# Office of the Police and Crime Commissioner

## TITLE: Police and Crime Commissioner for Gwent’s Budget Requirement and Council Tax Precept Proposal 2024/25

## DATE: 26 January 2024

## TIMING: Routine

## PURPOSE: For Decision

## INTRODUCTION

1. One of the most important responsibilities for the Police and Crime Commissioner is to set the police budget every year, to ensure that Gwent Police have the resources to deliver an effective and efficient service to protect and safeguard the people of Gwent. From tackling serious violence, child exploitation, and reducing offending, to preventing crime, improving services for victims and investigating crime, policing delivers across all communities in Gwent each and every day. It is essential that the needs of Gwent Police to run an efficient and effective service are met, while setting a council tax precept that is affordable for residents. Times are incredibly tough for many people and, at the same time, rising costs are placing an immense pressure on all aspects of public service. The cost of living crisis, coupled with legacy of the coronavirus pandemic, war in Ukraine, and national financial turmoil since 2022, continue to exacerbate the challenges faced by communities and public services. Policing is not immune to these challenges.
2. The increased complexity and evolving nature of demand has placed growing financial pressures on Gwent Police to be able to deliver for communities. The Commissioner knows how much the public values visible policing in their communities through local Police Officers and Community Support Officers. Since 2016, the Commissioner has invested significantly in this area, increasing the number of Police Officers by more than 350. Gwent has also benefited recently from UK Government’s Operation Uplift; however, the responsibility for funding these officers, their training and equipment now sits with local Police and Crime Commissioners. These issues, combined with rising costs and a reduction in funding from UK and Welsh Governments, put Gwent Police in an increasingly challenging financial position. Despite these challenges, Gwent remains one of the safest places in the UK. The Commissioner and the Chief Constable are rightly incredibly proud of this and have a shared commitment to ensuring that this remains the case. It is essential that Gwent Police has the resources it needs, in the right place, to manage the growing demands on its officers and staff, and to keep communities safe.
3. Over the last few months, the Office of the Police and Crime Commissioner (OPCC) has undertaken substantial work to fully analyse the budgetary pressures facing Gwent Police and develop sound financial budget proposals based on all current evidence. This includes the robust operational and financial case put forward by the Chief Constable, Pam Kelly, at the Commissioner’s Strategy and Performance Board in November and Police and Crime Panel members in December.
4. One of the key aspects of the Police and Crime Plan for Gwent is ensuring value for money - how limited financial resources are used to provide an efficient police service is critical. The Chief Constable has committed to a significant programme of change to deliver service improvements and value for money through the new policing model, but the reality is that making significant cuts, year on year, is not a sustainable solution for the future. When the Acting Police and Crime Commissioner gave evidence to the Welsh Affairs Select Committee last year, she reinforced the need for greater investment from UK Government in policing, particularly in relation to capital. The Commissioner will continue to make representations to UK Parliament for this support. There is currently only one variable that the Commissioner can control in terms of funding and that is the amount of precept paid by local people through council tax.
5. The Commissioner knows from extensive public engagement throughout 2023 that most people are prepared to pay a little more for essential services. The increase to the council tax precept proposed in this report is a compromise between affordability for residents and what is needed to continue to run an efficient and effective police service as set out in the Police and Crime Plan for Gwent.
6. Ultimately, the Commissioner has a duty to ensure that Gwent Police receives the financial support necessary to overcome the many challenges it faces both now and in the future.

## RECOMMENDATION

1. That the Acting Police and Crime Commissioner for Gwent (Commissioner) presents the budget proposals, and background information covered in the Annexes and Appendices to this report, to the Police and Crime Panel for consideration:
2. A budget requirement for 2024/25 of £173,027,278;
3. The planned efficiency savings in 2024/25 of £0.698m and further planned efficiency savings of £1.654m (totalling £2.352m) detailed in Appendix 5b of the Appendices to this submission;
4. A further proposed underwriting of the remaining deficit with Reserves and Committed Funds of £2.805m to balance the 2024/25 budget (Appendix 7);
5. The initial Capital Programme as described in Appendices 8a and 8b; and
6. The 2024/25 proposed council tax precept to be levied in respect of general expenses of £79,159,573. This reflects an annual increase in Band D of 7.70% or £25 on the 2023/24 council tax precept level, thereby proposing a 2024/25 Band D council tax precept of £349.52. This overall council tax precept sum will be apportioned to each unitary authority according to the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| **Unitary authorities** | **£** | **Tax base Band D equivalent** | |
| Blaenau Gwent Caerphilly  Monmouthshire  Newport  Torfaen  **Total** | 7,317,677  21,423,010  16,939,672  21,435,712  12,043,502  **79,159,573** | 20,936.36  61,292.66  48,465.53  61.329.00  34,457.26  **226,480.81** |  |

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

|  |  |
| --- | --- |
| **Council tax band** | **£** |
| A  B  C  D  E  F  G  H  I | |  | | --- | | 233.01 | | 271.85 | | 310.68 | | 349.52 | | 427.19 | | 504.86 | | 582.53 | | 699.04 | | 815.55 | |

## BACKGROUND

1. The Commissioner is required to determine the budget for 2024/25 and then set the council tax precept following scrutiny by the Police and Crime Panel. The Commissioner must also make arrangements, before the first council tax precept for a financial year is issued, to obtain the views of the people in that police area and the relevant business ratepayers’ representatives, on the proposals of the Commissioner for expenditure in that financial year.
2. The greater part of the budget will be allocated to Gwent Police for operational purposes, but an element needs to be retained to cover the cost of the OPCC and the commissioning of services from organisations other than the Chief Constable.
3. In determining the budget requirement for 2024/25, the Commissioner has considered the Police and Crime Plan 2021-25; Policing Vision 2025; Strategic Policing Requirement; the Chief Constable’s view of the financial resources required to deliver the operational requirements of the plans; the level of resources to be allocated for commissioning other than from the Chief Constable; and the cost of running the OPCC. Due regard has also been taken of the Prudential Code which requires at least three-year projections of revenue and capital expenditure in order to identify funding requirements and assess affordability and sustainability of planned expenditure.
4. The following areas have been considered in detail in arriving at the Commissioner’s precept proposal.

## GOVERNANCE AND SCRUTINY

1. The Chief’s Budget Requirement 2024/25 to 2028/29 report (Chief’s Bid) was formally received and scrutinised at the Commissioner’s Strategy and Performance Board (SPB) on 22 November 2023. The Chief’s presentation confirmed that the bid had been subject to detailed financial scrutiny and it was accepted as ‘robust, compelling and justified’. A copy of the formal Chief’s Bid report presented to SPB is shown at Annex 1.
2. The Chief’s Bid has also been scrutinised in detail by the OPCC with the Assistant Chief Officer – Resources throughout the budget setting process, both before the SPB meeting and subsequently. This scrutiny included detailed reviews of the assumptions underpinning the budget bid, new cost pressures, savings realised, future savings plans and the impact of the proposed capital programme on borrowing and reserves. The assumptions and detail of the Chief’s Bid have been triangulated with other forces in Wales via the Welsh Police Finance and Resources Group attended by the Commissioner’s Chief Financial Officer. The Chief’s Bid had due regard to the broader national context and approaches being taken by forces across England and Wales through the Police and Crime Commissioners’ Treasurers’ Society (PACCTS). A full copy of the 2024/25 Budget Assumptions Briefing underpinning the Chief’s Bid and the Medium Term Financial plan is included at Annex 2.
3. The Police and Crime Panel’s Finance and Estates Sub-Group received updates on the 2023/24 updated MTFP on changes that arose post budget setting in July 2023. Members also received an initial briefing on the Chief’s Bid on 1 December 2023. This meeting was well attended and members raised a number of important areas that were explored in a further meeting on 12January 2024. These areas included the assumptions underpinning the budget and its scrutiny, the result of recent government funding announcements, the Capital Programme, the Reserves position, and the impact of differing precept scenarios.
4. The Chief’s Bid was also presented to and considered by the Joint Audit Committee on 7 December 2023, which also considered the Commissioner’s Reserves Strategy at that meeting.
5. The Police and Crime Panel meeting on 15 December 2023 received the Chief’s Bid. It also received a presentation on her plans for Gwent Police to improve performance while delivering the Police and Crime Plan, the UK Government’s Beating Crime Plan and Policing Vision 2025. This highlighted continuing uncertainties of Central Government funding, increasing unavoidable service pressures, policing more complex crime, and policing in the digital age.

