

Key Points

1. The key points from the 2021/22 budget and precept proposal from the Police and Crime Commissioner (PCC) are:
 - A proposed increase in the precept of £15 a year, or 7.39% for a Band D property, equivalent to £1.25 per month.
 - A council tax for an average Band D property of £218.15.
 - Nationally, this still leaves Kent in the lower quartile of precepting PCCs.
 - Increase in Central Government Funding from the Home Office of £10m to recruit 145 new additional police officers for Kent.
 - The number of police officers at the end of 2021/22 will be the highest in Kent Police history.
 - Home Office funding provides support for 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.
 - The increase in precept to be used to fund:
 - continuing and post Covid-19 pandemic recovery;
 - national and local cost pressures not covered through national grant;
 - maintaining officer and staff numbers and continued support for the recruitment of new officers;
 - continued support to front line officers through investment in equipment and estates;
 - ensuring Kent Police remains efficient and effective 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 amongst young adults.
 - A net revenue budget after savings of £350.4m.
 - A potential savings requirement over the medium-term of £22.6m.
 - A capital programme of £12m for 2021/22 and £60m to 2024/25.
 - The transfer of £7.9m into reserves.
 - A balance in reserves at the end of the Medium Term Financial Plan (MTFP) of £18.5m.
2. This budget and MTFP will enable Kent Police to remain at the forefront of policing nationally, consolidate its recovery from policing through the continuing pandemic 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 including extraordinary Covid-19 pandemic funding.
 - Medium Term Financial Plan.
 - The Reserves Strategy and the prudent use of reserves over the medium-term.
 - The Capital Strategy and investment programme.
 - The Commissioning Strategy.
 - 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:
- Impact of Covid-19 pandemic.
 - Achievements from 2020/21.
 - Government's police funding settlement for 2021/22.
 - 2021/22 budget and precept proposal.
 - 2021/22 funding pressures.
 - The PCC's 2021/22 Commissioning Strategy.
 - Medium Term Financial Plan 2021/22 to 2025/26.
 - The Reserves Strategy.
 - The Capital Strategy.
 - Chief Finance Officer's Professional Statement.

Impact of Covid-19 pandemic

6. Due to the unprecedented nature of Covid-19, 2020/21 has been a difficult and challenging year. Kent Police and the Office of the Police and Crime Commissioner (OPCC) have had to adapt at pace in order to not only protect their workforce, but to continue delivering critical services that support and protect local communities. The Force's approach has been to 'police through' the pandemic and not to 'police the pandemic'. In light of the changing circumstances and associated government policy, it has taken a pragmatic approach to enforcing the legislation and maintained the expectation on officers and staff to:
- put victims and witnesses at the heart of everything;
 - provide a quality service; and
 - 'do the right thing'.
7. The focus has remained on maintaining a visible presence and delivering core policing services that prevent crime and protect local communities. The message to communities has been to follow national advice. Like all forces, Kent Police has adopted the College of Policing's four phase approach – otherwise known as the four 'E's; Engage; Explain; Encourage; and finally, Enforce. The four 'E's are based on evidence that people are more likely to comply after a police encounter if they feel they have been treated fairly, have received an explanation, and have been given the opportunity to give their view.
8. This approach has been praised by HMICFRS. Kent Police's 'really inclusive response to Covid-19', not seen in many other forces, was also highlighted along with praise for Reconnection Hubs, the innovation shown in continuing to recruit and train in a very challenging environment, optimising digital technology and maintaining the quality of service to the public even when delivered differently.
9. In addition to managing operational demands, the Force and the OPCC have introduced a flexible approach to working and endeavoured to protect all officers and staff from infection. This has required the provision of appropriate personal protective equipment; rapid deployment of hardware and development of products to support remote working; temporary revisions to numerous policies and protocols; completion of Covid-19 risk assessments for teams as well as work activities; and physical changes to working environments across the county.
10. The Force and the OPCC continue to also work closely with partners to keep the county safe, provide reassurance, and protect the most vulnerable in local communities.
11. All this exceptional work does not come without financial implications. The costs being incurred by Kent Police during the pandemic are still accruing and run to several million pounds. The majority of the direct impact costs of Covid, such as the purchase of personal protective equipment have been reimbursed by Government. Loss of income that would have been generated during the year, including that raised through the training school, is being recovered from Government but at a discounted level meaning there is still pressure on the income budgets. There has been some recompense for the loss of council tax collected during 2020/21 and collection fund deficits. Even with this help, it still leaves almost £2m of Covid costs that cannot be claimed back from the Government. These costs include, additional IT costs, overtime and building and working from home adaptations.

12. However, the pandemic has also had a number of indirect impacts on Kent Police that have led to substantial increases in costs. Many officers and staff due to retire during the year have chosen to remain working to support the Force through the pandemic. These indirect impacts can be seen throughout this report and have led to a substantial overspend on the revenue budget for 2020/21.
13. This is a budget and MTFP that will enable Kent Police to deal with those indirect impacts and after effects of the pandemic, to continue policing through the pandemic in 2021/22 and set a stable and sound financial platform for the future.

Achievements in 2020/21

14. In 2020/21 the PCC increased the precept by £10 to increase the number of police officers in Kent by 181. This increase will be achieved by the end of March 2021. Kent now has more officers in its ranks than at any time in its history. These officers continue the 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, schools, fighting cybercrime and providing greater public protection. Despite the pandemic, more officers have enabled Kent Police to catch more criminals, target gangs and violence, boost visible policing and help more victims.
15. A key part of the PCC's role is to provide support to victims and witnesses and during the pandemic this has been challenging. The PCC took a pro-active approach and the OPCC helped organisations providing support to victims and witnesses reallocate their PCC funding and re-organise service delivery, for example moving therapy services online, to enable them to continue. The OPCC also adapted the victims hub at Compass House to enable certain critical face-to-face services to be delivered when allowed.
16. £0.9m of additional funding was received from the Ministry of Justice (MoJ) to support domestic violence and sexual violence services to manage increased demand and adapt their services as a result of Covid-19. This enabled the PCC to increase capacity for domestic abuse and sexual violence trauma counselling and trial a new restorative justice process dealing with adult to parent violence. The PCC also launched a new countywide stalking advocate service.
17. The PCC set aside £0.1m from his own commissioning budget to help support those charities that provided other crucial services that did not meet the criteria of the MoJ funding. This supported smaller charities and organisations during the difficult lockdown period.
18. The PCC was successful in acquiring additional funding for the provision of two specialist independent sexual violence advisors, one dealing with those affected by gang related violence and the other dealing with universities and students. These have proved successful and are run by two local specialist organisations.
19. The PCC was also successful in applying for funding through the Safer Streets Fund. This project is working with partners in Medway including the Medway Task Force to target acquisitive crime in specific areas. The Maidstone Task Force is also up and running delivered through Force funding and tackling the areas of greatest concern in the Maidstone area.
20. A new complaints process was introduced in 2020 with all PCCs taking on the appeals function. While the transfer itself was a significant challenge it has led to a substantial increase in the number of complaints (up by 20.9%) and related correspondence (up by 23.7%) received by the OPCC, a trend that is likely to continue into 2021/22. This is primarily due to the new definition that any expression of dissatisfaction now constitutes a complaint.
21. The support provided to the Force Control Room (FCR) and boost in number of call handlers answering 999 and 101 calls continues to improve performance. The average answering time for 101 calls has reduced further to less than one minute (at the end of December) and call attrition (where callers hang up as they have had no response) is below 5%. 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. There has also been a noticeable increase in the number of people using the Live Chat service during 2020/21

