

**Police and Crime Commissioner and Chief Constable for
North Wales Police Force**

Medium Term Financial Plan

2019-20 to 2023-24

1. Introduction

- 1.1 The Medium Term Financial Plan (MTFP) links the Police and Crime Plan 2017-2021 and the Policing Priorities agreed by the Police and Crime Commissioner and the Chief Constable with the Financial Strategy (Appendix A) and the Resources available.
- 1.2 This MTFP sets a challenging financial and operational position over the next 5 years. The budget has been balanced while service is maintained over the austerity period giving a sound base budget and reserve position. However, the continued change in demand and new cost pressures will require further efficiencies and investments.
- 1.3 The Operational Improvement Programme (OIP) has reviewed 47% of the Force focusing on Operational Policing and the balance between Neighbourhood Policing, Response and Investigative work. This has enabled the reinvestment of efficiencies to address current requirements due to change in demand within the 2019-20 budgets. Further efficiencies have been identified from the remainder of the Force. There is an unprecedented level of change, especially around digital development, which will require investment in terms of management and delivery. During the year the Force was also notified of a significant increase in Officer Employer Pensions Contributions over the next two years which has had a material effect on the overall inflation within the budget. The Home Office settlement was better than expected and the assumed level of Council Tax increase by the Home Office was increased from £12 to £24, however, these two increases came with conditions of additional requirements on efficiency, productivity and effectiveness to drive improvements in services to the public in four areas. These are: increasing detective resources, addressing serious and organised crime, use of digital and mobile data and collaborative procurement. These priorities are being addressed within the resources available and will be enhanced by further investments detailed in this MTFP.
- 1.4 The PCC has considered all options and recommended a council tax increase which strikes a balance between affordability for local taxpayers and ensuring the police service has sufficient funds. He has proposed a council tax increase of £19.98 which is significantly lower than the Home Office assumption of £24. This proposal balances the budget over the next two years, deals with the additional pension costs and reinvests £2.8m efficiencies to enhance the provision in the priority areas required by the Home Secretary.

1.2 Aim

The aim of this paper is to give details of how the budget has been balanced to date and the plans to maintain a balanced budget in the medium and longer term, whilst maintaining and enhancing performance and ensuring local and national priorities are achieved.

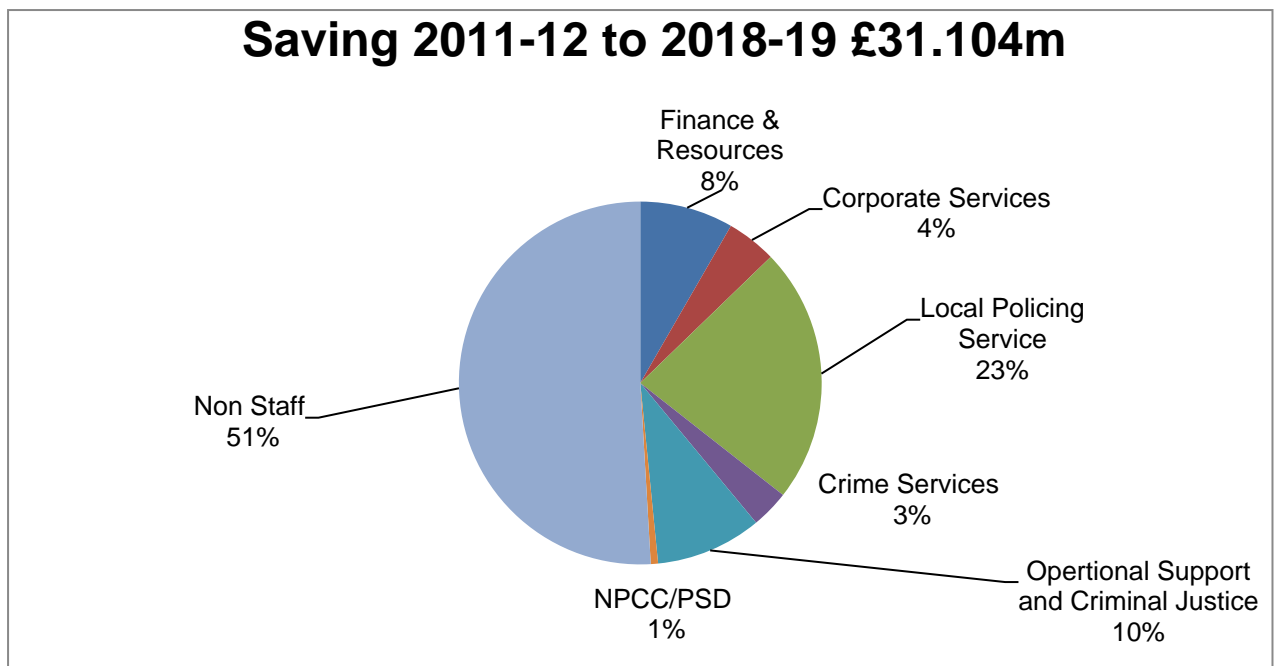
1.3 Background

The Government’s Austerity Programme, which began in 2011, has resulted in substantial cuts across the public sector. The original planned cash reduction in Police Budgets over the 4 years (2011-12 to 2014-15) of the CSR2010 was 12%; the actual reduction in grants to the end of 2018-19 will be 22.2%. In real terms (taking inflation into account) this has been independently assessed as a cut of 32.2%.

1.4 Council Tax increases have ranged between 2% and 4% over the same period. . The overall effect of the reduced funding available and inflationary and other pressures resulted in £31.104m of cuts being made to budgets over an 8 year period. This is equivalent to a 21% cash reduction in the 2010-11 pre austerity budget of £148.035m. The annual cuts are as shown in the table below:

Year	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Total
Cuts Made	£4.678m	£6.016m	£4.634m	£4.325m	£4.448m	£2.838m	£2.686m	£1.479m	£31.104m

1.5 The chart below summarised where savings have been taken.



1.6 The Government conducted two major reviews over the summer of 2015 that were intended to determine the level of Government grants for policing for future years. The Spending Review (SR2015) reviewed the budget allocation to all Government Departments including the total available for policing. The outcome of the spending review resulted in the 0.6% cut to Police Forces’ grant allocations in 2016-17 with a commitment for future funding to be set so that Police Forces do not face a cash reduction provided that police and crime commissioners increased council tax by an assumed 2%. The expectation was that this would result in a similar level of cut in

2017-18 to that in 2016-17; however the Home Office increased the cuts to Forces grants in 2017-18 to 1.4%, with the additional amounts being kept centrally by the Home Office. The Home Office provided a flat settlement in 2018-19 and revised the assumed level of Council Tax to £12, which if applied would mean that Forces should not have a cash reduction.

- 1.7 A review of the Police Funding Formula was conducted by the Home Office in 2015-16. The formula determines how the Home Office distributes the total funding available to policing between the policing areas. The review of the Police Funding Formula was suspended following issues raised by Forces on the accuracy of the data used in the proposed formula. The Government is conducting a Spending Review in 2019-20 with the intention to *'set long term police budgets and look at how resources are allocated fairly across police forces.'* It is not clear whether this will include a review of the funding formula.

