

Chief Constables Report  
to  
Kent Police and Crime Commissioner's Performance and Delivery Board

**FINANCE**

Thursday 31 May 2018

---

**1. Strategic Overview.**

The Police and Crime Commissioner (PCC) receives the Police Grant from Government and local taxation (through the precept) which form the annual revenue budget. Nearly 98% of these collective funds are then delegated to the force in support of operational policing objectives and meeting the costs of the day to day running of the force.

**2. Aims of the paper.**

The report is intended to provide an update on the force's financial outturn position for the year end 31<sup>st</sup> March 2018 for both the revenue budget and investment budget. Financial performance against the budget has been the subject of ongoing and frequent dialogue with the Chief Finance Officer (CFO) in the Office of the PCC and the Chief Constable's CFO. Throughout the year the financial forecast is produced in consultation with all delegated budget holders force-wide but the final outturn is taken from actual expenditure and income for the year with explanations for any variances to the most recent forecast requested of budget holders.

**3. Financial Performance.**

The force-wide outturn for revenue is an under-spend of £3.091m (including the PCC's budgets) against the annual budget of £281.1m representing an under-spend of 1.1%. Although individual budget classifications within this report show sizeable over or under-spends these were managed across the entirety of the organisation to ensure budgetary control within the overall funding to meet emerging pressures and changing demand. Overall spending was scrutinised by the Finance Department at all levels from Finance Officer to Chief Finance Officer with monthly financial management reports going to Chief Officers Strategic Meeting (COSM) and the OPCC.

An example of an overspend against the base budget was in Supplies and Services and is related primarily to the revenue consequences of Investment Reserve funded expenditure and is offset through the Transfers to Revenue and Capital Reserves line further down the main table.

The revenue under-spend has increased by 0.17% since the end of February primarily due to the finalisation of recharges to Essex for IT services; slippage on the national O365 programme and reduction to the planned Estates expenditure.

One of the main areas of overspend against the base budget is overtime with £1.5m of this explained by Operations Capture 1 and Capture 2 which have full Chief Officer support and scrutiny. Police Officer ad-hoc overtime was £0.99m overspent with a considerable proportion of this incurred prior to the New Horizon model being implemented and bedded in. Now that the model is established this level of spend should be reduced in line with the budget and as part of the 2018/19 savings programme.

Item No. 7

The Investment forecast, comprising expenditure on the capital programme and other long term business improvement initiatives, incurred expenditure of £13.9m against the agreed budget of £24.9m for the 2017/18 financial year representing 56% delivery against the budget. This is £4.5m lower than the forecast at the end of quarter three. With the exception of ANPR all provisioning departments have seen a fall between forecast and final outturn. Much of this is accounted for by slippage to national programmes such as Emergency Services Network (ESN) or delays in supply for some products to both IT and Transport Services

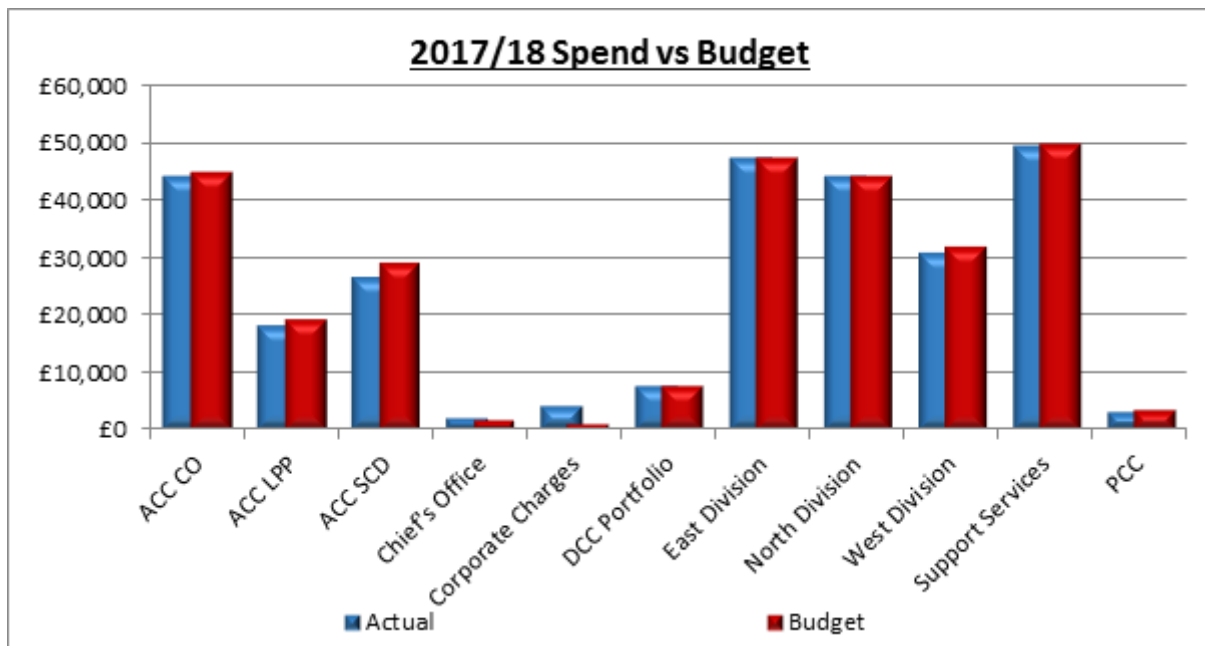
As with the revenue budget all forecasts were made in conjunction with programme and project managers and discussed at the quarterly Capital Management Board as well as monthly at COSM. Finance will be facilitating a forecasting masterclass for provisioning departments and budget managers for both capital and revenue in the spring or early summer. This should provide support, advice and education around forecasting techniques and best practice. It should also strengthen the relationship between the business and finance support leading to further improvements in forecasting.

