

From: Matthew Scott, Kent Police and Crime Commissioner
To: Kent and Medway Police and Crime Panel
Subject: Statement of Accounts 2016/17
Date: 28 September 2017



BACKGROUND:

1. The Statement of Accounts is a statutory document that is produced annually. It presents financial performance in a legally defined way in line with The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice. As the Chief Constable (CC) and the Police and Crime Commissioner (PCC) are both classified as corporations sole they both have to produce their own set of accounts. The CC accounts show the financial resources used for operational purposes during the year. The PCC accounts incorporate the CC's accounts and are the financial statements for the Group.
2. Each year further refinements and changes are made to the content, presentation and timing of the accounts. The statutory deadline for the publication of the accounts is being brought forward to 31st July from next year and with this in mind we have brought our own internal deadlines forward. This year the aim was to publish the draft accounts by 30th June and we published our accounts on 9th June 2017 ahead of schedule. In fact all of the work was completed by the end of May, but it was felt the format and presentation of the accounts needed updating and therefore further checking was required before publication.
3. The narrative foreword has been expanded and provides more detail on the figures included in the financial statements. It was recognised that as the accounts had become more technical they had become less comprehensible. The foreword is intended to provide context to the accounts and be easily digested without having technical accounting knowledge. A reader should be able to glean significant information from the narrative foreword without having to delve into the full accounting statements. The biggest change this year is around the introduction of the Expenditure and Funding Analysis which aims to bridge the gap between the management accounts and the financial statements.
4. For 2016/17 the format and presentation of the accounts has been changed. It now includes more charts and pictures and is provided in a much more readable and inviting format.
5. This report highlights key facts from the accounts and provides Panel Members with the audit opinion. As the full set of accounts runs to over 200 pages, the narrative foreword is attached for information. The Group Statement of Accounts can be found [here](#).

HIGHLIGHTS:

6. For 2016/17 the revenue budget shows an underspend of £0.5m. This underspend has been transferred to reserves to be used to support the delivery of future capital or revenue investment. This, alongside the planned transfer to reserves of £6.1m during the year, means that Kent Police have contributed £6.6m to reserves from the revenue budget in 2016/17. This planned transfer to reserves was agreed early in the financial year and was due to a number of changes being identified between the budget in February 2016 and the start of the new financial year. This included the early delivery of savings, receipt of an unexpected grant from the Home Office and changes in tax base figures.
7. The PCC also contributed £0.8m to reserves from the OPCC budget. This was due to a number of vacancies being carried within the office. This funding was used to support special projects during the year, such as the Volunteer Police Cadet Scheme, support for Kent Search and Rescue, a Business Crime Co-ordinator and the Sexual Assault Referral Centre amongst others.
8. The financial statements are prepared on a fully IFRS (International Financial Reporting Standards) compliant basis. The revenue expenditure is included within the Comprehensive Income and Expenditure Statement (CIES). For 2016/17, the CIES shows an apparent deficit of £429.6m for the year compared to a surplus of £468.3m in the previous year. This reflects the change or loss in the measurement of the net defined benefit liability in our pension accounts as per our independent actuarial assessment.

9. It should be noted that these are not real surpluses or deficits that impact on the council tax payer or usable reserves. Rather, in accounting terms, they mainly reflect the impact of year on year changes in the calculation of long term pension costs as assessed under IFRS. The apparent deficit for 2016/17 on that basis reflects a change in the key actuarial discount rates and future performance when calculating pension liabilities. It is a useful reminder of the volatility in the surplus/deficit position under IFRS year to year.
10. The capital budget for 2016/17 showed slippage of £5.8m. This was due to a number of projects, both locally and nationally, that did not commence during the year.
11. Due to the planned transfer to reserves and the capital slippage, usable reserves as at the end of March 2017 stood at £61.5m. This is approximately £1m less than the previous year and some £9m more than predicted in February 2017 as part of the budget process.
12. Improved financial monitoring processes have been implemented for 2017/18 to ensure that predicted forecasts for the end of the year are more accurate and realistic and that information is provided in a timely manner.

