

**SURREY POLICE AND CRIME PANEL**  
**30 JUNE 2022**

**SURREY POLICE GROUP UNAUDITED FINANCIAL REPORT  
FOR 2021/22**

**SUMMARY**

1. The attached report sets out the unaudited financial performance of the Surrey Police Group (i.e. OPCC and Chief Constable combined) as at the year-end 31<sup>st</sup> March 2021. It compares the Group financial results with the budgets approved by my predecessor Mr David Munro in February 2021 for the financial year 2021/22.
2. In terms of Revenue expenditure £260.1m has been incurred leading to an underspend of £1.7m or 0.6%. With regard to Capital £8.1m of expenditure has been incurred resulting in an underspend against the original plan of £10.1m. Further details are given later on in this paper

**RECOMMENDATIONS**

3. The Police and Crime Panel is asked to Note the content of the report and comment as appropriate

**BACKGROUND INFORMATION/PAPERS/ANNEXES**

4. The attached report – Annexe A – sets out the performance in more detail

**CONTACT INFORMATION**

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## Unaudited Financial Outturn Report for 2021/22

### Introduction

1. This report provides the force budget and capital position for Surrey Police Group as at 31st March 2022. The figures presented are draft and may subject to change until the external audit sign the annual statement of accounts. It does however give a reasonable indication to Members of the performance for the year

### Group Revenue Financial Performance for the Year

2. The Surrey Police Group, which consists of the Force and the OPCC, has a revenue underspend of £1.7m for the year as shown in the table below:

	<b>Total 2021/22 Budget £m</b>	<b>Total 2021/22 Outturn £m</b>	<b>Variance £m</b>
OPCC	2.8	2.6	(0.2)
Force	258.9	257.5	(1.4)
<b>Group Expenditure 2021/22</b>	<b>261.7</b>	<b>260.1</b>	<b>(1.6)</b>
Less: Funding	(261.7)	(261.8)	(0.1)
<b>Net Group underspend for year</b>	<b>0.0</b>	<b>(1.7)</b>	<b>(1.7)</b>

3. It will be proposed to the PCC that the underspend will be transferred to reserves to support major projects and meet future financial challenges. This is explained in more detail in the Reserves section of this paper.
4. The Group underspend represents 0.7% of the budget and is shown in more detail in the table below:

Mar-22	Full Year		
	Actual £'000	Budget £'000	Variance £'000
Payroll	215,166	218,861	(3,695)
Premises Related Expenditure	11,575	11,819	(244)
Transport Related Expenditure	5,160	4,837	323
Supplies & Services	35,860	33,283	2,577
Capital financing and Financial Reporting	10,456	6,329	4,127
Grants & Income	(18,132)	(13,403)	(4,729)
<b>Total</b>	<b>260,086</b>	<b>261,726</b>	<b>(1,640)</b>

5. Included within the figures above are the costs of running the OPCC which, at the year end, is £0.2m under budget. This is shown in the table below:

	Budget £'000	Actual £'000	Variance £'000
OPCC Operational Costs	1,267	1,128	-139
OPCC Commissioned Services	1,687	1,628	-59
<b>NET OPCC BUDGET/OUTTURN</b>	<b>2,954</b>	<b>2,756</b>	<b>-198</b>

6. OPCC Operational costs represent 0.4% of group total group expenditure. They include things such as wages and salaries, office costs, audit and governance etc.
7. OPCC commissioned services includes services commissioned for victims, community safety and crime prevention. During the year almost £4.4m was given out and ringfenced funding of £2.8m was received from Government, including an additional £1.4m which was bid for and received in year.
8. The notes below are provided to give the Panel more detail on some of the key group expenditure areas.

