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| Finance Report  2024/25 – Fourth Quarter (Q4) |
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| Joint Audit Committee |
| 16th June 2025   1. PURPOSE AND RECOMMENDATION    1. The purpose of this report is for monitoring / information.    2. There are no recommendations made requiring a decision. 2. INTRODUCTION & BACKGROUND    1. This quarterly financial report presents detailed information on revenue, balance sheet and working capital balances (debtors, creditors, and cash/investments). This provides a comprehensive position for Chief Officers to consider and inform decision making.    2. The quarterly report includes:  * **Appendix 1a, 1b, 1c:** Income and Expenditure for the group, force and OPCC (as previously reported). The income and expenditure reports consider expenditure commitments made as at the quarter end but have not yet been invoiced or paid and a forecast of the year end position. * **Appendix 2a**: Cash and investments – details of level of cash the force has and how much money is on investment. * **Appendix 2b**: Debtors position. This details the level of income yet to be cash receipted and the age of the debt. * **Appendix 2c**: Creditors position. This details the level of expenditure yet to be cash paid and the age of the liability. * **Appendix 2d**: Capital & Project spend report. This details the spend to date on capital projects and the budget remaining to the end of the financial year. * **Appendix 2e**: Seized Money. This details the cash in and out of the seized money account and the age of the liability. * **Appendix 3**: Usable reserves. This schedule identifies the level of cash backed reserves in line with the Reserves Strategy and the MTFP. * **Appendix 4**: Medium Term Financial Plan. This provides a longer-term view on the financial position of the force.  1. ISSUES FOR CONSIDERATION   Appendix 1a  Financial Highlights – Q4 Year To Date (YTD) outturn: £5,762k underspend before reserve transfers   * 1. The information below provides details on key trends and results for the year. Where a variance (favourable or adverse) represents a significant risk to being able to meet budget a more detailed analysis is provided.   2. The year end position shows an underspend of £5,762k at 31st March 2025. This is largely attributable to a £1,133kk increase in investment income because of higher interest rates across the UK, coupled with avoiding £969k of capital charges as no borrowing was used to fund the capital programme this year. Additionally, there are one off non-recurring receipts relating to the refund of licences following the conclusion of the control room project of £1,447k; and £2,268k from changes in accounting estimates for PUP& PCSO grants. It is these last two non-recurrent receipts which have increased the forecast underspend between Q3 and Q4. Cost saving measures have been successful in ensuring the gross expenditure on pay and non-pay costs is largely in line with the original budget (excluding capital charges).   3. As shown in Appendix 1a, on a group basis the actual net expenditure before transfers for the year amount to £165,052k, increasing to £172,627k after the revenue contribution to the capital programme and the transfer to the Airwave sinking fund. Total funding from Revenue Support Grant, National non-Domestic Rates, Police Grant and Council Tax for 2024/25 totals £173,027k. This gives an underspend against taxpayer funding of £400k, before the use of earmarked reserves increases the underspend to £5,762k. This has underspend has been transferred back to reserves, resulting in a break-even position on a group basis and the OPCC at year end. The group year-end net underspend arises from the following variances:   Pay variances – Officers and Staff: Overspend £2,221k   * 1. At the end of Q4, police officer pay and salary allowances are overspent by £2,221k due primarily to the higher pay award than budgeted. This is in line with forecasted at Q3 as £2,207k.   2. The police officer pay and allowances are overspent by £1,253k, this is primarily due to the difference between the planned (3.5%) and actual pay award (4.75%) as reported in Q1. This overspend will be offset in 2024/25 by a specific grant from the Home Office of £1,684k for the difference between budgeted and actual pay awards. This is a non-recurrent gain for the financial year.   3. The overspend on Staff and PCSO (Police and Community Support Officers) pay and allowances has a overspend of £968k at the end of Q4. This is primarily due to the difference between the planned (3.5%) and actual pay award (4.75%) & £595k agency cost.   