

SURREY POLICE AND CRIME PANEL

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

24 NOVEMBER 2020

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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 30th September 2020 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) Revenue Financial Performance as at the 30th September 2020

I am pleased to report that as at the 30th September 2020 it is predicted that the Surrey Police Group will have an underspend of £0.7m against a net budget of £250.0m. This is after taking in to account unbudgeted net expenditure of £2.3m on Coronavirus costs which is 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:

Sep-20	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Police Officer Pay	66,962,329	60,150,154	6,812,175	119,092,466	120,299,519	(1,207,053)
Police Officer Overtime	2,565,380	2,311,924	253,456	5,035,461	4,504,998	530,463
Police Staff Pay	35,790,108	36,732,000	(941,892)	74,295,835	73,466,612	829,223
Police Staff Overtime	828,006	497,284	330,722	1,588,243	1,126,571	461,672
Other Employee Expenses	2,382,236	1,950,768	431,468	4,551,817	3,901,334	650,483
Temporary or Agency Staff	1,635,570	313,137	1,322,433	2,461,287	625,669	1,835,618
Restructure, Training & Conference Costs	1,191,750	961,956	229,794	1,895,910	1,846,425	49,485
Total	111,355,378	102,917,223	8,438,155	208,921,019	205,771,128	3,149,891

It is clear from the table above that Wages and Salaries are predicted to be overspent by £3.1m 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 an underspend. Although current officer number of 1,967 are below the budgeted number of 2,038 it is anticipated that officer numbers will be 2,103 by the end of the year.

Police Officer and Staff Overtime

Officer and Staff overtime continues to be above budget due to shortfalls in staffing and Covid pressures. Further details are given in the table below. This shows that despite being overspent overtime costs per head are still predicted to be less than most of the preceding 5 years. Work is being done to further reduce these costs.

Police Overtime	Budget £'000	Actual £'000	Variance £'000	Variance %	Average per FTE
2020-21	4,505	5,035	530	12%	2,531
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	1,588	462	41%	886
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%	

Police Staff Pay

Although Police staff numbers are under budget 144 FTE under budget resulting in an underspend of £5.2m this has been offset by the assumed vacancy margin of 6% in the budget equivalent to £4.6m. In addition pay rates have been higher than budgeted resulting in an overspend overall.

Other employee expenses

The predicted overspend here relates mainly to additional Covid costs for local PPE.

Agency Costs

There is a forecast overspend of £1.8m. The majority of this relates the cost of an additional 30 investigative assistants plus returning and retired officer reemployed to assist with 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:

Sep-20	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Premises Related Expenditure	6,452,538	5,596,365	856,173	10,341,763	10,457,077	(115,314)
Transport Related Expenditure	1,951,222	2,678,513	(727,291)	4,455,075	5,326,681	(871,606)
Supplies & Services	18,422,797	17,224,853	1,197,944	37,943,229	34,057,689	3,885,540
Capital financing and Financial Reporting	(484,490)	3,077,280	(3,561,770)	5,654,565	6,154,565	(500,000)
Grants & Income	(15,011,690)	(6,008,951)	(9,002,739)	(18,055,841)	(11,758,583)	(6,297,258)
Total	11,330,377	22,568,060	(11,237,683)	40,338,790	44,237,429	(3,898,639)

The reasons for significant variances are as follows:

- Transport underspends are due to insurance costs being lower than predicted.
- Most of the overspend on Supplies and Services 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.

3) Capital expenditure to the 30th September 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 changes bringing the total budget for the year to £17.023m. 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	6,150,930	1,174,319	4,730,648	(1,420,282)
Commercial and Finance Services	5,030,056	923,630	5,029,967	(89)
Specialist Crime	326,336	110,736	327,537	1,201
Operations	823,893	172,564	172,564	(651,329)
Corporate Services (Surrey)	3,846,991	644,218	2,877,470	(969,521)
Local Policing	845,000	472,759	1,306,941	461,941
Total	17,023,206	3,498,226	14,445,127	(2,578,079)

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 – Windows 10, Office 365, MMD Device and DEVIS programs moved in to next year.
- Operations – largest variances on Tasers, ANPR and equipment.
- Corporate – New HQ expenditure moved in to 2021/22.
- Local Policing – Overspend in the main is on STORM a new crime recording and data system.

The Home Office only provides a grant of £0.2m for Police Capital Expenditure. Hence of the estimated £14.4m capital expenditure it is anticipated that £9.2m 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. 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. Any underspend for the year will usually be transferred to reserves – however this will not take place until the year end.

At the end of September £22.6m 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). After some delay the Home Office have allowed Police Forces to claim for medical grade PPE but no other costs such as overtime etc. It is expected that the PPE costs, which total £3.1m, will be received in November. The Home Office have announced that Surrey will receive £388k from the £30m Covid Surge Fund and also claim a proportion of net income lost on the same basis as local authorities.

An estimate of the total costs for the year of the COVID-19 pandemic together with any anticipated grants are shown in the table below. These costs are included within the overall financial forecast. There may be additional costs, such as for the disposal of PPE or a second lockdown, that could increase this figure still further.

