

**POLICE & CRIME COMMISSIONER FOR GWENT**

**REVENUE BUDGET AND CAPITAL PROGRAMME 2018/19**

**COMMISSIONER'S INTRODUCTION**

1. As the Police and Crime Commissioner for Gwent (Commissioner) I am required to set a five year Police and Crime Plan and the Annual Budget requirement including the police precept element of the council tax (Council Tax Precept). My Police and Crime Plan is reviewed annually in line with the joint Office of the Police and Crime Commissioner (OPCC) and Force Strategic, Financial and Planning process. My current plan was launched in May 2017 and is fully considered as part of the budget proposal.
2. My vision is that the people of Gwent have confidence in their crime and policing services which make them feel safe in their communities. I have five strategic priorities on which the Police and Crime plan is based:
  - a) Crime Prevention;
  - b) Supporting Victims;
  - c) Community Cohesion;
  - d) Tackling Anti-Social Behaviour; and
  - e) Effective Service Delivery.

It is within this context that I commend the following paper to you.

**BACKGROUND**

3. The Commissioner is required to determine the Police and Crime Budget for 2018/19 and set the Council Tax Precept, prior to 1<sup>st</sup> March 2018, after taking into account the views of the Police and Crime Panel in relation to the level of Council Tax Precept.
4. The Commissioner must also make arrangements, before the first Council Tax Precept for a financial year is issued, to obtain the views of:
  - a) The people in that police area; and
  - b) The relevant ratepayers' representatives,on the proposals of the Commissioner for expenditure (including capital expenditure) in that financial year.

5. In setting the budget, due regard has to be taken of the Prudential Code which requires at least three year projections of expenditure, both in revenue and capital terms, in order to identify funding requirements and assess the affordability and sustainability of planned expenditure. Whilst developing proposals for providing a balanced revenue budget and affordable Capital Programme in 2018/19, the report will include the longer term financial issues facing the police service in Gwent and the wider portfolio of the Commissioner's responsibilities.
6. The bulk of the resources available to the Commissioner will be needed to cover operational policing. Robust processes have been developed over many years within the Force, to quantify the budgetary resources required to provide the people of Gwent with an effective, efficient and sustainable police service. The budgetary process commences early in the financial year, providing detailed Medium Term Financial Projections (MTFPs) and identifying new burdens and pressures. These projections are constantly under review and the latest updates are attached as appendices to this report. These projections, particularly the unavoidable service pressures and budget developments, have been fully scrutinised by the OPCC.
7. The 2018/19 budget setting round is the third year of the 2015 Comprehensive Spending Review (CSR) which, in common with the preceding 2010 and 2013 CSR periods, has required the delivery of significant financial efficiencies and budget reductions. It is anticipated that this theme will continue for the life of this Parliament through subsequent CSRs. The Staying Ahead Programme was initiated by Gwent Police to address these efficiency requirements and to the end of 2016/17, has delivered cumulative recurring savings of £42.069m. The 2017/18 savings target of a further £7.245m will be met this year through the continuing success of the Staying Ahead Programme.
8. The future financial challenge to 2022/23 is exacerbated by the Home Office's (HO) review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the HO (via the CSR), then the amount of funding provided to respective Commissioners is determined by the Police Funding Formula. It has been well publicised that the current formula is out-dated, overly complex, opaque and in need of review. Following a 'false start' to the review process during the latter half of 2015, the review was brought back on track with a hope to produce its findings by February/March 2017, with implementation for the 2018/19 financial year. However, it is believed that with the significant implications of the Brexit negotiations; the result of the 'snap' General Election in June 2017; and the significant increase in the threat of terrorism, the implementation has been delayed. Indeed, in the Provisional 2018/19 Police Funding Settlement (Provisional Settlement), which was announced in a Written Ministerial Statement (WMS) by the Minister of State for Policing and the Fire Service Nick Hurd MP on Tuesday 19<sup>th</sup> December 2017, the Minister states: "I am grateful for the work of the Core Grant Distribution Review, earlier this year, which considered potential changes to the police funding formula. In the context of changing demand and following my engagement with police

leaders<sup>1</sup>, providing funding certainty for 2019/20 is my immediate priority. It is intended that the funding formula will be revisited at the next Spending Review.” It is assumed therefore any impact will not occur until the 2020/21 financial year following a potential 2019 CSR.

9. Importantly however, early exemplifications from the HO received during 2015 (showing the effect of the then revised Police Funding Formula being suggested), identified a £6m cut in Central Government Grant Funding for Gwent. It could be expected therefore, that the HO will continue with their approach following the significant amount of work undertaken to date. Therefore, from the 2020/21 financial year onwards, the Commissioner could be faced with a £6m cash cut in addition to the underlying cuts forecast from the effect of the Government’s austerity programme. It is also likely that this cut will not be actioned in one fell swoop, but transitional arrangements will affect the cut over a number of financial years.
10. On the 22<sup>nd</sup> November 2017, the Chancellor of the Exchequer, Rt. Hon. Philip Hammond MP, made his Autumn Budget 2017 announcement in the House of Commons. This was the Chancellor’s first *Autumn* Budget. Alongside the Autumn Budget, the Office for Budget Responsibility (OBR) published its Economic and Fiscal Outlook (EFO), containing its forecasts for the economy and the public finances. In terms of economic and public spending headlines, the Autumn Budget confirmed:
  - a) Gross Domestic Product (GDP) is predicted to grow by 1.5% in 2017. This is 0.5 percentage points less than the 2.0% predicted in the 2017 Spring Budget (the first post-Brexit forecast). For each year to 2021, growth forecasts have been revised down from those in the 2017 Spring Budget. These revisions mainly reflect revisions to productivity forecasts;
  - b) Consumer Price Index (CPI) inflation has been revised up for 2017 but aligns with previous medium term forecasts. In 2017, CPI Inflation is now forecasted at 2.7%; this is expected to be followed by rates of 2.4% and 1.9% in 2018 and 2019 respectively and 2.0% thereafter;
  - c) The OBR forecasts that debt will peak at 86.5% of GDP in 2017/18, the highest it’s been in 50 years. It is then forecast to reduce to 79.1% by 2022/23. This corresponds to deficit forecasts of 2.4% of GDP for 2017/18 reducing to 1.1% by 2022/23. This is consistent with the 2016 Autumn Statement, which confirmed that the Government has scrapped its target to be in budget surplus by 2019/20;
  - d) Employment remains near the record high set earlier this year which was its lowest rate (of 4.3%) since 1975;
  - e) £3bn has been set aside over the next two years to ensure a smooth Brexit transition. This is in addition to the £700m already invested;

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<sup>1</sup> The Minister’s first visit in his programme of engagement was to Gwent on the 7<sup>th</sup> July 2017, where he met the Commissioner, Deputy Commissioner, Chief Finance Officer, Chief of Staff and Assistant Chief Constable.

- f) As part of the 2016 Spring Budget, the Government announced that public spending would be reduced by a further £3.5bn over and above CSR 2015 plans in 2019/20. An Efficiency Review was launched to help deliver this. To date, £2.4bn has been delivered, but given potential new spending and administrative pressures faced by Government Departments in 2019/20, the Government has decided not to proceed with the remaining £1.1bn reduction in spending in that year; and
  - g) Council tax receipts, levels and taxbases are forecasted slightly higher than the corresponding March 2017 figures.
11. Aside from the relative information above, the Autumn Budget provided no specific information of the impact on police and crime budgets. At this stage therefore (i.e. late November 2017), it could only be assumed that Government Department spending plans set out in the CSR 2015 would remain in place – i.e. that ‘flat cash Central Government Grant Funding’ could be expected for next financial year, assuming that locally determined Council Tax Precept increases are maximised (at least a 2% increase) and council tax bases grow consistently nationally (by at least 0.5%).

