

AGENDA ITEM 7a

Report from the Office of the Police and Crime Commissioner

Title:	Precept and Council Tax 2023/24
Meeting:	North Wales Police and Crime Panel, 30 January 2023
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1. Introduction

- 1.1 The purpose of this report is to review the financial position of the Police and Crime Commissioner for North Wales and to make recommendations for the 2023/24 precept and council tax.

2. Recommendations

- 2.1 To increase the precept to £100,244,287
- This will increase council tax by 5.14% - this is equivalent to £333.09 per annum, an increase of £16.29 per annum, or 31p per week for a band D property.
 - To note that the Tax Base has increased by 1.58%
 - This is an increase in precept of 6.80% from 2022/23
- 2.2 To note that base Government Grant increased by 0.35%/£0.3m
- 2.3 To note that total inflationary pressure is 7.1% or £13m
- 2.4 To note that £2.362m temporary funding is included and that the Uplift Specific Grant has been increased by £1.442m subject to maintaining Officer numbers
- 2.5 To note that £1.236m of unavoidable growth has been included
- 2.6 To note that £3.753m of savings have been identified for 2023/24
- 2.7 To note the Medium Term Financial Plan (MTFP), which includes the following assumptions:
- Council Tax increase of 4.5% (£15) in 2024-25 and £12 per annum in the following years which equate to 3.45% in 2025-26, 3.33% 2026-27, 3.22% 2027-28.
 - That policing grants are estimated to increase 1.68% in 2024/25 and 1% for the following years.
 - That annual pay award will be 2.5% to be applied in September 2023, with an additional 0.5% being earmarked in reserves for 2023-24, and 2.5% to be applied each subsequent September.
 - To note that the increase in grant has been awarded in support of Operation Uplift (recurring and set up costs), which has been earmarked for these purposes; and these commitments have been included in the budget.

3. Summary Budget 2023/24

	£m	
Budget 2022/23	<u>182.268</u>	
Pay and non-pay Inflation	13.012	7.13%
Savings identified	-3.753	-2.06%
Temporary funding	-2.362	-1.30%
Additional Specific Grants	-1.442	-0.79%
Growth	1.236	0.68%
Budget requirement 2023/24	<u>188.959</u>	3.68%
Estimated total funding 2023/24		
Government Grants	88.715	0.35%
Council Tax	£333.09	5.14%
Multiplied by tax base	300,952.56	1.58%
Precept (funding proportion 53.05%)	100.244	6.80%
Total funding available	<u>188.959</u>	3.68%

4. Statutory Items

4.1 Quality of Information

- 4.1.1 The Chief Finance Officer is required under the Local Government Act 2003 (s5) to comment on the suitability of the information to be used as the basis for budgetary decisions. The Chief Finance Officer confirms that the figures in the various reports are the products of procedures that continue to be operated to the highest professional standards. These systems are audited both internally and externally, and external audit has never issued a qualified audit report. Therefore, in the opinion of the Chief Finance Officer this information is fit for purpose.
- 4.1.2 The same Act also requires the Chief Finance Officer to comment on the adequacy of reserves to be provided in the budget. In the opinion of the Chief Finance Officer the general reserve will continue to be adequate for the day to day operational needs of the Force. The reserves have been reviewed, and further details are provided in section 9. The Reserves have increased in recent years, the planned use of reserves has been reviewed in detail for the current Medium Term Financial Plan (MTFP). The strong reserve position has been used in a prudent way to manage the additional information costs that have transpired for 2023-24; this is explained in more detail in the MTFP.

5. Background

- 5.1 Since 2010-11, which is considered to be the pre austerity base, there has been 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, resulting in £39m of savings being made over a 12 year period, summarised below. 2023-24 is a new post austerity, post Uplift base but has been complicated by the economic shocks witnessed in 2022-23:

	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%

- 5.2 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 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. 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.
- 5.3 Increases in funding since 2020/21 have been focussed on Operation Uplift. Additional grant has been received in order 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.
- 5.4 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 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 was put in place. This context made the basis for financial planning for 2023-24 onwards unusually uncertain. The main inflationary pressures were energy costs which had the highest increase; and pay awards which were much 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 report, but uncertainty remains high

6. The Planning Process

- 6.1 The attached Medium Term Financial Plan (MTFP) sets out the planning environment. It includes previous years' figures, together with projections for revenue income and expenditure, and plans for capital and reserves.
- 6.2 The overall purpose of the planning process is to prioritise resources to align spending plans with the Police and Crime Commissioner's priorities and the Chief Constable's vision and as set out in the Financial Strategy (Appendix A of the MTFP). The priorities are set out below and are detailed in the [Police and Crime Plan 2021 \(northwales-pcc.gov.uk\)](https://www.northwales-pcc.gov.uk/pcc-plan-2021)

Police and Crime Plan Priorities

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
- Safeguarding 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

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

The Chief Constable's vision is

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:



- 6.3 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 and futures thinking - over at least a 3-year timescale.
- Using the corporate change initiatives as the primary driver of efficiency, and creating capacity for growth.
- Challenging individual service areas to find efficiencies and savings, against a background of needing to deliver continuous improvement. While no overarching review was undertaken during this planning round, any proposed savings 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 us well for challenges that lie ahead.

