

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

Finance

Wednesday 5th June 2019

1. Introduction.

This short report provides an update on the final outturn (subject to the successful completion of the external year end audit) for 2018/19 for both revenue and investment. It also includes a brief overview of these budgets for the current financial year and a longer term view into the Investment programme and options to close the forecast gap between spending ambitions and the availability of funding.

2. Revenue outturn.

The net revenue budget for 2018/19 was £290.4m and at year-end (subject to audit) concluded with a £0.2m (0.07%) underspend. Virtually all of this underspend related to a very late notification from KCC that the investments they had made on behalf of Kent Police over ten years ago in three Icelandic banks had a higher value than was contained on the balance sheet. This gain amounted to over £200,000 and was not included in any financial forecast for the year as the information was not notified to us, or to KCC prior to the year-end.

The following table is a high level summary of the final revenue outturn for the year and shows actual income and expenditure against the budget by the main subjective categories as specified in the nationally agreed coding structure for policing.

Subjective Category	Full Year Budget	Full Year Outturn	Variance Over/Under(-)
	£000's	£000's	£000's
Police Pay	£177,415	£175,409	(£2,006)
PSE Pay	£82,572	£83,687	£1,115
Other Pay Costs	£8,277	£7,969	(£307)
Total Pay	£268,264	£267,066	(£1,199)
Police Overtime	£4,948	£6,934	£1,986
PSE Overtime	£956	£1,759	£803
Total Overtime	£5,903	£8,693	£2,790
Premises	£20,592	£20,193	(£400)
Transport	£6,293	£7,734	£1,441
Supplies & Services	£24,354	£34,261	£9,908
Third Party Payments	£7,284	£6,828	(£456)
Bad & Doubtful Debts	£0	£0	£0
Total Running Expenses	£58,523	£69,017	£10,493
Capital financing and contributions	£0	£1,459	£1,459
Pension Administration Costs	£0	£4	£4
Expenditure Sub-Total	£332,691	£346,238	£13,547
Income			
Sales, Fees, Charges & Rents	(£3,473)	(£4,960)	(£1,487)

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Interest / Investment Income	(£425)	(£609)	(£184)
Reimbursed Services	(£11,445)	(£16,171)	(£4,726)
Transfers to Revenue and Capital Reserves	(£8,222)	(£14,948)	(£6,726)
Total Net Expenditure	£309,126	£309,550	£425
Overseas Funding / Partnership Funding	(£18,763)	(£19,434)	(£671)
Overall Total	£290,362	£290,116	(£246)

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 £9.9m overspend on the budget of £24.3m, however this is offset by transfers from the Investment Reserve further down the table.

The modest underspend for the year merits mention given the significant difference between the final position and that forecast in November 2018. Discounting the aforementioned gain on the Icelandic investments this represents a turnaround of around £0.7m and is the result of considerable work and rationalisation across the force. One area of interest and focus was ad-hoc overtime and some of the work to address expenditure on this has been highlighted in the Finance report to the previous meeting. The actions around increased scrutiny, challenge and authorisation balanced with meeting operational need have been adopted by each division and will continue into the new year.

The final outturn for overtime of £2.7m over budget includes a number of high profile investigations and operations from earlier in the year. It also includes back-filling vacancies in key operational and support functions such as the Force Control Room and IT.

The costs of expanding the New Horizon model and FCR & IMU strengthening are included within the overall budgetary position as previously reported. The New Horizon uplift was funded from the increase in Precept with reserves providing the financial resources for the FCR and IMU.

3. Investment outturn.

The Investment Programme was budgeted at £18.5m for 2018/19 and returned an outturn of £16.1m, an underspend against the budget of £2.4m and delivery of 87%. This represents a very modest (£0.1m) reduction from the previous forecast and is comprised as per the following table:

The underspend represents slippage in national programmes and procurement initiatives such as the delivery of vehicles which was delayed until the new financial year by the supplier.

£1.6m of the above underspend has been agreed by the PCC's CFO to be rolled forward into the new financial year to complete existing, approved schemes. This will be added to the £12.0m agreed funding for the 2019/20 Investment Programme and form the new year budget.

	Budget £m	Q3 Forecast £m	Final outturn £m	Forecast % spent
IT	13.0	11.6	11.2	86
Estates	1.9	1.6	1.5	81
Transport Services	2.4	2.2	2.2	89
Plant & Equipment	0.7	0.6	0.6	92
ANPR	0.5	0.4	0.6	101
Total	18.5	16.4	16.1	87

4. 2019/20 Budgets.

