

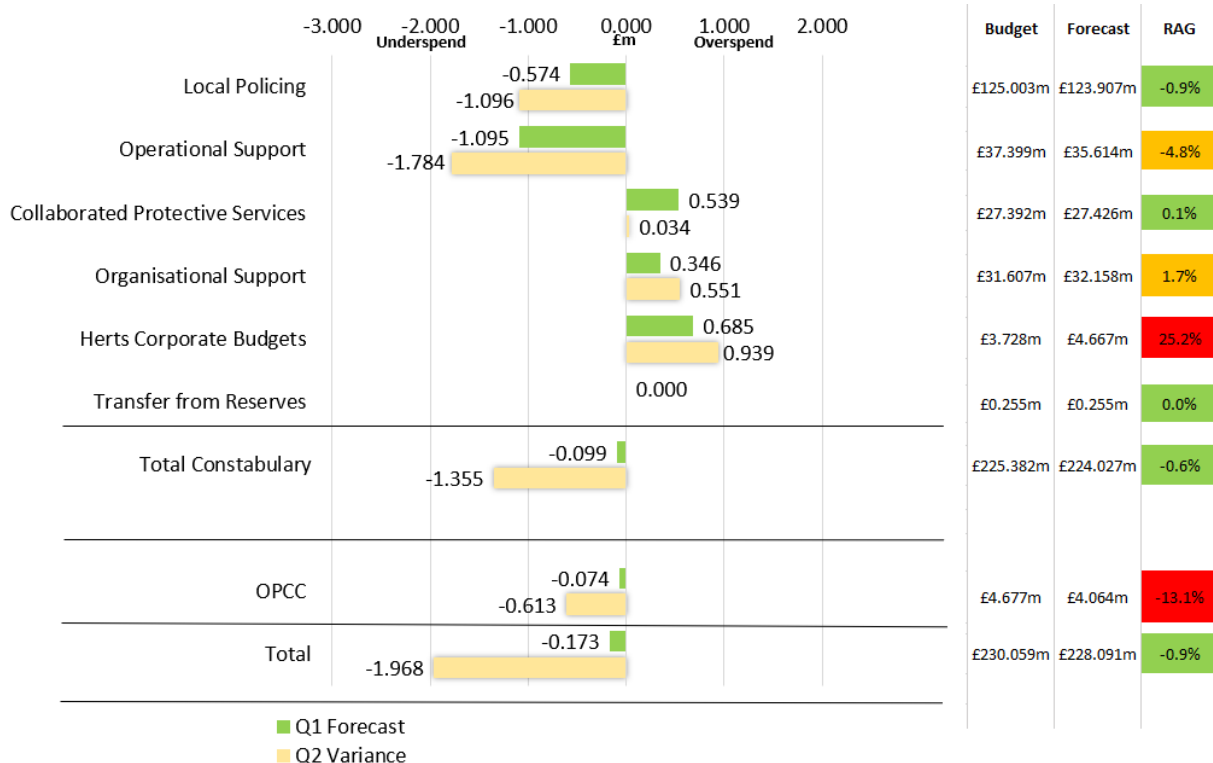
MEETING	Police and Crime Panel
DATE	25 November 2021
TITLE OF REPORT	2021/22 Budget Monitor – Quarter 2
SUBMITTED BY	Director of Resources – Herts’ Constabulary
PURPOSE OF REPORT	To update the PCP on the forecast Quarter 2 position for revenue and capital expenditure compared to the budget for 2021/22.
DECISION(S) REQUIRED	The report is noted
FINANCIAL IMPLICATIONS	This report outlines the financial performance of the organisation against the agreed budget for 2021/22.
RISK IMPLICATIONS	Should the organisation overspend against budgets, the ability to provide services to the public in future years may be compromised. Underspending against budgets may give opportunities to spend on services elsewhere.
LEGAL IMPLICATIONS	No Legal implications.
EQUALITIES IMPACTS	No Equality implications.
FREEDOM OF INFORMATION EXEMPTION SECTION IF APPLICABLE	None

1. SUMMARY MONITOR POSITION 2021/22

- 1.1. The mid-case forecast revenue outturn position is a -£1.355m (-0.6%) underspend against Constabulary budgets and -£0.613m (-13.1%) underspend against OPCC budgets, resulting in a net underspend of **-£1.968m** against a budget of £230.059m (-0.9% variance).
- 1.2. Risks and opportunities relating to the forecast outturn position are discussed in Section 4; the range spans **£2.650m** – the upper end of the range is a potential increase in forecast outturn of **£0.650m** – an underspend position circa -£1.3m (all risks realised and zero opportunities) and the lower end of the range is a potential decrease in forecast outturn of **-£2.000m** – an underspend position of circa -£4.0m (no risks and all opportunities realised).

