

SURREY POLICE AND CRIME PANEL

**SURREY POLICE GROUP UNAUDITED FINANCIAL REPORT FOR
2020/21**
30 JUNE 2021

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1) Purpose of Report

The purpose of this report is to inform the Police & Crime Panel of the Surrey Police Group (i.e. OPCC and Chief Constable combined) unaudited financial position as at the year-end 31st March 2021. The report compares the Group financial results with the budgets approved by my predecessor Mr David Munro in January 2020 for the financial year 2020/21. A more detailed report on the OPCC financial performance for 2020/21 is included in the subsequent item.

2) Revenue Financial Performance for the Year

The table below gives a summary of the unaudited financial performance for the group (which consists of the Force and the OPCC) for the year by category:

Mar-21	Year to Date		
	Actual £'000	Budget £'000	Variance £'000
Payroll	209,347	208,175	1,172
Premises Related Expenditure	9,906	10,437	(531)
Transport Related Expenditure	5,023	5,327	(304)
Supplies & Services	33,803	34,183	(380)
Capital financing and Financial Reporting	9,825	6,155	3,671
Grants & Income	(19,534)	(14,268)	(5,266)
Total	248,371	250,009	(1,637)

At the end of the year the Surrey Police Group had a total unaudited revenue underspend of £1.6m (0.6% of total budget) which will be transferred to reserves to support major projects and meet future financial challenges. The notes below are provided to give the Panel additional information on major cost centre variances.

a) Wages and Salaries

The results for this area has been summarised in the table below:

Mar-21	Year to Date		
	Actual £'000	Budget £'000	Variance £'000
Police Officer Pay	117,756	119,727	(1,971)
Police Officer Overtime	5,633	4,999	635
Police Staff Pay	74,718	74,915	(196)
Police Staff Overtime	1,721	1,152	569
Other Employee Expenses	4,454	3,901	553
Temporary or Agency Staff	3,361	1,196	2,166
Restructure, Training & Conference Costs	1,704	2,286	(583)
Total	209,347	208,175	1,172

During the year it was budgeted that there would be an average of 2,024 officers in place for the entire year. Although by March 2021 2,052 officers were in post the budgeted figure of 2,024 was only passed in October 2020 leading to the underspend against budget.

Overtime costs, which have been exacerbated by Covid, are a significant expense costing on average £2,840 by officer and £958 per staff member. The Force has created an Overtime Working Group to look at ways that this cost can be reduced. In terms of Police most of the overtime spend has been in neighbourhood teams and specialist crime filling gaps caused by vacancies and sickness. For Police staff the greatest expenditure was in Contact, Custody and Specialist Crime driven primarily by Covid.

Temporary and Agency Staff Agency were overspent by £2.2m against a budget of £1.2m. The main areas of over spend were £1.2m for temporary staff to support the ERP program, £0.25m to support ICT projects and £0.4m for local policing in particular 30 investigative assistants and retired officers assisting with Covid.

Training costs underspent due to a reduction in courses taken due to Covid. However other employee costs were over budget as a result of the purchase of £0.6m of PPE.

In terms of the Precept investment for 2020/21 all Police officers were in post by the end of the year. However recruitment issues in Digital Forensics, Service Quality and DA Caseworkers meant that all staff were not in post by the year end – although their recruitment is in progress.

Expected increase at March 2021	Investment provided	Actual At 31/3/21
Employee Group	FTE	FTE
Police Officers – Uplift growth	78	78
Police Staff – Uplift growth	0	0
Police Officers – Precept growth	26	26
Police Staff – Precept growth	52.5	38.5
Total	156.5	142.5

b) Non-pay Budgets

The results for these budgets are summarised in the table below:

Mar-21	Year to Date		
	Actual £'000	Budget £'000	Variance £'000
Premises Related Expenditure	9,906	10,437	(531)
Transport Related Expenditure	5,023	5,327	(304)
Supplies & Services	33,803	34,183	(380)
Capital financing and Financial Reporting	9,825	6,155	3,671
Grants & Income	(19,534)	(14,268)	(5,266)
Total	39,024	41,833	(2,810)

Premises overall is underspent due to the Building the Future Project however this was offset by overspends in Estates due to essential health and safety work needing to be undertaken.

Transport is under spent as a result of a new joint force collaborated insurance contract and the provision of free fuel from BP during some of the year.

Although Supplies & Services overall are underspent there have been cost pressures in areas such as Specialist Crime as a result of increased Forensic fees.

The £3.7m overspend in Capital financing represents a transfer from revenue to capital to fund the development of the Force's ERP project, Smart Storm and a number of other ICT initiatives.

