

Police and Crime Panel for South Wales : February 3rd 2021

Report of the Police and Crime Commissioner & Treasurer

Budget Requirement & Council Tax Precept Proposal 2021/2022

Executive Summary

1. Commissioner's Introduction

As the Police and Crime Commissioner for South Wales, I am required by law to set a five-year Police and Crime Plan and to set out the Annual Budget requirement, including the police precept element of the Council Tax.

The current South Wales Police and Crime Plan was published in 2020. Each year, we refresh the plan in response to engagement with partners, the public and latest developments in criminal justice and policing (including financial challenges). I have to take account of the Strategic Policing Requirement set by the Home Secretary. The refreshed plan will run from April 2021 and was presented to the Police & Crime Panel in December 2020.

Essentially the 2020 refresh:

- develops and enhances the activities aimed at delivering the priorities set by the Commissioner in collaboration with the (new) Chief Constable
- clearly defines the distinct yet complementary roles of Commissioner and Chief Constable
- reaffirms the powerful ethos of co-operation between us and others in making South Wales once of the safest places to live and work
- provides updates on performance indicators
- reaffirms our shared determination to protect neighbourhood policing and other key aspects of policing and partnership working in the face of significant financial challenge
- articulates how the Commissioner engages with local communities
- includes a new Race Equality section
- provides updated survey results on the public consultation exercise undertaken during the autumn 2020

It is widely recognised that policing alone cannot deliver these ambitions. So the refresh further builds on the role of the Commissioner in working with partners (devolved and non-devolved) to improve the Criminal Justice System and recognises the opportunities arising from the unique devolved landscape within which we work in Wales. The onset of the Covid-19 virus in 2020 presented a new layer of issues, and I am proud that South Wales led the way in ensuring that services were continued or renewed as quickly as possible, despite the challenges. An example of this was the restoration of the courts in South Wales, with admirable and essential close working between South Wales Police and the senior leaders of the Probation Service, the Crown Prosecution Service, and the Courts in Wales. During the initial lockdown period we established a "Recovery Group" chaired by ACC Jenny Gilmer and Nicola Davies, Head of the Probation Service in Wales. I responded to approaches from the Wales and Chester Circuit, we received a positive response from Local Authority Leaders, particularly in Cardiff and in Swansea where the first "Nightingale Court" has made a significant impact in improving the recovery in court throughput. Leadership from the police was outstanding, with reference to Superintendent Eddie Ough and Chief Superintendent Danny Richards. And the Lord Chancellor himself acknowledged that our joint efforts had proved outstanding. The Recovery Group moved to fortnightly meetings and in September was consolidated into a Steering Group for Criminal

Justice in Wales which has produced a “Statement of Purpose” setting out our shared aspirations for making the criminal justice system in Wales more efficient and effective and through which the criminal justice agencies have pooled resources to employ a coordinator whose initial impact has been outstanding. Without a real commitment to mutual support and effective collaboration, this simply would not have been possible.

We face an uncertain future post-Covid-19 and because of leaving the European Union. The financial challenge faced by the whole of the public sector is significant. It will only be by effective collaboration with all our partners, that we will achieve our common goals and sustain the safety of the communities in South Wales.

In terms of policing:

- Roughly a third of the money that used to come in the Police Grant from the UK Government has been cut – 40% in real terms
- Capital funding is now virtually non-existent - and the need to fund necessary capital projects from revenue is effectively another significant cut. In 2010 funding was £3 million, now it is just £0.257 million. The introduction of the Emergency Services Network, scheduled to commence implementation from 2023, does not include funding for non-core costs (hand held terminals, vehicle sets, additional coverage) and will place significant strain on Forces’ capital resources should the Government fail to fully fund this important initiative
- Demand on police services continues to increase although almost 90% of that demand by volume has little to do with combating crime.
- There is still no recognition of the added demand for the policing of the Capital City – which as the Panel knows is far above the level of demand in many larger cities and is both a success story and a significant call on resources. This costs South Wales Police £4 million per annum
- We are disadvantaged in Wales on the application of the Apprenticeship Levy in Wales. The “gap” is estimated to be £3 million in 2021/2022 for South Wales Police, should reimbursement not be forthcoming. This includes the levy, tuition fee costs and the training delivery costs.
- Performance is high as demonstrated both by HMI Reports and by our own monitoring systems. Of note is the continuing high level of victim satisfaction.
- The Force is exemplary in responding to vulnerable people, mental health issues, and being the “Agency of Last Resort”, especially during night-time and at weekends or holiday periods.
- Other agencies – including local government and the NHS – also struggle with resources, and the police have increasingly become the “Agency of First Resort”.

