

**From:** Ann Barnes, Kent Police and Crime Commissioner  
**To:** Kent and Medway Police and Crime Panel  
**Subject:** Financial Planning for 2016/17 Onwards  
**Item & Date:** Item B3 17 November 2015

**Kent Police & Crime  
Commissioner**

*'Devoted to Kent'*



### **Financial Context:**

1. Kent Police is already an efficient Force, graded as 'good' by HMIC for its financial management overall, including 'outstanding' for financial planning in particular. The current year budget is £306.5m with some two thirds of funding coming in the form of government grant and around one quarter from the police element of the Council Tax; with each 1% increase raising £800,000 (the remainder is local fees and charges). On the spend side some 80% is pay related.
2. There is considerable uncertainty about the scale of the financial challenge, but conceivably this could see a range of grant cuts between 25% to 40% over the next four years plus possible new formula distribution changes which could make our position more or less worse than the average. In the midst of the uncertainty we are currently assuming real cuts of around 28% over the 4 year period, equating to further savings of £62.2m between 2016/17 and 2019/20, with an assumed £15.4m required for 2016/17. All of this is on top of the £61.4m savings the Force has already made since the Spending Review 2010.
3. As part of the strategy, the Commissioner intends to allow the Force to smooth the impact of the savings by using £5.5m of earmarked reserves over the period. This permits the Force more time to design and implement the changes necessary to achieve the savings requirement and deals specifically with a particular hike in savings required next year due to changes in employer National Insurance costs.
4. On that basis, this report outlines the current plans for next year and identifies the key themes being adopted to develop medium term saving plans. In the latter case, these will be familiar from the 'Delivering value for money' paper presented at the June Panel meeting. Overall, the lack of planning certainty makes it very difficult to confirm specific plans at this stage; especially for the medium term. The guiding principle remains minimising front line impact as far as possible, including taking front line savings last, but based on certainty as to the precise grant available over the next four years.
5. The savings above assume the continuation of a 2% increase in the police element of the Council Tax in line with the published Police and Crime Plan. Without this, the savings required would increase by some £1.6m per year, or £6.4m over the period. That current planning assumption remains my intent in line with the published plan, but also reflects the fact that current regulations make it effectively impossible to have a meaningful discussion with residents about a greater increase to help mitigate even further savings. The current police precept element for an average band D property in Kent is £147.15. This is one of the lowest in the country and a 2% increase equates to an extra 6p per week on a Band D home.
6. The details of the Spending Review are due to be announced on the 25 November 2015. This announcement will specify the total funding available to the police service nationally, but will not break it down to force level, nor show the extent of any prior top slicing by the Home Office or the local impact of any formula changes. The actual level of grant funding will remain unknown by all forces until Friday 18 December.
7. The Commissioner will be holding a 'Policing in Austerity' conference on 9 December and Panel members are very welcome to attend.

### **Outline Savings Plans for 2016/17:**

8. At this stage, the Force plans to achieve the year 1 target of £15.4m through the following savings:
  - £2.4m - Non Pay efficiencies.
  - £3.2m - Restructuring and layering local policing.
  - £2.0m - Restructuring and further efficiency measures in the joint Serious Crime Directorate.
  - £2.9m - Further efficiency and collaboration in Support Services.
  - £1.2m - Restructuring and other efficiency initiatives in the Force Control Room.
  - £2.5m - Further assumed staff turnover.
  - £1.3m - Other miscellaneous.



9. It would be wrong to trivialise the above, as any potential savings in support services or from restructuring/layering will inevitably have consequences for the individuals concerned. Although in outline, as can be seen, the aim at least for next year is to absolutely minimise the impact of savings on front line policing. However, it will be impossible to avoid these over the medium term given the likely scale of the challenge.

#### **Medium Term Planning:**

10. The 'Delivering value for money' paper presented at the June Panel meeting summarised the key strategies that the Chief Constable was pursuing to develop his medium term savings plan options. They remain valid and are the corner stone of internal re-modelling, but as mentioned, in the absence of grant certainty for the medium term it is extremely difficult to publish specific meaningful plans for the as yet unconfirmed financial gap. This would neither be fair to staff or the communities they serve; however it will be obvious that possible savings of over £60m in the next four years will inevitably have a major impact on Kent Police's structure, organisation and services. The Chief Constable's operational requirement to deliver services based on threat, risk and harm, allied to his and the Commissioner's shared vision of protecting neighbourhood policing and putting victims at the heart of processes are the three over-arching priorities.
11. For this reason, in developing options for the medium term, the Chief Constable is pursuing a number of strategies that the Commissioner fully endorses. These can be broadly summarised as follows:
- Demand management. The intention is to better understand demand on police time to free up as much as possible for front line policing. This includes the development of a new website to shift appropriate demand online.
  - Effective partnerships. Both the Commissioner and Chief Constable are actively engaging with key partners across the county to ensure demand is managed by the appropriate agency.
  - Technology and innovation. As well as a new website, major initiatives such as body worn video, tablets, new core systems like Athena, and digitalisation generally, are all designed to make more effective use of officer time and help minimise the impact of savings on front line policing.
  - Efficiency and effectiveness challenges. This is across all activities from best use of estate and transport to the best approach for responding to new threats and risks in an efficient and effective way.
  - Collaboration. A key aspect of planned savings options going forward, particularly in relation to the now established Support Services Directorate and Serious Crime Directorate with Essex, but also with potential other partners.
  - Staffing. Crucially, as much in terms of supporting the right culture and skills, as in the challenges of responding to potential new ways of working with reduced budgets.

