

**Key Points**

1. The key points from the 2024/25 budget and precept proposal from the Police and Crime Commissioner (PCC) are:
  - A proposed increase in the precept of £13 a year, or 5.34% for a Band D property, equivalent to £1.08 a month, or 3.5p per day.
  - A council tax for an average Band D property of £256.15.
  - Kent PCC remains the eighth lowest council tax in the country.
2. The increase in the precept alongside funding received from central government will mean the following:
  - Additional Services – new and additional initiatives to be launched across Kent and Medway:
    - Anti-social behaviour (ASB) and drugs - targeted hotspot patrol response for those areas repeatedly affected by ASB and drugs issues.
    - Immediate Justice – offenders committing ASB will be made to repair the damage they have inflicted on victims and communities within 48 hours of committing their offence.
    - A new Digital Forensics system – to reduce the amount of time that victims are left without their digital devices and freeing up officer time to investigate crime.
    - Investment in new technology – to report back to victims of crime and the community.
    - Additional road policing campaigns to crackdown on the fatal four offences.
  - Retained Service levels – providing the investment for police officers to help them to be visible in their communities and tackling crime. Continue to provide wide ranging support services so victims and witnesses of crime can seek the help they need.
    - Maintaining the record level of police officers in Kent Police.
    - Maintaining the over recruitment of officers.
    - Maintain the numbers of PCSOs.
    - Maintain and where possible continue the growth in the Police Cadet schemes.
    - Continued investment into the existing police estate, ensuring better use of buildings.
    - OPCC office budget maintained at the same level as 2017.
    - Victim services funding to remain at the current level.
    - Continued support to the Kent and Medway Violence Reduction Unit (VRU).
    - Continuation of the Safer Streets 5 projects in Medway, Folkestone and Hythe and Swale.
3. Despite the increase in precept, the significant cost pressures and the unfairness in the Police Funding Formula means funding for Kent Police falls short of what is required to meet its costs. This means there is a budget gap of £7.3m for 2024/25. To meet this gap will require:
  - A reduction in the number of staff roles
  - An increase in the vacancy factor held by the organisation (avoiding protected areas such as the Force Control Room and PCSOs)
  - Maximising external funding opportunities
  - Support from earmarked reserves
  - Delaying projects across Estates and IT with a subsequent revenue saving
  - Reviewing ranks and allowances
  - Reviewing other non-pay areas
  - Maximising opportunities for external savings, including 7Force Commercial services and BlueLight Commercial
4. 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 burden especially as other local authorities are also increasing their precepts by the maximum allowed. However, the budget proposals strike an appropriate balance between additional new services and initiatives alongside maintaining police officer numbers with significant but achievable savings.

## **Background**

5. 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 his Police and Crime Plan.
6. 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.
  - The Kent Police Pledge.
  - 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 (MTFP).
  - The Reserves Strategy.
  - The Capital Strategy and capital programme.
  - The Commissioning Strategy.
  - Continuous improvement and value for money for the taxpayer of Kent.
  - The CIPFA Financial Management Code of Practice.
7. This report will set out the:
  - Government's national police funding settlement for 2024/25.
  - 2024/25 budget and precept proposal.
  - 2024/25 funding pressures.
  - The PCC's Commissioning Budget and Strategy.
  - Medium Term Financial Plan 2024/25 to 2028/29.
  - Savings.
  - Additional Income.
  - The Reserves Strategy.
  - The Capital Strategy.
  - PCC Chief Finance Officer's Section 25 Statement.

## **2024/25 National Funding Settlement**

8. The 2024/25 Provisional Settlement was announced on 14<sup>th</sup> December 2023 in a written statement by the Policing Minister. This settlement is the third and final year of the 2021 Comprehensive Spending Review (CSR21) announced in the autumn of 2021.
9. The Minister confirmed that PCCs had available an extra £922m of funding in 2024/25. Of this, £298m approximately one-third, would come from local taxpayers through the council tax, provided all PCCs increased their precept by £13, the maximum allowed under the referendum principles. The rest of the funding is made up of:
  - £150m (previously announced at CSR21) to ensure the maintenance of officer numbers under the Police Uplift Programme (PUP).
  - £515m of funding to support forces with the cost of the police officer pay award of which £185m is additional to the funding provided in 2023/24. This is to be allocated through the existing Police Funding Formula.
  - £259m to cover the increased costs of police pension contributions.
  - £26.8m, one-off top-up funding to be provided in recognition of the software development and administration costs associated with the delay in implementing the McCloud remedy.
  - £425m set aside for the maintaining of police officer numbers. £357.8m will be ringfenced as incentive grant to those PCC's if they have maintained their overall officer headcount. The remaining £67.2m will be paid to those PCC's who volunteered to recruit above their uplift target.