with nearly 39,000 contacts compared to 11,600 the previous year. This means that people are getting the help they need quicker and more information is being provided to the police.

22. The PCC's successful application for Violence Reduction Unit (VRU) funding of £1.2m to work with partners across the public health arena continues to reduce the incidences and impact of violence, especially knife crime, across Kent and Medway. The PCC, through his Chief Finance Officer (CFO) chairs the VRU Oversight Panel which brings together partners from across the county. The funding has been allocated to organisations across the county for projects that help understand the nature of violent crime and its causes and provide workable solutions to help reduce the impact in Kent. This has proved particularly difficult during 2020/21 due to the pandemic, but the VRU has been successful in securing additional funding from the Home Office which has enabled more services to be delivered and helped sustain smaller, micro-charitable organisations through the pandemic. Funding for this initiative has recently been agreed for 2021/22 (subject to successful application) so the role and impact of this cross-county partnership can be developed further.
23. Kent is the UK's gateway to and from Europe and as such Kent Police worked on a variety of contingency plans for whatever agreement was expected to happen at the end of 2020. The transition to the new agreement occurred on 31 December 2020 and the contingency planning led by Kent Police in conjunction with its partners ensured this went smoothly. However, the enforced border closure by the French just before Christmas due to the new Covid strain put these contingency plans to the test and led to the implementation of relevant traffic management plans. Discussions are just concluding with the Home Office concerning the funding and it is hoped that the full costs of the operation will be met by the Home Office. The planning and implementation of the change in arrangements also incurred significant cost to Kent Police. The PCC has already written to the Home Office and secured funding to cover the costs of all of the preparations undertaken by Kent. This has totalled £5m so far 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 the remainder of 2020/21 as the new rules are embedded and become business as usual.
24. The PCC had another year of high levels of engagement in relation to his Annual Policing Survey. More than 3,200 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 a time when engagement has been difficult.

2021/22 Funding Settlement

25. During 2020/21 the Government were working towards a three-year Comprehensive Spending Review (CSR) due to be announced in the autumn of 2020. A considerable amount of work had taken place and the policing service as a whole were expecting a generally favourable multi-year settlement. However, the ongoing pandemic and the need for a second (and now third) national lockdown and the uncertainty over funding requirements for the economy as a whole meant that only a one-year spending review was announced in September 2020.
26. On 17 December 2020, the Policing Minister announced the provisional police grant allocation for each force area for 2021/22. The headlines nationally were:
 - Core Grant (including the Police Uplift Programme grant) increases from £7.8bn to £8.2bn, a difference of £413.6m and increase of 5.3%.
 - £15 precept flexibility for all PCCs, or equivalent.
 - 75% of council tax losses (due to Covid-19) to be compensated.
 - Flat cash pension grant allocations compared to 2020-21.
 - Capital grant remains cash flat for PCCs.
 - £52.3m capital funding for national priorities and infrastructure.
27. The settlement outlined the Policing Minister's expectations in return for the additional funding invested in policing. These are:
 - Forces to recruit another 6,000 officers by the end of March 2022 (some of these officers are expected to go into Counter Terrorism Policing, Regional Organised Crime Units and the National Fraud Intelligence Bureau).

- £120m efficiency savings from across the law enforcement sector (reflected as part of this funding settlement). These are expected to be delivered through a combination of improved procurement practises as well as savings in areas such as estates, agile working and shared services. They are broken down as follows:
 - £95m against core grant;
 - £8m against Counter Terrorism Policing;
 - £2.8m from the National Crime Agency;
 - £14.2 from programmes within reallocations.
- High quality data should be collected and used to support local delivery, identify efficiencies and support the National Policing Board’s drive to deliver the best possible outcomes within policing.

28. The PCC is confident that through this budget and through previous years’ recruitment that Kent Police is already in a strong position to be able to meet the recruitment target of 145 new officers set by central Government for the end of 2021/22. 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’s continued role as the national lead for Blue Light Commercial, provides assurance of the organisation’s delivery of the Government’s expectations.

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

Table 1: Funding Settlement

Funding Stream	2021/22	2020/21	Variance
	£m	£m	£m
Police Core Settlement	123.4	115.5	7.9
Ex DCLG Funding	75.5	71.6	3.9
Specific Grant: Officer Uplift	2.4	4.1	(1.7)
Legacy Council Tax Grants	13.3	13.3	0.0
Pension Grant Allocation	3.4	3.4	0.0
MoJ Victims Funding*	2.2	2.2	0.0
HO Capital Grant	0.3	0.3	0.0
Total	220.5	210.4	10.1

Note: * not announced but assumed to remain the same as previous year

30. The 2021/22 settlement although not as positive as was initially hoped when a three-year CSR was expected to be announced did continue to provide funding for the increase in police officers that is being driven nationally. Other inflationary costs, such as the pay increase and general price increases were not. These will be funded through precept and savings.

31. The Government have also provided two grant schemes to PCCs to help mitigate for the losses incurred within the council tax base and the Collection fund. The first is the Local Council Tax Support Grant, this is expected to be approximately £2.4m for the PCC and is provided to compensate for the increased council tax support to residents in 2020/21 which impacts the tax base. The second grant is the Local council Tax Guarantee scheme. This allows billing authorities to spread any deficit on the Collection fund across 3 years and the government will compensate billing and precepting authorities for 75% of those losses. Although this will not be finalised and paid until well into 2021/22, we have forecast this to be around £1.0m and this has been used to offset the expected deficit on the Collection fund over the 3 years. As it is only 75% reimbursement it means it does not cover the full loss faced by the PCC.

