

POLICE & CRIME COMMISSIONER FOR GWENT

REVENUE BUDGET AND CAPITAL PROGRAMME 2015/16

COMMISSIONER'S INTRODUCTION

As the Police and Crime Commissioner for Gwent 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. My Police and Crime Plan is reviewed annually in line with the joint Office of the Police and Crime Commissioner and Force Strategic, Financial and Planning process. Amendments to the current plan will be available in April 2015 and have already been considered as part of the budget proposal.

My vision is to prevent and reduce crime and antisocial behaviour, support victims and make Gwent a safer place. I have five strategic priorities on which the Police and Crime plan is based:

- To deliver the best quality of service available;
- To prevent and reduce crime;
- To take action to tackle antisocial behaviour;
- To protect people from serious harm; and
- To make the best use of resources and provide value for money.

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

BACKGROUND

1. The Police and Crime Commissioner (Commissioner) is required to determine the Police and Crime Budget for 2015/16 and set the council tax precept, prior to 1st March 2015, after taking into account the views of the Police and Crime Panel in relation to the level of precept.
2. 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 2015/16, the report will include the longer term financial issues facing the police service in Gwent and the wider portfolio of Commissioner's responsibilities.
3. 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.

4. The Government's Comprehensive Spending Review (CSR) 2007 announced significant real-term cuts in grant funding for the police service between 2008/09 to 2010/11. Up until then, Gwent had a good record of delivering efficiency savings, but the Chief Constable at the time and the Police Authority realised that the scale of cuts being imposed needed to be addressed by a radical comprehensive review of all aspects of policing in Gwent. The new initiative, called 'Staying Ahead', introduced changes in policing in Gwent which produced the savings whilst also improving service delivery. However, the CSR 2010 (covering 2011/12 to 2014/15) announced even greater cuts in grant over the period to 31st March 2015, prompting the continuation of Staying Ahead reviews. CSR 2013 (covering the 2015/16 financial year) continued the theme of significantly reducing funding into policing and crime, and CSR 2015, forecast for announcement post-election, is expected to continue the unprecedented cuts up to 2018/19. Both CSR 2013 and the expected CSR 2015 have therefore necessitated the continuation of the Staying Ahead Programme (into phase 8) which again, will be addressed by a radical comprehensive review of all aspects of policing in Gwent and a major restructuring. Against this backdrop of funding reductions however, the Commissioner and Force have met their previous efficiency targets year on year, delivering £31.692m of cashable efficiency savings between 2008/09 and 2014/15.
5. The latest MTFPs have been updated following receipt of the Provisional Police Funding Settlement on the 17th December 2014. They now indicate a recurring budgetary imbalance for the 2015/16 financial year of £6.027m (Appendix 1b, Line 19), increasing to £22.278m by 2018/19.

PROVISIONAL GRANT SETTLEMENT

6. On the 17th December 2014, the Provisional Police Funding Settlement was announced (i.e. the Central Government Grant funding from both the Home Office (HO) and Welsh Government (WG)). Consultation on this provisional settlement will run until the 22nd January 2015. The final settlement will be issued shortly after this date. The Provisional Police Funding Settlement for 2015/16 has quantified a number of funding adjustments, the impact of which, were previously either unknown or uncertain. The financial impact of these changes upon the organisation is detailed in the following paragraphs:
 - a) The Police Innovation Fund, which was established by the Home Office in 2014/15, has increased by a further £20m to a value for 2015/16 of £70m. The increase will be funded by a further top slice from the Police Main Grant. This fund provides Police and Crime Commissioners with the opportunity to submit bids on initiatives that will promote collaboration with other forces, emergency services, criminal justice agencies and local government. The purpose of the funding is to

improve use of digital working and technology in order to deliver sustainable improvements and efficiencies in the way their police force operates in future;

- b) In 2015/16, the Home Secretary will again provide £9.4m of funding from the police settlement to Her Majesty's Inspectorate of Constabulary (HMIC), to continue its programme of thematic inspections and the wider ranging Police Effectiveness, Efficiency and Legitimacy (PEEL) inspections. These will enable the public to see how well their force is performing when it comes to cutting crime and providing value for money. These inspections will give the public a clear, independent view of the quality of policing in their local area;
 - c) In 2014/15, the Home Secretary decided to allocate funding to other specific areas where there is a national policing interest. This allowed the expansion of the Independent Police Complaints Commission, to deal with all serious and sensitive cases involving the police. For 2015/16, it has been decided that a further £30m will be provided from the police settlement to allow the IPCC to focus on delivering significantly more independent investigations. In addition, £4.5m of funding will also be provided during 2015/16 from the wider HO budget to cover capital investment costs;
 - d) £4.6m of funding will be provided to the College of Policing to attract, select and train exceptional people who have the potential to become senior leaders in policing. This aims to widen the talent pool from which police leaders can be drawn; open up police culture to new influences and foster an environment where challenge and innovation are welcomed. This funding shows an increase from the 2014/15 top slice of £1.8m;
 - e) The City of London Police will continue to be provided with additional funds in recognition of the national and international capital city functions they carry out. For 2015/16 this amounts to £2.8m, an increase of £0.3m; and
 - f) The Home Secretary has decided to allocate three new funding streams for 2015/16. The first, the Major Programme Fund, will provide £40m to support the continuing development of the Emergency Services Mobile Communications Programme, Home Office Biometrics and the National Police Data Programme. The second, the Police Special Grant, provides £15m of contingent funds for police forces facing unplanned or unexpected additional pressures, which might otherwise place them at financial risk. Finally, a sum of £5m of funding has been set aside to develop the Police Knowledge Fund.
7. As anticipated, there have been no major developments with regard to the Police Funding Formula Review. Current damping arrangements have been maintained, which means every Commissioner and police force area will face the same percentage reduction in core Central Government Grant funding.