10. The Minister confirmed over £200m of funding will be available to PCCs in 2024/25 for headline crime programmes. This includes:
- £92.8m to support activity designed to combat ASB and serious violence
  - £15m on Safer Streets Round 5, to supplement the funding already provided for 2023/24
  - £46m to continue the County Lines Programme and Project Adder
  - £47m to continue to support the work of Violence Reduction Units
11. 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 in December 2023 confirmed that PCC's will have the flexibility to increase the precept up to £13 for 2024/25 only. As per last year's settlement, PCCs did not receive any capital grant funding.
12. The Minister also set out his expectations for the Government's investment in policing as follows: *"In return for this significant investment, it is imperative that policing continues to deliver on driving forward improvements to productivity and identifying efficiencies where possible. The Government will continue to work with the sector to unlock the full range of opportunities and benefits of productivity and innovation to enable officers to have the tools to deliver on their core mission of keeping the public safe. We, therefore, expect policing to approach the 2024-25 financial year with a focus on this Government's key priorities:*
- *Maintaining 20,000 additional officers (148,433 officers in total nationally) to March 2025.*
  - *Continuing to deliver on the opportunities presented by new technology and innovation to deliver improvements in productivity and drive forward efficiencies, therefore maximising officer time and service to the public.*
  - *Improving the visibility of police officers and focusing on providing a targeted approach to tackling crime and antisocial behaviour to make neighbourhoods safer, which should be a priority for all forces.*
13. The Home Office (HO) commissioned the National Police Chief's Council (NPCC) to conduct a review of operational productivity in policing. The recently published Policing Productivity Review examined productivity in policing and developed a range of recommendations *'which, if fully implemented, could free up the equivalent of an estimated c.20,000 full time police officers over the next 5 years'*. The Government has stated it wishes to work with the sector to unlock the full range of opportunities and benefits outlined in the review before publishing a formal response to the review.
14. The PCC is confident that through this budget and precept proposal that Kent can meet the expectations of the Policing Minister as set out above. The proposal aims to maintain police officer numbers, deliver a number of new initiatives that will improve visibility and target crime and ASB and deliver efficiencies and savings that will maximise police officer time.

### 2024/25 Kent Funding Settlement

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

**Table 1: Funding Settlement**

<b>Funding Stream</b>	<b>2024/25</b>	<b>2023/24*</b>	<b>Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Police Core Grant	223.8	219.3	4.5
Specific Grant: PUP (officer uplift) **	10.4	6.7	3.7
Specific Grant: Additional Recruitment**	0.2	0.0	0.2
Legacy Council Tax Grants	13.3	13.3	0.0
Specific: Pension Grant Allocation**	11.7	3.4	8.3
Specific: Hot Spot Policing (ASB)**	1.6	0.0	1.6
Specific: Violence Reduction Unit**	1.5	1.6	(0.1)
<b>Total</b>	<b>262.5</b>	<b>244.3</b>	<b>18.2</b>

\*2023/24 restated to include September 2023 additional pay award.

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

16. Government funding has increased for 2024/25 by £18.2m, however this is all to cover specific cost pressures, namely:
- £4.5m Police Core Grant: to pay for the full year effect of the 7% pay award applied in September 2023.
  - £3.7m PUP: incentive grant to maintain our police officer numbers throughout the financial year.
  - £0.2m Additional Recruitment grant: Kent recruited 5 officers over and above their national target. This is to maintain that over recruitment.
  - £8.3m Pension Grant: to cover the additional police pension contributions that Kent must pay plus a one-off admin grant for the McCloud judgement.
  - £1.6m Hot Spot Policing: for continuing GRIP funding and for targeting ASB in Kent.
17. The Government has allocated funding for the 2023/24 pay award based on the existing funding formula and not on police officer headcount. Kent has always argued that the funding formula is out of date and inherently unfair on some PCC areas. Kent is poorly funded by any allocations delivered through this method of funding and it means the additional funding for the pay award does not cover the cost of the pay increases for Kent and the additional officers that have been recruited.
18. As an example of the overall unfairness in the formula, one PCC in the Southeast Region area has 900 fewer officers than Kent Police but through the national formula allocation receives approximately £12.0m more in funding.
19. There are strict criteria around the draw down of the PUP grant. Forces are expected to maintain officer numbers across the 12 months and must report at two specific points in the year on headcount levels. Any deviation below the maintenance level will either reduce the amount of PUP grant received, or should headcount fall by 1.5% (64 officers for Kent) or more then the PUP funding will be withdrawn in its entirety. This also applies to the additional recruitment grant.
20. It is worth putting into context recent funding settlements, since 2010 government funding for Kent PCC has fallen by 16.6% in real terms. Even when the increases in the precept are included police funding in Kent has fallen by 1.1% in real terms over the same period.

### **2024/25 Budget and Precept Proposal**

21. The 2024/25 PCC budget and precept proposal has tried to find a suitable balance between investment and savings. The financial challenges facing Kent Police and the PCC in 2024/25 and beyond means there will need to be difficult decisions required to balance the budget. The shortfall in funding from the Government due to the unfairness in the funding formula as well as the need to maintain officer numbers means substantial savings will need to be made from a limited area of the budget. However, both the PCC and the Chief Constable have struck a balance where further investment in frontline policing can enhance the service to the public; provide a more visible and effective service while making savings in other parts of the organisation.
22. 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 £13 increase, £34.8m of savings are required over the medium term, £7.3m of which are required in 2024/25. Over 80% of the gross budget is expenditure on employees so it is not possible to make all the savings required from non-pay areas. The Government have incentivised funding to maintain police officer numbers, this equates to 59% of our gross budget that we cannot make savings from. It is therefore inevitable that with the level of savings required that there must be some impact on staffing levels. Anything less than the £13 increase in the precept would require additional reductions in staffing, including the further de-civilianisation of roles and a reduction in service levels.
23. This is an issue that is not unique to Kent and is affecting policing across the country. However, both the PCC and Chief Constable recognise that asking the public to pay more for policing during a time when households are facing high interest rates and substantial inflation is difficult, especially when having to make savings. With that in mind, both have set out clearly where additional services will be delivered through government and local precept funding:

- ASB and drugs - targeted hotspot patrol response for those areas repeatedly affected by ASB and drugs issues
- Immediate Justice - offenders committing ASB will be made to repair the damage they have inflicted on victims and communities within 48 hours of committing their offence
- A new Digital Forensics system - to reduce the amount of time that victims are left without their digital devices and freeing up officer time to investigate those crimes
- Investment in new technology - to report back to victims of crime and the community
- Additional road policing campaigns - to crackdown on the fatal four offences

24. The Chief Constable has also confirmed that there will be no reduction in the number of police officers nor in the number of PCSO's. This means the new Neighbourhood Policing model will be implemented in full.

