

OFFICIAL

To: Office of Police and Crime Commissioner – Performance Meeting

Date: 29th June 2017

By: Paul Bundy

Title: Force Financial Report Month 2 – 2017/18

1. Purpose of Report/Issue:

1.1. This report presents the Force's financial position for May 2017, month 2 of 2017/18.

2. Introduction/Background:

2.1. The gross revenue budget for the year is £213.0m an increase of £0.4m compared to last year's budget of £212.6m. 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 £210.9m against forecast spend for the year of £208.7m.

2.2. A risk regarding the financial volatility of the budget monitoring process was an issue for 2016/17, the Joint Finance Team are currently implementing improved processes to start in month 3 of 2017/18 which should reduce this volatility.

2.3. The forecasting methodology was changed in December 2016 from using actual data up-to the current month with a forecast position for the remaining months, to forecasting the current and remaining months. This change has been incorporated to enable the Joint Finance Team more quality assurance time within the monthly monitoring timetable.

2.4. For month 2, as it is early in the year, non-pay budgets have been forecast to budget. The pay forecast which is prepared by the People Services Performance and Reporting Team has been used for this corporate report deviating away from the methodology described in 2.3 above, this also differs to local reports where both pay and non-pay have been forecast to budget. The pay forecast presents an under spend which is likely to be offset in part by non-pay budgets when forecast in month 3, and has been offset by a forecast overspend in agency costs based on the year to date spend.

2.5. The PCC approved a capital programme totalling £14.2m, which when combined with a potential carry forward from 2016/17 of an additional £2.7m (subject to PCC approval) gives a total capital budget of £16.9m for 2017/18. The Force is reviewing the size of the capital programme to ensure it is manageable over the year, and as with 2016/17 will be looking to run a flexible programme, enabling the Force to bring forward schemes or transfer identified schemes in a later year. Total capital expenditure at month 2 is £1.7m with future committed orders totalling £2.1m.

3. Revenue Budget Position

3.1. The Force's revenue outturn position for 2017/18 is an under spend of £2.2m. Detailed at appendix A is a table that provides the Force budget by function and also by cost type.

3.2. Summary position.

Annual Month 1			Annual Month 2		
Forecast	Budget	Variance	Actual	Budget	Variance
£m	£m	£m	£m	£m	£m
210.9	210.9	0	208.7	210.9	(2.2)

3.3. Pay Budgets

3.3.1. Total pay is underspent in the amount of £2.2m;

3.3.2. The police officer pay is forecast to be underspent by £1.0m predominately due to variances in officer pay rates. Actual officer numbers for the first 2 months of the year have been in-line with the budgeted FTE of 1,927, and are forecast to remain as such during the year.

3.3.3. The month 2 pay forecast shows an average of 1939 FTE officers for the year, which results in an over spend totalling £0.6m, compared to the budget of 1927 FTE. The offsetting £1.6m underspend is the variance between the actual and budgeted officer rates, showing the differential between a probationers salary and slightly higher graded officers leaving the force. Variances for month 2 are only shown for police pay (including national insurance (NI) and pension), forecasts for allowances will be shown in month 3 as per 2.4 above.

Variance	Month 1			Month 2		
	Volume £'000	Rate £'000	Total £'000	Volume £'000	Rate £'000	Total £'000
Police pay, NI & Pension	-	-	-	592	(1,659)	(1,067)

3.3.4. Whilst the above calculations are based on averages they show that the additional 12 officers result in a £0.6m overspend for pay, NI and pension (£49.8k per FTE). The rate variance shows the budgeted rates of £49.8k per officer for pay, NI and pension, is slightly higher than the actual per FTE which is £48.9k.

3.3.5. Police staff pay is forecast to be underspent by £2.3m. The staff underspend reflects the vacancy rate being above the 5% target, with the projection being that the number of staff working in the force will decrease during the financial year, although in September there will be a rise. The Force is currently under established on police staff and this is projected to remain so for the entire financial year. There are also a limited number of posts currently being held pending the implementation of change projects.

