

REPORT ON THE POLICE AND CRIME COMMISSIONER FOR GWENT'S PROPOSED PRECEPT FOR 2020/21

INTRODUCTION

1. This report is made in accordance with the Police and Crime Commissioner for Gwent's (Commissioner) statutory duty contained in Paragraph 5, Schedule 5 of the Police Reform and Social Responsibility Act 2011.

BACKGROUND

2. The Commissioner notified the Gwent Police and Crime Panel (Panel) on the 24th January 2020 of his proposed Police and Crime Budget and Council Tax Precept for 2020/21. The Panel considered a detailed report, annexe and associated appendices in support of the proposal at their meeting held in Monmouthshire County Hall on the 31st January 2020. In addition, due to the delays in the receipt of the Police Funding Settlement from the Home Office, the Panel were also provided with an addendum briefing on the 30th January 2020, with updated hard copy appendices provided on the day of the meeting.
3. Following a full debate regarding the financial outlook facing the Commissioner; the policing provision in Gwent; and the proposed Council Tax Precept increase of 6.99%, the Panel resolved to make a recommendation to the Commissioner for his full consideration, by virtue of not having reached the required majority to veto.
4. On the 4th February 2020, the Commissioner received the formal report from the Panel, for him to consider the recommendation to increase the Precept by 6.00%.

CONSIDERATION OF THE GWENT POLICE AND CRIME PANEL'S PRECEPT RECOMMENDATION REPORT

5. The Commissioner, Deputy Commissioner, Chief Finance Officer and Chief Executive met on Friday 7th February 2020 to consider the Panel's report and recommendation.
6. The Commissioner commended the valued challenge and scrutiny the Panel provided during the budget setting process. He acknowledged the well-made and well-presented points discussed at the meeting and outlined in the Panel's report. He also conveyed his appreciation regarding the thanks given by the Panel, for the

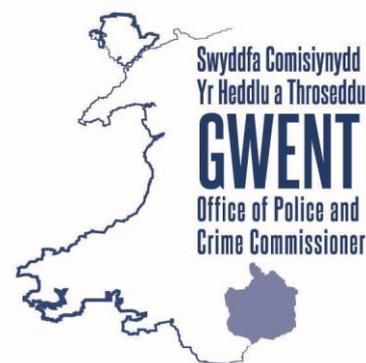
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work undertaken by his Chief Finance Officer in the early engagement with the Panel during this budget setting round.

7. In determining his response and recommendation, the Commissioner took into account the following reasons outlined in the Panel's report, to justify a lower Council Tax Precept increase than proposed:

a) Financial pressures upon Gwent Council Tax Payers

- i. Since taking office in May 2016, the Commissioner has undertaken a significant programme of public engagement events and surgeries. He has listened carefully to the public's concerns and views in order to assist in the drafting of his Police and Crime Plan and associated financial strategy which will deliver against the public's and partner's needs. Overwhelmingly, the public's desire is to see visible and accessible policing across Gwent and to protect those who are most vulnerable in society. The annual Council Tax Precept increase is a fundamental component in delivering a robust Police and Crime Plan and meeting the public's needs. In addition to the continual public engagement activities, to support the Commissioner's financial planning and to meet statutory requirements, the Office of the Police and Crime Commissioner for Gwent (OPCC) ran a specific engagement exercise regarding the proposed Council Tax Precept increase from 14th October 2019 to 12th January 2020. This was a total of thirteen weeks compared to nine weeks for the equivalent exercise last year. The above engagement exercise had a dual approach: a series of twenty five face-to-face engagement events (which included survey questions) across all Local Authorities was complemented with an online survey.
- ii. In order to provide the maximum engagement opportunity, it was determined that the engagement exercise would be launched in advance of receiving the Chief Constable's Budget Bid (received 26th November 2019) and the expected date of a Provisional Settlement (mid to late December 2019). Therefore, when the surveys were launched (14th October 2019), it was based, as a minimum, upon estimated financial projections and assumed Council Tax Precept increases of 6.99% p.a. over the Medium Term Financial Projections (MTFP), in order to attempt to maintain Police Officer investment over recent years. However, with a significant amount of financial detail yet to be received by the Commissioner, in order to provide a degree of 'headroom' in setting the Council Tax Precept, the residents of Gwent were asked the following key question:

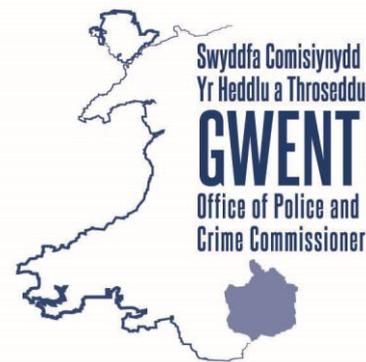
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“Would you support the principle of a £2 a month increase on your council tax (based on a band D property) to maintain policing provision at current levels?”