The underspend against both revenue and investment budgets is transferred to the Investment Reserve at year-end and will be re-invested in Kent Police to fund future operational and support developments over the medium term.

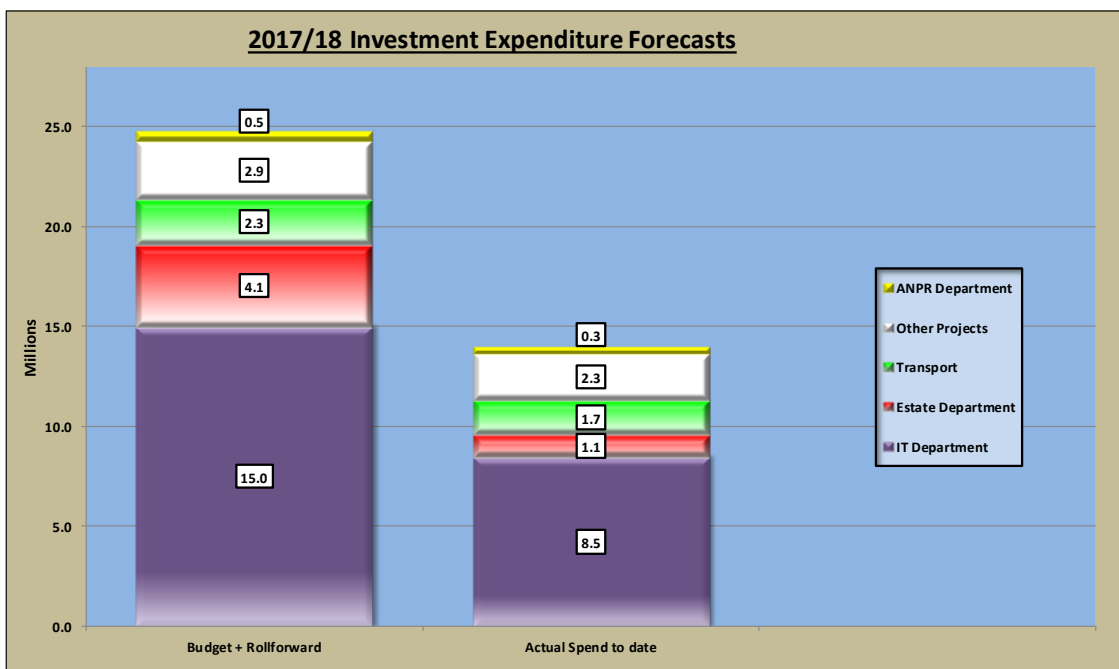
The extract from the final quarterly financial monitoring report follows:

Subjective Category	Full Year Budget £000's	Full Year Actual £000's	Variance Over/Under(-) £000's	Variance Over/Under(-) February £000's
Police Pay	£172,866	£170,673	(£2,193)	(£2,423)
PSE Pay	£77,720	£76,768	(£952)	(£1,406)
Other Pay Costs	£6,374	£8,273	£1,898	£1,860
<b>Total Pay</b>	<b>£256,960</b>	<b>£255,713</b>	<b>(£1,246)</b>	<b>(£1,969)</b>
Police Overtime	£5,316	£7,801	£2,485	£2,523
PSE Overtime	£864	£1,567	£703	£593
<b>Total Overtime</b>	<b>£6,180</b>	<b>£9,369</b>	<b>£3,188</b>	<b>£3,116</b>
Premises	£20,967	£19,886	(£1,081)	£71
Transport	£6,511	£6,917	£406	£15
Supplies & Services	£20,545	£29,732	£9,187	£8,245
Third Party Payments	£7,270	£5,937	(£1,333)	(£1,493)
Bad & Doubtful Debts	£0	£0	£0	£0
<b>Total Running Expenses</b>	<b>£55,292</b>	<b>£62,472</b>	<b>£7,180</b>	<b>£6,837</b>
Capital financing and contributions	£0	£899	£899	£140
Pension Administration Costs	£0	£8	£8	£4
<b>Expenditure Sub-Total</b>	<b>£318,433</b>	<b>£328,461</b>	<b>£10,029</b>	<b>£8,129</b>
<b>Income</b>				
Sales, Fees, Charges & Rents	(£2,912)	(£5,037)	(£2,125)	(£2,070)
Interest / Investment Income	(£410)	(£359)	£51	£42
Reimbursed Services	(£10,041)	(£14,497)	(£4,456)	(£3,388)
Transfers to Revenue and Capital Reserves	(£4,386)	(£11,399)	(£7,013)	(£4,790)
<b>Total Net Expenditure</b>	<b>£300,684</b>	<b>£297,169</b>	<b>(£3,515)</b>	<b>(£2,077)</b>
Overseas Funding / Partnership Funding	(£19,532)	(£19,108)	£424	(£298)
<b>Overall Total</b>	<b>£281,152</b>	<b>£278,061</b>	<b>(£3,091)</b>	<b>(£2,375)</b>