### ENGAGEMENT

1. The OPCC ran an engagement exercise regarding the proposed council tax precept increase for 12 weeks from 16 October 2023 - 7January 2024.
2. It used a dual approach for capturing the opinion of a wide selection of Gwent residents, with a major focus on face-to-face engagement in communities. In total, 25 face-to-face events were organised across the five local authorities. This equated to five in every council area, with four taking place on weekdays and one on a weekend. The OPCC attended an additional 10 community events across Gwent organised by partners, taking the total number of face-to-face engagement sessions to 35. This totalled 195 hours of public engagement, with the OPCC speaking to more than 1,500 people face-to-face during this time. The survey also promoted digitally throughout the period.
3. Members of the public were asked the following question:

* *Would you support the principle of increasing the council tax precept by:* 
  + *£15 per year / £1.25 per month for an average band D property (This would leave Gwent Police with a funding shortfall of £9.7million in 2024/25)*
  + *£20 per year / £1.67 per month for an average band D property (This would leave Gwent Police with a funding shortfall of £8.6million in 2024/25)*
  + *£25 per year / £2.08 per month for an average band D property (This would leave Gwent Police with a funding shortfall of £7.5million in 2024/25)*
  + *None of the above*

1. If respondents selected ‘None of the above’ they were asked to comment, to establish whether they believed it should be higher or lower and their reasons why.
2. Residents who responded live in the following areas:

* Blaenau Gwent 15.69%
* Caerphilly 22.73%
* Monmouthshire 17.98%
* Newport 18.52%
* Torfaen 25.08%

1. In total, 1,663 residents of Gwent completed the survey (668 face-to-face and 955 digitally). This resulted in 99% confidence that the results were within a minus 4% to plus 4% margin of error. In total, 22% of respondents answered £15 per year, 11% answered £20 per year, 25% answered £25 per year, and 42% said none of the above. Therefore, 58% of respondents were in favour of one of the proposed increases and the highest percentage of positive respondents supported a £25 increase in precept. A comment box was available for residents to provide extra comments if they selected ‘None of the above’. In total, 606 responders took advantage of this.
2. In addition to the budget survey, it is important to note that the OPCC also asked a budget question during engagement work in the summer. This only asked about up to £2 a month (£24 per year) increase. Over a 13-week period, 392 people answered the following question at community events in Gwent:

* *Would you support the principle of increasing the police part of council tax (known as precept) by up to £2 a month (based on a band D property) for 2024/25 to maintain policing at current levels?*

1. In total, 54% of responders said yes, 16% no and 30% were unsure. Taking the two surveys together, this means that there were 2,055 responses to questions about Gwent Police’s budget this year. As with previous years, there was a lot of feedback focused on police visibility, the service received from the police and the affordability of any increases. A report on the responses to the survey was provided to the Acting Commissioner.

## CONTEXT AND ECONOMIC FACTORS

1. Gwent Police is one of the smallest police 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 (WIMD), areas 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;
* In the WIMD, areas from Gwent’s counties account for 19% of the total across Wales, but inhabit 23% of the top 10% of most 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 brings additional operational challenges to policing in Gwent.

1. The Chancellor of Exchequer, Jeremy Hunt, announced both Spring and Autumn Statements in 2023. Both budgets were against the backdrop of the cost of living crisis with inflation figures substantially higher than the Government target of 2%, and the war in Ukraine continuing to affect utility, material and fuel prices. However, financial projections did suggest a continued slow recovery in the post Covid-19 period. More detailed briefings from PACCTS on the Chancellor’s Spring 2023 and Autumn 2023 Statements are included at Annexes 3a and 3b.
2. In summary, the Spring 2023 Statement noted the UK economic outlook with general growth and reduced government borrowing. There was an increased emphasis on council tax receipts in England to fund services by providing increased flexibility to local authorities to raise precept levels. The Home Office departmental funding peaked at £16.8bn in the Comprehensive Spending Review 2021 (CSR 2021) for 2022/23 due to Operation Uplift costs relating to officer numbers and pay awards, but fell back to £14.5bn for 2023/24. There was no mention of revisions to the police funding formula.
3. The Autumn 2023 Statement was expected to be the last before a General Election and reflected a number of tax cut measures including a reduction in National Insurance levels from 12% to 10%. It suggested UK economic growth would have slowed in 2024 and 2025 compared to the Spring Statement 2023, with higher than expected inflation predictions and rising interest rates. Predicted wage growth was higher in response to the cost of living crisis with average earnings estimated at 3.7% for 2024. Home Office departmental funding was increased to £15.5bn to take account of national pay awards and the increase employer contributions to police pensions.
4. The Police Productivity Review to provide recommendations on improving efficiency and effectiveness on policing was also published in October 2023. It found that over the previous 12 months a lot of positive changes had been agreed in terms of how policing responds to mental health calls and how crime is recorded, which are freeing up more than 1,000,000 hours of Police Officer time. It is important that this momentum is sustained and the review made a number of recommendations aimed at reducing bureaucracy, making the best use of good practice, science and technology, and that targeted financial incentives to forces will help unlock productivity improvements. The report’s recommendations have the potential to free up a further 38,000,000 hours of Police Officer time and the Autumn 2023 Statement made no additional efficiency requirements on policing at that time.
5. There has been an overall cash increase in Central Government Grant Funding for policing between 2010/11 and 2022/23 of approximately 10%. However, when the effect of inflation and pay awards is built in, the real reduction is actually 23.6% over the past 13 years.
6. CSR 2021 was better than expected for Gwent Police (albeit all the new funds are ringfenced). 2024/25 is the final year of the three year period and, in the Provisional Settlement issued on 14 December 2023, UK Government have adhered to the additional core funding promised in CSR 2021. In total and alongside movement in UK funding reallocations, this resulted in extra core grant for Gwent of £1.89m – a 2.05% increase year on year. This is already committed to Police Officer pay awards.
7. Past inflation has had a significant impact on policing spending power. In 2023/24, the PACCTS budget survey showed that inflationary pressures amounted to a £639m increase in budgets. This was larger than the £454m increase in total funding given to police forces last year. If other growth pressures were included, then forces faced an almost £1bn increase in costs compared with the year before. However, as of October 2023, the headline Consumer Price Index (CPI) rate has fallen to 4.6%. This is its lowest level since November 2021 and reflects the Bank of England’s approach to interest rates in the period. This level is also more in-line with the 5% inflation assumption for non-pay expenditure that underpins the Chief’s Bid.
8. Pay inflation was recognised by UK Government in the provision of an additional £330m in core grant in 2023/24 to fund a 7% pay award for Police Officers. This has increased by a further £185m for 2024/25 to take total core pay funding to £515m over the two years. A corresponding 7% pay increase for CSOs and staff was awarded in 2023/24 but this was funded locally by Commissioners and forces. Pay inflation remains a significant issue across private and public sector bodies for 2024/25, with a focus on higher wage rises to combat the cost of living crisis. The Chief’s Bid reflects a pay award for officers and staff of 3.5%.
9. The levers the Commissioner has to mitigate these inflationary pressures and maintain current policing service in Gwent are therefore increasingly restricted. The requirement to maintain the post Operation Uplift target of 1,506 Police Officers, more ring-fencing of Central Government funding, and the ongoing investment requirements for short term assets, all reduce the areas available to generate further savings on a sustainable basis. The level of reserves also continues to fall in 2024/25 as earmarked and committed funds are utilised in line with the Commissioner’s Reserves Strategy.

### CENTRAL GOVERNMENT GRANT FUNDING

1. The Provisional Settlement for Policing announced on 14December 2023 noted the following key points:
2. Core Police Grant:

* A total of £624m additional core grant funding that includes £150m representing the final year increase of CSR 2021; £515m to cover the full year cost of the 7% officer pay award (£330m provided in 2023/24 and an additional £185m for 2024/25); £259m to fund the increased costs of police pension contributions; and £27m one-off top-up funding to be provided for software development and administrator costs relating to the McCloud pension remedy. However, the CSR 2021 increase for Operation Uplift and the pension grant have been treated as specific grants rather than as part of the core grant allocation.
* The Metropolitan Police Service and the City of London Police continue to receive National and International Capital City grant funding worth more than £190m in recognition of the unique and additional demands of policing the capital city of the United Kingdom. Despite regular lobbying, no such allocation is provided in recognition of Cardiff’s status as the capital city of Wales and the associated events held there that draw resources from South Wales Police and its neighbouring forces. The Home Office considers the additional demand that Cardiff’s status creates to be comparable with a large English city such as Bristol. Similarly the demand upon policing in Gwent from the expansion of the International Convention Centre for Wales (ICCW) at the Celtic Manor Resort, continues to be part of the ongoing dialogue with the Home Office.

