

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

Medium Term Financial Plan

2022-23 to 2026-27

1. Introduction

- 1.1 The Medium Term Financial Plan (MTFP) links the Police and Crime Commissioner's (PCC) [Police and Crime Plan 2021 \(northwales-pcc.gov.uk\)](https://www.northwales-pcc.gov.uk), which was revised following the election of the new PCC; and the Policing Priorities agreed by the Police and Crime Commissioner and the Chief Constable with the Financial Strategy (Appendix A) and the resources available.
- 1.2 A detailed planning process has been conducted over the past year. The Government conducted a 3 year spending review during this summer. The spending review reiterated the Government's commitment to Operation Uplift to increase Police Officers nationally by 20,000 by March 2023. Uncertainty around base funding and Uplift funding was high during the year, especially with the added uncertainty that the Covid pandemic brought. The planning process considered growth in Officer numbers, saving opportunities and allocation of resources to match priorities. It considered various scenarios for funding and inflation.
- 1.3 The Commissioner has considered all options within the resources available. Extensive work was carried out by the Organisational Planning Process to identify savings and move resources within the organisation. The planning process also enabled the informed allocation of Operation Uplift officers based on priorities, and the identification of other requirements to meet the ever-changing demand and support for the additional officers, as well as set up, training and recruitment costs of those officers.
- 1.4 A council tax increase of 5.91% would be needed to cover inflation and all other stand-still increases. Additional resources have become available as a result of the announcement of additional uplift officers; A further 78 officers have been allocated to NWP with an additional 4 being sourced via NWP towards the Regional Organised Crime Unit (ROCU). These are fully funded for 2022-23, however a longer-term view must be taken, because the cost of the additional Officers will increase as they progress through their annual increments over 6 years.
- 1.5 Taking all these factors into consideration a council tax increase of £11.25 (3.68%) is proposed. The Home Office's assumed increase for 2022-23 is £10, the additional £1.25 increase funds 10 additional PCSOs, as part of implementing the PCC's Police and Crime Plan. This is a prudent council tax/precept increase, given that future pressures in terms of pay awards and increments need to be funded as well as pressure on non-staff costs due to current inflation rates. Based on the assumptions set out in the MTFP a balanced budget has been set for 2022-23 to 2024-25 with an estimated gap rising to £2.879p.a. over the following two years. The planning process will continue to identify efficiencies. The current expectation is that many of these are longer term, as current investments drive future efficiencies.

1.6 Aim

The aim of this paper is to provide details of how the budget has been balanced to date, and the plans to maintain a balanced 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 has been reduced by -21.4% in real terms (taking inflation into account) by 2022-23.

1.8 The overall effect of the reduced funding available and inflationary and other pressures has resulted in £38.291m of savings being made to budgets over an 11 year period. This is equivalent to a 25.8% reduction in the 2010-11 pre austerity budgets of £148.035m. North Wales Police has a good record of delivering planned savings, with a strategy of fully scrutinising planned savings prior to the year of delivery. The annual cuts are as shown in the table below:

	2011-16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Planned Cashable Savings	24.101	2.838	2.686	1.479	1.927	2.358	2.902	38.291
Savings Achieved	24.101	2.838	2.686	1.479	1.927	2.358	2.902	38.291
% of savings achieved	100%	100%	100%	100%	100%	100%	100%	100%

1.9 Prior to the 2020-21 settlement being announced the Government had in place a policy to increase Police Officer numbers by 20,000 (Operation Uplift) over a period of 3 years. The 2020-21 and 2021-22 announcements allocated 12,000 of these additional officers among, Forces with North Wales Police being apportioned 124. The funding announcement for 2022-23 distributed the remaining 8,000 additional officers with North Wales Police receiving a further 82 making a total of 206 (including 8 allocated to 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.

1.10 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.

1.11 Since early 2020 the UK has been in the grip of the global COVID pandemic. This context made the basis for financial planning for 2022-23 onwards very uncertain. Prior to the COVID pandemic, a 3-year spending review had been expected, and an early announcement of future Operation Uplift numbers. However, last year's settlement was for one year only, and the Operation Uplift announcements were made at the same time, and only for the same shorter timeframe. The announcement for 2022-23 included indicative figures for three years as well as the final Uplift numbers and funding. These were received late in December 2021, and while they might change, they do help in future planning. There remain a number of uncertainties in terms of future assumptions, especially around pay awards and inflation. Prudent assumptions have been made based on the information available in December 2021.

2. Planning Process

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

SHAPING THE PLAN

MY PLAN

My plan sets out my vision for North Wales and how I expect the vision to be achieved. It is informed by public consultation and

MY VISION

North Wales communities are safe, victims and vulnerable people feel supported, crime and reoffending are low, and people have confidence in policing and the criminal justice system

MY 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
- Safeguard vulnerable people including children
- Tackle and prevent cybercrime
- Establish a victims panel
- Tackle and prevent Hate Crime

FAIR AND EFFECTIVE CRIMINAL JUSTICE SYSTEM

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

3

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 below.

POLICING DELIVERY - what we do

We ensure that:

- Public have confidence in North Wales Police
- We deliver an excellent quality of service to victims
- We use police powers proportionately



OUR FOCUS - how we deliver

PEOPLE

- With a focus on Diversity, Equality and Inclusion, we will
- Attract a talented workforce, representative of our communities
 - Provide an outstanding wellbeing offer
 - Support people to reach their full potential
 - Celebrate achievements and value individual and team contributions
 - Expect our people to deliver an exceptional service and display the highest standards of behaviour

INNOVATION

- By creating a digital and agile working environment, we will
- Maximise the opportunities for our people to work effectively
 - Improve our accessibility for our communities
 - Develop a visual data tool which provides our people with relevant information to support their decision making
 - Use data to help us adapt to the changing demands our organisation faces
 - Ensure the digital programme supports future digital innovation and opportunities

PREVENTION

- Adopting a preventative mind set across the whole organisation, we will
- Engage with and listen to our communities to understand their concerns
 - Problem solve issues with our partners
 - Continue to develop our early intervention approach with our partners
 - Work with partners to prevent re offending

We will develop strong financial and resourcing plans to ensure we are efficient and effective and provide value for money

- 2.3 The planning process for 2022-23 was reviewed by the Strategic Planning Unit, Finance, Senior leaders and the Chief Officers. A number of risks were assessed, including the unavailability 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. 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. This approach worked well for the 2021-22 budget, and similar process was followed. The Corporate approach with early peer scrutiny resulted in a fully supported plan that will be implemented over the next 12 to 18 months.
- 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 2021</u>	<u>June- July- Aug</u>	<u>Sept – Oct 2021</u>	<u>November 2021</u>	<u>December 2021 to February 2021</u>
Chief Officer Workshop	Business Cases and Plans drafted	Submission early September	Final Org Planning meeting	Proposals presented to PCC 7.12.2021
Key Stakeholder Workshop	Strategic Planning prioritises central team support	Strategic Planning & Finance Review	Autumn Statement	Grant Announcement 16.12.21
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 21.12.21
Business Plans Commissioned		Proposals set out		Final Plans Drafted
				Panel meeting 31.1.2022

2.5 Two levels of savings were set for the planning process, £1.7m which might be used for re-investment and a further £1.7m contingency due to the level of uncertainty over funding. Also taken into consideration was that a balanced budget had been planned for 2022-23 as part of the previous MTFP, and the level of savings identified for 2021-22 (£2.9m).

