

POLICE & CRIME COMMISSIONER FOR GWENT

REVENUE BUDGET AND CAPITAL PROGRAMME 2019/20

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 Gwent Police's (the Force) Strategic and Financial Planning process. My current plan was launched in May 2017 and is fully considered as part of the budget proposal. In addition, I am in the process of updating my current plan, which will be completed by the 31st March 2019. Areas of stronger emphasis in my updated plan will include tackling Serious and Organised Crime (SOC); addressing cyber-enabled and cyber-dependent criminality; and also protecting those made vulnerable by criminal and sexual exploitation. Each of these areas of investment are also reflected in my 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 current 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 2019/20 and set the Council Tax Precept, prior to 1st March 2019, 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 2019/20, this 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 and the Police and Crime Panel's Finance Sub-Committee.
7. The 2019/20 budget setting round is the fourth and final 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 (with the next, CSR 2019, expected in the summer of 2019). The Staying Ahead Programme was initiated by the Force to address these efficiency requirements and to the end of 2017/18, has delivered cumulative recurring savings of £49.314m. The 2018/19 savings target of a further £0.184m will be met this year through the continuing success of the Staying Ahead Programme, which over recent years has become core Force business within its Service Development Department.
8. The future financial challenge to 2023/24 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 Police and Crime 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, which was announced in a Written Ministerial Statement (WMS) by the Minister of State for Policing and the Fire Service Nick Hurd MP (Minister) on Tuesday 19th 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 leaders¹, 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." No further update was been provided within the Provisional 2019/20 Police Funding Settlement (Provisional Settlement), which was announced in an oral statement and a letter to the Home Affairs Select Committee by the Minister on Thursday 13th December 2018. However, it is expected that once the work is restarted in the Autumn of 2019 as part of CSR 2019; following full consultation throughout 2020/21, it is assumed that any impact will not occur until the 2021/22 financial year.

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 2021/22 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 29th October 2018, the Chancellor of the Exchequer, Rt. Hon. Philip Hammond MP, made his 2018 Autumn Budget announcement in the House of Commons. This was the Chancellor's third Budget (second Autumn Budget) and was the last Budget before the UK's exit from the European Union (29th March 2019). In the build up to the announcement, no additional police funding was expected, despite calls by Police and Crime Commissioners that Her Majesty's Treasury (HMT) must take note of the needs of police in the Budget and that at the Conservative Party conference in September 2018, the Prime Minister said that regarding austerity: "The British people need to know that the end is in sight." It was also expected that the Budget would also not contain anything specifically of note for Fire and Rescue Authorities.
11. Alongside the 2018 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:

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

- a) Gross Domestic Product (GDP) is predicted to grow by 1.3% in 2018. This is 0.2 percentage points less than the 1.5% predicted in the 2018 Spring Statement. This said, for 2019 it is forecasted to be 0.3 percentage points higher than previously forecasted at 1.6%. For each year to 2021, growth forecasts have been revised up from or level with those in the 2018 Spring Statement;
- b) Consumer Price Index (CPI) inflation has been revised up for each year from 2018 to 2023 from previous forecasts. In 2018, CPI Inflation is now forecasted at 2.6% (up 0.2 percentage points from the previous two forecasts); this is expected to be followed by rates of 2.0% in 2019 and 2020, increasing slightly to 2.1% in 2021 and 2022 before returning to 2.0% in 2023;
- c) Public Sector Net Debt (PSND) has now peaked as a share of GDP at 85.2% in 2016/17 and falls to 83.7% this year, 1.8% of GDP below the 2018 Spring Statement forecast. It is then forecasted to be 82.8%, 79.7%, 75.7% and 75.0% from 2019/20 to 2022/23. This corresponds to deficit forecasts of 1.2%, 1.4%, 1.2%, 1.0%, 0.9% and 0.8% of GDP for 2018/19 to 2023/24, lower than previous forecasts. Borrowing is lower in the near term than that planned in the 2017 Autumn Budget and 2018 Spring Statement; a trend that continues in the medium term;
- d) The Chancellor announced that the UK's "Jobs miracle" is set to continue, with a further 800,000 more jobs being projected by 2023. Unemployment fell to 4.0 per cent of the labour force in the second quarter of 2018, continuing the downward trend since late 2011. The OBR expects it to fall to 3.7 per cent by the start of 2019, before stabilising and then edging up towards its equilibrium rate, reaching 4.0 per cent in 2023;
- e) Prior to the 2018 Autumn Budget, there were mixed messages from Number 10 and Number 11 Downing Street regarding whether this Budget would still apply in the event of a no-deal Brexit or whether a new Budget would be required. In his speech, the Chancellor stated that he could turn the 2019 Spring Statement into a full Budget if necessary. At the 2017 Autumn Budget, the Chancellor announced funding worth £3bn for Government Departments over two years (in addition to the £700m already invested) to ensure a smooth Brexit transition. The budgets allocated to individual Government Departments for 2018/19 (totalling £1.52bn) remain unchanged from those published in the 2018 Spring Statement; and
- f) Overall, council tax receipts, levels and taxbases are forecasted slightly higher than the corresponding 2018 Spring Statement forecasts (which were higher again than corresponding 2017 Autumn Budget forecasts). In recent years the OBR's council tax forecasts have been used in determining the Police Grant Settlements. The forecasts for English Local Authority (and Police and Crime Commissioner) areas have seen their tax base forecasts increase, whilst the Welsh forecasts remain unchanged at a 0.8% forecast annual rise.

12. Aside from the relative information above, the Autumn Budget provided no detailed information of the impact on police and crime budgets other than:
- a) General - The Chancellor 'recognised' that the Police are under pressure from the 'changing nature of crime' and stated that there will be further consideration given to police during the Provisional Settlement in December 2018;
 - b) Unfunded Public Sector Pension Schemes - HMT has lowered the discount rate applied when calculating contribution rates for public sector pensions from the 2.8% that was set at the 2016 Autumn Budget to 2.4%. This will increase employer contributions significantly from April 2019 (and September 2019 for teachers). The detail and impact upon this for the Force is provided at paragraph 20 c) below. Note, this does not apply to the Local Government Pension Scheme (LGPS) which accommodates Police Staff;
 - c) Counter Terrorism – The 2018 Autumn Budget provides an additional £160m in 2019/20 for counter terrorism policing;
 - d) Prisons and Justice - The 2018 Autumn Budget will fund the construction of Her Majesty's Prison (HMP) Glen Parva in Leicestershire. Additionally, £30m is provided for the HMP estate to improve 'security and decency'. A further £21.5m will also be invested in the wider justice system; and
 - e) HO – The HO's Resource and Capital Departmental Expenditure Limits remain unchanged between 2018/19 and 2019/20, remaining at £10.7bn and £0.5bn respectively. For context, the Crime, Policing and Fire Group within the HO accounts for 79% of their total budget.
13. At this stage therefore (i.e. late October 2018), it could only be assumed that Government Department spending plans set out in the CSR 2015 would remain in place and that the Minister's intention to maintain 'broadly flat' Central Government Grant Funding in 2019/20 would be honoured - however this was dependent upon the Police Service delivering clear progress against agreed milestones on productivity and efficiency during 2018/19.

PROVISIONAL SETTLEMENT

14. As stated in paragraph 8 above, the Provisional Settlement was announced in an oral statement by the Minister on Thursday 13th December 2018. The Welsh Government (WG) also published their Provisional Settlement for Welsh Police and Crime Commissioners on the same date. Both documents outline the provisional levels of Central Government Grant Funding for Police and Crime Commissioners for 2019/20. The publication of the Draft 2019/20 Police Grant Report marks the start of the consultation period which ends on the 10th January 2019, with the Final Settlement being issued shortly after this date.

15. 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 Police and Crime 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 Police and Crime Commissioners through the Provisional Settlement and the 2019/20 reallocations are highlighted below:
- a) The funding for major digital projects will be maintained at £495m to enhance police digital capability, including developing a national approach to mobile digital working. Mobile working is a key enabler to support policing access to information and tools and thus carry out their functions effectively, regardless of where they are. This approach should ensure that forces are delivering mobile working consistently to avoid duplication, share best practice and maximise significant productivity gains. The Government will be expecting to see progress in this area ahead of CSR 2019, therefore policing must demonstrate a real commitment to deliver the benefits from mobile working;
 - b) The Police Transformation Fund (PTF) will be maintained at £175m, enabling forces to continue to invest in enhanced efficiency and effectiveness. 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) A £90m investment to strengthen the response to SOC (up from £42m); to invest in much-needed SOC capabilities at national, regional and local levels;
 - d) £73m will be provided (down from £93m) 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);
 - e) The HO will also maintain Private Finance Initiative (PFI) obligations of £73m;
 - f) Existing Arm's Length Bodies (Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the College of Policing, the Independent Office for Police Conduct (IOPC), the Gangmasters and Labour Abuse Authority and the Office for Communications Data Authorisations) will receive the same level of funding as in 2018/19 (£63m); and
 - g) Finally, the HO will top-up National Crime Agency (NCA) funding and Regional Organised Crime Unit (ROCU) grants by £56m to ensure these are maintained at flat cash; and maintain £4m of funding to continue police bail reforms.

