

DECISION NUMBER: PCCG-2017-006

**OFFICE OF POLICE AND CRIME COMMISSIONER**

**TITLE: Police & Crime Budget and Precept Proposal 2017/18**

**DATE: 27<sup>th</sup> January 2017**

**TIMING: Routine**

**PURPOSE: For Decision**

**1. RECOMMENDATION**

That the Commissioner considers the budget proposals and background information covered in the Annexe and Appendices to this submission and approves, subject to consultation with the Police and Crime Panel:

- (i) A budget requirement for 2017/18 of £120,942,177;
- (ii) The planned efficiency savings in 2017/18 of £7.480m and further planned efficiency savings of £9.357m detailed in Appendix 4, 5a and 5b of the Annexe to this submission;
- (iii) The further proposed utilisation of the Reserves and Committed Funds (Appendix 7)
- (iv) The initial Capital Programme as described in Appendix 8; and
- (v) The 2017/18 proposed precept to be levied in respect of general expenses of £49,455,388 (equivalent to a Council Tax Band D of £228.84) and that this sum be apportioned to each City/County/County Borough Council according to the following table:

<b>Unitary Authorities</b>	<b>£</b>	<b>Tax Base Band D Equivalent</b>
<b>Blaenau Gwent</b>	<b>4,607,439</b>	<b>20,133.89</b>
<b>Caerphilly</b>	<b>13,659,421</b>	<b>59,689.83</b>
<b>Monmouthshire</b>	<b>10,420,849</b>	<b>45,537.71</b>
<b>Newport</b>	<b>13,185,752</b>	<b>57,619.96</b>
<b>Torfaen</b>	<b><u>7,581,927</u></b>	<b><u>33,132.00</u></b>
<b>Total</b>	<b>49,455,388</b>	<b>216,113.39</b>

The precept shown in the above table generates the following amounts of council tax for the various bands:

<b>Council Tax Band</b>	<b>£</b>
<b>A</b>	<b>152.56</b>
<b>B</b>	<b>177.99</b>
<b>C</b>	<b>203.41</b>
<b>D</b>	<b>228.84</b>
<b>E</b>	<b>279.69</b>
<b>F</b>	<b>330.55</b>

		G H I	381.40 457.68 533.96	
2.	<b><u>INTRODUCTION &amp; BACKGROUND</u></b> The Commissioner is required to determine the budget for 2017/18 and then set the council tax precept following consultation with the Police and Crime Panel. The greater part of the budget will be allocated for operational purposes, but an element needs to be retained to cover the cost of the Office of the Police and Crime Commissioner and commissioning of services from organisations other than the Chief Constable.			
3.	<b><u>ISSUES FOR CONSIDERATION</u></b> In determining the budget requirement for 2017/18, the Commissioner has had regard to the Police and Crime Plan; the Association of Police and Crime Commissioners (APCC)/National Police Chiefs' Council (NPCC)/Police and Crime Commissioners Treasurers' Society (PACCTS) submission regarding 'Future Levels of Funding for Police Services'; the Strategic Policing Requirement; the Chief Constable's view of the financial resources required to deliver the operational requirements of the Plan; the level of resources to be allocated for commissioning other than from the Chief Constable; and the cost of running the Office of the Police and Crime Commissioner.			
4.	<b><u>NEXT STEPS</u></b> The Police and Crime Panel are required to review the proposed precept and make a report to the Commissioner on the proposed precept (whether it vetoes the precept or not) by the 8 <sup>th</sup> February 2017.			
5.	<b><u>FINANCIAL CONSIDERATIONS</u></b> This is a major financial report with clear financial implications. These are fully articulated within the Annexe and Appendices.			
6.	<b><u>PERSONNEL CONSIDERATIONS</u></b> The majority of the Policing and Crime Budget covers employees' salaries and employer's contributions. It follows that in the current situation, where core grant funding is reducing, the number of employees will inevitably fall. Addressing the situation in a sensible and timely manner as part of budget preparation demonstrates the actions of a good employer.			
7.	<b><u>LEGAL IMPLICATIONS</u></b> Setting the budget requirement and precept are statutory responsibilities of the Commissioner.			
8.	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b> This proposal has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been			

	<p>assessed not to discriminate against any particular group.</p> <p>In preparing this report, consideration has been given to the requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.</p>
<b>9.</b>	<p><b><u>RISK</u></b></p> <p>A timely decision on the precept will minimise the risk of failing to achieve the statutory deadline.</p>
<b>10.</b>	<p><b><u>PUBLIC INTEREST</u></b></p> <p>This report will be placed on the website of both the Commissioner and the Police and Crime Panel.</p>
<b>11.</b>	<p><b><u>CONTACT OFFICER</u></b></p> <p>Darren Garwood-Pask, Chief Finance Officer to the Police and Crime Commissioner for Gwent.</p>
<b>12.</b>	<p><b><u>ANNEXES</u></b></p> <p>The Annexe to this report and its appendices provide full details in support of the proposal.</p>

**Jeff Cuthbert, Police and Crime Commissioner for Gwent**

I informed the Police and Crime Panel on the 27<sup>th</sup> January 2017 of my intention to raise the precept level by 3.99%.

On the 31<sup>st</sup> January 2017 I received a report from the Police and Crime Panel endorsing the proposed precept increase. They also requested that consideration was given to reducing the precept to 3.55% in view of the better funding settlement and higher than projected Council Tax revenue.

Taking into consideration the challenge of future funding levels, the projected financial deficit by 2021/22, the stability of the force savings programme, the views of the public and the increases the other Police and Crime Commissioners in Wales are implementing, I have decided that the precept level will remain at 3.99%. However, the additional precept income of £0.56 million will be invested into frontline service delivery.

I will now issue the precept to the relevant billing Authorities.

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with my code of conduct. Any such interests are recorded below.

The above request has my approval.

Signed



Date

21/2/17

**Contact Officer**

Name

Darren Garwood-Pask

Position

Chief Finance Officer

Telephone

01633 643083

Email

[Darren.Garwood@Gwent.pnn.police.uk](mailto:Darren.Garwood@Gwent.pnn.police.uk)

**Background papers**

None

**POLICE & CRIME COMMISSIONER FOR GWENT**

**REVENUE BUDGET AND CAPITAL PROGRAMME 2017/18**

**COMMISSIONER'S INTRODUCTION**

1. As the Police and Crime Commissioner (Commissioner) for Gwent I am required to set a five year Police and Crime Plan and the Annual Budget requirement including the police precept element of the council tax. My Police and Crime Plan is reviewed annually in line with the joint Office of the Police and Crime Commissioner (OPCC) and Force Strategic, Financial and Planning process. My current plan will be available in March 2017 and has already been considered as part of the budget proposal.
2. My vision is that the people of Gwent have confidence in their crime and policing services which make them feel safe in their communities. I have five strategic priorities on which the Police and Crime plan is based:
  - a) Crime Prevention;
  - b) Supporting Victims;
  - c) Community Cohesion;
  - d) Tackling Anti-Social Behaviour; and
  - e) Effective Service Delivery.

It is within this context that I commend the following paper to you.

**BACKGROUND**

3. The Commissioner is required to determine the Police and Crime Budget for 2017/18 and set the Council Tax Precept, prior to 1<sup>st</sup> March 2017, after taking into account the views of the Police and Crime Panel in relation to the level of precept.
4. The Commissioner must also make arrangements, before the first precept for a financial year is issued, to obtain the views of:
  - a) The people in that police area; and
  - b) The relevant ratepayers' representatives,on the proposals of the Commissioner for expenditure (including capital expenditure) in that financial year.

