

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

Finance

Wednesday 7th March 2018

1. Strategic Overview.

The Police and Crime Commissioner (PCC) receives from Government, local taxation (through precept) and some other third parties funds that form the budget. The vast majority of the collective funds are then delegated to the force in support of operational policing objectives and meeting the costs of the day to day financial management of the force.

2. Aims of the paper.

The report is intended to provide an update on the force's current financial position which is subject to ongoing and frequent dialogue with the Chief Financial Officer (CFO) in the Office of the PCC and the Chief Constable's CFO. It is produced in consultation with all delegated budget holders force-wide and is based on actual expenditure and income from April 2017 to December 2017 and forecasts thereafter for both revenue and capital.

3. Financial Performance.

The force-wide forecast for revenue is an under-spend of £1.67m against the annual budget of £281.1m representing an under-spend of 0.60%. Although individual budget classifications within the following report show sizeable over or under-spends these are managed across the entirety of budgets and the organisation to ensure overall spending is controlled and scrutinised by the Finance Department at all levels from Finance Officer to Chief Finance Officer. For example the overspend in Supplies and Services is related primarily to Investment Reserve funded expenditure and is offset through the Transfers to Revenue and Capital Reserves line further down the main table.

The revenue under-spend has decreased by 0.13% since the end of November primarily due to revisions to slight shifts in the recruitment profile for officers and staff in the Force Control Room (FCR). Expenditure on overtime is considerably higher than the budget and is predominantly explained by Operations Capture 1 and Capture 2 which have full Chief Officer support and scrutiny. Now that New Horizon is settled it appears to have addressed ad-hoc overtime through a demand led approach to resource allocation.

The Investment forecast, comprising expenditure on the capital programme and other long term business improvement initiatives, is forecast to spend £18.4m against the agreed budget of £24.9m for the 2017/18 financial year representing 74% delivery against the budget with no significant changes since the time of the last report.

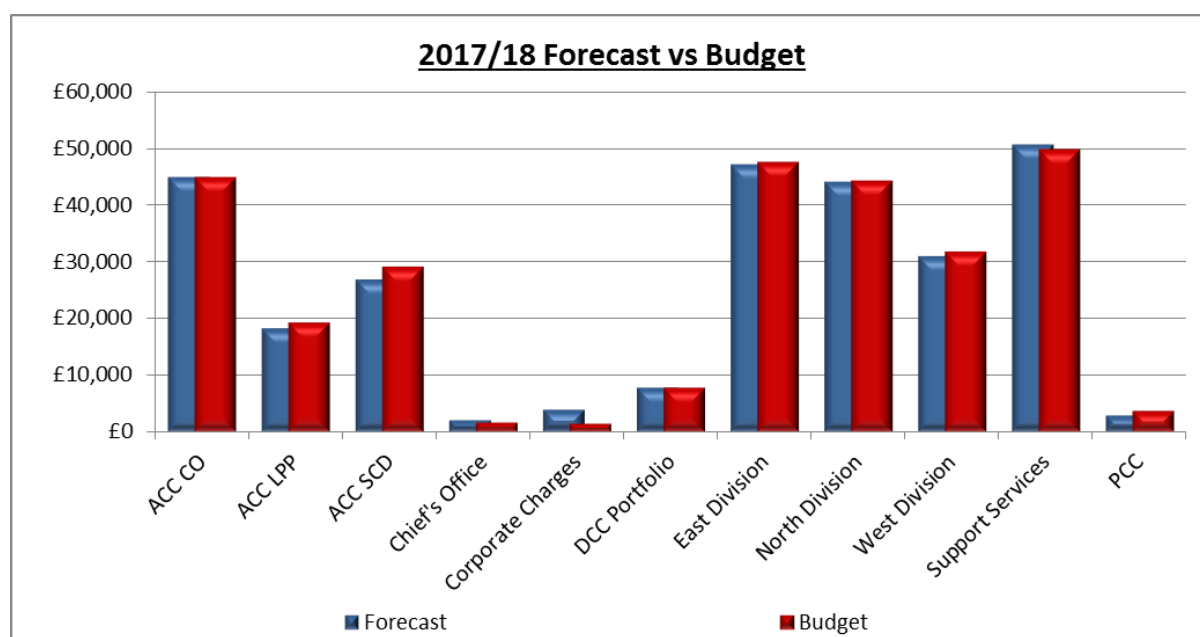
As with the revenue budget all forecasts are made in conjunction with programme and project managers and discussed at the quarterly Capital Management Board as well as monthly at the Chief Officer Strategic Meeting.

