

SURREY POLICE AND CRIME PANEL

26th SEPTEMBER 2024

SURREY POLICE GROUP UNAUDITED FINANCIAL REPORT FOR 2023/24

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 31st March 2024. It compares the Group financial results with the budgets approved by the PCC in February 2023 for the financial year 2023/24.
2. For the Group in terms of Revenue expenditure , £291.0m has been spent giving an underspend of £1.8m. However once funding adjustments are considered this reduces to £0.2m which will be transferred to reserves.
3. The OPCC had expenditure, which includes commissioning, of £3.4m against a budget of £3.2m, before the transfer from reserves, giving an underspend of £0.2m.
4. With regard to Capital, £14.1m of expenditure was incurred resulting in an underspend against budget of £7m.

RECOMMENDATIONS

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

BACKGROUND INFORMATION/PAPERS/ANNEXES

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

CONTACT INFORMATION

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Unaudited Financial Outturn Report for 2023/24

Introduction

1. This report provides the force budget and capital position for Surrey Police Group as at 31st March 2024. 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, had a revenue underspend of £0.2m for the year as shown in the table below:

	Total 2023/24 Budget £m	Total 2023/24 Outturn £m	Variance £m
OPCC	3.4	3.2	(0.2)
Force	289.4	287.8	(1.6)
Group Expenditure 2021/22	292.8	291.0	(1.8)
Less: Funding	(292.8)	(291.2)	1.6
Net Group underspend for year	0.0	(0.2)	(0.2)

3. The Group underspend of £1.8m, of £1.6m of which was funding from reserves not required, is explained in more detail in the table below:

	Year to 31st March 2024		
	Budget £m	Actual £m	Variance £m
Wages and Salaries	242.9	242.9	0.0
Premises	14.2	14.9	0.7
Transport	5.3	5.6	0.3
Supplies and Services	42.5	40.7	(1.8)
Capital Financing and Reserves	10.1	14.9	4.8
Grants and Income	(22.2)	(28.0)	(5.8)
TOTAL	292.8	291.0	(1.8)

4. The notes below are provided to give the Panel more detail on some of the key group expenditure areas.

Wages and Salaries

5. Wages represents the largest category of expense for the group representing 83% of the total net budget. Although overall wages and salaries have come in on budget there have been variances in areas as follows:

	Year to 31st March 2024		
	Budget £m	Actual £m	Variance £m
Police Officer Pay	143.7	143.7	0.0
Police Officer Overtime	5.3	6.8	1.5
Police Staff Pay	83.6	81.4	(2.2)
Police Staff Overtime	1.1	2.3	1.2
Other Employee Expenses	4.2	4.4	0.2
Temporary and Agency Staff	1.0	0.6	(0.4)
Training and Development	4.0	3.7	(0.3)

TOTAL	242.9	242.9	(0.0)
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6. Police Officer pay has ended the year on budget.. Although the vacancy margin of 1% was not achieved, this was offset by a saving in the mix of officers. The Op Uplift grant conditions in terms of officer numbers being maintained at 2,253 was met at the 30th of September 2023 and 31st March 2024. In response to an offer of additional funding from the Home Office, the Force agreed to exceed the target by 10 officers at the 31st March 2024. The same offer has been made for 2024/25 and an additional 12 officers are being recruited. The maintenance of these additional officers will be dependent on continued additional Home Office funding. However, the baseline Uplift totals will need to be maintained for 2024/25 to retain the Uplift grant. Maintaining officer numbers means continuously recruiting to cover leavers, transfers and retirements whilst also allowing for those that don't complete their training or leave shortly after.

7. For Police staff the average vacancy rate over the year was 12.1%. However, as the budgeted vacancy rate was increased to 10% when the budget was set, this has resulted in smaller variance than last year of £2.6m. This additional spend has been offset by the need to pay more market supplements etc to attract staff. At the year-end Surrey police has 226 vacant posts.

8. Overtime costs were £2.7m over budget. Around £1m of the overspend was in contact to maintain the service and cover vacancies – these have now been filled. The rest is in a mixture of areas such as Neighbourhood Policing, Specialist Crime and Custody.

Premises

9. Premises, which includes all estate running costs, was overspent due to the costs of dealing with the RAAC at Reigate.

Transport

10. The transport service has had to outsource some vehicle maintenance due to staff vacancies, but this has been offset with some insurance savings.

Supplies and Services

11. Supplies and services, which incorporates many different areas, was underspent by £1.8m at the end of the year. Although there were overspends in areas such as Digital Forensics, PSD legal costs and Pension remedy, this was more than offset by savings in software, Estates and operations.



Capital Financing and Reserves

12. The overspend of £4.8m is made up of:

- £2.1m transferred from revenue to fund capital, for which there is no Government Funding
- £1.6m Business rates refund following a revaluation
- £1m being a contribution to the insurance reserves, based on actuarial advice and the surplus after costs for the temporary use of custody cells by Government for convicted prisoners.