1.3. The forecast capital position is a net variance of **£2.056m** (£2.656m overspend and -£0.600m slippage) against an overall capital programme of £17.163m. The main areas of variance are the purchase of a site in Watford (£3.409m overspend) and HQ & Gosling (-£0.600m slippage & -£0.120m underspend). Further details are set-out in Section 5.

2. PORTFOLIO REVENUE BUDGET FORECAST POSITION 2021/22



An explanation of the RAG status is set-out in Appendix A.

Red Portfolio Variances

- 2.1. Herts Corporate Budgets (£0.939m overspend), arises predominantly as follows:
- £0.542m relates to spend pressures on police officer pay the majority of which £0.424m is for police officers posted to transitional posts in the Force Account on recuperative duties, project work or setting up Policing education qualifications framework (PEQF) and the balance of £118k overspend against officers undertaking Staff Association duties.
 - £0.268m overspend against a range of non-pay budgets including subscriptions to national police initiatives, Operation Phoenix revenue costs, insurance and capital financing costs.
 - And finally, £118k for Pension and Redundancy costs including capital ill health equivalent payments for police officer early retirements as well as a share of BCH police staff redundancy and pension strain costs.

2.2. OPCC (-£0.613m underspend) this figure arises predominantly against commissioning budgets and results from a lower than planned level of investment in projects to the end of quarter 2. In addition to the stated underspend there exists the opportunity for a further increase to the underspend, see Section 4 for details.