5. In setting the budget, due regard has to be taken of the Prudential Code which requires at least three year projections of expenditure, both in revenue and capital terms, in order to identify funding requirements and assess the affordability and sustainability of planned expenditure. Whilst developing proposals for providing a balanced revenue budget and affordable capital programme in 2017/18, the report will include the longer term financial issues facing the police service in Gwent and the wider portfolio of the Commissioner's responsibilities.
6. The bulk of the resources available to the Commissioner will be needed to cover operational policing. Robust processes have been developed over many years within the Force, to quantify the budgetary resources required to provide the people of Gwent with an effective, efficient and sustainable police service. The budgetary process commences early in the financial year, providing detailed Medium Term Financial Projections (MTFPs) and identifying new burdens and pressures. These projections are constantly under review and the latest updates are attached as appendices to this report. These projections, particularly the unavoidable in-service pressures and developments, have been fully scrutinised by the OPCC.
7. The 2017/18 budget setting round is the second year of the 2015 Comprehensive Spending Review (CSR) which, in common with the preceding 2010 and 2013 CSR periods, has required the delivery of significant financial efficiencies and budget reductions. It is anticipated that this theme will continue for the life of this Parliament through subsequent CSRs. The Staying Ahead Programme was initiated to address these efficiency requirements and to the end of 2015/16, has delivered cumulative recurring savings of £37.719m. The 2016/17 savings target of a further £4.350m will be exceeded this year due to the continuing success of the Staying Ahead Programme.
8. The future financial challenge to 2021/22 is exacerbated by the Home Office's (HO) review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the HO (via the CSR), then the amount of funding provided to respective Commissioners is determined by the Police Funding Formula. It has been well publicised that the current formula is out-dated, overly complex, opaque and in need of review. Following a 'false start' to the review process during the latter half of 2015, the review is back on track and hoping to produce its findings by February/March 2017, with implementation for the 2018/19 financial year. Importantly however, early exemplifications from the HO received during 2015 (showing the effect of the then revised Police Funding Formula being suggested), identified a £6m cut in Central Government Grant for Gwent. It could be expected therefore, that the HO will continue with their approach now that the review is back on track and from the 2018/19 financial year onwards, the Commissioner could be faced with a £6m cash cut in addition to the underlying cuts forecast from the effect of the Government's austerity programme. It is also likely that this cut will not be actioned in one fell swoop, but transitional arrangements will affect the cut over a number of financial years.

9. On the 23rd November 2016, the Chancellor of the Exchequer, Rt. Hon. Philip Hammond MP, announced the Autumn Statement 2016, confirming that the Government has scrapped its target to be in budget surplus by 2019/20, as measured by the Public Sector Net Borrowing figure. Although the deficit has been cut by almost two-thirds from its 2009/10 post war high of 10.1% of Gross Domestic Product (GDP) to 4.0% last year, borrowing and debt remain high and the Office for Budget Responsibility (OBR) has passed a judgment that the economic and fiscal outlook for the UK has deteriorated since the European Union (EU) referendum and subsequent 'Brexit'. The connotation of this means that public finances will no longer reach a surplus by 2019/20.
10. In terms of what the Autumn Statement provided regarding the specific impact on police and crime, the only key message gleaned was that 'Departmental spending plans set out in the 2015 Spending Review were to remain in place'. This provided a degree of clarity in that it confirmed the 'flat cash funding' expected for next financial year, assuming that locally determined precept increases are maximised and council tax bases grow consistently nationally.
11. Moving from the overall national funding available for policing to what is actually allocated to individual Commissioners, takes account of 'reallocations' (previously known as topslices), from Commissioner's budgets into other parts of HO policing responsibilities. In 2017/18, in addition to pre-existing reallocations, a number of new streams are earmarked to fund additional schemes notably, Her Majesty's Inspectorate of Constabulary's (HMIC) Police Effectiveness, Efficiency and Legitimacy (PEEL) inspections; 'gang master' and labour abuse; pre-charge bail; Commonwealth heads of government meeting; and forensic archive. Each has an impact upon the amount of funding awarded to Commissioners through the Police Funding Settlement.
12. The latest MTFPs have been updated following receipt of the Provisional Police Funding Settlement on the 15<sup>th</sup> December 2016. They now indicate a small budgetary surplus could be achieved for the 2017/18 financial year of £0.235m (Appendix 1b, Line 19) however, this reverts to a budgetary imbalance in future years increasing to £9.349m by 2021/22.

## **PROVISIONAL GRANT SETTLEMENT**

13. The Provisional 2017/18 Police Funding Settlement was announced in a written ministerial statement by the Minister for Policing and the Fire Service Brandon Lewis MP on Thursday 15<sup>th</sup> December 2016. The Welsh Government (WG) also published their Provisional Settlement for Welsh Commissioners on the same date. The publication of the Draft 2017/18 Police Grant Report marks the start of the consultation period which ends on the 26<sup>th</sup> January 2017, with the Final Settlement being issued shortly after this date. The Provisional Police Funding Settlement for 2017/18 has quantified a number of funding adjustments, the impact of which, were previously either

unknown or uncertain. The financial impact of these changes upon the organisation<sup>1</sup> is detailed in the following paragraphs:

- a) The Transformation Fund has increased from £131.4m to £175m as a reallocation from the Police Main Grant. This includes the monies previously held in the Police Innovation Fund (£55m) and will provide Commissioners with the opportunity to submit bids on initiatives that will deliver transformation of police and crime services, particularly in support of the Policing Vision 2025. It should be noted, that a sum of £32m is set aside from this fund for the delivery of firearms capability;
- b) In 2017/18, the Home Secretary will again provide £9.4m of funding from the police settlement to HMIC, to continue its programme of thematic inspections and the wider ranging PEEL inspections. These will enable the public to see how well their force is performing when it comes to cutting crime and providing value for money. These inspections will give the public a clear, independent view of the quality of policing in their local area;
- c) Since 2014/15, the Home Secretary has allowed the expansion of the Independent Police Complaints Commission (IPCC), to deal with all serious and sensitive cases involving the police. For 2017/18, it has been decided that the amount provided from the police settlement to allow the IPCC to focus on delivering significantly more independent investigations will be increased by a further £5.6m to £37.6m;
- d) £5m of funding will continue to be provided to the College of Policing to attract, select and train exceptional people who have the potential to become senior leaders in policing. This aims to widen the talent pool from which police leaders can be drawn; open up police culture to new influences; and foster an environment where challenge and innovation are welcomed;
- e) The City of London Police will continue to be provided with additional funds in recognition of the National and International Capital City (NICC) functions they carry out. For 2017/18 this amounts to £4.5m, no change from 2016/17;
- f) The Metropolitan Police will continue to be provided with additional funds in recognition of the National and International Capital City (NICC) functions they carry out. For 2017/18 this amounts to £173.6m, the same as its 2016/17 allocation;
- g) The Major Programme Fund, which was introduced in 2015/16 to support the continued development of the HO Biometrics and the National Police Data Programme, will be increased from £21.8m to £33m;
- h) The Police Special Grant, which provides contingent funds for police forces facing unplanned or unexpected additional pressures, which might

---

<sup>1</sup> Organisation refers to both the Office of the Police and Crime Commissioner for Gwent and also the Office of the Chief Constable (Gwent Police Force).



otherwise place them at financial risk, has been increased to £50m from £25m. Part of this increase is to reflect the requirement to police the Commonwealth Heads of Government Meeting;

- i) A sum of £28m is set aside to respond to organised crime, an increase of £15m from 2016/17;
  - j) Funding of £383m has been reallocated from the police settlement to support the core costs of the Emergency Services Network (ESN). This is required to fund the investment costs of moving from the existing Airwave communications system (i.e. handheld police radios) to a commercial secure 4G Network; and
  - k) Finally, three new reallocations have been introduced for 2017/18. £15m to support Pre-charge Bail, £2m for investigation into gang master and labour abuse and £1m towards the Forensic archive.
14. In summary, the effect of the overall HO Departmental cut, coupled with the reallocation decisions above, is a reduction in Central Government Grant funding between 2016/17 and 2017/18 of 1.40% in cash terms. Previous iterations of the MTFP assumed this reduction to be 2.00%. The difference is primarily down to the finer detail of central Government budget allocation and changes to the reallocation arrangements at paragraph 13. a) to k) above.
15. It should be noted that in relation to the Provisional Police Funding Settlement for 2017/18, a number of remaining specific grants and external funding arrangements are yet to be finalised (e.g. Counter Terrorism Specific Allocation (CTSA), Safety Camera Enforcement Unit, Police Community Support Officer (PCSO) local partner schemes, etc.). This report has been prepared on the assumption that funding will remain at the 2016/17 level.
16. The revenue support from the WG for Gwent's Private Finance Initiative (PFI) funded Ystrad Mynach Police Station and Custody Suite, totalling £0.593m, is excluded from the Provisional Police Funding Settlement. However, it has already been separately confirmed, as it is provided to meet the specific requirements of the scheme.
17. Furthermore, 2017/18 funding for the 101 (whole time equivalent) WG PCSOs is subject to a separate confirmation process, which is currently estimated to amount to £3.520m.
18. Since 2013/14, Commissioners have received Ministry of Justice (MoJ) funding to provide services to victims of crime. For the 2016/17 financial year; Gwent received £686k in grant which is used exclusively to support Connect Gwent (the Victims' Hub). At the time of writing, it is still unknown what level of funding will be forthcoming from the MoJ for the 2017/18 financial year. Suffice to say, it is expected to be a reduction in the core element on 2016/17 levels and due to the importance of the service provided by Connect Gwent, its funding will be supplemented from the Commissioner's overall funding from HO, WG and Council Tax Precept.