16. As a rule of thumb, the local financial impact (i.e. to the Commissioner's budget in Gwent) of any reallocated amount, equates to roughly 1%. Therefore, the overall 2019/20 reallocations of £1,029m above equates to a potential loss of £10.29m of Central Government Grant Funding into Gwent.
17. 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 £185.3m (an uplift of £11.7m on 2018/19). The City of London Police will also continue to receive NICC grant funding worth £4.8m (an uplift of £0.3m on 2018/19). 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.
18. By way of background to the latest Provisional Settlement, in the two financial years 2016/17 and 2017/18, the Government 'maintained' broadly 'flat cash' Police and Crime Commissioner budgets by reducing Central Government Grant Funding as local Council Tax Precept increased. Had the Government also taken that approach in the 2018/19 financial year, 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 altered their approach for 2018/19 and 'protected' the Central Government Grant Funding which ultimately reached Police and Crime Commissioners. This meant that in 2018/19, each Police and Crime Commissioner received the same amount of Central Government Grant Funding as they did in 2017/18. The Government's intention to 'protect' Central Government Grant Funding was 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, were met from a combination of cashable efficiencies elsewhere in the budget and local Council Tax Precept increases. The headline 'standstill' cash settlement in 2018/19 still amounted to a 'real term' cut in overall funding, even after the increase in Council Tax Precept in 2018/19 was factored in. At that time, the Minister also outlined his intention that in order to assist with more efficient financial planning, he would provide Police and Crime Commissioners and Chief Constables greater visibility on financial plans for 2019/20. To this end, he made clear his intention to maintain 'broadly flat' Central Government Grant Funding in 2019/20; however this was dependent upon the Police Service delivering clear progress against agreed milestones on productivity and efficiency during 2018/19 and also providing transparency on reserves.

19. When announcing the 2019/20 Provisional Settlement, the Home Secretary, the Rt. Hon. Sajid Javid MP confirmed “At the 2018/19 settlement, we announced increased funding and asked the police and PCCs to make progress on efficiency, productivity, mobile digital working, and financial transparency. In response, you developed a plan to make commercial and back office savings, which you are on track to deliver; and without exception, published financial reserves strategies”. To this end therefore, the expectation was with the Police Service having kept their side of the bargain, Central Government Grant Funding received by Police and Crime Commissioners for 2019/20 would be broadly flat cash.

20. The headlines from the Government for the 2019/20 Provisional Settlement, of £970m additional funding for the Police Service, appear on the surface to be far more favourable than simply maintaining broadly flat cash funding from Central Government Grant Funding. However, on closer inspection, the £970m of additional funding is made up of:

a) £509m as a result of additional council tax flexibility – The Home Secretary has stated:

“We are also proposing to double the precept flexibility for locally accountable Police and Crime Commissioners. Last year, we provided an additional £12 precept flexibility. This year, we propose giving Police and Crime Commissioners the freedom to ask for an additional £2 a month in 2019/20, to increase their Band D precept by £24 in 2019/20 without the need to call a local referendum.”

If all Police and Crime Commissioners in England and Wales increase Council Tax Precept by £24 a year, this will raise up to an additional £509m based on current forecasts. This would take total Council Tax Precept funding up to around £4.1bn nationally. Police and Crime Commissioners must consult their local electorate on police Council Tax Precept increases to ensure they explain how additional investment will help deliver a better police service. Members will be aware Council Tax policy in Wales is a matter for the WG and the referendum rules do not apply here. **If the Commissioner were to take the opportunity to raise his Council Tax Precept in Gwent by the full £24 per annum (p.a.), this would equate to a rise of 10.05%;**

b) £161m additional Central Government Grant (Formula) Funding – The Government will invest £146m in increasing core grant funding by 2.1% in 2019/20, with the intention that every Police and Crime Commissioner sees their Government grant funding ‘protected’ in real terms. In addition, they will also make a limited uplift in two specific grants – the first to the Metropolitan Police Force, to recognise the additional costs of policing the Capital, coupled with unique local financial pressures (additional £12m); and secondly to the City of London Police to reflect the fact that they do not benefit from increases in Council Tax Precept (additional £3m);

- c) £153m of Specific Pension Grant - Following a revaluation of public sector pensions, police forces are facing increased Police Officer pension costs of around £330m from 2019/20 onwards. As part of the 2016 Pension Valuation, HMT have announced Public Sector Pension Valuation 'Directions', which serve to increase the employer's contribution rate from 2019/20 for Public Sector Pension Schemes (including the Police Pension Scheme). The main change is the reduction to the 'discount rate', which is used to convert future pension payments into present day value. This rate reflects the OBR's view on the current national economic outlook, which in turn reflects a particularly uncertain period prior to Brexit. The Chancellor was correct to suggest at Party Conference that *any* agreement on Brexit would see an improvement on economic growth predictions, however, put simply, markets like certainty. **Therefore there is a strong argument to say that using the amended rate as outlined below, risks corrective action in the future when markets stabilise.** The discount rate has been reduced from 3.0% to 2.4% (although a reduction to 2.8% was contained in the 2016 Autumn Budget). The HO have signalled that Police and Crime Commissioners will need to budget for the resultant additional costs. These have been valued at circa £302m in 2019/20, with the ongoing funding of the full discount rate reduction beyond 2019/20 being considered as part of the CSR 2019. The Government is specifically allocating £153m to help the police pay for these increased costs. Of this, £143m will go directly to Police and Crime Commissioners and £10m to counter terrorism policing and the NCA. As can be seen however, only £143m of specific grant has been provided to Police and Crime Commissioners to offset additional costs of £302m – therefore, the extra direct funding from Central Government Grant Funding to Police and Crime Commissioners of £146m discussed at paragraph 20 b) above will be fully consumed in meeting this shortfall, resulting in an overall shortfall of funding from Government of around £13m nationally. In relation to Gwent, the estimated increase in Police Officer employer pension contributions will be £3.255m and our expected Central Government Grant Funding will be £1.501m (Gwent's share of £146m) and £1.325m (Gwent's share of £143m), resulting in a shortfall to fund pensions in 2019/20 of circa £0.429m. This shortfall will be met from a contribution from the Commissioner's Reserves and Committed Funds and not from Council Tax Precept. This issue is further compounded in whether the Specific Pension Grant will be recurrently provided from 2020/21 onwards to meet the recurrent pension costs;
- d) £90m additional funding to tackle SOC – This investment is designed to implement the new SOC Strategy, building capabilities at national, regional and local levels. Although a 'significant' proportion will be allocated directly to police forces, it is unknown at the time of writing how much, if any, will come into Gwent. However, for the 2018/19 financial year, the Force was successful in securing £0.245m to provide co-ordination of SOC activities and to deliver community resilience, direct intervention and strategic communications in Newport. Dialogue is ongoing with the HO to ascertain if this funding will also be available for the 2019/20 financial year also; and

- e) £59m additional funding for counter terrorism – Counter terrorism policing is a national priority and its funding is ring-fenced. As announced by the Chancellor in the 2018 Autumn Budget, funding for counter terrorism policing will increase by £59m in 2019/20 to £816m, which is £160m more than the Government planned at the last CSR 2015. The counter terrorism funding total includes £24m to boost the number of firearms officers, known as the firearms uplift, which is also part of the PTF. Police and Crime Commissioners will be notified of force allocations separately.
21. As can be seen above, actual funding that comes directly to Police and Crime Commissioners (i.e. excluding national work on SOC and counter terrorism) amounts to £798m. When the funding received through precept flexibility (£509m) is discounted (as this passes the burden of funding to local taxpayers and assumes all Police and Crime Commissioners raise Council Tax Precept by £24 p.a.) and the new additional costs of pension changes (£302m) is factored in, local funding to Police and Crime Commissioners across is England and Wales is £13m short of maintaining flat cash (£798m - £509m = £289m, then £289m - £302m = (£13m)).
22. However, in presenting the Provisional Settlement the Home Secretary and Minister conveyed:

“We are extremely grateful to you [Police and Crime Commissioners and Chief Constables] and your officers for your dedication and hard work to keep our communities safe. We are also very grateful for the police’s engagement with us on understanding the changing nature of demand, and the capabilities you need to respond. We know that crime is changing and becoming more complex, and that you are facing increasing demands on your resources.”

“We have reviewed the demand on the police again. It is clear that demand pressures on the police have risen this year as a result of changing crime. There has been a major increase in the reporting of high harm, previously hidden crimes such as child sexual exploitation and modern slavery. The challenge from serious and organised crime networks is growing. Through the Serious Violence Strategy, we are bearing down on the worst spike in serious violence and knife crime that we have seen in a decade by combining support for more robust and targeted policing with effective long-term investment in prevention and earlier intervention. And we need to recognise the work done by the police to combat the evolving threat from terrorism. The Government is determined to support the police to meet the demand across counter terrorism, serious and organised crime and local policing.”

“This investment will support four key pillars of police effectiveness. Firstly, increasing capacity, including investing in Police Now to attract excellent new talent, while introducing technology that saves time – so officers spend longer on the frontline. Secondly, crime prevention, including funding for innovative new techniques. Thirdly, enhancing the support we offer to hard-working frontline Police Officers and staff, with the new national welfare service. And finally, through ensuring system leaders provide national direction on

performance, including through working more smartly, with the digitally enabled modern tools to police effectively.”

23. In presenting the Provisional Settlement, the Home Secretary and Minister also articulated what was expected in return for their ‘investment’:

“This settlement sets out four priority areas to drive efficiency, productivity and effectiveness next year to drive improvements in services to the public:

- a) On behalf of the taxpayer, the Government will expect to see continued efficiency savings in 2019/20 through collective procurement and shared services. We need to see national approaches to procuring forensics, vehicles and basic equipment such as helmets, developed over the coming year. And we will be setting an expectation that every force contributes substantially to procurement savings; we will work with the police to agree the right force level objectives for 2019/20 and 2020/21 in the coming months. All forces should also contribute to the development of a new commercial operating model over 2019/20;
- b) We will expect major progress to resolve the challenges in investigative resource identified by Her Majesty’s Inspectorate of Constabulary and Fire & Rescue Services, including recruiting more detectives to tackle the shortfall. We will work with the College of Policing and the National Police Chiefs’ Council to support forces to make this change by accelerating their action plan on investigations, making full use of the innovation offered by Police Now;
- c) Forces will have to continue improving productivity, including through smarter use of data, and digital capabilities including mobile working, with an ambition to deliver £50m of productivity gains in 2019/20; and
- d) Furthermore, we expect forces to maintain a SOC response that spans the identification and management of local threats as well as support for national and regional priorities. This response should be built around the disruption of local SOC threats alongside SOC prevention, safeguarding, partnerships and community engagement.”