Overtime – Officers and Staff: overspend £1,703k   * 1. Total overtime costs (officer and staff) at the end of Q4 show a net overspend of £1,703k, made up as follows:  |  |  | | --- | --- | |  | **FY2024/25** | | Police Officer and Staff TOIL (Time off in Lieu) payments | (£107k) | | Police Officer overtime overspends | (£408k) | | Police Officer rest day overtime overspends | (£545k) | | Police Officer public holiday overspends | (£178k) | | Police staff overtime overspends | (£450k) | | Police staff weekend & public holiday enhancements overspend | (£15k) | | **Total (over)spend** **at 31st March 2025** | **(£1,703k)** |  * 1. The position above includes expenditure on Police Staff Enhancements and excludes Major Incidents and Tasking, which is reported separately on Lines 9 and 10 of Appendix 1a, therefore the position is not directly comparable with the Force Overtime Performance report including MI&T (Major Investigation Team).   2. For 2024/25 the overtime overspend of £1,703k includes £107k for Toil payments, £115k overspend under weekend enhancement, and £612k for collaborative activities. The remaining overspend of £853k relates to operational overtime.   3. The overspend on collaborative activities of £612k forms part of true up process between force contributions and collaborative budgets at each year end. This means part of the overtime cost is reimbursed through collaboration income/grants accounted under ‘other income’ appendix 1a.   4. Operational overspends of £853k includes one-off payments relating to the settling of the Allard legal case of £275K. Officer overtime in some specific service areas, including custody, protective services, and operational support activities, remains high. Police staff and PCSO overtime is also high, and substantial work continues to analyse and challenge cultures and behaviours locally on overtime.   Other employee related costs: overspend £385k   * 1. There is a net overspend of £385k for other employee related costs. The net pension overspend of £604k is a combination of higher injury pension payments (£369k) & payments for officers leaving under ill health pensions (£305k), offset by lower 30+ pension costs. External training costs are also lower than expected by £240k at 31st March 2025.   Non-pay variances – Premises costs: underspend £528k   * 1. Premises costs are underspent at Q4 by £528k. There are lower cleaning costs from the new contract (£384k), and smaller utility bills (£209k). Planned and reactive maintenance was managed within budget resulting a small underspend of £17k at 31st March 2025. Overspends were noted on property insurance (£28k) and Service Contracts for Equipment Fixed £46k.   Non-pay variances – Transport costs: underspend £114k   * 1. Transport costs are underspent at Q4 by £114k. The underspends are primarily Insurance work for recovery costs (£154k); vehicle insurance (£46k); vehicle hire (75k); and fuel (£76k). The underspend on fuel is a combination of price and usage, fuel prices has decreased between 11-12% since September 2023 accounting for most of the savings to date. This has been offset by overspends on vehicle repair & maintenance (£138k) and additional charges for increased flying hours above the contracted level from the National police Air Service (NPAS). Vehicle and write-off statistics are scrutinised regularly by the Uniform, Equipment & Fleet User Group, resulting in changes to operational working practices to reduce the number of accidents.   Non-pay variances – Supplies & Services costs: overspend £744k   * 1. Supplies & services costs are overspent at Q4 by £744k and there are many variations between the cost headings in this category.   2. There is a net underspend of £56k for operational and non-operational equipment, largely due to underspend of £101k under Firearm & Ammunition.   3. Uniform – There is an underspend of £178k at the year end.   4. Crime Scene Investigation – An overspend of £114k for Forensic Analysis is offset by a £124k underspend on Pathologists fee, leaving a net underspend of £11k.   5. Animal Welfare – At the year end there is an overspend of £711k, relating to the additional costs under the Dangerous Dog Act (£649k) and Veterinary fees (£59K). Additional funding from the UK Government continues to be sought but no agreement has been confirmed as yet.   6. Professional Fees and Charges – The overspend of £558k overspent is due to £1,152k additional collaborative activity charges from the true up process, and £228k under externally provided financial services for McCloud pension remedy costs. These are partly offset by underspends of £107k for commissioning costs to third parties and £593k on Partnership fees.   7. ICT Expenditure – The underspend of £723k at the year end is largely due to underspends for hardware maintenance £509k and software maintenance contracts £229k related to project delivery.   8. Airwave Expenditure – underspend of £158K under airwaves services charges is partly offset overspends under radio consumables & installation leaving net underspend of £100k at the yearend.   