



Gloucestershire Police & Crime Panel

Update report on Revenue Budget 2024/25 and Medium Term Financial Plan 2025/26 to 2027/28

06 September 2024

1. Purposes of the Report

- 1.1 To update the Police and Crime Panel on the financial position of the Police and Crime Commissioner (PCC) and Gloucestershire Constabulary, including the current and projected level of reserves and borrowing.
- 1.2 For information, financial matters are governed by a monthly Finance Panel meeting chaired by the OPCC Chief Executive which feeds into both the Constabulary Governance Board and PCC’s Governance Board (both on a monthly basis). In addition, a monthly Gold Group has been established to oversee activity to identify and realise efficiencies across both the Constabulary and OPCC. Again, this feeds into the governance boards for both entities.

2. Executive Summary

- 2.1 As reported to the Police and Crime Panel in February 2024, the revenue budget for 2024/25 assumed the use of £4.4m of reserves it also included a saving of £5.2m general vacancy factor and £2.1m for freezing vacant posts.
- 2.2 Reserves were utilised to fund improvements in performance within the Force Control Room, support for neighbourhood policing and crime prevention and expansion of our new Victims’ Hub.
- 2.3 The Medium Term Financial Plan (MTFP) assumed that no reserves would be used to balance future years which meant that the Constabulary and OPCC would need to identify a further £5.2m of savings and efficiencies in 2025/26.
- 2.4 The current forecast for 2024/25, based on expenditure to the end of July 2024 shows an overspend of £3.3m, which with taking into account the £4.4m one-off use of reserves, gives an underlying deficit of £7.7m (compared to the net budget of £162.8m). The majority of the projected overspend relates to employee costs, for example, police officer overtime which currently exceeds the budgeted level by £1.7m. In addition, the budgeted saving of £5.2m from holding staffing vacancies is not being fully achieved.
- 2.5 The savings required over the MTFP period, based on the position at the end of July 2024 have been updated giving savings requirements of:

	2025/ 26	2026/ 27	2027/ 28
	£000	£000	£000
New Savings Required	7,500	2,100	2,800
Cumulative Savings	7,500	9,600	12,400

- 2.6 The above figures will be reviewed in September 2024 and again in December 2024. This work will include a review of service budgets, unavoidable growth, a review of borrowing costs, pension contributions and other assumptions including the new Government's intentions if they are known.
- 2.7 Work is already underway to identify opportunities for efficiencies and savings with a senior level joint Constabulary and OPCC efficiency team led by a Superintendent. The team will work with the organisation to bridge the gap in 2024/25 and the MTFP period through a series of work streams, some of which are set out in this report.
- 2.8 Borrowing levels are estimated to increase from £20.5m at 31.03.24 to £51.8m at 31.03.28. This is an increase of £31.3m. Revenue reserves are estimated to reduce from £25.2m to £9.1m, a reduction of £16.1m over the same period.

3. Recommendation

- 3.1 That the panel notes the financial position of the Constabulary and OPCC and the work in hand to reduce the current year's deficit and the savings gap in future years, the reducing level of reserves and increased borrowing.

4. Background

- 4.1 The position the Constabulary face is not dissimilar to other forces around the country who have already made reductions in service levels to balance their budgets. Police are in a similar position to Local Authorities in not being protected from real term reductions in funding with this not likely to change in the next few financial years. Grants have been frozen in cash terms while costs are rising and indications from National Government are that the financial position for public services is unlikely to change in the near future.
- 4.2 Gloucestershire Constabulary planned to use reserves in 2023/24 and 2024/25 to protect services and invested funds into priority services that have achieved significant improvements in performance. These include:
- Additional police officers to ensure the operating model is fully resourced, helping to maintain the 34% faster response for Grade 2 incidents, 50% plus cut in anti-social behaviour, 24% rise in arrests and doubling the number of solved crimes.
 - Continued improvement in performance within the Force Control Room particularly in relation to answering times for 999 and 101 calls.
 - Investment in more neighbourhood police and crime prevention (one of the enduring 'golden threads' of the OPCC Police and Crime Prevention plan), to reduce overall crime demand in the short and long term.
 - Increase nine fold the annual IT capital replacement/maintenance budget to reduce failure demand and increase police capability (was around £350K pa, now almost £3m pa).
 - Introduction of a state of the art records management system (eventually costing £7m over a few years) to replace our aging IT, the oldest police system in England