8. In summary, the effect of the overall Home Office Departmental cut, coupled with the top slicing decisions above, is a reduction in Central Government Grant funding between 2014/15 and 2015/16 of 5.11%. Previous iterations of the MTFP assumed this reduction to be 4.50%. The difference is primarily down to the unforeseen new top slices at paragraph 6. f) above.
9. Further points of note regarding the Provisional Police Funding Settlement for 2015/16 are detailed in the following paragraphs:
 - a) The top slicing for the National Police Co-ordination Centre (NPoCC) and the proposed top slicing for the National ICT, worth £2.3m and £69m respectively will no longer happen, with the Home Office charging police forces instead to recover this funding; and
 - b) A number of remaining specific grants and external funding arrangements are yet to be finalised (e.g. Counter Terrorism Specific Allocation (CTSA), Safety Camera Enforcement Unit, Community Support Officer (CSO) local partner schemes, etc.). This report has been prepared on the assumption that funding will remain at the 2014/15 level.
10. The revenue support from the WG for Gwent's Private Finance Initiative (PFI) funded Ystrad Mynach Police Station and Custody Suite, totalling £0.648m, is excluded from the Provisional Police Funding Settlement. However, it has already been separately confirmed, as it is provided to meet the specific requirements of the scheme.
11. Furthermore, 2015/16 funding for the 101 (whole time equivalent) WG PCSOs is subject to a separate confirmation process, which is currently estimated to amount to £3.359m.
12. The HO provided indicative Provisional Capital Allocation for 2015/16 only. This forms the basis of the draft Capital Programme. The allocation of £1.100m continues to be reduced as a result of top slicing to fund the National Police Air Service (NPAS). The Home Secretary has also indicated that consideration will be given to further allocations to support the Communications Capabilities Development (CCD) and Emergency Services Mobile Communications (EMSCP) programmes.

COUNCIL TAX ISSUES

13. For 2015/16, Council Tax Freeze grants will continue to be available to Commissioners in England. The scheme remains however, unavailable to Welsh Commissioners.
14. 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 precept rises over the forthcoming years which would be deemed unreasonable, and therefore capped. Historically, indications have been given

that increases in council tax for police and crime purposes of up to 5% would not be considered unreasonable.

15. MTFPs that have previously been issued during this budget setting cycle have assumed council tax increases of between 3.50% and 4.00% per annum over the four year projected period. This budget proposal now indicates council tax increases of 3.99% for 2015/16 and 4.00% for 2016/17, 2017/18 and 2018/19. Appendix 1a shows the impact that incremental changes on the precept rate would have on funding assumptions for 2015/16.
16. The introduction of the Council Tax Support Scheme in 2013/14 impacted to varying degrees upon the individual tax bases of the Local Authorities. Some revisions have been made to these for the 2015/16 bases regarding to re-assessments of collection rates and increases in properties, which have resulting in a growth 1.0797%. Future year increases have been assessed to continue at this rate of growth.

MEDIUM TERM FINANCIAL PROJECTIONS 2015/16 to 2018/19

17. The latest MTFP is shown at Appendix 1b and the detailed assumptions, service pressures/developments and efficiency schemes/budget reductions which support the projections, are provided at Appendices 2, 3, 4a, 4b, 4c, 5a and 5b.
18. Although a balanced budgetary position could be achievable for 2015/16, this is dependent upon the delivery of efficiency schemes and the non-recurrent use of reserves. Indications suggest that further cash reductions in Central Government Grant funding should be expected for future years. This will increase the requirement for additional efficiency schemes to be developed and delivered.
19. The following funding bases and assumptions (Appendix 2) have been incorporated within the current MTFP:
 - a) Central Government Funding (HO/WG):
 - i Funding decreases on main formula grant beyond 2015/16 of 4.00%; and
 - ii Specific Grants, which have yet to be confirmed, have been assessed to remain at 2014/15 levels or at provisionally indicated amounts.
 - b) Council Tax Precept and Base:
 - i An increase in Council Tax Precept of 3.99% for 2015/16 and 4.00% for 2016/17, 2017/18 and 2018/19. These have been incorporated into the MTFP at Appendix 1b; and
 - ii The Council Tax Base, i.e. the Band D equivalent number of properties upon which the precept is levied, will increase in 2015/16 by 1.0797%. This reflects some amendments to the collection rates and increases in

property numbers. It has been assumed that for 2016/17 onwards, the council tax base growth will continue at this rate.

