

Briefing Note for Commissioner PCP 29 January 2021

2021/22 Precept Proposal

By way of Introduction

At our last meeting in December, the Chief Constable spoke to us all at length about the reality of frontline policing here in Gwent. She painted a vivid picture of the challenges faced 24/7 by her officers and staff, from CSOs on the ground in communities, to the exceptional work of the Public Protection Unit, who work tirelessly behind the scenes to keep our communities safe. The scope of policing is vast; its impact on all our lives is significant. The Chief Constable's presentation again served as a sharp reminder of her ongoing mission statement – to protect and reassure the people we all serve.

The Chief's presentation was also a public declaration of something that everyone on today's call acknowledges. That the challenges of policing are huge, the risks very real, the force's attitude unwavering. The Covid-19 pandemic has only reinforced this.

It was upon this powerful narrative that the Chief Constable framed her financial argument to all of us. I'm sure you'll agree that it was a compelling case, backed by a robust, thorough financial assessment. Put simply, the Chief Constable was very clear about what she needs to deliver an efficient and effective service for the people of Gwent.

Since the December meeting, my office and I have scrutinised at length every aspect of the bid, financial pressures and income streams. We have wrestled with various complex financial scenarios with colleagues at Gwent Police, agonising over details, projections and scenarios, all with the affordability to the public of Gwent always front and centre in our minds.

Needless to say, none of this has been easy. But, following great analysis and deliberation, I am today recommending to panel members that they approve a Council Tax Precept increase of 5.49% for 2021/22. This equates to an additional £1.25 per month (or £15 a year) for the average Band D Household in Gwent.

This Council Tax Precept increase, when coupled with budget reductions and efficiencies of £812k, would enable me to:

- Balance the 2021/22 budget;
- Deliver on the findings of my public engagement exercise; and
- Confirm this Council Tax Precept increase's affordability for the residents of Gwent - something, as you know, I take very seriously, particularly during these current challenging times.

Over the short term, a 5.49% increase would enable the Chief Constable to:

- Meet existing and currently foreseen demand;
- Maintain the significant investment in the 170 new Police Officer posts since 2016, which have been funded through previous Council Tax Precept increases prior to Operation Uplift;
- Contribute to 18 new PCSO posts which will be recruited over the next two years; and
- Minimise the impact on the front-line from future savings requirements.

The detail of my Council Tax Precept proposal is contained in your papers today, but I would like to take this opportunity to draw out some pertinent points.

From a Governance Perspective

The Chief's budget bid was formally received and scrutinised at my Strategy and Performance Board on 24 November 2020. The detailed discussion that followed confirmed that the bid was 'robust, compelling and pragmatic'. This was reflected in the Chief Constable's bid presented in the December 2020 Panel meeting.

I'm extremely thankful to the Panel's Finance Sub-Group, who have met three times in order to scrutinise the detail of my budget report and Council Tax Precept proposal. Their feedback has been incorporated into the report before you.

I would also like to highlight the results of my public engagement exercise. As a result of Covid-19, a new approach was introduced focusing primarily on promoting the survey online, coupled with multiple opportunities for virtual face-to-face engagement and increased targeting of harder to reach communities. Following a nine weeks exercise in which the question:

"Would you support the principle of increasing the police part of council tax by up to £2 a month (based on a band D property) for 2021/22 to maintain policing at current levels?" was asked, the findings were:

- 1,259 Gwent residents completed the survey, resulting in 99% confidence that the results were within a minus 4% to plus 4% margin of error;
- 54.7% of those surveyed supported the principle;
- 32.7% of those surveyed did not support the principle; and
- 12.6% of those surveyed were unsure.

Importantly, a £2 a month increase would have equated to a rise of 8.79% p.a, which is significantly higher than the proposed Council Tax Precept increase of 5.49% before you. This equates to a monthly rise of £1.25 for a Band D property.

