

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

Medium Term Financial Plan

2021-22 to 2025-26

1. Introduction

- 1.1 The Medium Term Financial Plan (MTFP) links the Police and Crime Plan as revised in January 2019 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 A detailed planning process has been conducted over the year. The Government were due to conduct a 3 year spending review during this summer, but due to the COVID pandemic this was reduced to a 1 year review. Despite the 1 year review the Government's commitment to Operation Uplift of increasing Police Officers nationally by 20,000 by March 2023 continues. Uncertainty around base funding and Uplift funding was high during the year and the planning process considered growth of Officer numbers, saving opportunities and allocation of resources to match priorities.
- 1.3 The Commissioner has considered all options within the resources available. Extensive work was carried out by the Organisational Planning Process in order to identify savings and move resources within the organisation. The planning process also enabled the intelligent allocation of 62 Operation Uplift officers based on priorities and the identification of the funding implications relating to the mandatory introduction of ESN in future years.
- 1.4 A council tax increase of 4.73% would be needed to cover inflation assuming a cash flat grant settlement. Additional resources have become available as a result of the announcement of additional uplift officers; however it is unclear as to the extent to which the full cost of the additional officers, including support and infrastructure, will be funded and the written funding settlement clearly links the additional funding to the increased allocation of officers.
- 1.5 Taking all these factors into consideration a council tax increase of £14.94 (5.14%) is proposed, which matches the Home Office's assumed increase. This is a prudent council tax/precept increase, given that general funding and the allocation of phase 3 Operation Uplift have not been announced. Consideration has also been given to the considerable implications of ESN and the level of uncertainty over future funding due to the COVID Pandemic and the economic consequences of the ongoing EU exit which remain uncertain.
- 1.6 **Aim**

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

1.7 Background

The Government's Austerity Programme, which began in 2011, has resulted in substantial cuts across the public sector. Government funding was reduced by 20.8% in cash terms, which is the equivalent of a real terms reduction of 31.7% (taking inflation into account) by 2019-20.

- 1.8 The overall effect of the reduced funding available and inflationary and other pressures has resulted in £35.389m of cuts being made to budgets over a 10 year period. This is equivalent to a 23.9% reduction in the 2010-11 pre austerity budgets of £148.035m. The annual cuts are as shown in the table below:

Year	2011-12 to 2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	Total
Cuts Made	£24.101m	£2.838m	£2.686m	£1.479m	£1.927m	2.358m	£35.389m

- 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 Police Finance Settlement was announced on 22 January 2020 in a written statement by the Policing Minister, Kit Malthouse. The announcement had been delayed due to the December 2019 General Election. Prior to the 2020-21 settlement publication the sector was expecting an additional £750m for recruitment of 6,000 officers (towards the 20,000 total), minus a reallocation for central costs. Force allocations of officer numbers had already been published and had been calculated pro-rata to core grant. In return for this additional money the Treasury had asked the Home Office to find £120m of savings from within their budget. The settlement is very much focused on the recruitment of Phase 1 and 2 of the officer uplift previously announced. North Wales Police have been allocated 62 Officers as part of phase 1 (6,000 officers nationally) and would expect, based on formula allocation, approximately another 140 from the remaining programme (14,000) nationally. The additional amounts have been provided to pay for the costs of Phase 1 and the infrastructure costs of Phase 2.
- 1.10 The 2020-21 funding focus on Operation Uplift led to a position of growth in Officer numbers while pressure on the remaining budget remained high due to no growth in the base grant and additional costs of supporting the increased number of Police Officers.
- 1.11 We entered the 2020-21 financial year with the Global COVID pandemic taking hold with the UK had having recently being put into a status of national lockdown. This context made the basis for financial planning for 2021-22 onwards very uncertain. Prior to the COVID pandemic a 3 year spending review had been expected, and also an early announcement of future Operation Uplift numbers. However, it was later decided that the settlement would be for 2021-22 only, and the Operation Uplift announcements were made at the same time and only for the same shorter

timeframe. The long terms effects of the pandemic, both locally and nationally, remain unknown, especially the economic effect and how this might affect future funding.

- 1.12 In addition to this, at the time the provisional settlement for 2021-22 was announced, the basis of the UK's withdrawal from the European Union had not been agreed, adding to the general levels of uncertainty.

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. The priorities are set out below.

Police and Crime Plan Priorities

- Reducing Criminal Exploitation of Vulnerable People
- Domestic Abuse
- Sexual Violence
- Modern Slavery
- Organised Crime
- Safer Neighbourhoods

The Chief Constable's vision is

Making north Wales the safest place in the UK; by Preventing Crime, Protecting Communities and Pursuing offenders.



Our Public - who we serve

With a focus on public engagement:

- Public have confidence in North Wales Police
- Victims get a quality service

Policing Delivery - what we do

Prevent Crime and Pursue Offenders

With a focus on priority crime:

- Domestic Abuse
- Modern Slavery
- Serious and Organised crime
- Sexual Abuse including Child Sexual Exploitation
- High impact crime including knife crime, gun crime, robbery and burglary

Protect Communities

With a focus on problem solving:

- Respond effectively
- Provide Safe Roads
- Preventative Policing
- Use Police Powers Proportionately
- High Investigative standards

Internal - how we deliver

People, Learning and Growth

With a focus on digital innovation:

- People are engaged and their wellbeing is supported
- People have the right skills and are in the right place
- People support and deliver organisational improvement and in particular digital innovation
- Our workforce is representative

Financial

With a focus on value for money:

- Budgets are balanced
- Efficient use of resources
- Effective use of resources



- 2.2 The budget planning process for 2020-21 involved:
- 2.2.1 the implementation of the Operational Improvement Programme (OIP) (carried out during 2018-19) which covered 47% of the Force budgets.
 - 2.2.2 40% of the budgets being subject to a Priority Resource Planning (PRP) process where managers set out various service levels.
 - 2.2.3 The remaining 13% of the budgets were reviewed outside of these processes.
 - 2.2.4 The OIP was fully implemented in 2020-21 and the decisions of the PRP process were also implemented.
- 2.3 The planning process for 2021-22 was reviewed by the Strategic Planning Unit, Finance and the Chief Officers to take into account availability of key individuals due to COVID; the effect of COVID itself; the recovery plan for the organisation post COVID; and the requirement to review demands and set the budget. It was concluded that a Priority Resource Planning (PRP) exercise identical to that followed for the 2020-21 budget would not have been suitable. The process for 2021-22 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 agreed as supplementary areas to consider at the start of the process.
- 2.4 There were also practical issues to deal with in term of conducting meetings which would need to be carried out online due to Covid-19. The process commenced as early as possible, as set out in the summary below. By setting out 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 set out below.



<u>May 2020</u>	<u>June- July- Aug</u>	<u>Sept – Oct 2020</u>	<u>November 2020</u>	<u>December 2020 to February 2021</u>
Chief Officer Workshop	Business Cases and Plans drafted	Submission deadline 4 September	Final Org Planning meeting	Proposals presented to PCC 11.12.20
Key Stakeholder Workshop	Strategic Planning prioritises central team support	Strategic Planning & Finance Review	Autumn Statement	Grant Announcement 17.12.20
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 18.12.20
Business Plans Commissioned		Proposals set out		Final Plans Drafted
				Panel meeting 2.2.2021

2.5 With so much uncertainty in the system the Service and Functional leads were asked to look at three levels of savings as set out below. Proposals could then be graded and assessed against priorities, risk and deliverability.

