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| **OFFICE OF POLICE & CRIME COMMISSIONER** | | | | |
| **LEAD CHIEF OFFICER:** | | | **Matthew Coe, CFO (CC)** | |
| **TITLE:** | | | **Budget Requirements 2025/26 – 2029/30** | |
| **DATE:** | | | **11th November 2024** | |
| **TIMING:** | | | **Annual** | |
| **PURPOSE:** | | | **For monitoring** | |
| **1.** | | **RECOMMENDATION** | | |
| 1.1 | | To consider and note the budgetary requirements for the period of the Medium Term (5 Year Plan) Financial Plan and specifically note:   * The updated total budgetary requirement for policing services for 2025/26 is £183.803m (2024/25 £174.908m.) * A further significant programme of change will be implemented to deliver service improvement and value for money through the new policing model during 2025/26. * Quantified financial gap arising from significant service and cost pressures - £11.892m with the release of £1.380m savings leaving a deficit of £10.512m by 2029/30. * Capital Strategy with significant capital requirement of £47.869m to 2029/30. * Borrowing Requirement requiring financing of £16.5m. * The updated financial gap 2025/26 is £4.979m and it is proposed to fund this as follows:   + Identified Savings - £0.360m   + Transfer/underwritten from Reserves - £4.619m   + Increase in precept - 6.82% | | |
| **2.** | | **INTRODUCTION & BACKGROUND** | | |
| 2.1 | | Since 2009/10 Gwent Police has been on a journey that has continuously focused on improving the quality of the service provided to the public, whilst at the same time making significant financial savings in light of the austerity challenges that continue to face policing. There are three areas on which Home Office will continue to assess progress namely Procurement & Shared Services, Mobile Working & Digital, and transparency about effective use of reserves  Within the last 5 financial years, the journey has been one of re-shaping services where there has been an increase in demand and more importantly increased risk to the public. It has also been one of responding quickly to preserve service provision in the wake of funding changes made at short notice, most notably in relation to the Schools liaison programme and PCSO numbers. Resources have been focused on the following areas over this period to respond to increased demand and risk, and the need for further efficiency and productivity savings :   * Public Protection Unit (specifically in relation to the establishment of Multi-agency safeguarding hubs in each of the five local authority areas). * New Technologies to Support policing including Facial Recognition, Digital Evidence Management, Telematics, and Voice Analytics   + capital programmes arising from the Estate Strategy, including the new headquarters in 2022, the new Abergavenny Station, and refurbishment of the wider estate and in particular the Ystrad Mynach custody suite.   + Professional Standards Department   + High Tech (Cyber) Crime   + Firearms Licensing   + Rape Investigation Team   + Reviews of Support functions:     - Estate & Facilities     - Occupational Health     - Human Resources   + Growing the number of Police Community Support Officers   + Investigation Hub   + Neighbourhood Policing Review   + Virtual Response Team | | |
| **3.** | | **PROGRAMME 2025/26** | | |
| 3.1 | | The planned programme for the financial year 2025/26 has been developed following the review of operational delivery through the Force Management Statement and the HMICFRS PEEL Inspection. | | |
| 3.2 | | Public finances are tight across the whole public sector. At a national level policing in England and Wales is focusing on the following key areas:   * Local policing (neighbourhood and response) and the Neighbourhood Policing Guarantee. This includes alcohol, shoplifting and Anti Social Behaviour. * Violence Against Women and Girls (VAWG) * Knife and Drug crime * Workforce priorities including the capabilities to deliver the Policing Vison 2030. * Digital/technology, capital and sustainability. * Financial sustainability, cost savings, and future funding and expenditure assumptions.   For the financial year 2025/26, the force has also needed to consider four other factors.   * Future custody provision. * Collaborative firearms range. * Operational Model review implementation. * Implementing Right Care, Right Person with partners. | | |
| **4** | | **BUDGET SETTING & MEDIUM TERM FINANCIAL PLAN** | | |
| 4.1 | | REVENUE EXPENDITURE 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 3.0% and non-pay inflation of 3% in 2025/26. * The Chancellor’s recent Budget changes to Employers National Insurance rates and thresholds is fully funded by the UK Government. * The Chief’s Bid includes maintaining 135 PCSOs for 2025/26. A maximum of 61 PCSOs will now be funded by Welsh Government grant, which are to be matched by 61 locally funded PCSOs – a total minimum level of 122 fte. Maintaining the numbers at 135 fte ensures operationally there is at least one PCSO per ward in the Gwent area. * No change to the contribution from revenue budgets to fund short life asset requirements for vehicle replacement, ICT development and capital maintenance in the capital programme. The revenue contribution to the capital programme of £7.15m does not provide sufficient funding to cover investment in long life assets such as the estate.   