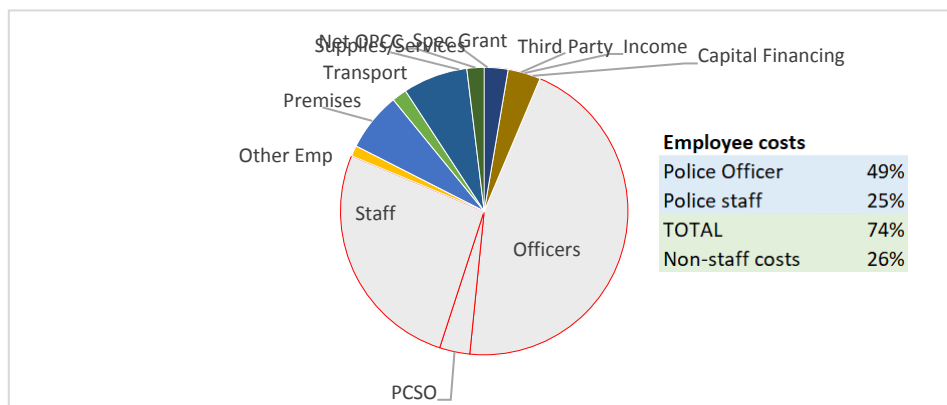
and Wales. This innovative system will manage all aspects of crime recording, investigation, intelligence, vulnerability, prevention activities, detainee management, voluntary attendance, and property management – as well as electronic case preparation. This should really improve the service we give to victims and witnesses.

- Complete the expansion of our new Victims’ Hub, ensuring for the first time a comprehensive service for victims from the moment a crime is recorded.
- Continue with the major expansion of our speed enforcement, roads policing and specialist rural crime teams, tackling the crime residents want reduced.
- Provide £1m more to replace aging vehicles and improve operational vehicle availability, thereby increasing police visibility.
- Further investment in Automatic Number Plate Recognition cameras infrastructure for our rural roads, helping to track the movement of organised criminals on our road network.

4.3 The budget process will be iterative, with some amounts (particularly the level of grant income and possible precept) not known until Christmas 2024. Discussions with other forces indicate that our assumptions are similar and higher grants are not anticipated.

4.4 Council Tax income is 45.8% of net expenditure in 2024/25. It has now been assumed that the Council Tax base will increase by 1.5% in 2025/26, there will be a 2% increase in the precept and the Constabulary will benefit from an additional £0.8m from the additional charge for second homes across the county. An increase from 2% to 5% or a £15 increase in the Council Tax precept would add £2.2m to the organisation’s resources, if the maximum increase was set following due process. This would help to protect priority services.

4.5 Employee costs form a higher proportion (74% of gross budgets) than in Local Authorities. The Constabulary and PCC have a total budgeted FTE of 2,349 of which 1,968 or 84% are operational (see below):



4.6 Police Officer numbers must be maintained at a minimum of 1,335 as per the national 20,000 uplift plan. If numbers fall below this number at checkpoints at 30th September

and 31st March the Home Office will deduct £40k of uplift grant for every officer below the threshold. This restricts the areas that can be examined for any savings, including police staff undertaking officer duties at lower cost.

5. Savings Programme

5.1 Initial work has provided confidence that savings can be identified over the three years of the MTFP. However, the difficulty of delivering these, some of which rely on the introduction of new technology and a review of assets will not bridge the projected overspend in 2024/25 and the budget gap in 2025/26. With minimal reserves, work is now being focussed reductions that can be made in the current financial year. Wherever possible efficiency savings are being targeted but reduction in service levels may be unavoidable.