19. The HO has provided a Provisional Capital Allocation for 2017/18 only of £0.449m, which forms the basis of the draft Capital Programme. This shows a significant reduction from the 2016/17 budget of £0.526m. This continuing reduction places a significant burden on revenue budgets, as to maintain an appropriate capital programme moving forward, the revenue budget will need to contribute through a revenue contribution to capital or through new borrowing costs. It should be noted that final allocations of Capital Grants will not be published until the Final Settlement in late January/early February.

### **COUNCIL TAX ISSUES (Appendix 1a)**

20. For 2017/18, legacy Council Tax Freeze grants will continue to be available to Commissioners in England. In addition, there is additional flexibility to increase the precept by £5 for the 10 forces (excluding City of London) with the lowest precept. These schemes remain however, unavailable to Welsh Commissioners.
21. In Wales, council tax capping is the responsibility of Welsh Ministers. At the time of writing, no further official announcement has been made by the WG in relation to the levels of precept rises over the forthcoming years which would be deemed unreasonable, and therefore capped. Historically, indications have been given that increases in council tax for police and crime purposes of up to 5% would not be considered unreasonable.
22. It has also been assumed that there will be no further impact from the Council Tax Support Scheme in 2017/18.
23. MTFPs that have previously been issued during this budget setting cycle have assumed Council Tax Precept increases of 3.99% per annum over the five year projected period. This budget proposal continues this for each year from 2017/18 to 2021/22 together with a confirmed council tax base growth in 2017/18 of 1.10%. For future years, the council tax base growth has been estimated at 1.00% - the underlying average over recent years. Appendix 1a shows the impact that incremental changes on the precept rate would have on funding assumptions for 2017/18. As noted above, the Chancellor's overarching CSR strategy in relation to policing assumes a 2% increase in precept year on year over this Parliament, coupled with consistent national base growth, to 'maintain' Commissioner's cash budgets. However, this assumption ignores the costs of new in-service pressures/developments and importantly, the impact of revisions to the Police Funding Formula; which will need to be met by a combination of efficiency scheme savings, precept growth over 2%, or council tax base growth over 0.5%.
24. To support the Commissioner's financial planning and to meet statutory requirements, an on-line public consultation regarding proposed Council Tax Precept increases was launched on 16<sup>th</sup> December 2016, with a closing date of 20<sup>th</sup> January 2017. At the time of writing, of the 418 respondents, the following findings have emerged:

- a) 4% of respondents (via the 'Other and Why?' response category) supported an increase of over 5%;
- b) 30% of respondents supported an increase in Council Tax Precept of 5%;
- c) 16% of respondents supported an increase in Council Tax Precept of 3.99%;
- d) 26% of respondents supported an increase in Council Tax Precept of 2% and
- e) 24% of respondents (via the 'Other and Why?' response category) supported an increase in Council Tax Precept of less than 2% - (with the majority suggesting 0%).

Although the number of respondents to date do not amount to a statistically robust sample size (which for this survey was calculated at 600), the survey has highlighted that 50% of respondents are, at least, in support of the proposed increase in Council Tax Precept of 3.99%.

#### **MEDIUM TERM FINANCIAL PROJECTIONS 2017/18 to 2021/22 (Appendix 1b)**

- 25. The latest MTFP is shown at Appendix 1b and the detailed assumptions, service pressures/developments and efficiency schemes which support the projections, are provided at Appendices 2, 3, 4, 5a, 5b and 5c.
- 26. Members will note that although a small budgetary surplus could be achieved in 2017/18, this is to the backdrop of sustaining £7.480m of accelerated efficiency savings already accounted for in 2017/18 and future uncertainties such as the application of the Apprenticeship Levy. Moving forward, the estimated impact of the CSR 2015 and the Police Funding Formula review, coupled with internal assumptions beyond this, present further funding pressures. It is forecast therefore that this will form a recurring funding deficit of £9.349m by 2021/22.

#### **FUNDING ASSUMPTIONS (Appendix 2)**

- 27. The following funding bases and assumptions (Appendix 2) have been incorporated within the current MTFP:
  - a) Central Government Funding (HOWG):
    - i) Funding decreases on Central Government Grant beyond 2017/18 of 2.00% - the rationale for increasing this cash cut from the 1.4% seen in 2017/18 is to take account of growth in future reallocations (as seen between 2016/17 and 2017/18) and also the inherent risk in the sustainability of public finances in the current economic turmoil, particularly with reference to Brexit;

- ii The revision of the Police Funding Formula from 2018/19, (postponed from 2016/17), resulting in a £6m reduction in central funding across three years to 2020/21; and
  - iii Specific Grants, which have yet to be confirmed, have been assessed to remain at 2016/17 levels or at provisionally indicated amounts.
- b) Council Tax Precept and Base:
- i An increase in Council Tax Precept of 3.99% for each year from 2017/18 through to 2021/22. This growth is required to maintain a flat cash budget for the Commissioner each year to the end of this Parliament, to counter the effect of estimated future cuts to Central Government Funding coupled with the £6m reduction from the revision to the Police Funding Formula. These have been incorporated into the MTFP at Appendix 1b; and
  - ii The council tax base, i.e. the Band D equivalent number of properties upon which the precept is levied, will increase in 2016/17 by 1.10418%. It has been assumed that for 2017/18 onwards, the council tax base growth will continue at a rate of 1.00%.

## **EXPENDITURE ASSUMPTIONS (Appendices 2 and 3)**

28. The pay and non-pay cashable efficiency savings generated in 2015/16 and those estimated for 2016/17 demonstrate that the Staying Ahead Programme has accelerated recurrent savings ahead of schedule and across all expenditure areas. It is planned that these savings can be recognised in the 2017/18 base expenditure budget and the MTFP reflects the impact of these savings. This places the organisation in a position that strengthens its risk awareness rather than continued risk aversion.
29. This risk awareness approach is further supplemented in that historically, an amount was set aside for each financial year for a 'contingent pressures fund'. The MTFP assumes, that for this planning cycle, contingent pressures will be risk managed annually on a case by case basis.
30. In terms of the largest area of spend therefore, Police Officer, Police Community Support Officer (PCSO) and Police Staff establishments have been set at current authorised levels as determined by the Staying Ahead Programme, then refined for future investment plans as set out in paragraph 38 and proposed future efficiency schemes at paragraphs 39 to 46. In summary:
- a) Police Officer Establishments:
- i The MTFP plans towards a sustainable operational policing model by 2020/21 of 1,165 wte, but increasing to 1,236 wte throughout 2017/18 to reflect required investment in officer numbers in key emerging areas (see paragraph 38). Overall officer numbers may reduce from 2018/19 onwards to sustainable levels, as efficiency schemes deliver savings from other conventional areas of policing demand as per the HMIC Value For Money (VFM) Profiles (see paragraphs 39 to 46).

Recruitment of probationer police officers is scheduled throughout 2017/18 to fill the investment posts and to replace natural vacancies in the agreed operational policing model. Maintenance and review of the police officer establishment are a core component of the Staying Ahead Programme, therefore recruitment requirements will be constantly under review and will be necessary to meet particular specialist needs and to support longer-term sustainability.

b) Police Staff Establishments:

- i The police staff establishment will need to complement and support the policing operational model. Design of the police staff establishment continues to be developed through the Staying Ahead Programme. Indications from the MTFP plans are that a likely sustainable establishment by 2020/21 would be circa 547 wte (excluding PCSOs). At the start of 2017/18 it is expected that the actual establishment will be 547 wte, reducing to 532 wte during the year, based on retirements alone, against a budget net of investments (see paragraph 38) and efficiency improvements (see paragraphs 39 to 46) of 597 wte. This under-establishment will need to be closely monitored throughout the year to ensure that services are maintained and that over reliance on agency staff is minimised. As reductions in the police staff establishment are a core component of the Staying Ahead Programme, no external recruitment, outside of exceptionally specialist roles, is anticipated during 2017/18.
- ii The actual PCSO establishment is anticipated to commence 2017/18 at 142 wte against a budget of 131 wte; in order to counter natural wastage, particularly into Police Officer roles. The 131 wte budget is expected to remain at this level for the medium term.

31. The assumptions for pay awards, allowances, enhancements and non-staff inflation remain largely consistent with those used in the 2016/17 budget setting round, and have been thoroughly scrutinised throughout the budget preparation and are as follows:

a) Pay awards, allowances, enhancements etc.:

- i Pay Award for police officers and police staff in 2017/18 is 1.0% rising from 2018/19 onwards to 1.5%.

b) Non-staff inflation (2017/18 to 2021/22):

- i General – limited to 2.0%;
- ii Utilities – limited to 5%; and
- iii Fuel – limited to 5%.