1. Ring-fenced grants and reallocations:

* Top-sliced budgets for national policing programmes retained by the Home Office total nearly £1bn, albeit slightly lower than in 2023/24. These equate to a potential loss of nearly £10m of Central Government Grant Funding into Gwent.
* Following the revaluation of public sector pension schemes in 2016, the Home Office has provided a flat cash grant of £1.3m at 2019/20 levels. This results in a shortfall each year that needs to be covered locally, and amounts to £4.5m in 2024/25. This flat cash grant continues to be funded as a specific grant. The most recent actuarial valuation of the Police Pension Scheme has again resulted in an increase in employer contributions from 31% to 35%. The Provisional Settlement has provided an additional Home Office grant to Gwent of £2.98m to cover the cost of this increase in these police pension scheme contributions in 2024/25, but as before this is delivered as a ring-fenced grant rather as part of the core police grant.
* Nationally, the UK Government remains committed to maintaining the additional 20,000 Police Officers recruited by March 2023 under Operation Uplift. The total Operation Uplift ring-fenced grant of £425m has increased by £150m, which was promised in CSR 2021, and therefore provides an even stronger incentive for officer numbers to be maintained. The actual terms of this grant will be released early next year. Again, this has been provided as a specific ring-fenced grant of £425m in 2024/25, and includes £67m for forces that volunteered to go above their Uplift target. At a local level, Gwent’s share of this additional £425m Uplift grant to national policing totals £4.36m for 2024/25 – an increase of £1.54m locally – and is ring-fenced to maintain the target number of 1,506 officers.
* The UK Government will provide an additional £66.3m in 2024/25 for hotspot policing of specific areas to tackle serious violence and anti-social behaviour. Each force will receive a minimum of £1m that Commissioners will most likely need to bid to receive.

1. Since the introduction of the Apprenticeship Levy in April 2017, Welsh forces have been disadvantaged to English counterparts in access to the Apprenticeship Levy to offset the costs of delivering the Police Education Qualifications Framework (PEQF). The Home Office and Welsh Government have been lobbied for a number of years to establish parity. Therefore, over recent years, there has been a non-recurrent annual contribution of £1m from the Home Office. This rose to £2.4m in both 2022/23 and 2023/24, in respect of delivering the PEQF across Welsh policing, to be shared on a funding formula basis. This is significantly short of the £6.7m gross costs of the Apprenticeship Levy, plus administering the PEQF in Wales. However, it has been confirmed in the Provisional Settlement that the Home Office has made a contribution towards compensation for Welsh forces, not able to utilise their full Apprenticeship Levy contribution in recent years. This contribution again totals £2.4m in 2024/25 and the Home Office previously stated that this “will address this issue in full.” Gwent’s share of the £2.4m has been budgeted at £480k. Whilst this continues to be welcome, this is the third year of specific flat cash funding against a backdrop of ongoing pay awards. Chief Finance Officers in Wales continue to work with Home Office officials to determine the appropriate amount of funding to Welsh Commissioners, to provide an equal footing with their English counterparts.
2. The Provisional Settlement appears very welcome in the headline investment figures with continued overall increases in policing service funding and increased council tax precept flexibility for 2024/25. In addition, there are no new specific savings targets set as the UK Government recognises that police have already exceeded the efficiency targets set at the start of CSR 2021.
3. In summary the increase in Central Government funding for Gwent between 2023/24 and 2024/25 is set out below. Compared to the expected level of Central Government funding set out in the Chief’s Bid, the Provisional Settlement’s total Gwent funding of £102.539m is slightly lower (£141k) than expected.

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2023/24**  **£m** | **2024/25**  **£m** | **Increase**  **£m** |
| Core grant funding (police grant, NNDR, Revenue Support Grant) | 88.589 | 93.868 | 5.279 |
| Pay award funding  (2023/24 only) | 3.388 | 0 | (3.388) |
| **Amended core grant** | **91.977** | **93.868** | **1.891** |
|  |  |  |  |
| Pension grant | 1.325 | 4.307 | 2.982 |
| Operation Uplift ringfenced grant | 2.824 | 4.364 | 1.540 |
|  |  |  |  |
| **Total Central Government funding** | **96.126** | **102.539** | **6.413** |

1. However, with the vast majority of these increases provided as ring-fenced grants rather than core grant, risks remain that funding can be removed or provided on a flat cash basis. Any future shortfalls would therefore need to be funded locally, such as in the case of the previous pension grant, and is also ring-fenced for specific purposes.
2. Similarly, the growth in the Core Grant is only 2.06% year on year. This effectively means a real-terms cut in funding for day-to-day policing services again for 2024/25 once the costs of inflation and pay awards within existing budgets; new service pressures and budget developments; and capital funding are taken into account. These existing pressures will still need to be met by a combination of efficiency scheme savings and importantly council tax precept growth, a point which the UK Government clearly recognises by allowing a higher degree of council tax precept flexibility for the seventh year in a row for English Police and Crime Commissioners in 2024/25.
3. Similarly, the Provisional Settlement did not confirm the following outstanding issues and risks, which remain unclear and subject to further dialogue:
   * + Firstly, the lack of capital funding directly to forces from Government continues to place the burden of maintaining an increasingly old estate and investing in short term assets on existing revenue budgets and local funding sources.
     + Secondly, 2024/25 also marks the last year of the three year funding settlement from the CSR 2021 which provided some funding certainty.
     + Finally, the Provisional Settlement also makes no further comment on progress with the Home Office’s review of the Police Funding Formula, used to allocate government funding to individual forces. As noted in previous years, the review started in 2015 but has been paused several times since then due to Covid-19 and various elections. While work is under way again with a planned deadline for completion and sign-off in December 2024, there is no further information on the progress or implications for individual forces. Previous indications in 2015 of the impact on Gwent showed a potential cash cut in Central Government funding of £6m-£10m. In prior years, it has been assumed that any implementation of a new formula would be phased in over time and this has been reflected from year three onwards in the five year Medium Term Financial Plan (MTFP). However, because of this lack of information on progress and the age of the estimated impacts, any potential loss of future funding has now been removed from the MTFP until the position is clarified by the Home Office. The funding formula does remain one of the factors reflected in the financial position risk included in the organisational risk register for Gwent Police and the OPCC.

### COUNCIL TAX

1. The Provisional Settlement also made the following points in relation to council tax increases:

* Police and Crime Commissioners in England would be able to raise their precepts by up to £13 (for Band D) without calling a referendum. This provides enhanced flexibility as it is again above the original £10 per annum set out in CSR 2021. Overall, if all forces maximised the £13 increase, it would result in an additional £298m additional funding for policing in England and Wales.
* Due to historic differences in council tax, the proportion that £13 represents varies significantly. The £13 increase means that Northumbria’s increase is 8.5% followed by the West Midlands at 7.2% and Essex at 6.3%. Conversely, £13 represents a 4.4% increase for North Wales and a 4.5% increase for South Wales and Gwent.
* Against overall funding from Central Government and council tax, this £13 increase would be worth 2.5% of the overall budget for Surrey and Wiltshire. In contrast, it would only be worth 1.3% of the budget in Merseyside. Gwent’s figure is 1.8%, which is in the lowest third of beneficiaries at the £13 level;
* The proportion of funding raised through council tax differs significantly between forces. Northumbria’s council tax precept makes up 19% of its total funding, followed by West Midlands at 20.3% and Merseyside at 22.9%. Conversely, Surrey has 54.6% of its funding coming from council tax, followed by Dyfed Powys at 51.3% and North Wales at 50.2%. On average 34.3% of budgets are made up from council tax precept, down slightly from 34.4% last year

1. At a local level, the MTFP produced for 2024/25 includes an increase in 2024/25 of 7.70% (or £25 per annum). The Chief’s Bid requested a lower level of 6.82% (or £22.12 per annum) in-line with previous years and an agreed longer term approach to funding. Prior to the receipt of the Provisional Settlement, this 6.82% increase would not have provided the funds to meet her expenditure request, resulting in a projected deficit after known savings of £2.7m, and thereby not achieved a balanced budget in 2024/25.
2. However, since the Chief’s Bid and the Provisional Settlement announcement, a number of further funding impacts have occurred which have compounded this position and increased the level of the projected deficit. They are:

* Confirmation of local authority council tax bases. This growth is higher at 0.68% than the 0.47% growth originally assumed in the Chief’s Bid. However, this is still the lowest tax base growth in Wales and is substantially below in English force areas where average growth is above 1%;
* Welsh Government funding for Community Support Officers; and
* Welsh Government funding for Schools Liaison programme.

## Council tax bases within Gwent

1. The MTFP and Chief’s Bid were based on an assumed growth of 0.47% in the number of taxable properties within each local authority area in Gwent. The five local authorities have now confirmed their expected tax base numbers. This has resulted in higher than expected growth of 0.68% in expected taxable properties. Reflecting this additional growth in the tax base would yield an additional £165k on council tax funding.