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

6.4 The business plans for each area were set out in a template, with each section having a set of structured questions linked to the Force Management Statement (FMS). The FMS considers the following to assess future demand, risk and harm considering current resources allocated:


- 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

6.5 Other area that were specifically considered include:

- Facilities and IT, linking to agile working
- Energy costs
- Capital funding linked to Emergency Service Network (ESN – the proposed replacement for Airwave radio)
- The length of time required for additional officers from Uplift to become available for independent deployment following initial training

- A review of all corporate budgets

6.6 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. 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 the process (weekly or fortnightly as required) it was possible to follow the schedule below. Most meetings were held online but it was possible to have some in person by the end of 2022.



<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	Central team begins support meetings with authors	Organisational Planning Meetings review	Chief Officers and Service Leads Budget meeting to finalise proposals	Finalise Proposals with PCC 20.12.22
Business Plans Commissioned		Initial proposals completed		Final Plans drafted for Panel meeting 30.1.2023

6.7 Incorporated in the above, the normal process to develop future budget requirements was undertaken, details of which are included within the Medium Term Financial Plan (MTFP). In developing the submissions by managers, 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
- 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
- COVID Recovery Plan

6.8 Two meetings were held with the Chief Officer team to finalise the outcome of the planning process. This allowed known available resources to be applied to priorities and informed the allocation of the additional Uplift officers from the third 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 the accompanying MTFP. This then formed the proposal put forward to the PCC and his team.

6.9 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 after the Government funding announcement had been made.

7. Funding Allocations

7.1 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, to increase Police Officers numbers by 20,000 nationally.

7.2 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. Kwasi Kwarteng was replaced by Jeremy Hunt in October 2022 who made a Fiscal Statement on 17 October 2022. A full Autumn Statement was 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 focus on how those statements and announcements affected Government funding for North Wales Police.

7.3 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 were had. Police Staff were initially awarded a pay award of 2.1% from April 2022. Police Officer pay award was agreed at a rate of a £1,900 annual increase for each pay point rather than a percentage increase, this worked out at an equivalent 5% increase in budgetary terms. The Home Office agreed 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 re-negotiated following the Police Officer agreement at the same rate of £1,900 per pay point, equivalent to an average increase

of 7% on the Police Staff pay budget, due to the higher proportion of staff of lower pay. No additional funding was given or promised for the Police Staff increase.

7.4 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. 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.

7.5 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.

7.6 The announcement was for an overall 1.91% increase in Home Office funding, the general grant increasing by only 0.35%, and 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, rules in Wales are different (see next section). If all Forces increase their Council Tax by £15 the overall increase in funding would be 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 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.

7.7 Practically for North Wales Police the resulting figures against previous year and expectations were as shown in the table:

	MTFP January 2022	MTFP January 2022 with expected adjustments	HO Announcement	Increase from MTFP January 2022	Difference from expected
	2022-23	2023-24	2023-24	2022-23	2023-24
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

- 7.8 The main Grant was 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 of which will be 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 years of 7.13%.

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

- 8.1 The details of the budgets and changes for 2023-24 and future years are shown in Appendix A.

- 8.2 The main assumptions are as follows:

- Annual pay inflation of £1,900 per pay point, 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 the amount is unknown.
- 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 a position of:

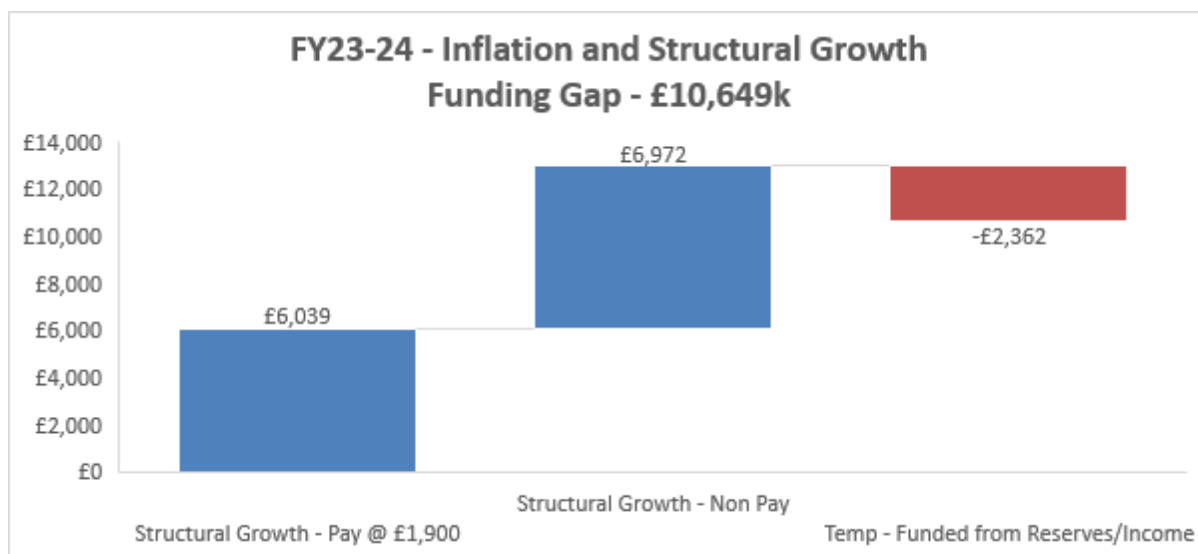
	Annual	Annual	Annual	Annual	Annual
	Budget	Budget	Budget	Budget	Budget
	2023-24	2024-25	2025-26	2026-27	2027-28
	£'000	£'000	£'000	£'000	£'000
Baseline	182,268	188,959	195,235	201,457	207,953
Inflation Pay	6,039	4,293	4,611	4,969	5,095
Inflation Non pay	6,973	2594	1725	1641	1640
Temporary funding of 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

8.3 The planning cycle focused 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:

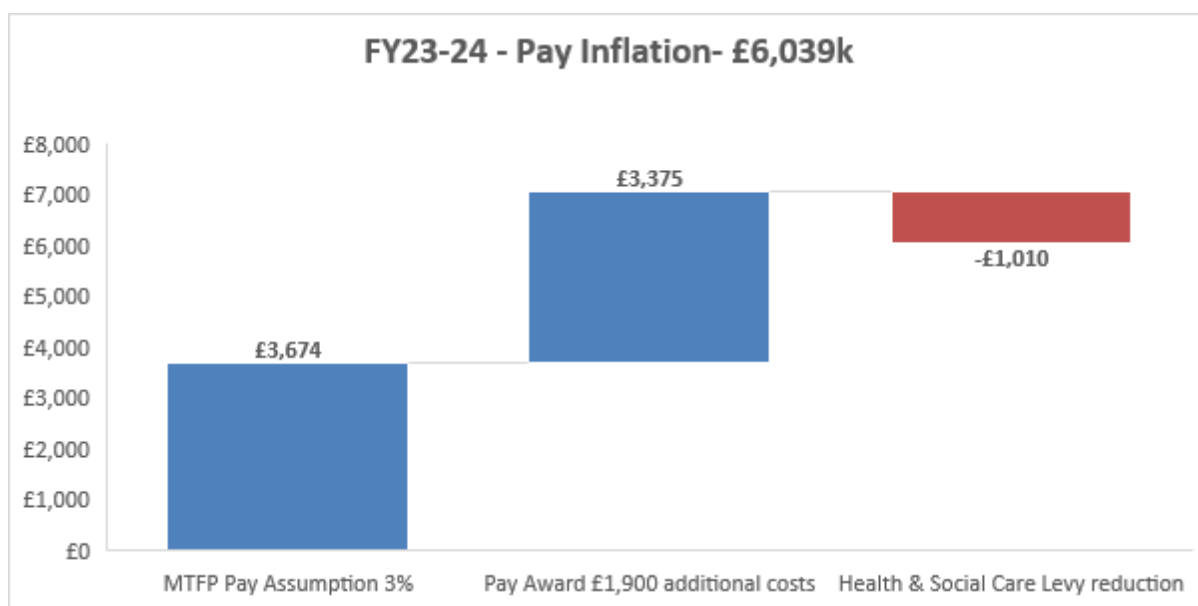
- Inflation and unavoidable stand-still structural increases 2023-24 and future estimates
- Energy Costs
- Reversal of Health and Social Care Levy
- Allocation of remaining unallocated Uplift Officers for 2023-24 and estimate of future costs
- Efficiency and savings available in 2023-24
- Priority areas that require investment in 2023-24
- Estimate future costs and funding
- Estimate future Capital Requirements including delaying ESN
- Estimate and make best use of Reserves to support the MTFP