£1.7m – Improve Total £1.7m	£1.7m Preparedness Total £2.4m
<u>We should</u>	<u>We may need to?</u>
<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

2.6 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 considered:

- 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 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

2.7 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

2.8 The process to formulate the FMS involved the forecasting of future demand, horizon scanning, and input from operational experts. This process identified:

- 79% of departments reported a rise in demand of 10%
- 65% of departments identified elements of demand that could not be met within current resources.
- The majority of the gaps were people-based (capacity).
- The capability position (equipment, skills) is positive

This identified areas needing investment:

- Visible front-line resources
- Management of serious offenders, safeguarding the vulnerable and reducing re-offending
- Fraud and cyber related financial investigations
- Improving Criminal Justice process
- Digital public contact
- Internal standards
- Performance and Efficiency insights

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

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

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

2.11 Other areas that were specifically considered are:

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

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

2.13 A meeting was held between the Commissioner, the Chief Constable and their representatives on 7 December to discuss the budget proposals, with a final meeting held on 21 December after the Government funding announcement had been made.

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

3 2021-22 Budget

3.1 The budget announcement for 2021-22 on 17 December 2020 included £4.262m 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 2021-22	MTFP excluding Uplift £m	Settlement £m	Variance £m
Base Grant	78.714	83.677	4.963
Pension Grant	1.582	1.582	0
Ring Fenced (subject to uplift targets)	1.731	1.03	-0.701
Capital Grant	0.123	0.123	0
Total	82.150	86.412	4.262

- 3.2 Savings of £2.902m had been identified as part of the planning process. The PCC agreed an increase of 5.14% in the Council Tax which resulted in a budget increase of 5.90% including Operation Uplift costs. The Council Tax increase allowed £2.642m 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. The reinvestment was a combination of staff and non-staff costs, under the strategic headings of Prevention and Proactivity (£0.621m), Digital and Demand Management (£1.825m) and Wellbeing (£0.196m).
- 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 2021-22 financial year. 40 additional recruits were appointed in April/May 2021, which meant that the Uplift target was been passed early in the financial year. Further recruitment throughout the year maintained the numbers above the Uplift Target. By March 2022 it is expected that 137 additional Police Officers will have been recruited with 80 leaving, a net increase of 57. This will mean that there will be 37 officers already recruited by the end of 2021-22, which can count towards the 2022-23 target.
- 3.4 The 62 posts were allocated to: Prevention and Proactivity 43, Digital and Demand management 14, and Wellbeing 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.
- 3.5 To support the Uplift Growth and meet demand challenges, staff and non-staff investments were made: £0.621m in Prevention, £1.825m in Digital and Demand Management, and £0.195m in Wellbeing. There were 68 staff post requiring action (permanent or temporary appointment, re-allocation) 82% of these have been completed with 13 currently in progress and will be in place by the end of March 2022. The staff recruitment market has been challenging during 2021. Several the larger non

staff growth areas have gone through a purchasing process and are coming to fruition now.

- 3.6 The COVID pandemic and the various levels of restrictions 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. Once the Pandemic is over home working will continue as part of the implantation of Agile working. Where they are recurring, savings have been taken. Staff costs have been consistent with the budget and the prior year, with significant effort being put into ensuring that recruitment continues apace for officers and staff. Assessments of the changes in spending patterns were included in the planning process in order to make permanent reductions where a savings are ongoing, to identify expenditure which might be delayed, and use these reductions to fund increases elsewhere in the budget.
- 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) late in 2020-2021. A reserve of £0.6m was set up to fund additional COVID related costs at the end of 2020-21. As at 31 December 2021 half of the reserve had been committed, with additional requirement expected, due to the potential effect Omicron variant of the virus in January/February 2022 on staffing levels.
- 3.8 Her Majesty's Inspectorate of Constabularies and Fire and Rescue Services (HMICFRS) and Wales Audit Office (WAO) normally review annually: the Force's financial position; planning process; savings already made; and savings yet to be made. The Force is required to produce a Force Management Statement (FMS) with the third FMS being completed in May 2021. The FMS describes expected future demand, identifies potential gaps; this has been used as part of the planning process
- 3.9 HMICFRS's *Valuing the Police* reviews have been incorporated into their new review programme *PEEL 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 inspections have been delayed due to the Pandemic, the next full inspection is due to be conducted March to May 2022. 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.justiceinspectorates.gov.uk/hmicfrs/peel-assessments/peel-2018/north-wales/>

- 3.11 Audit Wales made the following comments on their value for money assessment in their annual audit letter published on November 2021;

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

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

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

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

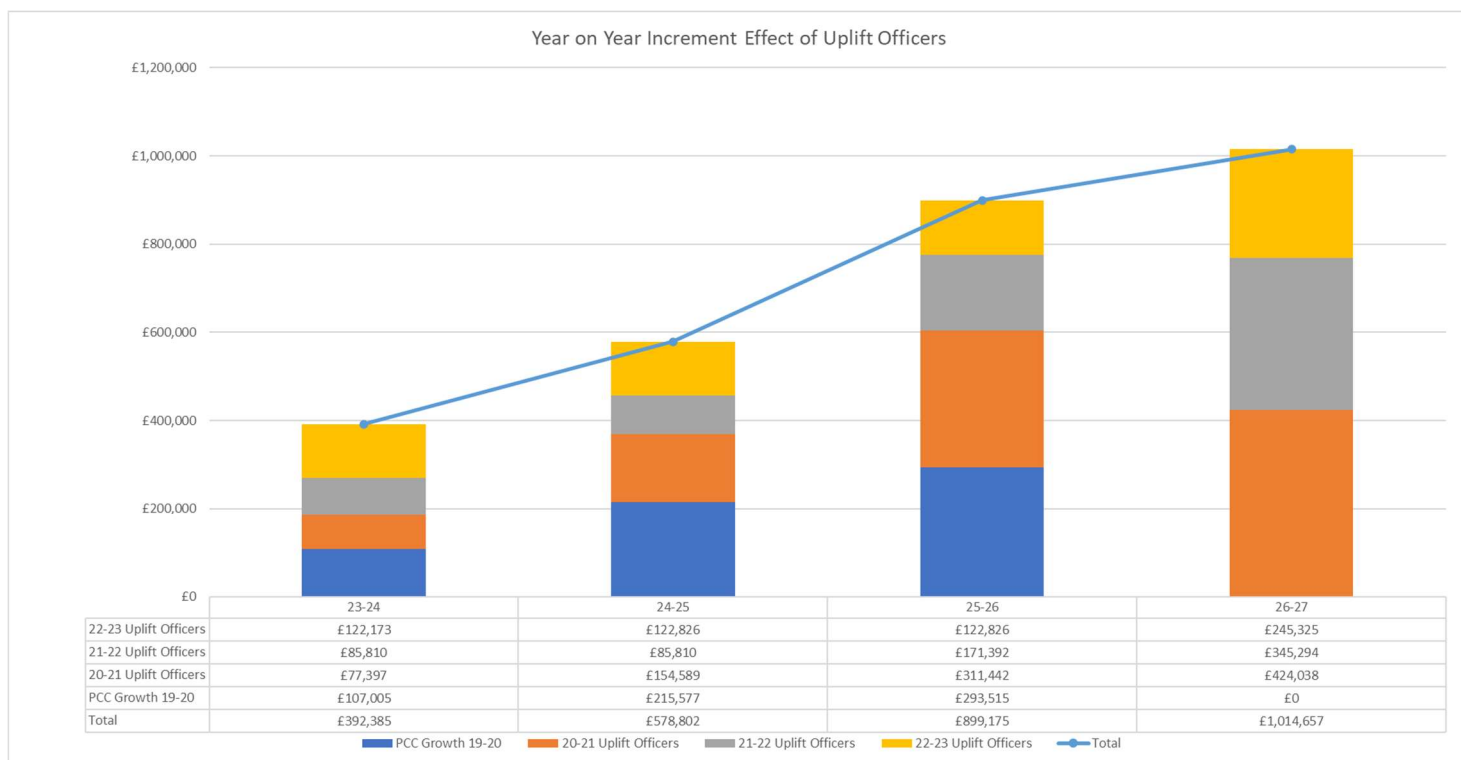
4 Funding Allocations and assumptions

- 4.1 No Provisional Government Funding Allocations for 2022-23 were given as part of the 2021-22 settlement. Announcements were made during 2021-22 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 known until the funding announcement in December 2021.

