

PART ONE

To: Surrey Police Authority
Date: 27th June 2008
By: Director of Finance & Services
Title: Financial Report Month 11

Purpose of Report/Issue:

This report presents the financial position at month 11.

Summary:

The revenue forecast at month 11 is £193.5m which is within the approved revenue budget for the year of £196.4m. The variance is attributed to the planned cost reduction applied in year to assist the future financial position, the impact of the police pay award and the staff recruitment freeze. Capital expenditure of £10.2m has been committed in 2007/08 against a budget of £17.5m.

The report was considered by the Finance and Performance Panel at its meeting on 7th May 2008.

Recommendation(s) –

The Authority is requested to;

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

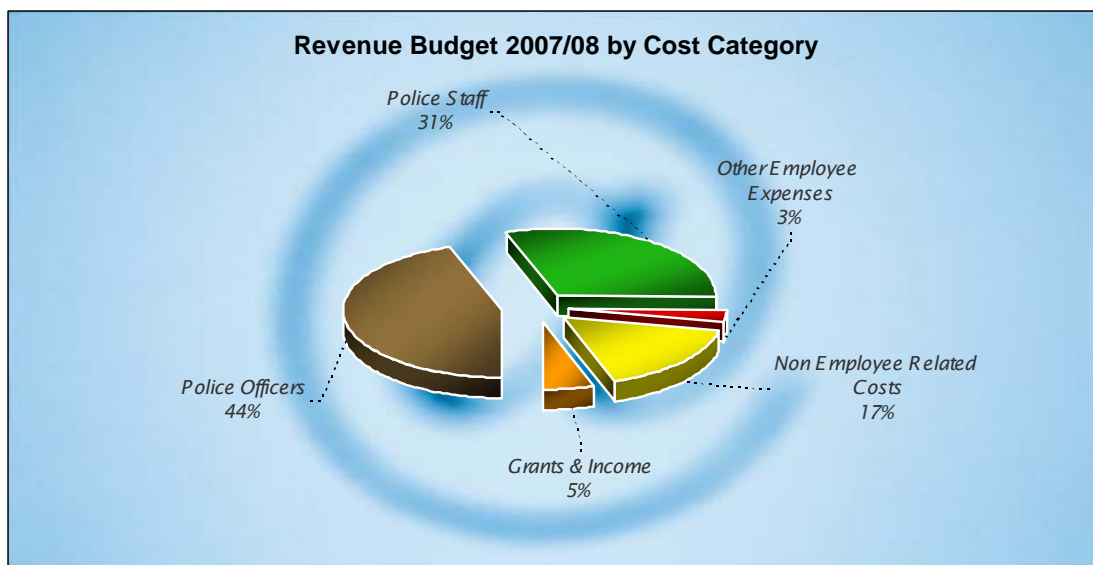
1 Introduction

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 11 and details 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 2006/07 for comparison, a table showing the position for each budget holder with a further table on the actual spend by cost category. At month 11 the forecast outturn position is £193.5m, £2.9m below the agreed revenue budget for 2007/08.

2.3 The police pay award had two impacts on the revenue position. The first was the budget was established on a 3% increase and an increase of

2.5% was agreed this is worth £0.3m. Secondly and of a greater value the pay award was delayed for 3 months worth £0.5m.

2.4 After allowing for the reduced impact of the pay award three of the Divisions are still showing overspends:

- North Surrey are predicting an over spend on Police Officer salaries and overtime of £0.6m primarily as a result of a high level of vacancy cover combined with unexpected operations including force level cover for the Foot and Mouth incidents and Airport security. Increased costs for Paramedics and Interpreters have contributed to an over spend within Supplies and Services of £0.2m.
- West Surrey are predicting an over spend on Police Officers of £0.3m, due in part to an ongoing rape investigation. The over spend is offset by savings of £0.4m on Police Staff as a result of the freeze on recruitment. Other Services is predicted to over spend by £0.2m as a result of higher demand.
- North West Surrey are predicting an over spend on Supplies & Services of £0.3m, mainly due to increasing cost of medical services and enquiry expenses.

2.5 East Surrey are predicting an under spend of £0.1m as result of increased contributions from local councils towards staff costs, and a higher level of Court recoveries. Territorial Operations are predicting an overall under spend of £0.2m arising from staff vacancies more than compensating for overspends on officers, under spends on equipment and furniture and increased level of grants from the Home Office.

2.6 Crime Department continues to show an overall estimated under spend of £0.2m resulting from Police Officer vacancies of £0.5m, largely offset by an over spend on overtime of £0.4m; Staff vacancies £0.4m offset by the cost of temporary posts £0.3m. Income remains £0.2m above budget due

to extra income from the Laboratory of the Government Chemist, which is mitigated by an over spend on services as a result of an increase in the cost of live scans and enquiry expenses for several large operations.

