

## Key Points

1. The key points from the 2022/23 budget and precept proposal from the Police and Crime Commissioner (PCC) are:
  - A proposed increase in the precept of £10 per year, or 4.58% for a Band D property, equivalent to £0.84 a month.
  - A council tax for an average Band D property of £228.15.
  - Kent PCC remains in the lowest quartile (bottom 10) of precepting PCCs across the country.
  - Increase in Central Government Funding from the Home Office of £12.2m to recruit 195 new additional police officers for Kent, 10 of which will go into the Regional Organised Crime Unit (ROCU).
  - Kent remains in the lower quartile for Government funding for PCCs.
  - Due to the PCC's previous increases in precept supported by the Police and Crime Panel, Kent now has 788 more police officers than it did in 2016.
  - This is the highest number of police officers in Kent Police history.
  
  - The increase in precept to be used to fund:
    - i. National and local cost pressures not covered through national grant.
    - ii. Investment in our police stations in Coldharbour, Maidstone, Sittingbourne, Folkestone, Tonbridge and Ashford.
    - iii. Build on the success of the specialist teams in rural and urban areas, burglary and gangs.
    - iv. A new digital evidence system that will allow dash cam uploads.
    - v. A further expansion of our Police Cadet programme.
    - vi. Ensuring Kent Police remain efficient and effective and fit for the future.
  
  - This will result in:
    - i. Net Cost Pressures for 2022/23 of £28.8m.
    - ii. Total Increase funding for 2022/23 of £22.0m (Government Funding £12.2m / PCC Precept funding £9.8m).
    - iii. Savings Requirement for 2022/23 of £6.8m.
    - iv. A net revenue budget after savings of £371.7m.
    - v. A potential savings requirement over the medium term of £37m.
    - vi. A capital programme of £23.9m for 2022/23 and a further £47m from 2023/24 to 2026/27.
    - vii. A balance in reserves at the end of the Medium Term Financial Plan (MTFP) of £15.7m.
2. This budget and MTFP will enable the PCC to mitigate some, but not all of the cost pressures in 2022/23 and beyond but will enable Kent Police to maintain its place at the forefront of policing nationally and prepare for the challenges that face policing in the next decade.
3. As in previous years, there will be no increase in the cost of running the Office of the Police and Crime Commissioner (OPCC) with the budget being maintained at £1.5m.
4. The budget supports delivery of the Police and Crime Plan and enables the PCC to continue to support victims of crime, local crime reduction initiatives, crime prevention strategies and the enhanced complaints process.

## **Background**

5. The purpose of this report is to set out the PCC's proposed budget and precept proposal. It delivers one of the key responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011 and supports the PCC's priorities within the Police and Crime Plan.
6. In determining his budget proposals, the PCC has had regard to:
  - The new 'Making Kent Safer' Police and Crime Plan.
  - National targets and objectives including the Strategic Policing Requirement.
  - Consultation with the Chief Constable and Kent Police's 'Mission, Vision, Values and Priorities'.
  - The results of consultation with the public and partners.
  - The plans and policies of other partner agencies relating to community safety and crime reduction.
  - Government policy on public spending and the Police Funding Settlement.
  - Medium Term Financial Plan.
  - The Reserves Strategy.
  - The Capital Strategy and capital programme.
  - The Commissioning Strategy.
  - Continuous improvement and value for money for the taxpayer of Kent.
  - The Cipfa Financial Management Code of Practice.
7. This report will set out the:
  - Achievements from 2021/22.
  - Government's police funding settlement for 2022/23.
  - 2022/23 budget and precept proposal.
  - 2022/23 funding pressures.
  - The PCC's 2022/23 Commissioning Strategy.
  - Medium Term Financial Plan 2022/23 to 2026/27.
  - The Reserves Strategy.
  - The Capital Strategy.
  - Chief Finance Officer's Professional Statement.

## **Achievements in 2021/22**

8. In 2021/22 the PCC received funding from the Government to continue the national recruitment drive for an additional 10,000 officers across the country. In Kent the number of police officers in Kent increased by 145, therefore hitting the Government's target and releasing the incentivisation funding. This increase will be achieved by the end of March 2022.
9. Thanks to Government funding, over the last two years, Kent has increased its officer numbers by 292. This, on its own would not replace the reduction in officers that were made post 2010. However, due to the PCC's decision to use precept increases prior to the Governments uplift programme Kent has replaced all of the officers lost from 2010 and now has more officers in its ranks than at any time in its history. Over the years these officers have expanded the policing model and dealt with high harm issues, as well as providing more visible neighbourhood policing, rural and roads policing, local communities, schools, fighting cybercrime and providing greater public protection. The increase in numbers has allowed the Chief Constable to set up a number of specialist teams in rural and urban areas, burglary and gangs.
10. HMICFRS inspects crime data integrity, effectively how well does Kent Police record crime. This was inspected approximately 4 years ago and resulted in a crime recording rate of 96.6%. Since then the criteria for recording crime has changed, however, despite this, Kent Police's crime recording rate has improved to 96.7%. This is the best rate in the country and means if you report a crime in Kent it will be reported and investigated. This does increase the demands on Kent Police as they record substantially more crimes than some other forces and therefore have more crimes to investigate.
11. Crime is falling across Kent, 2019 is the last 'normal' year for reporting as in 2020 the county was in full lockdown due to the Covid pandemic. Victim based crime has fallen by 6.5% when compared to 2019; this is over 8,100 fewer crimes.

12. The number of County Lines in Kent have reduced from a high of 82 in July 2020 to below 40, with a number of districts now deemed as having no county lines operating.
13. The Police Cadet programme continues to grow, with close to 500 cadets on the scheme and a further 360 on the waiting list. There are currently 111 active volunteer leaders supporting the 12 units with a further 98 in the recruitment process to ensure a robust resourcing model is in place and to assist with the potential growth of the programme in 2022. There are currently 27 ex-cadets who have now joined Kent Police as PCs, SCs, PCSOs and PSEs. The Mini Cadet programme continues to grow following the successful pilot at the start of the year.
14. The PCC has been successful in requesting and receiving additional funding for the Force relating to the impact of significant operations on frontline policing and also for the OPCC to provide support for victims and witnesses.
15. Additional funding was received from the Ministry of Justice (MoJ) to continue our support for domestic violence and sexual violence services to manage increased demand and adapt their services as a result of Covid. This enabled the PCC to continue with the increased capacity for domestic abuse and sexual violence trauma counselling. It also meant that a new restorative justice process dealing with Adult to Parent Violence became part of our continuing commissioned services after a very successful pilot.
16. A new programme to help the perpetrators of domestic abuse change their behaviour was launched in the autumn of 2021, after a successful bid for Home Office funding from the OPCC. Its aim is to reduce domestic abuse and stalking through behavioural change; reduce the risk to victims and prevent repeat victimisation. It seeks to help people who want to stop being abusive in relationships and improve their current or future relationships and end the cycle of abuse.
17. The PCC was successful in bidding for over £1.5m of funding from the Government's Safer Streets fund. A number of funding rounds were released by the government and the PCC has been successful in securing funding for a number of areas across Kent. This involves partnership working to provide improvements to very specific areas of the county. The schemes will cover improvements in acquisitive crime, neighbourhood crime and violence against women and girls.
18. The PCC was successful in acquiring continued 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 OPCC has dealt with over 2,000 complaints for the year to date, a significant increase on the previous year. The OPCC is also the 'Review' body for most police complaints; that is to say that the OPCC handles the appeals for these matters. It was estimated, based on the previous numbers received that the OPCC would receive circa 80 reviews per annum. In fact this is likely to be approximately 250 by the end of the year. As previously reported, this is owing to the change in legislation as to the definition of a complaint, and also the fact that the OPCC, as opposed to Kent Police, is the review body, thereby being perceived as more independent.
20. The PCC launched his enquiry into violence against women and girls in Kent. This included partnership roundtable discussions to hear the views of partners and commissioned services. It also included a survey across Kent, which resulted in 8,200 responses, the best response to any PCC survey to date. This highlighted that most women and girls said that they don't feel safe in public spaces at night and take precautions whilst walking home, though they did feel safer during the day. The PCC will be taking the results from this survey into the second stage of his enquiry working with partner agencies and commissioned services ahead of the publication of the PCCs recommendations in 2022/23.
21. More than 2,800 people responded this year to the Police and Crime Plan Survey, with the results appended to the new Making Kent Safer 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.