Income is £5.3m over budget for a number of reasons. Grants have been received from Government to offset Covid costs as well as to deliver additional

support, Specialist Crime benefitted from higher than expected income for Surrey officers posted to regional units, secondments of Police Staff and rental from tenants on the new HQ site increased income further.

c) Covid Costs

The Coronavirus epidemic has had a significant impact on the Group's finances and this is included in all of the figures above. However by way of illustration Covid costs, together with grants received from Government, have been extracted and are shown in the table below:

Expenditure	£m
National PPE	2.3
Local PPE	0.5
Other Local Costs	3.9
Total Forecast Costs	6.7
Forecast Income	(4.3)
Net Forecast	2.4

The Government has reimbursed all PPE costs and a proportion of income loses. Although this was welcome additional staffing and cleaning costs were not covered. It is unclear whether any further funding will be available in the current year.

d) Delivery of Savings

The 2020/21 budget included a deduction of £1.4m of expected savings. Of these £0.9m were achieved with £0.5m relating to ICT being carried forward in to 21/22. By way of note the 21/22 budget includes savings of £6.4m and it is predicted that a further £17.1m will be required over the 3 years beyond that.

3) Capital Financial Performance for the Year

The table below gives a summary of Capital Spend against budget for the year:

Capital Summary	2020/21 Total Budget £m	2020/21 Actuals £m	Variance £m
ICT Strategy	4,709	3,095	(1,614)
Enterprise Resource Planning	0	1,918	1,918
Commercial and Financial Services	4,794	4,478	(316)
Specialist Crime	326	232	(94)
Operations	824	1,089	265
Corporate Services (Building the Future)	2,285	1,627	(658)
Local Policing	1,297	886	(411)
Total Capital Budget	14,234	13,325	(909)

My predecessor Mr David Munro approved a capital budget of £10.5m in February 2020. During the year £7.7m of capital slippage, £0.7m of capital costs were transferred to revenue and it was agreed that £3.3m of the capital program would move into 2021/22 giving a total budget of £14.2m. A detailed report showing each capital project is attached as Appendix A.

Whilst the underspend appears to be £0.9m this includes £2.5m of Capital expenditure funded from revenue (mainly equip and ICT) making the underspend actually £3.4m. The Force operates a multiyear plan for Capital expenditure so it is not unusual for spend to be carried over from one year to another. As stated above approval was given in year for £3.3m to be carried forward and a further request has been made to me to carry forward an additional £3.4m in to 21/22. This will bring the total capital budget for 21/22 to £25.95m. The total carry forwards from 2020/21 to 21/22 of £6.7m are shown in the table below:

Capital Summary	20/21 in-year slippage £'000	20/21 Slippage £'000	Total Slippage £'000
ICT Strategy	1,088	1,529	2,617
Commercial and Financial Services	733	325	1,058
Specialist Crime		186	186
Operations		297	297
Corporate Services	1,480	658	2,138
Contact		438	438
Total Capital Budget	3,301	3,433	6,734

Capital has been funded using a combination of funding sources as set out in the table below:

Source of Funding	Financing Actuals £m	Financing Budget £m	Variance £m
Home Office Capital Grant	0.2	0.2	-
Other Grants and Income	0.0	0.0	-
Capital Receipts	3.6	4.5	(0.9)
Revenue Funding	8.7	4.2	4.5
Borrowing	0.8	5.3	(4.5)
Total	13.3	14.2	(0.9)

Borrowing has only been undertaken to fund long life assets such as buildings and the new HQ.

4) Reserves

As a result of the revenue underspend already reported I have agreed to the following specific transfers to reserves representing the underspend at the year-end:

- £0.8m to General Reserves to provide a contingency against savings;
- £0.4m to Cost of Change Reserve to fund service investment such as ERP
- £0.4m to the Estates Strategy Reserve to support Estates and HQ development.

In addition there have been a transfer in to the Covid 19 Reserves of £0.75m representing Covid surge funding received at the year end and movements in the Insurance and Ill Health reserves due to claims and actuarial valuations. The table below sets out the unaudited reserves as at 31st March 2021:

	Balance at 31st March 2020	Actuarial Changes	Use of Reserve	Underspend for 2020/21	Government Grants	Balance at 31st March 2021
	£m	£m	£m	£m	£m	£m
Unearmarked Reserves						
General Fund	7.049					7.049
Chief Constable Reserve	1.071					1.071
Earmarked Reserves						
OPCC Operational Reserves	1.000			0.837		1.837
PCC Estates strategy reserve	2.800			0.400		3.200
Cost of Change Reserves	1.564			0.400		1.964
Ill Health/Injury Reserve	1.638		-0.578			1.060
Covid 19 Reserve	1.000				0.751	1.751
Insurance Reserve	3.379	-1.732				1.647
TOTAL RESERVES	19.501	-1.732	-0.578	1.637	0.751	19.579

It is worth noting that the Unearmarked reserves of £8.0m represent around 3% of the group net budget which means Surrey has amongst the lowest level of reserves nationally.

5) Audit

The results, as presented, are unaudited and may be subject to change by the External Auditors. Although the statutory deadline for auditors to report is the 30th September 2021 due to Covid this deadline may be missed. Although no significant changes to the results are expected if there are any material changes then these will be reported to Panel members.

6) Equalities and Diversity Implications

There are none arising from this report.