- 4.2 On 27 October 2021, Chancellor of the Exchequer, Rishi Sunak MP, announced the outcome of the 2021 comprehensive spending review (SR2021). Sometimes referred to as the 'Spending Round' or the 'SR', the SR2021 sets out public spending totals for the financial year 2022-23 to 2024-25. The announcement gave Government Departmental spending totals, but not Force allocations. In the Autumn Statement it was also announced that annual inflationary pay increase for Police Officer and Police Staff would re commence in 2022-23. The announcement committed again to the increase in Uplift Officers with associated additional funding (not given at Force level) as well as showing a modest increase in Home Office funding in 2023-24 and 2024-25. The available information from the announcement was fed into the final phases of the planning programme with an estimated 62 Uplift Officers and £4.125m funding being estimated for North Wales Police as a working assumption.
- 4.3 The 2021-22 Provisional Settlement was announced on 16 December in a written statement by the Policing Minister, Kit Malthouse. Prior to the publication of settlement, the sector was expecting a continuation of additional Uplift funding for the recruitment of 8,000 officers (towards the 20,000 total). In a follow-up meeting, Kit Malthouse had confirmed that policing would receive an extra £550m in 2022-23, £650m in 2023-24 and £800m by 2024-25. At the time of SR, how this money was to be distributed was unknown, however, it was suggested that as well as Uplift funding this would also give forces enough resource to fund a pay rise, in line with the end of the public sector pay freeze as well as the additional costs of the new Health and Social Care levy (£1m+ for NWP).
- 4.4 An element of the Uplift funding was retained as specific grant paid on recruitment of additional officers. The Ministerial Statement stated that in total PCCs would be able to raise an additional £774m assuming that the full precept flexibility is taken. It was confirmed that the council tax referendum limit will be £10 per PCC in England. The rules in Wales are different and no capping limit has been announced. The specific Pension Grant has been continued for another year as a specific grant.
- 4.5 The points below summarise the final announcement and shows differences between this and our assumptions following the Autumn Statement. The settlement exceeded expectations in so far as the allocation of Operational Uplift was higher than expected (due to lower than expected national allocations) and funding in 2022-2023 was higher. However, the additional officers come with additional costs, and these will increase over future years as the officers' pay increases as a result of increments and annual pay awards. The funding provided is intended to cover all costs including the Health and Social Care Levy, Uplift set up and future costs as well as well as pay and non-pay inflation; any deficit must be found from savings or precept increases.
- Core funding including Uplift increased by £5.092m (+5.9%) (compared to £4.125m estimated)
 - Additional Apprentice Grant funding of £0.287m
 - Uplift numbers increased from estimated 54 NWP + 8 ROCU (total 62) to 78 NWP + 4 ROCU total 82 - resulting in additional cost.
 - Funding of Health and Social Care Levy (£1m) included in the core funding

- No Capital Grant included, £0.123m estimated based on 21-22, need to increased revenue contribution to make up the reduction
- Pay awards to be re-instated in 2022-23
- Based on figures assumed 1.1% (£1m) 23-24 and 1.6% (£1.5m) grant increases, this does not cover inflation and increments

- 4.6 Central allocations (top slicing) - that is the amount the Home Office retain for central Police related expenditure rather than distributing to Forces, increased from £1,034m in 2021-22 to £1,374m in 2022-23, an increase of £0.340m. The increase is in the Police Technology Programmes and new programmes including Police and CJS Performance, Crime Reduction Programmes, Crime Reduction Capabilities, Rape Review, Drugs / County Lines, Capital Reallocations and Fraud. If all of this were to be allocated to NWP based on the funding formula it would be equivalent to an additional £13.75m.
- 4.7 The increase in the allocation of Uplift officers will mean that the allocation to NWP (including regional element) will total 206 over 3 years. Funding increases provided over the period 2020-21 to 2022-23 is sufficient to cover the current cost of the additional officers with a significant contribution towards support costs. Funding set aside in years 1 and 2 can also fund set-up costs. However, the cost of each officer increases by £23k over 6 years and this must be built into future costs. When deciding how to use the current funding received, it is necessary to find a balance between what can be spent now to support increases in staff and non-staff support cost for the additional officers, and how much must be held back for future costs.
- 4.8 The graph below shows the annual increase in the Uplift officers pay costs due to increments. The cumulative effect is £2.8m, which is a significant proportion of the savings required in 2025-26 and 2026-27.



4.9 The estimated increase in Home Office funding of 1.1% (£1m) in 2023-24 and 1.6% (£1.5m) in 2024-25 is better than the previously estimate of no increase, but in real terms this will amount to real-terms cuts, with wage inflation expected to be around 3% and general inflation expected to be higher than the Bank of England base target of 2%.

4.10 There is no specific mention of the review of the Police Allocation Formula in the announcement, however the Home Office have set up groups to review the formula. The current floor grant is £22m, that is if the current formula was fully applied the funding for NWP would be £22m lower. The current formula has never been fully applied and the review would put forward a new formula. This will be kept under review as the 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 3.68%, or £11.25 on a Band D Council Tax. The Tax Base for the whole of North Wales has increased by 0.94%, giving an overall increase in Precept of 4.65% and a total net budget of £182.268m for the Police and Crime Commissioner, made up as follows:

	2022-23	
	£m	%
Total Government Grants	88.407	48.50%
Total Precepts	93.861	51.50%
Total Budget Requirement	182.268	

- 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 by 0.94%. This is higher than the estimated 0.25% primarily due to two authorities, Gwynedd and Ynys Mon, increasing the premium on empty and second homes. 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 2022-23. North Wales has the highest Council Tax in England and Wales, but if these legacy Council Tax Grants were taken into consideration, North Wales would be the 4th highest (assuming all Forces increase their Council Tax by £10 in 2022-23).
- 5.4 No capping rules or assumed increase have been announced by the Welsh Government; this is in line with previous years.