Capital Programme Review

5.2 A review of the Capital Programme was undertaken resulting in reductions of £11m of the £52m programme 2024/25 – 2027/28 including carry forwards from 2023/24 as set out below:

	£000
Fleet	3,695
Estates	5,840
Taser Range*	1,500
Total	11,035

*The reduction of funding for the Taser Range remains subject to a viability assessment of alternative options.

5.3 This will save £1.6m p/a in interest and Minimum Revenue Provision (MRP) or Principal from 2028/29, across the MTFP period it will be as follows:

	2025/ 26	2026/ 27	2027 /28
	£000	£000	£000
Saving	450	800	1,200

Capital Receipts

5.4 Work is underway to review capital assets across the county including underutilised estate such as a 2.8 acre piece of land at Waterwells.

5.5 More strategic work to rationalise or move to smaller premises across the county while maintaining our police station presence will be initiated by the Head of Estates and an Assistant Chief Constable with support from the Chief Finance Officer.

5.6 The changes aim to result in a more sustainable, fit for purpose estate which will avoid refurbishment costs that have not been planned for.

Benefits from NICHE computer system

5.7 Work is commencing on a producing a benefits realisation plan from the major efficiencies that will be delivered from this new records management system when it is implemented in October 2025.

Police Overtime

5.8 Further initiatives and additional mitigating controls are being examined to reduce this cost. This will be further aided by the implementation of a new Duty Management System due for implementation in January 2025.

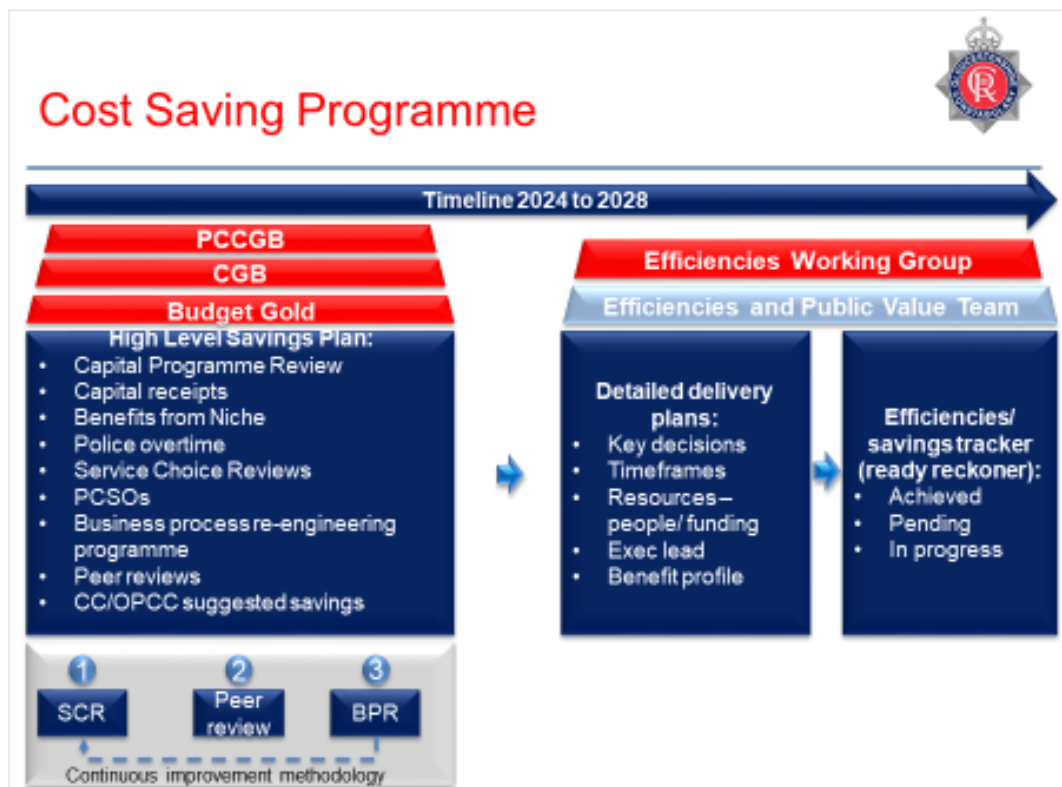
Service Choice Reviews and Business Process Re-Engineering

5.9 This work is planned to identify efficiencies through a business re-engineering programme. A dedicated efficiencies team to support this work has been established and includes an experienced Superintendent supported by strategic planning, performance, HR change, finance, transformation and business analysis expertise support.