AUDIT RESULTS:

13. The accounts were audited by Ernst and Young, our External Auditor. They are appointed to examine our accounts and provide an opinion on the accounts themselves, and on our arrangements to secure economy, efficiency and effectiveness (value for money).
14. In the opinion of the auditors our financial statements 'give a true and fair view of the financial position of the PCC for Kent and the Group.... and its expenditure and income for the year' and that they have been prepared properly in accordance with the Code of Practice.
15. The auditors also gave the opinion that 'in all significant aspects the PCC and CC put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources'.
16. Therefore the auditors signed off our Statement of Accounts with an unqualified opinion on 31 July 2017. This was in line with our timetable and some 8 weeks ahead of the national deadline of 30 September.

FUTURE PLANS:

17. The production of the accounts ahead of schedule and with an unqualified opinion, alongside the quality of our working papers, has led the auditors to suggest an earlier closedown of the 2017/18 Statement of Accounts. It is proposed that the accounts are completed by the end of April 2018.
18. This is a hugely ambitious timetable and plans are being put in place to assess the viability of this timetable. Whilst it is extremely positive that the auditors have faith in our ability to produce the accounts earlier, we have stated that this will only occur provided it does not impact on quality.

**Group Accounts for the
Police and Crime
Commissioner for Kent
and the Chief Constable
for Kent Police**

**Audited Statement of
Accounts 2016/17**





Written Statements

Message from Rob Phillips, Chief Finance Officer to the PCC

This narrative report brings together the most significant features of the Statement of Accounts providing some context and commentary on the financial performance over the last year.

I arrived as the PCC's CFO towards the end of 2016. What I found was a new PCC with a clear vision of what he wanted to achieve, matched by a Force performing extremely well and looking to meet the new demands on policing. All this was underpinned by strong financial management and keen understanding of future financial challenges.

The PCC set out his ambition in his six point plan which was incorporated into his Safer in Kent plan; a vision for the next four years. This document was heavily consulted on with over 1,600 responses being received with strong support for the priorities contained in the original six point plan. This plan can be found here <https://www.kent-pcc.gov.uk/what-we-do/safer-in-kent-plan>.

The PCC set aside over £2m for community safety projects and other local projects including supporting the establishment of the Kent Volunteer Police Cadets and setting up a Mental Health and Policing Fund for working with partners to tackle mental health issues.

The PCC has commissioned a number of services for victims ensuring that the most vulnerable members of our society receive the help they need to cope and recover from whatever crime they have experienced and made sure that support is there for both male and female victims of domestic abuse and violence.

The Commissioner has been and will continue to lobby government for a fairer settlement for Kent and has been successful in bringing additional government funding to help reduce the demand on Kent Police for calls involving mental health.

I hope you enjoy reading the accounts and that the narrative foreword proves helpful in understanding the context in which we spend our funding and the links between how we manage our expenditure during the year and the statutory accounting processes.

Organisational and Accounting Structure

It would probably help to start with a brief summary of how the organisations and therefore the accounts are structured. The Police Reform and Social Responsibility Act 2011 replaced Police Authorities with elected Police and Crime Commissioners in November 2012 and created two corporations sole, the Office of the Police and Crime Commissioner and the Chief Constable. The Police and Crime Commissioner is ultimately responsible for the combined group account of both entities.

This Statement of Accounts records the expenditure and income of the Group for the financial year 2016/17 for the Police and Crime Commissioner for Kent and also the combined accounts for the Police and Crime Commissioner and the Chief Constable. The Chief Constable has his own set of accounts.

The accounts have been prepared in accordance with the appropriate Codes of Practice published by the Chartered Institute of Public Finance and Accountancy (CIPFA). The accounts have also been produced in accordance with International Financial Reporting Standards (IFRS) and the latest CIPFA LAAP Bulletins.

The main financial statements comprise:

- Comprehensive Income and Expenditure Statement
- Movement in Reserves Statement
- Balance Sheet
- Cash flow Statement

In addition to these primary statements there are a number of notes which help explain the figures, including a set of accounting policies showing the approach the Police and Crime Commissioner for Kent has taken in compiling the accounts.

The Accounts begin with this Narrative Report followed by the Auditor's Report on page 20. The statement of the responsibilities of the PCC and their Chief Finance Officer in relation to the management and reporting arrangements for the PCC for Kent's resources (page 24). The PCC and Chief Constable for Kent have a combined 'Annual Governance Statement', which covers all of the organisation's key governance processes and safeguards, this is shown starting on page 25. The Summary of Accounting Policies are outlined in note 30 (page 119).

