	(1,672)	(4,351)	1,307
IT projects	259	1,420	1,890	(667)	(609)	(930)	1,363
Transport projects	319	2,200	16	0	(2)	(1,474)	1,061
OPC projects	6	528	20	0	(72)	(450)	32
SCD projects	53	61	56	0	(12)	(38)	119
Other projects	44	33	0	0	(19)	(186)	(129)
<i>Subject to Approval projects</i>	0	(5,190)	0	0	(1,795)	(3,593)	(10,578)
<b>TOTAL VARIANCES TO BUDGET</b>	<b>5,599</b>	<b>-</b>	<b>3,526</b>	<b>(667)</b>	<b>(4,191)</b>	<b>(11,177)</b>	<b>(6,909)</b>