|  |  |
| --- | --- |
|  Security Classification:  |  **NOT PROTECTIVELY MARKED** |
|  Disclosable under FOIA 2000: |  **Yes**  |
|  Author/Contact: | **Paul Bundy** |  Department: | **Finance** |
|  Date Created: | **15-02-2016** |  Telephone: | **39302** |

**N.B. Paper limited to maximum of 3 sides**

|  |
| --- |
| Surrey Police COGforce FINANCIAL REPORT MONTH 10 – 2015/16 |
|  |

1. **Purpose**
	1. This report presents the Force’s financial position for January 2016, month 10 of 2015-16. The report is based on the forecast position at year end.
2. **Summary**
	1. The gross revenue budget for the year is £205.7m a reduction of £1.6m compared to last year’s budget of £207.3m. This report provides the revenue and capital position for the Force with the PCC budget separated out and reported elsewhere. The Force revenue budget is £203.6m with a forecast under spend of £0.2m.
	2. The main reason for the forecast under spend variance arises from Police Officer pay as recruitment of officers fell below target at the beginning of the year. However there is a projected increase in spend over the last 2 months of the year as the recruitment drive filters through. Police staff expenditure is forecast to under spend due to some posts being held pending the implementation of change projects and a high level of staff turnover. In the light of future funding reductions, recruitment decisions continue to be managed through a panel which ensures a consistent and legitimate approach. This has been built into the forecast and a further reduction in underspend is unlikely in this area. The Force has experienced some operational challenges in public protection and digital forensics which have been supported from the available funding.
	3. During a sustained period where the Force has had to reduce in size it is unsurprising that the trajectory of reduction is ahead of the budget. This has provided the opportunity to invest into key operational areas that have been held back and to consider long term financial arrangements. The accelerated recruitment strategy has reduced the earlier underspend and this has largely been included by HR in the forecasts. Initiatives to make effective use of the earlier under spend with a view to enhancing current year service and performance have been implemented as well as developing options to bring forward anticipated future spending pressures. These include a burglary campaign, providing funding for Tasers and the associated equipment for the anticipated uplift in firearms capability in the county, upgrading the briefing equipment, installation of video conferencing facilities in main police buildings, a range of digital forensics IT including mobile phone examination devices, an extension of the roll out of mobile data terminals for officers and replacement of end of life computer equipment within the Force. Reserves have been utilised to support the police staff pension scheme which will lessen the burden in future years and a reserves strategy is in place that will protect front line service delivery in future years for the residents of Surrey.
	4. The capital budget is £13.7m including £4.6m carried forward from the previous year; expenditure for the year to month 10 is £4.2m with orders outstanding of £1.7m, accounting for the £5.9m of spend to date. There is expenditure incurred that has not been charged to Surrey which is suppressing the actual expenditure to date. Re-profiling of some schemes by the project owners into the 2016/17 financial year has been identified and amounts to £3.2m, this is anticipated to be revised following the next Financial Board. Measures are in place to identify any spending that is unlikely to take place in order that it may be re-allocated elsewhere, should that be necessary.
3. **Revenue Budget Position**
	1. The Force’s revenue budget forecast for the year is an under spend of £0.2m. Detailed at appendix A is a table that provides the Force budget by function and also by cost type.
	2. Summary position.

|  |  |
| --- | --- |
| Annual Month 9 | Annual Month 10 |
| Forecast | Budget | Variance | Forecast | Budget | Variance |
| £m | £m | £m | £m | £m | £m |
| 203.5 | 203.6 | (0.1) |  203.4 | 203.6 | (0.2 ) |

* 1. **Pay Budgets**
		1. Total pay is underspent in the amount of £1.6m;
		2. Police officer pay is forecast to be underspent at £3.0m which reflects the establishment being maintained at an average above the 1% vacancy rate over the year. The current forecast indicates that the police officer numbers will soon reach budget levels and the forecast is then expected to remain at this level for the remainder of the financial year.