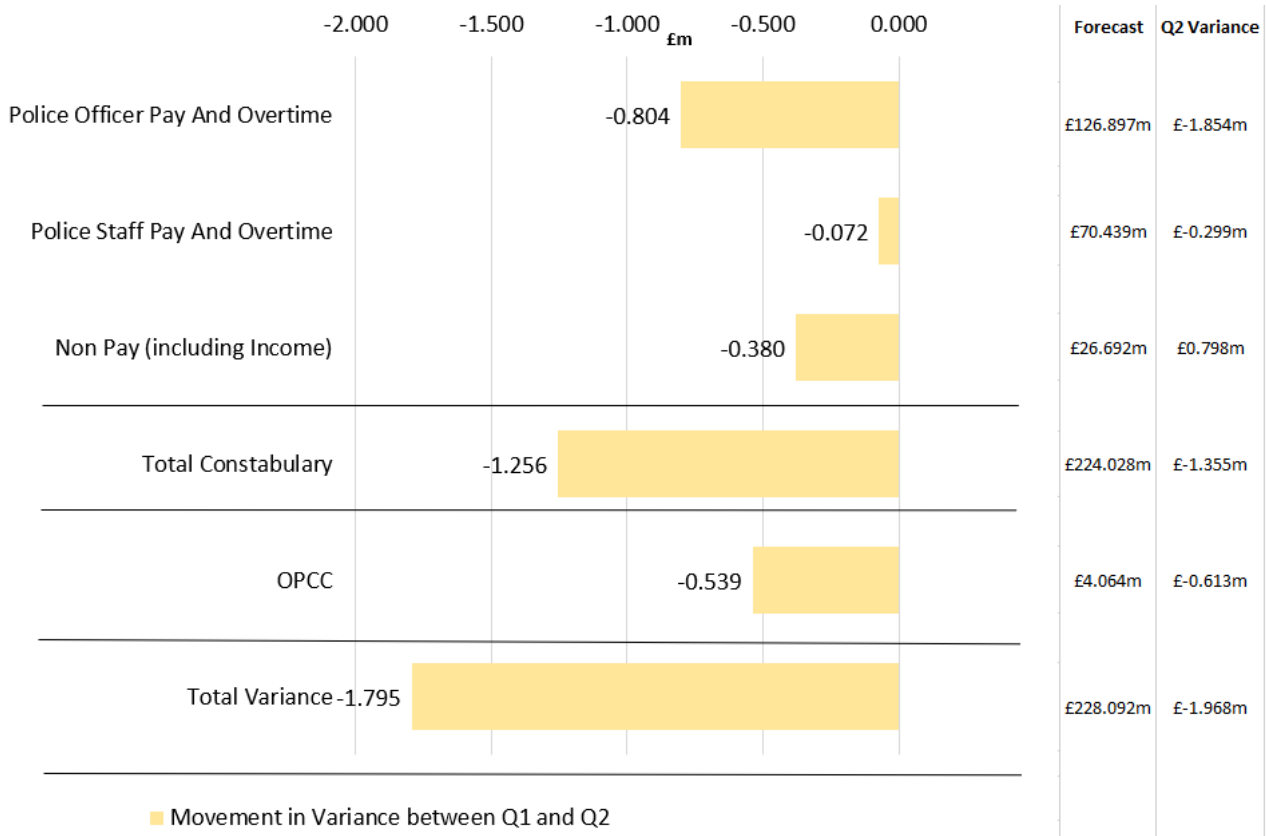
Amber Portfolio Variances

- 2.3. Operational Support (-£1.784m underspend) due to a large underspend in the Force Control Room resulting from recruitment difficulties. The most significant area (-£1.472m) of which is the shortfall in police officers posted to the Force Control Room where there are current 34 Police Officer vacancies impacting upon both call-taking and the Information Management Unit (IMU).

- 2.4. Organisational Support (+£0.551m overspend) as a result of Human Resources overspend (£0.297m) from requirements for additional staff for new HR software support and COVID response, an overspend in Legal Services (£0.218m) arising from a number of public liability cases for which provisions in prior years were not sufficient for actual settlement value in 21-22 as well as an over spend in Organisational Learning (£0.157m) predominantly due to police officer over establishment. Offsetting these pressures are a number of smaller net variances the most significant of which is an underspend within the Finance department (-£0.085m).

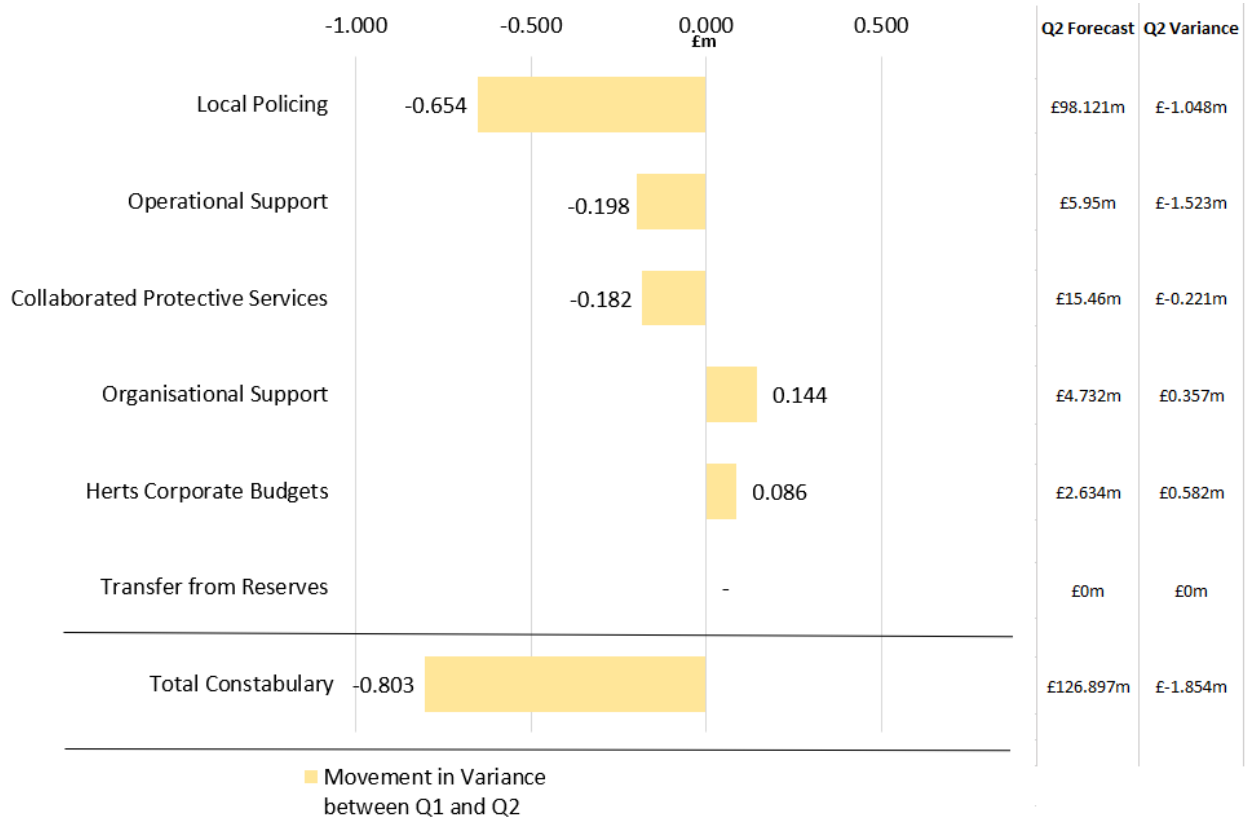
3. BUDGET VARIANCE – HIGH LEVEL SUBJECTIVE THEMES

