

AGENDA ITEM 7a

Report from the Office of the Police and Crime Commissioner

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| Title: | Precept and Council Tax 2018/19 |
| Meeting: | North Wales Police and Crime Panel, 22 January 2018 |
| Author: | Kate Jackson, Chief Finance Officer |

1. Introduction

- 1.1 The purpose of this report is to review the financial situation of the Police and Crime Commissioner for North Wales and to make recommendations for the 2018/19 precept and council tax.

2. Recommendations

- 2.1 To increase the precept to £74,739,488.
- This will increase council tax by 3.58% - this is equivalent to £258.12 per annum, an increase of £8.91 per annum, or 17p per week for a band D property.
 - This is an increase in precept of 4.55% from 2017/18
- 2.2 To note that £1.479m of cuts have been identified for 2018/19.
- 2.3 To note that £0.717m of the cuts will be reinvested in front line activities.
- 2.4 To note that a further £0.762m will be invested in front line posts from the additional increase in precept.
- 2.5 To note that the higher than expected grant settlement (equivalent to £0.696m) has been used to mitigate proposed cuts, thus protecting 15 front line Officer posts.
- 2.6 To note that the proposed council tax increase is significantly below the Home Office's planning assumption of £12.
- 2.7 To note the Medium Term Financial Plan, which includes the following assumptions:
- That Council Tax will increase by an estimated 3.58% in 2018/19, and 3.44% in 2019/20, 4.18% in 2020/21 and 4.19% in 2021/22 and 3.44% in 2022/23.
 - That policing grants will be frozen at current levels in 2019/20 and a cut of 1% each year from 2020-21.
 - That annual pay awards will be 2% from September 2018.
 - That there will be additional costs relating to the new Police Education Qualification Framework (PEQF) from 2019-20 which will not be funded by the Apprenticeship Levy IN Wales.

3. Summary Budget 2018/19

| | | |
|--|-----------------------|---------------|
| | £m | |
| Budget 2017/18 | <u>143.217</u> | |
| Inflation and additional requirements | 4.729 | +3.30% |
| Budget requirement 2018/19 | <u>147.946</u> | |
| | | |
| Estimated total funding 2018/19 | | |
| Government Grants (funding proportion 49%) | 71.728 | -0.00% |
| Council Tax | £258.12 | +3.58% |
| Multiplied by tax base | 289,553.26 | +0.94% |
| Precept (funding proportion 51%) | 74,739 | +4.55% |
| Total funding available | <u>146.467</u> | +2.27% |
| | | |
| Cuts required | 1.479 | |

4. Statutory Items

4.1 Quality of Information

4.1.1 The Chief Finance Officer is required under the Local Government Act 2003 (s5) to comment on the suitability of the information to be used as the basis for budgetary decisions. The Chief Finance Officer confirms that the figures in the various reports are the products of procedures that continue to be operated to the highest professional standards. These systems are audited both internally and externally, and external audit has never issued a qualified audit report. Therefore, in the opinion of the Chief Finance Officer this information is fit for purpose.

4.1.2 The same Act also requires the Chief Finance Officer to comment on the adequacy of reserves to be provided in the budget. In the opinion of the Chief Finance Officer the general reserve will continue to be adequate for the day to day operational needs of the Force. The reserves have been reviewed, and further details are provided in paragraph 10.

5. Background

5.1 Cuts of £29.625m will have been achieved over the 7 years of Government austerity initiatives. Grant funding has reduced by 22% over the six year period, and total precept income has increased by 28% over the same period; this has resulted in a 21% real-terms reduction in the total budget. The table below details the cuts made to date:

| Year | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Total |
|-----------|---------|---------|---------|---------|---------|---------|---------|----------|
| Cuts Made | £4.678m | £6.016m | £4.634m | £4.325m | £4.448m | £2.838m | £2.686m | £29.625m |

5.2 The Government conducted two major reviews over the summer of 2015 that would determine the level of Government grants for policing for future years. 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 allocation in 2016/17 and a 1.4% cut in 2017-18, with a commitment for future funding to be set so that Police Forces do not face a cash reduction "if Police and Crime Commissioners maximise their precept".

- 5.3 During 2017/18 PCCs and Chief Constables presented a case to the Home Office setting out the requirements for additional funding for the Policing areas and that further cuts are not sustainable. The likelihood that the Government would move away from the 1% cap on public service annual pay awards further increased the pressure on future Police budgets and the requirement to recognise inflation and changing demand within the grant settlement.
- 5.4 A review of the Police Funding Formula was conducted by the Home Office, the formula sets out 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 proposed formula. The review was re-commenced with the intention to implement a new formula in 2018/19. The Home Office decided not to implement a new formula in 2018/19 following engagement with police leaders and in the context of changing demand, the formula will be reviewed as part of the next Government spending review in 2020.