The PCC's CFO maintains a keen interest and level of challenge around the forecasts in this area given the level of expenditure to date against the forecast.

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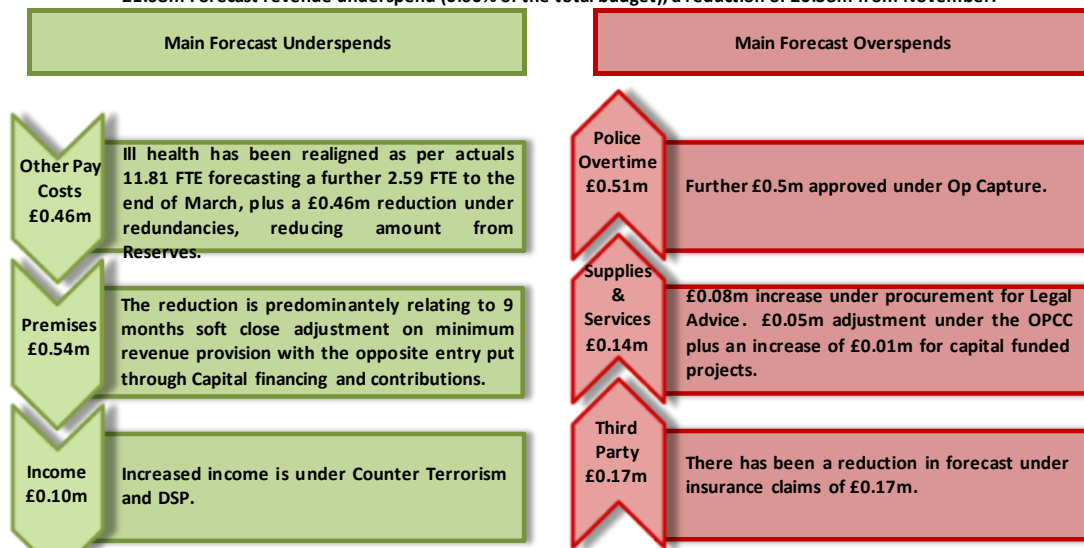
The extract from the quarterly financial monitoring report (Revenue Summary – Financial Year to December 2017) follows:

Subjective Category	Full Year Budget	Actual to Date	Full Year Forecast	Variance Over/Under(-)	Variance Over/Under(-) November
	£000's	£000's	£000's	£000's	£000's
Police Pay	£172,835	£125,085	£170,264	(£2,571)	(£2,569)
PSE Pay	£77,662	£55,471	£76,639	(£1,023)	(£922)
Other Pay Costs	£6,323	£6,560	£8,559	£2,235	£2,697
Total Pay	£256,820	£187,116	£255,461	(£1,359)	(£794)
Police Overtime	£5,316	£5,574	£7,840	£2,524	£2,011
PSE Overtime	£864	£1,156	£1,392	£528	£486
Total Overtime	£6,180	£6,730	£9,232	£3,052	£2,497
Premises	£20,967	£20,222	£20,689	(£279)	£259
Transport	£6,511	£5,275	£6,408	(£102)	(£25)
Supplies & Services	£20,602	£25,159	£30,506	£9,904	£9,763
Third Party Payments	£7,270	£5,528	£5,926	(£1,343)	(£1,514)
Bad & Doubtful Debts	£0	£0	£0	£0	£0
Total Running Expenses	£55,350	£56,183	£63,529	£8,180	£8,482
Capital financing and contributions	£0	£543	£543	£543	£3
Pension Administration Costs	£0	(£32)	£6	£6	£6
Expenditure Sub-Total	£318,350	£250,540	£328,771	£10,421	£10,195
Income					
Sales, Fees, Charges & Rents	(£2,912)	(£3,573)	(£4,366)	(£1,454)	(£1,402)
Interest / Investment Income	(£410)	(£59)	(£329)	£81	£81
Reimbursed Services	(£10,041)	(£8,326)	(£12,941)	(£2,900)	(£2,943)
Transfers to Revenue and Capital Reserves	(£4,401)	(£3,635)	(£12,149)	(£7,748)	(£8,013)
Total Net Expenditure	£300,587	£234,947	£298,986	(£1,601)	(£2,082)
Overseas Funding / Partnership Funding	(£19,435)	(£16,786)	(£19,511)	(£76)	£27
Overall Total	£281,152	£218,161	£279,475	(£1,677)	(£2,055)