25. 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 and discharging his statutory responsibilities such as the Independent Custody Visitors Scheme (ICV). The budget for commissioning victim support services will also remain the same for 2024/25 (subject to confirmation of government funding).

26. The Force have been preparing savings plans during the year. 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 model. This is a significant saving and should be seen against a backdrop of £90m savings having already been delivered since 2016 when the PCC was first elected. 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.

27. The budget and precept proposal for 2024/25 is as follows:

**Table 2: Budget Requirement and Precept**

Budget Requirement	£409.1m
Less Police Funding	£237.1m
<b>Sub Total</b>	<b>£172.0m</b>
Less Collection Fund Surplus	£0.2m
<b>Amount to be raised by Council Tax</b>	<b>£171.8m</b>
Divided by aggregate council tax base*	670,700.8
<b>Band D Council Tax</b>	<b>£256.15</b>

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

Note: Table may not calculate correctly due to rounding

### 2024/25 Funding Pressures

28. 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. The increase in precept will help mitigate the impact of the lack of funding and these additional costs but will, unfortunately, not cover everything. The following table shows the additional funding received against the additional cost pressures facing Kent Police for 2024/25.

**Table 3: Additional Funding and Cost Pressures**

<b>Additional Funding</b>	<b>£m</b>	<b>£m</b>	<b>Additional Cost Pressures</b>
<b>Police Core Grant</b> Government funding that is ongoing and in our base budget for 2024/25 and future years. Note: other funding received from the Government is classed as income rather than funding and therefore is included within the additional cost	4.5	12.3	<b>Police officer and staff pay costs including pay awards.</b> More than 80% of the Kent Police budget is employee costs and therefore any increase in pay is a significant cost pressure. This is the cost of the 7% pay award to August 2024 with an assumption that a 2% award will apply from September 2024. Inflation is still currently running higher than 2% so a contingency of 1%

pressures (i.e. it nets off against those cost pressures).			has also been provided for in case a higher pay award is agreed. This figure includes the cost of removing the bottom pay scale point as per the pay agreement. This does not include the increase cost of pensions as this is offset by Government Grant.
<b>Council Tax</b> Additional funding raised from local taxpayers through increasing the precept to £13.	11.2	4.6	<b>Incremental pay increases.</b> All officers and staff are on incremental pay scales that increase each year, based on performance. All new recruits start at the bottom of the pay scale and receive an increasing scale of increments over the first 5 years. Therefore, with the increase in new officers' the cost of incremental pay is a significant pressure.
<b>Collection Fund Surplus</b> The estimated balance on the collection fund accounts of all billing authorities at the end of March 2024. This is £0.2m less than budgeted for last year hence the negative figure. In reality this figure is £1.0m less than the actual amount received from the previous year.	-0.2	0.7	<b>Contract Inflation.</b> This increase is for those contracts where inflationary increases are included. This covers contracts for IT hardware and software, some vehicle costs and cleaning and refuse costs.
		1.7	<b>Other inflation and cost pressures.</b> All costs are subject to inflationary pressures. Specific inflation increases for pay and contracts have been included above. In addition, a 2% assumption has been applied to all other non-pay lines as a central contingency to address variations to the budget for inflation as required.
		3.7	<b>Revenue cost of the capital programme.</b> This is the increase in the cost to the revenue budget for the capital programme. This figure includes £0.8m increase in our minimum revenue provision (MRP) for previous years borrowing to fund the capital programme; a £1.0m increase in the revenue contribution to capital that will help fund capital expenditure and £1.1m of additional borrowing costs. It also includes other revenue set up costs and works supporting the capital programme.
		1.7	<b>Unachieved Savings.</b> In 2023/24 there was £1.7m of on-going savings in the plan which were not achieved. The budget was balanced (and in fact an underspend is forecast at the end of the year) 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 2024/25.
		-2.0	<b>Budget Adjustments/Savings/Income.</b> Several changes to pay related budgets, some additional income (including one-off government grant applied as income) and other budget adjustments.
<b>Total Additional Funding</b>	<b>15.4</b>	<b>22.7</b>	<b>Total Additional Net Cost Pressures</b>

### Commissioning Budget and Strategy

29. The PCC's Making Kent Safer Plan includes the guiding principle that puts 'victims and witnesses at the heart of everything we do' with a priority to 'commission services for victims that are needs led.' The Ministry of Justice (MoJ) has yet to announce funding for the specific victims' grant allocations for 2024/25. The CSR21 suggested that there would be more funding for victims' services over the life of the CSR21 period, some additional funding was received in 2023/24 but it is not clear whether any further funding will be available. Therefore, for this budget it has been assumed that the allocation will remain as per 2023/24 at £2.1m for Kent. This means that services will continue to be provided for those

affected by crime in Kent regardless of when the crime happened or whether it was reported to the police or not. 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 Restorative Justice.

30. 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 2024/25, 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 2024/25 including the Domestic Abuse Perpetrator Programme and Safer Streets amongst others.
31. As the PCC is still awaiting details of the MoJ funding no Commissioning Strategy is available for this paper but will hopefully be published on the OPCC website before the end of 2023/24 or when funding levels are known.

