

**PART ONE**

**To:** Surrey Police Authority  
**Date:** 28<sup>th</sup> March 2008  
**By:** Director of Finance & Services  
**Title:** Financial Report Month 9

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**Purpose of Report/Issue:**

This report presents the financial position at month 9.

**Summary:**

The revenue forecast at month 9 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. A proposal is made to establish a specific reserve for future capital expenditure. Capital expenditure of £9.5m has been committed in 2007/08 against a budget of £17.5m. This paper was reviewed at the Finance & Performance panel 3<sup>rd</sup> March 2008 and comes with their recommendation.

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**Recommendation(s) –**

The members are requested to;

- Approve the creation of a specific reserve for future capital expenditure.
- Note the revenue outturn position, the consequential transfer to General Balances and Grants received – revenue appendices 2 & 5.
- Note the capital expenditure position including details of the receipts, revenue contributions and financing of the programme – capital appendices 1 & 2.
- Note the position on the balance sheet items within the report and at balance sheet appendices 1, 2 & 3.

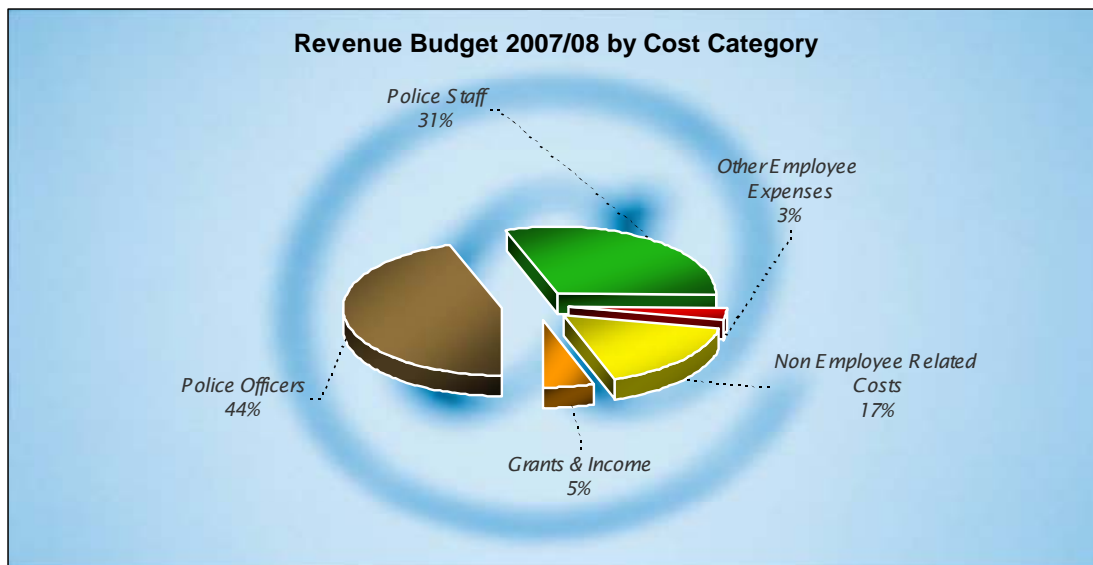
## 1 Introduction

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 9 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 revenue 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 9 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 overspend on Police Officer salaries and overtime of £0.4m 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 £0.3m.
- 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 being offset by savings of £0.3m on Police Staff as a result of the freeze on recruitment. Other Services is predicted to overspend by £0.1m as a result of higher demand.
- North West Surrey are predicting an overspend on energy costs of £0.1m and Supplies & Services of £0.3m, partially offset by a saving on Staff, including temporaries, of £0.1m arising from the freeze on recruitment.

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 underspend of £0.2m arising from over spends on Officers and temporary staff being more than offset by Staff vacancies.

2.6 Crime Department continues to show predicted under spends on Police Officers of £0.2m and Staff of £0.5m, both due to vacancies; increased income from the Laboratory of the Government Chemist contract of £0.2m and an under spend on hire vehicles of £0.1m. These favourable variations are reduced by overspends of £0.3m on temporary staff,

covering vacancies, and £0.3m on supplies and services, mainly caused by an ongoing enquiry in support of a long term proactive covert operation managed by the Serious Crime Investigation Team. The excess Police Officers in Operations Support and the extra overtime being worked in CRB has produced an overspend on Officers within Operations Support of £0.3m, which is more than offset by an underspend on Staff, including temporary staff, of £0.7m and increased income from CRB checks of £0.1m.