And yet, we have delivered £650 million of social and economic benefit to South Wales in recent years; this is supported by our focus on innovation, early intervention and prompt positive action, working with partners to be ever more effective together to address issues like mental health and wellbeing

We are not prepared to withdraw from local communities or to stop tackling low-level offending, or to miss opportunities for prevention. So, Neighbourhood Policing sits at the heart of our strategy. We will strengthen the role of our Police Community Support Officers (PCSOs) to focus clearly on local problem-solving and on communicating (listening to and engaging with the local community) and empowering local communities to be resilient, safe, and confident. It means involving everyone, protecting the vulnerable, maintaining high levels of victim satisfaction and working with partners. That’s why our leadership teams play a full part in Public Services Boards working with Local Government, the NHS, and other partners on local delivery and on our refreshed vision of Community Safety in Wales. We aim for “more partnership through fewer, better-focused meetings”.

Our achievements to date have created a strong foundation on which to build, but we must always strive to improve our service and respond effectively to new demands. The refreshed South Wales Police & Crime Plan and the financial recommendations put before you are the basis through which we can continue to deliver excellence to the communities of South Wales.

2. Background

The Police and Crime Commissioner for South Wales is required to prepare the following, which he does in full consultation with the Chief Constable:

- A Police and Crime Plan that reflects the Commissioner's priorities and is developed after public consultation and after consideration of the resources available to him as well as having regard to the requirements of the Strategic Policing Requirement, which is set by the Home Secretary.
- Risk Management Strategy
- Medium Term Financial Strategy
- Reserves Strategy
- Treasury Management Strategy
- Asset Management Strategy
- Capital Programme
- Annual Revenue Budget and Value for Money

The Financial Strategy covers the period 2021 to 2025 and is attached. It is a comprehensive document which sets out the assumptions and considerations the Commissioner uses in order to inform both budget and precept considerations.

It is the duty of the Commissioner to determine the Police and Crime Budget for 2021/22 and set the Council Tax Precept, prior to 1st March 2021, after taking into account the views of the Police and Crime Panel in relation to the level of Council Tax Precept.

In preparing the Annual Budget specific consideration has been given to the resources needed to meet the priorities set out in the existing Police and Crime Plan, which in turn are aligned to the Chief Constable's Delivery Plan. They include:

- Working with partners to reduce crime, disorder and antisocial behaviour while coping with a wide variety of demands that go beyond what is normally thought of as "policing".
- Maintaining the current level of neighbourhood policing and engagement with the communities of South Wales
- Protecting vulnerable people and reducing the likelihood of repeat offending particularly in respect of such offences as hate crime, violence against women and girls, child sexual exploitation, domestic abuse and online crime.
- Working with partners to improve the local Criminal Justice System, particularly in respect of managing offenders and reducing reoffending by young people (under the age of 18) and those in the 18 to 25 age group.

- Making a contribution to the Strategic Policing Requirement and protecting the public in South Wales, responding realistically to the identified threats from organised crime and terrorism and policing an ever-increasing number of events,
- Meeting the challenge of changing standards for the training of police officers, proposed by the College of Policing while also seeking to develop our staff at every level to meet the challenges they face and recruiting people so that the workforce as a whole reflects the communities that we police.
- Policing the Capital City of Wales

Our approach has included a focus on understanding the impact of the “Drivers of Harm” which include substance misuse (drugs and alcohol) problems of mental health, domestic violence and abuse and other social issues. We have sought both to support the victims of domestic violence and abuse and to challenge the perpetrators as set out in earlier reports to the panel on programmes like DRIVE and IRIS which we have promoted on an industrial scale, showing benefits to victims and being very cost-effective for policing, the criminal justice system and agencies like health and local government but often depending disproportionately on police funds.