Grants and Income

13. Income received was £5.8m over budget due to a number of one-off events and has been used to offset costs incurred in other areas or set aside for upcoming costs within the plan. Amounts received were as follows:

- £1.8m was received for the use of custody cells and Safer Streets offset by additional staff costs and upgrade works to cells
- £1.3m for Mutual Aid, CTSFOS (Counter Terrorism Specialist Firearms Officers) and Surrey Camera Partnership offset by staff costs, commissioned services and equipment.
- £1.7m from revaluation of business rates which has been transferred to the Estates reserves to fund future one-off capital works.

Office of the Police and Crime Commissioner

14. Included within the group figures are the costs of running the OPCC and its commissioning of services which, at the year end, were £0.2m under budget. This is shown in the table below:

	Budget £m	Actual £m	Variance £m
Operational Costs	1.6	1.6	0.0
Services Commissioned	4.8	6.4	1.7
Less grants received	(2.9)	(4.8)	(1.9)
Total before reserves funding	3.4	3.2	0.2
Less funded from reserves	0.2	0.2	0.0

TOTAL	3.2	3.0	0.2
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15. OPCC Operational costs represented around 0.5% of net total group expenditure and consist of the costs of the PCC and DPCC, their staff, office costs, public engagement, audit, subscriptions and governance.
16. OPCC commissioned services included services commissioned for victims, safer streets, community safety and crime prevention. During the year additional grants were received and awarded, mainly through competitive bids, resulting in an increase in income and hence more money to provide services for the residents of Surrey. The £0.2m underspend will be transferred to reserves for use on commissioned services in the coming year.
17. Further details on the work of the OPCC for the year can be found in the 2023/24 Annual Report.

Savings

18. The group budget set for 2023/24 included an assumption of £1.6m of savings which have all been achieved. In line with the Force strategy for reducing costs, further savings over and above the target of £0.3m were driven out the operating base in order to reduce the operating cost for 2024/25.
19. The Medium-Term Financial Forecast was reviewed in October and estimates the further savings that will be required over the next 4 years as below:

Year	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	4 year Total £m
Savings Required	3.8	10.2	5.5	3.5	4.2	23.4
Delivered	3.8	1.6	0.0	0.0	0.0	1.6
In progress	0.0	2.4	3.3	0.1	0.0	5.8
Unidentified	0.0	6.2	2.2	3.4	4.2	16.0

20. Savings delivered are savings that have been removed from the budget. Savings proposals represent anticipated savings from transformation and other projects which are yet to be delivered but a plan is in place to achieve this. The remainder represents savings that have yet to be found – these may come from further efficiency savings, transformation or reductions to budgets. Reserves may be

required to invest in initiatives as well as to cover expenditure whilst work is done to deliver savings.

Capital Financial Performance for the Year

21. All of the Force's assets are owned by the PCC and as such all capital spend is required to be approved by the PCC. The PCC is also responsible for ensuring that capital spend is funded and affordable. At the start of the year a capital budget of £14.4m was set. This, when added to slippage from 2022/23 of £5.9m, gave a total budget of £20.3m. A number of changes were made in the year which resulted in a budget of £21.26m by the end of the year. The table below gives a summary of Capital Spend against budget for the year:

	Budget £m	Outturn £m	Variance £m
ICT	4.6	4.3	(0.3)
Vehicles and Estates	15.5	8.6	(6.9)
Specialist Crime	0.8	0.5	(0.3)
Operations	0.3	0.7	0.4
Local Policing	0.0	0.1	0.1
TOTAL	21.2	14.2	(7.0)

22. The Force manages capital schemes over a rolling 2-year period enabling projects to be bought forward or deferred. This can lead to underspends in year and slippage from one year to another. Further details on major areas are given below:

ICT

23. Investment in ICT is one of the highest areas of spend of the Force. During the year almost £1.4m was spent on hardware replacement and infrastructure with a further £1.3m on the ERP system upgrade. A further £1.3m had to be spent on Airwave equipment due to delays on the implementation of the national Emergency Services Network with the remainder on systems such as upgrade for Niche and network monitoring tools. The slippage relates to ERP and hardware replacement costs carried forward.

Commercial and Finance Services Variance

24. £4.9m of the total was spent on vehicles with a further £0.4m on upgrades to the Surrey estate access systems. £2.3m was spent on the Surrey estates strategy of which the bulk was spent on getting to the point of a planning application for the new HQ. Of the variance, £6.2m will be carried forward in to 2024/25 made up of

vehicles purchases, housing review, telematics and capital costs of transformation. The remaining £0.7m is an underspend mainly on the new HQ project.

Specialist Crime

25. The bulk of the spend is the Forces contribution for the South East Regional Organised Crime Unit (SEROCU) western hub, some of which has slipped into the following year.