6. The Planning Environment

- 6.1 The attached Medium Term Financial Plan (MTFP) sets out the planning environment. It includes previous years' figures, together with projections for revenue income and expenditure, and plans for capital and reserves.
- 6.2 No provisional Government Funding Allocations for 2018/19 were given at the time of the 2017/18 settlement. However, it was apparent that cuts would continue over the period of the current Parliament at least. The process for identifying and delivering savings is well established under the governance of the Strategic Planning Board, which is chaired by the Chief Constable.
- 6.3 A number of service reviews have been, or are in the process of being, conducted during 201/18. A process was undertaken for the 2018/19 budgets round to identify new requirements or any gaps in resourcing resulting from the reduced resources available. The bids were scrutinised by a peer group, Chief Officers and the Police and Crime Commissioner. In order to ensure that the reviews, savings and investment request were joined up three Extraordinary Strategic Planning Boards (ESPB) were held in August, September and November. The August ESPB set out the principles of the planning cycle as
- Focus on re-balancing and re-allocating resources
 - Any case for growth needs to be evidenced and justified
 - Understand the combined impact of current reviews
 - Capture the outcome of investment from 2017/18 growth bids
 - Set context for risk and uncertainty
 - Decide/Guide which proposals to develop further and submit as a growth request for main budget setting

6.4 In addition to the above, the normal process to determine future budget requirements was undertaken, which is explained in more detail in the MTFP. The following were taken into account in developing the MTFP:

- Local and national priorities as set out in the Police and Crime Plan, the Strategic Policing Requirement and the draft Force's Action Plan 2018/19
- New and developing pressures
- The strategic planning process
- Other force strategies
- Current economic climate
- The current financial position
- Estimates of resources available
- Budget forecasts for the period, including pay awards
- The capital programme, the Prudential Code and the effect on the revenue budget
- Reserves and balances
- Income generation, trading activities and grants
- Collaboration

6.5 A total of £2.686m was cut from the 2017/18 budget compared to the previous financial year; this is on target to be delivered. The annual review of reserves was conducted based on projections for revenue and capital for the next 5 years.

6.6 The HMIC and the Wales Audit Office review annually the Force and its overall financial position, planning process and annual savings; further details are included in the MTFP. It has been noted that, to date, *'the Force is good at continuing to make savings which means that it is able to invest well in infrastructure to make additional savings in the future'*. It was also noted that further work needs to be carried out to understand future changing demand. This has already been recognised by the force and work already commenced as part of service reviews being undertaken.

7. Funding Allocations

7.1 No provisional Government Funding Allocations for 2018/19 were announced alongside the 2017/18 settlement. However, in a letter to PCCs and Chief Constables the Home Secretary and Policing Minister announced that *"taking into account the scope that you have to raise local council tax, this means a flat real settlement for policing as a whole."* Based on this an estimated 1% annual grant cut was included in the January 2017 MTFP.

7.2 This definition of a 'flat settlement' is a real terms cut as it takes no account of inflation or any change in demand.

7.3 The announcement of 2018/19 funding was made on 19 December 2017. Following representations by PCCs and Chief Constables the settlement was better than the planning assumption of December 2016. The announcement was for a flat **cash** settlement that is Forces will receive the same amount of core grants in 2018-19 as they did in 2017-18. This is the first time in 8 years that grants have not been cut, although in real terms it is still a reduction as the settlement does not cater for any inflation or additional demands.

7.4 The settlement also gave additional flexibility to Police and Crime Commissioners in England to increase their Band D Council Tax by up to £12. This would give a range of Council Tax increase of between 4.8% and 12.2% if PCCs did increase the Council Tax by £12, with the majority of increases being over 6%. It will be up to individual PCCs to decide whether to increase the Council Tax by these amounts. In Wales it is up to the Welsh Government to define any Council Tax cap, they have not defined a cap. The Home Office have assumed that all Forces would increase the Council Tax by £12 in calculating the potential additional amount available to Forces of £450m. The proposed council tax increase in North Wales is £8.91.

7.5 Total Police funding increased by 1.58%; however, due to an increase in central allocations (top-slicing) of 16%, the amount available to allocate to Force areas has been frozen. The announcement indicated that there would be £450m additional money available to Policing, this is made up of the £133m increase in the Home Office allocation which is retained centrally, and the estimated additional £270m that would be generated by all Policing areas increasing their Council Tax by £12, and £50m for counter terrorism (which is funded separately). Details of total national Police funding are shown in the table below.

| | 2018-19 | Var |
|---|---------------|--------------|
| | £m | % |
| Central Government Funding | 8,631 | 1.58% |
| Transformation Fund and other Reallocations | 946 | 16.38% |
| Direct Funding | 7,685 | 0.00% |
| of which NICC (Capital city funding) | 178 | 0.00% |
| of which Formula Funding | 6,962 | 0.00% |
| of which Legacy Council Tax Grants | 545 | 0.00% |
| Total Central Funding | 8,631 | 1.58% |
| HO Precept assumption | 3,627 | 9.65% |
| TOTAL (Direct Funding plus Precept) | 11,312 | 2.91% |

