

## **SURREY POLICE AND CRIME PANEL 4 February 2022**

### **SURREY POLICE GROUP FINANCIAL REPORT FOR THE 8 MONTHS ENDED 30 NOVEMBER 2021**

#### **1. SUMMARY**

The purpose of this report is to inform the Police & Crime Panel of the Surrey Police Group (i.e. OPCC and Chief Constable combined) financial position as at 30th November 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<sup>th</sup> November 2021 period covers more than half of the year and therefore represents a reasonable indicator as to the performance for the year. The revenue budget is predicted to be £1.9m underspent, which whilst representing less than 1% of the budget, is an increase of £1.6m on what was reported to the Panel for Month 6. This is virtually all due to savings in staffing costs which are gone into more detail in the paper. Regarding Capital the predicted underspend is £5m which is a slight decrease on the Month 6 £5.6m reported at the last panel. This is due to the timing of capital projects. In addition, all the £6.4m of savings required for 2021/22 have been identified and removed from budgets. 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<sup>TH</sup> NOVEMBER 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)
<b>Month 8</b>	2.8	258.9	261.7	259.8	(1.9)
<b>Change</b>					(1.6)

### Explanation for Movement in the Variance between Month 6 and Month 8

As the variance has changed significantly between Month 6 and Month 8 it was considered that some additional information would be useful for the panel. As can be seen in the table below Police and Staff pay are the biggest contributors to the variance:

	Police Officer Pay £000	Police Staff Pay £000	Total
<b>Month 6 Variance</b>	(1,648)	(183)	(1,831)
<b>Month 8 Variance</b>	(2,890)	(644)	(3,534)
<b>Movement</b>	1,242	461	(1,703)

The variance improvement in Police Officer pay is mainly due to the way that the new Uplift intake had been forecast. The forecast budget included the new starters being paid at a Police Constable rate of pay whereas they are paid a lower probationary rate. In additional recruitment was skewed to the later part of the year thereby increasing the budget saving. However, in time these recruits will become Police Constables and so the saving is only one off.

Regarding staff the variance is being driven by a larger than expected volume of vacancies however, these posts will be filled in time making the saving one off.

### Further detail on the Month 8 revenue budget

The table below sets out a breakdown of the estimated year end variance as at Month 8

Nov-21	Year to Date		Full Year	
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Payroll	153,551	216,728	218,938	(2,210)
Premises Related Expenditure	7,258	11,542	11,819	(271)
Transport Related Expenditure	3,842	5,569	4,948	622
Supplies & Services	24,135	36,459	33,527	2,932
Capital financing and Financial Reporting	128	6,804	5,857	947
Grants & Income	(19,381)	(17,318)	(13,363)	(3,955)
<b>Total</b>	<b>169,532</b>	<b>259,784</b>	<b>261,726</b>	<b>(1,942)</b>

a) Wages and Salaries

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

Nov-21	Year to Date		Full Year	
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Police Officer Pay	92,405	123,714	126,604	(2,890)
Police Officer Overtime	3,611	5,953	4,890	1,063
Police Staff Pay	51,454	77,970	78,614	(644)
Police Staff Overtime	967	1,485	1,160	325
Other Employee Expenses	3,012	4,410	4,313	98
Temporary or Agency Staff	808	1,028	605	423
Restructure, Training & Conference Costs	1,294	2,169	2,753	(584)
<b>Total</b>	<b>153,551</b>	<b>216,727</b>	<b>218,938</b>	<b>(2,211)</b>

Police Officer and Staff pay variance have already been explained in the section above. Total overtime is still predicted to be £1.4m above budget although the situation has not worsened since Month 6. This has been driven in the mainly by staff sickness, requirements to assist and vacancies. It is unlikely that the situation will improve for the rest of the year – particularly given the Covid pressures at the moment.

Agency and temporary staff costs although forecast to be above budget are still £1.4m lower than they were last year. Almost all the overspend for the year is in Operations Protective Services.