32. Base expenditure developments and service pressures that have been identified during the detailed budget preparation, which are not able to be absorbed within the existing budgets, have been incorporated. These are shown at sections 1 to 4 of Appendix 3. Members will note a further estimated significant investment in the Greater Gwent Local Government Pension Scheme (LGPS), following its triennial review, to address the 'past service deficit' within the LGPS for the organisation.

33. No additional borrowing revenue costs for capital investment have been reflected as yet, however this cannot be discounted as the respective Information and Communications Technology (ICT), Estate and Fleet Strategies are progressed and the pressure on the Commissioner's Reserves and other Committed Funds increases. However, to counter the effect of the continuing reduction in Capital Grant, the Commissioner has elected to offset the reduction seen between 2016/17 and 2017/18 (£0.077m) through an additional revenue contribution to capital, thereby protecting the buying power for the capital programme. The funding of the capital strategies is discussed within the 'Reserves and Committed Funds' section of this report.

### **REINVESTED EFFICIENCY OPPORTUNITIES (Appendix 3)**

34. The underlying ethos of the Staying Ahead Programme is to deliver service improvement through transformational change, to meet current and future demand and deliver efficiency savings (both cashable and non-cashable).
35. Historically, the cashable efficiencies generated have been fully utilised in meeting current and future budgetary deficits as a result of the Government's austerity programme. However, with the exceptional success of the Staying Ahead Programme in improving the service (as independently verified by recent HMIC PEEL Inspections) and delivering cashable efficiency savings ahead of time; coupled with a 'less bad' funding settlement in 2016/17, has enabled the Commissioner and the Force to be in a position to reinvest cashable efficiencies into known emerging pressures and service developments.
36. These pressures and service developments are consistent with those identified within local, regional and national priorities identified through such things as the Commissioner's Police and Crime Plan, the Strategic Policing Requirement and the Association of Police and Crime Commissioners (APCC)/National Police Chiefs' Council (NPCC)/Police and Crime Commissioners Treasurers' Society (PACCTS) submission regarding 'Future Levels of Funding for Police Services'. They include addressing:
- a) Visible and accessible local policing provision;
  - b) Community Cohesion, for example, to understand and collaboratively address the recent public order events in Newport;
  - c) Safeguarding the vulnerable in society, including tackling mental health and modern slavery;
  - d) Child Sexual Abuse/Exploitation;
  - e) Cyber enabled criminality including on-line fraud; and
  - f) The requirements of the Wellbeing of Future Generations Act.

37. In a recent workshop hosted by HMIC and attended by Commissioners, Chief Constables and Chief Finance Officers amongst others, both Brandon Lewis MP, Minister of State for Policing and the Fire Service and HMIC confirmed that the financial challenges facing Commissioners and the policing service are as acute as ever. In order to deal with the increasing volume and complexity of demand (as identified in paragraph 36 above), Commissioners and forces will need to develop an investment plan to build the capability and capacity of the police service to meet these demands and also commission external services (very much focussing on the 'prevention' agenda) to compliment the police response.

38. Section 5 of Appendix 3 confirms the amount indicatively required for the above investment plan in the Force's specific approach. As confirmed at the Police and Crime Panel meeting of the 9<sup>th</sup> December 2016, the narrative to accompany the investments outlined in Appendix 3 are as follows:

a) Proactive Capabilities/Training

Provision of an additional 20 police officers (and associated training costs) into the Area Support Unit to:

- i Tackle organised crime activity (below the Level 2 Regional response);
- ii Address anti-social behaviour and public disorder (as recently witnessed); and
- iii Engage with and support communities (particularly disengaged communities) in the immediate and longer term;

The Force will expect to see improvement in confidence in the areas of focus and increased engagement. There is the potential for this to lead people in local communities to take more responsibility for problem solving issues.

b) Hidden Crime/Protecting Vulnerable People/Modern Slavery

Provision of an additional 11 police officers and 4 police staff into the Public Protection Unit to:

- i Co-ordinate activity and work with partners on hidden crimes that affect less engaged and less confident communities;
- ii Increase capacity to explore intervention and prevention activities;
- iii Improve strategic understanding and prioritisation across threat and risk;
- iv Increase front-line investigation capacity; and
- v Increase investigative support provision (e.g. taking witness statements and ancillary enquiries) in relation to investigations concerning vulnerable members of our communities.

These additional resources will improve strategic capability to develop relationships and collaborative opportunities, engage less confident communities and enhance Community Cohesion seeking to improve prevention services. In addition, these resources will provide flexibility and capacity, whilst the Force seeks to collaborate further with other public

services in order to improve services, minimise risk and reduce demand. This investment will increase our ability to safeguard vulnerable people.

c) Tackling Cyber Criminality

Provision of an additional 9 police officers and non-pay costs to:

- i Understand and develop the Force's response to the ownership, responsibility and accountability of cyber enabled offending;
- ii Work effectively with Action Fraud to identify issues, trends and processes to ensure effective investigation of crimes; development of preventative strategies; and improving the quality of services to victims;
- iii Invest in technology to recover and attribute 'cloud' based evidence to suspects and crime; and
- iv Deliver 'cyber training' to all frontline officers during 2017/18 via dedicated resources.

This increased resource will be complimented by a full review of the Force's cyber capability, building on the success of its Cyber Unit but ensuring they have a cyber strategy that will seek to prevent further victimisation and reduce demand. Furthermore, investing in the new 'cloud based' technology will assist the Force in identifying offenders, preventing further harm and safeguarding future victims. The additional training will improve the Force's investigative capability, assisting them in bringing offenders to justice and improving services to the public.

d) Investment in People and Talent Management

Non-pay investment in:

- i In-house web-based training delivery system, giving access to over 200 packages ranging from high-risk missing person scenarios and honour based violence incidents to anti- social behaviour;
- ii Introducing virtual reality training; and
- iii Effectively identifying, managing and supporting exceptional talent across the Force within federated ranks and police staff equivalents.

This innovative way of training people will enable the Force to trial equipment that has the potential to not only influence and improve its local service delivery but could also influence the training of police officers nationally. People who work for Gwent Police have high standards and their decision making and activity is underpinned by the force values of being trusted, fair, responsive, caring and professional. Engaged and motivated people will have effective engagement with the public and provide an excellent service.

e) Mental Health Training

Since 2013 (to date), there has been a total of 28,458 duty days lost to mental health sickness absence for police officers in Gwent, which equates to a significant cost. This investment will support officers and staff, reducing the cost to the organisation and improving well-being. The proposals include the following non-pay investment:



- i Mental Health First Aid training - Mental Health First Aid is an educational course which helps people identify and understand a person who may be developing a mental health issue. It is proposed that every individual with line management responsibility undertakes this 2 day training course which will benefit staff interaction and support and ensure that they have greater understanding when dealing with both staff colleagues and members of the public;
- ii Trauma Resilience training for frontline police constables and sergeants - This programme builds on what has already been delivered by the Force Counsellor to 60 constables and sergeants Force-wide. The Force has a moral and legal duty of care to protect the health, safety and welfare of its employees. Policing is unpredictable and emotionally challenging from dealing with critical incidents or having to review indecent images. This training allows staff to recognise trauma and build their own resilience ensuring that less days are lost through absence and providing us with an engaged, value led workforce;
- iii Trauma Risk Management (TRIM) - Similar to the previous proposal but this will focus on a reactive team to support individuals following traumatic events; and
- iv Corporate Health Standard and Wellbeing Initiatives - The Corporate Health Standard accreditation will expire in the summer of 2017. Therefore, this investment will deliver the required wellbeing initiatives, to maintain the organisation's accreditation.

By providing this investment, the organisation would expect to see absence levels reduce; an improved awareness of mental health amongst our workforce; and improved sensitivity in service delivery.

f) First Point of Contact (FPOC) Triage Service

The proposal seeks to fully implement the service model following the Police Control Room Clinical Advisor (PCRCA) pilot project, which involves the deployment of a qualified mental health professional into Gwent Police's FPOC Suite. The proposal will buy-in the services of 5 PCRCA's, management resilience and associated non-pay costs to:

- i Prevent incidents being inappropriately responded to by police by providing expert advice;
- ii Provide better and more effective routes for patients into the National Health Service (NHS) (or other care/health services), enabling quicker resolution of incidents for the police;
- iii Improve communication and knowledge exchange between police and NHS staff enabling more informed and swifter decisions to be made;
- iv Offer controlled access to patient record data allowing a response to be tailored to the patient, based on real-time information rather than being based on older and often out of date police MH address markers; and
- v Reduce the number of Section 136 of the Mental Health Act detentions, and in particular reduce the numbers being taken to custody units, in accordance with the Welsh Government and Gwent Crisis Care Concordat.

