

## PFCC Decision Report

**Report reference number:** 129-22

**Classification Official**

**Title of report:** Increase to the Southeast Allowance

**Area of county / stakeholders affected:** Essex Police Officers

**Report by:** Chief Constable BJ Harrington

**Chief Officer:** Chief Constable BJ Harrington

**Date of report:** 2 August 2022

**Enquiries to:** Chief Constable BJ Harrington

### 1. Executive Summary

This report sets out a proposal to increase the Southeast Allowance for police officers currently entitled to receive this<sup>1</sup> to the maximum of £3,000 per annum with effect from September 2022. The in-year cost for 2022/23 would be £1.177m and the full year ongoing cost would be £2.1m per annum. This report sets out the rationale for this increase alongside the budget proposal to fund this within the current year and the Medium-Term Financial Plan for future years. The payment will be reviewed on a regular basis in line with affordability and a commitment to review the payment is the nationally-set maximum is raised.

### 2. Recommendations

For the reasons set out in this report the PFCC for Essex is recommended to approve:

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<sup>1</sup> Payable to regular officers not in receipt of Housing or Rent Allowances.

- 1) The Southeast Allowance for eligible Essex police officers be increased to £3,000 per annum.
- 2) This be paid with effect from September 2022 pro rata for the remaining 7 months at a cost of £1.177m in 2022/23 and to take full effect in 2023/4.
- 3) General reserve to be utilised to fund this cost of £1.177m in 2022/23.
- 4) The costs in 2023/24 and each future financial year of £2.1m to be built into budget requirements for forthcoming years in the MTFs through budget setting (with potential options set out below).

### **3. Background to the Proposal**

Essex Police continues to grow, supported by the investment through precept raised by the PFCC and the Police Uplift Programme (PUP). This will see the FTE officer establishment grow to 3,755 by March 2023. This is a growth of 905 officers since 2018.

This rapid growth had been enabled by a buoyant recruitment market and a very active and successful recruitment campaign, onboarding and training programme by Essex Police. Comprehensive plans are in place to meet 2022/23 targets but there are significant challenges to these from several external and environmental factors.

The overall pool of applicants is dwindling and as a result there are less people applying to Essex. Equally other forces are actively and aggressively recruiting in competition for the same candidate pool. The reasons for a dwindling talent pool are unclear but these include societal changes following the pandemic and trust and confidence issues with policing as a career following several high-profile national cases.

Police pay scales are set nationally but the Metropolitan Police Service (MPS) and City of London Police (CoLP) pay London Weighting and London Allowance (totalling £7,304) which means they pay £4,804 more than Essex (when current southeast allowance of £2,500 is removed from the London allowance) for all ranks. In addition, the MPS is and has been offering a one-off Target Variable Payment (TVP) of £5,000 for any officers (outside of their probationary period) to join the MPS. Despite protestations from neighbouring forces this has been directly targeted at surrounding areas such as Essex. As Essex has historically seen a migration of officers to the MPS and CoLP this will have an impact on retention of officers in Essex.

Other forces in the southeast are equally looking to meet growth targets with active campaigns. Hertfordshire has increased its southeast allowance to the maximum of £3,000 and other forces are actively considering this. This will further impact on Essex's recruitment and retention.

Although at a recent record low, the level of officers leaving Essex Police is steadily growing with an increasing number citing financial pressures. This has been reported in the updates provided to the PFCC via the Performance and Resources Board. In April, May and June 2022, the average number of leavers has risen to 24 per month and the assumption set for the coming

months has been increased to 29. This is up from the baseline assumption of 19 set in the recruitment and financial plans for 2022/23.

Newly available data from the PUP team includes national transfer data for all forces and shows that there are currently 33 Essex officers who have transfer applications in place for the MPS and 43 with other forces across the country with Suffolk as the largest other single force with 13 applicants. Our normal transferee rate is about 2 per month. Therefore, whilst not all of these will result in successful transfer, this is an additional and significant pressure on retention and threatens our growth programme.

Added to this there remains a steady flow of retirements and resignations from the force now that the jobs market is increasingly buoyant and as there is now clarity about the remedy and implications of the McCloud judgment relating to changes to police officer pensions.