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3.3.6. Agency costs are forecast to be overspent by £1.2m based on the current year to date spend. Within Specialist Crime additional agency costs are expected due to Digital Forensics and Op Ravine along with covering vacancies.

3.3.7. All other pay costs have been forecast to budget at this early stage in the year, however it should be noted that the actual spend in Police Overtime was particularly high during month 2 at £0.8m, compared to prior year monthly averages of £0.5m per month. Further analysis will be required to understand the reason for this increase.

3.4. Non Pay Budgets

3.4.1. The non-pay budgets have been forecast to budget at this early stage in the year.

4 Savings

4.1 The outturn Strategic Change Savings schedule for 2017/18 currently shows a potential over achievement of savings of £2.4m, as can be seen in the table below.

4.2 In summary the 2017/18 budget included a savings target of £5.5m is currently forecast to over achieve by £2.4m.

4.3 The level of confidence in the savings is graded either purple, red, amber or green. The current profile has £1.6m as purple, red are £1.5m, amber are nil and the remainder £5.1m are green. The majority of the savings graded as green for 2017/18 have been taken as part of the budget setting process.

4.4 The Change Board is reviewing the savings classified as purple and therefore it is prudent not to rely on these being delivered.

4.5 The position is less favourable if they are removed in total leaving only a potential surplus of £0.8m with £1.5m of projects considered likely to change.

Financial Confidence RAG Totals	Surrey
Green = on plan & saving will be achieved	5,074
Amber = Some movement to deadline or saving possible	0
Red = Saving figure or timing likely to be subject to change	1,497
Purple = Estimates based upon 45-55% split of benefits	1,625
Surplus / Deficit brought forward	(329)
Total Savings Plan	7,867
Savings Target MTFP	5,500
Variance between Savings Target & Savings Plan	2,367

5. Reserves

5.1. General reserves at the beginning of the year (1/4/17) were £8.7m, with specific reserves being an additional £6.4m and consisting of; the Chief Constable's Operational Reserve £0.6m, Operation Heather reserve £0.2m, Training

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reserve £0.4m and Estate maintenance reserve of £0.5m, Insurance reserve £2.0m and Ill Health reserve £2.7m.

- 5.2. The 2017/18 budget included the use of £1.4m general reserves which will reduced the balance to £7.3m. Any over or underspends at the year-end are also transferred to the general reserves.
- 5.3. The Insurance reserve and Ill Health reserve are used on an ongoing basis throughout the year to cover insurance liabilities and ill health commutations as they occur. For 2017/18 a decision was made not to transfer any additional funds to the ill Health reserve to save revenue cost for one year.
- 5.4. The Training Reserve is for additional PiYN implementation costs that will be incurred with the first half of 2017/18.
- 5.5. It is anticipated that the balance on the Operation Heather reserve will be fully utilised during the year.

6 Capital Budget Position

- 6.1. The PCC approved a capital programme for 2017/18 totalling £14.2m, the carry forward from 2016/17 is an additional £2.7m (subject to PCC approval) giving a total capital budget of £16.9m. Detail of the capital programme is provided in appendix D.
- 6.2. The Force is reviewing the size of the capital programme to ensure it is manageable over the year, and as with 2016/17 will be looking to run a flexible programme, enabling the Force to bring forward schemes or transfer identified schemes in a later year.
- 6.3. The significant capital projects are ICT and Fleet replacement schemes, Digital Enablement, Enterprise Resource Planning (ERP), Air-conditioning, Estates Strategy and Integrated Communication & Control System (ICCS).
- 6.1. Total capital expenditure at month 2 is £1.7m with future committed orders totalling £2.1m.
- 6.2. 2017/18 capital expenditure will be financed from grants received from the Home Office & other contributions, capital receipts from the sale of assets, and revenue funding. If necessary borrowing can also be used to fund capital expenditure, at present this is not required due to the level of receipts received and forecast from police buildings and house sales.

7. Provisions

- 7.1. Provisions at the beginning of the year (1/4/17) were £2.1m, relating to restructuring £0.5m, Insurance Provision £1.5 and Bad Debt 0.1m.
- 7.2. Historically the Insurance fund was accounted for as a reserve, this changed in 2015/16 and has now been split between a reserve and provision in accordance with the insurance fund actuarial report.
- 7.3. The restructuring provision relates to 2017/18 change programmes, during the year, as changes programmes have been implemented the provision is released.