£1.6m – Strand Still Total £1.6m	£1.6m – Improve Total £3.2m	£1.6m Preparedness Total £4.8m
<u>We Must</u>	<u>We should</u>	<u>We may need to?</u>
<ul style="list-style-type: none"> Required to balance the budget Existing deficit plus known committed pressures 	<ul style="list-style-type: none"> Funding for Growth & Innovation Options developed by reviews and through Business Plans Frees up investment to drive future year savings 	<ul style="list-style-type: none"> Contingency for unknown events on either funding or cost

2.3 As part of the above, the normal process to develop future budget requirements was undertaken, details of which are set out within this Medium Term Financial Plan (MTFP). In developing the submissions by managers and this MTFP, the following were taken into account:

- Local and National priorities as set out 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 Programme, Prudential Code and their effect on the Revenue Budget
- Reserves and Balances
- Income generation, trading activities and grants
- Collaboration
- COVID Recovery Plan

2.4 The Force Management Statement (FMS) has been published over the last two 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 informed the planning process, and the planning process will, in turn, inform the next FMS

2.5 The areas identified as potentially requiring investment within the FMS were as follows; this information was used as part of the planning process:

- The two year forecasts indicate that, if current working practices were maintained, growth in those areas of the Force that manage demand generated by violent crime and sexual offences (Crime Services & Protecting Vulnerable People Unit (PVPU) predominantly) would be required.
- The Force expects the demand for fraud investigations; especially those linked to cyber dependent and enabled offending, to increase beyond current investigative capacity within the next two years.
- The level of resources needed to manage the evidential workload from Organised Crime Groups (OCGs) investigations will increase as the geographical complexity of the groups, and the scale of digital device increases.
- The capability of our investigative and intelligence staff will need to be increased to deal with emerging technology-enabled OCG activity.
- Increased investment in Information Technology due to the availability of new hardware and software. There is an expectation that North Wales Police

will continue to keep pace with developments, in line with police forces throughout England and Wales.

- Investment in officers and staff, additional training demands and investment in the wellbeing of officers and staff.

2.6 The Business plans for each area were set out in a template with the following headings being addressed, with 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

2.8 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.

2.9 Other areas that were specifically considered are set out below:

- Facilities and IT linking to agile working
- Fleet Review
- Digital Programme
- Analyst Review
- Officer/Staff mix
- Corporate Budgets review

2.11 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 62 additional Officers from the second 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.

- 2.12 A meeting was held between the Commissioner, the Chief Constable and their representatives on 11 December to discuss the budget proposals with a final meeting held on 18 December after the Government funding announcement had been made.
- 2.13 The following sections detail all developments since the previous MTFP, giving the updated position for Revenue, Capital and Reserves.

3. 2020-21 Budget

- 3.1 The budget announcement for 2020-21 on 22 January 2020 included £6.872m additional funding but it was clearly set out that this funding was intended for in year and future Operation Uplift costs. This didn't provide any funding towards inflationary increases or growth beyond uplift. The changes are summarised below.

Settlement 2020-21	MTFP excluding Uplift £m	Settlement £m	Variance £m
Base Grant	73.234	78.714	5.480
Pension Grant	1.582	1.582	0
Ring Fenced (subject to uplift targets)	0	1.731	1.731
Capital Grant	0.462	0.123	-0.339
Total	75.278	82.150	6.872

- 3.2 Savings of £2.358m had been identified as part of the planning process. The PCC agreed an increase of 4.5% in the Council Tax which resulted in a budget increase of 2.57% excluding Operation Uplift costs. The Council Tax increase allowed the £2.358m to be re invested in the service. The allocation of 62 additional Officers from Operation Uplift were allocated to specific posts as part of the planning process. A further 23 staff were funded from the savings identified as well as investment in the non-staff investment in IT, Training, and Capital funding.
- 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 2020-21 financial years. 40 additional recruits were appointed in April 2020, this meant that the Uplift target had been passed. Further recruitment throughout the year maintained the numbers above the Uplift Target. By March 2021 it is expected that 134 additional Police Officers will have been recruited with 72 leaving, an increase of 81.

- 3.4 The additional increase above the 62 target will go towards the 2021-22 Uplift target of 58 officers for North Wales Police and 3 for the ROCU. The planning process had assumed that NWP would receive an allocation of 62 Uplift Officers in 2021-22, the actual figure was 58, however, the recruitment plan and funding allowed the planned 62 posts to be allocated. The 2021-22 budget allows for the recruitment of 65 officers in total (including ROCU). Final adjustments to the recruitment plan and establishment will be made once the final total allocation of Uplift Officers is known.
- 3.5 The 62 posts were allocated to Crime Services 34, Local Policing Services 23 and Specialist Posts 5, as Probationer Officers are appointed to their first posting within Response Teams the more experienced Officers are released to the new posts created. It is expected that all the new posts will have been filled by the end of the financial year. The 23 staff posts which were Analysts, Trainers and Business Support roles to support developments have all been appointed.
- 3.5 The non-staff investment in IT is part of the Digital Programme which consists of local, regional and national initiatives. During 2020-21 there were significant developments within IT, including the National Enablement Programme, Body Worn Video and personal issue 2 in 1 devices. Where these projects could support the changes required due to the lockdown these were accelerated, while the lockdown period did cause delays in other developments as resources were prioritised. The Training investment was linked to the commencement of the Policing Education Qualification Framework (PEQF) which brings Police Officer training to degree level, this commenced in September 2020 as planned.
- 3.6 The COVID pandemic and the various levels of lockdown that have been in place have had a significant effect on how policing and support for the front line officers is delivered. Around 800 staff have been in the main working from home since April 2020, and Operational Officers have had new requirements such as Personal Protective Equipment (PPE) which were not needed previously. This has had a significant effect on spending patterns. For example, non-staff costs have seen swings of between +180% to -69%. Staff costs have been more consistent with budget and prior year with significant effort being put into ensuring that recruitment continues. Assessment of the changes in spending patterns were included in the planning process to formalise reductions that could be continued, identify what would be delayed expenditure and fund the increases.
- 3.7 Initially it was unclear whether additional funding would be made available for COVID related costs and plans were put in place to fund these from reserves if necessary. Funding was confirmed for medical grade PPE (and, subsequently, all PPE) later in the year, and further funding for additional patrols during the pre-Christmas firebreak and for loss of income has been confirmed or received. It is expected that there will be an underspend at the end of the year, some of this will be needed to be earmarked in reserves for delayed Training and some will be able to be used to manage risk and manage change going forward.

- 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 was required to produce a Force Management Statement (FMS) for the first time by May 2018 as part of the HMIC process, with the second being produced in June 2019. The FMS describes expected future demand, identifies potential gaps, this has been used as part of the OIP review and the planning process. The third FMS was due to be published in June 2020 but was delayed due to COVID, this will now be completed by the end of May 2021.
- 3.9 HMICFRS's *Valuing the Police* reviews have been incorporated into their new review programme *PEEL Reviews* (Police Efficiency, Effectiveness and Legitimacy). The overall efficiency question set by the HMIC is 'How efficient is the force at keeping people safe and reducing crime?' with the definition of 'efficiency' being '*an efficient force maximises the outcomes from its available resources*'. The Force was assessed as being 'Good' in terms of Effectiveness, Efficiency and Legitimacy.
- 3.10 The last published observations by Wendy Williams, Her Majesty's Inspector of Constabulary is set out below;

I am very pleased with North Wales Police's performance in keeping people safe and reducing crime. In particular, I note the improvements the force has made since 2017 in its efficiency.

The force is good at preventing crime and [anti-social behaviour](#). It is also good at investigating crime and tackling [serious and organised crime](#). Keeping [vulnerable people](#) safe is a priority for the force and it works well with other agencies to identify and protect them.

North Wales Police understands the complexity and scale of the current demand for its services. It now needs to gain a better understanding of the skills its workforce currently has and those it is likely to need. This will enable it to develop strong, sustainable financial and workforce plans for the future.

The force continues to uphold an ethical culture and promote the standards of professional behaviour it expects. However, it should make sure that the necessary systems are in place to reassure the public that its use of powers, such as stop and search and the use of force, are conducted legitimately.

Overall, I commend North Wales Police for the progress it has made over the past year. This provides a strong foundation for continuing improvement in the year ahead.

The full assessment can be found at <https://www.justiceinspectors.gov.uk/hmicfrs/peel-assessments/peel-2018/north-wales/>

- 3.11 The WAO made the following comments on their value for money assessment in their annual audit letter published on 1 December 2020;

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

The annual audit letter can be found at:

<https://www.northwales-pcc.gov.uk/en/Information/What-we-spend-and-How-we-spend-it.aspx>

- 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.

