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Dear Member

KENT AND MEDWAY POLICE AND CRIME PANEL - THURSDAY, 6 FEBRUARY 2020

I am now able to enclose, for consideration next Thursday 6 February 2020 at the meeting of the Kent and Medway Police and Crime Panel, the following report which was unavailable when the agenda was printed.

Agenda Item No

A1 **Draft Police and Crime Plan and Associated Budget and Precept proposals**
(Pages 1 - 32)

Yours sincerely

Benjamin Watts
General Counsel

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Key Points

1. The key points from the 2020/21 budget and precept proposal from the Police and Crime Commissioner (PCC) are:
 - A proposed increase in the precept of £10 a year, or 5.18% for a Band D property, equivalent to 83p a month.
 - A council tax for an average Band D property of £203.15.
 - The increase in precept to be used to fund:
 - 36 new PCSOs, including 15 dedicated to crime prevention;
 - 34 more police officers, on top of the first 147 new police officers funded by the Home Office, as part of the national increase; and
 - around 100 new civilian staff to train and support frontline officers, including more digital forensics investigators.
 - Home Office funding provides for supporting the increasing number of police officers through recruitment, training and providing the best equipment, vehicles, IT infrastructure to enable Kent Police to continue to be the best force in the country now and in the future.
 - Continuation of the Kent and Medway Violence Reduction Unit, working across public health partners to reduce violence, especially knife crime in young adults.
 - A net revenue budget after savings of £335.0m.
 - A savings requirement over the medium term of £0m.
 - A capital programme of £15.8m for 2020/21 and £63.8m to 2024/25.
 - The use of £0.8m of reserves to support the budget in 2020/21.
 - A final balance in reserves at the end of 2024/25 of £16.3m.
2. This budget and Medium Term Financial Plan (MTFP) will enable Kent Police to remain at the forefront of policing nationally and prepare for the challenges that face policing in the next decade.

Background

3. The purpose of this report is to set out the proposed budget and precept proposals by the PCC. It delivers one of the key responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.
4. In determining his budget proposals, the PCC has had regard to:
 - The priorities within the '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.
 - Government policy on public spending and the Police Funding Settlement.
 - 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 taxpayer of Kent.
 - The Cipfa Financial Management Code of Practice.
5. This report will set out the:
 - Achievements from 2019/20.
 - Government's police funding settlement for 2020/21.
 - 2020/21 budget and precept proposal.
 - 2020/21 funding pressures.
 - Commissioning Strategy.
 - Medium Term Financial Plan.
 - Reserves Strategy.
 - Capital Strategy.
 - Chief Finance Officer's Professional Statement.

Achievements from 2019/20

6. In 2019/20 the PCC increased the precept by £24 to increase the number of police officers in Kent by 180. This increase was achieved with the recruitment intake for January 2020. These officers form part of an expansion of the policing model and deal with high harm issues, as well as more visible neighbourhood policing, including rural and roads policing, local communities, fighting cybercrime and providing greater public protection. More officers has enabled Kent Police to catch more criminals, target gangs and violence, boost visible policing and help more victims.
7. To increase recruitment the PCC brought partners together for another Blue Light Jobs Fair to promote opportunities to work with local emergency services and other criminal justice agencies.
8. The continued support to the Force Control Room (FCR) and the boost in the numbers of call handlers answering 999 and 101 calls continues to pay dividends. The average answering time for 101 calls has reduced further to around 1.12 minutes and call attrition (where callers hang up as they have had no response) remaining below 10%. All of these improvements have had no impact on 999 call response with typical answering times of around 10 seconds and a less than 1% attrition rate. This means that people are getting the help they need quicker and more information is being provided to the police. The funding from the PCC gave the force time to formulate a strategic plan for the future, more efficient operation of the FCR and this comes into action on 1 April 2020, meaning the £1m identified in previous budgets is now released to contribute to the funding of the investment programme.
9. The PCC published the results and recommendations from his Violence Reduction Challenge, his Kent specific response to the Government's Serious Violence Strategy. The PCC has supported these recommendations with £1m of funding to projects to help tackle violence within Kent. These projects have been provided with 3 years funding subject to successful outcomes. This was followed by the PCC's successful application for Violence Reduction Unit funding of £1.2m to work with partners across the public health arena to reduce the incidences and impact of violence, especially knife crime, across Kent and Medway. The majority of this funding has been allocated to organisations across the county to projects that will help understand the nature of violent crime and its causes and providing workable solutions to help reduce the impact in Kent. Funding for this initiative has recently been agreed for 2020/21 (subject to successful application) so the role and impact of this cross-county partnership can be developed further.
10. Kent is the UK's gateway to and from Europe and as such Kent Police has proactively worked on a variety of contingency plans for whatever type of Brexit was expected to happen during 2019. The PCC has written to the Home Office and secured funding to cover the costs of all of the preparations undertaken by Kent. This totals £4.3m and means that the costs have not been a burden to the Kent council taxpayer. Discussions with the Home Office are continuing regarding any costs incurred during 2020/21 as the UK heads towards the 31 December 2020 deadline.
11. The PCC had a record level of engagement to his Annual Policing Survey. More than 3,600 people responded, with the results appended to the refreshed Safer in Kent Plan and precept proposal report. This is testament to the considerable engagement work undertaken by the PCC and his office during 2019/20.
12. In August 2019, the Office of the Police and Crime Commissioner (OPCC) became the first in the country to move its website onto the Single Online Home platform. Having been involved in discussions with the national provider during the design phase, the OPCC was able to shape the service to meet its needs and upgrade its digital presence at zero cost to the local taxpayer.
13. The PCC approved the Chief Constable's business case for further investment in Taser, enabling any Kent Police officer in a public-facing role likely to have to deal with violent incidents while on duty to choose to undertake training to carry a Taser if they wish to.
14. 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.

15. 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, the PCC commissioned Victim Support to look at how the criminal justice system could better support victims of crime experiencing poor mental health. A report was published on World Mental Health Day, making various recommendations which the PCC is driving forward through the Kent Criminal Justice Board.
16. The PCC has been successful in securing additional funding from the Home Office to enable a number of county lines projects with the St Giles Trust to be continued and/or expanded. These projects include police custody liaison – supporting and mentoring young people in custody; a schools co-ordinator role to map and improve how preventative and awareness work is delivered to schools across the county; outreach work to vulnerable young people especially those involved in anti-social behaviour, criminality, gangs and exploitation; and Parents, Carers and schools awareness sessions. Funding has also been received from the national Modern Slavery Transformation Fund to deliver another conference. This time to raise awareness around modern slavery to key partner organisations across the county to be held in March 2020.
17. The PCC commissioned and introduced a countywide Independent Sexual Violence Advisor service to support victims of sexual violence. This is a completely independent service delivering across the whole of Kent and Medway, helping victims cope and recover regardless of whether they have reported it to the police.
18. The PCC's Victims Specialist Services funding has enabled the continued delivery of new and innovative approaches such as a Male Domestic Abuse Support Worker, LGBT+ IDVA and specialist farm-based family therapeutic services for children and their families who have suffered domestic and sexual violence.
19. The PCC's Independent Custody Visiting scheme achieved the National Council for Voluntary Organisations' Investing in Volunteers accreditation. Simultaneously the OPCC completed the ICVA's Quality Assurance Framework and was awarded the Bronze Award.

