

SURREY POLICE AND CRIME PANEL
18th April 2023

SURREY POLICE GROUP FINANCIAL REPORT
FOR THE 10 MONTHS ENDED 31st JANUARY 2023

SUMMARY

1. This report sets out the financial performance of the Surrey Police Group (i.e., OPCC and Chief Constable combined) as at the 31st of January 2023 with a forecast to the 31st March 2023.
2. At the moment it is predicted that the Group will have a £4.6m Revenue underspend and £4.0m Capital underspend at the year end. Further details are given later on in this paper

RECOMMENDATIONS

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

BACKGROUND INFORMATION/PAPERS/ANNEXES

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

CONTACT INFORMATION

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Financial Report as at 31st January 2023

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Introduction

5. The period to the 31st of January 2023 represents most of the year and so the prediction for the year should be reasonably accurate. The revenue budget is predicted to be £4.6m underspent which is equivalent to 1.6% of the budget. This has increased month by month mainly due to the Force being unable to fill vacancies for longer and longer periods. There has also been additional income from joint operations and seconded staff. Some, but not all, of the underspend has been offset with increased costs in areas such as overtime, utilities, contract inflation and transport. Some has also been used to fund change initiatives
6. The underspend for Capital has increased to £4m as services become more realistic in their ability to deliver projects in the remaining 3 months of the year. A lack of capacity in areas such as ICT, has meant that a number of projects have had to be rephased. Permission will be sought from the PCC to roll these budgets (and projects) forward in to 2023/24.
7. Finally, the Force remains confident that it will reach its uplift target of 104 officers (including 6 regional) by the 31st of March 2023 and all the savings for 2022/23 have been achieved.

Group Revenue Financial Performance as at the 31st January 2023

8. The Surrey Police Group, which consists of the Force and the OPCC, has a revenue underspend of £3.4m for the year as shown in the table below:

Surrey	Total 2022/23 Budget £m	Total 2022/23 Outturn £m	Variance £m
PCC Budget	3.2	3.1	(0.1)
Operational Delivery Budget	275.9	269.3	(6.6)
Total 2022/23 Budget	279.1	272.4	(6.7)
Funding	(279.1)	(277.0)	(2.1)
Grand Total	(0.0)	(4.6)	(4.6)

9. As can be seen in the table above the predicted actual operational underspend is £6.6m but £2.1m has been used to fund Change projects undertaken in the year

rather than these being funded from reserves as was originally intended. This however is subject to PCC approval.

Further detail on the Month 10 revenue budget

10. The table below sets out a breakdown of the estimated year end variance as at Month 10

Jan-23	Year to Date		Full Year	
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Payroll	197,047	225,639	229,577	(3,938)
Premises Related Expenditure	9,103	12,115	11,998	117
Transport Related Expenditure	4,443	4,652	3,960	692
Supplies & Services	29,085	40,791	40,403	388
Capital financing and Financial Reporting	7,488	9,241	8,050	1,191
Grants & Income	(22,044)	(20,077)	(14,860)	(5,216)
Total	225,122	272,361	279,127	(6,766)

Wages and Salaries

11. Payroll is the largest expense incurred by the Force and is broken down in the table below:

Jan-23	Year to Date		Full Year		
	Actual	Forecast	Budget	Variance	
Cost Type	£m	£m	£m	£m	£m
Police Officer Pay	119.3	129.9	135.6	(5.6)	
Police Officer Overtime	5.2	6.8	5.5	1.3	
Police Staff Pay	63.0	76.0	77.0	(1.1)	
Police Staff Overtime	1.8	2.2	1.3	0.9	
PO Injury, Ill Health & Death Pensions	1.5	2.1	2.3	(0.2)	
Other Employee Expenses	2.5	3.3	3.1	0.2	
Agency Staff	0.6	0.9	0.6	0.3	
Professional & Organisational Development	3.1	4.5	4.2	0.2	
Total	197.0	225.6	229.6	(3.9)	

12. The table below shows how an underspend arises due to the phasing of recruitment of officers:

Month	April	May	June	July	August	September	October	November	December	January	February	March	Average
	1	2	3	4	5	6	7	8	9	10	11	12	
Officer Budget FTE	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217
Officer Actual / Forecast FTE													
January	2,092	2,082	2,065	2,095	2,084	2,111	2,169	2,163	2,190	2,203	2,183	2,254	2,141
Variance FTE	124	135	152	121	133	105	48	53	26	13	33	38	76
Variance %	5.6%	6.1%	6.9%	5.5%	6.0%	4.8%	2.2%	2.4%	1.2%	0.6%	1.5%	-1.7%	3.4%

When the budget was set it was assumed there would be an average 2,217 FTE officers over the year. Due to recruitment being phased towards the end of the year this has led to a predicted average FTE of 2,141 leading to a variance of 3.4% over

the year. It should be noted however that actual officer numbers at the end of January were 2,203 and are predicted to rise to 2,254 by the end of the year

13. For Police staff although there were 236 vacant posts, giving a vacancy rate of 12%, this only resulted in an underspend of £1.1m as explained in the table below:

Variance Analysis Month 10	£m
Rate Difference	2.0
Local Vacancy Rate @ 8% Value	6.0
Vacant Posts	(9.4)
Allowances	0.2
Other	0.1
Total	(1.1)