3.1. The chart below gives an analysis of the forecasted variance for subjective spend types and shows the main areas of movement are Police Officer Pay and Overtime, for which forecasted expenditure has decreased by -£0.804m, Office of the PCC which has decreased by -£0.539m and Non-pay expenditure which is forecasted -£0.380m compared to quarter 1. The underlying reasons the variances are set-out in the paragraphs that follow.

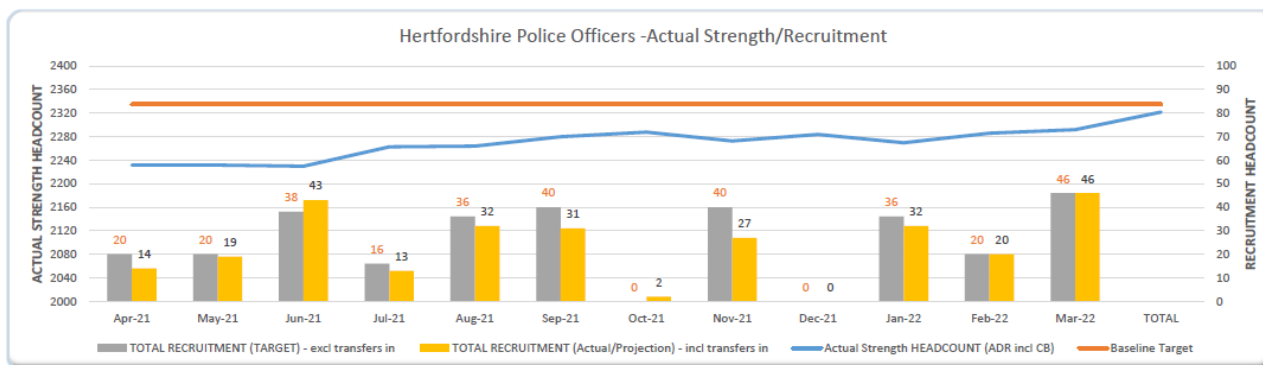


Police Officer Pay, Overtime & Allowances:

Overall Variance:	-£1.854m (-1.40%) underspend
Quarterly Forecast Movement:	-£0.803m decrease



- 3.2. The police officer pay and overtime budget for the year was set at £125.499m, funding an average of 2,267 FTE officers. This budget reflects the Constabulary’s Police Uplift Programme (PUP) target of an additional 91 police officers, of which 88 had been recruited prior to the start of 2021/22 and the precepted increase of 77 Prevention First police officer posts.
- 3.3. Police officer turnover is forecast at 8.5%, which is significantly above the national average of 5.5%. Recruitment throughout the year is expected to see 271 new police officers join the Constabulary, which alongside the loss of more expensive experienced officers, is forecast to suppress the average cost of police officers by circa £0.300m. Current recruitment plans (shown in the chart below) result in a forecast of an average 31 FTE police officers below establishment. The lower average cost combined with current recruitment plans, gives an overall police officer pay underspend of -£2.945m.