2020/21 Funding Settlement

20. On 22 January 2020, the Policing Minister announced the police grant allocation for each force area for 2020/21. This is usually announced pre-Christmas but due to the general election was delayed. The headlines nationally were:
 - £750m additional funding for the police service to recruit 20,000 officers.
 - £50m of the £750m retained by central Government to support recruitment of officers.
 - Of the remaining £700m, £532m is via un-ring-fenced core grant, £168m ring-fenced for successfully meeting recruitment targets paid quarterly in arrears.
 - No other inflationary increases in core grant.
 - £10 precept flexibility for all PCCs, or equivalent.
 - Flat cash pension grant allocations compared to 2019/20.
 - Reduction of 74% to capital grant funding to PCCs.
21. The settlement outlined the Policing Minister's expectations in return for the additional funding invested in policing. These are:
 - i. Forces to recruit an additional 6,000 officers by the end of March 2021 (Kent Police is expecting to receive 147 of these).
 - ii. A further planned £30m savings from procurement in 2020-21. Blue Light Commercial is the new national body to deliver these savings in the sector, with 'go live' scheduled for 1 June 2020. It is hoped that this new company can make a further £20m of savings per year once fully established and also further potential savings in back office functions in the future.
 - iii. Continued improvements in digital, data and technology solutions to maximise the benefits of mobile working.
 - iv. Continue to pursue best value from the investment in police technology. The Home Office will work with the sector to draw up a detailed plan which will be overseen by the ministerially-chaired, Strategic Change and Investment Board.

22. The PCC is confident that through this budget and through previous year's recruitment that Kent Police is already in a strong position to be able to meet the recruitment target of 147 new officers set by central Government for the end of 2020/21. Therefore the release of Kent's share of the incentivisation funding has been included within the budget. The PCC is equally confident that this budget and MTFP shows Kent's commitment to the above expectations. Furthermore, the PCC is now the national lead for Blue Light Commercial, ensuring oversight of the organisation's delivery of the Government's expectations.
23. Locally, as a result of the settlement, the funding received by Kent is as follows:

Table 1: Funding Settlement

Funding Stream	2020/21	2019/20	Variance
	£m	£m	£m
Police Core Settlement	115.5	107.1	8.4
Ex DCLG Funding	71.6	67.0	4.6
Specific Grant: Officer Uplift	4.1	0.0	4.1
Legacy Council Tax Grants	13.3	13.3	0
Pension Grant Allocation	3.4	3.4	0
MoJ Victims Funding*	2.2	2.1	0.0
HO Capital Grant	0.3	1.1	-0.8
Total	210.4	194.0	16.4

Note:* an increase of £0.04m but rounding means no change is shown above

24. The 2020/21 settlement provides more funding than had been previously expected due to the significant increase in police officers that is being driven nationally.

2020/21 Budget and Precept Proposal

25. For 2020/21 the PCC is looking to build on the successes of the previous year's recruitment and continue to actively seek ways to support increasing police officer numbers. Nationally, the police funding settlement has provided additional funding for the PCC and Chief Constable to recruit another 147 officers during 2020/21. The PCC is pleased that the leadership shown in Kent in using the precept to increase officers is one being replicated across the country through police grant and has been determined to ensure that Kent receives its fair share of the uplift. It is anticipated that once the full allocation of Government-funded officers for Kent have been recruited by 2022/23, Kent Police could have the highest number of officers in its history.
26. The funding settlement also provides for all of the ancillary costs involved in recruiting additional officers; training, equipment, IT etc., which allows the precept increase to cover inflationary cost pressures and invest in additional roles.
27. With the precept flexibility, the PCC has now empowered the Chief Constable to increase the number of PCSOs by 36 including 15 dedicated to crime prevention. Prudent use of the precept has also enabled the Chief Constable to recruit a further 34 more police officers on top of the 147 new police officers funded by the Home Office as part of the national increase. The precept will also provide for around 100 new civilian staff to train and support frontline officers, including more digital forensics investigators
28. The budget for 2020/21 will also continue to support frontline policing through the investment programme, ensuring that police officers have the most effective equipment, access to the best technology and have the most efficient support services.
29. The budget and precept proposal for 2020/21 is as follows:

Table 2: Budget Requirement and Precept

Budget Requirement	£335.0m
Less Police Grant	£115.5m
Less Revenue Support Grant	£71.6m
Less Pension Grant	£3.4m
Less Legacy Council Tax Grants	£13.3m
Sub Total	£131.3m
Less Collection Fund Surplus	£1.0m
Amount to be raised by Council Tax	£130.3m
Divided by aggregate council tax base	641,422
Band D Council Tax	£203.15

Note: Table may not calculate correctly due to rounding

30. The force received an 'outstanding' grading from HMICFRS on Efficiency in the last round of inspections, however, the PCC has remained steadfast in his view that Kent Police should strive to become ever more efficient. The decision to increase the precept does not absolve the need for the force to make savings. The savings for 2020/21 were already planned under the previous MTFPs and the PCC has reviewed and agreed the proposals for £9.2m of cost savings for 2020/21 as they will have a minimal impact on the frontline. These savings were identified in a number of areas, for example pay differential; increased income; support services amongst others. The force finance team also conducted an extensive review of the budgets and held workshops to challenge budget holders on savings yielding approximately £3m in ongoing savings from a number of cost centres.