Operations

26. Capital was invested in ANPR, Tasers and Surrey Road safe.

Funding of the Capital Program

27. No specific grant funding is provided by Government to fund capital expenditure. Hence expenditure has to be paid for by assets sales, transfers from revenue or borrowing. During the year no external borrowing was required and hence the entire program was funded from Capital Receipts, reserves and the largest element, £7.5m from Revenue.
28. Borrowing may be required in future years - particularly for the Estates strategy. External borrowing can only be entered in to by the PCC and must comply with the Prudential framework. In addition, due to statutory controls, borrowing can only be entered into to further a Policing purpose – such as say buildings, vehicles etc it cannot be used on commercial ventures.
29. Funding the capital program will continue to be a challenge as the capacity of the revenue budget to fund capital is squeezed due to the level of revenue savings required. The APCC and NPCC are intending to put forward a case for Capital funding for Forces as part of the spending review consultation.

Reserves

30. All reserves are owned and under the control of the PCC rather than the Force. The PCC needs to ensure that they hold an adequate minimum level of reserves to manage any unexpected expenditure and to manage risk. Other reserves are created and held in order to effectively “save up” for upcoming essential projects or large spend rather than indebting the force by incurring borrowing costs.
31. The table below sets out the estimated unaudited revenue reserves as at 31st March 2024 compared to the previous year:

Name	As at 01/04/23 £m	As at 31/3/24 £m
General Reserves		
General Fund	8.8	11.0
Chief Constable	1.1	1.1
Op Pheasant File Review	0.5	0.5
Total General Reserves	10.4	12.5
Earmarked Reserves		
PCC Reserve	1.2	1.2
Estates Reserve	4.4	6.0
Cost of Change	5.5	6.4
Ill-health Injury	0.6	0.3
Delegated budget Reserve	5.1	5.7
Net zero reserve	1.7	1.7
ICT Reserve	0.0	0.3
Insurance reserve	1.9	3.0
Total Earmarked Reserves	20.4	24.7
TOTAL RESERVES	30.8	37.2

32. Reserves are held for the following purposes:

- General Fund – With Op Pheasant reserves, this equates to 3% of the net revenue budget to address contingencies. This is at the lower end when compared with most other Forces – however the financial capacity to increase this reserve is limited given the pressures on the revenue budget and the savings required.
- Chief Constable Reserve – to cover unforeseen operational costs, such as say a large murder enquiry, major public disorder etc. It is hoped that these costs would be refunded by the Home Office but there is no guarantee of this.
- PCC Reserve - is used for one off commissioning initiatives and to support the OPCC budget.
- Estates Reserve – To support the delivery of the new Estates Strategy in particular the new HQ. The reserves were increased due to a one-off refund for business rates being received in the year.
- Cost of Change – to provide investment to deliver the efficiency savings needed to balance the budget in future years. An amount is earmarked from revenue to fund this and as it was underspent the balance has been added to the reserve.
- Ill Health Injury – the level of reserve is determined by an actuarial assessment based on claims.
- Delegated budget Holder reserve – This is a reserve that can be used on a one-off basis to meet immediate budget pressures whilst a longer-term solution is sought. For example, a higher than budget pay rise or a delay in the delivery of savings.
- Net zero reserve – to cover some of the initial costs for reducing carbon emissions.
- Insurance reserve – The level of contingency calculated by actuaries to cover insurance excesses and uninsured events.

Audit

33. The results, as presented, are unaudited and may be subject to change by the External Auditors. The audit for 2021/22 has been recently concluded with an unqualified opinion and VFM judgement. It is the auditor's intention to issue a disclaimer for 2022/23 as part of national audit catch up proposals, provided legislation is put in place, with the audit for 2023/24 taking place late in 2024.

Equalities and Diversity Implications

34. There are none arising from this report.

Conclusions

35. Through close budget management the Group has come in virtually on budget. Although there have been cost pressures these have been managed in year and the group has also benefitted from some additional one-off income and a slippage in some spending.
36. The Force has benefited financially from a tight labour market in that its inability to recruit Police Staff has enabled it to not only to have a larger vacancy margin than planned. This though has impacted some operations and in particular the delivery of projects. It also drives increases to salary costs, and therefore has the opposing impact in future years. The Force cannot afford for all these posts to be filled and some areas are going through a review process to determine whether these vacant posts can be deleted. Whilst this does not create any additional savings towards the overall savings target, it does convert the temporary vacancy margin saving in to a permanent one.
37. The savings target for the year was delivered and in fact additional savings were achieved to contribute to the savings for 2024/25. Plans are in place to meet the savings for 2024/25 and there is a high level of confidence that these will be achieved. Although there are plans in place that contribute toward the funding deficit in future years these are far more challenging, and reserves may well be needed as a last resort to buy more time to deliver the savings required.
38. Significant efforts were put in to recruiting officers to meet the Government's uplift target for new officers so as to avoid any financial penalties. The same requirement is in place for 2024/25 but finding enough candidates is getting more difficult.
39. The Force enters 2024/25 on a stable financial footing with a balanced budget, plans to deliver savings and an adequate level of reserves should there be some unexpected shocks. The MTFS though shows that there are financial challenges driven by rising costs and uncertainty in funding so there is little room for complacency.

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