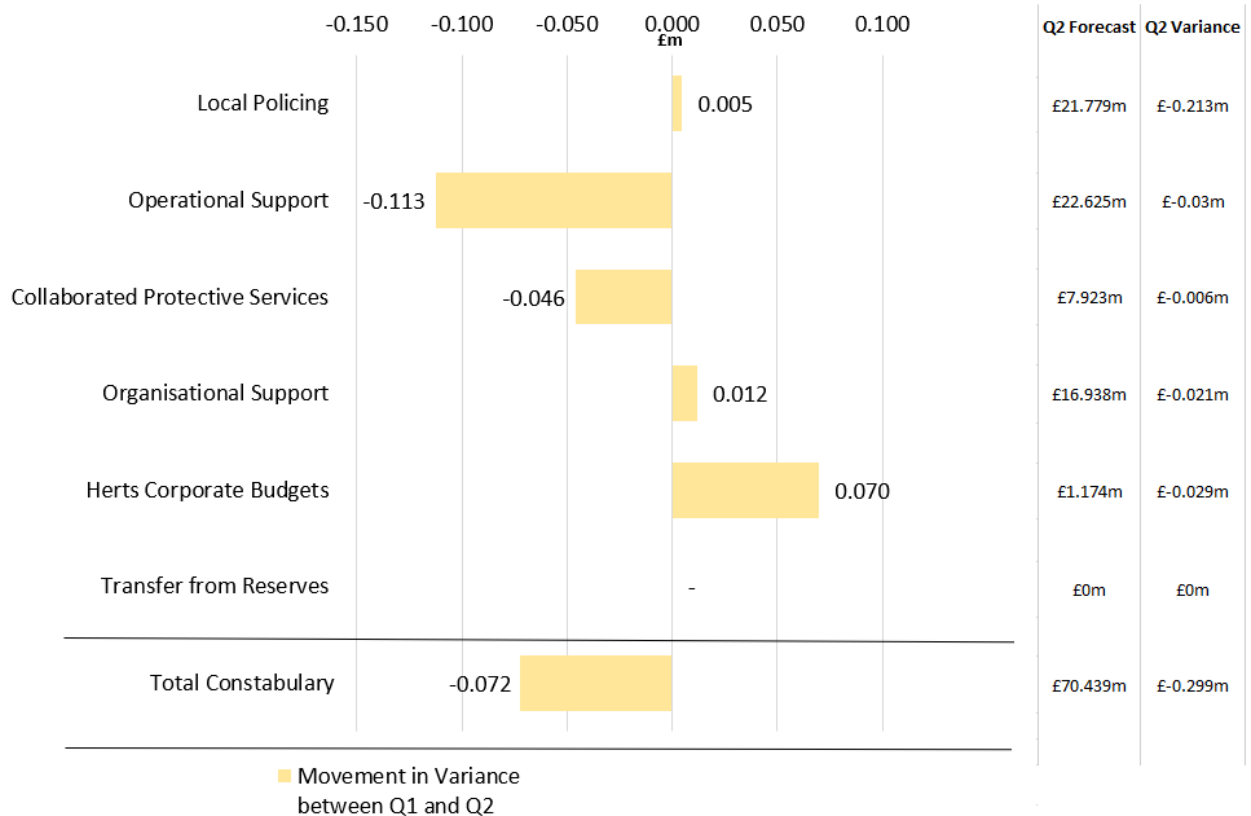
- 3.4. Virements totalling £0.942m have been made against the police pay budget details of which were set-out in the previous monitor report to SEB. These virement result in a net overall forecast variance against police officer pay of -£2.003m underspend.
- 3.5. Current recruitment plans are to continue focused recruitment to finish the year 13.5 police officer FTEs above the 2021/22 budgeted establishment, although headcount will be 13 below the baseline target.
- 3.6. The main areas of individual portfolio variance movement of -£0.803m between quarter 1 and quarter 2 are as follows;
- Local Policing (-£0.654m) – the movement has largely been as a result of the amendment of recruitment plans such that in-takes are weighted more towards the end of the year alongside an increased forecast level of leavers than forecasted at quarter 1. (See section 3.3 above).
 - Force Control Room (-£0.218m) – the FCR have a large number of police officer vacancies due to a difficulty in recruiting to the specialist role within the team. There were 4 additional leavers in quarter, who are not expected to be replaced by year end.
 - Major Crime Unit (-£0.161m) - The unit is experiencing problems filling posts, resulting in vacancies being forecasted to remain open until year end.

Partially offset by;

- Organisational Learning (+£0.162m) – Largely resulting from several posts which were filled earlier than previously forecasted.
- Force Account (+£0.111m) – largely resulting from a transfer of police officer costs from Criminal Justice to the transitional account.

Police Staff, Agency & Police Staff Overtime:

Overall Variance:	-£0.299m (-0.4%) underspend
Quarterly Forecast Movement:	-£0.072m decrease



3.7. Police Staff, Agency and Police Staff Overtime budgets are forecast to underspend by - £0.299m during 2021/22, an increase in underspend of £0.072m since quarter 1.