2020/21 Funding Pressures

31. Despite the additional funding for new officers and associated costs, Kent Police is still facing a number of significant cost pressures in 2020/21. Some of the increase in precept will be used to mitigate the impact of these additional costs. The major pressures facing Kent Police for 2020/21 are:
- £8.6m for police officer and staff pay inflation. More than 80% of the Kent Police budget is staffing costs and therefore any increase in pay is a significant cost pressure. This includes the increasing number of officers and staff recruited and planned to be recruited up to and during 2020/21. The previous MTFP included a 2% increase but the eventual Government settlement was for 2.5% adding an additional £1.5m, included in the total above.
 - £10.4m for other inflation and cost pressures. All non-pay costs are subject to inflationary pressures, including contract inflation, fuel costs and utilities as well as a number of additional cost pressures such as increasing costs for national collaboration, contractual costs and the ongoing revenue costs of successful investment programme projects.
 - £0.5m ESMCP. This is the national replacement emergency services communications network. The project has been significantly delayed and the level of costs that are allocated for local forces to pick up is unclear. This risk of an increased cost pressure to Kent Police has been identified in previous budget reports and this year is no exception. In previous years these expected costs had been allocated from reserves, however, as costs become more certain and the reducing level of reserves it seems appropriate to provide a budget for indicative costs.
 - £1m to support investment in equipment, technology and support services. The funding settlement reduced the capital grant that the PCC receives from central Government by £0.8m. The investment programme is funded through this grant, the use of reserves and asset sales. This investment is part of a medium term investment plan supporting the PCC's ambition to provide the best support to police officers and staff.

Commissioning Strategy

32. The PCC's Safer in Kent Plan has as a key priority to 'enhance services for victims of crime and abuse'. The Ministry of Justice (MoJ) has announced the specific victims' grant allocations for 2020/21 of £2.2m 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 Strategy on vital services for victims, including those delivered from Compass House, including the Victim Support service, the newly commissioned Independent Sexual Violence Advisor service and the PCC's Restorative Justice service.
33. 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 again be available for allocation in 2020/21, the same level of funding as the previous two years.
34. The focus of these funds can be found in the Commissioning Strategy overview in Annex A

Medium Term Financial Plan – 4 years to 2024/25

35. 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 2020/21 through to 2024/25. For obvious reasons there is more certainty around the figures included in the early years than for those towards the end of the plan. A number of optimistic and pessimistic scenarios are produced with a number of differing assumptions and these are discussed with the PCC, Chief Executive and both PCC and force Chief Finance Officers (CFO) before a final version is completed. The key assumptions included in the plan are:

Funding assumptions

- The precept will increase by £10 in 2020/21 but thereafter will increase by 1.99% each year.
- The precept referendum limit will be 2% in 2021/22 and in future years, in line with the pre-precept flexibility referendum limits and that the greater precept flexibility afforded to PCC's in 2020/21 is not continued.
- The council tax base will grow by 1.7% in 2020/21, then 1.3% each year thereafter.
- That funding of the additional officers in 2021/22 and 2022/23 will be matched by an increase in central Government grant funding.
- The increase for the officer uplift in 2020/21 will form part of the base budget in future settlements.
- The police revenue grant and officer uplift funding will be increased by inflation of 2.5% each year to match expected pay settlements.
- That the additional pension grant received in 2020/21 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 2020/21 levels in real terms.
- That there will be no impact on the level of funding post any Comprehensive Spending Review (CSR).

Cost Assumptions

- Up to 147 police officers will be recruited in 2020/21, with a further 196 in 2021/22 and 147 in 2022/23 as announced by central Government.
- These officers and staff will form part of the ongoing establishment and be fully funded from Government grant.
- Pay cost inflation for officers and staff will be 2.5% each year.
- Any additional bonus payment or pay award above the 2.5% will be funded through any in-year underspend or reserves.
- Non-pay inflation will be 2% for each year of the MTFP, in line with the Bank of England's target.
- The employer's pension contribution will be maintained at its current level over the life of the plan.
- That an ongoing investment in equipment and technology to support police. Officers through capital investment of £1m will be introduced in 2020/21 with a further £1m in each subsequent year of the MTFP to help ensure Kent Police has the funds to provide the best support now and in the future.

36. With these assumptions, across the life of the MTFP there are nil savings to be made by the force. It should be noted though that individual years within the MTFP do require savings to be made in order to balance the budget. While the force have a good track record of identifying savings ahead of schedule the changes in savings required for each year will need careful management. Any changes in the assumptions above, for example in the level of Government grant received, could lead to savings having to be made. There was a gap of £9.2m of savings for 2020/21 but the Chief Constable has identified savings with no impact on front-line policing and these have been removed from the 2020/21 budget figures.

37. A summary of the medium term plan is set out at Annex B. On the basis of these assumptions the savings profile would be as follows:

Table 3: Savings requirement

Savings	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Delivered	9.2	0.0	0.0	0.0	0.0	9.2
Required	0	3.3	1.0	(0.3)	(3.9)	0.0
Total	9.2	3.3	1.0	(0.3)	(4.0)	9.2

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

39. Any savings identified during the year that are not required to balance the budget in 2021/22 will be invested in reserves to support the investment programme.

Reserves Strategy

40. An important element of the PCC's overall financial strategy is the use of reserves over the life of the MTFP. The following section summarises the current and medium term position on reserves. The full Reserves Strategy is attached at Annex C.
41. 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 and accordingly earmarked reserves will be created where appropriate to cover for possible significant risks.
 - In the interest 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 its assets supporting policing for 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.
42. The total general and earmarked reserves are expected to be £16.3m as at 1 April 2020. Of this, general reserves will amount to £10.1m 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 general best practice and comparable with other PCCs.
43. The remaining reserves are all earmarked. It should be noted that the investment reserve is expected to have a zero balance at the start of the financial year. Capital investment in 2020/21 will be funded from asset sales during the year and where appropriate borrowing. In the first instance this will be internal borrowing, where the PCC 'borrows' from cashflow during the year, reducing the level of funds available for investing in the money markets but reducing the cost of borrowing. From 2020/21 and over the medium term a revenue contribution to capital will be introduced to support future investment.
44. The PCC has looked to reduce the commitments from reserves during the year and with the force bringing a new FCR plan forward only £0.8m as a provision for ill health retirements will be used during 2020/21.
45. The level of reserves has reduced significantly due to planned use of reserves to support recruitment, strong performance of delivering capital projects and reducing asset sales. This reflects a strong direction from the Government to reduce policing reserves from a high level in 2017/18. With the current expected levels of reserves, it means that reserves can only be used for capital expenditure and contingencies.
46. The PCC has notified the Chief Constable that any in year underspends may be used in the first instance to support any unforeseen expenditure. If this is not required then any underspend will be taken back into reserves in order to mitigate risks over the medium term and support the investment programme. Any in-year reallocations of underspends will only be considered by the PCC where an exceptional business case is made.
47. The reserves position over the medium term is set out below:

Table 4: Reserves

Reserve	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
General	9.4	10.1	10.7	11.2	11.5	11.8
Risk (inc Insurance)	2.0	2.0	1.8	1.6	1.5	1.5
Change Management	1.9	0.3	0.0	0.0	0.0	0.0
Investment Reserve	0.0	0.0	2.8	0.0	0.0	0.0
PCC (inc Op Morris)	1.0	1.0	1.0	1.0	1.0	1.0
POCA	1.0	1.0	1.0	1.0	1.0	1.0
Partnership	1.0	1.0	1.0	1.0	1.0	1.0
Total	16.3	15.3	18.3	15.8	16.0	16.3

48. Over the medium term, taking all the plans and provisions into account, total reserves are expected to maintain broadly the same level as they are from the end of 2019/20.
49. The expenditure from the investment reserve is increasingly reliant on in-year asset disposals being realised and available to spend. A contribution to capital investment is being introduced to support the investment in ensuring that police officers have the appropriate equipment and technology to be as effective as possible and this will increase by a further £1m each year over the medium term.
50. Any revenue underspends not required for unforeseen expenditure will be taken back into reserves in order to boost the investment reserve to fund future capital programmes.