The underspend in Training & Restructuring costs is almost wholly down to Police Now and DHEP university fees being less than anticipated which is linked to timing of recruitment and courses.

b) Non-Pay Budgets

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

Nov-21	Year to Date		Full Year	
	Actual £'000	Forecast £'000	Budget £'000	Variance £'000
Premises Related Expenditure	7,258	11,542	11,819	(277)
Transport Related Expenditure	3,842	5,569	4,948	622
Supplies & Services	24,135	36,459	33,527	2,932
Capital Financing and Financial Reporting	128	6,804	5,857	947
Grants & Income	(19,381)	(17,318)	(13,363)	(3,955)
<b>Total</b>	<b>15,981</b>	<b>43,057</b>	<b>42,788</b>	<b>269</b>

The reasons for significant variances are as follows:

- £200k of the underspend on premises is because of a refund on rates for Staines Police station.
- Transport is projecting an overspend relating to increasing fuel costs
- Supplies and services expenditure appears to have increased although a lot of this is offset by additional grants and income. That said there are overspends in legal costs both for claims and advice as well as consultant costs for the BTF review.
- 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 have now 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
- £1.7m savings from individual areas such as reduction in insurance and storage costs, reducing the size of the fleet etc
- £2.1m from managing vacancies, pay growth and tighter budgetary control

Further savings will be required for future years and this is explored in more detail in the Precept paper.

## 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
	M8		At 31/3/22
Employee Group	FTE	FTE	FTE
Police Officers – Uplift growth *	73.4	73.4	73.4
Police Officers – Precept growth	10.0	10.0	10.0
Police Staff – Precept growth	55.0	67.0	67.0
<b>Total</b>	<b>138.4</b>	<b>150.4</b>	<b>150.4</b>

\*Note the police officer figure represents the May to October intakes and the Uplift target will be met first, followed by precept.

Op Uplift Precept Investment 2021/22	Investment provided	Forecast	Variance
		At 31/3/22	M8
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>8.2</b>	<b>(0.8)</b>

Virtually all of the Investment will be delivered in year.

## 8. CAPITAL EXPENDITURE TO 30TH NOVEMBER 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 SEROCU deferred contribution of £1.0m making £27m in total. Subsequent to that projects totalling £1.8m are unlikely to take place this financial year and will move in to 2022/23 and the ICT capital program has reduced by £0.4m leading to a Capital Budget for 21/22 of a £24.8m.

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
DDaT Strategy	4,346	3,777	(570)
ERP	-	15	15
Commercial and Finance Services	4,994	4,657	(337)
Specialist Crime	1,624	1,411	(213)
Operations	892	1,125	233
Corporate Services	12,532	8,859	(3,673)
Local Policing	438	-	(438)
<b>Total</b>	<b>24,827</b>	<b>19,844</b>	<b>(4,983)</b>

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 - Underspends in Service Management platform, Firewall, and server replacement.
- Commercial Services – Most of the underspend relates to the Caterham roof replacement as not all the works have been started. This is offset in part by additional works required for custody.
- Specialist Crime – The underspend is due to a revision of capital plans which may result in a request for the budget to be moved into the following year.
- Operations - The estimated overspend is mainly due to additional investment in SCP camera partnership which is funded by additional income received.
- Corporate Services – Review of BTF has delayed the original plan resulting in an underspend. This will slip into next year.
- Local Policing - The estimated underspend relates to Storm. Although these costs have been incurred, they have not been capitalised yet

The Home Office only provides a grant of £0.2m for Police Capital Expenditure. Hence of the budgeted £24.8m of capital expenditure, it is anticipated that £17.2m will be funded from borrowing, £3.1m from revenue with the remaining £4.3m 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. CONCLUSION AND CHALLENGES

As can be seen from the report, based on the predictions made, the Force should end the year with an underspend representing 0.7% of the overall budget. This has been driven by prudent budgeting which has resulted in one off savings mainly from pay.

Assuming this continues to end of the year this will be used to replenish the “Cost of Change” reserve of which £2m is being used to fund one off organisation improvements to drive further longer-term efficiencies and savings in 2022/23. These are attached as to this report as Appendix A.

In addition, all the savings for 21/22 have been identified and removed from budgets and the Uplift and Precept investment is proceeding to plan.

The underspend on capital has increased mainly through slippage in the rather than savings – however this does mean that additional borrowing can be deferred into the future.

That said there are still a number of risks which need to be monitored closely as they could impact the final outturn for this year. The main ones are as follows:

- 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. So far this is £173k over budget and may rise further
- 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.