3.8. The main factors leading to variance movement for police staff between quarter 1 and quarter 2 are;

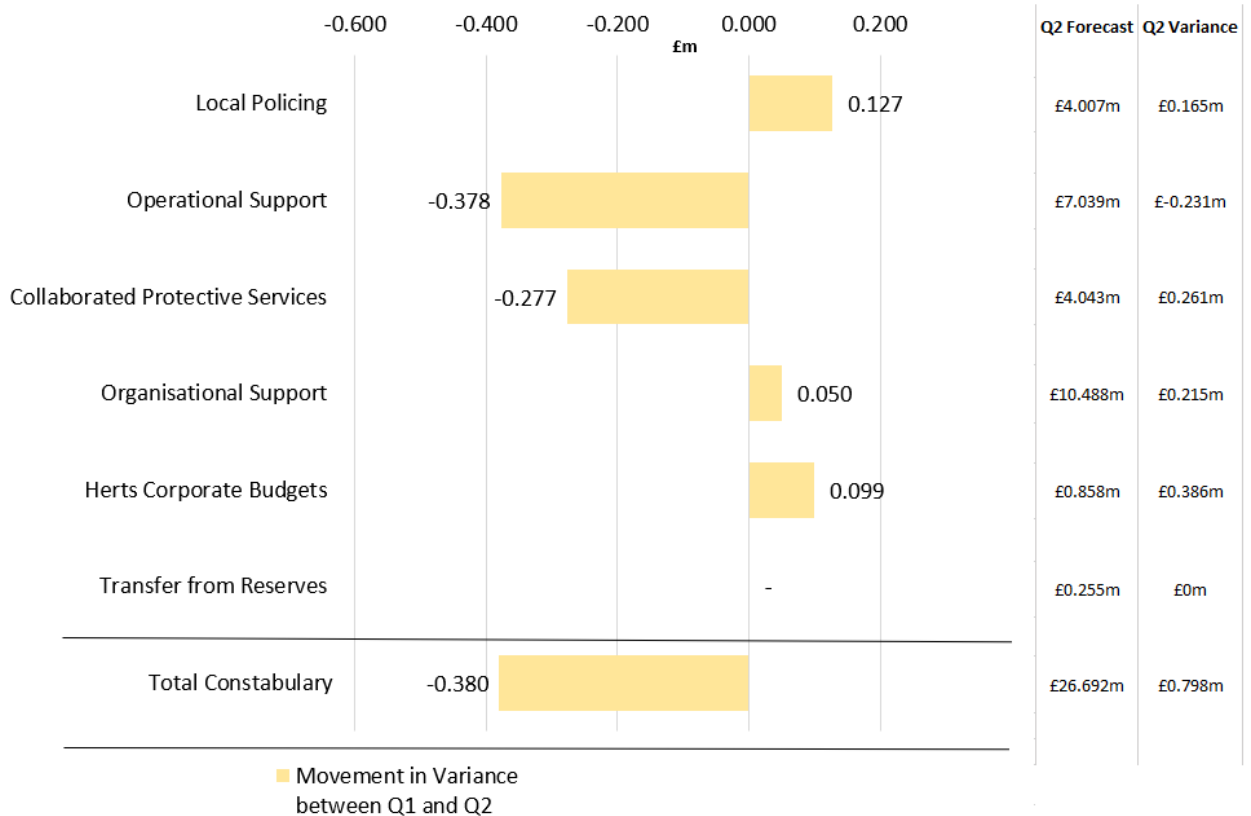
- Force Control Room (-£0.260m) additional underspend arising from lower than anticipated recruitment levels to fill existing staff vacancies following the unsuccessful recruitment of 7 staff members, alongside 6 additional leavers from previous forecasts.

Partially offset by;

- Custody and Criminal Justice (+£0.145m) due to a Chief Inspector covering a staff post which wasn't forecasted at quarter 1.
- Force Account (+£0.063m) - due to 5 part-year approved growth posts within the transitional account.

Non-Pay Budgets (net of Income):

Overall Variance:	£0.798m (3.1%) overspend
Quarterly Forecast Movement:	-£0.380m decrease



