

Report from the Office of the Police and Crime Commissioner

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| Title: | Precept and Council Tax 2021/22 |
| Meeting: | North Wales Police and Crime Panel, 2 February 2021 |
| Author: | Kate Jackson, Chief Finance Officer |

1. Introduction

1.1 The purpose of this report is to review the financial position of the Police and Crime Commissioner for North Wales and to make recommendations for the 2021/22 precept and council tax.

2. Recommendations

2.1 To increase the precept to £89,687,902

- This will increase council tax by 5.14% - this is equivalent to £305.55 per annum, an increase of £14.94 per annum, or 29p per week for a band D property.
- To note that this increase matches the Home Office assumed increase of £15
- This is an increase in precept of 5.53% from 2020/21

2.2 To note that £2.902m of savings have been identified for 2021/22.

2.3 To note that £2.642m of the savings will be reinvested in front line activities.

2.4 To note that there will be a further increase of 62 Police Officers, of which 58 are a result of North Wales Police's allocation of the Government programme to increase police officer numbers (Operation Uplift). In addition, 3 ROCU (Regional Organised Crime Unit) Officers from North Wales are to be funded from Operation Uplift in 2021/22.

2.5 To note that £0.750m growth has been included for the Emergency Service Network (ESN) implementation.

2.6 To note the Medium Term Financial Plan, which includes the following assumptions:

- That Council Tax will increase by an estimated 5.14% in 2021/22, and 3.93% in 2022/23, 3.78% in 2023/24 and 3.64% in 2024/25 and 3.51% in 2025/26.
- That policing grants are estimated be frozen at current levels in 2022/23 onwards.
- That annual pay awards will be 0% in September 2021 and 2.5% in each following September.
- To note that the increase in grant has been awarded in support of Operation Uplift (recurring and set up costs) and has been earmarked for these purposes until final funding is known.

3. Summary Budget 2021/22

| | £m | |
|--|-----------------------------|--------|
| Budget 2020/21 | <u>163.705</u> | |
| Inflation requirements | 4.208 | 2.57% |
| Savings identified | -2.902 | -1.77% |
| Reinvestment | 2.642 | 1.61% |
| Uplift allocation | 4.962 | 3.03% |
| ESN allocation | 0.750 | 0.46% |
| | | |
| Budget requirement 2021/22 | <u>173.365</u> 5.90% | |
| | | |
| Estimated total funding 2021/22 | | |
| Government Grants | 83.677 | 5.93% |
| Council Tax | £305.55 | 5.14% |
| Multiplied by tax base | 293,529.38 | 0.37% |
| Precept (funding proportion 51.73%) | 89.688 | 5.53% |
| Total funding available | <u>173.365</u> 5.90% | |

4. Statutory Items

4.1 Quality of Information

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

4.1.2 The same Act also requires the Chief Finance Officer to comment on the adequacy of reserves to be provided in the budget. In the opinion of the Chief Finance Officer the general reserve will continue to be adequate for the day to day operational needs of the Force. The reserves have been reviewed, and further details are provided in section 9. However, the reserves are now approaching the lower end of the acceptable range, and in order to maintain the General Reserve at 3% planned additional amounts have been included in this MTFP. In addition, it is estimated that the capital cost will be approximately £8million. In order to prevent the reserves being depleted to below prudent levels, and to reduce the impact of borrowing in future years, the Chief Finance Officer considers it

necessary to increase reserves now to mitigate the impact of this significant future expenditure; this is explained in more detail in paragraphs 6.10-6.11 of the MTFP.

5. Background

5.1 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. The overall effect of the reduced funding available and inflationary and other pressures 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 |

5.2 Prior to the 2020-21 settlement being announced the Government had in place a policy to increase Police Officer numbers by 20,000 (Operation Uplift) over a period of 3 years. The 2020-21 Police Finance Settlement was announced on 22 January 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.