24. In conclusion, the Home Secretary and Minister confirmed:

“This Provisional Settlement is the last before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces. The Home Office is grateful to the police for the good work they are doing to build the evidence base to support that work, and we will also want to see evidence that this year’s investment is being well spent. In addition to working together to understand demand, we will be working with the police to present an ambitious plan to drive improved efficiency, productivity and effectiveness through the next Spending Review period.”

25. In short, the Provisional Settlement falls way short in addressing local demands and maintaining investment in Police Officer numbers. The entirety of direct Central Government Grant Funding is consumed by increased pension costs over which the Police Service has no control. Moving on, it should be noted that in relation to the Provisional Settlement, a number of remaining specific grants and external funding arrangements for 2019/20 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 2018/19 levels with the following exceptions and points of note.
26. It was confirmed in last year's budget setting round, that WG funding of £0.5m for Tarian (part of the ROCU of the three Southern Wales Police Forces) was removed in 2018/19. This position has been further compounded in the 2019/20 financial year with further reductions in HO PTF funding into the ROCU and additional cost pressures. The resultant funding shortfall of the ROCU for 2019/20 of £1.075m necessitates an additional contribution from Gwent of £0.279m to maintain capacity.
27. Furthermore, from 2020/21 onwards, WG funding for the All Wales Schools Liaison Core Programme (AWSLCP) Officers in Gwent (expected to be £0.401m in 2019/20) will be withdrawn. The WG intention is to embed the substance misuse element of the AWSLCP into changes to the schools' curriculum. Discussions are ongoing however between the four Welsh Forces and the WG with regard to future provision and funding of this Programme.
28. The revenue support from the WG for Gwent's PFI funded Ystrad Mynach Police Station and Custody Suite, totalling £0.539m, 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.
29. Furthermore, 2019/20 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. This figure represents flat cash from the 2018/19 financial year, which in turn, was the same figure as the 2017/18 financial year. Therefore, with the future absorption of pay awards for WG PCSOs being unsustainable, the level of Commissioner funded PCSOs will reduce incrementally into the future, in order to maintain the overall funding for the 101 WG PCSOs.
30. Since 2013/14, Police and Crime Commissioners have received Ministry of Justice (MoJ) funding to provide services to victims of crime. For the 2019/20 financial year, the Commissioner will receive £0.679m in grant which is used exclusively to support Connect Gwent (the Victims' Hub) and provide additional services for victims of crime. This figure is the same as the 2018/19 allocation, thereby representing a real term cut, however, due to the importance of the service provided by Connect Gwent, its funding to maintain its purchasing power will be supplemented from the Commissioner's overall funding from HO, WG and Council Tax Precept.

31. The HO has provided a Provisional Capital Allocation for 2019/20 of £0.459m, which forms the basis of the draft Capital Programme (the 2018/19 allocation was £0.449m). It must be noted however, 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 2019/20 Police Funding Settlement in late January/early February.
32. The latest MTFPs have been updated following receipt of the Provisional Settlement and indicate a budgetary deficit (before the application of efficiency saving and contributions from Reserves and Committed Funds) for the 2019/20 financial year of £1.175m (Appendix 1b, Line 20), increasing to a budgetary deficit of £6.109m by 2023/24.

COUNCIL TAX ISSUES (Appendix 1a)

33. For 2019/20, legacy Council Tax Freeze grants and Local Council Tax Support grants (totalling £507m) will continue to be available to Police and Crime Commissioners in England. Alongside this, the Government will provide further flexibility to Police and Crime Commissioners in England to increase their Band D Council Tax Precept by up to £24 p.a. in 2019/20, without the need to call a local referendum. This doubles the flexibility of £12 p.a. that was available in the 2018/19 financial year. As mentioned previously, for comparison, a £24 p.a. increase in Band D Council Tax Precept in Gwent equates to a 10.05% increase.
34. 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, although for the purposes of parity, capping principles must be considered in the light of the flexibility afforded to English counterparts, i.e. up to £24 p.a.
35. It has also been assumed that there will be no further impact from the Council Tax Support Scheme in Wales in 2019/20.
36. MTFPs that have previously been issued during this budget setting cycle have assumed Council Tax Precept increases of between 3.99% to 4.99% p.a. over the five year projected period. This budget proposal however revises the 2019/20 Council Tax Precept increase to 6.99% and confirms council tax base growth in 2019/20 of 0.67% (lower than the local estimates of 0.92% and the OBR estimate of 0.8%). The revision in the Council Tax Precept increase

reflects the requirements contained in the Chief Constable's budget bid (which was formally received and scrutinised at the Commissioner's Strategy and Performance Board on the 30th November 2018). The revision up to a 6.99% increase, enables the Commissioner to set a balanced budget in 2019/20 after taking account of efficiency schemes and a contribution from Reserves and Committed Funds; reflects the results of the public engagement consultation exercise (see paragraphs 38 to 54 below); and the Commissioner's view as to the affordability of Council Tax Precept increases on the residents of Gwent. The detailed policing justification for the increase in the Council Tax Precept to accommodate the requirements in the Chief Constable's bid are articulated in paragraphs 63 to 66 below.

37. For future years, the Council Tax Precept remains at 6.99% p.a. and the council tax base growth has been estimated at 0.86% - the underlying average over recent years. The Council Tax Precept is set at this level moving forward primarily in order to maintain the significant investment in Police Officer numbers since 2016/17, in order to meet the complex changes in policing demand. Appendix 1a shows the impact that incremental changes on the Council Tax Precept rate would have on funding assumptions for 2019/20. As noted above in paragraph 13, 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' Police and Crime Commissioner's cash budgets. This has moved on somewhat with the 2018/19 financial year seeing Police and Crime Commissioner's 'flat cash budgets' being 'maintained' by Central Government Grant Funding alone and the latest Provisional Settlement providing an increase in Central Government Grant Funding, which when added to Specific Pension Grant is consumed in totality in meeting increased Police Officer Pension costs. This new position therefore, still continues to ignore 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 and importantly Council Tax Precept growth, a point which Government has clearly recognised by virtue of allowing increased Council Tax Precept flexibility up to £24 p.a..
38. To support the Commissioner's financial planning and to meet statutory requirements, the OPCC ran an engagement exercise regarding the proposed Council Tax Precept increase from 12th November 2018 to 13th January 2019. This was a total of nine weeks compared to five weeks for the equivalent exercise last year.
39. The engagement exercise had a dual approach: a series of 19 face-to-face engagement events across all Local Authorities was complemented with an online survey. This approach was necessary, as in order to engage with a sufficient number of people to provide a representative sample of the population of Gwent; and to then provide these people with the maximum available timeframe of purposeful engagement (9 weeks including the festive period), a new dual approach was required.

40. In order to provide the maximum engagement opportunity, it was determined that the online survey would be launched in advance of receiving the Chief Constable's Budget Bid (received 30th November 2018) and Provisional Settlement (received 13th December 2018). Therefore, when the online survey was launched (12th November 2018), it was based upon estimated financial projections and assumed Council Tax Precept increases of 4.99% p.a. over the MTFP, in order to attempt to maintain Police Officer investment over recent years. The survey included an infographic outlining how the increase in precept would support the Force and conversely, if the increase was not supported, what the impact upon policing in Gwent would be (in addition, a link to background papers was also provided). At the time, the assumed Council Tax Precept increase of 4.99% was determined as it equated to an additional £12 p.a. on a Band D household, which was the Government-determined Council Tax Precept flexibility given in 2018/19. As will be explained later, this approach was then to be ratified by a series of face-to-face external engagements to clarify the figures once the Chief Constable's budget bid and Provisional Settlement were received.
41. The online survey was proactively publicised via social media, local press and the Commissioner's website. In addition to this, public partner and third sector organisations shared the posts with their audiences via their social media channels, websites, internal staff bulletins and external e-newsletters. Key local influencers, particularly 'hyper-local' websites and community groups were also targeted.
42. The total online reach of posts about the proposed Council Tax Precept increase totalled more than 104,493. This compares to just 10,500 people last year.
43. As mentioned above, the online survey was complemented with a series of face-to-face engagement sessions across the county. The focus of face-to-face engagement was to allow more meaningful and in-depth conversations with residents, once the Chief Constable's budget bid and Provisional Settlement were received. This way of 'pulse-testing' public opinion allowed greater visibility once the clarity of police funding was known and the proposed increase in Council Tax Precept had emerged.
44. In total, 19 engagement events were held in Gwent, compared to none last year. Of these engagement events, five were held on Saturdays to increase opportunities to engage with a wider selection of people. At the face-to-face events, residents were briefed on the emergent financial 'ask' (i.e. a likely Council Tax Precept increase of up to £1.50 per month (the currently proposed increase of 6.99% equates to £1.39 per month).
45. As part of its holistic approach to engagement, the OPCC also used this opportunity to engage with people about their Police and Crime priorities, as the current Police and Crime Plan is being updated.
46. In total, staff of the OPCC conducted 81 hours (11 working days) of face-to-face community engagement and this resulted in 1,085 people being engaged

with in-person about the proposal. Of these 616 completed the survey – 518 completed a paper survey, with 98 opting to complete an online version.

