

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

Medium Term Financial Plan

2023-24 to 2027-28

1. Introduction

- 1.1 The Medium Term Financial Plan (MTFP) links the Police and Crime Commissioner's (PCC) [Police and Crime Plan 2021 \(northwales-pcc.gov.uk\)](https://www.northwales-pcc.gov.uk/pcc-plan-2021), which was prepared following the election of the PCC; 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 The MTFP produced in January 2022 reflected a balanced budget for 2022-2023, and also for 2023-2024, based on a reasonable set of assumptions on funding and inflation (pay and non-pay). Several global and national issues have drastically changed this position over the subsequent 12 months.
- 1.3 2022-23 is also the third and final year of the Government's Police Officer Uplift Programme, with the remaining additional Officers to be recruited by March 2023.
- 1.4 As the wider economic outlook has developed over the past 12 months, the focus of the planning round has also evolved from initially focusing on the longer term to a more recent emphasis focusing on setting a balanced, stable, and sustainable new base budget for the Force in 2023-2024 while meeting the ever-changing demand requirements.
- 1.5 The Commissioner has considered a range of options for best utilising the resources available. Extensive work was carried out by the planning process to identify savings and reallocate resources within the organisation. The planning process also enabled the informed allocation of Operation Uplift officers based on priorities.
- 1.6 Given the exceptional cost pressures facing the force, a council tax increase of 11.2% would be needed to cover inflation and all other unavoidable structural growth costs compared to the original MTFP assumption of 3.8%. As a result, the planning process has explored service level and corporate level savings, use of the strong balance sheet to fund any temporary increase in costs to reduce upward pressure on council tax, while also challenging and keeping any resource growth to a minimum to meet only unavoidable and essential demand requirements.
- 1.7 Taking all these factors into consideration a council tax increase of £16.29 (5.14%) is proposed to set a sustainable budget which is slightly higher than the Home Office's assumed increase for 2023-24 of £15 as set out in the provisional 2023-24 Police funding settlement. This is a prudent council tax/precept increase, given that future pressures in terms of pay awards and increments need to be funded, as well as pressure on non-staff costs due to current inflation rates. Based on the assumptions set out in the MTFP, including a £15/4.5% council tax increase, a balanced budget has been set for 2024-2025 with a gap growing to £4.98m by 2027-28 unless annual savings are identified. However, there are major uncertainties and risks going into 2023-2024 and an assumption that seems reasonable now can change quickly due to events beyond the force's control, as seen over the last 12 months.

1.6 Aim

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

Background

- 1.7 Since 2010-11, which is considered the pre-austerity base, there was a prolonged period of austerity, followed then by a period of targeted growth of Police Officers over the last 3 years. Government funding has been reduced by -25.2% in real terms (taking inflation into account) by 2022-23. 2023-24 was anticipated to be a new post austerity, post Uplift base, but the situation has been complicated by the economic shocks witnessed in 2022-23.
- 1.8 The overall effect of the reduced funding available and inflationary and other pressures has resulted in £39.046m of savings being made to budgets over a 12-year period. This is equivalent to a 26.4% reduction in the 2010-11 pre-austerity budgets of £148.035m. North Wales Police has an excellent record of delivering planned savings, with a strategy of fully scrutinising planned savings prior to the year of delivery. The annual cuts are as shown in the table below:

| | 11/12 to 17/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|--------------------------|----------------------|---------|---------|---------|---------|---------|--------|
| | £m | £m | £m | £m | £m | £m | £m |
| Planned Cashable Savings | 29.625 | 1.479 | 1.927 | 2.358 | 2.902 | 0.755 | 39.046 |
| Savings Achieved | 29.625 | 1.479 | 1.927 | 2.358 | 2.902 | 0.755 | 39.046 |
| % of savings achieved | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

- 1.9 Prior to the 2020-21 settlement being announced the Government had in place a policy to increase Police Officer numbers by 20,000 (Operation Uplift) over a period of 3 years. The 2020-21 and 2021-22 announcements allocated 12,000 of these additional officers among Forces with North Wales Police being apportioned 124. The funding announcement for 2022-23 distributed the remaining 8,000 additional officers, with North Wales Police receiving a further 82 making a total of 206 (including 8 allocated to the Regional Serious and Organised Crime Unit). In addition to these, a further 30 officers were funded from precept in 2020-21, giving an overall increase of 236 over 3 years. It is expected that these officers will have been fully recruited by March 2023, although this has been more challenging than expected due to a higher number of officers leaving the service than anticipated. Recruitment plans have been

set for 2023-24 to ensure that the new base of 1,696 officers can be maintained, taking into account the higher rate of attrition.

- 1.10 Increases in funding since 2020/21 have been focussed on Operation Uplift. Additional grant has been received to increase officer numbers; however, the base grant has remained materially at the same level in cash terms (a real-terms reduction) leading to budgetary pressure in other areas, including the additional costs of supporting an increased number of officers. The final allocation of numbers and funding has informed the plan going forward in terms of how much budget needs to be allocated to fund the pay costs of officers going forward, and how much can be allocated to support costs.
- 1.11 The January 2022 MTFP had a balanced budget for 2023-24 and 2024-25, however since then several events have affected the overall economic environment, the main events – some of them inter-related - being:
- War in Ukraine
 - Global demand for Oil/Energy exacerbated by the weakening pound
 - Ongoing Brexit issues
 - Global Supply Issues
 - Inflation rates at 10%+ and projected to be at around 7% for 2023-2024
 - Higher pay awards than budgeted
 - Political uncertainty and change causing financial uncertainties and higher interest rates

These events in 2022 happened as the UK was emerging from the COVID pandemic. The pandemic resulted in many challenges but also in opportunities as working practices changed and the infrastructure to support this into the longer term was put in place.

This overall context made the basis for financial planning for 2023-24 onwards unusually uncertain. The main inflationary pressures were energy costs which saw the highest percentage increase (despite a government support scheme); and pay awards which were higher than the budgeted 3% increase, being an average of 5% for police officers and 7% for police staff. As staff costs account for circa 80% of total costs, this creates a significant increase in expenditure as a proportion of the overall budget. Prudent assumptions have been made for future years, based on information available at the time of preparing this MTFP, but uncertainty remains high.

2. Planning Process

- 2.1 The overall purpose of the planning process is to prioritise resources and align spending plans with the Police and Crime Commissioner's priorities and the Chief Constable's vision.
- 2.2 The Police and Crime Commissioner (PCC) Andy Dunbobbin was elected in May 2021. The PCC revised the Police and Crime Plan and set the priorities as summarised below. The full plan is available on the PCC's website [Police and Crime Plan 2021 \(northwales-pcc.gov.uk\)](https://www.pcc.gov.uk/pcc-and-crime-plan-2021-northwales).

What is the Police and Crime Plan?

The Police and Crime Plan focuses on the key areas the force will be expected to deliver on – issues that matter to local people, alongside other national policing requirements.

The policing priorities for North Wales are:

Delivering safer neighbourhoods

- Tackle and prevent rural and wildlife crime
- Improve the efficiency and effectiveness of police officers and police staff
- Improve road safety

Supporting victims and communities

- Tackle and prevent domestic abuse and sexual violence
- Safeguard vulnerable people including children
- Tackle and prevent cybercrime
- Establish a victims panel
- Tackle and prevent Hate Crime

Fair and effective Criminal Justice System

- Introduce a North Wales Female Offender Strategy
- Increase the use of Restorative Justice
- Support and protect children and young people and divert them away from the Criminal Justice System
- Address the root causes of offending and support the rehabilitation of people who have offended

Key National Priorities for Policing

An explanation will be provided of the Force's contribution and performance to achieving improvements against the key national policing priorities.

The police and crime plan also takes account of national priorities. **The national policing priorities are:**

- Reduce murder and other homicides
- Reduce serious violence
- Disrupt drugs supply and county lines
- Reduce neighbourhood crime
- Tackle cyber crime
- Improve satisfaction among victims with a particular focus on victims of domestic abuse

2.3 Chief Constable Carl Foulkes retired in Oct 2022 and was replaced by Chief Constable Amanda Blakeman from the 31 October 2022. CC Blakeman will build on the force vision set by CC Foulkes, with the new vision becoming the below:

Making North Wales the safest place in the UK; by Preventing Crime, Protecting Communities and Pursuing offenders as set out in the Plan on a Page.

Whilst CC Blakeman was able to take a full part in the final elements of the planning process her updated force delivery plan is in development and the current force delivery plan is summarised below:



2.4 The planning process for 2023-24 was reviewed by the Strategic Planning Unit, Finance Department, senior leaders, and the chief officers. Initial focus was directed towards:

- *A greater emphasis on longer term / futures thinking over a 3-year timescale.*
- *Using the corporate change initiatives as the primary driver of efficiency, and creating capacity for growth.*
- *Continuing to challenge individual service areas to identify efficiencies and savings, against a background of needing to deliver continuous improvement. While no overarching review was undertaken during this planning round, any proposed saving must make sense in the context of the whole organisation.*
- *The risk of savings being carefully balanced against any growth proposals (with these tied back to the FMS).*
- *A focus on delivery of significant change and a balanced budget during the MTFP period, to position the organisation well to face the challenges ahead.*

However, as cost pressures mounted quickly during the year, a greater focus had to be placed on balancing the 2023-2024 budget, while also setting the foundation for future years by setting a sustainable budget.

2.5 The process for 2022-23 was based on business plans for all service and functional leads (as the current budget holders) with additional business cases being required, targeted towards demand and FMS pressures, and agreed as supplementary areas to consider at the start of the process. This approach had worked well for the 2021-22 and 2022-23 financial planning. The corporate approach with early peer scrutiny resulted in a fully supported plan that will be implemented over the next 12 to 18 months. In addition to this, as events unfolded during the year, additional work was carried out by the Strategic Planning Unit and Corporate Finance Team to examine the additional cost pressures and consider opportunities to utilise the strong balance sheet and re-purpose revenue budgets.

2.6 There were also practical issues to deal with in term of conducting meetings. Due to Covid-19 restrictions, at times these were required to be held online or on a hybrid basis. However, experience from the previous two years demonstrated that this arrangement works well. The process commenced as early as possible, as shown in the summary below. By defining the parameters early in the process and having regular Organisational Planning Meetings throughout (weekly or fortnightly as required) it was possible to follow the schedule set out below with the majority of meetings being held online or on a hybrid basis:



| <u>May 2022</u> | <u>June- July- Aug 2022</u> | <u>Sept – Oct 2022</u> | <u>November 2022</u> | <u>December 2022 to January 2023</u> |
|-----------------------------|---|---|---|---|
| Chief Officer Workshop | Business Cases and Plans drafted | Submission early September | Final Org Planning meeting | Proposals presented to PCC 5.12.2022 |
| Key Stakeholder Workshop | Strategic Planning prioritises central team support | Strategic Planning & Finance Review | Autumn Statements | Grant Announcement 14.12.22 |
| Business Cases Commissioned | | Organisational Planning Meetings review | Chief Officers and Service Leads Budget meeting to finalise proposals | Finalise Proposals with PCC 20.12.22 |
| Business Plans Commissioned | Central team begins support meetings with authors | Initial proposals completed | | Final Plans drafted for Panel meeting 30.1.2023 |

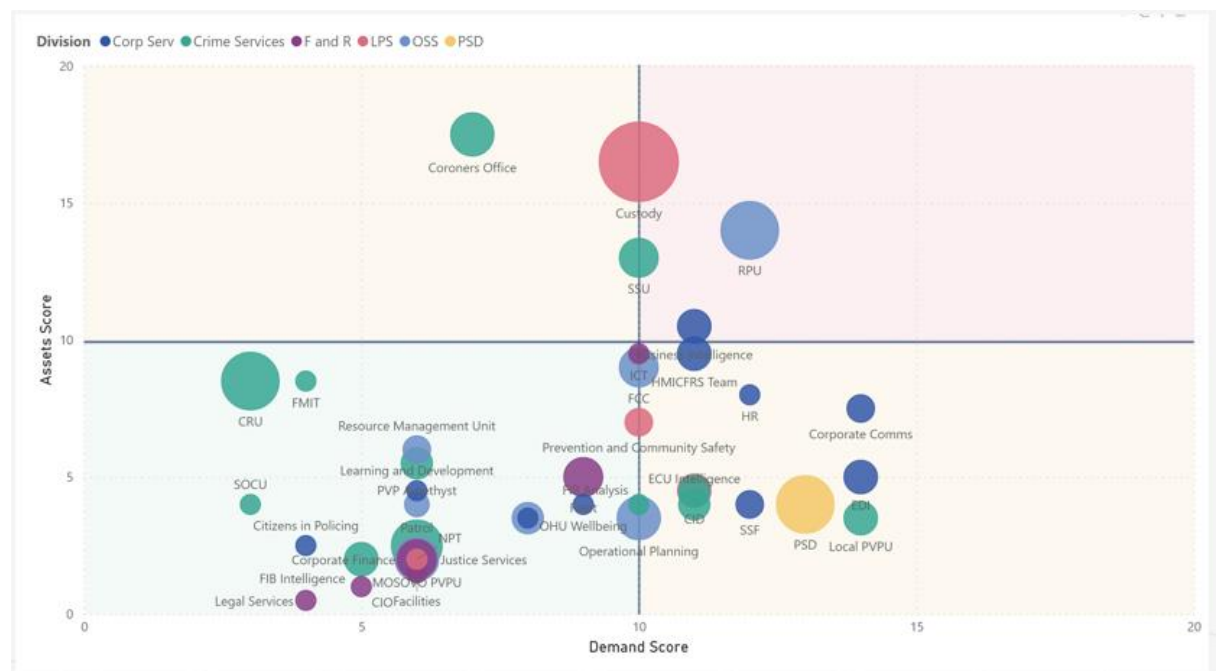
2.7 An initial saving target of 1% / circa £1m was proposed for Service areas for this planning cycle. However, as the projections for increased costs worsened the need for additional savings became apparent and further opportunities were looked at including focusing on the delayed implementation of the Emergency Service Network, leveraging a strong balance sheet (reserves), and income opportunities including investment income as interest rates increased.