5.3 The focus on Operation Uplift led to a position of growth in Officer numbers while pressure on the remaining budget is high due to no growth in the base grant, and also the additional costs of supporting the increased number of Police Officers.

- 5.4 As we entered the 2020-21 financial year the UK had recently been put into national lockdown due to the global COVID pandemic. This made the basis for financial planning the 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. The long term effects of the pandemic, both locally and nationally, remain unknown, especially the economic effect and how this might affect future funding.
- 5.5 In addition to this, at the time the provisional settlement was announced, the basis of the UK's withdrawal from the European Union had not been agreed, adding to the uncertainty.

6. The Planning Process

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

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.

- 6.3 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.

6.4 The Business plans for each area were set out in a template with the following headings being addressed, with each section having a set as structured questions

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

6.5 Other area 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

6.6 There were also practical issues to deal with in term of conducting meetings which would be need to be carried out on line. The process was commenced as early as possible in May 2020. By setting out the parameters early in the process and having a regular Organisational Planning Meetings throughout the process (weekly or fortnightly as required) it was possible to follow a structured schedule and have informed plans in place by November 2020 to cover various scenarios.

6.7 As part of the above, the normal process to develop future budget requirements was undertaken, details of which are set out within the Medium Term Financial Plan (MTFP). In developing the submissions by managers 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

- 6.8 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 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.
- 6.9 A survey was conducted by the Office of the Police and Crime Commissioner, which included a section concerning expenditure plans and council tax levels. A smaller number of responses were received than in previous years. At least part of this reduction is thought to be due to the ceasing of OWL (Online Watch Link), which closed despite continued and increased funding from the PCC. 401 responses were received (21 in Welsh), and of these only 335 responded to the council tax question. These responses were evenly spread over the options. The options were: to minimise the council tax increase (28%), to maximise it (35%), or to set the increase somewhere in between (37%).
- 6.10 A meeting was held between the Commissioner, the Chief Constable and their representatives on 11 December to discuss the budget proposals and a final meeting held on 18 December after the Government funding announcement had been made.

7. Funding Allocations

- 7.1 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, the numbers allocated to Forces or the associated funding was not announced in the early autumn as expected.
- 7.2 On 25 November 2020, Chancellor of the Exchequer, Rishi Sunak MP announced the outcome of the 2020 spending review (SR2020). 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.
- 7.3 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.