## **PROVISIONAL SETTLEMENT**

12. As stated in paragraph 8 above, the Provisional Settlement was announced in a WMS by the Minister of State for Policing and the Fire Service Nick Hurd MP on Tuesday 19<sup>th</sup> December 2017. The Welsh Government (WG) also published their Provisional Settlement for Welsh Commissioners on the same date. Both documents outline the provisional levels of Central Government Grant Funding for Commissioners for 2018/19. The publication of the Draft 2018/19 Police Grant Report marks the start of the consultation period which ends on the 16<sup>th</sup> January 2018, with the Final Settlement being issued shortly after this date.
13. An integral part of the Police Settlement identifies the movement in finances from the overall national Government funding available for policing and crime services, to what is actually allocated to individual Commissioners. This movement takes account of ‘reallocations’ (previously known as topslices), from the HO’s overall police and crime budget into other parts of HO policing responsibilities. Each has an impact upon the amount of funding ultimately awarded to Commissioners through the Provisional Settlement and the 2018/19 reallocations are highlighted below:
- a) The funding for police technology will be increased from £417m to £495m, to support the new Emergency Services Network (ESN); Home Office Biometrics; the National Law Enforcement Data Service; and the new national Automatic Number Plate Recognition (ANPR) service. These technology programmes will provide the national infrastructure that the police need for the modern communications and data requirements,

thereby delivering substantial financial savings and productivity gains in future;

- b) The Police Transformation Fund (PTF) will be maintained at £175m, which the Government expects to support an improvement in the leadership and culture of policing; the diversity of its workforce; protection of vulnerable people; cross-force specialist capabilities; exploitation of new technology; and how policing responds to changing threats;
  - c) £93m will be provided (up from £50m) for the discretionary Police Special Grant contingency fund, which supports forces facing significant and exceptional events which might otherwise place them at significant financial risk (for example, helping forces respond to terrorist attacks). The increase in funding in 2018/19 reflects both an assessment of potential need after heavy demand for Special Grant this year and the specific costs likely to be incurred for the policing operation at the Commonwealth Summit;
  - d) Existing Arm's Length Bodies (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the College of Policing, the Independent Police Complaints Commission (as it becomes the Independent Office for Police Conduct) and the Gangmasters and Labour Abuse Authority) will receive broadly the same level of funding as in 2017/18 (£54m). Additional Arm's Length Body funding of £9m reflects the need to set up a new Office for Communications Data Authorisations following clarification by the courts of the legal requirements for independent scrutiny of requests for communications intercepts; and
  - e) Finally, the HO will also maintain Private Finance Initiative (PFI) obligations (£73m); support police bail reforms (£4m – down from £15m); and top-up National Crime Agency funding and Regional Organised Crime Unit grants (from £28m to £42m) to ensure these are maintained at flat cash, in line with police grant.
14. As a rule of thumb, the local financial impact (i.e. to the Commissioner's budget in Gwent) of any reallocated amount, equates to 1%. Therefore, the overall 2018/19 reallocations of £945m above equates to a potential loss of £9.45m of Central Government Grant Funding into Gwent.
15. Within the overall Provisional Settlement, the Metropolitan Police Service, through the Greater London Authority, will continue to receive National and International Capital City (NICC) grant funding worth £173.6m. The City of London Police will also continue to receive NICC grant funding worth £4.5m. This is in recognition of the unique and additional demands of policing the capital city of the United Kingdom. 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 HO have been lobbied on this matter for a number of years, but considers the additional demand that Cardiff's status creates to be comparable with a large English city such as Bristol. Furthermore, in future

dialogue with the HO in a similar vein, the resultant demand upon policing in Gwent as a result of the expansion of the International Convention Centre for Wales at the Celtic Manor Resort will have to be considered.

16. In the last two financial years 2016/17 and 2017/18, the Government maintained broadly 'flat cash' Commissioner budgets by reducing Central Government Grant Funding as local Council Tax Precept increased. Had the Government taken that approach to the Provisional Settlement, Central Government Grant Funding would have reduced by over £60m (an impact of around £0.6m for Gwent). However, in recognition of the increasing demands on policing, the Government have altered their approach for 2018/19 and intend to 'protect' the Central Government Grant Funding which ultimately reaches Commissioners. This means in 2018/19, each Commissioner will receive the same amount of Central Government Grant Funding as they did in 2017/18. The Government's intention to 'protect' Central Government Grant Funding is therefore somewhat misleading, in that unavoidable increases in policing expenditure, such as inflation, the lifting of the public sector pay cap and specific service pressures, will need to be met from a combination of cashable efficiencies elsewhere in the budget and local Council Tax Precept increases. The headline 'standstill' cash settlement in the Provisional Settlement still amounts to a 'real term' cut in overall funding, even after the proposed increase in Council Tax Precept in 2018/19 is factored in.
17. The background to the Provisional Settlement is one of recognition of the shift in the pattern of demand on police time and resources. It remains true that crime (as traditionally measured by the Independent Crime Survey for England and Wales – widely regarded as the best long-term measure of the crime people experience) is down by more than a third since 2010 and 70% since its peak in 1995. However, the Government now recognises that there have been material changes in the demands on policing since CSR 2015, with demand from crimes reported to them growing and shifting to more complex and resource intensive work such as investigating child sexual exploitation (CSE) and modern slavery. At the same time the terrorist threat has changed. The 24% growth in recorded crime since 2014/15 comes from more victims having the confidence to come forward and report previously hidden crimes, better recording practices by the police – both of which are to be welcomed – but also includes some concerning increases in violent crime.
18. The Minister of State for Policing and the Fire Service has also outlined his intention that in order to assist with more efficient financial planning, he will provide Commissioners and Chief Constables greater visibility on financial plans for 2019/20. To this end, he has made clear his intention to maintain 'broadly flat' Central Government Grant Funding in 2019/20; however this is dependent upon the police service delivering clear progress against agreed milestones on productivity and efficiency during 2018/19.
19. It should be noted that in relation to the Provisional Settlement, a number of remaining specific grants and external funding arrangements for 2018/19 are yet to be finalised (e.g. Counter Terrorism Specific Allocation (CTSA), Safety Camera Enforcement Unit, Police Community Support Officer (PCSO) and

local partner schemes, etc.). This report has been prepared on the assumption that funding will remain at the 2017/18 levels.

20. At the time of writing however, WG funding of £0.5m for Tarian (the Regional Organised Crime Unit of the three Southern Wales Police Forces) has been removed for 2018/19. HO funding and respective Force contributions are expected to remain the same; therefore the cut in funding will need to be absorbed by the Unit.
21. Furthermore, from 2019/20 onwards, WG funding for the All Wales Schools Liaison Core Programme (AWSLCP) Officers in Gwent (expected to be £0.401m in 2018/19) will be withdrawn. The WG intention is to embed the substance misuse element of the AWSLCP into changes to the schools' curriculum. Gwent Police are already planning for this transition.
22. The revenue support from the WG for Gwent's PFI funded Ystrad Mynach Police Station and Custody Suite, totalling £0.566m, is excluded from the Provisional Settlement. However, it has already been separately confirmed, as it is provided to meet the specific requirements of the scheme.
23. Furthermore, 2018/19 funding for the 101 whole time equivalent (wte) WG PCSOs is subject to a separate confirmation process, which is currently estimated to amount to £3.333m.
24. Since 2013/14, Commissioners have received Ministry of Justice (MoJ) funding to provide services to victims of crime. For the 2017/18 financial year, Gwent received £0.682m in grant which is used exclusively to support Connect Gwent (the Victims' Hub) and provide additional services for victims of crime. At the time of writing, it is still unknown what level of funding will be forthcoming from the MoJ for the 2018/19 financial year. Suffice to say, it is expected to be a reduction in the core element on 2017/18 levels and due to the importance of the service provided by Connect Gwent, its funding will be supplemented from the Commissioner's overall funding from HO, WG and Council Tax Precept.
25. The HO has provided a Provisional Capital Allocation for 2018/19 of £0.449m, which forms the basis of the draft Capital Programme. Consistent with the revenue grant in the Provisional Settlement, this is the same amount as 2017/18. However, it must be noted that this remains significantly lower than that received as recently as 2014/15 (which was then £1.100m). This continuing reduced allocation places a significant burden on Reserves and Committed Funds as well as revenue budgets, as to maintain an appropriate Capital Programme moving forward, the revenue budget will need to contribute through a revenue contribution to capital or through new borrowing costs. It should be noted that final allocations of Capital Grants will not be published until the Final 2018/19 Police Funding Settlement in late January/early February.
26. The latest MTFPs have been updated following receipt of the Provisional Settlement and indicate a small budgetary deficit could be achieved for the

2018/19 financial year of £0.126m (Appendix 1b, Line 20), increasing to a budgetary deficit of £10.885m by 2022/23.