## Community Support Officers

1. Following the Chancellor’s Autumn Statement 2023 and confirmation of UK Government funding to Welsh Government, it has been well publicised that Welsh Government is under considerable pressure to make savings in its own budget. As part of this, Welsh Ministers have been in detailed discussions with Commissioners in Wales on a sustainable level of future funding and numbers for Community Support Officers (CSOs) by Welsh Government.
2. In previous years, Welsh Government policy has been to fund 500 CSOs across Wales, which equated to 101 CSOs in Gwent with the Commissioner committing to match fund this with a further 101 CSOs. In 2022/23, Welsh Government provided funding for an additional 100 CSOs across Wales. This brought the total to 121 CSOs in Gwent, through £4.6m of funding. Over the past three years, the Commissioner has been steadily growing the number of locally funded CSOs at 10 CSOs per year to achieve the agreed 101 CSO numbers. The total Welsh Government and locally-funded CSOs included in the 2023/24 Gwent Police budget stood at 172.
3. In February and March 2023, and after the council tax and budget levels had been set in Gwent for 2023/24, Welsh Government announced a change in the proportion of CSO costs it would fund and requested a recruitment freeze on CSO numbers by Welsh forces. This late loss of funding will need to be absorbed from other savings for 2023/24, and has been planned into the Chief’s Bid and MTFP for 2024/25 with an assumed cost pressure of £0.6m. This reflects the level of reduced Welsh Government funding for 80 CSOs which, when matched by 80 CSOs in the Chief’s Bid, would have meant a total number of 160 CSOs across Gwent budgeted for in the Chief’s Bid.
4. However, in December 2023, Welsh Government confirmed it will now fund a revised total of 60 CSOs in Gwent compared to the 80 CSOs assumed in the Chief’s Bid and the original 121 CSOs funded in 2023/24. The Commissioner will therefore be required to fund 60 CSOs locally. Total CSO numbers at 31 March 2024 are expected to be 155 CSOs. With a recruitment freeze remaining in place and predicted attrition levels, the position at 31 March 2025 is predicted to be 133 CSOs.
5. This will still be above the revised target total of 120 CSOs and the Commissioner will need to absorb the additional costs until the numbers achieve this revised total. Welsh Government has therefore effectively reduced its funding for CSOs in Gwent from £3.8m to £2.6m between 2023/24 and 2024/25. This £1.2m reduction will be offset to some degree by less cost from a reduced total number of CSOs. The further decrease to 60 Welsh Government-funded CSOs will therefore add an additional net pressure of approximately £0.3m in 2024/25, resulting in a net reduction of funding of £0.9m.

## Schools Liaison Programme

1. As part of further required savings, Welsh Government announced the full £2.98m grant to public bodies for the Schools Liaison Programme will be cut from its 2024/25 Draft Budget published in December 2023. The Chief’s Bid included expected grant funding for the Schools Liaison programme of £478k which will not now be received from Welsh Government. The programme in Gwent is predominantly delivered by 13 officers at a cost of £766k and the Chief is considering the impact of this funding cut for future service delivery. As the service is provided by officers which form part of the Operation Uplift target of 1,506 officers for Gwent, these costs are therefore fixed and the funding reduction is an immediate additional cost.
2. The effect of the changes from the Provisional Settlement and Welsh Government budget announcements in December 2023 on the net deficit for 2024/25 set out in the Chief’s Bid, can be summarised as follows:

|  |  |
| --- | --- |
|  | **2024/25**  **£m** |
|  |  |
| **Net deficit as per Chief’s Bid November 2023** | **(2.708)** |
|  |  |
| Less: |  |
| Additional WG PCSO funding reduction offset by recruitment freeze savings | (0.295) |
| WG Schools Liaison Grant funding reduction | (0.477) |
| Provisional Settlement funding changes | (0.141) |
|  |  |
| **Net deficit post funding changes in December 2023** | **(3.621)** |
|  |  |
| Add: |  |
| Council tax base growth above assumptions | 0.165 |
| Council tax precept proposal impact | 0.651 |
|  |  |
| **Net deficit per Precept proposal January 2024** | **(2.805)** |
|  |  |

1. In order to maintain the current level of policing services to the people of Gwent, the council tax precept proposal is for an increase of 7.70% (£25 increase per annum). This is above the 6.82% or £22.12 requested by the Chief and is driven by:

* The operational requirements of Gwent Police to deliver an efficient and effective service to protect and safeguard the people of Gwent;
* The Provisional Settlement and Welsh Government funding issues noted above;
* The Commissioner’s recognition of the affordability of the increase on the residents of Gwent, which was informed by extensive public engagement that highlighted support for increasing funding for Gwent Police to the level proposed;
* Early positive engagement with the Police and Crime Panel’s Finance and Estate Subgroup reaffirmed the public’s view, that although they are supportive of Gwent Police, the stark reality of the economic factors beyond policing, such as unprecedented rises in inflation growth on general commodities and funding changes, places an unaffordable ask at the feet of Gwent council tax precept payers; and
* Future council tax precept increases within the MTFP revert back to 6.82% from 2025/26, due to the uncertainty of the funding position. However, even reverting back to 6.82% from 2025/26 onwards does not remedy the forecast recurrent deficit of £12.7m by 2028/29.

1. The above funding pressures would have increased the projected deficit for 2024/25 after 6.82% precept growth from £2.7m in the Chief’s Bid to circa £3.6m. Even with an increase in the proposed precept to 7.70%, the updated projected deficit for 2024/25 remains at £2.8m. This council tax precept proposal recognises the increased need being placed on local council taxpayers and in no way undermines the integrity, robustness and justification of the Chief Constable’s original bid. Instead it is a simple case of having to risk-manage the policing budget over the short-term in the light of reduced government funding, in order to provide a continued level of policing services to Gwent residents. Following the Commissioner elections in May 2024, council tax precept assumptions for future medium term planning will need to be discussed.
2. The proposed level of council tax precept does not, however, set a balanced budget in 2024/25 even after taking account of £0.7m of cashable efficiency schemes. The recurrent shortfall of £2.8m will need cost pressures to be robustly risk-managed during the 2024/25 financial year; necessitate extensive further cashable efficiencies to be delivered; or met by a contribution from the Commissioner’s Reserves and Committed Funds. Furthermore, this level of council tax precept does not increase the level of borrowing required to fund the current Capital Programme and mitigates any increased risk of exposure to negative fluctuations in interest rates. As such, the ongoing review of the Estate Strategy will need to be completed in the 2024/25 financial year, in collaboration with the Police and Crime Panel’s Finance and Estate Subgroup and other key stakeholders. This will realign operational policing and the public’s requirements (incorporating both the principles of value-for-money and environmental sustainability), with an appropriately risk-based approach to funding.

### REVENUE EXPENDITURE

1. The annexes to this paper highlight the significant unavoidable financial pressures, particularly around significant inflation and future pay awards. Annex 2 sets out in more detail the comprehensive list of key assumptions for both income and expenditure. The more important assumptions are set out below:

* Aiming to maintain an establishment of 1,506 Police Officers and 858 Police Staff.
* Officer and staff pay awards of 3.5% and non-pay inflation of 5% in 2024/25.
* The Chief’s Bid includes maintaining 160 CSOs for 2024/25 but, as outlined above, it is expected that the recruitment freeze and natural attrition of these numbers will see this drop to approximately 133 CSOs at 31 March 2025. A maximum of 60 CSOs will now be funded by Welsh Government grant – a reduction from 121 in the previous year. Even with the predicted attrition, this leaves Gwent Police with an unavoidable pressure of an increased number of locally-funded CSOs from 51 to 73 in the course of a single financial year.
* A £1m increase in the contribution from revenue budgets to fund the short life asset requirements for vehicle replacement, ICT development and capital maintenance in the capital programme. The revenue contribution to the capital programme does not provide sufficient funding to cover investment in long life assets such as the estate.

1. These assumptions and the scrutiny provided as part of the budget setting process have substantially curtailed additional costs pressures in 2024/25 to £1.9m (before borrowing costs) compared to £3m in 2023/24 and £4.3m in 2022/23.
2. Although the marginal changes in expenditure budgets are shown, the totality of the resources provided to the Chief Constable will be the vast majority of total net revenue expenditure of £173.0m. As set out in the Chief’s Bid report in Annex 1, and the Chief’s presentation to the Police and Crime Panel meeting on 15 December 2023, she will continue to:

* Maintain services to ensure public safety;
* Build upon the successes in her Delivery Plan;
* Improve Gwent Police performance and improve the quality of service;
* Maximise returns on investment and deliver efficiencies and benefits to the public of Gwent;
* Invest in the well-being of officers and staff; and
* Manage demand and successfully work with partners.