2. Planning Process

- 2.1 The process for identifying, agreeing and implementing savings is established as part of normal business. In addition to this the Operational Improvement Programme (OIP) was conducted which was a major review of operational resources focusing on Neighbourhood Policing, Custody, Investigative Resources, Occurrence Management and the allocation of Constables and Sergeants. The overall process is governed by the Strategic Planning Board (SPB). This year the Board considered the saving plan and reinvestment requests taking into consideration the reviews that have been undertaken. In addition to this there was an annual review of pay budgets; a zero based budget exercise was carried out on the IT, Facilities, Fleet and elements of the Supplies and Services budgets to confirm savings in the plan and if possible identify further savings.
- 2.2 The process was managed through two specific budget meetings that were held in October and November. The OIP had reported its findings back to the Chief Officers in July, before going out to consultation to the areas under review and the Force in August, and reporting back to SPB as part of the budget setting process in October and November.
- 2.3 In addition to the above, the normal process to develop future budget requirements was undertaken, details of which are set out within this Medium Term Financial Plan (MTFP). In developing this MTFP the following were taken into account:
- Local and National priorities as set out in the Policing Plan and the Force's Action Plan
 - New and developing pressures
 - The strategic planning process
 - Force Management Statement
 - Other Force strategies
 - Current economic climate
 - Estimates of resources available to fund the Medium Term Financial Plan
 - Budget forecasts for the period including pay awards

- The current financial position
- The Capital Programme, Prudential Code and their effect on the Revenue Budget
- Reserves and Balances
- Income generation, trading activities and grants
- Collaboration

2.4 The first budget meeting on 22 October focused on the OIP review, reinvestments requests, development of the Digital and Restates Strategy and updating the Police Education Qualification Framework (PEQF) implementation. Additional work was carried out following the October meeting to finalise a draft budget.

2.5 A meeting was held between the Commissioner, the Chief Constable and their representatives on 20 November to discuss the budget proposals. The Government's grant figures were announced on 13 December 2018. Further proposals following the announcement were discussed on 21 December at a meeting between the Commissioner and his staff and the Chief Officer Team. The additional proposals were developed and discussed at a further meeting on 3 January 2019 where the final proposals were agreed.

2.6 The following sections detail all developments since the previous MTFP, giving the updated position for Revenue, Capital and Reserves.

3. 2018-19 Budget

3.1 Government Funding was neither increased nor cut in 2018-19; Council Tax was increased by 3.58%. The total budget of £146.467m was a 2.27% cash increase on the previous year's budget. To balance the 2018-19 budget £1.479m cuts were made. These are on target to be delivered and the current projection is for an under spend against the original budget of £0.557m (0.38% of the budget); this is mainly due to turnover within the staffing budgets. The cuts made are detailed below:

<u>Savings Plan 2018-19</u>	2018-19
	£000
IT Contracts	
Finance and Resources	19
National Police Air Service	450
Communication Futures	71
Forensics	25
Forensics contract	275
Force Medical Provision review	75
Procurements contracts	40
Police Staff Superannuation Lump Sum	70
Budget Review	250

Niche replacement	100
Survey Reduction	34
Oracle Licencing	44
Savings	1,453

3.2 Additional cost pressures have been addressed during the year; there has been a higher than expected increase in energy costs and a higher than budgeted number of ill health retirements, both these have been managed within the annual budget. The call on the Major Incident contingency has been considerably lower than 2017-18.

3.3 Her Majesty’s Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) and Wales Audit Office (WAO) review annually: the Force’s financial position; planning process; savings already made; and savings yet to be made. The Force was required to produce a Force Management Statement (FMS) for the first time by May 2018 as part of the HMIC process. The FMS sets out expected future demand, identifies potential gaps, this has been used as part of the OIP review and the planning process. The timing of the HMICFRS review has been changed as part of this process and the next inspection is due in April 2019 and as such a full review has not been conducted since the last MTFP.

3.4 HMICFRS’s *Valuing the Police* reviews have been incorporated into their new review programme *PEEL Reviews* (Police Efficiency, Effectiveness and Legitimacy). The overall efficiency question set by the HMIC is ‘How efficient is the force at keeping people safe and reducing crime?’ with the definition of ‘efficiency’ being ‘*an efficient force maximises the outcomes from its available resources*’. The three questions underpinning the assessment being:

1. How well does the force understand its demand?
2. How well does the force use its resources?
3. How well is the force planning for demand in the future?

3.5 The overall opinion given in the 2017 review was; *‘North Wales Police is good at keeping people safe and reducing crime, and it has maintained a stable level of performance since our 2016 effectiveness inspection.’*

The full assessment can be found at <https://www.justiceinspectrates.gov.uk/hmicfrs/peel-assessments/peel-2017/north-wales/>

3.6 The WAO made the following comments on their value for money assessment in their annual audit letter published in November 2018;

‘I am satisfied that both the P&CC and CC have appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources’

The annual audit letter can be found at

<https://www.northwales-pcc.gov.uk/Document-Library/Information/Publication-Scheme/What-we-spend/Audit/Annual-Audit-Letter-2017-18.pdf>

- 3.7 Both assessments show that the budgets are being managed and that the Force is performing well in maximizing the outcomes from available resources, however the HMICFRS concurred with the Force's analysis that matching future resources to future projected demand was an area for development which has been addressed as part of this year's planning cycle.

4. Funding Allocations

- 4.1 No Provisional Government Funding Allocations for 2019-20 were given as part of the 2018-19 settlement. However, the settlement did include the following paragraph setting out a clear intention to provide a flat grant and the ability to raise Council Tax by £12 in 2019-20 - *'Our intention is to maintain a broadly flat police grant in 2019/20 and repeat the same precept flexibility to allow PCCs to raise an additional £1 a month of local precept in 2019/20'*. Based on this the 2018 MTFP assumed a flat grant increase and a £12 Council increase in line with the Home Office assumptions. An assumption of a -1% cut in grant has been made for the following years.
- 4.2 This definition of a 'flat settlement' is in reality a real terms cut, as it does not cater for inflation or any new or additional demands faced by the Police Service. Not recognising inflation is not sustainable and would result in a continued shrinking of resources available. Pay inflation has been 2% for Officers and Staff over the last two years, and general inflation is running at just over 2%. The inflationary position was made significantly worse in for 2019-20 and 2020-21 when it was initially announced on the 7 September 2019 and then confirmed as part of the Budget announcements that Officer Employer contributions would be increasing by 9.7%. This is detailed below.
- 4.3 As part of the 2016 Pension Valuation HMT announced Public Sector Pension Valuation 'Directions' which serve to increase the Employer's Contribution rate from 2019-20 for unfunded Public Sector Pension Schemes, impacting on the Police Pension Scheme. The main change is the reduction to the Discount Rate, which is used to convert future pension payments into present day value. This rate reflects the OBR (Office of Budget Responsibility) view on the current national economic outlook, which in turn reflects a particularly uncertain period prior to Brexit. The Discount Rate was reduced from 3.0% to 2.4%, which resulted in an increase of 9.7% to the Employer Pension Contribution Rate.
- 4.4 The current rate is 24.2%, which already includes a surcharge of 2.9% above the actuarial valuation following decisions made as part of the previous valuation. The initial expectation was that the new rate would be 33.9%, which would be limited to an equivalent rate of 28% in 2019-20 through a provision of a one year grant, with the full amount being chargeable in 2020-21. Discussions were conducted nationally

between the National Police Chiefs Council, PCCs, Home Office and Treasury. As part of the funding announcement on the 13 December 2018 a final contribution rate of 31% (the surcharge having been removed) was confirmed.

- 4.5 The additional cost for NWP will be £2.1m in 2019-20 and a further £1.9m in 2020-21. This is summarised in the table below. This is an additional 1.43% inflation on the 2019-20 budget, equivalent to a 2.78% increase in Council Tax.

	Actuarial	Surcharge	Total	Cost	Increase	Cost
	%	%	%	19-20 £'000	19-20 £'000	20-21 £'000
Current Rate	21.3	2.9	24.2	12,833		
Original Est	31.0	2.9	33.9	18,046	5,213	5,574
Revised	31.0	0	31.0	16,503	3,670	4,000
Grant					1,582	0
Net Cost					2,088	4,000

- 4.6 The announcement of 2019-20 funding was made on 13 December 2018. The announcement was not for a flat cash settlement as set out the previous year, but for an increase of 2.1%. This is an increase of £1.506m for NWP. This is the first increase in grant since 2010-11 and although not explicitly stated as such this is clearly a recognition of the severe impact of the rise in pension contributions.
- 4.7 The settlement also gave additional flexibility to Forces in England to increase their Band D Council Tax by up to £24. This is also higher than the previously announced figure of £12. This would give a range of Council Tax increase of between 9.3% and 21.8% if Police and Crime Commissioners were to increase the Council Tax by the maximum £24. It will be up to individual Police and Crime Commissioners to decide whether to increase the Council Tax by these amounts. In Wales the Welsh Government must define any Council Tax cap, at the time of writing this MTFP, they have not done so. The Home Office has assumed that all Forces would increase the Council Tax by £24 in calculating the potential additional amount available to Forces from Council Tax Precept of £509m.