7.6 The breakdown of the amount top sliced is shown below

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

7.7 The outcome of the funding announcement and its effect for North Wales Police is detailed below:

- A flat cash settlement for all policing areas. This means North Wales will get the same total grant as 2017-18 of £71.728m.
- It was indicated that a similar settlement will be made in 2019-20.
- Overall 'top slicing' has increased from £812m to £945m. This reduces the core grant received by North Wales by £9.5m.
- Capital Grant was cut from £0.541m to £0.462m in 2017-18, a reduction of £0.079m, following a reduction of £0.360m in the previous year. It is expected that the figure will be frozen at £0.462m for 2018-19, the exact figure is yet to be confirmed.
- English forces to continue to receive legacy council tax funding of £545m
- The Policing Minister indicated that the 2019-20 settlement will be similar to the 2018-19 settlement.
- The funding formula will be revisited at the next spending review which is due in 2020. Therefore, it is impossible to predict with any certainty the financial position for 2020/21 and beyond.

7.8 Based on the totals provided and this year's announcement it has been estimated that there will be a further cut of 1% to grants in each year from 2020-21.

8. Budget 2017/18 to 2021/22

8.1 A summary of the Budget Forecast and changes for 2018/19 and future years are shown in Appendix A.

8.2 The main assumptions within the MTFP are:

- Annual pay inflation 2% applied from September 2018, this is an increase of 1% from the previous assumption with a full year effect of an additional £1.2m cost.

- General Inflation 2%, specific inflation applied where known
- PEQF will increase cost by up to a potential £3.3m over a 5 year period (details included in the MTFP)
- 3.58% in 2018/19, and 3.44% in 2019/20, 4.18% in to 2020/21 and 4.19% in 2021/22 and 3.44% in 2022/23
- Grant frozen for 2018/19 and 2019/20, and a reduction of 1% for the following years
- A 0.25% increase in tax base from 2018-19 onwards
- Further grant reductions from the funding formula review would lead to additional increases in council tax from 2020/21

8.3 **Savings** –The 2017/18 MTFP included savings for 2018/19 of £1.025m. These plans were further developed during the year, and additional savings identified as part of reviews being conducted. The overall effect of this is a net increase in savings of £0.428m to £1.453m. A further £7.453m has been included in the 5 year plan and is detailed in the MTFP. The detailed work streams are:

| <u>Savings Plan 2017-18 to 2022-23</u> | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 5 Yr Total |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| IT Contracts | | | 75 | 75 | | 150 |
| Finance and Resources | 19 | | | | | 19 |
| Cleaning Services | | 75 | | | | 75 |
| Operational Futures PCSO's | | 557 | | | | 557 |
| Estates Review | | 125 | 125 | | | 250 |
| National Police Air Service | 450 | | | | | 450 |
| Communication Futures | 71 | | | | | 71 |
| Forensics | 25 | 100 | | | | 125 |
| Forensics contract | 275 | | | | | 275 |
| Force Medical Provision review | 75 | 125 | | | | 200 |
| Procurements contracts | 40 | 100 | | | | 140 |
| PFI | | 300 | | | | 300 |
| Police Staff Superannuation Lump Sum | 70 | | | | | 70 |
| Demand Capability Unit (Digital/Workforce modernisation) and Reviews | | 150 | 1,375 | 1,550 | 1,700 | 4,775 |
| Reallocation to fund Investigative Review | | 1,000 | | | | 1,000 |
| Budget Review | 250 | | | | | 250 |
| Niche replacement | 100 | | | | | 100 |
| Survey Reduction | 34 | | | | | 34 |
| Oracle Licencing | 44 | | | | | 44 |
| Proposed Savings | 1,453 | 2,532 | 1,575 | 1,625 | 1,700 | 8,885 |

- 8.4 **Investment and Reviews-** The planning cycle for 2017-18 include 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 are at different stages, the MRU has been implemented while the Investigative Review has reported its initial findings. The reviews and further evidence based research will assist the Force to identify efficiencies and where investments are required. The growth investment set out for 2018-19 makes a first step towards the additional investigative requirements identified as well as setting out the infrastructure to enable further evidence based transformation to meet future projected change in demand.
- 8.5 The Response and MRU reviews were linked in that the MRU would be partially funded by reducing response officers as demand was reduced. However, due to the grant settlement being better than expected it was not necessary to reduce the number of response officers as expected. The additional grant was used to fund 15 Officers within the MRU rather than reducing the response officer number to fund the MRU. The overall allocation of Officers to different areas will be central to the evidence based reviews being undertaken during 2018-19, and by maintaining the response officers now this can be done as a whole rather than in steps.
- 8.6 A summary of the permanent and temporary growth is shown in the table below. The additional council tax of 1.057% from the original estimate of 2.5% funds £0.762 of the growth, the balance have been funded from reallocation of resources through the saving plan. 62 bids were analysed, scored and peer reviewed amounting to an original submission of £2.384m recurring and £4.098m temporary/capital, these were reduced substantially to the figures shown in the table below.

