



Meeting	Police & Crime Panel
Date	17 November 2022
Title of Report	2022/23 Budget Monitor – Quarter 2
Submitted By	Police & Crime Commissioner
Purpose of Report	To update the PCP on the forecast Quarter 2 position for revenue and capital expenditure compared to the budget for 2022/23.
Decision(s) Required	The report is noted.
Financial Implications	This report outlines the financial performance of the organisation against the agreed budget for 2022/23.
Risk Implications	Should the organisation overspend against budgets, the ability to provide services to the public in future year 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	None

1. Summary monitor position 2022/23

1.1 The mid-case forecast revenue outturn position is a £1.632m (0.7%) overspend against Constabulary budgets and -£1.614m (-34.5%) underspend against OPCC budgets, resulting in a net overspend of £0.018m against a net budget of £244.340m (0.0% variance).

	Budget	Forecast	Variance		RAG
	£m	£m	£m	%	
Force	239.664	241.296	1.632	0.7%	Amber
OPCC	4.676	3.062	-1.614	-34.5%	Red
Total Budget	244.340	244.358	0.018	0.0%	Green

1.2 Risks and opportunities relating to the forecast outturn position are discussed in Section 4; the range spans £4.260m – the upper end of the range is a potential increase in forecast outturn of £1.200m (all risks realised and zero opportunities) and the lower end of the range is a potential decrease in forecast outturn of -£3.060m (no risks and all opportunities realised).

1.3 The forecast position reflects the investment in retention and recruitment initiatives for police officers and police staff presented to the June Strategic Executive Board, including the further increase to South-East Allowance £1.495m, shortening of the police staff pay scales £1.140m, Variable Targeted payments for detectives £1.560m and the police officer 'Retire and Rehire' scheme £0.200m.

1.4 The forecast capital position is a variance of -£8.735m (-£8.431m slippage, -£0.304m net underspend) against an overall capital programme of £26.269m. The main areas of variance are delays in commencing the redevelopment of the HQ site (-£6.847m slippage), building works on the new Watford site to begin in January 2023 leading to -£0.650m forecast slippage and an expectation that main contractor work will not commence on the new firing range until 2023/24 (-£0.850m slippage). Further details are set out in Section 5 below.

2. Budget variance – High level subjective themes

2.1 The underlying reasons the variances are set out in the paragraphs that follow.

2.1.1 Police Officer Pay, Overtime & Allowances:

Overall Variance:	-£1.724m (-1.3%) underspend
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2.1.1.1 The police officer pay and overtime budget for the year was set at £131.404m, funding an average of 2,341 FTE officers. This budget includes the Constabulary's Police Uplift Programme (PUP) target of an additional 90 FTE police officers (122 head count) as well as the balance of precepted posts.

2.1.1.2 Difficulties in the recruitment of student police officers has impact significantly on the Constabulary's ability to increase police officer numbers during the year. This has required constant remodelling and reforecasting of the most likely outcomes and the need to remodel the workforce plan including the review and rescheduling of recruitment intakes during the year. Latest forecasts will see Hertfordshire exceed its PUP allocation of 122. However, this will only be achieved at the end of the year, meaning that the average number of officers through the year will be significantly lower than budgeted.

2.1.1.3 In addition to the overall forecast underspend explained above, there are several offsetting variances across departments as student officers are trained and gain experience to enable the release of more experienced officers. Examples include:

- Prevention First (-£2.251m underspend) – continued difficulty in filling officer posts, leading to 55 vacancies at the end of quarter 2; and
- Serious and Organised Crime (-£0.323m underspend) – largely due to the national shortage of Detective Constables.

Offset by:

- Force Account (£0.793m overspend) – 31 officers approved by Chief Officers against the transitional account, including cover for Intervention and Response;
- Workforce Development and Exec & Workforce Support (£0.598m overspend) – 7 additional officers in posts over establishment to support Chief Officers and the recruitment programme; and
- Force Control Room (£0.459m overspend) – Officer cover whilst the Force Control Room recruits to its large number of staff vacancies (see 2.2.2)

2.1.1.4 The police officer pay award was announced on the 19 July 2022 at a flat £1,900 increase for all ranks, equivalent to an average of 5% from the 1 September 2022. The settlement contained an announcement of £70m national additional grant funding in 2022/23 raising to £140m in the subsequent two years of the spending review. The budget assumed a pay award of 2.5% from 1st September 2022 resulting in net additional costs of £0.5m.

2.2 Police Staff, Agency & Police Staff Overtime:

Overall Variance:	-£1.011m (-1.4%) underspend
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2.2.1 Police staff pay is forecast to underspend by £1.674m as difficulties in recruitment to vacancies persist across the force due to the highly competitive regional jobs market. The 2022/23 budget established 51 new police staff posts including 20 new PCSO posts and 20 new Comms Operator posts. Both these areas were already carrying vacancies against the 2021/22 establishment at the start of the financial year.