Essex Police has an ambitious target to grow by 200 officers this year and, with existing attrition, planned to recruit 408 new officers to ensure we meet the planned end of year establishment of 3,755. The majority come as new recruits and, although previously intakes have been full, we are seeing the impact and numbers reducing. Our June intake is short by 21 officers (21% down), and our August intake is expected to be 7 officers (10%) short. This is despite intense efforts to fulfil the required numbers.

There has been significant additional focus by Essex around attraction, recruitment and onboarding in recent months. We brought forward the media campaign and the recruitment, vetting and training teams have been working flat out.

Essex Police has also already increased capacity by 60 recruits through additional IPLDP recruitment planned evenly for October 2022, January 2023, and March 2023.

A projection of leavers and joiners is set out as follows.

Table 1.<sup>2</sup>

Essex Officers	Strength (FTE)											
	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Projected Leavers	21.00	21.00	21.00	21.00	25.00	29.00	29.00	29.00	21.00	21.00	21.00	21.00
Confirmed Leavers	28.00	18.75	21.00	21.00	19.21	15.00	3.00	5.00	1.00	0.00	0.00	1.00
Confirmed/Projected Joiners (All Entry Routes)	0.00	0.00	79.00	0.00	73.00	8.00	100.00	0.00	0.00	100.00	0.00	76.00
Confirmed/Projected Transfers in	0.86	0.00	2.00	1.00	2.00	16.00	4.00	2.00	0.00	0.00	0.00	0.00
Confirmed/Projected Month End Str FTE	3543.13	3524.69	3584.59	3564.64	3620.43	3615.43	3690.43	3663.43	3642.43	3721.43	3700.43	3755.43
Projected Establishment	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00	3755.00
Variance (Est vs Str)	-211.87	-230.31	-170.41	-190.36	-134.57	-139.57	-64.57	-91.57	-112.57	-83.57	-54.57	0.43

Attrition for the period April to July 2022 was 88.75 fte (monthly average of 22.19), which is marginally higher than the projected attrition of 84.00 (average of 21.00). The primary reason for it being higher is due to a total of

<sup>2</sup> The transferee profile provided is consistent with the live transferee applications the force are currently working on and projected joining dates as submitted as part of the national uplift tracker. Note, these are subject to change.

28.00 leavers in April 2022 compared to a projection of 21.00, however, since then it has stabilised broadly in line the projection.

In the current year, the force needs to recruit a further 381 individuals (new joiners and transferees). If this number is 20% below the requirement there is a significant risk that the force will not achieve a strength equal to the working establishment of 3,755. More critically (based on 20% under recruitment), there is the potential that the force could miss the original PUP allocation by 15 (or 55 when accounting for the additional uplift of 40 the force has been allocated) with the associated loss of national funding.

It should also be noted that whilst the attrition profile has been adjusted to account for an increase in transferees out of the force, there is a risk transferees could increase to a number beyond that adjustment as a result of the aforementioned aggressive transferee campaigns.

As has been previously reported, the service profile of the force is changing with 40.58% of officers with <5 years' service. This provides opportunities to train and develop 21<sup>st</sup> century digital native officers but does mean that the need to retain experience is ever greater. With retirements and transfers we lose experience to other forces making retention an even more critical issue.

In summary these factors together present a significant potential threat to Essex Police's growth ambition and in turn operational delivery.

There is significant investment within Essex in the progression, support and development of officers and this is noted with a provisional 'good' assessment within the draft Essex Police HMICFRS PEEL assessment. This investment will continue. However, the evidence and feedback from the Police Federation supported by financial data from PMAS (attached at appendix B) is that the cost of living and impact on officers is having a significant detrimental impact and this will undoubtedly negatively impact both recruitment and retention.

The recent pay settlement for officers is welcomed and will make a difference, but this does not address the differences between the MPS and CoLP allowances and of course any financial differential with neighbouring forces. Whilst people do not join Essex Police solely for the money, these pay differences have a significant impact and particularly to those shortest in service and, in the professional assessment of the force, will negatively impact recruitment and importantly, retention.

