



**Kent  
Police**

# Financial Management Outturn Report April to June 2022 (P3)



# Executive Summary

## 2022/23 Investment Plan

Due to challenging market conditions, a full rework is ongoing of the capital budget. This is because the budget agreed in October 21 is no longer appropriate for 22/23 due to increased prices, delays from last year leading to increased slippage and some areas of scope change. There is a meeting in early August with the DCO, ACO, CFO and Head of Estates to review the bulk of the capital budget. Following this meeting, a full proposal will be put forward for CO and PCC approval.

At this point in time, we have a spend forecast between £31m and £33m and this will be updated once approval has or hasn't been given to various projects. This spend will be monitored carefully and it is important to note that currently there is a large percentage of that spend forecast in Q3/Q4 and experience from 21/22 suggests that some of this may reduce.

The final point to note on the investment programme is that if spend were to be at £31m, we only have capital receipts forecast of £6.5m. This means the difference would have to be funded through borrowing and that borrowing of course would have to be repaid and become a revenue pressure in the future.

## 2022/23 Revenue Plan

The revenue budget was agreed and set at £373.2m, and the forecasted full year revenue as at P3 is £373.3m, which would result in an overspend of £0.1m.

## Key assumptions

- Our current forecast uses our best estimate at this point in time as to where we will finish the year but accepting that it is early in the year, there will be movement and the risk and opportunities log we present reflects our understanding of what could move the forecast going forward
- At time of doing the forecast, a 3.5% pay award was included. The £1,900 pay award was announced post forecast and as such, is included on the risk log
- Police officer attrition was 76 in 3 months against a budget of 72 and is forecast going forward at 27 per month against the budget of 24 per month. For July, 27 seems accurate but for August, it seems too high. Work is and will remain ongoing with HR and Finance to establish a profile going forward for both leavers and joiners and this will be updated each month as the picture becomes clearer. This is a fast-moving environment currently with the impact of the Met initiatives still largely unknown in terms of both quantity and timings
- Average cost of Police leaver (including on-costs) is £57,942 (SCP 9P70A07)
- Recruitment profile forecasted is Aug 110, Oct 120, Jan 130 and Mar 111.
- Total FTE for the end of the FY is forecast to be 4160 compared to an establishment of 4144.9
- Nothing has been included for additional income on PUP but listed as opportunity- it will be recognised within the forecast when more certainty around it is known
- Nothing has been included for any financial responses to the MET threat for example raising SCP's etc

- The full year PSE pay forecast has been set with PCSO vacancies climbing to 27% by year end (currently at 19%) and all other PSE vacancies remaining at 12% to September, falling to 11% October to December and settling at 10% between January and March 2023. There is potential that due to difficulty recruiting or recruitment delays that this changes and this profile will be updated each month. Should it be at a higher rate, that will generate further savings and visa versa applies also.
- Fuel has been forecasted at May 22 prices. A risk has been raised for the impact should the average fuel cost over the year go above that. If it gets to a point in the year that this risk feels more certain, then it will be included within the forecast
- Electricity and gas based on estimates and market intelligence at the current time ahead of the price cap increase in October 22
- Costs have been included for PFI as we know they are going to be incurred but the potential benefit of the PFI has so far been left as an opportunity until there is more certainty

### Full Year Revenue Forecast summary

As at P3, the forecasted total overspend is £0.1m. The main reasons behind this are:

- (£0.7m) saving from high levels of attrition in Q4 21/22 which left us under establishment at the beginning of the year
- (£0.5m) saving due to:
  - Higher than budgeted police officer attrition plus officers leaving at a higher salary than budgeted having a positive effect of (£1.7m)
  - This is partially offset by the increased recruitment required to address the high attrition which costs £1.2m
- (£0.2m) NI savings on new recruits aged 21-24 joining through the PCDA route
- (£0.3m) saving due to there being more officers opting out or leaving the pension scheme than budgeted
- (£1.0m) due to changes in assumptions since budget setting in September 21. Part of this is linked to attrition but part is also linked to assumptions about dates, scale points, allowances and pensions. Part of the work at Q1 was to compare those assumptions made in September 21 to the reality of them and this has generated an improved position.
- (£3.4m) saving on PSE vacancy factor. This was set at 9% for the year whilst the average between Apr-Jun was 12% and the full year forecast has been set with PCSO vacancies climbing to 27% by year end and all other PSE vacancies remaining at 12% to September, falling to 11% October to December and settling at 10% between January and March 2023.
- £0.8m cost pressure on other pay. This is attributable to additional force spend including revised PEQF training costs £0.2m, ESMCP backfill £0.3m, and £0.3m various other spends
- £0.4m cost pressure on Police overtime (table 2). This is mainly due to divisional overspend caused by vacancies and high demand from VIT with remand prisoners.
- £0.5m cost pressure on PSE overtime (table 3) mainly due to the FCR. FCR however have significant savings due to a high vacancy factor so that will be included in the saving under PSE vacancy factor above.
- £0.8m of cost included for professional and legal fees in respect of the PFI
- £0.6m additional cost in transport predominantly due to increased Petrol/Diesel cost based on May 22 prices
- £1.6m other cost pressures in non-pay. This includes:
  - £0.4m increased cost of Zenith due to delays in Data Centre move meaning costs incurred for an additional quarter
  - £0.3m increased Estates costs due to professional fees for Poppyfield, Risk Register and North Kent

