

Key Points

1. The key points from this year's budget and precept proposal from the Police and Crime Commissioner (PCC) are:
 - A proposed increase in the precept of £24 a year, or 14.2% for a Band D property, equivalent to £2 a month
 - A council tax for an average Band D property of £193.15
 - 180 new police officers funded from the increased precept
 - Kent will remain amongst the lowest preceptors in the country
 - Maintaining an establishment of 300 PCSO's
 - A net revenue budget after savings of £313.8m
 - A savings requirement over the medium term of £30.9m
 - A capital programme of £13.6m for 2019/20 and £64.5m to 2023/24
 - The use of £3.6m of reserves to support the budget in 2019/20
 - Planned reduction in reserves from 2019/20 of £7.7m over the medium term
 - A final balance in reserves at the end of 2023/24 of £21.4m

Background

2. The purpose of this report is to set out the PCC's proposed budget and precept proposal. It will deliver one of the key responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011. In determining his budget proposals the PCC has had regard to:
 - The priorities within his 'Safer in Kent' police and crime plan
 - National targets and objectives including the Strategic Policing Requirement
 - Consultation with the Chief Constable
 - The results of consultation with the public and partners
 - The plans and policies of other partner agencies relating to community safety and crime reduction
 - HM Government policy on public spending and the Police Funding Settlement
 - The Medium Term Financial Plan
 - The Reserves Strategy and the prudent use of reserves over the medium term
 - The Capital Strategy and investment programme
 - Continuous improvement and value for money for the tax payer of Kent
3. This report sets out the:
 - Achievements from 2018/19
 - HM Government's Police Funding Settlement for 2019/20
 - 2019/20 budget and precept proposals
 - 2019/20 funding pressures
 - Commissioning Plan
 - Medium Term Financial Plan
 - Reserves Strategy
 - Capital Strategy
 - Chief Finance Officer's Professional Statement

Achievements from 2018/19

4. In 2018/19 the PCC increased the precept by £12 in order to increase the number of police officers in Kent by 200. The 200 was achieved with the January 2019 recruitment intake. These officers form part of an expansion of the policing model to address high harm issues, as well as more visible neighbourhood policing, including rural and roads policing, local communities, fighting cybercrime and providing greater public protection.

5. The budget last year also provided for 80 new police staff roles to boost the number of call handlers answering 999 and 101 calls. This has been very successful with the average call answering time for 101 calls reducing from 2.35 minutes to around 1.38 minutes and call attrition (where callers hang up as they have had no response) reducing from 22% in April to 6% in October. All of these improvements have had no impact on 999 call response, with typical call answering times of less than 10 seconds and a less than 1% attrition rate. This shows that people are getting the help they need quicker and more information is being provided to the police.
6. The PCC launched his Violence Reduction Challenge, a Kent specific response to HM Government's Violent Crime Strategy. Regular proactive meetings are held with a variety of partners from all sectors across Kent and Medway, who collectively are seeking to understand the nature of violent crime and its causes and provide workable solutions to help reduce the impact. A series of recommendations and actions will be published in the spring.
7. Kent is the UK's gateway to and from Europe and as such, Kent Police have been proactively working on a variety of contingency plans for whatever type of Brexit happens in March 2019. The PCC has helped secure additional funding for Kent from HM Government; £0.85m has already been released with a commitment of further financial support should it be required.
8. In October the PCC brought partners together at the Inaugural Blue Light Jobs Fayre to promote opportunities to work with local emergency services and other criminal justice agencies. The PCC carried out a cyber-bullying survey which led to engagement with almost 7,000 young people across Kent.
9. Through his commissioning budgets, the PCC has funded and delivered a number of key projects that have contributed to reducing reoffending and helped victims cope and recover from crime.
10. Victim Support provide the PCC's key victim service where all victims of crime, regardless of whether the crime has been reported to the police, can seek support to help them recover from their experience and avoid becoming a victim of crime again. In addition to this service, Victim Support alongside the Kent Police Rural Team and the PCC, have helped provide targeted crime prevention advice and safety equipment for rural communities.
11. In response to the number of hate crime victims reporting to Kent Police, and also withdrawing from the criminal justice process, the PCC funded a Hate Crime Advocate. This role provides dedicated support to hate crime victims to help their recovery, but also provides specialist support for those going through the criminal justice system.
12. The new countywide Restorative Justice Service commissioned towards the end of 2017/18 has gone from strength to strength, with referral numbers increasing and the introduction of a new Restorative Justice App on police officers mobile devices to make referrals from the force simpler and easier.
13. The PCC delivered educational messages through the Amelix 'Is it worth it?' school tours, which are delivered collaboratively with the music industry. The messages cover staying safe online and cyber bullying. These are being extended during 2019/20 to year 6 children to enable earlier engagement on preventative messages.
14. The PCC developed a collaborative bid with Kent County Council to pilot Independent Domestic Violence Advisers (IDVA) being based in two major hospitals in Kent. The aim being to identify risk earlier enabling improved interventions for victims of domestic abuse and their families.
15. The PCC's Specialist Victim Services Fund has enabled the delivery of new and innovative approaches, such as a Male Domestic Abuse Support Worker, LGBT+ IDVA and specialist farm based therapeutic services for children and their families who have suffered domestic and sexual violence.
16. The PCC's collaborative approach to commissioning services has led Kent Police to work with the charity Mind to provide counsellors within the Force Control Room at key times; this enables those with mental health needs or in crisis to be supported by trained practitioners.

17. The PCC has been successful in securing additional funding for two projects. Firstly, funding from the National Modern Slavery Fund to deliver awareness raising messages to key businesses, particularly the tourism and leisure industry at a conference to be held in March 2019. Secondly, from the Home Office to enable the continuation of the St Giles Trust County Lines project in East Kent, which supports vulnerable young gang members.

2019/20 Police Funding Settlement

18. On 13 December, the Policing Minister announced the provisional police grant allocation for each force area for 2019/20. The headlines nationally were:

- £972m additional funding for the police service which includes
 - £161m additional formula funding;
 - £153m of Pension Grant;
 - £59m additional funding for Counter Terrorism (CT);
 - £90m additional funding to tackle Serious and Organised Crime; and
 - £509m as a result of additional council tax flexibilities.
- Of the £972m, approximately £813m is for local policing, namely
 - £509m precept;
 - £143m Pension Grant; and
 - £161m additional Funding.
- Precept flexibility of up to £24 for all PCCs (or equivalents) in 2019/20.
- £161m additional grant funding, made up of £146m increase in core grant, £12m additional NICC payments and £2.7m precept grant.
- The settlement, including council tax and Pension Grant, represents an average cash increase (total funding including precept) of 7.1% between 2018-19 and 2019-20.
- £160m additional CT funding (announced at the 2018 Autumn Budget), equivalent to an annual increase of £59m; an 8% increase on total CT funding.

19. The settlement outlined the Policing Minister's four priority areas to "drive efficiency, productivity and effectiveness next year" in policing. These priorities are:

- i. Continued efficiency savings in 2019/20 through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the "right force level objectives for 2019/20 and 2020/21".
- ii. Major progress expected to resolve challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
- iii. Continue to improve productivity, including smarter use of data to deliver £50m of productivity gains in 2019/20.
- iv. Maintain a Serious Organised Crime (SOC) response that spans identification and management of local threats as well as support for national priorities.

20. The PCC is confident that through this budget and Medium Term Financial Plan (MTFP) Kent Police is already meeting or progressing towards these priorities.

21. Locally, as a result of the settlement, the funding received by Kent is as follows:

Table 1: Police Funding Settlement

	2019/20	2018/19	Variance
Funding Stream	£m	£m	£m
Police Core Settlement	107.1	104.8	2.3
Ex DCLG Funding	67.0	65.7	1.3
Legacy Council Tax Grants	13.3	13.3	0.0
Pension Grant Allocation	3.4	n/a	3.4
Ministry of Justice Victims Funding	2.1	2.1	0.0
HO Capital Grant	1.1	1.1	0.0
Total	194.0	187.0	7.0

22. The 2019/20 settlement provides more funding than had previously been expected largely in response to the significant increase in pension costs due to a Treasury revaluation. It should be noted that while Kent received £7m of additional funding, the increase in pension costs is £8m.
23. It should be recognised that the move away from HM Government funding towards local taxpayer funding of policing services continues. Since 2010/11, Government Formula Funding has been reduced by 21% (32% in real terms since 2010/11) while the proportion of funding raised through council tax has increased from 28% in 2010/11, to 43% in 2019/20. Even with this shift in the balance of funding, Kent Police total funding has only increased by 1.2% (a 13% real terms reduction since 2010/11).