#### **Latest Funding Formula Position:**

12. Since the Panel last met, the Home Office have published a further round of consultation on proposals for a simplified new formula for distributing the national police grant. To an extent, it provided exemplifications of impact which was one of the major criticisms of the first round. Whilst this is to be commended, it still lacks clarity on the proposals for London, which because of scale, means the position for all forces could change significantly.
13. At this stage, the impact of the new formula for Kent would be a marginal gain. However, the major caveat remains that it is the absolute impact of the 25% to 40% cut from the Spending Review which is the major threat to police funding. Any new formula has the effect of making that average grant position more or less worse in each local area. Please find attached the commissioner's response to the second round of consultation.
14. Very latest position - on Friday 6 November, the Home Office advised all Commissioners that they had made an error in the exemplification of the formula for each Force area. The impact of the error appears to result in significant shifts in possible 'winners and losers'. On Monday 9 November, the Minister announced there would be no new formula for 2016/17 and instead, working with the sector, the intention is to introduce a new formula probably for 2017/18.

Rt Hon Mike Penning MP  
Minister of State for Policing, Crime, Criminal  
Justice and Victims  
Home Office  
2 Marsham Street  
London  
SW1P 4DF

27 October 2015  
Ref: OPCC/GC/274/15

*Please quote reference on all replies*

Dear Mike,

**Consultation on reform of police funding arrangements in England and Wales**

I write in relation to your letter of 8<sup>th</sup> October. I refer you to my response to your first consultation and my comments below draw on that.

I welcome the fact you have now released exemplifications. As you know, that was a key concern about the first round of consultation. In the interest of Force areas like Kent, I am also pleased that you have decided to remove completely the crude Band D tax base indicator from the model. As you know I was most concerned that would be a double penalty to areas like Kent with above average tax base but below average precept.

I note the two other changes you now propose, namely, inclusion of a new Area Cost Adjustment factor and the change to the bars indicator. The impact for Kent is not completely clear, because of the changes in factor weights and lack of detail. On the surface it appears the former (i.e. ACA) is a modest positive for Kent and the later ('bars squared') is a modest negative. It is clear however that the large Metropolitan Forces are significant beneficiaries as a result of the bars indicator adjustment. This to me seems unjustified and further work around this indicator is urgently required. However, more fundamentally it raises the question on how such significant changes came about using 'Principal Component Analysis' in the second consultation but were not brought to the fore by the technique the first time round.

Looking forward it would be most concerning if the hoped for stability in the formula was undermined by additions or changes in the model each year depending upon ministerial discretion and/or the particular lobbying of the moment. What policing needs is certainty to plan accurately for the future. While I do commend the release of exemplifications, I remain deeply concerned about the lack of clarity around the position for MOPAC. If the revised approach to the "NICC" process has the effect of largely compensating MOPAC for its apparent loss in the formula exemplifications you show, that will be very disappointing in the context of the transparency and expectation of relative formula gain and loss that your letter appears to wish to promote. In short, given its

scale, a significant NICC top-slice significantly reduces the relative gain and increases the relative loss for all other forces.

More generally, I regret your letter has not dealt with the broader concerns I set out in my first response. In particular:

- It remains difficult to comment on transition except to observe that some transition will be needed. However, it must relate to the total cash effect of the Spending Review, reallocations (i.e. top-slice) and formula changes. In addition, local reserves held for valid local risks and transformational investment cannot be spent twice to support formula transition.
- As well as the lack of clarity on NICCs, I remain concerned about other possible but not yet detailed "re-allocations" which affects the level of top-slice and thus increase financial pressure locally.
- The hoped for prospect of a fundamental and wide ranging review of police funding seems to be fading. The current review is narrowly focused on the formula only.
- There remains a lack of clarity in how possible, if not likely, changes in the national, regional and local policing offer are allowed for in the new formula arrangements.

In conclusion, on a separate but related matter, I would like to commend the Home Secretary's opening up the debate within Government, of greater council tax flexibility for policing, in her recent letter to Nick Allston. From this I know the APCC (Finance Group) will be responding direct. I merely wish to emphasise that from my perspective as the Police and Crime Commissioner for Kent, with one of the lowest precepts in the country, localism is best served by allowing local residents a more meaningful choice between council tax rises and service impacts, than is currently the case. If nothing else those Force areas with well below average precepts like Kent should be allowed more flexibility because of that fact. I would be more than happy for these sentiments to be shared with Treasury.

Best wishes,  
Ann

**Ann Barnes**  
**Kent Police & Crime Commissioner**