- £0.3m additional Insurance costs
- £0.6m various IT cost pressures including additional data centre costs and other costs such as projects and application support
- £2.6m cost pressure due to unachieved savings. However, a large part of this is already built into the vacancy factor above and once roles have been permanently delimited, this unachieved savings will reduce to circa £2m (vacancy saving would reduce accordingly so net nil difference to the forecast). There is then a further £600k showing as an opportunity where we think we will achieve savings but the likelihood is still not sufficient to be forecast. This remaining pressure would then be £1.4m and would be more than mitigated through the additional vacancy factor savings
- (£1.1m) additional income from various additional funding sources such as Economic and cybercrime funding, Memorial Garden sponsorship, Met funding for Gang and county lines, KCC funding to Public Protection, Camera Safety, DBS and Border Support.

## 22/23 Risk and Opportunities

The below table highlights the key risks and opportunities identified as at P3.

Risks as at P3			
Cost centre name	Amount £	Nature	Level
PFI	TBC	Additional costs above the £800k currently forecast on PFI	Low
Transport	216,973	Additional cost of fuel if average prices are over the May prices set	Medium
Estates	369,418	Potential additional cost of utilities should rates rise above those assumed in the forecast	Medium
Bluewater	196,747	Lost income from reduced requirement by the centre	Medium
Zenith	TBC	Zenith Team- 4 x PM's and 1 x Admin Assistant. Cost pressure if these are secondments which then get backfilled	Medium
Intakes	TBC	Risk is that attrition is lower now and we over recruit to soon and give ourselves significant cost for longer	Medium
Insurance	500,000	Insurance reserve - every year the reserve needs to go up due to inflation and various other pressures. For example, current part shortages means that more cars are being fixed slower so having to get hire cars etc	High
Police Pensions	TBC	Risk associated with immediate detriment- due to new guidance, if we pay this, we cannot currently reclaim it. Therefore, this becomes a revenue pressure	High
IT Staffing	TBC	Increased IT staff pay due to market conditions	Low
Intakes	TBC	PUP uplift budget is 195 and has been based on PC rank. Increase in ranks outside of PC will cost more (the difference).	Low
Overtime	500,000	Overtime - due to holding vacancies and the fact that in 21/22 there is an overspend on overtime, the likelihood of that recurring is increased	Medium
Facilities	225,000	In relation to uniform tender of unused Stock that may need to be purchased if new supplier doesn't buy. Sep / Oct 22.	Medium
Insurance Premium Increases	TBC	Potential for increased premium costs due to market conditions- will be known in the coming months	High
Legal Services	61,000	Legal Fees - dependant on caseloads and unknown influences. Historic averages suggest there could be a pressure here	Medium
IT Contracts in general	TBC	Procurement have advised that they are seeing large contract increases (eg 10-12%) on renewal which could impact us this year	High
Various	1,900,000	Recent Government announcement of £1,900 per officer	High
Various	1,700,000	Recent Government announcement may be mirrored for PSE's- amount TBC	High
Finance	TBC	Recruitment and retention Financial initiatives such as increased SCP's would have a financial impact	Medium
<b>Sub Total</b>	<b>5,669,138</b>		