### Wages and Salaries

9. Wages represents the largest category of expense for the group representing 84% of the budget. The underspend of £3.695m for the year is further broken down as follows:

Mar-22	Full Year		
	Actual £'000	Budget £'000	Variance £'000
Police Officer Pay	122,753	126,604	(3,851)
Police Officer Overtime	6,385	4,890	1,495
Police Staff Pay	77,052	78,692	(1,639)
Police Staff Overtime	1,725	1,144	581
Other Employee Expenses	4,290	4,313	(23)
Temporary or Agency Staff	1,095	465	630
Restructure, Training & Conference Costs	1,865	2,753	(888)
<b>Total</b>	<b>215,166</b>	<b>218,861</b>	<b>(3,695)</b>

10. The £3.9m underspend in Police Officer pay is made up of a number of different elements as follows:

a. Pay Rates

In the budget it was assumed that the average pay per officer would be £55,606 however it was in fact £54,159 leading to a pay rate saving of £3m

b. Officer Numbers

It was assumed in the budget that there would be an average of 2,106 officers in post during the year. In April 2021 there were 2,060 officers and this rose to a peak of 2,123 in January 2022 falling back to 2,085 in March 2022. When averaged out this was equivalent to 2,077 per month resulting in a saving of £1.6m. However, this needs to be offset with the 2% budgeted vacancy margin of £2.3m giving an overspend of £0.7m

c. Secondments and allowances

The force benefitted from additional income of £1.6m from seconded employees to other Forces for example for G7 and the Climate conference.

11. The £1.6m underspend in Police Staff pay is also made up of a number of different elements as follows:

a. Pay Rates

In the budget it was assumed that the average pay per officer would be £39,938 however it was in fact £39,983 leading to a pay rate overspend of £0.1m

b. Staff Numbers

It was assumed in the budget that there would be an average of 2,023 staff in post during the year. In April 2021 there were 1,864 staff but this fell to 1,819 in December 2021 rising to 1,842 in March 2022. When averaged out this was equivalent to 1,850 per month resulting in a vacancy saving of £6.9m. However, this needs to be offset against the 5% vacancy rate of £4m and the central vacancy rate of £2m, both of which are built into the budget, leading to a net saving of £0.9m.

c. Secondments and allowances

As a result of there being so many vacant posts there was a saving of £0.8m in shift allowances.

12. Overtime costs for both officers and staff exceeded the budget by £2.1m. This averages out at £3,215 per officer and £932 per member of staff. Overtime was driven by a combination of vacancies, secondments, and sickness. For officer's neighbourhood teams and joint ops had the largest overtime cost whereas for staff it was contact and specialist crime.
13. Agency costs were £0.6m over budget due to staff being required in Operations Command, DDaT and Commercial & Finance Services. This was due to the fact that it was either not possible to recruit permanently or specific skills were required for a particular project.
14. Training & restructuring underspent by £0.9m in the main due to Police Now and DHEP university fees being less than expected. There were also additional savings due to training being delayed due to covid and other considerations.

## Non-pay Budgets

15. Non pay cost budgets were overspent by £2.1m and are shown in the table below:

Mar-22	Full Year		
	Actual £'000	Budget £'000	Variance £'000
Premises Related Expenditure	11,575	11,819	(244)
Transport Related Expenditure	5,160	4,837	323
Supplies & Services	35,860	33,283	2,577
Capital Financing and Financial Reporting	10,456	6,329	4,127
Grants & Income	(18,132)	(13,403)	(4,729)
<b>Total</b>	<b>44,920</b>	<b>42,865</b>	<b>2,055</b>