2019/20 Budget and Precept Proposal

24. For 2019/20 the PCC is looking to build on the successes of previous years and continue to actively seek ways to increase the number of police officers. The Police Funding Settlement afforded the PCC additional flexibility through the precept referendum limit of £24 for a Band D property. This has provided the opportunity for the PCC to make funding available for the Chief Constable to provide more police officers for the communities of Kent by using of some of the additional precept.
25. The PCC has empowered the Chief Constable to increase the number of police officers by 180 during 2019/20. Additional officers will enable Kent Police to catch even more criminals, target gangs, tackle violence, boost visible policing and help more victims. This means that by next year there will be 450 more police officers in Kent than in 2016. There are also 100 additional front line police staff posts and the level of PCSO's has been maintained at 300.
26. The budget and precept proposal for 2019/20 is as follows:

Table 2: Budget Requirement and Precept

Budget Requirement	£313.8m
Less Police Grant	£107.1m
Less Revenue Support Grant	£67.0m
Less Legacy Council Tax Grants	£13.3m
Less Pension Grant	£3.4m
Sub Total	£123.0m
Less Collection Fund Surplus	£1.2m
Amount to be raised by Council Tax	£121.9m
Divided by aggregate council tax base	630,928
Band D Council Tax	£193.15

*Table may not sum due to rounding

27. The PCC has remained steadfast in his view that Kent Police should become more efficient. The decision to invest the additional funding raised by the precept into police officers still requires the force to continue to make savings. The savings for 2019/20 were already planned under the previous MTFP, and the PCC has reviewed the proposals for £9.7m of cost savings in 2019/20 - they will have a minimal impact on the frontline. These savings have now been delivered through more effective pay monitoring, a review of the Serious Crime Directorate, Procurement and the Business Centre, a shared service with Essex amongst others.

2019/20 Funding Pressures

28. Last year's MTFP included a number of expected cost pressures, but during 2018/19 a number of new cost pressures have arisen. This means not all of the increase in precept over and above the budgeted £3.70 increase can be used to fund officers. The major pressures facing Kent Police in 2019/20 are:

New pressures

- £8m Pension Costs - the Treasury revaluation of the Police Pension scheme led to a national policing pressure of £330m. Kent's share of this cost was £8m. Kent received £3.4m in Pension Grant plus a £3.6m increase in funding, totalling £7m. This still leaves Kent with £1m pressure

and absorbs all of the additional HM Government funding. All further pressures need to be funded through the precept increase or savings.

- £1.1m Motor Insurance Premium increase - Kent Police were involved in a competitive tender exercise alongside 9 other forces for Motor Insurance. There is little willingness within the insurance industry to insure police vehicles and therefore limited competition. The winning tender increased the costs by over £1m and placed strict requirements on the force to put in place specific processes to monitor vehicle usage.
- £0.8m Improved Body Worn Video equipment - this equipment has improved the efficiency of the force through better video recording of incidents and means Kent Police have complied with the national directive to ensure all Firearms Officers are equipped with BWV.
- £0.3m Forensic costs - nationally the private companies undertaking forensic services on behalf of police forces have been struggling with the demand and the costs on their services. The Home Office in the funding settlement stated that *'In the case of forensics, this is not about financial savings, but working together to maintain an efficient market that supports the needs of policing and the criminal justice system as a whole'*. It is expected that Kent Police costs will increase by £0.3m, but this may increase further as contracts are renegotiated.

Existing Pressures

- £10.6m for police officer and staff pay inflation - over 80% of the Kent Police budget is staffing costs and therefore any increase in pay is a significant cost pressure. This includes the 200 officers and 80 staff recruited in 2018/19.

Commissioning Plan

29. One of the priorities in the PCC's Safer in Kent Plan is to 'enhance services for victims of crime and abuse'. The Ministry of Justice (MoJ) has announced the specific victims' grant allocations for 2019/20 of £2.1m for Kent. This means that services can continue or be put in place for the beginning of the financial year. This funding will be allocated as per the Commissioning Plan on vital services for victims, including those delivered from Compass House, including the Victim Support service, the newly commissioned Independent Sexual Violence Advisor (ISVA) service and the PCC's Restorative Justice Service.
30. The PCC has again agreed to match fund the figure from the MoJ. So, in total, the MoJ funding plus the commissioning and victims support budget means £4.2m will be available for allocation in 2018/19, the same level of funding as the previous two years.
31. The focus of these funds can be found in the Commissioning Plan overview at Annex 1.

Medium Term Financial Plan – 4 years to 2023/24

32. The MTFP is agreed each February as part of the budget setting process and is updated and refreshed throughout the year as further information becomes available. The plan covers the current year plus four from 2019/20 through to 2023/24. For obvious reasons there is more certainty around the figures included in the early years than for those towards the end of the plan. Therefore a number of assumptions are made. The key assumptions included in the plan are:

Funding assumptions

- The precept will increase by £24 in 2019/20, but thereafter will drop to 1.99% each year.
- That the greater precept flexibility afforded to PCC's in 2018/19 and 2019/20 is not continued beyond 2019/20.
- The referendum limit will be 2% in 2020/21 and in future years, in line with the pre-precept flexibility referendum limits.
- The council tax base will grow by 1.6% in 2019/20, then 1% each year thereafter.
- The Police Revenue Grant will be maintained over the MTFP.
- That the additional Pension Grant received in 2019/20 will be maintained as part of the ongoing funding to police.
- Any top slicing and reallocating from the overall Police Grant by the Home Office will remain at 2019/20 levels in real terms.

- That there will be no impact on the level of funding post the Comprehensive Spending Review (CSR).

Cost Assumptions

- Up to 180 additional police officers and 14 front line police staff will be recruited in 2019/20.
- These officers and staff will form part of the ongoing establishment.
- Pay cost inflation for officers and staff will be 2% each year. Each 1% increase in pay adds approximately £2.7m in costs to the budget.
- Any additional bonus payment or pay award above the 2% will be funded through underspends or reserves.
- Non-pay inflation will be 2% for each year of the MTFP, in line with the Bank of England target.
- The employer's pension contribution will increase for the third and final year in line with the triennial valuation in 2019/20 and will be maintained at that level thereafter.
- That a Revenue Contribution to Capital Outturn (RCCO) of £1m will be introduced in 2020/21, with a further £1m in each subsequent year of the MTFP to help fund the sustainability of the capital investment programme.

33. With these assumptions there is a savings gap to 2023/24 of £40.6m. The force have a good track record of identifying savings ahead of schedule and the Chief Constable has identified £9.7m of savings to meet the gap next year with no impact on front-line policing; this has been removed from the 2019/20 budget figures.

34. A summary of the MTFP is set out at Annex 2. On the basis of these assumptions the savings profile would be as follows:

Table 3: Savings requirement

	2019/20	2020/21	2021/22	2022/23	2023/24	Total
Savings	£m	£m	£m	£m	£m	£m
Delivered	9.7	0.0	0.0	0.0	0.0	9.7
Required	0.0	8.7	9.4	6.4	6.4	30.9
Total	9.7	8.7	9.4	6.4	6.4	40.6

35. The force have a savings plan to cover this period and are already identifying opportunities for the future. This has been reviewed and agreed by the PCC and these will be delivered at the appropriate time during the MTFP cycle.

Reserves Strategy

36. An important element of the PCC's overall financial strategy is the use of reserves over the life of the MTFP. The following paragraphs summarise the current and medium term position on reserves. The full Reserves Strategy is attached at Annex 3.

37. The PCC's Reserves Strategy has the following key elements:

- A general non-earmarked reserve of 3% of the net budget will be maintained for unknown and/or unforeseeable events.
- A prudent approach to risk management will be maintained; accordingly earmarked reserves will be created where appropriate to cover for possible significant risks.
- A prudent reserve to provide for the costs of change, especially in respect of redundancy and ill health retirements.
- In the interests of the council tax payer the PCC will, where possible, build up and maintain a level of reserves for investment, borrowing only where the life of the asset and economic environment make it the most efficient way of financing investments.
- The PCC will take a long term approach to protecting, maintaining and investing in all the assets supporting policing for the long as well as short term.
- Reserves not required for the above purposes will be clearly identified as available for other discretionary opportunities.

38. The total general and earmarked reserves are expected to be £29.1m as at the 1 April 2019. Of this, general reserves will amount to £9.4m or broadly 3% of the net budget. This is in line with the current strategy of holding the equivalent of 3% of the net revenue budget for general contingency, and is regarded as best practice and comparable with other PCCs.
39. The remaining reserves are all earmarked. It should be noted that only £6.5m of the total earmarked reserves are to support investment and capital spending. The balance of capital investment in 2019/20 will be funded from asset sales during the year and where appropriate borrowing. Over the medium term, a revenue contribution to capital will be introduced in 2020/21 to support future capital investment.
40. The PCC will continue his commitment in 2019/20 of making £2m from reserves available to support the recruitment of new police officers and staff. This, alongside a provision for ill health retirements, the Innovation Taskforce and other budget support means £3.6m will be used during 2019/20.
41. The PCC has notified the Chief Constable that any in-year underspends may be used in the first instance to support recruitment of the additional officers and staff. If this is not required, any underspends will be taken back into reserves in order to mitigate risks over the medium term and support the investment programme. Any in-year reallocation of underspends will only be considered by the PCC where an exceptional business case is made.
42. The reserves position over the medium term is set out below:

Table 4: Reserves

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Reserve	£m	£m	£m	£m	£m	£m
General	8.8	9.4	9.5	9.6	9.8	9.9
Funding Risk	3.7	3.0	1.6	0.7	0.3	0.1
Insurance	3.1	3.1	3.1	3.1	3.1	3.1
Change Management	10.6	5.2	1.3	0.0	0.1	0.1
Investment Reserve (capital & revenue)	22.7	6.5	2.1	5.8	1.6	6.5
PCC	1.1	0.9	0.8	0.7	0.7	0.7
POCA	1.0	1.0	1.0	1.0	1.0	1.0
Total	51.0	29.1	19.4	20.9	16.6	21.4

43. Over the medium term, taking all the plans and provisions into account, total earmarked reserves are expected to fall to £21.4m, a reduction of 58% from the level held at the beginning of 2018/19. In part, this is due to reserves being used to support the budget, ill health retirements and the ongoing investment programme.
44. The expenditure from the Investment Reserve is increasingly reliant on in-year asset disposals being realised and available to spend. A £1m revenue contribution to capital is being introduced in 2020/21 to support the investment programmes maintenance projects and this will increase by a further £1m each year over the medium term. Any fluctuations in asset disposals may mean a reduction in investment, or where appropriate for long term projects, a need to borrow.