Capital

51. 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 D.
52. 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.
 - Exploiting tangible efficiency and effectiveness opportunities in partnership with others.
 - Maximising the efficiency and effectiveness of the estate.
53. A summary of the planned schemes and projects and how they will be funded for 2020/21 to 2024/25 is shown below. As per normal practice, actual release of funding next year and in future years will depend on the completion of sound business cases.

Table 5: Investment Programme

	2020/21	2021/22	2022/23	2023/24	2024/25
Expenditure	£m	£m	£m	£m	£m
IT	6.8	7.0	6.6	7.2	7.2
Estates	5.1	3.0	3.4	2.8	2.8
Transport	2.0	1.7	1.7	1.7	1.7
ANPR	0.4	0.3	0.3	0.3	0.3
Other	1.4	0.0	0.0	0.0	0.0
Total	15.7	12.0	12.0	12.0	12.0
Funded by					
Capital Grant	0.3	0.3	0.3	0.3	0.3
Investment Reserves	1.0	0.0	5.3	3.7	4.5
Capital Receipts	7.0	11.7	1.0	1.1	0.0
Borrowing	7.4	0.0	5.4	6.9	7.2
Total	15.7	12.0	12.0	12.0	12.0

54. The investment programme is funded by a combination of investment reserves, capital grant received from the 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.
55. The PCC will have to borrow to fund the capital programme in 2020/21. Any decision to borrow will be made, like all decisions, with value for money for the taxpayer in mind and only be done when it is the most cost effective way of delivering a project and will take into account the project, business case and asset life expectancy. A decision to borrow will also take into account taxpayer equity, this is where taxpayers of today may be funding assets that future taxpayers will use. Spreading the cost of a long term asset over its life cycle will ensure that all taxpayers who benefit from the asset will be contributing to the cost.

56. In the first instance, borrowing is likely to consist of internal borrowing. This is where the PCC will borrow against future cashflow, foregoing the interest that could have been earned through investing the funds in the money markets. This is the way of borrowing with the lowest cost.
57. The overall planned investment programme has been restricted to expenditure of £12m in each financial year with the exception of 2020/21 which includes the continuing refurbishment of Ashford Police Station to the programme. This is in line with the capacity to deliver projects and expenditure achieved in previous years. The level of resources available to fund the projects without borrowing has reduced but the programme above reflects a balance between ongoing maintenance and asset replacement such as vehicles and investment in new technology and invest to save projects. This provides a clear focus on the key priority projects and reduce the amount of slippage that is typically incurred at the end of the year.
58. There are a number of significant projects in 2020/21 that enable the PCC to provide support to front line officers. These include:
- i. Mobile Policing, updating the technology that police officers take out on patrol, which avoids long waits for information and reduces travel time, meaning they are out in communities for longer;
 - ii. Emergency Services Network (ESN) our initial work contributing to the national project to improve coverage and quality of communications; and
 - iii. Vetting, to improve the process, meaning officers can be recruited more quickly; amongst other projects.
59. The PCC is keen to maximise the use of the police estate and considers all options from disposal through to refurbishment and income generation. The PCC is particularly keen to increase collaborative work on estates with our partners, particularly the Kent Fire and Rescue Service so that both organisations can benefit from efficiencies and increased understanding and collaborative work.
60. The PCC will be holding the Chief Constable to account for the delivery of the investment programme on a regular basis throughout the year.

Chief Finance Officer - Professional Statement

61. It is a statutory requirement that the designated Section 151 Officer, in this case, the 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.
62. In determining the above the CFO has reviewed the financial environment and the risks facing policing in Kent and has taken the following into account:
63. The Minister's announcement of the additional funding in the settlement to recruit additional officers for 2020/21 is to be welcomed as these officers on top of those already recruited through previous precept increases means within a couple of years Kent Police could have more police officers than ever before. It is particularly pleasing that the Government has covered all of the costs associated with recruiting the officers and not just the salaries. There are a number of supporting mechanisms (HR, training, equipment) that are essential for new officers and these costs should have been covered.
64. The funding settlement for 2020/21 is unique in that the Government has held back a portion of funding for the uplift in officers and will only release to forces when they have recruited the officers. Kent Police has been recruiting significant numbers of officers over the last two years and is well placed to achieve the recruitment targets set by central Government. Therefore, this 'incentive funding' has been included within the budget for next year. This will, of course, be closely monitored during the year.
65. Although the settlement for 2020/21 was positive, there is still considerable uncertainty over Government funding for policing in the future. It is hoped that the funding for additional officers will continue in the same vein as that for 2020/21, but the settlement was a one-off settlement made after a general election. A new CSR is still to be finalised but it is hoped that this will take place during the summer of 2020 and cover multiple years. The lack of future funding settlements makes it difficult to plan financial resources over the medium term, however, the assumptions included within the MTFP are prudent and the organisation has proved itself agile enough to respond to changing levels of resources.