- 2.7 Within Strategic Support Directorate Staff vacancies and lower spend on MOPI have resulted in a forecast underspend of £0.3m.
- 2.8 Overall net expenditure is predicted to be £2.9m below the budget of £196.4m. This in summary arises from the savings achieved out of the cost reduction plan instigated to assist with the 2008/09 budget, the saving from the police pay award and other staff savings from the recruitment freeze.
- 2.9 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. Police Staff numbers are also currently below budget levels and are forecast to remain so, although the gap between budget and actual numbers is forecast to reduce by the end of the financial year.
- 2.10 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 Specific Reserve**

3.1. The additional saving achieved from the police pay award provides a windfall opportunity. The Police Authority has limited capital funding available but growing demands to accommodate in the future. The capital programme approved at the last Police Authority meeting consciously excluded funding for the Organisational Support Review and the Enterprise Programme. The stated intention was to seek approval for borrowing against a full business case. The Estates Strategy funding is dependent on selling property and property sales are infamous for the time delays they incur with planning objections and appeals, which in turn without funding will restrain the Force to progress the vital strategic changes to the estate. It is proposed that the additional saving is directed into a specific reserve that will meet future capital expenditure requirements. The ability to access the reserve in the future will require Police Authority approval.

### **4 Virement**

4.1 Virement is an essential part of financial management, Financial Regulations state that all movements over £0.1m are to be authorised by the Police Authority.

4.2 There is no virement to report this month.

### **5 Capital Position**

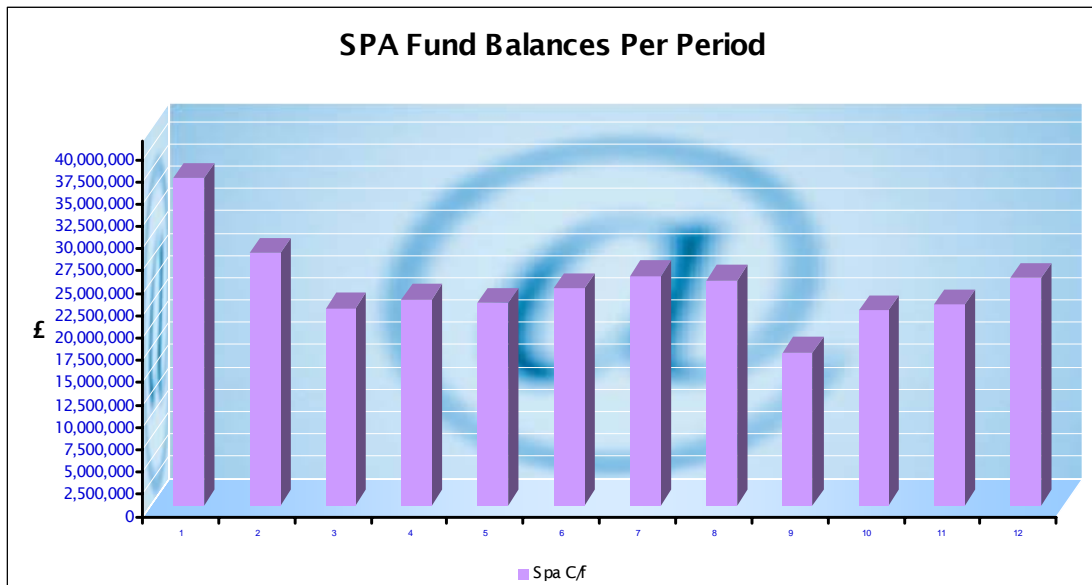
5.1 The Authority has approved an overall “funding envelope” for new capital projects in 2007/08 of £12m. This combined with the brought forward budget of £5.5m amounts to a total capital budget of £17.5m. Under the new “gateway” process for capital schemes the Project Programme & Capital Board has released £16.7m to date therefore £0.8m awaits PPCB approval. Capital expenditure of £9.5m has been committed in 2007/08, of which £3.6m relates to outstanding orders. Capital appendices 1 and 2 contain a detailed breakdown of the capital expenditure and financing for 2007/08.

5.2 As at the end of month 9, net capital receipts of £4.7m have been generated. These receipts arose from the sale of 15 houses (£4.2m), against an annual target of £4m, and the realisation of 13 equity investments (£0.5m) made under the Housing Equity Scheme.

## 6 Balance Sheet

6.1 Balance Sheet appendices 1, 2 and 3 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.

6.2 The cash flow table below demonstrates the actual sums for the year to date and estimates to the year end; the actual balance at 31<sup>st</sup> December 2007 was £17.4m.



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### Attachments:

#### Appendices pack

- Revenue Appendices 1- 5
- Capital Appendices 1- 2
- Balance Sheet Appendices 1- 3

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