



**Kent
Police**

Financial Management Outturn Report April to September 2022 (P6)



Executive Summary

2022/23 Capital Budget

The capital budget was revised and approved in-year by both COMB (12th September 2022) and the PCC (13th September 2022).

The revised capital budget for 2022/23 is £39.574m (£39.403m approved at COMB plus in year transfers from revenue) and as at September 2022 we are forecasting an outturn capital expenditure of £37.635m. Currently only 24% of the budget has been spent by the end of September 2022, due mainly to the Zenith project and IT, and experience from 2021/22 suggests that the current outturn forecast for capital may reduce by year end. Detailed tables are provided below.

The final point to note is we have capital receipts forecast of £6.6m (Budget £3m). The difference between capital spend and capital receipts will have to be funded through borrowing and will become a revenue budget pressure in the future, above that already built into the Medium Term Financial Plan (MTFP).

2022/23 Revenue Budget

The revenue budget was agreed and set at £373.2m, and the forecasted full year revenue as at P6 is £373.7m, which would result in a full year overspend of £0.5m, which is a favourable (£0.8m) movement in the month.

Key Revenue Assumptions

- Our current forecast uses our best estimate at this point in time as to where we will finish the year, but it is accepted there will be movement and the risk and opportunities log reflects our understanding of what could move the forecast going forward.
- Both the £1,900 pay award and additional £500 South East allowance are in September actual and forecasted to year end.
- Police officer attrition is 152 in 6 months against a budget of 144 and is forecast going forward as per the below profile. Work will remain ongoing between 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 uncertain in terms of both quantity and timings. We anticipate a large change in respect of these assumptions in the next month as HR are working on a revised profile in respect of the transfers out to the Met.

Fcst Police leavers	Apr 22	May 22	Jun 22	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23
Sept Act/Fcst	38	21	17	29	18	29	31	40	23	27	27	27
Aug Act / Fcst	38	21	17	29	18	28	27	40	23	27	27	27

- The average annual cost of a Police leaver (including on-costs) for the first 6 months is £59,789. In September the average annual cost of a leaver was £55,302, and the current forecast is set at £57,828 against a fixed budget of £56,256.
 - It is interesting to note the average annual cost of leaver in August of only £37,000 represented a significant change from what we have seen before and since. Having largely bounced back to previous levels this month, August seems to be a one-off anomaly, but we will monitor it over the next few months in case it is a new trend.
 - It should be noted that even if it averages back to £55k, that would be lower than the £56k budgeted and for next year, across a projected 288 leavers would add a significant cost to the budget also
- The recruitment profile for Police staff forecast is (prior month forecast in brackets) Oct 120 (120), Jan 120 (120) and Mar 119 (118).
- Total FTE for Police staff at the end of the year is forecast to be 4,159 (4,163) compared to a budgeted establishment of 4,145. This is in line with aiming to be over establishment to get additional funding from the Home Office.
- Nothing has been included for this additional income on PUP, but it is listed as opportunity – and will be recognised within the forecast when more certainty around its achievability is known.
- The full year PCSO pay forecast has been set with vacancies climbing to 48% at year-end (currently 34%), which represents a reduction of PCSO's to 175.
- PSE (excluding PCSO's) vacancies are currently at 13.8% and are forecast to fall to 12.5% October to December and settling at 11.7% 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.
- The table below summarises the vacancy factor actual as of September and forecast going forward:

	Actual	Forecast					
	Sep	Oct	Nov	Dec	Jan	Feb	Mar
PSE	14%	13%	13%	12%	12%	12%	11%
PCSO	34%	38%	40%	42%	44%	46%	48%

- Expenditure on electricity and gas is based on estimates and market intelligence at the current time following implementation of the price cap increases. The 6 month business package implemented by the government does not benefit us as the rates we had secured were already at comparable levels.
- Costs have been included for PFI as we know they are going to be incurred, but the potential benefit of the unitary charge deductions have so far been left as an opportunity until there is more certainty. It is unlikely any benefit from the PFI will be seen in the current financial year due to ongoing negotiations.

Full Year Revenue Forecast Movement in Month

The forecast at P5 was £374.5m and at P6 it is £373.7m, which is a favourable movement of (£0.8m).