The Commissioner must also make arrangements, before the first Council Tax Precept for a financial year is issued, to obtain the views of both the people in that police area; and the relevant ratepayers’ representatives on the proposals of the Commissioner for expenditure (including capital expenditure) in that financial year.

We received over 1,000 responses to our consultation exercise. The majority of respondents (691 or 69%) indicated that they were willing to pay more for their policing and this shows an appreciation of the risk of reduced finances to policing.

In setting the budget, due regard has to be taken of the Prudential Code which requires at least three-year projections of expenditure, both in revenue and capital terms, in order to identify funding requirements and assess the affordability and sustainability of planned expenditure. Whilst developing proposals for providing a balanced revenue budget and affordable Capital Programme in 2021/22, the report will include the longer-term financial issues facing the police service in South Wales.

The bulk of the resources available to the Commissioner are necessary to cover operational policing and are delegated to the Chief Constable. Robust processes have been developed over many years within South Wales Police to quantify the budgetary resources required to provide the people of South Wales with an effective, efficient and sustainable police service. The Joint Audit Committee oversees and tests this process. The new, and existing, burdens and pressures were explained in some detail by the Deputy Chief Constable at the December 2020 meeting of the Panel. Projections are constantly under review and the latest updates are contained within the attached Financial Strategy document.

3. Governance Arrangements

The governance arrangements within South Wales Police are designed to ensure appropriate accountability and to assist effective leadership. The Police Reform and Social Responsibility Act 2011 created two separate ‘corporations sole’ within each police force: the Chief Constable and the Police and Crime Commissioner. They have clear and separate roles and responsibilities set out in statute. The Policing Protocol Order 2011 sets out an expectation that the relationship between a Police and Crime Commissioner and Chief Constable is built on the principles of goodwill,

professionalism, openness and trust. We believe that in South Wales we demonstrate these qualities in exemplary ways.

The Chief Constable and his officers and staff within South Wales Police are held to account through a combination of meetings and activity by the Commissioner and the Commissioner's staff, as well as assurance panels and committees, internal and external audit, the public and stakeholders (in addition to HMIC and other external inspectors and scrutiny arrangements). Key performance indicators are reported to the Commissioner's Strategic Board and to the Chief Constable's Gold meeting as well as to the Joint Audit Committee. The Commissioner may request updates on key indicators for which regular reporting is required for a period or on a regular basis.

In South Wales, the Police and Crime Commissioner and Chief Constable have a Joint Corporate Governance Framework which:

- sets out the relationship between the Commissioner and Chief Constable; two separate legal entities
- is based upon the legislation, the Policing Protocol, and a mutually respectful and complementary relationship
- recognises the authority of a single elected commissioner and the operational independence of Police Officers
- builds on existing good governance principles and experience and
- includes schemes of delegation and consent, financial regulations and standing orders as to contracts

The Governance Framework was comprehensively reviewed and updated in 2019 and remains fit-for-purpose, but will be kept under review.

The Commissioner is the recipient of all funding, including the Government Grant and Precept and other sources of income related to policing and crime reduction and all funding for a force must come via the Police and Crime Commissioner. How this money is allocated is a matter for the Commissioner in consultation with the Chief Constable, or in accordance with any grant terms. The Chief Constable will provide professional advice and recommendations. The Commissioner will ensure that sufficient resources are delegated to the Chief Constable in order to deliver his Delivery Plan, once agreed.

The Police and Crime Commissioner is the legal contracting body who owns all the assets and liabilities, with the responsibility for the estate and the financial administration of his office and the force, including all borrowing limits. Consent can be given by the Commissioner to the Chief Constable to acquire property (other than land and buildings) and is detailed in the financial regulations and standing orders relating to contracts.