	Surrey
Expenditure	£'000
National PPE	2,275
Local PPE	850
Other Local Costs	2,696
Total Forecast Costs	5,821
Forecast Income	-3,513
Net Forecast	2,308
Total PPE cost (for information)	3,125

As a result of Covid some costs have been reduced such as those for travel and training and these savings are also reflected in the forecast.

6) Risks to the Forecast

There are a number of risks which may impact on the delivery or 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

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 £2.2m it is still predicting to come in under budget by £0.7m. This, coupled with the delivery of the precept and uplift posts, will be real achievement if it can be carried through to the year end. However there are still a number of uncertainties in the second half of the year around Covid, staffing etc which will need to be watched carefully to keep the finances on track. However at the moment there is every reason to be optimistic.

Whilst some of the Capital projects do not appear to be proceeding as quickly as intended this has allowed a more measured approach to be taken in some areas and also to reduce 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 next year the continued uncertainty over Government funding and Council Tax coupled with increasing costs pressures will all make for a very tough budget. It is likely that significant savings will be required and difficult decisions taken however through the continued prudent management of this years budget I believe we will be as best placed as we can be to meet those challenges.

David Munro, Police & Crime Commissioner for Surrey

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

5 Sep-20	Year to Date			Full Year		
	Actual	Budget	Variance	Forecast	Budget	Variance
Portfolio						
Local Policing	19,640,650	18,251,010	1,389,640	39,372,457	37,012,451	2,360,006
Operations	6,311,546	2,766,375	3,545,171	5,377,456	5,629,290	(251,834)
Specialist Crime	8,585,249	10,238,034	(1,652,785)	18,867,379	21,037,565	(2,170,186)
Corporate Services Sussex	707,692	643,158	64,534	1,473,115	1,282,738	190,377
Corporate Services Surrey	3,650,927	3,372,005	278,922	7,693,003	6,751,154	941,849
Information & Communication Technology	9,252,222	7,959,452	1,292,770	16,801,979	15,462,894	1,339,085
People Services	3,788,390	3,480,353	308,037	6,717,190	6,968,548	(251,358)
Equip	1,484,980	557,329	927,651	2,533,148	1,114,673	1,418,475
Commercial and Finance Services	146,236	16,992,825	(16,846,589)	29,190,510	32,300,662	(3,110,152)
<i>Non-Delegated</i>	66,962,329	60,150,154	6,812,175	119,092,466	120,299,519	(1,207,053)
Operational Policing Total	120,530,222	124,410,695	(3,880,473)	247,118,704	247,859,494	(740,790)
PCC for Surrey Police	2,155,533	1,074,588	1,080,945	2,141,105	2,149,063	(7,958)
Total Police Fund	122,685,755	125,485,283	(2,799,528)	249,259,809	250,008,557	(748,748)
Funding	(125,260,191)	(117,564,180)	(7,696,011)	(250,008,562)	(250,008,562)	-
Grand Total	(2,574,436)	7,921,103	(10,495,539)	(748,753)	(5)	(748,748)

Cost Type						
Police Officer Pay	66,962,329	60,150,154	6,812,175	119,092,466	120,299,519	(1,207,053)
Police Officer Overtime	2,565,380	2,311,924	253,456	5,035,461	4,504,998	530,463
Police Staff Pay	35,790,108	36,732,000	(941,892)	74,295,835	73,466,612	829,223
Police Staff Overtime	828,006	497,284	330,722	1,588,243	1,126,571	461,672
PCCSO Pay			-			-
PCCSO Overtime			-			-
PO Injury, Ill Health & Death Pensions	1,229,920	1,061,358	168,562	2,122,727	2,122,727	0
Other Employee Expenses	1,152,316	889,410	262,906	2,429,090	1,778,607	650,483
Temporary or Agency Staff	1,635,570	313,137	1,322,433	2,461,287	625,669	1,835,618
Restructure, Training & Conference Costs	1,191,750	961,956	229,794	1,895,910	1,846,425	49,485
Premises Related Expenditure	6,452,538	5,596,365	856,173	10,341,763	10,457,077	(115,314)
Transport Related Expenditure	1,951,222	2,678,513	(727,291)	4,455,075	5,326,681	(871,606)
Supplies & Services	14,886,245	15,431,513	(545,268)	34,377,202	30,509,052	3,868,150
Third Party Payments	3,536,551	1,793,340	1,743,211	3,566,027	3,548,637	17,390
Capital financing and contributions	407,348	3,077,280	(2,669,932)	6,154,565	6,154,565	(0)
Transfers to Revenue and Capital Reserves	41,070	-	41,070	(500,000)	-	(500,000)
Reconciling Man. Accs & Stat. Financial Reporting.	(932,908)		(932,908)	-		-
Grants & Income	(15,011,690)	(6,008,951)	(9,002,739)	(18,055,841)	(11,758,583)	(6,297,258)
Sub Total	122,685,755	125,485,283	(2,799,528)	249,259,809	250,008,557	(748,748)
Funding	(125,260,191)	(117,564,180)	(7,696,011)	(250,008,562)	(250,008,562)	-
Grand Total	(2,574,436)	7,921,103	(10,495,539)	(748,753)	(5)	(748,748)