47. Overall, the survey was conducted bilingually in both electronic (online) and paper format. In total, 1,897 were conducted through the medium of English and 21 in Welsh, resulting in a total of 1,918 survey responses. Last year there was one Welsh language submission.
48. In addition, comments from the respondents were collected via a free-text box. Furthermore, respondents were asked if they live in Gwent and, if so, in which Local Authority area. Equality information was also collected to illustrate the demographics with whom the OPCC engaged.
49. It was agreed prior to the launch of the engagement exercise that a representative sample size of 600 would be used, across the total of both approaches (online and face-to-face), based on the entire population of Gwent. This sample size provided the OPCC with a 95% confidence level that the answers received would be within +/- 4% margin of error on the actual results.
50. As stated above, a total of 1,918 responses were received by the closing date. Of these, 1,875 were from Gwent residents, meaning a representative sample was achieved. For comparison, last year's survey managed a representative sample with 609 responses, which was not the case in prior years.
51. The findings based solely on the returns from Gwent residents were:
 - a) 846 (61.4%) of the online respondents supported the principle of a £1 per month increase;
 - b) 431 (31.3%) of the online respondents would not support the principle of a £1 per month increase;
 - c) 100 (7.3%) of the online respondents were unsure;
 - d) 396 (79.5%) of the face-to-face respondents supported the principle of up to a £1.50 per month increase;
 - e) 68 (13.7%) of the face-to-face respondents would not support the principle of up to a £1.50 per month increase; and
 - f) 34 (6.8%) of the face-to-face respondents were unsure.
52. During the face-to-face engagement, the majority of people who did not support the full rise in Council Tax Precept stated that they wanted any financial increase to be reflected in an increased service to the public.
53. From a prudent perspective, taking into account a negative swing in the margin of error (- 4% on the actual results), an increase in Council Tax Precept of at least £1 per month was supported by the majority of people who

took part. **Importantly, the ability to provide more information at the face-to face encounters resulted in a significantly greater percentage of respondents supporting an even higher increase in Council Tax Precept of up to £1.50 per month – although this avenue just falls short of a representative sample size.** Members should note, that the Commissioner's 6.99% proposed increase in the Council Tax Precept amounts to an additional £1.39 per month for a Band D household. Most of the feedback, both verbally and in writing, wanted to see more police on the streets. Respondents either supported an increase in the Council Tax Precept for this reason, or said they didn't support it as it wouldn't result in more Police Officers. However, as explained in paragraphs 63 to 66 below, **the Chief Constable's bid is fundamentally based upon increasing his establishment by a further 40 Police Officer posts – 30 new investigative resources into the Force's Public Protection Unit (PPU) and 10 further Police Officers for Neighbourhood Policing and Response.**

54. Whilst these findings of the engagement exercise are instrumental in assisting the Commissioner in setting his Council Tax Precept for 2019/20, the comments provided in the 'free text' element contain invaluable feedback to both the Commissioner and Chief Constable. As such, a detailed report is being prepared on this exercise which will be considered at the OPCC Management Board on 28th February 2019.

MEDIUM TERM FINANCIAL PROJECTIONS 2019/20 to 2023/24 (Appendix 1b)

55. 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, 4, 5a and 5b.
56. Members will note that although a small budgetary surplus (after efficiency savings and a contribution from Reserves and Committed Funds) of £0.044m could be achieved in 2019/20, this is to the backdrop of sustaining £49.498m of cumulative efficiency savings already accounted for, up to and including 2018/19; the delivery of £0.791m of savings in 2019/20; and future uncertainties such as the M4 Relief Road and implementation of the Police Education Qualifications Framework (PEQF). Moving forward, reflecting the Provisional Settlement in 2019/20; estimating the impact of CSR 2019, Brexit 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 £4.181m by 2023/24.

FUNDING ASSUMPTIONS (Appendix 2)

57. The following funding bases and assumptions (Appendix 2) have been incorporated within the current MTFP:
 - a) Central Government Grant Funding (HO/WG):

- i Funding standstill (i.e. flat cash) on Central Government Grant Funding for 2020/21 and beyond – this therefore does not take account of growth in future reallocations (as seen between 2017/18, 2018/19 and 2019/20) and also the inherent risk in the sustainability of public finances in the current economic turmoil, particularly with reference to Brexit and CSR 2019;
- ii The revision of the Police Funding Formula from 2021/22, (postponed from the original expected date of 2016/17), results in a £6m reduction in central funding across three years to 2023/24. This remains a real and present threat as within the Provisional Settlement, the Minister stated “This is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces”; and
- iii Specific Grants, which have yet to be confirmed, have been assessed to remain at 2018/19 levels or at provisionally indicated amounts. The exception to this is the Specific Pension Grant of £1.325m received in 2019/20. As this did not form part of core Central Government Grant Funding and also that future funding of the increased Police Officer pension costs will form part of the CSR 2019 deliberations, it would not be prudent to assume that this funding stream is recurrent.

b) Council Tax Precept and Base:

- i An increase in Council Tax Precept of 6.99% in 2019/20 and thereafter to 2023/24. This growth is required to part-fund not only the maintenance of a full Police Officer and PCSO establishment, but contribute to 40 new Police Officer posts moving forward and also unavoidable service pressures throughout the MTFP. This Council Tax Precept increase is insufficient however, to counter the effect of flat cash Central Government Grant Funding moving forward, nor the £6m reduction from the revision to the Police Funding Formula. These variables have all 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 2019/20 by 0.67%, nearly a third lower than the 0.92% estimate based on the preceding three years. It has been assumed that for 2019/20 onwards, the council tax base growth will continue at a rate of 0.86% (the average of the preceding three years).

EXPENDITURE ASSUMPTIONS (Appendices 2, 3 and 4)

58. The pay and non-pay cashable efficiency target for 2018/19 of £0.184m will be met and furthermore, budget reductions of £1.138m have been identified for 2019/20. Both these amounts have been fully recognised in the 2019/20 base expenditure budget and the MTFP reflects the impact of these savings/reductions moving forward. The 2019/20 Staying Ahead efficiency scheme target of £0.791m will be delivered through the year.

59. 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 throughout its timeframe of 1,330 wte, reflecting the investment in officer numbers funded by Council Tax Precept growth over 2016/17, 2017/18, 2018/19 and provisionally 2019/20. At the 31st March 2019, the estimated actual numbers of Police Officers will be 1,322 wte. Members will recall that the budgeted establishments in preceding years stood at 1,282 wte in 2018/19, 1,236 wte in 2017/18 and 1,196 wte in 2016/17, therefore the Commissioner and Chief Constable have tangibly invested additional Council Tax Precept into frontline policing delivery. Members will also note that to meet this budgeted establishment, throughout 2016/17, 2017/18 and 2018/19, the Force will have recruited over 400 new Police Officers to replace not only those who have left, but also to new posts to tackle new and emergent demand. It is the Commissioner and Chief Constable's intentions to maintain Police Officer numbers over the medium term, only reducing them as a last resort if efficiency schemes from other conventional areas of policing demand as per the HMICFRS Value For Money (VFM) Profiles (see paragraphs 67 to 75) fail to deliver savings to meet the recurrent deficit. Recruitment of 60 probationer Police Officers is scheduled throughout 2019/20 to replace natural vacancies in the agreed operational policing model. Maintenance and review of the Police Officer establishment is 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 2019/20 to 2023/24 set at 677 wte (excluding PCSOs) within the MTFP (2018/19 budgeted establishment was 647 wte). At the 31st December 2018, the actual numbers of Police Staff was 637 wte, supplemented by a further 62 wte agency staff (therefore 22 wte over the 2019/20 budgeted establishment or 40 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. However, of the 62 wte agency staff, 26

- wte of these are Major Incident Team Support Officers, undertaking key frontline policing work; and
- ii The actual PCSO establishment at 31st December 2018 was 120 compared to a budgeted establishment of 128 wte for the start of the 2019/20 financial year (131 wte for 2018/19). Plans are already in place to recruit PCSOs in order to reach establishment for the start of the 2019/20 financial year and to also counter natural wastage, particularly into Police Officer roles. The 128 wte budgeted establishment is expected to reduce over the MTFP to 119 wte by 2023/24, to counter the effect of flat cash funding for PCSOs by the WG.
60. The assumptions for pay awards, allowances, enhancements and non-staff inflation remain largely consistent with those used in the 2018/19 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 2019/20 is 2.0% and remaining at this amount throughout the MTFP on account of the removal of the Public Sector pay cap for the Police Service. However, the Police Federation of England and Wales (PFEW) has started proceedings with the HO which could lead to a Judicial Review of their decision to provide a pay award in September 2018 of 2%, against the 3% recommendations of the independent Police Remuneration Review Body (PRRB); and
 - ii Aside from the increased employer contribution rates as a result of the revaluation of the public sector pensions (including Police Officer pensions) considered extensively in this report thus far, the LGPS has also undergone its triennial revaluation in 2016 (reported March 2017). 2018/19 saw Police Staff (including PCSOs) employer contributions rise by 1% to 16.8% with a further rise of 1% to 17.8% in 2019/20. Each percentage point increase equates to extra £0.200m recurrently.
 - b) Non-staff inflation (2018/19 to 2022/22):
 - i General – 3.0% throughout the MTFP, which although higher than currently forecast CPI, provides for Brexit uncertainty;
 - ii Utilities – limited to 5%; and
 - iii Fuel – limited to 5%.
61. 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 4. Members will note these marginal increases on base budgets, however, paragraphs 63 to 66 below draw out the demands and pressures that are being absorbed by existing base budgets, such as that for Police Officers and also the 'case' for continuing to invest in Police Officer and

PCSO numbers moving forward through the delivery of recurrent efficiency schemes and increases in Council Tax Precept.

