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| Finance Report  2025/26 – First Quarter (Q1) |
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| CHIEF OFFICER TEAM  REPORT |
| 4th September 2025   1. PURPOSE AND RECOMMENDATION    1. The purpose of this report is for monitoring / information.    2. There are no recommendations made requiring a decision. 2. INTRODUCTION & BACKGROUND    1. This quarterly financial report presents detailed information on revenue, balance sheet and working capital balances (debtors, creditors, and cash/investments). This provides a comprehensive position for Chief Officers to consider and inform decision making.    2. The quarterly report includes:  * **Appendix 1a, 1b, 1c:** Income and Expenditure for the group, force and OPCC (as previously reported). The income and expenditure reports consider expenditure commitments made as at the quarter end but have not yet been invoiced or paid and a forecast of the year end position. * **Appendix 2a**: Cash and investments – details of level of cash the force has and how much money is on investment. * **Appendix 2b**: Debtors position. This details the level of income yet to be cash receipted and the age of the debt. * **Appendix 2c**: Creditors position. This details the level of expenditure yet to be cash paid and the age of the liability. * **Appendix 2d**: Capital & Project spend report. This details the spend to date on capital projects and the budget remaining to the end of the financial year. * **Appendix 3**: Usable reserves. This schedule identifies the level of cash backed reserves in line with the Reserves Strategy and the MTFP. * **Appendix 4**: Medium Term Financial Plan. This provides a longer-term view on the financial position of the force.  1. ISSUES FOR CONSIDERATION   Financial Highlights – Q1 Year to date outturn: £12,613k underspend   * 1. The information below provides details on key trends and results for the year. Where a variance (favourable or adverse) represents a significant risk to being able to meet budget a more detailed analysis is provided.   2. It should be noted that whilst budgets are phased each month, this is not always reflected in the expenditure patterns across non pay budget headings and therefore is not an informative basis on which to assume out-turn spending for year end.   3. We will develop the forecast for the full year in detail in the Q2 report.   4. As shown in Appendix 1a, on a group basis there is a year-to-date underspend at Q1 for 2025/26 of £12,613k against a budgeted overspend position planned of £4,396k. This is primarily the result of the timing of income from Home Office for the Welsh Top Up element of the Police Grant of £9,579k where the full year’s amount has been received ahead of schedule, and reserves movements budgeted of £1,842k. This will correct itself in subsequent periods. Excluding the funding & transfer to reserve variances, the net expenditure position is £352k underspent against budget at Q1. The group year to date net underspend arises from the following variances:   Pay variances – officers and staff: Overspend £166k   * 1. At the end of Q1, police officer pay and salary allowances are under budget by £98k due primarily to the year-to-date effect of the timing of the cohorts of new officers from Neighbourhood Grant (NHG) entering the Force in September and March. The Operation Uplift target for 1,506 officers plus the additional 21 officers at 31 March 2025 was met and exceeded. Now the planned recruitment has taken place, the full cost of officers will be realised for 2025/26 budgets onwards.   2. The underspend on pay and allowances has a £264k overspend on Staff and PCSO (Police and Community Support Officers) pay and allowances at the end of Q1. Within this, staff pay is overspent by £101k, agency costs of £125k and redundancy payments of 64K in Q1.   3. The assumptions for the 2025/26 budget already reflect probationers being recruited at lower than the midpoint of the salary scale and an assumed pay award for officers of 3.0% from 1st September 2025. The UK Government recently announced a 4.2% pay award for officers with an indication that they would then fund the difference for forces between an average pay award of 2.8% and 4.2%. The expectation is that a similar pay award will now be approved for staff. As noted in 2024/25, there will be a one-off funding ‘bonus’ of approximately £170k for 2025/26 for the difference between 2.8% and 3.0%, which will be confirmed once the staff and PCSO pay award has been approved.   