6. Budget for 2022-23 and Planned Budget for 2023-24 to 2026-27

6.1 The detail of the Budget and changes for 2022-23 and future years are shown in Appendix B.

6.2 The main assumptions are as follows:

- Annual pay inflation 3% applied from September 2022 to August 2023, 2.5% per annum increase from September 2023 onwards
- General Inflation 2%, specific inflation applied where necessary. For 2022-23 this includes Energy, Fuel, Insurance and direct Pension charges.
- Council Tax increase of 3.68% in 2022-23 (£11.25) and £12 per annum in the following years which equate to 3.79% in 2023-24, 3.65% 2024-25, 3.52% 2025-26 and 3.40% in 2026-27
- General Government Grants increase of 5.65% in 2022-23, 1.13% in 2023-24; 1.68% in 2024-25 and 1% for the following two years
- That the base grant contributes towards Uplift and all other increases (that is there will be no additional funding for Health and Social Care levy or pay inflation)
- That the Capital Grant (£0.123m 2021-22) has been withdrawn, the deficit in the capital funding has been funded from the general grant
- A 0.25% increase in tax base from 2023-24 onwards
- Annual cost of £1.329m included for Emergency Service Network (ESN) from 2023-24 with a reserve being built up in preceding years. Based on current estimates and implementation dates ESN is now funded within the plan.
- Contributions to General Reserve to ensure the balance does not fall below the minimum of 3% of Net Revenue Budget value.
- Additional specific grants are included for PCSOs, PEQF and costs relating to national security

This gives an overall position of:

	Annual	Annual	Annual	Annual	Annual
	Budget	Budget	Budget	Budget	Budget
	2022-23	2023-24	2024-25	2025-26	2026-27
	£'000	£'000	£'000	£'000	£'000
Baseline	173,365	182,268	187,067	192,384	198,500
Inflation	1,475	4,432	4,732	5,010	5,045
Stand still structural	2,315	126	133	140	146
Health & Social Care Levy	1,075	27	28	29	29
Uplift	4,076	214	424	937	1,062
Growth	1,660	0	0	0	0
Efficiency Savings	-755	0	0	0	0
Specific Grants additional funding	-1,314	0	0	0	0
Additional PCSO growth	371	0	0	0	0
Budget Requirement	182,268	187,067	192,384	198,500	204,782
Total Grant	-88,407	-89,407	-90,907	-91,816	-92,735
Precept from Council Tax	-93,861	-97,660	-101,477	-105,313	-109,168
Total	-182,268	-187,067	-192,384	-197,129	-201,903
Annual Balance	0	0	0	1,371	1,508
Cumulative balance	0	0	0	1,371	2,879
Council Tax % increase	3.68%	3.79%	3.65%	3.52%	3.40%
Council Tax £ increase	11.25	12	12	12	12

6.3 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 2022-23 and future estimates
- Inclusion of Health and Social Care Levy
- Allocation of 82 Uplift Officers for 2022-23 and estimate of future costs
- Efficiency and savings available in 2022-23
- Priority areas that require investment in 2022-23
- Estimate future costs and funding
- Estimate future Capital Requirements including ESN
- Estimate and make best use of Reserves to support the MTFP

6.4 There have been several inflationary and other unavoidable costs (which are in essence inflation costs) that have been dealt with as part of the planning process. An estimated 3% pay award has been included from September 2023 which is in line with

the most recent national discussions. A 2% general inflation has been included but all areas were reviewed to assess whether this was sufficient. Additional amounts have been included for Estates and Energy costs, Fuel, Insurance and Injury Pensions, taking into account current year budget position. IT costs are increasing at above the 2% base inflation, but also the number of licences required for general use software and storage costs due to volume have increased. The additional cost of ESN was included last year and is consolidated into the base. The withdrawal of the Capital Grant has been compensated with an increase in revenue contribution. And finally, the Health and Social Care levy is an additional employer tax. A break-down is given below:

Standstill Structural Costs	£'000	Explanation
Inflation	1,475	Pay and non-pay basic inflation based on 3% pay from September 2023 and 2% General inflation
Additional specific inflation for Estate/Energy, Fuel, Insurance, and Injury Pensions	440	Above base inflationary increases expected in 2022-23 which emerged during the planning process
ICT increases	787	Reflecting higher than base inflationary figures and increased volume due to Uplift and other growth over last 3 years
National and Regional Collaborations	251	New and increases in cost in existing collaborations
ESN	714	Included as part of last year's MTFP and consolidated in the budget
Capital Contribution to makes up reduction of Capital Grant	123	Capital Grant withdrawn. If the revenue contribution had not been increased, this would have reduced the 5-year programme funding by 5 x £123k = £615k.
Health & Social Care Levy	1,075	The Chancellor introduced an additional employer tax as part of the Autumn Statement, this is the cost to NWP
Total stand still cost	4,865	

- 6.5 Based on announcements made to date North Wales Police expected a total allocation of 186 additional Officers through Operation Uplift. 124 of these were allocated in the previous two planning processes, with the expectation of another 62 for 2022-23. There was always a possibility that the figure would be higher depending on how many were allocated directly to national or regional units.
- 6.6 The recruitment plan had been prepared using a higher figure of 78 as it would be easier to scale down than up. The announcement in December 2021 allocated 78 to NWP, and also 4 as NWP's contribution to regional units. Recruitment will be challenging but it is expected that the Uplift target will have been met by January 2023

and there is an additional recruitment round planned for March 2023. There is a time lag between recruiting new officers and when they are available to replace experienced officers being appointed into the new posts. This is minimised as far as possible, but cannot be eliminated entirely. There is also pressure on the tutor units with the number of officers being tutored higher than ever and additional resources are being included to support this. Once the number of year 1 probationers returns to the normal level (54 at any one time, rather than the current figure of around 100) the 17 temporary posts allocated to response can be reallocated as part of next year's planning process. In the meantime, all the additional probationers and tutors will be on the streets of North Wales supporting the Response Officers. A summary of the allocations follows:

Service Area	Allocation	Explanation
Local Policing Service	57	28 Front Line Response 11 Tutors 1 Western Detective Inspector 17 Temp Response to support recruitment and training to be reallocated once sufficient numbers have gone through 1 st year training
Crime Service	16	10 Protecting Vulnerable People Unit 6 Specialist investigation Units
Operational Support	2	2 Drones Constables
Corporate Service	1	HMICFR Inspection Support
Professional Standards	2	To promote and manage standards
Regional Contribution	4	NWP contribution to regional cross border investigations
Total	82	

6.7 An Uplift reserve has been set up over the last two years pending final confirmation of funding. It is expected that around £3m of this will still be available at the end of next year. This will be used to overshoot the Uplift target to expediate the deployment into the planned posts; it will also allow for an unforeseen reduction in numbers recruited, or additional leavers.

6.8 To support the implementation of the additional Uplift Officers and meet demand 41 new staff posts have been agreed. Total staff and non-staff cost is £1.660m. This also includes an additional £20k for Roadside drug testing kits and £56k for the OPCC (mainly towards the national contributions). The additional post is summarised below are detailed below:

Service Area	Allocation	Explanation
Crime Services	9	PVPU and support of specialist posts
Operational Support	21	10 Digital Desk 10 Justice Services 1 Road Policing Researcher
Corporate Service	9	4 Business Intelligence 4 Training and Recruitment 1 Support officer
Professional Standards	1	Learning and Prevention Officer
Finance and Resources	1	Finance Support
Total	41	

6.9 As part of the process efficiency savings were assessed. Having taken and delivered £2.9m of savings in 2021-22, and £35.4m in the previous 10 years it was anticipated that additional efficiencies would be difficult to deliver and would be need to be judged to assess whether they would diminish the service provided and against proposed re-investment. All areas were asked to put forward proposals amounting £1.7m for re-investment and a further £1.7m contingency to cater for an unexpected reduction in funding. Proposals amounting to these values were received and scrutinised. It was necessary to pursue the contingency savings this year. The reinvestment savings were assessed and £0.755m were assessed as genuine efficiencies and deliverable in the year, these are detailed below. Some of the plans not pursued for 2022-23 are longer term and will be developed over the next year.