### CAPITAL EXPENDITURE

1. In order to provide the suitable infrastructure (buildings, vehicles, ICT) to support the investment in Police Officer numbers, Police and Crime Commissioners need access to capital financing. With none forthcoming from Central Government from specific Capital Grant; limited options for capital receipts from asset sales; Reserves and Committed Funds depleted; and borrowing becoming increasingly unaffordable; the only feasible option is direct revenue financing from revenue budgets. These are already under significant unavoidable pressure.
2. The need for an appropriate future Capital Programme to maintain and improve the infrastructure for modern policing means the revenue budget will need to contribute either through a revenue contribution to capital or through new borrowing costs. This creates inherent risks, particularly when financing short-life assets such as vehicles and ICT (which do not lend themselves to long-term borrowing); interest rate exposure; and public perception on how the council tax precept is spent to provide the infrastructure to support the front-line.
3. The initial capital investment requirements over the next five years are becoming clearer as the implementation of the Estate, Fleet and ICT strategies are progressed. Capital expenditure over the next five years totals £105.006m, of which the 2024/25 element amounts to £19.751m. Within this is £11.001m of non-capital long term projects in 2024/25, which includes Gwent Police’s £8.5m contribution to the build of the new Joint Firearms Range. As previously reported to members, this is a collaborative project with South Wales Police and Dyfed Powys Police to provide a new range that delivers the current and future training requirements for firearms services in across southern Wales.
4. In the absence of any capital grant from Central Government, implementation of the current capital programme will require a combination of:

* The underlying recurrent revenue contribution to capital will be increased to £7.150m per annum for the life of this MTFP – a total of £35.750m. This represents an additional investment of £1m per annum to the funding of the capital programme from the revenue budget to support the continuing need to invest in short-term assets (ICT, vehicles etc). An additional balance of £1.078m of revenue funding across the five years will be needed to cover the difference between borrowing and estimated capital programme costs. These revenue contributions are necessary in relation to minimising the Commissioner’s dependency upon external borrowing in the current economic uncertainty – particularly for short-term assets such as Fleet and ICT;
* Other grant funding relating to one-off, specific funding for ICT projects and a safety camera vehicle of £0.178m; and
* The need to undertake external borrowing of £68m between 2024/25 and 2028/29.

1. This investment will realise long-term cashable and non-cashable benefits to the Commissioner and Gwent Police, e.g. appropriate and more sustainable Estate provision; fit-for-purpose Fleet; and maximising returns on ICT investment. A recurrent budget has also been maintained in the capital programme to deliver the environmental sustainability strategy.
2. However, the current Estate Strategy (reviewed with in collaboration with the Police and Crime Panel’s Finance and Estate Subgroup and other key stakeholders) concluded that while the current strategy is robust in terms of its vision and objectives, the strategy is not affordable in the face of global environmental challenges, and national and local police funding factors. The strategy will be reviewed with consideration to operational need and financial viability.
3. With regard to the investment in the long-term assets in the capital programme, the reserves position is such that the Commissioner will need to access public borrowing in 2024/25 and beyond. These additional funds are necessary to continue the investment in key operational buildings including a new collaborative firearms range, property stores and a short-term custody solution. It will also fund the ongoing, long-term and national ICT projects for enhanced services at the first point of contact with the public.

### RESERVES AND COMMITTED FUNDS

1. Appendix 7 provides a summary of the Commissioner’s Reserves and Committed Funds position for the following five years. It reflects an update of the Commissioner’s Reserves and Committed Funds Strategy as part of this budget setting round. The MTFP and, in particular, the Commissioner’s Reserves and Committed Funds position was discussed at Joint Audit Committee on 7 December 2023 (along with the 2024/25 Treasury Management Strategy). This enabling Joint Audit Committee to discharge its responsibilities in relation to the budget setting process and the annual financial statements. A copy of the Reserves Strategy is included at Annex 4.
2. With the finalisation of the detailed ‘bottom up’ annual budget setting process, the Reserves and Committed Funds position has been updated and will continue to be instrumental in stakeholder engagement and any mitigation strategies.
3. The Commissioner’s Reserves and Committed Funds position highlights the overall financial landscape and provides context to the Commissioner’s Budget Requirement and Council Tax Precept proposal for 2024/25.
4. By the end of the 2028/29 financial year, it is forecast that the Commissioner will have Reserves of £5m and Committed Funds of £9.103m (totalling £14.103m – bottom right-hand corner of Appendix 7). This assumes, however, that the current outstanding capital programme requirements are incurred in full and are funded from reserves in 2023/24.
5. Recurrent budgetary imbalances must be found from recurrent efficiencies – Reserves and Committed Funds should only be utilised to manage annual timing differences. The challenge is for the predicted 2024/25 net deficit of £2.805m to be found from additional in-year efficiencies, and only underwritten by reserves as a last resort. Therefore, reserves have not been allocated against this deficit.
6. This forecast Reserves and Committed Funds figure at 2028/29 of £14.103m comprises six component parts:

* General Reserve – (£5m Line A1)

1. Purpose – This is held as working capital to help cushion the impact of uneven cash flows and also as a contingency to mitigate the impact of unexpected events or emergencies. At the end of the financial year, the General Reserve will amount to £5m which represents 3% of 2023/24 net revenue expenditure and, in the view of the Chief Finance Officer, represents an appropriate level in terms of the overall risk-profile; and
2. Planned utilisation – This reserve is held for unfunded and unexpected events or emergencies. Therefore, as a statutory contingency reserve there is currently no call upon this reserve.

* Commissioning Strategy and Gwent Police Initiatives – (£1.569m Line C2)

1. Purpose – This committed fund is primarily designed to pump-prime both the delivery of the Commissioner’s strategic commissioning intentions and also specific OPCC and Gwent Police initiatives, to deliver the Commissioner’s Police and Crime Plan; and
2. Planned utilisation – As a result of the Well-being of Future Generations Act 2015 and the associated creation of Public Service Boards (PSBs), the Commissioner’s commissioning strategy could become intrinsically linked to the work of PSBs in the future.

* Airwave – (£6.112m Line C3)

1. Purpose – Due to the length of the lifecycle and the complexity of the funding model for the initial Airwave replacement programme, it was necessary, at its inception, to create a committed fund. This ensures that the affordability of the scheme is safeguarded for its entire duration and the variable impact of its financial cycle is minimised; and
2. Planned utilisation – The Airwave system is being phased out and will be replaced by the Emergency Services Network (ESN). This will provide the next generation communication system for the three emergency services (Police, Fire and Rescue, and Ambulance) and other public safety users. Based on current estimates of the cost of transition and dual running implications of this programme, coupled with the revenue contribution into the committed fund from base budgets, it is estimated that although this committed fund will not be fully utilised at the current date of transition sometime during 2028/29, further delays in the delivery of ESN may necessitate further dual running costs, which would ultimately deplete this Committed Fund in its entirety.

* Other Financial Liabilities – Tribunal and Ombudsman Liabilities through to PCSO Increase – (£1.421m Lines C4a to C4h)

1. Purpose – The rationale for these Committed Funds is articulated in the table below:

|  |  |
| --- | --- |
| **Category of Committed Funds** | **Rationale for holding** |
| Committed Funds set aside for major schemes, such as capital developments, or to fund major reorganisations such as those determined by the SIB. | Where expenditure is planned in future accounting periods, it is prudent to set aside resources in advance. For example, to fund future capital programme spend in line with insufficient capital grant, or to pump-prime organisational change programmes. |
| Other Committed Funds to support the medium-term budget, e.g. forecast accelerated efficiency savings. | These are Reserves and Committed Funds, which are either planned to be generated in the future and as such, may not yet have been committed to fund expenditure as of yet; or are existing reserves, which by their nature of being no longer required, are available for recycling either fully or in part to fund other committed areas of expenditure. |
| Committed Funds to meet and manage forecast budgetary risks. | With more than £53.772m of efficiency savings delivered to the end of the 2022/23 financial year since 2008/09; £1.142m planned for delivery during 2023/24; and a gross forecast deficit of £12.744m by 2028/29, it is prudent to underwrite a degree of the budgetary imbalance remaining after taking into account future efficiency savings. |
| Committed Funds set aside in previous reporting periods for potential liabilities arising out of tribunal or ombudsman decisions. | These funds are established to meet potential and contingent obligations arising from ‘live cases’ which did not meet the definition of a provision[[1]](#footnote-1). These are reviewed regularly on a case-by-case basis on whether they are still required (and therefore remain ‘committed’) or can be released back into the wider reserves and Committed Funds position. |
| Committed Funds for unspent revenue grants and sums held on behalf of third parties. | Where revenue grants have no conditions attached or the conditions are met and the expenditure has yet to take place, these sums are permissible to be held as Committed Funds. The same applies for sums held on behalf of third parties. |
| Committed Funds retained for workstream/department use (including utilisation of ‘Proceeds of Crime Act’ (POCA) monies). | The Commissioner’s Reserves and Committed Funds protocol permits workstreams/departments to carry forward commitments at the year-end (in the form of a committed fund), on the basis that the expenditure will take place in the following financial year(s) – these are subject to extensive scrutiny at each year-end and also during the following budget setting round. |

1. Planned utilisation – These Committed Funds receive extensive scrutiny at the year-end and also during each budget setting cycle. Therefore, although these Committed Funds still show a balance of £1.421m in 2028/29, this does not mean that the Committed Funds are not required up to this point in time, rather the plans for their utilisation are not finalised to identify the timing of the individual committed fund’s utilisation.
2. It is important to note, that in order to maintain the forecast Reserves and Committed Funds position of £14.103m by 2028/29, the Commissioner is currently required to borrow £68.000m between 2024/25 and 2028/29 to fund his capital programme.
3. The forecast Reserve and Committed Funds position does not take into account the following events which would increase this figure:
   * Additional sales of capital assets than those already identified;
   * Additional sums from further acceleration of the delivery of efficiency schemes; and
   * Underspending in the capital programme or slippage which defers spend to future financial years.
4. Similarly, the forecast Reserves and Committed Funds position does not take into account the following events which would further reduce this figure:

* The impact on Reserves and Committed Funds from a new CSR or any transitioning arrangements to a new Funding Formula allocation;
* Further significant investment to deliver over and above the current five-year capital programme that is not met from external borrowing;
* Pump-priming for future phases of the Continuous Improvement Programme; and
* Overspending in the capital programme or acceleration which brings forward spend.

