

Key Points

1. The key points from the 2023/24 budget and precept proposal from the Police and Crime Commissioner (PCC) are:
 - A proposed increase in the precept of £15 a year, or 6.57% for a Band D property, equivalent to £1.25 a month, or 4p per day.
 - A council tax for an average Band D property of £243.15.
 - Kent PCC remains in the lowest quartile (bottom 10) of precepting PCCs across the country.
 - Increase in Central Government Funding from the Home Office (HO) of £4.1m, only £0.7m of which is core ongoing funding.
 - Funding includes previously announced funding for a 2% pay award to police officers in the CSR21 but this has now been included within the incentive PUP grant.
 - No government funding for police staff pay increases.
 - Kent remains in the lower quartile for Government funding for PCCs
 - Maintaining the record level of police officers in Kent
 - Due to the PCC's previous increases in precept supported by the Police and Crime Panel, Kent now has 358 more police officers than it did in 2010.
 - A reduction in the headcount of Police Community Support Officers (PCSOs)
 - Total Savings of £14.1m required in 2023/24, with £7.3m in year savings to be made.

 - The increase in precept to be used to:
 - i. Make up for the deficit in central government funding to maintain policing services and the record number of police officers in Kent.
 - ii. These new officers to replace PCSOs in local areas as part of the implementation of the new Neighbourhood Policing Plan. This does mean a reduction in the headcount of PCSOs in Kent.
 - iii. Reduce the level of savings required for next year and limit further reductions in the numbers of staff.
 - iv. Continued Investment in our police stations in Coldharbour, Maidstone, Sittingbourne, Folkestone, Tonbridge, and Ashford.
 - v. Maintaining the police cadet programmes.

 - This will result in:
 - i. Net Cost Pressures for 2023/24 of £26.4m.
 - ii. Total Increase funding for 2023/24 of £12.4m (Government Funding £0.7m / PCC Precept funding £11.7m.
 - iii. Savings Requirement for 2023/24 of £14.1m, £6.8m from Neighbourhood Policing Review identified, £7.3 identified to be made in year.
 - iv. A net revenue budget after savings of £385.6m.
 - v. A potential savings requirement over the medium term of £42.2m.
 - vi. A capital programme of £20.6m for 2023/24 with a further £44.3m planned to 2027/28.
 - vii. A balance in reserves at the end of the Medium-Term Financial Plan (MTFP) of £20.4m.
2. The decision to increase the precept to the maximum allowed under the referendum principles has not been taken lightly. The cost-of-living pressures that the citizens of Kent are facing are considerable and it is recognised that this is a further pressure. However, even with this increase the PCC can only mitigate some, not all, of the cost pressures in the 2023/24 budget.
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. This budget supports the 'Making Kent Safer' 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

4. The purpose of this report is to set out the proposed budget and precept proposals by the PCC. It delivers one of the key responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011 and supports the PCC's priorities within the Police and Crime Plan.
5. In determining his budget proposals, the PCC has had regard to:
 - His 'Making Kent Safer' Police and Crime Plan.
 - National targets and objectives including the Strategic Policing Requirement.
 - Consultation with the Chief Constable and Kent Police 'Mission, Vision, Values and Principles'.
 - 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 Finance 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.
6. This report will set out the:
 - Achievements during 2022/23.
 - Government's police funding settlement for 2023/24.
 - 2023/24 budget and precept proposal.
 - 2023/24 funding pressures.
 - The PCC's Commissioning Strategy.
 - Medium Term Financial Plan 2023/24 to 2027/28.
 - Savings.
 - Additional Income.
 - The Reserves Strategy.
 - The Capital Strategy.
 - Chief Finance Officer's Professional Statement.

Achievements during 2022/23

7. In 2022/23 the PCC received funding from the Government to continue the national recruitment drive for an additional 20,000 officers across the country. The number of police officers in Kent was to be increased by 195. This increase will be achieved by the end of March 2023, therefore hitting the Government's target, and releasing the incentivisation funding.
8. During 2022/23 the Government announced additional incentive funding for forces to recruit beyond the initial target for the year. Funding of £20,000 per officer was offered. It is Kent's intention to go over and above the target by the end of March and therefore release further funding into Kent.
9. Thanks to Government funding, over the last three years, Kent will have increased its officer numbers by around 490, with the last intakes for 2022/23 due in March 2023. 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 Government's uplift programme supported by the Police and Crime Panel, Kent now has 358 more police officers than it did in 2010 and 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 Force to tackle crime in rural and urban areas, with specialist teams for burglary and gangs.
10. Tackling offences against women and girls has always been a prime concern for the Force with victims and witnesses being a top priority, and central to the Control Strategy for 2022/23. However, to enhance the service provided, a new strategy to tackle violence against women and girls (VAWG) was implemented with the Force investing in over 900 officers to work in local areas specifically investigating those offences that relate to VAWG, such as Domestic Abuse and Rape Investigation. Following the

tragic murder of Sarah Everard, Kent Police immediately instigated a number of activities, including engagement with over 1,000 members of the public at meetings across Kent, and the introduction of a new Officer Identity Verification Check process. This process enables members of the public, if concerned about an officer's identity, to ask for a check to be made through the Control Room operator who will confirm the officer is on duty and respond on the officer's radio.