2021/22 Budget and Precept Proposal

32. For 2021/22 the PCC and Kent Police find themselves in a vastly different place than was expected 12 months ago. The financial impact from the Covid pandemic has been substantial and wide ranging. It has impacted the funding available both nationally and locally. However, the PCC is determined to ensure that Kent Police build on the successes of previous years whilst establishing a strong financial position to enable continued innovation and class leading policing.

33. Nationally, the police funding settlement has provided additional funding for the PCC and Chief Constable to recruit another 145 officers during 2021/22. The PCC is pleased that the leadership shown in Kent in using the precept to increase officers continues to be replicated across the country through police grant and has been determined to ensure that Kent receives its fair share of the uplift. These officers will be used to support areas of vulnerability reflecting the PCC's Annual Policing survey results.
34. 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 to support the Force through the continuing pandemic.
35. The precept flexibility allows the PCC to provide support to the Chief Constable to ensure that Kent Police can be as efficient and as effective post pandemic as they have been throughout the crisis. The increase will fund some substantial costs incurred by the Force regarding the Covid pandemic, pay inflation, equipment and IT projects that will support front line officers fight crime and protect the innocent as well as place Kent Police on a substantial financial footing for the future. It also means that the officers and staff recruited through previous years precepts can be maintained.
36. The budget for 2021/22 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.
37. The budget and precept proposal for 2021/22 is as follows:

Table 2: Budget Requirement and Precept

Budget Requirement	£350.4m
Less Police Grant	£123.4m
Less Revenue Support Grant	£75.5m
Less Legacy Council Tax Grants	£13.3m
Sub Total	£138.2m
Add Collection Fund Deficit	£0.5m
Amount to be raised by Council Tax	£138.7m
Divided by aggregate council tax base	635,941.2
Band D Council Tax	£218.15

Note: Table may not calculate correctly due to rounding

38. 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 continue to strive to become ever more efficient. The decision to increase the precept does not absolve the need for the Force to make savings. Last year's MTFP identified the need for savings and £2.5m of these have already been delivered. This year's plan requires a further £6.5m of savings to be made. While these have yet to be delivered the Force are making substantial plans to be able to meet this robust savings target.

2021/22 Funding Pressures

39. Despite the additional funding for new officers and associated costs, the PCC did not receive any additional funding for inflationary pressures or other significant cost pressures facing Kent Police. The increase in precept will be used to mitigate the impact of these additional costs. The major pressures facing Kent Police for 2021/22 are:
- £4.0m for police officer and staff pay pressures. 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 increased number of officers and staff recruited and planned to be up to and during 2021/22. The Government pay freeze, which applies to policing, applies from April 2021. The latest pay award for policing was 2.5% and applies from September 2020, therefore the cost is the pressure relating to the 2.5% pay increase from April to August 2021. This also includes the £250 for those earning less than the median wage (£24,000).
 - £2.5m for other inflationary 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. It should be noted that any national recommendations on low pay and minimum wage will impact on contract inflation.

- £1.0m Internal borrowing costs for the investment programme. The investment programme is funded through capital grant, the use of reserves, receipts from the sale of assets and borrowing. The PCC borrowed internally for the investment programme due to robust cashflow and the ability to mitigate external borrowing costs. However, this borrowing still requires 'repayment', and this is the current cost of this internal borrowing.
- A further £5.3m to support investment in equipment, technology and support services. This investment is part of a continuing medium-term investment plan supporting the PCC's ambition to provide the best support to police officers and staff.
- £9.1m for indirect Covid related pressures. The pandemic has had a financial impact in a number of different ways. Police officers and staff who were planning to leave the organisation during the year, largely through retirement, have not left in the numbers expected. There are any number of reasons why, but many wanted to stay on and support Kent Police through a difficult time but also, understandably a lockdown period with a global pandemic is not particularly the best time to leave and enjoy your retirement. There is expected turnover rate of around 25 leavers a month which has reduced to around 20 on average but has been as low as 9 in some months. These are people who have had long careers and tend to be on higher pay grades, so the additional costs can be substantial. There have also been a number of other Covid related pressures, such as increased overtime and enabling officers and staff to work at home safely and securely. These additional indirect Covid cost pressures cannot be claimed back from government funding and have led to the Force forecasting a significant overspend for the end of 2020/21. Work is continuing to identify ways to reduce the overspend before the end of the year, through reducing expenditure and increasing funding which will therefore reduce the pressure on this budget. As reported in the Statement of Accounts published in November 2020, the additional costs incurred have meant that all useable reserves will have been absorbed and will require support from general reserves. This is exactly what general reserves have been set aside for and is part of the previously published Reserves Strategy and MTFP's. However, general reserves require replenishing to 3% of net budget as recommended by the CFO to the PCC and supported by HMICFRS. This will be a first call on the 2021/22 revenue budget and adds to the Covid pressure related costs.

Commissioning Strategy

40. The PCC's Safer in Kent Plan has as a key priority to 'enhance services for victims of crime and abuse'. The MoJ has yet to announce funding for the specific victims' grant allocations for 2021/22 and therefore for this budget it has been assumed that the allocation will remain at £2.1m for Kent. This means that services can continue or be put in place for the beginning of the financial year. This funding will be allocated as per the Commissioning 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.
41. 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 2021/22, the same level of funding as the previous two years.
42. As the PCC is still awaiting details of the MoJ funding, no Commissioning Strategy is available for this paper but will be published on the PCC website before the end of 2020/21.

Medium Term Financial Plan – 4 years to 2025/26

43. 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 2021/22 through to 2025/26. 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; these are discussed with the PCC, Chief Executive and both PCC and Force CFOs before a final version is completed. The key assumptions included in the plan are:

Funding assumptions

- The precept will increase by £15 in 2021/22 but thereafter will increase by 1.99% each year.
- The precept referendum limit will be 2% in 2022/23 and in future years, in line with the precept flexibility referendum limits and that the greater precept flexibility afforded to PCCs in 2021/22 will not continue.
- The council tax base will decrease by 0.85% in 2021/22, with a further decline in 2022/23 moving incrementally towards a 1% growth (similar to pre-Covid levels) by 2025/26.
- That funding of the additional officers in 2022/23 will continue to be matched by an increase in central Government grant funding.
- The increase for the officer uplift in 2021/22 will form part of the base budget in future settlements as per the 2020/21 funding.
- The police revenue grant and officer uplift funding will be flat cash settlements i.e. there is no growth each year to cover inflationary costs.
- 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 2021/22 levels in real terms.
- That there will be no impact on the level of funding post any CSR.

Cost Assumptions

- Up to 145 police officers will be recruited in 2021/22, with a further 196 in 2022/23 as announced by central Government.
- These officers will form part of the ongoing establishment and be fully funded from Government grant.
- Pay cost inflation for officers and staff will be 0% for September 2021 to September 2022 and then a 1% increase every September after.
- Any additional bonus payment or pay award above those highlighted above will be funded through any in-year underspend, reserves or additional savings.
- Non-pay inflation will be 1% for 2021/22 increasing to 2% each year of the MTFP after that, 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 introduced in 2020/21 will continue 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.

