

SURREY POLICE AND CRIME PANEL

SURREY POLICE GROUP FINANCIAL REPORT FOR MONTH 8 FINANCIAL YEAR 2020/21

5 February 2021

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) of the financial position as at the 30 November 2020 as well as a prediction for the situation at the end of the year. This is to inform the panel in relation to setting the precept later on this agenda. A report on the OPCC financial performance is included elsewhere on this agenda.

2) Revenue Financial Performance as at the 30 November 2020

I am pleased to report that as at the 30 November 2020 the Surrey Police Group is predicted to have an underspend of £0.7m against a budget of £250.0m. This is after taking in to account unbudgeted net expenditure of £2.3m on Coronavirus costs, which are included within the total expenditure, and are explained in more detail later in this paper.

A detailed report of spending against individual budgets is included in Appendix A to this report. This shows actual and estimated expenditure against budget both by portfolio and cost centre. Further information is provided below to inform the panel on major cost centre variances:

a) Wages and Salaries

The variances for these areas have been summarised in the table below:

Nov-20	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Police Officer Pay	88,779,898	79,807,954	8,971,944	118,123,390	119,711,169	(1,587,779)
Police Officer Overtime	3,299,789	3,354,494	(54,705)	5,576,884	4,852,923	723,961
Police Staff Pay	48,801,653	49,751,780	(950,127)	74,766,943	74,898,340	(131,397)
Police Staff Overtime	1,088,976	690,196	398,780	1,647,419	1,126,571	520,848
Other Employee Expenses	3,173,373	2,600,954	572,419	4,390,094	3,901,334	488,760
Temporary or Agency Staff	2,216,612	797,301	1,419,311	2,906,502	1,195,669	1,710,833
Restructure, Training & Conference Costs	1,589,133	1,549,809	39,324	1,836,384	2,285,648	(449,264)
Total	148,949,434	138,552,488	10,396,946	209,247,615	207,971,654	1,275,961

The table above shows that Wages and Salaries are predicted to be overspent by £1.3m by the end of the year. This is due to a number of reasons:

Police Officer Pay

Due to the phasing of officer recruitment being mainly in the latter half of the year this has resulted in a predicted underspend of £1.6m after taking account of the 2% staff vacancy factor. The budget has been set on an monthly average officer number of 2,024 although the anticipated rolling average for the year based on number so far and anticipated growth for the remainder of the year is 1,979 resulting in the underspend. Despite this actual numbers in March 2021 are predicted to be 2,061 which is in excess of the budget. The pay rise of 2.5% has also been built in although only 2.0% was budgeted for.

Police Officer and Staff Overtime

Officer and Staff overtime continues to be above budget and the table below shows the expenditure per FTE over the last 5 years.

Police Overtime	Budget £'000	Actual £'000	Variance £'000	Variance %	Average per FTE
2020-21	4,853	5,577	724	15%	2,819
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
2020/21	1,127	1,647	521	46%	916
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
2016/17	1,341	1,622	281	21%	

In terms of Police overtime Covid has accounted for over £200k of the overspend with a further £200k in specialist crime and the rest in divisions. For staff direct covid overtime and additional staffing driven by Covid in contact accounted for £330k of the increase with the remainder being custody, specialist crime, ICT and Ops command. Work is being done to try and minimise these overspends.

Police Staff Pay

Although Police staff numbers are under budget 148 FTE under budget this is only slightly more than the 6% vacancy margin required resulting in only a small underspend.

Other employee expenses

The predicted overspend here relates mainly to the costs for local PPE, which have been refunded by Government, with the income included in the grants and income line

Agency Costs

There is a forecast overspend of £1.7m of which £1m is for 30 investigative assistants across 3 division. Other costs relate to cover for contact etc. due to Covid and returning officers assisting with Covid.

Training Costs

These costs are showing a saving of £0.4m due to training being cancelled as a result of Covid.

Precept and Uplift Investment

I am pleased to report that we are on track to meet the targets for new staff funded by the precept investment and uplift grant by the end of the year.