Following a favourable settlement in December the revenue budget for 2019/20 has been set at £313.7m, an increase of £23m (7.9%). The additional £24.00 per Band D Precept makes up the majority of this but increases to the core grant and the £3.4m Pensions grant make up the balance. This additional funding significantly reduces the impact of inflationary and other cost pressures particularly the £8.0m increase in employer contributions for Police Officer pensions. After taking account of the cost pressures £7.0m remains to fund a further Police Officer uplift or 180 officers and 14 staff.

As the savings programme continues further pressure is created within the revenue budget as any flexibility is stripped back and cashed in as savings. This results in an ever tighter budget with considerably less ability to meet emerging in year cost pressures, in year growth or provide the resources to meet changing patterns in demand outside of the budget. Whilst this is not necessarily an issue as the budget is set to meet anticipated demand it will mean any future growth decisions will need to be considered in terms of additional savings or the reduction or cessation of other activities in order to provide the funding.

The Investment budget for 2019/20 is outlined above is set at £12.0m plus the agreed roll-forward plus the amount expected to be paid for the Ashford Police Station refurbishment works. Additional allocations have been earmarked to equip all Officers who want them with Tasers and a modest increase to the budget for the Marine Unit replacement boat.

5. Outline Medium Term projections.

The current Medium Term Financial Plan for revenue was discussed at the February Police and Crime Panel and is summarised below:

	Budget 2019/20 £m	Forecast 2020/21 £m	Forecast 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m
Expenditure					
Pay (Officers and Staff)	272.1	280.2	288.5	297.0	305.6
Overtime	6.1	6.3	6.5	6.3	6.3
Premises Related	21.1	21.5	22.0	22.4	22.8
Transport	6.3	6.4	6.6	6.7	6.8
Other non-pay costs including IT, Supplies etc.	33.4	34.1	34.4	34.7	35.5
Additional Pressures identified	11.4	13.1	15.7	16.8	17.9
Cost of the OPCC	1.3	1.4	1.4	1.4	1.4
Commissioning and Victim Services	4.2	4.2	4.2	4.2	4.2
Additional Officers (2019/20)	7.0	7.4	7.8	8.2	8.4
Savings Achieved	-9.7	-9.7	-18.4	-27.8	-34.2
Total Gross Spending on Police and Commissioning	353.2	364.9	368.7	369.9	374.7
Less Income:					
Specific Grant - Victims Funding	2.1	2.1	2.1	2.1	2.1
Specific Grants - Counter Terrorism	13.3	13.6	13.9	14.2	14.5
Locally Generated Income	20.4	20.7	21.1	21.5	22.0
Contribution from Reserves - new policies	3.6	2.5	1.1	0.7	0.7
Net Spending	313.8	326.0	330.5	331.4	335.4

Timings and extent of any Comprehensive Spending Review are as yet uncertain with a three year settlement looking increasingly unlikely given the ongoing Brexit negotiations. The above plan illustrates

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the continuing need for savings and shows modest growth in Precept of 2.0% as nothing further is intimated at this stage.

The Investment Programme is funded from a combination of capital grant, receipts from property sales, the use of reserves and, from April 2020 revenue contributions to capital. Provisionally the PCC's CFO has agreed a £12m budget cap for each year given the funding projections at the time the forecast was made but latest projections of expenditure and income from sales show this may not be sustainable without changes elsewhere. These changes could include increased revenue contributions, reductions in planned expenditure, increased funding, borrowing or a combination of these.

	2018-19	2019-20	2020-21	2021-22	2022-23	Total (2018-19 to 2022-23)
Opening Balance						
Investment Reserves	22,959	5,824	(1,666)	(10,896)	(5,716)	22,959
Capital Receipts	1,170	5,040	700	14,110	1,000	22,020
Capital Grant	1,070	1,070	1,070	1,070	1,070	5,350
Capital Contributions	132	0	0	0	0	132
Innovation Fund (Revenue)	0	0	0	0	0	0
Revenue Contributions (Note 2)	553	0	1,000	2,000	3,000	6,553
Approved Year end movements to /from reserve	(3,960)					(3,960)
Investment - Actual (capital & revenue) Not including - £45m (Gross amount) Estate Strategy Project.	(10,716)	(13,600)	(12,000)	(12,000)	(12,000)	(60,316)
Investment - Revenue	(5,384)					(5,384)
						0
Closing Balance	5,824	(1,666)	(10,896)	(5,716)	(12,646)	(12,646)

A paper will be presented at the Chief Officer Strategic Meeting on this topic by the time of this meeting which will describe the above, how the Force has arrived at this situation earlier than originally anticipated and propose options to mitigate continue to provide the investment the Force needs to continue to meet demand.

6. Summary.

The current and year-end financial position for Kent Police remains healthy although medium and longer term decisions around the funding of future investment need to be agreed. An options paper will have been discussed with the Chief Officer Team by the time of this meeting.