44. With these assumptions, across the life of the MTFP there are potentially £22.6m savings to be made by the Force. While the Force has 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 more or less savings having to be made. £2.5m of savings have already been identified and removed from the budget for 2021/22 leaving a further £6.5m to be found. The Chief Constable has provided assurance to the PCC that he will protect front line policing and find savings elsewhere within the budget.

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

Table 3: Savings requirement

Savings	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m
Delivered (cumulative)	2.5	9.0	9.9	15.3	19.8
Required (each year)	6.5	0.9	5.4	4.5	2.8
Total (cumulative)	9.0	9.9	15.3	19.8	22.6

46. The significant drop in the savings target for 2022/23 is due to the one-off requirement to re-establish general reserves in 2021/22 not being required in future years. The Force has a savings plan to cover this period from the previous year's MTFP and are already identifying opportunities for future savings. Any savings identified during the year that are not required to balance the budget in 2021/22 will be invested in reserves to support reserves and the investment programme over the medium-term.

Reserves Strategy

47. 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 B.

48. 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 taxpayer, the PCC will where possible build up and maintain a level of reserves for investment, borrowing only where the life of the asset and economic environment make it the most efficient way of financing investment.
- The PCC will take a long-term approach to protecting, maintaining and investing in all assets, supporting policing 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.

49. The total general and earmarked reserves are expected to be £5.9m as at 31 March 2021. Of this, general reserves will amount to £2.6m or broadly 0.8% of the net budget. This is substantially below the current level of reserves recommended by the PCC CFO and the strategy of holding the equivalent of 3% of the net revenue budget for general contingency and what is regarded as general best practice. However, as noted elsewhere in the report this is due to the impact of indirect Covid-19 costs on the Force and PCC. The MTFP, budget and Reserves Strategy all have clear guidance on the use of general reserves, and these have been used in accordance with these documents. This means that the first call on the budget is to replenish the general reserves to 3% of the net revenue budget.

50. Therefore, the total general and earmarked reserves at 1 April 2021 are expected to be £14.7m. Of this, general reserves will amount to £10.5m or 3% of the net budget.

51. The remaining reserves are all earmarked. It should be noted that the investment reserve is expected to have a balance of £0.3m at the start of the financial year. Capital investment in 2021/22 will be funded from asset sales during the year and largely 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.

52. The level of reserves has reduced significantly over the last few years due to the planned use of reserves to support recruitment, strong performance in 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. The overspend for 2020/21 has reduced this level further. With the current expected levels of reserves for 2021/22, it means that reserves can only be used for capital expenditure and contingencies. Contributions made over the life of the MTFP will support reserves over the 5 years of the plan.

53. The PCC has notified the Chief Constable that any underspend will be taken back into reserves in order to mitigate risks over the medium-term. Any in-year reallocations of underspends will only be considered by the PCC where an exceptional business case is made.

54. The reserves position over the medium-term is set out below:

Table 4: Reserves

Reserve	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26
	£m	£m	£m	£m	£m	£m
General	2.6	10.5	10.9	11.0	11.1	11.3
Risk (inc Insurance)	3.0	3.9	4.4	4.8	5.7	6.6
Investment	0.3	0.3	12.3	5.6	1.2	0.0
PCC (inc Op Morris)	0.0	0.0	0.6	0.6	0.6	0.6
Total	5.9	14.7	28.2	22.0	18.6	18.5

55. Over the medium-term, taking all the plans and provisions into account, total reserves are expected to increase to £18.5m at the start of 2025/26.

56. The expenditure from the investment reserve is increasingly reliant on borrowing and in-year asset disposals being realised and available to spend. A contribution to capital investment is made 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.

Capital

57. 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 C.

58. 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.
- Generate revenue savings.
- 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.

59. Usually, a summary of the planned schemes and projects is shown below, however a revised process is being introduced in 2021/22. This identifies funding available for the investment programme for the year and subsequent years but does not allocate this to specific departments or areas. All projects expecting to be funded from the investment reserve will have to produce a business case and projects will be identified on the strength of that case and the priority to the organisation. This reflects a more agile way of working within a constantly changing environment and provides substantial flexibility to the delivery of the investment programme. 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

	2021/22	2022/23	2023/24	2024/25	2025/26
Expenditure	£m	£m	£m	£m	£m
Total	12.0	12.0	12.0	12.0	12.0
Funded by					
Capital Grant	0.3	0.3	0.3	0.3	0.3
Investment Reserves	0.0	0.0	10.9	9.4	6.0
Capital Receipts	6.0	11.7	0.8	2.3	0.0
Borrowing	5.7	0.0	0.0	0.0	5.7
Total	12.0	12.0	12.0	12.0	12.0

60. The investment programme is funded by a combination of investment reserves, capital grant received from the Government, borrowing and the use of capital receipts from the disposal 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.
61. The PCC will have to borrow to fund the capital programme in the first and last year of the MTFP. 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 consider 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.
62. 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 a way of borrowing with the lowest cost. This internal borrowing does require repaying back into the cashflow and the impact of this has been taken into account within the MTFP.
63. The overall planned investment programme has been restricted to expenditure of £12m in each financial year. This is in line with the capacity to deliver projects, resources 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 reduces the amount of slippage that is typically incurred at the end of the year.
64. 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 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 of collaborative opportunities.
65. 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

66. 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.
67. 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:
68. The impact of the Covid-19 pandemic, globally, nationally and locally cannot be ignored. The work undertaken by Kent Police officers and staff and by the staff of the OPCC has been remarkable. The ability to continue policing and protecting the vulnerable and keeping their own officers and staff working and safe is a fantastic achievement. It reflects not only the agility and flexibility of both organisations to meet ever changing demands but the dedication and commitment of all who work for them.
69. However, the pandemic and the response to it has not come without financial implications. The Force and PCC have incurred costs directly related to the pandemic such as the purchase of personal protective equipment (for other forces as well as Kent), loss of income through training, additional cleaning and purchase of equipment to enable home working. Most of these costs have either been fully or in the case of income loss, partially reimbursed by Government which is to be welcomed. However, there have been a number of indirect impacts from the pandemic that have led to significant cost pressures for the Force and PCC. This has led to a forecast overspend in 2020/21 that will impact on the level of reserves available for 2021/22 including the drawing down of general reserves. Work to

reduce this overspend is continuing to the end of 2020/21 and it is hoped that this will be effective in reducing the pressure on reserves.