The PCRCA will provide the capability at first point of contact to work collaboratively, utilising information from partners in order to determine the appropriate response. This will reduce demand on police resources; deliver cashable savings; and enhance the Force's understanding and ability to assess threat and risk with partners in order to provide an effective, sensitive and proportionate response. The experience of being detained in custody can cause trauma to mentally ill individuals, leading to worse outcomes for their mental health in the long term, and such people pose a heightened level of risk to custody staff during their time in custody.

g) Welsh Language Standards Implementation/Maintenance

Provision of an additional 2 police staff and non-pay investment in:

- i Ensuring compliance with the implementation and maintenance of the bilingual provision of policing and crime services; and
- ii Associated costs of implementation and maintenance such as signage, translation, printing etc.

The Commissioner and Force are committed to the provision of bilingual services in order to fully engage with the Welsh-speaking members of Gwent's communities. This investment will ensure that the Welsh Language Standards are being met and upheld within the organisation as a whole.

h) Public Confidence Research

Non-Pay investment to understand why people in Gwent have a disproportionate fear of crime when compared to people living elsewhere. A clearer understanding of what those fears and doubts are will inform how the organisation best provides reassurance and focuses effort and resource. This will be delivered through three modules:

- i Module 1 - The Universities' Police Science Institute (UPSI) to provide analysis of the key factors affecting public confidence in Gwent and the fear of crime;
- ii Module 2 - The Force to work with the UPSI to review and consider a re-design of the Gwent Local Public Confidence Survey to provide a more focused understanding of the public opinion; and
- iii Module 3 - A review of the crime prevention communications by the organisation for the last 3 years in both social and physical media. This will then be analysed against current crime prevention behaviour research and will in particular look at the effects of the 'fear framing' approach to crime prevention and its potential detrimental impact on public confidence as an unintended consequence.

Working with UPSI will inform the development of strategies that promote local relations, support victims of crime and anti-social behaviour and are cognisant of the needs and expectation of the public of Gwent.

i) Street to Suite Custody Provision

Provision of an additional 10 Custody Detention Officers to embed the 'Street to Suite' pilot to securely transport detainees to the custody suite, thereby releasing police officer time to undertake their investigations. In

addition IT systems will be utilised to fast track prisoner registration, thereby making the process more efficient.

#### **HMIC VFM PROFILES AND FUTURE EFFICIENCY OPPORTUNITIES (Appendices 4, 5a, 5b and 5c)**

39. The Staying Ahead Programme will continue to remain focused on delivering a new generation of savings schemes and maintaining a detailed schedule of planned work to review functions and departments across the whole of the organisation. To this end, the HMIC VFM Profiles are a key tool in indicating potential areas for savings' opportunities.
40. The VFM Profiles have been produced by HMIC for the past six financial years. The main purpose of these profiles is to help forces compare performance and costs. They are designed for use by force management, Commissioners as well as the HMIC. The comparisons are across all English and Welsh forces, but exclude the Metropolitan Police and City of London Police, due to their uniqueness of data. The Profiles enable comparison across all Forces (with the exception of the two named above) and also within individual forces 'Most Similar Groups' (MSG) i.e. those forces that share similar characteristics with your own, such as demographics.
41. The final profiles have been received and every area highlighted is being, or has been, considered as part of the Staying Ahead Programme. Section B of Appendix 4, identifies those areas which could provide future savings, when the organisation is compared with the average cost of delivering an area of service of all the Forces within their MSG.
42. In terms of an overview, Gwent has the third highest cost per head of population across England and Wales and the highest within its MSG of forces. Funding this is an above average level of Central Government Grant funding and the highest level of Council Tax Precept within its MSG. This is consistent with the 2015 profiles. Conversely, the level of Earned Income is below average, with only Partnership Income being viewed as a positive measure.
43. As in previous years, the officer and PCSO costs are above the national average per head of population, with staff being fractionally above the national average. These indicators are viewed by the HMIC as demonstrating that Gwent is over-resourced. Non-staff costs are also fractionally above the national average in particular, Premises, Other Employee Expenses and Collaborative costs.
44. As a small force, Gwent does not enjoy the economies of scale that larger forces benefit from, therefore the headlines above need to be considered in this context. Furthermore, force performance needs to be considered too, in that the cheapest and most efficient force may well not be the top performing. In addition, the Profiles do not reflect conscious local decisions to invest in

particular areas of spend, nor the receipt of additional specific grants such as the WG funded PSCOs.

45. Section C of Appendix 4 identifies those savings opportunities generated by the early repayment of the Commissioner's debt; potential refinancing of his PFI scheme; and also the potential release of funds to implement a Multi-Agency Safeguarding Hub, assuming an alternative partnership approach can be facilitated through the Commissioner's Strategic Commissioning Board.
46. Appendices 5a and 5b indicate how police officer and police staff establishments (or 'Flightpaths') evolve to accommodate the new investments outlined in paragraph 38 and the savings to conventional areas outlined in paragraphs 39 to 46. The flightpaths receive continued scrutiny by Chief Officers, to ensure performance against the Staying Ahead Programme and also against changes to the MTFP. Appendix 5c identifies the Establishment Summary as at the 31<sup>st</sup> December 2016.

#### **REVENUE AND CAPITAL OUTTURN 2016/17 (Appendices 6a and 6b)**

47. A key component in the setting of the 2017/18 budget is the financial performance in the current financial year. Monthly financial management reports are produced and scrutinised at both the OPCC's Executive Board and also the Force's Chief Officer Team meetings on a monthly basis. From Period 5 (August), these reports include a financial outturn indicating the expected variance of total annual expenditure against the full-year budget at the year-end (i.e. the 31<sup>st</sup> March). Consistently over recent years, the Commissioner's budget showed a positive variance at the year-end, i.e. a saving on budget was shown. This positive variance is scrutinised to assess whether it has resulted in excess budget being set in certain areas (e.g. over-budgeting on such things as the price and/or volume of fuel), or whether the variance has arisen due to a planned efficiency scheme occurring ahead of plan (e.g. a staff member leaving early, in advance of the planned removal of their post in a future period).
48. Overwhelmingly over the period of austerity since 2008, the reason for the positive variance is the latter, i.e. accelerated efficiency savings taking effect. Suffice to say however, the financial effect of both examples are removed from the budgetary requirements for future years, as part of the detailed 'bottom up' annual budget setting process. In fact, for 2017/18 the entire effect of accelerated efficiency schemes has been 'banked' on 'day one' as opposed to being profiled to occur throughout the financial year.
49. Therefore, the fact that even after taking account of these removed/adjusted budgets in 2017/18 and future planned efficiency schemes in forthcoming financial years of £9.357m, the Commissioner is faced with barely a balanced budget in 2021/22, the 2016/17 forecast year-end variance is academic in future funding decisions. It does however provide two key benefits: a barometer as to the continuing sustainability of both previously delivered efficiency schemes and the organisation's ability to continue to find more

efficiency schemes; and a positive year-end variance also provides a non-recurrent cash benefit, in that the year-end saving is transferred to Reserves and Committed Funds. However, this cash is automatically earmarked for utilisation through providing much needed funding to the capital programme (2017/18 Capital Grant will not even provide for a third of the annual fleet replacement programme and will only be 41% of the amount received as recently as 2014/15), or to provide pump-prime funding to deliver recurrent efficiency schemes.

50. For completeness in the budget setting scrutiny however, the remainder of this section provides extensive detail regarding the 2016/17 financial performance of the organisation.
51. At the 30<sup>th</sup> November 2016, the Revenue account shows savings of £2,683,000 (Appendix 6a, Line 33), for the first eight months of the 2016/17 financial year.
52. Police Officer Salaries and Allowances show total savings against budget of £2,269,000 (Appendix 6a, Line 1). The authorised budget reflects the new operating model, together with non-recurrent funding for transitional roles and the Staying Ahead Programme. As the programme advances, the non-recurrent posts will be rationalised and savings will be moved to the Identified Savings (Appendix 6a, Line 16).
53. At the end of November 2016, the actual police officer establishment stood at 1,176.50 wte, 11.50 wte below the authorised operating model of 1,188.00 wte. Further probationer school intakes are planned, which will enable the Force to achieve the authorised establishment by the end of the financial year, pending the outcome of the voluntary exit scheme.
54. Police Staff Salaries and Allowances show total overspendings of £1,192,000 (Appendix 6a, Line 2). This is the net position of savings from vacant posts due to being below the current authorised establishment (£934,000), which has been offset by redundancy, lieu of notice payments and pension capital costs (£2,098,000) arising from the implementation of new operating structures, as part of the Staying Ahead Programme. The additional overspending (£28,000) is primarily due to Tutor Payments within FPOC (£9,000) and Holiday Pay entitlements (£19,000) as a result of the Bear Scotland high court ruling.
55. Additional savings and termination payments are anticipated during 2016/17. Savings through structure remodelling will be recognised as recurring efficiencies and moved to the Identified Savings (Appendix 6a, Line 16).
56. At the end of November 2016, the actual police staff establishment stood at 691.21 wte (including 101.00 wte WG funded PCSOS and 28.74 wte Force funded PCSOs), against the current authorised establishment of 840.37 wte. The vacancies are partly offset by 37.00 wte temporary agency staff currently in Force.