Key movements are as follows:

- (£0.1m) net reduction in Police pay due to the impact of increased attrition with 5 additional officers leaving above previous forecast over September and October
- (£0.7m) net reduction PSE pay due to a combination of higher levels of PCSO attrition and a revision to the vacancy factor percentage forecast going forward to reflect the actuals we are seeing.
 - Last month 3 PCSO leavers were forecast for September, but actual was 17, going forward an average of 7 per month is now included from 3 per month previously forecasted. This change is based on the local HR intelligence report provided to us and taking a mid-point of that.
 - The vacancy rate was previously forecast at 11% for Q3 for PSE's (excluding PCSO's) and 10% for Q4. This has now been revised to 13% for Q3 and 12% for Q4. This change is based on the actual vacancy factor we have at the moment which stands at 14%.

Full Year Revenue Forecast Summary

As at P6, the forecasted total revenue overspend is £0.5m. The main reasons behind this are:

- £1.9m is the net impact for the 7 months from 1st September 2022 of the £1,900 pay award to Police Officers and Police Staff less police officer funding.
- £1.2m is the impact of the £500 increase in South East allowance for all eligible officers from 1st September 2022.
- (£2.6m) saving on police officer pay due to:
 - (£0.7m) saving from high levels of police officer attrition in Q4 21/22 which left us under establishment, but not under PUP target, at the beginning of the year
 - (£0.4m) net saving due to higher than budgeted police officer attrition in the first 6 months plus officers leaving at a higher salary than budgeted offset by the increase to joiners as they are adjusted to take into consideration higher levels of attrition
 - (£0.2m) National Insurance savings on new police recruits aged 21-24 joining through the PCDA route
 - (£0.3m) saving due to there being more police officers opting out or leaving the pension scheme than budgeted
 - (£1.0m) due to changes in assumptions since budget setting in September 2021. 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 Q2 was to compare those assumptions made in September 2021 to the reality of them and this has generated an improved position.

- (£5.2m) saving on PSE pay. The PCSO vacancies are climbing to 48% by year end. There is potential for this to increase should the actual rate continue to be higher than the amount forecast as set out here and this will be reviewed as part of Q3. This is listed as an opportunity below. All other PSE vacancies were set at 9% for the year whilst the average between Apr-Sep was 12% and forecasted PSE vacancies falling to 13% October to December and settling at 12% between January and March 2023.
- £0.3m 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.
- £0.8m cost pressure on PSE overtime (table 3) mainly due to the Force Control Room (FCR) which has extended the overtime incentivisation programme. FCR however have significant savings due to a high vacancy factor and that is included in the saving under the PSE vacancy factor above.
- £0.6m other cost pressures in non-pay. This includes:
 - £0.7m of cost included for professional and legal fees in respect of the North Kent Headquarters PFI
 - (£0.1m) net reduced cost for various other reasons including:
 - Increased cost associated with immediate detriment payments, hosting costs for data centre and general increased IT costs
 - Reduction of estates costs due to programme delays
 - Additional income from Met funding for gang and county lines, interest on investments and increased revenue from sale of seized vehicles
- £3.1m cost pressure due to unachieved savings. However, 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 £2.2m (vacancy saving will reduce accordingly so net nil difference to the forecast). This remaining pressure is more than mitigated through the additional vacancy factor savings above, but it does indicate pressure for the 2023/24 financial year as we don't aim to have a vacancy rate as high as it currently is (in particular in the FCR).
- £0.4m additional transfer to Reserves for a revised Minimum Revenue Provision (MRP) (cost of capital) calculation as spend moved mainly from Estates to IT which has shorter repayment period at an average of 5 years.

2022/23 Risk and Opportunities

Risks as at P6

Cost centre name	Amount £	Nature	Level
PFI	700,000	Additional costs above the £480k incurred and £345k currently forecast on PFI	Low
Transport	100,000	Current risk is now forecasted and has been mitigated by a contingency transfer. Fuel costs have softened now and milage running according to forecast	Low
Bluewater	91,618	Lost income from reduced requirement by the centre assumed to apply from 1st September	Med
Police Pensions	50,000	Risk associated with immediate detriment- due to new guidance, if we pay this, we cannot currently reclaim it. Therefore, this becomes a revenue pressure. Calculated on current average versus amount forecasted	High
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	Med
Collaborative recharges	150,000	Essex pay award - rejecting 2.1% and asking for £1,900	High
Facilities	75,000	£300k in relation to uniform tender of unused Stock that may need to be purchased if new supplier doesn't buy. Sep / Oct 22. 25% will be immediately written down per stock sheet. Not on outturn	Med
Gatwick Hub	TBC	Unknown at this stage, regional lead collating Q2 returns which will evidence potential additional charges next month	Low
Inflation	TBC	Procurement have advised that they are seeing large contract increases (e.g. 10-12%) on renewal which could impact us this year	Med
Proactive POLIT & MOSOVO	TBC	Subject: SARC Contribution 2022-23 Detail: Uncertainty on SARC contribution to the NHS for 2022-23 and future years. Rob Phillips aware.	High
Rim equipment	50,000	Early scoping exercise across all 3 divisions with regards to now approved Rim equipment and what the demand for this equipment is likely to be. Will be reviewed in P7	Med
Sub Total	1,716,618		