The Police and Crime Panel provides a check and balance on the Commissioner through reviewing or scrutinising his decisions, but not those of the Chief Constable. The panel is there to challenge the Commissioner, but it must carry out its functions with a view to supporting the effective exercise of the Commissioner's functions. In South Wales, as a courtesy to the panel and as a reflection of our cooperative approach, the Chief Constable and members of his team frequently join the Commissioner in providing detailed briefings to the Panel but they cannot be required to do so.

The Police and Crime Commissioner is responsible for handling complaints and conduct matters in relation to the Chief Constable, monitoring complaints against officers and staff, and complying with the requirements of the Independent Office for Police Conduct (IOPC). This role has been enhanced through the introduction of recent legislation.

Further details on our governance arrangements are included in the detailed Financial Strategy attached.

4. Context

The Government had intended to publish a three-year Comprehensive Spending Review in November 2020, covering the period 2021/2022 to 2023/2024. However, given the Covid-19 pandemic and the consequential implications on the public finances, this was changed to a one-year Review just covering the 2021/2022 year. This deferral prevented the opportunity for the Government to provide a clearer direction and commitment to funding Policing in the medium term. As a consequence, the overdue overhaul of the Police Funding Formula has also been deferred. The formula is both opaque and out-of-date as has been widely recognised for several years by successive Governments. South Wales Police has lost around £106 million since 2010/2011 due to the funding inequalities that the formula produces. Significant sums have been redistributed from South Wales to other Welsh forces in this period. Previous Comprehensive Spending Reviews have required the delivery of significant financial “efficiencies” and budget reductions. Since austerity started in 2010/2011, South Wales Police has had to find £58 million of cumulative savings to produce balanced budgets in each year over the period.

The uncertainty over the implications of the UK leaving the European Union, with consequential trade deal could have a significant impact upon inflation and interest rates and the exchange rate. All of these could have adverse implications on the budgeted expenditure outlined in the Financial Strategy.

Provisional Settlement 2021/2022

The headlines from the Government for the 2021/2022 Provisional Settlement, of £703 million additional funding for the Police Service, appear on the surface to be far more favourable than simply maintaining broadly flat cash funding. However, on closer inspection, £288 million is assumed income from Police Precept, with the remaining £415 million earmarked for ‘Operation Uplift’, which is the three-year programme to deliver 20,000 additional police officers, and this year is specifically to fund the second tranche of recruitment of new Officers. In this second tranche, South Wales Police has an allocation of 133 of the 6,000 new Officers.

Whilst no additional resource was provided for other purposes, the settlement notice included:

An additional £288 million from “local Council Tax flexibility”. In this context, the Policing Minister stated “As set out as part of the Spending Review 2020, Police & Crime Commissioners will be empowered to increase their Band D precept by up to £15 in 2021/2022, without the need to call a local referendum. If all Commissioners decide to maximise their flexibility, this would result in up to an additional £288 million of funding for local policing next year”.

Other, hypothecated amounts, included:

- A mere £12.3 million for local capital expenditure, amounting to £237,000 for South Wales Police
- £52.3 million capital funding for national priorities and infrastructure set by the Home Office
- £315 million Pensions Grant, of which South Wales Police receives £3.1 million. This amount does not fully cover the deficit. In the past this expenditure was funded by the Treasury through the Home Office but the liability was transferred to Forces – a move that was strongly

opposed by Policing – and as a result most of the cost is currently met through the Pensions Grant.

- £914 million for Counter Terrorism Policing, plus £32 million for a new Counter Terrorism Operations Centre
- £5 million for Blue Light Commercial (an additional new company established by the Home Office to “drive efficiencies”, largely through smarter Procurement)
- £20 million for Safer Streets Funding (South Wales Police was successful in winning funds from this source in 2020 for a project in central Merthyr Tydfil)
- £3.2 million to the National Police Chiefs Council for National Policing Capabilities

An analysis of the 2021/22 grant settlement, including comparisons with the two previous years, are shown in the table below:

Police Grant:	2019/20 (£M)	2020/21 (£M)	2021/22 (£M)	Change +/- (£M)
Core Grant Funding	160.7	160.7	160.7	Nil
Capital	1.0	0.3	0.3	Nil
Total Grant Funding	161.7	161.0	161.0	Nil
Ringfenced Grants:				
Pensions Grant	3.1	3.1	3.1	Nil
Operation Uplift: 2020/21 Allocation	N/A	15.9	15.9	Nil
Operation Uplift: 2021/22 Allocation	N/A	N/A	9.3	+ 9.3
Total	164.8	180.0	189.3	9.3

A reconciliation of the provisional grant settlement with expenditure requirements for 2021/2022 is shown in the table below.