Category	Savings Identified
	£'000
Central savings from projects	483
Staff Posts (vacant and not to be filled)	80
Non staff savings Service areas	192
Grand Total	755

6.10 During the year the Welsh Government announced additional funding towards 20 additional PCSO's which are being recruited during 2021-22, these are included in the base figures. In discussion with the Chief Constable the PCC decided to fund a further 10 PCSO from additional Council Tax so that there will be an increase of 30 that makes up some of the reduction from the austerity period. This would be an additional £1.25 increase on the Council Tax

6.11 The plan summarised above sets the corner-stone for future years and full implantation of the Uplift officer and the support required to support an additional 200+ officers, as well as investments in digital and non-staff costs. Prudent budgeting and delivered savings in past years has resulted in a balanced budget being set for the next 3 years with a saving requirement of £2.879m equivalent to 1.6% of the 2022-23 net budget in the last 2 years. Efficiency savings will be pursued for re-investment over the next planning cycle. The charts below show the investment to be made aligning to the PCC's priorities.

Delivering Safer Neighbourhoods









Visibility and Public Engagement

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

Investigations and Intelligence

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

Efficiency & Effectiveness

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

Road Safety

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

Supporting Victims & Communities



Tackling Serious Offenders

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



Tackling Cyber Crime

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



Meeting the highest standards for victims and communities

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

Fair and Effective Criminal Justice System



Achieving best Criminal Justice outcomes

- Case File Support & Evidence Assessor staff to support Director General Guidance to improve quality and timeliness for CJ processes.
- PSD Organisational Learning post to support a Prevention first approach to internal discipline and culture.



Partnership Safeguarding

- 2 x Sergeants in Central Referral Unit to ensure safeguarding referrals are assessed and shared with partners swiftly.
- 2 x Constables into Child Abuse Investigation Team due to escalating safeguarding demand.

7. Risks

- 7.1 Funding for 2023-24 onwards has not been announced at Force level and could be insufficient to fund the Plan, depending on other variables. Indications are for a 1% to 1.5% increase in grant, which is likely to be a real terms reduction. If the general economic position worsens the proposed funding could be reviewed.
- 7.2 The uncertainty around the effect of the UK having left the European Union and the eventual economic consequences creates further risk. The direct impacts on pricing and any potential tariffs impacting the supply chain also remain unclear.
- 7.3 One of the biggest risks over the next few years is the funding formula due to the sensitivity and current lack of information around the new formula. The figures provided by the Home Office during the 2015-16 review showed North Wales's allocation increasing from 1.03% to 1.06% of the total, this equated to £2m additional funding; estimates later provided by Devon and Cornwall showed North Wales's allocation reducing by £14.5m, demonstrating the sensitivity of such changes. Currently floor funding is circa £22m, which shows how much the grant could potentially change as a result of changes to the formula. The Home Office has set up groups to look at options, but no definitive time scales for implementation or figures have been provided to date.
- 7.4 New and emerging national and local risks that must be resourced, such as County Lines, Child Sexual Exploitation and Cyber Crime, have been addressed within the budget. However, new risks continually develop and the increase in volume and complexity of crimes is a risk.
- 7.5 National developments such as Operation Uplift, PEQF, ESN detailed in earlier sections create financial and operational risks. The replacement system for Police Communications (ESN) was intended to deliver savings, but these have not transpired. The estimated cost of implementing ESN is substantial and steps have been taken within this plan to address these, however there are still uncertainties around the final costs. The additional cost of providing the latest IT, whether these are mandatory national systems or not, and the change in provision model from purchase to subscription is an additional risk.
- 7.6 Planned savings in 2022-23 have yet to be delivered. These plans are mature and it is expected that these savings will be achieved. Plans beyond 2023-24 are in development. Cashable efficiencies will become harder to deliver with the requirements of Operation Uplift, meaning that officer numbers must be maintained.
- 7.7 The estimated budgets set out are based on the planning assumptions for increases in Council Tax being agreed. If this were to be reduced each reduction of 1% would mean an additional £0.939m cut in budgets.
- 7.8 The Home Office has top-sliced the amounts allocated to Police areas in recent years to fund national units and initiatives. Top slicing was increased by 70% over the period 2017-18 to 2022-23 to a total of £1,374m. Any new initiatives may result in further top slicing.

- 7.9 A reduction in future grants could be applied if the economic climate worsens. Each additional 1% cut to the General Grant Funding is a cash reduction of £0.884m.
- 7.10 As 80% of the net budget is spent on pay any small changes in pay increase, pension contribution or National Insurance contributions, Apprenticeship Levy, or any other pay-related expenditure can have a disproportionate effect on the budget. Each 1% pay increase has a full year effect of an additional £1.492m increase in costs. If grants are not increased in line with inflationary costs, the cost of pay inflation either falls on the council tax or must be funded by cuts. The risk of inflation not being recognised as part of the Government settlement is substantial. This was mitigated in 2021-22 with the announcement of a pay freeze, but this has led to pressure for higher increases in subsequent years.
- 7.11 Increases in officer 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 £0.688m increase and a 1% increase in the Staff scheme would be a £0.408m 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 ongoing 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 this MTFP. The expectation is that the financial landscape for 2022-23 and beyond becomes clearer over the coming months, but for that reason it is worth highlighting as a risk of increased costs in this MTFP.
- 7.13 Inflation has been low in recent years and the budget assumptions reflect this, however this has changed in recent months especially in areas such as fuel and energy where prices can be very volatile.
- 7.14 Some specialist posts are becoming hard to fill, this could result in higher salary costs having to be paid but also higher non-staff cost in areas such as Information Technology and Estates as our suppliers face the same supply and demand issues.
- 7.15 The table below highlights the sensitivity of the main assumptions

Sensitivity main variables	£m
1% change in Council Tax	0.939
1% change in grant	0.884
1% change in pay	1.492
1% change in Employer Pensions Contributions	1.096
1% change in general inflation	0.542

8. Capital

8.1 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 during 2019-20 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 draft Capital Programme 2021-22 to 2026-27 is an update of last year's Programme reflecting changes in time and/or costs.