| Summary Bid Table | Proposed Approval Recurrent funding | Proposed Approval Non-Recurrent funding | Total |
|------------------------------------|-------------------------------------|---|-------------------|
| Investigative Resources | £838,899 | £247,856 | £1,086,755 |
| Digital & technology development | £58,501 | £874,811 | £933,312 |
| Evidence Based Policing | £121,090 | £597,446 | £718,536 |
| Infrastructure & Enabling Services | £98,369 | £311,605 | £409,974 |
| Supporting our Workforce | £104,603 | £215,118 | £319,721 |
| PCC Commitments | £258,000 | £0 | £258,000 |
| Total | £1,479,462 | £2,246,836 | £3,726,298 |

- **Investigative Resources** - The additional Investigative Resources will provide additional Officer and Staff investigators as Intelligence Analysts. This is as a result of the changing demand and the requirements highlighted by the Investigative Review and will give an additional 20 investigative resources. This is partially funded by the additional increase agreed in the precept from the previous MTFP.
- **Digital and Technology development** – This will provide additional mobile technology for front line staff and the applications to link them to the operational systems.

- **Evidence Based Policing** – This will provide the infrastructure and staff to further develop the evidence based reviews that have been conducted, review other areas and link the reviews.
- **Infrastructure and Enabling Services** – This area cover additional requirements that have been identified in the Professional Standards Department and a Risk Management and Project system.
- **Supporting the Workforce** – This investment provides the training and support to enable the increases elsewhere.
- **PCC commitments** - This is an increase of £0.2m in the Community Safety Fund to be targeted at the Women’s Pathfinder Project with funding for an additional 1.5 Commissioning posts within the PCC’s Office.

8.7 The overall change in the budget is summarised in the table below.

| | 2017-18 | 2018-19 | % Change |
|----------------------|-----------------|-----------------|--------------|
| | £’000 | £’000 | |
| Gross Expenditure | 160,303 | 163,644 | 2.16% |
| Income and Reserves | -17,086 | -17,177 | 0.53% |
| | | | |
| Net Expenditure | 143,217 | 146,467 | 2.27% |
| | | | |
| Grant | -71,728 | -71,728 | -0.00% |
| Precept | -71,489 | -74,739 | 4.55% |
| | | | |
| Total Funding | -143,217 | -146,467 | 2.27% |
| | | | |

8.8 Further work has been carried out on projected budgets from 2019-20 to 2022-23 based on the assumptions set out above. The revised projected budgets for the period 2017-18 to 2021-22 are given below. A challenging saving plan of £7.4m has been set for the period 2019-20 to 2022-23. In normal circumstances this would be enough to balance the budget and allow for some re investment, but due to the expectation of higher pay awards not funded by increased grants, potential PEQF and council tax increases of between 3.44% and 4.19% would be required, the element of the increase relating to pay award and PEQF is given at the bottom of the table below. These projections will be refined as more detailed information is available.

| | 2019-20 | 2020-21 | 2021-22 | 2022-23 |
|--|----------------|----------------|----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 |
| Gross Expenditure | 167,388 | 170,572 | 173,828 | 177,107 |
| Income and Reserves | -17,201 | -17,228 | -17,258 | -17,205 |
| Gross base expenditure | 150,187 | 153,344 | 156,570 | 159,902 |
| Grant | -71,728 | -71,010 | -70,300 | -69,597 |
| Precept @ 2.5% CT increase | -76,799 | -78,916 | -81,091 | -83,326 |
| Total estimated funding | -148,527 | -149,926 | -151,391 | -152,923 |
| Deficit before corrective action | 1,660 | 3,418 | 5,179 | 6,979 |
| Underlying annual deficit | 1,660 | 1,758 | 1,761 | 1,800 |
| Potential additional annual increases | | | | |
| Investigative Review | 1,000 | 20 | 20 | 21 |
| PEQF | 576 | 702 | 1,215 | 675 |
| Capital | | 400 | 0 | 0 |
| Revised deficit before corrective action | 3,236 | 2,880 | 2,996 | 2,614 |
| Annual Saving Plan | -2,532 | -1,575 | -1,625 | -1,700 |
| Balance to fund from Precept | 704 | 1,305 | 1,371 | 914 |
| CT increase required | 3.44% | 4.18% | 4.19% | 3.44% |
| Band D CT increase | £8.88 | £11.16 | £11.65 | £9.97 |
| Of which | | | | |
| Additional 1% pay | 1.59% | 1.56% | 1.54% | 1.51% |
| PEQF and Capital Provision | 0.77% | 0.90% | 1.48% | 0.79% |