### **Medium Term Financial Plan**

32. 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 2024/25 through to 2028/29. For obvious reasons there is more certainty around the figures included in the early years than for those towards the end of the plan as we have no indication from government on funding, precept flexibility or officer numbers. A variety of 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 £13 in 2024/25. No assumption is made regarding any precept flexibility beyond 2024/25. Therefore, the plan includes a precept increase of 2% each year.
- The council tax base will increase by 1.5% in 2024/25, with continued growth of 1.1% in future years.
- The increase for the officer uplift, including the incentivisation grant in 2024/25 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 2024/25 (i.e. there is no change in the funding formula).
- That overall government funding will increase by 1% each year.
- That the additional pension grant received in 2024/25 will be maintained as part of the ongoing funding to police, minus the one-off grant.
- Any top slicing and reallocating from the overall police grant by the HO will remain as described in the financial 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 7% to August 2024 with a 2% increase every September after. A contingency of 1.0% will be included for any pay award greater than 2% in 2024/25.
- Any additional bonus payment or pay award or change in award date above those highlighted will have to be funded through any in-year underspend, reserves, additional savings, or additional government funding.
- Specific non-pay inflation is applied to individual cost categories and contracts so the general rate varies for 2024/25, 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.

33. With these assumptions, across the life of the MTFP there is potentially £34.8m of 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 be monitored and managed on a regular basis.

### Savings

34. A total of £7.3m is required to balance the budget for 2024/25. This is being achieved through savings and a small contribution from reserves. 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 plan for 2024/25 to balance the budget is shown below.

**Table 4: 2024/25 Savings Plan**

Category	Description	£m
Police Staff	Review the number of staff roles across the organisation. Critical areas such as the Force Control Room are protected from staff reductions.	2.6
External Funding	Maximise the opportunity to fill posts through additional external funding.	1.3
Vacancy Factor	Increase the vacancy factor for all non-protected areas from 11% to 12%. The Force Control Room is a protected area.	1.1
Reserves	Use of reserves to support one-off expenditure within 2024/25, for example 3 in 1 jackets.	0.8
Non-Pay	A number of small savings from non-pay expenditure.	0.4
Minimum Revenue Provision	A reduction in the amount of borrowing for 2023/24 reduces the level of MRP required in 2024/25.	0.3
Allowances	A review and reduction of allowances across police officers and staff.	0.3
One-off	Several smaller one-off savings across all budget lines.	0.3
Project Delays	Delays to planned projects across Estates and IT.	0.1
Police Ranks	A review of police rank structure to reduce the number of officers at a higher rank.	0.1
<b>Total</b>		<b>7.3</b>

35. The PCC and Chief Constable are comfortable that the budget gap can be met for 2024/25 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.

36. A summary of the MTFP 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	2024/25	2025/26	2026/27	2027/28	2028/29	Total over MTFP
	£m	£m	£m	£m	£m	£m
Increase in cost pressures	30.8	14.7	14.4	15.6	14.7	90.2
Increase in Government core funding	12.6	2.2	2.3	2.3	2.3	21.7
Savings requirement pre precept increase	18.2	12.5	12.1	13.3	12.4	68.5
Increase in precept income	10.9	5.7	5.5	5.7	5.9	33.7
<b>Savings requirement post precept</b>	<b>7.3</b>	<b>6.8</b>	<b>6.6</b>	<b>7.6</b>	<b>6.5</b>	<b>34.8</b>

Note: Table may not calculate correctly due to rounding

37. The table above shows the calculation of the expected budget gap over the medium term and shows the continued move away from government funding to local council taxation even with only a 2% increase in the precept.

38. The Force and PCC continually look for opportunities for further ongoing savings. Any savings identified during the year that are not required to balance the budget in 2024/25 will be used to support the investment programme over the medium term to reduce the revenue costs of capital.
39. Savings of this magnitude will require difficult decisions to be made around staffing levels within the organisation. All decisions will be carefully managed to protect the welfare of staff and minimise the impact to frontline policing.

### **Additional Income**

40. 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 even the more limited power given to Fire and Rescue Authorities so there are limited opportunities to increase income and/or levy charges.
41. Almost all the PCC's income is from Government Grant and local precept. Although there is flexibility on the precept it is capped by the Government's referendum principles.
42. However, funding opportunities do arise during the year and the PCC has been successful in bidding for further funding into Kent. The PCC has attracted approximately £4.0m of additional funding into the Commissioning budget to provide additional services for victims. This is for specific service delivery during the year but due to this funding the Commissioning budget in 2024/25 is 93% greater than it was in 2015/16.
43. During 2023/24 the Force have had difficulty in filling externally funded posts leading to a budget pressure in 2024/25 of approximately £1.8m. It should be noted that these funds tend to be time limited or specialist posts which means recruitment can be difficult. The PCC has challenged the Chief Constable to maximise the use of external funding, and this is now under regular scrutiny. To meet the 2024/25 budget gap, the Force are expecting to utilise £1.3m of external funding.
44. Both the PCC and Chief Constable remain committed to finding and bidding for any additional funding into Kent and ensuring this is utilised effectively during the year.

### **Reserves Strategy**

45. A principal 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.
46. 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.
  - 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.
47. The total general and earmarked reserves are expected to be £24.2m as at 1 April 2024. Of this, the general reserve will amount to £11.9m or 3% of the net budget. This is in line with the Reserves Strategy policy of holding 3% of the net budget in general reserves.
48. The remaining reserves are all earmarked for specific purposes. Capital investment in 2024/25 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.

49. 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 reflected a strong direction from the Government to reduce policing reserves from a high level in 2017/18. However, due to strong financial management reserves have stabilised and will remain relatively static over the medium term period.

50. For 2023/24 the Force are expecting to underspend on the revenue budget, 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.