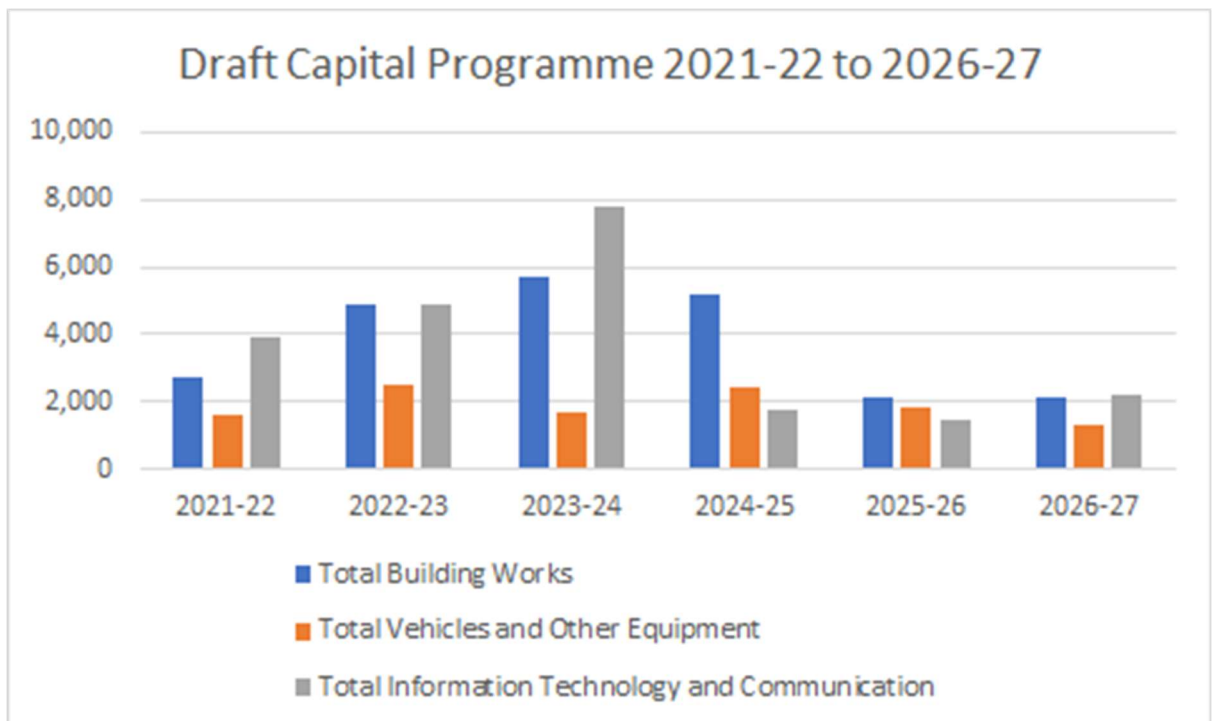
8.2 **Estates** – The refurbishment of Pwllheli Police Station has been completed and the Firearms Base upgrades will be completed in 2021-22. Building costs have generally increased since the original estimates were prepared, and this situation has accelerated during 2021-22 requiring existing future projects to be reviewed in terms of cost. These will all be subject to final Business Cases, tendering process etc before implementation. The changes to the Programme are summarised below:

- Vehicle Commission Centre cost increased by £0.236m funded by Capital Receipts
- Estates Review: projects at Holyhead and Dolgellau increased by 10% +£0.534m
- Flintshire project are now shown as two lines and there is an increase of £1.1m increase
- £2m included for additional works in 2025-26
- £2m estimated for Firearms Base refurbishment subject to scoping and Business Case

8.3 **Fleet** – A detailed review of Fleet requirement was been made using the Telematics management information data, resulting in a reduction of £0.341m in the annual cost in last year MTFP (reduction in number of vehicles). Since then several issues have arisen affecting the cost and delivery of vehicles. In general the reasons for supply issues including the shortage of microchips, COVID and Brexit. A national tendering process was carried out by Blue Light Commercial with the final figures not being available until August/September 2021. This resulted in an increase of £4k to £6k in the cost of each vehicle. The Fleet Department have re-profiled and re-costed the replacement Programme, resulting in an increase of £0.953m over 5 years (reducing the previous saving over the same period from £1.7m to £0.77m).

8.4 **IT and Communication** - Substantial investment is being made in IT. This is being directed by the Digital Transformation Programme Board. The personal issue of internet-enabled devices to operational officers and staff enables agile working – this project was accelerated as a result of COVID and all devices will be able to utilise the National Enablement Programme (in terms of the latest software available) by the end of 2021-22. A significant upgrade in the Command and Control system is being progressed. ESN has been included but has been put back a year, this assists in terms of funding as the reserve built up will have an additional year of contributions. Mobile Phones will be replaced March/April 2022 and the Mobile App will be implemented early in 2022-23. Replacement for IT equipment has been built into future years, including an additional year 2026-27.

8.5 The major issue with the Programme has been the phasing, this has been looked at a number of times during 2021-22. Unfortunately, due to a number of uncertainties outside of project managers’ control a number of projects have been put back despite the will to progress them sooner. The Capital Expenditure environment is still challenging, with increased variability in cost (which leads to delay in order to provide the appropriate governance and scrutiny for increases) as well as internal and external resources to deliver the projects. The Programme is still skewed towards the early years as shown below and the phasing and delivery will be monitored on a regular basis at project and programme level.



8.6 The re-phasing has assisted with funding. With borrowing delayed, the budget set aside to repay loans (Revenue Provision) can be used to pay for capital directly, thus

reducing future borrowing or creating headroom for increased costs. The Programme is affordable based on current estimated and funding available. 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 before the end of March 2022. This is a statutory requirement and incorporates the Treasury Management and Prudential Code Strategies. A summary of the Programme and funding is given below.

8.7 Draft Capital Programme 2021-22 to 2026-27

Description	2021-22 Revised Estimate 2021-22	2022-23 Est	2023-24 Est	2024-25 Est	2025-26 Est	2026-27 Est
	£000	£000	£000	£000	£000	£000
Total Building Works	2,700	4,872	5,684	5,168	2,100	2,100
Total Vehicles and Other Equipment	1,635	2,480	1,667	2,441	1,797	1,341
Total Information Technology and Communication	3,900	4,858	7,823	1,794	1,444	2,185
Total Capital Expenditure	8,235	12,210	15,174	9,403	5,341	5,626

Description	2021-22 Revised Estimate	2022-23 Est	2023-24 Est	2024-25 Est	2025-26 Est	2026-27 Est
	£000	£000	£000	£000	£000	£000
Home Office Grant	171	0	0	0	0	0
Revenue Contribution	2,208	2,177	3,353	2,411	2,097	2,731
Earmarked Reserves	2,959	2,352	1,384	0	0	0
Capital Receipts	271	336	370	750	100	100
Borrowing for Estates	2,071	4,503	5,584	4,418	2,000	2,000
Borrowing for replacement programme	555	2,842	4,483	1,824	1,144	795
Total Funding	8,235	12,210	15,174	9,403	5,341	5,626
External Resources	171	0	0	0	0	0
Own resources	5,438	4,864	5,107	3,161	2,197	2,831
Debt	2,626	7,345	10,067	6,242	3,144	2,795
TOTAL	8,235	12,210	15,174	9,403	5,341	5,626

9. Reserves

- 9.1 The Commissioner has a duty to ensure that he holds adequate financial reserves to manage risks. In addition to the funding and forecasting risks detailed above, the Commissioner needs to allow for expenditure risk (spending over budget), as well as unforeseen events such as costly major incidents, natural disasters, or other unexpected events. An element of this risk is managed through the in-year budgets through the contingency budgets. However, 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 £32.931m to £20.899m over 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 31.3.21 Balance £m	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
<i>Usable Reserves at</i>										
General Fund Balance	5.417	5.531	5.645	5.759	5.873	5.987	6.105	6.225	6.347	6.469
Earmarked General Fund Reserves	25.461	24.488	18.376	15.641	14.238	13.190	12.667	12.163	11.620	11.620
Capital Receipts Reserve	2.084	3.423	3.607	3.737	3.362	3.262	3.162	3.062	2.962	2.862
Total Usable Reserves	32.961	33.442	27.628	25.137	23.473	22.439	21.934	21.450	20.929	20.951

- 9.5 The use of the reserves will depend on the final decisions on capital expenditure and the final revenue outturn in 2021-22, therefore the table below shows the current estimate of how the earmarked reserves may be best used to support service provision and reduce the pressure on the revenue budget. Where the use of the Reserve is not known (such as the Major Incident Reserve) no changes are shown. Details of the projected Reserve position at the end of each year are given below the table and a description of each reserve and its purpose is set out below the table.

