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| Medium Term Financial Plan 2024/25-2028/29 – update |
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| 2024   1. PURPOSE AND RECOMMENDATION    1. The purpose of this report is for information. There are no recommendations made requiring a decision. 2. INTRODUCTION & BACKGROUND    1. The Medium Term Financial Plan 2024/25 – 2028/29 (MTFP) was presented by the Police & Crime Commissioner (the Commissioner) to the Police & Crime Panel meeting on 26th January 2024 and is summarised in Annex 1. For the 2024/25 financial year the MTFP showed a projected budgetary requirement of £176.5m against approved funding of £173.0m, resulting in a £3.5m deficit. Savings of £0.7m had already been identified, leaving £2.8m still to cover from either further savings or reserves utilisation. The net projected deficit at 2028/29 was £12.7m.    2. Further cost pressures, income, and funding adjustments have occurred since 26th January 2024, as they do every year. Typically, we manage additional costs from non-recurrent savings in that financial year and include any recurring costs in the next round of budget setting in October each year. The MTFP is also updated between June and August each year to reflect the final budget book position and new funding/income and expenditure amendments.    3. The MTFP update for June 2024 is shown in Annex 2. This shows a net decrease of £1.6m in the projected budgetary requirement to £174.9m, and a revised deficit after known savings of £1.2m. The updated net projected deficit at 2028/29 is now £10.9m.    4. A lot of work has been done to identify further budget savings which has resulted in reductions across departmental budgets in February and March 2024. These have been reflected in the £174.9m revised budget, and the 2024/25 Budget Book published in April 2024 on the Beat. A reconciliation of the net decrease of £1.6m is provided in Annex 3. The main additional cost pressures are:   Additional ICT cost pressures – budgets were agreed in December 2023 but were revised in 2024 as a result of projected increases in infrastructure charges (£170k) and licence costs (£200k). There has been consolidation within the IT software sector resulting in a number of mergers and triggering a rise in fees for some of our key systems charged by suppliers. There is active management of licence and contract renewals to try and mitigate the full impact of these price rises.  XPS Pension costs – recognition of £104k of additional fees charged by XPS, the Police Pension Schemes administrator, in relation to the McCloud Pension Remedy issue affecting all forces in England and Wales. The pension remedy process is due to be completed by 31st March 2025 so this non-recurrent cost will be removed in future years.  Rates – final rates figures were confirmed by local authorities in Gwent after January 2024, resulting in a new cost pressure of £134k.   * 1. Offsetting these additional cost pressures are the following budget reductions and savings:   Establishment and salary adjustments – the budget is updated to reflect the latest establishment figures in February each year. This has resulted in a number of unused posts being removed and new development posts such as the apprentice scheme being included in the establishment at their actual cost. The scale of the apprentice scheme has also been reduced from 15 posts to 3 posts following the Police & Crime Panel meeting in January 2024. The Commissioner and the Chief Constable remain committed to this scheme and additional apprentice posts may be added should the financial position allow as 2024/25 progresses. In addition, the further intake of new officers and staff turnover has meant lower pay increments within ranks/grades in the establishment, further reducing the pay costs. Taken together, the above changes mean the updated establishment figures have reduced pay budgets and expected cost pressures by an estimated £1.8m.  SRS - the Force’s contribution to the Shared Resource Service (SRS) was confirmed in February 2024, resulting in a reduction of £241k. This is the result of updated running costs for the SRS following the Force’s withdrawal from Data Hall 3 in 2023/24.  Home Office Grants – the level of funding from the Home Office for specific grants, mainly relating to pension rate changes for officers, was received in February 2024. This contributed a further £310k of funding for 2024/25.  Additional Income – estimates of self-generated income have been revised upwards by £99k. This reflect increases in national rates that forces can charge for special police services, such as abnormal load escorts, and for firearms licencing fees.   * 1. In order to close the updated 2024/25 deficit of £1.2m, a number of actions are being taken to drive out further budget and commissioning savings, and also to reflect external economic changes.   