A £2 a month increase equates to a rise of 9.39% p.a. for 2020/21. The proposed Council Tax Precept increase of 6.99% equates to a monthly rise of £1.49. Following feedback from the Panel’s Finance Sub-Group, the question asked in future surveys will also include the actual current value of the Band D Council Tax Precept that residents pay. Therefore, the increase in value terms will have context against the overall amount currently paid towards policing costs.

- iii. In addition to the above specific engagement exercise, which focussed exclusively on the proposed Council Tax Precept, the OPCC attended more than twenty community engagement events over the summer period. The purpose of attending these was to increase visibility and opportunities for members of the public to engage with the OPCC in large-scale community settings, highlighting the core functions and purposes of the OPCC. However, at eight of the events, the OPCC also utilised these opportunities to survey people on a number of topics, including the Council Tax Precept.
- iv. Combined, this resulted in 1,730 people answering the Council Tax Precept question, “Would you support the principle of a £2 a month increase on your council tax (based on a band D property) to maintain policing provision at current levels?” 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 – these parameters are widely accepted and utilised within the professional surveying arena.
- v. As stated above, a total of 1,730 responses were received by the closing date. Of these, 1,707 were from Gwent residents, meaning a representative sample was achieved. In fact, due to the high level of response, the survey achieved a 99% confidence level that the answers received would be within +/- 4% margin of error on the actual results. For comparison, the 2019/20 and 2018/19 surveys managed representative samples with of 1,875 and 609 responses respectively; this was not the case in years prior to these. Of the 1,707 respondents who were Gwent residents:
 - 845 completed the survey face-to-face during the Council Tax Precept specific engagement events between October 2019 and January 2020;

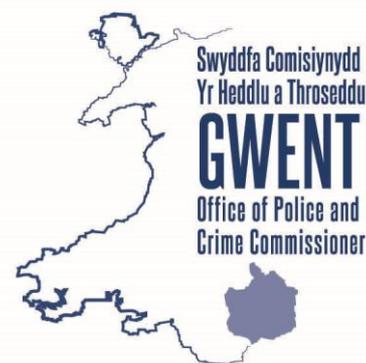
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- 640 completed the survey online between October 2019 and January 2020; and
 - 222 completed the survey face-to-face during the summer engagement events.
- vi. The combined findings based solely on the returns from Gwent residents were:
- 1,136 (66.6%) of respondents supported the principle of up to a £2 per month increase;
 - 391 (22.9%) of respondents would not support the principle of up to a £2 per month increase; and
 - 180 (10.5%) of respondents were unsure;
- vii. 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 £2 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 the increase in Council Tax Precept of up to £2 per month. Panel Members should note, that the Commissioner's 6.99% proposed increase in the Council Tax Precept amounts to only an additional £1.49 per month for a Band D household i.e. only 75% of the increase supported by the majority of residents in Gwent. 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 above, the increase in Council Tax Precept is designed to maintain previous investment in Police Officers.
- viii. The Commissioner's initially proposed Council Tax Precept increase of 6.99% prudently reflected the findings of the above survey and also his acute awareness of the continued financial burden placed upon people within communities in Gwent, a number of which living in the most disadvantaged communities within England and Wales. However, the Commissioner's Police and Crime Plan, supported by Gwent Police's Force Delivery Plan and the OPCC's Business Plan, fundamentally aims to direct policing and crime resources toward the most deprived, disadvantaged and vulnerable people and communities in Gwent, to tackle, in partnership, deep rooted issues. Therefore, this investment in the Council Tax Precept will most benefit, those acknowledged to least afford it.

