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| Medium Term Financial Plan 2025/26-2029/30 – update |
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| CHIEF OFFICER TEAM REPORT |
| 10th June 2025   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 2025/26 – 2029/30 (MTFP) was presented by the Police & Crime Commissioner (the Commissioner) to the Police & Crime Panel meeting on 26th January 2025 and is summarised in Annex 1. For the 2025/26 financial year the MTFP showed a projected budgetary requirement of £185.9m against approved funding of £183.8m, resulting in a £2.1m deficit. Savings of £0.4m had already been identified, leaving £1.7m still to cover from either further savings or reserves utilisation. The net projected deficit at 2029/30 was £5.6m.    2. Further cost pressures, income, and funding adjustments have occurred since 26th January 2025, as they do every year. Typically, these additional costs are managed 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 between June and August each year to reflect the final budget book position and new funding/income and expenditure amendments. 3. ISSUES FOR CONSIDERATION    1. The MTFP update for June 2025 shows the position at 31st May 2025 and is shown in Annex 2. This shows a net increase of £1.0m in the projected budgetary requirement to £186.9m, and a revised deficit after known savings of £2.7m. The updated net projected deficit at 2029/30 is now £7.1m.    2. Significant work has been done to identify further budget savings which has resulted in reductions across Departmental budgets in February and March 2025. These have been reflected in the £186.9m revised budget, and the 2025/26 Budget Book internally published in April 2025. A reconciliation of the net increase of £1.0m is provided in Annex 3.    3. The main additional cost pressures total £3.0m and are:   New Operating Model pressures (£250k) – the three business cases summarising the new operating model requirements were presented to the Service Improvement Board (SIB) in March 2025. The original MTFP anticipated the Neighbourhood pillar pressures, but the Crime and Response pillar pressures were clarified after January 2025.  Collaboration contributions (£1,769k net) – Indicative costs for Wales-wide collaborative activities were provided by South Wales Police before December 2024, but were updated after January 2025. This resulted in additional investments in the Wales Sexual Assault Services (WSAS) Programme for the Forensic Alliance, ISO Accreditation, and Forensic Medical Examinations under the Health/Police Sexual Assault Referral Centre (SARC) Hub and Spoke Model. The WSAS increase amounted to £704k, being a combination of new investments under the Programme as well as putting transition costs initially funded non-recurrently onto a recurrent footing. Further collaborative costs for the Joint Digital Services Division (DSD) relating to the cloud storage project of £729k have also been provided for.  Custody Medical Contract (£752k) – this new contract started in January and a number of custody nurses were transferred from the Force to a third party provider, Mitie. There was a pay saving to offset this cost as a result.  Deputy Head of ICT post (£100k) – this anticipates the requirement for a new post to implement the change from ICT services being delivered by SRS to either an in-house, collaborative or commercially delivered ICT function for Gwent Police and the OPCC during 2025/26 and beyond. A full business case is due to SIB in June/July 2025.   * 1. Offsetting these additional cost pressures are the following budget reductions and savings totalling £1.9m:   Establishment and salary adjustments (£1,035k) – the budget is updated to reflect the latest establishment figures in February each year. This has resulted in a number of underutilised posts being removed, and further intakes of new officers and staff turnover resulting in lower pay increments within ranks/grades. As noted above, a number of custody nurses were transferred as part of the Mitie contract, further reducing the pay costs.  Home Office Grant (£182k) – this reflects the final confirmations received in February/March of the exact level of specific grant funding from the Home Office for such things as Police Uplift Programme maintenance Grant, which were slightly higher than previous indications.  Welsh Government PCSO funding (£491k) – this reflects the final agreement across the four Welsh forces and Commissioners of the split of recurrent and transition funding for PCSOs.   * 1. In order to close the updated 2025/26 deficit of £2.7m, a number of actions are being taken to drive out further budget and commissioning savings, and also to reflect external economic changes.   2. Firstly, the budget includes interest costs of £1.2m for borrowing to fund the Capital Programme. The revenue contribution to the Capital Programme of £7.15m continues to fund the replacement of short-term assets, and revenue budgets continue to be used for refurbishment costs and minor upgrades to buildings. The Commissioner continues to save £100k for every month that borrowing isn’t undertaken. This is a postponement of the cost rather than a recurring saving and will be clarified further with the finalisation of the Capital Programme within the overall Estate Strategy.   