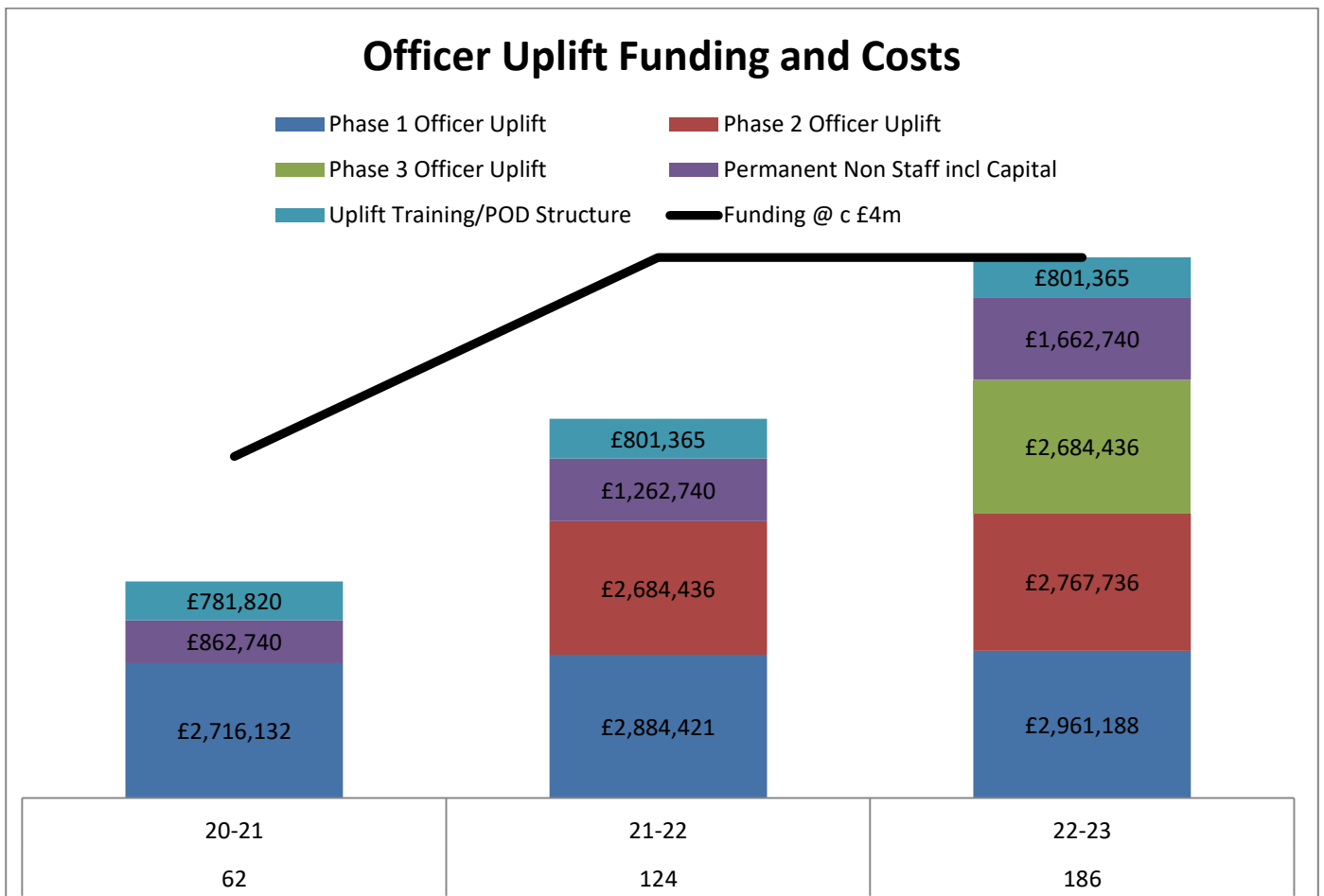
7.4 Additionally, the sector was expecting last year's Uplift funding (£700m) to be rolled into the baseline. The Ministerial Statement stated that in total PCCs will get an increase of £703m assuming that the full precept flexibility is taken. It was confirmed that the council tax referendum principles 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.

7.5 The table below summarises the expectation following the Autumn Statement and the final announcement. The settlement was better than expected in that 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 |

7.6 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.

7.7 It is anticipated that a 3 year spending review will be conducted over the summer 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 EUExit on the economy are unknown. 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.



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

8.1 The detail of the Budget and changes for 2020-25 and future years are shown in Appendix A.

8.2 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 equates to 3.93% in 2022-23, 3.78% in 2023-24, 3.64% in 2024-25 and 3.51% in 2025-26
- Base Grant 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 186 additional Officers 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 amount from £1.8m to £1.329 a reduction of £0.471m).
- Contributions to General Reserve included to maintain the balance at the minimum 3% of Net Budget value.

This gives a 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 |

- 8.3 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. However, 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 costs increases. A further £0.070m relates to changes in conditions of service. Further details are included in the MTFP.
- 8.4 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 which are all expected to be in post by March 2021. A further 62 have been allocated for 2021-22 and it is expected, but not confirmed, that a further 62 will be available in 2022-23. A major part of the planning cycle was to match the 62 additional Officers becoming available in 2021-22 to priorities. The table below summarises the 2021-22 allocation, further details are included in the MTFP.

| | | |
|-------------------------------------|--|------------------|
| Prevention & Proactivity | Digital & Demand Management | Wellbeing |
| Total 43 | Total 14 | Total 5 |