16. Premises by £0.2m being made up of underspends in business rates, utilities and general cleaning

17. Transport overspent by £0.3m most of which related to fuel and servicing.

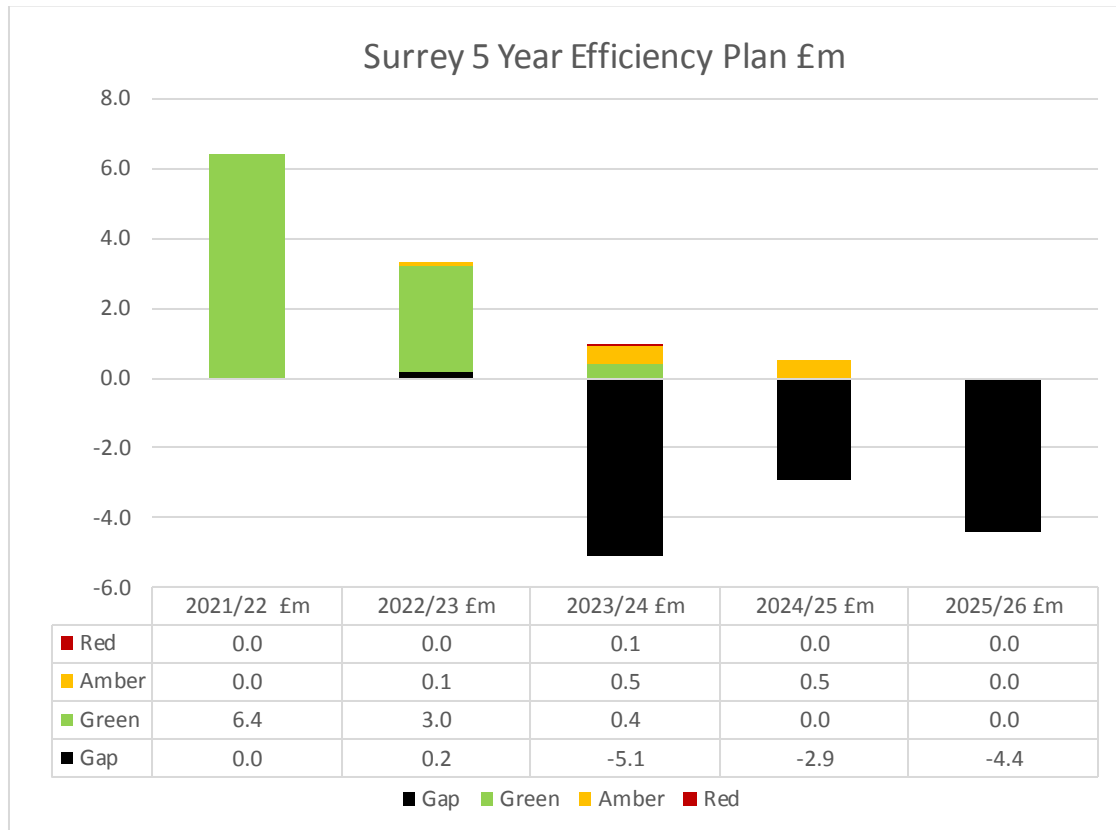
18. Supplies & Services was overspent by £2.5m. Of this £1.7m is due to legal costs on claims, consultants' costs relating to BTF and the charging to revenue of costs associated with Leatherhead now that the decision has been made to re-develop Mount Browne. The remainder relates to ICT projects such as Storm offset by savings on equipment and forensics. In addition, unbudgeted expenditure relating to grants, such as safer streets, is also shown here but offset by unbudgeted income below.

19. Financing is showing an overspend of £4.1m, which relates funding used to fund capital projects in areas such as BTF, IT Hardware, Digital Recording, and Smart Storm. The Government provide almost no capital grant, so all capital expenditure has to be funded from revenue, borrowing or capital receipts.

20. Income is £4.7m over budget and includes any income the Force receives which is not Core Government Grant or Council Tax. Specialist Crime received higher than expected income for Surrey officers posted to regional units (£1.1m); Operations have higher income than expected (£0.4m) largely due to COP26 and G7 reimbursement; People Services are reported additional income against officers posted on Secondment (£0.7m) together with higher than expected Apprenticeship Levy (£0.1m). The PCC for Surrey received an overachievement of income of government funding (£1.6m) for victim support offset by payment of the grants