9. Other supplies and services – The net overspend at the year end stands as £502k. This includes underspend of £189K under Custody - Medical Examination that is partly offset by overspent under Custody- Medical Contacts £59k. Similarly, there is a £957K overspend under Miscellaneous Liability Costs relating due primarily to the movement on legal claims needed to be provided for at the year end.   **Other movements:**   * 1. The Force’s contribution to the Police Digital Services is overspent by £132k at yearend. This is due to higher than anticipated Police ICT costs for national projects.   2. Interest Charges - £969k underspend due to decision to use reserves to fund long term capital project and avoid borrowing externally. This resulted in net saving of £969K in interest after taking account of interest charges of £221k under IFRS 16 – Leases.   3. Investment income has overachieved its target to date by £1,133k due to higher than anticipated interest rates during the year.   4. Other Income is overachieved by £9,229k at the yearend as a result of a number of non-recurrent movements. These include the £1,447k received for the refund of licences from the control room project; and £403k McCloud related compensation to match the costs; and. There were also a number of specific grants and non-recurrent income received in year including the unbudgeted pay awards grant from the Home Office for 2024/25 of £1,681k; £280k for domestic abuse and Matac grants; refund of reserves and contributions from SRS (£210k) collaborative budgets (£625k). In addition, a change in accounting estimates increased the recognition of income from the PCSO grant of £1,274k and police maintenance grants of £2,042k.   5. In summary, Income and expenditures are in line with the budgeted figures at the yearend with an underspend against taxpayer funding of £400k, before the planned use of earmarked reserves increases that small underspend to £5,762k. The full amount of the underspend has been returned to reserves.   Appendix 1c  Office of the Police & Crime Commissioner – underspend £77k   * 1. Salary and employee related expenditure – there is a overspend of £203k due to unbudgeted staff costs in relation to maternity cover, the difference between the planned (3.5%) and actual pay award (4.75%) and grant related salary that will be funded at year end in other income.   2. Non-pay expenditure – there are underspends totalling £195kk in non-pay expenditure, primarily due to the underspend of £171k under Supplies & Services. The underspend of £285k under Partnership Projects covers the overspend of £134k under consultancy cost. Other significant underspend is under Solicitor Fee £32k.   3. Other income – Total overachievement at the yearend stands as £92k. Some of £191k excess income offsets £63k underachieved income under Women’s Services.   **Financial Highlights – Balance Sheet**   * 1. The key areas that are significant to the overall financial performance of the force are:   Investment and cash (appendix 2a)   * 1. At 31st March 2025, £15.5m of cash reserves were held as investments with local authorities or held within the money market. All loans are for 12 months or less and are scheduled to ensure that cash flow is available to cover all commitments as they fall due. Actual cash held within the bank account at 31st March 2025 was £1,786k.   2. The average interest rate on investments is 4.57% (31st December 2024: 4.88%; 30th September 2024: 5.04%; 30th June 2024: 5.31%; 31st March 2024: 5.50%). The Bank of England has reduced the interest rates from over the course of the year from 5.00% to 4.50% in the February meeting, and most recently to 4.25%. These changes did change the rates secured on 2024/25 investments but will impact on our investment income levels in 2025/26.   **Debtors (Appendix 2b)**   * 1. Total sales invoices that were unpaid as at 31st March 2025 totalled £497k (31st December 2024: £723k). Outstanding debtors have reduced over the year due to tracing of debt, regular chasing, and reminder letters.   2. The collectability of debtors is not considered a risk. The top 4 debtors, as presented in Appendix 2b, total £410k (85% of total debtors by value) and are all public sector bodies. The balances due from National Probation Services and the College of Policing are being actively pursued. No debts have been written off in Q1-4 2024/25.   Creditors (Appendix 2c)   * 1. As of 31st March 2025, there were £432k of creditors which is a significant drop from the total creditors of £878k at 31st December 2024.   2. Of this total, £48k or 11.10% (Q3 2024/25: £11k) of the total is overdue for payment and average days taken to pay of 16.49 days remains well within the 30 day target.   **Capital (Appendix 2d)**   * 1. The initial budget for the capital and projects was £19,751k but this has been revised to £22,537k to reflect a number of additional projects identified in year. These include additional spend on LPA (Local Policing Area) vehicle replacements, property and evidence store, and access control upgrades across the estate.   