An Introduction to Kent

Kent Police serves a population of approximately 1.8 million people across a large geographic area consisting of multiple towns (some bordering London), rural areas and coastal towns spread around its 343-mile coastline. The county consists of a mixture of wealthy communities coexisting alongside areas of acute deprivation. Ambitious development plans exist; the new Ebbsfleet garden city will see the development of 15,000 new homes and London Paramount is developing a theme park estimated to attract 40,000 visitors per day.

As the UK's gateway to Europe, approximately 34 million passengers move through Kent annually. Freight vehicle movements alone averages 10,000 per day along the second largest motorway network in the UK. With the addition of managing significant freight as a result of any industrial action in France, this is a significant policing commitment.

Kent's proximity to Europe presents additional policing requirements; transient organised criminality including terrorism, drugs importation, people trafficking, slavery, economic migrants and asylum seekers are key challenges for Kent. Cross-border activity presents further demand; particularly London-based gangs establishing themselves in several Kent towns.

Kent Police has a mature collaboration arrangement with Essex Police to provide joint serious crime investigation and support services. We also work closely with our partners at a county, unitary and district level, tackling adult and child safeguarding including child sexual exploitation and have established Community Safety Partnerships responding to local crime and disorder.

In 2016/17 the force dealt with 891,078 calls for service. Kent Police has a strength of 3,247 full-time equivalent officers; supported by 2,318,00 full time equivalent staff (this includes all police community support officers, police staff employees, special constables and volunteers). Below is a breakdown of strength by staff group:

Staff Group	Strength as at 31st March 2017			BME
	Male	Female	Total	
Police	2,356	891	3247	97
Staff	795	1,236	2031	56
PCSO	143	144	287	4
Total	3,294	2,271	5,565	157

Key Financial Information for 2016/17 Revenue Budget

In the Spending Review on the 25 November 2015 the Chancellor announced that the total budget for policing would be protected in real terms and that local force budgets would be protected in cash terms. Both assertions required the Police and Crime Commissioner (PCC) to set the maximum precept increase allowed in each of the next four years. In line with previous year's settlements the Policing Minister announced that there would be a cash cut to formula grant of 0.6% for each PCC.

The budget for 2016/17 was set in February 2016 and monitored closely during the year with regular reports to the Joint Audit Committee. The revenue budget shows the day to day expenditure of running Kent Police and the PCC office.

The final position on the revenue budget for the Group is shown below in Table 1:

Table 1: Revenue Outturn 2016/17

Directorate	Budget	Net Expenditure	(Over) /
	£'000's	£'000's	Underspend for 2016/17 £'000's
Central Ops	43,519	42,195	1,324
Chief's Office	1,639	2,343	(704)
DCC Portfolio	6,615	6,338	277
Divisions	121,068	115,668	5,400
Serious Crime Directorate	26,278	24,756	1,522
Support Services	49,680	50,349	(669)
Local Policing & Partnerships	18,873	18,292	581
Corporate Charges	1,000	8,239	(7,239)
Transfer to / (from) reserves	6,100	6,100	0
PCC	3,624	3,624	0
Net Expenditure	278,396	277,904	492

The Kent Police revenue budget for 2016/17 shows an underspend of £0.5m. This underspend will be a transfer to reserves and be used to support the delivery of future capital / revenue investment. This alongside the planned transfer to reserves of £6.1m in year means that Kent Police have contributed £6.6m to reserves from the revenue budget during 2016/17. A full list of the £6.1m transfer to reserves is shown in the section below.

Table 1 represents the management accounting balance, i.e. it reflects the impact on the local council tax payer, at the end of the year. It excludes the notional costs shown in the accounts to comply with International Financial Reporting Standards (IFRS). The Comprehensive Income and Expenditure Statement (CIES) includes these notional costs, such as pensions and depreciation, as well as the management accounting information. In effect, the CIES shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. This distinction is very important in interpreting the overall position.

On a fully IFRS compliant basis, the CIES show the net cost of services at £307m, some £7m more than the previous year. The main reasons for this increase was a rise in pay costs of £6.5m, due in the main to an increase in National Insurance employers contributions from 10.4% to 13.8% of £4.8m on top of the 1% annual pay award. Depreciation and other capital charges also increased by £2.3m, compared to the previous year.

The overall operating deficit for the year is £95.1m compared to £97.8m in the previous year, explained mainly by the two key variations already mentioned. The total CIES is a deficit of £429.6m due primarily to a £897.9m change (loss) in the re-measurement of the net defined benefit liability as per the independent actuarial assessment.

