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| Medium Term Financial Plan 2023/24-2027/28 – update |
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| CHIEF OFFICER TEAM REPORT |
| 13th July 2023   1. PURPOSE AND RECOMMENDATION    1. The purpose of this report is for information. There are no recommendations made requiring a decision. 2. INTRODUCTION & BACKGROUND    1. The Medium Term Financial Plan 2023/24 – 2027/28 (MTFP) was presented by the Police & Crime Commissioner (the Commissioner) to the Police & Crime Panel meeting on 27th January 2023 and is summarised in Annex 1. For the 2023/24 financial year the MTFP showed a projected budgetary requirement of £166.2m against approved funding of £161.6m, resulting in a £4.6m deficit. Savings of £1.1m had already been identified, leaving £3.5m still to cover from either further savings or reserves utilisation. The net projected deficit at 2027/28 was £20.9m.    2. Further cost pressures, income, and funding adjustments have occurred since 27th January 2023, as they do every year. Typically, we manage additional costs from non-recurrent savings in that financial year, and include any recurring costs in the next round of budget setting in October each year. The MTFP is also updated in June and August each year to reflect more up to date positions.    3. The MTFP update for June 2023 is shown in Annex 2. This shows a net increase of £1.5m in the projected budgetary requirement to £167.7m, and a revised deficit after known savings of £5.0m. The updated net projected deficit at 2027/28 is now £21.9m.    4. A reconciliation of the net increase of £1.5m is provided in Annex 3 and the main adjustments are:   Additional collaboration pressures – budgets were agreed in December 2022 but were revised in late January 2023 resulting in a £546k increase in ROCU costs, and £153k for JSIU to reflect forensic provider and accreditation cost increases. A further £54k for the WG Liaison team is offset by matching collaboration income from Citizens in Policing.  SRS – revisions to SRS budgets resulted in an increase in the Force’s annual contribution of £514k. In addition, the withdrawal from Data Hall 3 has been delayed so a full year cost is needed, costing an extra £250k.  Welsh Government CSO funding – We had assumed flat cash funding of £4,556k by WG for the 121 CSOs they directly fund, in the original 2023/24 budget. However, WG reduced their funding in February 2023 to £3,805k before slightly increasing the funding to £3,945k, while still requiring maintenance and growth of CSO numbers despite the £611k funding cut. Negotiations continue with WG on CSO numbers and funding for 2023/24.  SARC investment – in line with the all-Wales agreement for a new regional SARC provision, a cost pressure of £300k has been included within the PPU MASH cost centre. We are reviewing one aspect of the partnership costs already included in the PPU MASH cost centre to see if there is any overlap with the additional £300k pressure.   * 1. A lot of work has been done to identify further budget savings which has resulted in an additional £600k of cost reductions across departmental budgets in February and March 2023. These have been reflected in the £167.7m revised budget, and the 2023/24 Budget Book published in May 2023 on the Beat.   2. In order to close the updated 2023/24 deficit of £5.0m, a number of actions are being taken internally to drive out further budget and commissioning savings, and also to reflect external economic changes.   3. Firstly, the inflation in the UK economy has forced the Bank of England to increase interest rates which means we can get a better return on our short-term investments. We had budgeted for £400k of investment income but this is more likely to be in the region of £1.2m – a forecast gain of £0.8m.   4. Secondly, the budget includes interest costs of £1.3m on borrowing to fund the capital programme. We are saving £100k every month that we don’t borrow, although this is a postponement of the cost rather than a recurring saving. When we do eventually need to borrow, it will be more expensive due to the interest rate changes.   5. The Productivity and Efficiency Working Group is monitoring a comprehensive list of potential efficiency areas. These will be transferred to the Finance Tracker document considered monthly by SIB when those savings crystallise. For example, £160k has been identified where posts have been budgeted as full time but are filled with part time staff. HR amended their establishment records in May 2023, but this recurring saving will be reflected in the 2024/25 financial budget. A number of department reviews from the Change Programme are also coming to an end so further savings will crystallise in the next 6 months.   