## COUNCIL TAX ISSUES (Appendix 1a)

27. For 2018/19, legacy Council Tax Freeze grants and Local Council Tax Support grants (totalling £507m) will continue to be available to Commissioners in England. Alongside this, the Government will provide further flexibility to Commissioners in England to increase their Band D Council Tax Precept by up to £12 per annum (p.a.) in 2018/19, without the need to call a local referendum. This flexibility will also be repeated for 2019/20. For comparison, a £12 p.a. increase in Band D Council Tax Precept in Gwent equates to a 5.24% increase.
28. In Wales, council tax capping is the responsibility of Welsh Ministers. At the time of writing, no further official announcement has been made by the WG in relation to the levels of Council Tax Precept rises over the forthcoming years which would be deemed unreasonable and therefore capped. Historically, indications have been given that increases in Council Tax Precept for police and crime purposes of up to 5% would not be considered unreasonable.
29. It has also been assumed that there will be no further impact from the Council Tax Support Scheme in Wales in 2018/19.
30. MTFPs that have previously been issued during this budget setting cycle have assumed Council Tax Precept increases of 3.99% p.a. over the five year projected period. This budget proposal however revises the 2018/19 Council Tax Precept increase to 4.49% and confirms council tax base growth in 2018/19 of 0.81%. The revision in the Council Tax Precept increase enables the Commissioner to set a balanced budget in 2018/19 after taking account of efficiency schemes; reflects the results of the public consultation exercise (see paragraphs 32 to 37 below); and importantly contributes to ensuring the maintenance of Police Officers and PCSO numbers (i.e. maintaining full establishment) over the next three financial years.
31. For future years, the Council Tax Precept increase reverts to 3.99% p.a. (based on current assumptions) and the council tax base growth has been estimated at 0.92% - the underlying average over recent years. Appendix 1a shows the impact that incremental changes on the Council Tax Precept rate would have on funding assumptions for 2018/19. As noted above in paragraph 11, originally, the Chancellor's overarching CSR strategy in relation to policing assumed that the 'maximisation' of increases in Council Tax Precept year on year over this Parliament, coupled with consistent national council tax base growth, would 'maintain' Commissioner's cash budgets. This has moved on somewhat with the Provisional Settlement in that Commissioner's 'flat cash budgets' have now been 'maintained' by Central Government Grant Funding alone. However, this new position still ignores the costs of new service pressures and budget developments and importantly, the impact of revisions to the Police Funding Formula; which will need to be met

by a combination of efficiency scheme savings, Council Tax Precept growth well over the original 2% assumption, and/or council tax base growth over the 0.5% original assumption.

32. To support the Commissioner's financial planning and to meet statutory requirements, an on-line public consultation regarding proposed Council Tax Precept increases was launched on 29<sup>th</sup> November 2017, with a closing date of 7<sup>th</sup> January 2018. The consultation provided not only contextual background to the Commissioner's financial situation in Gwent, but also Gwent Police performance and current areas of investment. The three questions set then asked respondents to tick 'yes' or 'no' if they were willing to pay an extra:
  - a) 3.99% a year (equalling 18p a week extra for an average Band D property) to simply maintain police & crime funding over the medium term at current levels;
  - b) 4.99% a year (equalling 22p a week extra for an average Band D property) to increase police & crime funding over the medium term. This adds a further £0.5m to the budget (this amount equates to 10 police officers); and
  - c) 5.99% a year (equalling 26p a week extra for an average Band D property) to increase police & crime funding over the medium term. This adds a further £1m to the budget (this amount equates to 20 police officers).
33. The consultation was proactively publicised via paid promotion on social media (totalling £31), 'Gwent Now', local press and the Commissioner's website; as well as being shared with community groups, partner organisations, the third sector and Local Authorities. Paper copies were also completed at a local community event as well as being available in easy-read versions (on request) from the OPCC. The consultation was conducted bilingually in both electronic and paper format. All responses received electronically (bar one in Welsh) were through the medium of English. All paper copies received were conducted through the medium of English.
34. It was agreed prior to the launch of the consultation, that a representative sample size of 600 would be used, based on the entire population of Gwent. This provided the OPCC with a 95% confidence level that the answers received would be within +/- 4% margin of error on the actual results.
35. A total of 609 responses were received by the closing date (603 from Gwent residents), meaning a representative sample was achieved. The findings based solely on the returns from Gwent residents were:

- a) 68.0% of respondents supported a Council Tax Precept increase in 2018/19 of 3.99%;
  - b) 54.6% of respondents supported a Council Tax Precept increase in 2018/19 of 4.99%; and
  - c) 51.8% of respondents supported a Council Tax Precept increase in 2018/19 of 5.99%
36. From a prudent perspective, taking into account a negative swing in the margin of error (- 4% on the actual results), a 3.99% increase in Council Tax Precept is comfortably supported (64%); a 4.99% increase is borderline (50.6%); whilst a 5.99% increase (47.8%) is not supported by the majority of residents of Gwent, based on the sample size.
37. Whilst these findings are instrumental in assisting the Commissioner in setting his Council Tax Precept for 2018/19, the comments provided in the ‘free text’ element contain invaluable feedback to both the Commissioner and Chief Constable. As such, a detailed report has been prepared on this consultation which will be considered at the OPCC Executive Board on 30<sup>th</sup> January 2018.

### **MEDIUM TERM FINANCIAL PROJECTIONS 2018/19 to 2022/23 (Appendix 1b)**

38. The latest MTFP is shown at Appendix 1b and the detailed assumptions, service pressures, budget developments, budgetary savings and efficiency schemes which support the projections, are provided at Appendices 2, 3, 4a and 4b.
39. Members will note that although a small budgetary surplus (after efficiency savings) could be achieved in 2018/19, this is to the backdrop of sustaining £49.314m of efficiency savings already accounted for up to and including 2017/18; the delivery of £0.183m of savings in 2018/19; and future uncertainties such as the implementation of the Police Education Qualifications Framework (PEQF). Moving forward, reflecting the Provisional Settlement in 2018/19 and 2019/20; estimating the impact of the next CSR and the Police Funding Formula review; and coupled with internal assumptions beyond this, present further funding pressures. It is forecast therefore that this will form a recurring funding deficit of £10.885m by 2022/23.

### **FUNDING ASSUMPTIONS (Appendix 2)**

40. The following funding bases and assumptions (Appendix 2) have been incorporated within the current MTFP:
- a) Central Government Grant Funding (HO/WG):
- i Funding decreases on Central Government Grant Funding beyond 2020/21 of 2.00% - the rationale for increasing this cash cut from the

- 0% seen in 2018/19 and potentially 2019/20 is to take account of growth in future reallocations (as seen between 2017/18 and 2018/19) and also the inherent risk in the sustainability of public finances in the current economic turmoil, particularly with reference to Brexit;
- ii The revision of the Police Funding Formula from 2020/21, (postponed from the original expected date of 2016/17), results in a £6m reduction in central funding across three years to 2022/23; and
  - iii Specific Grants, which have yet to be confirmed, have been assessed to remain at 2017/18 levels or at provisionally indicated amounts.
- b) Council Tax Precept and Base:
- i An increase in Council Tax Precept of 4.49% in 2018/19 then 3.99% for each year from 2019/20 through to 2022/23. This growth is required to part-fund the maintenance of a full Police Officer and PCSO establishment and also unavoidable service pressures in the first two years of the current MTFP. It then maintains a flat cash budget for the Commissioner for the final three years of the current MTFP, to counter the effect of estimated future cuts to Central Government Grant Funding, coupled with the £6m reduction from the revision to the Police Funding Formula. These have been incorporated into the MTFP at Appendix 1b; and
  - ii The council tax base, i.e. the Band D equivalent number of properties upon which the Council Tax Precept is levied, will increase in 2018/19 by 0.81%. It has been assumed that for 2019/20 onwards, the council tax base growth will continue at a rate of 0.92% (the average of the preceding three years).

