

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

**FINANCE**

Wednesday 26 September 2018

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**1. Introduction.**

Kent Police has a revenue budget of £290.4m for the current financial year following the additional increase in Precept agreed in February. The force holds around 99% of this budget for the purpose of delivering policing in Kent with the PCC holding the remaining amount for Commissioning Grants and running the office to uphold the governance arrangements.

In addition to the revenue budget an Investment programme of £18.5m covering IT, Estates, Vehicle and equipment replacement was approved. This programme covers not only capital expenditure but the one-off revenue cost associated with these.

**2. Aims of the paper.**

The report is intended to provide an update on the force's financial forecast for the current year for both the revenue and investment budget. This forecast is based on actual expenditure from April to July 2018 and forecasts for the remaining eight months established in conjunction with budget holders from all departments and directorates.

This paper also summarises the progress against current year savings targets and a brief insight on the 2019/20 revenue budget setting process and associated cost pressures.

**3. Financial Performance.**

The force is currently forecast to over-spend its revenue budget by £0.26m (0.09%) a reduction in over-spend from the first formal forecast for the year. This is currently being offset by an under-spend in the Commissioner's cost centres of £0.25m with the net result being a very modest over-spend of £0.02m across the entirety of the £290.4m budget.

As stated above this is an improved position for the force over the last forecast and evidences some of the interventions being applied between the budget holders and Finance following the first forecasts. The overall position is expected to improve further as the year progresses although the previous years' high under-spends are extremely unlikely to be achieved in this and in future years due to the tightness of the budget, growing list of inflationary and contractual increases and that more savings are now being delivered from non-pay areas as opposed to through business cases.

The primary area of forecast over-spend is around police officer overtime and this is very much in response to the Kent element of the increase in demand that is being experienced and reported nationally. The exceptionally hot summer has exacerbated the issue but interventions are in place and options being pursued to bring this back in line with the budget by the end of the year. It should be noted that £0.2m of this overtime expenditure was incurred through mutual aid and will be recovered by the force in full although this will show as additional income for the force.

The cost of New Horizon 2 (the recruitment, equipping and training of an additional 200 officers and 107 staff following the £12.00 per Band D property Precept increase) is included within the overall budget as is the Reserves Funded £2m programme to improve public contact in the FCR and IMU. Both of these programmes are monitored through the bi-weekly Force Resourcing Board with the

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financial forecast for these a standing agenda item. Currently the projection is that due to the excellent work of the HR department the force is on track to recruit the additional officers and staff by 31 March 2019 and that the budget for this, £6.1m, will be fully spent in the year. The £2.0m investment in the FCR and IMU is also forecast to be fully spent by the year end and the investment is already seeing considerable improvements in performance.

Finance Officers meet regularly with budget holders in order to produce these forecasts and work together to identify areas of budgetary pressure and solutions to these pressures. A project is underway currently on overtime costs but other areas of focus include stray dogs, mileage and allowances element of the IT budget where suppliers are seeking to transition from outright purchase to the software as a service model which is predicated around annual licencing payments.

The current revenue forecast for Kent Police (force and OPCC) is shown in the table below:

Subjective Category	Full Year Budget	Actual to Date	Full Year Forecast	Variance Over/Under(-)	Variance Over/Under(-) June
	£000's	£000's	£000's	£000's	£000's
Police Pay	£177,875	£56,090	£175,083	(£2,791)	(£2,836)
PSE Pay	£82,746	£26,272	£85,665	£2,920	£2,612
Other Pay Costs	£8,260	£2,357	£8,000	(£260)	(£328)
<b>Total Pay</b>	<b>£268,880</b>	<b>£84,720</b>	<b>£268,748</b>	<b>(£132)</b>	<b>(£553)</b>
Police Overtime	£4,989	£2,364	£6,667	£1,677	£1,428
PSE Overtime	£919	£571	£1,332	£413	£346
<b>Total Overtime</b>	<b>£5,908</b>	<b>£2,934</b>	<b>£7,999</b>	<b>£2,090</b>	<b>£1,774</b>
Premises	£20,589	£16,882	£20,888	£299	£203
Transport	£6,282	£2,893	£6,575	£293	£238
Supplies & Services	£23,783	£18,501	£28,543	£4,760	£5,001
Third Party Payments	£7,345	£3,854	£6,503	(£842)	(£1,633)
Bad & Doubtful Debts	£0	£0	£0	£0	£0
<b>Total Running Expenses</b>	<b>£58,000</b>	<b>£42,129</b>	<b>£62,509</b>	<b>£4,510</b>	<b>£3,809</b>
Capital financing and contributions	£0	£1	£1	£1	£0
Pension Administration Costs	£0	£9	£13	£13	£15
<b>Expenditure Sub-Total</b>	<b>£332,788</b>	<b>£129,793</b>	<b>£339,270</b>	<b>£6,481</b>	<b>£5,045</b>
<b>Income</b>					
Sales, Fees, Charges & Rents	(£3,424)	(£1,374)	(£4,818)	(£1,394)	(£1,016)
Interest / Investment Income	(£425)	£0	(£489)	(£64)	(£62)
Reimbursed Services	(£12,151)	(£3,020)	(£13,577)	(£1,426)	(£1,330)
Transfers to Revenue and Capital Reserves	(£7,557)	(£1,273)	(£11,119)	(£3,562)	(£3,180)
<b>Total Net Expenditure</b>	<b>£309,231</b>	<b>£124,125</b>	<b>£309,266</b>	<b>£35</b>	<b>(£544)</b>
Overseas Funding / Partnership Funding	(£18,763)	(£5,238)	(£18,782)	(£19)	(£199)
<b>Overall Total</b>	<b>£290,467</b>	<b>£118,888</b>	<b>£290,484</b>	<b>£16</b>	<b>(£743)</b>