2.6 As part of the above, the normal process to develop future budget requirements was undertaken, details of which are set out within this MTFP. In developing the submissions by managers and this MTFP, the following were considered:

- Local and National priorities as detailed in the Police and Crime Plan and the Force's Vision
- New and developing pressures
- The strategic planning process
- Force Management Statement (FMS)
- 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 Strategy and Capital Programme, Prudential Code and their effect on the Revenue Budget
- Reserves and Balances
- Income generation, trading activities and grants
- Collaboration

- 2.7 The Force Management Statement (FMS) has been published annually for last three years. The FMS analyses future demand against the capacity and capability of our teams. It uses data analysis and interviews with subject matter experts. Previous FMSs have informed the planning process, and the planning process will, in turn, inform the next iteration of the FMS.
- 2.8 The process to formulate the FMS involved the forecasting of future demand, horizon scanning, and input from operational experts. The process also scored each area based on:
- Current demand
 - An understanding of future demand
 - Estimate of future demand
 - Current capacity: Assets
 - Security of supply
 - Capability: People
 - Capability: Equipment
 - Health and wellbeing of officers and staff
 - Condition: Equipment
 - Current Performance
 - Assets: Future demand
 - Residual demand gap
 - Risk of harm to the public
 - Risk of harm to the organisation

This identified areas in most need of investment which can be shown as follows:



With limited investment availability this enables an informed prioritisation process.

2.9 The Business plans for each area were presented in a template with the following headings, each section having a set of structured questions:

- Performance against objectives
- Finance against budgets
- Demand and projected demand
- Capacity and Capability
- Wellbeing
- Service Area Response
- Residual Demand
- Interdependencies
- Savings

2.10 The process - especially the interdependencies - was managed through the Organisational Planning Group chaired by the Chief Superintendent Corporate Services and attended by Service and Functional Leads. This enables a corporate strategy to be developed and presented to the Chief Officers rather than a competitive process.

2.11 Other areas that were specifically considered included:

- Facilities and IT linking to agile working
- Energy costs
- Capital Funding linked to Emergency Service Network
- Availability of independent additional officers from Uplift following initial training
- Corporate Budgets review

2.12 Two meetings were held with the Chief Officer team to finalise the outcome from the planning process. This allowed known available resources to be applied to priorities and informed the allocation of the additional Uplift Officers from the final phase of Operation Uplift. The outcome was then discussed at the annual Budget Setting meeting with Service Leads and others, bringing together the recommendation from the Organisational Planning Group, including Savings Plans and all other elements, to build this MTFP. This then formed the proposal put forward to the PCC and his team.

2.13 A meeting was held between the Commissioner, the Chief Constable, and their representatives on 5 December 2022 to discuss the budget proposals, with a final meeting held on 20 December 2022 following the Government funding announcement.

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

3 2022-23 Budget

- 3.1 The budget for 2022-2023 increased by 5.14%, the majority of this increase was required to fund the final element of the Governments Operation Uplift to increase officers by 20,000 nationally by 31 March 2023 and also the inflationary and structural costs being faced by the force. North Wales Police's element of the Uplift increase in 2022-2023 was an additional 82 officers. Growth and additional investment requirements outside of Uplift were funded by a combination of savings and additional income streams. The changes are summarised below.

| | £m | |
|--|---------------------------|--------------|
| Budget 2021/22 | <u>173.365</u> | |
| Inflation requirements | 4.865 | 2.81% |
| Savings identified | -0.755 | -0.44% |
| Reinvestment and Growth | 1.660 | 0.96% |
| Uplift costs | 4.076 | 2.35% |
| Additional Specific Grants | -1.314 | -0.76% |
| Additional 10 PCSO's | 0.371 | 0.21% |
| Budget requirement 2022/23 | <u>182.268</u> | 5.14% |
| Estimated total funding 2022/23 | | |
| Government Grants | 88.407 | 5.65% |
| Council Tax | £316.80 | 3.68% |
| Multiplied by tax base | 296,279.19 | 0.94% |
| Precept (funding proportion 51.73%) | 93.861 | 4.65% |
| Total funding available | <u>182.268</u> | 5.14% |

- 3.2 Savings of £0.755m were identified as part of the organisational planning process. The PCC agreed an increase of 3.68% in the Council Tax which included funding for 10 additional PCSO's. The 82 additional Uplift Officers were allocated across the Force as well as an additional 41 Police Support Staff Posts. The allocation of these posts is summarised below.

Delivering Safer Neighbourhoods



Visibility and Public Engagement

- 28 Constables into Patrol to maintain operational response levels.
- 11 Tutor Constables to enhance development of new officers.
- Dedicated Digital Public Contact Team to broaden the range of available contact methods.
- 17 Constables into Patrol on a Temp basis to assist with tutoring pressures
- 10 additional PCSO



Investigations and Intelligence

- 3 x Domestic Abuse Perpetrator Constables (Adapt project) and support staff to reduce re-offending.
- 2 x PSD Constables to support the drive for the highest organisational standards.
- 1 x DCI Intelligence to maximise cross border opportunities to tackle organised crime.
- 2 x Intelligence Staff to exploit frontline intelligence gathering.
- 1 x Detective Inspector in Western CID to ensure effective management of local crime investigations.



Efficiency & Effectiveness

- Investment in Business Intelligence to improve Performance, Demand and Efficiency insights.
- 2 x Drone Constables to ensure efficient provision of this capability over the whole force area.
- Finance Posts to drive the efficiency agenda and support value for money decision making.
- Increased capacity to train the frontline in specialist skills.
- Audit Officer to ensure best practice is identified and shared.



Road Safety

- 1 x RPU Intelligence staff to develop targets for enforcement.
- 2 x Collision Investigation staff to ensure timely support to fatal road collisions.
- Increased use of road side drug testing kits due to the increase in drug related driving.

Supporting Victims & Communities



Tackling Serious Offenders

- 3 x Constables to manage sexual and violent offenders in PVPVU.
- Civilian Investigators aligned to CID shift pattern to bolster local investigative resources.



Tackling Cyber Crime

- 3 x Officers into Economic Crime Unit to manage increasing fraud and online demand.
- 2 x Modern Apprentice roles to bolster Financial Abuse Safeguarding and cyber device examination.



Meeting the highest standards for victims and communities

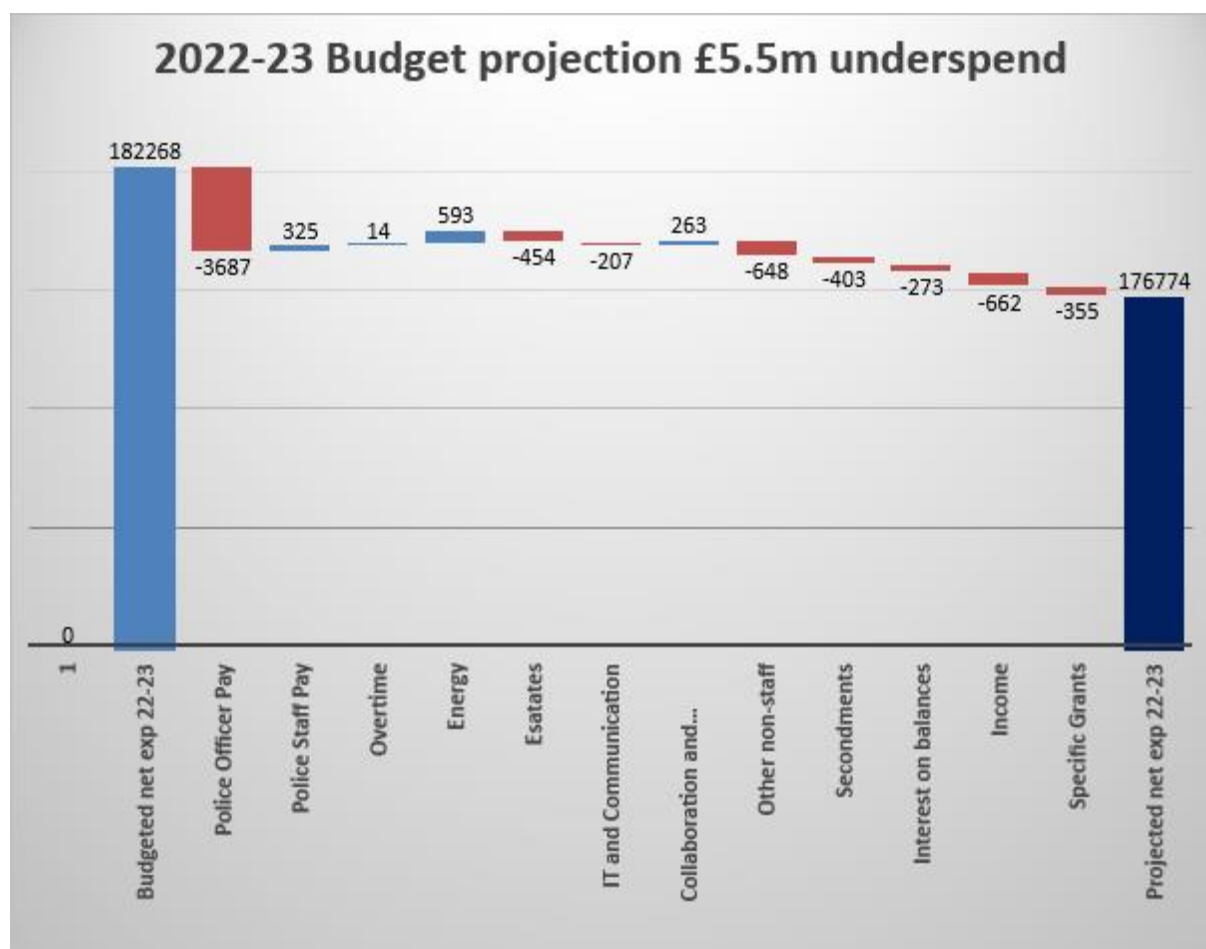
- Deputy Quality Manager in Scientific support to ensure highest forensic standards are met.
- Crime Data Integrity Supervisor to ensure crimes are correctly recorded and resourced.

Fair and Effective Criminal Justice System



- 3.3 The recruitment of Operational Uplift police officers happens in two stages, which overlap. The initial stage is additional recruitment of Police Officers in order to increase the total numbers; this was already under way prior to the start of 2022-23 financial year with 39 already recruited towards the 2022-23 additional target at the end of 2021-22. Due to the higher number to be additionally recruited of 82 officers in 22-23 compared to 62 in the previous two years and a higher number of leavers than originally expected emerging in year, the final uplift target will be met in March 2023. It had been met earlier in the year in the previous phases. To illustrate the practical numbers involved, by March 2023 it is expected that 138 additional Police Officers will have been recruited, being offset by 93 leaving, a net increase of 45. Adding the 39 net increase at the start of the year carried forward from 2021-22 then leads to the force achieving its Upift target. Plans have been put in place to maintain this number in 2023-24.
- 3.4 A good proportion of the additional Officers were allocated to Response roles where all recruits initially are deployed once they have completed their initial training. The other posts will be filled as Officers become available to back fill in Response around 10 to 12 months after being recruited. The growth of 41 Police Support Staff was also implemented during the year, this creates some additional internal turnover as well as vacancies being carried due to the time it takes to recruit.
- 3.5 The budget for 2022-23 was set on a sustainable basis in that posts were fully budgeted for the year as this would be fully required going into future years. Whilst this approach is financially prudent and sustainable it has led to an underspend within the current financial year with the Police Pay Budget expected to be under spent by circa £5.5m.

- 3.6 Budget patterns were initially expected to become more predictable coming out of the Covid lockdown period and with 2 years of home working knowledge to inform spend patterns. However, several events have made 2022-23 even more unpredictable than the previous two years. The main shock was as a result of the war in Ukraine and the knock-on effect on energy cost and inflation in general, but Brexit, COVID and political uncertainty have also affected costs, the supply of goods, material, services and the recruitment of staff. The higher inflationary costs seen nationally has led to a cost-of-living crisis and higher than expected pay settlements across several sectors, including Policing. Police officers and staff were all eventually given a flat increase of £1,900 for all pay points. This was an equivalent to an average 5% increase for police officers and 7% for police staff (due to the higher proportion of staff at lower pay grades). Additional in-year government funding was provided for part of the police officer pay increases but not for any of the staff element.
- 3.7 Energy costs have been highly volatile with additional uncertainty around Government support as well as the usual weather uncertainty. The current projection is for an overspend of £0.5 to £0.6m which can be covered in year due to underspends elsewhere. Additional income for mutual aid as part of the Queen's Jubilee celebrations and subsequently as part of the policing operation following the Queens death has also increased the current year underspend. A summary of the latest projected year end position is given below:



- 3.8 Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) and Wales Audit Office (WAO) normally review annually: the Force's financial position; planning process; savings already made; and savings yet to be made. The Force is required to produce a Force Management Statement (FMS) with the latest FMS being completed in June 2022. The FMS describes expected future demand and identifies potential gaps. This has been used as part of the planning process
- 3.9 HMICFRS's *Valuing the Police* reviews have been incorporated into their new review programme *PEEL* (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 Force was assessed as being 'Good' in terms of Effectiveness, Efficiency and Legitimacy in the last published report which was based on 2018-19.
- 3.10 Subsequent inspections of the force have been delayed due to the pandemic. However, a full inspection was conducted March to May 2022 with the report due to be published in January 2023. The assessment levels have been changed since the 2018-19 report with 5 potential gradings now a possibility for the force compared to the previous 4. Any findings in the report will be considered carefully by the force.
- 3.11 At the time of issuing the MTFP, Audit Wales have also not published their annual audit letter which would normally be published in November 2022. This is due to delays in Local Authority audits with all the audit letters being published at the same time. The latest set of accounts have been signed off by Audit Wales. Audit Wales made the following comments on their value for money assessment in their previous annual audit letter published in November 2021. The work for the 2022 letter has been completed and discussed and it is expected that a similar opinion will be given:

'The financial statements prepared by the Commissioner and Chief Constable present a true and fair view of their financial position and transactions

'I am satisfied that the Commissioner and Chief Constable have appropriate arrangements in place to secure economy, efficiency and effectiveness in its use of resources.'