5.10 Their focus initially build on the service choice review programme with this being extended by two additional pieces of work:

- Stage 1 - Service Choice Review
- Stage 2 – Independent Peer Review focussed on efficiencies
- Stage 3 – Business Re-engineering

5.11 A schematic of the process is set out below:



5.12 Three areas have undertaken service choice reviews – these are Communications and Engagement, Estates and Learning and Development. These will be the areas examined first to identify independent resources to undertake the peer or specialist consultancy reviews. Work to date has on stage one, service choice review, has identified £0.8m of ongoing efficiency savings.

PCSO

5.13 PCSO recruitment has been reluctantly paused while the savings programme is being developed.

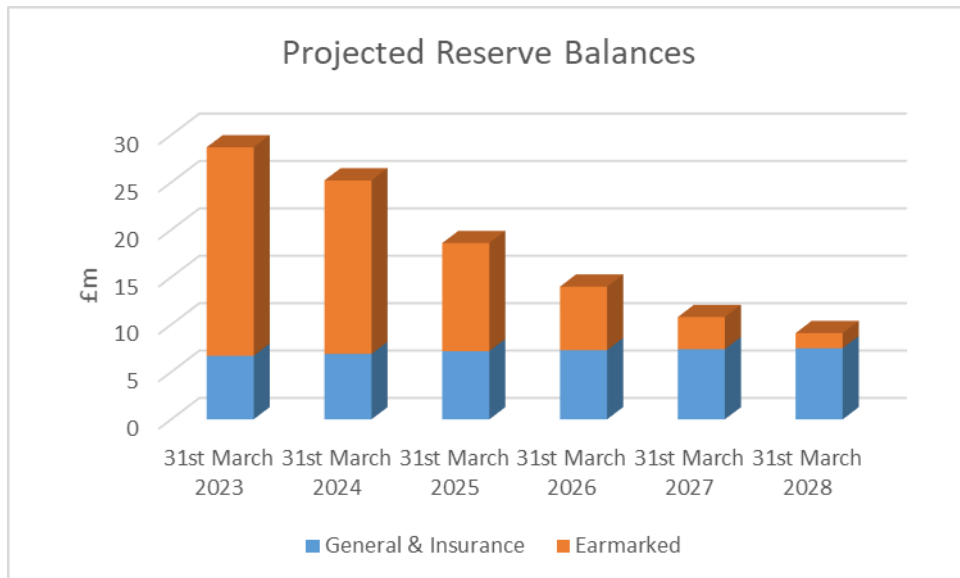
6. Reserve levels

6.1 The reserves balances agreed as part of the 2024/25 budget process, updated based on the draft accounts are set out below:

As at	Earmarked £m	General & Insurance £m	Total £m
31-Mar-24	18.3	6.9	25.2
31-Mar-25	11.4	7.2	18.6
31-Mar-26	6.7	7.3	14.0
31-Mar-27	3.4	7.4	10.8
31-Mar-28	1.6	7.5	9.1

6.2 While the earmarked reserves are reducing over the MTFP period, they are being used for the purpose for which they are intended. The General Reserve is being maintained at around 3.5% of net revenue expenditure over the medium term period.

6.3 The reduction in reserves is highlighted in the graph below.



- 6.4 The current strategy does limit flexibility in respect of balancing future year’s budgets which has previously been the case or covering in-year overspends. For this reason, the reserves strategy will be reviewed as part of the budget process for 2025/26 with consideration given to borrowing for some capital schemes rather than depleting reserves to a minimal level.
- 6.5 Police and Local Authorities borrow “internally”, using cash reserves on the balance sheet as an alternative to external borrowing, although MRP still needs to be charged to the revenue account. Any reductions in cash reserves need to be replaced by external borrowing. Police and Local Authorities cannot borrow for revenue spending.
- 6.6 The Police are subject to the same accounting regulations as Local Authorities and are not permitted to set an unbalanced budget where estimated expenditure will exceed income and reserves or allow this to happen in-year.