8.9 The above is based on the planning assumption as detailed throughout this document. A small change in each of the main assumptions results in a significant change in cost or funding as detailed in the sensitivity table below. In normal circumstances it would be expected that grants would increase to at least fund inflationary increases, this is not the case currently. Savings could then be re directed towards change in demand. However in the current climate it is necessary to look at a combination of saving, council tax increases and reallocation of resources to balance the budget and provide the best service possible.

| Sensitivity main variables | £m |
|--|-------|
| 1% change in Council Tax | 0.721 |
| 1% change in grant | 0.717 |
| A 1% change in pay | 1.221 |
| 1% change in general inflation | 0.420 |
| 1% reduction in income and specific grants | 0.170 |

9.0 Risks

9.1 Details of future risks to the budget are included in the MTFP. A summary of the major risks is given below; some of these have already been highlighted within this report:

- Funding uncertainty, including top-slicing, and details being provided late in the planning cycle
- Future changes to the funding formula may be detrimental to North Wales; withdrawal of the floor grant
- Emerging national and local requirements – such as PEQF and the replacement Police Communication System ESN
- Change in the demand for Policing
- Delivering existing savings plans
- Identifying future savings plans
- A worsening of the national economic position requiring additional cuts to be imposed
- Increase in pay costs (including pension contributions and national insurance) – pay accounts for approximately 80% of the net budget.

10. Resilience and Reserves

10.1 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.

10.2 The Reserves are reviewed as part of the budget setting process and again as part of producing the Statement of Accounts. Reserves were re allocated as part of the last MTFP and no re allocation has been made as part of this MTFP. The reserves will be reviewed again at the end of the financial year.

10.3 There is a planned reduction in reserves from £38.1m to £19.1m over the next 5 years. The majority of this reduction will happen in 2017-18 as the Capital Reserve is used to fund the Wrexham and Llandudno Estates investments. Further 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.

10.4 As part of the budget settlement the Policing Minister stated that new guidelines on transparency of reserves will be announced. It is expected that the details contained below, which has always been included in the MTFP and the Statement of Accounts, will meet these requirements.

10.5 The use of the reserves will depend on the final decisions on capital expenditure and the final revenue settlements, 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.

| <u>Reserve Position</u> | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | |
| <i>Usable Reserves at</i> | 31.3.17 | 31.3.18 | 31.3.19 | 31.3.20 | 31.3.21 | 31.3.22 |
| | £m | £m | £m | £m | £m | £m |
| Capital Receipts Reserve | 3.663 | 1.829 | 2.068 | 1.494 | 1.217 | 1.217 |
| General Fund Balance | 5.189 | 5.189 | 5.189 | 5.189 | 5.189 | 5.189 |
| Earmarked General Fund Reserves (Details below) | 29.256 | 16.526 | 13.609 | 12.853 | 12.818 | 12.700 |
| Total Usable Reserves | 38.108 | 23.544 | 20.866 | 19.536 | 19.224 | 19.106 |

| <u>Earmarked General Fund Reserves</u> | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| | | | | | | |
| Description | 31.3.17 | 31.3.18 | 31.3.19 | 31.3.20 | 31.3.21 | 31.3.22 |
| | £m | £m | £m | £m | £m | £m |
| Capital Investment | 12.090 | 0.448 | 0.448 | 0.000 | 0.000 | 0.000 |
| Major Incident | 2.435 | 2.197 | 2.197 | 2.197 | 2.197 | 2.197 |
| Pension III Health Reserve | 0.915 | 0.915 | 0.915 | 0.915 | 0.915 | 0.915 |
| Insurance Reserve | 1.173 | 1.173 | 1.173 | 1.173 | 1.173 | 1.173 |
| PFI Reserve | 3.987 | 4.212 | 4.333 | 4.377 | 4.342 | 4.224 |
| Estates Security and Maintenance | 1.659 | 0.962 | 0.962 | 0.962 | 0.962 | 0.962 |
| Management of Change | 5.921 | 5.543 | 2.505 | 2.153 | 2.153 | 2.153 |
| Partnerships Reserve | 0.500 | 0.500 | 0.500 | 0.500 | 0.500 | 0.500 |
| Commissioner Community Safety Fund | 0.276 | 0.276 | 0.276 | 0.276 | 0.276 | 0.276 |
| OPCC Legal Reserve | 0.041 | 0.041 | 0.041 | 0.041 | 0.041 | 0.041 |
| OPCC Participatory Budget | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 | 0.002 |
| OPCC Reserve | 0.257 | 0.257 | 0.257 | 0.257 | 0.257 | 0.257 |
| Total | 29.256 | 16.526 | 13.609 | 12.853 | 12.818 | 12.700 |

10.6 Detailed description of the earmarked reserves are given below.

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 has reduced the need for the budget in revenue.

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.