## **EXPENDITURE ASSUMPTIONS (Appendices 2 and 3)**

41. The pay and non-pay cashable efficiency target for 2017/18 of £7.245m will be met and furthermore, budget reductions of £1m have been identified for 2018/19. Both these amounts have been fully recognised in the 2018/19 base expenditure budget and the MTFP reflects the impact of these savings/reductions moving forward. The 2018/19 Staying Ahead efficiency scheme target of £0.183m will be delivered through the year.
42. In terms of the largest area of spend, Police Officer, PCSO and Police Staff establishments have been set at current authorised levels as determined by the Staying Ahead Programme, then refined for future expected leavers, efficiency schemes and recruitment plans. In summary:
  - a) Police Officer Establishments:
    - i The MTFP plans towards a sustainable operational policing model by 2022/23 of 1,246 wte, but reflects 1,279 wte during 2018/19 to reflect

the investment in officer numbers funded by Council Tax Precept growth over 2016/17, 2017/18 and 2018/19, coupled with ‘less bad’ Central Government Grant Funding settlements in those three years. In fact, actual numbers of Police Officers are estimated to peak at 1,289 wte during 2018/19 (i.e. 10 over establishment budget). Members will note that throughout 2016/17 and 2017/18, Gwent Police will have recruited over 320 new Police Officers to replace not only those who have left, but also to new posts to tackle new and emergent demand. Overall officer numbers may reduce from 2018/19 onwards to sustainable levels, as efficiency schemes deliver savings to meet the recurrent deficit from other conventional areas of policing demand as per the HMICFRS Value For Money (VFM) Profiles (see paragraphs 49 to 55). Recruitment of probationer police officers is scheduled throughout 2018/19 to replace natural vacancies in the agreed operational policing model. Maintenance and review of the police officer establishment are a core component of the Staying Ahead Programme, therefore recruitment requirements will be constantly under review and will be necessary to meet particular specialist needs and to support longer-term sustainability.

b) Police Staff Establishments:

- i The police staff establishment will need to complement and support the operational policing model. Design of the police staff establishment continues to be developed through the Staying Ahead Programme, with the budgeted establishment for 2018/19 to 2022/23 set at 647 wte (excluding PCSOs) within the MTFP. At the 31<sup>st</sup> March 2018, the estimated actual numbers of police staff will be 575 wte, supplemented by a further 47 wte agency staff (therefore 25 wte under budgeted establishment or 72 wte under excluding agency staff). This flexibility is designed to facilitate the delivery of the Staying Ahead Programme’s efficiency schemes throughout the MTFP, whose programme of work will determine the affordable and therefore sustainable police staff establishment moving forward; and
  - ii The actual PCSO establishment is anticipated to commence 2018/19 at 144 wte against a budget of 132 wte; in order to counter natural wastage, particularly into Police Officer roles. The 132 wte budget is expected to remain at this level for the medium term.
43. The assumptions for pay awards, allowances, enhancements and non-staff inflation remain largely consistent with those used in the 2017/18 budget setting round. They have been thoroughly scrutinised throughout the budget preparation and are as follows:

a) Pay awards, allowances, enhancements etc.:

- i Pay Award for police officers and police staff in 2018/19 is 2.0% and remaining at this amount throughout the MTFP on account of the removal of the Public Sector pay cap for the policing service.

- b) Non-staff inflation (2018/19 to 2022/22):
- i General – 2.0% for 2018/19, then 3.0% thereafter to provide for Brexit uncertainty;
  - ii Utilities – limited to 5%; and
  - iii Fuel – limited to 5%.
44. Base expenditure service pressures and budget developments that have been identified during the detailed budget preparation, which are not able to be absorbed within the existing budgets, have been incorporated. These are shown at Appendix 3. Members will note these marginal increases on base budgets, however, paragraphs 47 and 48 below draw out the demands and pressures that are being absorbed by existing budgets, such as that for Police Officers and also the ‘case’ for continuing to invest in Police Officer and PCSO numbers moving forward.
45. Additional borrowing revenue costs for capital investment have been reflected to help fund the Commissioner’s Capital Programme. This is to the backdrop of the significant disinvestment of capital funding by the Government and the finite nature of the Commissioner’s Reserves and other Committed Funds. The full funding of the capital strategies is discussed within the ‘Reserves and Committed Funds’ section of this report.
46. The Commissioner received the Chief Constable’s 2018/19 budget bid on 20<sup>th</sup> November 2017, which commenced a period of robust scrutiny and testing by the OPCC with the Force’s Chief Officer Team . Subsequently, a presentation based on the agreed budget bid was presented to Members on the 22<sup>nd</sup> December 2017, as a core part of setting the Finance Strategy and 2018/19 budget.
47. The context of Gwent Police’s bid, was very much about planning for the future. The Force needs to continue positioning itself to deliver the Commissioner’s Police and Crime Plan 2017/21 and the Policing Vision 2025, both to the backdrop of reducing budgets; increasing unavoidable service pressures (Appendix 3); and policing in the digital age. The primary areas of focus within the bid were:
- a) Rising Crime and Incident Demand
- i Traditional crime types between 2015/16 and 2016/17 have increased by 12.6%, equating to an additional 4,656 crimes being recorded in Gwent. Contributors to this increase include:
    - Public Order Offences up 40% (786);
    - Violence Without Injury e.g. threats to kill, modern slavery, etc. up 18% (1,119);

- Miscellaneous Crimes against Society e.g. handling stolen goods, forgery, etc. up 27.7% (200); and
  - Shoplifting up 20.9% (651).
- ii Aside from the increase in volume, a number of other factors account for the overall increase:
- Greater ethical recording of crime and incidents. In particular this has led to some crimes/incidents that may not have been recorded previously now being recorded, as well as some which were previously being misclassified under wrong crime types by the Force Control Room or Officers dealing with the case;
  - A number of Anti-Social Behaviour reports are now reported as crimes under the heading of Public Order;
  - The number of ‘strategy discussions’ (held whenever there is reasonable cause to suspect that a child has suffered or is likely to suffer significant harm) being recorded and crimed has increased year on year; and
  - Crimes such as attempted criminal damage and deliberate fires (grass fires etc.) were not previously recorded.
- iii For context, Gwent has the second highest crimes per 1,000 population of the Welsh Forces and the 18<sup>th</sup> highest in England and Wales.
- b) Changes in the Complexity of Crime and the Need to Identify and Tackle Hidden Crime
- i Whilst there has been a rise in traditional crimes, further analysis shows that there is a spectrum of categories contained within each traditional crime type, which impacts on the skills needed by Police Officers to effectively and efficiently deal with the crime. For example within the main category of Violence Without Injury:
- Sending letters with intent to cause distress or anxiety up 104% (742); and
  - Harassment up 33.8% (702).
- ii Advances in technology and the increased use of social media platforms leads to greater levels of cyber bullying – nearly a quarter of all crimes in the first bullet point above were Facebook related.
- iii In one case study of CSE, within a 3 month period Gwent Police had dealt with 7 incidents involving the same victim. This equated to:
- The production of 32 documents;
  - The allocation of 8 Police Officers, not including call handlers, dispatchers and strategy discussion representatives;
  - 17 administrative tasks on the Force’s Records Management System (Niche); and
  - 56 days of police activity, equalling 601 focused hours.

iv For the financial year 2016/17, Gwent Police had 72 incidents flagged as CSE – for the financial year to date there are 92 flagged CSE occurrences, with 36 converted to a crime.