- 8.5 Funding of £10.4m has been provided for Operation Uplift has been provided 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.
- 8.6 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 |
| Finance and Resources incl Central Reviews | 1,361 |
| Officer Mix | 266 |
| Grand Total | 2,920 |

- 8.7 Identifying the above efficiency savings enabled £2.642m to be re allocated and invested in priority areas. These are detailed in the MTFP under the strategic headings of Prevention and Proactivity (£0.621m), Digital and Demand Management (£1.825m), Wellbeing (£0.196m).
- 8.8 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 can't be

ignored. This equipment will also need replacing; this is currently estimated on a 5 years cycle. The only feasible 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.

8.9 The £1.8m required to fund ESN would either have to be found from cuts to service or additional council tax in one year if no action were taken now. The better than expected settlement together with the pay freeze has 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.

8.10 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, 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.

9. Resilience and Reserves

9.1 The Commissioner has a duty to ensure that he holds adequate financial reserves to manage risks. In addition to the funding and forecasting risks detailed above, the Commissioner needs to allow for expenditure risk (spending over budget), as well as unforeseen events such as costly major incidents, natural disasters or other unforeseen events. An element of this risk is being 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.

| Reserve Position | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance | Balance |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>Usable Reserves at</i> | 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 |
| 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 Details of each earmarked reserve are to be found in the MTFP together with their projected. New Training and Uplift Reserves have been created. The amounts set aside for ESN over the next two years are held in the Capital Reserve, as is the amount set aside to fund the upgrade to the Command and Control system.

10. Capital

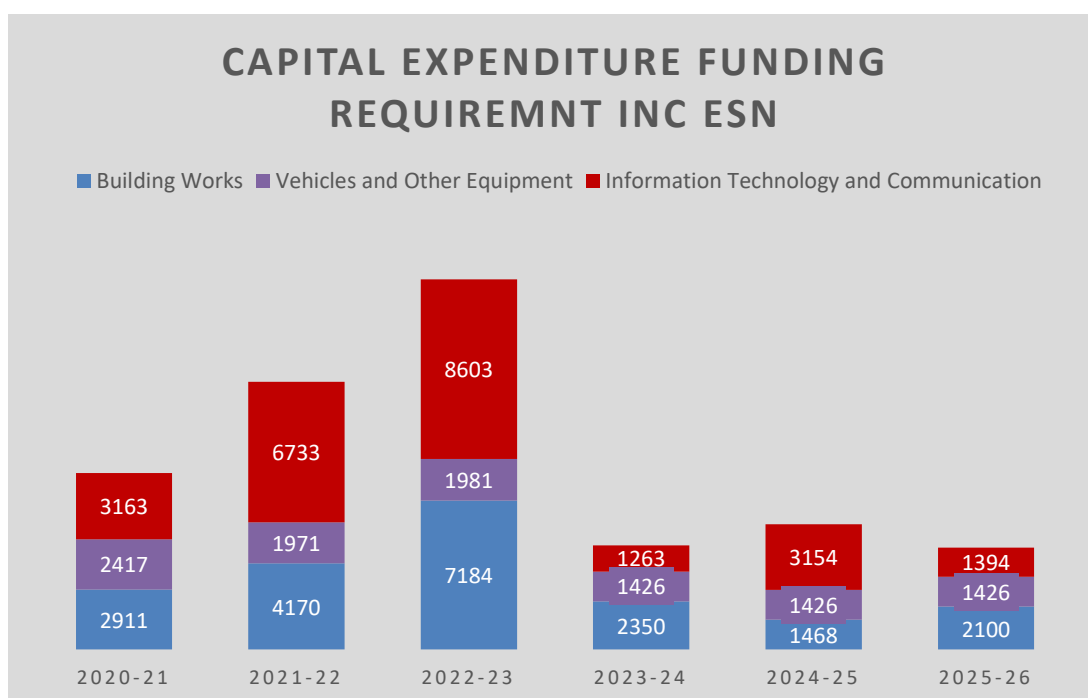
10.1 The PCC's assets and infrastructure need continual investment in order to ensure an efficient and modern working environment. Strategies for the Estates, IT and Fleet were developed last year and a new Capital Programme agreed in 2020-21. The implementation of Operation Uplift and reviewing the 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.