Capital Strategy

45. The Capital Strategy is a key document for the PCC and forms part of the integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure. This document is published alongside the budget report and can be found at Annex 4.

46. The key themes driving capital investment can be summarised as follows:
- Policy led with clear linkages to operational requirements and the Safer in Kent Plan.
 - Using technology and innovation to reduce demand and increase the time and focus officers can devote to core policing.
 - Putting victims and witnesses at the heart of the service.
 - Ensuring sound and reliable equipment and facilities for officers and staff.
 - Exploiting tangible efficiency and effectiveness opportunities in partnership with others.
 - Maximising the efficiency and effectiveness of the estate.
47. A summary of the planned schemes and projects and how they will be funded from 2019/20 to 2023/24 is shown below. As per normal practice, the actual release of funding in 2019/2020 and future years will depend on the completion of sound business cases.

Table 5: Investment Programme

	2019/20	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m	£m
Expenditure					
IT	7.4	6.7	3.0	6.6	7.2
Estates	4.1	6.2	7.0	3.4	2.8
Transport	1.8	1.7	1.7	1.7	1.7
ANPR	0.3	0.3	0.3	0.3	0.3
Total	13.6	14.9	12.0	12.0	12.0
Funded by					
Capital Grant	1.1	1.1	1.1	1.1	1.1
Investment Reserves	6.5	2.1	5.8	1.6	6.5
Capital Receipts and/or Borrowing	6.0	11.7	5.1	9.3	4.4
Total	13.6	14.9	12.0	12.0	12.0

48. The investment programme is funded by a combination of investment reserves, capital grant received from HM Government and the use of capital receipts from disposing of assets during the year. In regard to capital receipts, all asset disposals are subject to a business case and require approval by the PCC.
49. Depending on the project, business case and life expectancy, the PCC may borrow to fund longer life assets. Any decision to borrow will be made, like all decisions, with value for money for the tax payer in mind and only when it is the most cost effective way of delivering a project. A decision to borrow will also take into account tax payer equity - where tax payers of today may be funding assets that future tax payers will use. Spreading the cost of a long term asset over its life cycle will ensure that all taxpayers who benefit from the asset contribute to the cost. This may apply to the decision to refurbish Ashford Police Station. The initial decision was to fund this project from the investment reserves; however, due to the long term life of the asset, the favourable financial conditions and the ability to free up reserves to support recruitment this may be funded through long term borrowing.
50. The overall planned investment programme has been restricted in each financial year. This is in line with the level of resources available, the capacity to deliver the projects and expenditure achieved in previous years. This provides a clear focus on the key priority projects and reduces the amount of slippage that is typically incurred at the end of the year. It is dominated by IT projects, which include national obligations (i.e. ESN), joint projects with Essex, and Kent only projects. The implementation of these IT projects is key to modernising the force and the way it works, helping to drive savings from the organisation.
51. The PCC is keen to maximise the use of the police estate and considers all options, from disposal through to refurbishment and income generation. This also includes increased collaborative working with partners, particularly Kent Fire and Rescue Service, so both organisations can benefit from efficiencies and greater understanding.

52. The PCC will hold the Chief Constable to account for the delivery of the investment programme on a regular basis throughout the year.

Professional Statement

53. It is a statutory requirement that the designated Chief Finance Officer (CFO) must issue a professional statement on the adequacy of reserves, the robustness of estimates and the overall effectiveness of the systems of financial control and risk management.
54. In determining the above the CFO has reviewed the financial environment and the risks facing policing in Kent and has taken the below into account.
55. The Minister's announcement of the additional funding in the settlement for 2019/20 is to be welcomed; without this, the ability of the PCC to fund additional officers would have been severely diminished. Overall, Kent received approximately £7m of additional grant funding from HM Government, but the increased pension costs alone came to £8m. This leaves Kent with a £1m budget pressure to be found and covered through the additional precept. While the additional Pension Grant is helpful, currently it is not clear whether it will be included in future year's settlements; however, advice from colleagues nationally suggests it would be prudent to assume that it will. It is somewhat frustrating to have to use additional financial resources to fund an actuarial valuation change rather than the funding being directed towards front line policing.
56. There is considerable uncertainty over HM Government's funding for policing in the future. The 2019/20 settlement was the last one under the current CSR - the next CSR is due to be finalised in summer 2019. CSRs are normally 4 year settlements, but it is somewhat unusual for a CSR to run between general elections and so it is unclear how long the new CSR will be in place for. This makes it difficult to plan financial resources over the medium term, however, the assumptions included within the MTFP are prudent and the organisation is agile enough to respond to changing levels of resources.
57. The increase in precept flexibility for 2019/20 is appreciated and provides PCCs with scope to set a precept in line with their Police and Crime Plan priorities. However, it should be noted that the transfer of burden towards the local council tax payer and away from central government means that a number of significant budget pressures are having to be funded from the precept increase rather than central grant. It also leaves PCC's facing potential fluctuations in tax collection and the tax base that any local tax incurs.
58. This is the fourth consecutive year that PCC's have received greater precept flexibility than expected, but this flexibility has been consistent in its inconsistency with limits of £5, £12 and now £24 in the last three years alone. Due to the uncertainty, any future flexibility has not been included within the MTFP and assumptions have reverted to the pre-flexibility referendum limit of 2%. Any decision on future precept levels will be taken by the PCC at the appropriate time and with full public consultation.
59. The continued level of financial support and the additional precept flexibility has enabled the PCC to plan an increase of up to 180 police officers in 2019/20. These additional officers will provide a visible sign of the increased contribution from tax payers. By increasing officer numbers rather than absorbing all of the cost pressures, the PCC is still expecting the force to deliver on its savings proposals over the next 4 years. This is in line with the PCCs aim for the force to deliver an efficient and value for money service.
60. The level of reserves held by PCCs came under scrutiny during 2018/19 and the PCC for Kent was one of the first to comply with HM Government policy to publish a Reserves Strategy. This strategy is reviewed and revised each year and the latest iteration is attached at Annex 3. This sets out the PCC's prudent use of reserves over the medium term. The level of general reserves has been maintained at 3% of the net revenue budget in line with policy. This level of general reserves will account for any major event that may require recourse to HM Government's Special Police Grant which covers any major unforeseen costs incurred over and above 1% of the net revenue budget. The 3% in general reserves covers us for two such events over the four year plan and a further 1% contingency.