66. The 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 on 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.
67. The increase in precept flexibility for 2020/21 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 concentration of new Government funding towards recruitment means that a number of significant budget pressures are having to be funded from the precept increase rather than central grant. It also leaves PCCs facing potential fluctuations in tax collection and the tax base that any local tax incurs.
68. This is the fourth year in a row that PCCs have received greater precept flexibility than expected but this flexibility has been consistent in its inconsistency with limits of £5, £12, £24 and now £10 in the last four years alone. Due to this uncertainty any future flexibility has not been included within the medium term financial plan 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
69. The continued level of financial support and the additional precept flexibility has enabled the PCC to increase the number of PCSOs out in communities; increase the number of officers and staff, including digital forensic investigators and provide support to the increasing number of police officers. This will enable police officers to be more visible, efficient and effective out in communities and will become a visible sign of the increased contribution from taxpayers. By providing this support the PCC is still expecting the force to deliver savings over the next 4 years. This is in line with the PCC's aim for the force to deliver an efficient and value for money service.
70. The level of reserves held by PCCs continues to be scrutinised, both locally and nationally. The last HMICFRS report on Kent Police's 'outstanding' efficient grade stated that the 'use of reserves strikes a good balance between contingency funds for operational emergencies and supporting change in the force'. The PCC for Kent was one of the first PCCs to comply with Government policy to publish a Reserves Strategy. This strategy is reviewed and revised each year and the latest iteration is attached at Annex C. 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 the policy. This level of general reserves will account for any major event that may require recourse to the Government's Special Police Grant. This covers the cost of any major unforeseen cost incurred to policing 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.
71. Although the MTFP identifies that no savings are required over the life of the plan, there are fluctuating demands during individual years in the plan. The force has a good track record of identifying and managing savings through effective financial management and planning but these fluctuations will require careful consideration. The force has a medium term savings plan which seeks early opportunities to identify savings and deliver them. Any savings identified and not required to meet savings targets will be taken into reserves to fund the investment programme.
72. It is recognised that the delivery of savings becomes harder each year. There is a risk that the assumptions included in the MTFP will change, leading to savings being required and delivered in year. The force has a good track record in meeting savings targets and would in any event cover any shortfall from in year under spends. While no presumption of in-year underspending should be made because, having agreed the budget the PCC authorises its spending, history suggests that the force consistently underspends. This is typical of organisations with strong budget management arrangements. The force medium term savings plan, which sets out where and how savings may be found, increases the flexibility of the force to bring forward or push back savings plans dependent on future funding settlements.

73. The Government is currently planning for the replacement of 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 this new network has been delayed and has an impact on local forces. The delay in implementation incurs additional costs to policing and it is not yet clear where these additional costs will fall, either at a national or local level. It is encouraging that central Government has set aside further funding for ESN at a national level but it is unclear what level of cost will fall on forces. A likely cost running into seven figures would be a significant pressure for Kent. The timing and certainty of costs is becoming clearer and therefore it feels prudent to begin including estimated costs in the revenue budget. Any additional revenue costs over and above this estimate 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 inclusion of these estimates within the revenue budget means that there is no requirement for a provision to be included within reserves in this budget and MTFP.
74. At the time of the budget we have assumed pay awards are capped at 2.5% over the life of the MTFP and an average 1% for increments. However, with the relaxation of the pay cap for the public sector, pay increases may be higher. If that is the case, as it was in 2019/20, then the pressure will be absorbed within any in year underspend. For non-pay we are assuming general inflation at 2% for all four years.
75. The key assumption on funding is that general grant and first year uplift funding will be increased in line with assumed pay inflation over the medium term. Although funding is unknown this reflects the Government's commitment to increasing and retaining officer numbers. Beyond the precept announced for 2020/21 it is assumed precept limits will return to historic levels of 2% in line with non-pay inflation forecasts.
76. The increased demand for capital investment coupled with the reducing ability to produce capital receipts means that the investment programme for future years has been capped at £12m. Even with this, the expenditure is increasingly reliant on the sale of assets in year. This increases the risk of that funding may not be available for the investment programme. This risk is being managed in three ways. Firstly, 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 regular maintenance programmes such as vehicle replacement, building maintenance that occur every year. Secondly, the PCC will look to internal borrowing to fund elements of the investment programme. This significantly reduces the cost of borrowing as it is the opportunity cost of investing the funds that is lost. With interest rates at low levels, this is the most cost effective way of borrowing. Thirdly, the PCC will review the capital projects that come forward as part of the plan and determine whether external borrowing to fund the project may be the most effective and efficient way using 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 taxpayer equity. The investment programme is a crucial element of the PCC's determination to support Kent Police wherever he can. The programme is an essential element of making the force more efficient and effective and ensuring officers are equipped with the best tools to enable them to be more visible in the community.
77. At the time of writing it is still unclear as to the final form that Brexit will take and therefore the impact that it will have on policing and in particular Kent. Although it is hoped that a clear way ahead will emerge, 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 managed to secure additional funding from the Treasury towards the costs incurred by Kent in preparing for Brexit with £4.3m being received in 2019/20. With the additional funding received and the commitment to fund future costs received then 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 risk.

78. The force and the OPCC 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 OPCC, from both existing and newer threats. Examples of the latter include the local response to counter terrorism threats, child sexual exploitation, organised crime and cybercrime. Within the OPCC, 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 and the newly introduced complaints regulations.

79. Overall, I have considered the level and need of reserves against the strategic risk registers of the force and the OPCC. 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 2020/21 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 Police and Crime Commissioner for Kent
February 2020

Supporting information:

Annex A – Commissioning Strategy 2020/21

Annex B – Summary of Medium Term Plan, 2020/21 to 2024/25

Annex C – Reserves Strategy 2020/21

Annex D – Capital Strategy 2020/21

Kent Police & Crime Commissioner

Commissioning Plan 20/21

Strategic Overview

Purpose of this Document

This document provides a strategic overview of the Kent Police and Crime Commissioner's (PCC) commissioning intentions for the financial year 2020/21. Commissioning can be impacted by a number of variables, including emerging trends and increasing demands, which may result in revisions to commissioning approaches. Therefore, this document should be treated as a guide which may be varied and updated throughout the 12-month period.

The aim is to also provide a detailed Commissioning Strategy which sets out the principles that the PCC adopts when commissioning services, the commissioning budget available and details of the specific funding streams available.

Commissioning Management Process

Learning from 2019/20 will be reviewed and used to inform any changes or refinements to how commissioning arrangements are managed. At a high level the following learning areas have been identified:

- A review of the grant terms and conditions to ensure all services or projects funded operate to a minimum set of business standards.
- Ensuring that there is a clear complaint and escalation process where concerns are identified with a PCC commissioned service.
- The implementation of a mid-year monitoring point for the Crime Reduction Grant.
- Development of an audit programme which enables the Office of the Police and Crime Commissioner (OPCC) to check adherence to the grant terms and conditions.
- Inclusion of specific requirements related to schools interventions and inputs.
- Enhanced sharing of the outcomes by services and projects funded by the PCC, with the aim of supporting increased collaboration.

Overview of 2020/21 Funding Streams

1. Crime Reduction Grant

The Police Reform and Social Responsibility Act 2011 enables PCCs to issue grants to support crime and disorder reduction within their police area. The Crime Reduction Grant (CRG) will continue to be provided to Community Safety Partnerships (CSPs) and organisations such as the Drug and Alcohol Action Teams in 2020/21.