Opportunities as at P3			
Cost centre name	Amount £	Nature	Level
"Amber" Savings	(600,000)	There are a number of savings that are forecast currently as being "not achieved" due to them being marked as Amber. However, there is likely to be progress on some of these which would generate an additional benefit.	Medium
PFI	TBC	Deductions in unitary charges at NK for performance failures may be offset by legal and consultancy costs (see Risks)	Medium
Further vacancy factor increases	(1,200,000)	If the vacancy factor continues to grow, there is scope for additional savings	Low
Police Officer attrition	TBC	Attrition above that currently profiled will generate a saving	High
ESN/ICCS rev set up	TBC	Further capitalisation of ESN and ICCS for 22/23 OR standing down of ESN works	High
Disposal of IP Addresses	(2,000,000)	IP address sale- will depend on treatment of revenue or capital. Could be up to £2m profit	Medium
Mutual Aid External	(44,000)	Potential to claim for investigation into Gillingham football disorder, max £44k	Medium
Redundancies	(382,700)	Currently no known redundancies	Medium
Various	(600,000)	Force wide Amber savings	Low
PUP uplift	(860,000)	For achieving 43 above PUP target	Medium
Police pay	(1,700,000)	Additional Pay award funding	High
In-year cost delays	TBC	Towards the end of the last financial year, a number of forecast costs dropped off due to delays on projects. Delays are not currently built into the forecast so if they were to recur it could create a similar benefit	High
<b>Sub Total</b>	<b>(7,386,700)</b>		

### CFO Summary

Whilst accepting it is an early point in the year and there are many risks and opportunities that could occur and change the forecast, based on the figures presented so far, there doesn't seem to be a large risk of significant overspend. My current rationale for this thinking is:

- Whilst the risks and opportunities above highlight large potential for movement, on balance it feels as if they are well matched, and we have some room for manoeuvre.
- Using the experience from last year, a number of costs did come out of the forecast towards the end of the year due to project delays. Whilst some of that will have been due to market conditions (COVID delays for example), there are likely to be some delays this year which would generate a saving.
- We have a potential £2m additional income to be received in the year for IP addresses. Whilst this is a one-off and cannot be used to fund ongoing pressures permanently and in an ideal world this is used to fund a capital programme that hasn't got sufficient funding, we do have the flexibility to use this for revenue overspends if required.

However, whilst the risk of a significant overspend doesn't seem high at the moment, our financial position remains extremely tight. Looking ahead to the MTFP, with high pay awards, high inflation and a challenging recruitment market which could drive salary increases, the savings gap is unlikely to get any easier. At an all CFO meeting on Thursday 21<sup>st</sup> July, the general consensus was that there could be significant pressure in the coming years. Therefore, as a force we should continue to do all we can to minimise spend (in particular, recurring spend) commitments where possible.

## Cashflow

As predicted, additional borrowing was required in the early part of 22/23. In this respect, short term cashflow borrowing of £2m was required in the week ended 8<sup>th</sup> July immediately prior to the Home Office Pension Top-Up grant receipt of £37.2m on 5<sup>th</sup>. On 15<sup>th</sup> July, cash under management totalled £57m. On average, cash balances will decrease £7.5m per month for the remainder of the year with further cashflow borrowing expected in Q4, dependant on capital receipts the timing of which is still subject to confirmation.

## Savings

The savings target for the year was £6.8m and we are forecasting £4.2m to be achieved. This leads to a deficit of £2.6m. However, a large part of this is already built into the vacancy factor above and once roles have been permanently delimited, the unachieved savings will reduce to circa £2m (vacancy saving would reduce accordingly so net nil difference to the forecast).

There is a further £600k showing as an opportunity where we think we will achieve savings but the likelihood is still not sufficient to be forecast.

This remaining pressure would then be £1.4m and would be more than mitigated through the additional vacancy factor savings and potential income on IP addresses (if required).

## MTFP 2022-23 to 2026-27

- Whilst the MTFP will be updated alongside budget setting in Autumn, there are a number of factors that are coming to light that should be noted. These include:
  - o An increased pay award will add cost to future years both through the immediate cost of that pay award but also the higher base from which future pay awards will be made
  - o With inflation still increasing, the current pay award may set a standard going forward for higher than “normal” pay awards and the 2% we have budgeted for 23/24 onwards may be low
  - o Non-pay inflation is increasing rapidly currently- that wasn’t built into the MTFP when set in January so would again increase the gap
  - o A new government may be more favourable towards that of low tax- this could make the utilisation of council tax precept increases in full more difficult to pass
- The below section remains unchanged from last year and will be updated formally as part of budget setting in the Autumn.
- Below are two iterations of the 2023/24 onwards MTFP. The first one assumes the PCC will increase the precept by the maximum allowed for both 2023/24 and 2024/25 and then revert to 2% increase in future years. The second one assumes 2% throughout the entire plan
- The MTFP savings estimates as of 17<sup>th</sup> January 2022 can be seen below:

**Iteration 1: Max £10 Precept Increase 2023/24 and 2024/25 and 2% thereafter**

Savings	2022/23	2023/24	2024/25	2025/26	2026/27
Delivered (cumulative) £m	n/a	6.8	15.0	15.8	22.4
New savings required (each year) £m	6.8	8.2	0.8	6.6	7.0
<b>Total (cumulative) £m</b>	<b>6.8</b>	<b>15.0</b>	<b>15.8</b>	<b>22.4</b>	<b>29.4</b>

**Iteration 2: 2% Precept Increase throughout**

Savings	2022/23	2023/24	2024/25	2025/26	2026/27
Delivered (cumulative) £m	n/a	6.8	18.6	23.0	29.8
New savings required (each year) £m	6.8	11.8	4.4	6.8	7.2
<b>Total (cumulative) £m</b>	<b>6.8</b>	<b>18.6</b>	<b>23.0</b>	<b>29.8</b>	<b>37.0</b>

Jonathan Castle CFO

# Revenue Budget

Table 1: Revenue Forecast Outturn

Subjective Category	Full Year Budget	Final Spend	Variance Over/Under(-)
	£'000's	£'000's	£'000's
Police Pay	231,194	228,186	(3,008)
PSE Pay	99,371	95,993	(3,378)
Other Pay Costs	16,733	16,366	(367)
<b>Total Pay</b>	<b>347,298</b>	<b>340,545</b>	<b>(6,753)</b>
Police Overtime	5,909	6,638	729
PSE Overtime	1,243	1,834	590
<b>Total Overtime</b>	<b>7,153</b>	<b>8,472</b>	<b>1,319</b>
Premises	23,373	24,569	1,196
Transport	8,345	9,109	765
Supplies & Services	29,373	33,860	4,487
Third Party Payments	11,431	11,685	254
<b>Total Running Expenses</b>	<b>72,522</b>	<b>79,224</b>	<b>6,702</b>
Capital financing and contributions	1,355	1,356	1
<b>Expenditure Sub-Total</b>	<b>428,328</b>	<b>429,597</b>	<b>1,269</b>
<b>Income</b>			
Sales, Fees, Charges & Rents	(5,008)	(5,288)	(280)
Interest / Investment Income	(227)	(292)	(65)
Reimbursed Services	(28,001)	(27,471)	530
Transfers to Revenue and Capital Reserves	265	(1,041)	(1,306)
Overseas Funding / Partnership Funding	(22,151)	(22,213)	(62)
<b>Total Income</b>	<b>(55,122)</b>	<b>(56,305)</b>	<b>(1,183)</b>
<b>Overall Total</b>	<b>373,206</b>	<b>373,292</b>	<b>86</b>



Table 2: Police Overtime Forecast Outturn

Police Overtime	Budget £'000's	Actual £'000's	Forecast £'000's	Forecast Variance Over/Under(-) £'000's	Narrative
<b>Force Ad-Hoc</b>					
ACC CO	203	78	318	115	94k Tactical Firearms Unit, significant increase in P3 affected by backfilling for course attendance and operations. 24k Dog Section, operational and Kennel cover requirements.
ACC Crime	204	117	213	9	26k Chief Constables Crime Squad, current high levels of vacant posts. 15k underspend Centralised Custody
Divisions	1,238	357	1,445	206	149k West Division, increase in overtime spend, caused by high number of vacancies and High demand in VIT with remand prisoners. 52k North Division due to demand and vacancies
ACC SCD	94	28	117	23	12k Intelligence, 4.6k Op Tank and cover staff secondments
Other	57	11	72	15	
<b>Force Ad Hoc Total</b>	<b>1,796</b>	<b>592</b>	<b>2,164</b>	<b>368</b>	
<b>Contingency &amp; FRU</b>	3,627	1,152	3,632	6	FRU - Could be affected by large scale operations such as Op Hyrax (Just stop oil / climate). DCC Fund currently 45% allocated
<b>Force Total</b>	<b>5,422</b>	<b>1,744</b>	<b>5,796</b>	<b>374</b>	
<b>Regional Collaboration</b>	<b>0</b>	<b>(3)</b>	<b>0</b>	<b>0</b>	
<b>External Funding</b>					
ACC CO	356	413	669	313	312k Relates to Op Blythe overtime costs funded from reserves
ACC Crime	35	2	35	0	
ACC SCD	82	14	87	6	Op Magenta and Op Sandpiper
Other	14	31	51	36	Bluewater - Risk - new contract might not cover this cost going forward
<b>External Funding Total</b>	<b>487</b>	<b>460</b>	<b>842</b>	<b>355</b>	
<b>Grand Total</b>	<b>5,909</b>	<b>2,201</b>	<b>6,638</b>	<b>729</b>	