Earmarked General Fund Reserves

Description	31.3.21	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	Balance £m	Balance £m	Balance £m	Balance	Balance	Balance	Balance	Balance
Capital Investment	3.001	1.726	1.701	0.351	0.351	0.351	0.351	0.351	0.351	0.351
Major Incident	2.435	2.435	2.435	2.435	2.435	2.435	2.435	2.435	2.435	2.435
Pension Ill Health Reserve	0.975	0.975	0.975	0.975	0.975	0.975	0.975	0.975	0.975	0.975
Insurance Reserve	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173	1.173
Training Reserve	0.600	0.500	0.250	0.250	0.250	0.250	0.250	0.250	0.250	0.250
PFI Reserve	3.106	2.918	2.678	2.385	2.040	1.642	1.192	0.688	0.145	0.145
Uplift Reserve	1.577	4.403	2.703	2.003	1.303	0.953	0.953	0.953	0.953	0.953
Fuel Reserve	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200	0.200
Estates Security and Maintenance	1.892	1.273	0.973	0.673	0.373	0.073	0.000	0.000	0.000	0.000
Management of Change	6.778	5.161	1.824	1.732	1.674	1.674	1.674	1.674	1.674	1.674
ESN Reserve	0.158	0.158	0.158	0.158	0.158	0.158	0.158	0.158	0.158	0.158
COVID Reserve	0.597	0.597	0.337	0.337	0.337	0.337	0.337	0.337	0.337	0.337
PEQF Reserve	0.325	0.325	0.325	0.325	0.325	0.325	0.325	0.325	0.325	0.325
FCIN Reserve	1.080	1.080	1.080	1.080	1.080	1.080	1.080	1.080	1.080	1.080
Partnerships Reserve	0.733	0.733	0.733	0.733	0.733	0.733	0.733	0.733	0.733	0.733
Commissioner Community Safety Fund	0.547	0.547	0.547	0.547	0.547	0.547	0.547	0.547	0.547	0.547
OPCC Legal Reserve	0.106	0.106	0.106	0.106	0.106	0.106	0.106	0.106	0.106	0.106
OPCC Participatory Budget	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
OPCC Reserve	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178	0.178
Total	25.461	24.488	18.376	15.641	14.238	13.190	12.667	12.163	11.620	11.620

9.6 Summary of Earmarked Reserves

Capital Investment Fund (Capital) – To be used to invest in the assets and infrastructure of the Force to improve service provision and reduce revenue expenditure. Additional funds of £2.1m will be contributed to this reserve to fund ESN, which will then be used by 23-24.

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

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

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

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

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

Uplift Reserve – This is a new reserve from 2020-21. The Government have provided in year funding for Operation Uplift which is also intended to fund implementation an infrastructure costs over the next 2 to 3 years. It is intended that £0.675 to £1m is used to fund the upgrade of Body Armour replacement. The balance can then be used to fund additional officers to cover additional constables' tutors and PEQF cover from 2023-24. These will taper down as the Uplift Officer work their way through their 2nd and 3rd probation years.

Fuel Reserve – this is a new reserve from 2021-22. 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 in the Condition Survey conducted in 2018 and additional security not covered in the revenue or capital budgets.

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

COVID Reserve – Set up at the end of 2020-21 as an additional contingency specifically for direct additional Covid costs, only known commitments shown as being used.

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

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

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

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

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

9.7 The Capital Receipts 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. Additional receipts are expected in 2021-22. The balance will be available for future projects but as there high volatility in capital costs currently in the short term this reserve can mitigate the risk of increased costs in existing planned projects.

9.8 The Home Office announced new guidelines on transparency of reserves during 2018-20. The tables below show the reserves as categorised by the guidelines.

Home Office headings

	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
Reserves at Year End	30.878	30.019	24.021	21.400	20.111	19.177	18.772	18.388	17.967	18.089
General Reserves	5.417	5.531	5.645	5.759	5.873	5.987	6.105	6.225	6.347	6.469
Earmarked Revenue Reserves										
of which held to meet budgetary risks	6.747	6.647	6.137	6.137	6.137	6.137	6.137	6.137	6.137	6.137
of which held to support the medium term budget	2.124	4.950	3.250	2.550	1.850	1.500	1.500	1.500	1.500	1.500
of which held to facilitate change programmes	8.670	6.434	2.797	2.405	2.047	1.747	1.674	1.674	1.674	1.674
of which held pending future deficits on PFI contracts	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	1.726	1.701	0.351	0.351	0.351	0.351	0.351	0.351	0.351
of which Other Earmarked Reserves										
of which Reserves held on behalf of other organisations	1.813	1.813	1.813	1.813	1.813	1.813	1.813	1.813	1.813	1.813
Total Revenue Reserves	30.878	30.019	24.021	21.400	20.111	19.177	18.772	18.388	17.967	18.089
Capital Grants and Reserves										
of which capital receipts reserve	2.084	3.423	3.607	3.737	3.362	3.262	3.162	3.062	2.962	2.862
TOTAL Reserves	32.961	33.442	27.628	25.137	23.473	22.439	21.934	21.450	20.929	20.951

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 delivering 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 £38.3m of savings have been taken from budgets. The emerging demands on operational resources also add to the financial pressure. However, by planning future cost and prudent use of additional funding a balanced budget for next 3 years has been set based on current assumptions.
- 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 informed allocation of 82 Operation Uplift officers, based on priorities. A council tax increase of £11.25 or 3.68% has been proposed. This covers the cost of stand still increases plus an additional 10 PCSOs. Additional resources have become available by the announcement of additional officers; however these increase are required to cover the current cost of officers, the set up and training costs and then also future increase in cost as their salary increase with annual increments.

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

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

Corporate and Business Planning

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

Risk Management - Reserves and Provisions

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

Risk Management - Financial Control Framework

- To maintain a financial control framework; this is key to maintaining effective standards of financial administration and stewardship. This will be achieved through the following:
 - Adherence to:
 - Statutory Rules and Regulations
 - Home Office Financial Management Code of Practice
 - Code of Corporate Governance
 - CIPFA Financial Management Code
 - Policies and Procedure notes
 - Financial Regulations and Standing Orders
 - Capital Strategy including the Treasury Management Policy and adherence to the Prudential Code
 - Codes of Professional Conduct
 - And also:
 - Implementation of Internal and External Audit recommendations
 - Management of Risk

- To maintain and develop adequate financial systems to record and control resources

- To align financial responsibility at the operational level with the appropriate management control or influence

- To ensure that accurate, up to date and timely financial information is available to enable users to apply it effectively in decision making.