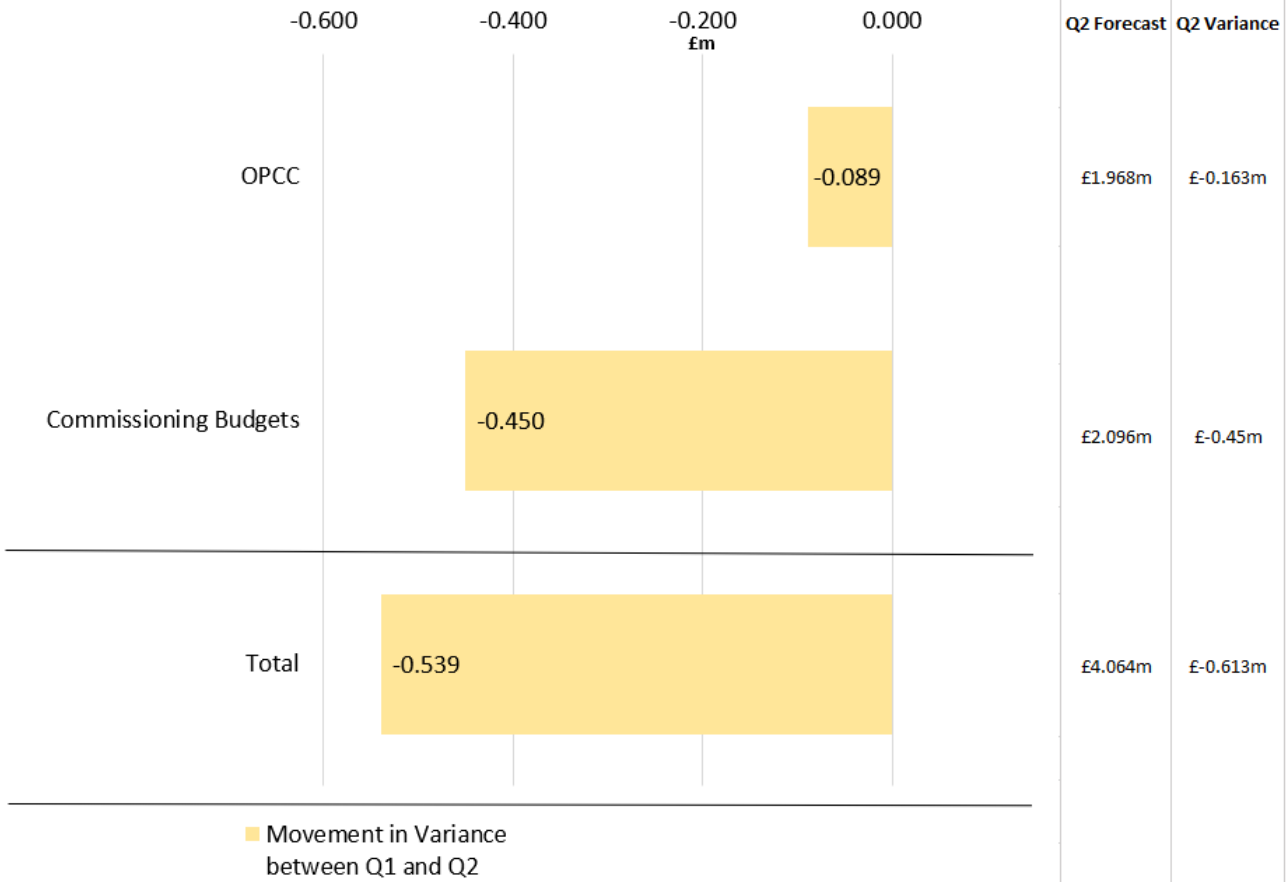
- 3.9. The overall net forecast overspend position for non-pay budgets has decreased by £0.380m since quarter 1. The main variances for each portfolio variance include:
- BCH ICT (-£0.289m) – reflecting a decrease in forecast outturn as a result of remedial action taken by the department following large overspends in quarter 1 including a reduction of Athena and Digital Case File costs, as well as revising the level of consultancy required for the replacement intranet site.
 - Armed Policing Unit (-£0.118m) – following the easing of lockdown restrictions, higher income levels are now forecast from London Luton Airport for the provision of Armed Police Officers.
 - Scientific Services Unit (-£0.121m) – largely resulting from further reductions in forensic submissions.

Partially offset by;

- Legal Services (+£0.085m) – resulting from a number of cases where the settlement value outweighed the amount set aside in prior years' provisions.

OPCC Domestic & Commissioning Budget:

Overall Variance:	-£0.613m (-25.3%) underspend
Quarterly Forecast Movement:	-£0.539m decrease



3.10. Actual commissioning expenditure to the end of quarter 2 is very low compared to the £0.850m budget, and therefore a further opportunity has been included in Section 4 to reflect potential difficulties which may occur around investment in quarter 3 and 4.

3.11. The forecast underspend for the Office of the PCC has increased as a result of delays in recruitment to the complaints team alongside a number of additional leavers from the team.

4. Risks and Opportunities

4.1. At the mid-point of the year there are a number of financial risks and opportunities that could impact upon the current forecast and represent a potential financial impact ranging from a net increase in forecast spend of £0.400m to a net decrease in forecast spend of £1.600m. The most significant of these are:

4.2.