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The Investment Programme has a budget of £18.5m for the year and is forecast to be 95.6% spent by the end of the financial year. This is made up as follows:

	Budget £m	Actual (Apr – July) £m	Forecast £m	Forecast % spent £m
IT	13.0	2.8	12.8	98.5
Estates	1.9	0.1	1.6	84.2
Transport Services	2.4	0.8	2.4	100
Plant & Equipment	0.7	0	0.5	71.4
ANPR	0.5	0.3	0.4	80.0
<b>Total</b>	<b>18.5</b>	<b>4.0</b>	<b>17.7</b>	<b>95.6</b>

The budgets and forecast follow a workshop where the project and programme managers were challenged to report their plans and forecasts. This proved to be very productive and is an exercise which will be repeated for the 2019/20 budget setting process. The above figures are deemed to be realistic and achievable for delivery in the current year.

#### 4. Savings Programme.

The savings programme is overseen and run by Corporate Services. The following table is an extract of the status report provided by them and reported to the recent Strategic Change Board. The table shows the current year savings target as £9.7m and current expected performance against this:

Detail	Predicted	Achievable
<b>Pay Differential</b>	<b>£2,800,000</b>	<b>£2,800,000</b>
<b>Non pay</b>	<b>£200,000</b>	<b>£200,000</b>
<b>Estates</b>	<b>£1,200,000</b>	<b>£1,550,000</b>
Commercial estate utilisation		£200,000
Estates		£1,000,000
PFI		£350,000
<b>Excess/Shortfall</b>		<b>£350,000</b>
<b>SCD</b>	<b>£1,000,000</b>	<b>£987,715</b>
DSU		-£97,332
IPD		£377,442
Intelligence		-£59,066
Intel - Protect Team		-£106,442
Intel - Vehicle Examiners		£67,634
Forensics - Footwear		£44,787
Forensics - Photographic		£9,057
Forensics - Performance & Submissions		£97,011
Forensics - Quality Team		-£50,749
Forensics - CCTV		-£16,909
SOC & Covert		£1,339,816
Major Crime & SEC		-£252,175
MCD & SEC - Modern Day Slavery Team		-£380,351
U/C to ERSOU		£53,884
PIU to SERPIT		-£48,440
TCU		£9,549

<b>Excess/Shortfall</b>		<b>-£12,285</b>
<b>SSD</b>	<b>£600,000</b>	<b>£700,000</b>
Legal/Insurance arrangements		£200,000
Budget centralisation		£400,000
HR		£50,000
L & D		£50,000
<b>Excess/Shortfall</b>		<b>£100,000</b>
<b>Corporate services</b>	<b>£200,000</b>	<b>£0</b>
<b>Excess/Shortfall</b>		<b>-£200,000</b>
<b>Transport</b>	<b>£300,000</b>	<b>£100,000</b>
Transport		£50,000
Mileage		£50,000
<b>Excess/Shortfall</b>		<b>-£200,000</b>
<b>IT contracts and procurement</b>	<b>£800,000</b>	<b>£867,236</b>
Adrian Futers storage		£10,000
Pipeline contracts		£160,000
Lag from 17/18		£50,000
Commercial		£400,000
NUMS		£60,000
IT contract		£167,236
BT 101 calls		£20,000
<b>Excess/Shortfall</b>		<b>£67,236</b>
<b>Vacancy factor</b>	<b>£1,600,000</b>	<b>£1,600,000</b>
<b>Police overtime</b>	<b>£600,000</b>	<b>£600,000</b>
<b>Regional firearms</b>	<b>£200,000</b>	<b>£200,000</b>
<b>Training school income</b>	<b>£200,000</b>	<b>£200,000</b>
<b>Total</b>	<b>£9,700,000</b>	<b>£9,804,951</b>
<b>Excess/Shortfall</b>		<b>£104,951</b>

Currently the savings programme is expected to achieve slightly more than the £9.7m and as outlined in section 5 we expect to achieve further savings through the budget setting exercise which is currently underway and as the year progresses and more work is undertaken on income generation. These savings will help address some of the in year-cost pressures which have arisen or can be 'banked' to assist with the 2019/20 savings target.

## 5. Budget Setting for 2019/20.

The annual cycle of revenue and investment budget setting will be well under way by the time of the PCC Performance and Delivery Board. This process will incorporate all the known cost pressures and savings and identify other areas of positive growth or pressure as the timetable is worked through. These will be reported to Chief Officers in the first instance and the PCC's CFO for consideration and funding options.

The recent pay award for police officers was agreed at 2.0% and this is in line with the current budget and Medium Term Financial Plan so no further pressure was added by this or the parallel, local agreement applied to staff which was also included in the MTFP.

The budget assumptions assume a flat cash grant settlement and an increase in the precept of 2.0%. This means further savings will be required to accommodate the cost pressures around pay and non-pay the force is facing. Currently these savings are showing as £5.9m to be delivered by 31 March 2020 in the MTFP although rising costs such as motor insurance cover will see this rise further.

Through the budget setting process all areas of expenditure and income are scrutinised to ensure accuracy and comprehensiveness and we hope to be able to drive out further savings through this process whilst still maintain focus on policing pressures and delivery of a first class policing service.

## **6. Reserves.**

Any under-spend in the financial year will be transferred to reserves and used to support future investment (subject to agreement from the Commissioner). The reserves forecast is a matter for the Commissioner so is not included in detail here but the long term forecast in this area is in line with the Government's drive to reduce the level of reserves held. This could mean the introduction of 'capping' the investment programme each year as reserves reduce and also the introduction of a budgeted revenue contribution to capital in order to maintain the replacement programme of vehicles, IT and other equipment which the force relies on.

## **7. 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.