The latest annual audit letter can be found at: [Annual Audit Letter 2021 \(northwales-pcc.gov.uk\)](https://www.pcc.gov.uk/annual-audit-letter-2021-north-wales)

- 3.12 Both assessments show that the budgets are being managed effectively and that the Force is performing well in maximizing the outcomes from available resources, which is also reflected in Internal Audit's opinions.

4 Funding Allocations and assumptions

- 4.1 No Provisional Government Funding Allocations for 2022-23 were given at Force level as part of the 2021-22 settlement. However, from the indicative increases in the Home

Office budgets for 2023-24 and 2024-25 increases of £1m (1.13%) and £1.68% (£1.5m) could be reasonably expected. Announcements were made during 2021-22 to confirm the Government's commitment to Operation Uplift and increasing Police Officers numbers by 20,000 nationally.

- 4.2 A number of announcements were made during the autumn of 2022. Liz Truss became Prime Minister on 6 September, following a leadership election within the Conservative Party. She named Kwasi Kwarteng as her Chancellor and after announcing intervention to cap household energy bills for 2 years on 8 September, Mr Kwarteng delivered a "Mini-Budget" on 23 September. Mr Kwarteng was replaced by Jeremy Hunt in October 2022 who made a Fiscal Statement on 17 October 2022. A full Autumn Statement was then made on 17 November 2022. Force level funding was announced on 14 December 2022 in a written statement by the Minister for Crime, Policing and Fire. The following paragraphs will focus on how those statements and announcements affected Government funding for North Wales Police.
- 4.3 The Government had announced a Health and Social Care levy of 1.25% in September 2021, this was initially implemented as a National Insurance increase from April 2022 for employees and employers. The annual cost to North Wales Police was circa £1m. The funding increase for 2022-23 included an additional amount, not separately identifiable, to cover this additional cost. The Mini Budget in September reversed this increase from November 2022 and this decision was the only one not changed in the subsequent Fiscal Statement. Hence, the additional funding provided to the force in 2022-23 was taken back as part of the Force-level announcements for future budgets.
- 4.4 Police officer and police staff annual pay awards are normally awarded from September each year, with the full year effect being on the following years budgets. Extensive discussions around the 2022-23 pay awards have taken place. Police staff were initially awarded a pay award of 2.1% from April 2022, which included a "reopener clause" to review the staff pay award if the eventual officer pay award was greater than 3%. The police officer pay award was agreed at a rate of a £1,900 annual increase for each pay point rather than a percentage increase which worked out at an average 5% increase in budgetary terms. The Home Office agreed partial additional funding for this higher than expected increase which was £0.7m for North Wales Police in 2022-23 and an expected £1.4m in 2023-24. The Police Staff pay award was then re-negotiated following the police officer agreement at the same £1,900 per pay point, an average increase of 7% on the police staff pay budget due to the higher proportion of staff on lower pay. No additional funding was given or promised for the Police Staff increase.
- 4.5 The 2023-24 Provisional Settlement was announced on 14 December in a written statement by the Minister for Crime, Policing and Fire, the Rt Hon Chris Philp MP. Inflation had climbed much higher than was predicted this time last year, with CPI reaching 11.1% by October 22. There has been pressure on the Government from all sides to increase departmental spending to avoid real terms cuts. However, to address increased levels of debt, departmental cuts were considered a necessity. This led the Chancellor, Jeremy Hunt, to cut many departmental budgets. Below you can see the

difference between the Spending Review 2021 and the Autumn Statement 2022 for Home Office Resource (Revenue) spending limits (RDEL).

| RDEL (excl. depreciation) | 2021-22 | 2022-23 | 2023-24 | 2024-25 | Change |
|----------------------------------|----------------|----------------|----------------|----------------|---------------|
| SR21 | £14.6bn | £16.2bn | £16.5bn | £16.5bn | £1.9bn |
| AS22 | £14.4bn | £14.6bn | £15.4bn | £15.5bn | £1.1bn |

4.6 The National Police Chiefs Council (NPCC) survey found that energy increases alone added a £100m cost pressure and that, in total, an additional £300m was required due to inflationary pressures.

4.7 The overall announcement was for a 1.91% increase in Home Office funding. The general grant increased by only 0.35% with the balance being allocated as a part of the Uplift Specific Grant. In addition to this, PCCs in England were allowed an increase of £15 in their Council Tax without going to a referendum, although the rules in Wales differ (see next section). If all Forces increase their Council Tax by £15 the overall increase in funding would equate to 3.6%. The main points from the announcements are:

- Base Government Grants increased by 0.35%
- English Police Council Tax referendum limit set at £15.
- Assuming all Forces increase Council Tax by £15 increase in overall funding is 3.6%.
- Ensuring overall police officer numbers are maintained at the agreed Police Uplift baseline plus force level allocations of the 20,000 additional officers, with the Uplift Specific Grant being increased by £1.442m.
- Deploying these additional officers should seek to reduce crime and honour this Government's commitment to keep the public safe.
- Delivering improvements in productivity and driving forward efficiencies, maximising the value of the Government's investment.

4.8 Practically for North Wales Police the resulting figures against previous year and expectations were as shown in the table below.

| | MTFP JAN 22 | MTFP JAN 22 plus expected adj | HO Announce | Increase from | Difference from expected |
|--------------------------|---------------------|--|------------------------|----------------------|---|
| | 22-23 | 23-24 | 23-24 | 22-23 | 23-24 |
| Grant | £ 88,407,132 | £ 89,407,132 | £88,714,918 | £ 307,786 | -£ 692,214 |
| Pension Grant | £ 1,582,031 | £ 1,582,031 | £1,582,031 | £ - | £ - |
| Uplift | £ 1,390,837 | £ 1,390,867 | £2,833,187 | £ 1,442,350 | £ 1,442,320 |
| Pay Award | | £ 1,443,000 | | £ - | -£ 1,443,000 |
| H&S care | | -£ 1,010,000 | | £ - | £ 1,010,000 |
| Total | £ 91,380,000 | £ 92,813,030 | £93,130,136 | £ 1,750,136 | £ 317,106 |

- 4.9 The main Grant has been adjusted downward by £0.6m to reflect the Social Care levy, rather than the expected £1m. The additional grant originally announced for the pay award has been added to the Uplift Specific Grant payment making it contingent on maintaining Police Officer numbers at Uplift target level (details of which have not been announced yet). The increase in General Grant is 0.3%, with the overall increase being 1.9% once the Uplift Specific Grant increase is included. This is real terms cut compared to the calculated North Wales Police specific overall inflationary increase for next year of 7.13%.
- 4.10 The Chancellor announced that the cash increases in the Departmental total would remain for 2023-24 and therefore the estimated increase of 1.6% (£1.5m) in 2024-25 remains in place. This will amount to real-terms cuts, as pay, and non-pay inflation are expected to be significantly higher than 1.6%.
- 4.11 There is no specific mention of the review of the Police Allocation Formula in the announcement, however the Home Office have set up groups to review the formula, and work has resumed. The current floor grant is £22.5m, that is if the current formula was fully applied the funding for North Wales Police would be £22.5m lower. The current formula has never been fully applied and the review would put forward a new formula. This will be kept under review as the impact for North Wales Police could be significant and the force has been engaging with the national review along with the other related national work streams including a Police Activity Survey aimed at providing insight around officer activity and a review into Operational Policing Productivity.

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 for 2023/24 includes a Council Tax increase of 5.14%, or £16.29 on a Band D Council Tax. The Tax Base for the whole of North Wales has increased by 1.58%, giving an overall increase in Precept of 6.8% and a total net budget of £188.959m. This is an overall increase of 3.67%, for the Police and Crime Commissioner, made up as follows:

| | 2022-23 | |
|-------------------------------------|---------|--------|
| | £m | % |
| Total Base Government Grants | 88.715 | 46.95% |
| Total Precepts | 100.244 | 53.05% |
| Total Budget Requirement | 188.959 | |

- 5.2 Council Tax is calculated by dividing the total precept requirement by the tax base (with 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 2023-24 has increased by 1.58%. This is higher than the estimated 0.25% primarily due to five authorities increasing the premium on empty and second homes at rates of between 50% to 150%. This means that the percentage increase in the precept can be achieved with a lower percentage increase in the council tax. A portion of the increase also reflects the increase in 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, in previous years, they agreed to limit the Council Tax increases. These were previously paid by the Department of Communities and Local Government (DCLG) but were consolidated into the Home Office Grant and total £549m in 2023-24. This grant reduces Council Tax by an average of £27 for English PCCs. 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 4th highest (assuming all Forces increase their Council Tax by £15 in 2023-24).
- 5.4 No capping rules or assumed increase have been announced by the Welsh Government; this is in line with previous years.

6. Budget for 2023-24 and Planned Budget for 2024-25 to 2027-28

- 6.1 The detail of the Budget and changes for 2023-24 and future years are shown in Appendix B.
- 6.2 The main assumptions are as follows:
- Annual pay inflation of £1,900 per pay points, equivalent to a 5% and 7% annual budget increase, applied from September 2022 to August 2023
 - Pay award of 2.5% per annum increase from September 2023 onwards, with equivalent of 0.5% earmarked in reserves to mitigate risk of higher award in September 2023
 - Higher increment increases included as Uplift Officers progress through the grade
 - General Inflation calculated line by line for 2023-24, the overall average is around 7% but this spans a large range, up to 20% excluding energy. Assumed a 7% increase in 2024-25 where amount not known.
 - Energy increases looked at over a 3 year period to deal with price increases of 200% in year one but expected to reduce.
 - Council Tax increase of 5.14% in 2023-24 (£16.29) and 4.5% (£15) in 2024-25 and £12 per annum in the following years which equate to 3.45% in 2025-26, 3.33% in 2026-27, 3.22% in 2027-28

- General Government Grants increase of 0.3% in 2023-24, 1.68% in 2024-25 and 1% for the following years
- That the base grant incorporates Uplift and all other increases (that is there will be no additional funding for future Uplift Officers increment increases)
- That the Capital Grant has been withdrawn, capital investment will have to be funded from a combination of direct funding, reserves and borrowing, all of which stem from the revenue budget
- A 0.25% increase in tax base from 2024-25 onwards. There may be further increases in second home premium but there may also be a reduction in the number of second homes
- The Emergency Service Network (ESN) will now not be implemented until 2030
- Contributions to General Reserve to ensure the balance does not fall below the minimum of 3% of Net Revenue Budget value.
- Additional specific grants are included for PCSOs, PEQF and costs relating to national security

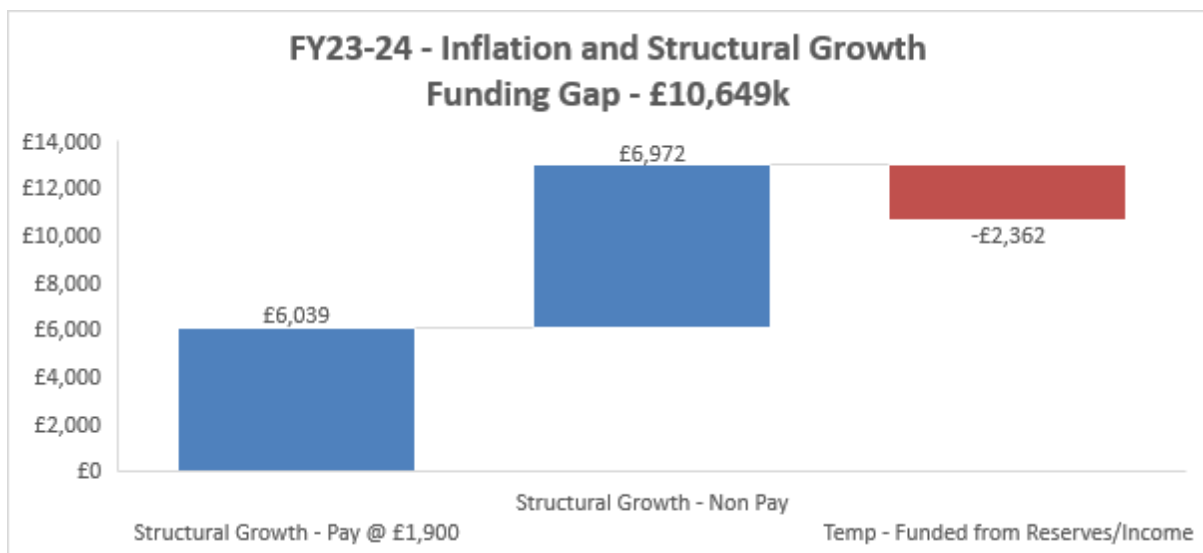
This gives an overall position of:

| | Annual | Annual | Annual | Annual | Annual |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Budget | Budget | Budget | Budget | Budget |
| | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Baseline | 182,268 | 188,959 | 195,235 | 201,457 | 207,953 |
| Inflation Pay | 6,039 | 4,293 | 4,611 | 4,969 | 5,095 |
| Inflation Non pay | 6,973 | 2594 | 1725 | 1641 | 1640 |
| Temporary funding of Energy inflation | -2,362 | 0 | 0 | 0 | 0 |
| Savings | -3,753 | -611 | -114 | -114 | 0 |
| Uplift Specific Grant increase | -1,442 | 0 | 0 | 0 | 0 |
| Growth | 1,236 | 0 | 0 | 0 | 0 |
| Budget Requirement | 188,959 | 195,235 | 201,457 | 207,953 | 214,688 |
| Total Grant | -88,715 | -90,215 | -91,117 | -92,028 | -92,949 |
| Precept from Council Tax | -100,244 | -105,020 | -108,913 | -112,823 | -116,753 |
| Total | -188,959 | -195,235 | -200,030 | -204,851 | -209,702 |
| Budget Gap | 0 | 0 | 1,427 | 3,102 | 4,986 |
| Savings to be found in year (not yet identified) | 0 | 0 | 1,427 | 1,675 | 1,884 |
| Council Tax % increase | 5.14% | 4.50% | 3.45% | 3.33% | 3.22% |
| Council Tax £ increase | 16.29 | 15 | 12 | 12 | 12 |