## 2022/23 Funding Settlement

22. The 2022/23 Provisional Settlement was announced on 16 December 2021 in a written statement by the Policing Minister. This settlement follows the completion of the first three-year Comprehensive Spending Review (CSR21) for several years, the result of which was announced in the autumn of 2021. Prior to the publication of the settlement, the sector was expecting a continuation of the additional Police Uplift Programme (PUP) funding for the recruitment of 8,000 officers.
23. The Minister confirmed that policing would receive an extra £550m in 2022/23, a further £100m in 2023/24 and £150m by 2024/25 (£800m over 3 years) and it was suggested that as well as PUP funding this would also give forces enough resource to fund a pay rise, in line with the end of the public sector pay freeze in 2022.
24. The settlement also provided PCCs in England with the flexibility to increase funding in each year of the CSR21 period with a £10 council tax referendum limit. The settlement also confirmed that PCC's will no longer receive any capital grant funding.
25. As part of the settlement there are a number of expectations that the Government have for PCC's. These are:
- To continue to take responsibility for crime outcomes both locally and nationally. An additional £150m of government funding has been identified for crime reduction funding over the next three years for PCC's to continue existing programmes, as well as some new investments to prevent crime and keep communities safe. How PCC's access this funding has yet to be announced.
  - Over £100m of cashable efficiency savings delivered from force budgets by 2024/25. For 2022/23, the government is expecting to see £80m of efficiency savings (which has been reflected as part of the settlement). Furthermore, the Government also want to see improvements in productivity through the use of modern technology infrastructure and interoperable systems.
26. 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 195 new officers set by central Government for the end of 2022/23. 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 BlueLight Commercial, provides assurance of the organisation's delivery of the Government's expectations nationally with the associated benefits to Kent.
27. Locally, as a result of the settlement, the funding received by Kent is as follows:

**Table 1: Funding Settlement**

	<b>2022/23</b>	<b>2021/22</b>	<b>Variance</b>
<b>Funding Stream</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Police Core Grant	210.5	198.9	11.6
Specific Grant: Officer Uplift	3.3	2.4	0.9
Legacy Council Tax Grants	13.3	13.3	0.0
Pension Grant Allocation	3.4	3.4	0.0
MoJ Victims Funding*	2.1	2.1	0.0
HO Capital Grant	0.0	0.3	(0.3)
<b>Total</b>	<b>232.6</b>	<b>220.4</b>	<b>12.2</b>

\*To be confirmed

28. The announcement of the 3-year CSR21 with confirmed funding for the continued PUP and the expectation that funding for pay awards and the government imposed increase in the national insurance would be included within this year's settlement raised hopes that the 2022/23 settlement would be a positive one for policing and provide multiyear allocations.
29. However, when the settlement was announced it provided only one-year allocations and was not as positive as expected. To highlight this fact the following table outlines previous years settlements against the expected increase in officer numbers:

**Table 2: PUP vs overall revenue funding**

	<b>Officer Target</b>	<b>Additional Revenue Funding</b>	<b>Additional Funding per officer</b>
<b>Year</b>	<b>Headcount</b>	<b>£m</b>	<b>£</b>
2020/21 (1)	147	17.1	116,326.53
2021/22 (2)	145	10.1	69,655.17
2022/23 (3)	195	12.2	62,564.10

**Table 3: PUP Incentive Grant**

	<b>Officer Target</b>	<b>Incentive Revenue Funding</b>	<b>Incentive Funding per officer</b>
<b>Year</b>	<b>Headcount</b>	<b>£m</b>	<b>£</b>
2020/21 (1)	147	4.1	27,891.16
2021/22 (2)	145	2.4	16,551.72
2022/23 (3)	195	3.3	16,923.08

30. Table 2 shows that the increase per officer received for 2022/23 is less than last year. 2020/21, the first year of PUP, was an exception as significant upfront funding was provided to enable forces to recruit officers. Last year's settlement did not include any increase for a pay award, as the pay freeze was in place.
31. Therefore this year's settlement requires us to recruit 50 officers more than last year, pay the increased employers' element of the national insurance increase and provide a pay award for all staff and officers with less funding per officer than last year. This suggests that the Government are expecting PCCs to use the precept flexibility to cover these cost pressures as well as other inflationary pressures.
32. It is worth putting into context recent funding settlements, since 2010 government funding for the PCC has fallen by 16.6% in real terms. Even when the precept is included police funding in Kent has fallen by 2% in real terms over the same period.

### **2022/23 Budget and Precept Proposal**

33. The 2022/23 PCC budget and precept proposal is different to those received by the panel before. Previous years proposals, while outlining the difficulties with Government funding have, by and large been relatively positive with the PCC using the precept increase to recruit more police officers and PCSOs and provide the appropriate equipment, assets and support services for them. The prudent use of reserves to improve the Force Control Room, boost recruitment prior to the Government uplift programme and to fund capital investment have all put Kent Police and the OPCC in a strong position.
34. However, 2022/23 sees the PCC and Kent Police face a number of significant financial challenges that will require the delivery of a number of savings proposals in order for the budget to be balanced and maintain Kent Police's class leading position of forces across the country. The increase in the precept to the maximum allowed under the referendum principles will help mitigate the savings that have to be made, maintain operational policing and limit the impact on frontline services.
35. Even with this increase, £37m of savings are required over the medium term, £6.8m in 2022/23. Over 80% of the budget is expenditure on our employees and it is inevitable that with the level of savings required that there will be some impact on staff costs. This will be managed carefully and appropriately.
36. However, despite the savings, the PCC and Chief Constable are determined, to ensure that Kent Police can build on the successes of previous years. There are proposals for prudent investment in Estates and IT solutions that will enable savings to be released over the medium term. An expansion of the Police Cadet programme will ensure that Kent Police continues the success it has had in local communities.
37. Nationally, the police funding settlement has provided additional funding for the PCC and Chief Constable to recruit another 195 officers during 2022/23. 10 of these officers have been mandated by the Government to go to the ROCU. The remaining officers will be used to support areas of vulnerability reflecting the PCC's Police and Crime Plan survey results.