- 4.8 Nationally the Home Office has stated that the increase in grant and increased flexibility in Council Tax will increase funding available by £813m. This was described in their funding letter as follows

*'That is why, **we will increase funding available to PCCs by up to £813m**, if PCCs use their precept flexibility fully. This is the biggest annual increase since 2010. That is within the context of increases in CT police funding and investments in serious and organised crime meaning an **increase in total police funding in 2019/20 by c. £970m**, again if PCCs use their precept flexibility fully. We are personally committed to ensuring our police have the resources they need.'*

- 4.9 However, the announcement set out four priority areas to drive efficiency, productivity and effectiveness, this was set out as follows

'In 2019/20, we are making an even larger investment in policing. We need your help to ensure it is spent well. This is particularly important when the Government will be making decisions on the Spending Review next year. Therefore, the funding settlement sets out four priority areas to drive efficiency, productivity and effectiveness next year.

1. *On behalf of the taxpayer, the Government will expect to see continued efficiency savings in 2019/20 through collective procurement and shared services. We need to see national approaches to procuring forensics, vehicles and basic equipment such as helmets. In the case of forensics, this is not about financial savings, but working together to maintain an efficient market that supports the needs of policing and the criminal justice system as a whole.*

2. *We will expect major progress to resolve the challenges in investigative resource identified by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services, including recruiting more detectives to tackle the shortfall. We will work with the College of Policing and the National Police Chiefs' Council to support forces to make this change by accelerating their action plan on investigations, making full use of the innovation offered by Police Now.*

3. *Improving productivity including smarter use of data, and digital capabilities including mobile working, with an ambition to deliver £50m of productivity gains in 2019/20.*

4. *Furthermore, we expect forces to maintain a SOC response that spans the identification and management of local threats as well as support for national and regional priorities. This response should be built around the disruption of local SOC threats alongside SOC prevention, safeguarding, partnerships and community engagement.'*

- 4.10 Top slicing of the amount available to Policing continues, with a further increase of £84m nationally in 2019-20. The breakdown of the amount top sliced is shown

below. This reduces the core grant received by North Wales by £10.6m, only a small proportion of which will be received in additional funding or direct benefit.

Police Funding	2017/18 (£m)	2018/19 (£m)	2019-20 (£m)
o/w Reallocations and adjustments	812	945	1,029
PFI	73	73	73
Police technology programmes	417	495	495
Arm's length bodies	54	63	63
Top-ups to NCA and ROCUs			56
Strengthening the response to Organised Crime	28	42	90
Police transformation fund	175	175	175
Special Grant	50	93	73
Pre-charge bail	15	4	4

- 4.11 Although this settlement seems to be an improvement on previous years it has to be taken in context of increasing pay and non-pay inflation plus the additional pension inflation. In addition, there is an expectation of increased investment and resources allocated to detective capabilities, Serious and Organised Crime (SOC) resources and digital and mobile capabilities.
- 4.12 There was no further mention of future settlements other than to say *“this is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces. The Home Office is grateful to the police for the good work they are doing to build the evidence base to support that work, and we will also want to see evidence that this year’s investment is being well spent.”*
- 4.13 There is a great deal of uncertainty around future funding, there seems to be an acceptance in the Home Office that Police funding has been cut as much as possible, but economic uncertainties around Brexit make it difficult to predict the resources that will be available. A view has been taken to project a flat level of funding from 2020-21 onwards, this is an improvement of a -1% cut projected in the last MTFP.
- 4.14 There remain no plans to review the Police Allocation Formula until after the spending review (SR). The Minister did refer to the spending review saying it will “set long term police budgets and look at how resources are allocated fairly across police forces” but this is likely to refer to the ongoing work between the Home Office and the Police Sector to support the submission to the SR. There are work streams investigating funding streams and funding models – i.e. regional/local arrangements but no plans yet to review the current police allocation formula.

5. Council Tax and Precept

- 5.1 There are two main elements to the total net Police Budget: the total of the Police Grants and the Precept. The budget proposal includes a Council Tax increase of

7.74%. The Tax Base for the whole of North Wales has increased by 0.63%, giving an overall increase in Precept of 8.42% and a total net budget of £154.264m for the Police and Crime Commissioner, made up as follows:

	2019-20	
	£m	%
Total Government Grants	73.234	47.5%
Total Precepts	81.030	52.5%
Total Budget Requirement	154.264	

- 5.2 Council Tax is calculated by dividing the total precept requirement by the tax base, the tax base being the number of Band D equivalent properties in each Force area. The Tax Base is provided by the six Local Authorities in North Wales. The tax base for 2017-18 has increased slightly by 0.63%. This means that the percentage increase in the precept can be achieved with a lower percentage increase in the council tax. This caters for the increase in population/households in North Wales.
- 5.3 The rules for limiting the increase in the Council Tax, called the capping rules, are different for England and Wales. In addition, English Police and Crime Commissioners have had continued access to separate grants if they agreed to limit the Council Tax increases in previous years. These were previously paid by the Department of Communities and Local Government (DCLG) but were consolidated into the Home Office Grant and total £507m in 2019-20. North Wales has the highest Council Tax in England and Wales, but if these legacy Council Tax Grants were taken into consideration, North Wales would be the 6th highest.
- 5.4 The capping rules in England have been announced; as described above English Police and Crime Commissioners have the flexibility to increase Council Tax by £24. This would give a range of increases of between 10.1% (Surrey) and 21.8% (Northumbria) depending on the current level of Council Tax. At the time of drafting the MTFP the vast majority of the Policing areas in England are expected to increase their Council Tax by the Home Office assumed amount of £24.
- 5.5 No capping rules have been announced in Wales. In the Welsh Governments Cabinet Secretary for Local Government and Public Services funding letter the following was included:
'The UK Government's policy of austerity has imposed significant cash and real terms cuts to police funding over the last 9 years. The overall funding provided for this Settlement does nothing to reverse years of under provision to enable police

forces to maintain current levels of service and will require the Police and Crime Commissioners in Wales to make difficult choices in setting the level of their council tax precept. This will have a disproportionate impact on those council tax payers who will find it increasingly difficult to pay their bills.'

5.6 If Policing areas in Wales were to increase Council Tax by the assumed amount of £24 it would give increases of 9.3% for NWP, 105 Gwent, 10.3% South Wales Police and 10.7% Dyfed Powys.