4 Funding Allocations and assumptions

- 4.1 No Provisional Government Funding Allocations for 2021-22 were given as part of the 2020-21 settlement. Announcements were made during 2020-21 to confirm the Government's commitment to Operation Uplift and increasing Police Officers numbers by 20,000 nationally. However, neither the numbers allocated to Forces nor the associated funding were announced in the early autumn as expected.
- 4.2 On 25 November 2020, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2020 spending review (SR2020). Sometimes referred to as the 'Spending Round' or the 'SR', the SR2020 sets out public spending totals for the financial year 2021-22. This was the Chancellor's first SR following his succession from Sajid Javid MP earlier this year. The announcement gave Government Departmental spending totals, but not Force allocations. In the Autumn Statement it was also announced that there would not be an annual pay increase for Police Officer and Police Staff in September 2021.
- 4.3 The 2021-22 Provisional Settlement was announced on 17 December in a written statement by the Policing Minister, Kit Malthouse. Prior to the publication of settlement, the sector was expecting an additional £400m for the recruitment of 6,000 officers (towards the 20,000 total). Kit Malthouse confirmed that there would be an increase of £415m for PCCs to continue to recruit officers. The document goes on to state that "to ensure...progress in recruitment is maintained, and to track the use of this investment efficiently, the Government will continue to ring-fence £100 million of the additional funding". This ring-fenced grant will be akin to the previous settlement grant of £168m and will be split according to funding formula allocation. Part of this funding allocation is to go to the recruitment of Regional Organised Crime Units (ROCU) officers through the same mechanism.
- 4.4 Additionally, the sector was expecting last year's Uplift funding (£700m) to be rolled into the baseline. The Ministerial Statement stated that in total PCCs will get an increase of £703m assuming that the full precept flexibility is taken. It was confirmed that the council tax referendum limit will be £15 per PCC in England, which, assuming

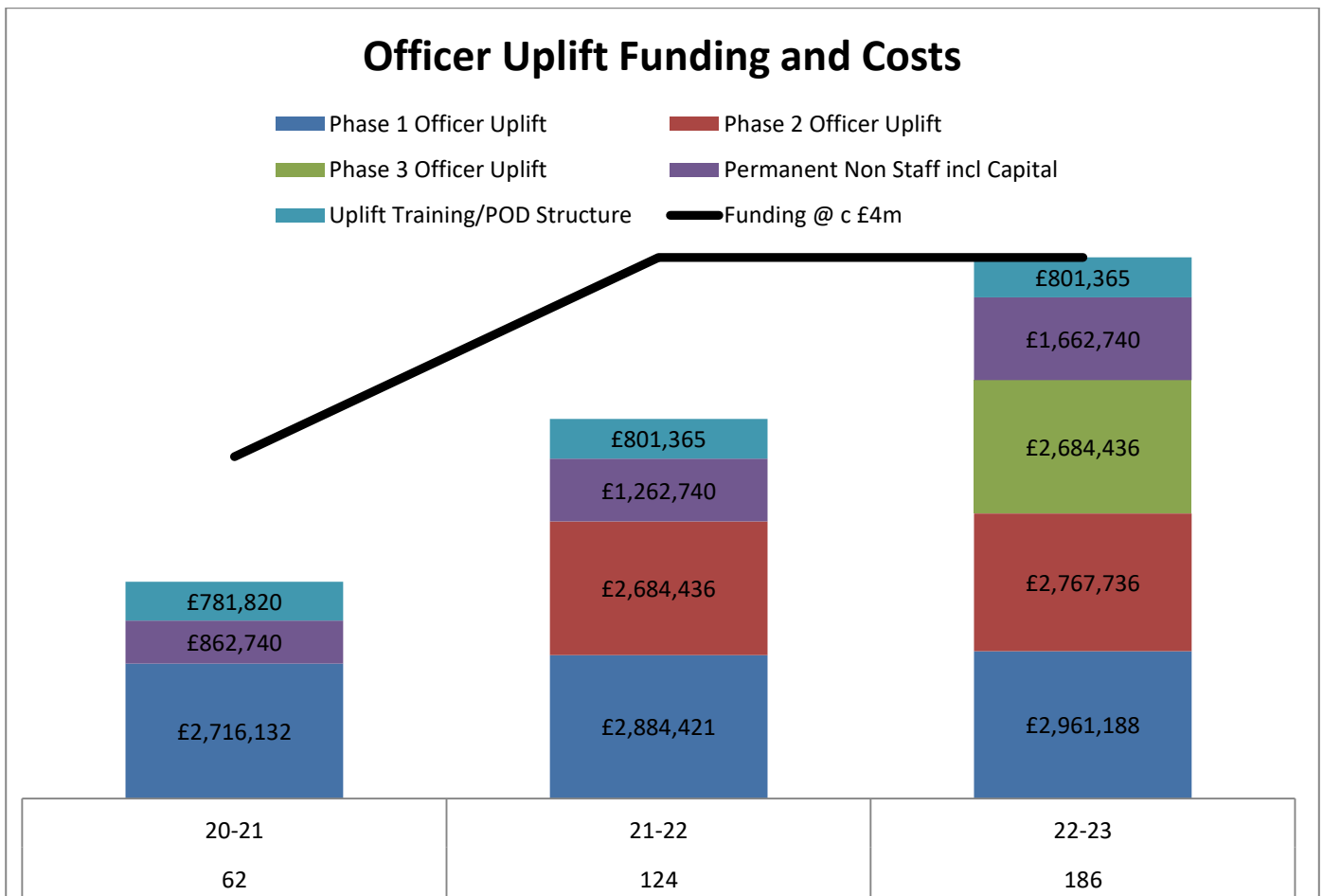
every force maximised the increase, means an extra £288m for policing in 2021-22. The specific Pension Grant has been continued for another year as a specific grant.

- 4.5 The table below summarises the expectation following the Autumn Statement and the final announcement. The settlement exceeded some expectations in so far as Operational Uplift was funded. Similarly to the 2020-21 settlement the increase has been given in support of increasing Officer numbers, rather than to cater for inflationary increases or other demand changes.

Heading	Planning Assumption	Assumption after Autumn Statement	Announcement 18 December
Uplift numbers	62 to 78	* 62	* 58 + 3 for ROCU * Commitment on the 20,000
Funding	£0 to £3.2m	* £4m towards Uplift	* £4.3m to support Uplift * £1m of which ring fenced * Balance unclear but needed
Other Funding	0%	* 0%	* 0%
Council Tax/Precept	£12	* Cap of £15 in England	* Assumption of £15 increase in HO figures
Efficiency Savings	1% to 3%	* Our share of £120m	* £120m incl. above with £20m via Blulight * Efficiency in Policing Board
Top slicing	£1.1bn	* Flat at £1.1bn	* Reduced by £87m
Pension Grant	£1.582m	* £1.582m	* 1.582m
Capital	£0.123m	* £0.123m	* £0.123m

- 4.6 Top slicing, that is the amount the Home Office retain for central Police related expenditure rather than distributing to Forces, increased from £812m in 2017-18 to £1,120m in 2020-21, for the first time in a number of years this will reduce to £1,033m in 2021-22. If all of this were to be allocated based on the funding formula it would be equivalent to an additional £10.6m.

4.7 It is anticipated that a 3 year spending review will be conducted over the summer of 2021 in preparation for the 2022-23 settlements. There is a great deal of uncertainty around future funding. There remains a commitment in the Home Office to increase Officer numbers by 20,000 by the end of 2022-23; however, funding for the final phase is unknown. The effect of the COVID pandemic and EU Exit on the economy are unclear. A view has been taken to project a flat level of funding from 2021-22 onwards and that a further 62 Uplift Officers will be allocated. The increase funding provided to date to support Uplift would be sufficient to cover the pay costs, the associated non staff costs and training, but not any additional staff to support the Policing roles. This is shown in the chart below. In the event that further funding were to be awarded to support the Uplift Officers, the supporting roles could also be considered for funding.



4.8 There remain no plans to review the Police Allocation Formula until after the spending review (SR), however this could change and will need to be carried out at some point. This will be kept under review as the effect for North Wales Police could be significant.