The 236 vacant posts have resulted in an underspend of £9.4m against full establishment. However, when the budget was set a vacancy rate of 8% was assumed resulting in a net underspend of £3.4m. This has been offset by having to pay more to fill posts as well as increases in allowances etc leading to net underspend of £1.1m

Non-Pay Budgets

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

Jan-23	Year to Date		Full Year	
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Premises Related Expenditure	9,103	12,115	11,998	117
Transport Related Expenditure	4,443	4,652	3,960	692
Supplies & Services	29,085	40,791	40,403	388
Capital financing and Financial Reporting	7,488	9,241	8,050	1,191
Grants & Income	(22,044)	(20,077)	(14,860)	(5,216)
Total	28,075	46,722	49,550	(2,828)

15. The main reasons for significant variances are as follows:

- Transport costs are over budget due to increasing fuel and maintenance costs
- Financing variance includes a transfer to the insurance and Ill health reserves following a review
- Income is above budget due to a number of factors. £1.2m from regional secondments, £1.2m from joint operations and mutual aid and £2m from grants awarded in the year to the OPCC.

16. The OPCC is predicted to be £0.1m under budget due to delays in recruitment to a number of posts

Delivery of Savings for 2022/23

17. All of the savings of £2.9m included in the 2022/23 budget have been achieved.

Uplift Investment

18. 2022/23 is the last year in a 3-year national program to recruit an additional 20,000 police officers of which 98 local and 6 regional officers have been allocated to Surrey. As this is a net increase the numbers actually recruited are significantly higher as they need to replace officers retiring or leaving the service. Given the recruitment stream in place the Force is confident it will meet the target and no grant will be clawed back.

19. The Government is focussed on maintaining officer numbers over 2023/24 and has ringfenced £3.6m of grant to achieve this. The conditions relating to the forfeiture of this grant have recently been published and are as follows:

- Police Officer numbers will be monitored against the Uplift baseline of 2,263 at the end of September 2023 and March 2024
- If numbers remain on or above the baseline then 50% of the grant will be paid 3 months after each monitoring date (Jan 2024 and July 2025)
- For each officer below target £40k will be deducted. However, if the target is missed by more than 1% of baseline headcount (for Surrey 23 officers) then no grant will be paid for that 6 month monitoring period i.e. £1.8m for Surrey
- If the target is missed in September but achieved in March it is not possible to recover grant lost in September.

Capital Expenditure as at the 31st of January 2023

20. At the beginning of the year a capital budget of £7.4m was agreed together with carry forward of £10.8m from 21/22 giving a total of £18.2m. During the year the budget was increased by £2.0m for Change and other Projects but there has also been slippage in to 2023/24, mainly for estates, of £5.3m giving a budget of £14.9m.

21. Details of budget against estimated spend are shown in the table below:

Capital Summary	2022/23 Total Budget £000	2022/23 Total Forecast £000	Variance £000
DDaT Strategy	4,011	1,725	(2,286)
ERP	740	-	(740)
Commercial and Finance Services	5,965	5,533	(433)
Specialist Crime	1,006	935	(71)
Operations	397	325	(72)
Corporate Services	2,298	1,956	(342)
Local Policing	541	572	31
Total	14,957	11,045	(3,912)

22. Actual spending for the year to date is only £6.8m so the underspend is likely to increase by the end of the year.

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

The main variances are as follows:

- ICT – Delays in the delivery of projects such as the Emergency Services mobile network, Surrey DCS upgrade and the Joint Service Management Platform.
- ERP – procurement took longer than anticipated leading to a delay
- Commercial Services – Slippage in replacement of vehicles and works at the depot.
- Corporate Services – Rephasing of the Estates strategy including the purchase of agile hardware. This will slip into next year.

24. The Home Office provides no funding for Capital hence it has to be funded by revenue contributions, asset sales or borrowing. No external borrowing has been taken out to date although this may be required for the 4th quarter depending on the level of work undertaken.

Conclusions and Challenges

25. Based on the estimates made the Surrey Police Group should finish the year under budget. This will enable the change program to be funded from revenue and also provide a one-off surplus to deal with future funding pressures as identified in the MTFs whilst more sustainable options are considered. Although it is financially beneficial to have an underspend this has had an impact in that staff are having to cover for vacant posts. Police staff posts have not been deliberately kept vacant, but the Force finds it difficult to recruit due to the level of pay it can afford to pay in such a buoyant labour market coupled with the time it takes for vetting to be completed. Whilst this has not had the same impact on officer recruitment the pool of potential recruits is reducing which, whilst not impacting the achievement of Uplift for this year, could present challenges going forward.
26. The underspend on capital is due to the rephasing of projects, in part because of lack of capacity, rather than savings and most of this expenditure will be carried over into the new financial year. That said the underspend does reduce the need for external borrowing in the current year. Policing has a significant requirement for capital in terms of vehicles, facilities, IT etc and funding this will become increasingly difficult in the future.
27. Risks remain for this year in terms of staffing, inflation, utilities and fuel costs although with only 2 months left these are reducing. Estimates have been made in the projected outturn for these however this actual impact may be slightly different when we come to the year end. The underspend will be useful in helping to address risks around inflation, pay etc in the coming financial year.

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