6. Budget for 2019-20 and Planned Budget for 2020-21 to 2023-24

6.1 The detail of the Budget and changes for 2019-20 and future years are shown in Appendix B.

6.2 The main assumptions as set out in the previous MTFP are as follows:

- Annual pay inflation 2% applied from September
- General Inflation 2%, specific inflation applied where known
- Council Tax increase of 7.74% in 2019-20 and £12 per annum in the following years which equate to 4.32% in 2020-21, 4.14% 2021-22, 3.97% 2022-23 and 3.82% in 2023-24.
- Grant increase of 2.1% in 2019-20, and a flat settlement of 0% for the following years
- A 0.25% increase in tax base from 2020-21 onwards

This gives an overall position of

	Annual	Annual	Annual	Annual	Annual
	Budget	Budget	Budget	Budget	Budget
	2019-20	2020-21	2021-22	2022-23	2023-24
Baseline	146,466	154,264	157,972	161,696	165,440
Inflation inc Police Pensions	5,223	5,124	3,475	3,781	3,988
Growth from reinvestment	2,793	1,887	656	213	24
Savings	-2,832	-2,628	-407	-250	-250
Additional Perm/Temp Growth	2,614	-675			
Budget Requirement	154,264	157,972	161,696	165,440	169,202
Total Grant	-73,234	-73,234	-73,234	-73,234	-73,234
Precept from Council Tax	-81,030	-84,738	-88,462	-92,206	-95,968
Total	-154,264	-157,972	-161,696	-165,440	-169,202
Balance	0	0	0	0	0

Annual balance	0	0	0	0	0
Council Tax % increase	7.74%	4.32%	4.14%	3.97%	3.82%
£ increase	19.98	12.00	12.00	12.00	12.00

6.3 The proposed budget set is balanced over 5 years; however there are considerable uncertainties from 2020-21 onwards. What is known is that the effect of the Police Officer Pensions increase is over two years. Extensive work has been carried out on identifying efficiencies through the Operational Improvement Programme and other reviews and identifying where best to re-invest these efficiencies to address gaps in the service and the ever changing demand faced within Policing. These changes are planned to be implemented over the next two years. In addition to this the Home Office have set out an expectation of additional resources to target detective resources and serious and organised crime. This is detailed below in terms of the overall effect of inflation, the saving plan and re-investment plan and where additional resources are planned to be deployed. This sets out a firm plan over the next two years that deals with the Pension issue as well as addressing the increases in demand in an efficient and effective manner.

6.4 Public sector pay increases were capped at 1% for a number of years. The settlement in September 2017 for Police Officers and Staff was for a 1% consolidated pay award and a 1% non-consolidated pay awards. A pay award of 2% was agreed from September 2018 it is now estimated that pay awards will be 2% annually. The overall increase in pay for 2019-20 is estimated at £1.8m. In addition to this the increase of £2m for additional Police Officer Employer Pension contribution needs to be included. General inflation is estimated at the Bank of England target of 2%, however all budget lines are reviewed to assess if this is realistic (looking at historical spend and projections). 2019-20 has seen a significant increase in energy charges due to oil prices being at a 4 year high, carbon and coal prices at a 10 years high, weak pound, Network and capacity charges and withdrawal of environmental charges. A summary of the inflationary costs and their effect on Council Tax is shown below.

	£000	Equivalent Council Tax increase £	Equivalent Council Tax increase %	Overall Inflation amount
Pay Inflation	1,823	£ 6.26	2.42%	1.24%
Price Inflation	1,312	£ 4.50	1.74%	0.90%
Police Pension	2,088	£ 7.17	2.78%	1.43%
Total Inflation	5,223	£ 17.93	6.94%	3.57%

6.5 This is significantly higher than recent years due to the increased pension costs and will be so again in 2020/21 as the full effect is felt. A Council Tax increase of 6.94% would be needed to cater for inflationary pressures alone if there were no increase in general grant.

6.5 Last year’s MTFP identified an area of future risk in the implementation of the Police Education Qualification Framework (PEQF). This framework is intended to result in police being trained to a degree/post graduate standard. In terms of costs there will be additional cost of tuition fees/additional internal trainers, additional abstraction during the first year and additional abstractions during the new 2nd and 3rd years of training. There are 3 method of entry to PEQF, a graduate course of 2 years, a non-graduate course of 3 years leading to a degree both as an employed Police Officer and a 3rd route of a degree in Policing at an education establishment while not employed as Police Officer. Cost and abstractions rates are still being finalised, but the following estimates have been built into the MTFP based on current recruitment rates and estimated additional abstraction fully covered by additional Officers. These are significant future cost but are lower than those estimated in the last MTFP.

Option A - Mixed Cohorts with 50% Apprentices and 50% Graduate Diploma
Additional Costs

Category	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Tuition Fees	£21,250	£162,000	£392,625	£534,375	£558,000	£558,000
30% Abstraction Cost	£0	£47,250	£637,875	£1,063,125	£1,134,000	£1,134,000
Total Costs	£21,250	£209,250	£1,030,500	£1,597,500	£1,692,000	£1,692,000

6.6 The current Capital Programme is nearing completion funded largely from reserves. Future Estates, IT and Fleet strategies are being set out and will lead to new investment requirements. Capital Grants are insufficient to fund a 3rd of the annual Vehicle replacement programme; reserves can only be used once. An estimated £0.4m has been built into estimates from 2020-21 to fund capital investment through borrowing. Final decisions on this will be based on business cases but it is prudent to include an amount in the estimates as there is no other new source of capital funding.

6.7 Grants have been increased for 2019-20, however, there have been no indications that this will continue in 2020-21. It is assumed that they will remain frozen in future years. An estimated 0.25% increase in the tax base has been included in the figures.

6.8 The planning cycle for 2017-18 included service reviews covering 41% of the Force amounting to £50m of staff expenditure. These covered Patrol Resources and the link with the Management Resource Unit (MRU), Investigative Resources, Roads Policing, Forensics, Custody, HR, Projects and Cleaning Services. These reviews were at different stages, the MRU has been implemented while the Investigative Review has reported its initial findings. The operational elements of the on-going reviews,

together with additional elements were brought together within the Operational Improvement Programme (OIP) during 2018-19.

6.9 The OIP conducted an evidence based review of 47% of the Force; this was led by a team of operational Officers supported by the Demand Capability Unit (DCU), Finance, HR and others. The areas covered were

- **Investigative Review** – The Review focused on the required investigative resources required at local level to deal with the change in demand. The proposal is to increase resources available by 32; these will be a combination of detective resources and Police Community Support Investigators (PCSI). The change in demand has seen an increase from 30% to 50% in the crime that require a 100 days or more to investigate.
- **Neighbourhood Policing (NPT)** – NWP investment in NPT is shown as being higher than other Forces within the HMIC VFM profiles, with NWP being the highest in terms of PCSO's numbers per 1000 population. The review concluded that service provision could be maintained with a reduction of 59 PCSOs, 21 PCs and 6 Sergeants over a two year period.
- **Local Policing Service PC and Sergeant Review** – the review looked at district boundaries, shift patterns and Sergeant to PCs ratios and the best way to deal with change in demand. The conclusion was to remain at the 10 district (compared to the option of 8 districts) and change the shift patterns to a 4 team option. This will require an additional 5 additional Sergeants and 4 PC's.
- **Custody Review** – The review looked at staffing levels and shift patterns and the new role of police decision maker were incorporated. There will be an overall reduction of 3 roles, but the role of the police decision maker has been incorporated into the established numbers.
- **Occurrence Management Unit** – The review looked at how occurrences are managed, how the upgrades system can be used to reduce demand and to define responsibilities for occurrence management clearly to avoid duplication. Implementation will result in a saving of 12 posts.

6.10 All the above reviews are interlinked; this was taken account of, as well as links with other areas as part of the Programme. Considerable consultation has been conducted with final consultation of shift patterns still taking place. The Programme was initially to be implemented over three years but has now been set out over two years. The results feed into the overall saving plan and re investment plans as shown below, but in terms of the OIP the table below summarises the saving and re-investment position.

Savings	2019-20	2020-21	2021-22
	£000	£000	£000
OIP Saving			
Neighbourhood Policing	1,638	1,493	0
Custody	-73	82	82
Occurrence Management	172	222	0
Total	1,737	1,798	82
OIP Re investment			
Response	86	428	0
Investigative Review	797	-25	0
Total re invested	884	403	0
Net Saving	853	1,394	82

6.9 Other on-going reviews and the annual budget review identified another £1.095m savings in 2019-20. These included saving on the PFI and cleaning provision with Estates, the implementation of the Forensic Staff review and efficiency savings identified across numerous budget headings. Future savings will be identified as part of the Demand Capability Unit work with the Digital Projects and the Programme Management Office. The confirmed saving plan for next year and the draft plan for future years is shown below.