11. Capital

11.1 The current Capital Programme, which has been developed 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.

11.2 The Forces assets and infrastructure need continued investment in order to ensure efficient and modern working practices. Strategies for the Estates, IT and Fleet are being updated and will inform the development of a new Capital Programme over the next 12 months. Estimates amounts have been included for future developments, these will subject to Business Cases before any approval to progress is given.

- 11.3 The 2018-19 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, and as part of the budget setting process £1.155m of investments were agreed as part of the process of enabling change.
- 11.4 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.
- 11.5 The capital figures are shown in the MTFP; the final detailed plan will be formally approved as part of the Treasury Management and Prudential Code Strategy.

11.6 Capital Programme 2017-18 to 2022-23

| Expenditure | £m |
|--|---------------|
| Estates | 27.033 |
| Vehicles and Equipment | 9.099 |
| Information Technology and Communication | 8.681 |
| Total | <u>44.813</u> |
| Funding | |
| Grants | 2.772 |
| Revenue Contribution | 7.795 |
| Reserves | 13.882 |
| Capital Receipts | 6.505 |
| Borrowing – Estates | 9.607 |
| Borrowing – IT Replacement Programme | <u>4.252</u> |
| Total | 44.813 |

12. Consideration of the Options

- 12.1 The following major changes have been made between the previous MTFP and the current one:

| Change between 2015/16 and 2016/17 | January 2017 | January 2018 |
|---|---------------------|---------------------|
| Cut in government grant | 1% | 0% |
| Increase in council tax | 2.5% | 3.58% |
| Cuts planned/identified for 2017/18 | £1.025m | £1.479m |
| Tax Base increase | 0.25% | 0.94% |

The Commissioner has considered all of the options available. The cuts of £1.025m previously assumed for 2018/19 did not allow for emerging demands, which would have meant these could only be met by the redeployment of front line officers. In November, the Force presented draft plans based on the grant cut of 1% and making savings of £1.4m, and

further re allocation of front line officers to fund the MRU. This would have resulted in a Council Tax increase of 3.58% (£8.91 Band D increase per annum). If savings had not been identified, the total budget requirement would have required a 5.63% (£14.02 Band D increase per annum) council tax increase; however this was reduced as the Force identified savings that can be reinvested. The final grant announcement was better than expected, but also assumed a £12 Band D council tax increase, equivalent to a 4.8% increase in North Wales. In deciding on the proposed Council Tax increase, the balance must be found between affordability for local tax payers and ensuring the police service has sufficient funds, based on what has happened over the last seven years and predictions for the next five. Additional cuts will invariably hit front line and officer numbers. Based on this, and the savings the Force has already made, the Commissioner decided not to increase the council tax by the suggested £12, but to propose an increase of 3.58% will protect the budget and allow some investment in front line posts.

12.2 The Commissioner has held discussions with the Chief Constable who has confirmed that the council tax increase of 3.58% provides sufficient budget to enable the operational delivery of the policing service in 2018/19. However, due to future uncertainty over the level of grant allocation, pay awards and changes in operational pressures, it is not possible to comment at the stage as to the accuracy of planning assumptions, and it must be understood that a significant reduction in the grant allocation or a higher than expected pay award would result in increased cuts and higher council tax increases in future years.

12.3 Increasing the Council Tax by 3.58% the valuations for each property band are:

| Tax Band | A | B | C | D | E | F | G | H | I |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Council Tax £ | 172.08 | 200.76 | 229.44 | 258.12 | 315.48 | 372.84 | 430.20 | 516.24 | 602.28 |

12.4 The precept for each billing area will be:

| Billing Authority | Tax Base | Precept |
|---------------------------------|-------------------|--------------------|
| Isle of Anglesey County Council | 30,773.31 | £7,943,207 |
| Gwynedd Council | 52,083.07 | £13,443,682 |
| Conwy County Borough Council | 50,026.64 | £12,912,876 |
| Denbighshire County Council | 39,555.24 | £10,209,999 |
| Flintshire County Council | 63,835.00 | £16,477,090 |
| Wrexham County Borough Council | 53,280.00 | £13,752,634 |
| Total | 289,553.26 | £74,739,488 |

13. Implications

| | |
|------------------|---|
| Diversity | The report's recommendations will affect the Force's employee numbers in future years. |
| Financial | <p>The purpose of this report is to recommend the Precept and Council Tax for 2018/19, and to explain the factors taken into account in making this recommendation. Although the recommendation is for a single financial year, it is important to consider the medium to long term position in reaching a decision.</p> <p>Adequate financial resources are vital to the delivery of the Police and Crime Plan and to fulfil our legal requirements.</p> |
| Legal | This report, in conjunction with the Medium Term Financial Plan, provides sufficient information for the Police and Crime Panel to make a decision that could stand future legal challenge. |
| Risk | The report identifies and evaluates the risks from the recommendations. |
| Police and Crime | No separate police and crime implications. |