		3. Police staff pay is forecast to underspend £3.0m with the current vacancy rate well above the target 5%. There are a limited number of posts that are being held which, combined with a gateway process that gives oversight to recruitment decisions and staff turnover, is generating the variance. However, of the posts on hold, this process has been partially lifted for some police staff roles such as Investigating Officers, PCSO’s and DDO’s.
		4. Police officer overtime is overspent by £1.4m which is predominantly in West Division (£0.5m), non-collaborated Operations (£0.4m) and Specialist Crime of (£0.4m) respectively. This is set off against underspends in Officer salaries.
		5. Police staff overtime is £0.1m overspent with the largest variances being in non-collaborated Specialist Crime (£0.1m) which is a consequence of the number of vacancies in the Command and in C&D (£0.1m) underspend.
		6. The agency costs have exceeded the budget by £1.4m and consist predominantly of ICT contractors (£0.5m) and Operation Sherborne (£0.6m) which is in response to the Force’s public protection improvements and the raising of investigation standards. The spending on this initiative is likely to continue through the remainder of the year.
		7. The Other Payroll overspend of £1.6m arises mainly from recruitment finder’s fee costs paid by the ICT department (£0.1m) and the forecast cost of change in Force Improvement of (£0.7m) arising from re-structure costs. In addition following an insurance fund audit carried out by Arthur J Gallagher additional funding is required to cover the claims in progress.
	2. **Non Pay Budgets**
		1. The majority of the non-pay overspend is in Supplies and Services (£3.1m). Within supplies and services the main over spends are in non-collabarated Operations (£1.3m) which arises from the netting off of costs with Sussex while the legal costs within PSD (£0.1m) are due to the work being out-sourced instead of filling the vacant posts. There are non recurring overspends in Specialist Crime (£0.2m) for the additional support to meet the demand in Digital Forensics and in ICT (£0.7m) for the implementation of data centre and airwave radio equipment. Within ACPO (£0.4m) of the legal costs being incurred for Operation Heather are to be met by the reserve and offset in income.
		2. The non-pay forecast in Premises of £0.1m is slightly overspent but is likely to come in close to budget at year-end.
		3. The transport forecast underspend of £0.4m is arises from a the small impact of fuel prices being lower than budgeted during the course of the year.
		4. Income is forecast to be over budget by £2.1m for the year the main components being the use of reserves to meet the cost of Operation Heather, within Operations (non collaborated) unplanned income received in respect of the provision of Firearms officers in Gatwick and an excess of income received from the Camera Safety Partnership. There is also an over achievement of income within Criminal Justice from court fees and road traffic reports.
	3. **Delegated Budget Holders**
		1. North Division: The forecast under-spend of £1.3m is derived from police officer £1.9m and staff salary £0.4m. The variance is due to the lower forecast number of constable posts throughout the year in TPT, SNT, LPU, neighbourhood and reactive investigations. As Probationers complete their training they will be moved in to the divisions which will lower the variance. Agency expenditure is planned to support the investigative standards initiative. Police staff underspend is due to the delay in filling vacant PCSO and IO posts.
		2. East Division: The forecast under-spend of £1.2m is derived from Police Officer pay which is forecast to be underspent by £1.0m. This reflects the number of Officers below budget although as the probationers are moved to divisions this will lower future forecasts marginally. Police staff are underspent by £0.3m which is driven by around 23 vacancies across the Division including PCSO’s, IO’s, and administrators in CID and Neighbour-hoods.
		3. West Division: The forecast under-spend of £1.1m is derived mainly from Police Officer pay which is forecast to be under spent by £1.1m, with a small agency over spend to support the investigative standards initiative. As a consequence Officer overtime is overspent £0.5m which is partly due to night guard support for Strategic Roads Unit. The Police staff pay underspend of £0.5m is again reflective of the numerous vacancies across the division, specifically IOs on CID and PCSOs at Guildford and Surrey Heath. An under spend of £0.1m is forecast in transport from fuel prices being lower than budgeted.