62. Additional borrowing revenue costs for capital investment have been reflected to help fund the Commissioner's Capital Programme. This amounts to revenue interest charges of £0.477m in 2020/21 cumulating to £1.458m by 2023/24, as borrowing is undertaken to fund future Capital Programmes as the Commissioner's Reserves and Committed Funds become fully utilised. 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.
63. As discussed previously, the Commissioner received the Chief Constable's 2019/20 budget bid on 30th November 2018, 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 14th December 2018, as a core part of setting the Finance Strategy, Council Tax Precept and 2019/20 budget.
64. The context of the Force'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 continuing austerity; increasing unavoidable service pressures (Appendix 4); policing more complex crime types and policing in the digital age. Members will recall that the primary areas of focus within the Chief Constable's 2018/19 bid were:
 - a) Rising Crime and Incident Demand;
 - b) Changes in the Complexity of Crime and the Need to Identify and Tackle Hidden Crime;
 - c) Increase in Levels of Vulnerability;
 - d) New Technology = Increased Opportunities for Crime = Increased Demand;
 - e) Emerging Demand for Specialist Uniformed Operations;
 - f) Need to Balance Focus on Uniform and Detective Resources; and
 - g) Need to Look After the Wellbeing of People Working for Gwent Police.
65. The 2018/19 areas of focus remain a constant, as can be seen from the context and drivers for the Chief Constable's bid for 2019/20. These are discussed below:
 - a) Delivering the Six Strands of the Policing Vision 2025

- i Local Policing – The Force continues to tailor Local Policing to society's complex and diverse needs, continually balancing the:
 - Capacity and capability of Police Officers and Police Staff;
 - Requirements for warranted powers;
 - Visibility of Police Officers against dealing with non-visible crime;
 - Requirements and ability to maintain community cohesion; and
 - The need to focus on prevention and intervention e.g. the programme of work to deal with 'Adverse Childhood Experiences (ACEs), through the multi-agency 'Early Action Together' (EAT) programme.
- ii Specialist Capabilities - To better protect the public, the Force will enhance its response to new and complex threats and will develop its network and the way it delivers specialist capabilities by reinforcing and connecting policing locally, nationally and beyond;
- iii Workforce – By 2025 policing will be a profession with a more representative workforce that will align the right skills, powers and experience to meet challenging requirements, thereby retaining a workforce that is able to operate with a high degree of autonomy and accountability;
- iv Digital Policing - digital policing will make it easier and more consistent for the public to make digital contact, improve the Force's use of digital intelligence and evidence and ensure the Force can transfer all material in a digital format to the criminal justice system;
- v Enabling Business Delivery - Police forces and partners working together in a consistent manner to enable joined up service delivery; and
- vi Governance and Accountability – Ensuring clear accountability arrangements to support policing at the local, regional and national levels.

b) Improving the Quality of Service Whilst Delivering Efficiencies

- i Since 2009/10, the Force has been on a journey that has continuously focussed on improving the quality of the service provided to the public, whilst at the same time making (and sustaining) nearly £50m of efficiency savings in light of the austerity challenges that have and continue to face policing;
- ii Within the last 18 months, 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;
- iii In 2017/18 the resources were focussed on Risk, Harm and Threat to ensure the public of Gwent are safe and included investment in:
 - Public Protection and Vulnerability;
 - Cyber Crime; and
 - Mental Health Services.
- iv During 2018/19, resources have been focussed on development and innovation including:
 - Investing in People – Recruitment, Wellbeing/Occupational Health and Learning & Development. In relation to Learning &

Development, there are some significant changes in the way that initial training and development takes place, along with core responsibilities linked to continuous professional development and accreditation. In order to ensure that Police Officers and Police Staff are trained and accredited, the Force has invested in this area in order to ensure that they are fit for the future and always learning;

- Custody Provision – The Force has enhanced provision from 30 to 60 fulltime cells, by reopening Ystrad Mynach custody facility to meet the demand;
 - First Point of Contact (FPOC) – The introduction of the Investigation Strategy (see paragraph 65 c) iv below) and social media desk, provides a risk based approach to the Force’s response to crime reports and investigations. This approach will result in a significant reduction in demand upon response policing; and
 - Digital Policing – see paragraph 65 f) below.
- v 2017/18 saw HMICFRS’ fourth PEEL (police effectiveness, efficiency and legitimacy) assessment of the Force. PEEL is designed to give the public information about how their local police force is performing in several important areas, in a way that is comparable both across England and Wales, and year on year. The assessments are updated throughout the year following inspection findings and reports. The latest PEEL assessment for Gwent reported:
- The extent to which the Force is effective at keeping people safe and reducing crime is **requires improvement**;
 - The extent to which the Force is efficient at keeping people safe and reducing crime is **good**; and
 - The extent to which the force is legitimate at keeping people safe and reducing crime is **good**.

vi **In summary, Wendy Williams, Her Majesty’s Inspector of Constabulary observed:**

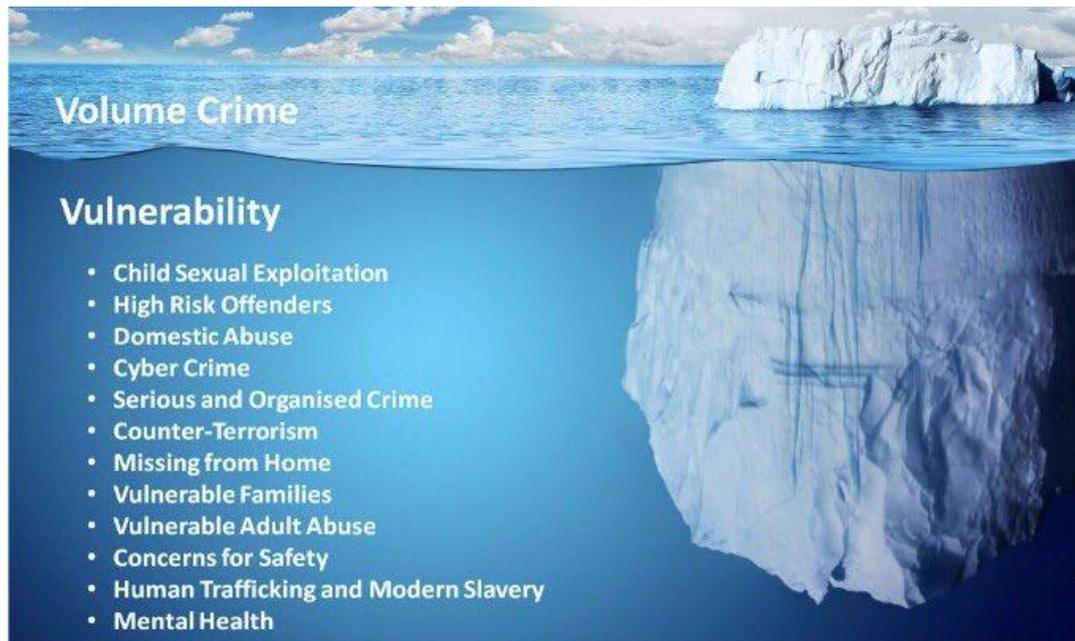
“I am satisfied with most aspects of Gwent Police’s performance in keeping people safe and reducing crime, but the force needs to make improvements in some areas to provide a consistently good service. The force is good at identifying people who are vulnerable, but it needs to improve its approach to protecting victims of domestic abuse, and to serious and organised crime. The force has maintained a good understanding of demand, but it needs to do more to develop sustainable financial plans to achieve future savings. Our joint custody inspection (with HMI Prisons) identified that most detainees in Gwent police custody suites were treated with respect and consideration, and were held safely in good conditions. The force prioritises the ethical behaviour of its workforce, but its monitoring of how it uses coercive powers is too limited in scope. Overall Gwent Police needs to improve to regain the level of service it was providing previously, but I am confident the force will be able to do this and perform better in future.”

c) A Changing Landscape - Crime Still Increasing and Becoming More Complex; Increasing Pace of Technological Change; Increase in Terrorism; and Reduced Public Services Funding!

- i Overall crime in Gwent between 2016/17 and 2017/18 is up by over 20%. Key contributors are:

<p>Violent Crime</p> <p>Oct 16 - Sep 17 - 12816 Oct 17 - Sep 18 - 17627</p> <p>This is an increase of 37.5% year on year</p>
<p>Domestic Abuse Crime</p> <p>Oct 16 - Sep 17 - 5606 Oct 17 - Sep 18 - 7472</p> <p>This is an increase of 33.3% year on year</p>
<p>Cyber Enabled Crime</p> <p>Oct 16 - Sep 17 - 1153 Oct 17 - Sep 18 - 1702</p> <p>This is an increase of 47.6% year on year</p>
<p>Rape Offences</p> <p>Oct 16 - Sep 17 - 409 Oct 17 - Sep 18 - 556</p> <p>This is an increase of 35.9% year on year</p>
<p>Sexual Offences</p> <p>Oct 16 - Sep 17 - 771 Oct 17 - Sep 18 - 896</p> <p>This is an increase of 16.2% year on year</p>

- ii The Force is determined to protect those most vulnerable from harm and will continue to prioritise these crimes, but these cases are resource intensive and require specialist skills and knowledge to investigate. The following highlights the 'hidden nature' of not only these crimes and incidents, but the policing response to:



iii The continued rise in reported vulnerability crime is evidenced below:

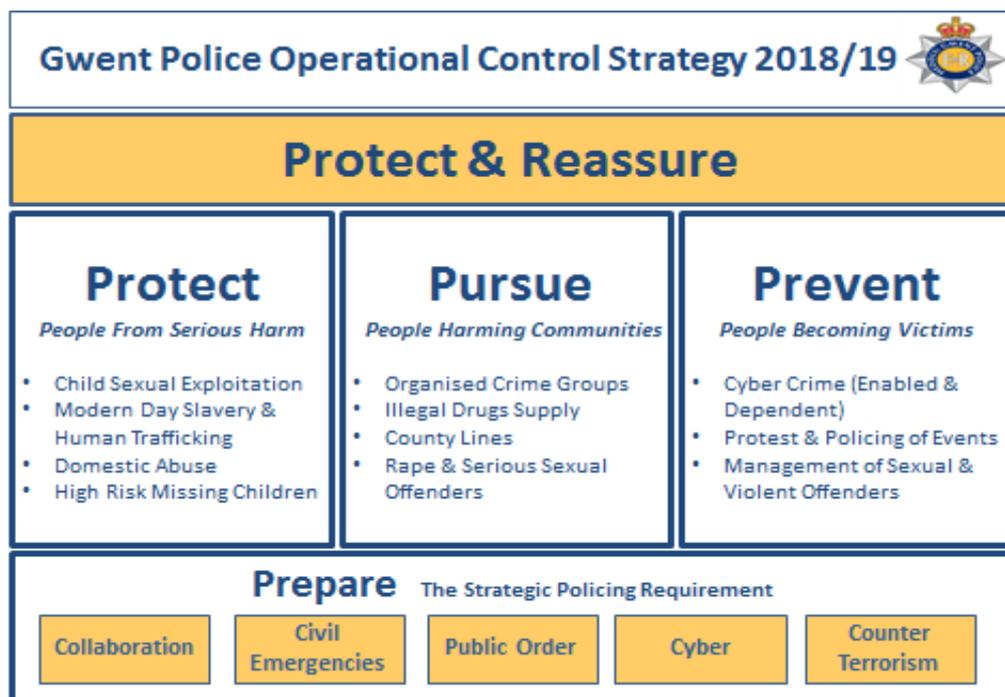
Crime Category	2016/17	2017/18	Difference	Increase
Hate Crime	424	671	247	58.3%
Modern Day Slavery	7	20	13	186%

- iv During 2018/19, the Force has been shaping its investigative capacity and capability for future demand. The primary thrust was the implementation of its 'Investigation Strategy' which will manage demand through the Force's FPOC centre, whose staff are now trained to assess the call and determine whether Police Officer deployment is the most appropriate response. Furthermore, once the decision to deploy is made, a subsequent assessment is made of the right skills of Police Officer to investigate the incident based on its requirements and that of the potential victim. The Force is currently half way through the implementation of the Investigation Strategy and at this time, there appears positive outcomes, with improved customer satisfaction;
- v As part of the delivery of the Investigation Strategy, a review was undertaken of the Force's CID and PPU investigative resources:
- Detailed demand analysis was undertaken to establish the current situation;
 - The rise in reported vulnerability crime and the complexities of the investigations, evidenced the need for increased detective resources;
 - The business case has been approved with a tiered approach to the increase of the detective capacity within the PPU; and
 - The overall increase amounts to 30 extra investigative resources (potentially a mixture of both Police Officers and Police Staff)

available to respond to the most serious and complex crimes. **This is the key determinant in the Chief Constable's budget in requesting a Council Tax Precept increase of 6.99%, to make this a sustainable investment which avoids the need to deplete Police Officers and Police Staff from other areas of the Force, such as Neighbourhood Policing Teams.**

d) A Re-focus and Prioritisation of Threat, Risk and Harm

- i The recently revised Force Control Strategy (below) recognises the key areas within SOC as the greatest risks and threats to the communities of Gwent. Child sexual exploitation, drug trafficking and supply and 'County Lines'² being the highest scoring crime categories within the 'Management of Risk in Law Enforcement' (MoRiLE) process. The Force has therefore set Vulnerability and SOC as its key priorities as a result and it is clear from all available evidence and intelligence that a significant portion of organised criminality is targeted at the most vulnerable members of society.



- ii The Force has a comprehensive intelligence picture for drug supply and County Lines and continues to pursue offenders and achieve success. Other areas of SOC, including modern day slavery & human trafficking; child sexual exploitation; and cyber crime are not as well understood; and

² 'County lines' is a term used by the police to describe a growing practice among criminal gangs when demand for drugs fails to meet the supply in major cities, gangs travel to remote rural areas, market towns or coastal locations in search of new customers. In this process, children as young as 12 are hired as 'runners' to transport and sell illicit drugs.

- iii The Chief Constable's budget bid is predicated on continuing to provide the necessary specialist Police Officers to address these risks and manage the threats identified.
- e) Tackling the Increased Demand within SOC and Vulnerability and Providing Innovation to Identify and Support Vulnerable People
- i As highlighted above, the Force has set Vulnerability and SOC as its key priorities, with Force resources being dedicated to address issues of organised crime against the most vulnerable members of our communities. This current resourcing includes:
- A dedicated Modern Day Slavery and Human Trafficking Team, based at Risca Police Station and resourced by one Detective Sergeant, one Detective Constable, one Police Constable and one member of Police Staff. As a direct result of this investment, there has been a 157% increase in victim referrals for support and 34 crimes have been recorded in the last 6 months, compared to 14 in the previous reporting period;
 - Investment in the Cyber Crime Unit provided additional Financial Investigators and Hi Tech Crime resources. There remains a requirement for the Force to develop its cyber-dependant capacity and capability, as the national direction is that all cyber-dependant crime is dealt with locally;
 - Dealing with the emergence of County Lines. Experience of 'cuckoo'³ incidents in the Newport area against the most vulnerable individuals in our communities has risen, coupled with London Organised Crime Groups (OCGs) trying to infiltrate into area. These OCGs bring higher levels of violence and use of weapons. A dichotomy exists whereby proactive work inevitably creates market vacuum and risk of new OCGs emerging;
 - Developing a SOC Strategy and SOC brand, with the recent launch of Operation JIGSAW, which is tackling SOC in Gwent;
 - The HO have funded five areas across England and Wales to undertake pilot work in developing approaches to SOC. Newport was selected as one of these areas. The project is funded until March 31st 2019 in the first instance. It is co-ordinated by a Chief Inspector in the Force with the support of a SOC Board including representation from WG, Newport City Council, and the OPCC. The project includes funding for service delivery to meet the criteria of early intervention and prevention; community resilience; and strategic communications. In order that the service delivery provides a full and holistic approach to SOC for children, young people, their families and the community, the Commissioner has enhanced the HO funding of £150,000 with a further £120,000. Delivery partners include St Giles Trust, Barnardo's, Newport Live, and Mutual Gain;

³ Cuckooing is where criminal gangs use violence and abuse to target the homes of vulnerable people and use them as bases for drug dealing.

- ACE Programme – The Force has appointed a dedicated Superintendent to lead the delivery of the ACE Programme in Gwent, working with the national ACE team. A small delivery team has also been established. The programme will address the need for early intervention and preventative activity when ACEs are evident and the associated impact it has on policing and partners in terms of vulnerability and crime;
- Mini Police Program - The Mini Police initiative will provide a real taste of policing for children at an early age and will add value to the already well-established Gwent Police Volunteer Police Cadets programme. To date, 23 schools across Gwent have engaged in the programme;
- Investing in drone technology to help with incidents such as finding missing people, policing large events, tackling anti-social behaviour and dealing with rural crime; and
- From a regional perspective, the ROCU have been fully engaged, consistently supporting the Force during 2018/19, delivering the following successes against SOC:
 - Cash seizures – in excess of £600k;
 - Drugs seized - 49 Kilos of Class A drugs and 74.3 kilos of Class B drugs;
 - Significant assets and in excess of 50 vehicles seized;
 - In excess of a 240 years of prison sentences handed out with a number of further sentences yet to be determined; and
 - 163 people arrested.

f) Collaborative Work to Meet Demand, Improve Systems and Enhance Efficiency & Effectiveness

- i In order to be efficient and effective, the Force has invested heavily in Digital Policing – the roll out of laptops, mobile phone technology and Body Worn Cameras are examples of this, along with its investment in collaboration with South Wales Police via the joint Digital Services Division. This initiative will equip the Force to manage the future demands of policing whilst at the same time, allow Police Officers to improve visibility in their communities;
- ii The foundation to collaborative support functions is nearing completion; with the implementation of the recruitment, HR, finance, payroll, duty resource management and learning & development collaborative systems with South Wales Police. These will enable integrated delivery of support functions and release efficiencies;
- iii In addition, the collaborative policing functions will also take a step forward when the Force exploits the benefits of new Niche⁴ Modules, due for release in May 2019:

⁴ This is the Force's Records Management System - an incident-centric tool that manages information in relation to the core policing entities: people, locations, vehicles, organisations (businesses or other groups), incidents (or occurrences) and property/evidence.

- Two Way Interface (TWIF) – will enable the Force to transfer cases to the Crown Prosecution Service (CPS) and for them to pass requests for information back which improves the flow for case file build. In addition, this will remove reliance on the paper based system;
 - Property (Forensics) – This initiative continues the rationalising programme for existing stand-alone Force systems;
 - MISPER (2) – This module will record and capture previous incidents of individuals who go missing (particularly vulnerable individuals) and provide enhanced data sharing opportunities with relevant partners, e.g. Local Authorities; and
 - Public Protection Notices (PPN) – This module will automate the current systems, providing enhanced search and retrieval functionality.
- iv Furthermore, the national Information, Communication and Technology (ICT) initiatives will be released for which the Force will embrace these opportunities which include:
- Track my Crime;
 - On Line Crime recording;
 - National Enabling Programmes (NEP);
 - Automatic Number Plate Recognition (ANPR);
 - Single On Line Home (SoH);
 - Biometrics Programme (HOB);
 - Digital Evidence Management (DEMs); and
 - Digital Investigation (DII).

g) Investment in People and in Key Areas of Risk

- i The Force's 2019/20 work plan will implement the following programmes of change:
- Review of the operating model which was implemented in 2015 - This work will be supported by the commissioned support for which reference will be made to the National Review 'Front Line Review' and the Home Affairs Committee 'Policing for the Future'. As part of the simulation modelling to assess the Force's operating model, Police Constable utilisation rates have been identified. Consultancy advice received from Process Evolution, based upon work with other forces suggests that an 80% utilisation rate is the optimum for Neighbourhood Response, as this gives capacity for those investigations that are more complex in nature. The current Police Constable utilisation rates based upon the last 12 months incident data and resource allocations are as follows:

Resource	Overall Utilisation
Response Blaneau Gwent	89.8%
Response Caerphilly Central	88.5%
Response Caerphilly North	91.3%
Response Caerphilly South	89.4%
Response Monmouth North	88.1%
Response Monmouth South	91.0%
Response Newport City	82.0%
Response Newport East	94.5%
Response Newport West	97.9%
Response Torfaen	92.6%

- The table above suggests that the overall Police Constable utilisation rates are all over the optimum levels, however some deployment areas such as Newport West are working to critical capacity levels which will severely restrict the capacity to undertake ad-hoc functions such as proactive patrol;
- Fully implementing the investigative model - This will complete the rollout of the Investigation Strategy;
- Developing the CID Service - The business case approved in November 2018 confirmed the requirement for an additional 30 investigative resources to ensure that crimes are investigated with appropriately trained and resourced teams, without the need to transfer resources from Neighbourhood or Response Teams; and
- Neighbourhood strategy - The Neighbourhood Policing Delivery Plan provides clarity on the roles and responsibilities of Neighbourhood Teams including PCSOs and Station Enquiry Officers (SEOs), which support policing in our communities.