Appendix A

Revenue Budget 2017-18 to 2022-23

| | | Annual | +Inc | Annual | +Inc | Annual | +Inc | Annual | +Inc | Annual | +Inc | Annual |
|------------|--|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|
| | | Budget | ' Redn | Budget | ' Redn | Budget | ' Redn | Budget | ' Redn | Budget | ' Redn | Budget |
| | | 2017-18 | 2018-19 | 2018-19 | 2019-20 | 2019-20 | 2020-21 | 2020-21 | 2021-22 | 2021-22 | 2022-23 | 2022-23 |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 1 | Police Officer Pay | 73,921 | 1,150 | 75,071 | 2,248 | 77,319 | 1,566 | 78,885 | 1,597 | 80,482 | 1,620 | 82,102 |
| 2.1 | Police Staff Pay | 34,847 | 2,375 | 37,222 | 798 | 38,020 | 814 | 38,834 | 831 | 39,665 | 849 | 40,514 |
| 2.2 | PCSO's | 6,775 | 118 | 6,893 | 69 | 6,962 | 70 | 7,032 | 70 | 7,102 | 71 | 7,173 |
| 3 | Police Officer Overtime | 1,989 | 24 | 2,013 | 20 | 2,033 | 20 | 2,053 | 21 | 2,074 | 21 | 2,095 |
| 4 | Police Staff Overtime | 400 | 8 | 408 | 4 | 412 | 4 | 416 | 4 | 420 | 4 | 424 |
| 5 | Allowances | 1,713 | -223 | 1,490 | -23 | 1,467 | -20 | 1,447 | -21 | 1,426 | -20 | 1,406 |
| 6 | Training | 676 | 13 | 689 | 14 | 703 | 14 | 717 | 15 | 732 | 14 | 746 |
| 7 | Other Employee | 694 | 14 | 708 | 15 | 723 | 14 | 737 | 15 | 752 | 15 | 767 |
| 8 | Direct Pension Payments | 3,164 | 63 | 3,227 | 65 | 3,292 | 66 | 3,358 | 67 | 3,425 | 68 | 3,493 |
| 9 | Energy Costs | 1,116 | -67 | 1,049 | 32 | 1,081 | 32 | 1,113 | 33 | 1,146 | 35 | 1,181 |
| 10 | Building Running Costs | 6,602 | 132 | 6,734 | 135 | 6,869 | 138 | 7,007 | 140 | 7,147 | 143 | 7,290 |
| 11 | Vehicle Maintenance | 607 | -20 | 587 | 11 | 598 | 12 | 610 | 12 | 622 | 13 | 635 |
| 12 | Vehicle Running Costs | 1,839 | 90 | 1,929 | 50 | 1,979 | 51 | 2,030 | 53 | 2,083 | 54 | 2,137 |
| 13 | Car & Travelling Allowances | 745 | 15 | 760 | 15 | 775 | 16 | 791 | 15 | 806 | 17 | 823 |
| 14 | Air Support Unit | 1,039 | -450 | 589 | 0 | 589 | 0 | 589 | 0 | 589 | 0 | 589 |
| 15 | Equipment | 803 | 36 | 839 | 16 | 855 | 18 | 873 | 17 | 890 | 18 | 908 |
| 16 | Clothing and Uniforms | 474 | 10 | 484 | 10 | 494 | 10 | 504 | 10 | 514 | 10 | 524 |
| 17 | Printing and Stationery | 414 | 8 | 422 | 8 | 430 | 9 | 439 | 9 | 448 | 9 | 457 |
| 18 | IT and Communications | 9,701 | 105 | 9,806 | 120 | 9,926 | 208 | 10,134 | 213 | 10,347 | 219 | 10,566 |
| 19 | Subsistence | 326 | 7 | 333 | 6 | 339 | 6 | 345 | 6 | 351 | 7 | 358 |
| 20 | Other Supplies and Services | 7,507 | 13 | 7,520 | 117 | 7,637 | 121 | 7,758 | 125 | 7,883 | 96 | 7,979 |
| 21 | Forensics | 1,025 | -285 | 740 | 14 | 754 | 15 | 769 | 16 | 785 | 16 | 801 |
| 22 | Capital Provision | 1,864 | 0 | 1,864 | 0 | 1,864 | 0 | 1,864 | 8 | 1,872 | 0 | 1,872 |
| 23 | Special Situations Contingency | 400 | 0 | 400 | 0 | 400 | 0 | 400 | 0 | 400 | 0 | 400 |
| 24 | Inflation and Contingency | 400 | 0 | 400 | 0 | 400 | 0 | 400 | 0 | 400 | 0 | 400 |
| 25 | Community Safety Fund | 1,262 | 205 | 1,467 | 0 | 1,467 | 0 | 1,467 | 0 | 1,467 | 0 | 1,467 |
| | | | | | | | | | | | | |
| | Gross Expenditure | 160,303 | 3,341 | 163,644 | 3,744 | 167,388 | 3,184 | 170,572 | 3,256 | 173,828 | 3,279 | 177,107 |