2.2.2 The Force Control Room currently have 34 FTE Staff vacancies leading to a Staff pay underspend of £1.122m. This is being covered partially by overtime and additional officers brought in from other departments.

2.2.3 Serious and Organised Crime had 13 Staff vacancies at the end of Quarter 2 largely in the Digital Kiosk team. Also 55 PCSO vacancies at quarter 2 resulted in a £0.700m underspend within Local Policing Command.

2.2.4 The police staff pay award was agreed at 2.1% from the 1 April 2022. The budget assumed 2.5% from 1 September, effectively 0.6% or £0.5m short of the agreed settlement. This additional cost has been included in the forecast position. Following the announcement of the higher police officer settlement the police staff settlement will be subject to further review with the risk of an additional £0.6m of cost if aligned with the former. This is seen as an area of risk – see section 4 below.

Spend pressure on the police staff overtime budget totals £0.663m arising predominantly in areas where police staff number shortfalls are forecast, particularly within the FCR.

2.3 Non-pay budgets (net of income):

Overall Variance:	£4.368m (14.75%) overspend
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2.3.1 The most significant area of variance is the forecast £2.060m shortfall in Police Uplift Grant Income as a result of forecast recruitment numbers failing to meet the required levels to claim the grant.

2.3.2 £0.800m has been approved as a Revenue Contribution to Capital Outlay (RCCO) for the purchase of laptops, which will be funded from the Force Account.

2.3.3 Increased provisions are required relating to CHIS claims as a result of increasing claim values and likelihood of successful claims. Provisions for legal claims have therefore led to an overspend of £0.326m.

2.3.4 A number of ill-health retirement and injury payments have resulted in an overspend of £0.270m in the Pensions and Redundancies cost centre.

2.3.5 An increase in the number of vehicles allocated to Hertfordshire has resulted in an overspend of £0.334m for the payment of 23 additional vehicles.

3. Q2 Revenue forecast by portfolio 2022/23

	Budget	Forecast	Variance		RAG
	£m	£m	£m	%	
Operational Delivery	125.896	123.580	-2.316	-1.8%	Green
Strategy & Prevention	35.611	33.486	-2.124	-6.0%	Red
Resources	14.259	14.973	0.713	5.0%	Red
DCC Budgets	3.490	4.263	0.774	22.2%	Red
Corporate Budgets	4.376	9.295	4.919	112.4%	Red
Total Herts	183.632	185.597	1.966	1.1%	Amber
Collaborate Protective Service	14.309	14.058	-0.251	-1.8%	Green
Collaborated Operational Support	11.836	11.679	-0.156	-1.3%	Green
Collaborated Organisation Support	28.064	28.139	0.075	0.3%	Green
Total Collaborated	54.208	53.875	-0.333	-0.6%	Green
Transfer from Reserves	1.824	1.824	-	0.0%	Green
Total Force	239.664	241.296	1.633	0.7%	Amber
OPCC	4.676	3.062	-1.614	-34.5%	Red
Total Budget	244.340	244.359	0.018	0.0%	Green

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

3.1 Red Portfolio Variances

3.1.1 Strategy & Prevention -£2.124m (-6.0%) underspend

- Prevention First – underspend of £2.347m due to 55 officer vacancies and 2 Staff vacancies against a budgeted establishment of 70 officers and 16 Staff. It is unlikely these posts will be filled during the current financial year due to reduced intake numbers of student officers and other departments taking priority over recruitment resources.
- Force Control Room – underspend of £0.272m resulting from 34 staff vacancies within the Force Control Room, partially offset by increased overtime and officer expenditure to cover these vacancies

- Operations – overspend of £0.375m due to a number of over establishment posts.

3.2 Resources £0.713m (5.0%) overspend

3.2.1 Overspend has resulted from 4 additional posts over establishment being filled in order to support Operation Ensemble to recruit more officers and Staff into the Constabulary. In addition, Executive and Workforce Support currently have 3 additional officers and 2 additional Staff over establishment.

3.3 Deputy Chief Constable budgets £0.774m (22.2%) overspend

3.3.1 Overspend relates to an increase in the provision relating to CHIS claims, which have been reassessed since 2021/22, leading to an £0.464m overspend, alongside insurance overspends relating to public liability and vehicle insurance. Additionally, pay upgrades from A to B scales and 2 over establishment posts have led to an overspend within Corporation Communications.

3.4 Corporate Budgets £4.919m (112.4%) overspend

3.4.1 A large overspend within the force account of £4.361m relates to:

- Officer pay - £0.788m overspend resulting from a large number of additional officers within the transitional account relating to Intervention and Response;
- Staff pay - £0.373m as a result of 21 growth posts approved by Chief Officers, including 5 posts associated with Corporate Communications, 5 posts to cover vetting backlogs, 5 posts to cover absences within Hatfield Custody and 3 posts within Workforce Development; and
- Non-Pay - £3.196m which relates largely to the Home Office grant for achieving Hertfordshire's uplift target, which is not anticipated to be received this year. Additionally, £0.800m has been agreed as a Revenue Contributions to Capital Outlay (RCCO) for the purchase of laptops.