## Delivery of Savings

21. The whole of the £6.4m savings target for 2021-22 was achieved by the end of the year. However, the Medium-Term Financial Strategy, as prepared for budget setting in February 2022, indicated that further savings will be required as in the table below:



22. Recent events, such as the increase in the rate of inflation, is likely to increase the future savings still further. Work is currently being done to ascertain how these savings can be delivered whilst minimising the impact on front line services

## Precept and Uplift Investment

23. 21/22 represented the second year in the Government's Uplift program for new officers. In addition, the PCC approved a precept increase in February 2021 to provide additional Police Officers and Staff to provide improved services to the public. The year-end position is shown in the table below:

<b>Expected increase at March 2022</b>	<b>Investment provided</b>	<b>Actual At 31/3/22</b>
Employee Group	FTE	FTE
Police Officers – Uplift growth	73.4	73.4
Police Officers – Precept growth	10.0	10.0
Police Staff – Precept growth	67.0	59.0
<b>Total</b>	<b>150.4</b>	<b>142.4</b>

24. As can be seen recruitment targets for Police Officers have been achieved. However, investment in police staff posts has not all been completed by the year end due to delays in recruiting caused by the challenging labour market at the moment.

## Capital Financial Performance for the Year

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

<b>Capital Summary</b>	<b>2021/22 Total Budget £000</b>	<b>2021/22 Spend £000</b>	<b>Variance £000</b>
DDaT Strategy	4,534	1,817	(2,716)
ERP	-	-	-
Commercial and Finance Services	5,329	3,569	(1,760)
Specialist Crime	1,624	1,098	(526)
Operations	727	785	58
Corporate Services	5,532	483	(5,049)
Local Policing	438	358	(81)
<b>Total</b>	<b>18,185</b>	<b>8,111</b>	<b>(10,074)</b>

26. A capital budget of £19.3m was approved by the previous PCC in February 2021. In addition, slippage of £6.7m was carried forward from the previous year and there have been various other movements, such as transfer to revenue and further slippage resulting in an adjusted capital budget of £18.2m.

27. There have been significant underspends in areas such as DDaT, Commercial and Finance (which includes Vehicles) and Corporate (which includes BTF). This is



mainly due to expenditure being reprofiled rather than actual savings and some of these will be carried forward in to 22/23. A more detailed report showing each scheme is in Appendix 1

28. The Force manages capital schemes over a rolling 2-year period enabling projects to be bought forward or deferred. During the year agreed budget virements of £2m have been approved and approval will be sought for a further £8.7m to be carried forward as follows:

Scheme	Year end £'000	In Year £'000	Total £'000
IT Strategy	1,961	0	1,961
Commercial & Finance Services	2,008	1,887	3,895
Specialist Crime	465	0	465
Operations	63	151	214
Corporate Services	4,140	0	4,140
Local Policing	81	0	81
<b>TOTAL</b>	<b>8,718</b>	<b>2,038</b>	<b>10,756</b>

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

Source of Funding	Financing YTD Actual £m	Financing Budget £m	Variance £m
Home Office Capital Grant	0.2	0.2	(0.0)
Other Grants and Income	0.0	0.0	(0.0)
Capital Receipts	0.5	4.3	(3.8)
Revenue Funding	6.4	3.1	3.3
*Borrowing	0.0	10.6	(10.6)
Resources Carried Forward	1.1	0.0	1.1
Total	8.2	18.2	(10.0)

\* Any borrowing is subject to PCC approval

30. Due to the delay in the new HQ project no new borrowing was required however assets could also not be sold resulting in a shortfall in Capital Receipts. This meant that more capital schemes than budgeted had to be funded from revenue.
31. The only borrowing entered in to by the PCC relates to £15.6m borrowed to fund the purchase of the Leatherhead site in March 2019. This is now in the process of being disposed of following the decision to redevelop Mount Browne.