2021/2022 Budget Reconciliation	£M
Budget Requirement, including ‘Operation Uplift’ and net of Pensions Grant (2020/2021 Budget was £309M)	327.9
The 2021/2022 Core Police Grant – Flat Cash	(161.0)
‘Operation Uplift’ Funding	(22.7)*
Current Base Precept Income	(135.9)
Increase in Precept Base Income	(0.8)
Budget Gap – Home Office Grant Shortfall	7.5

* Excludes £2.5 million of funding received in 2020/2021, which is held as an earmarked specific grant

The analysis shows that the provisional settlement, after allowing for inflation, both pay and non-pay, plus pension increases, provides no additional resource for growth, and leaves a ‘gap’ in Government funding of £7.5 million.

Operation Uplift

The Government made a commitment to recruiting an additional 20,000 Police Officers up to March 2023 over a three-year period. The current (2020/2021) year is the first of the three years in which 6,000 new Officers are to be recruited across all Forces. South Wales Police’s allocation is 136. The allocation has been made according to the Police Funding Formula. The salaries and other costs associated with the additional 136 Officers are now included in core budgets.

As part of the settlement announcement, we learnt that the second tranche of 6,000 Officers will be allocated in a similar manner as the first, with South Wales Police's allocation being 133, to be recruited in 2021/2022. The Home Office has provided sufficient funding for the salaries costs for the new Officers to be recruited, together with an allocation to fund ancillary costs, including fleet, training, uniforms and IT. Maximising the benefit from this investment in new Officers will be key, and this investment should ensure cross-organisation roles are filled by staff with the appropriate skills and experience.

The 2022/2023 year will be the third and final year of Uplift recruitment, and we await Government confirmation of how the final tranche of 8,000 Officers will be distributed amongst Forces, together with details of the proposed funding. The first full year of steady state complement of the full Officers will be in 2023/2024, and a key financial risk to us is that the Government might fail to provide sustainable funding for Uplift and for the additional costs once Officers gain promotions and other consequential infrastructure costs kick in. **The Government has not yet indicated that it will fund refresh costs or other inevitable increases.**

Beyond 2021/2022

The Government intends to revisit its financial commitments through a three-year Comprehensive Spending Review later in the autumn, and we hope for longer term settlement to aid future financial planning. At the same time, it is hoped that the long-awaited review of the Police Funding Formula will take place. South Wales remains under-funded in a number of areas, including Capital City funding, Apprenticeship Levy costs and as a result of the dampening effect of the redistribution of grant.

However much we hope for a fairer allocation and a recognition of the challenges of meeting the cost of policing effectively, the national economic position strongly indicates a continuation of cash neutral allocations, and this has been assumed in the longer-term financial forecasts.

5. Expenditure Assumptions

The largest area of spend (approximately 80%) is on staffing. Successive previous years of budget cuts have forced a reduction in the number of police officers from a high of 3,400 down to a low of below 2,800 before investment was agreed – as reported to the Panel last year - to tackle vulnerability. This is below the critical mass number of 3,000 for South Wales regarded by successive chief constables as necessary to ensure force resilience. Everyone has worked tirelessly to achieve efficiencies and reduce costs wherever possible to protect the number of Police Officers and maintain the number of PCSOs at the level which matches the support from Welsh Government.

Operation Uplift will address this in part, but even with the full complement of new Officers over three years, the total will still not quite reach the previous level of 3,400.

The assumptions for pay awards, allowances, increments and non-staff inflation remain largely consistent with those used in the 2021/2022 budget setting round. They have been thoroughly scrutinised throughout the budget preparation and are as follows:

- Pay awards – the pay award for staff and officers earning above £24,000 is set at zero from September 2021. However, the balance of the 2020 pay award is reflected in the 2021/22 budget together with pay increments for individuals in line with the pay structure. For future years, 2.5% is assumed throughout the MTFs.