Turning to Contextual Considerations

Gwent Police is one of the smallest forces in England and Wales, both geographically and by budget. However, within its boundaries it deals with the entire remit of the policing pressures that are faced nationally across England and Wales:

- From the latest Welsh Index of Multiple Deprivation, wards from Gwent's counties inhabit three places in the top 10 of most deprived areas and one place in the top 10 of least deprived areas;
- Gwent Police deals with inner city issues as well as rural crime;
- Organised crime groups exist in Gwent, as well as links to terrorism and domestic extremism;
- The M4 and major trunk roads bring their own policing needs; and
- The proximity to Cardiff and the International Convention Centre at the Celtic Manor Resort bring international recognition to policing in Gwent, as well in inevitable demand.

And all the above is to the backdrop of the overall cash reduction in Central Government Grant Funding between 2010/11 and 2021/22, which stands at around 12%. When the effect of inflation and pay awards is built in, the real reduction is nearly 25% over the past 12 years. This is not insignificant.

The last two Comprehensive Spending Reviews (CSRs), due in 2019 and 2020, have been delayed; instead being converted to one-year Spending Rounds (SRs) and therefore continuing the uncertainty on public sector funding.

The Office for Budget Responsibility is currently forecasting the economic impact of Covid-19 on the UK. This shows:

- An 11% drop in Gross Domestic Product (GDP) i.e. the UK's economy, for this financial year;
- That the Government is planning on spending £280bn on Covid-19 this year;
- The UK's deficit this year alone will represent nearly 20% of our entire economy;
- Cumulative Public Sector Net Debt will still be greater (104.7%) than the UK's entire economy by 2025/26;
- The UK economy will remain 3% worse off than today by 2025;
- A significant rise in unemployment to 7.5%, as the furlough scheme ends in the spring of 2021; and
- Finally, and most acutely for the Policing Service, the Office for Budget Responsibility suggests quite logically that there will be a challenging (C)SR setting budgets for 2022/23 and beyond.

With prioritised funding already set aside for Health, Education and Defence, spending on unprotected public services such as Police, Fire and Rescue Services and Local Government is likely to be broadly flat-cash.

Concluding the contextual considerations, as the Chief explained at the December meeting, for the latest recording period Gwent Police has the 10th highest crime rate in the country and 5th in its most similar Group (MSG). However, the Chief Constable and I wish to maintain the significant momentum already seen in reducing crime in Gwent. As part of Operation Uplift, we have a target of a 20% reduction by 2025. I will touch upon that later.

Looking at Funding

The findings of SR 2020 were announced in November 2020, with the key points for the Policing Service being:

- Police and Crime Commissioners in England would be able to raise their Council Tax Precepts by up to £15 (for Band D) without calling a referendum. In England this increase equates to between 5.4% (Surrey Police) and 10.8% (Northumbria Police);
- The Government providing Council Tax support to English Commissioners, to mitigate the effect of drops in collection rates in 2020/21 and 2021/22;
- The Government remaining committed to a further 6,000 Police Officers to be recruited during 2021/22 – this will be funded by further investment of £400m;
- A public sector pay freeze for 2021/22; and
- Related Government Departments, such as the Ministry of Justice, receiving funding to ensure that the investment in Police Officers is effective, by increasing capacity and removing blockages in the wider criminal justice system.

Following SR 2020, the Provisional Settlement was received on 17 December 2020, the week after the December Panel meeting.

From a Central Government Grant perspective, I can now confirm that the Provisional Settlement provided me with:

- £4.2m of extra Central Government Grant Funding to recruit an additional 61 Police Officers in Gwent - £1m of this will be held back and released only when recruitments targets are met;
- Of the 61 new Police officers - 58 will go into frontline Gwent Police roles and three into the Regional Organised Crime Unit (Tarian);

- Following the revaluation of public sector pension schemes in 2016, my pension grant remains flat-cash at 2019/20 levels – this results in a £1.7m shortfall for 2021/22; and
- Capital Grant of only £120k – next year’s Fleet Programme alone amounts to £1.4m – placing increasing pressure on my Reserves and Committed Funds, external borrowing and revenue budgets.