38. The Government stated that the settlement covers the cost of the imposed national insurance increase for employers and for a pay award although it has provided less per new officer in funding than it has in previous years without a pay award. It should be noted that at this stage a pay award for policing has not been announced and therefore it is unknown what allowance, if any, the government has included in the settlement. The pay award is unlikely to be known until March at the earliest.
39. This means that the precept flexibility afforded to the PCC will have to be used to provide support to the Chief Constable to cover the substantial costs not funded through the settlement, including the increase in the employer's national insurance, national pay award, incremental pay increases and other inflationary pressures such as fuel and utility costs.
40. The increase in precept will also help fund the borrowing costs associated with the largest capital programme and project in Kent's history, the redevelopment of the police estate and improvements to existing police buildings to ensure that Kent Police are effective and efficient not just now but for generations to come.
41. Also included in the budget proposals are a new digital evidence system that will eventually allow the public to upload their dash camera footage and a further expansion of both the Police Cadet and Mini Cadet programmes.
42. The budget and precept proposal for 2022/23 is as follows:

**Table 4: Budget Requirement and Precept**

Budget Requirement	£371.7m
Less Police Funding	£223.8m
<b>Sub Total</b>	<b>£147.9m</b>
Add Collection Fund Deficit	£0.7m
<b>Amount to be raised by Council Tax</b>	<b>£148.6m</b>
Divided by aggregate council tax base	651,312
<b>Band D Council Tax</b>	<b>£228.15</b>

Note: Table may not calculate correctly due to rounding

43. Even with the decision to increase the precept, the total funding will not cover all of the significant costs faced by Kent in 2022/23. This means there is a need to make savings. Savings plans have been worked on during the 2021/22 year and a number of savings have been made already. This year's MTFP requires a further £6.8m of savings to be made even with the increase in government funding and the maximum precept. This is a significant saving against a backdrop of over £100m of savings since 2010. Over 80% of expenditure is on people and therefore, this will require some difficult decisions to be made. However, the release of savings will be carefully managed to ensure minimal impact on operational policing.

**2022/23 Funding Pressures**

44. As has already been mentioned despite the government announcing additional funding for new officers and associated costs, employer's national insurance increases and pay awards, the PCC did not in fact receive enough funding for these costs or other significant cost pressures facing Kent Police. The increase in precept will be used to mitigate the impact of these additional costs but will, unfortunately not cover them all.
45. The major pressures facing Kent Police for 2022/3 are:
- £6.6m for police officer and staff pay awards. 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 increase in officers and staff and those planned to be recruited during 2022/23. The Government has lifted the pay freeze, and the national pay body is discussing potential options for the pay settlement for policing. The assumption in the budget is a pay award of 3.5% although with inflation currently running over 5% the final award may well be higher. Pay awards for the policing sector run from September to August so the £6.6m represents only 7 months of 2022/23. There is a possibility that the pay award may be brought forward from September to bring it in line with financial years. Every month the pay award is brought forward will add an additional £0.9m in cost.

- £7.0m full year cost of the PUP. This is the full cost of the 145 police officers recruited in 2021/22. Officers start working for Kent Police at intervals during the year, so their salaries are not for the full year in the year of recruitment. This is the full year salary cost of those recruited in the previous year.
- £3.2m for incremental pay increases. All officers and staff are on incremental pay scales that increase each year, based on performance. All new recruits start at the bottom of the pay scale therefore with the increase in new officers' the cost of incremental pay is increasing.
- £2.3m from the increase in employer's national insurance brought in by the Government.
- £6.4m for other inflation and cost pressures. All non-pay costs are subject to inflationary pressures, including contract inflation, fuel costs and utilities as well as a number of additional cost pressures such as increasing costs for national collaboration, contractual costs and the ongoing revenue costs of successful investment programme projects. There are a number of factors that are having a significant impact on the budget for next year. General inflation has risen to over 5%, the highest for a decade. This impacts on the costs for the goods and services we buy. The cost of fuel and utilities (electric and gas) have also increased substantially. While Kent Police have locked into fixed pricing for some utilities the increases will filter through into next year's budget. It should be noted the changes to the minimum wage, general inflation and utility costs will also impact on the costs we are charged by our contractors and suppliers.
- £3.2m is the cost to the revenue budget for the investment programme. This figure includes the current cost of borrowing to fund the capital programme, revenue set up costs for such projects as the data centre and estates programmes that cannot be capitalised and revenue consequences of the capital investment. The investment programme is funded through the use of reserves, receipts from the sale of assets and borrowing. The PCC borrowed internally for the investment programme due to robust cashflow management providing the ability to mitigate external borrowing costs. However, this borrowing still requires repayment. This also includes a revenue contribution to capital that will help fund the capital programme both next year and in future years.
- £3.45m in lost Covid Grant Income. In 2021/22 the Government provided £3.45m in Local Council Tax Support grant to mitigate against reductions in the tax base. This was a one-of grant for 2021/22 and while the tax base has recovered from the reduction in 2021/22 this is still a 'cost' to the organisation.

### **Commissioning Strategy**

46. The PCC's Making Kent Safer Plan includes as a priority 'Commission services for victims that are needed'. The MoJ has yet to announce funding for the specific victims' grant allocations for 2022/23. The CSR21 suggested that there would be more funding for victims' services over the life of the CSR21 period, but it is not clear when during the three years that will happen 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, such as those delivered from Compass House, including the Victim Support service, the Independent Sexual Violence Advisor service and the PCC's Restorative Justice service.
47. The PCC has again agreed to put £2m of the budget towards victim services so in total, the MoJ funding plus the commissioning and victims support budget means £4.2m will again be available for allocation in 2022/23, the same level of funding as the previous two years.
48. 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 2021/22.

### **Medium Term Financial Plan – 4 years to 2026/27**

49. 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 2022/23 through to 2026/27. 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 by the PCC and Force CFOs with a number of differing assumptions, and these are discussed with the PCC and Chief Constable and their senior leadership teams before the final version is completed and presented in this report. The MTFP is a living document and is updated regularly for any major changes. The key assumptions included in the current plan are:

### Funding assumptions

- The precept referendum limit is £10 in 2022/23 and for the next two years in line with the announcement in the CSR21. No assumption shall be made in regard to the use of precept flexibility beyond 2022/23 and therefore the plan includes a precept increase of £10 in 2022/23 but thereafter an increase of 1.99% each year.
- The council tax base will increase by 2.42% in 2022/23, with continued growth of 1% in future years.
- That the PUP finishes in March 2023 and there will be no funding for additional officers beyond that.
- The increase for the officer uplift, including the incentivisation grant in 2022/23 will form part of the base budget in future settlements.
- That the Kent PCC receives the same percentage of national police funding in future years as for 2022/23.
- That the additional pension grant received in 2020/21 will be maintained as part of the ongoing funding to police.
- Any top slicing and reallocation from the overall police grant by the Home Office will remain as described in the CSR21.
- That there will be no changes on the level of funding agreed in the CSR21.