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8. Risks

8.1. 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;

8.1.1. The Force continues to experience demand from significant historic cases such as Op Ravine/Livingstone, some funding has been included in the budget however this cost will be monitored closely during the year.

8.1.2. There are currently oil and gas exploration protests in the county which drew on resources during 2016/17 and continues into 2017/18.

8.1.3. Emergency Services Network (ESN) - Work has started on the implementation of ESN but there is still significant uncertainty on the timing, resources and funding for this implementation.

8.1.4. The financial forecasts presented an unusual level of volatility during 2016/17 which was sighted as due to the new ways of working with budget holders on the learning curve to fully understand their finances. This subsequently reduced the level of confidence in financial forecasts. A gold group continues to oversee improvements required within the Joint Finance Team, which are in the process of being implemented.

9. Decision[s] Required

9.1. This report is for information.

Recommendation(s)/Future Activity:

Risks: See section 8.

Attachments/ Background Papers: Appendices A to E

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FINANCIAL OVERVIEW AS AT MAY 2017

Surrey & Sussex
Policing Together

INCOME AND EXPENDITURE						
PCC REVENUE BUDGET						

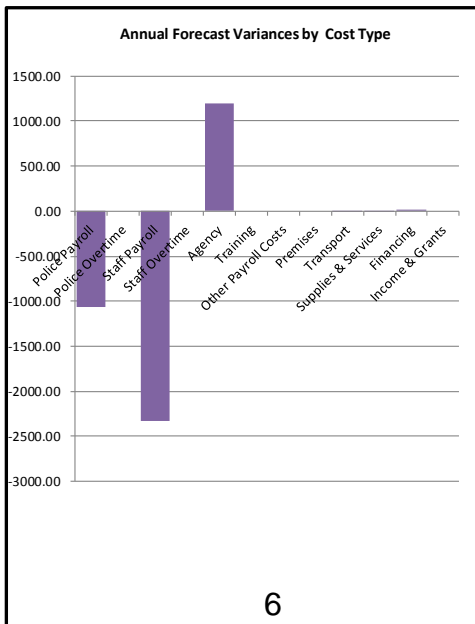
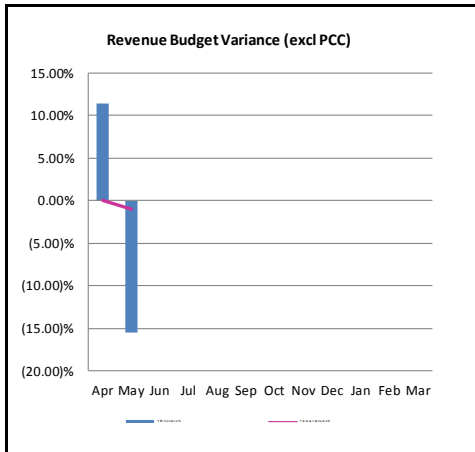
	Year to Date			Annual		
	Actual	Budget	Variance	Actual	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
PCC TOTAL	501	340	161	2,038	2,038	0

FORCE REVENUE BUDGET BY FUNCTION						
	Year to Date			Annual		
	Actual	Budget	Variance	Actual	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
North Division	3,374	3,855	(481)	20,989	23,131	(2,142)
East Division	4,130	4,599	(468)	25,397	27,592	(2,195)
West Division	4,196	4,999	(803)	26,943	29,997	(3,054)
Specialist Crime Local	1,785	2,640	(855)	13,481	15,840	(2,359)
Specialist Crime	1,445	1,786	(340)	9,552	10,714	(1,162)
Operations Local	27	116	(89)	94	693	(599)
Operations	2,124	2,594	(470)	16,697	15,562	1,135
Public Protection	1,207	1,372	(165)	8,143	8,231	(88)
Criminal Justice	812	1,859	(1,048)	11,015	11,157	(142)
Probationers	754	0	754	6,229	0	6,229
Contact Management	2,802	2,965	(163)	18,183	17,791	392
Sub Total	22,656	26,785	(4,129)	156,724	160,708	(3,984)