Savings	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
OIP/DCU					
Neighbourhood Policing	1,638	1,493	0	0	0
Custody	-73	82	82	0	0
Occurrence Management	172	222	0	0	0
Digital/DCU Reviews	0	500	250	250	250
Other Review Areas					
IT Contracts	0	75	75	0	0
Estates inc PFI/Cleaning	425	175	0	0	0
Forensics	100	0	0	0	0
Procurement	20	80	0	0	0
Budget Review Savings - EL/PL	150	0	0	0	0
AJD - 2 Firearms Licensing	100	0	0	0	0
Budget Review	300	0	0	0	0
Total	2,832	2,628	407	250	250

6.10 During the planning cycle it became clear that digital technology is an area that requires investment, due to national requirements and the ever changing benefits that technology provides. This will involve upgrading current hardware, and also changing the business processes to maximise the benefits, which will in time provide

additional efficiencies. Digital development has been split into 3 areas, Mobility and Capability, Managing Demand, and Technology to support Intelligence gathering. In addition to these, projects comprising Workforce Transformation, Collaboration and Partnerships and Operational and Business Development require additional investment to be made in the Programme Management Office (PMO) and the continuation of the Demand Capability Unit (DCU). This requires an overall investment of £1.480m in 2019-20; £0.755m of which is recurring investment in technology based on national agreements and moving to a licencing agreement for Microsoft software (National Enablement Programme (NEP)) and £0.725m in staff for Project Management and Support (2 IT; 5 PMO and 6 DCU).

- 6.11 Other areas of growth were identified as contributions to Regional and National bodies, this includes new contribution to the All Wales Collaboration Team and contributions and North West Collaboration teams. Additional requirements were also identified within the Custody Medical Provisions, Body Worn Video support and Vetting. The total amounts re invested are shown in the table below. These re investments of £2.793m are funded from the efficiencies identified of £2.832m.

Re investment	2019-20	2020-21	2021-22	2022-23	2023-24
	£000	£000	£000	£000	£000
OIP -Response	86	428	0	0	0
OIP - Investigative Review	797	-25	0	0	0
PEQF	21	779	656	213	24
Capital Borrowing	0	400	0	0	0
IT - National Enablement Programme/Digitalisation	877	305	0	0	0
Programme Management Office	338	0	0	0	0
Demand & Capability Unit	265	0	0	0	0
Medical Services Review - Custody/SARC Nurse Provision	123	0	0	0	0
Crime Prevention - Problem Solving	58	0	0	0	0
Contribution to Bodies - All Wales. North West, Firearms Policy etc	170	0	0	0	0
Other - BWV support and Vetting	57	0	0	0	0
Total	2,793	1,887	656	213	24

- 6.12 **Additionality** - The budget settlement from the home office this year is slightly better than expected, in addition the accompanying letter from the home office strongly supports forces seeking to maximise the monies they receive via the council tax precept. It is suggested that forces seek to increase the council tax precept by up to £24 per annum for a Band D property. It is believed that the vast majority of forces will seek to do so with their PCC's and Police and Crime panels support. It is also recognised that North Wales Police already enjoy strong financial support from the local community. Increasing the Council Tax by £19.98 rather than the £24 will allow for deliverable investments of £2.6m to support the aims of the PCC's objectives and support the Chief Constables priorities whilst limiting the increase for taxpayers. In reaching these conclusions consideration has been developed from the HMIC VFM profiles, the force's performance data, the understanding of demand and capacity from the OIP, Force Management Statement and from the professional judgment of the service leads and their teams. By committing £0.675m of this to

non-recurring expenditure this will also enable the 2020-21 budget to be balanced based on the assumptions set out above. This will increase the number of Officers by 34 and Staff by 6. This will require the 2019-20 recruitment of new officers to increase from the planned 54 to 90.

6.13 The areas agreed for investment are

- **Increase operational proactive capacity and capability**
Aim - Establish a centrally led Task force. Provide additional dynamic capacity to proactively combat criminality and deliver transformational outcomes towards operational priorities.
Benefit – Provision of a dynamic and flexible resource around level 1 / level 2 criminality and improvement of skillsets to support proactivity. Capacity to directly and proactively task against specific individuals, premises and locations identifiable through enhanced problem solving initiatives across North Wales
- **Increase serious and organised crime capacity and capability**
Aim - Increase SOC capacity to focus operations to meet the growing sophistication and proliferation of serious crime, drug supply networks and county lines.
Benefits - Increased capability to tackle serious and organised crime. Additional capacity will enable SOCU to improve its overall impact on this force priority and ensure tactics and operations are completed to deliver an enhanced performance.
- **Increase analytical and phone spoc capacity**
Aim - Improve the capacity for identifying targets and gathering intelligence via communications data.
Benefit – Accurate information and intelligence developed through this mechanism will aid in shortening enquiries and ensure investigations are correctly targeted.
- **Develop and implement a new fugitive team**
Aim - Identify and apprehend persons that are wanted for a wide variety of offences and that are believed to be in the North Wales area.
Benefit – Bring wanted person to justice, the prospect of capture and detention will decrease the likelihood that wanted persons will seek to embed themselves in North Wales communities.
- **Increase Capacity for Digital Forensic Examinations**
Aim - To enable the DFU to maintain the current service level agreements in place across the organisation and continue to support investigators into serious and complex criminality.
- **Benefit** – As DFU provide invaluable support to the Police Online Investigation Team (POLIT) and all investigations, which have seen annual successive increases in demand and an escalation of complex cases linked to safeguarding issues, increased staffing for DFU will ensure there is a reduced likelihood of delays when progressing investigations into offences. It will also reduce the need to outsource and potentially delay important digital forensic work.

- **Increased Number of Domestic Abuse Officers (DAO)**
Aim - To enable DA Officers to meet the increased demand and reduce the vulnerabilities associated with victims of domestic abuse.
Benefit – DAOs provide valuable support, signposting and close cooperation with partner organisations to assist victims of DA. Current data indicates significant increases in domestic related crime with a large proportion of victims requiring direct support from a DAO. NWP are also working to Safer Lives guidelines therefore an increase in DAOs is seen as vital if we are to continue to provide the current service levels.
- **Increased Number of Sex and Violent Offender Unit (SAVOU) Officers**
Aim - To enable SAVOU officers to provide robust management of the existing cohort of offenders and support more preventative problem solving work around those that pose the highest risk to communities.
Benefit – An uplift in SAVOU officers will provide resilience for the increased demand in offender management and the expectation to do more preventative work with those assessed as High and Very High risk.
- **Increase the functionality of Onyx and provide a CCE capability**
Aim - To develop the Onyx unit into a Child Exploitation Unit (CEU) where victims of CSE and CCE (Child Criminal Exploitation) will be identified, engaged with and supported using a multi-agency approach.
Benefit – Developing the unit will provide enhanced support and engagement with victims of CCE which is currently challenging. Increased capacity will professionalise and improve the support provided to some of the most vulnerable children within our communities and will bring together a multi-agency solution to proportionately address the complex issues of CSE and CCE.
- **Multi Agency Tasking and Co-ordination (MATAC) facilitator**
Aim - To provide co-ordination, facilitation and oversight for perpetrator multi agency meetings for Domestic Abuse.
Benefit – A MATAC would determine the most harmful DA perpetrators from police data using the Recency, Frequency and Gravity (RFG) analytical process incorporating partner data and agreed method for targeting each perpetrator. Evidence exists which is supported by HMIC that a multi-agency focus on problem solving.
- **Upgrade of Tasers to latest version and uplift numbers of deployable Officers from 300 to 400**
Aim – To replace end of life equipment and expand the number of trained officers by 100
Benefit – Increase Officer and public safety. Cost based on a 5 year contract which spreads the cost and covers the upgrade and equipment (cartridges etc) over the 5 year expected life.
- **Innovation Fund**

Aim – A fund to promote innovation and promote trialling of new ideas

Benefit -Allowing benefits to be identified quickly and enable rapid develop of new capabilities.