### Cost Assumptions

- Up to 195 police officers will be recruited in 2022/23 with 10 going to the ROCU.
- The officers will form part of the ongoing establishment and are funded from Government grant.
- Pay cost inflation for officers and staff will be 3.5% for September 2022 to August 2023 and then a 2% increase every September after.
- Any additional bonus payment or pay award or change in award date above those outlined will have to be funded through any in-year underspend, reserves or additional savings.
- Specific non-pay inflation is applied to individual cost categories and contracts so the general rate varies for 22/23, but 2% has been applied in each year of the MTFP after that, in line with the Bank of England's target. This will be revised each year.
- The Employers Rate of National Insurance Contribution increase will be maintained over the life of the MTFP and will not increase any further.
- The employer's pension contribution will be maintained over the life of the MTFP.
- That an investment in equipment and technology to support police officers through capital investment 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.

50. With these assumptions, across the life of the MTFP there are potentially £37m savings required to balance the budget. While the Force has a good track record of identifying savings ahead of schedule, any change in the savings required for each year will need careful management. Changes to the assumptions above, for example pay awards or inflation, could lead to more or less savings having to be made. £6.8m needs to be found for 2022/23. The Chief Constable has briefed the PCC with details of the savings proposals and provided assurance that frontline policing will be protected as much as possible.

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

**Table 5: Savings requirement**

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Delivered (cumulative)	n/a	6.8	18.6	23.0	29.8
Required (each year)	6.8	11.8	4.4	6.8	7.2
<b>Total (cumulative)</b>	<b>6.8</b>	<b>18.6</b>	<b>23.0</b>	<b>29.8</b>	<b>37.0</b>

52. The large increase in savings required in 2023/24 is due to the ending of the PUP with the full year costs of a further 195 officers, including increments and pay awards, but minimal increase in Government Grant.



53. The table below shows the cost pressures over the medium term alongside the funding received.

**Table 6: Savings requirement**

	<b>2022/23</b> <b>£m</b>	<b>2023/24</b> <b>£m</b>	<b>2024/25</b> <b>£m</b>	<b>2025/26</b> <b>£m</b>	<b>2026/27</b> <b>£m</b>
Increase in Cost Pressures	29.3	21.9	12.5	11.5	12.1
Increase in Funding	22.5	10.1	8.1	4.7	4.9
<b>Savings Requirement</b>	<b>6.8</b>	<b>11.8</b>	<b>4.4</b>	<b>6.8</b>	<b>7.2</b>

54. Table 5 and 6 show the drop off in Government funding at the end of the PUP programme in 2023/24. Future years savings gap is almost entirely due to the difference between pay inflation and the level of funding received in precept.

55. The CSR21 announced that PCC's have the ability to raise the precept by £10 in each of the next three years, to 2024/25. The PCC does not make any presumption on precept increases until the appropriate time, but the impact of the precept increase has been modelled. If the PCC was to increase the precept in each of the two years following 2022/23 then the savings target over the medium term would reduce by £7.6m to £29.4m. The savings targets for 2023/24 and 2024/25 would reduce to £8.2m and £0.8m respectively.

56. The Force has developed a savings plan to cover this period and are continually identifying opportunities for further savings. Any savings identified during the year that are not required to balance the budget in 2022/23 will be invested in reserves to support reserves and the investment programme over the medium term.

57. Savings of this magnitude will require difficult decisions to be made around staffing levels within the organisation. All decisions will be carefully managed to protect the welfare of staff and minimise the impact on frontline policing.

### **Reserves Strategy**

58. 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.

59. 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.
- The PCC will take a long-term approach to protecting, maintaining and investing in all its assets, supporting policing in the long term as well as short term.
- The PCC will maintain a reserve to support the provision of victim support services and crime reduction.
- Reserves not required for the above purposes will be clearly identified as available for other discretionary opportunities.
- In the interests 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.

60. The total general and earmarked reserves are expected to be £16.6m as of 31 March 2022. Of this, the general reserve will amount to £10.5m or 3% of the net budget. This is in line with the 2021/22 reserves strategy policy of holding 3% of the net budget in general reserves. The revised reserves strategy for 2022/23 reconfirms the PCC CFO's recommendation.

61. The remaining reserves are all earmarked for specific purposes. Capital investment in 2022/23 will be funded from asset sales during the year and 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.

62. The level of reserves has reduced significantly over the last few years due to the planned use of reserves to support recruitment, strong performance of delivering capital projects and reducing asset sales. This reflects a strong direction from the Government to reduce policing reserves from a high level in 2017/18. The forecast overspend for 2021/2022 has reduced this level further. Where possible the PCC will look to make contributions over the life of the MTFP to support, in the first instance, the capital programme and overall financial resilience.
63. 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.
64. The reserves position over the medium term is set out below:

**Table 7: Reserves**

	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Reserve	£m	£m	£m	£m	£m	£m
General	10.5	11.1	11.5	11.7	11.8	12.0
Risk (inc Insurance)	5.6	4.3	3.9	3.6	3.4	3.2
Investment Reserve	0.3	0.3	0.3	0.3	0.3	0.3
Ring fenced (inc PCC)	0.2	0.2	0.2	0.2	0.2	0.2
<b>Total</b>	<b>16.6</b>	<b>15.9</b>	<b>15.9</b>	<b>15.8</b>	<b>15.7</b>	<b>15.7</b>

65. Over the medium term, taking all the plans and provisions into account, total reserves are expected to decrease to £15.7m at the start of 2026/27.
66. The expenditure from the investment reserve is increasingly reliant on in-year asset disposals being realised and available to spend. A contribution to capital investment is 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

67. 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.
68. The key themes driving capital investment can be summarised as follows:
- Policy led with clear linkages to operational requirements and the Making Kent Safer Plan.
  - Maximising the efficiency and effectiveness of the estate.
  - 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.
69. 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 8: Investment Programme**

	2022/23	2023/24	2024/25	2025/26	2026/27	Total
	£m	£m	£m	£m	£m	£m
<b>Total</b>	<b>23.9</b>	<b>11.0</b>	<b>12.0</b>	<b>12.0</b>	<b>12.0</b>	<b>70.9</b>

70. The 2022/23 investment programme is the largest programme Kent has undertaken for a number of years. It includes a substantial investment in the Kent Police estate. The Estates programme under Operation Zenith will take existing core buildings and ensure they are fit for policing in the 21<sup>st</sup> century. The change in working arrangements brought about through the Covid pandemic has meant more people working from home on a regular basis. Operation Zenith is Kent Police's response to this and will provide a leaner, more efficient and crucially more effective estate. It will also release substantial revenue savings back into the budget, especially from utility and maintenance costs.
71. The 2022/23 programme is a significant undertaking, and the PCC is taking a personal interest in the estate's redevelopment, receiving assurance regarding costs, delivery and value for money. 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 greater collaborative working. The PCC will continue to hold the Chief Constable to account over the delivery of this programme.
72. Future years investment programme has been restricted to expenditure of up to £12m in each financial year. This is in line with previous years investment programme and reflects the ongoing capacity to deliver projects and the resources available over the medium term. 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.
73. The investment programme is funded by a combination of investment reserves, borrowing and the use of capital receipts from disposing of assets during the year. In regard to capital receipts, all asset disposals are subject to a business case and require approval by the PCC. It should be noted that the Capital Grant from the Government has been abolished so therefore we no longer receive any government funding for capital expenditure.
74. The PCC will have to borrow to fund the capital programme. 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.
75. 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. In essence this will be short term borrowing for cashflow purposes, providing the most economic way of borrowing the substantial investment that is being made in the Kent Police estate. This will ensure that the Force maximises the benefits of new ways of working with a leaner, more efficient and effective estate. This will also release significant revenue savings.