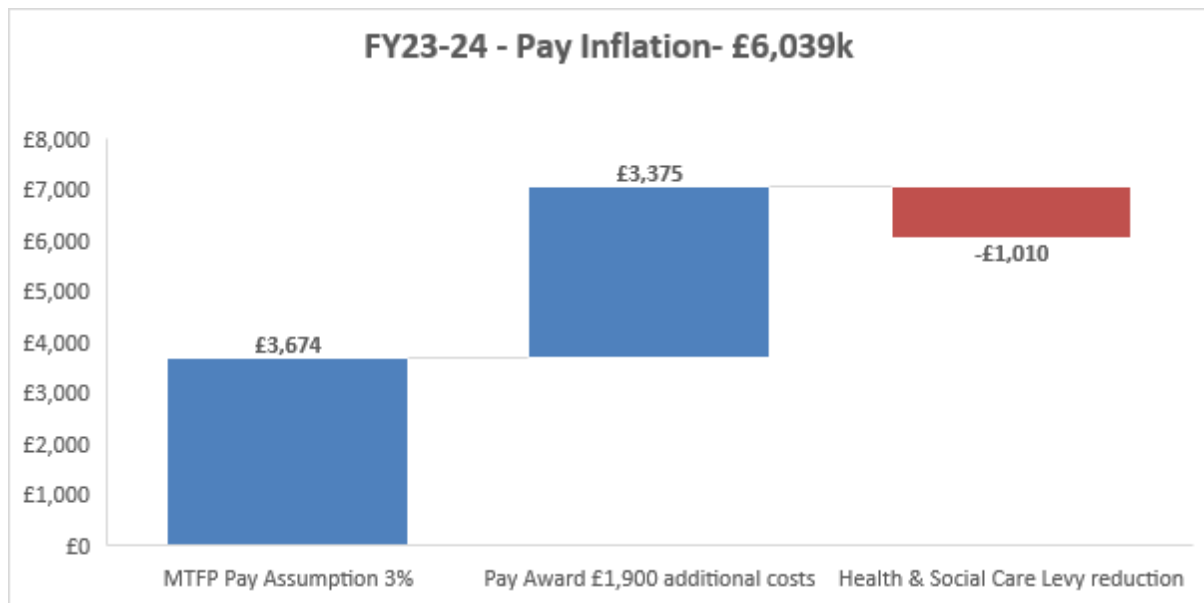
6.3 The planning cycle focussed on aligning resources to priorities while setting a balanced budget and providing value for money to local taxpayers over the medium term as set out in the Financial Strategy. Based on the assumptions set out the outputs and specific issues dealt with as part of the cycle were:

- The strategic alignment of expenditure towards the force priorities.
- Inflation and unavoidable stand-still structural increases for 2023-24 and future years
- Energy Cost implications more specifically
- Reversal of the Health and Social Care Levy
- Allocation of remaining unallocated Uplift Officers for 2023-24 and estimation of their costs for future years
- Efficiency and savings available in 2023-24 and future years
- Priority areas that require investment in 2023-24 and any residual unmet demand.
- Estimation of future costs and funding based on reasonable assumptions.
- Estimation of future Capital Requirements including delaying ESN
- Estimation and best utilisation of Reserves to support the MTFP

6.4 The biggest issue that became apparent and developed over the planning period was the additional cost of Inflation and structural / unavoidable growth. The total cost is calculated as £13.011m, broken down to £6.039m pay and £6.972m non pay, mitigated by £2.362m temporary funding for energy giving a balance of £10.649m. This is summarised below, and the following sections break these costs down.

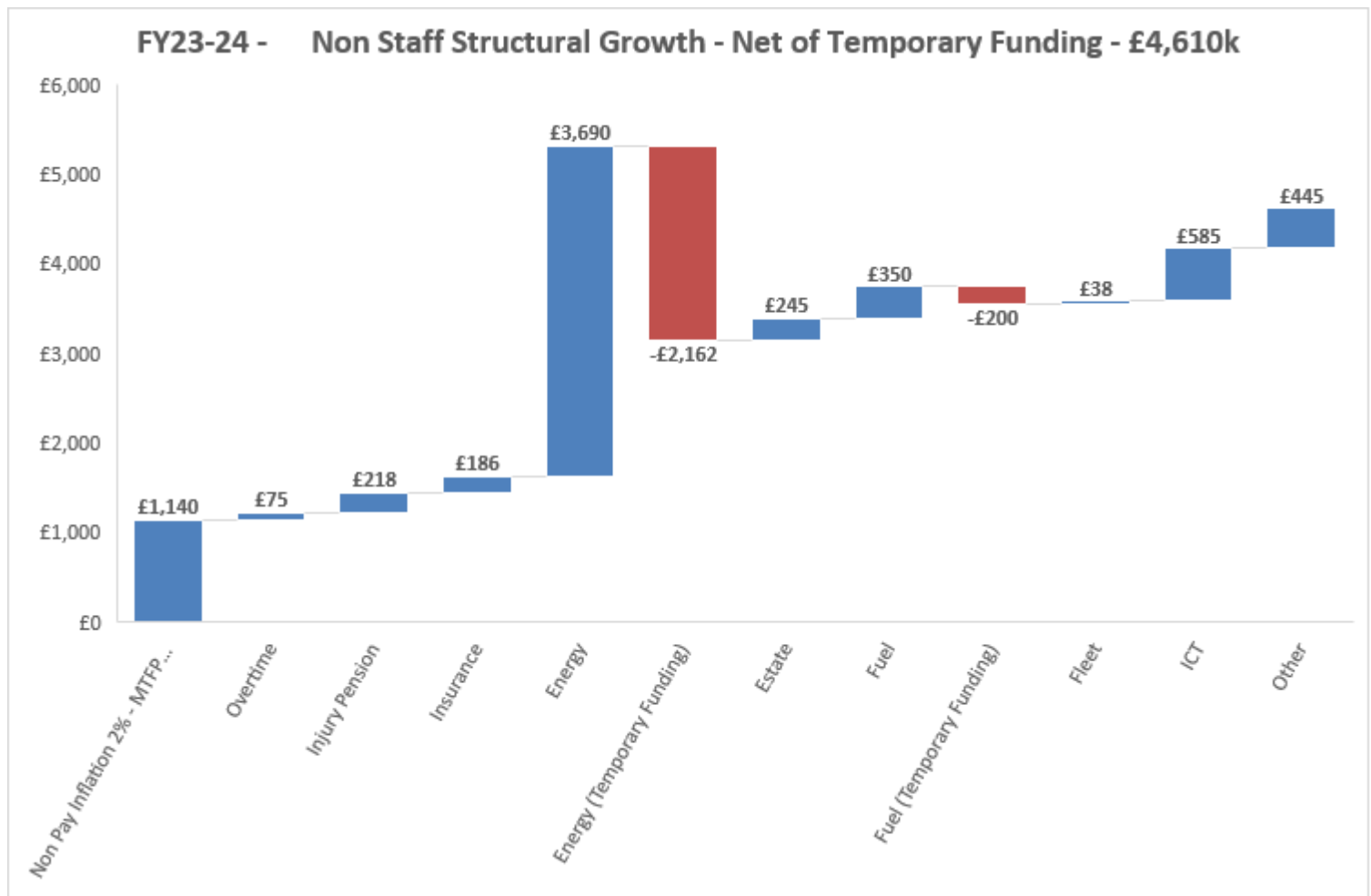


6.5 Pay inflation



The January 2022 MTFP included an assumption of a 3% increase in Officer and Staff pay awards from September 2022. The final award was for a £1,900 increase in all pay points, equivalent to an average 5% increase for Officers pay and 7% for staff. This results in additional costs of £3.375m for 2023-24. Additional funding of £1.4m was announced to support the increase but this was incorporated into the Uplift Specific Grant in the final announcement. The Health and Social Care levy was withdrawn in 2022-23 which resulted in a £1.010m saving.

6.6 Non pay inflation and structural growth



- **General non pay inflation MTFP** – this is the base inflation at 2% included in the January 2022 MTFP, the headings below are in addition to this base amount following a line-by-line review of budgets.
- **Overtime** - as a result of the pay award overtime costs need to be increased by £0.075m
- **Injury Pensions** – this is the only element of Police Pensions that remain in the Revenue Budget, increases are based on September 2022 inflation figures which resulted in a 10% overall increase.
- **Insurance** – Insurance cost for Police Forces have increased over recent years, partially due to the limited number of companies in the market and partially due to the costs of settlements. Vehicle insurance is expected to increase by circa 25% for 2023-24.
- **Energy** – Energy prices, gas and electricity, have increased dramatically over the last 12 months. NWP have moved to a variable pricing contract where gas and electricity are purchased on a quarterly basis, in the medium term this will enable gas and electricity to be bought at lower prices. However, this was not possible within the current market, although the higher prices have been capped for 2022-23 by Government support. The prices remain highly volatile and unpredictable. The current

consensus and advice from our energy consultants is that the price paid (that is adjusted for Government support) will peak in 2023-24 and will then come down to a new base in 2026-27. The increase for next year is £3.690m and the base increase, in 2025-26, is expected to be £1.648m. The MTFP includes the increase of £1.648m plus inflation for each of the 5 years and funds the difference between this amount and the higher amount from temporary funding. The table below summarise the plan.

| Energy increase funding plan | | | | | |
|------------------------------|--------|--------|--------|--------|--------|
| Year | 23/24 | 24/25 | 25/26 | 26/27 | 27/28 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Energy Increase | 3,690 | 2,299 | 1,648 | 1,670 | 1,720 |
| Funded by: | | | | | |
| Energy Growth | -1,528 | -1,574 | -1,648 | -1,670 | -1,720 |
| Additional Investment Income | -850 | -500 | 0 | 0 | 0 |
| Energy Reserve | -1,312 | -225 | 0 | 0 | 0 |
| Balance | 0 | 0 | 0 | 0 | 0 |
| ENERGY RESERVE: | | | | | |
| B/fwd | 3,300 | 1,988 | 1,763 | 1,763 | 1,763 |
| Applied in year | -1,312 | -225 | 0 | 0 | 0 |
| C/fwd | 1,988 | 1,763 | 1,763 | 1,763 | 1,763 |

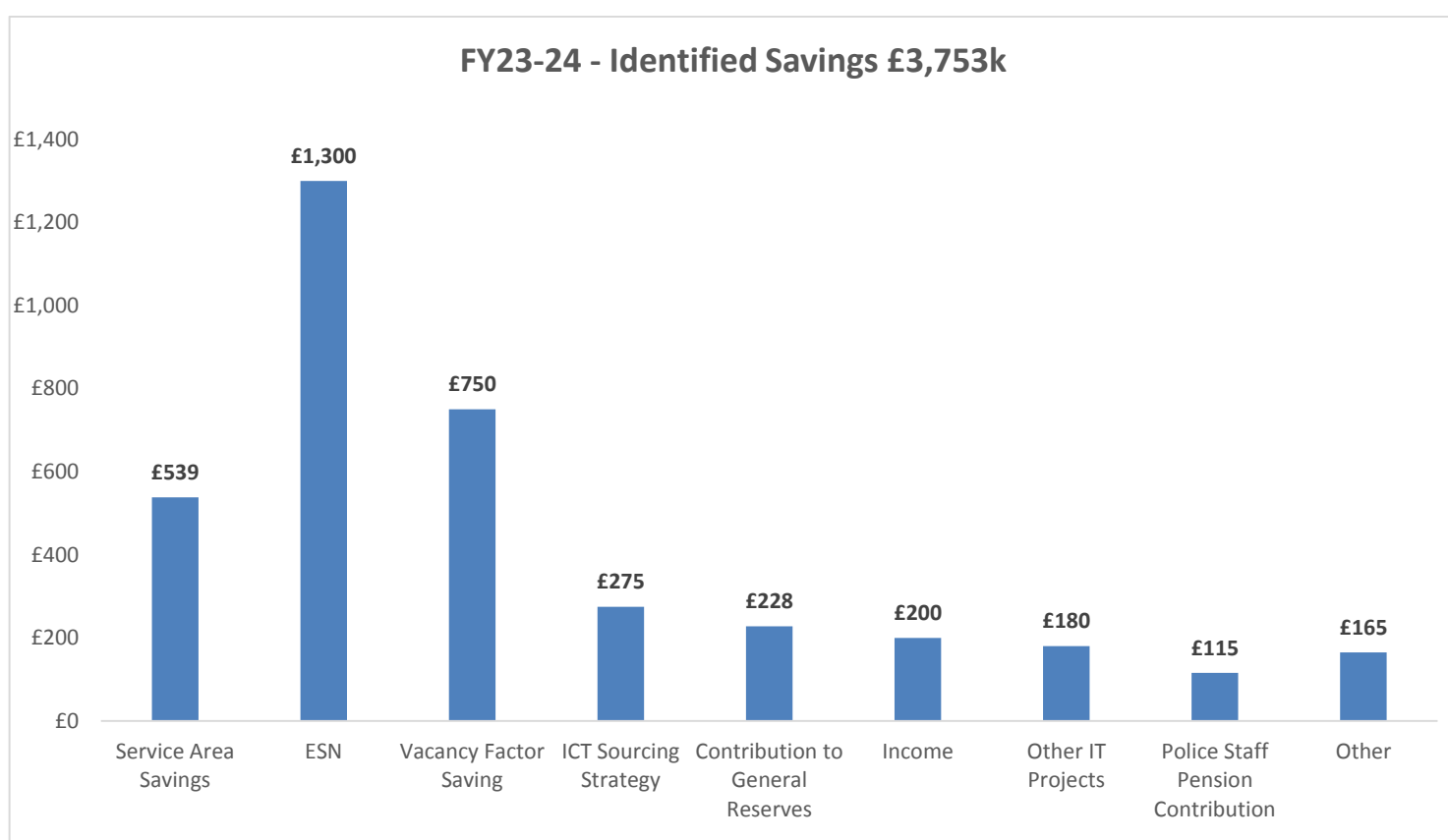
One effect of the recent economic uncertainties has been an increase in interest rates, this will result in additional income over the next two years with rates currently expected to reduce in the following years. This temporary additional income has been used to fund the expected temporary increase in energy costs, with the balance funded from an energy reserve. The plan will need to be reviewed over the next 12 months. If prices reduce as projected the balance in the reserve can be repurposed, if on the other hand prices remain higher for longer there is currently a balance projected to cater for this.

