

**SURREY POLICE AND CRIME PANEL
21 NOVEMBER 2022**

**SURREY POLICE GROUP UNAUDITED FINANCIAL REPORT
FOR THE PERIOD TO 31 AUGUST 2022**

SUMMARY

1. This report sets out the financial performance of the Surrey Police Group (i.e., OPCC and Chief Constable combined) as at the 31 August 2022 with a forecast to the 31 March 2022.
2. At the moment it is predicted that the Group will be underspent by £2.2m underspent on revenue and £2.8m on capital at the year end. 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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Financial Report as at 31 May 2022

Group Revenue Financial Performance for the Year

1. 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:

Surrey	Total 2022/23 Budget £m	Total 2022/23 Outturn £m	Variance £m
PCC Budget	3.3	3.1	(0.2)
Operational Delivery Budget	275.8	271.8	(4.0)
Total 2022/23 Budget	279.1	274.9	(4.2)
Funding	(279.1)	(277.1)	(2.0)
Grand Total	(0.0)	(2.2)	(2.2)

2. The £4.2m underspend can be broken down further as follows:

Aug-22	Year to Date	Full Year		
	Actual £'000	Actual £'000	Budget £'000	Variance £'000
Payroll	99,386	223,880	229,344	(5,464)
Premises Related Expenditure	5,416	12,317	12,108	209
Transport Related Expenditure	1,947	4,678	3,960	718
Supplies & Services	20,198	40,954	39,696	1,258
Capital financing and Financial Reporting	(65)	8,278	7,585	693
Grants & Income	(15,588)	(15,245)	(13,566)	(1,679)
Total	111,294	274,861	279,127	(4,266)

3. Most of the underspend is due to pay being under budget. This is because of actual vacancies being higher than the vacancy margin both officers and staff. For staff the labour market has tightened whereas for officers its mainly recruitment phasing although tightening is becoming a factor as well.

	Average Forecast of Employees FTE	Average Budget of Employees FTE	Average Variance FTE	Variance %	Vacancy Factor FTE
Police Officers	2,131	2,210	(79)	(4)%	(44)
Police Staff	1,760	2,003	(243)	(12)%	(160)
Total	3,891	4,213	(322)	(8)%	(204)

- Overtime continues to be above budget as staff are having to cover vacancies, but it is being reviewed regularly. Non pay areas above budget are the housing of stray dogs, fuel, digital forensics, legal and ICT. This has been offset by better than predicted income from secondments and grants. The underspend in the OPCC is also mainly salaries and delays in recruitment

Capital Financial Performance for the Year

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

Capital Summary	2022/23 Total Budget £000	2022/23 Total Forecast £000	Variance £000
DDaT Strategy	4,071	4,024	(47)
ERP	740	745	5
Commercial and Finance Services	8,340	5,985	(2,355)
Specialist Crime	915	877	(38)
Operations	483	415	(68)
Corporate Services	2,298	1,864	(434)
Local Policing	241	319	78
Total	17,088	14,230	(2,858)

- The largest underspends are due to the rephasing or deferral of projects such as a new Firing range, Caterham Roof replacement, and Mount Browne. There have also been underspends in vehicle telemetry and estates transport infrastructure. The Force manages capital schemes over a rolling 2-year period enabling projects to be bought forward or deferred.
- At the moment capital expenditure to date has been funded from revenue and/or capital receipts. No borrowing has been entered in to, aside from the purchase of Leatherhead some years ago, but this may change in the future as no capital grants are given by Government.

Delivery of Savings

8. So far this year £3.2m of savings have been achieved against the £2.9m in the budget. The updated Medium-Term Financial Strategy indicates that at least £17.5m in savings will be required to balance the budget from 2023/24 to 2026/27 as follows:

Forecast Funding Gaps - SURREY £17.7m	2022/23	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m	£m
Annual Savings Gap Requirement - 2022/23 Q1 MTFF	-2.90	-7.35	-2.73	-3.43	-4.13
Target Savings Applied to MTFF in year	3.53	0.00	0.00	0.00	0.00
Overachieved Savings Forecast	-0.25	0.00	0.00	0.00	0.00
Overall Funding Gap	-2.90	-7.35	-2.73	-3.43	-4.13
Savings Proposals:					
Change Delivery	0.00	0.31	0.00	0.00	0.00
Tactical Savings Working Group	0.00	0.14	0.00	0.00	0.00
Transformation Programme	0.00	0.00	0.00	0.00	0.00
Portfolio / Departmental Initiatives	0.00	0.00	0.00	0.00	0.00
Sub-Total Savings Proposed	0.00	0.46	0.00	0.00	0.00
Savings Balance	0.38	-6.90	-2.73	-3.43	-4.13
Additional Savings Required	0.00	-6.90	-2.73	-3.43	-4.13

9. This has all been driven by increases in pay, inflation and a declining exchange rate. It will be challenging to achieve this level of savings, given the savings already delivered, without impacting operational services.