#### **Chief Finance Officer - Professional Statement**

76. It is a statutory requirement that the designated Section 151 Officer, in this case, the PCC 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.
77. In determining the above the PCC CFO has reviewed the financial environment and the risks facing policing in Kent and has taken the following into account.
78. The announcement of the CSR21 in the autumn of 2021 was welcome. It outlined funding allocations to Government departments for the next three years. However, individual allocations to PCCs were limited to one year settlements only. Although an indication of what our potential settlement could be in future years is an improvement, without the exact details of local allocations it is difficult to plan with any certainty.

79. The Minister's announcement of the additional funding in the settlement to recruit additional officers for 2022/23 continues Government support towards their national target on the number of police officers. These officers on top of those already recruited through previous precept increases and government support means that Kent Police has more police officers than ever before. The Government continues to cover all of the costs associated with recruiting the officers and not just the salaries.
80. The funding settlement for 2022/23 continues the incentive funding where the Government holds 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.
81. There is still uncertainty over Government funding for policing in the future, however, the assumptions included within the MTFP are prudent and the organisation has proved itself agile enough to respond to changing levels of resources.
82. The Government's planned review of the formula for distributing the national pot of general police grants has begun again. As has been stated in previous budget reports this could be a significant risk to the funding received by Kent particularly in the latter years of the MTFP. However, due to the unknown timing of any implementation of the formula there is no requirement to have some protection against this risk and therefore no provision in reserves has been made.
83. 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. 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.
84. The triennial valuation of Pension Funds is due to take place during 2022/23 with any changes in employer contribution rates expected to take effect in 2023/24. Any increase in rates will become a budget pressure, but it is unclear at this stage if any increase is required. At the last valuation the fund was overfunded and no increase in rates was required. Although inflation amongst other factors will impact on the valuation, currently no provision for an increase in rates has been included in the budget.
85. The Government stated that the funding settlement included an increase in funding for the officer uplift programme, the imposed national insurance increase on employers and for any national or local pay award. The total of £12.2m provided by the Government is less per officer than we received in 2021/22. There is also no funding for incremental pay increases, or the significant inflationary costs faced by policing. The funding settlement announced by the Government includes their forecast for income derived from local precepts and when announcing the overall funding envelope for policing this local precept is included, assuming that all PCCs increase their precept by the maximum amount available. It is therefore assumed that the Government are expecting pressures over and above those from police officer recruitment to be funded from precept.
86. The increase in precept flexibility for 2022/23 and for the following two years of £10 is appreciated and allows PCCs the scope to set a precept in line with their Police and Crime Plan priorities and provides a boundary for potential scenario planning around funding in future years. Although as CFO it is my duty to plan a number of scenarios, the PCC will take any decision on future precept levels at the appropriate time and therefore the MTFP for future years precept reverts to the pre-precept flexibility limit of 2%.
87. 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.

88. 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. This was reflected in the 2021/22 budget where a reduced tax base (when growth was expected) and a deficit on the collection fund (when it's usually a surplus) meant the Government provided over £3m of funding to offset these losses. This funding was a one-off and therefore increases the pressure on the 2022/23 budget.
89. The Government is still planning for the replacement of the Emergency Services Network (ESN). This is the communication network for all emergency services with the police service being the largest user and therefore the largest financial contributor. The initial estimated capital investment is £1bn, with expected revenue savings of £350m. The implementation of 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. The Home Office have top sliced additional funding from the Central government settlement for ESN and other technological projects. This could be positive news for local police areas, but nothing has been announced at a local level. Any additional revenue costs over and above this estimate would be met from further efficiencies, or if later in the MTFP, 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.
90. The impact of the Covid pandemic, globally, nationally and locally continues. The work undertaken by Kent Police officers and staff and by the staff of the OPCC continues to be outstanding. The ability to continue policing and protecting the vulnerable whilst 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. Government funding for Covid related pressures has been withdrawn, but the Force and PCC continue to manage these pressures within the existing budgets. Any additional revenue pressures this causes will be funded through the budget support reserve.
91. 2021/22 will be the third year in a row that Kent Police have overspent on their budget allocation. This is due to a number of factors, including fewer people leaving the organisation and a number of major operations amongst others. This resulting overspend will be met from the budget support reserve. This reduces the flexibility within the reserves but unlike last year does not require a call on the 2022/23 budget. It is hoped that the Force will return to normal spending patterns, i.e. within budget in 2022/23, 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 costs and income pressures.
92. 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. The 3% in general reserves covered us for two such events and a further contingency. This policy is reflected in the Reserves Strategy and is reviewed annually.
93. Substantial savings are required to be delivered during 2022/23 and beyond. While the Force has a good track record of identifying and managing savings through effective financial management and planning, 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.

94. It is recognised that the delivery of savings becomes harder each year. The Force has a good track record in meeting savings targets. There are a number of medium term plans that will generate significant savings in future years including the redevelopment of the police estate. The scale of the task for 2022/23 cannot be underestimated and it is a sign of the positive attitude to tackling this issue that the Force have a regular Savings Executive Board at which the OPCC is represented through the PCC CFO and Chief Executive to discuss savings initiatives, progress and adjust the delivery plan. However, it has to be recognised that the level of savings required is challenging and will require difficult decisions especially around staffing which adds complexity and cost to the delivery of the savings plan. The flexibility in our budget support will be used to mitigate against the non or late delivery of savings in year.
95. At the time of the budget we have assumed that pay awards will resume from September 2022 and are front loaded with a 3.5% increase from September 2022 and 2% over the life of the MTFP. There is a possibility that the timing of the pay rise may be brought forward within the year to align with financial years. It must be noted that for Kent, every month that the pay rise is brought forward equates to an additional £0.9m. This will be managed through reserves or in year savings.
96. The key assumption on funding is that the Kent PCC's share of the national funding settlement will remain over the CSR period. Although actual allocations are 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 2022/23 it is assumed precept limits will return to historic levels of 2% in line with non-pay inflation forecasts.
97. The increased demand for capital investment coupled with the reducing ability to produce capital receipts means that 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 initially through borrowing, and particularly 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 redevelopment of the police estate is a significant project carrying a substantial financial commitment. The investment programme is a crucial element of the PCC's determination to support Kent Police wherever he can. The programme is an essential tool in making the Force more efficient and effective and ensuring officers are equipped with the best equipment and operating from effective bases to enable them to be more visible in the community.
98. Due to its geographical location Kent is faced with a number of issues around its border. The contingency planning undertaken by Kent Police and its partners around the exit from the European Union proved successful. However, planned changes to border rules during 2022/23 and the increasing use of Kent by the Government's immigration service does place demands on policing resources. The PCC has been successful in obtaining funding from the Government, so 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. However, should business as usual have any unexpected impact or costs then this would be managed through the reserves in the first instance with a view to reimbursement from the government.
99. The Force and the OPCC maintain active risk registers and associated risk management processes for operational and management risks which are monitored by the independent Joint Audit Committee. As well as the financial challenges described above, many of the key risks inevitably fall on the Force, rather than the OPCC, from both existing and newer threats. Examples of the latter include the local response to counter terrorism, child sexual exploitation, organised crime and cybercrime. Within the OPCC, ongoing strategic risks relate to ensuring the core statutory functions of the PCC are met; this includes overall financial governance and value for money, the commissioning of victim's services and complaint regulations.