## Reserves

32. All reserves are under the control of the PCC rather than the Force. The force has requested that the PCC approves the transfer of the underspend to reserves as follows:

- £0.2m to the OPCC Operational Reserves representing the underspend on the OPCC budget;
- £0.5m to Cost of Change Reserve to fund service investment;
- £1.0m to the General Reserve to ensure it remains at 3% of expenditure - the minimum recommended by CIPFA.

33. The table below sets out the estimated unaudited reserves as at 31st March 2022 inclusive of the changes outlined above:

	Balance at 31 March 2021 £'000	Transfers In 2021-22 £'000	Transfers Out 2021-22 £'000	Balance at 31 March 2022 £'000
<b>Provisions:</b>				
Restructuring Provision	(109)	0	0	(109)
Legal Claims Provision	(2,931)	0	0	(2,931)
<b>Total Provisions</b>	<b>(3,040)</b>	<b>0</b>	<b>0</b>	<b>(3,039)</b>

	Balance at 31 March 2021 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31 March 2022 £'000
<b>General Fund</b>				
General Fund	(7,257)	(1,035)	0	(8,292)
Chief Constable Reserve	(1,071)	0	0	(1,071)
<b>Earmarked Reserves:</b>				
OPCC Operational Reserve	(1,150)	(234)	150	(1,234)
PCC Estate Strategy Reserve	(3,200)	0	0	(3,200)
Cost of Change Reserve	(2,651)	(513)	0	(3,164)
Ill Health/Injury Reserve	(1,060)	0	504	(556)
Covid19 Reserve	(1,751)	(348)	0	(2,099)
Insurance Reserve	(1,624)	(989)	651	(1,962)
<b>Total Reserves</b>	<b>(19,764)</b>	<b>(3,119)</b>	<b>1,305</b>	<b>(21,578)</b>

34. The majority of reserves have been earmarked for specific projects or initiatives. In terms of non-earmarked reserves when Surrey's are compared to other Forces, they are at the lower end nationally

## Audit

35. The results, as presented, are unaudited and may be subject to change by the External Auditors. Although it is proposed that the statutory deadline for auditors to report for 21/22 be extended 30th November this is unlikely to be deliverable by

audit firms. Although no significant changes to the results are expected any material changes will be reported to Panel members as appropriate.

### **Equalities and Diversity Implications**

36. There are none arising from this report

### **Summary**

37. This year the Force has had to deal with the consequences of the end of the pandemic after the period of lockdown. This not only led to an increase in demand for services as crime picked up but also as the economy improved difficulty in filling staff posts. This was mainly because the Force was unable to match the pay offered in the private sector and indeed this is worsening as we move in to 2022/23. This resulted in a greater number of vacant posts than expected which whilst having a financial benefit has put strain on some parts of the organisation.
38. Officer numbers have been maintained through the uplift program but the need to provide officer for G7 and other international conferences has taken officers away from Surrey. Although this also has been a financial benefit it has also increased the level of overtime needed to maintain services.
39. 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. The largest slippage was caused by a reappraisal of the new HQ project however now the final direction has been determined this should proceed at pace.
40. All these factors together have meant that the budget has been significantly underspent for the year enabling more revenue to be used for capital and for money to be put in to reserves. However, these benefits are only one off rather than ongoing. i.e. G7 was only in 2021/22, staff posts still need to be filled etc. Hence whilst this year has ended well and enabled money to be put in to reserves it does not address the longer-term financial pressures the Force has. In order to meet these more transformational changes will be required and the work on identifying this has just commenced. The increase in reserves this year will help with the delivery of this change by providing investment to generate savings, deliver efficiency and improve performance.