20. The expenditure bases and assumptions have been thoroughly scrutinised throughout the budget preparation and the following paragraphs articulate the latest expenditure assumptions:

a) Police Officer Establishments:

- i The MTFP plans towards a sustainable operational policing model by 2018/19 of 1,147 wte. At the start of 2015/16 it is expected that the actual establishment will be 1,241 wte, reducing to 1,215 wte during the year. Reductions in the police officer establishment are a core component of the Staying Ahead Programme. Recruitment requirements will be constantly under review and modest recruitment may be possible to meet particular specialist needs or to support longer-term sustainability.

b) Police Staff Establishments:

- i The police staff establishment will need to complement and support the police operational model. Whilst design of the police operating model is at an advanced stage, the police staff establishment is not at as defined a position. Early indications in the MTFP plans are that a likely sustainable establishment by 2018/19 would be circa 545 wte (excluding PCSOs). At the start of 2015/16 it is expected that the actual establishment will be 632 wte, reducing to 621 wte during the year, based on retirements alone. The PCSO establishment is anticipated to commence 2015/16 at 198 wte. Forecasting this establishment is difficult to predict due to the potential pressures of other forces recruiting police officers. As reductions in the police staff establishment are a core component of the Staying Ahead Programme, no recruitment, outside of exceptionally specialist roles, is anticipated during 2015/16.

c) Pay awards, allowances, enhancements etc.:

- i Pay Award for police officers and police staff in 2015/16 to 2018/19 of 1.5%.

d) Non-staff inflation (2015/16 to 2018/19):

- i General – limited to 2.0%;
- ii Utilities – limited to 5%; and
- iii Fuel – limited to 5%.

e) Service pressures/developments have been limited to unavoidable increases and are detailed at Appendix 3. These developments/pressures

have been scrutinised by the Office of the Police and Crime Commissioner and Gwent Police Chief Officers. Furthermore, based on historic trends of new annual recurring pressures, the MTFP has been updated to reflect an assumed level (£1.000m) of contingent service developments in each of the final three years of the current financial plan; and

f) Capital investment:

- i At present, the MTFP does not reflect any revenue costs associated with new borrowing to fund capital strategies. The funding of the capital strategies is discussed within the 'Reserves' section of this report.

EFFICIENCY OPPORTUNITIES (Appendices 4a, 4b and 4c, 5a and 5b)

21. The financial implications of the current CSR were such that the Staying Ahead Programme was re-focused to oversee the delivery of a new generation of savings schemes. The major component therefore within the 2015/16 budget setting exercise is the delivery of significant cash releasing efficiency savings and budget reductions through Phase 8 of the Staying Ahead Programme and rebasing of 2014/15 budgets through the bottom-up budget setting exercise. The following paragraphs (and associated appendices) highlight the effect of Staying Ahead schemes and budget rebasing on the financial projections:

- a) Appendix 4a – this details future estimated reductions relating to police officer allowances;
- b) Appendix 4b – this details the accelerated savings that have been realised under Phases 6 and 7 of the Staying Ahead Programme within the 2014/15 financial year to date; and
- c) Appendix 4c – this illustrates, in high level terms, the indicative savings that are planned to be delivered by Staying Ahead Phase 8 by 2018/19. The timing and delivery of these savings are heavily influenced by the ability to manage the reductions in real terms and may impact on the in-year ability to achieve financial balance – this could require the utilisation of non-recurring reserves. Phase 8 is currently working towards the finalisation of an operational policing model for implementation from 1st April 2015. Further plans for the enabling departments will be identified upon completion of this initial stage. Work that is currently in progress on existing schemes under previous Staying Ahead phases will continue, unless they no longer remain viable, or are not viewed as complementary to Staying Ahead Phase 8. The principles that will be followed for this latest phase are as follows:
 - One message - consistent approach;
 - Protect the front line;
 - Focus on non-pay;
 - Flatten supervisory structures;

- Remove organisational barriers;
- Pump Priming / Invest to save;
- Consideration of precept;
- Enhanced commissioning;
- Support for greater collaboration; and
- Support in reviewing all areas.

This will ensure the delivery of the Commissioner's priorities through the design and implementation of a sustainable service delivery model.

22. Appendices 5a and 5b highlight a range of scenarios indicating how the police officer and staff establishments could reduce over the following three years (the solid coloured lines), set against the planned reductions in establishment through the implementation of known Staying Ahead schemes (the dotted black line).