Overtime – officers and staff: overspend £494k   * 1. Total overtime costs (officer and staff) at the end of Q1 show a net overspend of £494k, made up as follows:  |  |  | | --- | --- | |  | **2025/26**  **Q1** | | Police Officer and Staff TOIL (Time off in Lieu) payments | (£29k) | | Police Officer overtime underspend | £64k | | Police Officer rest day overtime overspend | (£169k) | | Police Officer public holiday overspend | (£294k) | | Police staff overtime – overspend | (£186k) | | Police staff weekend & public holiday enhancements underspend | £120k | | **Total (over)spend** **at 30th June 2025** | **(£494k)** |  * 1. The position above includes expenditure on Police Staff Enhancements and excludes Major Incidents and Tasking, which is reported separately on Lines 9 and 10 of Appendix 1a, therefore the position is not directly comparable with the Force Overtime Performance report including MI&T (Major Investigation Team).   2. Excluding overspend in Collaboration and MI&T, the operation overspend is £374k. This include £97k from FY2425 and £77k related to Hotspot overtime which is recoverable. £221k overspend under Bank Holidays is due to timing difference. These variances will even out as the financial year progresses, and the phasing of expenditure corrects itself.   3. The annual overtime budget was reduced by £1m for 2020/21 and unchanged for since 2021/22. Operational and finance staff are doing substantial work to analyse and challenge cultures and behaviours locally on overtime. Additional reporting using the QlikView platform is due to be implemented shortly which will reflect paid expenses (one month in arrears of claim month). Live / current overtime reports are available in GRS (Global Rostering System) system.   Other employee related costs: underspend £431k   * 1. There is a net underspend of £431k for other employee related costs. Pension costs are down by £206k with lower injury pension payments and no officers leaving under ill health pensions so far. The timing of the payment for employee insurance – previously in Q1 in 2024/25 but not received yet - means there is also an underspend for Q1 of £80k. External training costs are underspend by £143K at 30 June 2025.   Non-pay variances – Premises costs: underspend £799k   * 1. Premises costs are underspent at Q1 by £799k due primarily to the effect of the timings on expenditure on repairs and maintenance costs (£575k), rent & rates (£99k) and smaller utility bills (£265k). This is offset by overspends on property insurance of £96k which has been billed in full for the year in Q1. These variances will even out as the financial year progresses, and the phasing of expenditure corrects itself.   Non-pay variances – Transport costs: underspend £542k   * 1. Transport costs are underspent at Q1 by £542k. Insurance work for recovery costs are underspent by £189k and the cost of vehicle insurance was also lower than budget at Q1 by £86k. Helicopter Hire costs are underspent by £270k due primarily to the effect of the timings of the billing from NPAS.   Non-pay variances – Supplies & Services costs: underspend £1,987k   * 1. Supplies & services costs are underspent at Q1 by £1,987k and there are many variations between the cost headings in this category.   2. There are timing differences in Partnership fees, consultants’ fees and collaboration contributions resulting in a net underspend of £2,288k which will reverse out in future periods. These timing differences have arisen as the budget was phased using prior year invoicing patterns, which have not been replicated for 2025/26. Further underspends are noted on Crime Scene Investigation expenditure (£73k), Comms (£164k) and Public Liability (£175k).   3. Offsetting this is £671k of additional ICT costs for IT (Information Technology) software purchases and software maintenance contracts, partly because of timings of invoicing but also some additional costs on projects from within the overall ICT revenue and capital programme. Other additional expenditure incurred ahead of the YTD budget includes Clothing (£100k) and External Financial Service (£100k).   4. Most of these variances at Q1 are due to timing differences where invoices have been received earlier than expected against the phasing of the 2025/26 budget. The phasing was reviewed in 2024/25 and again in 2025/26 to better reflect actual spending patterns in 2024/25 and 2025/26. Finance Business Partners continue to keep a close eye on these pressures via monthly meetings with budget holders as we go through the year, and any recurring pressures will be identified as part of the 2026/27 budget setting exercise in October/November 2025.   **Other movements:**   * 1. The Force’s contribution to the Police Computer Company is underspent by £117k at 30th June 2025 as the invoice was not issued yet. This contribution to national technology programmes is therefore a timing difference and will correct itself in full in future periods.   Capital costs are underspent by £419k. This underspend is expected to continue for most of FY2526 as borrowing is anticipated only in Q4, according to cash flow forecast.   * 1. Investment income fell short by £89k due to a drop in interest rates and the timing of income from fixed-term investments at the end of Q1.   2. Other Income is lower than budget by £3,261k following the reversal of income accruals made at 31st March 2025, and changes in the timing of receipt of grants monies from the Home Office and the Welsh Government. The timing of payments made in relation to this government specific grant funding is uncoordinated with prior years’ experience, for example the Welsh Government’s PCSO grant funding has only been confirmed in Q2. There are no known issues with receipt of grants, other than the Neighbourhood Policing Grant being claimable based on actual spend in the year up to a maximum of £2,053k, i.e. cost neutral for the force, which may not reach the full amount by 31st March 2026.   3. Similarly, the Welsh Top up grant element being received in full in Q1 from the Home Office rather than quarterly, contributing to the £9,579k difference of funding received on the Police Grant. This will again even out over the course of the year and will be corrected for the Q2 report.   Office of the Police & Crime Commissioner – underspend £977k   * 1. Included within the group figures above are overspends relating to the Office of the Police & Crime Commissioner totalling £977k. These are shown in Appendix 1c.   2. Salary and allowances – there is a small overspend of £39k due to an anomaly in the budget that will be corrected in Q2.   3. Non-pay expenditure – there are underspends totalling £415k in non-pay expenditure. This is primarily due to the reversal of year end accruals and timing of partnership contributions, which will resolve themselves in subsequent periods.   4. Other income – again, timing differences in the receipt of grant income have contributed to £606k higher income at Q1 and expected to resolve themselves in subsequent periods. No issues have been identified with the receipt of this income for the year.   5. There are no risks to receipt of the full £86,493k of Council Tax for the year.   **Financial Highlights – balance sheet**   * 1. The key areas that are significant to the overall financial performance of the force are:   Investment and cash (appendix 2a)   * 1. At 30th June 2025, £17.5m of cash reserves were held as investments with local authorities or held within the money market. All loans are for 12 months or less and are scheduled to ensure that cash flow is available to cover all commitments as they fall due. Actual cash held within the bank account at 30th June 2025 was £941k.   2. The average interest rate on investments is 4.37% (31st March 2025: 4.57%; December 202: 4.88%). The Bank of England has reduced the interest rates over the course of the year from 5.00% to 4.50% in the February 2025 meeting, and most recently to 4.00%. These changes did change the rates secured on 2024/25 investments and will impact on our investment income levels in 2025/26.   **Debtors (appendix 2b)**   * 1. Total sales invoices that were unpaid as at 30th June 2025 totalled £664k (31st March 2025: £497k). Outstanding debtors have slightly increased from the last quarter.   2. The collectability of debtors is not considered a risk. The top 5 debtors, as presented in Appendix 2b, total £390k (82% of total debtors by value) and are all public sector bodies. The balances due from Metropolitan Policer and College of Policing is being actively pursued. No debts have been written off in Q1 2025/26.   Creditors (appendix 2c)   * 1. As of 30th June 2025, there were £463k of creditors which is a slight increase from the total creditors of £432k at 31st March 2025.   2. Of this total, £23k or 4.9% (Q4 2024/25 £48k) of the total is overdue for payment and average days taken to pay of 16.49 days remains well within the 30 day target.   Capital (appendix 2d)   * 1. The initial budget for the Capital and Long-Term Projects was £22,458k but this has been revised to £18,336k due to projects not progressing as planned. These include the Control Room Project and Cwmbran and Newport Refurbishment.   