

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

FINANCE

Wednesday 12 December 2018

1. Introduction.

This report provides an update on the force's financial forecast against the £290.4m revenue budget and £18.5m investment budget for the current year. It also includes commentary on progress against the savings required by 1 April 2019, a look ahead at the main cost pressures affecting next year's revenue budget and the likely savings requirement for 2019/20.

2. Financial Performance.

The latest financial forecast for the force is based on actuals from April to October 2018 and projections for the remainder of the year. The revenue forecast for Kent Police shows an overspend of £0.67m (0.23% against the budget) although this includes an underspend on the budget of the Commissioner of £0.15m.

The following table is a high level summary of the forecast and shows budget, actual and forecast against the main subjective categories as specified in the nationally agreed coding structure for policing.

Subjective Category	Full Year Budget	Actual to Date	Full Year Forecast	Variance Over/Under(-)
	£000's	£000's	£000's	£000's
Police Pay	£177,262	£98,878	£175,010	(£2,252)
PSE Pay	£82,763	£48,126	£84,381	£1,618
Other Pay Costs	£8,275	£4,273	£8,170	(£105)
Total Pay	£268,300	£151,277	£267,561	(£739)
Police Overtime	£4,947	£4,005	£6,941	£1,994
PSE Overtime	£956	£1,023	£1,521	£565
Total Overtime	£5,903	£5,029	£8,463	£2,559
Premises	£20,602	£18,994	£21,305	£702
Transport	£6,285	£4,269	£7,253	£969
Supplies & Services	£23,634	£22,251	£30,347	£6,713
Third Party Payments	£7,346	£5,785	£6,415	(£931)
Total Running Expenses	£57,866	£51,299	£65,320	£7,453
Capital financing and contributions	£0	£1	£1	£1
Pension Administration Costs	£0	(£10)	£12	£12
Expenditure Sub-Total	£332,070	£207,595	£341,357	£9,287
Income				
Sales, Fees, Charges & Rents	(£3,473)	(£2,510)	(£5,191)	(£1,718)
Interest / Investment Income	(£425)	(£120)	(£557)	(£132)
Reimbursed Services	(£11,445)	(£6,565)	(£14,314)	(£2,869)
Transfers to Revenue and Capital Reserves	(£7,496)	(£1,421)	(£11,482)	(£3,985)
Total Net Expenditure	£309,231	£196,980	£309,813	£583
Overseas Funding / Partnership Funding	(£18,763)	(£9,432)	(£18,676)	£88
Overall Total	£290,467	£187,548	£291,138	£670

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Although the variances on the right of the table show the difference between forecast and budget for each of the categories, the force outturn should be viewed as a whole and not necessarily on a line by line basis. This is in part due to the accounting rules of not netting off income against expenditure and also, for the current year, as the budget for the additional 200 officers and 107 staff under New Horizon 2 was allocated in full to police pay where the actual expenditure is across a range of subjective categories including pay and supplies and services.

The supplies and services line for example shows a forecast overspend of £6.71m but this is offset by transfers from reserves (for the revenue consequences of investment schemes) and also additional income and equipment costs for the new recruits under New Horizon which is also included in this line whereas the budget was added to police pay.

As reported previously, overtime continues to be a budgetary concern with the forecast for police overtime showing an overspend of £2.0m and PSE overtime of £0.57m. This year has seen a number of high profile operations including Op Capture and more recently Op Severn and also the visit to the UK of the President of the United States which Kent Police supported via mutual aid arrangements (so the cost of £0.2m was offset under the national rules governing mutual aid arrangements by £0.3m income). The Finance Team, Force Resource Unit and Divisional Commanders are working together to ensure a range of additional controls are in place to reduce this overtime forecast without compromising performance. These should help reduce expenditure and help ensure the force is well placed in the next financial year when the overtime budget is reduced as part of the savings plan.

As previously reported the costs of New Horizon 2 are included within the budget, as is the reserves funded £2m programme to improve public contact in the FCR and IMU. Current projections are that the force remains well on track to recruit the additional intakes and remain within the budgetary allocation for these programmes. Updates on these are given at the bi-weekly Force Resourcing Board, chaired by Mr Drysdale, Director of Corporate Services and attended by the Commissioner's Chief Finance Officer.