Risks		
Inflationary Pressures	The UK is has seen significant increases to inflation indices continuing throughout the year with CPI standing at 3.2% in August 2021. The economy is seeing supply chain difficulties and resultant inflation pressures arising from both Covid and Brexit. A broad assumption of a 1% increase on non-pay costs would result in additional spending pressure of £0.400m in the year.	+£0.400m
Police Officer Overtime	Based on recent years police officer overtime remains a financial risk, particularly if there proves to be demand build up within LPC or other areas of local policing.	+£0.250m
Total Risks		+£0.650m
Opportunities		
Police Officer Pay	The current planned recruitment profile and expected turnover for police officers, results in a forecast underspend pressure of circa £2.0m. Should turnover increase or planned recruitment levels not be met there is a risk of additional underspend forecast up to -£1.000m	-£1.000m
Community Safety Fund	This fund is used within the PCC Commissioning budget and is budgeted to spend £2.350m in 2021/22. Although plans are being developed, expenditure in the first two quarters remains very low.	-£0.750m
Force Control Room Recruitment	FCR staffing levels are already below establishment and it has proven difficult to recruit into vacancies. A continuation into Q3 and Q4 risks an additional underspend.	-0.250m
Total Opportunities		-£2.000m
Net Risks & Opportunities		-£1.350m
Risks & Opportunities Range		-£2.000m to +£0.650m

5. CAPITAL PROGRAMME 2021/22

	Quarter 2 (Sep-2021)					MOVEMENT FROM Q1 £m
	REVISED BUDGET £m	FORECAST SPEND £m	FORECAST VARIANCE £m	SLIPPAGE £m	UNDER/OVER SPEND £m	
PROPERTY - ESTATE PROGRAMME						
HQ & Gosling	4.301	3.581	- 0.720	- 0.600	- 0.120	- 0.550
Hemel Hempstead Refurbishment	0.033	0.033	-	-	-	-
Watford Purchase	4.591	8.000	3.409	-	3.409	-
Other Estates Strategy Developments	0.342	0.192	- 0.150	-	0.150	- 0.150
Minor Works Programme	0.701	0.701	-	-	-	-
	9.968	12.507	2.539	- 0.600	3.139	- 0.700
ICT INVESTMENT PROGRAMME						
BCH ICT Schemes (Herts Share)	3.142	3.097	- 0.045	-	0.045	- 0.069
Herts ICT Schemes	0.294	0.257	- 0.037	-	0.037	- 0.008
	3.436	3.354	- 0.082	-	- 0.082	- 0.077
OTHER CAPITAL PROGRAMMES						
ESMCP	0.405	0.004	- 0.401	-	0.401	- 0.401
Chiltern Transport Consortium	1.798	1.798	-	-	-	-
Technical And Specialist Equipment	0.985	0.985	-	-	-	-
Police Officer Uplift	0.571	0.240	- 0.331	-	0.331	- 0.331
	3.759	3.027	- 0.732	-	- 0.732	- 0.732
TOTAL CAPITAL	17.163	18.888	1.725	- 0.600	2.325	- 1.509

5.1. The overall capital programme for 2021/22 is **£17.163m** which includes £3.989m slippage from 2020/21.

5.2. The current forecast is for spend totalling **£18.888m** during the year giving a forecasted variance of **£1.725m overspend**; this is comprised slippage of **-£0.600m** and an overspend of **£2.325m**.

5.3. The main areas of variance are as follows:

- HQ & Gosling (-£0.600m slippage / -£0.120m underspend). Spending plans continue to be developed on the back of the on-going planning and design work with AECOM. Planning applications have been made which are currently under consideration by WHDC and market engagement has commenced. Rephrasing of demolition and construction work into 2022/23 means that slippage of £0.600m of corresponding budget is reflected in the figures above. The net underspend of £0.120m relates to consultancy fees, partially offset by an overspend on enabling works packages.
- Watford Purchase (£3.409m overspend). The site was purchased on the 1 October 2021. The accommodation brief with the LPC will now be finalised and consultants appointed to support the procurement of a contractor to undertake the refurbishment and adaptation works required to the premises currently estimated at a cost of £1.500m. This enabling adaptation works to commence in early 2022, with a projected operational date of May/June 2022.
- Police Officer Uplift (-£0.331m underspend). This budget relates to expected additional requirements arising from the police uplift programme. The required work has been lower than initially expected as current fleet and accommodation capacity have been largely sufficient for the increased number of officers.

EXPLANTION OF VARIANCE RAG RATINGS

RED –	Areas of significant variance for immediate attention. Classified as variance against budget of greater than -5.0% underspend or greater than + 2.5% overspend.
AMBER -	Area of developing variance, potentially significant, to be kept under review. Classified as variance against budget between -5.0% and -2.5% underspend or between +0.25% and +2.5% overspend.
GREEN -	Areas on or close to budget. Classified as variance against budget of under £0.1m, or between -2.50% underspend and +0.25% overspend