Equally the psychological impact of Essex Police ensuring that remuneration for officers is at the maximum possible and affordable is essential in engendering loyalty to encourage retention.

Therefore, the recommendation is made for the PFCC to approve the financial spend to enable the Chief Constable's proposal to increase the southeast allowance to £3,000 per annum for eligible officers with effect from September 2022 from £2,500. The additional £500 being paid pro rata for the remaining 7 months of 2022/23 with full effect from 2023/24 onwards.

The previous increase to the Southeast Allowance of £500 was made from 1 April 2022 which means that a total increase of £1000 is being made in the space of a year.

#### **4. Proposal and Associated Benefits**

The associated benefits will be to maintain recruitment and retention to achieve growth ambitions to support the Force Plan and the Police and Crime Plan strategic priorities.

The proposal to raise the southeast allowance is straightforward, but the financial options and consideration are more complex and set out below.

#### **5. Options Analysis**

Doing nothing is not an option for the reasons set out in this report.

The preferred option is set out in the recommendations. Whilst this presents a financial risk based upon assumptions of savings, funding and the assumed impact of the police staff pay award being raised to 5%, it is assessed that there is sufficient flexibility within the Essex Police budget setting process and MTFs along with business cases for change and efficiency to mitigate these. Essex Police has a proven record of making savings and there are significant business cases in train that will provide the opportunity for this.

There is an option to await the impact of the pressures and issues set out in section 3 and then consider how this proposal is funded for 2023/24 with further financial information and certainty about budget setting. Whilst this would reduce the financial risk this would not properly deal with the risk to growth and subsequent operational capability to meet ambitions. The evidence around recruitment and retention is clear and delaying a decision as part of wider budget setting would mean we continue to struggle to recruit and retain officers with the associated impact. Furthermore, it is believed that signs of operational impact already exist and waiting for certainty will mean mitigations are less effective.

#### **6. Consultation and Engagement**

Discussed and agreed by the Chief Officer Group and has the support of the Police Federation and Superintendents Association locally.

#### **7. Strategic Links**

The proposal directly supports the capacity and capability of Essex Police both to meet the ambition to reach 3,755 FTE as well as the PUP. Equally, it is an enabler to achieve Police and Crime Plan strategic objectives, with direct links to all 12 priorities through the Force Plan.

#### **8. Police operational implications**

The proposal does not have any direct operational implications as it relates to remuneration. Although the operational justification is made out above.

## 9. Financial implications

### Police Officer Pay Award

The police officer pay award for September 2022 was announced on 19<sup>th</sup> July. All police officers will get £1,900 salary uplift. This is equivalent to 5% overall, with those on the lowest pay points receiving up to 8.8% and between 0.6% and 1.8% for the highest pay points.

The force had budgeted for a 2.5% pay award from September 2022 and had included an additional 0.5% in the MTFS for 2023/24. The cost pressure from the pay award being greater than budgeted is as follows:

**Table 2a – Officer Pay Award**

	2022/23	2023/24	2024/25
	£m	£m	£m
Additional cost of pay	3.035	5.389	5.389
Home Office Contribution *	(1.610)	(3.220)	(3.220)
<b>Cost Pressure</b>	<b>1.425</b>	<b>2.169</b>	<b>2.169</b>
Additional 0.5% in MTFS	0	(0.800)	(0.800)
<b>Residual Cost Pressure</b>	<b>1.425</b>	<b>1.369</b>	<b>1.369</b>

\*Based on 2.3% share of £70m in 22/23 and £140m in the last 2 years.

Police staff operating under Police Staff Council were awarded 2.1% backdated to April 2022, but Unison has entered into further negotiation and it is anticipated that this will be raised to 5% overall, a further increase of 2.9%.

**Table 2b – Police Staff Pay Award Assumption of 5%**

	2022/23	2023/24	2024/25
	£m	£m	£m
Additional cost of pay	1.473	2.525	2.525
<b>Residual Cost Pressure</b>	<b>1.473</b>	<b>2.525</b>	<b>2.525</b>

### Southeast Pay Allowance

The cost of increasing the South-East Pay Allowance by £500 to £3,000 is £2.1m per annum. The cost of actioning the increase from September 2022 would be £1.177m in 2022/23.