From an England and Wales perspective, the Provisional Settlement also confirmed top-sliced budgets being retained by the Home Office of over £1bn. These equate to a potential loss of more than £10m of Central Government Grant Funding into Gwent. There was also a recognition by the Policing Minister of the excellent work that has been undertaken by police forces in response to Covid-19.

The Home Office’s ‘asks’ in return for the investment contained in the Provisional Settlement were that:

- Forces recruit 6,000 additional Police Officers by 2022/23 (12,000 in total to date);
- Forces continue to deliver savings from improved procurement practices and estate/agile working and enabling/shared services; and
- Forces collect high quality data and use it to deliver the best possible policing outcomes for the public.

In summary, although the Provisional Settlement was ‘better’ than expected, the additional Central Government Grant Funding is ringfenced to recruit the 61 new Police Officers (on top of the first tranche of 62 recruited during 2020/21); and to also provide for their ‘consequential’ costs.

Therefore, the 2021/22 Provisional Settlement does not remedy the past disinvestment in policing, nor fully address existing and future pressures.

Conversely, the Provisional Settlement did not confirm the following outstanding issues and risks, which remain unclear at this time and therefore subject to further dialogue:

- The impact of changes that the Home Office wish to make to the funding formula, used to allocate government funding to individual forces. This could see, in addition to only cost neutral settlements moving forward, a £6m reduction in Central Government Grant funding into Gwent from 2023/24 onwards – this will be effected by a reduction of £2m per year for three years;
- The process to access specific funding promises in the SR 2020 announcements, such as the £20m for the Safer Streets Fund; and
- The assurance of the continuation (and amounts) of a number Specific Government Grant Funding streams, such as Victims Services funding from the MoJ.

Finally, from a Council Tax Precept perspective, the Provisional Settlement provided additional Council Tax Precept flexibility to English counterparts, allowing them the freedom to ask for an additional £15 per year in Council Tax Precept (or £1.25 per month), without calling a local referendum. In order to maintain parity with English Commissioners, this will be mirrored in Wales without prompting Welsh Government capping.

In addition, English Commissioners have been assured of significant additional funding and recovery timescales, to mitigate the impact of reduced collection rates of Council Tax Precept in 2020/21 and 2021/22. Although Welsh Government have received similar funding to protect Welsh local authorities' Council Tax Precept losses, at the time of writing this has not been allocated.

Tuning to Council Tax Precept considerations at the local level beyond the Provisional Settlement, you will recall that MTFPs produced during this financial year included an increase in 2021/22 of 6.82% (or £18.61 per annum) and that the Chief's bid requested a change to this with an increase of 6.99% (or £19.08 per annum). Prior to the receipt of the Provisional Settlement, this would have provided the funds to meet her expenditure request.

However, my Council Tax Precept proposal today significantly reduces the increase asked for and is driven by:

- A 'better' than expected Provisional Settlement, but as said previously, this money is ringfenced for new additional Police Officers and therefore does not fully address, even in the short-term, the significant strains on existing budgets;
- The Government's 'expectation' to 'maximise' Council Tax Precept increases in 2021/22, potentially in advance of a harsh Police Settlement in 2022/23 and beyond when the full economic impact of Covid-19 is understood. To this end, for planning purposes, the Council Tax Precept increase reverts back to 6.82% per annum from 2022/23;
- Short-term protection of the Council Tax base by Gwent local authorities, who have managed collection rate drops internally at this stage; and
- My absolute recognition of the affordability of the increase on the residents of Gwent, particularly during these challenging times.

Following receipt of the Provisional Settlement, the Police and Crime Commissioners Treasurer's Society undertook a survey of Commissioners, to ascertain their likely Council Tax Precept increases for 2021/22:

- 31 responses were received out of a possible 42; and
- Of the 31 responses, 24 (77%) indicated a planned Council Tax Precept rise of £15 (or very close to) per year.