Chief Officers	376	303	73	1,904	1,820	84
DCC	169	183	(13)	890	1,095	(205)
PSD	285	397	(111)	2,634	2,380	254
Corporate Comms	179	211	(31)	1,202	1,263	(61)
Service Quality	320	543	(223)	2,386	3,260	(874)
Change Programme	(187)	(788)	602	(3,743)	(4,730)	988
Sub Total	1,144	848	296	5,274	5,089	185
IT	2,986	1,842	1,144	11,477	11,050	426
Finance	129	294	(165)	1,850	1,764	86
Estates & Facilities	3,388	3,475	(88)	10,082	10,098	(16)
People Services	2,063	1,548	515	8,867	9,289	(421)
Insurance Services	336	262	75	1,564	1,569	(5)
Procurement Services	55	39	17	152	232	(79)
Transport Service	(502)	89	(591)	268	536	(268)
Sub Total	8,455	7,549	907	34,259	34,537	(278)
Central	(1,024)	1,768	(2,792)	12,470	10,607	1,864
Officer Pay Variance						
FORCE TOTAL	31,231	36,949	(5,719)	208,728	210,940	(2,213)

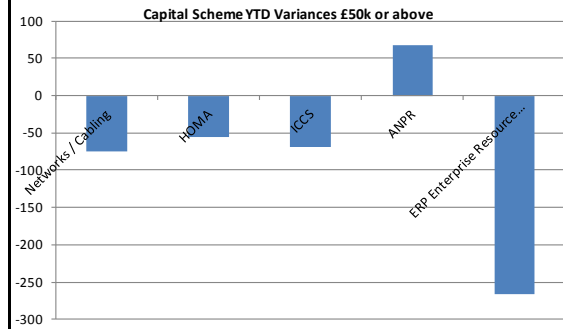
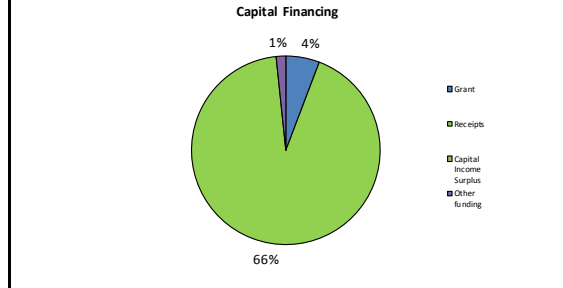
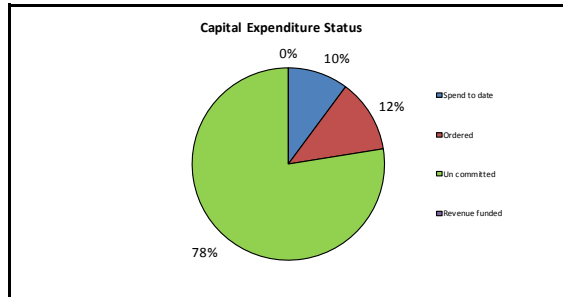
REVENUE BUDGET BY COST TYPE						
	Year to Date			Annual		
	Actual	Budget	Variance	Actual	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
Police Payroll	16,845	17,810	(964)	105,792	106,858	(1,067)
Police Overtime	871	704	167	4,227	0	4,227
Staff Payroll	9,418	10,719	(1,301)	61,979	64,316	(2,336)
Staff Overtime	171	275	(104)	1,651	1,651	0
Agency	238	25	213	1,340	150	1,190
Training	348	345	3	2,068	2,068	0
Other Payroll Costs	200	589	(389)	3,536	3,536	0
Sub Total	28,092	30,468	(2,376)	180,593	182,806	(2,213)
Premises	3,107	3,246	(139)	8,720	8,720	0
Transport	(267)	778	(1,045)	4,665	4,668	(3)
Supplies & Services	2,439	5,124	(2,685)	30,741	30,742	(2)
Financing	2	133	(131)	800	795	5
Sub Total	5,281	9,280	(3,999)	44,926	44,926	0
Income & Grants	(2,144)	(2,799)	655	(16,791)	(16,791)	0
Sub Total	(2,144)	(2,799)	655	(16,791)	(16,791)	0
FORCE TOTAL	31,229	36,949	(5,719)	208,728	210,940	(2,213)