11. The number of County Lines in Kent have reduced from a high of 82 in July 2020 to below 40, with several districts now deemed as having no county lines in their area.
12. Kent Police continues to invest in prevention work to tackle crime and anti-social behaviour before it starts. For example, the Maidstone Town Centre Task Force worked with Tactical Operations to focus on deterring violence and preventing exploitation and county lines crime within the night-time economy and a knife bar and passive drugs dogs were part of a targeted operation which saw a foot chase along the river and 1,000 cannabis plants seized
13. Local Policing Command hosted the Kent Police Annual Problem-Solving Awards, celebrating the best of problem-solving approaches by all Kent teams across a range of crime types. These awards rewarded officers and staff who had shown initiative in preventing crime and ASB. They covered a number of areas, such as safeguarding in the night-time economy; targeting repeat crime and ASB and drug supply and knife crime in schools.
14. The Cadet programmes continue to be popular. A total of 53 schools have enrolled in the mini cadet scheme since the inception of the programme which is a total of 593 young people participating. The Senior Cadet programme has now fully recovered from the aftermath of the pandemic with the numbers expected to increase to 450 by the end of the year. There are currently 27 ex-cadets who have now joined Kent Police as Police Constables, Special Constables, PCSOs and police staff. In October, the first ever Kent Police Lord Lieutenant's Cadet was appointed.
15. The PCC has been successful in bidding for funding into Kent for victim and witnesses. Approximately £3m of additional funding was acquired in 2021/22 and continued into 2022/23. This enabled the PCC to maintain the support for domestic violence and sexual violence services to manage increased demand and continue with the increased capacity for domestic abuse and sexual violence trauma counselling.
16. The programme to help the perpetrators of domestic abuse change their behaviour established itself during the year. 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 has been successful in bidding for over £1.5m of funding from the Government's Safer Streets fund. 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. The Safer Street Project in Medway was recognised nationally and nominated for a Public Finance Award.
18. The PCC and his office have also been successful in acquiring continued funding for 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 main referral and support service for victims of crime is due to expire on 31 March 2023. As a result, the PCC completed a tender process to commission a high-quality independent Victim's Advocacy and Support Service in Kent. Victim Support were the successful organisation and will provide this service for another 4 years.
20. The PCC also awarded two organisations' contracts to provide input to pupils at both primary and secondary schools. Collaboration Digital provides inputs on Healthy Relationships, including attitudes and behaviours and safety, online harm, cyber bullying, and cyber safety. St Giles Trust provides input on Gangs, County Lines, Knife crime, violence, and criminal exploitation. The service commenced in September 2022 with the first presentations to schools beginning in February 2023.

21. The OPCC has dealt with over 3,500 complaints for the year to date, a significant increase on the previous year. The OPCC is also the 'Review' body for most police complaints, i.e. the OPCC handles the appeals for these matters. The OPCC has dealt with approximately 230 reviews per annum. As previously reported, this is owing to the change in legislation as to the definition of a complaint, and the fact that the OPCC, as opposed to Kent Police, is the review body, thereby being perceived as more independent.
22. The PCC published his final report into VAWG. Many actions have already been undertaken by partner agencies, including the introduction of Kent Police's new VAWG strategy and the school's intervention programme. Other recommendations, like the introduction of comprehensive victim satisfaction surveys will go live during 2023/24.
23. More than 2,900 filled in the Annual Policing Survey. The survey coincided with the recruitment of a new Chief Constable for Kent and included several questions about crime types that the public felt the new Chief should focus on. It also asked about the police budget precept, with 52% of respondents approving a precept rise.

2023/24 Funding Settlement

24. The 2023/24 Provisional Settlement was announced on 14 December 2022 in a written statement by the Policing Minister. This settlement is the second year of the three-year Comprehensive Spending Review (CSR21) announced in the autumn of 2021.
25. The Minister confirmed that policing had available an extra £523.4m in 2023/24. Of this, £349m i.e. two-thirds, would come from local taxpayers through the council tax, provided all PCCs increased their precept by £15, the maximum allowed under the referendum principles. The rest of the funding is made up of £29.9m of core funding, and £140m of Police Uplift Programme (PUP) funding, meaning there has been an increase of £174.4m in grant funding over last year. However, the PUP funding is, as in previous years, an incentive grant, and only received should PCCs maintain their increased number of police officers.
26. The CSR had originally allowed PCCs in England the flexibility to increase funding in each year of the CSR21 period up to a £10 council tax referendum limit. The settlement confirmed that PCC's will have the flexibility to increase the precept up to £15 for 2023/24 only. As per last year's settlement, PCCs did not receive any capital grant funding.
27. The Minister also stated that the Police are expected to ensure that they make the best of public money. The HO expects to see at least £100 million of cashable savings (as part of CSR21). This should be achieved through the following:
 - Working with BlueLight Commercial to maximise financial and commercial benefits related to procurement, through use of the organisation's commercial expertise, leveraging the purchasing power available across the sector, and developing the capacity to implement a full commercial life-cycle approach to procurement.
 - Corporate Functions, where the HO and BlueLight Commercial are conducting ongoing work with the sector to understand the opportunities around the management of corporate functions for example implementation of shared service models.
28. The HO has commissioned the National Police Chief's Council (NPCC) to conduct a review of operational productivity in Policing. It is expected that that the review will deliver clear, practical, and deliverable recommendations to improve the productivity of policing.
29. The PCC is confident that through this budget and the delivery of savings that Kent Police can maintain its share of the national uplift in police officers through 2023/24. Therefore, the release of Kent's share of the incentivisation funding has been included within the budget.
30. The PCC is equally confident that this budget and MTFP shows Kent's commitment to the above and has responded to the Ministers request with details of how Kent are meeting those expectations. Furthermore, the PCC's continued role as the national lead for Blue Light Commercial, provides assurance of the organisation's delivery of the Government's expectations nationally with the associated benefits to Kent.

31. Locally, the funding received by Kent is as follows:

Table 1: Funding Settlement

| Funding Stream | 2023/24 | 2022/23 | Variance |
|---------------------------------------|----------------|----------------|-----------------|
| | £m | £m | £m |
| Police Core Grant | 211.2 | 210.5 | 0.7 |
| Specific Grant: PUP (officer uplift)* | 6.7 | 3.3 | 3.4 |
| Legacy Council Tax Grants | 13.3 | 13.3 | 0.0 |
| Pension Grant Allocation | 3.4 | 3.4 | 0.0 |
| MoJ Victims Funding** | u/k | u/k | u/k |
| Total | 234.6 | 230.5 | £4.1 |

* Although announced as funding the grant is classed as income.

**MoJ funding has yet to be announced for 2023/24

32. Although government funding has increased for 2023/24 it is predominantly through the PUP funding which is an incentive grant and is reliant upon Kent maintaining police officer numbers.