The new Expenditure and Funding Analysis page 51 reconciles the differences between the management accounting information above and the CIES by showing annual expenditure used and funded from resources by police bodies with those resources consumed or earned in accordance with the generally accepted accounting practice.

Planned Transfer to Reserves

During 2016/17 the Force had £6.1m of planned transfers to reserves. These were largely savings delivered ahead of time and the process agreed at the start of the financial year was to transfer these direct to reserves during the year. As outlined in our 2017/18 budget report in February £4.3m of this was identified and ear marked for the introduction of a new policing model.

A breakdown of the £6.1m is shown below:

Table 2: Budgeted Transfers to Reserves in 2016/17

	£'000's
Overtime (transferred to Bank Holiday overtime Reserve)	714
Transport Savings delivered early	886
PCSOs	1,249
Early Achievement of savings through 2015/16 Business Cases	250
Firearms Officers	1,200
C/fwd of savings plus 16/17 unexpected tax base increase	1,817
Total	6,116

The overtime reflects that the number of bank holidays fluctuates from year to year. In order to manage the budget a specific Bank Holiday Overtime Reserve was created. As there were fewer Bank Holidays in 2016/17 than usual then funding is transferred into the reserve to cover expenditure in years when there are a greater number of bank holidays.

Transport Services were successful in a range of cost saving initiatives in 2015/16 and they subsequently over-achieved their savings target. This over-achievement was transferred to reserves in 2016/17 with a corresponding reduction in the 2017/18 budget.

The budget for the PCSOs was reduced in line with our required strength for the Chief Constable's new policing model.

There were additional savings made over and above those planned in 2015/16 to balance the 2016/17 budget. These savings were from 2015/16 business cases and were transferred to reserves in line with the financial policy and the 2017/18 budgets have been reduced accordingly.

The recruitment and training of additional firearms officers remains ongoing. The Home Office provided a grant to all Forces in 2016/17 to support the training and equipping of the Firearms Officer uplift. Although the funding was not required in 2016/17 this will be required in future years.

There were additional savings achieved in 2015/16 over and above that required to balance the budget alongside an unexpected increase in the Council Tax Base since the budget was approved in February 2016.

Police and Crime Commissioner Expenditure

The PCC net budget in Table 1 above consists of the costs of the OPCC and the grants that the Commissioner provides to support projects across Kent.

The following provides a breakdown of that expenditure:

Table 3: OPCC Budget and Expenditure breakdown

	Budget £'000's	Spend £'000's	Variance £'000's
OPCC	1,535	820	715
Grants	2,089	1,999	90
Transfer to reserves	0	805	(805)
Total	3,624	3,624	0

The expenditure includes a transfer to reserves of £0.8m. This represents in-year unallocated funding due to vacancies within the OPCC and is transferred to reserves. This funding is then used to support a number of special projects during the year for both the PCC and the Force.

Projects funded during 2016/17 include:

- Supporting the Volunteer Police Cadet scheme
- Support to the Force regarding a Rape and Sexual Referral strategy
- Contribution towards the capital costs of the new Sexual Assault Referral Centre (SARC)
- Support for the Countryeye App
- Support for new equipment for Kent Search and Rescue.

Capital Budget

Capital expenditure is expenditure on our assets such as our property, vehicles and our IT infrastructure which have a longer term life.

The final position on the capital budget for the Group is shown below in Table 4:

Table 4: Capital Budget 2016/17

Provisioning Department	Revised Budget 2016-17 £'000's	Actual Expenditure 2016-17 £'000's	Variance 2016-17 £'000's	Comments
IT Department	9,397	5,371	(4,026)	Main variances- £1.6m under-spend on ICCS Emergency Services Network and £0.5m relating to Mobile First technology - these costs are re-profiled to 17/18
Estate Department	2,920	1,326	(1,594)	A number of Capital projects programmed for 2016/17 were deferred until next year (Air conditioning, Land for Transport department, Site security, etc).
Transport	2,147	1,725	(422)	A number of scheduled replacement vehicles will now be delivered in 2017/18
Innovation Fund	163	400	237	
ANPR Department	665	365	(300)	Project expenditure delayed by the Home Office
SB Projects	77	9	(68)	
Plant and Equipment	590	322	(268)	
Investment Reserve	(618)	0	618	
Totals	15,341	9,518	(5,823)	

The table shows a capital slippage of £5.8m. This is due to a number of projects both locally and nationally that did not commence during the year. A number of projects in year did not complete during the financial year and this slippage will be carried over into 2017/18.