REVENUE OUTTURN 2014/15

23. A key component in the setting of the 2015/16 budget is the financial performance in the current financial year. Monthly financial management reports are produced and scrutinised at both the Office of the Commissioner's Executive Board and also the Force's Chief Officer Team meetings on a monthly basis. From Period 5 each year (August) these reports include a financial outturn indicating the expected variance of total annual expenditure against the full-year budget at the year-end (i.e. the 31st March). Consistently over recent years, the Commissioner's (and the Police Authority before him) 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 staff member leaving early, in advance of the planned removal of their post in a future period). 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. Therefore, the fact that even after taking account of these removed/adjusted budgets in 2015/16 and future planned efficiency schemes in forthcoming financial years, the Commissioner is faced with an (as yet) unmet recurrent deficit of £1.342m in 2018/19, the 2014/15 forecast year-end variance is academic in future funding decisions. It does however provide two key benefits. It provides a barometer as to the continuing sustainability of both previously delivered efficiency schemes and also to the organisation's ability to continue to find more efficiency schemes. A positive year-end variance also provides a non-recurrent cash benefit, in that the year-end saving is transferred to reserves. However, this cash is automatically earmarked for utilisation through providing much needed funding to the capital programme (current capital grant does not even provide for

the annual fleet replacement programme) or to provide pump-prime funding to deliver recurrent efficiency schemes.

24. For completeness in the budget setting scrutiny however, the following section provides extensive detail regarding the 2014/15 financial performance of the Commissioner's Group.
25. At 30th November 2014, the Revenue account shows savings of £3,739,000 (Appendix 6a, Line 32) for the first eight months of the 2014/15 financial year.
26. Police Officer Salaries and Allowances show total savings against budget of £1,956,000 (Appendix 6a, Line 1). These savings are primarily due to the Force being below the authorised level of officers provided for at budget setting. It is anticipated that the majority of these savings will be recognised as recurring efficiencies and shown as Identified Recurring Savings (Appendix 6a, Line 16) as posts are removed from the authorised establishments as part of the Staying Ahead Review.
27. At the end of November 2014, the actual police officer establishment stood at 1,262.68 wte, 96.83 wte below the authorised number of 1,359.51 wte. This is consistent with the flight path profiling.
28. Police Staff Salaries and Allowances show an overspending of £72,000 (Appendix 6a, Line 2). This overspending reflects the early recognition of savings arising from the removal of posts as efficiency savings. The underlying position reflects savings relating to vacancies within the authorised establishment. It is anticipated that the majority of these vacancy savings will be recognised as recurring efficiencies and shown as Identified Recurring Savings (Appendix 6a, Line 16).
29. At the end of November 2014, the actual staff establishment stood at 837.15 wte (including 99.03 wte Force funded PCSOs and 99.02 wte Welsh Government funded PCSOs), against the current authorised establishment of 907.19 wte (including 245.80 wte PCSOs). The 70.04 wte vacancies against substantive posts are partly offset by the 48.00 wte agency staff currently in Force.
30. At the end of November 2014, PCSO Salaries and Allowances showed savings of £894,000 (Appendix 6a, Line 3), which are as a result of being 47.76 wte under the authorised establishment of 245.80 wte. In the 2014/15 budget proposal, it was suggested that 34.3 wte posts could be released as efficiency savings. Work is progressing in the identification of these posts and is anticipated to be completed before the end of the calendar year.
31. To provide further information with respect to the workforce numbers, Appendix 6b shows an analysis of both Police Officers and Police Staff establishments by Service Area.
32. Police Officer Overtime and Enhancements have overspent by £338,000 (Appendix 6a, Line 4) by the end of November. In relation to core Force activities, whilst minor savings have been made in relation to bank holiday enhancements,

these are overshadowed by the overspending on normal overtime. Overtime worked on Operation Ismay is more than originally planned, however, it is anticipated that this will be reclaimable from the HO and therefore does not impact on the overall financial performance.

33. At the end of November 2014, Police Staff Overtime and Enhancements and PCSO Overtime and Enhancements (Appendix 6a, Lines 5 and 6) showed a combined saving of £110,000. Enhancements are the main contributing area, which reflects the vacancies held, predominately within the PCSO establishment. As with Police Officer Overtime, overtime worked on Operation Ismay is more than originally planned, however, it is anticipated that this will be reclaimable from the HO and therefore does not impact on the overall financial performance.
34. Other Employee Related Costs (Appendix 6a, Line 7) show savings of £72,000 to the end of the period. The main contributors to these savings are Training Costs (£75,000) and Employer Insurance (£34,000). These are partly offset by overspending on Medical Costs (£11,000), Police Officer Injury Pensions (£16,000) and Recruitment Costs (£10,000).
35. Premises Costs show savings of £356,000 (Appendix 6a, Line 8) to the end of the period. The main areas of saving are Property Repairs and Maintenance (£143,000), Utilities (£78,000), Business Rent and Rates (£99,000), and Contracts and Testing (£59,000). These are partially offset by overspending on Cleaning and Waste Disposal (£21,000) and Building Insurance (£3,000). With the exception of Property Repairs and Maintenance, the majority of these variances are anticipated to continue for the remainder of the year.
36. At the end of November 2014, Transport Costs showed a saving of £134,000 (Appendix 6a, Line 9). The principal areas of saving are Petrol and Diesel (£116,000), which are due to reduced fuel usage combined with lower than anticipated fuel prices, lower than expected Vehicle Insurance Premiums (£30,000), Vehicle Hire (£30,000), the South East Wales Helicopter Contract (£30,000) and Police Vehicle Recovery (£23,000). These are partially offset by overspending on Vehicle Repair and Maintenance (£33,000), Mileage (£29,000) and Travel and Subsistence (£33,000). With the exception of fuel and insurance, it is anticipated that the majority of these variances are due to timing issues, but will be monitored throughout the year.
37. Supplies and Services (Appendix 6a, Line 10) show overall savings of £342,000 for the financial year to date. The main contributing areas of saving are:

		£
a)	Uniforms	94,000
b)	Police Surgeons	71,000
c)	Hardware/Software	69,000
d)	DNA Testing and Forensics	64,000
e)	Telephony Investigation	51,000
f)	Insurance Premiums	48,000
g)	Dangerous Dogs	20,000
h)	Printing Postage and Stationery	18,000

i)	Other Professional Services	12,000
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These savings, in part, are offset by overspendings in the following areas:

		£
a)	Communication Costs	55,000
b)	Non-Operational Equipment	42,000
c)	Operational Equipment	8,000

These variances will be monitored throughout the year.

38. The 2014/15 budget proposal included £3,577,000 of efficiency scheme savings. At the commencement of the year, the base budget reflected £3,222,000 of savings that could not be specifically identified against budget areas and were therefore shown in Identified Recurring Savings (Appendix 6a, Line 16). As these saving schemes are fully identified during the year, the appropriate budgets will be reduced. At the end of November, a balance of £1,964,000 remains to be achieved. The savings achieved through the Staying Ahead Review are monitored through the Assurance Board.
39. Investment Income shows a small surplus of £14,000 to the end of November. The returns received continue to reflect the reduced levels being experienced in the market and the avoidance of risk in choosing investment opportunities.
40. Additional Other Income of £269,000 has been received to the end of the period. The notable contributors to this are:

		£
a)	Specified Police Proceedings	202,000
b)	Special Duties	32,000
c)	Reports and Interviews	29,000
d)	Vehicle Disposals	28,000
e)	SMP Credits	25,000
f)	Miscellaneous Income	16,000
g)	Abnormal Loads	15,000
h)	Mutual Aid	15,000

These are partially offset by shortfalls in income relating to Income Generation Schemes (£106,000).

41. Operation Ismay

42. The NATO Summit (Operation Ismay) took place in early September 2014.
43. At the end of the period, £18,983,000 of expenditure had been incurred, with an initial payment of £11,869,000 being received from the HO. A further payment of

£6,497,000 is expected in February 2015. The variance of £617,000 relates to planning team opportunity costs which are covered in the overall Commissioner's financial position.

44. It is currently estimated that £22,366,000 of recoverable expenditure will be recorded within the Gwent Police position during 2014/15.

45. Forecast Outturn

46. This financial year is unique, due to the impact of Operation Ismay on the expenditure patterns of normal business. With operational and support activities now returning to normal, it is anticipated that the timing and volume of expenditure will now experience increased activity until the end of the financial year. As a result, it is anticipated that the forecast outturn will be refined further over the coming months. Due to this, a verbal update on the Month 9 (December 2014) financial position will be provided to the Police and Crime Panel meeting on the 23rd January 2015.

47. The forecast outturn position for the financial year is an overall saving of £3,111,000 (Appendix 6a, Line 32). The main contributing areas to this forecast are detailed below.

48. It is anticipated that Police Officer Salaries and Allowances will generate a saving of £3,759,000 (Appendix 6a, Line 1). This is due to the force being below the authorised officer establishment. It is currently 96.83 wte below the authorised level. The level of under-establishment is anticipated to increase further to 118.83 wte by the end of the financial year, which is in line with the flight path projections.

49. Police Staff Salaries and Allowances (Appendix 6a, Line 2) are anticipated to save £87,000. The actual staff establishment currently stands at 22.28 wte below the authorised level; this is predicted to grow in the flight path projections to 28.99 wte by the end of the financial year. This does not reflect the temporary agency staff currently in force.

50. A saving of £258,000 is currently forecast for PCSO Salaries and Allowances (Appendix 6a, Line 3). The Force is currently below the authorised establishment by 47.76 wte PCSOs. However, in the 2014/15 budget proposal, it was suggested that 34.3 wte posts could be released as efficiency savings. Work is progressing in the identification of these posts and it is forecast that this will be completed before the end of the calendar year.

51. Police Officer Overtime and Enhancement payments are forecast to produce overspendings of £277,000 (Appendix 6a, Line 4). This overspend is based on the continuation of higher than expected ordinary and rest day overtime expenditure, and bank holiday overtime expenditure remaining at budgeted levels.

52. Police Staff and PCSO Overtime and Enhancements are estimated to save £237,000 (Appendix 6a, Lines 5 and 6) in line with expenditure incurred to date.