57. At the end of November 2016, the PCSO Salaries and Allowances (Appendix 6a, Line 3) showed savings of £631,000 which are as a result of being 40.26 wte below the authorised establishment of 170.00 wte.
58. Police Officer Overtime and Enhancements is in line with budget, as the overtime worked continues to be scrutinised by the Chief Officer Team to understand the cause and effect. The delegated budgets are overspent by £187,000 (Appendix 6a, Line 4) to the end of November 2016, whilst a contingent budget of £313,000 is held by Chief Officers to provide funding for any significant demands or events.
59. At the end of November 2016, Police Staff and PCSO Overtime and Enhancements (Appendix 6a, Lines 5 and 6) showed savings of £301,000. These reflect a minor overspending on Overtime of £43,000 and significant savings of £344,000 relating to enhancement savings arising from vacant posts.
60. Other Employee Related Costs (Appendix 6a, Line 7) show overspendings of £572,000 to the end of the month. Savings have been made in relation to Medical Costs (£38,000) and Training Costs (£4,000), but these have been offset by overspendings in relation to Police Injury Pensions (£287,000), Police Medical Retirements (£252,000), Police Injury Gratuity Payments (£25,000), Recruitment (£9,000) and Employee Insurance Premiums (£41,000).
61. Premises Costs show savings of £235,000 (Appendix 6a, Line 8). This reflects savings in Utilities (£182,000), Waste Management (£61,000), Rent and Rates (£73,000), Maintenance Contracts (£24,000), Insurance (£17,000) and Cleaning (£13,000). These are partially offset by an overspending in Property Maintenance (£135,000), which is predominately due to dilapidation settlements on the ending of the lease for Block A, Mamhilad (£92,000). Some of these savings are due to timing, but all of these variances will be monitored throughout the year to identify recurring saving opportunities.
62. Transport Costs (Appendix 6a, Line 9) show savings of £188,000. The main contributors are Fuel Costs (£96,000), Fleet Repairs (£80,000), Police Vehicle Recovery (£31,000) and Vehicle Hire (£21,000). These are partially offset by overspendings on Insurance (£19,000), Mileage (£11,000) and Travel and Subsistence (£10,000).
63. At the end of November 2016, Supplies and Services show savings of £440,000 (Appendix 6a, Line 10). The principal areas of savings are Airwave (£120,000), Uniforms (£72,000), Printing, Postage and Stationery (£70,000), Equipment (£69,000), Other Forensic Costs (£65,000), Communications (£64,000), Partnership Costs (£52,000), Telephone Investigation Costs (£33,000), Pathology (£30,000), Subscriptions (£21,000), Advertising (£12,000) and Dangerous Dogs (£9,000). These are partly offset by overspendings on Insurance Premiums (£51,000), Software (£45,000), Professional Services (£38,000), Consultancy (£16,000), Hardware (£14,000) and Ancillary Computer Costs (£12,000). Some of these variances are

considered to be due to timing, but all areas will be monitored throughout the year.

64. The 2016/17 budget included a requirement for £4,350,000 of efficiency scheme savings to be achieved. The majority of these have been mapped into the expenditure headings; however, £1,387,000 of savings could not be specifically identified against budget areas and are therefore reflected in Identified Recurring Savings (Appendix 6a, Line 16). As these saving schemes are fully identified during the year, the appropriate budgets will be reduced.
65. Investment Income shows a surplus of £25,000 to the end of the month. Whilst there are higher than anticipated cash balances, the position reflects the reduced level of returns through the avoidance of risk in choosing investment opportunities.
66. At the end of November 2016, Other Income showed surpluses of £87,000. The main contributors to this are Police Specific Prosecutions (£178,000), Firearms Licensing (£37,000), Reports (£16,000), Rental Income (£11,000), Vehicle Recovery (£9,000), sale of scrap from Seized Vehicles (£9,000) and Speed Awareness (£6,000). These are partly offset by Income Generation (£117,000), Partnership Income (£52,000) and Abnormal Loads (£10,000). These variances will be monitored throughout the year.
67. The enhanced scrutiny of the insurance provision has meant that a number of anticipated claims have been resolved, with reduced or nil cost to the organisation. This has resulted in the release of non-recurrent monies (£438,000) into the revenue position (Appendix 6a, Line 31).
- 68. Forecast Outturn**
69. The forecast outturn indicates that overall savings for the financial year will be £2,071,000 (Appendix 6a, Line 33). The main contributing areas to this forecast are detailed below.
70. It is anticipated that Police Officer Salaries and Allowances will generate a saving of £2,361,000 (Appendix 6a, Line 1). This is primarily due to the force being below the authorised officer establishment. Whilst it is currently 11.50 wte below the authorised level, the planned recruitment of a further 60 wte probationer constables (100 wte already recruited to date this financial year), will take the establishment close to the authorised level by the end of the financial year – offsetting the current shortfall and forecast leavers through natural wastage (17 wte) and the Voluntary Exit Scheme (31 wte).
71. Police Staff Salaries and Allowances (Appendix 6a, Line 2) are anticipated to overspend by £219,000. The actual staff establishment currently stands at 108.93 wte below the authorised level; this is predicted to grow in the Flight Path projections to 119.47 wte by the end of the financial year. These vacancies will contribute significant recurrent savings, however the one-off costs associated with the implementation of new operating models under the

Staying Ahead Programme (Redundancy Payments and Pension Capital Costs) far outweighs the savings this financial year.

72. A saving of £1,187,000 is currently forecast for PCSO Salaries and Allowances (Appendix 6a, Line 3). The Force is currently below the authorised establishment by 40.26 wte PCSOs. It is planned that an establishment of 130.0 wte will be maintained through a recruitment process towards the end of the financial year, which will offset further anticipated leavers and allow the establishment plan to be achieved.
73. Police Officer Overtime and Enhancement payments are forecast to produce savings of £190,000 (Appendix 6a, Line 4). This reflects the offsetting of delegated budget overspendings by the Chief Officer contingent budget.
74. Police Staff and PCSO Overtime and Enhancements are estimated to save £450,000 (Appendix 6a, Lines 5 and 6) which is in line with expenditure incurred to date.
75. The underlying position for Other Employee Related Costs (Appendix 6a, Line 7) is a forecast overspending of £648,000. The main areas of anticipated savings are Course Fees and Training (£6,000) and Medical Schemes (£48,000); however, these are more than offset by overspendings on the Police Pension Scheme (£645,000), Employee Insurance (£41,000) and Recruitment Costs (£15,000).
76. Above this underlying position, a further £2,000,000 is forecast, to offset the financial implications of the current triennial review of the LGPS, administered by Torfaen County Borough Council on behalf of the Chief Constable and the Police and Crime Commissioner. The review has been ongoing since the start of this financial year and formal confirmation has been received regarding the impact upon contribution rates. Making this investment will mitigate the impact of future rate rises and contribute to eradicating the organisation's past service deficit.
77. Premises Costs (Appendix 6a, Line 8) are expected to generate savings of £390,000. This comprises savings on Utilities (£227,000), Cleaning and Waste Management (£107,000), Rates, Rent and Service Charges (£111,000), Contracted Services (£18,000) and Building Insurance (£17,000). This is partly offset by anticipated overspending on Building Repairs and Maintenance (£90,000).
78. Transport Costs are forecast to save £698,000 (Appendix 6a, Line 9). This is primarily due to savings on Petrol and Diesel (£360,000), Helicopter Contract (£200,000), Spares, Repairs and Tyres (£91,000), Vehicle Recovery (£46,000) and Vehicle Hire (£34,000). These are offset by anticipated overspendings on Mileage Allowances (£12,000), Vehicle Insurance (£18,000) and Fares and Subsistence (£3,000).
79. Supplies and Services (Appendix 6a Line 10) are forecast to make savings of £1,465,000. The main contributing areas of savings are:



		£
a)	Computer Hardware and Software	389,000
b)	Professional Services	308,000
c)	Scientific Testing	128,000
d)	Communications	121,000
e)	Operational Equipment	120,000
f)	Postage, Printing and Stationery	107,000
g)	Regional Collaboration Costs	100,000
h)	Uniform	65,000
i)	Operational Expenses	28,000
j)	Pathology	20,000
k)	Advertising	20,000
l)	Subscriptions	20,000
m)	Hospitality Expenses	19,000
n)	Dangerous Dogs	13,000
o)	Non-operational Equipment	12,000
p)	Vehicle Recovery	11,000
q)	Custody Costs	10,000
r)	Police Surgeons	10,000
s)	Police Dogs	8,000

These are, however, partially offset by forecast overspendings in the following areas:

		£
a)	Insurance Costs	23,000
b)	Ancillary Expenses	18,000

80. It is anticipated that the Major Incident Schemes will break even (Appendix 6a, Line 11), however, this is highly dependent upon operational demand and could potentially experience significant change.
81. Pro-active Operational Initiatives (Appendix 6a, Line 12), is forecast to save £80,000, however, this is highly dependent upon operational demand and could potentially experience significant change.