The table above focusses on the capital investment taken during the year to create and improve the Commissioner's assets. Assets along with liabilities and reserves form part of the Balance sheet (see page 43). The Balance Sheet shows the value as at the end of the year of the assets and liabilities recognised by the Police and Crime Commissioner for Kent.

An abbreviated balance sheet is shown below in Table 5:

Table 5: Summary Balance Sheet 2016/17

	31 st March 2016	31 st March 2017
	£'000's	£'000's
Long Term Assets	207,394	222,006
Current Assets	103,275	90,953
Current Liabilities	(38,980)	(27,250)
Long Term Liabilities	(3,025,081)	(3,468,696)
Net Assets	(2,753,392)	(3,182,987)
Usable Reserves	62,519	61,528
Unusable Reserves	(2,815,911)	(3,244,515)
Total Reserves	(2,753,392)	(3,182,987)

Total long term assets at 31 March 2017 stand at £222.0m, an increase of £14.6m on the previous year. The bulk of this is explained by revaluation increases on those properties valued at depreciated replacement cost which have increased by £16.7m. Capital expenditure for the year was £9.5m.

Net current assets (i.e., current assets less current liabilities) stand at £63.7m, compared to £64.3m the previous year. Net worth/assets stands at a deficit of £3.2billion primarily because of the actuarial assessment of long term pension liabilities as at 31 March 2017 of £3.4billion. This is some £0.5billion more than the previous year and means that net assets overall are some £0.5billion less than the previous year.

Reserves

As shown above the net assets (assets less liabilities) are matched by the reserves. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Police and Crime Commissioner may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). These are the reserves that we use during the year to fund investment opportunities or the capital programme. Any underspend at the end of the year is transferred into usable reserves.

Table 6: Usable Reserves

Usable Reserves	31st March 2016 £'000's	31st March 2017 £'000's
General Fund	5,640	5,640
Risk		
Localisation of Council Tax Benefit Reserve	700	700
Public Order & Major Investigation Reserve	2,000	2,000
Grant Cut Volatility Reserve	4,000	4,000
Insurance	3,098	3,098
Compass House Renewals Fund	200	200
Change		
Invest to save	1,919	1,919
Redundancy, Relocation & Regulation A20	6,000	6,000
Policing Opportunity		
Policy Opportunities	5,883	5,883
Investment Reserve	18,312	20,720
Capital Reserve	13,035	7,071
Capital Contributions Unapplied Reserves	247	915
POCA Incentivisation	781	858
Other	704	2,524
Total	62,519	61,528

Usable reserves stand at £61.5m, a decrease of £1.0m on the previous year. A reduction in capital reserves is offset against a planned transfer to reserves of £6.1m made in 2016/17. This is due to Kent Police's strategic ambition to achieve savings in the year before they are required. These transfers to reserves will be utilised over the medium term primarily to support the investment programme for service improvement and modernisation.

The second category of reserves is that which the Police and Crime Commissioner is not able to use to provide services, the unusable reserves. This category includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; pensions reserves and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Pensions

The value of net pension liabilities in the Group Balance Sheet is £3.5billion. This consists of £3.3billion for Police Officers and £0.2billion for Police Staff. The Police Officer pension scheme is an unfunded scheme meaning there are no assets built up to meet the pension liabilities and cash has to be generated to meet pension payments as they fall due. Both Police Officers and the employer make contributions to the Police Pension Fund. Any difference between the pension income and the actual pensions paid out is reimbursed by the Home Office through a top up grant.

All Police Staff are eligible to join the Local Government Pension Scheme (LGPS) administered by Kent County Council. Both the staff and the employer make contributions to the Scheme; however, the LGPS is a fully funded scheme meaning contributions are invested to help fund future liabilities. The amount the employer pays is determined by a valuation which takes place every three years.

The latest triennial valuation took place in 2016 which resulted in an increase in the employer's pension contribution to 13.2% from 11.6% due to expected future liabilities on the Fund. The Pension Fund is currently in a strong position with no pension deficit to take into account. This allows the increase in contributions to be staged over the next 3 year period. This will result in an additional £1m contribution per annum by 2019/20.

