

PART ONE

To: Surrey Police Authority
Date: 6th November 2008
By: Director of Finance & Services
Title: Financial Report Month 4

Purpose of Report/Issue:

This report presents the financial position at month 4.

Summary:

The revenue forecast at month 4 is £206.9m which is within the approved revenue budget for the year of £209.6m. Capital expenditure of £8.7m has been committed in 2008/09 against a budget of £17.5m.

The report was considered by the Finance and Performance Panel at its meeting on 8th September 2008 and comes with their recommendation.

Recommendation(s) –

The Authority is requested to;

- Note the revenue outturn position, the consequential transfer to General Balances and Grants received – appendices 2 & 5.
 - Approve the revised budget allocations and the virements proposed at appendix 6
 - Note the capital expenditure position including details of the receipts, revenue contributions and financing of the programme – appendices 7 & 8.
 - Note the position on the balance sheet items within the report and at appendices 9, 10 & 11.
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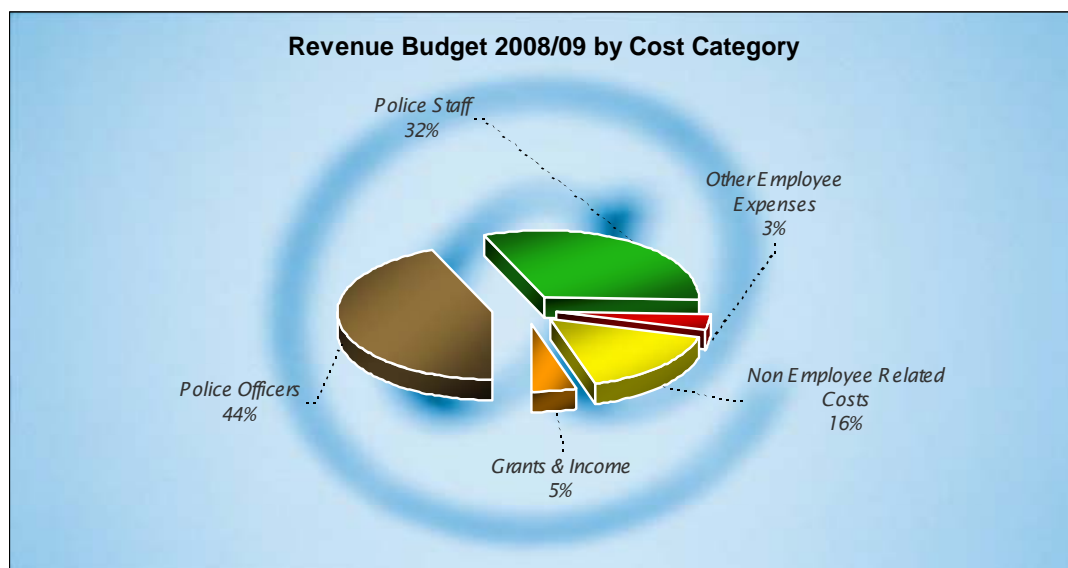
1 Introduction

1.1 The report contains the following;

- The actual revenue expenditure against the annual budget and the effect variances have on the local and general balances.
- Employee numbers for Police Officer and Police Staff by month.
- The capital expenditure against the annual budget as at month 4 and how the capital programme is financed.
- The balance sheet items that are termed working capital such as the cash position, accounts payable and receivable performance and a table on the usable reserves.

2 Revenue Position

2.1 The graph below provides the split of financial resources into the main categories of expenditure to put the budget into context.



2.2 In appendices 1 – 3 are a graph showing the actual spend by month against the annual budget with the actual spend for 2007/08 for comparison, a table showing the position for each budget holder with a further table on the actual spend by cost category. At month 4 the forecast outturn position is £2.7m below the agreed revenue budget for 2008/09.

2.3 In total the Citizen Focus portfolio is predicting an underspend of £0.5m resulting from:

- Surrey West are predicting an over spend of £0.5m which results from over spends on Police Officers (£0.6m), Energy (£0.1m), supplies and services (£0.4m) and miscellaneous other costs, including reduced income (£0.2m) offset by an underspend on staff of £0.8m due to vacancies.
- Surrey East are predicting an under spend of £0.4m mainly due to vacant Officer posts (£0.5m), staff vacancies (£0.3m) offset by increased use of temporary staff (£0.1m), increased energy costs (£0.1m) and increased vehicle costs due to fuel increases (£0.1m).
- Neighbourhoods & Customer Service are predicting an under spend on staff of £0.1m and OSC are predicting an under spend of £0.5m due to an over spend on Police Officers (£0.2m) offset by an under spend of £0.7m on staff due to vacancies.