61. The force have a good track record in identifying savings early through effective financial management and planning, but this still leaves a pressure of £30.9m savings to be found over the next four years. While the force have always met their target the delivery of savings becomes harder each year. The initial £8.7m for 2020/21 has been identified and agreed, however, there is a risk that these savings targets may not be met over the medium term. The force have produced a medium term savings plan which seeks early opportunities to identify savings and deliver them; as a result, the risk is small and therefore no provision in reserves is made for this.
62. There is a greater risk of delays in the delivery of savings, particularly in relation to some of the larger complex invest to save schemes. Again the force have a good track record in meeting savings targets and would in any event cover any shortfall from in-year underspends. Whilst no presumption of in-year underspending should be made because, having agreed the budget the PCC authorises its spending, history suggests that the force has consistently delivered underspends. This is typical of organisations with strong budget management arrangements. The force have prepared a medium term plan which sets out where and how savings may be found, and also increases the flexibility to bring forward or push back savings plans dependent on future funding settlements.
63. HM Government's planned review of the formula for distributing the national pot of general police grants between forces is now on hold and is unlikely to be reviewed until after the new CSR has been agreed. As has been stated in previous budget reports this could be a significant risk to the funding received by Kent, particularly in the latter years of the MTFP. However due to the decision to place this on hold and the unknown timing of any review and implementation of the formula, there is no requirement to have some protection against this risk and therefore no provision in reserves has been made.
64. HM Government is currently planning for Airwave to be replaced with the Emergency Services Network (ESN). This is the communication network for all emergency services with the police service being the largest user and therefore the largest financial contributor. The initial estimated capital investment is £1bn, with expected revenue savings of £350m. The implementation of the new network has been delayed and this has an impact on local forces. The delay incurs additional costs to policing and it is not yet clear where these will fall, either at a national or local level. At a local level some estimates put the additional cost to Kent in the region of £7m; a cost of this magnitude would be a significant pressure. Any additional revenue costs would be met either from further efficiencies or through the use of reserves. Any additional capital costs would be met through the use of reserves or in exceptional circumstances, authorised borrowing. The uncertainties regarding the timing of the implementation of ESN, the level of costs to be incurred and the mitigation outlined above means that no provision is included within reserves in this budget and MTFP.
65. At the time of the budget we have assumed pay awards are capped at 2% for the four years 2019/20 to 2022/23 and an average 1% for increments. For non-pay we are assuming general inflation at 2% for all four years. We have been prudent in our assumptions. The key assumption on grant resources is the provisionally announced flat cash settlement in general grant for 2019/20 and it is presumed that this will remain over the medium term. Beyond the precept announced for 2019/20 it is assumed precept limits will return to historic levels of 2% in line with inflation forecasts.
66. A significant element of total reserves is the capital and revenue investment reserve built up from accumulated underspends and accumulated capital receipts. This reserve, in conjunction with targeted capital receipts, is vital to help finance the major planned capital spend by the Chief Constable of £64.5m over the next five years. The increased demand for capital investment coupled with the reducing ability to produce capital receipts means that the investment programme for 2019/20 and future years has been capped. Even with this, the expenditure is increasingly reliant on the sale of assets in-year. This increases the risk that funding may not be available for the investment programme. This risk is being managed in two ways. Firstly, the PCC will review the capital projects that come forward as part of the plan and determine whether borrowing to fund the project may be the most effective and efficient use of resources. This is likely to be used sparingly and for long life estate projects, such as Ashford Police Station or potentially longer life IT schemes. Any decision to borrow will be fully costed to ensure affordability, efficiency and tax payer equity. Secondly, a £1m revenue contribution to capital outturn is being introduced in 2020/21. This contribution will be increased by £1m each year over the medium term. This contribution will be used to fund a number of routine programmes, such as vehicle replacement and building maintenance that occur every year.

67. The Investment programme is focused on IT. One area of IT is the introduction of software as a service. This is where software providers are moving away from a one-off cost to purchase software to an ongoing annual licence. This necessitates a change in funding from capital to revenue. This may remove some pressure from the capital budgets but adds pressure to our revenue budgets. At the current time it is unclear how much of an impact this will have and when, so no provision in reserves is held, but this will be monitored.
68. At the time of writing it is still unclear as to the form that Brexit will take and therefore the impact that it will have on policing and in particular Kent. The PCC and the force are actively engaging with the Home Office to ensure Kent's voice is heard in the discussions and to take advantage of any funding opportunities should they arise. The PCC has already managed to secure additional funding from the Treasury towards the costs incurred by Kent in preparing for Brexit with an initial £0.85m being received in 2018. The PCC also secured a commitment to fund future preparation costs and a further payment is due in February. With the additional funding received, and a commitment to fund future costs, there is no need to hold funds aside in reserves to cover the impact of Brexit. However, should leaving the EU have any unexpected impact or costs then this would be managed through the general reserves. The unknown impact of Brexit on the economy and in particular asset prices means that the option to fund the capital investment through some limited borrowing is a prudent approach to managing the risk.
69. The force and the Office of the Kent PCC (OKPCC) maintain active risk registers and associated risk management processes for operational and management risks which are monitored by the Independent Joint Audit Committee. As well as the financial challenges described above, many of the key risks inevitably fall on the force, rather than the OKPCC, from both existing and newer threats. Examples of the latter include the local response to terrorism, child sexual exploitation, organised crime and cybercrime. Within the OKPCC, on-going strategic risks relate to ensuring the core statutory functions of the PCC are met; this includes overall financial governance and value for money.
70. Overall, I have considered the level and need for reserves against the strategic risk registers of the force and the OKPCC. On the whole, existing reserves are sound and in each case I am satisfied that they are prudent and appropriate after consideration of the latest key risk assessments. I am satisfied that the estimates have been drawn up in a robust way, recognising that medium term forecasts beyond 2019/20 will inevitably carry more uncertainty. I am also satisfied that the operation of internal and external audit and the operation of financial controls are sound. Regular monitoring and review of delivery plans and active risk management, including via the Independent Joint Audit Committee, remain vital parts of the local governance arrangements.

Rob Phillips
Chief Finance Officer
Office of the Kent Police and Crime Commissioner
February 2019

Supporting information:

Annex 1 - Commissioning Plan 2019/20

Annex 2 - Summary of Medium Term Financial Plan, 2018/19 to 2023/24

Annex 3 - Reserves Strategy

Annex 4 - Capital Strategy

Kent Police & Crime Commissioner

Commissioning Plan 19/20

Strategic Overview

Administration

- Implementation of an overall funding / contracts register that is accessible to all staff in Office of the Police and Crime Commissioner (OPCC), which lists all organisations funded, dates funded, project and amount funded including a brief comment as to why funding was discontinued where necessary. This register will also keep a track of active funding applications and queries.
- The grant terms and conditions will be consistent for all services, projects or initiatives funded and will be issued at application and or grant offer stage depending on the funding stream.
- Revision of the grant terms and conditions to include additional requirements such as:
 - Clarification on the use of the PCC's logo and requirement of its removal from communications and literature once funding ceases
 - Stipulation that no more than 10% of the funding requested should be allocated to core costs
 - That in applying and accepting any subsequent grant offer they are automatically accepting the conditions of the grant
 - A financial assessment will form part of the application process, which includes consideration of turnover vs value of the grant
 - Improve the requirement for a complaints process and the reporting of serious incidents
 - Refresh and enhance the conditions related to Safeguarding / Child Sexual Exploitation / Mental Health / Substance Abuse / Extremism and Radicalisation / Modern Day Slavery Statement
 - Requirement to notify, in advance, of any changes to business structures e.g. selling part of company / subcontracting
 - Inclusion of the right for the OPCC to undertake ad hoc process audits to ensure compliance with grant conditions and/or effectiveness of service delivery
 - For commissioned victim services there will be a specific condition requiring their services to provide support to victims or immediate family members who are involved or affected by a major incident.

1. Crime Reduction Grant

Community Safety Partnerships (CSPs)

- Will receive the same funding amount as 18/19.
- Focus will be on delivering projects aligned to the Violence Reduction Challenge (VRC).
- Business cases must be submitted prior to the 15 March 2019, with spend being approved by the PCC prior to the funding being released.
- One third of the overall funding can be allocated to a tactical pot to deliver responsive projects aligned to the VRC throughout the year. The PCC will approve spend on these projects on submission of a business case.
- Projected outcomes to be achieved must be included in the business case. Monitoring of the projects funded will then be required in early 2020.
- The PCC reserves the right, if on review of the business cases or tactical pot projects it is identified there is an overlap across multiple CSP areas or the same providers are being funded to deliver similar projects, that funding may be retained by the OPCC. The PCC will then fund the project or provider directly to ensure consistency of approach and value for money.

Third Parties (Youth Offending, Drug & Alcohol Action Teams etc.)

- Will receive the same level of funding as 18/19.
- Engagement will be undertaken with Kent Police to establish whether they would like a particular area of focus from those organisations funded e.g. how the funding can be used to direct change, improve working practices or respond to particular areas of need.

- Organisations will be asked to consider how they can support VRC when allocating the PCC's grant to projects.
- Business cases must be submitted by 15 March 2019, with spend being approved by the PCC prior to the funding being released.
- The tactical pot element available for 18/19 will be removed as not utilised during that financial year.
- Projected outcomes to be achieved must be included in the business case. Monitoring of the projects funded will then be required in early 2020.
- There will be greater engagement and scrutiny on delivery and spend from the OPCC.

Other

- National Ugly Mugs campaign - ending violence against sex workers

2. Mental Health Support Projects – Grant Agreements / Arrangements

The following providers will continue to be funded during 2019/20 based on the funding levels contained within their current agreements.

Grant Agreements / arrangements will be re-issued where extensions are provided and this will include the reporting requirements for each project. However, reporting will be undertaken quarterly as a minimum. 2019/20 will be the final year of funding for these projects.

- **FCR MIND Workers** - grant commenced on 1 October 2018 for 1 year. Potential for a 6 month extension to 31 March 2020 depending on performance and Kent Police's requirements.
- **Maidstone & Mid Kent MIND Crisis Café** - grant commenced on 1 October 2018 for 1 year to 30 September 2019. Potential for 6 month extension to 31 March 2020, depending on performance and delivery.
- **West Kent MIND Crisis Café** - grant commenced on 1 October 2018 for 1 year to 30 September 2020. Potential for a 6 month extension, to 31 March 2020 depending on performance and delivery.
- **Safe Haven Bus Medway** - grant commenced on 1 April 2018 for 1 year to 31 March 2019. Grant extension to be offered from 1 April 2019 to 31 March 2020, subject to completion of satisfactory monitoring. The grant to be paid directly to Medway Street Pastors for 19/20.

3. Mental Health & Policing Fund

The organisations who were successful in obtaining funding during 18/19 will be offered a continuation grant for 19/20. This offer is subject to the completion of satisfactory monitoring and will be at the same level of funding they received during 18/19.