6. The 2023/24 budget does not assume a vacancy factor for recruitment into officer and staff posts. In the NPCC’s Finance Update May 2023, Gwent is one of only four forces that do not include a vacancy factor in budgets – we assume full employment for the full financial year to fully reflect the recurrent cost for future years. Other forces include vacancy factors of between 0.6% (North Wales Police) and 11.9% (Surrey Police). Vacancy savings form part of the Working Group’s list of areas and we will consider building a suitable vacancy factor into the 2024/25 budget. For the first three months to 30th June 2023, there is a net underspend of £689k on pay & allowances and overtime for officers and staff. This is after a net overtime overspend of £115k for officers and underspend of £57k for staff which suggests overtime approval measures are starting to have an effect, although pressures remain in some specific areas such as Custody.   7. The Capital Programme projections in the MTFP at January 2023 totalled £23.9m for 2023/24 funded by reserves, revenue to capital contributions and £11m of borrowing. The revised budget at the end of June 2023 is £29.9m for 2023/24. This £6m increase is spread across a number of projects in fleet, estates and ICT and the revised budget is shown in Annex 3. The additional £6m cost is currently funded partly from reserves (£1.5m), while the remainder would come from either further revenue contributions or from further borrowing. Currently it is assumed this would be covered by additional contributions from revenue budgets without the need for increased borrowing.  1. ISSUES FOR CONSIDERATION    1. Taking the investment income growth, a full year saving on borrowing costs, and the part time staff post saving above, this would close approximately £2.2m of the £5.0m updated deficit. Work continues to identify recurring savings for the remaining £2.8m through the Working Group and Change Programme. 2. COLLABORATION    1. None. 3. NEXT STEPS    1. Continued update of Product & Efficiency Working Group spreadsheet to reflect known savings.    2. Update to MTFP 2023/24 – 2027/28 and the Quarter 2 2023/24 financial position ahead of budget setting in October 2023. 4. FINANCIAL CONSIDERATIONS    1. Noted above. 5. PERSONNEL CONSIDERATIONS    1. None. 6. LEGAL CONSIDERATIONS    1. None. 7. EQUALITIES & HUMAN RIGHTS CONSIDERATIONS    1. This report has been considered against the general duty to promote equality, as stipulated under the Joint Strategic Equality Plan and has been assessed not to discriminate against any particular group.    2. In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998. 8. RISKS    1. Specific risk required on the financial position - Head of Finance to draft for ACOR review and governance boards sign off.    2. The 2023/24 budget and MTFP assumes and establishment of 172fte CSOs, as the planned growth of 10fte was postponed following the Welsh Government’s funding cut noted above. If the number of CSOs for 2023/24 were to grow to 182fte by 31st March 2024, this would add a further £375k of pay costs plus uniform and equipment non-pay costs.    3. The increase in the capital programme costs, if fully realised by the end of 2023/24, will result in further pressures on in-year revenue budgets, or require additional borrowing.    4. Officer and Staff pay awards are subject to central negotiation by the UK Government. Recent announcements are that the pay awards will be 7% for 2023/24 which are higher than the 3.5% assumptions in the MTFP. This is a substantial increase and, while there are indications the difference between 2.5% and 7% for officers may be funded by UK Government, there remains a risk that any additional cost may have to be borne by the Force and PCC. 9. PUBLIC INTEREST    1. In producing this report, has consideration been given to ‘public confidence’? Yes    2. Are the contents of this report, observations and appendices necessary and suitable for the public domain? Yes    3. If you consider this report to be exempt from the public domain, please state the reasons: N/A    4. Media, Stakeholder and Community Impacts: none. 10. REPORT AUTHOR     1. Matthew Coe, Head of Finance. 11. LEAD CHIEF OFFICER     1. Nigel Stephens, Assistant Chief Officer – Resources. 12. ANNEXES     1. Annex 1 (MTFP at January 2023, Annex 2 (MTFP at June 2023) and Annex 3 (MTFP reconciliation January to June 2023) are included.   [MTFP COT report update annexes Jun23.xlsx](MTFP%20COT%20report%20update%20annexes%20Jun23.xlsx)   1. CHIEF OFFICER APPROVAL    1. I confirm this report has been discussed and approved at a formal Chief Officers’ meeting.    2. I confirm this report is suitable for the public domain / is not suitable for the public domain for the reasons stated in 11.3. *(delete as appropriate)*   Signature: *(Insert CO electronic signature)* Date: | | |