- **Digital Pump Prime**

Aim – To fund the investment in ICT equipment.

Benefits - Investment in devices to targeted operational posts to allow greater flexibility, efficiency and effectiveness.

- **Pump prime ACE through the Commissioner’s Fund**

Aim – To provide funding to partner organisations addressing adverse childhood experiences

Benefits – Encourage and promote collaboration protecting the most vulnerable in our communities.

6.13 The total investment would be as set out below.

	Additionality	Officers	Staff	Total	Total
		FTE	FTE	Recurring £'000	Set Up £'000
1	Increased operational proactive capacity and capability	16	1	783	115
2	Increase in serious and organised crime capacity and capability	6		254	8
3	Increase analytical and phone spoc capacity		3	114	8
4	Develop and implement a new fugitive team	3		132	19
5	Increase Capacity for Digital Forensic Examinations	1	1	84	5
6	Increased Number of Domestic Abuse Officers (DAO)	3		127	4
7	Increased Number of Sex and Violent Offender Unit (SAVOU) Officers	3		127	4
8	Increase the functionality of Onyx and provide a CCE capability	2		84	3
9	Multi Agency Tasking and Co-ordination (MATAC) facilitator		1	38	2
10	Taser Upgrade and enhancement			136	
11	Innovation Fund			60	
12	Pump prime Digital Investment				407
13	Pump prime ACE through Commissioner’s Fund				100
	Total investment @ £19.98/7.74% CT increase	34	6	1,939	675

7. Risks

7.1 . The Government will hold a spending review in 2019 to inform 2020-21 funding, this makes funding uncertainty high. The uncertainty around Brexit and the eventual economic affect creates further uncertainty.

7.2 One of the biggest risks over the next few years is the funding formula due to the sensitivity and uncertainty around the new formula. The figures provided by the

Home Office during the 2015-16 review showed North Wales's allocation increasing from 1.03% to 1.06% of the total, this equated to £2m additional funding; estimates then provided by Devon and Cornwall showed North Wales's allocation reducing by £14.5m, which demonstrates the sensitivity of any changes. The Home Office have not set out their intentions in terms of reviewing the formula.

- 7.3 There are new and emerging national and local risks that must be resourced such as Child Sexual Exploitation and Cyber Crime. Additional allocations have been made but these are resource intensive areas and will need to be further assessed in future. Locally the development of the Prison in Wrexham and the Wylfa B Nuclear Power Station will create demand for policing resources. In addition, other public sector agencies are seeing a reduction in their budgets which could also increase the demand on the Police service.
- 7.4 National developments such as PEQF detailed in earlier sections create financial and operational risks. The replacement system for Police Communications (ESN) was intended to deliver savings, but this has not been confirmed and delays have introduced additional costs which are unlikely to be funded centrally.
- 7.5 The plans for the savings in 2018-19 are in place and are being implemented; however the potential savings in 2019-20 and 2020-21 have yet to be delivered. These plans are mature and it is expected that these savings will be achieved within the two year period. Plans beyond 2020-21 are in development. Not all future savings are under the Force's control, for example the collaboration savings will depend on other forces and organisations.
- 7.6 The estimated budgets set out are based on the planning assumptions for increases in Council Tax being agreed. If this were to be reduced each reduction of 1% would mean an additional £0.752m cut in budgets.
- 7.7 The Home Office has top-sliced the amounts allocated to Police areas in recent years to fund national units and initiatives. Top slicing was increased by 26% in over the last 3 years to a total of £1,029m. Any new initiatives may result in further top slicing.
- 7.8 Further cuts could be applied if the economic climate worsens. Each additional 1% cut to the General Grant Funding is a cash reduction of £0.732m.
- 7.9 As 80% of the net budget is spent on pay any small changes in pay increase, pension contribution or National Insurance contributions, Apprenticeship Levy, or any other pay-related expenditure can have a disproportionate effect on the budget. Each 1% pay increases has a full years effect of an additional £1.230m increase in costs. Increases in pension costs as has been seen in 2019-20 can also have a significant effect on budgets. If grants are not increases in line with inflationary costs, the cost of pay inflation either falls on the council tax or has to be funded by cuts. The risk of inflation not being recognised as part of the Government settlement is substantial.

7.10 Inflation has been low in recent years and the budget assumptions reflect this, however this could change especially in areas such as fuel and energy where prices can be very volatile.

7.11 The table below highlights the sensitivity of the main assumptions

Sensitivity main variables	£m
1% change in Council Tax	0.752
1% change in grant	0.732
A 1% change in pay	1.230
1% change in general inflation	0.420

8. Capital

8.1 The current Capital Programme, implemented since 2013-14 is coming to a conclusion. By the end of 2018-19 the following will have been achieved

- 4 major new facilities in Llangefni, Llandudno and Wrexham (2 builds)
- 20 refurbishments and relocations
- Continuation of the Vehicle replacement Programme
- Upgraded Network, Servers, Desk Tops, Mobile devices and the replacement of the Control Room Technology systems.

8.2 The Forces assets and infrastructure need continued investment in order to ensure efficient and modern working practices. Strategies for the Estates, IT and Fleet have been being updated and will inform the new medium term Capital Programme which will be finalised over the next 12 months. Detail plans have been set out for the draft 2019-20 Programme and estimated amounts have been included for future developments, these will subject to Business Cases before any approval to progress is given.

8.3 The 2019-20 Programme will see the completion of the Wrexham Custody, DHQ and in Town facilities; this is the largest project that North Wales Police has ever undertaken. The replacement programmes in Fleet and IT will continue.

8.4 The 2019-20 Estates Programme included provision for the development of the Pwllheli Police Station. Future work is being set out as part of the Estates Strategy.

8.5 Substantial investment is required for IT infrastructure. This is being directed by the Digital Transformation Programme Board. The personal issue of tablets and similar devices to operational officers and staff will enable mobility and the use of the National Enablement Programme in terms of the latest software available. Outline business cases have been provided in each area, the detailed cases and business

benefits are due to be finalised over the next few months. The Programme also includes the replacement of Body Worn Video equipment.

Information Technology and Communications Equipment

Personal issue tablets and similar devices	900
NEP Infrastructure/Sail Point/Internet Links	471
Connectivity Software	85
Wifi upgrades	500
Digital Workplace audio visual	200
Single on line Home	40
EOL (End of Life - various systems)	1,380
Body Worn Video	400

8.6 The programme is affordable and funded from a combination of grants, reserves, direct revenue contribution and borrowing. The overall strategy is to minimise borrowing and maximise the amounts budgeted in revenue by use of direct revenue contribution and capital receipts, which in turn minimises interest payments.

8.7 The capital figures are shown in Appendix C; the final detailed plan will be formally approved as part of the Capital Strategy which incorporates the Treasury Management and Prudential Code Strategies.

8.8 Capital Programme 2019-20 to 2024-25

	£'000
EXPENDITURE:	TOTAL
Estates Programme	17,129
Vehicles and Other Equipment	8,355
Information Technology and Communications Equipment	7,641
	<u>33,125</u>
FUNDING:	
Home Office General Grant	2,772
Revenue Contributions	6,116
Earmarked Reserves	2,528
Capital Receipts	1,600
Borrowing for Estates	16,004
Borrowing for Replacement Programme	4,105
Total	<u>33,125</u>

9. Reserves

- 9.1 The Commissioner has a duty to ensure that he holds adequate financial reserves to manage risks. In addition to the funding and forecasting risks detailed above, the Commissioner needs to cater for expenditure risk (spending over budget), and costly major incidents, natural disasters or other unforeseen events. An element of this risk has been managed through the in-year budgets through the contingency budgets. These have been reduced and a greater proportion of that risk being transferred to Reserves.
- 9.2 The Reserves are reviewed as part of the budget setting process and again as part of producing the Statement of Accounts at the end of the financial year.
- 9.3 There is a planned reduction in reserves from £25.8m to £16.9m over the next 5 years. Investments from the Management of Change reserve is planned to enable the changes required over the next two years. A description of each reserve is given at the end of the section.
- 9.4 The reserves are approaching the lower end of the acceptable range, taking into account the financial risks that have been transferred to reserves from the annual budgets over recent years. Any significant unplanned expenditure would require the reserves to be replenished in order to manage future risks.