### MTFS

The impact of the pay award, the increased South-East Pay Allowance, and a council tax rise is set out below.

**Table 3 – MTFS Movements**

	2023/24	2024/25	2025/26	2026/27	2027/28	5 Year Total
June SB	(3.2)	1.5	0.0	1.0	2.7	2.0
Opening budget impact	0.0	10.7	10.9	11.0	11.1	43.7
Pay Award less grant	8.6	0.2	0.1	0.1	0.0	9.0
Home Office grant	(3.2)	(3.2)	(3.2)	(3.2)	(3.2)	(16.0)
SE Allowance	2.1	0.0	0.0	0.0	0.0	2.1
Council Tax increase	(3.1)	(3.3)	(3.4)	(3.6)	(3.7)	(17.1)
Increase/(Decrease)	4.4	4.4	4.4	4.3	4.2	21.7
New Total (shortfall)/surplus	(7.6)	(2.9)	(4.4)	(3.3)	(1.5)	(19.7)
Remove Savings Target	(3.0)	(3.0)	(3.0)	(3.0)	(3.0)	(15.0)
Replace with savings identified	0.6	0.5	0.1	1.2	-	2.4
Adjusted (s hortfall)/surplus	(10.0)	(5.4)	(7.3)	(5.1)	(4.5)	(32.3)

The council tax assumption was previously a 2.5% increase. Table 2 includes an assumption of a rise of £10 in 2023/24 (equivalent to 4.57%) that realises an additional £3.1m in 2023/24. This increases marginally in subsequent years based upon the existing assumption in of 2.5% in 24/25 onwards.

The Home Office grant is included on a recurring basis. The pay awards and Southeast pay allowance are also included on a recurring basis but is difficult to follow from 204/25 onwards as they impact on the opening budget line, whereas the grant and council tax increase do not feed through to the opening budget in this movement model

The shortfall position (shown in yellow) is £7.6m for 2023/24 and assumes the £3m target savings have been found. Savings plans from the Efficiency, Savings and Growth Board indicates that £3m will be achieved, particularly if the non-pay workshops in September realise £1.5m savings. If the actual position to date were noted, the shortfall position (shown in blue) is £10m.

### Affordability

#### **2022/23**

The month 3 position is a forecast overspend of £4.8m, but this includes £5.9m for Op Hazel. Following receipt of mutual aid claims the cost has reduced to £4.8m. Home Office Special Grant has been requested for this.

Table 4

	£m over(under)
Month 3	4.8
Op Hazel adjustment	(1.1)
Pay Award - Officers	3.0
Pay Award – Staff*	1.5
Home Office contribution	(1.6)
SE Allowance	1.2
<b>Forecast 1</b>	<b>7.8</b>
Op Hazel funded	(4.8)
<b>Forecast 2</b>	<b>3.0</b>

Early projections for the month 4 position indicate several new underspends. These are £0.4m reduction on forensics expenditure, £0.4m on income (mutual aid surplus income for Op Unity and Stansted overheads cost recovery), and interest receivable projection of £0.1m. It also appears that the underspend on police staff will increase due to more leavers than starters in July. Equally, police officer reprofiling of leavers from 21 FTE to 29 FTE for the period September to November will generate further underspend.

However, we have not included anything to date to reflect the increase in recharges for Kent police staff in collaborative roles or a further increase on top of the 2.1% police staff pay (Essex) awarded in April 2022.

It is therefore feasible that, although the forecast will change, we will be reporting an underspend if Operation Hazel is fully reimbursed. If it was not fully funded the General Reserve is in a good position to support one-off funding (at 4.2% of force budget).

## 2023/24

The affordability in 2023/24 is more challenging with a £7.6m gap (assuming £3m savings are achieved). As stated above, the savings plan for 2023/24 is progressing well but is not finalised. If everything in the current proposals materialised, the savings would be £3.5m, equally they could be as low as £2.8m.

There are two working groups in progress looking at two workstreams. These are vacancy factors and the revenue consequences of capital programmes. The former will realise savings on top of the current proposals but the scale and conditions i.e., recurring or one off, have yet to be finalised. New



structural reviews will also commence for Contact Management along with changes to Crime and Public Protection which will improve effectiveness and release savings.