2. Firstly, the budget includes interest costs of £1.2m for borrowing to fund the capital programme. The revenue contribution to the capital programme of £7.15m continues to fund the replacement of short-term assets, and revenue budgets continue to be used for refurbishment costs and minor upgrades to buildings. We are saving £100k every month that we don’t borrow, although this remains a postponement of the cost rather than a recurring saving. When we do eventually need to borrow, it could be more expensive depending on future interest rate changes.   3. Secondly, the Welsh Government has now confirmed the level of funding for Police Community Support Officers (PCSOs) to the four Welsh forces for 2024/25. This includes a one-off funding element as the forces transition to the new targeted level following the recruitment freeze introduced in 2023/24. Gwent share of this non-recurrent funding is £195k.   4. The Productivity and Efficiency Working Group and the Service Improvement Board (SIB) continue to monitor savings as part of the Finance Tracker document considered monthly by SIB when those savings crystallise. This document has recognised a number of savings already reflected in the updated budget (for example reduced cleaning contract costs) and assesses the likelihood of delivery for each potential saving. A number of department reviews from the Change Programme are also coming to an end so further savings are expected to crystallise in the next six months.   5. The 2024/25 budget assumes a vacancy factor totalling £2.2m to reflect the time required to recruit into officer and staff posts. In the NPCC/APCC’s Financial Resilience Survey 2024/25 which uses data from MTFPs and was published Gwent’s vacancy factor is at the lower end of the range used by forces across England and Wales. The level of the vacancy factor will form part of the budget assumptions for the 2025/26 budget setting process.   6. The Capital Programme projections in the MTFP at January 2024 totalled £19.6m for 2024/25 funded by reserves, revenue to capital contributions and £12m of borrowing. The revised budget at the end of July 2024 is £22.5m for 2024/25. This £2.9m increase is spread across a number of projects in fleet, estates and ICT and would need to be funded from either further savings, revenue contributions or borrowing.  1. ISSUES FOR CONSIDERATION    1. Taking a full year saving on borrowing costs, and assuming the realisation of the projected benefits from the Change Programme above, this would substantially close the remaining £1.2m updated deficit. Work continues to identify recurring savings from service improvements in preparation for the 2025/26 budget setting process through the Change Programme. 2. COLLABORATION    1. None. 3. NEXT STEPS    1. Continued update of Finance Tracker reported to SIB to reflect known savings.    2. Further update to MTFP 2024/25 – 2028/29 and the Quarter 2 2024/25 financial position ahead of budget setting in October 2024. 4. FINANCIAL CONSIDERATIONS    1. Noted above. 5. PERSONNEL CONSIDERATIONS    1. None. 6. LEGAL CONSIDERATIONS    1. None. 7. EQUALITIES & HUMAN RIGHTS CONSIDERATIONS    1. This report has been considered against the general duty to promote equality, as stipulated under the Joint Strategic Equality Plan and has been assessed not to discriminate against any particular group.    2. In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998. 8. RISKS    1. Specific risk on the financial position will be updated to reflect the latest position for review by governance boards.    2. The increase in the capital programme costs, if fully realised by the end of 2024/25, will result in further pressures on in-year revenue budgets, or require additional borrowing.    3. Officer and Staff pay awards are subject to central negotiation by the UK Government. Recent announcements are that the pay award for officers will be 4.75% for 2024/25 which is higher than the 3.5% assumptions in the MTFP. The final position on staff pay awards is yet to be confirmed but is expected to be at a similar level to officers. This is a substantial increase and, while the UK Government are looking to fund the difference between 2.5% and 4.75% for officers, there remains a risk that any additional cost may have to be borne by the Force and PCC. 9. PUBLIC INTEREST    1. In producing this report, has consideration been given to ‘public confidence’? Yes    2. Are the contents of this report, observations and appendices necessary and suitable for the public domain? Yes    3. If you consider this report to be exempt from the public domain, please state the reasons: N/A    4. Media, Stakeholder and Community Impacts: none. 10. REPORT AUTHOR     1. Matthew Coe, Chief Finance Officer (CC). 11. LEAD CHIEF OFFICER     1. Matthew Coe, Chief Finance Officer (CC). 12. ANNEXES     1. Annex 1 (MTFP at January 2024, Annex 2 (MTFP at June 2024) and Annex 3 (MTFP reconciliation January to June 2024) are included. 13. CHIEF OFFICER APPROVAL     1. I confirm this report has been discussed and approved at a formal Chief Officers’ meeting.     2. I confirm this report is suitable for the public domain / is not suitable for the public domain for the reasons stated in 11.3. *(delete as appropriate)*   Signature: *(Insert CO electronic signature)* Date: | | |