Opportunities as at P6

Cost centre name	Amount £	Nature	Level
PFI	(874,000)	Deductions YTD not in forecast and further deductions in unitary charges unknown. Credits for performance failures may be offset by legal and consultancy costs (see Risks)	Low
Vacancy Factor remaining higher than profile forecast	(200,000)	If vacancy factor is higher than forecast, an additional saving will be achieved	Med
Disposal of IP Addresses	(2,000,000)	IP address sale- will depend on treatment of revenue or capital. Could be up to £2m profit	Med
Vetting Unit	(49,000)	Cabinet Office Burden share Q1 & Q2 invoices lower than anticipated full year forecast previously advised, unsure if adjustment will occur at end of year	Med
Mutual Aid External	(51,900)	Potential to claim for investigation into Gillingham football disorder, max £44k. Baton Relay (£5.8k) Op Dance (Surrey) £2.1k	Med
General	(382,700)	Forecast spend £400k but currently only 1 known redundancy so potential Forecast reduction	Med
PUP uplift	(860,000)	For achieving 43 above PUP target	Med
Mutual Aid External	(191,929)	Commonwealth Games deployment of 50-60 officers likely to be £100k+	High
Firearms Licencing income	(25,000)	At August ACC review it was inferred that income could increase at Q4 22/23 into 23/24, consistent with 5-year cycle	Med
Mutual Aid External	(200,000)	Op London Bridge - awaiting deployment numbers	High
Police Pensions	TBC	Possible rejection of ill health claims and lower than expected immediate detriment payments	Med
NI increase reversed	(865,588)	As per announcement in mini budget	High
NI increase reversed	(260,794)	As per announcement in mini budget	High
Sub Total	(5,960,911)		

CFO Summary

My overall view hasn't changed that based on the figures presented so far, there doesn't seem to be a large risk of significant overspend. My 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.
- The reversal of National Insurance in the current year should generate a significant benefit
- We have potential one-off incomes such as £2m additional income to be received in the year for IP addresses and £860k for overachieving PUP targets. Whilst this is a one-off and cannot be used to fund ongoing pressures permanently it does present flexibility in year.

However, whilst the risk of a significant overspend doesn't seem high at the moment, the financial outlook isn't positive. Looking ahead to the MTFP, with high pay awards, SE Allowance, high inflation, and a challenging recruitment market which could drive salary increases, the savings gap is unlikely to get any easier. Therefore, as a force we should continue to do all we can to minimise spend (in particular, recurring spend) commitments where possible. Furthermore, we need to start identifying savings as soon as possible to ensure we can achieve a full year saving from April 23 onwards.

Cashflow

As predicted, additional borrowing was required in the early part of 2022/23. In this respect, short term cashflow borrowing of £2m was required in the week ended 8 July immediately prior to the Home Office Pension Top-Up grant receipt of £37.2m on 5 July. On 7 October, cash under management totalled £46m. On average, cash balances will decrease £6m 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. Table 7 below shows the latest cashflow forecast.

Savings

The savings target for the year was £6.8m and we are forecasting £3.7m to be achieved. This leads to a deficit of £3.1m. 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 £2.2m (vacancy saving would reduce accordingly so net nil difference to the forecast).

