

Chief Finance Officer's Budget Statement 2015-16

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 generally. The following fulfils that requirement.

Financial Context

Kent Police, as with all public services, are facing major grant reductions as a result of the broader deficit reduction priority of the coalition government. For Kent, Government grant makes up 66% of funding and consequently reductions in grant will inevitably have a significant impact on policing operations. Sensible and effective planning, commended by Her Majesty's Inspectorate of Constabulary, has enabled the Force to plan for and deliver approximately £50m of savings as part of CSR 1; which technically ran from 2011/12 to 2014/15, but while strengthening local neighbourhood policing. However, that came at the cost of approximately 720 staff jobs and loss of 500 police officer posts.

Unfortunately, there will be a new wave of grant cuts, most likely running through the next 4 years at the very least and affecting the whole of the public sector; again in response to national deficit reduction imperatives. The grant cut of 5.1 % for Kent Police in 2015/16 is the first year of that new four year cycle of grant cuts and even if the 4 years (2015/16 to 2018/19) was simply to mirror the 20% grant cuts suffered by Kent Police in the last four years, Kent Police would have to find £61m of savings over the next 4 years including 2015/16. That could be a minimum. Clearly, if grant cuts are higher so would be the savings requirement, but even at what could be the minimum level of £61m of savings over the next four years, the nature of policing in Kent would inevitably have to change significantly. Indeed savings of the scale feared over the medium term will inevitably require a further fundamental review of the police model nationally, regionally and locally.

For 2015/16, the first year of the expected next 4 years of grant cuts, the cut of 5.1% requires savings of £14.5m. Through forward planning, the savings found by the Force should not impact significantly on front line policing in 2015/16 however it will still require the loss of jobs and further restructuring. In response to the medium term challenge, the Commissioner has asked the Force to work up options in the early part of 2015/16 so that Kent are well placed to respond to the likely further grant cut in 2016/17 and beyond, to be announced by a new government in the months after the May 2015 election.

Other Key Risk Areas

The Force and the PCC maintain active risk registers and associated risk management processes for operational and senior management which are monitored by the Audit Committee. As well as the financial challenge described above, many of the key strategic risks inevitably fall on the Force, rather than the OPCC, from both existing and newer threats. Examples of the latter include the local response to counter terrorism threats and cybercrime. Within the OPCC, on-going strategic risks relate to ensuring the core functions of the Commissioner are met; this includes overall financial governance of broader budget control and value for money. The newest risk in the OPCC area in particular relates to ensuring effective victim support services are put in place with partners.

Key statements

I am satisfied that the estimates have been drawn up in a robust way, recognising that medium term forecasts beyond 2015/16 will inevitably carry more uncertainty. At the time of the budget we have assumed pay awards have been capped at 1% for the four years 2015/16 to 2018/19. Any modest changes beyond that for 2015/16 can be dealt with from reserves. For non-pay we are assuming general inflation at 2.5% for all three years but with a major hike of £5m per year in employer national insurance in 2016/17. 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 5.1% in general grant for 2015/16 and 3.5% cash cut in general grant (equivalent to 5.5% real cut) in each of 2016/17 through to 2018/19. In addition, a further 2% cut in general grants in each year 2016/17 to 2018/19 have been included for the possible negative change in grant distribution and/or further top slicing. As published last year the current plan assumes precept increases of 1.99% per annum (2% rounded) but that is subject to referendum rules.

As per decisions taken last year, reserves have been designated into three categories; costs of change, necessary risk management and available to support policy opportunities. I have considered the level and need against the strategic risk registers of the Force and the OPCC. On the whole, existing reserves are sound but I will be replenishing for likely use of the redundancy reserve during 2015, to ensure a reserve of £6m is available to face 2016/17. I have also created a new reserve of £1.5m to provide provision for significant non-normal public order events. These changes have been financed from underspends in 2015/16., Overall, in each case I am satisfied that they are prudent and appropriate after consideration of the latest key risk assessments. I am also satisfied that the operation of internal and external audit and the operation of financial controls are sound. However, the level of savings required and the dependency, and thus exposure to government decisions on grants, means that 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.

Further information

The Summary Medium Term Financial Plan including the budget for 2015/16 is set out at Annex 1.

The Statement of Reserves is set out at Annex 2.

Sean Nolan, Chief Finance Officer, Office of the Kent Police and Crime Commissioner

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