The increased cost of the force motor insurance policy is included in the forecast and accounts for the overspend on the transport line in the table above. Although considerably more expensive than the previous policy (390% higher) we were fortunate to secure a policy at all given how police motor risk is viewed across the insurance sector resulting in only one insurer responding to the tender. Kent Police are progressing well on measures to reduce road risk which should lead to increased officer safety, fewer accidents and, over time, lower costs for vehicle repairs and ultimately insurance premiums. Telematics (the system used to track police vehicles and determine how they are driven) is part of this process but also included are driver training, communication and data analytics. The Director of Support Services is the force lead for this programme and is assisted by ACC Ayling as the operational lead.

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 – Oct) £m	Forecast £m	Forecast % spent £m
IT	13.0	4.3	12.7	97.7
Estates	1.9	0.2	1.6	84.2
Transport Services	2.4	1.3	2.4	100
Plant & Equipment	0.7	0.1	0.6	85.7
ANPR	0.5	0.4	0.4	80.0
Total	18.5	6.3	17.7	95.6

3. Savings Programme.

The savings programme is overseen and run by Corporate Services with the current year target being £9.7m. The following table was presented at the October 2018 Strategic Change Board and shows the degree of confidence against each of the schemes.

Scheme	Proposed Saving	Owner	Confidence rating	Scheme detail
Pay Differential	£2,800,000	Paul Curtis	Medium	The difference between expected salary of leavers and those recruited to Kent Police
Vacancy factor	£1,600,000	Paul Curtis	Medium	Savings on posts included in budgets set for the force establishment but remaining vacant for part of the year
SCD restructure	£1,000,000	ACC Downing	High	A restructure of the Serious Crime Directorate to take further advantage of collaboration and workforce modernisation
Estates	£1,200,000	Mr Gilmartin	Medium	Rationalisation of the existing estate combined with ensuring best value contracts with our PFI providers
Training school income generation	£200,000	Ch Supt Newton	High	Increase in income from providing training to other forces and partner agencies
Support services savings programme	£700,000	Mr Gilmartin	Medium	Cost reductions across non-pay contracts through re-negotiation and tightening contractual grip and rationalisation of posts within Learning and Development and Human Resources
Transport	£100,000	John Gorton	Low	Reduction in mileage and review of posts within Transport Services
Non pay	£200,000	Paul Curtis	High	Actual spend on non-pay against the annual budgeted amount
IT, contracts and procurement	£867,236	Mr Gilmartin	Medium	Review of contract renewals to ensure best value procurement
Corporate Services, PSD and Corporate Comms	£200,000	Mr Drysdale	Medium	Review of posts within the Corporate Services, PSD and Corporate Communications directorates
Police Overtime reduction	£600,000	C/Supt Nix	Medium	Reduction in officer and staff overtime spend against the previous year's budget
Regional Firearms arrangement	£200,000	ACC Ayling	High	Reduction in spend on firearms provision as a result of regional agreement.
Total	£9.7m			
Expected savings requirements	£9.7m			
GAP	£0m			

Work continues across the force to deliver these savings and a number of workshops have taken place, notably in Support Services, which have identified savings resulting in a high level of confidence that the force is well placed to meet the £9.7m target.

4. Budget Setting for 2019/20.

By the time of this meeting, initial construction of the revenue and investment budgets should be complete and the process of review and challenge well underway.

Clear indication has been given by the Treasury and Home Office that forces should plan for an increase in employer contribution rates for Police Pensions from 1 April 2019. At the time of writing this is in the force's Medium Term Financial Plan and at the forefront of Chief Officer consideration for future financial planning but not, yet, specifically in the revenue budget whilst we await the outcome of a legal challenge and further guidance from the Home Office.

Should this change need to be applied we expect to increase the superannuation budget by around £4.5m for 2019/20 and increase the savings target by a commensurate amount unless further funding is made available. A further increase of £7.1m would need to be applied in 2020/21 as the final stage of the proposed increase, increasing the savings requirement further still. As stated above the force does have some contingent ideas around how it would achieve additional savings of this magnitude but it is unlikely that such a change could be made without impacting the front-line.

The Investment Programme for future years is likely to be necessarily capped at around £12m per annum over the medium term in order to ensure sustainability so a prioritised programme across IT, Estates, Transport and elsewhere is being built to fit these parameters and the needs of the force. In order to ensure the force can continue to invest as well as replace vital operational and support equipment, a revenue contribution to capital is under consideration.

5. Summary.

The force's finances remain in very good order despite the very modest overspend against the revenue budget. A number of significant challenges present themselves in the future including the pension increase but also the replacement for Airwave which could also have significant cost implications. Brexit remains a financial unknown and it is not yet certain what the December grant settlement will bring.