The high-level details of the CRG are as follows,

1.1 Community Safety Partnerships (CSPs)

- Receive the same grant award as 2019/20.
- There will be a continued focus on delivering projects aligned to violence reduction and projects that have a clear evidence base to reducing crime and anti-social behaviour.
- A business case must be submitted prior to the start of the financial year, which must include outcomes to be achieved and evidence of need. Spend will be approved by the PCC prior to the funding being released.

- A third of the overall grant can be allocated to a tactical pot to deliver responsive projects, which address an evidenced need. The PCC will approve spend on these projects on submission of a business case.
- Monitoring of the projects funded will be required at the mid-point and at the end of the financial year.
- The PCC reserves the right that 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 maybe retained by the OPCC. The PCC may then fund the project or provider directly to ensure consistency of approach and value for money.

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

- Receive the same grant award as 2019/20.
- A review will potentially be undertaken during 2020/21 on whether there are opportunities to strengthen the requirements for how the funding is utilised. The aim is to ensure that the grant is targeting areas of need that specifically support the priorities of the PCC and the delivery of policing.
- There will be a focus on delivering projects aligned to violence reduction and projects that have a clear evidence base to reducing crime and anti-social behaviour.
- A business case must be submitted prior to the start of the financial year, which must include outcomes to be achieved and evidence of need. Spend will be approved by the PCC prior to the funding being released.
- Monitoring of the projects funded will be required at the end of the financial year but ad hoc reporting may also be requested.
- It is proposed that there will be greater scrutiny on delivery and spend.

1.3 Other Projects Funded

- National Ugly Mugs (NUM) - an organisation which aims to end violence against sex workers.

2. Mental Health and Policing Fund (MHP)

The MHP will not continue in 2020/21 and recipients were informed of this intention when the 2019/20 grant award was made. Engagement is being undertaken with the recipients to understand their sustainability plans for the projects.

3. Victim Specialist Services Fund (VSS)

The current recipients of the VSS will be asked to submit a business case in early 2020 detailing the continued need for the project funded. The business case will require evidence of need and outcomes achieved through the 2019/20 funding to be provided. The submissions will then be evaluated and those that are successful will be awarded funding for a six month period. This is due to the PCC elections in May 2020. Decisions on the extension of the grant for a further six months or a re-application process will be made once the outcome of the elections are known.

The VSS criteria is:

- 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.

Payment of the grant will be made in one instalment, with a requirement to submit monitoring at the end of the grant award period.

3.1 Other Victim Services Funding

- Brake (the road safety charity)
- Domestic Homicide Reviews
- Kent County Council Integrated Domestic Abuse Service
- Kent and Medway Domestic Abuse and Sexual Violence Co-ordinator
- Modern Slavery Safe House

4. Violence Reduction Challenge (VRC)

4.1 Violence Reduction Fund (VRF)

The VRF is a three year fund, which opened to statutory organisations, community and voluntary groups, charities and social enterprises in April 2019. The VRF was available for a maximum of £35,000 per year for each of the three years of the fund, with the provision of funding being subject to the submission of satisfactory monitoring.

Bids were required to demonstrate how they would address the four themes of the PCCs VRC:

- Prevention
- Engagement / Education
- Enforcement
- Rehabilitation

Recipients of the VRF will be asked to submit a business case in early 2020 detailing the continued need for the project funded and outcomes achieved through the 2019/20 funding. This will support the decision to provide on-going funding and the requirement to provide satisfactory monitoring.

4.2 Violence Reduction Units (VRU)

The PCC was awarded additional funding from the Home Office in 2019 to set up a Violence Reduction Unit (VRU) across Kent and Medway and it has been confirmed the same level of funding has been awarded for 2020/21.

The VRU is a partnership between Kent Police, local councils, health service providers and other key agencies to deliver a reduction in violence. However, the PCC has overall responsibility for the VRU and maintains strategic oversight of delivery. This includes oversight of any commissioning activity undertaken to ensure that appropriate processes and governance are in place. In addition, the OPCC will ensure that services commissioned by the VRU are complementary to existing provision and that collaborative opportunities are identified.

4.3 Other Violence Reduction Projects

- St Giles Trust - County Lines Project
- DA Perpetrator Programme Pilot

5. Preventative & Engagement Projects

5.1 Amelix 'Is it worth it' School Tours

One year grant from 1 October 2020 to 30 September 2021 to deliver the 'Is it worth it?' tour for 25 days per academic year, in three blocks of delivery between November and July.

5.2 Volunteer Youth Cadets

The Volunteer Police Cadets programme provides an opportunity for young people aged 13-17 to get involved in activities which support community policing and learn about responsible citizenship.

6. Commissioned Services

6.1 Core Victim Referral and Support Service – Victim Support

This contract on 1 April 2016 and is a three-year contract with the option to extend for a further three years on a yearly basis. A one year extension has been granted from 1 April 2020.

Additional Services Delivered and Developing

- Countywide Stalking Advocacy Service
- Hate Crime Advocate

6.2 Restorative Justice Service – Restorative Solutions

This contract is a three year contract, with the option to extend for a further three years on a yearly basis. A one year extension has been provided from 1 October 2020.

6.3 Independent Sexual Violence Adviser & Sexual Violence Support Service – Family Matters

This contract commenced on 1 April 2019 for three years, with the option to extend for a further three years on a yearly basis. A decision on offering one year extension to be taken in autumn 2021.

7. Funding Opportunities

The OPCC will pro-actively seek opportunities to secure additional funding to deliver services or projects that support the PCC's priorities. This will include horizon scanning for central government funding opportunities during 2020/21 and consideration for developing joint bids with other partners.

7.1 Funding Streams Currently Identified

- Safer Streets Fund
- Additional ISVA Funding

8. Building Capacity and Capability

To support quality service delivery, improved funding applications and outcome reporting the OPCC will consider options to support capacity and capability with providers during 2020/21. Investment in this area may also support funding being secured from other sources to deliver which will increase the availability of services.