- **Estate costs** – all Estates related budget headings reviewed with inflation running at between 3% and 25%.
- **Fuel** – as with energy, fuel prices have been highly volatile as has been the case in recent years. A fuel reserve is already in place and if the higher prices transpire as shown they will be offset by use of the reserve.
- **Fleet** – other Fleet costs reviewed for additional expected inflation.
- **ICT** – IT software and maintenance contracts normally have an annual increase linked to inflation; the increase here reflects the higher inflation required following a contract by contract review.
- **Other** – this relates to other contracts that have annual increases linked to inflation, such as Officer Pensions, various medical provisions, various Collaborations and other smaller contracts.

All the above resulted in a £3.5m additional inflationary increase, with a further £2.4m being temporary funded.

6.7 Savings, Productivity & Efficiency

- North Wales Police have an excellent track record of identifying and delivering savings with over £6m of these being delivered over the last 3 years through the planning process. However, the efficiency savings identified by service areas have become harder to identify over time. In addition to the service area savings other corporate level savings and opportunities were also identified for 2023-24, with the Force's strong balance sheet also enabling some further savings to be considered. Details are given below:



- Service Area Savings** – Service Areas have identified £6m savings over the last 3 years, averaging £2m a year. It was to be expected that the savings available without affecting service delivery would become steadily harder to identify. However, a further £0.539m was identified. These are summarised below:



| Service Area | Staff £k | Non Staff £k | Income £k | Total £k |
|--------------------|-------------|--------------|-------------|-------------|
| LPS | £81 | £10 | £0 | £90 |
| OSS | £29 | £0 | £40 | £69 |
| Crime Services | £69 | £0 | £37 | £107 |
| F&R | £0 | £0 | £149 | £149 |
| Corporate Services | £7 | £109 | £0 | £117 |
| PSD | £7 | £0 | £0 | £7 |
| Grand Total | £193 | £119 | £226 | £539 |

- Emergency Service Network (ESN)** – This has featured in the last two MTFPs. It is a national project aiming to replace / upgrade the current Airwave communication network via a new national contract. It was expected to be implemented in 2023-24. An investment of circa £9m was required, this was to be funded from a revenue stream of £1.3m built up over the last two years, initially building up a reserve and then funding the investment by borrowing. The national project has now been significantly delayed and is not expected to be implemented until 2030. In the current circumstances the £1.3m has been re-purposed within the budget. To mitigate future costs the ESN reserve will be increased by utilising the 2022-23 underspend to £6m to ensure that financial provision has been made to fund the necessary works in future years.
- Turnover/Vacancy Factor** – the last 3 years have been transitioning years for staffing with an increase of 236 officers and 125 staff. The majority if not all of these will have been recruited by March 2023. The Turnover/Vacancy factor was due to be reviewed going into 2023-24. The strategy in terms of recruitment is to fill all posts as soon as possible, the expectation is that the Officer numbers will exceed the establishment during 2023-24, however there is some saving as experienced officers retire and are replaced with newly qualified officers at a lower point of the salary scale. In terms of staff some vacancies will occur as staff are replaced. Having analysed the position an additional amount of turnover of £0.750m has been factored into the budget which brings the total to £1.5m. It is a risk within the budget if full establishment is achieved, as per the strategy, but this can be mitigated, at least in the short term, with the Uplift reserve.
- It is worth noting that NWP has the lowest % leavers for forces in England and Wales as shown in the HMIC figures below, however as with other Forces the number of leavers has increased over the last 12 to 18 months.

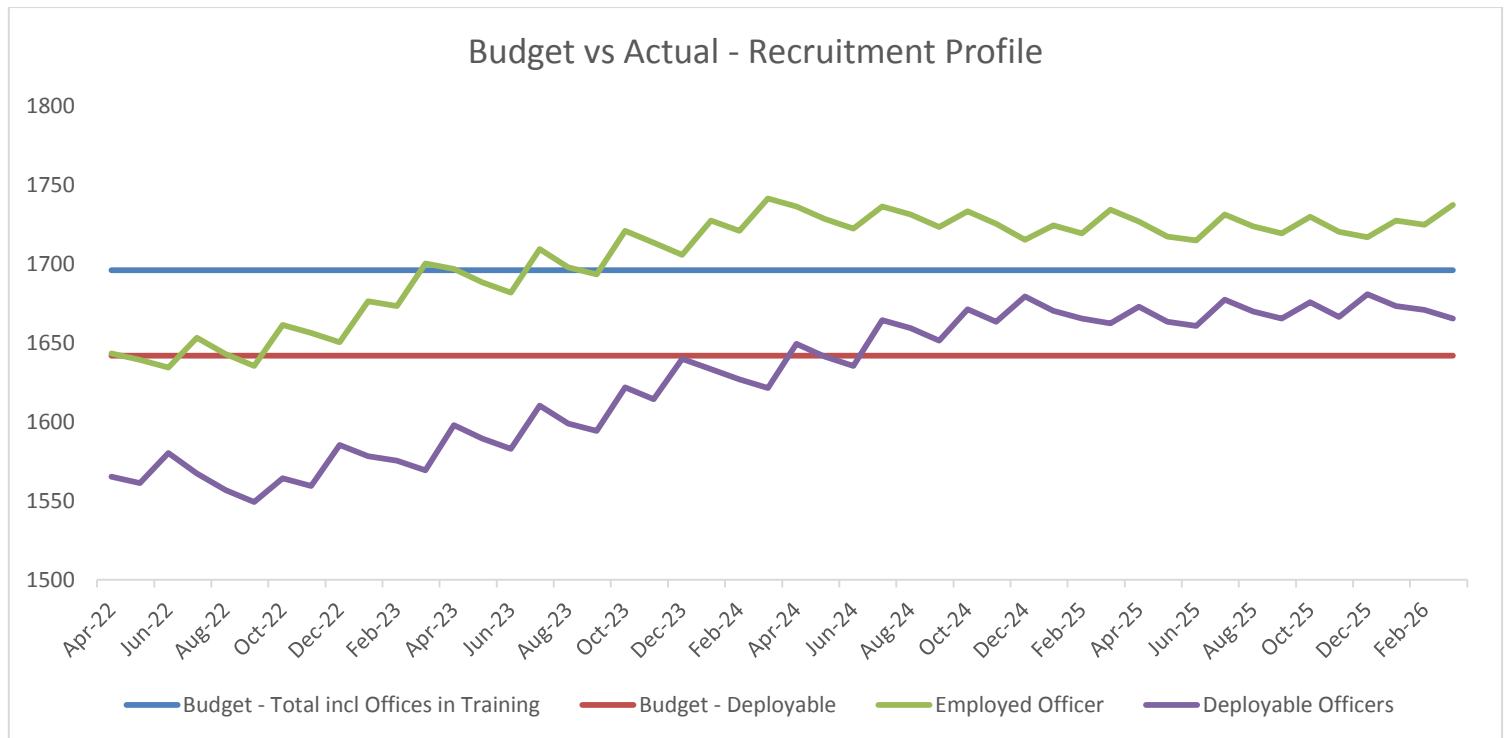
- Potential rationalisation of estate where the strategy allows it without compromising service delivery.
- Leveraging of technology associated with the Force's digital transformation programme including a 'digital workplace strand' that seeks to empower our staff with the digital tools that they need.
- A data and analytics work stream that feeds into the force's performance agenda as we look to ensure our people have the information that they need to work efficiently and effectively.
- Progressing the sustainability and decarbonisation agenda considering where cost pressures due to energy prices can be mitigated.
- Pursuing cost effective delivery models through collaboration, in particular leveraging the regional arrangements across Wales and with the North West in particular.
- Driving commercial savings where possible through either local or collaborative activity.

The force has developed a capital strategy to invest in these areas although removal of capital funding from the policing settlement has placed additional financial pressures onto the programme.

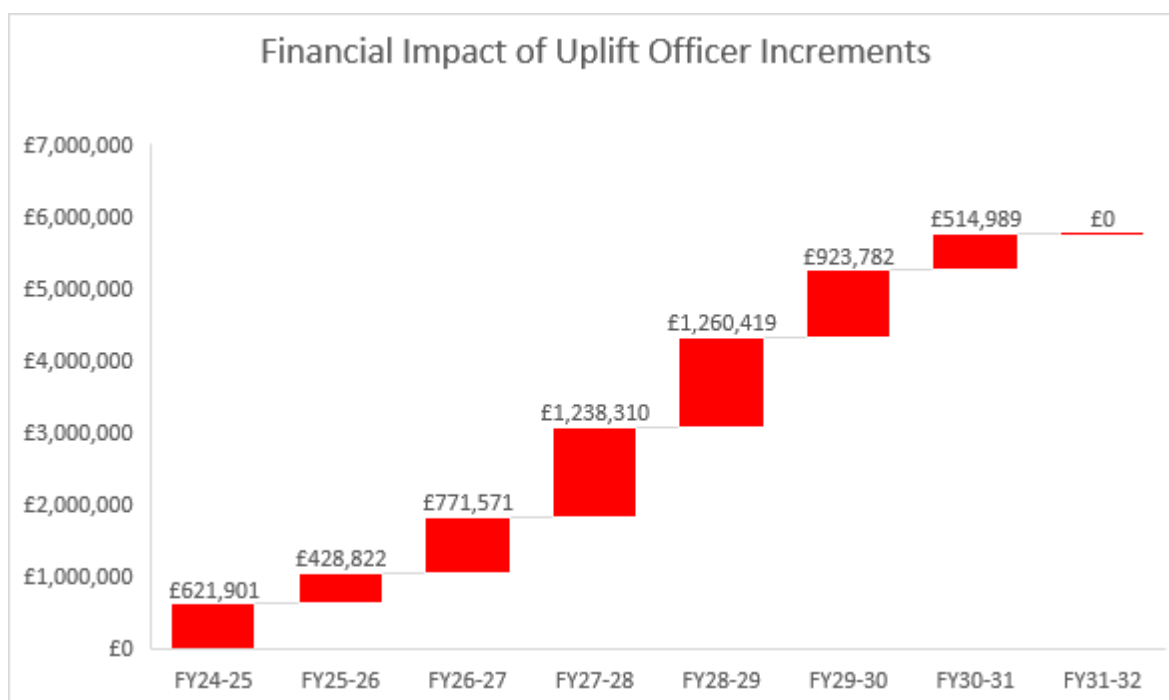
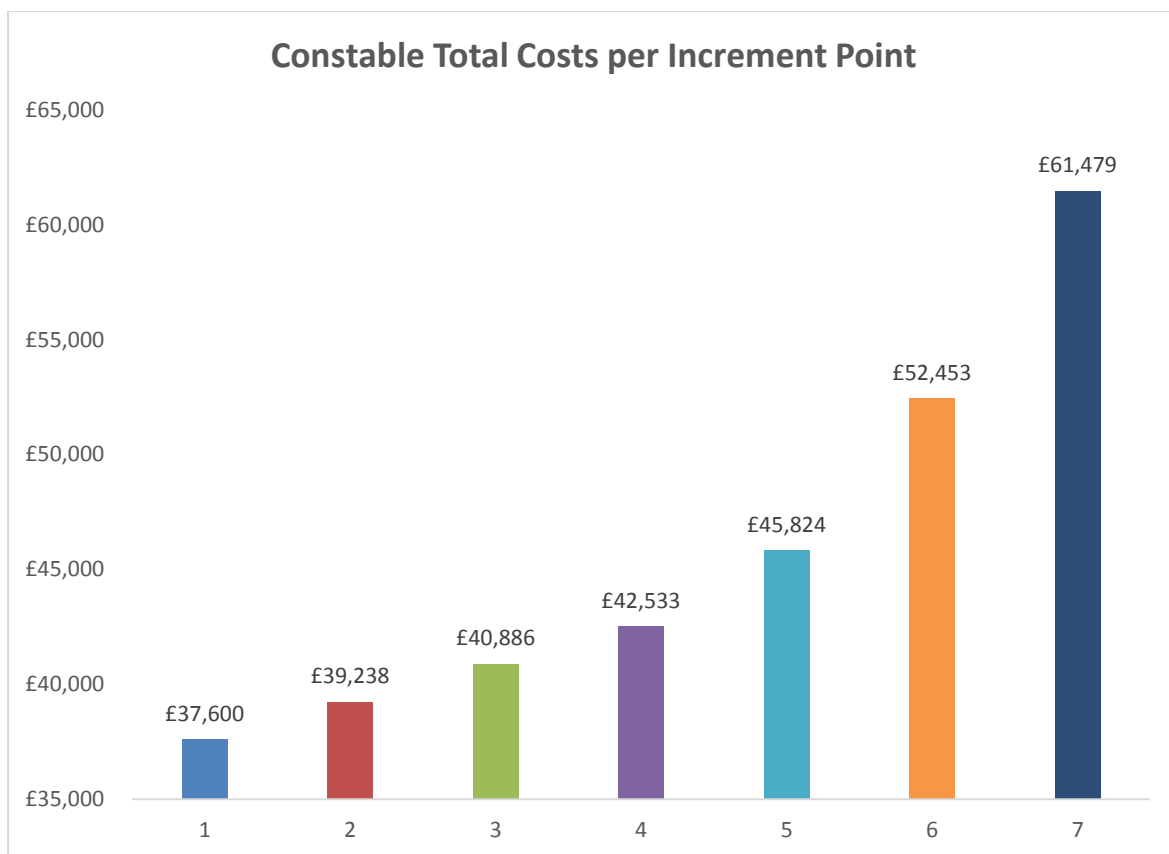
6.7 Officer Uplift

Officer Uplift is the increase of 20,000 nationally. North Wales Police's proportion of this is 206, the final allocation of 82 allocated in 22-23 and will have been recruited by March 2023. All funding for Uplift was also allocated in 2022-23. The £1.442m additional Specific Grant is the additional pay award money previously announced but included as part of the specific Uplift Grant. The majority of Uplift funding is included in the General Grant. In term of fully implementing Uplift the following points should be noted:

- To maintain the increased establishment all officers leaving must be replaced, it also takes 10 to 12 months for an officer to become independently deployable. Officers are initially deployed to response roles; other roles will recruit from response in the main. This means that there is a time lag between recruitment and the new roles being filled, this is shown in the graph below based on current figures:



- Although the Uplift target is reached in March 2023, it will be from August 2023 that the number will be consistently over establishment and June 2024 by the time there are enough trained officers to fill all posts.
- Recruitment plans are in place for next year to maintain these numbers. Due to the increased number of leavers double recruitment intakes of 33 officers compared to the base 18 will probably be needed for the full year.
- Once the deployable officer numbers have reached the budgeted deployable number there are 20 officers posts available to allocate.
- The Chief Constable has commissioned an Operational Policing Review. The terms of reference are developing but the review is likely to include the following aspects:
 - Optimise resources for current and future challenges
 - Sense check our current structures
 - Tackle persistent demand pressures
 - Drive out efficiencies
- The 20 available posts will be allocated as part of the review
- There are significant increases in officer costs as they move through incremental pay, with larger increases in cost in the final two increments. These additional amounts have been included in future budgets as shown below. The costs will contribute to future deficits, but budgeting for them early would lead to significant under spends.