10.2 **Estates** - The refurbishment of Pwllheli is due to finish this financial year. The re location 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.

- 10.3 **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.
- 10.4 **IT and Communication** - Substantial investment is required for IT, which 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 as detailed in 6.11 to 6.12 of the MTFP. 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.
- 10.5 Without the inclusion of ESN the programme would have been 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 savings 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 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.



10.6 Detailed Capital figures are included in the MTFP; 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.

Capital Programme 2019-20 to 2024-25

| Description | 2020-21 Revised Estimate £000 | 2021-22 Est £000 | 2022-23 Est £000 | 2023-24 Est £000 | 2024-25 Est £000 | 2025-26 Est £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 |

11. Consideration of Options

- 11.1 The Commissioner has considered all of the options available 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 62 Operation Uplift officers based on priorities. 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. However, it would not be prudent to leave the funding problem relating the mandatory introduction ESN until future years. Therefore, 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 economic impact of the COVID Pandemic and EUexit remaining unknown.
- 11.2 The Commissioner held discussions with the Chief Constable who confirmed that the council tax increase of 5.14% provides sufficient budget to enable the operational delivery of the policing service in 2021/22, and allows for prudent contributions to reserves to help meet the future costs of ESN. This is dependent on receiving sufficient funding from the Government to implement the increase in officer numbers. Also, due to future uncertainty over the level of grant allocation, pay awards and changes in operational pressures, it is not possible to comment at the stage as to the accuracy of planning assumptions for later financial years, and it must be understood that a significant reduction in the grant allocation or a higher than expected pay award would necessitate increased cuts and/or higher council tax increases in future years.
- 11.3 Increasing the Council Tax by 5.14% the valuations for each property band are:

| Tax Band | A | B | C | D | E | F | G | H | I |
|---------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Council Tax £ | 203.70 | 237.65 | 271.60 | 305.55 | 373.45 | 441.35 | 509.25 | 611.10 | 712.95 |

11.4 The precept for each billing area will be:

| <u>Billing Authority</u> | 2021-22 Tax Base | Precept £ |
|---------------------------------|---------------------|-------------------|
| Anglesey County Council | 31,548.20 | 9,639,553 |
| Gwynedd Council | 51,885.56 | 15,853,633 |
| Conwy County Borough Council | 50,976.27 | 15,575,799 |
| Denbighshire County Council | 40,540.34 | 12,387,101 |
| Flintshire County Council | 65,026.00 | 19,868,694 |
| Wrexham County Borough Council | 53,553.01 | 16,363,122 |
| | 293,529.38 | 89,687,902 |

12. Implications

| | |
|------------------|--|
| Diversity | The report's recommendations will affect the Force's employee numbers in future years. |
| Financial | The purpose of this report is to recommend the Precept and Council Tax for 2021/22, and to explain the factors taken into account in making this recommendation. Although the recommendation is for a single financial year, it is important to consider the medium to long term position in reaching a decision. Adequate financial resources are vital to the delivery of the Police and Crime Plan and to fulfil our legal requirements. |
| Legal | This report, in conjunction with the Medium Term Financial Plan, provides sufficient information for the Police and Crime Panel to make a decision that could stand future legal challenge. |
| Risk | The report identifies and evaluates the risks from the recommendations. |
| Police and Crime | No separate police and crime implications. |

Appendix A

Ref Description

Budget 2020-21 to 2025-26

| | 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 |
| 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 |
|---|-----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Expenditure | | | | | | | |
| 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 |