

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

Finance

Wednesday 20th March 2019

1. Introduction.

This short 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 1st April 2019, a look ahead into the main cost pressures affecting the next year's revenue budget and the savings requirement for 2019/20 given the funding settlement from the Home Office in December. The report concludes with an update around the recruitment of the additional officers and staff following the Precept increase in April this year.

2. Financial Performance.

The latest financial forecast for the Force is based on actuals from April to December and projections for the remainder of the year. The revenue forecast for Kent Police shows an under-spend of £0.10m (0.03% against the budget) evidencing improvement from the previous months' forecast which showed an over-spend for the force.

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	£177,415	£125,778	£175,143	(£2,272)
PSE Pay	£82,582	£60,573	£83,125	£544
Other Pay Costs	£8,277	£5,500	£8,660	£383
Total Pay	£268,274	£191,851	£266,928	(£1,345)
Police Overtime	£4,948	£5,175	£6,956	£2,008
PSE Overtime	£949	£1,353	£1,614	£665
Total Overtime	£5,896	£6,528	£8,570	£2,673
Premises	£20,594	£20,244	£21,391	£797
Transport	£6,294	£5,960	£7,319	£1,026
Supplies & Services	£23,761	£25,646	£31,591	£7,831
Third Party Payments	£7,284	£6,501	£6,845	(£439)
Total Running Expenses	£57,933	£58,351	£67,147	£9,215
Capital financing and contributions	£0	£1	£13	£13
Pension Administration Costs	£0	£4,159	£11	£11
Expenditure Sub-Total	£332,103	£260,891	£342,670	£10,567
Income				
Sales, Fees, Charges & Rents	(£3,473)	(£3,879)	(£5,490)	(£2,017)

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Interest / Investment Income	(£425)	(£192)	(£573)	(£148)
Reimbursed Services	(£11,445)	(£7,504)	(£15,049)	(£3,603)
Transfers to Revenue and Capital Reserves	(£7,529)	(£205,369)	(£11,744)	(£4,215)
Total Net Expenditure	£309,231	£43,947	£309,815	£584
Overseas Funding / Partnership Funding	(£18,763)	(£24,402)	(£19,444)	(£681)
Overall Total	£290,467	£19,544	£290,371	(£96)

As with all previous reports the forecast should be viewed in its entirety and not necessarily as single lines. For example the revenue consequences of capital schemes for the year are largely included within the Supplies and Services line which shows a £7.8m overspend on the budget of £23.7m however this is offset by transfers from the Investment Reserve further down the table.

Forecast costs of ad-hoc overtime have reduced considerably since the last report to the Performance and Delivery Board particularly at West and East Divisions. West Division introduced greater scrutiny, sign off by higher ranks and significant challenges around the use of time and half rather than time and a third overtime and this has seen marked reductions in expenditure without reduction in operational performance. These processes were adopted by East and North Divisions and a similar trend in reduced costs is now being seen across all three Divisions. These practices will be adopted as part of a force-wide review of ad-hoc overtime in time for the new financial year.

The £2.6m forecast overspend for overtime does include 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).

As previously reported the costs of New Horizon 2 is 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 monthly Force Resource Board, chaired by Mr Drysdale and attended by the Commissioner's Chief Finance Officer.

The Finance Team are currently reviewing the income forecast for the Camera Safety Team as the recent introduction of digital cameras on the M20 and the current restrictions to 50 mph between several junctions around Maidstone the number of penalties is reducing indicating the cameras are effective as a deterrent to speeding. This element of the forecast, as with all others, will be kept under review as business as normal.

The Investment Programme has a budget of £18.5m for the year and is forecast to be 88.6% spent by the end of the financial year. This is made up as follows:

	Budget £m	Actual (April – December) £m	Forecast £m	Forecast % spent £m
IT	13.0	7.3	11.6	89.2
Estates	1.9	0.7	1.6	84.2
Transport Services	2.4	1.7	2.2	100.0
Plant & Equipment	0.7	0.6	0.6	91.6
ANPR	0.5	0.4	0.4	80.0
Total	18.5	10.7	16.4	88.6

The main change from the previously reported figure is in IT which has seen a £1.3m reduction in forecast expenditure over the last quarter. Although still expecting to deliver almost 90% against the budget for the year there has been some slippage in the programme due to supplier delays. All programmes and any risks around slippage to delivery remain very well managed however and Chief

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Officers are kept up to date by exception but also through the DCC chaired Kent & Essex Digital Oversight Board.

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 December Strategic Change Board and shows the degree of confidence against each of the schemes. There is no significant change to the schedule included within the previous Board.

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	Mark Gilmartin	Medium	Rationalisation of the existing estate combined with ensuring best value contracts with our PFI providers
Training school income generation	£200,000	C/Supt Newton	High	Increase in income from providing training to other Forces and partner agencies
Support services savings programme	£700,000	Mark 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	Mark Gilmartin	Medium	Review of contract renewals to ensure best value procurement
Corporate Services, PSD and Corporate Comms	£200,000	Ian 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 years budget
Regional Firearms arrangement	£200,000	ACC Ayling	High	Reduction in spend on firearms provision as a result of regional agreement.
Total	£9.7m			

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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 at least meet if not exceed the £9.7m target.

4. Budget Setting for 2019/20

The December grant settlement for policing from the Home Office was considerably more favourable than expected with the inclusion of a specific grant for Pension (£3.4m), additional core grant (£3.6m) both helping to offset the £8.0m cost pressure from the recently announced increase to the Employer Contribution rate for Police Officer Superannuation. Police and Crime Commissioners were also permitted to increase the Precept by a maximum of £24.00 per band D property.

These factors along with the support of the Commissioner and Police and Crime Panel have seen the Kent Police budget increase from £290.4m in the current year to £313.8m in 2019/20. After cost pressures have been accounted for and a still challenging savings target of £8.9m agreed to be delivered by 1st April 2020 £7.0m remains for investment in increasing officer numbers. This investment enables a further 180 police officers and 14 staff to be recruited over the 'normal' intake to replace leavers and retirees.

This is excellent for policing and the county and will see Police Officer numbers return close to the level they were at the start of the austerity measure introduced nearly ten years ago. Since that time the force has made of £90m in savings and continued to operate at a very high standard as recognised by HMICFRS. The Home Office remains clear that all forces must continue to drive forward in achieving further efficiencies and collaboration and this is demonstrated in the savings programme for the force.

The increase in revenue budget between years is accounted for by the following cost pressures.

Cost pressure	£m
Pay inflation and incremental increases	7.8
Non-pay inflation on goods and services	0.7
Full cost of New Horizon 2 model (including inflation on staff costs)	2.6
Body Worn Video ongoing revenue costs	0.8
COSM approved growth	0.6
Increased motor insurance premiums	1.1
Increased ERSOU charges	0.2
Increased forensic submissions charges (nationally)	0.3
Establishment of the Records Management Team	0.4
Increased employer contributions for Police Officer Superannuation	8.0
Planned reductions in transfers from Reserves	4.1
Less increases in wage related income & specific grants	-0.7
Total	26.0

5. Summary

The force's finances remain in very good order with a very modest underspend 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

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although the Force is working closely with the Home Office to ensure all costs incurred by Kent relating to the UK's exist from the EU are reimbursed.