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

**Table 6: Reserves**

Reserve	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
General	11.9	12.5	12.9	13.7	13.8	14.3
Risk (inc. Insurance)	9.0	9.0	8.1	7.8	7.2	6.9
Investment Reserve	0.1	0.1	0.1	0.1	0.1	0.1
Ring fenced (inc. PCC)	3.2	2.3	2.8	2.5	3.2	3.1
<b>Total</b>	<b>24.2</b>	<b>23.9</b>	<b>23.9</b>	<b>24.1</b>	<b>24.3</b>	<b>24.4</b>

52. Over the medium term, taking all the plans and provisions into account, total reserves are expected to be £24.4m in 2028/29.

### Capital

53. 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.

54. 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, 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.

55. 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**

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
	£m	£m	£m	£m	£m	£m
Information Technology	9.7	4.1	3.8	7.7	6.3	31.6
Estates	3.4	10.3	3.8	3.2	4.0	24.7
Replacement Programmes / Other	4.9	4.2	11.0	8.1	7.7	35.9
<b>Total</b>	<b>18.0</b>	<b>18.6</b>	<b>18.6</b>	<b>19.0</b>	<b>18.0</b>	<b>92.2</b>

Note: Table may not calculate correctly due to rounding

56. The capital programme is a mixture of projects that either update/refresh assets or are new projects. The IT programme includes the Digital Forensics platform which will revolutionise how the Force deal with storing and investigating digital devices, freeing up officer time and meaning victims won't be without their device for longer than necessary. The Estates programme is taking existing core buildings and ensuring they are fit for policing in the 21<sup>st</sup> century. The works undertaken at places like Coldharbour and Sittingbourne amongst others have made an improvement in officers and staff wellbeing and improved the efficient and effective use of workspace across the estate. It will also release revenue savings back into the budget, especially from utility and maintenance costs. Replacement programmes include projects for replacing vehicles and updating the Force's equipment as well as the electrification of the fleet.
57. The PCC is taking a personal interest in the capital programme, especially the work on the estate, receiving assurance regarding costs, delivery, and value for money. The PCC will continue to hold the Chief Constable to account over the delivery of this programme.
58. 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.
59. 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.
60. 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 amounting to approximately £0.8m increase in 2024/25 for the cost of borrowing for the 2023/24 programme. In essence this will be short-term borrowing for cashflow purposes, providing the most economical way of borrowing for 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.

#### **PCC Chief Finance Officer – Section 25 Professional Statement**

61. Section 25 of the Local Government Act 2003 requires 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.
62. In determining the above the PCC CFO has reviewed the financial environment and the risks facing policing in Kent and the PCC and has considered the following issues.
63. 2024/25 continues the financial challenges that the PCC and Kent Police have faced over recent years. The requirement to maintain the increase in police officers achieved through the PUP coupled with higher levels of inflation and higher pay award pressures and contract/utility inflation all while not receiving a commensurate increase in funding from the Government places the PCC and the Chief Constable in a difficult position. Challenging decisions are needed to meet these pressures as well as the increasing demand and scrutiny on policing.

64. 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. With inflation in double figures during 2023 a pay award of 7% was eventually agreed for all police officers. The Chief Constable and PCC agreed that this be extended to all staff. The Government committed to finding additional funding to allocate to PCCs to cover the full cost of this award. The additional funding from the Government for the 7% pay award given in 2023 for the period to August 2024 is helpful. However, the method of allocating the funding through the existing funding formula shows the inherent unfairness in the system and how poorly served Kent is by this process. For a similar SE PCC with 900 fewer officers to receive £12m more in grant is an obvious example of the inadequacy of the current formula. It adds a further unnecessary cost pressure and places a burden on local taxpayers to make up any difference in funding through the council tax. It highlights the inadequacy of a funding formula created in 2006 still being used today.
65. The Government has been reviewing the formula for distributing the national core Police funding to PCCs for several years. It is understood that the work is almost complete and the PCC and the PCC CFO have both been involved in discussions with the HO to champion Kent's case for a fairer settlement. 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 gains 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.
66. Inflation appears to have peaked in 2023 and is the primary driver for pay awards. It is difficult to determine the level of pay award that will be agreed from September 2024. Each 1% increase in pay is the equivalent of £2m for officers and staff. In line with government expectations in CSR21, we have budgeted for 2%. Any pay award above 2% it is expected would be covered by additional government funding as was the case for the 2023 pay award. However, as this funding was found within government departments it is unclear as to whether this would be a viable option for future years. The fact that inadequate additional funding was given to Kent it seems appropriate to set aside a further 1.0% for 2024/25. Any increase above that level would have to be funded through reserves or additional savings.
67. The Minister's funding announcement included a proportion of funding for the maintenance of police officer levels. This funding was given as part of the PUP Incentive funding and means funding is not received unless police officer numbers are maintained. Kent Police have an excellent track record in recruiting and maintaining police officer numbers over the life (and before the) PUP. In fact, Kent have overrecruited by 5 officers and will receive £0.2m as a further incentive to maintain a higher number than is required. There is a risk to recruitment numbers and a subsequent loss of funding, but this risk is low and therefore the incentive grant has been included as part of the 2024/25 budget.
68. 2024/25 is the final year of CSR21 which means there are no details of funding beyond March 2025. It is expected that a CSR will take place after the next general election, which is due by January 2025 at the latest, but this may mean the first year of the next CSR may well be 2025/26 and potentially post a new funding formula implementation. Although there is still uncertainty over government funding for policing in the future, the key assumption on future 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.
69. The increase in precept flexibility from an initial £10 to £13 for 2024/25 allows PCCs the scope to set a precept in line with their Police and Crime Plan priorities but as this is the final year of a CSR period there is no clear guidance as to future levels. Indeed, the precept referendum limit has fluctuated on an annual basis which makes it difficult to forecast appropriate levels for MTFP planning purposes. As PCC CFO it is my duty to plan different scenarios to account for changes in funding however, for planning purposes the MTFP for future years precept reverts to the pre-precept flexibility limit of 2%. The PCC will take any decision on future precept levels at the appropriate time when all the funding and costs are known.

