

Report to the Commissioner's Governance Board

Date: 7 November 2016

Title: Financial Monitoring and Savings Update

From: Chief Constable



INTRODUCTION

1. The latest report on the financial forecast for both revenue and capital was presented to the Chief Officer Strategic Meeting on 27th September 2016 and was based on the first five months actual expenditure and income for the Force. The remainder of the year was forecast based on discussions with budget managers, budgetary information and historic trends. A summary of this report is included below.
2. This report also includes a commentary on the savings programme based on a report from the Director of Corporate Services also presented to Chief Officers but dated 11th October 2016.
3. This (in year) update is submitted against a backdrop of the Force having made a significant saving of £8.7m in 2015/16 and aiming to make a further saving of £8.3m in 2016/17. Additionally, £16.3m will be required by April 2019 to complete the current round of CSR budget reductions.

REVENUE FORECAST

4. The revenue budget for 2016/17 is set at £278.4m. The latest revenue forecast indicates a total spend of £278m representing a total current projected spend equivalent to 99.8%. The 0.2% remaining equates to £400k but it is likely that this will be reduced over the winter and spring months to the end of March 2017.
5. We are likely to see further funds used to support a number of operational imperatives between this update and the end of the financial year which may include but are not restricted to: the Christmas period campaigns (such as night time economy demand); POLIT warrant acceleration; Domestic abuse; child sexual exploitation and other pressures assessed through the consideration of threat, risk and harm to the public.
6. In keeping with previous years there have been some notable variations in the spending profile of the Force's budget, but overall there is less money to support policing than previously. Perhaps most significantly is the Force's ambition (supported by the Police and Crime Commissioner) to return to a police officer establishment of 3260 FTE. Clearly this has necessitated a significant and prolonged period of recruitment and training of some 440 officers over an 18 month period. This will conclude in August 2017 which in the current year, results in the police pay line being underspent against the establishment which we are clearly not able to meet within the year.
7. The Chief Constable's CFO and Commissioner's CFO meet frequently and provide robust vigilance to any budgetary variations to ensure that the Force is making the best use of the resources available within the year and this practice has been strengthened in 2016/17.
8. Some in-year budgetary flexibility has enabled a number of valuable initiatives to be achieved. Examples include: high profile policing operations at the ports and in Dover and funding delivery partners in key support services such as Procurement, IT and Estates. This opportunity has helped to ensure that appropriately skilled staff are available to complete essential activities and continue with transformational projects agreed by the Chief Constable and the Commissioner.
9. Additionally, the Force has taken an opportunity to develop an in-house agency to bring in suitably skilled staff for short term projects; funding additional firearms enquiry officers and also staff in Digital Forensics to tackle high demand.
10. There are financial implications to Kent Police of the legal case, Allard and others vs Devon and Cornwall Police, which are currently estimated to be in the region of £0.5m. This has also been included within the forecast.

11. It is important to stress that the Force has to actively consider current resource decisions in light of future cost pressures. Going forward such pressures cannot be borne from a decreasing grant. We are experiencing significant operational growth and demand in areas of vulnerability, and issues such as salary inflation at 1.0% will cost £2.5m alone, incremental progression is a further £2.6m. Inflation on non-pay could increase more considerably than in previous years and there is uncertainty over the implications of Brexit.
12. In order to manage the challenges going forward and to continue to be a successful Force, the Chief Constable is overseeing a wide ranging re-calibration of the entire Force's policing services which will be set within a context of continuing to strengthen our services to victims and witnesses, providing a first class service and where officers and staff are empowered and supported to do the right thing in an open and transparent culture.
13. The Force and Commissioner are at one in assertions to Government concerning the previously stalled review of the policing funding formula which has begun to pick up momentum and where we will stop at nothing to ensure that the policing needs of the people of Kent are heard.

CAPITAL FORECAST

14. The capital budget for 2016/17 was endorsed at the Police and Crime Panel earlier this year and forms part of the £44m investment programme over a four year period. The budget for 2016/17 is set at £18.9m and includes £3.7m brought forward from the previous year's budget to complete agreed and previously approved projects. As with revenue the forecast is based on the first five months expenditure and income, with forecasts made by the main provisioning departments of Estates, IT and Transport.
15. The current year budget of £18.9m is forecast to be 80.4% spent by the end of the financial year (£15.2m) with the main reasons for this being the timescale slippages around procurement and the completion of stage 2 business cases. The Force takes seriously its obligations for robust procurement processes and dealing sensitively with staffing issues in business cases. The capital programme is regularly reviewed by Chief Officers and also at the Capital Management Board at which the Office of the Police and Crime Commissioner is represented. Both of these forums along with the Finance Department will continue to monitor expenditure forecasts and delivery progress against the original budgets.

SAVINGS

16. An in year audit was commissioned by the Director of Corporate Services to understand what the potential gap will be between expected savings and those that have actually been achieved, or are still achievable, by 1st April 2017. This audit has been completed by Corporate Finance, with information provided from the tracker held by the Force Change Team. Key points from this review are as follows:
 - The current value identified as achievable for 2017/18 (Y2) is estimated at £8.3m, meeting the savings target. Previously, £0.3m overachievement was predicted and this possible over-achievement of savings could form a part of the 2018/19 (Y3) but this is subject to a number of uncertain variables that are being closely monitored.
 - £8.3m of savings in 2017/18 includes £0.6m linked to business cases that have yet to be assessed by Corporate Finance. The business cases are the Business Centre, IT and Transport restructure. These business cases are all at various points of completion and the Finance team will carry out an audit in due course.
 - £1.3m has been identified as achievable within non pay budgets, £0.9m of which has been identified as comfortably achievable (green) based on the end of year forecast. The remaining £400k either requires on-going work, or is newly identified as having potential for savings.
 - £0.3m has been transferred into the non-pay section of the schedule from SSD for ease of recording and to avoid duplication. This £0.3m was largely related to contractual non pay work being carried out by procurement, but that work is now unlikely to be completed by April 2017, due to conflicting pressures placed in this area of business. The Corporate Finance Team are confident this can be found from elsewhere in the non-pay budget, but where this will be available from is uncertain until budget setting can be completed later this year. This £0.3m has been excluded from the £8.3m, and is awaiting confirmation until budget setting can provide further clarity.
 - £5.8m is predicted as either achieved already during this current year, or is confirmed as realistically achievable by 1st April 2017. Whilst the Force is confident that the savings can be achieved they are all very challenging and require compromises to be made.