Reserve Position

<i>Usable Reserves at</i>	31.3.19	31.3.20	31.3.21	31.3.22	31.3.23
	Balance	Balance	Balance	Balance	Balance
	£m	£m	£m	£m	£m
Capital Receipts Reserve	1.109	0.866	1.011	0.734	0.884
General Fund Balance	5.189	5.189	5.189	5.189	5.189
Earmarked General Fund Reserves	14.683	11.502	11.333	11.145	10.840
Total Usable Reserves	20.981	17.557	17.533	17.068	16.913

Earmarked General Fund Reserves

Description	31.3.19	31.3.20	31.3.21	31.3.22	31.3.23
	£m	£m	£m	£m	£m
Capital Investment	0.448	0.000	0.000	0.000	0.000
Major Incident	2.197	2.197	2.197	2.197	2.197
Pension Ill Health Reserve	0.915	0.915	0.915	0.915	0.915
Insurance Reserve	1.173	1.173	1.173	1.173	1.173
PFI Reserve	4.333	4.377	4.306	4.118	3.813
Estates Security and Maintenance	0.834	0.834	0.834	0.834	0.834
Management of Change	3.772	0.995	0.897	0.897	0.897
Partnerships Reserve	0.553	0.553	0.553	0.553	0.553
Commissioner Community Safety Fund	0.226	0.226	0.226	0.226	0.226
OPCC Legal Reserve	0.051	0.051	0.051	0.051	0.051
OPCC Reserve	0.181	0.181	0.181	0.181	0.181

Total	14.683	11.502	11.333	11.145	10.840
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9.4 The use of the reserves will depend on the final decisions on capital expenditure and the final revenue outturn in 2018-19, therefore the table below shows the current plan on how the earmarked reserves may be best used to support service provision and reduce the pressure on the revenue budget. Where the use of the Reserve is not known (such as the Major Incident Reserve) no changes are shown. Details of the projected Reserve position at the end of each year are given below the table.

9.5 The Policing Minister announced new guidelines on transparency of reserves during 2018-20. The tables below show the reserves as categorised by the guidelines.

Reserves at Year End	31.3.18	31.3.19	31.3.20	31.3.21	31.3.22	31.3.23
General Reserves	5.189	5.189	5.189	5.189	5.189	5.189
Earmarked Revenue Reserves						
of which held to meet budgetary risks	4.755	4.517	4.517	4.517	4.517	4.517
of which held to support the medium term budget	0.226	0.226	0.226	0.226	0.226	0.226
of which held to facilitate change programmes	7.119	4.606	1.829	1.731	1.731	1.731
of which held pending future deficits on PFI contracts	4.212	4.333	4.377	4.306	4.118	3.813
of which committed to future year capital programmes	2.341	0.448	0.000	0.000	0.000	0.000
of which Reserves held on behalf of other organisations	0.553	0.553	0.553	0.553	0.553	0.553
Total Revenue Reserves	24.395	19.872	16.691	16.522	16.334	16.029
Capital Grants and Reserves						
of which capital grants unapplied	0	0	0	0	0	0
of which capital receipts reserve	1.487	1.109	0.866	1.011	0.734	0.884
TOTAL Reserves	25.882	20.981	17.557	17.533	17.068	16.913

Total Revenue Reserves Broken down as follows:						
Funding for projects & programmes over the period of the current MTFP	10.239	5.833	2.608	2.510	2.510	2.510
Funding for projects & programmes beyond the current MTFP	8.967	8.850	8.894	8.823	8.635	8.330
General Contingency	5.189	5.189	5.189	5.189	5.189	5.189
TOTAL REVENUE RESERVES	24.395	19.872	16.691	16.522	16.334	16.029

9.6 Capital Investment Fund (Capital) – To be used to invest in the assets and infrastructure of the Force to improve service provision and reduce revenue expenditure.

Major Incident Reserve (Risk)– To be used in the event of a Major Incident requiring additional resources beyond those available within the annual budget. This reserve has enabled the Major Incident Contingency budget to be reduced.

Pension Ill Health Reserve (Risk) – The Force has to pay a one off sum equivalent to twice an officer’s pay for each Ill Health Retirement. Holding the Reserve addresses the variability year to year of these low volume, high cost items.

Insurance (Risk)- This relates to the Municipal Mutual Insurance Limited scheme of Arrangement, which could result in a final payment of an estimated £0.432m; for unknown emerging claims, and unknown future claims highlighted by the Insurance Broker.

PFI Reserve (Earmarked Revenue) – This is required as the funding for PFI from the Government reduces annually, the fund will eventually reduce over the life of the PFI contract.

Estates Security and Maintenance (Earmarked Revenue) - To fund backlog maintenance and additional security not covered in the revenue or capital budgets.

Management of Change (Earmarked Revenue) - Investment required facilitating change and reducing cost in the longer term.

Partnerships Reserve (Earmarked Revenue) – Balances held for specific Partnerships which will either be used or are held in the event of funding being withdrawn resulting in additional costs.

Community Safety Fund (Earmarked Revenue) - To provide additional resources to the Community Safety Fund

Office of the PCC Reserves (Earmarked Revenue) – OPCC reserve; legal reserve and participatory budget.

10 Summary

10.1 The Medium Term Financial Plan sets out the Commissioner’s and the Chief Constable’s plans for the revenue and capital budgets and the use of reserves over the next 5 years.

10.2 Increased cost pressures from inflation and new requirements have resulted in difficult decisions having to be made during this planning cycle. The notification of an increase in Pensions contributions by £4m over two years so late in the process increased the challenge of balancing the budget and providing the service. These

additional costs follow on from a period of eight years where £31m of savings have been taken from budgets. The emerging demands on operational resources also add to the financial pressure.

- 10.3 There is a great deal of uncertainty over the next five years in terms of resources available and additional demand. All options were considered balancing affordability for the local tax payer ensuring that sufficient resources are available to meet demand. The option to increase council tax by the £24 assumed by the Home Office has not been taken, an increase of £19.98 is proposed which will enable a balanced budget to be set for the next two years with a degree of certainty, while also re allocating resources and providing investments to address the Home Secretary's, PCC's and Chief Constable's priorities. The five year plan sets a sustainable and as far as possible stable budget in the current economic climate.

The Financial Strategy

Financial Strategic Objectives:

- Prioritise resources to align spending plans with the Police and Crime Commissioner's vision and the Chief Constable's strategic objectives as set out in the Policing Plan
- Maintain a balanced budget position and to set a medium term financial plan that supports the service through the period of reduced funding
- Deliver value for money for local taxpayers
- Exercise probity, prudence and strong financial control
- Provide a robust framework to assist the decision making process
- Manage risk, including maintaining reserves at a suitable level whilst only incurring a sustainable level of debt
- Continually review budgets to ensure that resources are targeted on key objectives

To achieve the strategic objectives planning is undertaken in the following areas:

Corporate and Business Planning

- To integrate operational and financial planning to ensure that resources are directed to support the priorities set out in the Strategic Plan and to match resources with corporate objectives
- To produce a financial plan for the next 3 to 5 years which will incorporate the Force's major capital and revenue projects and the IT and Estates strategies and provide sustainable funding over the short and medium term
- To produce a detailed annual revenue and capital budget which supports the most effective deployment of resources

Risk Management - Reserves and Provisions

- To maintain adequate reserves and provisions to ensure that the medium term policy programme is sustainable and can be delivered
- To aim to balance the revenue budget over the medium term without reliance on the use of the General Reserve
- To maintain the 3 levels of resilience by use of reserves and provisions:
 1. Annual Budget Management
 2. Earmarked Reserves including the Major Incident Reserve
 3. A General Reserve at between 3% and 5% of net revenue expenditure

Risk Management - Financial Control Framework

- To maintain a financial control framework which is key to maintaining effective standards of financial administration and stewardship. This will be achieved through the following:
 - Adherence to Statutory Rules and Regulations
 - Home Office Financial Management Code of Practice
 - Code of Corporate Governance
 - Policies and Procedure notes
 - Financial Regulations and Standing Orders
 - Treasury Management Policy and adherence to the Prudential Code
 - Implementation of Internal and External Audit recommendations
 - Management of Risk
 - Codes of Professional Conduct
- To maintain and develop adequate financial systems to record and control resources and move towards full electronic processing
- To align financial responsibility at the operational level with the appropriate management control or influence
- To ensure that accurate, up to date financial information is available to enable users to apply it effectively in decision making.