Expected increase at March 2021	Investment provided	Forecast 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	52.5
Total	156.5	156.5

b) Non-pay Budgets

The current variances and predictions for these budgets are summarised in the table below:

Nov-20	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Premises Related Expenditure	7,775,101	6,602,961	1,172,140	10,453,718	10,456,493	(2,775)
Transport Related Expenditure	3,603,172	3,550,145	53,027	4,311,770	5,308,038	(996,268)
Supplies & Services	21,641,814	24,003,215	(2,361,401)	38,019,145	34,327,654	3,691,491
Capital financing and Financial Reporting	537,510	4,103,040	(3,565,530)	6,127,565	6,154,565	(27,000)
Grants & Income	(22,841,758)	(10,557,283)	(12,284,475)	(18,788,560)	(14,234,360)	(4,554,200)
Total	10,715,839	27,702,078	(16,986,239)	40,123,638	42,012,390	(1,888,752)

The reasons for significant variances are as follows:

- Transport underspends are due to insurance costs being lower than predicted
- £0.7m of the overspend is on forensics from specialist crime due to rising costs and demand with a further £0.8m due to ICT. The rest is due to local and national PPE which has been offset by additional income in the form of a Government grant.
- Income is predicted to be above budget due to grants received for Covid reimbursement, additional income for Surrey officers seconded to regional units and income from tenants at the new HQ site in Leatherhead.

c) Delivery of Savings for 2020/21

All the savings were taken at the beginning of the financial year and deducted from budgets. Out of the total £1.4m savings £500k of ICT savings are still to be identified.

Based on assumptions in respect of income and costs it is estimated that £20m of savings will be needed over the next 4 years. Work is being done at the moment to identify these should they be required. This situation may change depending on the outcome of the Settlement later in the year.

d) ERP Project

In addition the Equip project is estimated to be £1.5m over budget by the end of the year due to additional staff and licenses – this has already been reflected in the costs described earlier in this report

3) Capital expenditure to the 30 November 2020

The capital budget for 2020/21 was approved by the PCC in February 2020 totalling £10.5m with an additional £7.5m capital slippage from 2019/20 and in year capital to revenue transfers for some software has resulted in a total budget for the year of £15.4m. This is shown in more detail in the table below:

Capital Summary	2019-20 Slippage Request £	2020/21 Budget Allocated £	Budget Virements	2020/21 Total Budget £	2020-21 Other changes £	2020-21 In- year Slippage £	2020/21 Total Budget £
IT Strategy	3,350,846	3,784,000	-1,020,916	6,113,930	-1,371,920	0	4,742,010
Enterprise Resource Planning	0	0	0	0	0	0	0
Fleet Strategy	117,280	3,761,000	0	3,878,280	0	0	3,878,280
Specialist Crime	326,336	0	0	326,336	0	0	326,336
Operations Command	473,893	150,000	0	623,893	200,000	0	823,893
Contact	845,000	0	0	845,000	0	0	845,000
Local Policing	0	0	0	0	0	0	0
SE Region Estates Strategy	0	0	0	0	0	0	0
Estates Strategy	2,451,004	2,785,000	-35,000	5,201,004	-200,000	-202,237	4,798,767
Unallocated Budget	0	0	1,055,916	1,055,916	-1,055,916	0	0
Total	7,564,359	10,480,000	0	18,044,359	-2,427,836	-202,237	15,414,286

Details of actual and estimated spend against budget are shown in the table below:

Capital Summary	2020/21 Total Budget £	2020/21 Actuals £	Forecast £	Forecast Variance £
ICT Strategy	4,742,010	2,394,805	4,355,551	(386,459)
Commercial and Finance Services	5,030,056	1,878,941	5,029,966	(90)
Specialist Crime	326,336	110,736	291,756	(34,580)
Operations	823,893	252,453	428,876	(395,017)
Corporate Services (Surrey)	3,646,991	999,530	2,797,046	(849,945)
Local Policing	845,000	655,092	1,237,268	392,268
Total	15,414,286	6,291,557	14,140,463	(1,273,823)

The Force runs a flexible programme managing schemes over a rolling 2 year period enabling schemes to be bought forward or deferred. Although an underspend of £1.3m is anticipated ICT has requested that a further £0.8m budget be moved in to 2021/22 for delays to the ESN budget which will then reduce the predicted underspend. However given there are only 3 months left and £6.3m has been spent the underspend it likely to be larger.

