

Report to the Kent Police and Crime Commissioner's Governance Board

Date: 2 August 2016

Title: Financial Monitoring & Savings Update

From: Chief Constable

INTRODUCTION

1. Formal reporting for revenue and capital against the budget does not commence until the end of the first quarter so this report is predicated on an exception report basis for pay and non-pay in revenue. This report also covers the capital budget for the year but at a very high level as a detailed analysis is in progress.
2. This report also includes a commentary on the savings programme and how the EU referendum result could affect the overall savings requirement for the police service.

REVENUE FORECAST

3. The revenue budget for 2016/17 is set at £278.4m which includes the additional £1.2m raised from the Precept by increasing it to the maximum permissible level for the year. This additional income is earmarked to increase the number of Accredited Firearms Officers for the Force.
4. At the time of writing the first full financial forecast is underway however a high level review was undertaken in early June which forecasts pay costs for Police Officers and Police Community Support Officers (PCSOs). In addition to this Finance Officers have worked through the budgets with managers in order to identify any early opportunities or threats due to increased costs or omissions to the non-pay budgets.
5. Police Pay is currently forecast to be underspent by £1.18m. This is as police officer strength is below establishment and will be for the year as intakes are recruited to bring the establishment and strength in line at 3,260 by August 2017. Currently this underspend assumes that all intakes will be as planned and in accordance with the timescales originally agreed, if any slippage occurs or intakes are lower than planned then this underspend will increase.
6. PCSOs are following a similar path to Police Officers in that strength is less than the establishment. Intakes of PCSOs are also planned for the year to take the strength to 300 FTE by January 2017 which will permit 46 vacant posts to be de-limited as part of the savings programme. The current forecast for PCSO pay is an underspend of £1.74m with identical caveats to Police pay in terms of slippage or lower intakes.
7. Other than PCSOs there are no significantly large planned intakes of staff in the year as posts are recruited as they become vacant. PSE pay is therefore harder to assess at this stage but initial assessments of the IT department identified vacancies forecast to total £0.35m by the end of the financial year. Earmarked and pre-planned for a) business case; and b) funding Delivery Partner support to IT delivery.
8. No particular areas of concern for non-pay have been identified at this stage by the Finance Officers or budget holders but, as outlined above, a full forecast has yet to be completed.
9. In order to strengthen financial controls all forecast revenue underspends are being centralised this year and reported to the Chief Officer Strategic Meeting as part of the monthly forecast reporting. The Finance Team are collating and costing requests for use of this in-year underspend and forwarding them to Chief Officers via the Chief Finance Officer for possible use against strategic policing or business risks. The options for use of any in-year underspend include increasing the planned transfer to reserves to fund future investment. Any urgent decisions can be expedited between the CFO and DCC if required.

10. An example of this decision making process is a recent case where IT requested their pay underspend be utilised to fund external project and programme resources in order to deliver the planned IT programme for the year. COSM agreed £0.27m could be allocated to specific projects in order to ensure delivery by the end of the financial year.

CAPITAL FORECAST

11. 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. As with revenue a detailed forecast is being collated and will include any unspent carried forward budget from 2015/16.
12. The main provisioning departments of Estates, IT and Transport have all been approached to ensure the profile of expenditure against the budget is realistic and that forecasts are as accurate as possible. This is to improve the quality of the forecasts and to give an early insight into under or over-spends or possible slippage.

SAVINGS

13. Kent Police is in the second year of a four year, £33m savings programme following the Comprehensive Spending Review and subsequent funding settlement late last year. No changes to the Police Allocation Formula are assumed within the current Medium Term Financial Plan but the £33m of savings does include contingent amounts of £1.5m in each of the final two years. These were included as prudent estimates against additional cost pressures or further reductions to the police grant.
14. Following the referendum on 23 June there is considerable uncertainty around the possible impact on public finances. At this point in time there are no reliable estimates around if or how policing budgets will be affected although this will be continually monitored and assessed with various different scenarios evaluated and sensitivity analysis undertaken around the medium term plan.
15. The Force over-delivered against the £8.7m savings required to balance the 2016/17 revenue budget by £5.6m. This amount offsets a number of cost pressures in the budget which were planned to be offset by a one-off transfer from reserves of £3.5m, to be repaid through additional savings in later years. The majority of this over-achievement in savings is around non-pay with many budgets being reset to remove any flexibility they may have had previously. These budgets will be monitored throughout the financial reporting cycle with any cost pressures being flagged up through the monthly reports.
16. This over-achievement puts the Force in a very advantageous position for subsequent year's savings plans. The Chief Officer Team have commissioned the Director of Corporate Services to lead a piece of work to evaluate options around this. These options include offsetting the overachievement against future savings; allocation against emerging or increasing policing threats and or a transfer to reserves to fund future investments plans or a blend of the three.
17. The following table shows the original four year savings plan and the current progress against it:

	By 2016 £m	By 2017 £m	By 2018 £m	By 2019 £m
Required savings	8.7	8.3	8.4	7.9
Potential savings available	Delivered 14.3	8.8	8.3	7.9
Gap	-5.6	-0.5	0.1	0.0

18. A savings programme is in place with initiatives identified to deliver the required savings. The over-achievement outlined above strengthens the Force's position and enables a review to be undertaken reviewing which, if any, savings can be paused, changed or possibly ceased.