

## **SURREY POLICE AND CRIME PANEL 24 NOVEMBER 2021**

### **SURREY POLICE GROUP FINANCIAL REPORT FOR MONTH SIX FINANCIAL YEAR 2021/22**

#### **1. SUMMARY**

The purpose of this report is to inform the Surrey Police and Crime Panel of the Surrey Police Group (i.e. OPCC and Chief Constable combined) financial position as at 30 September 2021 as well as a prediction for the situation at the end of the year.

A report on the OPCC financial performance is included elsewhere on this agenda.

#### **2. RECOMMENDATIONS**

The Police and Crime Panel is asked to note and comment on the report as appropriate.

#### **3. REASONS FOR RECOMMENDATIONS**

Not applicable as no decision is required.

#### **4. INTRODUCTION**

The 30 September 2021 marks the half way point in the 2021/22 financial year. The PCC is pleased to be able to report that both Revenue and Capital are projected to be underspent by the end of the year. In terms of revenue, the projected underspend is £300k mainly driven by a reduction in staffing costs. With regard to capital, the underspend is projected to be £5.6m although this is mainly due to slippage in Capital expenditure. In addition, almost all of the £6.4m of savings required for 2021/22 have been identified. Furthermore, precept and uplift recruitment is projected to meet its target of 150.4 FTE by the end of the financial year.

## 5. REVENUE FINANCIAL PERFORMANCE AS AT 30 SEPTEMBER 2021

Actual costs against revenue are summarised in the table below

	2021/22 PCC Budget £m	2021/22 Force Budget £m	2021/22 Total Budget £m	2021/22 Projected Outturn £m	Projected Variance £m
<b>Month 6</b>	2.8	258.9	261.7	261.4	(0.3)

This is further broken down in the table below:

Sep-21	Year to Date	Full Year		
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Payroll	116,068	218,616	219,144	(528)
Premises Related Expenditure	5,899	11,665	11,804	(139)
Transport Related Expenditure	2,118	5,617	4,945	672
Supplies & Services	17,813	36,018	33,067	2,951
Capital financing and Financial Reporting	73	6,637	6,180	457
Grants & Income	(15,396)	(17,100)	(13,413)	(3,688)
<b>Total</b>	<b>126,575</b>	<b>261,453</b>	<b>261,727</b>	<b>(275)</b>

### a) Wages and Salaries

Payroll is the largest expense incurred by the Force. The positive variance of £528k represents 0.24% of total spend. This projected variance is further broken down as follows:

Sep-21	Year to Date	Full Year		
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Police Officer Pay	70,247	124,957	126,604	(1,648)
Police Officer Overtime	2,716	5,951	4,877	1,074
Police Staff Pay	38,648	78,527	78,711	(183)
Police Staff Overtime	742	1,500	1,160	340
Other Employee Expenses	2,031	4,375	4,338	37
Temporary or Agency Staff	676	1,080	701	378
Restructure, Training & Conference Costs	1,007	2,227	2,753	(526)
<b>Total</b>	<b>116,068</b>	<b>218,616</b>	<b>219,144</b>	<b>(528)</b>

Police Officer pay is underspent mainly due to the phasing of recruitment of new officers and pay rates. At month six, 2,092 FTE officers are in post against a budget of 2,105 FTE although it is projected this number will be reached by the year end.

Overtime continues to be a concern and is being monitored by the Force overtime working group. However, pressures caused by sickness and requirements to assist has put pressure on staff which has been covered by overtime.

The historical position is shown in the tables below and it can be seen that overtime is a continuing pressure for the Force:

Police Overtime	Budget £'000	Actual £'000	Variance £'000	Variance %	Average per FTE
2021-22	4,877	5,951	1,074	22%	2,844
2020-21	4,999	5,633	635	13%	2,840
2019-20	3,554	4,826	1,272	36%	2,577
2018-19	4,030	4,270	240	6%	2,241
2017-18	4,232	6,688	2,456	58%	3,417
2016-17	3,839	6,568	2,729	71%	3,516

Staff Overtime	Budget £'000	Actual £'000	Variance £'000	Variance %	Average per FTE
2021/22	1,159	1,499	340	29%	809
2020/21	1,152	1,721	569	49%	958
2019/20 exc PCC	1,119	1,543	424	38%	912
2019/20 PCC	10	19	9	90%	11
2019/20	1,129	1,562	433	38%	945
2018/19	1,561	1,454	-107	-7%	882
2017/18	1,641	1,853	212	13%	1,101

Agency and temporary staff costs are forecast to be £1m at the end of the year. This compares with a projection of £2.4m for the same period last year. Expenditure has reduced significantly in areas such as ICT and the largest element goes on employing investigative staff in Operations.

#### b) Non-Pay Budgets

The current actuals and projected outturn for these budgets are summarised in the table below:

Sep-21	Year to Date		Full Year	
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Premises Related Expenditure	5,899	11,665	11,804	(139)
Transport Related Expenditure	2,118	5,617	4,945	672
Supplies & Services	17,813	36,018	33,067	2,951
Capital Financing and Financial Reporting	73	6,637	6,180	457
Grants & Income	(15,396)	(17,100)	(13,413)	(3,687)
<b>Total</b>	<b>10,507</b>	<b>42,837</b>	<b>42,583</b>	<b>254</b>

The reasons for significant variances are as follows:

- Premises is currently underspent due to lower than expected utilities usage earlier in the year probably caused by Covid working arrangements. However, this is being offset by increases in tariffs for the winter period
- Transport is projecting an overspend relating to increasing fuel costs
- Supplies and services expenditure appears to have increased although a lot of it is because of additional grants and income. Legal costs continue to be above budget and ICT continues to be a spending pressure
- Income is above budget due to additional grants received for areas such as victim services and there has also been income from secondments and officers posted to regional units

## 6. DELIVERY OF SAVINGS FOR 2021/22

Savings of £6.4m were required for 2021/22 and all of these, except for £30k, have been identified and removed from budgets. These have been achieved in the following areas:

- £2.6m capital expenditure to be funded by revenue now funded through borrowing or deferred
- £1.9m savings from individual areas such as reduction in insurance and storage costs, reducing the size of the fleet etc
- £1.9m from managing vacancies and pay growth

The draft MTFs presented at the last meeting shows that the Force will need to find further substantial savings over the next 4 years including £6m for 2022/23 alone. Work is ongoing to identify these as part of the budget setting process. It is not known at the moment what impact the Spending Review will have on this, as detailed figures have not been released yet.

## 7. PRECEPT AND UPLIFT INVESTMENT

The precept & uplift investment approved for 2021/22 allowed for the increase in police officers and police staff. The following tables represent the forecast position against the Op Uplift and precept investment.

Op Uplift Precept Investment 2021/22	Year to Date	Investment provided	Forecast
	M6		At 31/3/22
Employee Group	FTE	FTE	FTE
Police Officers – Uplift growth *	60.0	73.4	73.4
Police Officers – Precept growth		10.0	10.0
Police Staff – Precept growth	47.0	67.0	67.0
<b>Total</b>	<b>107.0</b>	<b>150.4</b>	<b>150.4</b>

\*Note the police officer figure represents the May to August intakes and the Uplift target will be met first, followed by precept. The planned October intake is for 72 officers.

Op Uplift Precept Investment 2021/22	Investment provided	Forecast	Variance
		At 31/3/22	M6
Employee Group	£m	£	£
Police Officers – Uplift growth	4.1	4.1	0.0
Police Officers – Precept growth	0.5	0.5	0.0
Police Staff – Precept growth	2.6	1.8	(0.8)
Non Pay	0.9	0.9	0.0
Associated Costs	0.8	0.8	0.0
<b>Total</b>	<b>9.0</b>	<b>8.1</b>	<b>(0.8)</b>

There is a projected one-off underspend due to timing of recruitment of the police staff.

## 8. CAPITAL EXPENDITURE TO 30 SEPTEMBER 2021

The capital budget for 2021/22 was approved by the PCC in February 2021 totalling £19.3m, with an additional £6.7m capital slippage from 2020/21 and South East Regional Organised Crime Unit (SEROUCU) deferred contribution of £1.0m, therefore resulting in a total capital programme of £27.0m. Details of actual and estimated spend against budget are shown in the table below:

Capital Summary	2021/22 Total Budget £000	2021/22 Forecast £000	Forecast Variance £000
ICT Strategy	4,721	4,410	(311)
Equip	-	-	-
Commercial and Finance Services	6,881	4,996	(1,885)
Specialist Crime	1,624	1,411	(213)
Operations	892	1,378	486
Corporate Services	12,532	8,845	(3,687)
Local Policing	438	443	5
Total	27,089	21,483	(5,606)

The Force runs a flexible programme managing schemes over a rolling 2-year period enabling schemes to be bought forward or deferred.

The main variances are as follows:

- ICT – Reprofitting of several IT projects such as the Service Management Platform and Server replacement into next year
- Commercial Services - £1.4m relates to an estimated budget for a new firing range for which the business case is still being prepared and so will probably slip into next year. The remaining underspend relates to a review of priorities in the estate's strategy
- Operations – This overspend is due to additional investment in the Surrey Camera Partnership equipment funded by contributions.
- Corporate Service – this all relates to sums set aside for Building the Future and related projects which have now been pushed back because of the review.

The Home Office only provides a grant of £0.2m for Police Capital Expenditure. Hence of the budgeted £27.1m of capital expenditure, it is anticipated that £22.8m will be funded from borrowing, £3.1m from revenue with the remaining £1m from Capital Receipts and £200k from Government Grant. If projects are deferred into the following year, then the level of potential borrowing will fall. No external borrowing has been taken out so far in this financial year.

## 9. RESERVES AND TREASURY INVESTMENTS

At 30 September 2021, reserves totalled £19.6m of which £8.5m are not earmarked. This represents just over 3% of the net budget. In addition, £30.9m was held for investment with Surrey County Council and loans amounted to £15.6m. This is the outstanding amount of the loan taken out in March 2019 to purchase the Leatherhead site.

## 10. CONCLUSION AND CHALLENGES

As can be seen from the report, based on the predictions made, the Force should end the year just about on budget. All the savings have been identified and removed from budgets and the Uplift and Precept investment is proceeding to plan. Although there is an underspend in Capital, this is mainly due to slippage rather than any savings, but does however mean that additional borrowing can be deferred into the future. That said there are still challenges, which need to be monitored closely, that could impact the final outturn for this year. The main ones are as follows:

- Although savings have been allocated, they may not be achieved – particularly in ICT – leading to a cost pressure
- Covid 19 is still having an impact and pressures may get worse. There has been no word on additional funding for this from Government
- Forensics costs continue to rise due to increased use and price
- Inflation and particularly increases in costs for fuel and energy may have a bigger impact than anticipated

The biggest challenge however remains the need to identify savings to deal with budget pressures from 2022/23 onwards driven primarily by increasing staff costs, demand, and inflation.

## 11. CONTACT INFORMATION

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(OPCC)

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