Revenue Budget 2018-19 to 2023-24

	Annual Budget 2018- 19	+Inc -' Redn 2019- 20	Annual Budget 2019- 20	Annual Budget 2020- 21	Annual Budget 2021- 22	Annual Budget 2022- 23	Annual Budget 2023- 24
Expenditure	£000	£000	£000	£000	£000	£000	£000
1 Police Officer Pay Establishment	74,850	5,479	80,328	82,232	84,008	86,056	88,275
2 Police Staff Pay	44,470	1,443	45,913	46,816	47,736	48,675	49,633
3 Police Officer Overtime	2,034	41	2,075	2,116	2,159	2,202	2,246
4 Police Staff Overtime	421	9	430	438	447	456	465
5 Allowances	1,487	-120	1,367	1,357	1,348	1,339	1,330
6 Training	680	44	724	738	753	768	783
7 Other Employee	695	-136	559	571	582	594	605
8 Direct Pension Payments	3,227	78	3,305	3,384	3,465	3,548	3,634
9 Energy Costs	1,049	371	1,420	1,463	1,507	1,552	1,599
10 Building Running Costs	6,720	-277	6,443	6,572	6,703	6,837	6,974
11 Repairs & Maintenance of Vehicles	564	-28	536	546	557	568	580
12 Vehicle Running Costs	1,936	5	1,941	1,991	2,042	2,095	2,150
13 Car & Travelling Allowances	760	0	760	775	790	806	822
14 Air Support Unit	589	0	589	601	613	626	638
15 Equipment	844	156	1,000	1,020	1,040	1,061	1,082
16 Clothing and Uniforms	484	-17	467	477	486	496	506
17 Printing and Stationery	424	0	424	433	441	450	459
18 IT and Communications	9,838	916	10,754	10,969	11,188	11,412	11,640
19 Subsistence	336	15	351	358	365	372	380
20 Other Supplies and Services	2,507	31	2,538	2,572	2,606	2,641	2,676
21 Collaboration and Partnerships	5,140	292	5,432	5,541	5,651	5,764	5,880
22 Forensics	740	0	740	754	769	785	801
23 Debt Charges & Contribution to Capital	1,864	743	2,607	2,032	2,040	2,040	2,040
24 Special Situations Contingency	400	0	400	400	400	400	400
25 Inflation and General Contingency	400	60	460	460	460	460	460
26 Community Safety Fund	1,467	100	1,567	1,467	1,467	1,467	1,467
Gross Expenditure	163,926	9,205	173,130	176,083	179,623	183,470	187,525

	Annual Budget 2018- 19 £000	+'Inc -' Redn 2019- 20 £000	Annual Budget 2019- 20 £000	Annual Budget 2020- 21 £000	Annual Budget 2021- 22 £000	Annual Budget 2022- 23 £000	Annual Budget 2023- 24 £000
Income							
27 Secondments	-5,167	157	-5,010	-5,010	-5,010	-5,010	-5,010
28 Interest on Balances	-150	50	-100	-100	-100	-100	-100
29 Income	-3,270	236	-3,034	-3,034	-3,034	-3,034	-3,034
30 Specific Grants	-8,993	-1,773	-10,766	-9,131	-9,079	-9,026	-8,974
Total Income	-17,580	-1,330	-18,910	-17,275	-17,223	-17,170	-17,118
31 PFI Reserve	121	-77	44	-71	-188	-306	-425
Net Expenditure	146,467	7,798	154,264	158,737	162,212	165,994	169,982
32 Total Grants	-71,728	-1,506	-73,234	-73,234	-73,234	-73,234	-73,234
33 Precept	-74,739	-6,291	-81,030	-84,738	-88,462	-92,206	-95,968
	-	-	-	-	-	-	-
Funding	146,467	-7,797	154,264	157,972	161,696	165,440	169,202
Annual Balance	0	0	0	765	-249	38	225
BASE CASE - Cumulative	0	0	0	765	516	554	780

Additional Future Cost Pressures

a. OIP

Investigative Review	-25	-25	-25	-25
Response	428	428	428	428
b. PEQF	779	1,435	1,647	1,671
c. Capital funding	400	400	400	400
d. IT -NEP	305	305	305	305
Annual increase	1,887	656	213	24
Cumulative Total	1,887	2,543	2,756	2,779

Future saving plan

OIP/DCU

Neighbourhood Policing	1,493	0	0	0
Custody	82	82	0	0
Occurrence Management	222	0	0	0
Digital and DCU Reviews	500	250	250	250

Other Review Areas

IT Contracts	75	75	0	0
Estates	200	0	0	0
Procurement	80	0	0	0
Annual Savings Plan	2,653	407	250	250
Cumulative savings	2,653	3,059	3,309	3,559

Net Total	0	0	0	0
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Draft Capital Programme 2019-20

	£'000
DETAILED DARFT CAPITAL PROGRAMME	2019-20
Estates Programme	
Sustainability Improvements	100
Estates Review - Pwllheli Police Station	980
Estates Review - Re locate/Co locate / Vacate	435
Vehicles and Other Equipment	
Vehicle Purchase Replacement Programme	1,300
Information Technology and Communications Equipment	
Desk Top replacement	900
NEP Infrastructure/Sail Point/Internet Links	471
Connectivity Software	85
Wifi upgrades	500
Digital Workplace audio visual	200
Single on line Home	40
EOL (End of Life - various systems)	1,380
Body Worn Video	400
Total	<u>6,791</u>
FUNDING:	
Home Office General Grant	462
Revenue Contributions	1,243
Earmarked Reserves	2,528
Capital Receipts	243
Borrowing for Estates	1,415
Borrowing for Replacement Programme	900
Total	<u>6,791</u>

SUMMARY CAPITAL PROGRAMME 2019-20 TO 2024-25

	£'000	£'000	£'000	£'000	£'000	£'000	£'000
	2019-	2020-	2021-	2022-23	2023-24	2024-25	TOTAL
	20	21	22				
EXPENDITURE:							
Estates Programme	1,515	3,216	3,895	3,379	3,791	1,333	17,129
Vehicles and Other Equipment	1,300	1,300	1,855	1,300	1,300	1,300	8,355
Information Technology and Communications Equipment	3,976	460	1,845	300	760	300	7,641
	6,791	4,976	7,595	4,979	5,851	2,933	33,125
FUNDING:							
Home Office General Grant	462	462	462	462	462	462	2,772
Revenue Contributions	1,243	1,243	1,116	838	838	838	6,116
Earmarked Reserves	2,528	0	0	0	0	0	2,528
Capital Receipts	243	55	277	0	650	375	1,600
Borrowing for Estates	1,415	3,216	3,895	3,379	3,141	958	16,004
Borrowing for Replacement Programme	900	0	1,845	300	760	300	4,105
Total	6,791	4,976	7,595	4,979	5,851	2,933	33,125