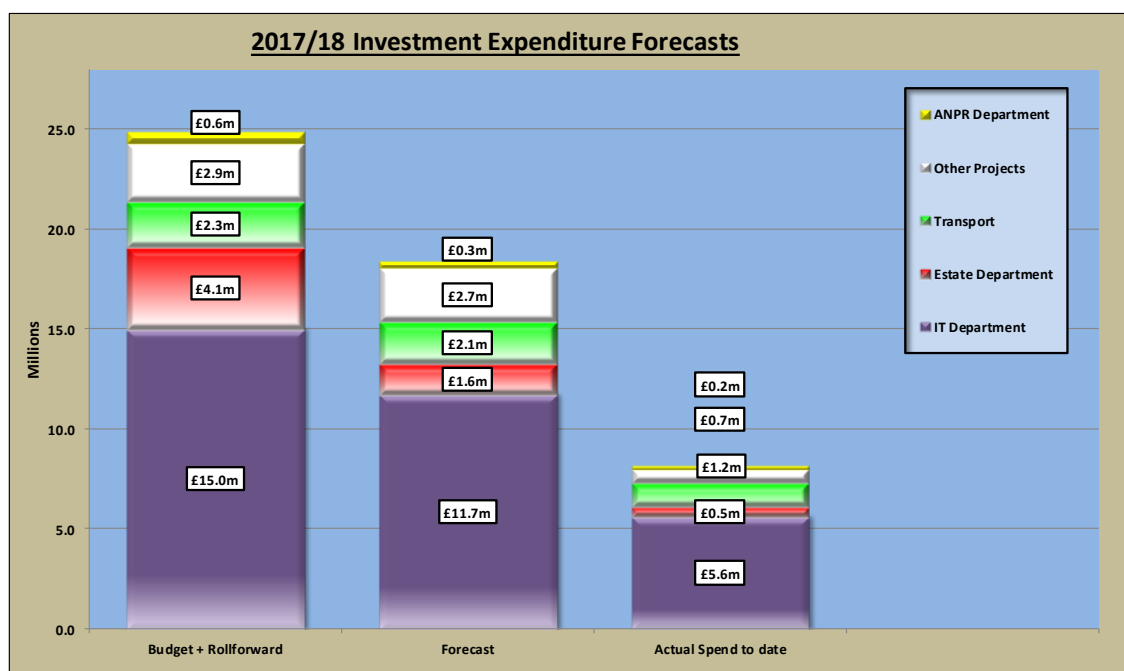


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£1.68m Forecast revenue underspend (0.60% of the total budget), a reduction of £0.38m from November.



Investments (capital & revenue consequences) - Financial year to December 2017



4. Resourcing Uplift.

The resourcing uplift, enabled through the PCC’s decision to raise the precept and to release funds from reserves, will enable the recruitment of an additional 200 police officers and 82 members of police staff. These numbers are a draft assessment and likely to change based on assessments made through the duration of the force change programme, working closely with the Chief Finance Officer and HR colleagues. This investment will make a considerable difference to a number of areas of policing and those areas will be in posts that improve: vulnerability, visibility or public contact.

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The interim post implementation review of New Horizon will reveal some areas that require strengthening so the additional resources are timely and will enable a possible source of strengthening the model. In addition to improving the model, the uplift provides an exciting opportunity to invest in new or additional resources in areas of policing that were previously unaffordable.

Significant consultation has taken place throughout the force and interestingly a great deal of synergy in views about possible areas of investment has been evident. Going forward the challenge will be to decide where the new posts will go and in what order, however a plan is in place to progress this. With the PCC's authority some funds will be utilised throughout the implementation of the growth to support those functions that will be required to facilitate the uplift such as HR, Learning and Development, Media, Health Services, Vetting and the Business Centre.

The resource uplift is only possible if the continued programme of efficiency savings continues. Both the PCC and the Chief Constable have reviewed the schedule of savings and there is a strong consensus that the savings plan must continue, as being [and proving to be] efficient is a pre-requisite of continued Government support in subsequent financial decision making. The force has a strong and successful track record of delivering savings and the plan to continue to do so will remain robust and focus on preserving front line operational policing services.

5. Risks and Police and Crime Plan.

There is always an element of uncertainty in the policing finance debate as at a national level policing is but one of a number of competing services for government funding allocations.

Additionally, the national debate on Police Reserves is one to be mindful of. The force and PCC's office share a sophisticated and fluid medium term financial plan and capital finances clearly are areas to retain a focus in terms of the projected demands and the available resource.

The foregoing issues are countered and managed by the presence of an excellent working relationship between the Chief Constable and the PCC who are at one in terms of the pursuit of the Policing Plan priorities which enables a joint focus on short, medium and longer term financial issues.

6. 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.