70. The change in the precept referendum limit 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.
71. Due to historic differences in council tax the proportion that £13 represents can vary significantly between force areas. The £13 increase means that Northumbria's percentage increase is 8.5% and Essex is 6.3%. Kent's increase is 5.3% and 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% of their total funding, conversely Surrey has 54.6% of their funding coming from council tax. On average, nationally 34% of budgets are made up from council tax. Kent's council tax makes up 42% of funding, up from 28% in 2010/11.
72. 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 is usually a surplus) caused additional pressure and meant the Government had to provide additional funding. Although the tax base has remained robust for 2024/25, the collection fund is less than was received for 2023/24. This may be an indication that the cost-of-living crisis is being felt hard and may impact on both collection rates and the tax base for future years. We have been prudent in our assumptions going forward and I am satisfied that these are achievable.
73. The Government's planned rectification to the public sector Pension Funds due to recent court cases (e.g. McCloud) has now been resolved and as expected has had a substantial financial impact on employers' contributions to the pension schemes as well as other administrative costs. This delay in implementation and one-off administrator costs has now been funded by the Government and funding has been enough to cover Kent's costs. The increased employer's contribution has been included within the budget and MTFP and therefore there is no need to provide any other funding within the MTFP for this issue.
74. In year financial monitoring shows an expected underspend on both capital and revenue budgets for 2023/24. This is due to many factors, including higher than anticipated vacancies and one-off savings. This follows an underspend in 2022/23 and it is hoped is now the normal spending pattern, 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 Force's flexibility to bring forward or push back savings plans dependent on future cost and income pressures.
75. 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 and as such there is no change for 2024/25.
76. While the Force has a good track record of identifying and managing savings through effective financial management and planning, unfortunately these can be one-off rather than ongoing recurring savings. The greater level of recurring savings that are found reduces the pressure on the MTFP. The level of savings identified in the MTFP are only a forecast of the future and will change as we go through the years. The Force continuously 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.
77. 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 2024/25 cannot be underestimated and it is a sign of the positive attitude to tackling this issue that the Force report on savings through the financial monitoring process to the Chief Officer Team and to the PCC and his CFO. The Force have had to work innovatively to identify where savings can be

made without impacting on front line services. The Neighbourhood Policing model 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.

78. The increased demand for capital investment due to an ageing estate and the increased need for technology, 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 with a £3.2m increase across the MTFP to 2028/29. Wherever possible the PCC will look to reduce the impact of borrowing on the revenue budget. Any underspend for 2023/24 will be used to offset some of this cost in 2024/25. The investment programme is a crucial element of the PCC's determination to support Kent Police wherever he can.
79. The requirement for the electrification of the police vehicle fleet and the subsequent impact on the infrastructure and buildings is becoming clearer. Although the Government has delayed the date for when diesel vehicles will cease to be sold, the vehicle manufacturers are unlikely to delay as their plans are well advanced. In any event there will come a time when Kent Police must purchase electric vehicles for all its fleet. Some limited purchases have already occurred where cost efficient, but a full change to the fleet will require substantial investment. Although the timing and quantum is not certain an estimate has been included within the capital programme and therefore no further contingency is required.
80. The North Kent Police Station PFI contract was terminated by the PCC in 2023 on the grounds of contractor default. The building is now owned and run by the PCC but requires several defects to be rectified. There is also a need for a final agreement to be reached with the provider over settlement. This may be done through discussion and negotiation but could take the form of litigation. A full business case has been completed and all costs, even where there is uncertainty, have been included. It is expected that the HO will provide funding to assist the full transfer and rectification of the building to the PCC to a point where Kent is no better or worse financially ensuring that there is no burden on the Kent taxpayer. Therefore, there should be no financial impact on the budget and MTFP, however, there are risks associated with this issue and this will be monitored.
81. 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 initial 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 previously 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.
82. 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 former include the criminal justice backlog, electrification of the fleet, 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.

83. Overall, I have considered the level and need for 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 2024/25 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 2024

