

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

Wednesday 4th December 2019

Updated for Wednesday 4th March 2020

1. Introduction.

This report provides an update on the Kent Police Group's, September 2019 forecast for both revenue and investment. The Kent Police Group is comprised of the budgets for the Office of the Police and Crime Commissioner (OPCC) and the devolved budget for the Force.

2. Revenue outturn.

The net revenue budget for 2019/20 is £313.8m with a forecast underspend based on actual expenditure and income for April to September and forecasts thereafter is £0.4m or 0.1% of the budget. This is extremely tight against the budget and leaves little room for absorbing any additional in year cost pressures. As reported last time there is a higher than normal number of external funding streams this year than previously so it is more important than before to take a holistic approach to the outturn report rather than focussing on individual lines such as Police pay or overtime as much of this is covered by additional income in the way of grants which are shown as income further down the forecast report. These external funding streams are discussed below.

The Kent Police Group's forecast has reduced by £400k since the last update on Wednesday 4th December, an overspend of £30k, 0.01% of total budget. The overspend relates entirely to the devolved budget of Kent Police. The additional expenditure relates to: Motor Stop Loss (£227k) where there is a lag between incident and settlement; increase in interpreter costs £87k; increase under external training £70k; plus £30k costs against temporary borrowing.

The forecast now takes into account additional intake of 36 Officers' and 9 Police Staff equivalent support positions, for costs and income related to the recently announced national uplift of 20,000 police officers. Total costs forecasted is £684k offset against income from Home Office.

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

Item No. 6

Table 1 – Kent Police Group’s Forecast as at 30th September 2019

Subjective Category	Full Year Budget £000's	Actual to Date £000's	Full Year Forecast £000's	Variance Over/Under(-) £000's
Police Pay	£192,417	£95,596	£191,236	(£1,181)
PSE Pay	£85,846	£43,413	£87,780	£1,914
Other Pay Costs	£7,649	£4,126	£12,476	£4,827
Total Pay	£285,912	£143,135	£291,492	£5,560
Police Overtime	£5,202	£3,517	£7,146	£1,945
PSE Overtime	£985	£857	£1,536	£571
Total Overtime	£6,187	£4,374	£8,683	£2,516
Premises	£20,735	£17,699	£20,825	£91
Transport	£7,616	£4,125	£8,076	£460
Supplies & Services	£27,104	£20,706	£29,699	£2,595
Third Party Payments	£8,065	£4,219	£10,271	£2,206
Total Running Expenses	£63,520	£46,749	£68,871	£5,351
Expenditure Sub-Total	£355,619	£194,264	£369,050	£13,431
Income				
Sales, Fees, Charges & Rents	(£4,719)	(£2,369)	(£5,218)	(£499)
Interest / Investment Income	(£547)	(£39)	(£506)	£41
Reimbursed Services	(£11,829)	(£3,086)	(£20,935)	(£9,106)
Transfers to Revenue and Capital Reserves	(£4,799)	(£4,737)	(£6,402)	(£1,603)
Total Net Expenditure	£333,726	£184,033	£335,991	£2,265
Overseas Funding / Partnership Funding	(£19,939)	(£13,179)	(£22,577)	(£2,638)
Overall Total	£313,787	£170,854	£313,414	(£373)

The overtime budget is an obvious concern in the above table as this indicates an overspend of £2.5m or 41% of the budget. As described earlier in the report this includes overtime incurred or forecast as part of the Home Office grant to help address Knife Crime. Overtime also includes forecast expenditure against Op Magenta and Op Blythe which are funded from Hampshire Police and the Home Office respectively.

Once the expenditure on these grants are removed the forecast for Police overtime falls to £0.8m and for PSE's to £0.4m, of which £0.2m under Police overtime is recovered through mutual aid income. These figures are still clearly above the budget so work including additional scrutiny and controls will continue as will high level discussions with budget holders and more tactical interventions from Finance Officers who meet with budget holders at least monthly to discuss all areas of the budgets and particularly overtime. Since the last meeting the Force Chief Finance Officer has met with all Divisional Senior Management Teams to discuss the overtime budgets and controls around them. These measures should all assist at reducing or controlling the forecast.

The following table shows overtime budgets, actuals and forecasts in more granularity and includes the grant funding described above along with Op Magenta in the 'Additional Home Office Funds' line towards the foot of the table in the externally funded section.