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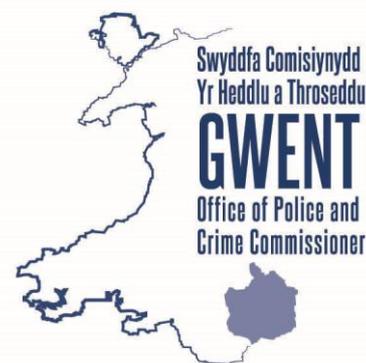
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b) Better than expected core grant settlement from the Home Office.

i. The Home Office settlement confirmed two fundamental issues:

- That 'flat cash' Government Grant funding for existing budgets was received – i.e. there was no additional funding to meet recent pay awards, inflation increases, nor new service demands and unavoidable operational pressures in existing budgets; and
- The additional Government Grant funding received for Operation Uplift is cost neutral, as this funding will be fully utilised over the medium term and therefore not available to offset existing pressures and financial deficits with the Force.

ii. As stated in the Commissioner's Police and Crime Budget and Council Tax Precept report to the Panel:

'In planning to honour the arrangements discussed in January 2019, the 6.99% increase for 2020/21 (which equates to an extra £1.49 per month (£17.86 per year) for the average band D property) is reflected in this budget proposal and goes some considerable way in meeting the Chief Constable's bid in order to:

- Meet existing and increasing demand;
- Maintain Police Officer numbers; and
- Minimise any impact on frontline service delivery.'

iii. Indeed, the Commissioner's Police and Crime Budget and Council Tax Precept report further made reference to:

'.....the Council Tax Precept increase for 2020/21 only partly meets 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 26th November 2019). Even with a Council Tax Precept increase of 6.99% in 2020/21, a recurrent deficit of £1.207m still exists, due largely in part to two factors:

- During the 2019/20 financial year, it has become clearly apparent that as a result of significant investment in around 170 new Police Officer posts since 2016, the implications on Police Staff posts to directly support frontline service delivery was not fully assessed. In order to appropriately

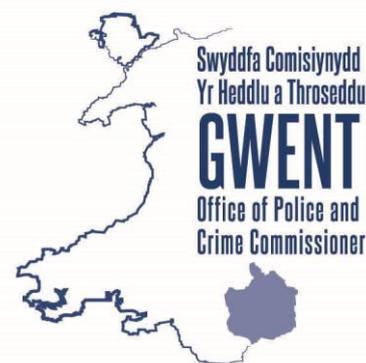
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support Police Officer posts, Police Staff investment in the following areas has been required:

- Front Line Functions:
 - Police Staff Investigators;
 - Public Protection Unit (PPU);
 - Cyber Crime Unit;
 - Force Control Room; and
 - Criminal Justice.
- Support Functions:
 - Learning and Development;
 - Business Change and Performance;
 - Estate Department; and
 - Finance Department.

To this end, during 2019/20 the Police Staff establishment has warranted growth of 45 wte to 746 wte. This was not clearly apparent during the 2019/20 budget setting round, as the ongoing programme of Service Improvement reviews had not concluded the correct levels of establishment in key areas. It must be noted however, that the increase in roles represents a ratio of one new Police Staff role to four new Police Officer roles established in the past four years; and reflects the role Police Staff play in supporting the delivery of policing services to the public; and

- The current uncertainty on overall Government funding contributes to the deficit position. Importantly however, the proposed Council Tax Precept increase does not 'underwrite' the current uncertainty with regard to Government Funding. '
- iv. In short, the proposed Council Tax Precept increase of 6.99% for 2020/21 was designed to meet existing financial pressures, ahead of Operation Uplift Police Officers and their associated ring-fenced funding. The Council Tax Precept increase of 6.99% for 2020/21 therefore, was designed to ensure that the Force was appropriately resourced for when the Operation Uplift Police Officers arrived and that already stretched Frontline and Support Functions, (plus infrastructure requirements) were fully resourced to accommodate existing Police Officer numbers. This fact is borne out in that the updated post Police Settlement MTFP, even with a Council Tax Precept increase of 6.99% p.a. throughout the life of the MTFP, confirms a recurrent

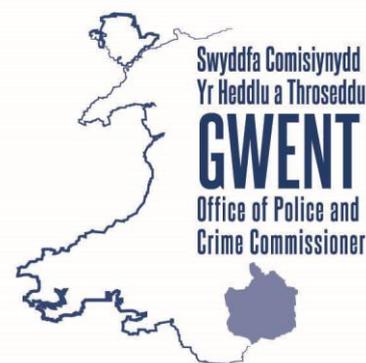
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financial deficit in 2020/21 of £1.207m (before the application of efficiency savings – £668k afterwards), which therefore requires the utilisation of £668k of Reserves and Committed Funds to balance the budget. This unsustainable position continues to compound resulting in a remaining recurrent deficit after efficiency savings in 2024/25 of £4.958m.