---

**Supporting information:**

Annex A – Summary of Medium-Term Plan, 2024/25 to 2028/29

Annex B – Reserves Strategy 2024/25

Annex C – Capital Strategy 2024/25

## Medium Term Financial Plan 2024/25 to 2028/29

	2024/25	2025/26	2026/27	2027/28	2028/29
	£'000	£'000	£'000	£'000	£'000
<b>Expenditure:</b>					
Police pay	274.29	283.62	293.13	302.76	312.72
PSE pay	108.65	112.00	115.41	118.88	122.47
Overtime	8.03	8.35	8.44	8.53	8.60
Other pay costs	15.15	15.15	15.15	10.04	10.04
Premises inc. North Kent	23.57	23.85	24.10	24.15	24.35
Transport	9.21	9.28	9.35	9.34	9.42
IT services	19.29	20.13	20.55	20.37	20.52
Supplies & services	17.58	17.07	17.01	16.96	17.07
Third party payments	7.59	7.60	7.61	6.88	6.93
PCC including victim services	5.50	5.50	5.50	5.50	5.50
Revenue Impact of Capital programme	6.61	7.14	7.43	7.69	8.01
<b>Gross Spending</b>	<b>495.42</b>	<b>509.69</b>	<b>523.68</b>	<b>531.10</b>	<b>545.63</b>
<b>Income:</b>					
Specific grant - counter terrorism	-14.52	-14.79	-15.08	-15.38	-15.69
Specific grant - victims funding	-2.12	-2.12	-2.12	-2.12	-2.12
Home Office grants	-21.46	-21.46	-21.46	-21.46	-21.46
Sales, fees, charges & rents	-4.54	-4.58	-4.60	-4.68	-4.68
Interest / investment income	-1.10	-1.10	-1.10	-1.10	-1.10
Reimbursed services	-37.34	-37.73	-38.17	-30.61	-31.17
Transfers to / from reserves	2.07	3.21	4.40	5.40	6.40
<b>Net Spending</b>	<b>416.41</b>	<b>431.12</b>	<b>445.55</b>	<b>461.15</b>	<b>475.81</b>
Savings required 2024/25 permanent	-5.07	-5.07	-5.07	-5.07	-5.07
Savings required 2024/25 one off	-2.22	0.00	0.00	0.00	0.00
Savings required 2025/26	0.00	-9.00	-9.00	-9.00	-9.00
Savings required 2026/27	0.00	0.00	-6.64	-6.64	-6.64
Savings required 2027/28	0.00	0.00	0.00	-7.61	-7.61
Savings required 2028/29	0.00	0.00	0.00	0.00	-6.47
<b>Spending After Savings</b>	<b>409.12</b>	<b>417.05</b>	<b>424.84</b>	<b>432.83</b>	<b>441.02</b>
<b>Funding:</b>					
Police core and legacy grant	-237.10	-239.34	-241.60	-243.88	-246.19
Council tax precept plus estimated collection fund balance	-172.02	-177.71	-183.24	-188.95	-194.83
<b>Total Net Financing</b>	<b>-409.12</b>	<b>-417.05</b>	<b>-424.84</b>	<b>-432.83</b>	<b>-441.02</b>

## Kent Police and Crime Commissioner Reserves Strategy 2024/2025

### 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 (MTFP). 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 MTFP, Capital Strategy, Commissioning Strategy, the Treasury Management Strategy and Minimum Revenue Provision policy, the Reserves Strategy 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. The PCC Chief Finance Officer (PCC CFO) statement on the adequacy of reserves is included within the Section 25 statement in the budget report.

### Background

4. Reserves are held as part of the overall MTFP, and it forms part of several 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 (the 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 considering all local and national circumstances. However, the Government have specified that any level of general reserves over 5% of the net budget requires explanation within the Reserves Strategy. Kent does not hold general reserves above 5%.

### Financial Regulations

8. As all financing is issued to the PCC then it follows that the PCC holds all the reserves. Kent's 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:
  - As a general contingency against unknown or unforeseen events
  - To manage strategic risks in the organisation
  - To manage change within the organisation
  - Held for statutory responsibilities

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 aspires.

### Reserve Levels

12. The number and type of reserves as well as the level held in those reserves is reviewed on a regular basis. The total general and earmarked reserves are expected to be £24.2m as at 31<sup>st</sup> March 2024. Of this, general reserves will amount to £11.9m 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 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 £0.1m across the MTFP. Capital investment will be funded from asset sales during the year and borrowing. In the first instance this will be internal borrowing, where the PCC 'borrows' from cashflow during the year, reducing the level of funds available for investing in the money markets but reducing the cost of borrowing.
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. Reserve levels have recovered and stabilised since 2020/21.
15. The PCC has notified the Chief Constable that any underspends will be taken back into reserves to mitigate risks over the medium term. Any in-year reallocations of underspends will only be considered by the PCC by exception.
16. The reserves position over the medium term is set out below:

**Table 1: Reserves over the MTFP**

Reserve	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
	£m	£m	£m	£m	£m	£m
General	11.9	12.5	12.9	13.7	13.8	14.3
Risk (inc. Insurance)	9.0	9.0	8.1	7.8	7.2	6.9
Investment Reserve	0.1	0.1	0.1	0.1	0.1	0.1
Ring fenced (inc. PCC)	3.2	2.3	2.8	2.5	3.2	3.1
<b>Total</b>	<b>24.2</b>	<b>23.9</b>	<b>23.9</b>	<b>24.1</b>	<b>24.3</b>	<b>24.4</b>

17. Over the medium term, taking all the plans and provisions into account, reserves are expected to total £24.4m at the end of 2028/29.

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 buildings, 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 four categories of reserves in Table 1 are held for the following:
- **General** is used to mitigate against unknown and unexpected events that incur considerable cost that could not be borne within the revenue budget. This could include public order, major investigation costs or to fund initial costs of major disruption/disaster response (i.e., Covid 19 pandemic, flooding). This would be used before applying to the Government's Special Grant scheme should the criteria be met. The Special Grant scheme usually only accepts applications from 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. The level of the Insurance Reserve 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** 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.
  - **Ring fenced** are funds set aside to deal with a specific purpose. These can be reserves that have to be held for statutory purposes or where they have been designated to deal with a particular issue or risk. This includes the budget support reserves 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. This also holds any partnership reserves that are held for statutory reasons and on behalf of specific partnerships. They can only be used for the purposes they were intentionally held for. This also holds the PCC reserve. These are funds set aside from the PCC's own budget to fund innovative projects to help transform policing and for schemes or services that will support victims and witnesses.
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:

	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
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	3.3	2.4	2.9	2.6	3.3	3.2
Funding for specific projects and programmes beyond the current planning period	0.0	0.0	0.0	0.0	0.0	0.0
Funding held as a general contingency or resource to meet other expenditure needs in accordance with sound principles of financial practice	20.9	21.5	21.0	21.5	21.0	21.2