3. The Productivity and Efficiency Working Group and SIB continue to monitor savings as part of the Finance Tracker document, which is considered monthly by SIB as to when those savings crystallise. This document has recognised a number of savings already reflected in the updated budget and assesses the likelihood of delivery for each potential saving. A number of Departmental reviews from the Change Programme are also coming to an end, so further savings may crystallise.   4. The 2025/26 budget assumes a vacancy factor totalling £2.5m to reflect the time required to recruit into Police Officer and Police Staff posts. In the National Police Chiefs’ Council’s Financial Resilience Survey 2024/25, which uses data from MTFPs and was published, Gwent’s vacancy factor is at the lower end of the range used by Forces across England and Wales. The level of the ongoing vacancy factor will form part of the budget assumptions for the 2026/27 budget setting process.   5. The Capital Programme projections in the MTFP at January 2025 totalled £22.5m for 2025/26 funded by reserves, revenue to capital contributions and £15m of borrowing. The budget will be revised following the finalisation of the Estate Strategy and agreement on the forward Capital Programme.   6. Taking a full year saving on borrowing costs, and assuming the realisation of the projected benefits from the Change Programme above, this would close approximately half of the £2.7m updated deficit. Work continues to identify recurring savings from service improvements and additional income generation opportunities in preparation for the 2026/27 budget setting process through the Change Programme.  1. COLLABORATION    1. Noted above. 2. NEXT STEPS    1. The Force will continue to update the Finance Tracker reported to SIB to reflect known savings.    2. On the 11th June 2025, the Chancellor of the Exchequer, Rachel Reeves MP, announced the outcome of the Spending Review 2025 (SR2025). SR2025 sets out revenue funding allocations for each Government Department over the next three years (2026/27 to 2028/29) with an additional fourth year for capital allocations.    3. SR2025 is the first multi-year Spending Review since 2021, and the first to happen outside of a pandemic since 2015. As SR2025 is taking place outside of the normal fiscal event process, there are no accompanying updated forecasts by the Office for Budget Responsibility.    4. The SR2025 documents provide a breakdown of the funding decisions and highlight that Police spending power will increase by an average of 2.3% per year (2023/24 to 2028/29), in real terms. This equates to 1.7% over the SR2025 period from 2026/27 to 2028/29. The Chancellor said this funding will be used to support frontline policing levels and help restore public confidence. This reflects the Government’s Plan for Change commitment to put an additional 13,000 Police Officers, PCSOs, and special constables into Neighbourhood Policing Roles over the course of this Parliament.    5. At this stage, more specific overall Government funding allocations to Commissioners is unknown. Clarity will only be received when the headline SR2025 parameters are translated into individual Commissioner’s allocations, when the Provisional Settlement is announced in December 2025.    6. Therefore, further financial updates when developing the MTFP 2026/27 – 2030/31 will be shared in due course, along with the Quarter 2 2025/26 financial position ahead of budget setting in October 2025. 3. FINANCIAL CONSIDERATIONS    1. Noted above. 4. PERSONNEL CONSIDERATIONS    1. Noted above. 5. LEGAL CONSIDERATIONS    1. No specific considerations arising from this report. 6. EQUALITIES & HUMAN RIGHTS CONSIDERATIONS    1. This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.    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. 7. RISKS    1. Specific risk on the financial position for 2025/26 has been added to the strategic risk register.    2. If the Capital Programme costs as they currently stand are fully realised by the end of 2025/26, this will result in further pressures on in-year revenue budgets or require borrowing.    3. Police Officer and Police Staff pay awards are subject to central negotiation by the UK Government. There are indications of a 3.8% pay award for Police Officers will be recommended for 2025/26 which is higher than the 3.0% assumptions in the MTFP. The final position on Police Staff pay awards is also yet to be confirmed but is expected to be at a similar level to Police Officers. This is a substantial increase and, while the UK Government have provided additional funding in the past, there remains a risk that any additional cost may have to be borne by the Commissioner and Force. 8. PUBLIC INTEREST    1. This is a Public report. 9. REPORT AUTHOR    1. Matthew Coe, Chief Finance Officer (CC) and Darren Garwood-Pask, Chief Finance Officer (PCC). 10. LEAD CHIEF OFFICERS     1. Matthew Coe, Chief Finance Officer (CC) and Darren Garwood-Pask, Chief Finance Officer (PCC). 11. ANNEXES     1. Annex 1 (MTFP at January 2025, Annex 2 (MTFP at May 2025) and Annex 3 (MTFP reconciliation January to May 2025) are included. | | |