c) Increase in Levels of Vulnerability

i Vulnerable members of our society are increasingly calling upon police resources. For example:

- In one 24 hour period last September, Gwent Police received 25 calls that had a mental health link;
- Of these 25, 15 were a 'concern for safety';
- The time taken to deal with each incident ranged from 10 minutes (phone resolution) to over 24 hours (high risk missing person);
- In some cases no Police Officers were deployed and the matter was dealt with by Force Control Room staff but....;
- In other cases, numerous resources including Police Officers / PCSOs / the Force Incident Manager / Bronze Commanders / Dog Handlers / Telephone Single Point of Contact (SPOC) (i.e. the individual who processes applications for authorising access to communications data) / and the National Police Air Service were utilised;
- Over a 12 month period this could equate to 9,125 calls received linked to mental health; and
- In the 12 months to 30<sup>th</sup> June 2017, there were 76 negotiator call-outs for Gwent Police – 32 involved an element of mental health.

ii During 2016/17, Gwent Police received 4,724 reports of missing persons, of which 908 were deemed high risk. The top 10 missing people went missing a total of 850 times. Taking the most frequent missing person as a case study:

- They went missing 148 times during 2016/17;
- 88 times this was risk assessed as high risk;
- On average was missing for 6 hours, which consumed:
  - Two Police Officers;
  - One Police Sergeant;
  - One Call Handler
  - One Dispatcher; and
  - One Intelligence Officer.
- The initial and basic actions conducted included:
  - CCTV enquiries in Newport city centre;
  - Hospital and custody checks;
  - Known associate address checks;
  - Place last located checked;
  - SPOC work on mobile phone completed;
  - Intelligence checks completed;
  - Place from which they went missing searched;

- Account obtained from individual reporting the missing person; and
    - Missing Person report completed.
  - If all missing investigations took this average figure to deal with, this would equate to 28,344 hours per year or 1,181 days. However, many enquiries last for many more days; and
  - In addition, this time does not include the administration time which follows the closure of a missing person report – for example to complete updates or referral notices. Based on this individual alone, the average additional time required equates to 22 minutes, therefore for this person it's an extra 54 hours per year. Based on the total figure of missing persons and using the average of 22 minutes, an extra 1,732 hours per year or 72 days is consumed.
- iii The above articulates the known demand, however, Gwent Police are acutely aware that there is more to do in identifying under-reported crimes such as:
- Modern Slavery;
  - Female Genital Mutilation (FGM); and
  - Forced Marriage.
- d) New Technology = Increased Opportunities for Crime = Increased Demand
- i New technology is being exploited by criminals, thereby increasing the speed, intrusivity and impact of the crimes. This in turn, increases the police response. A cybercrime case study highlights the point:
- In October 2015, following an internal review, it was recommended to introduce a Paedophile and Online Investigation Team (POLIT) trial which involved 4 Police Constables 1 Detective Sergeant;
  - POLIT's ethos was to focus on charging offenders at the point offences were identified, to minimise the risk to future victims and risk of harm to suspects;
  - The trial went 'live' in April 2016 and following its success, the POLIT was established in the Cyber Crime Unit in June 2016;
  - Subsequently, due to increased demand, resources were increased to 10 Police Constables and a further digital forensic examiner;
  - Between April 2015 and April 2017, the number of Gwent sex offenders managed in the community rose from 538 to 689 (28%);
  - This increased number of offenders in the community has resulted in the requirement and training of 4 new full time 'Management Of Sexual Offenders and Violent Offenders' (MOSOVO) specialists to manage the increased demand; and
  - It is anticipated that on current trajectory, a further 2 specialist staff will need to be recruited during 2018.

e) Emerging Demand for Specialist Uniformed Operations

- i Significant demand has already been placed upon this area of Policing. As the Government's austerity programme has hit across policing, every force has cut back on specialist uniformed resources. In any given 'mutual aid' situation, Gwent Police is expected to provide three Police Support Units (PSU)<sup>2</sup>. The Force only has one established PSU and barely achieves its requirement to provide three, without the following future demand:
  - Increasing demand from public disorder surrounding the building and operation of the International Convention Centre for Wales at the Celtic Manor Resort;
  - Dealing with protesters against the M4 relief road; and
  - Providing uniformed presence following counter terrorist work, such as was experienced following the Parsons Green attack in London.

f) Need to Balance Focus on Uniform and Detective Resources

- i The balancing of resources for overt police visibility with investigative capacity (and potential covert tactics) is a constant challenge. An area which brings this into focus is serious and organised criminality and associated 'Organised Crime Groups' (OCG):
  - Gwent currently has 18 active OCGs;
  - A further 74 are archived or closed, so a total of 92 are known;
  - Currently, 112 individuals are linked to OCGs in Gwent;
  - Of the 18 active OCGs, 16 are concerned primarily in the supply of Class A Drugs; 1 is related to organised theft; with the final 1 concerning CSE; and
  - In the last three months, warrants have been conducted at 14 addresses linked to OCG members, with resultant drugs recovered of:
    - 3.3kg of heroin;
    - 2.2kg of cocaine;
    - 1.1kg of amphetamine;
    - 0.8kg of cannabis;
    - 4.5kg of 'bash' (substance used to adulterate street drugs to increase profits); and
    - 10,000+ pills (some as yet unknown).

g) Need to Look After the Wellbeing of People Working for Gwent Police

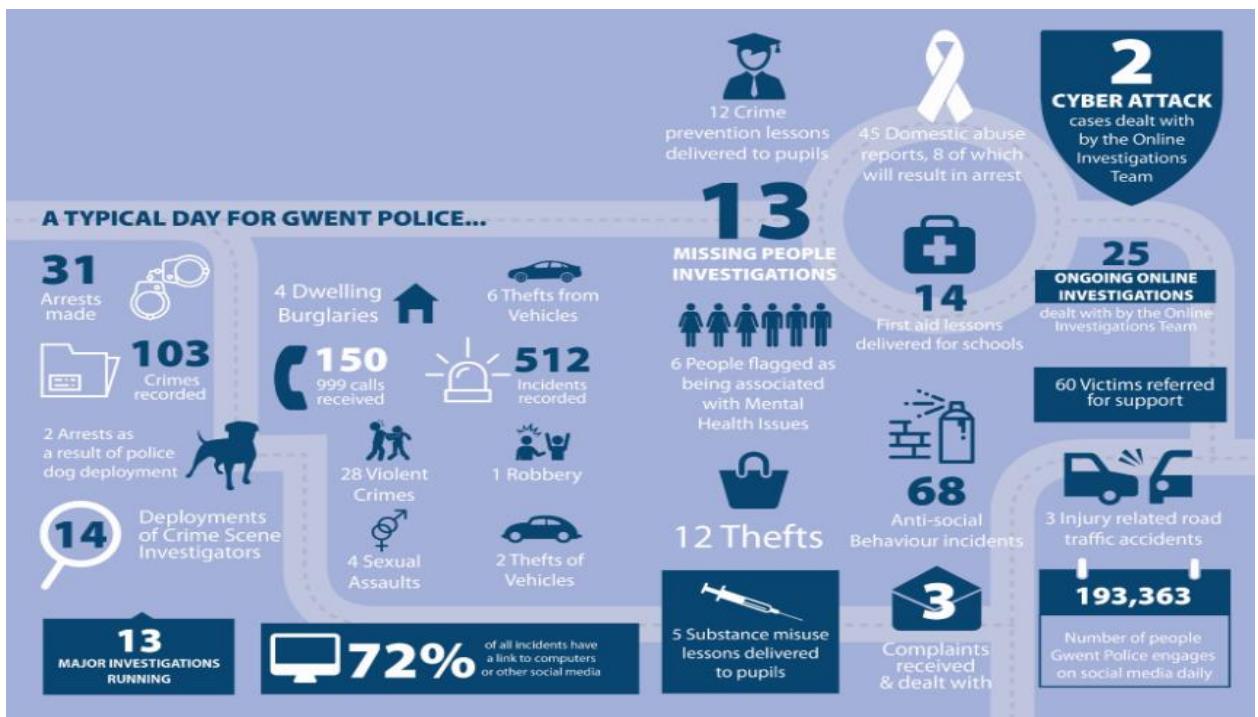
- i Following years of reducing establishments as a result of the Government's austerity programme, coupled with rising demand for policing services, the wellbeing of staff is paramount. Between 2007 and 2017, Gwent Police experienced a 24.6% reduction in its overall

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<sup>2</sup> A PSU comprises 1 Police Inspector, 3 Police Sergeants, 18 Police Constables plus 2 medics and 3 drivers.

workforce, the 5<sup>th</sup> largest across England and Wales. The nearest Welsh Force was South Wales with a 7% reduction, putting it 36<sup>th</sup> in the comparative table.