70. However, it cannot be ignored that the forecast level of reserves at the end of this year is well below the recommended level. The need to draw down general reserves to support the budget during 2021/22, while understandable, does create an immediate significant budget pressure for 2021/22. Nevertheless, general reserves are set aside to deal with unprecedented circumstances and therefore these are the circumstances in which they can and have to be used. Previous budget reports have been clear on this and have stated that should these reserves be required the first call on the budget is to re-establish the level of reserves back to the 3% of net budget. This is a plan that has been in place for a number of years and has been scrutinised by HMICFRS, our external auditors and the Joint Audit Committee (JAC) as being appropriate and the budget and MTFP shows that, while challenging, it is effective.
71. As stated in previous years' reports the level of general reserves has been maintained at 3% of the net revenue budget over the MTFP in line with the Reserves Strategy. 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 and a further 1% contingency.
72. This policy outlined in the Reserves Strategy will serve the PCC well during 2021/22. The budget report outlines a number of the difficult financial pressures that Kent Police and the PCC are facing. The indirect negative impact of Covid-19 on police officer and staff turnover and non-reclaimable lost income has meant the Force are facing a significant overspend in 2021/22. This is covered through the use of all usable reserves i.e. those not earmarked for Insurance purposes and through the use of general reserves. The decision to use general reserves to cover these costs is not taken lightly, but as previously stated, general reserves are held precisely for these unprecedented occasions.
73. This means that the first call on the 2021/22 budget is to re-establish the general reserve to its 3% of net revenue budget. This brings the reserves back into line with the strategy and places the Force and PCC on a sound financial footing to not only be able to deal with any continued impacts of the Covid-19 pandemic during 2021/22 but also any other unforeseen events. Continued support into reserves across the MTFP ensures the level of reserves remains minimal but robust.
74. The Force has a good track record of identifying and managing savings through effective financial management and planning and unfortunately significant savings are once again potentially required over the medium-term. These savings are a forecast of the future and will change as we go through the MTFP. But the Force has a continuing medium-term savings plan which seeks early opportunities to identify savings and deliver them wherever possible. Any savings identified and not required to meet savings targets will be taken into reserves.
75. It is recognised that the delivery of savings becomes harder each year. The Force has a good track record in meeting savings targets, but these are usually delivered ahead of the year required. Due to settlement dates and the impact of the Covid pandemic, 2021/22 will require delivery of savings in year. Plans are being developed for meeting the in-year target for 2021/22. There are also a number of longer-term plans that will generate significant savings in future years including the move away from the Sutton Road site. However, it has to be recognised that the level of savings required is challenging and will require significant managing over the MTFP.
76. 2021/22 will be the second year that Kent Police have overspent on their budget allocation. 2021/22 has been an exceptional year with the Covid-19 pandemic, the transition from the EU and the closure of the border with France. While a lot of the costs of these have been or are hoped to be reimbursed from the Government it has had an indirect impact on other costs that cannot be reclaimed. It is anticipated that the Force will return to normal spending patterns (i.e. within budget) in 2021/22, although no presumption of in-year underspending should be made because, having agreed the budget the PCC authorises its spending. With strong budget management arrangements and the medium-term savings plan, which sets out where and how savings may be found, this increases the flexibility of the Force to bring forward or push back savings plans dependent on future funding settlements.

77. At a national level the Government have been responding to financial pressures caused by Covid, supporting businesses, individuals and the economy. This has meant that a planned three-year Comprehensive Spending Review turned into a one-year CSR. The Minister's announcement of the additional funding in the settlement to recruit additional officers for 2021/22 is to be welcomed as these officers on top of those already recruited through previous precept increases and government support means that Kent Police will have more police officers than ever before. It is particularly pleasing that the Government continues to cover 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 be covered.
78. The funding settlement for 2021/22 continues the incentive funding where 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 few 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.
79. 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 2021/22 and that a multi-year CSR will be finalised next year. 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.
80. 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.
81. The Government's planned rectification to the public sector Pension Funds due to recent court cases (e.g. McCloud) could have a substantial financial impact on employers' contributions to the pension schemes as well as other administrative costs. At this stage it is hard to ascertain just what the financial impact will be, but it could become a budget pressure of several million pounds in 2023/24. There are conversations nationally across the public sector to determine how the rectification of pensions schemes is resolved and funded. Until further clarity is provided this has not been included within the MTFP but will be monitored closely as a risk.
82. The increase in precept flexibility for 2021/22 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 including some significant indirect cost pressures relating to the Covid pandemic.
83. As has been stated in previous CFO commentaries this leaves PCCs facing potential fluctuations in tax collection and the tax base that any local tax incurs. The Covid pandemic has left the PCC in just that position with a reduced tax base (when growth was expected) and a deficit on the collection fund (when it's usually a surplus). The Government have provided funding for 75% of the deficit on the collection fund surplus and also given billing authorities the ability to spread these deficits over three years. This is helpful, although does not cover the full loss of funding. The deficit grant is not expected to be confirmed before the new financial year and will not be paid until well into 2021/22. However, through our partners in the billing authorities we have been able to include an estimated level of grant within the current budget to compensate for the deficit in 2021/22 and the following two years.

84. The Government have also allocated billing and precepting authorities a Local Council Tax Support Grant. This grant is in recognition of the increased costs of providing local council tax support and other help to economically vulnerable households following the pandemic. Although council tax support is largely a billing and unitary authority responsibility, the outcome of any council tax support influences the tax base, therefore this is being split between billing and precepting authorities. The indicative amount for the PCC is £2.4m and is expected to be confirmed and paid in April 2021. The budget proposal expects to use this grant to support the budget in 2021/22.
85. The additional funding from central government is welcome and helps mitigate some of the impact of the ability to raise funding through local taxation and reduces the expected savings that Kent Police and the PCC are required to make in 2021/22.
86. This is the fifth consecutive year that PCCs have received greater precept flexibility than expected, but this flexibility has been consistent in its inconsistency with limits of £5, £12, £24, £10 and now £15. Due to this uncertainty any future flexibility has not been included within the MTFP and assumptions have reverted to the pre-flexibility referendum limit of 2%. Any decision on future precept levels will be taken by the PCC at the appropriate time.
87. The Government is still 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 several times 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. Some estimated costs have been included within the revenue budget, but these are under constant review. Any additional revenue costs over and above this estimate would be met from further efficiencies or if later, in the MFTP reserves. Any additional capital costs would be met through 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.
88. At the time of the budget we have assumed that pay awards will resume from September 2021 and are limited to 1.0% over the life of the MTFP and an average 1% for increments. However, with the Government finances still dealing with the pandemic it is unclear whether the pay freeze will continue. For non-pay we are assuming general inflation at 1% for the first year and 2% for the remaining years.
89. The key assumption on funding is that general police grant, legacy grants and first year uplift funding will be flat cash settlements over the life of the MTFP. Although funding is unknown it seems prudent to reflect the current settlement as a continuing commitment. Any further funding that is announced in future years will help offset proposed savings targets. Beyond the precept announced for 2021/22 it is assumed precept limits will return to historic levels of 2% in line with non-pay inflation forecasts.
90. 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 internal borrowing and the sale of assets in year. This increases the risk that funding may not be available for the investment programme. This risk is being managed in three ways. Firstly, a £1m revenue contribution to capital outturn introduced in 2020/21 continues and this contribution will be increased by £1m in 2021/22 and each year over the medium-term. 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. This does cause a revenue pressure as this borrowing still needs to be repaid (albeit without the interest element) and this has been included within the MTFP. The closure and sale of the Sutton Road site will support funding of capital projects as and when funds are received. 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 of using resources. This is likely to be used sparingly and for long life estate projects 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.