7. Borrowing levels

7.1 At 31.03.24 the PCC had £20.5m of borrowing. The approved capital programme, adjusted for carry forwards and reduced by £11m as part of the savings exercise and the reduction in reserves highlighted in section 6. Above, will increase borrowing by £31.3m over the MTFP period, increasing interest costs. The majority of planned capital expenditure relates to IT investment and vehicle replacement which have relatively short asset lives so will also add pressure to future revenue budgets through increased MRP. Although the MRP will reduce the need for borrowing, which with previous schemes are estimated to be £11.2m to 2027/28.

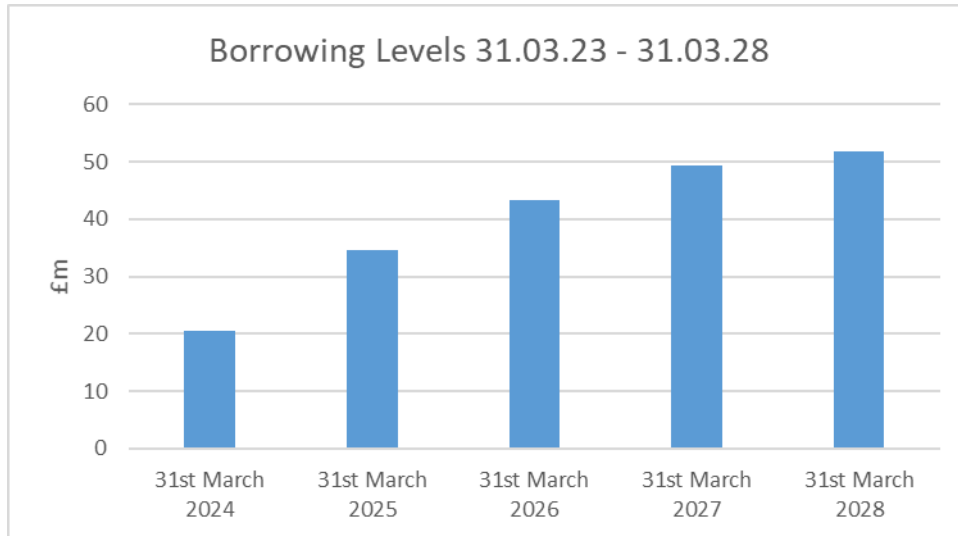
7.2 The financing of the capital programme is set out below.

Approved Capital Programme with C/Fwds from 2023/24 and £11m reduction					
	2024/25	2025/26	2026/27	2027/28	Total
Funding Source	£000	£000	£000	£000	£000
Capital Grant	59	891	130	450	1,530
Revenue Contribution	1,274	1,294	1,237	835	4,639
Borrowing	9,168	6,517	5,743	4,956	26,384
Reserves	4,974	2,138	645	827	8,584
Total	15,474	10,840	7,755	7,068	41,137

7.3 Estimated increase in borrowing levels of £31.3m

Estimated increase in borrowing				
	2024/25	2025/26	2026/27	2027/28
	£000	£000	£000	£000
Brought Forward	20,488	34,666	43,366	49,337
Capital Programme	9,168	6,517	5,743	4,956
less Minimum Revenue Provision	(1,590)	(2,417)	(2,972)	(4,209)
Reduction in Reserve Levels	6,600	4,600	3,200	1,700
Total Borrowing	34,666	43,366	49,337	51,784

7.4 This is reflected in the graph below.



8. Conclusion

8.1 Increases in borrowing costs and reductions in reserve levels will increase the need to deliver sustainable savings over the medium term. Efficiency savings will be prioritised; however delivering a balanced budget each year may well impact on future service levels.