33. The Government expectation on budgeting for pay as set out in the Policing Minister's letter on the settlement is that *PCCs should consider the pressures on their budgets, including the potential for a 2023-24 pay award above 2% next year, for which they should budget appropriately.* It should be noted that funding for pay awards for officers is included within the PUP increase, therefore it's part of the recruitment incentive funding and not guaranteed core funding so could be withdrawn in future years. It also means that if a PCC fails to maintain police numbers it loses almost all its funding including that for pay increases for existing officers.

34. There is no government funding for police staff roles. Therefore, any pay rise for police staff and any pay increase for police officers above 2% will need to be funded through council tax.

35. It is worth putting into context recent funding settlements, since 2010 government funding for Kent PCC has fallen by 19.4% in real terms (1.4% in cash terms). Even when the increases in the precept are included police funding in Kent has fallen by 5.2% in real terms over the same period.

2023/24 Budget and Precept Proposal

36. The 2023/24 PCC budget and precept proposal to the panel is a difficult proposition. In previous years, although highlighting the need to make significant savings, the PCC has been able to identify the additionality to Kent Police that the precept will provide, whether through additional officers, PCSOs or assets and equipment.

37. However, the financial challenges facing Kent Police and the PCC in 2023/24 and beyond mean this report focuses on the difficult decisions required to balance the budget. The shortfall in funding from the Government coupled with significant inflation rates mean cost pressures for 2023/24 are substantial and savings will need to be made. In effect, this report outlines the efforts that the Chief Constable and PCC have taken to ensure that the impact on frontline policing is mitigated while outlining the cuts and savings required in other parts of the organisation.

38. Increasing the precept to the maximum allowed under the referendum principles will help mitigate but not remove the need to make savings. Even with this £15 increase, £42.2m of savings are required over the medium term, £14.1m of which are required in 2023/24. 80% of the budget is expenditure on employees so it is inevitable that with the level of savings required that there must be some impact on staffing levels. Anything less than £15 would require further reductions in staffing and service levels.

39. As an example of the scale of the problem, the Force are currently consulting staff on the Neighbourhood Policing Model. The aim at the outset was not only to ensure Kent Police has the right mix of roles and functions to ensure it delivers for local communities but also make significant savings. The review utilises the additional police officers recruited under the PUP so that local areas will see more police officers on the street. This will require a reduction in the headcount of PCSOs and save £6.8m. In previous years a substantial saving like this would have been sufficient, but with a savings gap of £14.1m the organisation still requires £7.3m of savings on top of that just to balance the budget in 2023/24.

40. This is an issue that is not unique to Kent and is affecting policing across the country. Nationally, the police funding settlement has provided additional funding for the PCC and Chief Constable for the on-going costs of the 2022/23 pay award. It should be noted that this has been included within the police uplift incentive grant and will therefore only be available if Kent Police maintain their share of the national uplift programme officer numbers, although the pay award applies whether we maintain our officer numbers or not. At this stage a pay award for policing for 2023/24 has not been determined and therefore it is unknown what the actual cost to Kent Police would be.
41. The Government has removed additional funding for the National Insurance increase as that decision was rescinded during 2022/23 and no longer applies. However, this would have provided an additional £2.5m and could have been used to fund additional cost pressures.
42. 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 pay awards for police staff, incremental pay increases for officers and staff and other inflationary pressures such as fuel and utility costs.
43. Savings plans have been worked on during the year and some savings have been made already. The MTFP requires a further £7.3m of savings to be made even with the increase in government funding, the maximum precept, and the implementation of the Neighbourhood Policing Review. This is a significant saving and should be seen against a backdrop £77m savings having already been delivered since 2015/16 when the PCC was first elected. Over 80% of expenditure is on people and therefore, this has required some difficult decisions to be made. However, the release of savings will be done in a managed way to ensure minimal impact on operational policing.
44. The budget and precept proposal for 2023/24 is as follows:

Table 2: Budget Requirement and Precept

| | |
|---|----------------|
| Budget Requirement | £385.6m |
| Less Police Funding | £224.5m |
| Sub Total | £161.1m |
| Less Collection Fund Surplus | £0.4m |
| Amount to be raised by Council Tax | £160.7m |
| Divided by aggregate council tax base* | 660,621 |
| Band D Council Tax | £243.15 |

*Draft council tax base as final figures not yet received.

Note: Table may not calculate correctly due to rounding

2023/24 Funding Pressures

45. As has already been mentioned despite the government announcing additional funding for maintaining police officers and pay awards, the PCC has not in fact received enough funding for these costs or other significant cost pressures facing Kent Police. Out of the £523m additional funding for policing, Kent will receive just £0.7m in on-going government funding. The increase in precept will be used to mitigate the impact of the lack of funding and these additional costs but will, unfortunately, not cover the everything. The following table shows the additional funding received against the additional cost pressures facing Kent Police for 2023/24.

Table 3: Additional Cost Pressures and Funding

| Additional Funding | £m | £m | Additional Cost Pressures |
|--|-----|------|--|
| Police Core Grant Government funding that is ongoing and in our base budget for 2023/24 and future years | 0.7 | 13.5 | 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. The assumption in the budget is a pay award of 2% although with inflation currently running over 10% the final award may well be higher and therefore a contingency of 0.5% has also been included. This figure includes £2m for the increase to the Southeast Allowance for all police officers |