19/20 will be the last year that the Mental Health & Policing Fund will be available and organisations will be made aware that they need to explore alternative funding options from 1 April 2020.

Payment will be made in two equal instalments, the first on submission of year-end monitoring for 18/19 and the second at the mid-year point. There will also be a requirement to submit year-end monitoring in April 2020.

4. Safer in Kent Fund

This fund will not run during 19/20.

Organisations in receipt of funding during 18/19 will be notified in early 2019 that this fund will not be available beyond 31 March 2019 and they will need to consider alternative funding sources for their projects.

5. Victim Specialist Services (VSS) Fund

Applications will be invited from services supporting victims to apply from a maximum of £50,000 per project. Where possible bidders should ensure that delivery of the service covers Kent and Medway. Bids will be accepted for projects focused on district-based delivery but this should be reflected in the total amount of funding requested.

Bids must demonstrate how they meet the VSS criteria:

- Meet the support needs of victims or, as appropriate, family members and act in their interests;
- Be free of charge and confidential;
- Be non-discriminatory (including being available to all regardless of residence status, nationality or citizenship);
- Be available whether or not a crime has been reported to the police;
- Be available before, during and for an appropriate time after any investigation or criminal proceedings;
- Demonstrate collaborative working with other providers to ensure joined up service delivery and referral pathways;
- Demonstrate innovative and evidence based working practices;
- Show an understanding and ability to respond to emerging trends, crime types and new working practices; and
- Deliver clear outcome reporting.

Bids that overlap with existing services directly commissioned by the PCC, or where services are being commissioned by another agency but the PCC provides funding towards, will not be supported.

The VSS will be open for applications on 21 January 2019 to enable services to go live on 1st April 2019 but no later than 30 April 2019. The closing date for applications is 12pm on 22 February 2019, with bidders being notified of the outcome no later than 25 March 2019.

Payment will be made in two equal instalments, the first on approval of the funding application and the second at the mid-year point. There will also be a requirement to submit mid-year and year end monitoring.

Other Victim Services Funding

- **Brake** - the road safety charity
- **Domestic Homicide Reviews**
- **Kent County Council Integrated Domestic Abuse Service**

6. Violence Reduction Challenge (VRC)

To support the delivery of the PCC's VRC a bespoke funding pot will be made available to support projects identified through the recommendations made by the VRC. The projects will align to the four themes of the VRC:

- Prevention
- Engagement / Education
- Enforcement
- Rehabilitation

The application and approval process will need to be defined in 19/20. However, to ensure consistency of funding processes it will likely follow the VSS format. This fund will either be open throughout 19/20 for applications to be made by eligible projects or run as a one-off funding round.

Projects confirmed for funding

- **St Giles Trust** - County Lines Project
- **Victim Support Innovation Fund** - will focus on supporting victims affected by violent crime

7. Commissioned Services

Core Victim Referral and Support Service

This contract is awarded to Victim Support and delivery commenced on 1 April 2016. This is a 3 year contract with the option to extend for a further 3 years on a yearly basis. A 1 year extension has been granted from 1 April 2019. A decision to be taken on a further 1 year extension in the autumn of 2019.

Restorative Justice Service

This contract is awarded to Restorative Solutions and delivery commenced on 1 October 2019. This is a 3 year contract, with the option to extend for a further 3 years on a yearly basis. A decision to be taken on offering a 1 year extension to be taken in October 2020.

Independent Sexual Violence Adviser & Sexual Violence Support Service

This contract is awarded to Family Matters and delivery commences on 1 April 2019 for 3 years, with the option to extend for a further 3 years on a yearly basis. A decision to be taken on offering 1 year extension to be taken in autumn 2022.

8. Preventative & Engagement Projects

Grant Funded Projects

- **Amelix 'Is it worth it' School Tours** - 1 year grant from 1 October 2018 to 30 September 2019. Decision will be taken in July 2019 as to whether the grant will be extended for a further 12 months from 1 October 2019.

9. Funding Opportunities

The OPCC will pro-actively seek opportunities to secure additional funding to deliver services, projects or initiatives that support the PCC's priorities. This may include developing joint bids and working with other partners who have access to wider funding sources.

Horizon scanning for central government funding opportunities during 19/20 will also be undertaken. This will include, but not be limited to, considering the options for a partnership bid to the Youth Endowment Fund.

10. Building Capacity and Capability

The victim services grant from the Ministry of Justice includes the ability to build capacity and capability with providers. The aim being that this will support quality service delivery, improved funding applications and outcome reporting. The OPCC will consider options to support this work during 19/20. Investment in this area may also support providers in securing funding from other sources to deliver which will increase the availability of services.

	Actual 2018/19	Inflation or Growth	Savings	Forecast 2019/20	Inflation or Growth	Savings	Forecast 2020/21	Inflation or Growth	Savings	Forecast 2021/22	Inflation or Growth	Savings	Forecast 2022/23	Inflation or Growth	Savings	Forecast 2023/24
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Expenditure																
Pay (Officers and Staff)	261.7	10.4	0.0	272.1	8.1	0.0	280.2	8.3	0.0	288.5	8.5	0.0	297.0	8.6	0.0	305.6
Overtime	5.9	0.2	0.0	6.1	0.2	0.0	6.3	0.2	0.0	6.5	-0.2	0.0	6.3	0.0	0.0	6.3
Premises	20.6	0.5	0.0	21.1	0.4	0.0	21.5	0.4	0.0	22.0	0.4	0.0	22.4	0.4	0.0	22.8
Transport	6.2	0.1	0.0	6.3	0.1	0.0	6.4	0.1	0.0	6.6	0.1	0.0	6.7	0.1	0.0	6.8
Other non pay costs including IT, supplies etc.	33.4	0.8	-0.8	33.4	0.7	0.0	34.1	0.7	-0.4	34.4	0.7	-0.4	34.7	0.7	0.0	35.4
Cost of the OPCC	1.3	0.0	0.0	1.3	0.0	0.0	1.4	0.0	0.0	1.4	0.0	0.0	1.4	0.0	0.0	1.4
Commissioning and Victim Services	4.2	0.0	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2
New Pressures																
Pension Costs	0.0	8.0	0.0	8.0	0.0	0.0	8.0	0.0	0.0	8.0	0.0	0.0	8.0	0.0	0.0	8.0
Motor Insurance Premium Increase	0.0	1.1	0.0	1.1	0.0	0.0	1.1	0.0	0.0	1.1	0.0	0.0	1.1	0.0	0.0	1.1
Body Worn Video	0.0	0.8	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8
Increased ERSOU Charges	0.0	0.2	0.0	0.2	0.4	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6
Forensic Cost increase	0.0	0.3	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3
Establishment of Records Management Team	0.0	0.4	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.4
PEQF	0.0	0.0	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3
Revenue Contribution to Capital Outturn	0.0	0.0	0.0	0.0	1.0	0.0	1.0	1.0	0.0	2.0	1.0	0.0	3.0	1.0	0.0	4.0
Other Posts	0.0	0.6	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6
Mobile Policing Revenue Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.7	0.0	1.7	0.0	0.0	1.7	0.0	0.0	1.7
Additional Officers																
New Horizon 3	0.0	7.0	0.0	7.0	0.4	0.0	7.4	0.4	0.0	7.8	0.4	0.0	8.2	0.2	0.0	8.4
Savings																
Savings Achieved	0.0	0.0	-9.7	-9.7	0.0	0.0	-9.7	0.0	-8.7	-18.4	0.0	-9.4	-27.8	0.0	-6.4	-34.2
Total Gross Spending	333.3	30.4	-10.5	353.2	11.7	0.0	364.9	12.9	-9.1	368.7	11.0	-9.8	369.9	11.1	-6.4	374.6
less Income:																
Specific Grant - Victims Funding	2.1	0.0	0.0	2.1	0.0	0.0	2.1	0.0	0.0	2.1	0.0	0.0	2.1	0.0	0.0	2.1
Specific Grants - Counter Terrorism	13.0	0.3	0.0	13.3	0.3	0.0	13.6	0.3	0.0	13.9	0.3	0.0	14.2	0.3	0.0	14.5
Locally Generated Income	20.0	0.6	0.0	20.6	0.3	0.0	20.9	0.4	0.0	21.3	0.4	0.0	21.7	0.4	0.0	22.2
Contribution from Reserves - new policies	7.8	-7.8	3.6	3.6	-3.6	2.5	2.5	-2.5	1.1	1.1	-1.1	0.7	0.7	-0.7	0.7	0.7
Reduction in Protective Services Grant	0.0	-0.2	0.0	-0.2	0.0	0.0	-0.2	0.0	0.0	-0.2	0.0	0.0	-0.2	0.0	0.0	-0.2
Total Net Spending	290.4	37.5	-14.1	313.8	14.7	-2.5	326.0	14.7	-10.1	330.5	11.4	-10.5	331.4	11.1	-7.1	335.4
Savings (Required)/ Overachieved	0.0			0.0	0.0	-8.7	-8.7	8.7	-9.4	-9.4	9.4	-6.4	-6.4	6.4	-6.4	-6.4
Total Net Spending after savings	290.4			313.8			317.3			321.1			325.0			329.0
Funding:																
General Policy and Legacy Council Tax grants	183.8	3.6	0.0	187.4	0.0	0.0	187.4	0.0	0.0	187.4	0.0	0.0	187.4	0.0	0.0	187.4
Assumed Increase in grant to cover pensions	0.0	3.4	0.0	3.4	0.0	0.0	3.4	0.0	0.0	3.4	0.0	0.0	3.4	0.0	0.0	3.4
Estimated Council Tax Surplus	1.5	-0.4	0.0	1.2	-0.2	0.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0
Council Tax Precept	105.1	16.8	0.0	121.9	3.7	0.0	125.5	3.8	0.0	129.3	3.9	0.0	133.2	4.0	0.0	137.2
Total Net Financing	290.4	23.4	0.0	313.8	3.5	0.0	317.3	3.8	0.0	321.1	3.9	0.0	325.0	4.0	0.0	329.0
Council Tax Base	621,225			630,928			637,237			643,609			650,045			656,546
Band D Precept	169.15			193.15			196.99			200.91			204.91			208.99
£ Increase in Precept	12.00			24.00			3.84			3.92			4.00			4.08
% Increase in Precept	7.64%			14.19%			1.99%			1.99%			1.99%			1.99%
% Growth in Tax Base	2.0%			1.6%			1.0%			1.0%			1.0%			1.0%