100. Overall, I have considered the level and need of reserves against the strategic risk registers of the Force and the OPCC. It is clear that there is a significant financial challenge facing the organisation but there are proactive plans in place to deliver the savings required in a managed way and a robust governance framework overseeing the challenge. The reserves position provides some resilience without increasing risk to the organisation and 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 2022/23 will inevitably carry more uncertainty. I am also satisfied that the operation of internal and external audit and the implementation of new monitoring processes improve the sound operation of financial controls. Regular monitoring and review of delivery plans and active risk management, including via the independent Joint Audit Committee, remain vital parts of the local governance arrangements.

Rob Phillips  
Chief Finance Officer  
Office of the Police and Crime Commissioner for Kent  
February 2022

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**Supporting information:**

Annex A – Summary of Medium Term Financial Plan, 2022/23 to 2026/27

Annex B – Reserves Strategy 2022/23

Annex C – Capital Strategy 2022/23

**Kent Police and Police and Crime Commissioner  
Medium Term Financial Plan 2022/23 to 2026/27**

	Budget 2022/23	Budget 2023/24	Budget 2024/25	Budget 2025/26	Budget 2026/27
	£m	£m	£m	£m	£m
<b>Expenditure</b>					
Police Pay - incl 20-21 & 21-22 Uplift posts	231.33	247.83	255.05	262.49	270.01
PSE - incl PCSO costs	95.45	98.28	99.99	102.51	105.07
National Officer uplift (PUP)	2.85	0.00	0.00	0.00	0.00
Overtime	7.26	7.26	7.26	7.26	7.26
Other Employee Related Costs	16.03	16.03	16.03	16.03	16.03
Premises	23.38	23.85	24.33	24.81	25.31
Transport	8.38	8.55	8.72	8.89	9.07
IT	17.90	19.91	20.78	21.13	21.62
Other Non-Pay costs supplies & services etc	20.60	20.60	20.60	20.60	20.60
Office of the Police and Crime Commissioner (OPCC)	1.54	1.54	1.54	1.54	1.54
OPCC - Commissioning and Victim Services	4.12	4.12	4.12	4.12	4.12
Revenue cost of the capital programme	4.68	7.18	8.18	8.76	9.59
Project Zenith	1.51	-1.49	-1.59	-1.59	-1.59
<b>Total Gross Spending</b>	<b>435.03</b>	<b>453.65</b>	<b>465.00</b>	<b>476.55</b>	<b>488.63</b>
<b>Income:</b>					
Specific Grant - Victims Funding	2.12	2.12	2.12	2.12	2.12
Specific Grant - Counter Terrorism	13.00	13.00	13.00	13.00	13.00
Specific Grant - Pension Grant	3.40	3.40	3.40	3.40	3.40
Specific Grant - PUP Conditional Grant	3.30	0.00	0.00	0.00	0.00
Locally Generated Income	34.77	34.77	33.63	33.63	33.63
<b>Net Spending</b>	<b>378.45</b>	<b>400.37</b>	<b>412.85</b>	<b>424.40</b>	<b>436.48</b>
<b>Savings Required 22/23</b>	<b>-6.79</b>	<b>-6.79</b>	<b>-6.79</b>	<b>-6.79</b>	<b>-6.79</b>
<b>Savings Required 23/24</b>	<b>0.00</b>	<b>-11.82</b>	<b>-11.82</b>	<b>-11.82</b>	<b>-11.82</b>
<b>Savings Required 24/25</b>	<b>0.00</b>	<b>0.00</b>	<b>-4.38</b>	<b>-4.38</b>	<b>-4.38</b>
<b>Savings Required 25/26</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-6.81</b>	<b>-6.81</b>
<b>Savings Required 26/27</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>-7.19</b>
<b>Total Net Spending after savings</b>	<b>371.66</b>	<b>381.76</b>	<b>389.86</b>	<b>394.60</b>	<b>399.49</b>
<b>Funding:</b>					
General Policy and Legacy Council Tax grants	223.80	229.43	232.91	232.91	232.91
Council Tax Precept including estimated collection fund balance	147.86	152.34	156.94	161.69	166.58
<b>Total Net Financing</b>	<b>371.66</b>	<b>381.76</b>	<b>389.86</b>	<b>394.60</b>	<b>399.49</b>



## **Kent Police and Crime Commissioner Reserves Strategy 2022/2023**

### **Introduction**

1. An important element of the Police and Crime Commissioner's (PCC) overall financial strategy is the transfer to and from and the level of reserves held 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 reported to the Police and Crime Panel in February each year. Alongside the MTFP, Capital Strategy, Commissioning Strategy and the Treasury Management Strategy and Minimum Revenue Provision policy it forms part of the overall financial strategy of the Kent Police Group (the PCC and Force).

### **Background**

3. Reserves are held both for the annual budget and over the medium term as part of an overall MTFP and it forms part of a number of legislative safeguards in place that help prevent the PCC from over-committing financially. These include:
  - The requirement to set a balanced budget as set out within the Local Government Finance Act 1992.
  - The requirement for the PCC to make arrangements for the proper administration of their financial affairs and the appointment of a Chief Financial Officer (PCC 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 PCC 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 PCC CFO to report to the PCC, Police and Crime Panel and the External Auditor if there is or likely to be unlawful expenditure or an unbalanced budget. This would include situations where the PCC does not have sufficient resources to meet expenditure in a particular year.
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 PCC CFO taking into account all local and national circumstances. However, the Government have specified that any level of general reserves over 5% requires explanation within the Reserves Strategy.

### **Financial Regulations**

7. As all financing is issued to the PCC then it follows that all reserves are held by the PCC. The Kent Police Financial Regulations set out the key responsibilities for the PCC's CFO, Force 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 four reasons:
  - a) As a general contingency against unknown or unforeseen events
  - b) To manage strategic risks in the organisation
  - c) To manage change within the organisation
  - d) To be 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.
- The PCC will take a long-term approach to protecting, maintaining and investing in all its assets supporting policing for the long term as well as short term.
- Reserves not required for the above purposes will be clearly identified as available for other discretionary opportunities.
- In the interests 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.

10. These elements are the aims of the PCC's Reserves Strategy and have not changed, however, the attainment of these aims has become more challenging due to the current financial climate. The aims are the overarching guiding principles to which the Reserves Strategy of the PCC will aspire.