| | Annual | + 'Inc | Annual | + 'Inc | Annual | + 'Inc | Annual | + 'Inc | Annual | + 'Inc | Annual | + 'Inc |
|------------------------------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | Budget | - ' Redn | Budget | - ' Redn | Budget | - ' Redn | Budget | - ' Redn | Budget | - ' Redn | Budget | - ' Redn |
| | 2017-18 | 2018-19 | 2018-19 | 2019-20 | 2019-20 | 2020-21 | 2020-21 | 2020-21 | 2021-22 | 2021-22 | 2022-23 | 2022-23 |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Income | | | | | | | | | | | | |
| 26 Secondments | -4,748 | -353 | -5,101 | 0 | -5,101 | 0 | -5,101 | 0 | -5,101 | 0 | -5,101 | 0 |
| 27 Interest on Balances | -196 | 46 | -150 | 0 | -150 | 0 | -150 | 0 | -150 | 0 | -150 | 0 |
| 28 Income | -3,120 | -133 | -3,253 | 0 | -3,253 | 0 | -3,253 | 0 | -3,253 | 0 | -3,253 | 0 |
| 29 Specific Grants | -9,247 | 453 | -8,794 | 53 | -8,741 | 52 | -8,689 | 53 | -8,636 | 53 | -8,583 | 53 |
| Total Income | -17,311 | 13 | -17,298 | 53 | -17,245 | 52 | -17,193 | 53 | -17,140 | 53 | -17,087 | 53 |
| 30 PFI Reserve | 225 | -104 | 121 | -77 | 44 | -79 | -35 | -83 | -118 | 0 | -118 | 0 |
| 31 Speed Awareness Reserve | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 32 Additional from Reserves | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Expenditure | 143,217 | 3,250 | 146,467 | 3,720 | 150,187 | 3,157 | 153,344 | 3,226 | 156,570 | 3,332 | 159,902 | 3,332 |
| 33 Total Grants | -71,728 | 0 | -71,728 | 0 | -71,728 | 718 | -71,010 | 710 | -70,300 | 703 | -69,597 | 697 |
| 34 Precept | -71,489 | -3,250 | -74,739 | -2,060 | -76,799 | -2,117 | -78,916 | -2,175 | -81,091 | -2,235 | -83,326 | -2,235 |
| Funding | -143,217 | -3,250 | -146,467 | -2,060 | -148,527 | -1,399 | -149,926 | -1,465 | -151,391 | -1,532 | -152,923 | -1,532 |
| Net Budget | 143,217 | | 146,467 | | 150,187 | | 153,344 | | 156,570 | | 159,902 | |
| Annual Balance | 0 | 0 | 0 | 1,660 | 1,660 | 1,758 | 1,758 | 1,761 | 1,761 | 1,800 | 1,800 | 1,800 |
| BASE CASE - Cumulative | 0 | | 0 | | 1,660 | | 3,418 | | 5,179 | | 6,979 | |

| Additional costs | | | | | 2019-20 | | 2020-21 | | 2021-22 | | 2022-23 |
|---|--|--|-------------|--|--------------|--|--------------|--|--------------|--|---------------|
| | | | | | £000 | | £000 | | £000 | | £000 |
| Additional Cost Pressures | | | | | | | | | | | |
| PEQF | | | | | 576 | | 1,278 | | 2,493 | | 3,168 |
| Growth - Investigative review | | | | | 1,000 | | 1,020 | | 1,040 | | 1,061 |
| Capital borrowing to fund IT/Estates/Fleet strategy | | | | | 0 | | 400 | | 400 | | 400 |
| | | | | | | | | | | | |
| Total additional requirements | | | | | 1,576 | | 2,698 | | 3,933 | | 4,629 |
| Cumulative balance | | | | | 3,236 | | 6,116 | | 9,112 | | 11,608 |
| Annual increase | | | | | 3,236 | | 2,880 | | 2,996 | | 2,496 |
| | | | | | | | | | | | |
| Annual Savings Plan | | | | | 2,532 | | 1,575 | | 1,625 | | 1,700 |
| Cumulative savings | | | | | 2,532 | | 4,107 | | 5,732 | | 7,432 |
| | | | | | | | | | | | |
| Total Cumulative Balance (Precept Required) | | | | | 704 | | 2,009 | | 3,380 | | 4,176 |
| Additional Precept | | | | | 0 | | 705 | | 2,010 | | 3,382 |
| Annual amount to fund from precept | | | | | 704 | | 1,304 | | 1,370 | | 794 |
| | | | | | | | | | | | |
| Council Tax increase included in base % | | | 3.58 | | 2.50 | | 2.50 | | 2.50 | | 2.50 |
| Additional annual Council Tax increase % | | | 0.00 | | 0.94 | | 1.68 | | 1.69 | | 0.94 |
| Total Council Tax increase % | | | 3.58 | | 3.44 | | 4.18 | | 4.19 | | 3.44 |