2.4 Protective Services are forecasting an under spend of £0.4m:

- PS Crime are predicting an under spend of £0.2m due to Police Officer vacancies (£0.7m) offset by increased Officer overtime (£0.3m) and increased use of temporary staff (£0.2m).
- PS Operations Support are predicting under spends of £0.1m from Police Officers and £0.3m from staff as a result of offset by increased expenditure on supplies and services of £0.3m.
- Force Crime and Justice are predicting an under spend of £0.1m resulting from an over spend on Police Officers (£0.3m) offset by savings on Police Staff of £0.2m and increased income of £0.2m.

2.5 The Departments are forecasting an under spend of £0.8m:

- The DCC Directorate are predicting an under spend of £0.5m as a result of the net savings anticipated from the Strategic Change Programme, which encompasses OSR and the BCU restructure.
- Strategic Support Directorate are predicting an under spend of £0.5m due to staff vacancies.
- Human Resources are showing an over spend of £0.2m due to the costs of the Police Recruitment Modernisation Programme, pending a virement of the necessary funding from the Divisions.

- 2.6 Central Corporate are forecasting an under spend of £1m as a result of the mitigation action taken in response to the threat of capping.
- 2.7 Overall net expenditure is predicted to be £2.7m below the budget of £209.6m.
- 2.8 As shown in the graph on page 2 employee costs account for 79% of the Force budget – a comparison of the actual numbers of police officers and staff against the budgeted establishment is provided at revenue appendix 4, together with the numbers from 2007/08 for comparison. Police Officers numbers have remained below budget levels so far this year and are forecast to remain below budgeted establishment for the year. Police Staff numbers are also currently below budget levels and are forecast to remain so.
- 2.9 The main revenue grants that fund the budget are detailed in revenue appendix 5 together with the specific grants that are to be received during the year.

3 Virements

- 3.1 Virements are an essential part of financial management, Financial Regulations state that any virement exceeding 0.1% of the value of the annual Net Budget Requirement (NBR) requires the approval of the Authority. The NBR for 2008/09 is £191.5m so any virements exceeding £191,500 need approval.
- 3.2 Two major actions have driven the majority of the variances to date – implementation of the BCU restructure and the threat of “designation” of the Authority by the Secretary of State for Communities & Local Government.
- 3.3 Following approval of the BCU Restructure a major exercise was undertaken to re-allocate the budgets from the previous structure into the revised structure. The portfolios have also been revised with the introduction of Citizen Focus (previously Territorial Operations) and Protective Services (previously Specialist Operations).

- 3.4 In response to designation COG initiated a mitigation plan to offset the impact of the Authority being capped. Under the plan all service improvements included within the 2008/09 budget (£5.9m) have been transferred to the centre from which a ring fenced “capping pot” of £1.875m was created to meet the reduction in the Authority’s budget in the event of capping being confirmed. The non-employee elements of the service improvements outside of the capping pot were released to services straight away and the employee costs have been released as and when posts have been filled. These movements form the majority of the virements detailed in appendix 6 and will continue to do so as the centrally held funds are released during the year.
- 3.5 The necessary adjustments described in paragraph 3.3 above were done during April to produce the revised budget allocations which form the base for budget monitoring during 2008/09, as detailed in appendix 6 together with the virements actioned up to and including month 4.