The Home Office only provides a grant of £0.2m for Police Capital Expenditure. Hence of the estimated £14.1m capital expenditure it is anticipated that £8.9m will be funded from borrowing, £4.2m from revenue with the remaining £1m from Capital Receipts and Government Grant.

4) Reserves and Treasury Investments

At the start of the year there were reserves totalling £19.5m of which £11.4m are earmarked and £8.1m non earmarked. During the year so far earmarked reserves have been used on insurance claims, ill health retirement and the PCC Covid grants for voluntary groups however this should be balanced out by the underspend for the year. This means that there should be no change in the overall level of reserves during the year. The non-earmarked reserves represent just over 3% of the net budget which puts them at the lower end of reserves required to deal with financial uncertainty.

At the end of November £28.8m was held for investment by Surrey County Council under the SLA on an overnight basis and on which interest is paid. In March 2019, the PCC also entered into an external loan with PWLB for £15.6m in order to purchase land for Building the Future.

5) Covid Costs

The operational response to the COVID 19 pandemic has resulted in additional unplanned costs which consist of the salary costs of police officers and staff, employee overtime, premises, lost income and supplies & services, the most significant cost for the Personal Protective Equipment (PPE). The Home Office has reimbursed all PPE costs and has paid £388k from the £30m Covid Surge Fund to cover some additional resourcing. In addition forces can claim for a proportion lost income on the same basis as local authorities.

An estimate of the total costs for the year of the COVID-19 pandemic together with any grants are shown in the table below. These costs are included within the overall financial forecast and are shown here together just for information.

	Surrey
Expenditure	£'000
National PPE	2,275
Local PPE	628
Other Local Costs	3,576
Total Forecast Costs	6,479
Forecast Income	-3,568
Net Forecast	2,910
Total PPE	2,902

6) Risks to the Forecast

There are a number of risks which may impact on the delivery of the forecast. These are:

- Covid costs may be higher than predicted due to the pandemic lasting longer or becoming more intense;
- Overtime costs may rise significantly due to sickness and operational pressures
- Capital receipts may not be achieved due to market conditions
- The Equip program is being reviewed and this may result in financial implications

- Forensics costs are rising due to an increase in the number of submissions caused by additional officer numbers and an increase in Intoximeter testing.
- Intelligence processing is not keeping pace with demand so additional resources may be required in this area

7) Equalities and Diversity Implications

There are none arising from this report

8) Summary

Despite the Force incurring additional unfunded costs as a result of Covid of £2.9m it is still predicting to come in under budget by £0.6m. This, coupled with the delivery of the precept and uplift posts, looks to be very positive for the rest of the year. However there are still a number of uncertainties which will need to be watched carefully to keep the finances on track.

Although there has been some slippage in Capital projects this has reduced the amount of money the force has to find or borrow to fund these projects. That said the largest project – Building the Future for the new HQ – is still proceeding to plan.

Looking forward in to the budget for next year I do not anticipate anything arising from this year, based on the predicted outturn, to impact 2021/22 which has not already been taken account of.

Finally based on the information I have received I am happy to approve the virements as set out in Appendix B to this report

David Munro
Police & Crime Commissioner

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Revenue Budget and Estimated Outturn for 2020/21 as at 30th November 2020