8.4 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:

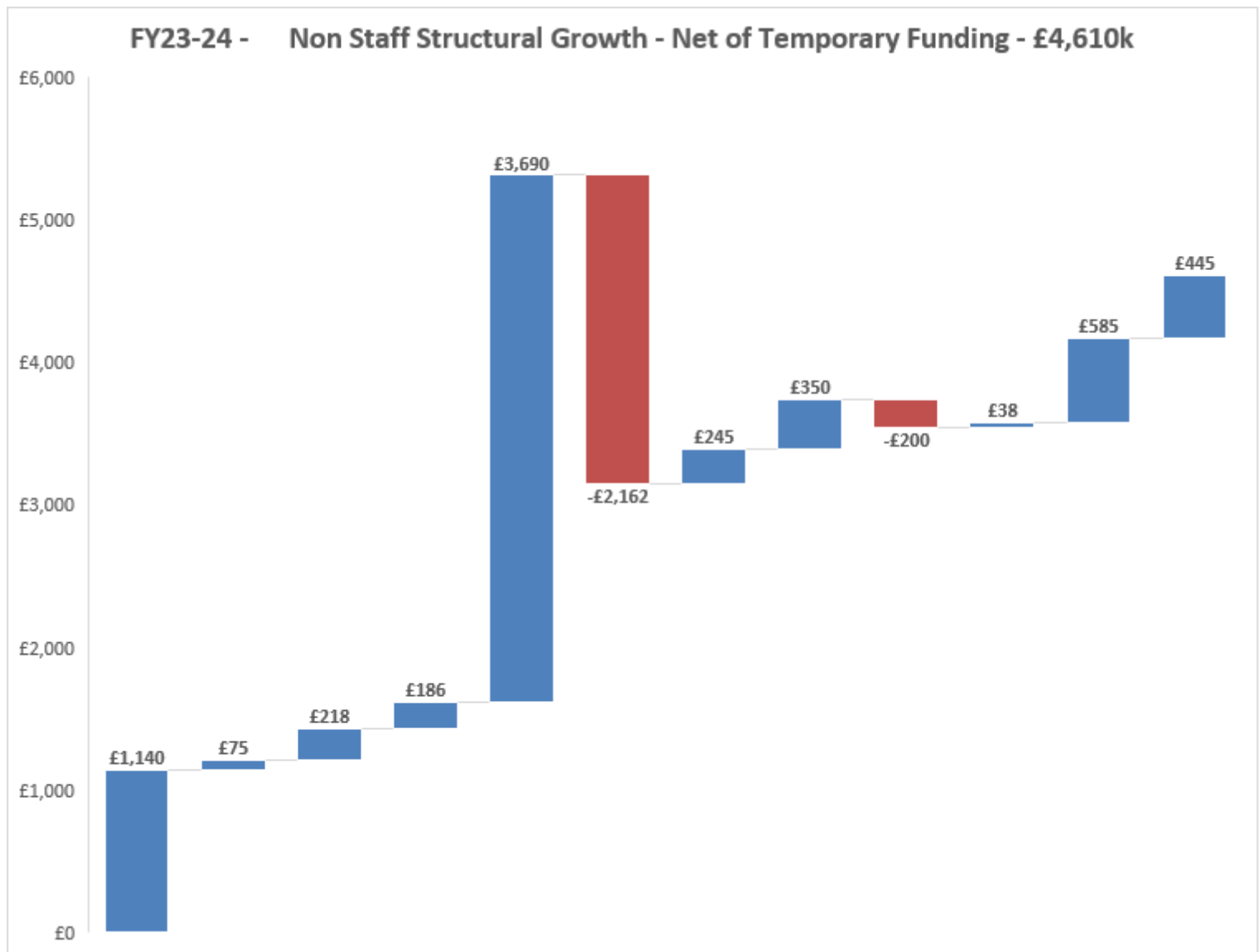


8.5 Pay inflation



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 an £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

8.6 Non pay inflation a structural growth:



- **Non Pay Inflation at 2% 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 around 25% for 2023-24.
- **Energy** – Energy prices, gas and electricity, have increased dramatically over the last 12 months. North Wales Police has 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 are highly volatile and unpredictable. The current consensus and advice from our energy consultants is that the price paid (that is, after adjustments 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 plus inflation per year. The MTFP includes the increase of £1.648m 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.