### EFFICIENCIES AND BUDGETARY SAVINGS

1. Since 2008/09, Gwent Police has delivered £53.8m of recurrent, cashable efficiency savings to 31 March 2023. An additional £1.142m of savings are expected be delivered for 2023/24. The budget setting process has driven out unspent amounts and cost savings from underlying budgets of £4.4m for 2024/25 (Appendix 5a).
2. In 2024/25, Gwent Police is aiming to deliver efficiency savings of £698k on top of budget savings already realised of £4.4m. These will contribute to closing the projected deficit for 2024/25 and maintaining essential services in the face of further government austerity.
3. Assuming an annual council tax precept increase of 7.70% in 2024/25 and then 6.82% from 2025/26 for the remaining life of the MTFP, the currently unmet recurrent deficit to 2028/29 is still £12.7m. This deficit remains even after taking account of an annual council tax precept increase of 7.70% in 2024/25, then 6.82% thereafter and known future budgetary savings and efficiency saving schemes totalling £2.35m.
4. In addition to internally generated efficiency schemes, Gwent Police uses HMICFRS’s value for money (VFM) dashboard to identify where Gwent is an outlier in expenditure terms when compared to its most similar forces. These dashboards are publicly available on the HMICFRS’s website. These areas are then taken forward by the Continuous Improvement department as part of its forward programme of service improvement.
5. The VFM profiles were produced annually by HMICFRS between 2009 and 2017. Since 2017, HMICFRS have produced interactive VFM dashboards to help forces compare performance, outcomes and cost. They are designed for use by force management, Commissioners, the HMICFRS and the public. 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 (excluding the two named above) and also within an individual force’s ‘Most Similar Groups’ (MSG), i.e. those forces that share similar characteristics, such as demographics.
6. In terms of an overview from the latest dashboard available from 2022, Gwent Police remains the fourth highest cost per head of population across England and Wales; and the highest within its MSG of forces. All Welsh forces are amongst the top nine most expensive (excluding London) forces. Among the four Welsh forces, Gwent is first (fourth overall), followed by North Wales (fifth overall), South Wales Police (seventh overall), and then Dyfed Powys Police (ninth overall).
7. Gwent Police continues to spend more per head of population than all forces and its MSG forces in the areas of local policing, dealing with the public, road policing, operational support, public protection, investigative support and support functions. Gwent Police also spends more on investigations than its MSG. This is a consistent picture of spend year-on -year and reflects the conscious investment in local policing and prevention that has been made previously. When comparing how spending has changed over the last 12 months, the dashboard does reflect the further investment in spending on road policing, operational support, investigations, public protection and investigative support. When compared to how MSG forces have changed their spending patterns over the year, Gwent has reduced the level of spending on local policing, criminal justice arrangements and support functions.
8. Considering how this spending is made up per head of population, Gwent has the second lowest level of spend for supplies and services (£9.41 per head of population), compared to its MSG. Collaboration spend remains a higher cost area relative to the MSG, but this reflects the ongoing collaborative ICT arrangements with local authority partners in the Shared Resource Service (SRS) and South Wales Police in the Digital Services Division (DSD) for the provision of ICT services. This also explains why support function costs remain a high cost area per head of population relative to other forces, but paradoxically when support function costs are considered as a % of total costs, Gwent spends the lowest in its MSG and the 11th lowest overall. Gwent is still well advanced (when compared to other forces) in delivering its digital strategy in support of Policing Vision 2025. Every Police Officer has a personal issue laptop, smart phone and Body Worn Video device, with advanced software and applications that support mobile data and the ‘Triple F’ project. The business benefits of this investment, continue to materialise in cash savings and productivity improvements as this equipment if refreshed and working practices change. The treatment of certain ICT costs, such as Airwave replacement, as revenue expenditure rather capital also contributes to a higher cost per head of population than MSG forces.
9. Estate costs also contribute to these higher support function costs. As documented in previous years, a number of costs are classified as revenue rather than capital expenditure. These include the Estate maintenance budget, various ICT project and infrastructure costs, and the arrangements Gwent Police has in place with Monmouthshire Country Council through the Shared Facilities Management (SFM) Team. Key aspects of the current Estates Strategy are delivered via SFM from an initially set aside revenue budget, which are subsequently capitalised when individual schemes within the strategy are commenced. This reduces the revenue spend accordingly at a later date.
10. In terms of operational policing, local policing costs continue to be more expensive than the MSG and all forces due to the above average visible front-line provision in Gwent and the current level of CSOs that have benefitted from Welsh Government funding. This makes the Welsh forces appear more expensive in the dashboards than English counterparts.
11. Again, as highlighted in previous years, as a small force, Gwent does not enjoy economies of scale, therefore the points above need to be considered in this context. Gwent Police performance needs to be considered too, in that the cheapest and most efficient force may not be the top performing. Similarly, the dashboards do not reflect conscious local decisions to invest in particular areas of spend; the receipt of additional specific grants such as the Welsh Government-funded CSOs; nor distinguish that forces with small populations will sometimes be disadvantaged because they hold similar levels of fixed costs to larger forces.
12. Significant assurance on the Commissioner’s and Chief Constable’s arrangements for securing VFM have been received from Audit Wales, internal audit and the wider work of the Joint Audit Committee in its reports over the year. The Commissioner has placed an ongoing requirement on the Chief Constable to continue to seek further cost avoidance and savings measures from within the expenditure budget as soon as possible.

### EXTERNAL INFLUENCES

1. On current financial forecasts, by 2027/28, council tax payers in Gwent will fund more than half the net budget in Gwent, thereby becoming the ‘majority shareholders’.
2. Modern policing demand is increasingly addressed through ‘non-visible’ policing presence:

* Dealing with cyber-crime;
* Counter terrorism and domestic extremism work;
* Safeguarding work with vulnerable people;
* Dealing with domestic abuse; and
* Tackling child sexual exploitation and modern slavery.

1. Therefore, expectations of the public for visible policing needs to be carefully managed and communicated.
2. Austerity across the public sector in Gwent increasingly promotes policing as the service of first and last resort. The Commissioner and Chief are working closely with partners both locally and across Wales to address this.
3. 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.
4. Importantly, from a policing demand perspective, it is understood that the other three police forces in Wales are currently proposing council tax precept increases next year of between 4.97% (£16.13) and 8.59% (£27.88) per annum. Gwent’s proposed precept increase is within the range of increases proposed by the other three Commissioners in Wales.
5. In relation to the tax base, as noted above, Gwent’s tax base has grown by 0.68%. Whilst a welcome increase on the Chief’s Bid assumption of 0.47% growth, this is still the lowest level of growth across the four police areas in Wales. The tax bases are predicted to grow by 1% in North Wales Police, 1.35% in South Wales Police and 3.1% in Dyfed Powys Police. This means the other forces will have a greater benefit on top of their proposed precept increases. This variation reflects Welsh Government policies on second home and vacant property council tax premiums which have less effect in Gwent. Indications from English forces are of average increases in council tax base of around 1%, at the lower end of the growth predicted by the Office for Budgetary Responsibility in their Economic and Fiscal Outlooks, but still above the level of increase in Gwent.
6. Within Gwent, the draft budgets proposed by local authorities include proposed council tax precept increases that range from 4.95% (£73.11 per annum on a Band D) to 8.5% (£117.30 per annum on a Band D property). In comparison, from a local perspective, the proposed increase of an additional £25 per annum for a Band D property would equate to only a 1.3% rise in the average Gwent local authority Band D precept. Or put another way, a 7.70% increase on the average Gwent local authority Band D precept in Wales, would add more than £117.10 per annum to a household’s bill; as opposed to the £25 per annum a 7.70% increase would add – i.e. 4.7 times the value for the same percentage increase.