### Reserve Levels

11. The total general and earmarked reserves are expected to be £16.6m as at 31 March 2022. Of this, general reserves will amount to £10.5m or 3% of the net revenue budget. This is the current level of reserves recommended by the PCC CFO in the strategy to be held for general contingency. This level is generally regarded best practice and comparable with other PCCs. The MTFP, budget and Reserves Strategy all have clear guidance on the use of general reserves. If at any time general reserves are utilised so that their level falls below the recommended level then the first call on the budget is to replenish the general reserves to 3% of the net revenue budget.
12. The remaining reserves are all earmarked. Capital investment in 2022/23 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.
13. The level of reserves has reduced significantly over the last few years due to the planned use of reserves to support recruitment, delivery of capital projects and reducing asset sales. This reflects a strong direction from the Government to reduce policing reserves from their high in 2017/18 but also the strict financial environment in which policing operates. Recent years overspends have exacerbated the reduction in reserve levels further. With the current expected levels, it means that reserves can only be used for contingencies.
14. 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.
15. The reserves position over the medium term is set out below:

<b>Reserves as at 31<sup>st</sup> March</b>	<b>2021/22</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
General	10.5	11.1	11.5	11.7	11.8	12.0
Risk (inc Insurance/ Budget Support)	5.6	4.3	3.9	3.6	3.4	3.2
Investment Reserve	0.3	0.3	0.3	0.3	0.3	0.3
Partnership	0.1	0.1	0.1	0.1	0.1	0.1
PCC	0.1	0.1	0.1	0.1	0.1	0.1
<b>Total</b>	<b>16.6</b>	<b>15.9</b>	<b>15.9</b>	<b>15.8</b>	<b>15.7</b>	<b>15.7</b>

16. Over the medium term, taking all the plans and provisions into account, reserves are expected to total £15.7m at the end of 2026/27.
17. The expenditure from the investment reserve is 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.

18. Any revenue underspends not required for unforeseen expenditure will be taken back into reserves.
19. The reserves held are the following:
- **The General reserve** is used to mitigate against unknown and unexpected events that incur considerable cost that could not be borne within the revenue budget. This could include public order, major investigation costs or to fund initial costs of major disruption / disaster response (i.e. Covid 19 pandemic, flooding). Kent Police Group issues that could be applied to this reserve include Operation Stack or EU exit. This would be used before applying to the Government's Special Grant scheme should the criteria be met. The Special Grant scheme usually only accepts applications from those PCC's who have incurred costs greater than 1% of their net revenue budget with a further 0.5% for a second event. This reserve covers two such instances plus a further 1.5% for unknown and unexpected costs.
  - **Risk** is used to mitigate any sudden or unexpected changes in funding levels. It includes:
    - **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 by our actuaries.
    - **Budget Support** which is held to mitigate risks around the current year budget, including risk in the non-delivery or delayed delivery of the savings plan. It will also, where appropriate, fund costs for significant operations that would not lead to a claim for Special Grant avoiding the need to use general reserves.
  - **Investment Reserve** funds the capital investment in our investment programme. The investment programme is a number of medium and long-term projects that are designed to improve, renew or create assets 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 is included within the revenue budget.
  - **Partnership** reserve is held for statutory reasons on behalf of specific partnerships. They can only be used for the purposes they were intentionally held for.
  - **PCC** reserve holds funds set aside from the PCC's own budget to fund innovative projects to help transform policing and fund local PCC priorities.
20. The expenditure from the investment reserve is reliant on borrowing as in-year asset disposals reduce. A revenue contribution to capital continues to support the investment programme and this contribution will increase over the medium term. Any fluctuations in asset disposals may mean a reduction in investment or where appropriate, for long term projects, a need to borrow.

### Home Office Classification

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

Classification	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m
Funding for planned expenditure on projects and programmes over the period of the current MTFP	3.2	1.9	1.5	1.2	1.0	0.8
Funding for specific projects and programmes beyond the current planning period	0.2	0.2	0.2	0.2	0.2	0.2
Funding held as a general contingency or resource to meet other expenditure needs in accordance with sound principles of financial practice	13.2	13.8	14.2	14.4	14.5	14.7

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

Summary of Reserves Position

		2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Reason	Planned Use
	Classification	£m	£m	£m	£m	£m	£m		
General	Contingency	10.5	11.1	11.5	11.7	11.8	12.0	3% of Net Revenue Budget. 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. There is no expectation that these reserves will be used over the medium term, but should there be an unexpected event then they can be. The increase in the net budget means this reserve will increase over the medium term.
Risk	Contingency	5.6	4.3	3.9	3.6	3.4	3.2	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.	There is no planned use of the reserve during the MTFP. £2.7m 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	0.3	0.3	0.3	0.3	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.
Partnership Funds	Planned	0.1	0.1	0.1	0.1	0.1	0.1	The reserves are held on behalf of partners within policing and can only be used for the purpose for which they are held.	There are no plans to use these over the medium term although partners decisions may add to, or reduce them.
PCC	Planned	0.1	0.1	0.1	0.1	0.1	0.1	This reserve holds funds set aside from the PCC's budget to fund innovative projects to help transform policing and fund local PCC priorities.	These reserves were depleted during 2020/21. Should flexibility allow these will be increased over the medium term although no assumption is made that they will.
<b>Total Reserves</b>		<b>16.6</b>	<b>15.9</b>	<b>15.9</b>	<b>15.8</b>	<b>15.7</b>	<b>15.7</b>		

# Kent Police and Crime Commissioner

## Capital Strategy 2022/2023

### 1 Purpose

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

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

Throughout this document the term Kent Police Group 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 Group. It sets out the medium to long term context in which decisions are made with reference to the life of the projects/assets.

### 3 Legislation

Expenditure on capital is bound by legislation and Codes of Practice. This strategy complies with and has regard to:

- Local Government Act 2003
- Localism Act 2011 (England)
- Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2020
- Capital Finance: Guidance on Local Government Investments, third edition (2018)
- Capital Finance: Guidance on Minimum Revenue Provision, fourth edition (2018)
- CIPFA Prudential Code (2017)
- CIPFA Prudential Code Guidance Notes (2018)
- CIPFA Treasury Management Code of Practice and Cross-Sectoral Guidance Notes (2017)
- CIPFA Financial Management Code (2019)

### 4 Links to other corporate strategies and plans

The PCC produces a Police and Crime Plan every four years. The Making Kent Safer Plan will be refreshed annually.

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

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

## 5 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 Group 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 Group's plan of capital works for future years, including details on the funding of the schemes.

## 6 Capital vs. Treasury Management investments

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

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

## 7 The Capital Budget setting process

Kent Police Group is committed to a rolling medium term revenue and capital plan that covers 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 Group 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 Policing Vision for 2025.

Although a MTCP is published, the Capital Strategy takes a view beyond the medium term and looks at the long term implications of the capital projects and the funding thereof.

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

Key focuses of the Capital Programme:

- To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites, improving core training facilities and progressing the Estates Strategy and 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.
- Improving our environmental sustainability and mitigating our impact on the environment.