- ii In short, the implementation of the new operational policing model in 2015 was heavily influenced by what was affordable and not necessarily on the resources needed to tackle demand.
  - iii Process Evolution Ltd., who provide consultancy support under the Staying Ahead Programme, advise that an 80% utilisation rate is the optimum for Neighbourhood Response, as this gives capacity for proactivity. A 30% abstraction rate is factored in – allowing for sickness, courses, annual leave, etc.
  - iv Current Police Constable utilisation rates in the 10 Neighbourhood Response Teams across Gwent range from 82.1% to 95.3%, with an average of 88.4%. That means Neighbourhood Response utilisation is over 80% everywhere that is at establishment. It is anticipated however, that Mobile Data investment and reduced deployment under the Force's new Investigative Strategy will show a reduction in these utilisation rates over the medium-term.
  - v Between 31<sup>st</sup> March 2013 and 31<sup>st</sup> March 2017, Gwent has seen a steady increase in the proportion of its Police Officers on long term sick - rising from 2.2% to 3.7% over the period. The current top 3 reasons are stress, anxiety and depression. Furthermore, Police Staff are also a vulnerable group for experiencing poor mental ill-health, due to their exposure to unique stressors such as dealing with violence and other traumatic events.
48. The above areas of focus and investment build upon the Forces 'Investment Strategy' which was incorporated into the 2017/18 budget setting round and which has gained significant momentum during the current financial year. In conclusion to the Chief's bid, the following infographic highlights a typical day in Gwent Police:



## BUDGETARY SAVINGS, HMICFRS VFM PROFILES AND FUTURE EFFICIENCY OPPORTUNITIES (Appendices 4a and 4b)

49. Appendix 4a details budgetary savings identified through this budget setting round which can be removed from the 2018/19 budget and in some cases, from future budgets. Of particular note are those saving schemes' opportunities generated by the potential refinancing of the PFI scheme; and also the potential release of funds to implement a Multi-Agency Safeguarding Hub (MASH), as the current partnership approach is evolving.
50. The Staying Ahead Programme will continue to remain focused on delivering a new generation of savings schemes and maintaining a detailed schedule of planned work to review functions and departments across the whole of the organisation. To this end, the HMICFRS VFM Profiles are a key tool in indicating potential areas for saving schemes' opportunities.
51. The VFM Profiles have been produced by HMICFRS for the past seven financial years. The main purpose of these Profiles is to help forces compare performance, outcomes and cost. They are designed for use by force management, Commissioners and the HMICFRS. 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 (with the exception of the two named above) and also within individual force's 'Most Similar Groups' (MSG), i.e. those forces that share similar characteristics with your own, such as demographics.
52. The final Profiles have been received and every area highlighted is being, or has been, considered as part of the Staying Ahead Programme. Appendix 4b identifies those areas which could provide future savings, when the

organisation is compared with the average cost of delivering an area of service of all the forces within their MSG.

53. In terms of an overview, Gwent has the fourth highest cost per head of population across England and Wales and the highest within its MSG of forces. Funding this is an above average level of Central Government Grant Funding and the highest level of Council Tax Precept within its MSG. This is consistent with the 2016 Profiles. Conversely, the level of Earned Income is below average, with only Partnership Income being viewed as a positive measure.
54. As in previous years, the Police Officer and PCSO costs are above the national average per head of population, with Police Staff being fractionally below the national average. These indicators could be viewed as demonstrating that Gwent is over-resourced, however, Gwent has above average visible front line provision. Non-staff costs are also fractionally above the national average in particular, Premises, Other Employee Expenses and Collaborative costs.
55. As a small force, Gwent does not enjoy the economies of scale that larger forces benefit from, therefore the headlines above need to be considered in this context. Furthermore, force performance needs to be considered too, in that the cheapest and most efficient force may well not be the top performing. In addition, the Profiles do not reflect conscious local decisions to invest in particular areas of spend, nor the receipt of additional specific grants such as the WG funded PSCOs.

## **REVENUE AND CAPITAL OUTTURN 2017/18**

56. A key component in the setting of the 2018/19 budget is the financial performance in the current financial year. Under normal circumstances, monthly financial management reports are produced and scrutinised at both the OPCC's Executive Board and also the Force's Chief Officer Team meetings on a monthly basis. From Period 5 (August), 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. the 31st March). Members will note however, that this financial year saw the implementation of the Force's Fully Integrated Resource Management System (FIRMS), a project under the collaborative Fusion Programme with South Wales Police. FIRMS will bring together the core business systems (Human Resources (HR), Learning and Development, Payroll, Finance, Procurement and Rostering) into one system, on an integrated platform between the two Forces. Phase 1 successfully went live on the 31<sup>st</sup> July 2017 with the transition to a new integrated HR, Payroll, Finance and Procurement System. The implementation plan, taking account of the significant impact of transitioning to a new system, delayed the production of the first forecast of the year from period 5 (August) to Period 8 (November).

57. The initial forecast outturn at Period 8 therefore indicates a £5.056m surplus against Gross Revenue Expenditure (GRE) of £131.675m; which equates to 3.84%. This has been generated from the timing of filling vacancies in the new establishment for Police Officers (which has risen from 1,194 wte at 1<sup>st</sup> April 2017 to 1,279 wte for 2018/19). This follows investment decisions by the Commissioner in both the 2017/18 budget setting round (through the Force's Investment Strategy) and also following business decisions during the 2017/18 financial year to address the new demand-led service pressures on the police service. The Force has already delivered training schools during 2017/18 and has further training schools commencing to bring the actual numbers of Police Officers up to establishment budget by 31<sup>st</sup> March 2018. The Force will therefore see 25 new Police Officers starting in January 2018, 25 in February 2018 and 50 in March 2018. The budget variations on the other staff and non-staff budgets are neutral in impact, as the force continues to deliver the Staying Ahead Programme savings, whilst modernising the service.
58. Consistently over recent years, the Commissioner's budget showed a positive variance at the year-end, i.e. a saving on budget was shown. This positive variance is scrutinised to assess whether it has resulted in 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).
59. Overwhelmingly over the period of austerity since 2008, the reason for the positive variance is the latter, i.e. accelerated efficiency savings taking effect. Suffice to say however, the financial effect of both examples are removed from the budgetary requirements for future years, as part of the detailed 'bottom up' annual budget setting process. However, the 2017/18 surplus is simply a timing difference of the budget being set and the practicalities of recruiting Police Officers – i.e. of the circa 160 new Police Officers being recruited during 2017/18, as outlined above, 100 will commence during the final quarter. Therefore, this surplus is already fully committed on a recurrent basis, as the Force reaches full establishment of Police Officers at the start of the 2018/19 financial year.
60. The non-recurrent nature of this surplus is further emphasised in that even after taking account of future planned efficiency schemes in forthcoming financial years of £6.048m, the Commissioner is still faced with a recurrent financial deficit of £4.837m by 2022/23 and a barely balanced budget in the next three financial years. This non-recurrent surplus does however provide two key benefits: a barometer as to the continuing sustainability of both previously delivered efficiency schemes and the organisation's ability to continue to find more efficiency schemes; and 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. However, this cash is automatically earmarked for utilisation through providing much needed funding to the Capital Programme (the 2018/19 Capital Grant will not even provide for half of the annual fleet replacement programme and will only be 41% of the

amount received as recently as 2014/15), or to provide pump-prime funding to deliver recurrent efficiency schemes.