82. Contributions to Police ICT Company and national systems (Appendix 6a, Line 13) are forecast to save £80,000. This is due to a change in contribution levels which arose after the 2016/17 budget was confirmed.
83. Capital Charges are forecast to overspend by £2,963,000 by year-end. The major contributor to this (£3,000,000) reflects the intention to repay a significant proportion of the Commissioner's debt. The Commissioner's debt position is carefully managed through his annual Treasury Management Strategy and associated mid-year and annual reviews. For a number of years, the intention to repay debt has been considered and reported, but the recurrent benefits have been marginal. However, pending any further reduction in interest rates, the Commissioner's current Treasury Management position facilitates the early repayment of debt, thereby providing interest payment savings of nearly £250,000 per annum moving forward.
84. The Staying Ahead Programme has delivered accelerated savings ahead of the budgeted plan for 2016/17. At present, Identified Recurring Savings (Appendix 6a, Line 16) is forecast to deliver savings of £1,162,000 ahead of plan – these are primarily through restructuring of Police Officer and Police Staff posts.
85. Investment Income (Appendix 6a, Line 17) is forecast to deliver a small surplus of £25,000. This reflects the higher than anticipated cash balances throughout the year.
86. Other Income (Appendix 6a, Line 18) is forecast to produce a surplus of £100,000. The main contributing areas of this surplus are:

		£
a)	Specified Police Proceedings	266,000
b)	Miscellaneous Income	60,000
c)	Training	50,000
d)	Firearms Licensing	40,000
e)	Reports	24,000
f)	Vehicle Recovery	14,000
g)	Rental Income	11,000
h)	Speed Awareness Training	10,000
i)	Scrappage of Seized Vehicles	9,000

The above savings are offset by the following anticipated shortfalls:

		£
a)	Income Generation	172,000
b)	Grant Income	85,000
c)	Mutual Aid	70,000
d)	Disposal of Assets	50,000
e)	Immigration Detainee Income	10,000

87. When the 2016/17 Revenue Budget was originally set, it was planned that a contribution from Reserves and Committed Funds (Appendix 6a, Line 30) would be needed to deliver the Staying Ahead Programme. The forecasted savings, particularly in terms of staffing, mean that this non-recurrent funding will not be needed, and is therefore shown as a shortfall of funding (£834,000).
88. The enhanced scrutiny of the insurance provision has meant that a number of anticipated claims have been resolved, with reduced or nil cost to the organisation. This has resulted in the release of non-recurrent monies (£438,000) into the revenue position (Appendix 6a, Line 31).
89. The savings that are forecast, present the Police and Crime Commissioner with usable funds that can be used to facilitate a number of developments, which will provide longer term benefits and value for money opportunities.
90. Upon confirmation of the opportunities, these will be reflected in future forecast projections.
- 91. Capital Programme (Appendix 6b)**
92. The Revised Annual Budget on proposed schemes for 2016/17 is £5,218,000.
93. The Programme for 2016/17 will be funded from HO funding in the form of Capital Grant, combined with Committed Funds and a Revenue Contribution.
94. Expenditure to date amounted to £994,000 of which £835,000 to Information Systems, £44,000 related to Force Projects, £87,000 to Vehicle purchases and £27,000 to Estates Schemes.

#### **RESERVES AND COMMITTED FUNDS (Appendix 7)**

95. Appendix 7 provides a summary of the Commissioner's Reserves and Committed Funds position for the following four years and reflects a fundamental revision of the Commissioner's Reserves and Committed Funds Strategy during the summer of 2015. The MTFP and in particular the Commissioner's Reserves and Committed Funds position was discussed at the Joint Audit Committee on the 21<sup>st</sup> December 2016, enabling them to discharge their responsibilities in relation to the budget setting process and the annual financial statements.

96. With the outcomes of both the CSR 2015 known for the short-term and the Police Funding Formula review deferred by at least a year, the Reserves and Committed Funds position has been updated and will continue to be instrumental in stakeholder engagement and any mitigation strategies.
97. This reporting of the Commissioner's Reserves and Committed Funds position hopefully assists Members in understanding the overall financial landscape and provides context when discussing his budget and precept proposal for 2017/18. Therefore, the following key messages are relevant:
- a) Following the audit of the 2015/16 Statement of Accounts, the WAO are satisfied with the levels of the Commissioner's Reserves and Committed Funds;
  - b) By the end of the 2020/21 financial year, it is forecast that the Commissioner will have Reserves of £4.000m and Committed Funds of £5.632m (totalling £9.632m - bottom right hand corner of Appendix 7). This assumes however, that 47% of the current outstanding future recurrent budgetary imbalances up to 2021/22 (highlighted through the MTFP) will be underwritten from Reserves (Line A2 in the Statutory Reserves Section). As already stipulated, recurrent budgetary imbalances must be found from recurrent efficiencies – Reserves and Committed Funds should only be utilised to manage annual timing differences. Therefore adjusting Line A2 back to its current value (£4.379m) i.e. removing the effect of underwriting the future budgetary imbalances, produces an underlying total Reserves and Committed Funds figure of £14.011m;
  - c) However, taking into account the PFI Committed Fund (£12.058m), whose use is currently unavoidable, the Commissioner's Reserves and Committed Funds position is realistically only £1.953m in 2020/21;
  - d) Continuing the theme, the Chief Finance Officer's judgement based on relevant local circumstance, determines a General Reserve of £4.000m should be held. However, as Reserves and Committed Funds are realistically only £1.953m in 2020/21 – this is insufficient to fund the General Reserve, let alone the remaining 2020/21 Committed and Uncommitted Funds in relation to the 'Other Financial Liabilities' (Lines B4a to B4e) nor the 'Commissioning Strategy and Force Initiatives' (Line C2). This position simply highlights the degree of 'internal borrowing' to fund the entire Capital Programme (including the replacement Headquarters) between 2017/18 and 2020/21.
  - e) The underlying Reserve and Committed Funds position does not take into account the following events which would increase this figure:
    - i Acceleration of efficiency schemes above the level already accounted for;
    - ii Additional sales of capital assets than those already identified; and
    - iii Underspending in the capital programme or slippage which defers spend to future financial years.

- f) Similarly, the underlying reserve position of £14.011m does not take into account the following events which would further reduce this figure:
- i The impact on Reserves and Committed Funds of future CSRs and any transitioning arrangements to a new Police Funding Formula allocation;
  - ii Further significant investment in the Estate beyond the Headquarters provision;
  - iii Pump-priming for future Phases of Staying Ahead; and
  - iv Overspending in the capital programme or acceleration which brings forward spend.
- g) If the underlying reserve position is an accurate reflection of the future, then the affordability of the Capital Programme beyond 2020/21 will be questionable without the need to undertake borrowing.

### **CAPITAL PROGRAMME 2017/18 (Appendix 8)**

98. The initial capital investment requirements over the next four years are emerging as the implementation of the Estate, Fleet and IS strategies are progressed.
99. With the proposed reductions in Capital Grant, implementation of the current capital programme will require the utilisation of Reserves and Committed Funds to fund the programme's requirements, which in turn will realise long-term benefits to the organisation, e.g. appropriate estate provision, fit for purpose fleet, maximising returns on ICT investment etc.
100. Since the Capital Grant has been reduced by the HO for 2017/18, the Revenue Contribution has been increased to maintain the buying power, reducing the pressure upon the non-recurrent Reserves and Committed Funds.
101. The development of the Staying Ahead Programme will present investment requirements which will generate efficiency opportunities that should present cashable savings.
102. The anticipated reduced central funding for the capital programme of £0.449m reflects the continuing intention of the HO to top-slice Commissioners' funds to provide funding for other national schemes. This presents a further burden upon the recurring revenue position and also the Reserves and Committed Funds.