Table 3 : PSE Overtime Forecast Outturn

PSE Overtime	Budget £'000's	Actual £'000's	Forecast £'000's	Forecast Variance Over/Under(-) £'000's	Narrative
<b>Force Ad-Hoc</b>					
ACC CO	220	174	693	472	466k FCR Increase overtime spend due to carrying high number of vacancies and staffing levels required to maintain demand. Includes £53,500 approved by ACC overtime incentive cost
ACC Crime	139	24	120	(19)	24K underspend - Victim Justice, low demand in 1st qtr. 2.9k overspend Public Protection being offset against Police underspend
Divisions	74	23	98	24	24k West Division PSE and PCSO, increase in overtime spend caused by carrying high number of vacancies and high demand pressures that need to be met. Affecting VIT, CID & OMU/VISOR
ACC SCD	164	48	201	37	33k Digital Media high spend despite no vacancies in dept due to increased volume of work, consistent high spend last 2 years, under review. 5k Digital Forensics, high spend in 1st Qtr
Other	80	29	110	30	13k Transport - overtime worked due to additional workload on older vehicles having to be kept due to vehicle supply and 1 x vacancy. 13.6k Business Services, current rates to continue to November to cover period of business cases.
<b>Force Ad Hoc Total</b>	<b>677</b>	<b>298</b>	<b>1,221</b>	<b>544</b>	
<b>Contingency &amp; FRU</b>	<b>514</b>	<b>194</b>	<b>517</b>	<b>3</b>	6k DCC Fund support offset against underspend on Police overtime
<b>Force Total</b>	<b>1,191</b>	<b>492</b>	<b>1,738</b>	<b>548</b>	
<b>PCC Funded</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>1</b>	
<b>External Funding</b>					
ACC CO	33	11	35	2	Overtime Reclaimable under income including Border Policing, Op Blythe and Op Iowa
ACC Crime	15	4	15	0	
ACC SCD	2	5	22	20	Covering Home Office funding for Ops Magenta and Sandpiper
Other	0	19	19	19	Covering Bluewater, DBS and Seconded Officers
<b>External Funding Total</b>	<b>50</b>	<b>39</b>	<b>92</b>	<b>42</b>	
<b>Grand Total</b>	<b>1,243</b>	<b>531</b>	<b>1,834</b>	<b>590</b>	

# Reserves Position

Table 4: Reserves YTD

Usable Reserves	Reserves as at 1st April 2022 £'000's	Budget 2022/23 £'000's	Approved Movement in Year £'000's	Additional Approvals £'000's	Under / Over £'000's	Reserves as at 31st March 2023 £'000's
<b><u>Non-Earmarked:</u></b>						
General Fund	10,508	0	0	0	0	10,508
<b>Total Non-Earmarked</b>	<b>10,508</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>10,508</b>
<b><u>Earmarked Risk:</u></b>						
Insurance	3,528	0	0	0	0	3,528
<b><u>Investment Reserve:</u></b>						
Capital Income	0	2,965	0		3,558	6,523
Capital Expenditure	0	(2,965)	0	0	(3,558)	(6,523)
Capital Contributions Unapplied Reserves	373	0	0	0	0	373
<b><u>Other:</u></b>						
Budget Support	5,289	(81)	(736)	0	0	4,472
Op Brock/Stack Contingency Reserve	1,500	(41)	(485)	0	0	974
OPCC Budget Support	595	0	0	0	0	595
ERSOU Property Maintenance Fund	85	0	0	0	(17)	68
<b>Total Earmarked</b>	<b>11,369</b>	<b>(122)</b>	<b>(1,221)</b>	<b>0</b>	<b>(17)</b>	<b>10,010</b>
<b>Grand Total</b>	<b>21,878</b>	<b>-122</b>	<b>(1,221)</b>	<b>0</b>	<b>(17)</b>	<b>20,518</b>

## Budget Support Reserve

Description	CC	DR - GL	CR - Reserve Code	22-23 Opening Balance	22-23 Tfr to/from Revenue	22-23 Closing Balance
Ex Op Blythe	KST19E6A	660000	313000	3,886	0	3,886
Op Glasgow	KST17E6A	660000	313000	24	0	24
Op Sandpiper	KSC85G2C	660000	313000	699	(699)	0
ESMCP Additional S31 Grant 2020-21	KIT95J6B	660000	313000	306	(82)	224
Op Iowa	KST17E6A	660000	313000	284	0	284
Pension Remedy Grant	KGL35J2A	660000	313000	91	(37)	54
<b>Totals</b>				<b>5,289</b>	<b>(818)</b>	<b>4,472</b>