5. Council Tax and Precept

- 5.1 There are two main elements to the total net Police Budget: the total of the Police Grants and the Precept. The budget proposal includes a Council Tax increase of 5.14%, or £14.94 on a Band D Council Tax. The Tax Base for the whole of North Wales has increased by 0.37%, giving an overall increase in Precept of 5.53% and a total net budget of £173.365m for the Police and Crime Commissioner, made up as follows:

	2021-22	
	£m	%
Total Government Grants	83.677	48.73%
Total Precepts	89.688	51.73%
Total Budget Requirement	173.365	

- 5.2 Council Tax is calculated by dividing the total precept requirement by the tax base, the tax base being the number of Band D equivalent properties in each Force area. The Tax Base is provided by the six Local Authorities in North Wales. The tax base for 2021-22 has increased slightly by 0.37%. This means that the percentage increase in the precept can be achieved with a lower percentage increase in the council tax. This 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 £507m in 2021-22. North Wales has the highest Council Tax in England and Wales, but if these legacy Council Tax Grants were taken into consideration, North Wales would be the 6th highest assuming all Forces increase their Council Tax by £15 in 2021-22.
- 5.4 No capping rules or assumed increase have been announced in Wales; this is in line with previous years.

6. Budget for 2021-22 and Planned Budget for 2022-23 to 2025-26

6.1 The detail of the Budget and changes for 2021-22 and future years are shown in Appendix B.

6.2 The main assumptions are as follows:

- Annual pay inflation 2.5% applied from September 2020 to August 2021, 0% increase from September 2021 and 2.5% increase from September 2022 onwards
- General Inflation 2%, specific inflation applied where known
- Council Tax increase of 5.14% in 2021-22 (£14.94) and £12 per annum in the following years which equate to 3.93% in 2022-23, 3.78% 2023-24, 3.64% 2024-25 and 3.51% in 2025-26
- General Government Grants increase of 0% in 2021-22, and a flat settlement of 0% grant increase for the following years
- Base Grant increased by £10.443m from 2020-21 earmarked towards current and future Operation Uplift costs, no further Uplift funding built in. Assumption of total 186 additional Officer in total by March 2024.
- A 0.25% increase in tax base from 2021-22 onwards
- Annual cost of £1.329m included for Emergency Service Network (ESN) from 2023-24 with a reserve being built up in preceding years (reducing the annual cost from £1.8m to £1.329 a reduction of £0.471m). The funding gap for ESN will be £0.579m as £0.750m will be included in the budget from 2021-22.
- Contributions to General Reserve to ensure the balance does not fall below the minimum of 3% of Net Budget value.

This gives an overall position of:

	Annual	Annual	Annual	Annual	Annual
	Budget	Budget	Budget	Budget	Budget
	2021-22	2022-23	2023-24	2024-25	2024-25
	£'000	£'000	£'000	£'000	£'000
Baseline	163,705	173,365	177,120	180,894	184,686
Inflation	2,893	1,017	4,583	4,806	5,058
Stand still structural	1,315				
Uplift	4,962	2,738	0	0	0
Efficiency Savings	-2,902				
Growth	2,642				
ESN	750	0	579	0	0
Budget Requirement	173,365	177,120	182,282	185,700	189,744
Total Grant	-83,677	-83,677	-83,677	-83,677	-83,677
Precept from Council Tax	-89,688	-93,443	-97,217	-101,009	-104,819
Total	-173,365	-177,120	-180,894	-184,686	-188,496
Annual Balance	0	0	1,388	1,014	1,248
Cumulative balance	0	0	1,388	2,402	3,650
Council Tax % increase	5.14%	3.93%	3.78%	3.64%	3.51%
£ increase	14.94	12.00	12.00	12.00	12.00

6.3 The planning cycle focused on aligning resources to priorities while setting a balanced budget and providing value for money to local tax payers 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 increases 2021-22 and future estimates
- Allocation of 62 Uplift Officers for 2021-22 and estimate of future costs
- Efficiency and savings available in 2021-22
- Priority areas that require investment in 2021-22
- Funding of ESN
- Estimate future costs and funding
- Estimate future Capital Requirements
- Estimate and make best use of Reserves to support the MTFP

6.4 The previous estimated inflation figure was £4.731m based on 2.5% pay award for a full year and 2% general inflation and other targeted increases where necessary. Following the announcement of a pay freeze from September 2021 the inflation figures was revised to £2.893m, an overall increase of 1.77%. Pay inflation at 2.5% to

cover April 2021 to August 2021 has been included as this is a continuation of the pay award that was set in September 2020. In addition, other unavoidable structural costs have been included. A figure of £0.5m has been included following an increase in the number of existing Police Officers joining the pension scheme. A total increase of £0.745m has been included for national and regional collaboration cost increases. A further £0.070m relates to changes in conditions of service. Further details are included in the MTFP.

Standstill Structural Costs	£'000	Explanation
Pension Auto Enrolment	500	Officer Auto Enrolment where all officers were Auto Enrolled into the Pension scheme and were required to opt out if they no longer wanted to be in the pension scheme. A total of c30 officer have remained in the pension scheme increasing the cost base by £500k
National IT Charges 20/21	150	Above inflationary increases in 20/21 which only emerged after budget set and thus built into 21/22 budget
National IT Charges 21/22	146	Advised to plan for a 9.6% inflation on National IT Systems plus contribution to new National Police Cyber Centre
National Collaborations (FCIN, FCN etc)	156	Primarily contribution to Forensics Capability Network and Forensic Collision Investigation network
North West Collaborations	185	Combination of Armed Alliance/Dog Alliance, West Coast Collaboration, Telecoms SPOC 24/7 with Cheshire, North West Chronicle
All Wales Collaboration	56	All Wales Recruitment Business as Usual Team and Regional Federation
Comms Data Charges	52	Home Office - New Comms Data Subscription Costs @ £52k per annum
Changes in Pay and Injury Pension Conditions of Service	70	On call allowances for Superintendent Ranks and additional Injury Payments following court judgement
Total	1,315	

6.5 Based on announcements made to date North Wales Police expect a total allocation of 186 additional Officers through Operation Uplift. 62 roles were allocated in 2020-21. The Home Office allocation fro 2021-22 was 58 plus the requirement to recruit an additional 3 to source increases in the Regional Organised Crime Unit (ROCU). It is expected, but not confirmed, that a further 62 will be allocated in 2022-23. A major part of the planning cycle was to match the expected 62 additional Officers becoming available in 2021-22 to priorities. The recruitment plan has sufficient headroom to recruit the original estimated 62 allocation for 2021-22 and the 3 additional for ROCU, and therefore it was agreed to allocate 62 2021-22 Uplift posts . This recruitment plan can be funded from the increase provided to support

Operation Uplift. Final adjustment to the establishment can be made once the 2022-23 Uplift numbers are known. The table below summarises how 62 Operation Uplift additional posts were allocated within the 2021-22 establishment.

Prevention & Proactivity	Digital & Demand Management	Wellbeing
Total 43	Total 14	Total 5
<ul style="list-style-type: none"> • Prevention Model – 20 Officers • Proactive SOC & CL Teams – 10 officers • Drone Unit – 5 Officers • Response Officers for PEQF – 6 Officers • Intercept Team Inspector • ANPR Intelligence Officer 	<ul style="list-style-type: none"> • Digital Media Investigation team – 4 Officers • Cyber Fraud Officer • CSE / CSA Prevention Officer • IIOC Victim Identification Officer • DFU Mobile Data Extraction • Officer Conversion to improve demand management- 6 posts. 	<ul style="list-style-type: none"> • Force Development Officer • Workforce Representation Officer • CI for Diversity and Citizens in Policing • OPCC and POD Liaison Officer • Staff Officer

6.6 Funding of £10.4m has been provided for Operation Uplift as growth in 2020-21 and 2021-22. The funding is intended to cover the recurring costs of the additional Officers, including associated non-staff, as well as any infrastructure costs including the additional Training costs that are required. Once the in-year costs have been allocated there will be a balance of £2.864m in 2021-22 that will be added to the Uplift Reserve to fund future years' Training and Infrastructure costs. The final allocation and whether additional funding will be provided for 2022-23 is unlikely to be announced until mid-December 2021. In the event that no further funding is provided, the current increase is sufficient to fund the Officers and their direct non-staff costs, but not any support staff requirements.