		4. Specialist Crime Non Collaborated: the forecast is an underspend of £0.2 at year end although there are overs and unders within the category. Police officer salary is under by £0.4m, police staff under by £1.1m, and transport is under by £0.1m. These are countered by police officer overtime over spend of £0.1m and the overspend in supplies and services £0.2m. With the drive to raise investigative standards, Op Sherborne, is forecast to create an over spend in agency of £0.6m.
		5. Specialist Crime Collaboration: the forecast is to underspend by £0.3m for the year. The most significant variance is from police officers £0.1m and police staff £0.4m due to the high level of vacancies within the command. These are both tempered by overspends in Officer overtime and in Supplies of £0.2m relating to the aligning of costs between Surrey and Sussex.
		6. Operations Non Collaborated: The forecast is an under spend of £0.4m which is net of over spends on police officer salary £0.3m, police officer overtime £0.4m, police staff salaries £0.2m and supplies & services £1.3m. These are covered by an excess of income recovered (£2.4m), a significant portion of which is from the camera safety partnership and charges relating to Gatwick reclaimed from Sussex. There is income that is attributable to Surrey only operations such as the Epsom Derby and Magna Carta. The non collaborative departments that form the main part of this side of the Operations Command include Safety Camera Partnership, Protection Group and charges relating to Gatwick reclaimed from Sussex.
		7. Operations Collaborated: The forecast is an under spend of £0.7m arising from under spends in police officer salary £1.0m, police staff salary underspend of £0.1m and in supplies £0.3m and training £0.1m. These are offset by the cost share alignment between Surrey and Sussex shown in income of £0.8m.
		8. Probationers: Probationers are now shown separately and there is a forecast over establishment of approximately 12 officers in the year. However this is offset by variances across the force to which Probationers will move on completion of their early stages of training.
		9. Contact & Deployment: There is a forecast overspend for the year of £0.1m. Police Officers reflect an overspend of £0.6m. Of this overspend £0.4m relates to PCs seconded into Contact for the Hear and Solve project while the remaining balance relates to the unfunded Ch/Inspector, Inspector and Sergeant posts employed to cover projects within the command, some of which can be set off against innovation funding. There are underspends in staff overtime £0.1m and in supplies and services £0.2m and the Bluelight project is incorporated in these figures which expenditure is matched by grant funding.
		10. Criminal Justice: The forecast is for a £0.6m over spend predominantly due to police officer salary over spend arising in custody being over for both additional Constables and for the move of sergeants from divisions into Custody as a result of the death in custody operation.
		11. ACPO: This forecast is an overspend of £0.1m. This cost centre manages the JESIP and Op Heather legal expenditure both of which are recoverable, the former from the Home Office the latter from a specific reserve which is reflected in the income increase of £1.0m. The underlying over spend sets off the income increase and is due to the staff office remaining over establishment £0.5m and Supplies of £0.4m.
		12. DCC (Communications & Service Quality): The forecast is an under spend of £0.5m, the majority of which £0.2m in staff pay is due to vacancies in the department but which could reduce slightly over the remaining months as recruitment improves.
		13. PSD: The forecast is to break even over the year although there are individual variances in supplies being £0.1m over. This is as a result of the outsourcing of departmental legal work to local law firms and this over spend is mostly offset by an underspend in staff vacancies of £0.1m.
		14. Force Improvement: The forecast is an over spend of £0.6m. The Force savings plan and cost of implementing change are operated in this cost centre as well as the central change team. As such the variance represents the savings not yet taken from departments after their reviews. The savings are however on course to be achieved in year.
		15. Shared Business Service Centre: The forecast is a marginal under spend which arises mainly from staff vacancies £0.2m being held during the restructure and a small increase in agency and supplies costs which is offset against the staff vacancies.
		16. ICT: The forecast is an over-spend for the year of £0.7m. This is made up from an under spend of £0.7m in police staff pay which is offset by agency expenditure overspend of £0.5m for contractors and £0.1m finder’s fees paid to recruitment search firms. There is an over spend in Supplies of £0.7m arising from the one-off set up costs for the Data Centre which is non recurrent.