The current review of Criminal Justice and Crime and Public Protection will achieve savings, but these must be offset against the 2021/22 shortfall of £0.515m.

Another area to scope is the utilisation of annual recurring budget set aside to fund one-off expenditure. The recurring budget has been £3.3m and, although always utilised, these in-year pressures could be funded from reserves or through in year savings. The MTFs currently has £3.1m set against this budget in 2023/24: Capital programme revenue consequences of £1.5m, Bank Holidays at £0.2m, contractual and legal pressures of £0.5m and service demand of £0.9m. The equivalent budget in 2022/23 was £5.2m.

The Police Uplift Programme (PUP) could potentially deliver £0.800m additional income if the number of recruits exceeds the Home Office target (67 headcount). This income would relate to 2022/23 activity and would not be awarded until 2023/24, therefore there is potential for one-off income in 2023/24 to smooth the cost pressures in year.

There is one unknown risk relating to the potential renegotiation of the Police Staff Council pay settlement as Unison has indicated its intends to do.

Although the 2023/24 budget is not yet balanced, work will continue over the summer and into the autumn, collating information in preparation for the budget workshops in October and November.

Whilst this proposal presents a challenge to Medium Term Financial Plan the Chief Constable and Chief Finance Officer are confident that the Force can deliver a balanced budget for 2023/24.

## **10. Legal implications**

There are no specific identified legal implications.

## **11. Staffing implications**

The proposal is within Police Regulations and is within the remit of the Chief Constable with the support of the PFCC as part of the wider budget authorisation.

## **12. Equality, Diversity and Inclusion implications**

Equality, diversity and inclusion implications have been considered and no direct implications have been identified, although the impact on disparity between police officer and police staff remuneration will be exacerbated.

## **13. Risks and Mitigations**

The significant risk of not achieving force growth proposals, with the associated operational impact on the achievement of strategic objectives, is mitigated by the recommended option.

The financial risk of the recommended option is set out and mitigated in the proposal in section 9.

**14. Governance Boards**

Discussed between PFCC and CC in formal one to one meetings and at Chief Officer Group on 27 July 2022.

Discussed at Extraordinary Strategic Board on 09th August 2022.

**15. Links to Future Plans**

Supports the Force Growth Plan.

**16. Background Papers and Appendices**

Appendix A – Amended MTFS



MTFS and Reserves  
pay award Decision

Appendix B - PMAS Report



ESSEX POLICE  
FINANCIAL WELLBEIN



Essex FWD October  
2021.pptx

**Report Approval**

The report will be signed off by the PFCC’s Chief Executive and Chief Finance Officer prior to review and sign off by the PFCC / DPFCC.

Chief Executive / M.O.

Sign: 

Print: P. Brent-Isherwood

Date: 12 August 2022

Chief Financial Officer

**\*Note**  
*Further work is required on the MTFs. However, this is not expected to result in any difference, that will be material to the affordability criteria for this Decision*

Sign:  \*See Note

Print: Janet Perry

Date: 30 August 2022

**Publication**

Is the report for publication? YES  NO

If ‘NO’, please give reasons for non-publication (Where relevant, cite the security classification of the document(s). State ‘None’ if applicable)

None

If the report is not for publication, the Chief Executive will decide if and how the public can be informed of the decision.

**Redaction**

If the report is for publication, is redaction required:

1. Of Decision Sheet? YES  NO  2. Of Appendix? YES  NO

If 'YES', please provide details of required redaction:

N/A

**Chief Finance Officer / Chief Executive Sign Off – for Redactions only**

If redaction is required, the Treasurer or Chief Executive is to sign off that redaction has been completed.

**Sign:** .....

**Print:** .....

**Chief Executive / Chief Finance Officer**

**Decision and Final Sign Off**

I agree the recommendations to this report:

**Sign:** 

**Print:** Roger Hirst

**PFCC**

**Date signed:** 31st August 2022

I do not agree the recommendations to this report because:

.....  
.....  
.....

**Sign:**

**Print:**

**PFCC/Deputy PFCC**

**Date signed:**