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

## 8 Collaboration and wider sector engagement

Although Kent Police Group 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, other emergency services, the Crown Prosecution Service and central government and its agencies, to improve overall service to the public.

## 9 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 and capital budgets. This work will have identified the potential financial position for Kent Police Group 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 plus 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.

## 10 Capital sustainability

For many years Kent Police Group has benefitted from substantial capital reserves, supported by the sale of operational buildings or police houses or revenue reserves built up from in year revenue underspends.

Recently this position has changed. Looking ahead over the medium term 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 have been 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 Group 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 of this is 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.

These borrowing decisions are not made in isolation, nor are they made over a 1 year or 5 year view. Borrowing plans are expanded across the long term to ensure that decision makers are aware of the financial impact their decisions will have beyond the medium term.

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:

- A smaller, more efficient and effective estate.
- Protecting officers and staff, through the purchase of safety equipment.
- Making officers and staff more efficient and effective enabled through improved Information and Communication Technology solutions.
- Improved environmental sustainability and mitigating the environmental impact.

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

## **11 The formal MTCP approval process**

The MTCP is continuously updated during the financial year but begins to crystallise formally in the autumn. The MTCP is presented to Chief Officers Management Board (COMB) and once agreed is then presented to the PCC as part of the overall suite of budget reports for formal approval. The programme will be a mixture of continuing projects, regular maintenance and new projects. How this programme is funded will have been discussed and agreed through the Force Chief Finance Officer (FCFO) and PCC's Chief Finance Officer (PCCCFO) prior to final approval. The taking of loans, if required, then becomes a decision for the PCCCFO in conjunction with the FCFO who will decide funding of the capital programme based on the level of reserves, current and predicted cashflow, and the money market position. It will then be determined whether borrowing should be met from internal or external sources.

The PCC approves the funding envelope and a high level view of projects in February each year. Once the PCC has approved the capital programme, then expenditure can be committed against these high-level schemes subject to a full business case being submitted, normal contract procedure rules and the terms and conditions of funding.

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

The capital programme expenditure is then monitored on a regular basis through monthly financial monitoring reports, at the Financial Oversight Board and reported at the PCC's Performance and Delivery Board on a quarterly basis.

## **12 Individual project management**

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

Typically, projects will have dedicated Project Boards, which, if part of a larger programme may sit under a Programme Board. Project / Programme 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 / Programmes may also report into Regional Boards.

For large capital projects or those that are of public or PCC interest, the PCC or a senior member of the PCC's team will be invited to have a seat on the programme board for that project or regular personal briefings to the PCC will be requested.

## **13 Monitoring of the capital programme**

The FCFO will submit capital monitoring reports to both COMB and the PCC on a regular basis throughout the year. These will usually be submitted to the Finance Oversight 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. The report will also include current forecast of the funding of the programme as a whole.

For proposed in-year amendments to the annual capital budget, for schemes not already included in the medium-term capital plan, the FCFO will prepare a business case for submission to the PCC for consideration and approval, including details on how the new scheme will 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 at each Board meeting.



## **14 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.

## **15 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.

## **16 Funding strategy and capital policies**

### **16.1 Government Grant**

In the police funding settlement for 2022/23 it was announced that there would no longer be an annual capital grant received from the Home Office. Therefore, the PCC no longer receives any direct Government support for capital expenditure.

### **16.2 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 sale of assets is a one-off receipt and means the pool of assets available for sale reduces limiting the ability to fund projects from capital receipts.

### **16.3 Revenue funding**

Recognising that the pool of assets available for sale is declining a RCCO is seen as a sustainable funding alternative. However, the pressures on the revenue budget are acute with substantial savings already being required. Where appropriate and affordable an appropriate provision for RCCO is included within the annual revenue budget and the MTFP.

### **16.4 Prudential borrowing**

Local authorities, including PCC's, 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 Group need to ensure it can fund the repayment costs. The 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 Group have consistently avoided external borrowing for specific projects (i.e. only borrowing for cashflow purposes) by using internal resources (reserves, capital receipts), however, the reduction in resources available may mean that for long term projects external borrowing may be more appropriate.

### **16.5 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.

### **16.6 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 Group 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.

### **16.7 Leasing**

Kent Police Group 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.

## **17 Procurement and value for money**

Procurement is the purchase of goods and services and the financial regulations clearly set out the processes and rules in place for effective procurement. Kent Police Group have recourse to two key partnerships in order to leverage the best value for money from our capital activities.

The 7 Force (7F) procurement team ensures that all tender processes and 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.

BlueLight Commercial is a Government funded organisation that acts on behalf of all PCCs and Chief Constables across the country in order to obtain efficient and effective services providing value for money opportunities. This works on our behalf across both revenue and capital spending.

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.

## **18 Partnerships and relationships with other organisations**

Wherever possible and subject to the usual risk assessment process, Kent Police Group 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 Group procures capital items on behalf of other consortium partners, only Kent Police Group related expenditure which will be included in the fixed asset register will be included in the medium-term capital plan and the annual capital budget.

## 19 Management framework

All contracts are in the name of the PCC meaning that the PCC owns all of the assets. However, the Chief Constable has day to day operational control over short life assets, such as ICT, equipment and vehicles. Ownership of the estate belongs with the PCC, but as these are operational buildings, the Head of Estates manages it on behalf of the Chief Constable with regular reporting and oversight from the OPCC.

The PCCCFO and FCFO manage the medium-term capital plan and the annual capital budget. The FCFO provides regular updates to COMB 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 in conjunction with the FCFO.

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

Having approved the medium-term capital plan and the annual capital budget in February each year the PCC formally holds the Chief Constable to account for delivery of capital projects as part of the regular Finance paper at his Performance and Delivery Board meetings.

## 20 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 the outcomes have been achieved.

Post scheme evaluation reviews should be completed by Kent Police Group for all schemes over £0.5m 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 Finance Oversight Board.

## 21 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. Both the Force and the OPCC have a corporate risk register which sets out the key risks to the successful delivery of Kent's corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks or maximise opportunities.

To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored. It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex and costly business change programmes.

Kent Police Group accepts there will be a certain amount of risk inherent in delivering the desired outcomes of the Police and Crime Plan and will seek to keep the risk of capital projects to a low level whilst making the most of opportunities for improvement. Where greater risks are identified as necessary to achieve desired outcomes, Kent Police Group 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 risks associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialist advice to enable them to reach their conclusions.

### **21.1 Credit risk**

This is the risk that an 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 through its arrangements with 7F Procurement and where appropriate through BlueLight Commercial. Where possible contingency plans will be identified at the outset and enacted if appropriate.

### **21.2 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.

### **21.3 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.

### **21.4 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.

### **21.5 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.

### **21.6 Legal and regulatory risk**

This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, Kent Police Group 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.

### **21.7 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 Police Group has a strong ethical culture which is evidenced through our values, principles and appropriate behaviour. This is supported by the national Code of Ethics and detailed policies such as Anti-Fraud and Corruption and Declaration of Interests.

### **22 Other considerations**

Capital Schemes must, as all PCC and Force spend, comply with all appropriate legislation, such as for example, the Disability Discrimination Act, the General Data Protection Regulations (GDPR) and building regulations etc.

February 2022