91. The UK's final transition from the EU occurred on 31st December 2020 and at the time of writing the transition has gone relatively smoothly. The contingency planning undertaken by Kent Police and its partners has proved beneficial and the PCC has been successful in obtaining funding from the Government for those transitional and planning costs. This means that the Kent taxpayer is not funding the consequences of national decisions. It is still unclear as to what 'business as usual' will be at the borders post transition and therefore the impact that it will have on policing and in particular Kent. This will become apparent over the next few months, 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. With the additional funding received and the commitment to fund future costs received, there is no need to hold funds aside in reserves to cover the impact of post transition work. However, should business as usual have any unexpected impact or costs then this would be managed through the general reserves in the first instance with a view to reimbursement from the government.
92. 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 JAC. 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.
93. Overall, I have considered the level and need for reserves against the strategic risk registers of the Force and the OPCC. While the level of reserves at the end of 2020/21 is forecast to be lower than the recommended limit, this is not unexpected due to the unprecedented impact of the Covid-19 pandemic and there is a robust plan in place to replenish and maintain these reserves. Therefore, I am satisfied that the reserves for next year and over the life of the plan 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 2021/22 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 JAC, remain vital parts of the local governance arrangements.

Rob Phillips
Chief Finance Officer
Office of the Police and Crime Commissioner for Kent
February 2021

Supporting information:

Annex A – Summary of Medium Term Plan, 2021/22 to 2025/26

Annex B – Reserves Strategy 2021/22

Annex C – Capital Strategy 2021/22

Summary of Medium Term Plan, 2021/22 to 2025/26

	Budget 2020/21	Inflation or Growth	Savings	Budget 2021/22	Inflation or Growth	Savings	Forecast 2022/23	Inflation or Growth	Savings	Forecast 2023/24	Inflation or Growth	Savings	Forecast 2024/25	Inflation or Growth	Savings	Forecast 2025/26
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Expenditure																
Pay (Officers and Staff)	287.2	3.6	0.0	290.8	1.7	0.0	292.5	2.9	0.0	295.4	3.0	0.0	298.3	3.0	0.0	301.3
Overtime	7.5	0.4	0.0	7.9	0.4	0.0	8.3	0.4	0.0	8.7	0.4	0.0	9.1	0.4	0.0	9.5
Premises	21.2	0.7	0.0	21.8	0.4	0.0	22.3	0.4	0.0	22.7	0.5	0.0	23.2	0.5	0.0	23.6
Transport	8.2	0.1	0.0	8.3	0.2	0.0	8.4	0.2	0.0	8.6	0.2	0.0	8.8	0.2	0.0	8.9
Other non pay costs including IT, supplies etc.	43.4	0.9	0.0	44.3	0.9	0.0	45.2	0.9	0.0	46.1	0.9	0.0	47.0	0.9	0.0	48.0
Cost of the OPCC	1.4	0.0	0.0	1.4	0.0	0.0	1.4	0.0	0.0	1.4	0.0	0.0	1.4	0.0	0.0	1.4
Commissioning and Victim Services	4.2	0.0	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2	0.0	0.0	4.2
New Pressures (identified 2019/20)																
Support for Officers through capital investment (RCCO)	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	1.0	0.0	6.0
ESMCP (estimated costs)	0.0	0.0	0.0	0.0	3.0	0.0	3.0	2.2	0.0	5.2	2.2	0.0	7.4	1.0	0.0	8.4
Additional PEQF Pressure	0.0	0.1	0.0	0.1	0.2	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3
Mobile Policing Revenue Costs	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	1.8
Ill Health Retirements	0.0	0.5	0.0	0.5	0.0	0.0	0.5	0.0	0.0	0.5	0.0	0.0	0.5	0.0	0.0	0.5
New Pressures (identified 2020/21)																
Decrease in employee turnover	0.0	3.2	0.0	3.2	0.0	0.0	3.2	0.0	0.0	3.2	0.0	0.0	3.2	0.0	0.0	3.2
Support for Reserves	0.0	5.9	0.0	5.9	(4.9)	0.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0	0.0	0.0	1.0
Revenue Consequences of Capital Programmes	0.0	1.9	0.0	1.9	1.0	0.0	2.9	0.0	0.0	2.9	0.0	0.0	2.9	0.0	0.0	2.9
Apprentice Levy pressure	0.0	0.6	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6	0.0	0.0	0.6
Estates Costs	0.0	0.8	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8
IT Growth	0.0	0.8	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8	0.0	0.0	0.8
Equipment: Taser Uplift	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	0.1
Sexual Assault Referral Centre - increased costs	0.0	0.0	0.0	0.0	0.3	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3
Additional Officers																
Kent Share of national 20,000 officer uplift	9.9	5.7	0.0	15.5	7.7	0.0	23.2	0.2	0.0	23.4	0.2	0.0	23.7	0.2	0.0	23.9
Savings																
Savings Achieved	0.0	(2.5)	0.0	(2.5)	0.0	(6.5)	(9.0)	0.0	(0.9)	(9.9)	0.0	(5.4)	(15.3)	0.0	(4.5)	(19.8)
Total Gross Spending	383.8	25.5	0.0	409.3	11.9	(6.5)	414.7	8.3	(0.9)	422.1	8.4	(5.4)	425.1	7.2	(4.5)	427.8
less Income:																
Specific Grant - Victims Funding	(2.1)	0.0	0.0	(2.1)	0.0	0.0	(2.1)	0.0	0.0	(2.1)	0.0	0.0	(2.1)	0.0	0.0	(2.1)
Specific Grant - Counter Terrorism	(13.6)	0.0	0.0	(13.6)	0.0	0.0	(13.6)	0.0	0.0	(13.6)	0.0	0.0	(13.6)	0.0	0.0	(13.6)
Specific Grant - Officer Uplift Funding Incentivisation	(4.1)	(2.4)	4.1	(2.4)	0.0	0.0	(2.4)	(0.1)	0.0	(2.5)	0.0	0.0	(2.5)	0.0	0.0	(2.5)
Specific Grant - Pension Uplift Grant	(3.4)	0.0	0.0	(3.4)	0.0	0.0	(3.4)	0.0	0.0	(3.4)	0.0	0.0	(3.4)	0.0	0.0	(3.4)
Specific Grant - LGIS Grant	0.0	(1.0)	0.0	(1.0)	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Specific Grant - LCTS Grant	0.0	(2.4)	0.0	(2.4)	2.4	0.0	(0.0)	0.0	0.0	(0.0)	0.0	0.0	(0.0)	0.0	0.0	(0.0)
Locally Generated Income	(29.0)	0.9	0.0	(28.1)	0.0	0.0	(28.1)	0.0	0.0	(28.1)	0.0	0.0	(28.1)	0.0	0.0	(28.1)
Contribution (from) / to Reserves - new policies	0.0	0.6	0.0	0.6	(0.9)	0.0	(0.3)	0.0	0.0	(0.3)	0.3	0.0	0.0	0.0	0.0	0.0
Total Net Spending	331.6	21.2	4.1	356.9	14.4	(6.5)	364.8	8.2	(0.9)	372.1	8.7	(5.4)	375.4	7.2	(4.5)	378.1
Savings (Required)/ Overachieved	0.0	0.0	(6.5)	(6.5)	6.5	(0.9)	(0.9)	0.9	(5.4)	(5.4)	5.4	(4.5)	(4.5)	4.5	(2.8)	(2.8)
Total Net Spending after savings	331.6			350.4			363.9			366.7			370.9			375.3
Funding:																
Police Grant	(174.0)	(24.8)	0.0	(198.9)	0.0	0.0	(198.9)	0.0	0.0	(198.9)	0.0	0.0	(198.9)	0.0	0.0	(198.9)
Legacy Council Tax Grants	(13.3)	0.0	0.0	(13.3)	0.0	0.0	(13.3)	0.0	0.0	(13.3)	0.0	0.0	(13.3)	0.0	0.0	(13.3)
Officer Uplift Core Funding	(13.0)	13.0	0.0	(0.0)	(11.4)	0.0	(11.4)	0.0	0.0	(11.4)	0.0	0.0	(11.4)	0.0	0.0	(11.4)
Estimated Council Tax (Surplus) / Deficit	(1.0)	1.5	0.0	0.5	0.0	0.0	0.5	0.0	0.0	0.5	(0.6)	0.0	(0.1)	0.0	0.0	(0.1)
Council Tax Precept	(130.3)	(8.4)	0.0	(138.7)	(2.1)	0.0	(140.8)	(2.8)	0.0	(143.6)	(3.6)	0.0	(147.2)	(4.4)	0.0	(151.6)
Total Net Financing	(331.7)	(18.8)	0.0	(350.4)	(13.5)	0.0	(363.9)	(2.8)	0.0	(366.7)	(4.2)	0.0	(370.9)	(4.4)	0.0	(375.3)
Council Tax Base	641,422.51			635,941.2			632,761.5			632,761.5			635,925.3			642,284.6
Band D Precept	(£203.15)			(£222.15)			(£222.50)			(£226.92)			(£231.44)			(£236.04)
£ Increase in Precept	(£10.00)			(£15.00)			(£4.34)			(£4.43)			(£4.52)			(£4.61)
% Increase in Precept	5.18%			7.39%			1.99%			1.99%			1.99%			1.99%
% Growth in Tax Base	1.7%			-0.9%			-0.5%			0.0%			0.5%			1.0%