7) Summary

The Coronavirus epidemic has presented the Force with both operational and financial challenges. The Force took the decision early on to commit almost £4m of reserves to fund the national procurement of PPE, as the need was urgent, without, at that time, any commitment from Government to fund it. As the year progressed operational requirements were maintained despite the additional costs in overtime and agency staff this led to. Fortunately the Government stepped in to cover some of the costs and lost income the Force suffered otherwise this would have depleted the Force's reserves significantly. Hence against this backdrop it is a real achievement to not only deliver the increase in police numbers both from the uplift and the precept but also to come in financially just under budget. This is due in so small part to the hard work of many people working together across both the Force and the OPCC.

A number of Capital projects, particularly those related to IT, have not proceeded as quickly as they should have and this is reflected in the level of carry forwards requested. I understand that the Force is in the process of reviewing the number of projects it has with a view to reducing the number and improving delivery. I await the outcome of this review with interest.

The Coronavirus epidemic has put significant strain on the National finances and it is unclear what impact this will have on future funding of Public Services. However the results of last year should provide a base from which to meet these future challenges.

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Detailed Capital Budget and Outturn for 2020/21

Projects by Portfolio Mar-21	Full Year			20/21 Year End \$ilppage
	Actual	Budget	Variance	
ICT				
R51003 - L4 Remediation	-	135,622	(135,622)	135,622
R51022 - Hardware Refresh Local	71,200	680,000	(608,800)	325,822
R52005 - ESN-Devices	489,073	611,726	(112,653)	112,653
R53013 - Mobile Policing	125,316	125,316	(0)	-
R51002 - Window s 10	-	31,808	(31,808)	23,505
R51001 - Hardware Refresh	1,198,466	627,072	571,394	-
R51035 - Azure Migration	755,352	817,920	(62,568)	52,568
R51014 - DAM	72,032	36,352	35,680	(35,680)
R51013 - Firewall and Security Devices	41,189	72,705	(31,516)	20,774
R51007 - Office 365 Planning & Re-Implementation	-	-	-	-
R51006 - Wireless	0	-	0	-
R51005 - Infrastructure & Networks	88,249	545,751	(457,502)	314,577
R51004 - Telephony	44,786	84,357	(39,571)	-
R51011 - Planned Server Replacement	111,981	142,195	(30,214)	-
R51016 - Network Monitoring Tool	11,662	397,602	(385,940)	332,914
R51017 - DBIS / DAMS	15,843	141,635	(125,792)	110,552
R51018 - Body Worn Video Hybrid	33,054	30,445	2,609	-
R51019 - Mobile Data Terminals - Refresh	16,218	227,200	(210,982)	136,006
ICT Total	3,085,421	4,708,738	(1,613,316)	1,628,513
Equip				
R59009 - ERP Surrey Local	1,917,800	-	1,917,800	-
Equip Total	1,917,800		1,917,800	-
Commercial and Finance Services				
R56001 - Vehicles & Equipment	3,042,377	2,883,340	159,037	(159,037)
R56002 - Vehicle Telemetry	142,904	667,938	(525,034)	525,034
R56005 - Automatic Number Plate Recognition	845,671	540,000	305,671	(305,671)
R53002 - Divisional Estates' Strategy	-	81,799	(81,799)	-
R53004 - Former Section House Scheme	27,339	27,429	(90)	-
R53006 - Estates' Strategy - Custody Compliance	331,804	425,000	(93,196)	93,196
R53005 - Estates' Strategy - Environmental	87,639	117,203	(29,564)	29,564
R53012 - Niche Residential Property	-	51,144	(51,144)	51,144
Commercial and Finance Services Total	4,477,735	4,786,863	(318,118)	254,230
Specialist Crime				
R54001 - Digital Forensics Transformation Joint	-	-	-	-
R54002 - Specialist Crime Capability Programme	-	-	-	-
R54002 - DFT Transformation Surrey	-	226,336	(226,336)	188,310
R54001 - POLIT Workstations	231,457	100,000	131,457	-
Specialist Crime Total	231,457	226,336	(5,121)	188,310
Operations				
R51043 - Op Apollo Capital Equipment	180,268	-	180,268	-
R50003 - SOP Investments	525,047	132,572	392,475	175,000
R59003 - ANFR	248,119	198,883	49,236	-
R50002 - Taser Uplift	-	235,127	(235,127)	-
R50003 - Operations Command Equipment	93,810	200,000	(106,190)	106,000
R50004 - Drone Replacement	41,668	57,311	(15,643)	15,643
Operations Total	1,088,913	625,893	463,020	288,643
Corporate Services (Surrey)				
R51001 - Agile Hardware	131,443	365,000	(233,557)	233,557
R53009 - Agile Working Developments	7,870	120,000	(112,130)	112,130
R53001 - Building the Future (Capital)	1,488,145	1,800,000	(311,855)	311,855
Corporate Services (Surrey) Total	1,627,468	2,285,000	(657,532)	657,542
Local Policing				
R52007 - Queue Buster 101	30,488	-	30,488	-
R52009 - Storm	840,319	1,281,000	(440,681)	438,376
R52010 - Volunteering Drone Programme	15,500	15,500	-	-
Local Policing Total	886,307	1,296,500	(410,193)	438,376
Projects Total	13,325,092	14,234,318	(909,226)	3,342,414

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