INCOME AND EXPENDITURE						
REVENUE BUDGET VARIANCES						



CAPITAL EXPENDITURE						
PORTFOLIO VARIANCES						

Summary Position	Year to Date			Annual		
	Actual	Budget	Variance	Actual	Budget	Variance
	£'000	£'000	£'000	£'000	£'000	£'000
IT Strategy	910	707	203	3,892	4,244	(352)
Fleet Strategy	725	519	206	3,090	3,112	(22)
Estates Strategy	63	395	(332)	2,214	2,371	(157)
Other Specific	19	1,121	(1,102)	6,167	6,725	(558)
Unallocated	0	78	(78)	429	468	(39)
Total	1,717	2,820	(1,103)	15,792	16,920	(1,128)

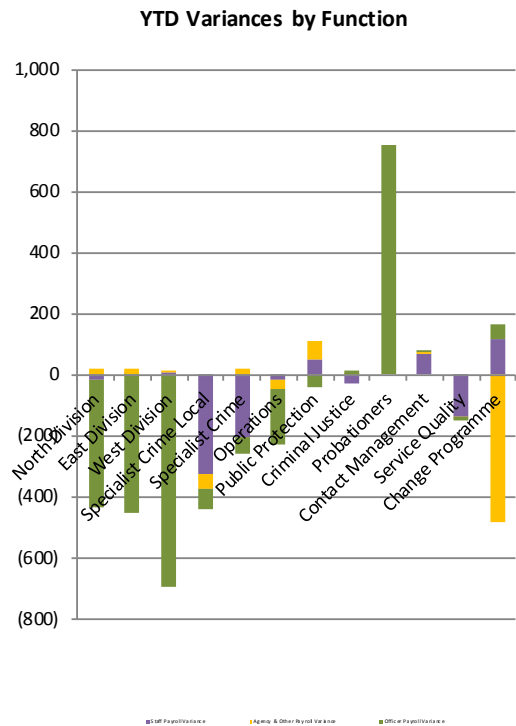