| | | | |
|--|------|-------|--|
| <p>Council Tax Additional funding raised from local taxpayers through increasing the precept to £15.</p> | 11.3 | 4.6 | <p>Full year cost of the PUP. This is the full cost of the 195 police officers recruited in 2022/23. 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 who have been recruited during the previous year.</p> |
| <p>Collection Fund Surplus The estimated balance on the collection fund accounts of all billing authorities at the end of March 2023. This is £0.4m less than we received from the previous year.</p> | 0.4 | 3.1 | <p>Incremental pay increases. All officer 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.</p> |
| | | 3.3 | <p>Utilities Inflation. This is the expected increase for gas, electricity, water, oil, and fuel (petrol/diesel). This represents a 70% increase on the 2022/23 budget. It should be noted that electricity costs account for around £2m of this increase.</p> |
| | | 6.6 | <p>Other inflation and cost pressures. All non-pay costs are subject to inflationary pressures, including contract inflation, as well as several additional other cost pressures from partnerships. There are several factors that are having a significant impact on the budget for next year. General inflation has risen to over 10%, the highest for a decade. This impacts on the costs for the goods and services we buy. It should be noted the changes to general inflation and utility costs will also impact on the costs we are charged by our suppliers.</p> |
| | | 2.6 | <p>Revenue cost of the capital programme. the cost to the revenue budget for the investment programme. This figure includes the increase in our minimum revenue provision (MRP) for previous years borrowing to fund the capital programme, revenue set up costs for such projects that cannot be capitalised and revenue consequences of the capital investment. The investment programme is funded using reserves, receipts from the sale of assets, a revenue contribution to capital 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 over time, hence the MRP. This also includes a revenue contribution to capital that will help fund the capital programme both next year and future years.</p> |
| | | 2.1 | <p>Unachieved Savings. In 2022/23 there was £2.1m of savings in the plan which were not achieved. The budget was balanced with one-off savings and income. On-going savings are required and therefore these are added back into the budget as a cost pressure for 2023/24</p> |
| | | (9.4) | <p>Budget Adjustments/Savings/Income. A number of changes to pay related budgets, some additional income and approximately £1.5m of savings used to offset additional cost pressures. For net budget purposes the £3.4m PUP grant is included as additional income and not additional funding and therefore is netted off the additional pressures.</p> |
| <p>Total Additional Funding</p> | 12.4 | 26.4 | <p>Total Additional Net Cost Pressures</p> |

Commissioning Strategy

46. The PCC's Making Kent Safer Plan includes the guiding principle that 'victims and witnesses at the heart of everything we do' with a priority to 'commission services for victims that are needs led'. The MoJ has yet to announce funding for the specific victims' grant allocations for 2023/24. 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 or even if, during the three years that will happen therefore for this budget it has been assumed that the allocation will remain at £2.2m for Kent. This means that services can continue or be put in place for the beginning of the financial year. This funding will be allocated as per the Commissioning Strategy on vital services for victims, including those delivered from Compass House, including the Victim Support service, the Independent Sexual Violence Advisor service, Schools Service, and the 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 2023/24, the same level of funding as the previous two years. On top of that, several funding streams successfully bid for by the OPCC will continue into 2023/24 including the Domestic Abuse Perpetrator Programme and Safer Streets amongst others.
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 2022/23.

Medium Term Financial Plan

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 five-year plan covers the current year plus four from 2023/24 through to 2027/28. 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 variety of optimistic and pessimistic scenarios are produced by the PCC and Force CFOs with 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 £15 in 2023/24 and £10 for 2024/25 in line with the Policing Ministers letter. No assumption is made regarding the use of precept flexibility beyond 2023/24 and therefore the plan includes a precept increase of £15 in 2023/24 but thereafter an increase of 1.99% each year.
- The council tax base will increase by 1.43% in 2023/24, with continued growth of 1% in future years.
- The increase for the officer uplift, including the incentivisation grant in 2023/24 will form part of the base budget in future settlements.
- That the Kent PCC receives the same percentage of the national police funding in future years as in 2023/24.
- That the additional pension grant received in 2020/21 will be maintained as part of the ongoing funding to police.
- Any top slicing and reallocating from the overall police grant by the HO will remain as described in the financial settlement.
- That there will be no changes on the level of funding agreed in CSR21 and the subsequent finance settlement.

Cost Assumptions

- All additional officers recruited under PUP will be maintained across the MTFP.
- These officers will form part of the ongoing establishment.
- Pay cost inflation for officers and staff will be 2% for September 2023 to September 2024 and then a 2% increase every September after. A contingency of 0.5% will be included for any pay award greater than 2% in 2023/24.
- Any additional bonus payment or pay award or change in award date above those highlighted above will have to be funded through any in-year underspend, reserves, additional savings, or potentially additional government funding.

- Specific non-pay inflation is applied to individual cost categories and contracts so the general rate varies for 2023/24, 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.
- 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 £42.2m savings required to balance the budget. While the Force has a good track record of identifying savings, any changes in the assumptions above, for example pay awards or inflation, could lead to greater or in some cases fewer savings having to be made so will need careful management.

Savings

51. The total savings gap identified for 2023/24 is £14.1m. £6.8m has been found from the Neighbourhood Policing Review, meaning £7.3m of further savings are required to balance the budget for 2023/24. The Chief Constable has briefed the PCC with details of the savings proposals and provided assurance that front line policing will be protected as much as possible. The savings plan for 2023/24 is shown below.

Table 4: 2023/24 Savings Plan

| Category | Description | £m |
|----------------------------|--|------------|
| Staffing | Reviews of staff roles across all years but with specific focus on 2023/24 | 1.3 |
| Allowances | Review of all non-statutory allowances across the Force | 1.0 |
| Pension | A reduction in the employer contribution to the LGPS for 3 years as agreed with KCC. This is the annual saving | 0.8 |
| Capitalisation | Maximising the opportunities to capitalise projects, for example conveyancing costs | 0.8 |
| Recruitment | Planned recruitment profile to maximise savings | 0.6 |
| Efficiencies | Driving out efficiencies in processes such as income generation, licensing, police overtime | 0.4 |
| Project Deferral | Joint project with Essex deferred | 0.3 |
| Police Officer Rank Review | Review of the ranks of senior police officers across the Force | 0.3 |
| One-off | Several one-off benefits for 2023/24 have been identified including additional income | 1.8 |
| Total | | 7.3 |

52. The PCC and Chief Constable are comfortable that these savings can be achieved for 2023/24 and therefore balance the budget. However, should further savings be required on top of the £7.3m then this would have to be found through further reductions.