Kent Police and Crime Commissioner

Reserves Strategy 2021/2022

Introduction

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

Background

3. Reserves are used by the PCC both for the annual budget and over the medium-term as part of an overall medium-term financial strategy. There are a number of legislative safeguards in place that help prevent the PCC from over-committing financially. These include:
 - The requirement to set a balanced budget as set out within the Local Government Finance Act 1992.
 - The requirement for the PCC to make arrangements for the proper administration of their financial affairs and the appointment of a Chief Finance Officer (CFO), or Section 151 Officer, to take responsibility for the administration of those affairs.
 - The requirements of the Prudential Code, Treasury Management in Public Services Code of Practice and the Financial Management Code of Practice.
 - The CFO's duty to report on the robustness of estimates and the adequacy of reserves when the PCC is considering 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 is 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.
5. The Local Government Finance Act 1992 also requires PCCs 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 Police Financial Regulations set out the key responsibilities of 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 organisationThere are also a number of specific named reserves held for statutory reasons.

9. 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 to cover for possible significant risks.
 - In the interest of the council taxpayer, the PCC will where possible build up and maintain a level of reserves for investment, borrowing only where the life of the asset and economic environment make it the most efficient way of financing investment.
 - The PCC will take a long-term approach to protecting, maintaining and investing in all assets, supporting policing in the long term as well as short term.
 - Reserves not required for the above purposes will be clearly identified as available for other discretionary opportunities.
10. These elements are the aims of the PCC's Reserves Strategy and have not changed, however, the attainment of them has come under pressure during the Covid-19 pandemic. The aims are the overarching guiding principle to which the Reserves Strategy of the PCC will target.

Reserve Levels

11. The total general and earmarked reserves are expected to be £5.9m as at 31 March 2021. Of this, general reserves will amount to £2.6m or broadly 0.8% of the net budget. This is below the level of reserves recommended by the PCC's CFO and the strategy of holding the equivalent of 3% of net revenue budget for general contingency and what is regarded as general best practice and comparable with other PCCs. However, this is due to the impact of indirect Covid-19 costs on the Force and PCC. The MTFP, budget and Reserves Strategy all have clear guidance on the use of general reserves, and they have been used in accordance with these documents. This means that the first call on the budget is to replenish the general reserves to 3% of the net revenue budget.
12. The total general and earmarked reserves as at 1 April 2021 are expected to be £14.7m. Of this, general reserves will amount to £10.5m or 3% of the net budget.
13. The remaining reserves are all earmarked. It should be noted that the investment reserve is expected to have a balance of £0.3m at the start of the financial year. Capital investment in 2021/22 will be funded from asset sales during the year and also largely 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.
14. The level of reserves has reduced significantly over the last few years due to the planned use of reserves to support recruitment, strong performance in 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 but also the strict financial environment in which policing operates. The overspend in 2020/2021 has reduced this level further. With the current expected levels of reserves, it means that reserves can only be used for capital expenditure and contingencies. Contributions made over the life of the MTFP will increase the level of reserves over the 5 years of the plan.
15. The PCC has notified the Chief Constable that any underspends will be taken back into reserves in order to mitigate risks over the medium-term. Any in-year reallocations of underspends will only be considered by the PCC where an exceptional business case is made.