2. The expenditure over the financial year on capital and long-term projects is £16,734k leaving an underspend of £5,802k against the revised budget. Progress on the delivery of the projects in line with the Estates Strategy and within the capital programme is overseen by the Capital Strategy Board.   3. Estates – the budget of £13,745k includes major projects relating to the Collaborative JFU (Joint Firearms Unit) relocation (£8,500k), property & evidence stores improvements at Bettws (£1,200k) and Ystrad Mynach custody refurbishment/upgrades (£1,000k). A further £730k is included in the budget for the remaining demolition of buildings on the old HQ site at Turnpike Road.   4. Vehicles – The 2024/25 budget is £4,340k and expenditure for the year is £3,952k the slippage of £389k will be rolled into 2025/26 budgets in line with the current fleet replacement cycle.   5. ICT - The budget is £4,323k and expenditure for the year is £2,323, the underspend of £2,220k is mainly due to slippage on the JOINS2 network links with South Wales Police and the Control room Project.   **Seized Money (Appendix 2e)**   * 1. The balance of seized money held as at 31st March 2025 was £1,442k (31st December 2024: £1,249k). An amount of £759k (52.6%) has been held for over 12 months at this date compared to £672k (53.8%) as of 31st December 2024. The cashiering team are actively chasing outstanding seized money exhibits for updates from officers to reduce the amounts still held by Gwent Police.   Reserves (Appendix 3)   * 1. Appendix 3 details the position in relation to the current balance of reserves of £18,162k based on the unaudited financial statement as of 31st March 2025. This shows a reduction of £2,986k in reserves from £21,148k as of 31 March 2024 as reserves were used to fund the capital programme in 2024/25. The General Reserve has been maintained at £5.5m in line with the Reserves Strategy, with the remaining balances set aside for capital receipts reserve to fund the future capital programme, and earmarked reserves for specific purposes. Appendix 3 details the movements within the financial year 2024/25.   **Medium Term Financial Plan (Appendix 4)**   * 1. Appendix 4 provides detail of the latest version of the 2024/25 to 2029/30 MTFP updated as at May 2025. The current position for 2025/26 after additional costs pressures, savings and funding changes have been identified between February and May 2025, is a net deficit £2,714k – an increase from £1,769k in January 2025. A report on the key movements to 31st May 2025, mitigating actions already being taken and the financial risks has been presented to Chief Officers and OPCC. Work continues in 2025/26 to identify further recurring savings.   2. The impact of global events continues to create a lot of uncertainty over funding, cost pressures, inflation, and interest rates for 2025/26 and subsequent years. The current forecast of the recurring annual deficit of £7,095k at 2029/30 is therefore highly dependent on these inflationary pressures, the full implications of the recent Spending Review, borrowing decisions for the capital programme, the police funding formula review, and central government priorities. The MTFP will be updated again in November 2025 as part of the 2027/27 budget setting exercise. Known and anticipated additional pressures on base budgets, further base budget savings, and the annual review of the budget’s underlying assumptions will be carried out in September-November 2025 ahead of the Chief Constable’s 2026/27 budget proposal to the Commissioner.  1. COLLABORATION    1. Collaborative activities have been included in the figures above. 2. NEXT STEPS    1. To consider and note the financial performance of the Force and OPCC for the financial year 2024/25. 3. FINANCIAL CONSIDERATIONS    1. These are detailed in the report. 4. PERSONNEL CONSIDERATIONS    1. There are no staffing / personnel implications arising from this report. 5. LEGAL CONSIDERATIONS    1. There are no legal implications 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 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. 7. RISK    1. The outcome of the ongoing review of the funding formula is still unknown and the full implications of the Chancellor of the Exchequer’s recent announcements on the Spending Review and multi-year settlements for central government departments. An organisational risk has already been raised via Service Improvement Board to reflect the in-year and medium-term financial issues. 8. 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 9. REPORT AUTHOR    1. Muhammad Yasir 10. LEAD CHIEF OFFICER     1. Matthew Coe 11. ANNEXES     1. 2024/25 Q4 Financial Performance Report 12. 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: | | |
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