Kent Police and Crime Commissioner

Reserves Strategy 2019/20

Introduction

1. An important element of the PCC's overall financial strategy is the use of reserves over the life of the Medium Term Financial Plan (MTFP). How and why the PCC holds reserves is outlined in this Reserves Strategy which is reviewed and updated annually.
2. The reserves strategy has always been published as part of the Police and Crime Plan and Budget Papers reported to the Police and Crime Panel in February each year. This forms part of the overall financial environment taken into account when the PCC sets the level of precept.

Background

3. Reserves are used by the PCC both for the annual budget and over the medium term as part of an overall medium term financial strategy. There are a number of legislative safeguards in place that help prevent the PCC from over-committing financially. These include:
 - The requirement to set a balanced budget as set out within the Local Government Finance Act 1992.
 - The requirement for the PCC to make arrangements for the proper administration of their financial affairs and the appointment of a Chief Finance Officer (CFO), or Section 151 Officer to take responsibility for the administration of those affairs.
 - The requirements of the Prudential Code, Treasury Management in Public Services Code of Practice and the Financial Management code of Practice.
 - The CFO's duty to report on the robustness of estimates and the adequacy of reserves when the PCC is considering the budget requirement.
4. This is reinforced by Section 114 of the Local Government Act 1988 which requires the CFO to report to the PCC, Police and Crime Panel and the External Auditor if there is, or likely to be, unlawful expenditure or an unbalanced budget. This would include situations where the PCC does not have sufficient resources to meet expenditure in a particular year or where reserves have become seriously depleted.
5. The Local Government Finance Act 1992 also requires PCCs as a 'precepting' authority to have regard to the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.
6. It should be noted that there is no defined minimum level of reserves that PCC's should hold. Local circumstances in terms of resourcing, expenditure and demand vary significantly across the country and so the level of reserves held is a judgement by the PCC with advice from the CFO, taking into account all local and national circumstances.

Financial Regulations

7. The Kent Police Financial Regulations set out the key responsibilities for the CFO, Chief Constable and the PCC in regard to reserves and how they are used and maintained.

Reserves Strategy

8. The PCC holds reserves for three reasons:
 - a) As a general contingency against unknown or unforeseen events
 - b) To manage strategic risks in the organisation
 - c) To manage change within the organisation
 There are also a number of specific named reserves held for statutory reasons.
9. The PCC's reserve strategy has the following key elements:

- A general non-earmarked reserve of 3% of the net budget will be maintained for unknown and/or unforeseeable events.
- A prudent approach to risk management will be maintained and accordingly earmarked reserves will be created to cover for possible significant risks.
- A prudent reserve to provide for the costs of change, especially in respect of redundancy and ill health retirements.
- In the interests of the council tax payer, the PCC will where possible build up and maintain a level of reserves for investment, borrowing only where the life of the asset and economic environment make it the most efficient way of financing investment.
- The PCC will take a long term approach to protecting, maintaining and investing in all assets, supporting policing in the long term as well as short term.
- Reserves not required for the above purposes will be clearly identified as available for other discretionary opportunities.

Reserve Levels

10. The total general and earmarked reserves are expected to be £29.1m as at the 1 April 2019. Of this, general reserves will amount to £9.4m or broadly 3% of the net budget. This is in line with the current strategy of holding the equivalent of 3% of the net revenue budget for general contingency. This increases over the medium term as the net revenue budget increases.
11. The remaining reserves are all earmarked. It should be noted that only £6.5m of those total earmarked reserves, are there to support investment and capital spending over the medium to long term. The balance of capital investment in 2019/20 will be funded from asset sales during the year and where appropriate borrowing. Over the medium term a revenue contribution to capital will be introduced in 2020/21 to support future capital investment.
12. The PCC has continued his commitment in 2019/20 of making £2m from reserves available to support the recruitment of new police officers and staff. This alongside a provision for ill health retirements, the innovation task force and other budget support means £3.6m will be used during 2019/20.
13. The PCC has notified the Chief Constable that any in-year underspends may be used in the first instance to support recruitment of the additional officers and staff. If this is not required, any underspends will be taken back into reserves in order to mitigate risks over the medium term and support the investment programme. Any in-year reallocation of underspends will only be considered by the PCC where an exceptional business case is made.
14. The reserves position over the medium term is set out below:

Table 1: Reserves

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
Reserve	£m	£m	£m	£m	£m	£m
General	8.8	9.4	9.5	9.6	9.8	9.9
Funding Risk	3.7	3.0	1.6	0.7	0.3	0.1
Insurance	3.1	3.1	3.1	3.1	3.1	3.1
Change Management	10.6	5.2	1.3	0.0	0.1	0.1
Investment Reserve (capital & revenue)	22.7	6.5	2.1	5.8	1.6	6.5
PCC	1.1	0.9	0.8	0.7	0.7	0.7
POCA	1.0	1.0	1.0	1.0	1.0	1.0
Total	51.0	29.1	19.4	20.9	16.6	21.4

15. The reserves are held for the following:
 - a) **The General reserve** is used to mitigate against unknown and unexpected events that incur considerable cost that could not be borne within the revenue budget, such as Operation Stack, public order, major investigation costs or to fund initial costs of major disruption/disaster response (i.e. flooding). This would be used before applying to the Government's Special Grant scheme

should the criteria be met. The Special Grant scheme usually only accepts applications from those PCC's who have incurred costs greater than 1% of their net revenue budget. This reserve covers two such instances plus a further 1% for unknown and unexpected costs.

- b) **Funding risk** is used to mitigate changes in funding levels. This reserve also funds natural fluctuations in bank holiday pay, partnership funding and our partner authorities in their attempts to increase the tax base and reduce fraud in council tax collection.
 - c) **The Insurance reserve** is held to cover potential liabilities in any insurance claim. In order to keep our insurance premiums at a reasonable level, we self-insure to a significant degree. This level is suggested by our Insurance Advisors as an appropriate amount to keep in reserve should we incur a large insurance claim. This is reviewed annually.
 - d) **Change management** is held to help fund projects that will enhance policing in Kent and provide financial savings to the organisation. It also helps mitigate the impact of redundancies and ill-health retirements on the ongoing revenue budget.
 - e) **Investment reserve** funds the capital and revenue investment in our investment programme. The investment programme is a number of medium and long term projects that are designed to improve/create assets for the Force that will reduce financial commitments and improve policing in Kent. All sales of assets (capital receipts) fall into this reserve to be used for future capital investment. Capital projects will typically incur some revenue investment and this reserve helps fund that part of the investment programme without impacting on the ongoing revenue budget.
 - f) **PCC reserve** holds funds set aside from the PCCs own budget to fund innovative projects to help transform policing and fund local priorities.
 - g) **POCA** (Proceeds of Crime Act) is a reserve that covers any shortfall in funding for our POCA investigators and to fund community projects through the Property Fund.
16. Over the medium term, taking all the plans and provisions into account, total earmarked reserves are expected to fall to £21.4m, a reduction of 58% from the level held at the beginning of 2018/19. In part, this is due to reserves being used to support the budget, ill health retirements and the ongoing investment programme.
17. The expenditure from the investment reserve is increasingly reliant on in-year asset disposals being realised and available to spend. A £1m revenue contribution to capital is being introduced in 2020/21 to support the investment programmes maintenance projects and this will increase by £1m each year over the medium term. Any fluctuations in asset disposals may mean a reduction in investment, or where appropriate for long term projects, a need to borrow.