Summary of Medium Term Plan, 2020/21 to 2024/25

	Actual 2019/20	Inflation or Growth	Savings	Budget 2020/21	Inflation or Growth	Savings	Forecast 2021/22	Inflation or Growth	Savings	Forecast 2022/23	Inflation or Growth	Savings	Forecast 2023/24	Inflation or Growth	Savings	Forecast 2024/25	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
Expenditure Pay (Officers and Staff) Overtime Premises Transport Other non pay costs including IT, supplies etc. Cost of the OPCC Commissioning and Victim Services	277.6	11.9	(4.8)	284.7	7.1	0.0	291.8	7.3	0.0	299.1	7.5	0.0	306.6	7.7	0.0	314.3	
	6.1	1.5	0.0	7.6	0.4	0.0	8.0	0.4	0.0	8.0	0.4	0.0	8.4	0.4	0.0	8.8	
	20.7	1.0	(0.6)	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	
	7.6	0.7	(0.5)	7.8	0.2	0.0	8.0	0.2	0.0	8.1	0.2	0.0	8.3	0.2	0.0	8.4	
	37.5	8.7	(1.9)	44.3	0.9	(0.4)	44.8	0.9	(0.4)	45.3	0.9	0.0	46.2	0.9	0.0	47.1	
	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	0.0	0.0	1.5	
	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 Support for Officers through capital investment ESMCP (estimated costs) Additional PEQF Pressure Mobile Policing Revenue Costs Priority Park Lease Ill Health Retirements	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	1.0	0.0	5.0
		0.0	0.5	0.0	0.5	2.7	(0.9)	2.3	3.8	(2.7)	3.4	4.2	(3.8)	3.8	1.0	(4.2)	0.5
		0.0	0.2	0.0	0.2	0.5	0.0	0.7	0.2	0.0	0.9	(0.2)	0.0	0.7	(0.1)	0.0	0.6
0.0		0.0	0.0	0.0	1.7	0.0	1.7	0.0	0.0	1.7	0.0	0.0	1.8	0.0	0.0	1.8	
0.0		0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	
0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	
Additional Officers Kent Share of national 20,000 officer uplift		0.0	11.9	0.0	11.9	9.1	0.0	21.0	5.5	0.0	26.5	0.7	0.0	27.2	0.7	0.0	27.8
		Savings Savings Achieved	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(3.3)	(3.3)	0.0	(1.0)	(4.3)	0.0	0.4	(3.9)
			Total Gross Spending														
less Income: Specific Grant - Victims Funding Specific Grants - Counter Terrorism Specific Grant - Officer Uplift Funding Incent/Visation Locally Generated Income Contribution (from) / to Reserves - new policies		355.0	37.4	(7.8)	384.7	24.1	(1.3)	407.5	20.2	(6.4)	421.3	15.1	(4.8)	431.5	12.2	(3.8)	439.9
	(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)	
	(13.1)	(0.4)	0.0	(13.5)	(0.3)	0.0	(13.8)	(0.3)	0.0	(14.1)	(0.4)	0.0	(14.5)	(0.4)	0.0	(14.9)	
	0.0	(4.1)	0.0	(4.1)	(0.1)	0.0	(4.2)	(0.1)	0.0	(4.3)	(0.1)	0.0	(4.4)	(0.1)	0.0	(4.5)	
	(21.8)	(6.8)	(0.6)	(29.2)	(0.7)	0.0	(29.9)	(0.7)	0.0	(30.6)	(0.8)	0.0	(31.4)	(0.8)	0.0	(32.2)	
	(4.2)	4.2	(0.8)	(0.8)	0.8	(0.6)	(0.6)	0.6	(0.2)	(0.2)	0.2	(0.2)	(0.2)	0.2	(0.2)	(0.2)	
	Total Net Spending															386.0	
	Savings (Required)/ Overachieved															3.9	
	Total Net Spending after savings															389.9	
	Funding: Police Grant/ Legacy Council Tax grants/ Pension Grant Officer Uplift Core Funding Estimated Council Tax Surplus Council Tax Precept	(190.7)	0.0	0.0	(190.7)	(5.1)	0.0	(195.8)	(5.4)	0.0	(201.3)	(5.0)	0.0	(206.3)	(5.2)	0.0	(211.5)
0.0		(13.0)	0.0	(13.0)	(9.1)	0.0	(22.1)	(5.5)	0.0	(27.6)	(0.7)	0.0	(28.3)	(0.7)	0.0	(29.0)	
(1.2)		(0.1)	0.0	(1.0)	0.0	0.0	(1.0)	0.0	0.0	(1.0)	0.0	0.0	(1.0)	0.0	0.0	(1.0)	
(121.9)		(8.4)	0.0	(130.3)	(4.3)	0.0	(134.6)	(4.5)	0.0	(139.1)	(4.6)	0.0	(143.7)	(4.8)	0.0	(148.5)	
Total Net Financing															(389.9)		
Council Tax Base Band D Precept £ Increase in Precept % Increase in Precept % Growth in Tax Base	630,927.5			641,422.51			649,761.0			658,207.9			666,764.6			675,432.5	
	(£193.15)			(£203.15)			(£207.19)			(£211.32)			(£215.52)			(£219.81)	
	14.19%			(£10.00)			(£4.04)			(£4.12)			(£4.21)			(£4.29)	
				5.18%			1.99%			1.99%			1.99%			1.99%	
	1.6%			1.7%			1.3%			1.3%			1.3%			1.3%	

Kent Police and Crime Commissioner Reserves Strategy 2020/2021

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. How and why the PCC holds reserves is outlined in this Reserves Strategy which is reviewed and updated annually.
2. The reserves strategy is 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 Financial 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 his 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 Police and Crime Commissioners as a 'precepting' authority to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
6. It should be noted that there is no defined minimum level of reserves that PCCs 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. However, any level of general reserves over 5% requires explanation within the Reserves Strategy.

Financial Regulations

7. The Kent Policing Financial Regulations sets out the key responsibilities for the PCC's 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.
 - In the interest 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 its assets supporting policing for 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 £16.2m as at the 1 April 2020. Of this, general reserves will amount to £10.2m 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 at the start of the year there are zero earmarked reserves to support investment and capital spending during 2020/2021. Capital investment in 2020/21 will be funded from asset sales during the year, government grant and borrowing. Over the medium term a revenue contribution to capital is being introduced in 2020/21 to support future capital investment.
12. The PCC has looked to reduce the ongoing commitments from reserves and with the Force bringing a new FCR plan only £0.8m as a provision for ill health retirements will be used during 2020/21.
13. The level of reserves has reduced significantly due to planned use of reserves to support recruitment, strong performance of delivering capital projects and reducing asset sales. This reflects Kent Police reaction to the strong direction from the Government to reduce policing reserves from the high in 2017/18. With the current expected levels of reserves, it means that reserves can only be used for capital expenditure and contingencies.
14. The PCC has notified the Chief Constable that any in year underspends may be used in the first instance to support any unforeseen expenditure. If this is not required then any underspend will be taken back into reserves in order to mitigate risks over the medium term and support the investment programme. Any in-year reallocations of underspends will only be considered by the PCC where an exceptional business case is made.
15. The reserves position over the medium term is set out below:

Table 4: Reserves

Reserve	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
	£m	£m	£m	£m	£m	£m
General	9.4	10.1	10.7	11.2	11.5	11.8
Risk (inc Insurance)	2.0	2.0	1.8	1.6	1.5	1.5
Change Management	1.9	0.3	0.0	0.0	0.0	0.0
Investment Reserve	0.0	0.0	2.8	0.0	0.0	0.0
PCC (inc Op Morris)	1.0	1.0	1.0	1.0	1.0	1.0
POCA	1.0	1.0	1.0	1.0	1.0	1.0
Partnership	1.0	1.0	1.0	1.0	1.0	1.0
Total	16.3	15.3	18.3	15.8	16.0	16.3

16. Over the medium term, taking all the plans and provisions into account, total reserves are expected to maintain broadly the same level as they are from the end of 2019/20.
17. The expenditure from the investment reserve is increasingly reliant on in-year asset disposals being realised and available to spend. A contribution to capital investment is being introduced to support the investment in ensuring that police officers have the appropriate equipment and technology to be as effective as possible and this will increase by a further £1m each year over the medium term.
18. Any revenue underspends not required for unforeseen expenditure will be taken back into reserves in order to boost the investment reserve to fund future capital programmes.
19. The reserves are held for the following:
- **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 reserves covers two such instances plus a further 1% for unknown and unexpected costs.
 - **Risk** is used to mitigate any sudden or unexpected 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. This also includes the **Insurance reserve** which 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.
 - **Change Management** is held 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.
 - **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.
 - **PCC** This reserve holds funds set aside from the PCC's own budget to fund innovative projects to help transform policing and fund local PCC priorities
 - **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.
 - **Partnerships** is funding held either on behalf of or for work undertaken with partners. These cannot be used for anything other than for what the funds were originally intended for.
20. 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

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

Classification	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan	2.4	0.7	2.8	0.0	0.0	0.0
Funding for specific projects and programmes beyond the current planning period	1.0	1.0	1.0	1.0	1.0	1.0
Funding held as a general contingency or resource to meet other expenditure needs in accordance with sound principles of financial practice	12.9	13.6	14.5	14.8	15.0	15.3

22. Further details of the PCC's reserves can be found in Annex C1.

Summary of Reserves Position

		2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	Reason	Planned Use
	Classification	£m	£m	£m	£m	£m	£m		
General	Contingency	9.40	10.05	10.73	11.20	11.51	11.84	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 be expected to hold. Therefore there is no planned use of these reserves. However, the increase in the net budget means this reserve will increase over the medium term.
Risk	Contingency	1.99	1.99	1.79	1.59	1.50	1.50	This reserve is held to support the budget in times of funding changes (both increases and decreases) to avoid precipitous decisions being made. It also covers 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. £1.5m is suggested by our insurance advisors as an appropriate amount to keep in reserve should we incur a large insurance claim.	There is some planned use of the reserve in the early years of the MTFP. £1.5m is the minimum level of reserves we have been advised to hold by our advisors. There is no planned use of this reserve as it mitigates against large insurance claims of which we currently do not have any. Therefore there is no planned use of these reserves over the medium term. This may fluctuate over the medium term depending on our advisor's advice.
Change Management	Planned	1.86	0.32	0.00	0.00	0.00	0.00	With changing demand and resourcing levels the force are undergoing significant change. This reserve is held to 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.
Investment Reserve	Planned	0.00	0.00	2.76	0.00	0.00	0.00	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.
Police and Crime Commissioner	Planned	1.00	1.00	1.00	1.00	1.00	1.00	This reserve holds funds set aside from the PCC's budget to fund innovative projects to help transform policing and fund local PCC priorities.	There are no current plans to use this reserve but post election this will be used to fund innovative projects and PCC priorities.
POCA	Planned	1.00	1.00	1.00	1.00	1.00	1.00	Proceeds of Crime Act reserve is a reserve for the portion of the Proceeds of Crime 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.	There are currently no definite plans for this reserve so it has been set aside to cover any shortfall in funding for our POCA investigators.
Partnership	Planned	0.97	0.97	0.97	0.97	0.97	0.97	This reserve holds funds either on behalf of or for use on partnership projects and services. The funds cannot be used for anything other than for which it was originally intended.	There are currently no definite plans for this reserve but it will be used to the benefit of the partnership arrangements.
Total Reserves		16.22	15.33	18.25	15.76	15.98	16.31		

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 (PCC) 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 flows and debt management activity, and ultimately represent 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.

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 a Police and Crime Plan every four years. The Safer in Kent: The Community Safety and Criminal Justice Plan is refreshed annually.

The PCC and the Chief Constable have produced a Joint Vision which is supported by the Chief Constable's Police 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 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 the outcomes contained within those documents. 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 cover the current financial year plus four years. 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 PCC's Police and Crime Plan, the force's Policing Model and to support national drivers like the National Policing Vision for 2025.

The MTCP provides the 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 focuses 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 acknowledged 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 & 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 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 operational buildings or police houses or from revenue reserves built up over a number of years from in year revenue underspends.

Looking ahead over the medium term the ability for Kent Police to maintain its current level of expenditure on capital funded from accumulated reserves or the sale of assets has now ended. 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 have introduced 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. Kent Police will also use internal borrowing to fund the programme. This means borrowing against future cashflow. It is recognised that this reduces the availability of funds for investment and the impact considered in the Treasury Management Strategy. 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 into the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure for example, 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 borrowing.

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 by the makeup of regional involvement. Each project will have a Project Manager and potentially a team to implement the project.

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 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 both Chief Officers 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 medium term capital plan, the FCFO 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 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 medium term capital plan is produced which shows all planned expenditure over the next five 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 cases 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 in 2020/2021 is £0.3m 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 rapidly 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. An appropriate provision for RCCO is included in both the annual revenue budget and the medium term financial plan.

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 Internal borrowing

The PCC holds significant invested funds, representing income received in advance of expenditure plus any balances and reserves held. The level of funds for investment is determined by the cashflow into and out of the organisation. In order to minimise borrowing costs, any surplus funds that would normally be held for investment can be used to fund projects within the capital programme. This is called internal borrowing and means the cost of borrowing is the return on investment foregone. While interest rates are at a stable low level it is more cost effective to borrow internally than go to the money markets for funds. The impact of this will be reflected within the Treasury Management Strategy.

15.6 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. Reserves are held and controlled by the PCC through the PCCCFO.

15.7 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 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 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 medium term capital plan 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 PCCCFO and FCFO manage the medium term capital plan and the annual capital budget. The FCFO provides regular updates to the Chief Officer Strategic Meeting (COSM) who, collectively, maintain oversight of planned expenditure.

The PCCCFO is responsible for developing and then implementing the strategic documents; Capital Strategy; Reserves Strategy and 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 medium term capital plan 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'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 accepts there will be a certain amount of risk inherent in delivering the desired outcomes of 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 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 specialised 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 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 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 or 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 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.

February 2020

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