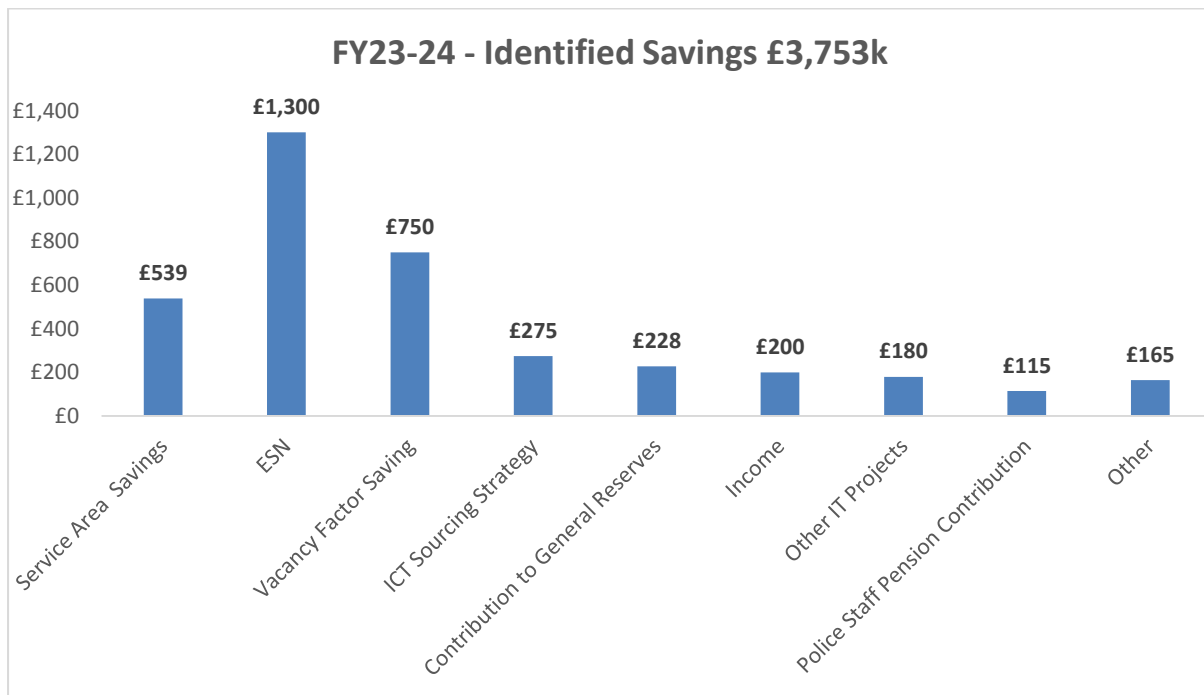
Energy increase funding plan					
Year	23/24	24/25	25/26	26/27	27/28
	£'000	£'000	£'000	£'000	£'000
Energy estimated cost increase	3,690	2,299	1,648	1,670	1,720
Funded by:					
Energy Budget increase	-1,528	-1,574	-1,648	-1,670	-1,720
Additional Investment Income	-850	-500	0	0	0
Energy Reserve	-1,312	-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.

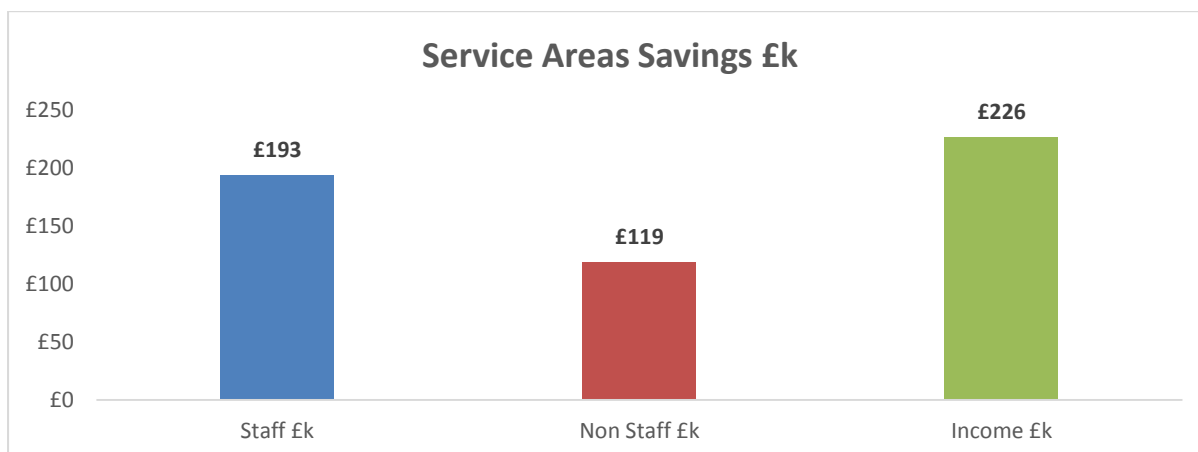
- **Estate costs** – all Estates related budget headings reviewed with inflation running at between 3% and 25%.
- **Fuel** – as with energy, fuel prices have been highly volatile, which has been the case for a few years. A fuel reserve is already in place and if the higher prices transpire as shown they can 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 temporarily funded.