- 2.7 Operations Support are predicting an over spend on Officers of £0.1m, which is more that offset by an under spend on Staff of £0.8m caused by high turnover within the department and ongoing difficulties in filling 5 new Duty Managers posts.
- 2.8 Within Strategic Support Directorate Staff vacancies and lower spend on MOPI have resulted in a forecast under spend of £0.5m.
- 2.9 Finance & Services have an over spend of £0.1m due to a lower level of external income being generated by the Fleet operation from Surrey Ambulance motorbikes and repairs and a higher than anticipated level of outsourced work due to staff shortages, caused by sickness.
- 2.10 ICT estimate an underspend of £0.2m primarily resulting from staff vacancies and reduced training due to project commitments, amounting to £0.1m, and extra rent income of partly due to the finalisation of the rent reviews for O2 Airwave aerial sites.
- 2.11 The Police Authority is predicting an under spend of £0.2m the key driver of which is the reimbursement of an officer's salary seconded to the Association of Chief Police Officers.
- 2.12 Overall net expenditure is predicted to be £2.9m below the budget of £196.4m. This in summary arises from the savings plan instigated to assist with the 2008/09 budget, the saving from the police pay award and other staff savings from the recruitment freeze.
- 2.13 As shown in the graph on page 2 employee costs account for 78% 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 2006/07 for comparison. Police Officers numbers have remained below budget levels so far this year and

are forecast to be just below budgeted establishment at the end of the financial year with an intake of probationers early in the new financial year, although actual numbers are above budget in month 11. Police Staff numbers are also currently below budget levels and are forecast to remain so.

2.14 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 Capital Position

3.1 The Authority has approved an overall “funding envelope” for new capital projects in 2007/08 of £12m. This combined with the brought forward budget of £5.5m amounts to a total capital budget of £17.5m. Under the new “gateway” process for capital schemes the Project Programme & Capital Board has released £17m to date therefore £0.5m awaits PPCB approval. Capital expenditure of £10.2m has been committed in 2007/08, of which £2.2m relates to outstanding orders. Appendices 6 & 7 contain a detailed breakdown of the capital expenditure and financing for 2007/08, from which it can be seen that there are a number of projects with significant under spends:

- Vehicle Replacement Programme – resulting from a slow down in the replacement of vehicles while this service is reviewed.
- Voice/Data Network Replacement - caused by delays in the completion of site audits.
- CIS Development (Project Enterprise) – the timescale for the tender process has been extended which has delayed the awarding of the contract.
- Digital CCTV Custody Centres – the contract was awarded in April 2008.
- Automated Call Distribution – there have been delays in agreeing the new system requirements.

- Airwaves – the first trial has been completed and the second is due in mid April following which the decision on which manufacturer will be used will be taken.
- Estates Strategy – majority of the under spend relates to the cost of the lease of the area to be occupied within Runnymede Borough Council's Civic Offices in Addlestone (£2.8m) and Guildford Custody Expansion Phase 1 (£0.78m).

3.2 As at the end of month 11, net capital receipts of £5.4m have been generated. These receipts arose from the sale of 18 houses (£4.9m), against an annual target of £4m, and the realisation of 14 equity investments (£0.5m) made under the Housing Equity Scheme.

4 Balance Sheet

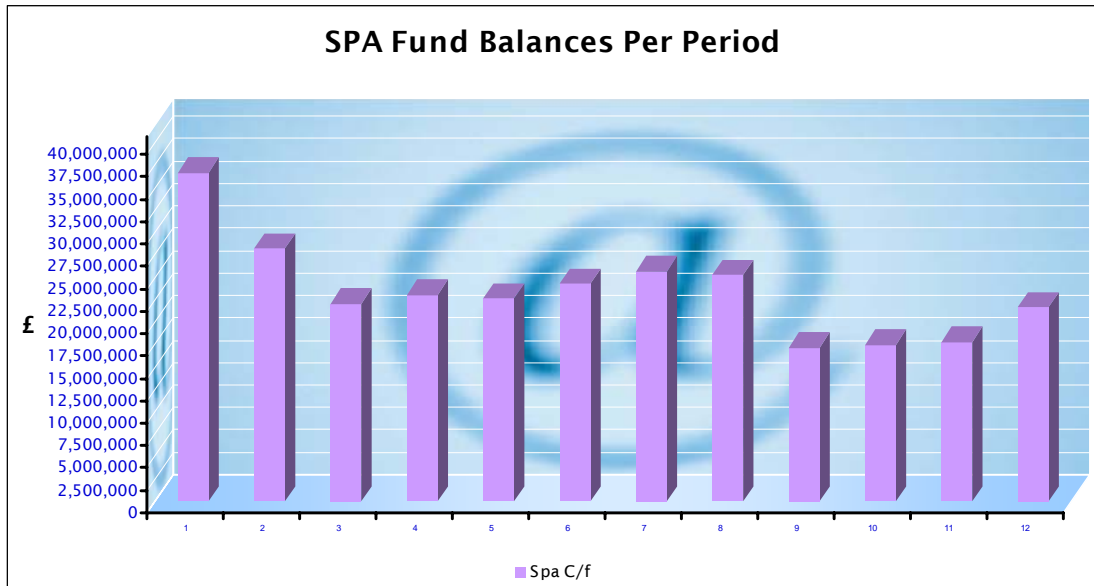
4.1 Appendices 8, 9 & 10 provide the balance for each usable reserve as well as the balance of the reserves over the last five years, with the Accounts Payable and Receivable Performance.

4.2 The percentage of Accounts Payable paid on time has averaged 81% over the year to date. The increase in month 9 is a result of the fact that in the run up to Christmas there are early payment runs which increase the proportion of invoices paid on time. This is inevitably followed by a drop in month 10 when those invoices which missed the early runs before Christmas are dealt with.

4.3 The Accounts Receivable Performance was affected earlier in the year by a small number of high value invoices. Having resolved these, the trend has been downwards, albeit there has been a small increase in month 11.

4.4 The cash flow table below demonstrates the actual sums for the year to date and estimates to the year end; the actual balance at 29th February 2008 was £17.8m. The drop in balances at month 9 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 December (month 9).



Attachments:

Appendices pack - Appendices 1- 10
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