16. The reserves position over the medium-term is set out below:

Table 1: Reserves over the MTFP

Reserve	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
General	2.6	10.5	10.9	11.0	11.1	11.3
Risk (incl. Insurance)	3.0	3.9	4.4	4.8	5.7	6.6
Investment	0.3	0.3	12.3	5.6	1.2	0.0
PCC (incl. Op Morris)	0.0	0.0	0.6	0.6	0.6	0.6
Total	5.9	14.7	28.2	22.0	18.6	18.5

17. Over the medium-term, taking all the plans and provisions into account, total reserves are expected to total £18.5m at the start of 2025/26.

18. The expenditure from the investment reserve is increasingly reliant on borrowing and in-year asset disposals being realised and available to spend. A contribution to capital investment continues to be made over the life of the MTFP to support the investment in ensuring that police officers have the appropriate equipment and technology to be as effective as possible.

19. Any revenue underspends not required for unforeseen expenditure will be taken back into reserves.

20. The reserves are held for the following:

- **General** is used to mitigate against unknown and unexpected events that incur considerable cost that could not be borne within the revenue budget such as public order, major investigation costs or to fund initial costs of a major disruption/ disaster response (i.e. Covid-19 pandemic, 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 PCCs who have incurred costs greater than 1% of their net revenue budget. This reserve covers two such instances plus a further 1% for unknown and unexpected costs.
- **Risk** is used to mitigate any sudden or unexpected changes in funding levels. 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.
- **Investment** is used to fund capital investments 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** is a fund set aside from the PCC's own budget to fund innovative projects to help transform policing and fund local PCC priorities.

21. The expenditure from the investment reserve is increasingly reliant on borrowing as in-year asset disposals reduce. A revenue contribution to capital was introduced in 2020/21 to support the investment programmes maintenance projects and this will continue to 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.

22. The MTFP includes provision for further contributions to reserves over the life of the plan. This will be reviewed during the annual budget setting process to determine its use.

Home Office Classification

23. The Home Office set out clear guidance on publishing the Reserves Strategy. It also states that the information on each revenue reserve should make clear how much of the funding falls into one of the following three categories:

Classification	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Funding for planned expenditure on projects and programmes over the period of the current MTFP	0.3	0.3	12.3	5.6	1.2	0.0
Funding for specific projects and programmes beyond the current planning period	0.0	0.0	0.6	0.6	0.6	0.6
Funding held as a general contingency or resource to meet other expenditure needs in accordance with sound principles of financial practice	5.6	14.4	15.3	15.8	16.8	17.9

24. Further details of the PCC's reserves can be found in Annex B1.

Summary of Reserves Position

		2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Reason	Planned Use
	Classification	£m	£m	£m	£m	£m	£m		
General	Contingency	2.6	10.5	10.9	11.0	11.1	11.3	3% of NRB. Held to mitigate against unknown and unexpected events. Will fund major operations, public order, major investigation costs that are not expected or to fund initial costs of major disruption/ disaster response (i.e. Covid 19, flooding) before applying for Police Special Grant.	This is the minimum level of reserves we would be expected to hold. 2020/21 is expected to use a substantial amount of these reserves due to the Covid 19 pandemic and associated costs. These will immediately be replenished in the 2021/22 budget to 3% of NRB as per the reserves strategy. The increase in the net budget means this reserve will increase over the medium term.
Risk	Contingency	3.0	3.9	4.4	4.8	5.7	6.6	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. £2.9m is suggested by our insurance advisors as an appropriate amount to keep in reserve should we incur a large insurance claim.	There is no planned use of the reserve during the MTFP. £2.9m is the minimum level of reserves we have been advised to hold by our insurance as it mitigates against large insurance claims of which we currently do not have any. This may fluctuate over the medium term depending on our advisor's advice.
Investment Reserve	Planned	0.3	0.3	12.3	5.6	1.2	0.0	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	0.0	0.0	0.6	0.6	0.6	0.6	This reserve holds funds set aside from the PCC's budget to fund innovative projects to help transform policing and fund local PCC priorities.	This reserve is used during 2020/21 to underwrite the substantial costs incurred during the Covid 19 pandemic. There are plans to reinstate this reserve during the MTFP to provide flexibility to the PCC.
Total Reserves		5.9	14.7	28.2	22.0	18.6	18.5		

KENT POLICE AND CRIME COMMISSIONER

CAPITAL STRATEGY 2021/2022

1 Purpose

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

The Capital Strategy is a key document for the 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 funding of the schemes.

4 Capital vs. Treasury Management investments

Treasury Management investment activity covers those investments which arise from the organisation's cash flow and debt management activity, and ultimately 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 Chief Constable'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 focus of the capital programme:

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

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

7 Collaboration & wider sector engagement

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

One of the focal points therefore of Kent Police's Capital Strategy is to acknowledge regional and national partnership working, both with other forces/PCCs and in the wider context of engagement with local authorities and councils, other emergency services, and the Crown Prosecution Service, to improve overall service to the public.

8 Affordability and financial planning

Prior to submission of the draft MTCP in late autumn, a significant amount of financial work will have already been undertaken on revenue budgets. This work will have identified the potential financial position for Kent Police in respect of the coming medium term, considering 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 at the prudent use of reserves, the level of overspending 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 a Revenue Contribution to Capital Outturn (RCCO) was introduced 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. It is also recognised that borrowing internally will impact on the revenue budget as this borrowing is repaid into the cashflow. This will be considered when making decisions on the level of capital funding available.

The Kent Police strategy is 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 ICT 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, within normal contract procedure rules and 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 the PCC the capital programme expenditure is then monitored on a regular basis through regular financial monitoring reports and reported at the PCC's Performance and Delivery Board on a quarterly basis.

11 Individual project management

Capital projects are subject to high levels of scrutiny. This varies dependant on the type of project and may be influenced by size or the makeup of any 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 Chairperson.

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

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

For proposed in-year amendments to the annual capital budget, for schemes not already included in the MTCP, the 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. The reports are also presented to the Joint Audit Committee on a quarterly basis.

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 MTCP 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 2021/2022 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, published within the Treasury Management Strategy 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 can 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 MTCP and the annual capital budget.

18 Management framework

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

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

19 Performance management

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

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

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

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 the Police and Crime Plan and will seek to keep the risk of capital projects at 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 its 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.

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