61. Turning to the Capital Programme, the Revised Annual Budget on proposed schemes for 2017/18 is £7.162m. The Estate schemes in the original Programme totalled £1.150m, however, a number have experienced some slippage; nevertheless, new schemes have been approved for delivery by the year-end which should ensure that the Estate budget is met. In relation, to the vehicle replacement programme (£1.350m), a significant number of the orders have been placed with suppliers, with delivery timescales around the year-end. Therefore, any underspend on this budget will be as a result of slippage, as opposed to the over-budgeting of the programme. The Information and Communication Technology (ICT) and Other Schemes capital budget totals £4.662m. Significant slippage (circa £3m) is expected, primarily on digital ICT developments as a result of the timing of business decisions (due in February 2018) between Gwent Police and South Wales Police under the overall Fusion Programme. Therefore the funding will be carried forward into 2018/19 when the roll out of new services commence.

## **RESERVES AND COMMITTED FUNDS (Appendix 5)**

62. Appendix 5 provides a summary of the Commissioner's Reserves and Committed Funds position for the following five years and 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 the Joint Audit Committee on the 14<sup>th</sup> September 2017 and again on the 21<sup>st</sup> December 2017, enabling them to discharge their responsibilities in relation to the budget setting process and the annual financial statements.
63. With the outcomes of the CSR 2015 known for the short-term; the receipt of the Provisional Settlement; and the Police Funding Formula review appearing to be deferred until 2020/21, the Reserves and Committed Funds position has been updated and will continue to be instrumental in stakeholder engagement and any mitigation strategies.
64. This reporting of the Commissioner's Reserves and Committed Funds position hopefully assists Members in understanding the overall financial landscape and provides context when discussing his budget and Council Tax Precept proposal for 2018/19.
65. By the end of the 2022/23 financial year, it is forecast that the Commissioner will have Reserves of £9.000m and Committed Funds of £3.940m (totalling £12.940m - bottom right hand corner of Appendix 5). This assumes however, that 56% of the current outstanding future recurrent budgetary imbalances up to 2022/23 (highlighted through the MTFP) will be underwritten from Line B1 in the Committed Funds Section. As already stipulated, recurrent budgetary imbalances must be found from recurrent efficiencies – Reserves and Committed Funds should only be utilised to manage annual timing differences.

Therefore adjusting Line B1 back to its maximum carrying value (£4.507m) i.e. removing the net effect of underwriting the future budgetary imbalances, produces an underlying total Reserves and Committed Funds figure of £17.447m.

66. This forecast Reserves and Committed Funds figure at 2022/23 of £12.940m comprises three component parts:

a) General Reserve - (£4.000m Line A1)

- i 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. The General Reserve amounts to £4.000m which represents 3.3% of 2017/18 Net Revenue Expenditure (NRE) (this figure has remained static since 2015/16) and in the view of the Chief Finance Officer (CFO) represents an appropriate level in terms of the overall risk-profile.
- ii Planned Utilisation – By its very nature, 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.

b) Forecast Accelerated Efficiency Savings - (£5,000 Line A2)

- i Purpose – As well as the depletion of reserves and committed funds, the Commissioner's Reserves and Committed Funds Strategy also identifies potential sources of reserve and committed fund creation. In this instance, the primary source is from the in-year surplus generated from the acceleration of efficiency schemes in a particular financial year or non-recurrent surpluses (as seen during 2017/18). Estimates are made on previous experience balanced against the potential for accelerated efficiencies in the future. These forecast reserves remain uncommitted initially, but will become committed as the amount crystallises and is matched against future liabilities.
- ii Planned Utilisation – The future estimates of this reserve (as it builds up) are assumed (due to their uncertainty) to contribute to the overall reserve and committed fund's position and fund the internal borrowing required to deliver the future Capital Programme. By 2019/20, the Committed Funds set aside to fund the Commissioner's future Capital Programme will be exhausted. Therefore, there is currently a requirement to borrow £21.592m to 2022/23 to fund the existing five year Capital Programme. This reserve therefore is held to reduce this requirement or to minimise future borrowing requirements in order to deliver the Capital Programme beyond 2022/23.

c) Other Financial Liabilities – Tribunal and Ombudsman Liabilities through to Proceeds of Crime Act (POCA) - (£3.940m Lines B6a to B6e)

- i Purpose – The rationale for these committed funds is articulated in the table below:

<b>Category of Committed Funds</b>	<b>Rationale for Holding</b>
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 <sup>3</sup> . 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.

- ii Planned Utilisation – As mentioned previously, 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

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<sup>3</sup> 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.

balance of £3.940m in 2022/23, 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.

67. The forecast Reserve and Committed Funds position does not take into account the following events which would increase this figure:
  - a) Acceleration of efficiency schemes and non-recurrent budget surpluses above the level already accounted for;
  - b) Additional sales of capital assets than those already identified; and
  - c) Underspending in the Capital Programme or slippage which defers spend to future financial years.
68. Similarly, the forecast Reserves and Committed Funds position does not take into account the following events which would further reduce this figure:
  - a) The impact on reserves of future CSRs, subsequent Efficiency Reviews or any transitioning arrangements to a new Funding Formula allocation;
  - b) Further significant investment to deliver over and above the current five year Capital Programme;
  - c) Pump-priming for future Phases of the Staying Ahead Programme; and
  - d) Overspending in the Capital Programme or acceleration which brings forward spend.

## **CAPITAL PROGRAMME 2018/19 (Appendix 6 and 6a)**

69. The initial capital investment requirements over the next five years are becoming clear as the implementation of the Estate, Fleet and ICT strategies are progressed. Capital Expenditure over the next five years totals £44.534m, of which the 2018/19 element amounts to £18.019m.
70. In addition, a further £14.550m of non-capital long-term projects have been identified, of which £5.250m occurs in 2018/19.
71. With the complete insufficiency of Capital Grant from the HO, implementation of the current Capital Programme will require the continuation of the recurrent revenue contribution to capital (£0.575m); utilisation of Reserves and Committed Funds and significant borrowing (£21.592m to 2022/23) to fund the Programme's requirements. This in turn however, will realise long-term cashable and non-cashable benefits to the organisation, e.g. appropriate and more sustainable estate provision; fit for purpose fleet; maximising returns on ICT investment etc.

72. Furthermore, the development of the Staying Ahead Programme may present further investment requirements which will generate efficiency opportunities, which should present cashable savings.

## **OUTSTANDING ISSUES, UNQUANTIFIABLE RISKS AND OPPORTUNITIES**

73. Whilst the MTFP is designed to reflect the most up to date intelligence, a number of outstanding issues and unquantifiable risks remain which are incapable of being reflected at this present time. These are briefly highlighted below:

a) Financial:

- i Ongoing austerity, impact of Brexit and the Police Funding Formula Review;
- ii Loss of ‘assumed’ Council Tax Precept income;
- iii Impact of the localisation of council tax support;
- iv Legislative and policy changes having unintended consequences, e.g. as previously seen with Single State Pension and Apprenticeship Levy;
- v Potential increase in the employer’s Police Officer pension rate;
- vi Withdrawal of funding by partners (HO, WG, MoJ and Local Authorities);
- vii Increased ‘last resort’ demand due to others withdrawing service; and
- viii Failure of Government to deliver on national programmes of work such as ESN transition.

b) Organisational:

- i Partners re-trench from collaborative ventures (e.g. as a result of Welsh Government funding settlement); and
- ii Failure of key efficiency schemes to deliver.

c) Societal:

- i Emergent complex crime types and increased safeguarding requirements;
- ii Increased crime, anti-social behaviour and incidents due to economic and political climate; and
- iii Lack of staff turnover due to limited job opportunities.

