

Medium Term Financial Plan 2022/23 to 2026/27

Updated position – August 2021

Background

- The Medium Term Financial Plan (MTFP) 2021/22 to 2025/26 showed a Projected Recurring Deficit at 2025/26, after efficiencies and reserves utilisation of £3.563m.
- The MTFP has been updated to reflect known pressures and funding changes since 31/3/2021 and to roll it forward to cover the 5 year period 2022/23 to 2026/27.
- The projected recurring deficit at 2026/27 is forecast at £4.933m – an increase of £1.370m.

Assumptions

- The revised MTFP assumes continued pay awards of 2.5% for officers and staff from 2023/24 onwards. It also takes into account the 12 month effect on the 2022/23 budget of the 2021/22 pay freeze.
- Inflationary pressures on non-pay costs are assumed to be 2% for general costs, 4% for utilities, and 3% for fuel.
- Council Tax precept growth is assumed at 6.82% over the 5 year period and also that the size of the collection base will grow by 0.46% each year.

Establishment

- The MTFP assumes a level of 1,465.5 FTE officers throughout the five years. Additional officers through Operation Uplift are fully funded.
- CSOs numbers are assumed to increase at 10 FTE per annum from 142 FTE in 2022/23 to 175 FTE in 2025/26 and 2026/27. The Welsh Government currently fund 101 FTE and have confirmed further funding for an additional 20 FTE on top of this. The additional 20 FTE will be therefore cost neutral to the Force.
- Staff numbers increase from 803.9 FTE in 2022/23 to 819.9FTE by 2026/27.

Capital and Borrowing

- It is assumed that the capital programme continues as previously forecast and that the Torfaen Hub progresses. Plans for 2026/27 are being developed but a cost of £10.0m for estates/ICT projects, £1.2m for fleet and £0.7m for long term projects have been included as estimates. The impact of Op Uplift on the number and replacement of the vehicle fleet and the estate have been factored into the capital programme.
- Reserves for capital schemes will be fully utilised in 2021/22 and external borrowing will be required in 2022/23 to fund the current capital programme. External borrowing costs are included at 3.5% and total £2.243m over the five year MTFP period. Total borrowing at 2026/27 is estimated at £58.4m.

Key cost pressures

- The previous MTFP included a figure of £2.0m per annum for future cost pressures and this has been extended for the updated MTFP. As a result, most of the cost pressures already identified since 31/3/2021 will be covered already by this one pressure. These include:
 - Motor insurance £102k

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- NPAS £164k
- Additional establishment changes/investments Feb/Mar 2021 £32k
- PCC: Substance misuse contract renewal £80k
- PCC: IOM Pathfinder pilot evaluation £64k
- ICT projects £235k
- Lost income from Torfaen CBC not renewing their lease of Pontypool station £100k
- Offsetting this is additional funding of £420k on a recurring basis from the Welsh Government for the shortfall in cost of the 101 CSOs they currently fund. The net position is therefore approximately £357k additional pressures identified to date.
- Additional costs for the growth in CSO numbers to 175 FTE in 2025/26 have been included separately. This additional pressure is based on £35,000 per 1FTE and covers full salary costs and a most of the kit costs for a new CSO.
- A figure of £8.802m has been included for the potential increase in employer's contributions from the latest valuation of the Police Pension Schemes that is expected to be unveiled by the Home Office from 2023/24. We have assumed this will be fully funded by the UK Government at no cost to the PCC/Force.

Risks

- **Comprehensive Spending Review (CSR)** - due to be completed by the UK Government in Autumn 2021. Early indications are that the level of funding of policing from previous years will be substantially reduced, and PCCs and forces may be faced with flat cash funding in the initial settlement in December 2021. The UK Government may expect PCCs to raise Council tax precept levels to offset any real terms reductions in government funding.
- **Funding Formula** - The UK Government will also carry out the long awaited review of the Police Funding Formula alongside the CSR. The potential impact has previously been estimated to be a reduction in funding to the PCC/Force of £2.0m in 2023/24, 2024/25 and 2025/26 – a total cut in funding of £6.0m. This is already included in MTFP cost pressures.
- **Council Tax** – There is an ongoing risk that falls in the council tax collection rate may lead to local authorities reducing their tax base. This would result in lower council tax precept funding for the PCC.
- **Pension funding** – The valuation of the Police Pension Schemes may not be fully funded by the UK Government. This was the case following the 2016 valuation of the scheme and PCCS/Forces were required to make up the shortfall from other funding sources.
- **Benefits realisation** - A number of business cases considered by SIB over the last 6-12 months have been approved with fixed term contracts as a short term solution, funded non-recurrently, for initial investments in services. Once these terms come to an end there is a risk that, unless the benefits are clearly tracked and demonstrated, these initial investments become business as usual by default resulting in additional cost pressures for our recurring funding that would require additional and potentially substantial savings plans.

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