53. A summary of the medium-term plan is set out at Annex A. The following table shows the level of savings required based on the assumptions in the MTFP alongside predicted funding from government and council tax.

Table 5: Savings requirement

| Savings | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total over MTFP |
|--|-------------|------------|------------|------------|------------|-----------------|
| | £m | £m | £m | £m | £m | £m |
| Increase in Cost Pressures | 26.4 | 16.0 | 11.3 | 13.0 | 12.0 | 78.7 |
| Increase in Government core funding | 0.7 | 3.6 | 0.0 | 0.0 | 0.0 | 4.3 |
| Savings Requirement pre precept increase | 25.7 | 12.4 | 11.3 | 13.0 | 12.0 | 74.4 |
| Increase in precept income | 11.7 | 4.8 | 5.0 | 5.2 | 5.3 | 32 |
| Savings Requirement post precept | 14.1 | 7.6 | 6.3 | 7.8 | 6.5 | 42.2 |

Note: Table may not calculate correctly due to rounding

54. The table shows the calculation of the expected savings over the medium term and shows the continued move away from government funding to local council tax. The precept figures above are based on 2% for each year from 2024/25 but even if the precept was increased to £10, the maximum allowed under the referendum principles for 2024/25 the savings required would only reduce by approximately £3.5m in 2024/25.
55. 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 2023/24 will be used to support the investment programme over the medium term to reduce the revenue costs of capital.
56. Savings of this magnitude will require difficult decisions to be made around staffing levels within the organisation. All decision will be carefully managed to protect the welfare of staff and minimise the impact to frontline policing.

Additional Income

57. There are effectively two methods of balancing the budget, the first is to reduce costs by making savings and these have been outlined above. The second is to increase income. The PCC does not currently have a general power of competence like local authorities or in a more limited way like Fire and Rescue Authorities. Therefore, there are limited powers that can be used to increase income and levy charges.
58. Almost all the PCC's income is from Government Grant which is determined by the Government and by the precept. Although there is flexibility on the precept it is capped by the Governments referendum principles.
59. However, both the Force and PCC have been successful in bidding for further funding into Kent with the PCC attracting over £3m of additional funding into the Commissioning budget to provide additional services for victims.
60. It should be noted that these funds tend to be for additional services, but both the PCC and Chief Constable remain committed to finding and bidding for any additional funding into Kent.

Reserves Strategy

61. 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.
62. 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 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 interest of the council taxpayer, the PCC will where possible build up and maintain a level of reserves for investment, borrowing only where the life of the asset and economic environment make it the most efficient way of financing investment.
63. The total general and earmarked reserves are expected to be £20.9m as at 1 April 2023. Of this, the general reserve will amount to £12.0m or 3% of the net budget. This is in line with the 2023/24 reserves strategy policy of holding 3% of the net budget in general reserves.
64. The remaining reserves are all earmarked for specific purposes. Capital investment in 2023/24 will be funded from asset sales during the year, a revenue contribution to capital 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.

65. The level of reserves has reduced significantly over the last few years due to planned use 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 three years of overspending reduced this level further.

66. For 2022/23 the Force are expected to underspend, the PCC has notified the Chief Constable that any underspend will be taken back into reserves to fund the capital programme and 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.

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

Table 6: Reserves

| Reserve | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-----------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| General | 12.0 | 12.1 | 12.6 | 12.9 | 13.3 | 13.6 |
| Risk (inc Insurance) | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Investment Reserve | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Ring fenced (inc PCC) | 5.1 | 4.5 | 4.0 | 3.7 | 3.3 | 3.0 |
| Total | 20.9 | 20.4 | 20.4 | 20.4 | 20.4 | 20.4 |

68. Over the medium term, taking all the plans and provisions into account, total reserves are expected to be £20.4m at the start of 2027/28.

Capital

69. The Capital Strategy is a key document for the PCC and forms part of the integrated financial planning process. It provides a high-level overview of how capital expenditure and capital financing 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.

70. 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.
- Where possible, generate revenue savings.
- Ensuring sound and reliable equipment and facilities for officers.
- Exploiting tangible efficiency and effectiveness opportunities in partnership with others.

71. 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 organisations. 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 7: Investment Programme

| | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 | Total |
|--------------|----------------|----------------|----------------|----------------|----------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| Total | 20.6 | 14.0 | 14.4 | 7.4 | 8.5 | 64.9 |

72. 2023/24 continues the substantial investment in the Kent Police Estate. The Estates programme under Operation Zenith is taking existing core buildings and ensuring they are fit for policing in the 21st 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.

73. The 2023/24 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 increased understanding and collaborative work. The PCC will continue to hold the Chief Constable to account over the delivery of this programme.
74. The investment programme is funded by a combination of investment reserves, a revenue contribution to capital, borrowing and the use of capital receipts from disposing of assets during the year. 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.
75. 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 consider 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.
76. 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 considered 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 are maximising the benefit from the new way of working from a leaner, more efficient and effective estate. This will also release significant revenue savings.

Chief Finance Officer - Professional Statement

77. 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.
78. 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.
79. 2023/24 is the most challenging year that Kent Police and the PCC have faced. A number of significant issues have all arrived at the same time; the requirement to maintain the increase in police officers achieved through the PUP; higher than expected levels of inflation leading to higher-than-expected pay pressures and contract/ utility inflation. All while not receiving a commensurate increase in funding from the government needed to meet these pressures as well as increasing demands on policing.
80. The Minister's funding announcement provided a small uplift in funding for the maintenance of police officer levels and the full year effect of the 2022/23 pay award. However, this funding was given as part of the PUP Incentive funding. This means funding is not received unless we maintain police officer numbers. We have every confidence that we can maintain police officer numbers, but the Government have yet to indicate when and how often they will monitor officer levels during the year. This means it is difficult for HR to plan recruitment levels effectively to ensure that a) we meet the required level and b) use our resources in the most effective manner to recruit replacement officers. The risk on recruitment numbers is low but there is a risk that without the certainty from government there could be increased recruitment costs as well as a small risk that the uplift won't be maintained.
81. Individual allocations to PCCs were for one year only. Although there are indications of what our potential settlement could be in 2024/25, without the exact details of local allocations it is difficult to plan with any certainty. By putting all our increase in funding into the incentive grant means there is a risk that this funding is removed for 2024/25 which will increase the pressure to balance future years budgets without a commensurate reduction in police officer numbers.