- 8.7 **Savings** - North Wales Police have an excellent track record of identifying and delivering savings, £39m since 2011-12, with over £6m of these being delivered over the last 3 years through the planning process. However, the efficiency savings identified by service areas become harder to identify over time. Due to the current circumstances other corporate level savings and opportunities were identified, with the strong balance sheet facilitating some of these additional savings. Details are given below:



- **Service Area Savings** – Service Areas 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 be harder to identify, however a further £0.539m was identified. These are summarised below:



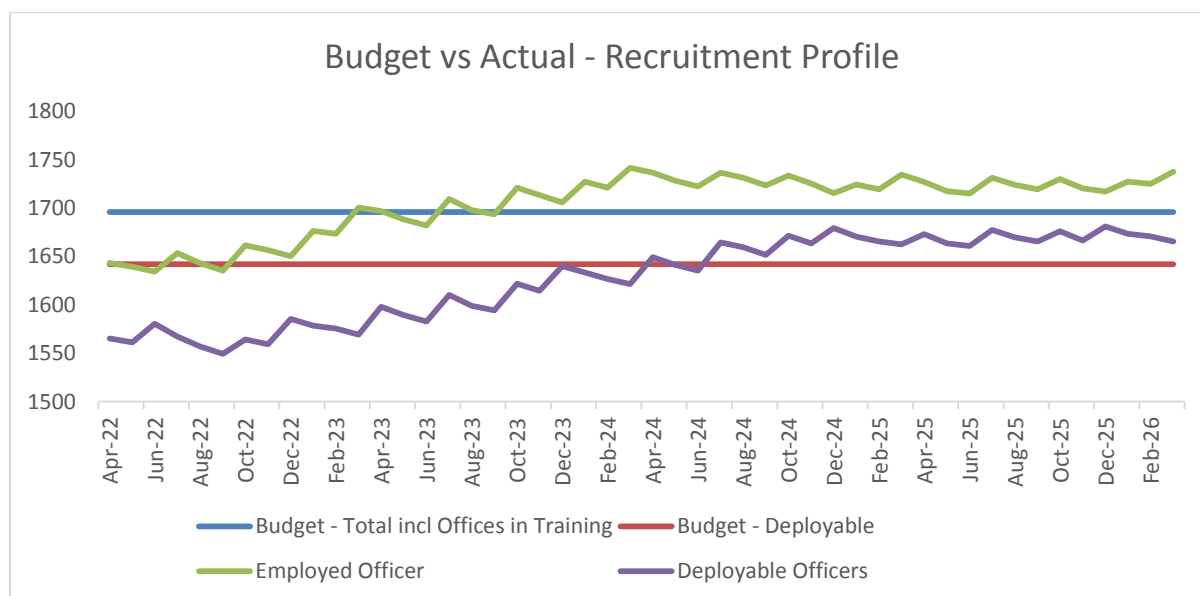
- **Emergency Service Network (ESN)** – This has featured in the last two MTFPs. This is national project to upgrade and replace the current Airwave communication network and equipment to a new national contract. This was expected to be implemented in 2023-24. A budget requirement of around £9m was estimated, this was to be funded from a revenue contribution of £1.3m per year to build up a reserve initially, and then funding the balance by borrowing. The national project has now been put back and is not expected to be implemented until beyond 2027-28. In the current circumstances the £1.3m has been taken out of the budget. To mitigate future costs the ESN reserve will be increased by £2m from the 2022-23 underspend of £6m, as an initial contribution to future costs.
- **Turnover/Vacancy Factor** – the last 3 years have been transitional years in terms of 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 re-reviewed going into 2023-24. The general recruitment strategy is to fill all posts as soon as possible, with the expectation that Officer numbers will exceed the establishment during 2023-24, however there is some saving as experienced officers retire or are promoted and are replaced with newly qualified officers at a lower point on the salary scale. In terms of staff, some vacancies do occur when staff are replaced. The additional amount of turnover of £0.750m brings the total to £1.5m and is a risk within the budget if full establishment were to be achieved, as per the strategy, but can be mitigated with the Uplift reserve as planned in terms of ‘over recruiting’ officers. North Wales Police has the lowest percentage of leavers nationally, however, as with other Forces the number of leavers has increased over the last 12 to 18 months.
- **ICT Sourcing Contract** – the main IT management contract has been reviewed and re tendered over the last 2 years. The element under review accounted for £4.4m of the IT budget (around 30% of the total) and is designed in a different way to the previous contract. This resulted in 3 tenders and an increase in the in house team. The final figures resulted in £0.275m savings in 2023-24 and a further potential £0.454m per year from 2024-25. Further savings were identified in relation to software no longer needed creating an additional £0.180m saving.
- **Contribution to General Reserves** – The January 2022 MTFP included a contribution of £0.228m to General Reserves in 2023/24 to ensure that the total was at the required 3% of net budget. The additional contribution was made from 2021-22 underspends and therefore the £0.228m can be taken as a one-off saving.