Surrey Corporate Report

Nov-20	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Portfolio						
Local Policing	26,497,177	25,016,344	1,480,833	40,269,495	38,148,664	2,120,831
Operations	4,074,753	3,574,149	500,604	4,764,214	5,588,497	(824,283)
Specialist Crime	11,317,283	13,552,717	(2,235,434)	19,015,808	21,015,827	(2,000,019)
Corporate Services	5,800,639	5,555,304	245,335	9,145,390	8,346,248	799,142
Information & Communication Technology	11,591,505	11,155,662	435,843	16,699,287	16,287,552	411,735
People Services	4,912,166	5,128,319	(216,153)	6,645,164	7,709,419	(1,064,255)
Equip	1,981,911	1,598,433	383,478	3,950,622	2,397,673	1,552,949
Commercial and Finance Services	3,065,752	19,432,900	(16,367,148)	28,658,343	28,629,932	28,411
<i>Non-Delegated</i>	<i>88,779,898</i>	<i>79,807,954</i>	<i>8,971,944</i>	<i>118,123,390</i>	<i>119,711,169</i>	<i>(1,587,779)</i>
Operational Policing Total	158,021,084	164,821,782	(6,800,698)	247,271,714	247,834,981	(563,267)
PCC for Surrey Police	1,644,189	1,432,784	211,405	2,099,539	2,149,063	(49,524)
Total Police Fund	159,665,273	166,254,566	(6,589,293)	249,371,252	249,984,044	(612,792)
Funding	(171,942,554)	(171,942,554)	-	(250,008,562)	(250,008,562)	-
Grand Total	(12,277,281)	(5,687,988)	(6,589,293)	(637,310)	(24,518)	(612,792)
Cost Type						
Police Officer Pay	88,779,898	79,807,954	8,971,944	118,123,390	119,711,169	(1,587,779)
Police Officer Overtime	3,299,789	3,354,494	(54,705)	5,576,884	4,852,923	723,961
Police Staff Pay	48,801,653	49,751,780	(950,127)	74,766,943	74,898,340	(131,397)
Police Staff Overtime	1,088,976	690,196	398,780	1,647,419	1,126,571	520,848
PO Injury, Ill Health & Death Pensions	1,589,967	1,415,144	174,823	2,122,727	2,122,727	(0)
Other Employee Expenses	1,583,406	1,185,810	397,596	2,267,367	1,778,607	488,760
Temporary or Agency Staff	2,216,612	797,301	1,419,311	2,906,502	1,195,669	1,710,833
Restructure, Training & Conference Costs	1,589,133	1,549,809	39,324	1,836,384	2,285,648	(449,264)
Premises Related Expenditure	7,775,101	6,602,961	1,172,140	10,453,718	10,456,493	(2,775)
Transport Related Expenditure	3,603,172	3,550,145	53,027	4,311,770	5,308,038	(996,268)
Supplies & Services	18,081,905	21,624,783	(3,542,878)	34,378,273	30,779,017	3,599,256
Third Party Payments	3,559,909	2,378,432	1,181,477	3,640,872	3,548,637	92,235
Capital financing and contributions	1,429,348	4,103,040	(2,673,692)	6,627,565	6,154,565	473,000
Transfers to Revenue and Capital Reserves	82,140	-	82,140	(500,000)	-	(500,000)
Reconciling Man. Accs & Stat. Financial Reporting.	(973,978)	-	(973,978)	-	-	-
Grants & Income	(22,841,758)	(10,557,283)	(12,284,475)	(18,788,560)	(14,234,360)	(4,554,200)
Sub Total	159,665,273	166,254,566	(6,589,293)	249,371,252	249,984,044	(612,791)
Funding	(171,942,554)	(171,942,554)	-	(250,008,562)	(250,008,562)	-
Grand Total	(12,277,281)	(5,687,988)	(6,589,293)	(637,309)	(24,518)	(612,791)

Between £0.1m and £0.5m

Month	Amount '£000	Perm/ Temp	From	To	Description
M8	324	Temp	ICT Joint	ICT Joint	DEMS Hardware transfer
M8	167	Perm	Surrey SE Resources	SC Joint Ops	Project Posts & FISU Restructure (JH)

Greater than £0.5m

Month	Amount	Perm/ Temp	From	To	Description
M8	2,275	Temp	Operations	Operations	COVID & PPE Supplies & Services (PJ)

Capital Virements

Month	Amount	Perm/ Temp	From	To	Description
M8	NIL				

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