6.7 In order to fund growth not provided or required to support Operation Uplift Officers an assessment of potential savings were made by Service and Functional Leads, and these were then assessed on a corporate basis. A total of £2.9m has been identified and assessed to be deliverable. Of this £1.816m are non-staff and £1.103m are Officer or Staff posts. A summary of the efficiency savings in each area is given below:

Category	Savings Identified
	£'000
Local Policing Services	445
Operational Support Services	337
Crime Services	200
Corporate Services	293
Professional Standards	18
<i>F&R incl Central Reviews</i>	1,361
Officer Mix	266
Grand Total	2,920

6.8 Identifying the above efficiency savings enabled £2.642m to be re allocated and invested in priority areas. These are detailed below in the strategic heading of Prevention and Proactivity (£0.621m), Digital and Demand Management (£1.825m) and Wellbeing (£0.196m).

Prevention & Proactivity	£'000	Explanation
External Forensic Contracts (Toxicology/Drug Testing Kits)	200.00	Increasing our spend on kits for roadside drug testing. External forensic contract costs have increased.
CS TELECOMS/SPOC - 2fte	82.10	2 SPOCs to deal with the increase in demand for telecommunications data for investigations.
Prevention Business Case	67.35	Early help coordinators, Offender Management Administration Officer, Hospital Inspector post having lost part funding from BCUHB
Social Media Software	50.00	Continued licensing for Hoot suite which is used to manage our corporate social media accounts.
CS MOBILE DEVICE EXTRACTION CONSTABLE - 1fte	44.18	Constable to deal with the increased demand caused by seizure of digital devices and their analysis.
TPAC - Accident Repairs	40.00	To cover costs incurred by deployment of TPAC which will likely result in damage to fleet vehicles.
ANPR Maintenance	39.00	Welsh Assembly have funded the capital aspect of the new ANPR infrastructure with NWP picking up the revenue costs associated with the maintenance contract.
Community Engagement Software	25.00	Humber Talks
CS ANPR AUDITOR - 0.5fte	18.77	Part time role to ensure compliance with national ANPR standards.
Kinesense - CCTV product reviews	15.00	Partially automates and sequences CCTV footage. Primarily deployed in support of Major Incidents and serious crime.
CHIS system	12.80	Electronic system to administer and record CHIS details. Currently not on an accredited system.
COTS Standard Surveillance (RIPA) System	11.20	Electronic system to administer and record RIPA authorities. Currently not on an accredited system.
E-safe Offender Monitoring System	10.00	Software to install on Sex Offender digital devices to monitor activity.
Prevention Business Case - Licensing software	6.00	Software to manage details, conditions and breaches for licensed premises.
Total	621.40	

Digital & Demand Management	£'000	Explanation
Mobile App	460.00	Frontline Application to enable greater visibility, agile working, reduce time spent on data entry, get higher quality information to the frontline.
Analyst Business Case	236.29	Software to Analyse covertly obtained communications data as part of SOC investigations / Analyst in FCC to improve public contact performance and support Single Online Home rollout.
MI Systems - Software	150.00	New Business Intelligence software and development support to improve provision of information to frontline and improve understanding of demand on police
Innovation Fund incl Automation	150.00	To encourage innovation particularly in the field of automation.
Command & Control Revenue Implication	150.00	Increase revenue costs associated with upgrading or replacing Command and Control System (current system is end of life).
Digital Plan	113.85	Body Worn Video Storage Costs / Automation software for digital forensic submissions / NICE Digital Evidence Management Kiosks support/ ANPR costs associated with moving to new system in 2021.
Officer Equipment costs	101.00	Additional costs for equipment including ICT.
Digital Forensics Viewing Platform	79.39	Enabling officers to view digital product without travelling to St Asaph.
Internet Intelligence & Investigation	63.02	Covert Open Source Investigation software.
IT Security Manager	59.77	Ensure force meets legal obligations relating to data and infrastructure security.
Single Online Home	58.00	Costs associated with the platform have increased.
PMO - CORP BENEFITS REALISATION OFFICER	43.60	Ensure we deliver benefits and get value for money from change projects.
POD SSF - CORP BUSINESS SYSTEMS OFFICER	42.36	Systems technical role for roll out of major ICT projects.
Electric Vehicles	41.00	Working towards replacing the fleet with electric vehicles.
Crime Services Bespoke Systems	39.38	Software to match cell tower data to call data for SOC investigations / Telematics software for Road collision investigations / Increased costs from SPOC Data moving to Cloud nationally.
OSS FIM Restructure	16.05	Increase FIM numbers to ensure better coverage and put less pressure on staff.
SPU - Process Evolution Software	8.50	Software used to analyse resource requirements - used to support OIP and all future departmental reviews.
PMO - CORP PROJECT SUPPORT OFFICERS	6.10	Increase capacity to manage change projects particularly digital.
POD Training - Hydra in the Cloud	6.00	Cloud based Hydra training delivering Pip 2 & 3 Investigative training reducing outsourcing costs. Set-up of 60k already funded by NWRP.
Dorset Intelligence Portal - Briefing Tool	1.00	Frontline briefing tool recommended as good practice nationally.
Total	1825.31	

Wellbeing	£'000	Explanation
OHU Restructure/Medical Budgets	94.36	Re-structure of the OHU provision to align with wellbeing and HR and ensure a better service to officers and staff.
Wellbeing Budget	30.00	Permanent resource to support proactive welfare activities
POD HR - BAME and Senior Female Leader Development Programmes	30.00	Budget to accelerate efforts regarding equal representation of BAME and female staff at senior leader level.
Health and Safety Administrator	27.15	Permanent resource to ensure hrs. compliance is appropriately tracked and audited.
POD HR - Staff Advertising linked to WFR	13.99	Budget to accelerate Workforce Representation work with targeted advertising.
Total	195.50	

6.11 ESN is the replacement for the current Airwave emergency service communication system. Although this is a national project no additional funding has been provided or promised. The capital cost is expected to be in the region of £8m for infrastructure and communication equipment. Details of coverage, cost of units and numbers required (personal and vehicles) have not been confirmed but the current best estimate is of a magnitude that cannot be ignored. This equipment will also need replacing, this is currently estimated on a 5 year cycle. Unless budgetary action is taken now to address this, the only remaining option to fund this would be by prudential borrowing; the initial estimate based on the full amount being funded this way is an increase of £1.8m in revenue to service the borrowing from 2023-24.

6.12 The £1.8m required to fund ESN would either have to be found from cuts to services, or additional council tax in one year if no action were taken now. The 2021-22 settlement enabled a sum of £0.750m to be included in the budget towards the ESN costs; this will be allocated to an ESN reserve initially. In 2022-23 it is expected that this sum plus an additional £0.6m due to the pay freeze can be added to the reserve. This will mean that there will be £2.1m of reserve to fund ESN, reducing the borrowing requirement to £5.9m, and the revenue cost to service the borrowing to £1.329m (£0.750m of which is now already included in the budget). This will leave a balance of £0.579m relating to ESN as part of the saving requirement for 2023-24 which is a more manageable figure than the £1.8m. These figures will be refined and reviewed annually as part of the budget setting process over the next two years.

6.13 Based on these assumptions this gives a balanced budget for the next two years, and a deficit of £1m to £1.4m per year in the following 3 years (detailed in the table below), which includes the ESN requirements. However the level of uncertainty around all the assumptions is exceptional. It is not clear currently whether the Government intends to try and balance the national budget and reduce the deficit

created due to the COVID pandemic in the short, medium or long term. This in turn will influence whether the next Spending Review (covering 2022-23 to 2024-25) will result in cuts, growth or steady state.