This remaining pressure 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, there are a number of factors that we already know and 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 An increase in South East Allowance paid to Police Officers from £2500-£3000 p/a has been agreed by Chief Officers. This represents a further cost pressure of £2.4m p/a
 - 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 2023/24 onwards looks to be low
 - o Non-pay inflation is still increasing and is significantly above the figure built into the MTFP when set in January so would again increase the gap. Already we have indication that utilities will be circa £800k more next year and likewise an £800k increase in rates is expected
 - o The new Chancellor has indicated public spending cuts are likely- how that affects us we don't yet know but it does indicate that a more favourable settlement is seemingly unlikely
 - o There is potential that council tax could be increased beyond the £10 limit but there is nothing formal to indicate that and even if it was, we'd still have to get that agreed against a backdrop of a cost of living crisis
 - o In the current year, we are underachieving on our savings ambitions as outlined above. This will need to be added to next year's target as we can't rely on the vacancy factor remaining as high as it is when we are actively trying to recruit to several roles.
- Whilst the MTFP is revised as part of budget setting between September and December, the early indication is that the 2023/24 savings targets outlined in January 2022 of £8.2m or £11.8m depending on the precept decision are now too low.
- A range of £12m to £16m is seen currently as more likely. This figure is only presented to be indicative and will be updated following the formal process as outlined in the budget timetable. Several factors such as internal cost pressures and savings, LGPS pension valuation (which has cost Essex £1.6m in their 23/24 budget), government budget and the settlement are unknown and will be required to formalise a final figure.
- With such political uncertainty, trying to build in reasonable assumptions around settlements and government funding is a challenge. Therefore, I recommend we focus instead on what we can control at the moment which is our internal costs and savings plan should be formulated accordingly.

Jonathan Castle CFO

Table 1: Revenue Forecast Outturn

Subjective Category	Full Year Budget	Final Spend	Forecast Variance
	£'000	£'000	£'000
Police Pay	231,195	231,599	404
PSE Pay	99,055	95,637	(3,418)
Other Pay Costs	16,742	15,724	(1,018)
Total Pay	346,991	342,960	(4,031)
Police Overtime	5,907	6,695	788
PSE Overtime	1,245	2,224	978
Total Overtime	7,153	8,919	1,766
Premises	23,381	23,464	83
Transport	8,940	9,222	282
Supplies & Services	29,425	34,605	5,179
Third Party Payments	11,431	11,994	563
Total Running Expenses	73,177	79,286	6,108
Capital financing and contributions	1,355	1,803	448
Expenditure Sub-Total	428,676	432,968	4,291
Income			
Sales, Fees, Charges & Rents	(5,008)	(6,464)	(1,456)
Interest / Investment Income	(227)	(586)	(359)
Reimbursed Services	(28,001)	(28,308)	(307)
Transfers to Revenue and Capital Reserves	(84)	(1,155)	(1,071)
Overseas Funding / Partnership Funding	(22,151)	(22,716)	(565)
Total Income	(55,471)	(59,229)	(3,758)
Overall Total	373,206	373,739	534

Table 2: Police Overtime Forecast Outturn

Police Overtime	Budget £'000	Actual £'000	Forecast £'000	Forecast Variance £'000	Narrative
Force Ad-Hoc					
ACC CO	203	179	367	164	112k Tactical Firearms Unit, significant increase in P3 and P4 affected by backfilling for course attendance and operations. 33k Dog Section, operational and Kennel cover requirements. Offset by underspends on Roads Policing and Serious Collision Unit.
ACC Crime	202	166	266	64	26k Chief Constables Crime Squad, demand led by investigations plus cover of staff shortages due to leave/ sickness
Divisions	1,238	723	1,369	131	104k West Division, increase in overtime spend, caused by high number of vacancies and High demand in VIT with remand prisoners. 20k North Division due to demand and vacancies, overspend based on actual spend in P1-5
ACC SCD	94	52	105	11	8k Intelligence, 4.6k Op Tank and cover staff secondments. 3k Forensic Investigation SCIU
Other	57	32	59	2	
Force Ad Hoc Total	1,794	1,152	2,166	372	
Contingency & FRU	3,627	1,850	3,585	(42)	FRU - Could be affected by large scale operations such as Op Hyrax (Just stop oil / climate). Overspend forecast on Bank Holidays 124k due to increased resources for Jubilee. DCC Fund currently 51% allocated covering other spend categories.
Force Total	5,421	3,002	5,751	330	
Regional Collaboration	0	3	8	8	
External Funding					
ACC CO	356	538	734	378	312k Relates to Op Blythe overtime costs funded from reserves
ACC Crime	35	5	35	0	
ACC SCD	82	40	104	22	Op Magenta and Op Sandpiper
Other	14	58	63	49	Bluewater - Risk - new contract might not cover this cost going forward
External Funding Total	487	641	936	449	
Grand Total	5,908	3,646	6,695	787	