- v. The above said however, following receipt of the Police Settlement on the 22nd January 2020 and subsequent detailed analysis, an addendum briefing was circulated on the 30th January 2020 to update Panel Members on the Commissioner's budget report and Council Tax Precept proposal. The addendum confirmed:

'..... as some of the Operation Uplift funding from the Home Office has been received as a revenue stream, it must still be targeted toward capital investment (such as the Estate and Fleet). Therefore, this funding provides an additional 'Revenue Contribution to Capital' and will reduce the Commissioner's external borrowing requirement from **2021/22** and beyond. The financing costs of this reduced borrowing need does marginally affect the revised MTFP, but not until the 2021/22 financial year. As such, this will be addressed in the next budget setting round and subsequent Council Tax Precept proposals.'

- vi. The above point was discussed at the Panel meeting on 31st January 2020 and will be considered further at paragraph 7 c) below.
- c) The opportunity to reduce planned borrowing which results in the ability to secure financial returns on up front funding received.
 - i. As noted above, the early receipt of funding for the consequential costs associated with recruiting the estimated 165 Police Officers in Gwent over the next three financial years, did have an effect on the MTFP from the 2021/22 financial year onwards. Due to the significant uncertainty concerning future funding, particularly in relation to the 2020 Comprehensive Spending Review; the financial implications of Brexit; the Funding Formula Review; and therefore the risk to the cost neutrality of Operation Uplift in future financial years, it was prudent to consider this impact on the MTFP in the next budget setting round and subsequent Council Tax Precept proposals.
 - ii. However, in direct response to the Panel's recommendation and assuming the future risks are addressed in the timeframes above, the reduced costs of borrowing of £670k between 2021/22 and 2024/25 (as a result of the early receipt of Operation Uplift funding) allows the Commissioner to reduce the

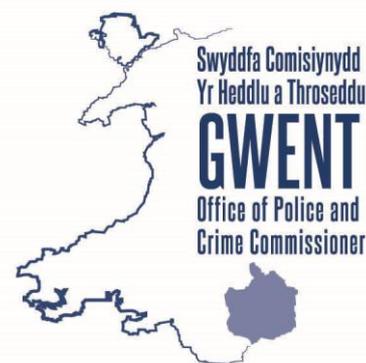
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Council Tax Precept to an increase of 6.82% p.a. over the life of the current MTFP. The saving of £670k over the medium term, is therefore passed directly onto Gwent residents at this point in time. However, this must be caveated for future Council Tax Precept proposals, due to the uncertainties that exist at this time which are outlined in paragraph 7 c) i. above.

- iii. By not waiting to make this adjustment until the 2021/22 budget setting round, the recurrent deficit in 2020/21 increases by £96k to £1.303m, thereby necessitating a contribution from Reserves and Committed Funds of £764k to achieve a balanced budget, after accounting for planned efficiency savings of £539k.

RECOMMENDATION

8. The narrative above discusses the specific reasons provided by the Panel for justifying a lower Council Tax Precept increase than proposed. However, both the Panel's report and discussions at the meeting, clearly identified the financial challenges in meeting the 2020/21 efficiency scheme target in relation to the reduction in the Police Officer overtime budget; and also the risks of using one-off funding from Reserves and Committed Funds to meet the recurrent budgetary deficit in the short to medium term.
9. Therefore, having taking into account the Panel's report and recommendation against the considerations outlined above, the Commissioner intends to issue a revised Council Tax Precept of £60,540,391 (equivalent to a Council Tax Band D of £272.96) for 2020/21, reflecting an increase of 6.82%.
10. The Commissioner requests that this report is circulated to Panel Members for their immediate notification, as he now intends to issue his Precept in line with statutory timescales. In doing so, he requests that this outcome is reported to the next Panel meeting on the 20th March 2020 for information only.