	2021-22	2022-23	2023-24	2024-25	2024-25
	£'000	£'000	£'000	£'000	£'000
Annual Balance	0	0	1,388	1,014	1,248
Cumulative balance	0	0	1,388	2,402	3,650

7. Risks

- 7.1 Funding for 2022-23 has not been announced and could be insufficient to fund the Plan, including the Uplift officers. The Government's planned Spending Review to cover 3 years of public spending was postponed by a year due to the COVID pandemic. The 3 year review is now due to be undertaken in 2021 and there is the potential that it could lead to reduced funding.
- 7.2 The uncertainty around the effect of the UK leaving 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 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. The Home Office has not announced their intentions in terms of reviewing the formula, only that they do intend to review at some point.
- 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 and PEQF 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 is still a gap and still uncertainties around the final costs. 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 funding risk.
- 7.6 Planned savings in 2021-22 have yet to be delivered. These plans are mature and it is expected that these savings will be achieved. Plans beyond 2022-23 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 £0.896m cut in budgets. This risk is increased due to the PCC elections in May with potentially a new PCC being elected.
- 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 27% over the period 2017-18 to 2021-22 to a total of £1,033m. Any new initiatives may result in further top slicing.
- 7.9 Further cuts could be applied if the economic climate worsens. Each additional 1% cut to the General Grant Funding is a cash reduction of £0.896m.
- 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's effect of an additional £1.414m 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 has to be funded by cuts. The risk of inflation not being recognised as part of the Government settlement is substantial. This has been mitigated in 2021-22 with the announcement of a pay freeze, but this will lead to pressure for higher increases in subsequent years.
- 7.11 Increases in pension employer contributions costs were seen in 2019-20, which had a significant effect on budgets. A number of discrimination cases have been taken out 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 £0.611m increase and a 1% increase in the Staff scheme would be a £0.379m increase. 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 2023-24. Discussions are on-going as to whether the additional cost will be funded centrally.
- 7.12 The MTFP reflects the historical cost of the National Police Air Services (NPAS). However, the operating model has been under review for some time and the definitive position is still unclear at the time of issuing the MTFP. The expectation is that the financial landscape for 2021-22 and beyond becomes clearer over the coming months but for that reason it is worth highlighting as a risk of increased costs in the MTFP.

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

7.14 The table below highlights the sensitivity of the main assumptions

Sensitivity main variables	£m
1% change in Council Tax	0.896
1% change in grant	0.837
A 1% change in pay	1.414
1% change in Employer Pensions Contributions	0.940
1% change in general inflation	0.477

8. Capital

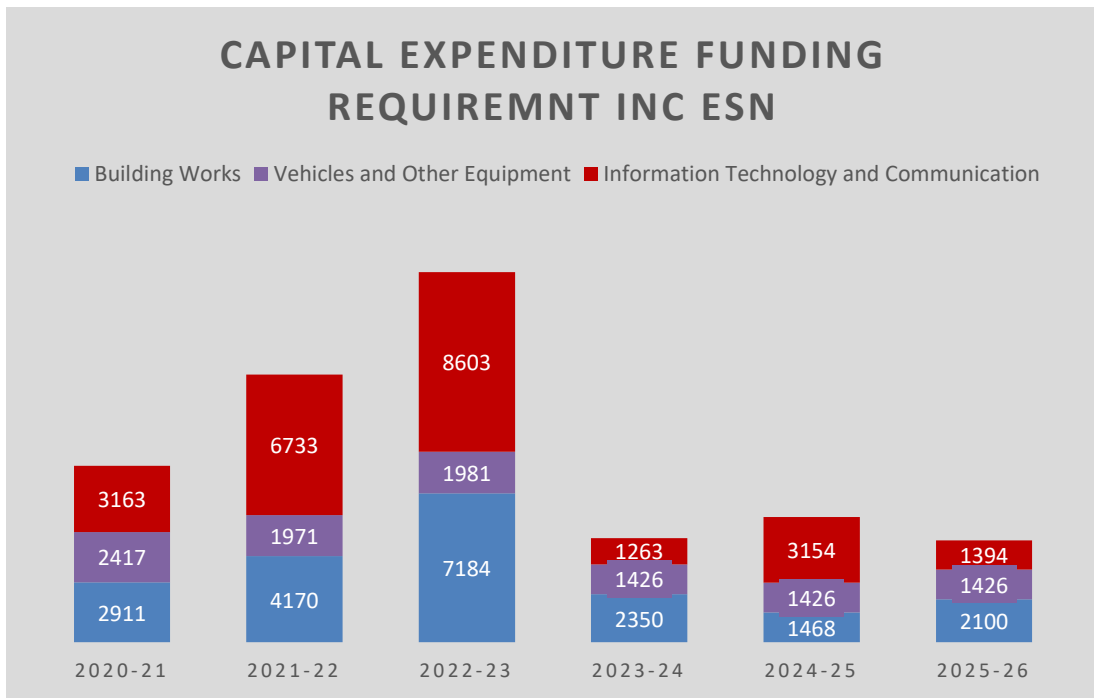
8.1 The Capital Programme which commenced in 2013-14 has come to its conclusion. By the end of 2019-20 the following will have been delivered:

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

8.2 The PCC's assets and infrastructure need continual investment in order to ensure an efficient and modern working environment. Strategies for the Estates, IT and Fleet were developed last year and a new Capital Programme agreed in 2020-21. 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. COVID has resulted in some re phasing of the Programme due to delays. Major projects such as ESN and the Command and Control System upgrade have also been under review. The summary of the changes in each area are

- Revised Estates Programme £17.3m – an increase of £0.427m from last year's programme
- Revised Fleet Programme £8.2m – a reduction of £0.341m per annum of direct revenue funding
- Revised IT Programme £21.1m
 - Known future major requirements – Command and Control (£2.5m), ESN (£7.2m+£0.9m), IT Sourcing (£1.0m)
 - Future replacements of laptops/2 in 1's/Desktops (£2.9m), BWV (£1.0m), Life X (£1.1m),etc.

- 8.3 **Estates** - The refurbishment of Pwllheli is due to finish this financial year. The relocation of the Vehicle Workshop, currently rented, is due to start next year subject to final Business Case. Other projects are in development stages and will be assessed in line with developments in agile working which could potentially reduce Estates requirements – either to deliver savings or to accommodate Operation Uplift and other growth.
- 8.4 **Fleet** – A detailed review of Fleet requirement has been made using the Telematics management information data, this has resulted in a reduction of £0.341m in the annual cost previously estimated (including Uplift requirements). An additional amount has been included to trail electronic vehicles as part of the normal replacement programme.
- 8.5 **IT and Communication** - Substantial investment is required for IT. This is being directed by the Digital Transformation Programme Board. The personal issue of internet-enabled devices to operational officers and staff will enable agile working – this project was accelerated as a result of COVID and will be completed by the end of 2020-21. In due course all devices will be able to utilise the National Enablement Programme in terms of the latest software available. Outline business cases have been provided in each area, the detailed cases and business benefits are being developed. The Programme also includes the replacement of Body Worn Video equipment. A significant upgrade in the Command and Control system is included at £2.5m, funding for this was put in place as part of 2019-20 reserve allocation. ESN has been included; funding is detailed in 6.11 to 6.12. The main IT contract is due for renewal in April 2022 and the associated upgrade costs have been included. Replacement for IT equipment has been built into future years.
- 8.6 Without the inclusion of ESN the programme was largely affordable, being funded from a combination of grants, reserves, direct revenue contribution and borrowing. The overall strategy is to minimise borrowing and maximise the amounts funded fully in the year of purchase by use of direct revenue contribution and capital receipts, which in turn minimises interest and capital repayments in subsequent years. Funding ESN without further investment would result in developments and replacements having to put on hold, which in turn would cause operational issues and a backlog in investment. Sections 6.11 to 6.12 explain how this is being addressed with the gap being included in the estimated saving requirement within the revenue budget. With the assumption that this gap, which has been reduced from £1.8m annually to £0.579m annually with the steps taken in this MTFP, can be funded from savings, meaning the Programme is affordable. The issue is demonstrated in the graph below showing that the 2022-23 year will be significantly higher than normal due to the inclusion of ESN.



8.7 The capital figures are shown in Appendix C; the final detailed plan will be formally approved by the PCC as part of the Capital Strategy, which is a statutory requirement, and incorporates the Treasury Management and Prudential Code Strategies before the end of March 2021. A summary of the Programme and funding is given below.