- Whilst South Wales Police receives a formula share of the special Pensions grant to recognise the additional costs of the Police Pension Scheme, this is not reflective of the service profile of officers and consequently the Pension grant falls short.
- Non-staff inflation (2021/2022 to 2024/2025) - between 2% and 2.5% throughout the period. This is consistent with the economic assessment within the MTFS.

Additional borrowing revenue costs for capital investment have been included to help fund the Commissioner's Capital Programme. This amounts to budgeted capital financing costs (revenue) of £17.4 million in 2021/2022, which is continued at this level in the following years. Borrowing is essential to fund future Capital Programmes as Committed Funds become fully utilised. This is to the backdrop of the significant disinvestment (cut) in capital funding by the Government and the finite nature of the Commissioner's Reserves and other Committed Funds. This is further covered in later sections.

6. Capital

The budget on proposed schemes for 2021/2022 is £43.7 million. The Estate schemes total £26.7 million. The estates strategy includes major projects relating to a tactical firearms range and the completion of the learning and development centre at Police Headquarters. Plans to redevelop Cardiff Central Station, in collaboration with Cardiff University, have commenced. Commercial funding options are under consideration for this joint development.

The vehicle replacement programme is set at £3.6 million in 2021/2022. Blue Light Commercial are now procuring fleet on behalf of all Forces in England and Wales. The budget has been intentionally reduced through the use of new technology. The core fleet remains at an acceptable standard.

The Information and Communication Technology (ICT) projects total £10.5 million in 2021/2022, with a further £3.9 million on Information Services. The force has now transitioned to an enhanced mobile capability, and is on target to deliver the 'Right Person, Right Place, at the Right Time' ambition.

Capital Funding

The capital investment requirements over the next five years are becoming clear as the implementation of the Estate, Fleet and ICT strategies are progressed. Capital Expenditure over the four years from 2021/2022 to 2024/2025 totals £91 million of which the 2021/2022 element amounts to £43.7 million.

The external grant for capital has been significantly reduced in recent years and now stands at just £0.274 million per annum, reduced from £3 million in 2010/2011. This means that additional internal resources are required to fund core estate and infrastructure requirements.

The financing of the £91 million capital requirements over the next four years is anticipated to be:

- Partner contributions in respect of the Joint Firearms Training facility as well as Internal Funding (Reserves & Revenue) £80.6 million
- Additional Borrowing £10.4 million

The significant shortfall in the capital reserve highlighted earlier remains a key risk to the delivery of the capital programme.

7. Reserves & Provisions

The Commissioner, as part of his financial obligations, has regard to the level of contingency reserve and provisions in the financial forecasts.

The table below shows forecast balances in Reserves at 31st March 2021 against the required target level.

Reserves and Provisions	Forecast 2020/21	Target 2021/22	Shortfall
	£M	£M	£M
Unallocated Reserves			
General Reserve	9.9	11.1	1.2
Health & Wellbeing Reserve	1.3	0.7	0.0
Earmarked Reserves			
Specific Requirements	1.9	1.9	0.0
Partnership Fund	1.0	1.0	0.0
Capital Reserve	9.8	31.8	22.0
Provisions			
Insurance Liabilities	4.7	4.7	0.0
Total	28.6	51.2	23.2

General Reserve

This is held as working capital to help cushion the impact of uneven cash flows and also as a contingency to mitigate the impact of unexpected events or emergencies. The General Reserve amounts to £9.9 million, which is £1.2 million less than 3% of Net Revenue Expenditure, which is the CIPFA recommended level. The 3% target will be restored as soon as finances permit.

Health & Wellbeing Reserve

This will ensure the reorientation and organisational development necessary to deliver a motivated and productive force.

Specific Requirements

These are designed to address known liabilities that the force has identified and will be reassessed at the year-end, depending on outcomes. They are reviewed on a case-by-case basis on whether they are still required (committed).