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

## Summary of Reserves Position

		2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	Reason	Planned Use
	Classification	£m	£m	£m	£m	£m	£m		
General	Contingency	11.9	12.5	12.9	13.7	13.8	14.3	3% of Net Revenue Budget. Held to mitigate against unknown and unexpected events. Will fund major operations, public order, major investigation costs that are not expected or to fund initial costs of major disruption/ disaster response (i.e. Covid 19, flooding) before applying for Police Special Grant.	This is the minimum level of reserves we would be expected to hold. There is no expectation that these reserves will be used over the medium term, but should there be an unexpected event then they can be. The increase in the net budget means this reserve will increase over the medium term.
Risk	Contingency	9.0	9.0	8.1	7.8	7.2	6.9	This reserve is held to support the budget in times of funding changes (both increases and decreases) to avoid precipitous decisions being made. It also covers our potential liabilities in any insurance claim. In order to keep our insurance premiums at a reasonable level we self insure to a significant degree.	There is no planned use of the reserve during the MTFP. £3.0m is the minimum level of reserves we have been advised to hold by our insurance as it mitigates against large insurance claims of which we currently do not have any. This may fluctuate over the medium term depending on our advisor's advice.
Investment Reserve	Planned	0.1	0.1	0.1	0.1	0.1	0.1	This reserve funds the capital and revenue investment in our investment programme. The investment programme is a number of long term projects that are designed to improve / create assets for the Force that will reduce financial commitments and improve policing in Kent. All sales of assets (capital receipts) fall into this reserve to be used for future capital investment. This reserve funds the revenue investment involved in our investment programme. Capital projects will typically incur some revenue investment and this reserve helps fund that part of the investment programme without impacting on the ongoing revenue budget.	This reserve is used during the year as income and expenditure are incurred. This is the residual balance that can only be used for specific expenditure.
Partnership Funds	Planned	2.0	1.1	1.6	1.3	2.0	1.9	The reserves are held on behalf of partnerships within and supporting policing and can only be used for the purpose for which they are held.	There are estimated plans to use these during the medium term although this will depend on in -year partnership decisions. The final MTFP balance will broadly be the same as the starting balance.
PCC	Planned	1.2	1.2	1.2	1.2	1.2	1.2	This reserve holds funds set aside from the PCC's budget to fund innovative projects to help transform policing and fund local PCC priorities.	These reserves are held to support one-off initiatives to support policing or to support grant funded victim support services. There are no plans to use these over the MTFP however, the PCC will make any decisions on use during the year.
<b>Total Reserves</b>		<b>24.2</b>	<b>23.9</b>	<b>23.9</b>	<b>24.1</b>	<b>24.3</b>	<b>24.4</b>		

# Kent Police and Crime Commissioner

## Capital Strategy 2024/2025

### 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 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 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 TMS.

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 2030.

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 several years from in year revenue underspends. 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 TMS. It is also recognised that borrowing internally will impact on the revenue budget as this borrowing is repaid into the cashflow. This will be considered when making decisions on the level of capital funding available.

These borrowing decisions are not made in isolation, nor are they made over a 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 in 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 (PCC CFO) 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 PCC CFO prior to the PCC's final approval. The taking of loans, if required, then becomes a decision for the PCC CFO 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 briefings 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 PCC CFO monthly. These reports will have already been to COMB and be shared with the PCC on a regular basis throughout the year. 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 MTCP, the FCFO will prepare a business case for submission to the PCC for consideration and approval, including details on how the new scheme is to be funded.

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

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

#### **14 Multi-Year Schemes**

Payments for capital schemes often occur over many years, depending on the size and complexity of the project. Therefore, estimated payment patterns are calculated for each project so that the expected capital expenditure per year is known. This is called a cash flow projection or budget profiling.

The approval of a rolling multi-year capital programme assists Kent stakeholders in a number of ways. It allows the development of longer-term capital plans for service delivery. It allows greater flexibility in planning workloads and more certainty for preparation work for future schemes. It also allows greater integration of the revenue budget and capital programme. It also matches the time requirement for scheme planning and implementation since capital schemes can have a considerable initial development phase.

#### **15 In Year Changes to the Capital Programme**

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 diminishes with each sale limiting the ability to fund projects from capital receipts.

##### **16.3 Revenue Funding**

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

##### **16.4 Prudential Borrowing**

Local authorities, including PCC's, can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so Kent Police Group need to ensure it can fund the repayment costs. The 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. The PCC can also hold revenue reserves built up over several years to fund elements of the capital programme. Reserves are held and controlled by the PCC through the PCC CFO. 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 PCC CFO 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 one PFI project, Medway Police Station. 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.

BlueLight Commercial 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 MTCP and the annual capital budget.

## 19 Management Framework

All contracts are in the name of the PCC meaning that the PCC owns all 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 PCC CFO and FCFO manage the MTCP and the annual capital budget. The FCFO provides regular updates to COMB who, collectively, maintain oversight of planned operational expenditure.

The PCC CFO is responsible for developing and then implementing the strategic documents; Capital Strategy; Reserves Strategy and the TMS 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 MTCP 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.

Kent Police Group should complete post scheme evaluation reviews 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 reports will be presented to COMB and then shared with the OPCC. They will be available for sharing to a wider audience (i.e. Joint Audit Committee, Police and Crime Panel) if required.

## 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 in its entirety, 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 PCC CFO 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 because 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 its values, principles, and appropriate behaviour. This is supported by the national Code of Ethics and detailed policies such as Anti-Fraud and Corruption and Declaration of Interests.

### **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 2024