- **Income** – In addition to specific additional income targets an additional general target of £0.200m has been included to cater for one-off in year income.
- **Police Staff Pension Contributions** – The contribution rate for the next 3 years has reduced from 19% to 18.7% resulting in a £0.115m saving.
- **Other** – By examining spending patterns a further £0.165m has been saved from numerous budget headings.

The total savings of £3.753m is a significant amount, the equivalent of a £12.47 reduction in a Band D Council Tax. Some of the savings increase the risk within the annual budget but our strong balance sheet enables this risk to be mitigated using reserves.

8.9 **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 of these were allocated in 2022-23, and will have been recruited by the end of 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 now included as part of the Specific Uplift Grant. The majority of Uplift funding is by now 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, and it takes 10 to 12 months for Probationer Officers to become independently deployable. Officers are initially deployed to response roles; other posts recruit mainly from response roles. This means that there is a time lag between recruitment and the new roles being filled, as 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 intakes of 33 recruitment 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 which will
 - 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
- The additional cost of future increments of pay have been included in future years

8.10 **Growth** – There is minimal scope for growth in 2023-24 with the other inflationary pressures, however some additions are unavoidable due to change in demand. Total bids of £7m were initially submitted. These were prioritised to reduce the growth 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 requirements** relating to Scientific Support Unit required to ensure future accreditation £0.164m; Firearms Licencing £0.033m; Collaborations £0.029m.
- **Planning Process Revenue** – Assessment of bids amount to:
 - Permanent bids £2.3m c33 staff posts
 - Temporary bids £1.8m c34 staff posts

was carried out as part of the planning process, using the MoRiLE threat and harm score. A total of £0.788m was agreed comprising 13.5 posts and £0.210m of non-staff growth, as 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
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- **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 comply with inspection criteria of £0.450m (in additional 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 which were not agreed, and the temporary growth bids are being further reviewed by Service Leads before final decisions are made on whether to fund any of these temporarily.
- PCSO's – the PCC increased the PCSO number by 10 in 2022-23, which 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 PCSO's 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, the additional numbers over 211 will be funded from the Neighbourhood Policing Reserve.

8.11 The plan summarised above sets a new base for future years: full implementation of the Uplift officer increases; the support required to support the additional officers and staff; and investments in infrastructure. The planning process during 2022-23 dealt with significant inflationary increases, minimal increase 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.

8.12 The increases required in the new 2023-24 base is based on assumptions set out above. These are reasonable, based on information available and in line with national Policing assumptions. However, as has been seen during 2022-23 the level of uncertainty remains high.

8.13 Based on these assumptions a balanced budget has also been set for 2024-25, based on £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 address the saving requirements of circa £5m or £1.7m per year from 2025-26 to 2027-28.

9. Resilience and 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 unforeseen events. An element of this risk

is through the in-year budgets, using the contingency budgets. However, these contingency budgets are being reduced, with a greater proportion of that risk being transferred to Reserves.

9.2 The Reserves are reviewed as part of the budget setting process and again as part of producing the Statement of Accounts at the end of the financial year when the final outturn 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 from the projected underspend £2.5m to the Energy Reserve, and £1.5m to establish a Sustainability Reserve. The Energy Reserve to be used to manage the peak and unpredictability in costs and the Sustainability Reserve 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 were reviewed
- £0.750m earmarked in Management of Change Reserve for temporary costs stemming from the planning process
- £0.750m earmarked in Management of Change to mitigate potential additional 0.5% pay increase in 2023-24
- Capital Receipts reserve used to fund increase costs in Estates Projects
- No additional amount to be contributed to General Reserve until 2026-27 as it was increased to the required amount at the end of 2022-23

9.3 There is a planned reduction in reserves from £42.837m to £21.869m over 10 years.

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 will become necessary to increase the General Reserve to maintain the balance at 3%, this has been included in future 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 Details of each earmarked reserve are to be found in the MTFP together with their intended use.