6.8 Growth – There is minimal scope for growth in 2023-24 with the other inflationary pressures, however some additions are unavoidable due to changes in demand. Total bids spanning permanent, temporary, and capital expenditure of circa £7m were initially submitted indicating the widespread levels of demand being faced by the force. These were prioritised to a total of £1.236m, broken down as follows:

| Description | £m |
|-------------------------------------|--------------|
| In year agreements | 0.226 |
| Planning Process Revenue | 0.788 |
| Planning Process Capital annualised | 0.115 |
| OPCC growth | 0.107 |
| Total | 1.236 |

- **In year agreements** relating to Scientific Support Unit have been required to ensure future accreditation is achieved of £0.164m; Firearms Licencing £0.033m; Collaborations £0.029m.
- **Planning Process Revenue** – Assessment of the bid totals below was carried out as part of the planning process, using the MoRiLE threat and harm score.
 - Permanent bids £2.3m c33 staff posts
 - Temporary bids £1.8m c34 staff posts

A total of £0.788m was agreed amounting to 13.5 posts and £0.210m of non-staff growth, these are summarised below:

| | |
|--|--|
|  <p>Delivering Safer Neighbourhoods</p> <ul style="list-style-type: none"> •ISO Accredited Wet Forensic Software •Scientific Support ISO Quality Officers x2 •Telecommunications SPOC |  <p>Fair & Effective Criminal Justice System</p> <ul style="list-style-type: none"> •Custody Detention Officers x 2 •Vetting Staff in PSD x 2 •Crime Data Integrity Staff x2 •Coroner's Office x3 •Communications Officer x1 |
|--|--|

- **Capital Programme annualised amounts** – Total capital bids of £3m were scrutinised. Two projects were agreed. The SARC building improvements which is required to modernise the facility and to ensure inspection criteria of £0.450m (in addition to £0.150m already included in the Capital Programme) and the replacement of the Digital Interview Recording equipment due to the existing equipment coming to the end of life £0.450m.
- **OPCC Growth** – Increase of 2 posts (Analyst and Modern Apprentice), additional Legal Costs and additional contribution to All Wales Collaboration amounting to £0.107m in total.
- The Growth bids not agreed along with the temporary growth bids submitted are being further reviewed by Service Leads before final decisions on any that need to be funded temporarily.
- PCSO's – the PCC increased the PCSO number by 10 in 2022-23, this is in addition to the growth of 20 from the Welsh Government. To fully meet the Terms and Conditions set by the Welsh Government of attaining 222 PCSOs an additional 6 will be funded from existing grant increase setting an establishment of 211 with recruitment going

up to 222. Natural movement will bring the number down between recruitment cohorts with the additional numbers over 211 being funded from the Neighbourhood Policing Reserve.

- 6.9 The plan summarised above sets a new base for future years: full implementation of the Uplift officer increases; the resource required to support the additional officers and staff; and investments in infrastructure. The planning process during 2022-23 dealt with significant inflationary increases set against a position of minimal increases in Government funding. Significant savings were identified, as well as prudent use of the reserves to enable the 2023-24 budget to be balanced. This did require a higher than expected council tax increase, but this increase was kept to a minimum by the action taken during the planning process.
- 6.10 The increases required in the new 2023-24 base is based on assumptions set out above. These are reasonable, based on information available and broadly in line with national Policing assumptions. However, as has been seen during 2022-23 the level of uncertainty is still high.
- 6.11 Based on these assumptions a balanced budget has also been set for 2024-25, based on a £15/4.5% council tax increase. However, there is a gap in the following years based on a £12/3.3% council tax increase and no growth has been included. The Chief Constable has commissioned an Operational Optimisation Programme, this together with some existing reviews will form the basis for next year's planning process. Longer term efficiency projects are being developed which will seek to address the saving requirements of circa £5m or £1.7m per year from 2025-26 to 2027-28.

7. Risks

- 7.1 Funding for 2024-25 onwards has not been announced at Force level and could be insufficient to fund the Plan, depending on other variables. Indications from the SR21 announcements are for a 1.69% increase in 2024-25, with greater uncertainty thereafter. If the general economic position worsens the proposed funding could be reviewed.
- 7.2 The uncertainty around the effect of the UK having left the European Union and the eventual economic consequences creates further risk. The direct impacts on pricing and any potential tariffs impacting the supply chain also remain unclear.
- 7.3 One of the biggest risks over the next few years is the funding formula due to the sensitivity and current lack of information 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 later provided by Devon and Cornwall showed North Wales's allocation reducing by £14.5m, demonstrating the sensitivity of such changes. Currently floor funding is circa £22.5m, which shows how much the grant could potentially change because of changes to the formula. The Home Office has set up

groups to look at options, but no definitive time scales for implementation or figures have been provided to date.

- 7.4 New and emerging national and local risks that must be resourced, such as County Lines, Child Sexual Exploitation and Cyber Crime, have been addressed within the budget. However, new risks continually develop and the increase in volume and complexity of crimes is a risk.
- 7.5 National developments such as Operation Uplift, PEQF and ESN, detailed in earlier sections, create financial and operational risks. The replacement system for Police Communications (ESN) was intended to deliver savings, but these have not transpired. The estimated cost of implementing ESN is substantial and steps have been taken within this plan to address these, however there are still uncertainties around the final costs and timing. The additional cost of providing the latest IT, whether these are mandatory national systems or not, and the change in provision model from purchase to subscription is an additional risk.
- 7.6 Planned savings in 2023-24 have yet to be delivered. These plans are mature and it is expected that these savings will be achieved. Plans beyond 2023-24 are in development. Cashable efficiencies will become harder to deliver with the requirements of Operation Uplift, meaning that officer numbers must be maintained.
- 7.7 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 £0.953m cut in budgets, a £1 reduction would result in a £0.3m cut in budget.
- 7.8 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 70% over the period 2017-18 to 2022-23 to a total of £1,374m. For 2023-24 the top sliced amount reduced by £0.260m to £1.114m. The biggest changes to funding were an £83.2m decrease in Capital Reallocations and a £80m reduction in Police Technology Programmes. A number of top slices were also dropped, regrouped or had come to an end, including Police Uplift Programme, Police Now, National Operational Policing Units, Police & CJS performance, Crime Reduction Programmes, Rape Review and Counter Terrorism. These programmes totalled £125.2m. There are two risks here, one being future additional top sliced amounts and the second being any services funded by the reduction which are now expected to be funded by Forces.
- 7.9 A reduction in future grants could be applied if the economic climate worsens. Each additional 1% cut to the General Grant Funding is a cash reduction of £0.887m.
- 7.10 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 increase has a full year effect of an additional £1.600m increase in costs. If grants are not increased in line with inflationary costs, the cost of pay inflation either falls on the council tax or must be funded by cuts. The risk of inflation not being recognised as

part of the Government settlement is substantial as has been seen in the 2023-24 grant settlement.

- 7.11 Increases in officer pension employer contributions costs were seen in 2019-20, which had a significant effect on budgets. Several discrimination cases have been brought against the Police Pensions and other schemes, the main one being the McCloud Case which will lead to additional pension payment to those that have already retired funded centrally, but also increased future liability on the pension schemes which could lead to increases in employer contributions. A 1% increase in the Police Officer scheme would be a £0.716m increase and a 1% increase in the Staff scheme would be a £0.451m increase (the staff rate has been set for the next 3 years). The increase in the Police Officer Scheme in 2019-20 was 7%. Estimate of the effect of the McCloud on contribution rates range up to an additional 10% from 2024-25. The Home Office have indicated that they would expect any increase to be funded additionally by the Treasury, but this has not been officially confirmed.
- 7.12 The MTFP reflects the current cost of the National Police Air Services (NPAS). However, the operating model has been under review for some time and the definitive position still unclear and the host Force have indicated that they no longer want to host NPAS. There is a risk of increased costs in this MTFP.
- 7.13 Inflation which had been low for several years saw spikes during 2022, is a major risk to the budget as seen in the planning for 2023-24. This is also true for Capital projects, with Estates projects seeing significant increases which results in projects having to be re-evaluated and additional funding being identified if they are to continue.
- 7.14 Some specialist posts are becoming hard to fill, this could result in higher salary costs having to be paid but also higher non-staff cost in areas such as Information Technology and Estates as our suppliers face the same supply and demand issues.
- 7.15 The table below highlights the sensitivity of the main assumptions

| Sensitivity main variables | £m |
|---|-------|
| 1% change in Council Tax | 0.953 |
| 1% change in grant | 0.887 |
| 1% change in pay | 1.600 |
| 1% change in Employer Pensions Contributions | 1.167 |
| 1% change in general inflation | 0.553 |

8. Capital

8.1 The PCC's assets and infrastructure need continual investment to ensure an efficient and modern working environment. The Capital Programme reflects the implementation of the Estates, IT and Fleet Strategies. The implementation of Operation Uplift; reviewing the requirements as part of the planning cycle; and the COVID recovery plan, has resulted in revisions to the planned Programme. A summary of the Programme and funding is given below with details in Appendix C.

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|------------------|----------------|----------------|----------------|----------------|----------------|
| Description | Revised Estimate | Est | Est | Est | Est | Est |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Total Estates | 2747 | 7184 | 5890 | 6050 | 2100 | 0 |
| Total Vehicles and Other Equipment | 2732 | 1931 | 2441 | 1797 | 1341 | 1683 |
| Total Information Technology and Communication | 3320 | 4675 | 2900 | 1736 | 3339 | 820 |
| Total Capital Expenditure | 8799 | 13790 | 11231 | 9583 | 6780 | 2503 |
| | | | | | | |
| Funding | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Home Office Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue Contribution | 2,946 | 3,327 | 3,082 | 3,025 | 2,726 | 2,280 |
| Earmarked Reserves | 2,173 | 1,135 | 779 | 0 | 0 | 0 |
| Capital Receipts | 426 | 2,673 | 100 | 750 | 100 | 0 |
| Borrowing for Estates | 2,271 | 4,386 | 5,790 | 4,620 | 2,000 | 0 |
| Borrowing for replacement programme | 983 | 2,269 | 1,480 | 1,188 | 1,954 | 223 |
| Total Funding | 8,799 | 13,790 | 11,231 | 9,583 | 6,780 | 2,503 |
| | | | | | | |
| External sources | 0 | 0 | 0 | 0 | 0 | 0 |
| Own resources | 5,545 | 7,135 | 3,961 | 3,775 | 2,826 | 2,280 |
| Debt | 3,254 | 6,655 | 7,270 | 5,808 | 3,954 | 223 |
| TOTAL | 8,799 | 13,790 | 11,231 | 9,583 | 6,780 | 2,503 |

8.2 There have been a number of issues such as supply chain delays, planning consent delays and increased costs due to higher inflation which have delayed and made implementing the capital programme challenging. A major element of the existing Programme was the Emergency Service Network (ESN) replacement programme, this has now been delayed beyond the date of the Capital Programme. The effect of these issues and any new projects are detailed below.