Table 2 – Police Overtime September 2019 Actuals / Forecast

Police Overtime September 2019 Actuals / Forecast	Budget £'000's	Actual £'000's	% Spend to Date	Forecast £'000's	Forecast Variance Over/Under(-) £'000's
Force - Ad-hoc					
East Division	411	278	68%	600	189
North Division	422	287	68%	598	176
West Division	379	245	65%	468	92
Partnership & Crime Reduction	2	4	200%	10	8
Central Investigation	116	86	74%	175	59
Strategic & Tactical Ops	146	110	75%	182	36
FCR	3	0	0%	1	(2)
Serious Crime Department	91	60	66%	89	(2)
Chief Constables Office	3	0	0%	1	(2)
ISD	4	4	100%	4	0
DCC Office	95	55	58%	169	74
Training & Development	8	43	538%	17	9
Force - Ad-hoc Total	1,679	1,172		2,315	636
Contingency & FRU					
Force Contingency (DCC Fund)	344	149	43%	344	0
FRU Contingency	2,787	1,579	57%	2,747	(40)
Strategic & Tactical Ops	0	199		199	199
Contingency & FRU Total	3,131	1,927		3,290	159
Force Total	4,810	3,100		5,605	795
Regional Collaboration					
Strategic & Tactical Ops	0	50		0	0
Serious Crime Department	0	23		5	5
Regional Collaboration Total	0	73		5	5
External Funding					
Additional Home Office Funds	0	155		1,084	1,084
Central Investigation	382	164	43%	398	16
North Division	0	6		16	16
Strategic & Tactical Ops	0	4		8	8
Seconded Officers	10	15	150%	30	20
External Funding Total	392	344		1,536	1,144
Grand Total	5,202	3,517		7,146	1,945

Currently the Force and Police Crime Commissioner (PCC) are in receipt of four additional grants and sources of funding: Op Blythe, the Forces response to the UK's planned departure from the EU – funded from the Home Office; Op Magenta, an investigation into the deaths at a hospital in Hampshire – funded by Hampshire Police; a £1.66m grant from the Home Office to reduce knife crime and more recently a £1.16m grant (received in October 2019, therefore income and costs are not forecast in the September numbers) also from the Home Office for partnership working in violence reduction units. Each of these is being forecast from within the central Finance function on top of business as usual. All expenditure is tracked and forecasts provided per the conditions of the grants with the latter two of these forecast to be fully spent by the end of the financial year, although there is some doubt about the Violence Reduction Unit funding being fully spent given the late notification of the grant and the time it takes to get posts filled. These grants have added considerably to the workload of the team and is becoming increasingly difficult to facilitate which is why the decision has been taken to apply for an additional Finance Officer, funded through Op Magenta to manage this work stream and ease the burden elsewhere in Finance to more manageable levels.

Item No. 6

Nothing has been added for any costs or income relating to the recently announced national uplift of 20,000 police officers as any expenditure will be offset by income and there is very little detail available at the time of writing this report.

3. Investment outturn.

The Investment Programme is budgeted for £17.1m for 2019/20 and includes the additional approvals for the Taser roll-out and increased cost of the replacement boat for the Marine section. The current forecast is £16.0m or 94% delivery against the budget.

At this stage in the year no major issues with delays or increased costs have been reported except for the remodelling work at Ashford Police Station is showing an underspend currently relating to the work starting later than planned, this equates to a forecast underspend of £0.6m in the year but this is expected to be paid in 2020/21. The main concern is around requests for further additions to the programme as these can only be afforded however by either ceasing an existing scheme or reducing its scope as there is little room in the overall Investment budget to fund such additionality without compromising future year plans.

The following table shows the budget and forecast per provisioning department based on the September forecast.

Forecast has reduced by a further £936k to £15.3k or 88% delivery against the budget. £300k reduction relates to Ashford with £600k reduction in forecast due to re-profiling investment programmes in 2020/21 and or slippage in various investment programmes.

Table 3 – Investment Forecast – September 2019

	Budget	Forecast	Forecast % spent
	£'000's	£'000's	
IT	9,574	8,944	94
Estates	3,303	2,485	76
Transport Services	2,229	2,225	100
Plant & Equipment	1,286	1,629	123
ANPR	745	746	100
Total	17,137	16,029	94

4. Outline Medium Term projections.

The Medium Term Financial Plan (MTFP) for covering all aspects of Kent Police is under almost continual review between the Force CFO and that of the Commissioner. As yet the Plan has not been formalised although we are anticipating having a comprehensive document available for wider discussion in the autumn.

There remains little detail around the funding available for the Kent share of the 20,000 police officer uplift nationally so costs and any income will be part of this plan although they will remain a forecast until such time as more information is received. The recently announced General Election could see delays in any funding settlement announcements or possibly even a replication of the current year budget for 2020/21 if time does not permit a new Government to prepare a more detailed budget.

Other cost pressures will include the likely impact of the triennial revaluation of the Local Government Pension Scheme; an assessment of the likely costs of the Airwave replacement and also any cost pressures which have been incurred in year or are expected.