FINANCIAL OVERVIEW AS AT MAY 2017



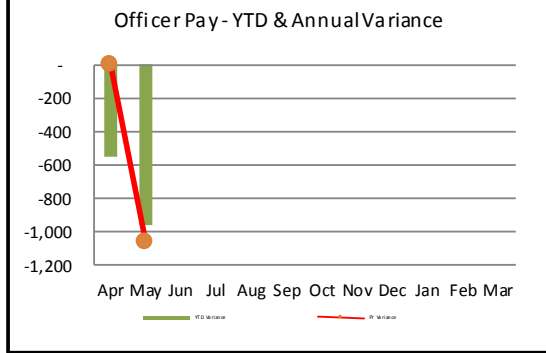
INCOME & EXPENDITURE

PAY VARIANCES



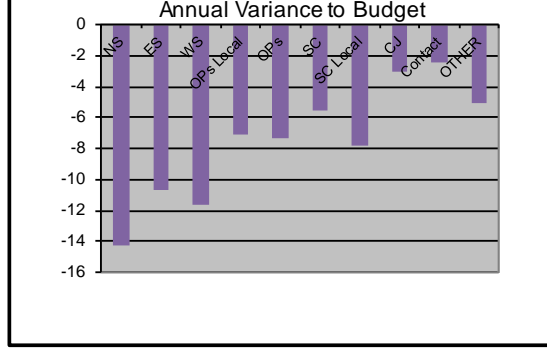
INCOME & EXPENDITURE

OFFICER PAY VARIANCES

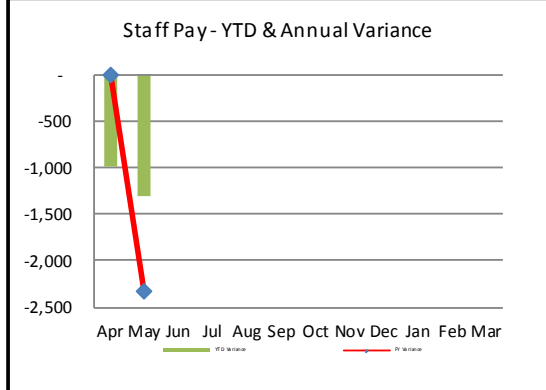


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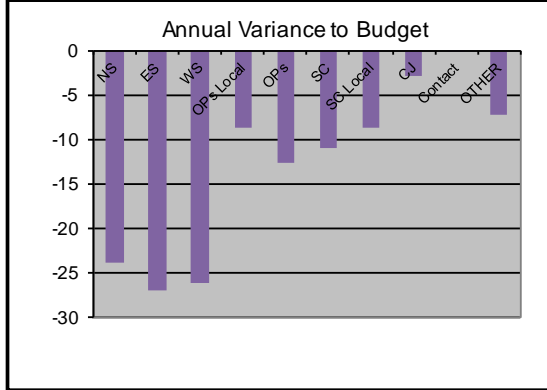
OFFICER OVERTIME



STAFF PAY VARIANCES



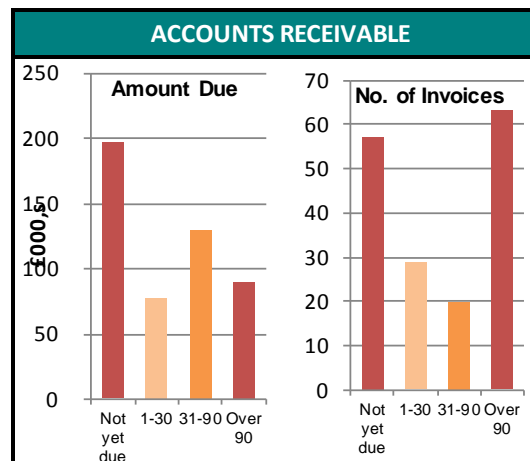
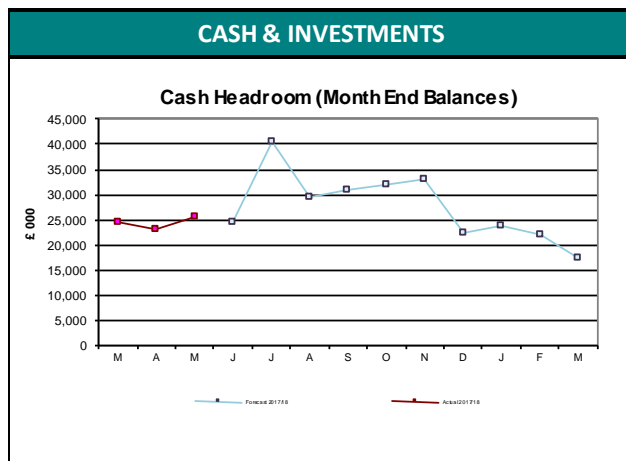
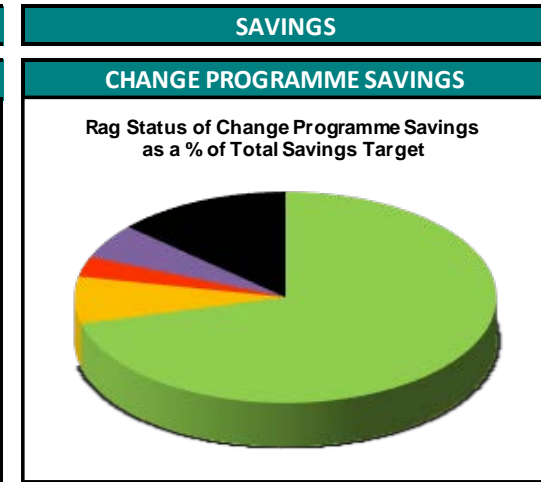
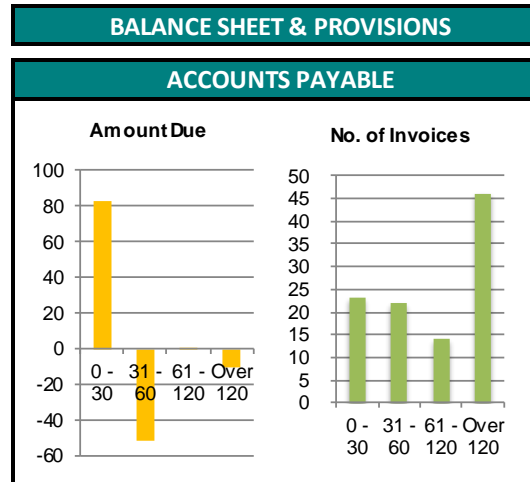
STAFF OVERTIME