82. Although there is still uncertainty over Government funding for policing in the future, the assumptions included within the MTFP are prudent and the organisation has proved itself agile enough to respond to changing levels of resources.
83. The Government's planned review of the formula for distributing the national pot of general police grants has begun again and initial consultations will begin during 2023. As has been stated in previous budget reports this could be a significant risk or an opportunity for the funding received by Kent particularly post 2024/25. While changes to the funding formula should rectify the historic underfunding of Kent Police from central government, the formula itself only provides the share of overall police funding that Kent will receive. The opportunity is that Kent gain a larger share of the allocation with the risk being that the overall allocation to policing is smaller. 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.
84. 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.
85. The triennial valuation of Pension Funds took place during 2022/23 with a change in employer contribution rates taking effect in 2023/24. Kent currently has an overfunded position in the Local Government Pension Scheme (LGPS) and therefore we have taken the opportunity to reduce our contributions for the next 3 years. This provides a saving on our revenue budget. The MTFP shows rates returning to their pre- 2022 review rates but there is a small risk that rates will have to increase more at the next triennial evaluation in 2025. These changes have all been agreed and confirmed with our pension actuary, therefore currently no provision for an increase in rates has been included in the budget.
86. The Minister's letter outlining the funding settlement suggested that *PCCs should consider the pressures on their budgets, including the potential for a 2023-24 pay award above 2% next year, for which they should budget appropriately.* The CSR announced in 2021 and to which the Government have largely committed to maintaining, included an expectation of 2% pay awards across the period. Inflation is currently in double figures, and it is difficult to determine the level of pay award that will be agreed. Each 1% increase in pay is the equivalent of £2m for officers and staff. In line with government expectations, we have budgeted for 2%. Any pay award above 2% should be covered by central government funding, however, it is unclear as to whether that would be the case. Therefore, we have set aside a further 0.5% for 2023/24 which would be funded through the council tax precept. Any increase above that level would be funded through reserves or savings.
87. The increase in precept flexibility from an initial £10 to £15 for 2023/24 with confirmation of £10 for 2024/25 is helpful 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 different eventualities, 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%.
88. The limited additional funds from the government and the placement of that funding within the incentive grant continues the government's intentions for PCCs to fund their significant budget pressures through precept rather than central grant. The movement of funding away from central government funding to council tax places a significant burden on local taxpayers. It is inherently unfair and increases the disparity between those PCCs who receive a greater proportion of their funding from central government.
89. Due to historic differences in council tax the proportion that £15 represents can vary significantly between force areas. The £15 increase means that Northumbria's percentage increase is 10.9%, Essex is 8.0%. Kent's increase is 6.6% towards the lower end of increases across the country. The proportion of funding raised through council tax also differs significantly between force areas too. Northumbria's Council Tax makes up 19.3% of their total funding, conversely Surrey has 55.8% of their funding coming

from Council tax. On average, nationally 35% of budgets are made up from Council tax. Kent's council tax makes up 42% of funding up from 28% in 2010/11.

90. As has been stated in previous CFO commentaries this reliance on council taxpayers to help fund budget pressures leaves PCCs facing potential fluctuations in tax collection and the tax base that any local tax incurs. This was reflected during the Covid pandemic where a reduced tax base (when growth was expected) and a deficit on the collection fund (when it's usually a surplus) caused additional pressure and meant the Government had to provide additional funding. There is no indication that this is the case for the 2023/24 budget, but the cost-of-living crisis will be felt hard during the year and may impact on both collection rates and the tax base for future years.
91. 2022/23 will be the first year since 2018/19 that Kent Police have underspent on their budget allocation. This is due to many factors, but largely higher than anticipated vacancies and one-off savings. It is hoped that this is a return to normal spending patterns, 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 cost and income pressures
92. 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 covers us for two such events and a further contingency. This policy is reflected in the Reserves Strategy and is reviewed annually.
93. 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 only 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. There are projects that will generate significant savings in future years including the redevelopment of the Police estate. The scale of the task for 2023/24 cannot be underestimated and it is a sign of the positive attitude to tackling this issue that the Force have a regular Finance Oversight Board to which the OPCC is represented through the PCC CFO and Chief Executive and where savings are a standard agenda item. The Force have had to work innovatively to identify where savings can be made without impacting on front line services. The Neighbourhood Policing Review announced in 2022/23 is a result of this innovative thinking and willingness to make difficult decisions and more will be required over the medium term. It should be recognised that the level of savings required is challenging and will require challenging decisions especially around staffing which adds complexity and cost to the delivery of the savings plan. The flexibility in our budget will be used to mitigate against the non or late delivery of savings in year.
95. 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 2023/24 it is assumed precept limits will return to historic levels of 2% in line with non-pay inflation forecasts.
96. The increased demand for capital investment coupled with the reducing ability to produce capital receipts means that there is a 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 the cost of the project included within the MRP calculation. 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.