### FINANCIAL RISKS AND OPPORTUNITIES

1. While the MTFP is designed to reflect the most up to date intelligence, a number of outstanding issues and unquantifiable risks remain that are incapable of being fully reflected at this present time. Briefly these are:

* Financial:

1. The future impact of post Covid-19 economic factors (especially on future council tax bases, inflation and further impact on public sector pensions payments); the war in Ukraine (particularly inflation); Brexit; UK/Global recession; post CSR 2021 UK Government spending reviews; and the Police Funding Formula Review;
2. Exposure to interest rate fluctuations as a result of the cost of borrowing to fund the capital programme;
3. The short, medium and long-term funding consequentials of Operation Uplift;
4. Loss of ‘assumed’ council tax precept income;
5. Impact of the localisation of council tax support;
6. 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;
7. Increasing costs of national ICT programmes and changes to the apportionment method of these across Commissioners/forces;
8. Potential future increases in the Police Officer and Police Staff pay awards higher than expected;
9. Withdrawal of funding by partners (Home Office, Welsh Government, Ministry of Justice and local authorities) for jointly commissioned activities and services, as already experienced with CSOs and the Schools Liaison Programme;
10. The reduction in CSO numbers over 2024/25 from natural ‘attrition’ could be lower than predicted, which could increase the in-year costs
11. Increased ‘last resort’ demand due to others withdrawing service; and
12. Failure of the Government to deliver on national programmes of work such as ESN transition.

* Organisational:

1. Partners re-trench from collaborative ventures (e.g. as a result of the Welsh Government settlement);
2. The financial and non-financial impact of ongoing service reviews recommendations such as the Neighbourhood Policing Review; and
3. Failure of key efficiency schemes to deliver, particularly those related to national programmes of work.

* Societal:

1. Emergent complex crime types and increased safeguarding requirements;
2. Increased crime, anti-social behaviour and incidents due to the economic and political climate – particularly in respect of the cost of living crisis; and
3. Lack of Police Officer/Police Staff turnover due to limited job opportunities.
4. Conversely, a number of opportunities exist which could ease the financial burdens:

* Adopting and embedding the ‘new ways of working’ arising from the ‘lessons learned’ from Covid-19;
* Increasing productivity through ongoing ICT investment and the automation of tasks;
* Potential long-term investment by UK Government into policing;
* The ongoing development of Gwent PSB promoting a ‘one public service’ ethos to tackle long-standing issues across Gwent;
* Linked to this, the ability to co-commission services with public and third sector partners, avoiding duplication of effort and maximising return to the public; and
* Actively seeking out income generation opportunities, increased investment income from higher interest rates, and influencing the legislative agenda to provide wider opportunities.

### FINANCIAL AND OPERATIONAL PERFORMANCE

1. A key component in the setting of the 2024/25 budget is the financial performance in the current financial year. Quarterly financial management reports are produced and scrutinised at both the OPCC’s Strategic Management Board; Gwent Police’s Chief Officer Team meetings; and ultimately at the Commissioner’s Strategy and Performance Board. From Quarter 2 2023/24, 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. 31 March).
2. Appendix 6 confirms that the initial forecast outturn reported at Quarter 2 indicated a non-recurrent £2.8m surplus against gross revenue expenditure of £171.2m; which equates to a 1.7% variance against overall budget. The Finance Report 2023/24 – Second Quarter (Q2) sets out additional detail on the financial performance to 30 September 2023 and is included at Annex 5.
3. This forecast surplus has arisen largely from additional investment income from higher interest rates, new non-recurrent grant income received in year, and the avoidance of financing costs as no borrowing will be required for 2023/24 to fund the capital programme.
4. This position has enabled non-recurrent contributions to Reserves and Committed Funds to:

* Bolster the Commissioner’s General Reserve to maintain a consistent percentage against a rising gross budget; and
* Provide a one-off revenue contribution to reserves to fund future revenue and capital requirements.

1. Over recent years, the Commissioner’s budget has showed a positive variance at the year-end, i.e. a saving on budget. This positive variance is scrutinised to assess whether it has arisen from non-recurrent timing differences arising from the timing of ‘ring-fenced’ UK Government Grant Funding (as is the case for the 2023/24 financial year); resulted from 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 Police Staff member leaving early, in advance of the planned removal of their post in a future period). Overwhelmingly, over the period of austerity since 2008 and especially in the last four financial years to 2023/24, the reason for the positive variance is accelerated efficiency savings taking effect. The financial effect of the last two examples are removed from the budgetary requirements for future years, as part of the detailed bottom-up annual budget setting process.
2. The ‘one-off’ non-recurrent nature of the 2023/24 underlying surplus is further emphasised in that even after taking account of future planned efficiency schemes in future financial years of £2.3m, the Commissioner is still facing unbalanced budgets for the next four financial years and a recurrent financial deficit of £12.7m by 2028/29. This non-recurrent underlying surplus does however provide two key benefits. Firstly, it gives a barometer of the continuing sustainability of both previously delivered efficiency schemes and Gwent Police’s ability to continue to find more efficiency schemes. Secondly, 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 which will partly offset future borrowing requirements. This has been reflected in the MTFP, along with a recognition that timing differences from recruitment will give rise to in-year savings against pay budgets on a recurrent basis.
3. The 2023/24 capital programme is included in Appendix 8a. The original annual budget on proposed schemes for 2023/24 was £23.902m, but this was revised to £21.090m to reflect a rephasing of schemes into 2024/25 and also the confirmation of a number business cases through Gwent Police’s Service Improvement Board (SIB).
4. The Estate schemes in the original programme totalled £6.242m, which has since been revised to a forecast spend of £9.735m. The contributors to this movement are the reprofiling of spend across four of the key developments within the current Estate Strategy, namely the Abergavenny Police Base, Fleet Workshops relocation, demolition and security of the old HQ site, and the Property and Evidence Store. Whilst the first two will be complete by 31 March 2024, the remaining two are progressing and will now be completed in 2024/25.
5. In relation to the vehicle replacement programme, the original capital programme budget was £2.325m, which has recently been revised downwards to £1.892m. This adjustment reflects delays remaining in the delivery of some vehicles to meet the usual replacement cycle and to accommodate environmental impacts. A review is planned of the IR3 telematics data and pool car usage in relation to the size of the vehicle fleet.
6. The ICT schemes in the original capital programme totalled £4.020m and the latest budget reflects £4.469m of spend forecast for 2023/24. The upwards movement is due to timing changes for the refresh of FFF (Fixed Field Flexible) capability; the Control Room project; and the Data Hall decommissioning following SRS’s move out of Blaenavon. The spend on the SAFE mobile app development has been deferred and replaced by the JOINS2 network project for 2023/24.
7. At the time of writing, the Quarter 3 financial management report is being compiled, therefore the Commissioner’s Acting Chief Finance Officer and Section 151 Officer will provide a verbal update on the forecast year-end position at the Police and Crime Panel meeting on 26 January 2024, if there is a material change.
8. In Gwent, the numbers of recorded incidents, anti-social behaviour and crime levels recorded and responded to by Gwent Police continue to increase. By the end of this financial year, we anticipate higher levels overall than 2019/20, the last year before the pandemic. Alongside a return to ‘normal’ following the pandemic, some of these increases will be down to better recording standards, a particular area of focus for Gwent Police and policing nationally, and some will be as a result of continued efforts by Gwent Police and the Commissioner to increase reporting of crimes in historically under-reported areas. Many of these increases will also be as a result of general increases in crime and compounded by societal challenges such as the cost of living crisis, which is certainly a factor in the rises seen in some acquisitive crimes such as shoplifting, and also some violent crimes. However, we have also seen some crimes buck this trend, such as burglary, which continues a downward trend. There are also increases in positive outcome rates, meaning more justice for victims. Gwent Police has invested in a new Rape and Serious Sexual Offences team, which is starting to have great effect on investigating those crimes and improving the overall response for victims.
9. As an overall view on Gwent Police performance, it had a Police Efficiency, Effectiveness and Legitimacy (PEEL) inspection by His Majesty’s Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) in November 2022. The inspection identified some areas Gwent Police performs well in, such as preventing crime and anti-social behaviour, and managing suspects and offenders. It also highlighted areas that needed to improve or were inadequate. Particularly pressing was the need to improve the initial response to the public through the force control centre managing 999/101 calls and dispatching officers to a scene. Within the control room specifically, this included a need to better identify and assess the vulnerability of callers. Gwent Police, with supportive scrutiny from the Commissioner and OPCC, put in place significant efforts to address these causes for concern. Upon reinspection by HMICFRS, the ‘cause for concern’ and ‘areas for improvement’ (AFIs) linked to the victim service assessment, the force control centre and investigation standards were addressed. Gwent Police were praised by HMICFRS for the significant improvements made and this was reported to December’s Police and Crime Panel meeting. Regular reporting on the response to PEEL is included in the quarterly Strategy and Performance Board (SPB), where this is scrutinised by the Commissioner.
10. The Commissioner continues to focus heavily on scrutinising the performance of Gwent Police and a new monthly scrutiny meeting will be trialled from February. This will enable OPCC to scrutinise selected thematic areas (such as anti-social behaviour) in more detail, to receive and give assurance to the public on policing performance.

### ACTING CHIEF FINANCE OFFICER’S STATEMENT – REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003

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

* The robustness of the estimates made for calculating the Council tax precept; and
* The adequacy of the proposed financial reserves.