74. Conversely, a number of opportunities exist which could ease the financial burdens on the organisation:
- The development of Public Service Boards (PSBs) across Gwent, promoting a ‘One Public Service’ ethos to tackle long-standing issues across Gwent;
  - Linked to a) above, the ability to co-commission services with Public and 3<sup>rd</sup> Sector Partners, avoiding duplication of effort and maximising return to the public; and
  - Actively seeking out income generation opportunities and influencing the legislative agenda to provide wider opportunities.

## **BUDGET REQUIREMENT, TAX BASE AND COUNCIL TAX PRECEPT**

75. The revenue budgetary requirement for 2018/19 is the net position of:
- The base recurring requirements;
  - Efficiency savings and recurring budget reductions realisable in 2018/19;
  - Non-recurring revenue requirements in 2018/19; and
  - Non-recurring savings which are realisable in the year and reserve and committed funds utilisation.
76. The gross base recurring requirement for 2018/19 is £123.707m (Appendix 1b line 10) which, when adjusted by the small budgetary deficit, equates to a budget requirement for the year of £123.581m.
77. The Central Government Grants announced in the Provisional Settlement are as follows:
- |                             | £                 |
|-----------------------------|-------------------|
| Police Grant                | 40,403,679        |
| Revenue Support Grant       | 21,314,228        |
| National Non-Domestic Rates | <u>9,768,882</u>  |
|                             | <u>71,486,789</u> |
78. Deducting total Central Government Grant from the budget requirement of £123,581,044 leaves income to be raised from Council Tax Precept of £52,094,255.
79. Council tax is a tax on dwellings, levied according to the valuation band attributed to the property. Each unitary authority calculates its council tax base by establishing the number of properties in each of the nine council tax bands (A to I) and converting the band totals to a Band D equivalent figure (e.g. Band A council tax is two thirds of the Band D tax, the Band A total is

therefore multiplied by two thirds to arrive at the Band D equivalent). The total Band D equivalent figure is then adjusted to take account of reductions for disabled residents, single occupancy discounts, etc. to produce the council tax base. The council tax to be raised for police and crime purposes (the Council Tax Precept) is allocated to the unitary authorities in proportion to their tax bases. The tax bases notified by the unitary authorities are as follows:

<b>Unitary Authorities</b>	<b>Band D Equivalent Properties</b>	
	<b>2017/18</b>	<b>2018/19</b>
Blaenau Gwent	20,133.89	20,179.95
Caerphilly	59,689.83	59,944.01
Monmouthshire	45,537.71	45,887.85
Newport	57,619.96	58,465.51
Torfaen	<u>33,132.00</u>	<u>33,390.00</u>
Total	<u>216,113.39</u>	<u>217,867.32</u>

80. The effect of these figures on the Band D Council Tax Precept for police and crime purposes is:

	<b>Actual 2017/18</b>	<b>Proposed 2018/19</b>
Council Tax Precept	£49,455,388	£52,094,255
Band D Tax	£228.84	£239.11
Increase on previous year (£)	£8.78	£10.27
Increase on previous year (%)	3.99%	4.49%

81. The following table shows the proposed Council Tax Precept for police and crime purposes for all bands.

<b>Valuation Band</b>	<b>Tax Payable Compared to Band D</b>	<b>Proposed Council Tax Precept</b>
		£
A	6/9	159.41
B	7/9	185.97
C	8/9	212.54
D	9/9	239.11
E	11/9	292.25
F	13/9	345.38
G	15/9	398.52
H	18/9	478.22
I	21/9	557.92

82. The unitary authorities are billing authorities for council tax purposes. The Commissioner's Council Tax Precept will be added to the figures for council tax for expenditure by the unitary authorities and community councils and will form part of the single council tax demand. Under regulations, the billing authority must determine a schedule of instalments for payments to precepting

authorities. Currently, the unitary authorities pay the Commissioner's Council Tax Precept in equal instalments as follows:

<b><u>Last working day of each month</u></b>	<b><u>Third Tuesday of each month</u></b>
Blaenau Gwent	Caerphilly
	Monmouthshire
	Newport
	Torfaen

## **CHIEF FINANCE OFFICER'S STATEMENT - REQUIREMENTS OF THE LOCAL GOVERNMENT ACT 2003**

83. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report on:
  - a) The robustness of the estimates made for calculating the Council Tax Precept; and
  - b) The adequacy of the proposed financial reserves.
84. The same Section requires the Commissioner to have regard to the Chief Finance Officer's report when making decisions about Council Tax Precept.
85. Central Government Grants from the HO and WG currently fund approximately 60% of the revenue budget requirement for policing and crime services in Gwent. A combination of CSR 2010, CSR 2013 and CSR 2015 has resulted in significant reductions in core HO and WG 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 Central 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% and 2017/18 a further cut of 1.40%. The Provisional Settlement has brought, what may be, a temporary halt to proceedings, in that Central Government Grants are proposed to remain at the 2017/18 level for both the 2018/19 and 2019/20 financial years i.e. 0% cuts in each in cash terms. Including this reprieve, the budget available for policing and crime in Gwent has experienced around a 25% cash reduction over the 9 years since 2010/11. When the effect of inflation and pay awards is built in, the real reduction is over 40%. Faced with a weaker outlook for the economy and the public finances; uncertainty of Brexit; and growing pressures on public services following years of cuts, the lessening of budget cuts afforded by CSR 2015 and the latest Provisional Settlement may not be sustainable.
86. The Staying Ahead 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 ahead of time and as a consequence Reserves and Committed Funds have been generated for supporting investment necessary to redesign the estate and for pump-priming new initiatives. This

success, along with the lessening of Central Government Grant Funding cuts in recent years and appropriate Council Tax Precept increases, has allowed Gwent Police to attain (for the first time) full establishment in its operational policing model. Appropriate Council Tax Precept increases into the near future will assist in maintaining this establishment and thereby realise its full benefits to the public of Gwent.

87. The preparation of the budget is now, almost a continual exercise, involving the compilation of MTFPs, dovetailing with detailed work across the OPCC and Force under the supervision of the Assistant Chief Officer - Resources and in liaison with me. The involvement of all parts of the Police Service ensures awareness not only of the demands, but also of the constraints upon them. Throughout 2017/18, Members of both the Police and Crime Panel and Joint Audit Committee received progress reports on the 2018/19 budget and beyond and were able to examine both the proposals and the process followed. The extent of this preparatory work has therefore greatly assisted the Commissioner in his deliberations. I am satisfied therefore, that 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.
88. Appendix 5 to this report shows details of the Commissioner's Reserves and Committed Funds position. The Force's Assistant Chief Officer - Resources and I continually review the adequacy of Reserves, Committed Funds and Provisions. In addition, as part of the compilation of the year-end 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 Reserves and Committed Funds Strategy.
89. The General Reserve is required for working capital and to meet unexpected expenditure in emergency situations or major crime. During my latest review of the Reserves and Committed Funds Strategy in September 2017, in conjunction with the Commissioner and the Force's Chief Officer Team, I concluded that a General Reserve of £4m would be a prudent level for the organisation moving forward, taking into consideration its size, local circumstances and the requirement to identify savings to address significant reductions in Central Government Grant Funding.
90. In relation to the Committed Revenue and Capital Funds, I am content that programmes of work are already in train, or that risks remain, that confirm the need and sufficiency of the amounts reported.
91. In conclusion, I am content therefore, with the adequacy of the proposed financial Reserves and Committed Funds.

## **APPENDICES**

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|-------------|---|
| Appendix 1a | - Impact of Incremental Council Tax Precept Changes           |
| Appendix 1b | - Medium Term Financial Projections                           |
| Appendix 2  | - Medium Term Financial Projections – Assumptions             |
| Appendix 3  | - Service Pressures and Budget Developments                   |
| Appendix 4a | - Identified Budgetary Savings                                |
| Appendix 4b | - Staying Ahead Phase 8 Schemes and Other Savings Initiatives |
| Appendix 5  | - Reserves and Committed Funds Position 2017/18               |
| Appendix 6  | - Capital Programme 2018/19 to 2022/23                        |