Home Office Classification

18. The Home Office sets out clear guidance on publishing the reserves strategy. It also states that the information on each revenue reserve should make clear how much of the funding falls into one of the following three categories

Classification	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Funding for planned expenditure on projects and programmes over the period of the current MTFP	36.6	14.4	4.8	6.3	1.8	0.0
Funding for specific projects and programmes beyond the current planning period	0.2	0.2	0.2	0.2	0.2	6.7
Funding held as a general contingency or resource to meet other expenditure needs in accordance with sound principles of financial practice	14.0	14.4	14.4	14.4	14.6	14.7

19. Further details of the PCC's reserves can be found in Annex i.

Summary of Reserves Position									
	Classification	18/19	19/20	20/21	21/22	22/23	23/24	Reason	Planned Use
		£m	£m	£m	£m	£m	£m		
General	Contingency	8.8	9.4	9.5	9.6	9.8	9.9	3% of NRB. Held to mitigate against unknown and unexpected events. Will fund Operation Stack, public order, major investigation costs that are not expected or to fund initial costs of major disruption/ disaster response (i.e. flooding) before applying for Bellwin Scheme.	This is the minimum level of reserves we would expect to hold. Therefore there is no planned use of these reserves. However, the increase in the net budget means this reserve increases over the medium term.
Funding Risk	Planned	3.7	3.0	1.6	0.7	0.3	0.1	Policing receives one year settlements. This makes it difficult to forecast future spending levels. There is the uncertainty of a CSR during 2019/20. There are unknown costs from national projects that may fall on the policing budget (such as ESN) either as a direct cost or as a top slice from government. This reserve is held to support the budget in times of funding changes (both increases and decreases) to avoid precipitous decisions being made.	This reserve is planned to be used during 2019/20 to support the budget. Future years includes some use for fluctuating bank holiday pay, partnership funding and supporting local authorities council tax collection rates and tax base.
Insurance	Contingency	3.1	3.1	3.1	3.1	3.1	3.1	This reserve is held to cover our potential liabilities in any insurance claim. In order to keep our insurance premiums at a reasonable level we self-insure to a significant degree. This level is suggested by our Insurance advisors as an appropriate amount to keep in reserve should we incur a large insurance claim.	This is the minimum level of reserves we have been advised to hold by our advisors. There is no planned use of this reserve over the medium term as it mitigates against large insurance claims of which we currently do not have any. This may fluctuate over the medium term depending on our advisors advice.

Change Management	Planned	10.6	5.2	1.3	0.0	0.1	0.1	With changing demand and resourcing levels the Force are undergoing significant change. This reserve is to help fund projects that will enhance policing in Kent and provide financial savings to the organisation. It helps mitigate the impact of redundancies and ill-health retirements on the ongoing revenue budget.	This fund will be used over the medium term to cover estimated costs of ill health and redundancies and investment into recruiting new police officers.
Investment	Planned	22.7	6.5	2.1	5.8	1.6	6.5	This reserve funds the capital and revenue investment in our investment programme. The investment programme is a number of long term projects that are designed to improve/ create assets for the Force that will reduce financial commitments and improve policing in Kent. All sales of assets (capital receipts) fall into this reserve to be used for future capital investment. This reserve funds the revenue investment involved in our investment programme. Capital projects will typically incur some revenue investment and this reserve helps fund that part of the investment programme without impacting on the ongoing revenue budget.	This reserve is planned to be used over the medium term. It will fund the investment programme for Kent Police. It will be bolstered during the year by capital receipts from the sale of assets.
Police and Crime Commissioner	Planned	1.1	0.9	0.8	0.7	0.7	0.7	This reserve holds funds set aside from the PCCs budget to fund innovative projects to help transform policing and fund local priorities.	This is planned to be used on supporting the recruitment of police officers.
POCA	Planned	1.0	1.0	1.0	1.0	1.0	1.0	Proceeds of Crime Act reserve is a portion of the proceeds that Kent Police receive under the act. This can be used to fund our POCA investigators and to fund community projects through the Property Fund.	The use of this reserve is discussed at the POCA board. No plans to use are currently identified. It also supports any shortfall in funding for our POCA investigators.
Total Reserves		51.0	29.1	19.4	20.9	16.6	21.4		

KENT POLICE AND CRIME COMMISSIONER**CAPITAL STRATEGY****1. Purpose**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code requires Police and Crime Commissioners (PCCs) to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.

The Capital Strategy is a key document for the Kent PCC and Kent Police and forms part of the integrated revenue, capital and balance sheet planning. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of how associated risk is managed and the implications for future financial sustainability. It includes an overview of the governance processes for approval and monitoring of capital expenditure.

Throughout this document the term Kent Police is used to refer to the activities of both the PCC and the force.

2. Scope

This Capital Strategy includes all capital expenditure and capital investment decisions for Kent Police. It sets out the long term context in which decisions are made with reference to the life of the projects/assets.

3. Capital Expenditure

Capital expenditure is incurred on the acquisition or creation of assets, or expenditure that enhances or adds to the life or value of an existing fixed asset. Fixed assets are tangible or intangible assets that yield benefits to Kent Police generally for a period of more than one year, e.g. land and buildings, ICT, equipment and vehicles. This is in contrast to revenue expenditure which is spending on the day to day running costs of services such as employee costs and supplies and services.

The capital programme is Kent Police's plan of capital works for future years, including details on the funding of the schemes.

4. Capital vs. Treasury Management Investments

Treasury Management investment activity covers those investments which arise from the organisation's cash flow and debt management activity, and ultimately represents balances which need to be invested until the cash is required for use in the course of business.

For Treasury Management investments the security and liquidity of funds are placed ahead of the investment return. The management of associated risk is set out in the Annual Treasury Management Strategy Statement.

The CIPFA Treasury Management Code recognises that some organisations are entitled to make investments for policy reasons outside of normal treasury management activity. These may include service and commercial investments. However, like all police bodies, Kent Police does not have a General Power of Competence which gives councils the power to do anything an individual can do provided it is not prohibited by other legislation and as such, is prevented from entering into commercial investment activities.

5. Links to other corporate strategies and plans

The PCC produces his Police and Crime Plan every four years. The current version, is Safer in Kent: The Community Safety and Criminal Justice Plan 2017 to 2021.

The PCC and the Chief Constable have produced a Joint Vision which is supported by the Chief Constable's Policing Model.

To support these overarching documents a number of interrelated strategies and plans are in place, such as the Medium Term Financial Plan (MTFP), Medium Term Capital Plan (MTCP), Reserves Strategy, Asset Management Plan and the Treasury Management and Annual Investment Strategy.

The operation of all these strategies and plans is underpinned by the Code of Corporate Governance and Financial Regulations.

Capital resources should be directed to those programmes and projects that optimise the achievement of these outcomes. The following processes are designed to ensure this happens.

6. The Capital Budget Setting Process

Kent Police is committed to rolling medium term revenue and capital plans that also cover the same period. The plans are drawn up, reassessed and extended annually and if required re-prioritised to enable Kent Police to achieve the aims and objectives established in the Police and Crime Plan, the force's policing model and to support national drivers like the National Policing Vision 2025.

The MTCP provides Kent Police infrastructure and major assets through capital investment, enabling Kent Police to strengthen and streamline core assets and systems, and provides the framework for delivering innovative policing with a lower resource profile.

Key focus of the Capital Programme:

- To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites, improving core training facilities and progressing the Asset Management Plan.
- To ensure provision is made for ICT and Business Change Technology to maintain and develop the existing infrastructure and invest in the core technologies required to provide innovative digital policing services.
- The maintenance and replacement of other core assets where necessary, e.g. vehicles and communication infrastructure.

The plans acknowledge the constrained financial position of Kent Police and maximise both the available financial resources and the capacity that the force has to manage change projects.

7. Collaboration and Wider Sector Engagement.

Although Kent Police has its own Capital Strategy and MTCP, the natural drivers that encourage local and regional forces to collaborate, such as cost and resource sharing, along with structured collaborations and national plans, can have a significant influence on local decision making.

One of the focal points therefore of Kent Police's Capital Strategy is to acknowledge regional and national partnership working, both with other forces/PCCs and in the wider context of engagement with Local Authorities and Councils, other Emergency Services and the Crown Prosecution Service, to improve overall service to the public.

8. Affordability and Financial Planning.

Prior to submission of the draft MTCP in late autumn, a significant amount of financial work will have already been undertaken on Revenue budgets. This work will have identified the potential financial position for Kent Police in respect of the coming medium term, taking into account core known information and stated assumptions.

The work will include forecasts on inflation, committed growth requirements, forecast productivity and efficiency savings, assumptions around grant and council tax funding and any other information introduced during the budget process.

The revenue financial position is also influenced by the Capital Bid process and the MTCP – in terms of both revenue consequences of capital programmes and also through the ability or requirement to financially support capital investment, either through direct financing or borrowing.

9. Capital Sustainability.

Kent Police's financial position is changing. For many years Kent Police has benefitted from substantial capital reserves, supported by the sale of assets or from revenue reserves built up over a number of years from in-year revenue underspends.

Looking ahead over the medium term the ability of Kent Police to maintain its current level of expenditure on capital funded from accumulated reserves or the sale of assets becomes limited. The prudent use of reserves over the medium term, the reducing level of underspends (if any) and the reducing number of assets available for sale means that alternative ways of funding the capital programme need to be considered. With this in mind Kent Police are introducing a Revenue Contribution to Capital Outturn (RCCO) to set aside an increasing level of revenue expenditure over the medium term to provide revenue funding for short life programmes. For longer term projects, namely asset builds, then consideration will be given to borrowing or direct financing.