## Appendix A

### Detailed Capital Budget and Outturn for 2021/22

8

Projects by Portfolio Mar-22	Full Year		
	Actual	Budget	Variance
<b>ICT</b>			
P81038 - Joint EMM Replacement	-	159,040	(159,040)
P81039 - Joint DFT Refresh		90,880	(90,880)
P81041 - Joint Service Management Platform		127,232	(127,232)
P81042 - Joint Unified Comms		90,880	(90,880)
P81019 - Joint Mobile Data Terminals Refresh	72,979	136,006	(63,027)
P81001 - Joint Hardware Refresh	536,330	476,211	60,119
P81002 - Joint Windows 10	-	23,505	(23,505)
P84006 - Joint DIR Capital		240,727	(240,727)
P81004 - Joint Telephony	-	26,536	(26,536)
P81005 - Joint Infrastructure & Networks	555,743	465,350	90,393
P81011 - Joint Planned Server Replacement	-	81,792	(81,792)
P81013 - Joint Firewall and Security Devices	-	307,046	(307,046)
P81014 - Joint IDAM	-	1,541	(1,541)
P81035 - Joint Azure Migration	133,340	133,341	(1)
P81016 - Joint Network Monitoring Tool	61,328	201,296	(139,968)
P69004 - Joint Niche Surrey	233,640	233,640	-
P69012 - Surrey DCS Upgrade		31,000	(31,000)
P62005 - Surrey ESN-Devices	(153,522)	825,927	(979,449)
P61003 - Surrey IL4 Remediation	141,481	166,827	(25,346)
P61022 - Surrey Hardware Refresh Local	235,850	714,749	(478,899)
<b>ICT Total</b>	<b>1,817,169</b>	<b>4,533,526</b>	<b>(2,716,357)</b>
<b>Commercial and Finance Services</b>			
P63005 - Estates' Strategy - Environmental	(11,636)	29,564	(41,200)
P63006 - Estates' Strategy - Custody Compliance	689,516	624,196	65,320
P69006 - Caterham Roof Replacement	38,641	548,100	(509,459)
P69010 - CTU Refurb - Mount Browne	-	-	-
P84003 - Niche Evidential Property		51,144	(51,144)
P84004 - 50m Firing Range	-	-	-
P66001 - Surrey Vehicles & Equipment	2,360,364	3,544,116	(1,183,752)
P66005 - Surrey Vehicle Telematics & ANPR	217,501	532,363	(314,862)
P69011 - Surrey Transport Uplift	275,042		275,042
<b>Commercial and Finance Services Total</b>	<b>3,569,428</b>	<b>5,329,483</b>	<b>(1,760,055)</b>
<b>Specialist Crime</b>			
P64002 - DFT Transformation Surrey	-	186,310	(186,310)
P69002 - SEROCU Western Hub - Surrey	1,098,140	1,376,950	(278,810)
P64001 - POLIT Workstations		61,000	(61,000)
<b>Specialist Crime Total</b>	<b>1,098,140</b>	<b>1,624,260</b>	<b>(526,120)</b>
<b>Operations</b>			
P69003 - ANPR Sy	285,890	285,890	(0)
P80003 - Operations Command Equipment	203,695	227,433	(23,738)
P80004 - Drone Replacement	57,459	38,818	18,641
P60003 - SCP Investments	238,153	175,000	63,153
<b>Operations Total</b>	<b>785,197</b>	<b>727,141</b>	<b>58,056</b>
<b>Police Transformation Fund</b>			
<b>Corporate Services (Surrey)</b>			
P61001 - Building the Future - Agile Hardware	-	433,557	(433,557)
P63001 - Building the Future Leatherhead	-	1,926,221	(1,926,221)
P63009 - Building the Future - Agile Working Developments	-	1,392,322	(1,392,322)
P69007 - Building the Future Mount Browne	483,453	1,780,000	(1,296,547)
<b>Corporate Services (Surrey) Total</b>	<b>483,453</b>	<b>5,532,100</b>	<b>(5,048,647)</b>
<b>Local Policing</b>			
P62009 - Storm	357,584	438,376	(80,792)
<b>Local Policing Total</b>	<b>357,584</b>	<b>438,376</b>	<b>(80,792)</b>
<b>Projects Total</b>	<b>8,110,971</b>	<b>18,184,886</b>	<b>(10,073,915)</b>