FINANCIAL OVERVIEW AS AT MAY 2017

BALANCE SHEET & PROVISIONS			
RESERVES			
	31/03/17	31/05/17	VAR
	£ 000	£ 000	£ 000
General Balances	8,708	10,921	2,213
Chief Constable Operational Reserve	571	571	0
Ill Health Reserve	2,730	2,654	(76)
Operation Heather	228	228	0
Training Reserve	439	439	0
Estate Maintenance Reserve	500	500	0
Restructuring Provision	480	480	0
Insurance Fund	3,446	3,446	0
Bad Debt	108	108	0
TOTAL	17,210	19,347	2,137



C3 - Capital Report 2017/18						
Month 2						
May						
						
Scheme	Chief Officer	Total 17-18 Budget	Actual Spend YTD Apr-17-May-17	Full Year Budget YTD Variance	O/S Orders	Total 2 Year Budget
ICT Infrastructure Renewal / Business Continuity						
Hardware Refresh	CIO	541,000	20,891	(520,109)		541,000
Laptop Replacement Programme	CIO	0	0	0	93,728	0
Networks / Cabling	CIO	900,000	0	(900,000)		900,000
IT Peripherals - Printers	CIO	0	26,178	26,178		0
HOMA	CIO	664,000	660,909	(3,091)		664,000
Planned Server Replacement	CIO	0	0	0		0
Access Identity Management	CIO	0	0	0	10,800	0
Web Proxy Renewal	CIO	57,000	0	(57,000)		57,000
Wi Fi Upgrades	CIO	50,000	0	(50,000)		50,000
NetApp Storage Refresh	CIO	113,000	0	(113,000)		113,000
Mobile Phone Replacement	CIO	200,000	0	(200,000)		200,000
Infrastructure & Networks	CIO	73,000	0	(73,000)		73,000
Wireless	CIO	200,000	0	(200,000)		200,000
Sub-Total		2,798,000	707,978	(2,090,022)	104,528	2,798,000
Specific ICT Capital Schemes						
Apex application Migration	CIO	74,000	0	(74,000)		74,000
Firewall and Security Devices	CIO	135,000	0	(135,000)		135,000
Windows 2003 Refresh (Collaboration)	CIO	66,969	12,100	(54,869)		66,969
Public Services Network Upgrade (Collaboration)	CIO	0	(146)	(146)		0
IL4 Remediation (Collaboration)	CIO	68,000	0	(68,000)		68,000
Technical IA Controls	CIO	68,000	0	(68,000)		68,000
Lync Federation and Edge Services	CIO	34,000	0	(34,000)		34,000
Archive (Sharepoint/E-Mail data)	CIO	68,000	0	(68,000)		68,000
Active Directory	CIO	56,000	0	(56,000)		56,000
Mobile Data Terminals - Refresh	CIO	36,887	186,907	150,020		36,887
Niche to PND Photo Upload	CIO	20,000	0	(20,000)		20,000
Data Centre Back Up	CIO	157,344	3,985	(153,359)	46,420	157,344
Hybrid Body Worn Video Infrastructure	CIO	70,000	0	(70,000)		70,000
Sharepoint - Corporate Knowledge	CIO	50,269	0	(50,269)		50,269
Digital Enablement 2	CIO	542,000	0	(542,000)		542,000
Sub-Total		1,446,469	202,846	(1,243,623)	46,420	1,446,469
Fleet Annual Replacement Schemes						
Vehicle Replacement	CFO	2,962,102	724,985	(2,237,117)	1,018,484	2,962,102
Vehicle Telemetry	CFO	150,000	0	(150,000)		150,000
Sub-Total		3,112,102	724,985	(2,387,117)	1,018,484	3,112,102
Specific Capital Schemes						