Capital Reserve

This remains a concern. The estate requirements, including new projects, relocations and property condition survey assessments continue to exceed annual resource. Added to this are respective communications and mobile technology investments. The capital programme and its financing will be addressed fully in the coming year.

8. Treasury Management & Borrowing

The Commissioner has responsibility for the Treasury Management and Borrowing strategy.

The South Wales Police Corporate Finance Department undertakes the treasury management function on behalf of the Commissioner. Responsibilities are defined in the Manual of Corporate Governance, with

references to Chief Financial Officer (to the Police and Crime Commissioner) and Chief Financial Officer (to the Chief Constable).

The current year's investment performance to October 2020 is included at Part B of the attached Financial Strategy. The returns on investment are within agreed parameters.

Banking services for the Commissioner are currently provided by Lloyds Banking Group. The service was tendered during 2020.

External Advice

A contract is agreed on an annual fee basis with Link Asset Services (Treasury Solutions) to provide advice and information services. Whilst the advisors provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice, the final decision on treasury matters remains with the Commissioner.

Investment and deposit dealings are undertaken via brokers, who are intermediaries with wholesale financial markets facilitating the trading activities of its clients, commercial and investment banks. They are reimbursed on a commission basis. Investments and deposits are also made directly with counterparties.

9. Financial Standing 2021-2025

A summary of the medium-term projections is shown in the table below.

SUMMARY REVENUE ACCOUNT	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M
Employees	280.5	285.4	292.4	300.8	308.6
Indirect Staff	3.5	3.3	3.4	3.5	3.6
Premises	13.2	12.7	13.0	13.3	13.7
Transport	5.8	5.5	5.7	5.8	6.0
Supplies and Services	26.8	25.7	26.4	27.0	27.7
Agency & Contracted Services	20.4	19.6	20.1	20.6	21.1
Capital Financing Costs	14.0	17.4	17.4	17.4	17.4
Police Office Uplift Programme Start Up Costs	7.6	13.2	25.2	32.4	37.0
Gross Expenditure	371.6	382.8	403.5	420.9	435.0
Less income & specific grants	(63.0)	(54.8)	(55.2)	(55.5)	(55.9)
Net Expenditure	308.6	327.9	348.3	365.4	379.1
External grants	(160.8)	(160.9)	(160.9)	(160.9)	(160.9)
Total Un-hypothecated Uplift grant baseline	(11.9)	(11.9)	(11.9)	(11.9)	(11.9)
Uplift Grant Future Allocation		(10.9)	(22.9)	(30.1)	(30.7)
Additional Precept Base Income	0.0	(0.8)	(0.8)	(0.8)	(0.8)
2020/21 Precept	(135.9)	(135.9)	(142.7)	(149.8)	(157.3)
Budget Gap before Precept 2021/22	0.0	7.5	9.1	11.8	17.4
5.5% Precept in 2021/22 and 5% thereafter	0.0	(7.5)	(7.9)	(8.3)	(8.7)
Residual Budget Gap	0.0	(0.0)	1.2	3.5	8.8
Cummulative Budget Gap	0.0	0.0	1.2	4.7	13.5

10. Efficiencies/ Value for Money

By way of context, South Wales Police has had a £45 million cut in grant funding since 2010. It has made £58 million of savings in order to withstand these cuts and make the necessary investments in order to maintain a resilient force. South Wales Police is committed to improving productivity and efficiency, and to this end £2.125 million is included in the Productivity and Efficiency Plan for 2021/22.

Our assessment based on Treasury forecasts is that police grant funding is likely to remain flat cash throughout the medium-term planning horizon. Therefore, with real terms reduction in resource, sustained efforts will be required in order to deliver the right people, skills and infrastructure in order to maintain an effective and efficient policing service.

11. Equalities Considerations

This proposal has considered the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group, in accordance with the Equality Act 2010.

In preparing the Financial Strategy, consideration has also been given to the requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.

The force change programme has an embedded process to ensure consideration of these statutory requirements.