Focussing on Expenditure Requirements

You will note in your papers the significant unavoidable financial pressures that we are facing, particularly around the enabling functions and ICT infrastructure to support the significant investment in new Police Officers and to embrace new, smarter way of working.

Of note is also the placing of existing commissioned services (particularly around diversion and early intervention) onto a recurrently funded footing. This investment is greater than it ought necessarily to be as, although the services and interventions directly benefit wider public sector partners in Gwent and the most vulnerable in our society, complementary or match-funding from public sector partners has not been forthcoming.

In the midst of these unavoidable pressures, however, is the Chief Constable and my commitment to recruit an additional 18 Community Support Officers into Gwent Police in the next two years, part-funded directly through this year's increase in Council Tax Precept.

Although the marginal changes in expenditure budgets are shown, from the totality of the resources which I provide to the Chief Constable, which will be the vast majority of my total net revenue expenditure of £147.6m, she will deliver:

- The Six Strands of the Policing Vision 2025;
- A Re-focus and Prioritisation of Threat, Risk and Harm
- A continuation of the improvement in Force Performance;
- Policing during Covid-19 and future operational commitments;
- The maximisation of previous investment and improve the quality of service whilst delivering efficiencies; and
- An understanding in order to meet future operational challenges.

In Relation to Efficiencies

Since 2008/09, Gwent Police has delivered more than £52m of recurrent, cashable efficiency savings.

In 2021/22, the Force will deliver budget savings of £136k and, on top of this, cashable efficiency savings of £676k. These will contribute to the investment in the additional CSO numbers mentioned previously, thereby minimising what would have been a larger increase in my proposed Council Tax Precept.

Assuming an annual Council Tax Precept increase of 6.82% from 2022/23 then remaining throughout the life of the MTFP, the currently unmet recurrent deficit to 2025/26 is still £3.563m. This deficit remains even after taking account of an annual

Council Tax Precept increase of 5.49% in 2021/22, then 6.82% thereafter and known future budgetary savings and efficiency saving schemes totalling £3.958m.

In addition to internally generated efficiency schemes, the Force uses HMICFRS's value for money (VFM) indicators to identify where Gwent is an outlier in expenditure terms when compared to its most similar forces. However, the 2020/21 VFM Profiles are not yet published due to the impact of Covid-19 on forces' ability to produce the figures. Therefore, 2020/21 VFM Profiles are not expected to be published until February 2021, at which time, they will be considered by the Joint Audit Committee and taken forward by the Continuous Improvement Department.

However, in the meantime, significant assurance on both mine and the Chief Constable's arrangements for securing VFM have been received from Audit Wales, Internal Audit and the wider work of the Joint Audit Committee.

Also, Taking into Account External Influences

On current financial forecasts, by 2024/25, council tax payers in Gwent will fund more than half of the net budget in Gwent, thereby becoming the 'majority shareholders'.

Modern policing demand is increasingly addressed through 'non visible' policing presence:

- Dealing with cybercrime;
- Counter terrorism and domestic extremism work;
- Safeguarding work with vulnerable people;
- Dealing with Domestic Violence; and
- Tackling Child Sexual Exploitation and Modern Slavery.

Therefore, expectations of the public for visible policing need to be carefully managed and communicated.

Austerity across the public sector in Gwent, increasingly promotes policing as the service of first resort.

Investment in policing in Gwent needs to be viewed in the context of for every crime averted, or victim put back on the road to recovery, the economic contribution is often immeasurable.

Importantly, from a policing demand perspective, it is understood that the other three police forces in Wales are currently proposing the full (or very close to) Council Tax Precept increase next year of £15 (which equates to increases of between 5.14% to 5.75% across Wales). I am therefore proposing the second lowest percentage increase in Wales.