8.3 **Estates** – The new Vehicle Commissioning and Workshop has become operational during 2022-23 as well as other smaller projects. Building costs have increased since the original estimates were prepared, and this situation has accelerated during 2022-23 requiring existing future projects to be reviewed in terms of cost. The Capital Receipts reserve had been highlighted as a contingency to mitigate these expected increased costs, subject to reviewing the value for money for each project. These will all be subject to final Business Cases, tendering process etc before implementation. The changes to the Programme are summarised below:

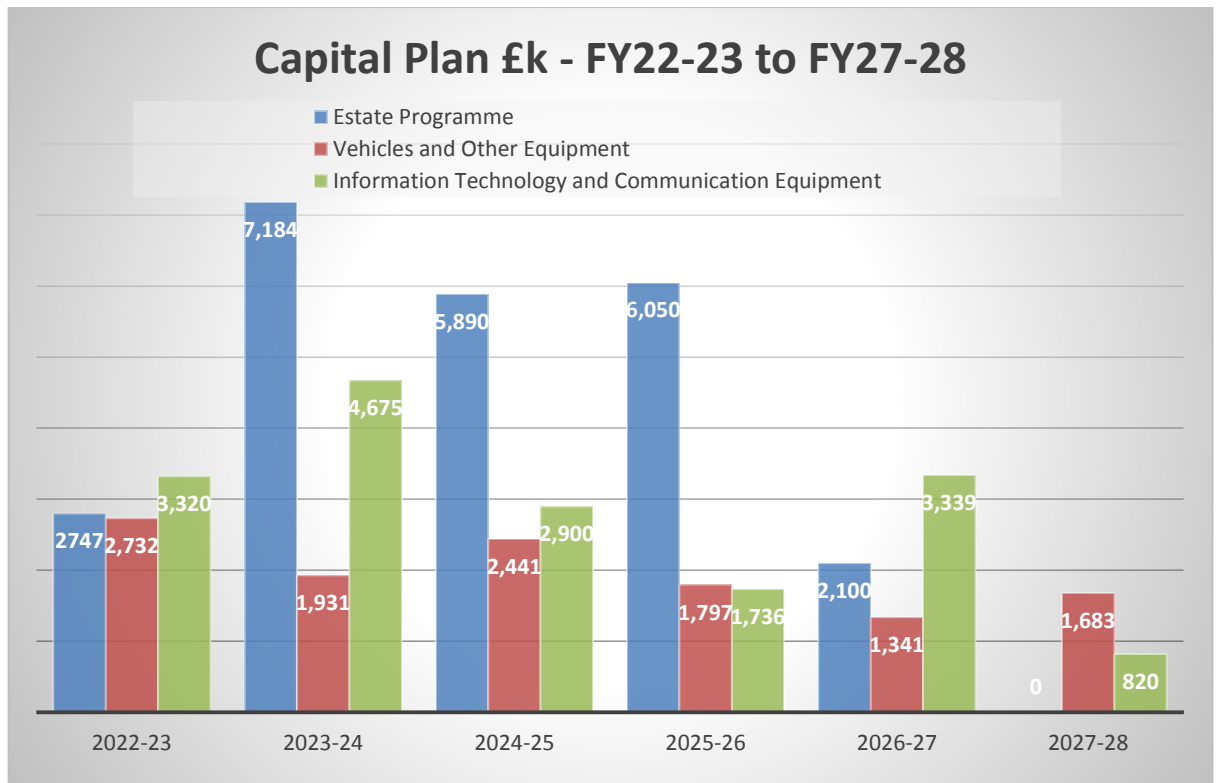
- Revised estimated figures for the replacement of the Holyhead Police Station increased the cost from £3.7m to £6.1m. This has been included in the draft plan, with the additional amount funded by Capital Receipts, but will be subject to further scrutiny before continuing with the project. The current facility is not considered fit for purpose and significant investment would be needed to make it fit for purpose.
- The increase above indicates that the figures for the other large projects in the plan in Mold, Deeside and Dolgellau will need to be reviewed. These projects have been put back a year with the Holyhead project being the main focus, and there is a contingency amount built into the Programme.
- The Sexual Assault Referral Centre (SARC) had been identified as a building needing investment, and an initial estimate of £0.150m was included in the Programme. A review of the project requirements, including meeting inspections/accreditation requirements, identified that the investment required was £0.6m. This has been included in the Programme.

8.4 **Fleet** – A detailed review of Fleet requirement has been made using the Telematics management information data, resulting in a reduction of £0.341m in the annual cost in last year MTFP (reduction in number of vehicles) in 2021-22. Since then, several issues have arisen affecting the cost and delivery of vehicles. In general, the reasons for supply issues were the shortage of microchips, COVID and Brexit. A national tendering process was carried out by Blue Light Commercial with the final figures not being available until August/September 2021. This resulted in an increase of £4k to £6k in the cost of each vehicle. The Fleet Department have re-profiled and re-costed the replacement Programme, resulting in an increase of £0.953m over 5 years (reducing the previous saving over the same period from £1.7m to £0.77m). The issues have continued during 2022-23 with delivery dates being uncertain. The lack of supply and inflation is causing pressure on prices. The introduction of electric vehicles is being progressed. Future budgets will need to be reviewed in 2023-24 considering these pressures.

8.5 **IT and Communication** - Substantial investment is being made in IT. This is being directed by the Digital Transformation Programme Board. A summary of the projects and changes are given below.

- Laptop and Desktop Replacement - Over the last 3 years personal issue laptops have been deployed across the Force, as well as the growth required in the Laptops and Desktop for the increased number of staff and officers (funded by Uplift budget). A review of future requirements has been made, this has resulted in an additional requirement of £2.630m over the 5 year period (2023-24 to 2027-28), this is funded from the relocated Uplift budget.
- The NEP rebuilds, Nexus upgrade and Mobile Device refresh (mobile phones) will all be completed in 2022-23
- Command and Control system upgrade is planned to go live in March 2023 but remains under review in terms of time scale.
- ESN is a national project which has now been delayed beyond 2027-28. Reserves have been realigned so that a total of £7.285m are held in the ESN reserve. £1.285m of this will be required to fund replacement Airwave Units which are coming to the end of life.
- Body Worn Video equipment is planned to be replaced in 2023-24.

8.6 The Capital Expenditure environment is still challenging, with increased variability in cost (which can lead to delays in ordering to provide the appropriate governance and scrutiny for increases) as well as internal and external resources to deliver the projects. The Programme is still skewed towards the early years as shown below and the phasing and delivery will be monitored on a regular basis at project and programme level.



8.7 Funding has been reviewed and additional funding included for new projects and increased costs. The Programme is affordable based on current estimated and funding available. The final detailed plan will be formally approved by the PCC as part of the Capital Strategy before the end of March 2023. This is a statutory requirement and incorporates the Treasury Management and Prudential Code Strategies.

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 allow for expenditure risk (spending over budget), as well as unforeseen events such as costly major incidents, natural disasters, or other unexpected events. An element of this risk is managed through the in-year budgets through the contingency budgets. However, with a strong balance sheet a greater proportion of that risk can be 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 when the final position is known.

9.3 A detailed review was carried out as part of the planning process to assess how the reserves and the projected under spend of circa £6m could be used to manage expenditure and risk to enable a balanced budget and support the continuation of service. The main changes were:

- Allocate £2.5m to the Energy Reserve, and £1.5m to establish a Sustainability Reserve. The Energy Reserve is to be used to manage the unpredictability in costs and the Sustainability Reserve is to be used to invest in reducing carbon footprint and energy use. If Energy costs stabilise the balance of the Energy Reserve might be moved to the Sustainability Reserve.
- Allocate £2m to the ESN Reserve, as well as transferring £1.883m from the Management of Change Reserve and £1.144m from the Uplift Reserve making a total (including the amount brought forward and planned contribution in 2022/23) of £7.285m. £1.285m of this will be used to fund Airwave replacement units and the balance of £6m will remain to fund future ESN costs. This allows £1.3m of recurring revenue funding allocated to ESN to be removed from the annual revenue budget.
- Other earmarked commitments have also been reviewed
- £0.750m is earmarked in Management of Change for Temporary costs stemming from the planning process
- £0.750m is earmarked in Management of Change to mitigate potential additional 0.5% pay increase in 2023-24
- Capital Receipts reserve is to be used to fund increase costs in Estates Projects
- No additional amounts are to be contributed to General Reserve until 2026-27 as it was increased to the required amount at the end of 2022-23

9.4 There is a planned reduction in reserves from £42.837m to £21.869mm over 10 years. A description of each reserve is given in paragraph 9.7.

9.4 It is considered prudent to maintain General Reserves at between 3% and 5% of Net Revenue Expenditure (NRE). As there are earmarked reserve to mitigate risk the General Reserve has been maintained at just above 3%. However, as the NRE increases it is necessary to increase the General Reserve to maintain a 3% balance, this has been included into future plans and is reflected in the summary below.

| <u>Reserve Position</u> | Balance 31.3.22 Balance £m | Balance 31.3.23 Balance £m | Balance 31.3.24 Balance £m | Balance 31.3.25 Balance £m | Balance 31.3.26 Balance £m | Balance 31.3.27 Balance £m | Balance 31.3.28 Balance £m | Balance 31.3.29 Balance £m | Balance 31.3.30 Balance £m | Balance 31.3.31 Balance £m |
|---------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| <i>Usable Reserves at</i> | | | | | | | | | | |
| General Fund Balance | 6.066 | 6.120 | 6.120 | 6.120 | 6.120 | 6.243 | 6.369 | 6.496 | 6.624 | 6.753 |
| Earmarked General Fund Reserves | 34.481 | 38.418 | 28.370 | 26.192 | 24.244 | 22.797 | 21.743 | 21.168 | 14.216 | 14.216 |
| Capital Receipts Reserve | 2.349 | 3.648 | 0.975 | 1.250 | 1.000 | 0.900 | 0.900 | 0.900 | 0.900 | 0.900 |
| Total Usable Reserves | 42.837 | 48.186 | 35.465 | 33.562 | 31.364 | 29.940 | 29.012 | 28.564 | 21.740 | 21.869 |
| | | | | | | | | | | |

9.5 The use of the reserves will depend on the final decisions on capital expenditure and the final revenue outturn in 2022-23, therefore the table below shows the current estimate of 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 and a description of each reserve and its purpose is set out below the table.

Earmarked General Fund Reserves

| Description | 31.3.22 Balance £m | 31.3.23 Balance £m | 31.3.24 Balance £m | 31.3.25 Balance £m | 31.3.26 Balance £m | 31.3.27 Balance £m | 31.3.28 Balance £m | 31.3.29 Balance £m | 31.3.30 Balance £m | 31.3.31 Balance £m |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Capital Investment | 3.810 | 1.924 | 0.997 | 0.997 | 0.997 | 0.997 | 0.997 | 0.997 | 0.997 | 0.997 |
| Major Incident | 2.435 | 2.435 | 2.435 | 2.435 | 2.435 | 2.435 | 2.435 | 2.435 | 2.435 | 2.435 |
| Pension Ill Health Reserve | 0.975 | 0.975 | 0.975 | 0.975 | 0.975 | 0.975 | 0.975 | 0.975 | 0.975 | 0.975 |
| Insurance Reserve | 1.561 | 1.561 | 1.561 | 1.561 | 1.561 | 1.561 | 1.561 | 1.561 | 1.561 | 1.561 |
| Training Reserve | 0.650 | 0.650 | 0.456 | 0.456 | 0.456 | 0.456 | 0.456 | 0.456 | 0.456 | 0.456 |
| PFI Reserve | 2.918 | 2.678 | 2.385 | 2.040 | 1.642 | 1.192 | 0.688 | 0.145 | 0.145 | 0.145 |
| Uplift Reserve | 4.403 | 3.474 | 1.774 | 1.074 | 0.374 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Fuel Reserve | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 | 0.200 |
| Estates Security and Maintenance | 1.604 | 1.001 | 0.701 | 0.401 | 0.101 | 0.028 | 0.028 | 0.028 | 0.028 | 0.028 |
| Management of Change | 8.228 | 5.446 | 1.959 | 1.901 | 1.901 | 1.901 | 1.901 | 1.901 | 1.901 | 1.901 |
| ESN Reserve | 0.908 | 7.285 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | 6.000 | 0.000 | 0.000 |
| COVID Reserve | 0.284 | 0.284 | 0.284 | 0.284 | 0.284 | 0.284 | 0.284 | 0.284 | 0.284 | 0.284 |
| PEQF Reserve | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 | 0.575 |
| Energy Reserve | 0.800 | 3.300 | 1.988 | 1.763 | 1.763 | 1.763 | 1.763 | 1.763 | 1.763 | 1.763 |
| Sustainability Reserve | 0.000 | 1.500 | 1.200 | 0.900 | 0.600 | 0.300 | 0.000 | 0.000 | 0.000 | 0.000 |
| Neighbourhood Policing PCSO Reserve | 1.282 | 1.282 | 1.032 | 0.782 | 0.532 | 0.282 | 0.032 | 0.000 | 0.000 | 0.000 |
| FCIN Reserve | 1.615 | 1.615 | 1.615 | 1.615 | 1.615 | 1.615 | 1.615 | 1.615 | 1.615 | 1.615 |
| MINERVA | 0.294 | 0.294 | 0.294 | 0.294 | 0.294 | 0.294 | 0.294 | 0.294 | 0.294 | 0.294 |
| Partnerships Reserve | 0.952 | 0.952 | 0.952 | 0.952 | 0.952 | 0.952 | 0.952 | 0.952 | 0.000 | 0.000 |
| Commissioner Community Safety Fund | 0.580 | 0.580 | 0.580 | 0.580 | 0.580 | 0.580 | 0.580 | 0.580 | 0.580 | 0.580 |
| OPCC Legal Reserve | 0.106 | 0.106 | 0.106 | 0.106 | 0.106 | 0.106 | 0.106 | 0.106 | 0.106 | 0.106 |
| OPCC Participatory Budget | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 | 0.030 |
| OPCC Reserve | 0.271 | 0.271 | 0.271 | 0.271 | 0.271 | 0.271 | 0.271 | 0.271 | 0.271 | 0.271 |
| Total | 34.481 | 38.418 | 28.370 | 26.192 | 24.244 | 22.797 | 21.743 | 21.168 | 14.216 | 14.216 |

9.6 Summary of Earmarked Reserves

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 annual 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; the balance is earmarked for unknown emerging claims, and unknown future claims highlighted by the Insurance Broker.

Training Reserve – This is a new reserve set up at the end of 2019-20 to manage peaks and troughs within the Training budget. The COVID pandemic has resulted in a delay in external training, this under spend has been added to the reserve and used to catch up with training requirements.

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.

Uplift Reserve – This is a new reserve from 2020-21. The Government have provided in year funding for Operation Uplift which is also intended to fund implementation an infrastructure costs over the next 2 to 3 years. It is intended that £1m is used to fund the Body Armour replacement. The balance can then be used to fund additional officers to cover additional constables' tutors and PEQF cover from 2023-24. These will taper down as the Uplift Officer work their way through their 2nd and 3rd probation years.

Fuel Reserve – this is a new reserve from 2021-22. Due to the volatility of fuel cost a sum of £0.2m has been set aside to manage this risk of significant sudden price increases.

Estates Security and Maintenance (Earmarked Revenue) - To fund backlog maintenance in the Condition Survey conducted in 2018 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.

COVID Reserve – Set up at the end of 2020-21 as an additional contingency specifically for direct additional Covid costs, only known commitments shown as being used. Potentially re allocate at the end of 2022-23 if not used.

PEQF Reserve – To cover peaks in future PEQF tuition costs due to any variability in recruitment.

Energy Reserve – To manage peak and unpredictable energy costs.

Sustainability Reserve – To invest in reducing carbon footprint and to reduce energy costs.