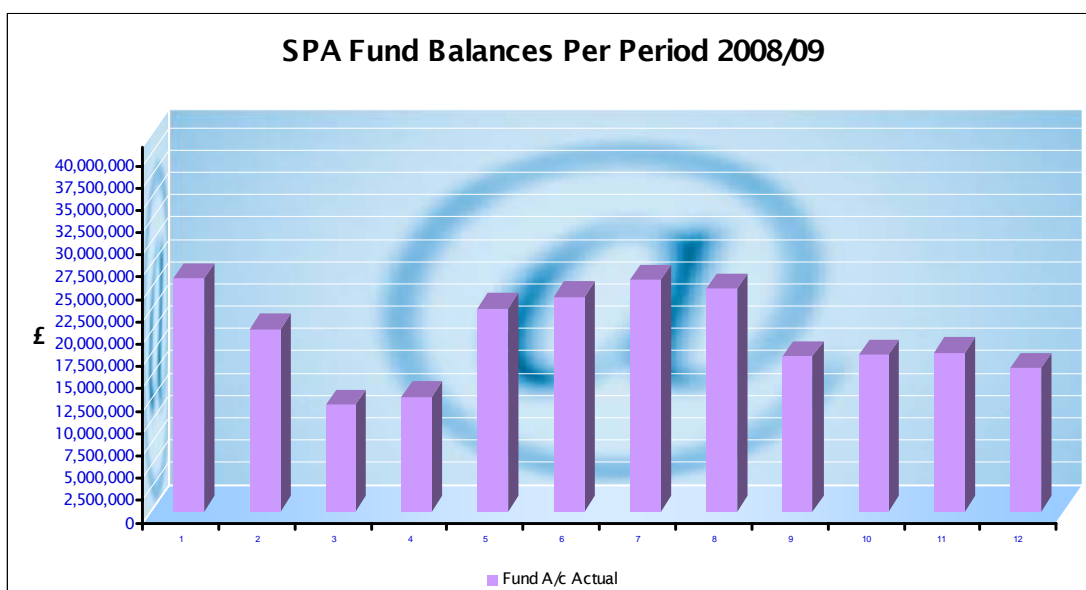
4 Capital Position

- 4.1 The Authority approved an overall “funding envelope” for new capital projects in 2008/09 of £7.5m when it set the budget for 2008/09 at its meeting in February 2008. This combined with the brought forward budget of £7.6m amounts to a total capital budget of £15.1m. The Project Programme & Capital Board has released £14.2m to date, with £0.9m awaiting PPCB approval.
- 4.2 Since the original capital budget was approved in February there have been 3 further approvals given relating to the Organisational Support Review within Finance and Human Resources, whose approved business case included capital expenditure of £690k and £742k respectively to be funded by borrowing, and the purchase of Ridge Farm which is being funded from the revenue contribution into the capital reserve actioned in 2007/08. These additions increase the capital budget for 2008/09 to £17.5m. Capital expenditure funded from external partners is also included in appendix 7 to show total capital expenditure.

- 4.3 Capital expenditure of £8.5m has been committed against the approved capital budget, as amended, of which £5.3m relates to outstanding orders.
- 4.4 Appendices 7 & 8 contain a detailed breakdown of the capital expenditure and financing for 2008/09.
- 4.5 As at the end of month 4, net capital receipts of £3.6m have been generated. These receipts arose from the sale of Oxted Police Station (£2m), 4 houses (£1.5m, against an annual target of £3.5m), and the realisation of 4 equity investments (£0.1m) made under the Housing Equity Scheme.

5 Balance Sheet

- 5.1 Appendices 9, 10 & 11 provide the balance for each usable reserve as well as the balance of the reserves over the last five years, with the Accounts Payable and Receivable Performance.
- 5.2 The percentage of Accounts Payable paid on time has averaged 75.7% over the year to date.
- 5.3 Accounts Receivable - the amount shown as outstanding for more than 45 days is largely accounted for by 7 public sector organisations - the two largest being UK Immigration Services (£108k) and NPIA (£102k). Work to follow up these debts has resulted in the UK Immigration Service making a payment of £50k in August. Further efforts are continuing. A sum of £57k due from Merseyside Police in respect of an aborted enquiry has been put forward for write-off.
- 5.4 The table below demonstrates the actual balances for the year to date and estimates to the year end; the actual balance at 31st July 2008 was £12.8m. The drop in balances at month 3 was caused by the fact that the precept is paid approximately every 5 weeks which when mapped into months produces 10 monthly instalments of £8.4m - no payments are made in June (month 3) and January (month 10).



Attachments:

Appendices pack - Appendices 1- 11

Contact details –

Name: Clive Allen

Job Title: Head of Financial Management

Telephone number: 01483 639463

Email address: allen12976@surrey.pnn.police.uk