53. Other Employee Related Costs (Appendix 6a, Line 7) are forecast to overspend by £44,000. The main areas of overspending are the Police Pension Scheme (£123,000), Recruitment Costs (£17,000) and Medical Schemes (£2,000). Savings are anticipated in relation to Training Costs (£64,000) and Employee Insurance (£34,000).
54. Premises Costs (Appendix 6a, Line 8) are expected to generate savings of £125,000. This comprises principally of savings on Property Repairs and Maintenance (£33,000), Rent (£154,000) and Business Rates (£24,000). This is partly offset by overspending on Utilities (£15,000), Cleaning & Waste Management (£63,000) and Building Insurance (£3,000).
55. Transport Costs are forecast to save £383,000 (Appendix 6a, Line 9). This is primarily due to savings on Petrol and Diesel (£371,000), Vehicle Hire (£44,000), Vehicle Insurance (£38,000), Helicopter (£47,000) and Fares and Subsistence (£14,000). These are offset by anticipated overspends on Mileage Allowances (£44,000) and Spares, Repairs and Tyres (£115,000).
56. Supplies and Services (Appendix 6a, Line 10) are forecast to make savings of £798,000. The main contributing areas of savings are:

		£
a)	Other Professional Services	266,000
b)	Collaborative Scientific Support Unit	180,000
c)	Police Surgeons	150,000
d)	Collaborative Firearms Unit	100,000
e)	Uniforms	86,000
f)	Operational Equipment	82,000
g)	Telephony Investigation	70,000
h)	Custody Prisoner Costs	43,000
i)	Interpreter Costs	30,000
j)	Dangerous Dogs	29,000
k)	Insurance Premiums	24,000
l)	Toner Cartridges	24,000
m)	Vehicle Recovery	11,000
n)	Police Dogs	5,000

57. These are, however, partially offset by forecast overspendings in the following areas:

		£
a)	Communication Costs	196,000
b)	Non-operational Equipment	69,000
c)	Hospitality Costs	20,000
d)	Operational Equipment	18,000

58. It is anticipated that the Major Incident Fund will generate savings of £50,000 (Appendix 6a, Line 11); however, this is highly dependent upon operational demand and could potentially experience significant change.

59. Pro-active Operational Initiatives (Appendix 6a, Line 12), is forecast to break even, however, this is highly dependent upon operational demand and could potentially experience significant change.

60. At present, a shortfall of £1,964,000 is forecast in respect of Identified Recurring Savings (Appendix 6a, Line 16). This represents the balance of Staying Ahead schemes that have yet to be achieved. Realisation of these schemes will impact upon the Police Officer and Police Staff lines.

61. Other Income (Appendix 6a, Line 18) is forecast to produce a deficit of £266,000. The main contributing areas of surplus are:

		£
a)	Specified Police Proceedings	300,000
b)	Reports	43,000
c)	Rental Income	11,000

However, the above savings are offset by the following anticipated shortfalls:

		£
a)	Income Generation	150,000
b)	WG PCSO Grant	150,000
c)	Partnership Schemes	107,000
d)	Home Office ARIS Funding	100,000
e)	Regional Federation Funding	45,000
f)	CTSA Funding	35,000
g)	Immigration Detainee Income	15,000
h)	Dedicated Line Charges	11,000

62. Some of these shortfalls have arisen through changes to delivery since the setting of the 2014/15 budget, whereas others are due to vacancies and removal of service. In these cases, the shortfalls are offset by savings recorded in other areas of the budget.
63. The final claim for Operation Ismay is currently being prepared and it is anticipated that this will be completed and submitted to the HO before the close of the financial year. Until all of the transactions have been collated, checked and their treatment verified, it is difficult to estimate the eventual outturn and the impact upon the overall financial performance of the Group.
64. In summary, the forecast year-end position on the revenue budget shows accumulated savings of £3,111,000. As previously indicated, the positive forecast year-end variance is scrutinised to assess whether it has resulted in excess budget being set in certain areas, or whether the variance has arisen due to a planned efficiency scheme occurring ahead of plan. Therefore, at this stage in the financial year, the split is as follows:
- a) £2,750,000, allocated to accelerated efficiency schemes e.g. The impact of not filling police officer and police staff vacancies as they arise, which supports the delivery of the Staying Ahead Programme. This is a recurring saving and is reflected in-part in Appendix 4b; and
 - b) £361,000 allocated to excess budgeting e.g. favourable market forces that have resulted in significant savings in vehicle fuel budgets. This is recurrent budget reduction as is reflected in changes to the base budget in Appendix 1b.

Consistent with recent financial years, the vast majority of the forecast year-end variance is attributable to accelerated efficiency savings.