Neighbourhood Policing PCSO Reserve – To be used to manage PCSO recruitment

FCIN Reserve – The Force is the national lead for the Forensic Collision Investigation Network (FCIN), the amount is the balance of funds received at the end of 2020-21 plus underspends. Budgets are in the process of being re set, once this is done future year commitments can be included.

MINERVA Reserve – The Force is the national lead for MINERVA Collaboration which manages development of the Niche Record Management system

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.

9.7 The Capital Receipts Reserve

This reserve holds the proceeds received from the sale of assets. These can only be used to fund capital expenditure. Projections are made on how much receipts are expected but these are not committed until the funds have been received. Additional receipts were received in 2022-23 for the sale of land in Llay. The balance will be available for future projects but as there is high volatility in capital costs currently in the short term this reserve can mitigate the risk of increased costs in existing planned projects.

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 over the next 5 years, and the use of reserves over the next 10 years.
- 10.2 The Commissioner has considered all the options available within the resources available. Extensive work was carried out by the Organisational Planning Process to identify savings and move resources within the organisation. As detailed above during the planning process significant increases were identified due to the higher than expected inflationary pressures. The effect on the various movements on council tax are shown below. Inflation (Structural Growth) would have increased council tax by 11+% on its own. This was mitigated as far as possible through savings, temporary funding, higher increases in tax base and only essential growth being considered by the force.
- 10.3 The Commissioner held discussions with the Chief Constable who confirmed that the council tax increase of 5.14% provides sufficient budget to enable the operational delivery of the policing service in 2023/24. Also, due to future uncertainty over the level of grant allocation, pay awards, and changes in operational pressures, it is not possible to comment at this stage as to the accuracy of planning assumptions for later financial years, and it must be understood that a significant reduction in the grant allocation or a higher than expected pay award would necessitate increased cuts and/or higher council tax increases in future years. However, the assumptions made are prudent and broadly in line with those made within the Policing sector.

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 Police and Crime Plan and the Force's Delivery Plan
- Maintain a balanced budget position and to set a medium term financial plan that supports the service through the period
- 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 incurring only 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 Police and Crime Plan and to match resources with corporate objectives through the Organisational Planning Process.
- To produce a financial plan for the next 3 to 5 years which will incorporate the PCC's and 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 plan 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 to deal with exceptional events by use of reserves and provisions:
 1. Annual Budget Management
 2. Earmarked Reserves including the Major Incident Reserve
 3. A General Reserve at a minimum of 3% of net revenue expenditure

Risk Management - Financial Control Framework

- To maintain a financial control framework; this 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
- CIPFA Financial Management Code
- Policies and Procedure notes
- Financial Regulations and Standing Orders
- Capital Strategy including the Treasury Management Policy and adherence to the Prudential Code
- Codes of Professional Conduct

And also:

- Implementation of Internal and External Audit recommendations
- Management of Risk

- To maintain and develop adequate financial systems to record and control resources
- To align financial responsibility at the operational level with the appropriate management control or influence
- To ensure that accurate, up to date and timely financial information is available to enable users to apply it effectively in decision making.

Appendix B

Revenue Budget 2022-23 to 2027-28

| | Annual Budget 2022-23 | +'Inc -' Redn 2023-24 | Annual Budget 2023-24 | Annual Budget 2024-25 | Annual Budget 2025-26 | Annual Budget 2026-27 | Annual Budget 2027-28 |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Expenditure | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 1 Police Officer Pay Establishment | 96,380 | 3,138 | 99,518 | 102,572 | 105,913 | 109,578 | 113,338 |
| 2 Police Staff Pay | 52,997 | 4,722 | 57,719 | 59,170 | 60,656 | 62,180 | 63,742 |
| 3 Police Officer Overtime | 2,337 | 157 | 2,494 | 2,556 | 2,620 | 2,685 | 2,753 |
| 4 Police Staff Overtime | 649 | 33 | 682 | 699 | 716 | 734 | 752 |
| 5 Allowances | 1,334 | -89 | 1,245 | 1,243 | 1,242 | 1,241 | 1,242 |
| 6 Training | 1,761 | -48 | 1,713 | 1,759 | 1,795 | 1,831 | 1,867 |
| 7 Other Employee | 798 | 7 | 805 | 861 | 879 | 896 | 914 |
| 8 Direct Pension Payments | 3,427 | 301 | 3,728 | 3,989 | 4,084 | 4,182 | 4,283 |
| 9 Energy Costs | 1,604 | 3,738 | 5,342 | 4,001 | 3,401 | 3,475 | 3,579 |
| 10 Building Running Costs | 6,744 | 354 | 7,098 | 7,382 | 7,530 | 7,680 | 7,834 |
| 11 Repairs & Maintenance of Vehicles | 618 | -11 | 607 | 649 | 662 | 675 | 689 |
| 12 Vehicle Running Costs | 2,023 | 388 | 2,411 | 2,488 | 2,551 | 2,616 | 2,683 |
| 13 Car & Travelling Allowances | 415 | 18 | 433 | 464 | 473 | 482 | 492 |
| 14 Air Support Unit | 504 | -12 | 492 | 526 | 539 | 553 | 567 |
| 15 Equipment | 1,210 | 33 | 1,243 | 1,330 | 1,356 | 1,384 | 1,411 |
| 16 Clothing and Uniforms | 574 | -26 | 548 | 543 | 554 | 565 | 576 |
| 17 Printing and Stationery | 300 | -13 | 287 | 307 | 313 | 320 | 326 |
| 18 IT and Communications | 13,733 | -315 | 13,418 | 13,694 | 14,079 | 14,584 | 15,053 |
| 19 Subsistence | 254 | 5 | 259 | 277 | 283 | 288 | 294 |
| 20 Other Supplies and Services | 3,110 | -217 | 2,893 | 3,094 | 3,154 | 3,216 | 3,278 |
| 21 Collaboration and Partnerships | 7,477 | 665 | 8,142 | 8,535 | 8,748 | 8,967 | 9,191 |
| 22 Forensics | 934 | 68 | 1,002 | 1,072 | 1,093 | 1,115 | 1,138 |
| 23 Debt Charges & Contribution to Capital | 4,507 | 442 | 4,949 | 4,911 | 5,147 | 5,156 | 5,165 |
| 24 Special Situations Contingency | 400 | 0 | 400 | 400 | 400 | 400 | 400 |
| 25 Inflation and General Contingency | 766 | -100 | 666 | 550 | 550 | 550 | 550 |
| 26 Community Safety Fund | 3,603 | -33 | 3,570 | 3,641 | 3,714 | 3,788 | 3,864 |
| Gross Expenditure | 208,459 | 13,205 | 221,664 | 226,713 | 232,452 | 239,141 | 245,981 |

| | Annual Budget 2022-23 | +'Inc -' Redn 2023-24 | Annual Budget 2023-24 | Annual Budget 2024-25 | Annual Budget 2025-26 | Annual Budget 2026-27 | Annual Budget 2027-28 |
|------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| Expenditure | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Income | | | | | | | |
| 27 Secondments | -7,579 | -856 | -8,435 | -8,644 | -8,859 | -9,079 | -9,305 |
| 28 Interest on Balances | -100 | -900 | -1,000 | -650 | -177 | -150 | -150 |
| 29 Income | -2,669 | -408 | -3,077 | -3,077 | -3,077 | -3,077 | -3,077 |
| 30 Specific Grants | -17,066 | -1,522 | -18,588 | -18,536 | -18,483 | -18,430 | -18,378 |
| Total Income | -27,414 | -3,686 | -31,100 | -30,907 | -30,596 | -30,736 | -30,910 |
| 31 PFI Reserve | -241 | -1,364 | -1,605 | -571 | -398 | -451 | -504 |
| 32 Contribution to ESN Reserve | 1,350 | -1,350 | 0 | 0 | 0 | 0 | 0 |
| 33 Contribution to General Reserve | 114 | -114 | 0 | 0 | 0 | 0 | 125 |
| Net Expenditure | 182,268 | 6,691 | 188,959 | 195,235 | 201,458 | 207,954 | 214,692 |
| 34 Total Grants | -88,407 | -308 | -88,715 | -90,215 | -91,117 | -92,028 | -92,949 |
| 35 Precept | -93,861 | -6,383 | 100,244 | 105,020 | 108,913 | 112,823 | 116,753 |
| | - | | - | - | - | - | - |
| Funding | 182,268 | -6,691 | 188,959 | 195,235 | 200,030 | 204,851 | 209,702 |
| Annual Balance | 0 | 0 | 0 | 0 | 1,428 | 1,675 | 1,887 |
| BASE CASE - Cumulative | 0 | | 0 | 0 | 1,428 | 3,103 | 4,990 |

Draft Capital Programme 2022-23 to 2027-28

| Description | 2022-23 Revised Estimate | 2023-24 Est | 2024-25 Est | 2025-26 Est | 2026-27 Est | 2027-28 Est |
|---|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>Estate Programme</u> | | | | | | |
| Retentions, Consultancy and QS | 25 | | | | | |
| Sustainability Improvements | 152 | 250 | 100 | 100 | 100 | |
| Estates estimate 25-26 onwards/contingency | | | | 2,000 | | |
| Holyhead PS | 250 | 5,350 | 500 | | | |
| Caernarfon & North Gwynedd Estate Area | 250 | 376 | | | | |
| VCC / Vehicle Workshop | 1,577 | | | | | |
| Dolgellau PS | 0 | | 0 | 1,200 | | |
| Abergele PS | 0 | 391 | | | | |
| Llanrwst PS | 150 | 28 | 0 | | | |
| Flintshire PS - North/ Deeside PS | 0 | 0 | 700 | 2,300 | | |
| Flintshire PS - South/Mold PS | 0 | 50 | 3,650 | 450 | | |
| Force Control Room Upgrading | 150 | | | | | |
| Archive Store | 0 | 0 | 750 | | | |
| Rhosllanerchrugog PS | 0 | | 190 | | | |
| Re locate/ co locate/ vacate | 130 | 164 | | | | |
| Firearms Base works | 38 | | | | 2,000 | |
| CS - SARC ISO Accreditation | 25 | 575 | | | | |
| Total Estates | 2,747 | 7,184 | 5,890 | 6,050 | 2,100 | 0 |
| <u>Vehicles and Other Equipment</u> | | | | | | |
| Vehicle Purchase Replacement Programme | 2,451 | 1,931 | 1,661 | 1,797 | 1,341 | 1,683 |
| PSU Vehicles (Revenue Stream replacement programme) | 0 | | 780 | | | |
| Tranman development | 60 | | | | | |
| Intoxilators x 3 | 30 | | | | | |
| ANPR replacement | 150 | | | | | |
| Collision Surveying Equipment | 41 | | | | | |
| Total Vehicles and Other Equipment | 2,732 | 1,931 | 2,441 | 1,797 | 1,341 | 1,683 |

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|------------------|---------------|---------------|--------------|--------------|--------------|
| Description | Revised Estimate | Est | Est | Est | Est | Est |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| <u>Information Technology and Communication Equipment</u> | | | | | | |
| Desk Top Replacement (Replacement Programme) | 397 | 785 | 1,800 | 1,736 | 1,054 | 820 |
| Server Replacement | 280 | 420 | | 0 | 700 | |
| DFU Server replacement | 0 | 270 | | | | |
| Telephony | 0 | 250 | | | | |
| Nexus Upgrade | 368 | | | | | |
| Digital Interview Recorder (5yrs EUL) | 0 | 450 | | | | |
| NEP Device Re-build (7 yrs) | 255 | | | | | |
| Mobile data devices | 468 | 0 | 0 | 0 | 585 | |
| NEP Infrastructure/Sail Point/Internet Links | 22 | | | | | |
| Digital Workplace audio visual | 0 | 86 | | | | |
| Digital Intelligence & Investigation | 0 | 196 | | | | |
| Command and Control Upgrade - Phase 2 | 1,355 | | | | | |
| Life-X Deployment (5 yrs EUL) | 0 | | 1,100 | | | |
| ESN (5 yrs) | 85 | 0 | 0 | 0 | 0 | |
| Airwave replacement devices | 90 | 1,285 | | | | |
| Body Worn Video (replacement costs) (3 yrs) | 0 | 933 | 0 | 0 | 1,000 | |
| Total Information Technology and Communication | 3,320 | 4,675 | 2,900 | 1,736 | 3,339 | 820 |
| | | | | | | |
| Total Capital Expenditure | 8,799 | 13,790 | 11,231 | 9,583 | 6,780 | 2,503 |

| | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
|--|------------------|----------------|----------------|----------------|----------------|----------------|
| Description | Revised Estimate | Est | Est | Est | Est | Est |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Total Estates | 2747 | 7184 | 5890 | 6050 | 2100 | 0 |
| Total Vehicles and Other Equipment | 2732 | 1931 | 2441 | 1797 | 1341 | 1683 |
| Total Information Technology and Communication | 3320 | 4675 | 2900 | 1736 | 3339 | 820 |
| Total Capital Expenditure | 8799 | 13790 | 11231 | 9583 | 6780 | 2503 |
| | | | | | | |
| Funding | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 |
| Home Office Grant | 0 | 0 | 0 | 0 | 0 | 0 |
| Revenue Contribution | 2,946 | 3,327 | 3,082 | 3,025 | 2,726 | 2,280 |
| Earmarked Reserves | 2,173 | 1,135 | 779 | 0 | 0 | 0 |
| Capital Receipts | 426 | 2,673 | 100 | 750 | 100 | 0 |
| Borrowing for Estates | 2,271 | 4,386 | 5,790 | 4,620 | 2,000 | 0 |
| Borrowing for replacement programme | 983 | 2,269 | 1,480 | 1,188 | 1,954 | 223 |
| Total Funding | 8,799 | 13,790 | 11,231 | 9,583 | 6,780 | 2,503 |
| | | | | | | |
| External sources | 0 | 0 | 0 | 0 | 0 | 0 |
| Own resources | 5,545 | 7,135 | 3,961 | 3,775 | 2,826 | 2,280 |
| Debt | 3,254 | 6,655 | 7,270 | 5,808 | 3,954 | 223 |
| TOTAL | 8,799 | 13,790 | 11,231 | 9,583 | 6,780 | 2,503 |