97. Due to its geographical location Kent is faced with issues around its border which require the involvement of the Force. 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 and the 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 years. The PCC and the Force are actively engaging with the HO to ensure Kent's voice is heard on these issues 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.
98. The Force and the OPCC maintain active risk registers and associated risk management processes for operational and management risks which are monitored by the independent Joint Audit Committee. As well as the financial challenges described above, many of the key risks inevitably fall on the Force, rather than the OPCC, from both existing and newer threats. Examples of the latter include the local response to counter terrorism threats, child sexual exploitation, organised crime, and cybercrime. Within the OPCC, on-going strategic risks relate to ensuring the core statutory functions of the PCC are met; this includes overall financial governance and value for money, the commissioning of victim's services and the complaints regulations.
99. Overall, I have considered the level and need of reserves against the strategic risk registers of the Force and the OPCC. 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 2023/24 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
January 2023

Supporting information:

Annex A – Summary of Medium-Term Plan, 2023/24 to 2027/28

Annex B – Reserves Strategy 2023/24

Annex C – Capital Strategy 2023/24

**Kent Police and Police and Crime Commissioner
Medium Term Financial Plan 2023/24 to 2027/28**

| | Budget 2023/24 | Budget 2024/25 | Budget 2025/26 | Budget 2026/27 | Budget 2027/28 |
|---|----------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m | £m |
| Expenditure | | | | | |
| Police Pay - incl 20-21 & 21-22 Uplift posts | 246.34 | 254.13 | 261.44 | 268.90 | 276.51 |
| PSE - incl PCSO costs | 103.72 | 107.72 | 110.39 | 113.13 | 115.91 |
| Overtime | 7.91 | 8.14 | 8.37 | 8.61 | 8.86 |
| Other Employee Related Costs | 16.06 | 16.06 | 16.06 | 16.06 | 16.06 |
| Premises | 26.91 | 28.37 | 28.74 | 29.11 | 29.49 |
| Transport | 9.50 | 10.02 | 10.15 | 10.28 | 10.41 |
| IT | 19.51 | 21.02 | 21.48 | 21.76 | 22.08 |
| Other Non-Pay costs supplies & services etc | 12.84 | 12.83 | 12.83 | 12.83 | 12.84 |
| Third Party Payments | 5.34 | 5.34 | 5.34 | 5.34 | 5.34 |
| 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 | 1.12 | 1.12 | 1.12 | 1.12 | 1.12 |
| Borrowing costs of the capital programme | 3.05 | 3.53 | 2.92 | 3.65 | 2.96 |
| Project Zenith | 0.74 | -0.29 | -0.53 | -0.54 | -0.54 |
| Total Gross Spending | 458.70 | 473.65 | 483.97 | 495.91 | 506.70 |
| Income: | | | | | |
| Specific Grant - Victims Funding | 2.12 | 2.12 | 2.12 | 2.12 | 2.12 |
| Specific Grant - Counter Terrorism | 12.42 | 12.42 | 12.42 | 12.42 | 12.42 |
| Specific Grant - Pension Grant | 3.37 | 3.37 | 3.37 | 3.37 | 3.37 |
| Specific Grant - PUP Conditional Grant | 6.73 | 6.73 | 6.73 | 6.73 | 6.73 |
| Locally Generated Income | 9.68 | 9.68 | 9.68 | 9.68 | 9.68 |
| Reimbursed Services | 25.51 | 25.51 | 25.51 | 25.51 | 25.51 |
| Transfer to (from) Reserves | -0.78 | -1.78 | -2.78 | -3.78 | -4.78 |
| Net Spending | 399.65 | 415.60 | 426.92 | 439.86 | 451.65 |
| Savings Required 23/24 | -14.07 | -14.07 | -14.07 | -14.07 | -14.07 |
| Savings Required 24/25 | 0.00 | -7.55 | -7.55 | -7.55 | -7.55 |
| Savings Required 25/26 | 0.00 | 0.00 | -6.32 | -6.32 | -6.32 |
| Savings Required 26/27 | 0.00 | 0.00 | 0.00 | -7.79 | -7.79 |
| Savings Required 27/28 | 0.00 | 0.00 | 0.00 | 0.00 | -6.48 |
| Total Net Spending after savings | 385.58 | 393.98 | 398.98 | 404.12 | 409.43 |
| Funding: | | | | | |
| General Policy and Legacy Council Tax grants | 224.50 | 228.10 | 228.10 | 228.10 | 228.10 |
| Council Tax Precept including estimated collection fund balance | 161.08 | 165.88 | 170.88 | 176.02 | 181.33 |
| Total Net Financing | 385.58 | 393.98 | 398.98 | 404.12 | 409.43 |

Kent Police and Crime Commissioner Reserves Strategy 2023/2024

Introduction

1. An important element of the Police and Crime Commissioner's (PCC) overall financial strategy are the reserves held over the life of the medium-term financial plan. This strategy outlines the level of reserves, how and why those reserves are held and any planned use of or transfer to reserves during the period covered.
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 Medium-Term Financial Plan (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).
3. In line with the financial papers listed above, the Reserves Strategy is reviewed and updated on an annual basis.

Background

4. Reserves are held as part of the 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.
5. 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.
6. 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.
7. 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

8. As all financing is issued to the PCC then it follows that all reserves are held by the PCC. The Kent Policing Financial Regulations sets out the key responsibilities for the PCC's CFO, Force CFO (FCFO), Chief Constable and the PCC regarding reserves and how they are used and maintained.

Reserves Strategy

9. 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

10. The PCC's Reserve Strategy has the following key elements:
- A general non-earmarked reserve of 3% of the net budget will be maintained for unknown and/or unforeseeable events.
 - A prudent approach to risk management will be maintained and accordingly earmarked reserves will be created to cover for possible significant risks.
 - Reserves not required for the above purposes will be clearly identified as available for other discretionary opportunities.
 - In the interest of the council taxpayer, the PCC will where possible build up and maintain a level of reserves for investment, borrowing only where the life of the asset and economic environment make it the most efficient way of financing investment.
11. 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

12. The total general and earmarked reserves are expected to be £21m as at 31 March 2023. Of this, general reserves will amount to £12m 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.
13. The remaining reserves are all earmarked. It should be noted that the investment reserve is expected to have a balance of £0.3m at the start of the financial year. Capital investment 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.
14. 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.
15. The PCC has notified the Chief Constable that any underspends will be taken back into reserves in order to mitigate risks over the medium term. Any in-year reallocations of underspends will only be considered by the PCC where an exceptional business case is made.
16. The reserves position over the medium term is set out below:

Table 1: Reserves over the MTFP

| Reserve | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m | £m |
| General | 12.0 | 12.1 | 12.6 | 12.9 | 13.3 | 13.6 |
| Risk (inc Insurance) | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Investment Reserve | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 |
| Ring fenced (inc PCC) | 5.1 | 4.5 | 4.0 | 3.7 | 3.3 | 3.0 |
| Total | 20.9 | 20.4 | 20.4 | 20.4 | 20.4 | 20.4 |

17. Over the medium term, taking all the plans and provisions into account, total reserves are expected to total £20.4m at the end of 2027/28.
18. 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.