3.4.2 The remaining overspend relates to pension and redundancies costs due to a number of ill-health retirements and injury payments, as well as an overspend in the Fleet department as a result of an increase of 23 vehicles allocated to Hertfordshire, largely as a result of the increase in officers in the Local Policing Command.

3.5 Office of the PCC -£1.614m (-34.5%) underspend

3.5.1 The underspend largely relates to the Commissioner's Community Safety & Criminal Justice Plan fund; a budget allocated in order to fund a variety of community projects. Work is currently ongoing to introduce the Commissioner's new 'commissioning lite' approach, through the gathering of data and partner feedback in order to deliver projects that focus on key priorities of his plan. Once completed, it will allow the Commissioner to invite bids, from local partners, for the provision of cross-county services.

4. Revenue 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 £1.200m to a net decrease in forecast spend of -£3.060m. The most significant of these are:

Risks		
Inflationary Pressures	The UK continues to experience a significant increase to inflation indices with CPI increasing by from 8.2% at quarter 1 to 10.1% (July 22). The economy continues to see supply change difficulties and resultant inflation pressures represent an on-going risk to the forecast. To some extent these are open-ended, and an indicative figure is included here.	+£0.500m
Police Staff Pay	The police staff pay settlement for 2022/23 contained a provision to reopen negotiations.	+£0.600m
Officer and Staff Overtime	Based on last year and experience in Q1 & Q2, police officer and police staff overtime remain a financial risk, particularly if recruitment and retention issues persist.	+£0.100m
Total Risks		+£1.200m
Opportunities		
Police officer Pay	The current planned recruitment profile and expected turnover for police officers, results in a forecast net underspend pressure of circa £1.0m. Should turnover increase or recruitment levels drop further, there is a risk of additional underspend.	-£1.000m
Police Uplift Programme Grant	At the end of Q1, projected police officer numbers showed that Hertfordshire's would not meet its uplift target of 122. However, information at Q2 indicates the target may be met. Uplift funding is granted on a sliding scale starting from 50% of the grant being awarded if 75% of the target is achieved. The maximum Hertfordshire could receive is £2.060m.	-£2.060m
Total Opportunities		-£3.060m
Net Risks & Opportunities		-£1.860m

5. CAPITAL PROGRAMME 2022/23

5.1 The overall capital programme for 2022/23 is £26.269m which includes £2.683m slippage from 2021/22. The current forecast of spend totalling £17.534m during the year gives a forecast variance of -£8.735m; this is comprised entirely of slippage totalling -£1.584m and an underspend of -£7.151m.

	2022/23 Quarter 2				
	REVISED BUDGET	OUTTURN SPEND	OUTTURN VARIANCE	SLIPPAGE	(UNDER)/ OVER SPEND
	£m	£m	£m	£m	£m
Property – Estate Programme					
Headquarters Redevelopment	14.979	8.132	-6.847	-6.847	0.000
New Watford Refurbishment	1.550	0.900	-0.650	-0.650	0.000
New Firing Range Provision	1.000	0.150	-0.850	-0.850	0.000
Other Estates Strategy Developments	0.150	0.150	0.000	0.000	0.000
Minor Works Programme	0.688	0.688	0.000	0.000	0.000
	18.367	10.020	-8.347	-8.347	0.000
ICT Investment Programme					
BCH ICT (Herts Share)	3.911	3.821	-0.090	-0.084	-0.006
Herts ICT Schemes	0.911	0.911	0.000	0.000	0.000
	4.822	4.732	-0.090	-0.084	-0.006
Other Capital Programmes					
Emergency Services Network	0.060	0.000	-0.060	0.000	-0.060
Fleet	1.829	1.591	-0.238	0.000	-0.238
Technical & Specialist Equipment	0.891	0.991	0.100	0.000	0.100
Police officer Uplift	0.300	0.200	-0.100	0.000	-0.100
	3.080	2.782	-0.298	0.000	-0.298
TOTAL CAPITAL	26.269	17.534	-8.735	-8.431	-0.304

5.2 The main areas of variance are as follows:

- HQ Redevelopment (-£6.847m slippage). The original budget included funding to construct a decant building. This part of the development will no longer be progressed and the balance of this funding net of costs associated with the training/kennel facility development, results in the overall forecast underspend position;
- Watford refurbishment (-£0.650m slippage). The contract for works is anticipated to be awarded at the end of November, with building works not anticipated to commence until January 2023, resulting in forecast -£0.650m slippage to 2023/24; and
- Firing Range (-£0.980m slippage). Minimal expenditure is now planned for 2022/23 with main contractor work not now commence until 2023/24.

EXPLANATION 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 £0.2m, or between -2.50% underspend and +0.25% overspend