## 10. PROPOSAL

It is proposed that the Police and Crime Panel note and comment on the report as appropriate.

## 11. CONTACT INFORMATION

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Change Proposals for 2022/23 to be funded from potential 2021/22 underspend

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Change Projects for Delivery 2022-23				BUDGET REQUIREMENT - 2022/23													
Bid Reference	Name of Initiative	Force	Reporting Area	Sussex			Surrey			Total (One-Off)							
				Capital	Revenue	DDaT	Capital	Revenue	DDaT	Capital	Revenue	DDaT					
n/a	CHANGE RESERVE	Sussex	Change Delivery / Finance		£500,000												
n/a	CHANGE RESERVE	Surrey	Change Delivery / Finance					£450,000									
					£500,000			£450,000									
<b>Obligated</b>																	
CS/04/2223	LEDS (Law Enforcement)	National	Corporate Services	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC		
CS/09/2223	Data Retention and System Changes	joint	Corporate Services	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC	TBC		
CS/11/2223	NODS - Oak and Small Aboard in Children	joint	Corporate Services		£5,700			£4,747							£10,447		
DDaT/05/2223	PIRG Optimisation	joint	DDaT			£291,490				£242,095					£533,585		
DDaT/05/2223	Niche RMS - additional user licenses	Sussex	DDaT		£210,000							£210,000			£420,000		
DDaT/05/2223	Niche RMS - additional user licenses	Surrey	DDaT										£132,000		£132,000		
DDaT/16/2223	ICAM - enhance & optimise	joint	DDaT		£27,280		£18,550	£70,928	£22,720	£15,450	£59,072	£30,000	£34,000		£130,000		
DDaT/16/2223	ICAM - enhance & optimise	Surrey	DDaT												£13,000		
SC/04/2223	Altra Upgrade - DDaT budget	joint	Specialist Crime			£5,456	£11,438			£4,544	£9,542				£21,000		
SC/05/2223	Quality Standards Project	joint	Specialist Crime		£9,821	£14,105	£9,843	£8,179	£1,164	£7,817	£18,000	£20,000			£172,000		
OC/09/2223	PCU ISO Accreditation	joint	Operations Command		£12,000	£546	£5,729	£9,997		£454	£4,771	£22,000			£105,500		
DDaT/09/2223	Windows 10 CSP Firmware Deployment continuation	joint	DDaT				£2,983,373				£298,527				£4,466,900		
C/09/2223	DCS Upgrade Project (part of ESM CP/ESN)	Sussex	Operations		£105,000							£105,000			£210,000		
C/09/2223	DCS Upgrade Project (part of ESM CP/ESN)	Surrey	Operations					£821,000				£821,000			£1,642,000		
C/09/2223	DCS Upgrade Project (part of ESM CP/ESN)	joint	Operations		£21,824	£22,370	£55,699	£18,176	£18,630	£46,388	£40,000	£41,000			£302,087		
C/09/2223	ESMCP (Emergency Services Mobile Communication Programme)	Sussex	Operations			£211,000									£211,000		
C/09/2223	ESMCP (Emergency Services Mobile Communication Programme)	Surrey	Operations							£161,000					£161,000		
					£385,928	£437,978	£773,134	£1,012,072	£356,922	£643,900	£1,398,000	£794,500			£1,417,035		
					£385,928	£437,122	£765,978	£1,012,072	£352,376	£587,970	£1,398,000	£784,500			£1,293,948		
<b>Operational Necessity</b>																	
DDaT/06/2223	Niche RMS - upgrade 2022	joint	DDaT				£59,930			£49,933					£109,863		
DDaT/10/2223	Digital Asset Management System (DAMS)	joint	TBC				£27,826			£27,174					£55,000		
ES/01/2223	Access Consolidation	Sussex	Enabling Services		£34,247			£3,437				£34,247			£37,684		
ES/01/2223	Access Consolidation	Surrey	Enabling Services						£22,232		£2,863				£25,095		