19. Any revenue underspends not required for unforeseen expenditure will be taken back into reserves.
20. The reserves are held for the following:
- **The General reserve** is used to mitigate against unknown and unexpected events that incur considerable cost that could not be borne within the revenue budget. 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. This also includes the **Insurance reserve** which is held to cover potential liabilities in any insurance claim. 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.
 - **Investment Reserve** funds the capital investment in our investment programme. The investment programme consists 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.
 - **Budget Support** is held to mitigate risks around the current year budget, including risk in the non-delivery or delayed delivery of the savings plans. 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.
 - **Partnership** reserves are held for statutory reasons and are held 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.
21. 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

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

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 | 2027/28 |
|---|---------|---------|---------|---------|---------|---------|
| Classification | £m | £m | £m | £m | £m | £m |
| Funding for planned expenditure on projects and programmes over the period of the current medium-term financial plan | 2.1 | 1.5 | 1.0 | 0.7 | 0.3 | 0.0 |
| Funding for specific projects and programmes beyond the current planning period | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 | 3.3 |
| Funding held as a general contingency or resource to meet other expenditure needs in accordance with sound principles of financial practice | 15.5 | 15.6 | 16.1 | 16.4 | 16.8 | 17.1 |

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

Kent Police and Crime Commissioner Capital Strategy 2023/2024

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 risk is 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 Kent Police.

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 (2021)
- CIPFA Prudential Code Guidance Notes (2021)
- CIPFA Treasury Management Code of Practice and Cross-Sectoral Guidance Notes (2021)
- CIPFA Financial Management Code (2019)

4 Links to other Corporate Strategies and Plans

The PCC produces a Police and Crime Plan every four years. Making Kent Safer 2022-2025 is 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 (TMS).

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 contrasts with 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 National Policing Vision for 2025.

Although an 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 through the ability or requirement to financially support capital investment, either through direct financing or borrowing.

10 Capital Sustainability

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

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. 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. 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 in the level of capital funding available.

These borrowing decisions are not made in isolation nor are they made over a one year or five-year view. Borrowing plans are expanded across the long term to ensure that decision makers are aware of the financial impact their decision 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 our officers and staff, through the purchase of safety equipment
- Making our officers and staff more efficient and effective enabled through improved Information and Communication Technology solutions
- Improving our environmental sustainability and mitigating our impact on the environment.

Its Investment Strategy will also be influenced by and take account of National visions for policing, regional and local priorities.

The Force Chief Finance Officer (FCFO) and PCC's Chief Finance Officer (PCCCFO) believe that the Capital Strategy and Capital Programme proposed are sustainable.

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 FCFO and PCCCFO prior to the PCC's 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 borrowing. Where appropriate, both CFO's may seek advice from external partners, including but not limited to our Treasury Management advisors on the most appropriate and cost-efficient method of borrowing.

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.

12 Individual Project Management

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

Typically, projects will have a dedicated Project Board, which, if part of a larger programme may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer or Chairperson. Detailed oversight is further provided through ICT Project Management Office, Strategic Estate Groups and Force Change Boards. Regional Projects or Programmes may also report into Regional Boards.

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 briefing to the PCC will be requested.

13 Monitoring of the Capital Programme

The FCFO will submit capital monitoring reports as part of the regular financial reporting requirements to the PCCCFO monthly. These reports will have already been to COMB and be shared with the PCC on a regular basis throughout the year. The reports are submitted to the Finance Oversight Board and are 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 alongside the revenue implications.

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

Monitoring reports presented and discussed with the PCC at his Performance and Delivery Board meeting with the Chief Constable are published on his website. The reports are also presented to the Joint Audit Committee on a quarterly basis.

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

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

An 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

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 medium-term financial plan.

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 authority's Minimum Revenue Provision (MRP) Policy, published within the TMS sets out a prudent approach to the amount set aside for the repayment of debt.

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. 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. The impact of this will be reflected within the TMS.

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. Details on Reserves is contained within the Reserves Strategy, published alongside this strategy and the Budget and Precept Report.

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. Under the code Private Finance Initiatives (PFI) are classed as leasing. Kent has two such PFI projects, North Kent, and Medway Police Stations. They are monitored carefully and reviewed to ensure they are operating effectively, retain value for money and that Kent are prepared for when the PFI financing ends and the buildings revert to Kent Police ownership.

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 to leverage the best value for money from our capital activities.

7F Commercial 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 7F Commercial Team.

The national BlueLight Collaboration is a government funded organisation that acts on behalf of all PCCs and Chief Constables across the country 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 several 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 the estate on behalf of the Chief Constable with regular reporting to the OPCC and oversight.

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 operational expenditure.

The PCCCFO is responsible for developing and then implementing the strategic documents; Capital Strategy; Reserves Strategy and the Treasury Management Strategy in consultation 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 the 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 outcomes have been achieved.

Post scheme evaluation reviews should be completed by Kent Police Group for all schemes over £1.0 million and for strategic capital projects.

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

21 Risk Management

Risk is the threat that an event or action will adversely affect Kent Police Group'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 risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.

21.1 Credit Risk

This is the risk that the organisation with which we have invested capital monies becomes insolvent and cannot complete the agreed contract. Accordingly, Kent will ensure that robust due diligence procedures cover all external capital investment through its arrangements with 7F Commercial and where appropriate through BlueLight Commercial. Where possible contingency plans will be identified at the outset and enacted when 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. However, for Kent Police capital projects this is unlikely to have a material impact.

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 with 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 2023