Item No. 7



**Investments (capital & revenue consequences) - Financial year 2017/18**



**4. Resourcing Uplift.**

The resourcing uplift, enabled through the PCC’s decision to raise the precept and to release funds from reserves, will enable the recruitment of additional police officers and police staff. This investment will make a considerable difference to a number of areas of policing and those areas will be in posts that improve: vulnerability, visibility or public contact.

The Force Resource Board meets weekly and formally reviews progress against the uplift plan every second meeting. This includes written updates from both Recruitment and Finance on progress towards the 200 additional officers and a forecast against this part of the 2018/19 revenue budget. Currently start dates for police staff are not set as recruitment and selection processes remain underway. This leads to some uncertainty around the financial forecast given the dependence on start dates for in-year costs. The forecast is being reviewed and revised continually in conjunction with HR and will change as information is fed in around police officer in-takes and other factors.

Item No. 7

The current forecast against the £6.1m 'New Horizon 2' uplift budget is £5.6m, an underspend of £0.47m which has been allocated against two public contact posts, a Crime Reduction Project Manager and Investigative Standards Compliance Officer post. Full year costs of the additional officers and staff exceed the £6.1m as shown in the table below. Options for funding these costs are being discussed but include further savings and resource shifts from elsewhere in the police model.

<b>Finance Schedule for New Horizon 2</b>				
<b>As at 18th April 2018</b>				
<b>Precept uplift (KGL82)</b>				
<b>Category</b>	<b>Budget 18/19 £'000's</b>	<b>Forecast 18/19 £'000's</b>	<b>18/19 Over / under spend £'000's</b>	<b>Forecast Full year cost £'000's</b>
Police Officer recruitment	6,100.0	2,631.1	-3,468.9	6,600.0
Recurring non-pay costs	0.0	167.4	167.4	367.4
PSE Recruitment	0.0	1,235.0	1,235.0	1,235.0
Recurring non-pay costs	0.0	0.0	0.0	40.0
<b>Sub-total</b>	<b>6,100.0</b>	<b>4,033.5</b>	<b>-2,066.5</b>	<b>8,242.4</b>
Resources to uplift recruitment	0.0	773.6	773.6	0.0
One-off costs for Police Officer uplift	0.0	502.1	502.1	0.0
One-off costs for PSE uplift	0.0	0.0	0.0	0.0
<b>Sub-total</b>	<b>0.0</b>	<b>1,275.7</b>	<b>1,275.7</b>	<b>0.0</b>
Other	0.0			
HR Innovation Team	0.0	323.9	323.9	0.0
<b>Sub-total</b>	<b>0.0</b>	<b>323.9</b>	<b>323.9</b>	<b>0.0</b>
<b>Total</b>	<b>6,100.0</b>	<b>5,633.2</b>	<b>-466.8</b>	<b>8,242.4</b>

## 5. Risks and Police and Crime Plan.

The changing landscape for purchasing IT software and even storage is leading to increased pressure on the annual revenue budget with software as a service rapidly becoming the purchasing model of choice for many suppliers. This may add further to the savings requirement for the force and is being monitored carefully between IT and Finance.

Other financial risks exist such as changing inflation rates, legislation and the potential impact of leaving the European Union. As, or if, these risks materialise and can be quantified financially they may be included in the Medium Term Financial Plan (MTFP) but until then they are not included but are reviewed between force and OPCC CFO as part of the horizon scanning which is an integral part of financial stewardship.

The level of reserves is a further area of watchfulness and discussion with the long term plans for the force being balanced against the national debate and local interest on the level of reserves being held.

The above issues are managed as part of the strong working relationship between the Chief Constable and the PCC who are at one in terms of the pursuit of the Policing Plan priorities which enables a joint focus on short, medium and longer term financial issues.

The finance team are committed to assisting the business not only in reporting financial performance but also in exploring opportunities for greater efficiency and effectiveness by using their experience, training and extensive knowledge of the budgets and costs of policing. This work will take the form of extending business partnering and management accounting activities and complement the transformative work of the Continuous Improvement and Innovation Teams.

## 6. Summary.

The force's finances are in good order and whilst difficult challenges will be faced over the next 3-5 years in terms of revenue and capital, good awareness, governance and contingency planning is in place between the PCC's Office and the force.