This MTFP will also describe the required savings from revenue in order to achieve a balanced budget. The Plan will also show the proposed level of expenditure for the Investment Reserve along with how

Item No. 6

this is to be funded and finally a forecast for the cash reserves of Kent Police. As described above the revised MTFP is still being constructed at the time of writing this report.

The long anticipated Comprehensive Spending Review covered only one year with a more extensive and longer period planned to be covered next year. The ongoing negotiations around the UK's exit from the European Union add to the uncertainty of the budget for the forthcoming year(s).

Currently in progress and will be finalised following the Police and Crime Panel on the 6th February. The recent Grant settlement from the Home Office should enable the budget to increase by £25.4m over the current year. The Revenue budget for 2020/21 was presented to the CFO to the PCC and included £9m savings with budgeted increases under inflation and growth of £9.2m and £9.1m respectively. These assumptions have been factored into the Medium Term Projections published under OPCC website.

5. External Audit of the Statement of Accounts

This is covered in more detail in the section of this meeting on Inspections, Audits and Reviews but the main points are that as reported at the September Performance and Governance Board the Final Accounts for the PCC and Kent Police Group as well as those of the Chief Constable were published according to the statutory timetable on 31st July with an unqualified audit opinion.

It is worth noting that not all Forces or Local Authorities were able to meet the July deadline some for technical reasons and some for capacity issues with their auditors being unable to complete the work by the end of July. Kent's standing with our auditors help us to remain at the forefront of the timetable and have enabled us to avoid these issues.

6. Savings.

The savings programme for the Force is owned and run by Corporate Services and is shown in the table below. An update on the Force Savings Programme was presented to the Chief Officer Strategic Meeting on 22nd October 2019 and the report is replicated below.

The Force Saving Programme is closely tied to the MTFP to ensure that the Force understands cost pressure impact on future years' budgets and allows us to plan against any shortfalls. This programme has been running successfully since 2011 and has provided governance and austerity around the Force's in year financial planning.

The 2019/20 savings plan has been approached using the same methodology as previous years. This is based around identifying savings schemes in the current year that will allow us to reduce budgets from the 1st April in the following financial year with confidence that we will be able to operate within the revised budget.

A review of the 2019/20 Savings Programme in October 2019 identified a potential shortfall. This shortfall occurred due to the Police and staff pay award being set at 2.5% against a forecast of 2%. This extra 0.5% added an additional cost pressure of approximately £1.3m, which wasn't accounted for in the planned schemes. In addition some of the schemes that were being developed during the year were identified as being unlikely to deliver the forecast amount, which would have the potential to increase the shortfall. These schemes are identified as red and amber in the Force Savings Schedule v1.12.

Whilst the review has identified a shortfall it has also identified a number of schemes that are likely to overachieve against forecast. This will go some way to reducing the shortfall but it is prudent at this stage to identify contingency schemes to cover any potential shortfall. Therefore the Chief Finance Officer and Force Change Team manager have identified a number of areas across the Force that could be reviewed to identify savings opportunities. These areas were assessed with the Deputy Chief Officer

Item No. 6

to establish how difficult and desirable they would be to achieve and categorised as either green – desirable and low complexity, amber – desirable but relatively complex or red – undesirable or very complex.

The table below sets out the current year savings programme in the anticipated requirement and the progress to meet this in the proposed schemes column.

The savings programme was amended during budget setting to reflect the most recent assumptions in funding, costs and inflationary pressures and removing those posts funded from Reserves in the Public Contact Improvement Programme, this reduced the savings requirement from the previously reported £11.1m to £9.6m.

Total savings applied against 2020/21 budget is £9.0m, this includes £1.1m savings yet to be achieved by 1st April 2020 – with these highlighted in amber in the table below. Should these savings not be delivered by 1st April 2020 this will have an impact on the budget for 2021/22 where unachieved savings will need to be considered for delivery during 2020/21 for delivery by 1st April 2021.