66. The above areas of focus and investment build upon the Force's '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 Constable's bid, the infographic at the end of this report highlights a typical day in the Force.

BUDGETARY SAVINGS, HMICFRS VFM PROFILES AND FUTURE EFFICIENCY OPPORTUNITIES (Appendices 5a and 5b)

67. Appendix 5a details budgetary savings identified through this budget setting round which can be removed from the 2019/20 budget and in some cases, from future budgets. Of particular note are those saving schemes' opportunities generated through improved procurement and also the estimated number of Police Officers who take ill health retirement.
68. 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.

69. The VFM Profiles have been produced by HMICFRS for the past eight 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, Police and Crime 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.
70. The final Profiles have been received and every area highlighted is being, or has been, considered as part of the Staying Ahead Programme. In terms of an overview, the Force has the sixth 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 ten most expensive (excluding London) forces. Amongst the four Welsh forces Gwent is third, being more expensive than Dyfed Powys but less expensive than North Wales Police and South Wales Police.
71. The Force stands out for its high expenditure in the areas of Local Policing and also Support Functions. Of these, Support Functions is the area most in need of context to its costs. Within the Support Function's sub-categories, ICT costs appear as a significant outlier, showing over £4m more expensive than its MSG average. However, upon investigation, it was identified that the categorisation of cost across forces is not consistent and this can be demonstrated in that along with the comparable ICT service costs, the Force had also included costs of the collaborative Digital Services Division Team with South Wales Police of £1.2m; Airwave technology of £0.6m; and £1m of revenue expenditure which has since been capitalised. Other forces within the MSG will have categorised these costs elsewhere.
72. Appendix 5b currently lists areas of review as determined by the work plan of the Staying Ahead Programme. However, between now and the commencement of the 2019/20 financial year, Appendix 5b will be developed further to identify those areas where the Force is an outlier when compared with the average cost of delivering the same area of service against the average of the MSG, but only after those areas have been scoped to determine those which will provide best value to the Force.
73. 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 above the

national average, but are skewed by the classification of ICT costs as described in paragraph 71 above.

74. Again, as highlighted in previous years, 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 PCSOs.

REVENUE AND CAPITAL OUTTURN 2018/19

75. A key component in the setting of the 2019/20 budget is the financial performance in the current financial year. Quarterly financial management reports are produced and scrutinised at both the OPCC's Management Board; the Force's Chief Officer Team meetings; and ultimately at the Commissioner's Strategy and Performance Board. From quarter 2, 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).
76. The initial forecast outturn reported at quarter 2 indicated a £1.597m surplus against Gross Revenue Expenditure (GRE) of £135.712m; which equates to 0.78%. This net surplus position has predominantly been generated from the budgeting methodology used for vacant Police Officer posts – a prudent estimate is set based on filling vacant posts through a combination of new Probationer Constables and transferring established Police Officers from other forces. If the balance of recruitment favours new Probationer Constables, then surplus budget is generated (as the pay costs of Probationer Constables is less than more established Police Officers) and if transferee Police Officers are higher in number the opposite effect happens. However, following dialogue prompted by early engagement with the Police and Crime Panel's Finance Sub Group, the surplus of £1.597m has been eradicated through the accelerating investment into this financial year of the replacement of body armour and TASER capability. It is expected therefore, that the quarter 3 financial management report will identify a generally break-even position on budget. At the time of writing, the quarter 3 financial management report is being compiled, therefore the Chief Finance Officer will provide a verbal update on the forecast year-end position at the Police and Crime Panel meeting on 25th January 2019.
77. 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).

78. 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. Taking this point, the original 2018/19 surplus is as a result of the budget not reflecting the current mechanism by which new Constables joined the Force, and as such was overstated. Therefore, the methodology for budgeting for new Constables has been amended for the 2019/20 financial year and the recurrent effect of this surplus has been removed moving forward.
79. The 'one-off' nature of this underlying surplus is further emphasised in that even after taking account of future planned efficiency schemes in forthcoming financial years of £1.928m, the Commissioner is still faced with a recurrent financial deficit of £4.181m by 2023/24 and significantly unbalanced budgets in two of the next three financial years. This non-recurrent underlying 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. This latter point is not relevant in this case, as the underlying surplus is being utilised in year to fund the two investments highlighted in paragraph 76 above.
80. Turning to the Capital Programme, the Revised Annual Budget on proposed schemes for 2018/19 is £18.019m. The Estate schemes in the revised Programme totalled £15.527m, which included major projects relating to Police Headquarters (HQ) relocation (£9.987m); the voluntary termination of the Ystrad Mynach PFI project (£4.000m); and also the delivery of Policing Spokes at Monmouth and Abergavenny (£0.640m). Delays in finalising the design and planning permission associated with the new HQ (which are nearing completion) means that the vast majority of this budgeted spend will slip into 2019/20. Likewise the costs associated with voluntary termination of the Ystrad Mynach PFI scheme will also occur in early 2019/20. Finally, the delivery of the Policing Spokes has been achieved significantly below budget due to the collaborative nature of the solutions, therefore this budget will now be recycled for the future Capital Programme. The remainder of schemes are forecast to spend to budget in 2018/19.
81. In relation, to the vehicle replacement programme (£1.012m), this is expected to be fully spent by the year-end. The ICT and Other Schemes capital budgets of £1.480m relates primarily to mobile devices (£0.880m) and is expected to be fully spent by year-end.

RESERVES AND COMMITTED FUNDS (Appendix 6)

82. Appendix 6 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 13th September 2018 and again on the 13st December 2018 (as part of the 2019/20 Treasury Management Strategy), enabling them to discharge their responsibilities in relation to the budget setting process and the annual financial statements.

83. With the finalisation of the detailed 'bottom up' annual budget setting process; the receipt of the Provisional Settlement; and the Police Funding Formula review appearing to be deferred until 2021/22, the Reserves and Committed Funds position has been updated and will continue to be instrumental in stakeholder engagement and any mitigation strategies.
84. The 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 2019/20.
85. By the end of the 2023/24 financial year, it is forecast that the Commissioner will have Reserves of £4.000m and Committed Funds of £5.689m (totalling £9.689m - bottom right hand corner of Appendix 6). This assumes however, that only 20% of the current outstanding recurrent budgetary imbalance in 2021/22 alone (highlighted in the MTFP) will be underwritten from Line C1 in the Uncommitted Earmarked 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 closing 2019/20 carrying value (£3.994mm) i.e. removing the net effect of underwriting the future budgetary imbalance, produces an underlying total Reserves and Committed Funds figure of £13.683m.
86. This unadjusted forecast Reserves and Committed Funds figure at 2023/24 of £9.689m comprises five 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 3.2% of Net Revenue Expenditure (NRE) (this figure has remained static since 2015/16) and in the view of the Chief Finance Officer represents an appropriate level in terms of the overall risk-profile; and
 - 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) Estate Works - Victims' Hub - (£0.181m Line B2eii)

- i Purpose – This committed fund was established to fund the completion of the building work associated with creating Connect Gwent, the multi-agency Victims’ Hub in Gwent; and
 - ii Planned Utilisation – This committed fund remained following the completion of the building, commissioning and implementation of Connect Gwent. The committed fund has therefore been maintained to fund further investment to improve the delivery and efficiency of Connect Gwent into the future. A programme of work, undertaking a Post Implementation Review of Connect Gwent is well advanced, which may conclude that efficiencies can be delivered or that additional investment is required in certain areas. Where generated efficiencies are insufficient to fund new investment areas, this committed fund may be called upon. Any remaining balance will be fully utilised in funding the remainder of the Commissioner’s Capital Programme.
- c) Commissioning Strategy and Police Service Initiatives - (£1.067m Line C2)
- i Purpose – This committed fund is primarily designed to pump-prime both the delivery of the Commissioner’s Strategic Commissioning Intentions, and also specific OPCC and the Force’s initiatives to deliver the Commissioner’s Police and Crime Plan; and
 - ii Planned Utilisation – As a result of the Wellbeing of Future Generations Act 2015 and the associated creation of Public Service Boards (PSB), the Commissioner’s Commissioning Strategy will become intrinsically linked to the work of PSBs in the future. Once the priorities and the work programme of the five PSBs in Gwent have become embedded, the opportunities for co-commissioning (with both the OPCC and the Force) will become clearer and subsequently, so too will the utilisation of this committed fund. In addition, this committed fund may be destined to support the delivery of a more targeted approach to deliver certain aspects of the Commissioner’s Police and Crime Plan, such as supporting the Commissioner’s Police Community Fund.
- d) Airwave - (£3.581m Line C3)
- i Purpose – Due to the length of the lifecycle and the complexity of the funding model for the initial Airwave replacement programme it was necessary, at its inception, to create a committed fund (in this instance, as with PFI, also referred to as a ‘sinking fund’). This ensures that the affordability of the scheme is safeguarded for its entire duration and the variable impact of its financial cycle is minimised; and
 - ii Planned Utilisation – the Airwave system is being phased out and will be replaced by the Emergency Services Mobile Communications Programme’s (ESMCP) Emergency Service Network (ESN). This will provide the next generation communication system for the 3 Emergency Services (Police, Fire and Rescue, and Ambulance) and other public safety users. Based on current estimates of the cost of transition to this programme, coupled with the revenue contribution into the committed fund from base budgets, it is estimated that this

committed fund will be fully utilised sometime after 2022/23, when it is expected that Gwent will transition to ESN.

e) Other Financial Liabilities – Tribunal and Ombudsman Liabilities through to Proceeds of Crime Act (POCA) - (£0.859m Lines C4a to C4e)

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

Category of Committed Funds	Rationale for Holding
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 ⁵ . 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.