65. Capital Programme (Appendix 6c)

66. The Revised Annual Budget on proposed schemes for 2014/15 is £6,096,000.
67. The Programme for 2014/15 will be funded from Home Office funding in the form of Capital Grant and Innovation Fund Grant, combined with Specific Capital Reserves and receipts from the sale of premises.
68. Expenditure to date amounted to £1,022,000 of which, £897,000 related to Vehicle purchases, £64,000 to ICT and Force Projects and the remaining £61,000 to Estate Schemes.
69. It is currently forecast that, by the end of the financial year, £4,042,000 will have been spent on the Capital Programme. Some schemes are envisaged not to be completed by the end of the year, and their delivery has been rolled into 2015/16. The principal schemes contributing to this slippage are the Replacement ICCS System (£500,000), Enterprise Resource Planning System (£500,000) and Voice Over Internet Protocol (£306,000).

RESERVES (Appendix 7)

70. Appendix 7 provides a summary of the Commissioner's Reserves and Sinking Funds over the following four years.
71. The General Fund (Appendix 7, Line A1), remains at a satisfactory level and within accepted boundaries of cover to fund working capital and exceptional operational requirements.
72. The Precept Top-up Reserve (Appendix 7, Line A2) is still forecast to be used to support the revenue budget position. The MTFP forecasts indicate that this fund will need to be used in 2015/16, with the remainder being fully utilised in 2016/17.
73. Through prudent financial management and the success to date of the Staying Ahead Programme, specific reserves have been built up to address the requirements for pump-priming the continuing Staying Ahead Programme and to also deliver the Capital Programme for 2015/16, 2016/17 and 2017/18. Beyond this timeframe, alternative sources of funding, potentially from within the totality of reserves, will need to be identified. The remaining Earmarked and Capital Reserves are still considered necessary and sufficient for the purposes that they were created.
74. Similarly, the PFI and Airwave Sinking Funds are still considered to be adequate to address their respective requirements over the life-cycles of each scheme. Importantly, the current PFI scheme is subject to an ongoing external review, which could see the part-utilisation of the sinking fund to restructure the financing of the scheme, thereby generating recurrent savings in the annual charge for the premises.
75. It should be noted however, that utilising existing reserves to address short-term funding shortfalls will have an adverse effect on the delivery of the schemes listed in the previous points, and more importantly, provide for an unsustainable recurrent budget moving forward.

CAPITAL PROGRAMME 2015/16 (Appendix 8)

76. The initial capital investment requirements over the next four years are emerging as the implementation of the Estate, Fleet and IS strategies are progressed.
77. With the proposed reductions in capital grant, implementation of the current capital programme will require the utilisation of reserves to fund the programme's requirements, which in turn will realise long-term benefits to the organisation, e.g. appropriate estate provision, fit for purpose fleet, maximising returns on ICT investment etc.
78. The development of the Staying Ahead Programme will present investment requirements which will generate efficiency opportunities that should present cashable savings. The development of Phase 8 of the Programme is in its early

stages, so quantification of potential investment requirements is not advanced to a point that can allow estimation.

79. The provisional funding announcement for the capital grant of £1.100m reflects the continuing intention of the HO to top-slice Commissioners' funds to provide funding for the National Police Air Service (NPAS). This presents a further burden upon the Reserve funds.

OUTSTANDING ISSUES AND UNQUANTIFIABLE RISKS

80. 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) Changes in the final grant notification from those assumed in this report;
- b) Additional austerity measures from revised growth forecasts;
- c) Future delivery of Staying Ahead Programme Schemes, with particular emphasis on:
 - i. Sustainability of previously delivered schemes; and
 - ii. Timing and extent of future schemes, with the potential for a significant increase in redundancies.
- d) The success of future commissioning opportunities, specifically utilised joined-up service delivery across all sectors to prevent and manage demand;
- e) Emerging cost pressures, in particular at this stage:
 - i. Withdrawal of funding by partners (HO, WG and Local Authorities);
 - ii. Increased 'last resort' demand due to others withdrawing service;
 - iii. The increased costs associated with inspection regimes;
 - iv. Increased demand for service due to changing demographics, technology and changes to the economic and political climate;
 - v. Further impact of the Localisation of Council Tax support and the local retention of business rates income; and
 - vi. Potential increase in the employers' police officer pension rate.

- f) Unplanned initiatives and the international dimension; and
- g) The impact that the national enhancement of the IPCC will have upon the current structure, funding and functionality of the Gwent Police Standards Department.

BUDGET REQUIREMENT, TAX BASE, PRECEPT AND COUNCIL TAX

81. The revenue budgetary requirement for 2015/16 is the net position of:

- a) The base recurring requirements;
- b) Efficiency savings and recurring budget reductions realisable in 2015/16;
- c) Non-recurring revenue requirements in 2015/16; and
- d) Non-recurring savings which are realisable in the year and reserve utilisation.

82. The gross base recurring requirement for 2015/16 is £123.800m (Appendix 1b line 9) which, when reduced by efficiency savings and non-recurring reserve contributions totalling £6.026m, leaves a budget requirement for the year of £117.774m.

83. The general grants announced in the Provisional Settlement are as follows:

	£
Police Grant	43,220,463
Revenue Support Grant	16,608,642
National Non-Domestic Rates	<u>13,087,628</u>
	<u>72,916,733</u>

Deducting total general grant from the budget requirement of £117,773,547 leaves income to be raised from council tax of £44,856,814.