Table 3: PSE Overtime Forecast Outturn

PSE Overtime	Budget £'000	Actual £'000	Forecast £'000	Forecast Variance £'000	Narrative
Force Ad-Hoc					
ACC CO	220	428	839	619	609k 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. 11k Firearms Registration based on current levels, being considered under FIO review.
ACC Crime	141	74	132	(9)	37K underspend - Victim Justice, low demand in periods 1 -5. Offsetting overspends for 8.5k VJ Traffic Summons, overtime to manage workload due to high vacancies. 26k Centralised Custody and healthcare due to FNP running on minimum staff.
Divisions	74	46	95	21	15k 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	118	241	77	33k Digital Media high spend despite no vacancies in dept due to increased volume of work, consistent high spend last 2 years, under review. 33k Forensic Investigation covering vacancies. 9k Digital Forensics, high spend in P1 - 5.
Other	80	93	170	91	31k Transport - overtime worked due to additional workload on older vehicles having to be kept due to vehicle supply and 1 x vacancy. 27k Business Services, current rates to continue to November to cover period of business cases. 8k SSTU, ongoing to cover vacancies. 11k Finance Dept due to vacancies and staff sickness.
Force Ad Hoc Total	679	759	1,479	800	
Contingency & FRU	514	301	536	22	12k DCC Fund support offset against underspend on Police overtime
Force Total	1,193	1,059	2,014	821	
PCC Funded	2	1	4	2	
External Funding					
ACC CO	33	19	41	8	Overtime Reclaimable under income including Border Policing, Op Blythe and Op Iowa
ACC Crime	15	9	17	2	
ACC SCD	2	13	35	32	Covering Home Office funding for Ops Magenta and Sandpiper
Other	0	50	110	110	Covering Bluewater, DBS and Seconded Officers
External Funding Total	50	90	203	152	
Grand Total	1,245	1,151	2,221	976	

Table 4: Reserves Position

Usable Reserves	Reserves as at 1 April 2022 £'000	Forecast Movement in Year £'000	Forecast Reserves as at 31 March 2023 £'000
<u>Non-Earmarked:</u>			
General Fund	10,508	688	11,196
Total Non-Earmarked	10,508	688	11,196
<u>Earmarked Risk:</u>			
Insurance	3,528	0	3,528
<u>Investment Reserve:</u>			
Capital Income	0	6,621	6,621
Capital Expenditure	0	(6,621)	(6,621)
Capital Contributions Unapplied Reserves	373	(51)	322
<u>Other:</u>			
Budget Support	5,289	(944)	4,345
Op Brock/Stack Contingency Reserve	1,500	(392)	1,108
OPCC Budget Support	595	0	595
ERSOU Property Maintenance Fund	85	(17)	68
Total Earmarked	11,370	(1,404)	9,966
Grand Total	21,878	(716)	21,162

Budget Support Reserve as at P6	Reserves as at 1 April 2022 £'000	Forecast Movement in Year £'000	Forecast Reserves as at 31 March 2023 £'000
Ex Op Blythe	3,886	(156)	3,730
Op Glasgow	24	0	24
Op Sandpiper	699	(699)	0
ESMCP Additional S31 Grant 2020-21	305	(69)	236
Op Iowa	284	0	284
Pension Remedy Grant	91	(20)	71
Totals	5,289	(944)	4,345

Table 5: Capital Budget

	Revised Budget £'000	Actual Spent to Date £'000	Forecast Outturn £'000	Forecast Variance to Budget £'000	% age of Budget Spent to Date %
IT Department (including Kent Data centre)	7,146	2,433	6,370	(776)	34%
Estate Department (including UKPN)	2,613	653	2,540	(73)	25%
Estates Zenith building	18,444	4,066	18,444	(0)	22%
Estates backlog Capital	2,996	44	1,368	(1,628)	1%
Transport	2,928	1,384	3,606	678	47%
ANPR Department	280	288	296	16	103%
Other - Plant & Equipment	174	59	188	14	34%
Ashford Re-Modelling	4,693	576	4,693	0	12%
Project Zenith Open Zone furniture	300	(58)	130	(170)	-19%
Total	39,574	9,445	37,635	(1,939)	24%

Table 6: Capital Income

	Budget for 2022/23 £'000	Year to date Income £'000	Actual Income QTR 1 £'000	Actual Income QTR 2 £'000	Forecast Income QTR 3 £'000	Forecast Income QTR 4 £'000	Total Forecast £'000	Forecast Variance to Budget £'000
Capital Receipts	2,965	2,462	939	1,523	3,030	1,050	6,542	3,577
Revenue Contributions	0	38		38	42		80	80
Total	2,965	2,500	939	1,561	3,072	1,050	6,622	3,657

Table 7: Cashflow Forecast