Uplift Investment

10. 22/23 represents the final year of the Government's Uplift program to recruit 20,000 new officers nationally. At the moment Surrey is on track to recruit the 104 net new officers it needs to deliver Uplift in 2022/23 – but it is becoming harder given the labour shortages in the wider economy. 72 recruits have already commenced their training and more are scheduled to join later this year. The Government has said it will penalise Forces that do not achieve their Uplift allocation by the 31 March 2023 by reclaiming grant. For Surrey one officer missed results in a reclaim of £175,000 whereas anything over 26 Officers would lose the entire grant of £1.75m. There are also likely to be further penalties if numbers are not maintained throughout 2023/24.

Reserves

11. All reserves are under the control of the PCC rather than the Force. At the 31 August 2022 reserves were as follows:

	Balance at 31 March 2022 £'000	Transfers In 2022-23 £'000	Transfers Out 2022-23 £'000	Balance at 31 August 2022 £'000
Provisions:				
Restructuring Provision	(109)	0	0	(109)
Legal Claims Provision	(2,966)	0	0	(2,967)
Total Provisions	(3,075)	0	0	(3,075)

	Balance at 31 March 2022 £'000	Transfers In £'000	Transfers Out £'000	Balance at 31 August 2022 £'000
General Fund				
General Fund	(8,063)	(2,208)	0	(10,271)
Chief Constable Reserve	(1,071)	0	0	(1,071)
Earmarked Reserves:				
OPCC Operational Reserve	(1,234)	0	0	(1,234)
PCC Estate Strategy Reserve	(3,200)	0	0	(3,200)
Cost of Change Reserve	(3,164)	0	0	(3,164)
Ill Health/Injury Reserve	(756)	0	0	(756)
Covid19 Reserve	(2,098)	0	0	(2,098)
Insurance Reserve	(1,881)	(230)	509	(1,602)
Total Reserves	(21,467)	(2,438)	509	(23,396)

12. It is likely that some reserves will be used to temporarily address some of the financial pressures the Force is under in respect of the 2023/24 budget whilst a more sustainable solution is worked on. As there is no mechanism for Forces to borrow for revenue emergencies reserves are required to enable the Force to respond to these operational needs – Covid being the latest example. Surrey has amongst the lowest level of reserves locally – Hampshire for example has £93.5m – and indeed our reserve levels will be lower than most Districts even though Surrey Police has a far larger budget.

Audit

13. The audit for 2021/22 has commenced with a target of the 31 January 2023 for reporting and signing. This is after the statutory deadline of 30 November 2022 and is due to the lack of availability of auditors.

Equalities and Diversity Implications

14. There are none arising from this report

Summary

15. The Group has got off to a good start to the year with an underspend being predicted despite there being a number of emerging cost pressures. Whilst the underspend is welcome financially the gaps in some areas, especially in respect of Police staff, is putting strain on some services such as contact etc. This is reflected not only in higher overtime but also service performance. It is difficult to see how this can be resolved as the Force is not in a position financially to pay closer to the market rate to attract staff and the prospects of additional funding from Government seem slim. That said the recruitment of new officers is carrying on apace even though attracting the right candidates, rather than just taking anyone, is becoming more difficult.
16. Capital expenditure is also proceeding dependent on the Force being able to fund it. Preliminary work is still ongoing for the new HQ but construction should commence next year all being well. Aside from this the biggest capital expenditure areas continue to be ICT and Transport. To put this into context the Force has 1,400 ICT applications and over 700 vehicles to maintain and renew.
17. The longer-term picture continues to look challenging what with the need to maintain net officer numbers – i.e., continue to recruit to replace those that leave and yet be faced with increased costs and demand. This is something the Force is working hard to address so that it can be put on a financially sustainable footing. It's likely that reserves will need to be called upon to fill the gap on a temporary basis. Any underspend in this year will of course be useful for helping with these future challenges.