10. Capital

10.1 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.

10.2 **Estates** – The Vehicle Commissioning Centre and Workshop became operational during 2022-23 as well as other smaller projects. The costs of building projects have increased significantly over the last year. The budget for the next large project, a replacement Police Station in Holyhead, has been increased to reflect this but will be subject to further scrutiny. A contingency amount has been included for future large projects.

10.3 **Fleet** – A detailed review of the Fleet Replacement Programme was carried out in 2021-22 with the programme being implemented from 2022-23. Issues of supply and cost have been experienced during 2022-23, with delivery dates being unpredictable and suppliers increasing costs due to the higher demand than supply for vehicles in general. The budget reflects the requirements for 2022-23 and 2023-24 but will need to be reviewed once this initial phase is completed, and also to include further electric vehicles.

10.4 **IT and Communication** - Substantial investment is being made in IT. This is being directed by the Digital Transformation Programme Board. The first phase of introducing personal issue laptops to all officers and staff where appropriate has now been completed, the future programme reflects the replacement cycle for the laptops and desktops. Associated software upgrades have also been completed. Replacement mobile phones are currently being deployed. The Command and Control upgrade is progressing. Body Worn Video equipment will be updated next year.

10.5 Emergency Service Network (ESN) – this is a national project which has now been delayed beyond 2027-28. Reserves have been realigned so that a total of £7.285m will be held in the

ESN reserve at the end of March 2023. £1.285m of this will be utilised to fund replacement Airwave units which are coming to the end of life.

- 10.6 Capital funding has been reviewed to include additional funding included for new projects and increased costs. The Programme is affordable based on current estimates of costs and funding that will be 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. A summary of the Programme and funding is given below, details can be found in the MTFP:

	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	2,747	7,184	5,890	6,050	2,100	0
Total Vehicles and Other Equipment	2,732	1,931	2,441	1,797	1,341	1,683
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
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

11. Consideration of Options

- 11.1 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 planning process significant increases were identified due to the higher than expected inflationary pressures. The effect on the various movements on council tax is shown below. Inflation (Structural Growth) would have increased council tax by 11+% on its own. This was mitigated as far as possible from savings, temporary funding, higher increases in tax base and only essential growth.

Council Tax Proposal @ £16.29



Categories	FY23/24 £K	Council Tax £	Council Tax %	Council Tax Pence per Week
Structural Growth Pay	6,039	£20.07	6.33%	39
Structural Growth Non Pay	4,611	£15.32	4.84%	29
Savings	-3,753	-£12.47	-3.94%	-24
Force Growth	1,128	£3.75	1.18%	7
OPCC Growth	108	£0.36	0.11%	1
Home Office Funding	-1,750	-£5.81	-1.84%	-11
CT Base/2nd Home Premium	-1,480	-£4.92	-1.55%	-9
Total Council Tax	4,903	£16.29	5.14%	31

11.2 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. However, due to future uncertainty over the level of grant allocation, pay awards, and changes in operational pressures, it is not possible to comment at 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 in line with those made within the Policing sector.

11.3 Increasing the Council Tax by 5.14% the valuations for each property band are:

Tax Band	A	B	C	D	E	F	G	H	I
Council Tax £	222.06	259.07	296.08	333.09	407.11	481.13	555.15	666.18	777.21

11.4 The precept for each billing area will be:

<u>Billing Authority</u>	2023-24 Tax Base	Precept £
Anglesey County Council	32,819.56	10,931,867
Gwynedd Council	56,182.77	18,713,919
Conwy County Borough Council	51,378.04	17,113,511
Denbighshire County Council	40,921.19	13,630,439
Flintshire County Council	65,815.00	21,922,318
Wrexham County Borough Council	53,836.00	17,932,233
	300,952.56	100,244,287

12. Implications

Diversity	The report's recommendations will affect the Force's employee numbers in future years.
Financial	<p>The purpose of this report is to recommend the Precept and Council Tax for 2023/24, and to explain the factors taken into account in making this recommendation. Although the recommendation is for a single financial year, it is important to consider the medium to long term position in reaching a decision.</p> <p>Adequate financial resources are vital to the delivery of the Police and Crime Plan and to fulfil our legal requirements.</p>
Legal	This report, in conjunction with the Medium Term Financial Plan, provides sufficient information for the Police and Crime Panel to make a decision that could stand future legal challenge.
Risk	The report identifies and evaluates the risks from the recommendations.
Police and Crime	No separate police and crime implications.

Revenue Budget 2022-23 to 2027-28

Appendix A

	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
	£000	£000	£000	£000	£000	£000	£000
Expenditure							
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