8.8 Capital Programme 2020-21 to 2025-26

Description	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26
	Revised Estimate	Est	Est	Est	Est	Est
	£000	£000	£000	£000	£000	£000
Total Building Works	2,911	4,170	7,184	2,350	1,468	2,100
Total Vehicles and Other Equipment	2,417	1,971	1,981	1,426	1,426	1,426
Total Information Technology and Communication	3,163	6,733	8,604	1,263	3,154	1,394
Total Capital Expenditure	8,491	12,874	17,769	5,039	6,048	4,920
Funding						
Home Office Grant	123	123	123	123	123	123
Revenue Contribution	2,691	2,070	2,054	2,053	2,268	1,753
Earmarked Reserves	1,403	4,465	2,100	0	0	0
Capital Receipts	203	100	100	370	750	100
Borrowing for Estates	2,445	4,070	7,084	2,250	718	2,000
Borrowing for replacement programme	1,626	2,046	6,308	243	2,189	944
Total Funding	8,491	12,874	17,769	5,039	6,048	4,920
External sources						
External sources	123	123	123	123	123	123
Own resources	4,297	6,635	4,254	2,423	3,018	1,853
Debt	4,071	6,116	13,392	2,493	2,907	2,944
TOTAL	8,491	12,874	17,769	5,039	6,048	4,920

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 unforeseen events. An element of this risk is managed through the in-year budgets through the contingency budgets. However, these contingency budgets have been 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 position is known.
- 9.3 There is a planned reduction in reserves from £25.218m to £16.039m over the next 10 years. A description of each reserve is given in paragraph 9.6.
- 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	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance
	31.3.20	31.3.21	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance	Balance
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Usable Reserves at											
General Fund Balance	5.189	5.427	5.427	5.541	5.655	5.769	5.883	6.001	6.121	6.243	6.365
Earmarked General Fund	19.975	20.099	16.672	13.074	9.982	9.279	8.581	8.006	7.502	6.959	6.959
Capital Receipts Reserve	0.054	2.151	2.911	2.961	3.091	2.716	2.716	2.716	2.716	2.716	2.716
Total Usable Reserves	25.218	27.677	25.009	21.575	18.727	17.763	17.179	16.722	16.338	15.917	16.039

- 9.5 The use of the reserves will depend on the final decisions on capital expenditure and the final revenue outturn in 2020-21, 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.

Description	31.3.20	31.3.21	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Capital Investment	3.001	2.740	0.840	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
Major Incident	2.435	2.211	2.211	2.211	2.211	2.211	2.211	2.211	2.211	2.211	2.211
Pension Ill Health Reserve	1.115	0.690	0.690	0.690	0.690	0.690	0.690	0.690	0.690	0.690	0.690
Insurance Reserve	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173
Training Reserve	0.100	0.600	0.350	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100
PFI Reserve	3.177	3.106	2.918	2.678	2.385	2.040	1.642	1.192	0.688	0.145	0.145
Uplift Reserve	0.000	1.577	4.441	2.441	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Fuel Reserve	0.000	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Estates Security and Maintenance	2.279	1.625	1.325	1.025	0.725	0.425	0.125	0.000	0.000	0.000	0.000
Management of Change	5.291	4.824	1.171	1.113	1.055	0.997	0.997	0.997	0.997	0.997	0.997
Partnerships Reserve	0.675	0.624	0.624	0.624	0.624	0.624	0.624	0.624	0.624	0.624	0.624
Commissioner Community Safety Fund	0.549	0.549	0.549	0.549	0.549	0.549	0.549	0.549	0.549	0.549	0.549
OPCC Legal Reserve	0.056	0.056	0.056	0.056	0.056	0.056	0.056	0.056	0.056	0.056	0.056
OPCC Participatory Budget	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
OPCC Reserve	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124	0.124
Total	19.975	20.099	16.672	13.074	9.982	9.279	8.581	8.006	7.502	6.959	6.959

9.7 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. Additional funds will be contributed to this reserve as set out in previous sections to fund ESN. £2.1m of the reserve is earmarked to fund the upgrade of the Command and Control system.

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. £0.224m of the reserve has been earmarked to fund additional COVID costs in 2020-21.

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 will be added to the reserve and used to catch up with training requirements when possible.

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.

Fuel Reserve – this is a new reserve from 2021-22. Fuel costs have reduced during 2020-21, this reduction has been reflected in the plans for 2021-22 onwards, but 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 and additional security not covered in the revenue or capital budgets.

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

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

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

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

9.6 The Capital Receipts Reserves holds the proceeds received for 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.

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

	31.3.20	31.3.21	31.3.22	31.3.23	31.3.24	31.3.25	31.3.26	31.3.27	31.3.28	31.3.29	31.3.30
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Reserves at Year End	25.164	25.526	22.099	18.615	15.637	15.048	14.464	14.007	13.623	13.202	13.324
General Reserves	5.189	5.427	5.427	5.541	5.655	5.769	5.883	6.001	6.121	6.243	6.365
Earmarked Revenue Reserves											
of which held to meet budgetary risks	5.003	5.054	4.804	4.554	4.554	4.554	4.554	4.554	4.554	4.554	4.554
of which held to support the medium term budget	0.549	2.126	4.990	2.990	0.549	0.549	0.549	0.549	0.549	0.549	0.549
of which held to facilitate change programmes	7.570	6.449	2.496	2.138	1.780	1.422	1.122	0.997	0.997	0.997	0.997
of which held pending future deficits on PFI contracts	3.177	3.106	2.918	2.678	2.385	2.040	1.642	1.192	0.688	0.145	0.145
of which committed to future year capital programmes	3.001	2.740	0.840	0.090	0.090	0.090	0.090	0.090	0.090	0.090	0.090
of which Other Earmarked Reserves											
of which Reserves held on behalf of other organisations	0.675	0.624	0.624	0.624	0.624	0.624	0.624	0.624	0.624	0.624	0.624
Total Revenue Reserves	25.164	25.526	22.099	18.615	15.637	15.048	14.464	14.007	13.623	13.202	13.324
Capital Reserves											
of which capital receipts reserve	0.054	2.151	2.911	2.961	3.091	2.716	2.716	2.716	2.716	2.716	2.716
TOTAL Reserves	25.218	27.677	25.009	21.575	18.727	17.763	17.179	16.722	16.338	15.917	16.039
Total Revenue Reserves Broken down as follows:											
Funding for projects & programmes over the period of the current MTFP	11.795	11.939	8.950	5.842	3.043	2.685	2.385	2.260	2.260	2.260	2.260
Funding for projects & programmes beyond the current MTFP	8.180	8.160	7.722	7.232	6.939	6.594	6.196	5.746	5.242	4.699	4.699
General Contingency	5.189	5.427	5.427	5.541	5.655	5.769	5.883	6.001	6.121	6.243	6.365
TOTAL Revenue Reserves	25.164	25.526	22.099	18.615	15.637	15.048	14.464	14.007	13.623	13.202	13.324

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 Operation Uplift has provided opportunities for growth, but also cost pressures and limitations of efficiencies. Increased cost pressures from inflation and new requirements have resulted in difficult decisions having to be made during this planning cycle. These additional costs follow on from a period of ten years where £35.4m of savings have been taken from budgets. The emerging demands on operational resources also add to the financial pressure.
- 10.3 The Commissioner has considered all of the options within the resources available. Extensive work was carried out by the Organisational Planning Process in order to identify savings and move resources within the organisation. The planning process also enabled the intelligent allocation of 62 Operation Uplift officers, based on priorities. It would not be prudent to leave the funding problem relating the mandatory introduction ESN until future years. A council tax increase of 4.73% would be needed to cover inflation assuming a cash flat grant settlement. Additional resources have become available by the announcement of additional officers; however it is unclear whether the full cost of the additional officers, including support and infrastructure, will be funded. Taking all these factors into consideration a council tax increase of £14.94 (5.14%) is proposed which matches the Home Office's assumed increase. This is a prudent council tax/precept increase, given that general funding and the allocation of phase 3 Operation Uplift have not been announced. Consideration has also been given to the level of uncertainty over future funding due to the COVID Pandemic and the economic consequence of EUexit which are not known.