Divisional Estates' Strategy	CFO	894,000	34,900	(859,100)		894,000
Air Conditioning	CFO	390,994	0	(390,994)	422,172	390,994
Former Section House Scheme	CFO	172,000	0	(172,000)		172,000
Estates' Strategy - Environmental	CFO	329,835	27,673	(302,162)	7,438	329,835
Estates' Strategy - Custody Compliance	CFO	260,000	0	(260,000)		260,000
Estates' Strategy - Guildford and Staines Custody	CFO	324,000	0	(324,000)		324,000
Sub-Total		2,370,829	62,574	(2,308,255)	429,609	2,370,829
Specific Capital Schemes - Operations						
ICCS	ACC Op	869,769	2,925	(866,844)	227,651	869,769
ANPR	ACC Op	146,132	84,623	(61,509)	7,222	146,132
Taser Replacement and Uplift	ACC Op	403,523	12,000	(391,523)	4,640	403,523
ESN- Hardware & Infrastructure	ACC Op	500,000	0	(500,000)		500,000
ESN-Devices	ACC Op	500,000	0	(500,000)		500,000
Command & Control Replacement	ACC Op	550,000	0	(550,000)		550,000
ANPR Mobile Application	ACC Op	31,808	0	(31,808)		31,808
Firearms Vehicle Uplift	ACC Op	150,000	0	(150,000)		150,000
Clearstone Connectivity Upgrade	ACC Op	36,432	0	(36,432)		36,432
Sub-Total		3,187,664	99,549	(3,088,115)	239,514	3,187,664
Specific Capital Schemes - Local Policing						
Mobile Data Terminals	ACC LP	0	0	0	6,000	0
Digital Interview Recording Phase 1&2	ACC LP	162,550	0	(162,550)	138,890	162,550
Contact and Deployment Telephony (CC6)	ACC LP	40,862	0	(40,862)		40,862
CC6 Soft Vacate	ACC LP	81,000	0	(81,000)		81,000
Queue Buster 101	ACC LP	50,000	0	(50,000)		50,000
Elmbridge CCTV	ACC LP	100,000	0	(100,000)		100,000
Sub-Total		434,412	0	(434,412)	144,890	434,412
Specific Capital Schemes - Specialist Crime						
HTCU & POLIT Infrastructure Remediation	ACC SC	300,000	0	(300,000)		300,000
Digital Forensics	ACC SC	522,000	0	(522,000)		522,000
Altia Data Exploitation	ACC SC	45,440	0	(45,440)		45,440
Sub-Total		867,440	0	(867,440)	0	867,440
Specific Capital Schemes						
ERP Enterprise Resource Planning (Collaboration)	ACO	2,236,383	(80,280)	(2,316,663)	100,350	2,236,383
Sub-Total		2,236,383	(80,280)	(2,316,663)	100,350	2,236,383
Total Schemes		16,453,299	1,717,651	(14,735,648)	2,083,795	16,453,299
Unallocated - Budget Only	CFO	468,000		(468,000)		468,000
Overall Total		16,921,299	1,717,651	(15,203,648)	2,083,795	16,921,299

Abbreviations

PCC - Police and Crime Commissioner

DCC – Deputy Chief Constable

ICT – Information Communication Technology

PSD – Professional Standard Department

ACPO – Chief Officers

ERP – Enterprise Resource Planning

PiYN – Policing in Your Neighbourhood

FTE – Full-time equivalent

DFT – Digital Forensic Team

POLIT – Paedophile Online Investigation Team

ICCS – Integrated Communications and Control System

ANPR – Automatic Number Plate Recognition