

## **Appendix B - Chief Finance Officer's Budget Statement 2014-15**

### **Preamble**

It is a statutory requirement that the designated Chief Finance Officer must issue a professional statement on the adequacy of reserves, robustness of estimates and overall effectiveness of the systems of financial control and risk management in general. The following fulfils that requirement.

### **Context**

The Kent Police Service, as with all public services, are facing major grant reductions as a result of the broader deficit reduction priority of the Coalition Government. Sensible and effective planning has enabled the Force to plan for and deliver approximately £50m of savings as part of CSR1; which technically runs to 2014/15. There is a further new grant cut in 2015/16 and strong possibility that a similar rate of reduction will be imposed for 2016/17. The grant cut in 2015/16, combined with other pressures, could require new savings of £20m in that year. Further grant cuts in 2016/17 could require up to £15m. This sets the new financial context, referred to as 'CSR2 plus'. It will be challenging but the Force have started their planning early; that is possible because of the accelerated delivery of CSR1 saving. These new savings requirements will inevitably require a further fundamental review of the police model nationally and locally. This challenging context includes estimates for the funding uncertainties of likely changes in how the national pot of available grant is allocated between police services over the medium term.

### **Key statements**

I am satisfied that the estimates have been drawn up in a robust way, recognising that medium term forecasts beyond 2014/15 will inevitably carry more uncertainty. We have assumed pay awards have been capped at 1% for the three years 2014/15 to 2016/17. For non-pay we are assuming general inflation at 2.5% for all three years but with a major hike in employer national insurance, prudently shown in 2015/16 for planning purposes but expected to hit from April 2016. Beyond that any known and quantifiable pressures have been included over the medium term. The key assumption on grant resources is the provisionally announced cash cut of 4.8% in general grant for 2014/15 and 3.5% cash cut in general grant in each of 2015/16 and 2016/17. In addition, further cuts in general grants of £2.5m in each year 2015/16 and 2016/17 have been included for the possible negative change in grant distribution. As published last year the current plan assumes precept increases of 2% per annum but that is subject to confirmation of referendum rules.

As per decisions taken last year, reserves have designated them into three categories; costs of change, necessary risk management and available to support manifesto commitments. In each case I am satisfied that they remain prudent and appropriate. I am also satisfied that the operation of internal and external audit and the operation of financial controls is sound. However, the change in arrangements for 'Transforming Rehabilitation' and the dissolution of victim services adds to the complexity of operations. This, coupled with the level of future savings required means that the 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.

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