1. The same section requires the Commissioner to have regard to the Chief Finance Officer’s report when making decisions about council tax precept.
2. Central Government grant funding from the Home Office and Welsh Government currently fund approximately 55% of the revenue budget requirement for policing and crime services in Gwent. However, this position continues to be eroded, placing an increased emphasis on the level of local council tax funding. A combination of CSR 2010, SR 2013 and CSR 2015 resulted in significant reductions in core Home Office and Welsh Government 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 UK Government Grant Funding 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%, 2017/18 a reduction of 1.40% and 2018/19 flat cash. The 2019/20 final settlement, on the surface, appeared positive in that UK Government Grant Funding increased by 2.1% and a Specific Pension Grant had been provided, both designed to mitigate the financial impact of the revaluation of Public Sector Pension Schemes. However, the sum of these amounts fell short in meeting Gwent Police’s additional pension costs in 2019/20 to the value of £429k – so, in effect, the final settlement amounted to a 0.60% cash cut. Cumulatively, the budget available for policing and crime in Gwent has experienced over a 27% cash reduction between 2010/11 and 2019/20. When the effect of inflation and pay awards is built in, the real reduction is over 40%.
3. The settlements since 2020/21 have provided reinvestment through Operation Uplift, although this is ring-fenced additionality and has continued in the Provisional Settlement for 2024/25. Therefore, the overall cash reduction in the Commissioner’s budget between 2010/11 and 2024/25 has been only partly addressed. In simple terms, Gwent Police will receive virtually the same amount of cash from Central Government Grant Funding in 2024/25 as it did in 2010/11. When the effect of inflation and pay awards is built in, the real reduction is nearly 21% over the 15 years.
4. Although the Provisional Settlement (and updates to CSR 2021) has been largely in-line with expectations for Gwent Police (albeit all new funds are ring-fenced and at risk of being insufficient in future years), the financial landscape remains uncertain. Significant uncertainty for the economy and the public finances remains in light of the war in Ukraine and escalating conflicts in the Red Sea; cost of living crisis; legacy Covid-19 and Brexit implications; post CSR 2021 uncertainty; and growing pressures on public services following years of cuts. Despite the lessening of budget cuts over recent years therefore, the latest UK Government ‘promises’ may not be sustainable.
5. The Continuous Improvement 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 and, as a consequence, Reserves and Committed Funds have been generated. These support the investment necessary to redesign the estate; maximise ICT opportunities; and pump-prime new initiatives. This success, along with the lessening of UK Government Grant Funding cuts in recent years and appropriate council tax precept increases, has allowed Gwent Police to generally attain its full officer establishment during 2022/23 and 2023/24. Appropriate council tax precept increases into the near future will go some way to maintaining current policing services in the wake of Welsh Government budget reductions, and continue to address areas of demand while realising the benefits to the public of Gwent.
6. The preparation of the budget is now almost a continual exercise, involving the compilation of MTFPs, dovetailing with detailed work across the OPCC and Gwent Police under the supervision of the Assistant Chief Officer – Resources and with ultimate direction by the Chief Finance Officer. The involvement of all parts of the police service ensures awareness not only of the demands, but also of the constraints upon them. That awareness has grown over the last 12 months with greater emphasis on the need for sustainable and/or cost neutral solutions to demands. Throughout 2023/24, panel members and Joint Audit Committee have received progress reports on the 2024/25 budget and beyond. Members were able to examine both the proposals and the process followed. The extent of this preparatory work and engagement has again greatly assisted the Commissioner. 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.
7. Appendix 7 to this report shows details of the Commissioner’s Reserves and Committed Funds position. Gwent Police’s Assistant Chief Officer – Resources and the Chief Finance Officer have reviewed the adequacy of reserves, committed funds and provisions. In addition, as part of the compilation of the year-end Statement of Accounts and also at the commencement of each budget setting round, the Reserves and Committed Funds are formally reviewed and separately reported upon respectively in the Statement of Accounts and the Reserves and Committed Funds Strategy.
8. The General Reserve is required for working capital and to meet unexpected expenditure in emergency situations or major crime. In reviewing the Reserves and Committed Funds Strategy in December 2023, it was concluded that a General Reserve of £5m would remain a prudent level for Gwent Police and OPCC moving forward. This takes into account the size, local circumstances and the ongoing requirement for savings to address both historic and recent reductions in UK Government Grant Funding.
9. In relation to the Committed Revenue and Capital Funds, programmes of work are already in train, or risks remain, which confirms the need and sufficiency of the amounts reported.
10. In conclusion, with the adequacy of the proposed financial Reserves and Committed Funds, this source of funding to deliver an appropriate capital programme moving forward will now be exhausted and will require difficult decisions on borrowing going forward. The long-term funding for Gwent Police’s capital infrastructure needs is of grave concern, to the extent that formal representations have again been made on the lack of capital grant funding by the Acting Police and Crime Commissioner to the Welsh Affairs Select Committee during 2023.
11. The dialogue on funding of capital infrastructure will therefore continue, both at a local and national level.

### CONCLUSION

1. A council tax precept increase of 7.70% (£25 a year or £2.08 a month) will partly fund:

* The underlying post-Operation Uplift Police Officer and Police Staff establishment;
* An increased number of Gwent Police-funded CSOs following Welsh Government funding changes; and
* The unavoidable non-pay service pressures and costs particularly inflation, capital spend and ICT running costs to boost productivity and provide the non-personnel resources needed to deliver safe services.

1. This increase will partly fund, because even after this proposed 7.70% precept uplift, the Commissioner is left with an unbalanced budget next year of £2.8m.
2. Policing annual precept percentage increases are not comparable with those of the Gwent local authorities – a 7.70% increase for policing adds £25 to a Band D bill, while a 7.70% for an average Gwent local authority would add nearly £117.10 to a Band D bill.
3. In addition, on average Gwent local authorities had a 9.5% increase in grant funding for 2022/23 and 5.5% increase in 2023/24. Welsh Policing’s average UK Government grant increase was about 6% in 2022/23 and 1.9% in 2023/24 – all of which was ringfenced or already committed.
4. In determining the proposed level of council tax precept for 2024/25, the Commissioner has sought the views of Gwent residents and is acutely aware of the significant pressures on household incomes at this present time. Whilst the majority of Gwent residents who responded supported an increase in Council tax precept, the Commissioner needs to balance the local investment expectations of government; those of the Chief Constable to deliver an effective and efficient policing service; with the affordability of the increase to Gwent’s households.
5. The proposed increase in council tax precept therefore has been robustly scrutinised and challenged, to ensure that it is the minimum increase required to maintain policing services in Gwent and to support the maintenance of CSO numbers in 2024/25.
6. In conclusion, the recommendation of this report supports the necessity to appropriately fund the invaluable public service that policing provides to the people of Gwent, usually at times when they are at their most vulnerable.

### NEXT STEPS

1. The Police and Crime Panel are required to review the proposed council tax precept and make a report to the Commissioner on the proposed council tax precept by 8 February 2024.

### ANNEXES

The Annexes to this report set out additional background information supporting this report as follows:

## Annex

1. Chief’s Budget Requirements 2024/25 to 2028/29 report

2. 2024/25 Budget Assumptions Briefing

3. Police and Crime commissioners Treasurers Society (PACCTS) briefings on:

a. Chancellor of the Exchequer’s Spring 2023 Statement

b. Chancellor of the Exchequer’s Autumn 2023 Statement

4. Commissioner’s Reserves Strategy:

a. Reserves Strategy 2023/24 Appendix 1

b. Reserves Strategy 2023/24 Appendix 2

5. Finance Report 2023/24 – Second Quarter (Q2)

## Appendices

The Appendices provide full financial details in support of the precept proposal as follows:

Appendix 1a - Impact of Incremental Council Tax Precept Changes

Appendix 1b - Medium-Term Financial Projections 2024/25 to 2028/29

Appendix 1c - Objective Analysis

Appendix 2 - Medium-Term Financial Projections – Assumptions

Appendix 3 - Gwent Police Establishment

Appendix 4 - Service Pressures and Budget Developments

Appendix 5a - Identified Budgetary Savings

Appendix 5b - Continuous Improvement Programme Savings

Appendix 6 - Quarter 2 2023/24 Income and Expenditure Forecast

Appendix 7 - Reserves and Committed Funds Position 2024/25

Appendix 8a - Capital Programme 2023/24 to 2028/29

Appendix 8b - Long-Term Project Programme 20223/24 to 2028/29

1. A provision exists when the Commissioner is faced with a present obligation (legal or constructive) which has arisen as a result of a past event. Furthermore, the payment is probable ('more likely than not') and the amount can be estimated reliably. Provisions are therefore provided for and accounted via the Comprehensive Income and Expenditure Statement (CIES) in the year in question, i.e., not set aside as a Committed Earmarked Fund for utilisation in future years. [↑](#footnote-ref-1)