⁵ 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.

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.
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- 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 balance of £0.859m in 2023/24, 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.

87. It is important to note, that in order to maintain the forecast Reserve and Committed Funds position of £9.689m by 2023/24, the Commissioner is currently required to borrow £38.175m between 2020/21 and 2023/24 to fund his Capital Programme.

88. 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.

89. 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 and committed funds 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 that is not met from external borrowing;
- 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 2019/20 (Appendix 7 and 7a)

- 90. 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 £79.743m, of which the 2019/20 element amounts to £23.519m.
- 91. In addition, a further £14.000m of non-capital long-term projects have been identified, of which £4.400m occurs in 2019/20.
- 92. With the complete insufficiency of Capital Grant from the HO (£0.459m) , implementation of the current Capital Programme will require a combination of:
 - a) An increase in the recurrent revenue contribution to capital by £1.000m p.a., coupled with the reallocation of the historic Minimum Revenue Provision Budget of £0.070m, takes the 2019/20 total revenue contribution to capital to £1.645m. This is designed to minimise the Commissioner's dependency upon external borrowing in the current economic uncertainty;
 - b) The utilisation of Reserves and Committed Funds of £38.539m to 2020/21;
 - c) The need to undertake external borrowing of £38.175m between 2020/21 and 2023/24; and
 - d) Capital Assets disposals totalling £2.509m in 2022/23.

This investment, will realise long-term cashable and non-cashable benefits to the Commissioner and the Force, e.g. appropriate and more sustainable estate provision; fit for purpose fleet; maximising returns on ICT investment etc.

- 93. 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

- 94. 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, the 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 the revaluation of Public Sector Pensions and Apprenticeship Levy;
 - v Potential increase in the Police Officer pay awards;
 - 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 WG 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.
95. Conversely, a number of opportunities exist which could ease the financial burdens:
- a) The development of PSBs across Gwent, promoting a 'One Public Service' ethos to tackle long-standing issues across Gwent;
 - b) Linked to a) above, the ability to co-commission services with Public and 3rd Sector Partners, avoiding duplication of effort and maximising return to the public; and
 - c) Actively seeking out income generation opportunities and influencing the legislative agenda to provide wider opportunities.

BUDGET REQUIREMENT, TAX BASE AND COUNCIL TAX PRECEPT

96. The revenue budgetary requirement for 2019/20 is the net position of:
- a) The base recurring requirements;
 - b) Efficiency savings and recurring budget reductions realisable in 2019/20;

c) Non-recurring revenue requirements in 2019/20; and

d) Non-recurring savings which are realisable in the year and reserve and committed funds utilisation.

97. The gross base recurring requirement for 2019/20 is £131.531m (Appendix 1b line 10) which, when adjusted by the budgetary deficit, equates to a budget requirement for the year of £130.356m.

98. The Central Government Grant Funding announced in the Provisional Settlement is as follows:

	£
Police Grant (incl. Specific Pension Grant)	42,577,444
Revenue Support Grant	21,780,789
National Non-Domestic Rates	<u>9,955,067</u>
	<u>74,313,300</u>

99. Deducting total Central Government Grant Funding from the budget requirement of £130,355,726 leaves income to be raised from Council Tax Precept of £56,042,426.

100. 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:

Unitary Authorities	Band D Equivalent Properties	
	2018/19	2019/20
Blaenau Gwent	20,179.95	20,187.16
Caerphilly	59,944.01	60,183.96
Monmouthshire	45,887.85	46,096.27
Newport	58,465.51	59,165.99
<u>Torfaen</u>	<u>33,390.00</u>	<u>33,685.00</u>
<u>Total</u>	<u>217,867.32</u>	<u>219,318.38</u>

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

	Actual 2018/19	Proposed 2019/20
Council Tax Precept	£52,035,431	£56,042,426
Band D Tax	£238.84	£255.53

Increase on previous year (£)	£10.00	£16.69
Increase on previous year (%)	4.37%	6.99%

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

Valuation Band	Tax Payable Compared to Band D	Proposed Council Tax Precept
		£
A	6/9	170.35
B	7/9	198.75
C	8/9	227.14
D	9/9	255.53
E	11/9	312.31
F	13/9	369.10
G	15/9	425.88
H	18/9	511.06
I	21/9	596.24

103. 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:

Last working day of each month

Blaenau Gwent

Third Tuesday of each month

Caerphilly
 Monmouthshire
 Newport
 Torfaen

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

104. 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.

105. The same Section requires the Commissioner to have regard to the Chief Finance Officer's report when making decisions about Council Tax Precept.

106. Central Government Grant Funding 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%, 2017/18 a reduction of 1.40% and 2018/19 flat cash. The Provisional Settlement, on the surface, appears positive, in that Central Government Grant Funding is proposed to increase by 2.1% and a Specific Pension Grant has been provided, both designed to mitigate the financial impact of the revaluation of Public Sector Pension Schemes. However, as mentioned previously in this report, the sum of these amounts falls short of meeting the Force's additional pension costs in 2019/20 to the value of £0.428m – so in effect, the Provisional Settlement amounts to a 0.60% cash cut. Cumulatively, the budget available for policing and crime in Gwent has experienced nearly a 26% 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; CSR 2019 on the horizon 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.
107. 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 the Force to attain during 2018/19 (for the first time) full establishment in its operational policing model. Appropriate Council Tax Precept increases into the near future will further increase this establishment to address areas of demand and thereby realise its full benefits to the public of Gwent.
108. 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 2018/19, Members of both the Police and Crime Panel and Joint Audit Committee received progress reports on the 2019/20 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.

109. Appendix 6 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.
110. 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 2018, 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.
111. 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.
112. In conclusion, I am content therefore, with the adequacy of the proposed financial Reserves and Committed Funds.

APPENDICES

Appendix 1a	-	Impact of Incremental Council Tax Precept Changes
Appendix 1b	-	Medium Term Financial Projections
Appendix 2	-	Medium Term Financial Projections – Assumptions
Appendix 3	-	Force Establishment
Appendix 4	-	Service Pressures and Budget Developments
Appendix 5a	-	Identified Budgetary Savings
Appendix 5b	-	Staying Ahead Phase 8 Schemes and Other Savings Initiatives
Appendix 6	-	Reserves and Committed Funds Position 2018/19
Appendix 7a	-	Capital Programme 2019/20 to 2023/24
Appendix 7b	-	Long Term Project Programme 2019/20 to 2023/24



Incoming demand

On a typical day in Gwent Police...

Respond to approximately 13 incidents flagged as being associated with people with mental health issues.

Attend 3 injury road traffic collisions where breath tests are administered.

Carry out 3 stop and searches, 1 of these are drugs related. Of the 3 stop and searches, less than 1 will result in an arrest.

Respond to approximately 16 missing person reports, each of which will take an average of 9.5 hours of police time.

Deal with 49 Anti-Social Behaviour incidents.

Respond to 31 Domestic Abuse incidents, of which 18 were recorded as a crime.

Outgoing demand

In addition to reacting to calls for service from the public, Gwent Police will also be undertaking proactive work to safeguard the public including:



Taking part in approximately 72 Vulnerable Adult strategy discussions per month.

MAPPA

Managing approximately 748 Registered Sex Offenders in the Community.



Supporting approximately 1028 victims of domestic abuse per month through the Domestic Abuse Conference Calls and Multi-Agency Risk Assessment Conferences.



Taking part in approximately 241 Child Protection strategy discussions per month.



As well as dealing with crime, officers will:

Approximately 131 crimes are reported.



Officers will deal with – amongst other crimes - 7 dwelling burglaries, 12 thefts, 6 thefts from a motor vehicle, 2 thefts of a motor vehicle, 39 violent crimes, less than 1 robbery and 3 sexual assaults.



They will issue 2 Cautions, 1 Penalty Notices for Disorder and less than 1 Cannabis Warning.

Approximately 210 999 calls are received.



Approximately 522 incidents are recorded.

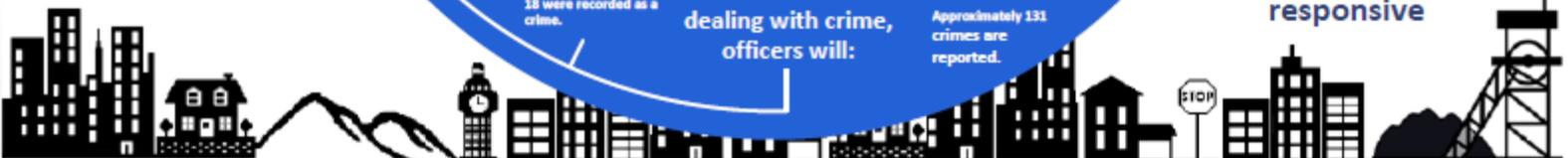
In March 2018 the estimated population of Gwent was 584,133. There are currently 1203 Gwent Police Officers, meaning there is 1 Police Officer for every 486 members of the public.

There are currently 528 Police Staff supporting the front line operational delivery.

There are approximately 131 Community Support Officers covering the Gwent area



we will be
caring
trusted
fair
professional
responsive



12,828 miles are driven each day by Gwent Police vehicles.