		17. F&S Non Collaborated: The forecast is an over spend of £0.6m with a staff salary under spend of £0.1m while the transport overspend £0.1m arises from an under recovery from the workshop. The majority of the overspend is the top up of the insurance reserve £0.5m, based on the insurance fund audit carried out by Arthur J Gallagher.
		18. F&S Collaboration: The forecast is to be on budget at year end although there is an under spend arising from staff vacancies in Procurement & Fleet (£0.2m) while there is a forecast overspend of £0.1m in agency staff to cover these vacancies.
		19. Human Resources: The forecast is a net underspend of £0.4m. The majority of this is in Officer underspend of £0.3m being fewer seconded officers being charged to HR than was budgeted for. Additionally 4 learner detectives moved out to departments further impacting on the underspend.
		20. Corporate : The corporate overspend £2.9m arises mainly from the revenue contribution to capital for the investment in operational equipment in support of the revised policing model that goes live in April also funding for Tasers and the associated equipment for the anticipated uplift in firearms capability in the county. The staff pension fund is in deficit and the latest analysis by Hymans Robertson shows an improvement however to narrow the deficit additional funding has been provided.
1. **Savings**
	1. The latest Strategic Change Savings schedule (11/01/2016) shows an under achievement of savings of £0.1m, as can be seen in the table below.
	2. In summary there is a savings target of £8.3m and the forecast is an under achievement by £0.1m. The level of confidence in the savings is graded either, purple, red, amber or green and the projects in purple are £0.1m, red are £0.4m, with £1.0 amber and the remainder £6.2m in green. There is a reasonable level of confidence that the savings will be achieved in this financial year.



1. **Capital Budget Position**
	1. The approved capital programme for the year is £13.7m. Detail of the capital programme is provided in appendix D.
	2. The significant capital projects are IT and Fleet replacement schemes, Digital Audio Interviewing, ERP upgrade, new desktop project, Air-conditioning, OPR Estate restructure and the CC6 Telephony scheme.
	3. Expenditure for the year to date is £4.2m with orders committed of a further £1.7m. There is a small number of schemes signalling marginal over spends which are being monitored. There is currently £0.2m un-allocated as at month 10 and the rate of expenditure is being monitored in order to improve on the completion of the schemes in year. Estimated slippage into the 2016/17 financial year is forecast to be £3.2m as at month 10, this is anticipated to be revised upward following the next Financial Board.
	4. Capital expenditure is financed from grants received from the Home Office £1.2m, capital receipts from the sale of assets £11.5m, revenue transfer funding and if necessary borrowing. At present borrowing is not required due to the size of recent receipts from police buildings and house sales.
2. **Reserves**
	1. General reserves at year end (2014/15) were £12.9m followed by approved adjustments that included the use of reserves to reduce the staff pension deficit, a revision to specific reserves and a transfer to general reserves from the surplus on the collection fund the balance is £11.6m. The specific reserves total £10.3m and consist of; the Chief Constable’s Operational Reserve £1.0m, Operation Heather reserve £1.3m, Training reserve £1.0m and Estate reserve of £0.5m, Insurance reserve £4.4m and Ill Health reserve £2.1m.
	2. The balances on the following reserves will decrease during the year, Operation Heather, Estate Maintenance and Training.
3. **Risks**
	1. The inability to control financial expenditure and achieve value for money would impact on achieving performance objectives and attract negative attention that affects the Force’s reputation. The following are highlighted requiring attention;
	2. ICT are experiencing difficulties with resourcing levels which is leading to more expensive short term arrangements being put in place and is a distraction to the SMT. This is leading to slippage in delivering planned projects for the Force. A Gold group is operating to manage the position. Work is continuing to get to a normalised position for the Datacentre contract which will ensure budgets are spent as planned thus reducing the need to use underspends in certain areas to cover overspends for unbudgeted contract change notices in others. There is continued focus on spend control linked to the “Making IT Better” project to identify and minimise cost leakage.
	3. Two national reviews are underway which will have a resourcing requirement, the Goddard and Under Cover Policing reviews. The impact of this work is being assessed. The PCC has given consent to draw on reserves if necessary.
4. **Decision[s] Required**
	1. This report is for information.