Appendix A

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 only incurring a sustainable level of debt
- Continually review budgets to ensure that resources are targeted on key objectives

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

Corporate and Business Planning

- To integrate operational and financial planning to ensure that resources are directed to support the priorities set out in the Police and Crime Plan and to match resources with corporate objectives
- 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 policy programme is sustainable and can be delivered
- To aim to balance the revenue budget over the medium term without reliance on the use of the General Reserve
- To maintain the 3 levels of resilience 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.

Revenue Budget 2020-21 to 2025-26

Ref	Description	Annual Budget 2020-21	+ 'Inc -' Redn 2021-22	Annual Budget 2021-22	Annual Budget 2022-23	Annual Budget 2023-24	Annual Budget 2024-25	Annual Budget 2025-26
	<u>Budget 2020-21 to 2025-26</u>	£000	£000	£000	£000	£000	£000	£000
	Expenditure							
1.1	Police Officer Pay Establishment	85,463	4,891	90,354	94,479	97,534	100,090	102,571
2.1	Police Staff Pay	41,988	226	42,214	42,800	43,912	45,052	46,220
2.2	PCSO's	6,126	-21	6,105	6,226	6,350	6,477	6,607
3	Police Officer Overtime	2,207	-16	2,191	2,246	2,302	2,359	2,418
4	Police Staff Overtime	617	-16	601	617	632	648	664
5	Allowances	1,297	7	1,304	1,300	1,297	1,295	1,293
6	Training	1,210	152	1,362	1,390	1,418	1,446	1,475
7	Other Employee	655	101	756	771	787	803	819
8	Direct Pension Payments	3,346	-65	3,281	3,360	3,440	3,523	3,607
9	Energy Costs	1,420	43	1,463	1,506	1,552	1,598	1,646
10	Building Running Costs	6,539	18	6,557	6,688	6,822	6,959	7,098
11	Repairs & Maintenance of Vehicles	606	-24	582	594	606	618	630
12	Vehicle Running Costs	1,944	-103	1,841	1,890	1,940	1,992	2,045
13	Car & Travelling Allowances	540	-81	459	469	478	487	497
14	Air Support Unit	589	113	702	719	737	755	773
15	Equipment	1,094	-26	1,068	1,089	1,111	1,133	1,155
16	Clothing and Uniforms	589	-59	530	541	551	562	574
17	Printing and Stationery	366	-72	294	300	306	312	319
18	IT and Communications	10,984	1,590	12,574	12,825	13,082	13,344	13,610
19	Subsistence	295	-24	271	276	282	287	293
20	Other Supplies and Services	2,665	-4	2,661	2,713	2,765	2,819	2,874
21	Collaboration and Partnerships	5,833	543	6,376	6,535	6,699	6,866	7,038
22	Forensics	754	165	919	938	957	976	995
23	Debt Charges & Contribution to Capital	4,630	-276	4,354	4,384	5,593	5,547	5,775
24	Special Situations Contingency	400	0	400	400	400	400	400
25	Inflation and General Contingency	1,977	1,437	3,414	652	652	652	652
26	Community Safety Fund	2,850	57	2,907	2,965	3,025	3,085	3,147
	Gross Expenditure	186,984	8,556	195,540	198,673	205,230	210,085	215,195

	Annual Budget 2020-21	+ 'Inc -' Redn 2021-22	Annual Budget 2021-22	Annual Budget 2022-23	Annual Budget 2023-24	Annual Budget 2024-25	Annual Budget 2025-26
Expenditure	£000	£000	£000	£000	£000	£000	£000
Income							
27 Secondments	-6,138	-128	-6,266	-6,358	-6,517	-6,680	-6,847
28 Interest on Balances	-100	0	-100	-100	-100	-100	-100
29 Income	-2,563	-41	-2,604	-2,604	-2,604	-2,604	-2,604
30 Specific Grants	-14,407	640	-13,767	-13,714	-13,662	-13,609	-13,556
Total Income	-23,208	471	-22,737	-22,776	-22,883	-22,993	-23,107
31 PFI Reserve	-71	-117	-188	-241	-293	-346	-398
32 ESN Reserve	0	750	750	1,350	0	0	0
33 Contribution to General Reserve	0	0	0	114	228	342	456
Net Expenditure	163,705	9,660	173,365	177,120	182,282	187,088	192,146
34 Total Grants	-78,715	-4,962	-83,677	-83,677	-83,677	-83,677	-83,677
35 Precept	-84,990	-4,698	-89,688	-93,443	-97,217	101,009	104,819
Funding	163,705	-9,660	173,365	177,120	180,894	184,686	188,496
Annual Balance	0		0	0	1,388	1,014	1,248
Cumulative Balance	0		0	0	1,388	2,402	3,650

Appendix C

Draft Capital Programme 2020-21 to 2025-26

Description	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total Project Costs (inc pre 20-21)
	Revised Estimate	Est	Est	Est	Est	Est	
<u>Estate Programme</u>	£000	£000	£000	£000	£000	£000	£000
Retentions, Consultancy and QS	25						25
Sustainability Improvements	102	100	100	100	100	100	602
Estates estimate 25-26 onwards						2,000	2,000
Pwllheli PS	879						980
Holyhead PS	0	750	2,593				3,343
FHQ Complex + Canteen	257						257
Caernarfon & North Gwynedd Estate Area	300	500					800
VCC / Vehicle Workshop	1,000	1,870					2,870
Dolgellau PS					1,000		1,000
Abergele PS			391				391
Llanrwst PS					178		178
Flintshire Hub		500	4,000	1,500			6,000
Force Control Room Upgrading			100				100
Archive Store				750			750
Rhosllanerchrugog PS					190		190
Re locate/ co locate/ vacate	50	300					350
Custody CCTV	6						75
Firearms Base works	292						391
CS - SARC ISO Accreditation		150					150
Total Building Works	2,911	4,170	7,184	2,350	1,468	2,100	20,452
<u>Vehicles and Other Equipment</u>							
Vehicle Purchase Replacement Programme	2,234	1,426	1,981	1,426	1,426	1,426	9,919
Tranman development	0	75					75
Dexun System (Strategic Control Centre)	22						78
Intoxilators x 3	30						30
ANPR replacement	0	470					470
Collision Surveying Equipment	131						131
Total Vehicles and Other Equipment	2,417	1,971	1,981	1,426	1,426	1,426	10,703

	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total Project Costs (inc pre 20-21)
Description	Revised Estimate	Est	Est	Est	Est	Est	
	£000	£000	£000	£000	£000	£000	£000
Information Technology and Communication Equipment							
Desk Top Replacement (Replacement Programme)	1,237	300	750	750	750	300	6,960
Lockers for charging and storage	50	150					200
Mobile app		471					471
Server Replacement		700				700	2,072
Business Systems Servers (Replacement Programme)		145				150	457
Mobile data devices	566				460		1,976
Airwave (replacement units)	79						533
DFU Server replacement				270			562
Mobile Responder App	3	83					200
NEP Infrastructure/Sail Point/Internet Links	491						1,180
Connectivity Software	85						85
Wifi	110	296					500
Digital Workplace audio visual	26	100					200
Single on line Home (Digital Public Contact)		40					40
Digital Intelligence & Investigation		196					196
DFU Automate	15						15
Digital Evidence Management	125						125
CISCO Telephony	0	250					250
Nexus Memory Upgrade	13	37					50
Backup	30						157
LAN	20	60					80
Unsupported systems (Risk Register)	124						124
ICAD Upgrade Phase 1	130						172
Command and Control Upgrade - Phase 2		2,458					2,458
Body Worn Video	59						592
GIS Update							70
LPS - Community Safety - Prevention		30					30
CS - COTS Standard Surveillance (RIPA) System		80					80
CS - CHIS system		88					88
POD - 360 Virtual Training		53					53
Digital - BIU - Mgmt Info Data Warehouse		50					50
CHORUS new module		35					35
ICT Sourcing Strategy		250	750				1,000
Life-X Deployment			300		800		1,100
Emergency Service Network		686	6,560		900		8,146
NEP Device Re-build		175					175
Body Worn Video (replacement costs)			244	243	244	244	974
Total Information Technology and Communication	3,163	6,733	8,604	1,263	3,154	1,394	31,456
Total Capital Expenditure	8,491	12,874	17,769	5,039	6,048	4,920	62,611