ES/02/2223	Network CCTV Replacement	Sussex	Enabling Services		£90,000	£40,000	£83,200				£300,000				£473,200		
ES/04/2223	Vehicle Telematics Project (Veritas)	joint	Enabling Services (IT)		£13,640		£24,532	£11,360			£20,448	£25,000			£44,000		
ES/05/2223	Op Capelin - MTS & Leases HQ	Sussex	Enabling Services		£250,000		£98,108					£250,000			£598,108		
ES/05/2223	Op Capelin - MTS & Leases HQ	Surrey	Enabling Services								£73,381	£30,000			£73,381		
ES/07/2223	Communications Data - Exploration and Analysis	Sussex	Enabling Services		£2,880,000	£100,000	£49,000				£2,980,000				£3,029,000		
SC/01/2223	Communications Data - Exploration and Analysis	joint	Specialist Crime		£13,326		£48,594			£130,874	£40,442				£234,000		
SC/01/2223	Digital Forensics (DFT) Programme	joint	Specialist Crime		£109,120	£257,523	£70,228	£90,880	£214,477	£59,072	£200,000				£672,000		
SC/02/2223	Pasover Intelligence Notification Systems (PINS) upgrade - DDaT Budget	joint	Specialist Crime			£3,819	£2,728			£3,181	£2,272				£5,000		
SC/07/2223	i-CMS - electronic Quality Management System	joint	Specialist Crime			£11,408	£58,821			£5,540	£13,677				£74,506		
SP/02/2223	Digital Interview Recording (DIR) Phase 3	joint	Criminal Justice & Custody		£262,925	£205,828	£1,071,154	£218,975		£87,970	£98,244	£481,902			£1,939,000		
ERP/01/2223	ERP Programme	joint	ERP			£778,571				£548,429					£1,327,000		
OC/04/2223	Taser Asset Cabinets (Chronicle)	joint	Operations Command		£43,102	£14,386	£20,624	£35,898	£11,716		£79,000	£26,000			£177,800		
OC/07/2223	Clearstone System Upgrade	joint	Operations Command		£163,880		£7,966	£116,320			£6,634	£300,000			£460,000		
ES/06/2223	Corporate Finance Management Tool (Planful)	joint	Commercial & Financial Services			£9,773	£42,878			£8,138	£35,537				£78,200		
C/04/2223	Joint Smart Storm	joint	Contact		£70,382	£259,100			£58,618	£215,840		£129,000			£473,000		
C/11/2223	Smart Storm - decommissioning	joint	IT Infrastructure				£7,638				£6,362				£14,000		
C/05/2223	Joint Contact & Unfired Telephony (JCU) (Unified Comms)	joint	DDaT			£66,830	£16,318			£56,640	£11,632				£74,000		
C/10/2223	Armed Resilience & Continuity Programme	Sussex	Operations		£1,520,471		£42,696					£1,520,471			£1,563,167		
C/10/2223	Armed Resilience & Continuity Programme	Surrey	Operations						£345,384		£35,534				£380,918		
					£5,047,567	£2,381,603	£7,222,203	£949,647	£1,866,907	£491,381	£5,997,114	£4,248,510			£11,215,944		
					£4,027,800	£774,858	£2,413,323	£528,454	£562,052	£200,984	£4,556,114	£1,331,610			£4,423,907		
				<b>Sussex</b>			<b>Surrey</b>			<b>Combined Force Total</b>							
				Capital	Revenue	DDaT	Capital	Revenue	DDaT	Capital	Revenue	DDaT					
				£7,040,475	£4,084,229	£1,840,871	£3,316,789	£3,930,008	£1,447,310	£10,377,214	£7,114,237			£3,308,181			
					£493,495			£411,000			£904,500			£3,308,181			
				NOTE 1: all totals EXCLUDE Re-serves	£7,040,475	£3,590,734	£1,840,871	£3,316,789	£2,619,008	£1,447,310	£10,377,214	£6,209,737			£3,308,181		
				NOTE 2: all sub-totals INCLUDE relevant Savings	£2,446,886	£1,833,385	£688,238	£1,776,214	£1,538,337	£470,888	£4,422,900	£3,372,222			£1,158,926		
					£4,593,589	£1,752,449	£1,152,633	£1,540,575	£1,900,666	£976,422	£5,954,314	£2,837,515			£2,149,257		
					£4,593,589	£2,025,942		£1,540,575	£2,057,288		£5,954,314	£4,386,709					