12. Precept Considerations

By way of context, for a number of years the precept in South Wales was kept low as a result of decisions by the former Police Authority. The precept in South Wales over the years has been lower than in Gwent and North Wales resulting in a difference in annual income of £1 million compared to the income if South Wales was at the Welsh Police average, and moving closer to that average would strengthen the baseline.

The current precepts are (for Band D properties):

North Wales	£290.61
Gwent	£272.96
South Wales	£272.72
Dyfed Powys	£260.56

Average of 3, excluding SWP £274.71

The inflationary and other cost pressures that South Wales Police normally faces is £12 million. For 2021/2022, the pay freeze will reduce the amount to £7.5 million. (It is unlikely that the pay freeze will be repeated in 2022/2023 or in future years). This equates to the deficiency in Government funding. As explained above, funding for the Police Uplift Programme is essentially ringfenced and it would be unwise to cross-subsidise this funding in order to balance the budget.

This document has outlined the provisional grant settlement for 2021/2022, the financial assumptions and pressures facing the force, capital requirements and funding plus key financial risks, such as the capital reserve and capital funding more generally over the medium term.

The Home Office has provided a flat-cash settlement, with no allowance for inflation for our current infrastructure. This necessarily puts pressure on the Precept increase in order to produce a balanced budget for the year. The Home Office has also given “flexibility” to Police and Crime Commissioners in England to increase the Precept by £15 for a Band D property, without the need for Local Referendum. For South Wales Police, this equates to a 5.5% increase. This recognises the fact that that the proposed settlement, including the increase in the precept and on the back of 40% real terms cut in Police Grant funding since 2010, is essential just to maintain current levels of provision.

Precept Recommendations

I have weighed up all the relevant issues and the significant risks, balanced with the need to both protect and be fair to the taxpayers of South Wales, before coming to my proposal of a £1.25 per month increase per Band D properties in line with Home Office announcements. This will ensure a balanced budget.

Our Council Tax Property analysis shows that **68%** of the residents in the South Wales Police area are below Band D and the majority would pay between **19 pence and 26 pence extra per week**, excluding receipt of any Council Tax discounts or benefits. It is important to note that South Wales Police will continue to have below average cost for policing in Wales in terms of Band D property and is mid-table in terms of percentage of precept to budget, across England and Wales.

13. Summary of Recommendations

- (a) That the Police and Crime Panel considers this report and supports the Police and Crime Commissioner’s precept proposal of an increase of £1.25 per month per band D equivalent property (5.5% in line with Home Office Announcements).

It should be noted that a majority of Council Taxpayers in most of our local authority areas will pay much less than this. For example, the 87% of dwellings in Merthyr Tydfil will pay less than this amount.

Therefore, the 2021/2022 proposed Police Precept on the Council Tax of **£144,254,157** to be levied in respect of general expenses of **£327,882,867** and that this sum be apportioned to each Unitary Authority according to the table below:

Unitary Authorities	£	Tax Base Band
	Total Precept	D Equivalent Properties
Cardiff County Council	42,522,565	147,794.00
City & County of Swansea	27,059,893	94,051.00
Bridgend County Borough Council	15,631,406	54,329.46
Merthyr Tydfil County Borough Council	5,302,802	18,430.74
Neath Port Talbot Borough Council	13,857,355	48,163.46
Rhondda Cynon Taff County Borough Council	22,210,976	77,197.81
The Vale of Glamorgan Council	17,669,160	61,412.00
Total Council Tax Base	144,254,157	501,378.47

The Council Tax Precept shown in the above table generates the following amounts of council tax for the various bands:

Council Tax Band	£
A	191.81
B	223.78
C	255.75
D	287.72
E	351.65
F	415.59
G	479.53
H	575.43
I	671.34

(b) That subject to the above, the panel approves the Revenue Budget for 2021/22 of **£327,882,867**.

(c) That subject to the above, the panel approves the Capital Programme for 2021/22 of **£43.7 million** also be approved, including the use of **£7.9 million** of capital reserves.

Rt Hon Alun Michael, South Wales Police & Crime Commissioner

Peter Curran, Chief Finance Officer, South Wales Police & Crime Commissioner

January 2021