These assumptions and the scrutiny provided as part of the budget setting process have substantially curtailed additional costs pressures in 2025/26 to £2.0m (before borrowing costs, and anticipated funding of Employers National Insurance contributions increase of £2.5m) compared to £1.9m in 2024/25, £3m in 2023/24 and £4.3m in 2022/23.  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 £183.8m. The Force will continue to:   * Maintain services to ensure public safety; * Build upon the successes in the current 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.   The Chancellor’s Autumn Budget statement on 31st October 2024 provided a number of significant changes but there was little detail on the impact of that Budget for policing in England and Wales. The two main announcements that do impact on the Force are:   * Additional departmental funding to the Home Office of £5bn. To date there is no indication of how much of this additional funding will be allocated to policing. * Increases to Employer National Insurance rates to 15% and thresholds to generate an additional £25bn on revenue. The UK Government have set aside £4.7bn to fund the impact on public sector organisations. The local impact on the Force is to increase the pay budget by £2.5m and we have assumed this will be cost neutral to the Force through a specific grant from the UK Government that fully funds this additional cost. | | |
| 4.2 | | CAPITAL EXPENDITURE 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.  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.  The initial capital investment requirements over the next five years are becoming clearer as the implementation of the Estate, Fleet and ICT strategies continue to be progressed. However, the Estate Strategy needs to be updated to reflect the needs of the Commissioner’s new Police & Crime Plan which is still in development. As such little or no investment is currently planned for estate after 2026/27 until the Estates Strategy has been updated, and any new investments identified will require increased borrowing in these years.  The current strategy is robust in terms of its vision and objectives, but is not affordable in the face of global environmental challenges, and national and local police funding factors. A number of more urgent priorities related to increasing existing custody capacity at Ystrad Mynach, operational training facilities and the implementation of the new operating model have been put forward in the capital programme for consideration in the short term.  The capital programme in the MTFP has been reviewed and re-profiled with costs developed that align to the programme. Investment in these areas and the Joint Firearms Range means that, given the reduced reserves position, public borrowing is needed from 2025/26 onwards. That borrowing will also fund the ongoing, long-term and national ICT projects for enhanced services at the first point of contact with the public. Exceptional price inflation continues to be experienced in the construction industry.  Capital expenditure over the next five years totals £47.869m, of which the 2025/26 element amounts to £22.458m. Within this is £3.857m of non-capital long term projects in 2025/26, as well as Gwent Police’s £8.3m contribution to the build of the new Joint Firearms Range.  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 remains at £7.150m per annum for the life of this MTFP – a total of £35.750m. This supports the continuing need to invest in short-term assets (ICT, vehicles etc). To minimize the dependency on borrowing, an additional balance of £0.293m of revenue funding across the five years will be needed to cover the difference between borrowing and estimated capital programme costs; * 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 £16.5m between 2025/26 and 2029/30.   This investment will realise long-term cashable and non-cashable benefits, 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. | | |
| **5.** | | EFFICIENCIES AND BUDGETARY SAVINGS | | |
| 5.1 | | Since 2008/09, Gwent Police has delivered nearly £55m of recurrent, cashable efficiency savings with an additional £0.698m of savings are expected be delivered for 2024/25. The budget setting process has driven out unspent amounts and cost savings from underlying budgets of £0.4m for 2025/26 (Appendix 5a). In 2025/26, Gwent Police is aiming to deliver efficiency savings of £0.360m on top of the budget savings already realised of £0.4m. These will contribute to closing the projected deficit for 2025/26 and developing essential services in the face of further government austerity.  Savings over the next 5 years are £1.380m which is still below the target required to achieve a break even position. This is mainly due to the inflationary price increases of pay and non-pay items with restricted growth in central government grants, offset by recognising a vacancy factor saving of £2.5m. These savings, and an assumed level of annual council tax precept increase of 6.82% for the 5 year MTFP period, means the currently unmet recurrent deficit to 2029/30 is still £10.512m.  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.  