84. 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 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	
	2014/15	2015/16
Blaenau Gwent	19,643.05	19,815.17
Caerphilly	59,011.54	59,318.14
Monmouthshire	44,199.96	44,561.34
Newport	54,965.79	55,560.04
Torfaen	<u>31,884.00</u>	<u>32,714.00</u>
Total	<u>209,704.34</u>	<u>211,968.69</u>

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

	Actual 2013/14	Proposed 2014/15
Council Tax	£42,674,833	£44,856,814
Band D Tax	£203.50	£211.62
Increase on previous year (£)	£5.27	£8.12
Increase on previous year (%)	2.66%	3.99%

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

Valuation Band	Tax Payable Compared to Band D	Proposed Council Tax
		£
A	6/9	141.08
B	7/9	164.59
C	8/9	188.11
D	9/9	211.62
E	11/9	258.65
F	13/9	305.67
G	15/9	352.70
H	18/9	423.24
I	21/9	493.78

87. The unitary authorities are billing authorities for council tax purposes. The Commissioner's 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 police 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

88. 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 precept; and
 - b) The adequacy of the proposed financial reserves.
89. The same Section requires the Commissioner to have regard to the Chief Finance Officer's report when making decisions about precepts.
90. Core grants from the HO and WG currently fund approximately two thirds of the revenue budget requirement for policing in Gwent. Both CSR 2010 and CSR 2013 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 grant settlement for 2012/13 showed a reduction of 6.7%, 2013/14 a reduction of 1.57%, 2013/14 a reduction of 4.76% and the provisional settlement for 2015/16 a further cut of 5.11%. In total therefore, the budget available for policing and crime in Gwent has experienced nearly a 25% cash reduction over 6 years. When the effect of inflation is built in, the real reduction is approaching 40%. The current financial situation in the UK and rest of the European Union suggests that further significant cuts in grant funding will follow from the next CSR later this year.
91. 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 have been generated for supporting investment necessary to redesign the estate and for pump-priming new initiatives. However, the continuing austerity and associated funding cuts have necessitated the second radical comprehensive review of all aspects of policing in Gwent and a major restructuring under the direction of the Deputy Chief Constable.
92. The preparation of the budget is now, almost a continual exercise, involving the compilation of MTFPs, dovetailing with detailed work across the Commissioner and Force under the supervision of the Assistant Chief Officer - Resources and in liaison with me. The involvement of all parts of the service ensures awareness not only of the demands, but also of the constraints upon them. Throughout 2014/15, Members of both the Police and Crime Panel and Joint Audit

Committee received progress reports on the 2015/16 budget and beyond and were able to examine both the proposals and the process followed. In addition to previous years' scrutiny, in March 2014, Members of the Joint Audit Committee undertook a 'deep dive' examination of both the MTFP compilation and the detailed budget setting process. Members were able to provide assurance following this session as to the robustness of the entire budget setting process. 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.

93. Appendix 7 to this report shows details of the Commissioner's reserves and sinking funds. The Force's Assistant Chief Officer - Resources and I continually review the adequacy of reserves, sinking funds and provisions. In addition, in September 2014, I undertook a thorough review of the reserves and sinking funds and reported my findings to the Police and Crime Panel.
94. The General Reserve is required for working capital and to meet unexpected expenditure in emergency situations or major crime. At 1st April 2014 the General Reserve stood at £6.411m which represented 5.4% of the budgetary requirement for 2014/15. At the time (and also following the September 2014 review) the Assistant Chief Officer - Resources and I considered that this was a prudent level of general reserve for the policing body, taking into consideration its size, local circumstances and the requirement to identify savings to address significant reductions in core grant funding. This view has not been challenged by the external auditor.
95. In relation to the earmarked revenue reserves, earmarked capital reserves and the two sinking funds; having recently undertaken a fundamental review, I am content on the need and sufficiency of the amounts reported.
96. In conclusion, I am content therefore, with the adequacy of the proposed financial reserves.

APPENDICES

Appendix 1a	-	Impact of Incremental Precept Changes
Appendix 1b	-	Medium Term Financial Projections
Appendix 2	-	Medium Term Financial Projections – Assumptions
Appendix 3	-	Identified Budgetary Pressures and Developments
Appendix 4a	-	Identified Budget Reductions
Appendix 4b	-	Staying Ahead Schemes Delivered 2014/15
Appendix 4c	-	Future Staying Ahead Phase 8 Scheme Savings
Appendix 5a	-	Police Officer Establishment Flight path
Appendix 5b	-	Police Staff Establishment Flight path
Appendix 6a	-	Revenue Outturn 2014/15 as at 30 th November 2014

- Appendix 6b - Establishment Summary as at 30th November 2014
- Appendix 6c - Capital Programme as at 30th November 2014
- Appendix 7 - Reserves and Sinking Funds
- Appendix 8 - Capital Programme 2014/15 to 2017/18