Amended Savings Table:

Detail	Anticipated requirement £'000's	Proposed schemes £'000's	Scheme Owner	Confirmed via Budget Setting £'000's
Increase in pay forecast at 2.0% and increments	8,400			
Non-pay costs inflation forecast at 2.0%	1,300			
Cost pressure - ERSOU contribution	400			
Cost pressure – Policing Education Qualifications Framework (PEQF) costs	200			
Revenue contribution to capital	1,000			
Reduction in funding from reserves (plus £1.51m against non-established positions)	490			
Increase in budget for Court Orders Team	400			
Bought forward savings from 2018/19	(500)			
Increase in income revenue covering salary increases	(300)			
Increase in standard precept of 2%	(3,500)			
Head of Crime Policy and Standards	65			
Press Officer	47			
Non-budgeted pay rise	1,257			
Innovation Task Force	345			
Total*	9,604			
Pay Differential		2,700	Paul Curtis	2,732
Estates Revenue savings		400	Andy Lefevre	125
Central Ops command structure (other)		100	T/C/Supt Thompson T/C/Supt Pritchard	100
Training income generation		100	C/Supt Newton	129
Support Services		500	Mark Gilmartin	500
RPA savings programme (year 1)		350	Ian Drysdale	350
Finance savings programme		1,550	Sonia Virdee	3,010
Lean processing savings programme		400	Jon Sutton	400
Innovation Task Force		200	Gary Beautridge	0

Item No. 6

Seven Force/Procurement		200	Mark Gilmartin Karen Georgiou	0
Workforce modernisation		300	Jon Sutton	300
Regionalisation - CT		100	T/C/Supt Lukey	0
Uniform review		130	Dave Mannion-Marshall	130
Commercial Lettings (income)		200	Andy Lefevre	320
Review of non-salary benefits		200	Mark Gilmartin	0
FCR		490	T/C/Supt Ball	490
Reduction in expenses expenditure		100	Paul Curtis Dave Mannion-Marshall	100
VAT on officers fuel claims		20	Paul Curtis	20
Detail	Anticipated requirement	Proposed schemes	Scheme Owner	Confirmed via Budget Setting
	£'000's	£'000's		£'000's
Medical screening of new officer		60	Alison Brett	60
DAMs/DETs		200	T/C/Supt Lukey	0
Transport review		50	John Gorton	52
Reduction in fuel costs		36	John Gorton	78
Introduction of transcribing software		80	Jon Sutton	0
Rationalisation of project management		100	Jon Sutton	100
PVP CRU restructure – these savings have been delivered against other positions – total achieved £44k		100	T/C/Supt Pritchard	0
Total identified		10,176		9,059
Expected savings requirements		9,604		9,604
GAP		938		608

*Difference between Anticipated requirement total of £11.1 and £9.6m relates to non-established positions funded by reserves. £1.5m savings is still required against non-budgeted expenditure

7. Budget Settlement.

Following a favourable government budget settlement and the continued strong support of the Police and Crime Commissioner Matthew Scott, in 2020/21 the Force will:

- Recruit at least an additional 34 police officers on top of the 147 extra officers funded as part of the Government's national uplift programme.
- In subsequent years the uplift should be in excess of 460 officers and the Chief Constable has called for plans to bring forward the earliest arrival of these posts.
- Progress its priority resourcing areas around gangs, county lines, violence, investigative development and strengthen its focus on prevention by putting significant policing resources into the county's 700+ schools.
- At the end of this programme, Kent Police will have its highest ever police officer establishment.

Item No. 6

- The Force will fund an additional 36 PCSOs establishment in addition to the 300 that it retained in community and specialist roles.

Mindful of the demands placed on police staff to support operational challenges the Force has agreed to an increase of an additional 106 members of staff ranging from the important work of facilities management through to digital forensics and trainers in Learning and Development.

Funds will also be secured for the annual running costs to support the provision of Taser and to ensure staff remain as safe as possible.

This is exceptionally positive news and is transformational in terms of the way the Force will police Kent going forward. The Chief Constable continues to work with the PCC on some other schemes that we are not yet in a position to announce but are aimed at further workforce changes that are entirely positive. These will be communicated in due course.

Mr Pughsley is grateful to all officers and staff who have contributed in the consultation that has helped to shape future plans.

DCO Drysdale, who has successfully led the forces resourcing challenges for many years, will now progress these initiatives at pace. Focus will be retained on high quality people and we will not lose the discipline that the Force has become accustomed to in ensuring we deliver strong efficiencies.

8. Summary.

The current financial position for Kent Police for 2019/20 remains healthy with forecast underspends in both revenue and capital. Given the relative size of these underspends however there will always need to be continued tight control and scrutiny of all budgets and the ongoing need for all budget holders to remain within budget.

Considerable uncertainty remains around funding for the force in future years and this is unlikely to improve until the New Year.

Force finances continue to be well managed and although the latest forecast has changed, they continue broadly on track against the budgets. The financial forecast for the revenue budget shows a very marginal over-spend against the £313.8m budget and continues to be monitored and scrutinised by the Finance Team. Investment budget delivery has reduced due in the main to slippage in the Ashford Refurbishment Programme.

The savings programme has necessarily been changed to reflect the changes in funding following the recent grant settlement and, provided those schemes shown as amber in the table above are delivered, there is no further gap or savings required.