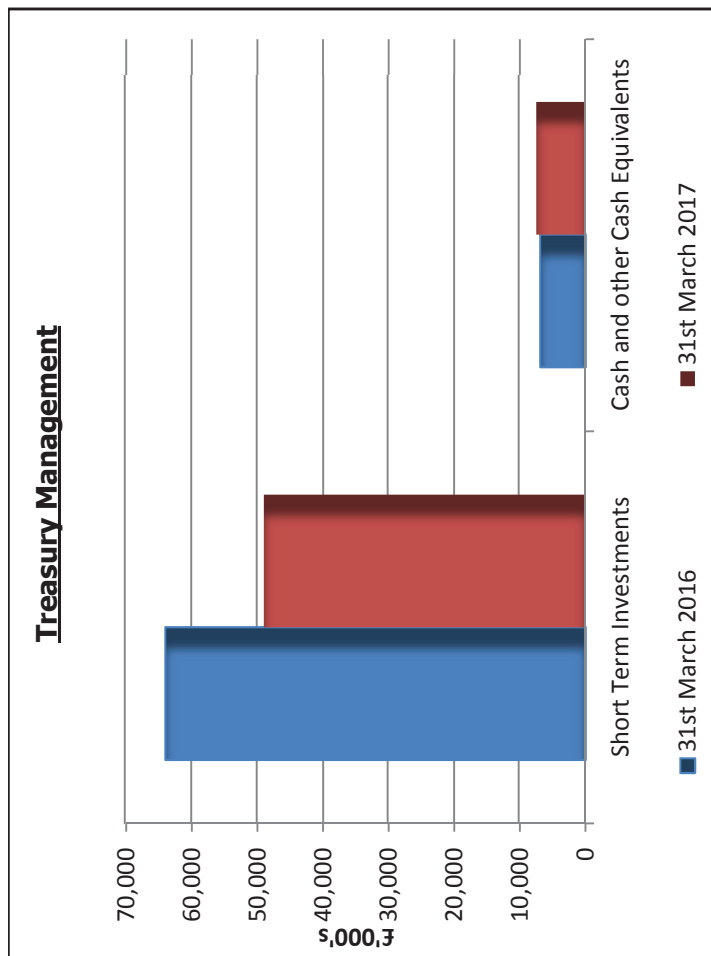
Officers' Remuneration

In 2016/17 Kent Police had 417 employees who earned over £50,000 compared to 385 in 2015/16. The increase in numbers has been driven by those earning between £50,000 and £60,000. Senior pay has seen a reduction in the number of employees earning over £100,000 from 7 in 2015/16 to 5 in 2016/17. Full details of officer's remuneration can be found in Note 5 in the Statement of Accounts.

Treasury Management

The PCC approves a treasury management strategy at the beginning of each financial year and receives regular reports on performance during the year. The day to day management of our treasury management activities is undertaken by Kent County Council and we receive advice from Arlingclose, our treasury management advisors. We value the security of our investments above the return we get on our investments. With interest rates currently at an all time low our ability to generate returns in extremely secure investments is minimal. For 2016/17 our average interest rate return was 0.5%

Table 7: Treasury management



Total cash and cash equivalents, including short term investments as at 31st March 2017 are £56.4 million. The factors that impact on our cash flow during the year are:

- The acquisition and disposal of our assets
- Unapplied grants and contributions
- The level of our reserves

Aside from the PFI contracts, the PCC has no external debt due to a longstanding policy of internal borrowing (i.e. using reserves) to fund capital expenditure.

Performance and Value for Money

Kent Police are subject to a formal inspection regime undertaken by Her Majesty's Inspector of Constabulary (HMIC). This regime is a vital part of the assurance that the PCC seeks in holding the force to account for Value for Money (VfM). As well as specific national studies, the HMIC regime covers an annual assessment of three main themes for each Force (referred to as the PEEL inspection): efficiency, effectiveness and legitimacy. The efficiency element includes an assessment of the financial sustainability of the Force over the short and medium term. For the review in 2017, Kent Police were graded as 'good', 'good' and 'outstanding' respectively. Kent was the only force in the country to secure 'outstanding' for legitimacy two years running and within the efficiency element secured an 'outstanding' grade for understanding current and likely future demands.

In addition, the HMIC also publish key VfM statistics for all police forces annually. This is another key source of assurance. Kent is shown to be relatively efficient compared to other Forces on most measures.