The Kent Police Strategy is therefore to invest in core infrastructure now that will not only offer overall service improvements to the public, but also maximise revenue savings in the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure, e.g. connected vehicle fleet and building assets.

Its investment strategy will also be influenced by, and take account of national visions for policing, regional and local priorities.

10. The Formal MTCP Approval Process

As indicated, the PCC receives the updated Capital Programme in January each year as part of the overall suite of budget reports.

The PCC approves the funding levels in February each year. The taking of loans, if required, then becomes a decision for the PCC's Chief Finance Officer (PCCCFO) in conjunction with the Force Chief Finance Officer (FCFO) who will decide on the basis of the level of reserves, current and predicted cashflow, and the money market position whether borrowing should be met from internal or external sources.

Once the PCC has approved the capital programme, then expenditure can be committed against these high level schemes subject to a full business case being submitted, normal contract procedure rules and the terms and conditions of funding.

Whether capital projects are funded from grant, contributions, capital allocations or borrowing, the revenue costs must be able to be met from existing revenue budgets or identified (and underwritten) savings or income streams.

Following approval by PCC the capital programme expenditure is then monitored on a regular basis through regular financial monitoring reports and reported at the PCC's Performance and Delivery Board on a quarterly basis.

11. Individual Project Management

Capital Projects are subject to high levels of scrutiny. This varies dependant on the type of project and may be influenced by size or the makeup of regional involvement. Each project will have a Project Manager and potentially a team to implement it.

Typically projects will have a dedicated Project Board, which, if part of a larger programme may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer or Chair Person.

Detailed oversight is further provided through the ICT Project Management Office, Strategic Estate Groups and Force Change Boards.

Regional Projects or Programmes may also report into Regional Boards.

12. Monitoring of the capital programme

The FCFO will submit capital monitoring reports to the Chief Officer Senior Management Team and the PCC on a regular basis throughout the year. These will usually be submitted to the quarterly Capital Monitoring Board. These reports will be based on the most recently available financial information. These monitoring reports will show spending to date and compare projected income and expenditure with the approved capital budget.

For proposed in-year amendments to the annual capital budget, for schemes not already included in the MTCP, the Director of Finance will prepare a business case for submission to the PCC for consideration and approval, including details on how the new scheme is to be funded.

Monitoring reports presented and discussed with the PCC at his Performance and Delivery Board meeting with the Chief Constable are published on his website.

In addition, for those business change programmes where a formal Board has been established, a detailed scheme monitoring report is presented to each Board meeting.

13. Multi-Year Schemes

Payments for capital schemes often occur over many years, depending on the size and complexity of the project. Therefore, estimated payment patterns are calculated for each project so that the expected capital expenditure per year is known. This is called a cash flow projection or budget profiling.

The approval of a rolling multi-year capital programme assists Kent Police stakeholders in a number of ways. It allows the development of longer term capital plans for service delivery. It allows greater flexibility in planning workloads and more certainty for preparation work for future schemes. It also allows greater integration of the revenue budget and capital programme. It also matches the time requirement for scheme planning and implementation since capital schemes can have a considerable initial development phase.

14. In-year Changes to the Capital Programme

A MTCP is produced which shows all planned expenditure over the next 5 years. This plan will include a schedule to show how the planned expenditure is likely to be funded subject to business case approval.

A separate annual capital budget is produced before the start of the financial year. Initially this budget will only include ongoing schemes from previous years as well as annual provisions such as vehicles, plant and equipment. Additional schemes from the MTCP are included in the annual budget after tenders have been accepted and timescales are known.

15. Funding Strategy and Capital Policies

This section sets out Kent Police policies and priorities in relation to funding capital expenditure and investment.

15.1 Government Grant

The police service only receives limited financial support from the Home Office; annual capital grant is currently approximately £1m per annum. This grant is not hypothecated and can be carried forward if not spent in the year of receipt.

15.2 Capital Receipts

A capital receipt is an amount of money which is received from the sale of an item on the fixed asset register. This can only be spent on other capital expenditure and cannot be used to fund revenue items.

These capital receipts, once received, are used to finance the capital programme. The pool of assets available for sale is declining.

15.3 Revenue Funding

Recognising that the pool of assets available for sale is declining a RCCO is seen as a sustainable funding alternative. This will begin in 2020/21 and an appropriate provision for RCCO is included.

15.4 Prudential Borrowing

Local Authorities, including police bodies, can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so Kent Police needs to ensure it can fund the repayment costs. The authority's Minimum Revenue Provision (MRP) Policy sets out a prudent approach to the amount set aside for the repayment of debt.

In recent years, Kent Police have consistently avoided external borrowing by using internal resources (reserves, capital receipts), however, the reduction in resources available may mean that for long term estate projects external borrowing would be more appropriate.

15.5 Reserves and balances

Unspent capital grant and capital receipt monies can be carried forward in the Balance Sheet until they are required to fund the capital programme. Kent Police also hold revenue reserves built up over a number of years to fund elements of the capital programme.

15.6 Leasing

Kent Police may enter into finance leasing agreements to fund capital expenditure. However, a full option appraisal and comparison of other funding sources must be made and the FCFO and the PCCCFO must both be satisfied that leasing provides the best value for money method of funding the scheme before a recommendation is made to the PCC.

Under the Prudential Code finance leasing agreements are counted against the overall borrowing levels when looking at the prudence of the authority's borrowing.

16. Procurement and Value for Money

Procurement is the purchase of goods and services. Kent Police has a joint Procurement Section with Essex Police and are now part of the 7F procurement project that ensures that all contracts, including those of a capital nature, are legally compliant and best value for money.

It is essential that all procurement activities comply with prevailing regulations and best practice as set out in the Code of Corporate Governance, which includes Contract and Financial Regulations. Guidance on this can be sought from the Procurement team.

The main aim is to hold 'value for money' as a key goal in all procurement activity to optimise the combination of cost and quality.

17. Partnerships and Relationships with other Organisations

Wherever possible and subject to the usual risk assessment process Kent Police will look to expand the number of capital schemes which are completed on a partnership basis and continually look for areas where joint projects can be implemented. In support of this initiative Kent Police has a joint ICT Department with Essex Police and a number of ICT and business change programmes are being delivered collaboratively.

Where Kent Police procures capital items on behalf of other consortium partners only Kent Police related expenditure which will be included in the fixed asset register will be included in the MTCP and the annual capital budget.

18. Management Framework

The PCC has given legal consent for the Chief Constable to own short life assets, such as ICT, equipment and vehicles. On a day to day basis, the Head of Property manages the estate on his behalf.

The FCFO manages the MTCP and the annual capital budget and provides regular updates at the Chief Officer Strategic Meeting (COSM) where, collectively, Chief Officers maintain oversight of planned expenditure.

The PCCCFO is responsible for developing and then implementing the Treasury Management Strategy Statement, including the Annual Investment Strategy.

During the budget preparation process, COSM take a strategic perspective to the use and allocation of Kent Police capital assets and those within its control in planning capital investment. They receive reports on proposed capital projects and make formal recommendations to the PCC during the development of the capital programme.

Having approved the MTCP and the annual capital budget in January each year the PCC formally holds the Chief Constable to account for delivery of capital projects at the Performance and Delivery Board meetings.

19. Performance Management

Clear measurable outcomes should be developed for each capital scheme. After the scheme has been completed, the Chief Constable is required to check that outcomes have been achieved.

Post scheme evaluation reviews should be completed by Kent Police for all schemes over £0.5 million and for strategic capital projects.

Reviews should look at the effectiveness of the whole project in terms of service delivery outcomes, design and construction, financing etc. and identify good practice and lessons to be learnt in delivering future projects.

20. Risk Management

Risk is the threat that an event or action will adversely affect Kent Police's ability to achieve its desired outcomes and to execute its strategies successfully.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.

The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of Kent's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored.

It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex and costly business change programmes.

Kent Police accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the Police and Crime Plan and will seek to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, Kent Police will seek to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.

The FCFO and the PCCCFO will report jointly on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialist advice to enable them to reach their conclusions.

20.1 Credit Risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly, Kent Police will ensure that robust due diligence procedures cover all external capital investment. Where possible contingency plans will be identified at the outset and enacted when appropriate.

20.2 Liquidity Risk

This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. This is also the risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes. Where possible appropriate interventions will occur as early as possible.

20.3 Interest Rate Risk

This is the risk that interest rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Interest rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

20.4 Exchange Rate Risk

This is the risk that exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Where relevant, exchange rates will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

20.5 Inflation Risk

This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.

20.6 Legal and Regulatory Risk

This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective, or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, Kent Police will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.

20.7 Fraud, Error and Corruption

This is the risk that financial losses will occur due to errors, fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. Kent Police has a strong ethical culture which is evidenced through our values, principles and appropriate behaviour. This is supported by the national Code of Ethics and detailed policies such as Anti-Fraud and Corruption and Declaration of Interests.

21. Other Considerations

Capital Schemes must comply with legislation, such as the Disability Discrimination Act, the General Data Protection Regulations (GDPR), building regulations etc.