Appendix B

Revenue Budget 2021-22 to 2026-27

Ref	Description <u>Budget 2021-22 to 2026-27</u>	Annual	+'Inc	Annual	Annual	Annual	Annual	Annual
		Budget	Redn	Budget	Budget	Budget	Budget	Budget
		2021-	2022-	2022-	2023-	2024-	2025-	2026-
		22	23	23	24	25	26	27
	Expenditure	£000	£000	£000	£000	£000	£000	£000
1.1	Police Officer Pay Establishment	90,304	6,051	96,355	98,896	101,922	105,226	108,859
2.1	Police Staff Pay	42,517	3,096	45,613	46,888	48,068	49,276	50,516
2.2	PCSO's	6,104	1,130	7,234	7,429	7,615	7,806	8,001
3.1	Police Officer Overtime	2,233	104	2,337	2,395	2,455	2,516	2,579
4	Police Staff Overtime	597	45	642	658	675	692	709
5	Allowances	1,299	35	1,334	1,333	1,332	1,332	1,332
6	Training	1,407	357	1,764	1,800	1,762	1,797	1,833
7	Other Employee	726	72	798	814	830	846	863
8	Direct Pension Payments	3,281	146	3,427	3,509	3,594	3,680	3,768
9	Energy Costs	1,467	137	1,604	1,652	1,702	1,753	1,805
10	Building Running Costs	6,562	183	6,745	6,880	7,018	7,158	7,301
11	Repairs & Maintenance of Vehicles	596	15	611	623	635	648	661
12	Vehicle Running Costs	1,853	171	2,024	2,076	2,129	2,184	2,240
13	Car & Travelling Allowances	463	-49	414	423	431	440	449
14	Air Support Unit	604	-100	504	517	530	543	557
15	Equipment	1,091	120	1,211	1,236	1,260	1,286	1,311
16	Clothing and Uniforms	530	44	574	558	569	580	592
17	Printing and Stationery	284	4	288	294	300	306	312
18	IT and Communications	12,628	1,036	13,664	13,940	14,309	14,689	15,081
19	Subsistence	266	-12	254	259	264	269	275
20	Other Supplies and Services	2,626	77	2,703	2,756	2,810	2,864	2,920
21	Collaboration and Partnerships	6,547	931	7,478	7,665	7,856	8,052	8,254
22	Forensics	919	15	934	953	972	991	1,011
23	Debt Charges & Contribution to Capital	4,354	153	4,507	5,716	5,670	5,898	5,898
24	Special Situations Contingency	400	0	400	400	400	400	400
25	Inflation and General Contingency	3,361	-2,595	766	666	550	550	550
26	Community Safety Fund	3,429	116	3,545	3,615	3,688	3,762	3,837
	Gross Expenditure	196,448	11,282	207,730	213,951	219,346	225,544	231,914

	Annual Budget 2021- 22	+Inc -' Redn 2022- 23	Annual Budget 2022- 23	Annual Budget 2023- 24	Annual Budget 2024- 25	Annual Budget 2025- 26	Annual Budget 2026- 27
	£000	£000	£000	£000	£000	£000	£000
Income							
27 Secondments	-6,637	-905	-7,542	-7,729	-7,921	-8,117	-8,319
28 Interest on Balances	-100	0	-100	-100	-100	-100	-100
29 Income	-2,599	-10	-2,609	-2,609	-2,609	-2,609	-2,609
30 Specific Grants	-14,309	-2,125	-16,434	-16,381	-16,328	-16,276	-16,223
Total Income	-23,645	-3,040	-26,685	-26,819	-26,958	-27,102	-27,251
31 PFI Reserve	-188	-53	-241	-293	-346	-398	-451
32 Contribution to ESN Reserve	750	600	1,350	0	0	0	0
33 Contribution to General Reserve	0	114	114	228	342	456	570
Net Expenditure	173,365	8,903	182,268	187,067	192,384	198,500	204,782
34 Total Grants	-83,677	-4,730	-88,407	-89,407	-90,907	-91,816	-92,735
35 Precept	-89,688	-4,173	-93,861	-97,660	-101,477	-105,313	-109,168
Funding	-173,365	-8,903	-182,268	-187,067	-192,384	-197,129	-201,903
Growth/saving	0	0	0	0	0	0	0
Revised Net with growth	173,365		182,268	187,067	192,384	198,500	204,782
Annual Balance	0	0	0	0	0	1,371	2,879
BASE CASE - Cumulative	0		0	0	0	1,371	2,879

Draft Capital Programme 2021-22 to 2026-27

Description	2021-22 Revised Estimate	2022-23 Est	2023-24 Est	2024-25 Est	2025-26 Est	2026-27 Est
	£000	£000	£000	£000	£000	£000
<u>Estate Programme</u>						
Retentions, Consultancy and QS	26	25				
Sustainability Improvements	202	100	100	100	100	100
Estates estimate 25-26 onwards					2,000	
Pwllheli PS	246					
Holyhead PS	200	2,093	1,384			
Caernarfon & North Gwynedd Estate Area	210	557				
VCC / Vehicle Workshop	1,314	586				
Armed Alliance	0	420				
Dolgellau PS	0			1,200		
Abergele PS	0	391				
Llanrwst PS	0			178		
Flintshire PS - North	0	0	700	2,300		
Flintshire PS - South	0	200	3,500	450		
Force Control Room Upgrading	0	100				
Archive Store	0		0	750		
Rhosllanerchrugog PS	0			190		
Re locate/ co locate/ vacate	100	250				
Firearms Base works	354					2,000
CS - SARC ISO Accreditation	48	150				
Total Building Works	2,700	4,872	5,684	5,168	2,100	2,100
<u>Vehicles and Other Equipment</u>						
Vehicle Purchase Replacement Programme	960	2,364	1,626	1,620	1,756	1,300
PSU Vehicles (replacement programme)	0	0		780		
Electric Vehicles	0	41	41	41	41	41
Tranman development	0	75				
Intoxilators x 3	30					
ANPR replacement	470					
Fingerprint Capture and Enhancement	0					
Collision Surveying Equipment	175					
Total Vehicles and Other Equipment	1,635	2,480	1,667	2,441	1,797	1,341

Description	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
	Revised Estimate	Est	Est	Est	Est	Est
	£000	£000	£000	£000	£000	£000
<u>Information Technology and Communication Equipment</u>						
Desk Top Replacement (Replacement Programme)	437	750	750	750	300	750
NEP Device Re-build (7 yrs)	175	143				
Lockers for charging and storage	20	142				
Mobile app	0	471				
Mobile data devices	280	305	0	0	0	585
Airwave (replacement units)/Emergency Services Mobile Communications	0					
Server Replacement	0	700			0	700
Business Systems Servers (Replacement Programme)	0	145			0	150
DFU Server replacement	0		270			
NEP Infrastructure/Sail Point/Internet Links	163					
Wifi	104	0				
Digital Workplace audio visual	0	126				
Digital Intelligence & Investigation	158	38				
Digital Evidence Management	20					
Telephony	0	250				
Nexus upgrade	280	100				
Command and Control Upgrade - Phase 2	2,095	458				
LPS - Community Safety - Prevention	30					
POD - 360 Virtual Training	53					
Digital - BIU - Mgmt Info Data Warehouse	50					
CHORUS new module	35					
Life-X Deployment (5 yrs EUL)	0	300		800		
ESN (5 yrs)	0	686	6,560	0	900	
Body Worn Video (replacement costs) (3 yrs)	0	243	243	244	244	
Total Information Technology and Communication	3,900	4,858	7,823	1,794	1,444	2,185
Total Capital Expenditure	8,235	12,210	15,174	9,403	5,341	5,626

Description	2021-22 Revised Estimate	2022-23 Est	2023-24 Est	2024-25 Est	2025-26 Est	2026-27 Est
	£000	£000	£000	£000	£000	£000
Home Office Grant	171	0	0	0	0	0
Revenue Contribution	2,208	2,177	3,353	2,411	2,097	2,731
Earmarked Reserves	2,959	2,352	1,384	0	0	0
Capital Receipts	271	336	370	750	100	100
Borrowing for Estates	2,071	4,503	5,584	4,418	2,000	2,000
Borrowing for replacement programme	555	2,842	4,483	1,824	1,144	795
Total Funding	8,235	12,210	15,174	9,403	5,341	5,626
External Resources	171	0	0	0	0	0
Own resources	5,438	4,864	5,107	3,161	2,197	2,831
Debt	2,626	7,345	10,067	6,242	3,144	2,795
TOTAL	8,235	12,210	15,174	9,403	5,341	5,626