The Force have shown a consistent pattern of sensible forward planning and disciplined accelerated delivery of savings requirements but within a framework of clear service vision and use of technology and innovation to minimise front line impact.

Risk

The PCC and the Chief Constable have risk registers both at a strategic and operational level. The strategic register is reviewed and challenged by the Joint Audit Committee on a regular basis. The key risks for both are identified within the Annual Governance Statement contained within these accounts. Information Technology is identified as a key risk as the Force have an ambitious capital programme planned for IT in 2017/18 which includes local and national and regional projects such as ESN (Emergency Service Network) and Athena.

There is still some uncertainty around the further devolution of victims' services to the PCCs office and what this means in terms of services to be provided and the capacity of both financial and non-financial resources within the PCCs office to deliver them.

The Force has put in place plans for a new policing model entitled 'New Horizons'. The delivery of this project will provide the Police with a model to tackle new and emerging crimes whilst dealing effectively with the more traditional elements of policing.

Underpinning these risks is the ongoing uncertainty over police funding. We have been receiving one year settlements from central government which makes future planning difficult. This alongside a potential change to the Police Funding Formula provides a challenging medium term environment in which to plan our services.

The most recent audit painted a positive picture of increasing 'risk maturity'. The PCC and Chief Constable registers from part of the established management processes within respective operations and are used as a key driver for improvement. They form the basis of the Internal Audit programme delivered by our internal auditors and reported to the Joint Audit Committee.

Medium Term Challenge

A new Police and Crime Plan the 'Safer in Kent: the Community Safety and Criminal Justice Plan' was developed and approved by the Commissioner and this sets out the Commissioner's key priorities and objectives for the medium term. Key strategies and initiatives currently being planned in the short to medium term include:

- The implementation of a new policing model.
- Continued investment in our culture and our people.
- Continued investment in mobile technology.
- Investment in new business systems in collaboration with seven other forces.
- Investment in demand management initiatives.
- The development and delivery of estates transformation.
- Maximising collaborative and efficiency opportunities.

In the Autumn Statement on the 23 November 2016 the Chancellor announced that the departmental spending totals outlined in 2015's comprehensive spending review would be honoured. This reiterated that the budget for policing would be protected in real terms and that local force budgets would be protected in cash terms. Both of these statements required each Police and Crime Commissioner (PCC) to set the maximum precept increase allowed in each year of the spending review period.

On the 15 December, the Policing Minister announced the draft general grant allocation for each force area for 2017/18. It stated that each PCC would receive the same reduction of 1.3% to their settlement (formula funding plus grants). Funding for one year only was announced with no details of funding assumptions beyond 2017/18.

Early in 2016/17 the Policing Minister announced their intention to develop a new funding formula for the Police settlement with potential implementation in 2018/19. The funding formula review increases the uncertainty over future funding levels in policing. Any gains or losses are likely to be phased over a period of time although the mechanism for achieving this is still unclear.

The Chief Constable set out his plan to the Commissioner on how Kent Police can meet the challenges facing Policing now and in the future. This includes investment of new, and the realignment of, existing resources into the following areas; mental health; investigation of domestic abuse, child and adult abuse and sexual offences; vulnerable investigation; community safety units; CID; a missing and child exploitation bureau and a wanted person's bureau. The Chief Constable has confirmed to the Commissioner that this new model will not be to the detriment of neighbourhood policing.

Kent Police have delivered savings ahead of time and £12m savings for 2017/18 have already been delivered. A further £25.9m of savings is required by 2020/21. A prudent use of reserves in 2017/18 and 2018/19 has been agreed to smooth the impact of savings over the medium term. Any further top slicing of grant and/or increased cost pressures would add to this gap. Furthermore, as previously mentioned, this gap does not take into account the possible impact of the Funding Formula Review.