Furthermore, from a local perspective, it is understood that Local Authorities in Gwent are currently proposing Council Tax Precept increases of between 3.9% and 5% for next year. It is important to note however, that although similar in percentage terms to my proposal, because of the higher actual Band D Precept of the Local Authorities, a 5.49% increase on the average Local Authority Band D precept in Gwent, would add £75 per annum to a resident's bill; as opposed to the £15 per annum my increase would add – i.e. five times the value for the same percentage increase.

Considering Financial Risks and Opportunities

At this stage in the budget round, my budget report presented today has already highlighted that policing in Gwent is still faced with a number risks, including:

- The economic impact of Covid-19 on the UK and Public Finances in particular (both from Government and Local Council Tax collection rates);
- Brexit's impact on the economy – impacting future inflation and the costs of borrowing;
- The potential CSR 2021 and the sustainability of Operation Uplift;
- Changes to the Funding Formula;
- Additional Home Office 'reallocations' or top slices from Commissioner's budgets to fund national policing work;
- Increasing running costs of national ICT programmes of work;
- Legislative and policy changes having unintended consequences, e.g. as previously seen with the revaluation of Public Sector Pensions and the implementation of the Apprenticeship Levy;
- Continuation of Welsh Government funded initiatives such as PCSOs and Schools Liaison; and
- Increased costs of borrowing as Reserves and Committed Funds become depleted during 2022/23.

On the plus side, opportunities can be advanced in relation to:

- Adopting and embedding the 'new ways of working' arising from the 'lessons learned' from Covid-19;
- Co-commissioning services with partners;
- Collaborative opportunities with other police forces; and
- Legislative changes to give Commissioners greater power to income generate.

Force Performance

Finally, I would like to highlight Force Performance both financially and operationally.

In terms of resources, for the 2020/21 financial year, the Force is forecasting a non-recurrent surplus of £793k against Gross Revenue Expenditure (GRE) of £154.566m. This equates to a 0.51% variance against overall budget.

It is important that we continue to monitor what the resources provide to the people of Gwent operationally. Together with Gwent Police and supported by members of the panel, we have improved our monitoring and understanding of force performance. I am confident that the improved processes I have driven have and will continue to improve the relevancy and overall quality of the information we receive from Gwent Police.

This in turn gives me greater reassurance and confidence in ensuring that the Force provides a good service to the people of Gwent. Overall it is clear to me that our new performance monitoring processes are seeing significant improvements in how performance is monitored. We will continue to improve this and, importantly, drive better performance where it is required.

The panel members here today, particularly those who sit on the Performance Subgroup, have supported me in this journey and I would like to thank them for helping me, my office and Gwent Police refine our processes.

We will hear more about performance monitoring later in this meeting, and this will again provide panel members with a high-level understanding of Gwent Police's performance against my Police and Crime Plan.

We know that there has been improvements in work for victims which will be further enhanced by the new service model. There has also been significant improvements in positive outcomes of crime reported achieving better results than there has been for more than two years. On the other hand, this monitoring has reinforced the need to address reoffending and the We Don't Buy Crime work and other planned activity will drive improvements in this area.

I must also commend the force on the excellent feedback from the HMICFRS Covid-19 thematic inspection, which reinforced my belief that Gwent Police has dealt with the challenges posed in a commendable manner.

In conclusion then:

I believe that the Chief Constable delivered a compelling statement as to the need for this investment, both in my frequent meetings with her and during the last panel meeting. I believe that this is supported by a robust financial case that has been put together meticulously and scrutinised comprehensively. Having crunched the numbers, considered public opinion and seen first-hand Gwent Police's commitment to ensuring we continue to have safe communities, I believe that it is the right decision to increase the council tax precept by 5.49%.

Anything less than this proposal will, I believe, jeopardise the Chief Constable's ability to protect and reassure the public of Gwent, particularly those most vulnerable .

I therefore look to you today to support this bid for our policing service at this crucial time and, before you make your decision, I would like to ask the Chief Constable if she has anything to add?