2. The expenditure over the financial year to date on capital and long-term projects is £1,755k leaving a remaining budget of £16,581k against the revised budget. Progress on the delivery of the projects in line with the Estates Strategy and within the capital programme is overseen by the Capital Strategy Board.   3. Estates - the revised budget of £11,805k includes major projects relating to the Collaborative JFU (Joint Firearms Unit) relocation (£8,300k), Access Control across the Estate (£584k) and Ystrad Mynach custody refurbishment/upgrades (£620k). A further £200k is included in the budget for feasibility studies on several sites.   4. Vehicles - The 2025/26 revised budget is £2,604k and expenditure for the year to date is £559k any slippage withing the year will be rolled into 2026/27 budgets in line with the current fleet replacement cycle.   5. ICT - The revised budget of £3,457k includes major projects relating to the FFF programme (£647k), Process Efficiency Project (£500k) and Joint Data Analytics Project (£470).   Seized Money (Appendix 2e)   * 1. The balance of seized money held as at 30 June 2025 was £1,370k (31st March 2025: £1,442k). An amount of £755k (55.1%) has been held for over 12 months at this date compared to £759k (52.6%) as of 31st March 2025. The cashiering team are actively chasing outstanding seized money exhibits for updates from officers to reduce the amounts still held by Gwent Police.   Reserves (appendix 4)   * 1. Appendix 3 details the position in relation to the current balance of reserves of £18,162k based on the unaudited financial statement as of 31st March 2025. This shows a reduction of £2,986k in reserves from £21,148k as of 31 March 2024 as reserves were used to fund the capital programme in 2024/25. The General Reserve has been maintained at £5.5m in line with the Reserves Strategy, with the remaining balances set aside for capital receipts reserve to fund the future capital programme, and earmarked reserves for specific purposes. Appendix 3 details the movements within the financial year 2024/25.   Medium Term Financial Plan (appendix 4)   * 1. Appendix 4 provides detail of the latest version of the 2024/25 to 2029/30 MTFP updated as at May 2025. The current position for 2025/26 after additional costs pressures, savings and funding changes have been identified between February and May 2025, is a net deficit £2,714k – an increase from £1,769k in January 2025. A report on the key movements to 31st May 2025, mitigating actions already being taken and the financial risks has been presented to Chief Officers and OPCC. Work continues in 2025/26 to identify further recurring savings  1. COLLABORATION    1. Collaborative activities have been included in the figures above. 2. NEXT STEPS    1. To consider and note the financial performance of the Force and OPCC for the first quarter of financial year 2025/26. 3. FINANCIAL CONSIDERATIONS    1. These are detailed in the report. 4. PERSONNEL CONSIDERATIONS    1. There are no staffing / personnel implications arising from this report. 5. LEGAL CONSIDERATIONS    1. There are no legal implications arising from this report. 6. EQUALITIES & HUMAN RIGHTS CONSIDERATIONS    1. This report has been considered against the general duty to promote equality, as stipulated under the Joint Strategic Equality Plan and has been assessed not to discriminate against any particular group.    2. In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998. 7. RISK    1. The outcome of the ongoing review of the funding formula is still unknown. The predicted loss of funding from 2025/26 is included in MTFP’s recurring deficit at 2028/29 of £10.9m. An organisational risk has already been raised via Service Improvement Board to reflect the in-year and medium-term financial issues. 8. PUBLIC INTEREST    1. In producing this report, has consideration been given to ‘public confidence’? Yes    2. Are the contents of this report, observations, and appendices necessary and suitable for the public domain? Yes 9. REPORT AUTHOR    1. Yasir Muhammad 10. LEAD CHIEF OFFICER     1. Matthew Coe 11. ANNEXES     1. 2025/26 Q1 Financial Performance Report 12. CHIEF OFFICER APPROVAL     1. I confirm this report has been discussed and approved at a formal Chief Officers’ meeting.     2. I confirm this report is suitable for the public domain / is not suitable for the public domain for the reasons stated in 11.3. *(delete as appropriate)*   Signature: *(Insert CO electronic signature)* Date | | |