Table 8: Summary of Medium Term Plan, 2017/18 to 2020/21

	Proposed Budget 2017/18	Forecast 2018/19	Forecast 2019/20	Forecast 2020/21
	£'m	£'m	£'m	£'m
Pay	250.7	257.1	262.6	267.8
Overtime	5.3	4.9	5.1	5.3
Premises Related	20.9	21.4	21.9	22.4
Transport	6.5	6.7	6.9	7.1
Other non-pay costs including IT, supplies etc.	28.9	30.8	31.3	31.9
Cost of the OPCC	1.5	1.5	1.5	1.5
Commissioning and Victim Services	4.2	4.2	4.2	4.2
Accumulated Savings Required	0.0	-9.8	-19.7	-25.9
Local Income/ Reserves and grants	-37.0	-35.8	-32.3	-32.3
Total Net Spending	281.0	281.0	281.5	282.0
General Policy and Legacy Council Tax grants	183.8	181.4	179.0	176.6
Estimated Council Tax Surplus	1.6	1.2	1.1	1.0
Council Tax Precept	95.6	98.4	101.4	104.4
Total Net Financing	281.0	281.0	281.5	282.0

The previous table outlines our revenue medium term plan and we have a corresponding medium term plan for our capital expenditure.

Table 9: Capital Programme 2017/18 to 2020/21

	2017/18	2018/19	2019/20	2020/21	Total
	£'m	£'m	£'m	£'m	£'m
Information Technology	15.0	7.7	2.7	1.0	26.3
Estates	3.5	1.3	0.8	0.5	6.1
Vehicle	2.2	1.6	1.6	1.6	7.0
ANPR	0.4	0.4	0.5	0.4	1.7
Other	2.8	0.9	0.9	1.0	5.6
Total	23.9	11.9	6.5	4.5	46.7

Police and Crime Commissioner Achievements

The Police and Crime Commissioner receives a grant from the Ministry of Justice for the provision of services to victims. This funding is used to provide a wide range of services to enable victims to cope and recover. Over £1m of this is for our core Victims Services provided by Victim Support. During the year Victim Support received 85,612 referrals to their service. These referrals came not only from Kent Police but British Transport Police, Action Frauds and self-referrals amongst others. Over 59,000 victims were contacted and of those who received support from Victim Support 99.65% were satisfied with the service received.

Almost £120k was provided for specialist counselling services for victims of sexual abuse with another £150k provided for supporting services that are targeted largely on children and young people who are victims of sexual abuse.

The Commissioner is a keen advocate for tackling mental health issues and the impact it has on policing. As well as the establishment of the Mental Health and Wellbeing fund mentioned earlier there are a number of other mental health related achievements:

- Set up a Mental Health and Policing Oversight Board to hold Kent Police and providers to account.
- Supported Kent Police and the NHS in bringing back mental health street triage.
- Extended the project where mental health counsellors help with calls in our control room.
- Contributed to two new mental health wellbeing cafes for out of hours support.

Work was begun on commissioning a new Restorative Justice Service for Kent for those victims and offenders for whom it is an appropriate to help them either cope and recover from the crime or to stop them reoffending. This is due to go live in the autumn of 2017.

Conclusion

Kent Police as a group including the PCC's office has a strong track record of robust financial management. The PCC has provided a clear vision for the future underpinned by a thorough understanding of the financial environment. The Chief Constable has introduced a new policing model, in line with the Commissioner's Safer in Kent police and crime plan which is being funded through the prudent use of reserves and savings that have been delivered early.

For the HMIC review, Kent Police were graded as 'good', 'good' and 'outstanding' for Effectiveness, Efficiency and Legitimacy respectively. Kent was the only force in the country to secure 'outstanding' for legitimacy two years running and within the efficiency element secured an 'outstanding' grade for understanding current and likely future demands.

The Commissioner continues to support those who have been victims of crime and is a keen advocate for tackling mental health issues and the impact on policing.

The MTFP identifies a savings gap of £25.9m to 2021. The Force have recognised this and continue to ensure that they plan delivery of savings ahead of time to help achieve the savings target and support delivery in future years.

The Commissioner has a healthy level of reserves which will be used judiciously in future years to support the police and crime commissioner's priorities and avoid unnecessary borrowing to fund the capital programme.

The capital programme approved by the Commissioner is ambitious, but is key to unlocking further potential efficiencies and new ways of working. This will aid the Force in dealing with new and emerging crimes as well as maintaining support for more traditional crimes.

The financial environment is undoubtedly challenging and the outlook uncertain, but I am confident that the PCC and Chief Constable, the respective leadership teams and all those who work for Kent Police and Kent OPCC will continue to provide an outstanding service whilst maintaining robust financial management.

Acknowledgements

Before I finish I would like to thank Paul Curtis, the Force Chief Finance Officer and particularly, Sonia Virdee, the Chief Accountant and the Force Finance team for producing the accounts you are about to read. It would not have been possible without them and I express my gratitude for all their hard work and support through the year.