In terms of an overview from the latest dashboard available from 2023, Gwent Police is the third 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 (sixth overall), and then Dyfed Powys Police (eighth overall).  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.  Considering how this spending is made up per head of population, Gwent has the third lowest level of spend for supplies and services (£10.72 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 7th lowest overall. Gwent is still well advanced (when compared to other forces) in delivering its digital strategy in support of Policing Vision 2030. 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.  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.  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 PCSOs that have benefitted from Welsh Government funding. This makes the Welsh forces appear more expensive in the dashboards than English counterparts.  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.  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 force continues the change programme on improving services, realising business benefits and releasing cashable efficiencies. The programmes invested in the past two years will support this objective and work continues to seek further cost avoidance and savings measures from within the overall expenditure budget. | | |
| **6.** | | FINANCIAL RISKS AND OPPORTUNITIES | | |
| 6.1 | | 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 consequences of Operation Uplift; 4. Loss of ‘assumed’ council tax precept income and localisation of council tax support in England; 5. Legislative and policy changes having unintended consequences, e.g. as previously seen with the revaluation of public sector pensions; 6. Increasing costs of national ICT programmes and NPAS, and changes to the apportionment method of these across Commissioners/forces; 7. Potential future increases in the Police Officer and Police Staff pay awards higher than expected, and that the £2.5m Force impact from changes to Employer National Insurance rates and thresholds are not fully funded; 8. Withdrawal of funding by partners (Home Office, Welsh Government, Ministry of Justice and local authorities) for jointly commissioned activities and services; 9. Increased ‘last resort’ demand due to others withdrawing service; and 10. Failure of the Government to deliver on national programmes of work such as ESN transition. 11. Further risks to manage cost savings if actual cost pressures exceed the annual total level of £2m assumed for 2026/27 onwards, plus £0.8m for pay increments.  * **Organisational:**  1. Partners re-trench from collaborative ventures (e.g. as a result of the Welsh Government settlement); 2. Failure of key efficiency schemes to deliver, particularly those related to national programmes of work; and 3. The financial and non-financial implications of embedding the ongoing service reviews including the new operating model for Neighbourhood and Response Policing, Criminal Justice, Human resources, and Learning and Development.  * **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. | | |
| **7** | **OPPORTUNITIES** | | |
| 7.1 | Conversely, a number of opportunities exist which could ease the financial burdens:   1. Adopting and embedding the ‘new ways of working’ arising from the ‘lessons learned’ from Covid-19; 2. Increasing productivity through ongoing ICT investment and the automation of tasks; 3. Potential long-term investment by the new UK Government into policing from the draft Policing Settlement; 4. Possible investment by the Welsh Government in key service areas such as the Go Safe Camera Partnership; 5. The ongoing development of Gwent PSB promoting a ‘one public service’ ethos to tackle long-standing issues across Gwent; 6. 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 7. Actively seeking out income generation opportunities, increased investment income from higher interest rates, and influencing the legislative agenda to provide wider opportunities. | | |
| **8.** | **FINANCIAL CONSIDERATIONS** | | |
| 8.1 | These are detailed in the report.  Please note:  The report to Formal COT on 14/11/24 set out a total budgetary requirement of £182.638m and a net deficit of £3.454m for 2025/26. Within that meeting, the CFO (CC) noted some additional costs would need to be added to these figures to reflect additional costs associated with borrowing and the new operating model. These additional costs have now been confirmed at £1.1m in total, increasing the budgetary requirement to £183.8m and the net deficit to £4.619m as set out in paragraph 1.1 above. | | |
| **9.** | **PERSONNEL CONSIDERATIONS** | | |
| 9.1 | There are no staffing / personnel implications arising from this report. | | |
| **10.** | **LEGAL IMPLICATIONS** | | |
| 10.1 | There are no legal implications arising from this report. | | |
| **11.** | **EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS** | | |
| 11.1 | This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group. | | |
| 11.2 | 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. | | |
| **12.** | **PUBLIC INTEREST** | | |
| 12.1 | This is a public document. | | |
| **13.** | **CONTACT OFFICER** | | |
| 13.1 | Matthew Coe, Chief Finance Officer (CC) | | |
| **14.** | **ANNEXES** | | |
| 14.1 | Annex 1 – PCP Budget appendices 25-26 Nov24 | | |