

## Report to the Commissioner's Performance and Delivery Board

Date: 27 September 2017

Title: Finance

From: Chief Constable



### INTRODUCTION

1. This report provides an update on the Annual Accounts for the two legal entities representing the Kent Police Group; the latest financial forecast for both revenue and the Investment Programme and an update on the latest information available on the public sector pay cap at the time of writing this report.

### ANNUAL ACCOUNTS

2. Kent Police has again had its Annual Statement of Accounts signed off by our auditors well ahead of the national deadline with an unqualified opinion. These signed accounts are available to the public via the websites of the Police and Crime Commissioner and of Kent Police. Currently the national deadline is the end of September but is being statutorily brought forward to 31 July next year. In preparation for this the Finance department has brought forward the close-down process for each of the last two years. The Accounts for 2015/16 were signed off on 12<sup>th</sup> August 2016 and the Accounts for 2016/17 signed off on 31<sup>st</sup> July. This has meant that Kent Police are well placed to meet the much tighter new regulations next year.
3. For the second year in succession no accounting changes were required to the Accounts following their audit. There were a couple of minor presentational amendments needed but given the significant changes to the accounting requirements between years this remains an excellent achievement.
4. The Audit Results Report shared with the Commissioner and the Chief Constable outlined these changes and also raised some points around asset valuations which will be an area for further focus in future. Part of the preparation for next year's Accounts is to meet with our auditors to discuss these areas and any other changes that are required.
5. Kent Police were part of the national framework governing who our auditors would be following the expiration of the current contract in 2018/19. I am pleased to report that Ernst & Young LLP were appointed and will continue as our auditors for a further five years.

### REVENUE OUTTURN

6. The latest financial position is based on expenditure and income from April to July and forecasts for the remainder of the year. These forecasts are based on detailed budgets and regular meetings with budget holders to ensure an accurate and fully inclusive forecast is made.
7. The revenue budget for 2017/18 is set at £281.1m and follows the Commissioner agreeing an injection of £5.1m from reserves. This is to assist with the cost of the New Horizon model and also to help smooth the savings requirements over a three year period.
8. The current forecast is for 99.7% of the budget to be spent, an under-spend of £0.8m. The majority of this underspend is accrued through pay, both officer and staff and is a result of a combination of two main factors:
  - a. Go-live for the New Horizon model was 12<sup>th</sup> September 2017 whereas the budget was built assuming many of the teams would be in place for the full year. This has resulted in some capacity within the budget as new teams are recruited to.
  - b. The average PSE vacancy rate for the year to date is 9.1% which is over 3% higher than the budgeted rate. This equates to approximately £2.3m in unspent budget.

9. These under-spends are providing a very useful pool of resource to mitigate cost pressures that have arisen in year. All cost pressures are discussed by the Chief Officer Team and only included as forecast expenditure following agreement and considered evaluation of risk, benefit and cost. Examples of these cost pressures include a force-wide operation to reduce outstanding calls, suspects and active crime; increased resources for teams investigating vulnerability, strengthened crime recording and also meeting the cost of Taser replacement over and above the provisions set aside for this.
10. Any remaining underspend could be used to fund or part fund future investment in estate, in major IT programmes or fleet replacement. With the agreement of the Commissioner it could also be balanced against future cost pressures or utilised to help meet, mitigate or reduce demand.
11. The revenue budget remains tightly scrutinised and controlled with Finance Officers reporting to budget holders and providing oversight as well as control around all expenditure and income for the Force. These meetings help ensure Finance remain aware of all potential opportunities and cost pressures as they are identified.

## **INVESTMENT PROGRAMME**

12. The Investment Programme consists of capital schemes and their revenue consequences and has an agreed budget of £25.2m for the financial year 2017/18. The budget is currently forecast, based on April to July expenditure, to be 82% spent by the end of the year. Extensive work has been undertaken between Finance and the main provisioning departments of Information Services, Estates and Transport Services to ensure the budgets and forecasts are both accurate and realistic. This forecast follows that work and evidences improvements in the forecasting and reporting.
13. The main reasons for the £4.5m in-year underspend is slippage in national schemes such as the replacement for Airwave, ESN. In fact less than £0.5m is genuine underspend due to lower costs and changed scope of some projects with £4.0m representing slippage to the following year.

## **PUBLIC SECTOR PAY CAP**

14. The Government placed and maintained a 1.0% cap placed on public sector pay awards for the last seven years. On the 12<sup>th</sup> September this year the Government announced an end to this cap across the public sector with a 1.7% increase for Prison Officers and a 1.0% increase for officers with a one year bonus payment of 1.0%. At the time of writing this report no announcements have been made for Police Staff but it is not unreasonable to assume the same increase and bonus will apply for staff too.
15. The cost of the 1.0% pay award is already included in the 2017/18 revenue budget and Medium Term Financial Plan assumptions but the 1.0% bonus is not. There is no additional funding forthcoming to pay for this bonus with the message being that this must be managed from within existing resources, a clear reference to the service's financial reserves as the intended source for this.
16. The bonus payment will cost in the region of £1.3m for Kent officers and £0.8m for staff as the payment is not subject to superannuation and does not affect overtime rates. Although Kent Police does hold a high level of reserves these are allocated for future contingencies or investment. Funding of this bonus therefore still represents the Chief Constable and Commissioner having to make difficult choices about future investments and risk mitigation.
17. The ending of the pay award cap leaves considerable uncertainty for future years and any increases above 1.0% requiring either additional funding or further savings. Compounding this is the news that Force's will be granted more flexibility around pay scales for some difficult to attract and retain roles. Although a welcome tool to attract staff to these roles and retain those in them this adds to the pay bill and without additional funding will engender further savings and the possibility of less officers and staff.