

To: Surrey Police Authority
Date: 29 June 2009
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 £206.8m which is within the approved revenue budget for the year of £209.6m. Capital expenditure of £12.5m has been committed in 2008/09 against a budget of £18.2m.

Recommendation(s) –

The SPA is asked to:

- Note the revenue outturn position and, 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 7 & 8.
- Note the position on the balance sheet items within the report and at Appendices 9 & 10.
- Note the position with regards to Accounts Payable and Accounts Receivable as at Appendices 11, 12 & 13.
- Approve the virements in Appendix 6.

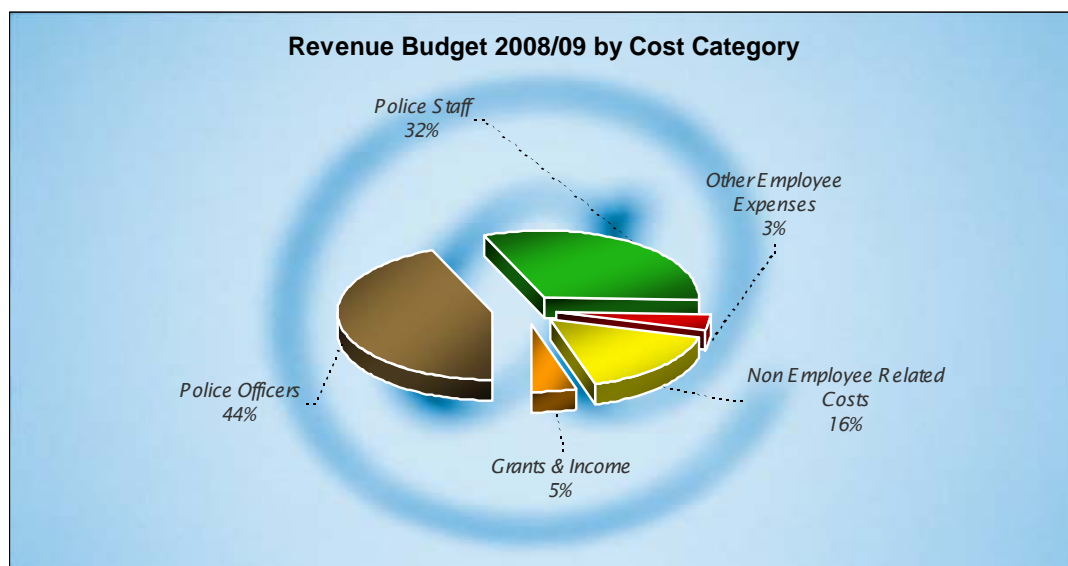
1 Introduction

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 10 and how the capital programme is financed.
- The balance sheet items that are termed working capital such as the cash position and a table on the usable reserves.
- Information on accounts receivable and payable performance.

2 Revenue Position

2.1 The chart 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 11 the

forecast outturn position is £2.8m below the agreed revenue budget for 2008/09.

In early 2008/09 the “capping” process created significant budget uncertainty leading to delays in spending in cases of ‘designation’. Nomination increased future budget pressures and the Chief Officer Group (COG) recognised that the gap in funding identified by the medium term financial plan required a sustained effort to reduce it. As a result, COG planned two interventions that would ensure actual expenditure in the year would be less than budget.

The intention was to build up extra funds to reduce budget pressure in 2009/10 and beyond. This planned one-off underspend was approved by SPA.

Firstly, COG ring fenced permanent budget to the value of £1.9m to safeguard against the possibility of capping by the DCLG regarding the 2008/9 budget. Secondly, a number of other posts that were agreed in the budget were also ring fenced with budget only being released when expenditure was actually committed.

It is a combination of these two interventions that allowed COG to generate the planned underspend which met the intent set early in the financial year.

2.3 In total the Citizen Focus portfolio is predicting an underspend of £0.2m resulting from:

- Surrey West are predicting an overspend of £0.5m which results from an overspend of £0.3m on police officers, and £0.9m on supplies and services and miscellaneous other costs, offset by an underspend on police staff of £0.7m due to vacancies.
- Surrey East are predicting an underspend of £0.3m, £0.5m of which is due to vacant police officer and £0.3m police staff posts, offset by increased supplies and services costs of £0.4m and increased vehicle costs due to fuel increases of £0.1m.

- Surrey North are predicting an overspend of £0.1m with an underspend of £0.5m on Police Staff offset by additional Police Officer costs £0.1m, supplies, property and transport costs £0.4m and a £0.1 virement of recruitment and training costs to HR.
- Specials/Neighbourhoods & OS Comms are predicting an underspend of £0.5m. This is made up of an underspend of £0.1m on Officers by Neighbourhoods and an underspend of £0.4m by OSC due to a £0.2m overspend on police officers and a £0.1m overspend on Supplies & Services, offset by an underspend of £0.7m on police staff due to vacancies.

2.4 Protective Services are forecasting an underspend of £0.3m resulting from:

- PS Crime are predicting an underspend of £0.1m, £0.8m due to police officer vacancies, offset by increased Officer overtime of £0.2m, increased use of temporary police staff of £0.3m, and increased cost of services of £0.2m incurred as a result of greater use of forensics in support of ongoing operations.
- PS Operations Support are predicting an underspend of £0.2m due to underspends of £0.2m for police officers and £0.2m for police staff, offset by increased expenditure on supplies and transport of £0.4m. In addition, £0.2m of funds from the Counter Terrorism Grant have now been applied in full.
- Force Crime & Justice are on budget with a £0.2m overspend on Police Officers offset by a £0.2M under spend on Police Staff.