### **OUTSTANDING ISSUES AND UNQUANTIFIABLE RISKS**

103. Whilst the MTFP is designed to reflect the most up to date intelligence, a number of outstanding issues and unquantifiable risks remain which are incapable of being reflected at this present time. These are briefly highlighted below:

- a) Financial:
  - i Ongoing austerity, impact of Brexit and the Police Funding Formula Review;
  - ii Loss of 'assumed' precept income;
  - iii Impact of the localisation of council tax support;
  - iv Potential increase in the employer's police officer pension rate;
  - v Withdrawal of funding by partners (Home Office, Welsh Government and Local Authorities);
  - vi Increased 'last resort' demand due to others withdrawing service; and
  - vii Failure of Government to deliver on national issues (e.g. pay bill, de-cluttering).
- b) Organisational:
  - i Partners re-trench from collaborative ventures (Welsh Government settlement); and
  - ii Failure of key efficiency schemes to deliver.
- c) Societal:
  - i Emergent complex crime types and increased safeguarding requirements;
  - ii Increased crime, anti-social behaviour and incidents due to economic and political climate; and
  - iii Lack of staff turnover due to limited job opportunities.

## **BUDGET REQUIREMENT, TAX BASE, PRECEPT AND COUNCIL TAX**

104. The revenue budgetary requirement for 2017/18 is the net position of:

- a) The base recurring requirements;
- b) Efficiency savings and recurring budget reductions realisable in 2017/18;
- c) Non-recurring revenue requirements in 2017/18; and
- d) Non-recurring savings which are realisable in the year and reserve utilisation.

105. The gross base recurring requirement for 2017/18 is £120.707m (Appendix 1b line 9) which, when adjusted by the small budgetary surplus, equates to a budget requirement for the year of £120.942m.

106. The Central Government Grants announced in the Provisional Settlement are as follows:

	£
Police Grant	40,903,987
Revenue Support Grant	20,747,833
National Non-Domestic Rates	<u>9,834,969</u>
	<u>71,486,789</u>

107. Deducting total Central Government Grant from the budget requirement of £120,942,177 leaves income to be raised from council tax of £49,455,388.

108. Council tax is a tax on dwellings, levied according to the valuation band attributed to the property. Each unitary authority calculates its council tax base by establishing the number of properties in each of the nine council tax bands (A to I) and converting the band totals to a Band D equivalent figure (e.g. Band A council tax is two thirds of the Band D tax, the Band A total is therefore multiplied by two thirds to arrive at the Band D equivalent). The total Band D equivalent figure is then adjusted to take account of reductions for disabled residents, single occupancy discounts, etc. to produce the council tax base. The council tax to be raised for police and crime purposes is allocated to the unitary authorities in proportion to their tax bases. The tax bases notified by the unitary authorities are as follows:

Unitary Authorities	Band D Equivalent Properties	
	2016/17	2017/18
Blaenau Gwent	20,034.35	20,133.89
Caerphilly	59,575.14	59,689.83
Monmouthshire	45,102.03	45,537.71
Newport	56,145.64	57,619.96
Torfaen	<u>32,896.00</u>	<u>33,132.00</u>
Total	<u>213,753.16</u>	<u>216,113.39</u>

109. The effect of these figures on the Band D council tax for police and crime purposes is:

	Actual 2016/17	Proposed 2017/18
Council Tax	£47,038,520	£49,455,388
Band D Tax	£220.06	£228.84
Increase on previous year (£)	£8.44	£8.78
Increase on previous year (%)	3.99%	3.99%

110. The following table shows the proposed Council Tax for police and crime purposes for all bands.

Valuation Band	Tax Payable Compared to Band D	Proposed Council Tax £
A	6/9	152.56
B	7/9	177.99
C	8/9	203.41
D	9/9	228.84
E	11/9	279.69
F	13/9	330.55
G	15/9	381.40

H	18/9	457.68
I	21/9	533.96

111. The unitary authorities are billing authorities for council tax purposes. The Commissioner's precept will be added to the figures for council tax for expenditure by the unitary authorities and community councils and will form part of the single council tax demand. Under regulations, the billing authority must determine a schedule of instalments for payments to precepting authorities. Currently, the unitary authorities pay the police precept in equal instalments as follows:

**Last working day of each month**

Blaenau Gwent

**Third Tuesday of each month**

Caerphilly  
 Monmouthshire  
 Newport  
 Torfaen

**CHIEF FINANCE OFFICER'S STATEMENT - REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003**

112. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on:

- a) The robustness of the estimates made for calculating the precept; and
- b) The adequacy of the proposed financial reserves.

113. The same Section requires the Commissioner to have regard to the Chief Finance Officer's report when making decisions about precepts.

114. Central Government Grants from the HO and WG currently fund approximately 60% of the revenue budget requirement for policing and crime services in Gwent. A combination of CSR 2010, CSR 2013 and CSR 2015 has resulted in significant reductions in core HO and WG grants. The reduction in these grants for 2011/12 of 5.1% came on top of an in-year cut in the previous year of 1.3%. The grant settlement for 2012/13 showed a reduction of 6.7%, 2013/14 a reduction of 1.57%, 2014/15 a reduction of 4.76%, 2015/16 a reduction of 5.11%, 2016/17 a reduction of 0.57% and the provisional settlement for 2017/18 a further cut of 1.40%. In total therefore, the budget available for policing and crime in Gwent has experienced nearly a 27% cash reduction over 8 years. When the effect of inflation is built in, the real reduction is over 40%. Whilst the Chancellor is optimistic of the global economic picture over the medium term and in particular sound economic growth in the UK coupled with low interest rates and increased tax receipts, it must be noted that post Brexit uncertainty, continuing turmoil in the Middle East and the slowing of the Chinese economy may well impact on growth in the European Union and therefore the UK. Therefore, the lessening of budget cuts afforded by CSR 2015 may not be sustainable.



115. The Staying Ahead Programme has continued to be remarkably successful in keeping expenditure within reducing budgets, yet still managing to maintain performance in the service to the public. Year after year, difficult savings' targets have been achieved ahead of time and as a consequence Reserves and Committed Funds have been generated for supporting investment necessary to redesign the estate and for pump-priming new initiatives. However, the continuing austerity and associated funding cuts necessitated the second radical comprehensive review of all aspects of policing in Gwent and a major restructuring under the direction of the Deputy Chief Constable.
116. The preparation of the budget is now, almost a continual exercise, involving the compilation of MTFPs, dovetailing with detailed work across the Commissioner and Force under the supervision of the Assistant Chief Officer - Resources and in liaison with me. The involvement of all parts of the service ensures awareness not only of the demands, but also of the constraints upon them. Throughout 2016/17, Members of both the Police and Crime Panel and Joint Audit Committee received progress reports on the 2017/18 budget and beyond and were able to examine both the proposals and the process followed. The extent of this preparatory work has therefore greatly assisted the Commissioner in his deliberations. I am satisfied therefore, that this process ensured that the budget takes into account all those cost and income items that can be reasonably foreseen, and that there is no cause to question the robustness of the estimates.
117. Appendix 7 to this report shows details of the Commissioner's Reserves and Committed Funds position. The Force's Assistant Chief Officer - Resources and I continually review the adequacy of Reserves, Committed Funds and Provisions. In addition, in the summer of 2015, I undertook a fundamental revision of the Commissioner's Reserve Strategy and reported my findings to the Joint Audit Committee.
118. The General Reserve is required for working capital and to meet unexpected expenditure in emergency situations or major crime. At 1st April 2014 the General Reserve stood at £6.411m which represented 5.4% of the budgetary requirement for 2014/15. During my review of the Reserve Strategy, in conjunction with the Commissioner and the Force's Chief Officer Team, I concluded that a General Reserve of £4m would be a prudent level for the policing body moving forward, taking into consideration its size, local circumstances and the requirement to identify savings to address significant reductions in Central Government Grant funding. This view has not been challenged by the external auditor.
119. In relation to the Committed Revenue and Capital Funds, and the Uncommitted Revenue Funds, I am content on the need and sufficiency of the amounts reported.
120. In conclusion, I am content therefore, with the adequacy of the proposed financial Reserves and Committed Funds.

## APPENDICES

- Appendix 1a - Impact of Incremental Precept Changes
- Appendix 1b - Medium Term Financial Projections
- Appendix 2 - Medium Term Financial Projections – Assumptions
- Appendix 3 - Service Pressures and Budget Developments
- Appendix 4 - Staying Ahead Phase 8 Schemes
- Appendix 5a - Police Officer Establishment Flight path
- Appendix 5b - Police Staff Establishment Flight path
- Appendix 5c - Establishment Summary as at 31<sup>st</sup> December 2016
- Appendix 6a - Revenue Outturn 2016/17 as at 30<sup>th</sup> November 2016
- Appendix 6b - Capital Programme as at 30<sup>th</sup> November 2016
- Appendix 7 - Reserves and Committed Funds Position 2016/17
- Appendix 8 - Capital Programme 2017/18 to 2021/22