2.5 The Departments are forecasting an underspend of £1.9m due to:

- The DCC Directorate are predicting an underspend of £1.2m as a result of the net savings anticipated from the Strategic Change Programme £1.1M, which encompasses OSR and the BCU restructure and ACPO £0.2m on services and Police staff, less a

£0.1m overspend on support services due to Police Staff temporary and training costs.

- Strategic Support Directorate are predicting an under spend of £0.4m mainly due to police staff vacancies.
- ICT are predicting an underspend of £0.1m due to savings on police staff salaries and savings on Airwave.
- Finance & Services are predicting an overspend of £0.1m due to additional fuel and maintenance costs resulting from the cold winter.
- Human Resources are predicting an under spend of £0.3m resulting from recruitment cost transfers to Divisions £0.2m and savings in training costs £0.3m offset by additional staff costs £0.2m.

2.6 The forecast underspend on Corporate of £0.4m continues to be as a result of the mitigation action taken in response to the threat of capping of £1.8m, offset by the £0.3m provision for the cost of preparation for the Olympics, a reduction in investment income, increased in the month by £0.1m to £0.6m, capitalised salaries now charged to revenue £0.1m, non allowable pension adjustments £0.2m and £0.2m due to a divergence in the recovery rate for the police standard charge due to a drop in the expected intake of police officers.

2.7 The SPA should note that there are likely to be approximately £0.1m of revenue costs associated with Wray Park, but these have not been included as yet.

2.8 Overall net expenditure is predicted to be £2.8m below the budget of £209.6m.

2.9 As shown in the chart on page 2, employee costs account for 79% of the Force budget – a comparison of the actual numbers of police officers and police staff against the budgeted establishment is provided at revenue Appendix 4, together with the numbers from 2007/08 for comparison.

Police officer 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.

2.10 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 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 Panel.

3.2 Virements actioned since month 10 are shown at Appendix 6 and are as follows:

- A virement of £29k is provided for Dedicated Detention officers in Citizen Focus from Corporate
- A virement of £17k is provided to Force Crime and Justice for Operation Shield posts from Corporate

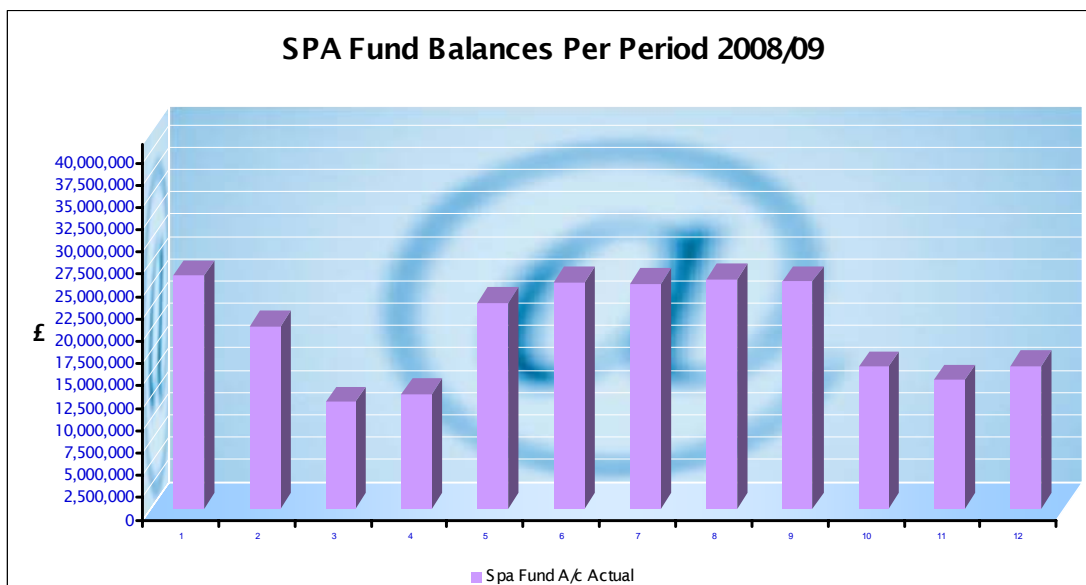
As these virements had already been anticipated in the revenue report, there is no movement showing in Appendix 2.

4 Capital Position

- 4.1 In setting the budget for 2008/09 in February 2008 the Authority approved an overall “funding envelope” for new capital projects of £7.5m. This, together with the brought forward budget and additional subsequent SPA approvals (including the capital budget for Enterprise of £510k approved in December and relating largely to police staff salaries) brings the total budget to £18.2m.
- 4.2 The revised forecast for capital receipts continues to be £5.0m in line with actual receipts and completions to date in month 11.
- 4.3 Capital expenditure of £12.5m has been committed against the approved capital budget, as amended, of which £2.9m 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 11, net capital receipts of £4.5m have been generated. These receipts arose from 8 property and 2 vehicle disposals of £4.4m (including Oxted Police Station, £2.1m, and the realisation of 4 equity investments made under the Housing Equity Scheme, £0.1m). Three properties with forecast additional net receipts of £1.7m are currently with solicitors.

5 Balance Sheet

- 5.1 Appendices 9 & 10 provide the balance for each usable reserve as well as the balance of the reserves over the last five years.
- 5.2 Details on accounts payable and receivable performance are included at Appendices 11, 12 & 13 respectively.
- 5.3 The table below depicts the actual cash balances for the year to date and estimates to the year end; the actual cash balance at the end of February was £14.6m. 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 £9.2m - no payments are made in June (month 3) and January (month 10).



Attachments:

Appendices pack - Appendices 1- 13

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