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**COMISIYNYDD
HEDDLU A THROSEDDU
DYFED-POWYS
POLICE AND CRIME
COMMISSIONER**

Police and Crime

Commissioner for Dyfed-Powys

2019/20 – 2024/25 Medium Term Financial Plan

Including

- a. Precept Proposal**
- b. Reserves Strategy**
- c. Capital Strategy**

January 2019

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- 1 **Police and Crime Commissioners Summary and Precept Proposal**
 - 1.1 One of my key responsibilities as your Police and Crime Commissioner (Commissioner) is to set the precept each year. This precept is the amount of taxation that is raised through local council tax payers to support policing services. In doing so, I take into account a number of different factors including the Chief Constable's (CC) future resourcing requirement, the level of reserves, feedback from residents of Dyfed-Powys and future plans for investment in infrastructure.
 - 1.2 The statutory arrangements established under the Police Reform and Social Responsibility Act state that my precept for 2019/20 must be presented to the Dyfed-Powys Police and Crime Panel by 1st February 2019.
 - 1.3 Within corporate governance arrangements, regular discussions take place between the CC and I about the current and future financial position of the Force discussing in detail plans for resourcing levels, police services and future investment needs in agreeing the Force's budget for 2019/10. These are all factors which I consider carefully when determining my proposed level of police precept.
 - 1.4 Recent years have seen unprecedented levels of major incidents and as a consequence of the financial challenges my Chief Finance Officer (CFO) has worked very closely with the Force to further develop arrangements to critically review all areas of financial management.
 - 1.5 Having recognised the critical nature of the financial situation the CC established a Finance Gold group during 2018. This Gold group is chaired by the CC himself and is attended by all senior managers to ensure that there is a very clear and co-ordinated approach to financial management and understanding of financial issues across the organisation.
 - 1.6 Four specific sub groups were established with focussed representation and much of the work undertaken has been consolidated to inform this Budget, Medium Term Financial Plan (MTFP) and my precept proposal:
 - MTFP – reviewing reserves, police officer numbers, external funding;
 - overtime - critical review of arrangements and requirements;
 - procurement - critical review of arrangements and spend for contracts/ supplies & services;
 - Income generation – reviewing opportunities for income maximisation.
 - 1.7 The CC continues to report financial performance monthly through Policing Board and quarterly through Police Accountability Board with updates also being provided as a result of actions arising from the Finance Gold. My CFO meets bi weekly with the Director of Finance (DOF) and works closely with the Corporate Finance team in relation to a number of specific areas of action.

- 1.8 The CC has strengthened his Finance team which will facilitate significant improvements in financial management support arrangements.
- 1.9 The CC submitted the first Force Management Statement during 2018 which comprehensively sets out the current position, priorities and forward plans which consider financial resources, future demand for services and the assets and staffing resources which the Force will need to deliver a fit for purpose policing service in terms of capacity, capability, serviceability and wellbeing.
- 1.10 The Force have continued to make progress achieving an overall 'Good' grading from Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) early 2018. The most recent HMICFRS inspection took place in late 2018 and the results will be published by HMIC in the spring of 2019. This will be the first integrated assessment and covers all aspects of efficiency, effectiveness and legitimacy.
- 1.11 Much has been achieved over the last year with continued investment in critical estates and IT infrastructure with the roll out of Body Worn Video, IR3 Fleet monitoring, use of Mobile Data and continued rollout of CCTV across the Force area. Significant improvements have been made in Crime Data Integrity compliance, Professional Standards performance and Victim Satisfaction. Importantly it is also very pleasing that the view of our communities on whether the police do a good or excellent good is now fourth best in the country at 76%.
- 1.12 I am supportive of the service improvements that the CC continues to implement which support the priorities that I set out in my Police and Crime Plan seeking to protect and safeguard the communities of Dyfed-Powys.
- 1.13 In December 2017 the Minister for Policing announced that investment for police would increase by up to £450m for 2018/19 with most of this additional funding coming from PCCs raising their Band D council tax precept by £12 per year. The Government also outlined clear expectations in relation to productivity and efficiency which if met would see continued precept flexibility and protect future grant settlements.
- 1.14 On 3rd October 2018 the Association of Police & Crime Commissioners (APCC) and National Police Chiefs Council (NPCC) wrote to the Minister setting out their joint requirements for the police settlement in 2019/20. The letter explained the progress being made on efficiency and productivity, referred to the significant impact on policing of the new Public Sector Pensions Valuation Directions and challenged the Home Office to reduce the level 'reallocations' from police grant. They concluded by asking the Minister to consider lifting or removing the referendum cap on council tax precept to allow forces scope to deal better with the financial and operational pressures currently

experienced. Dyfed-Powys has continued to contribute to these national efficiencies and productivities.

- 1.15 On 29 October the Chancellor of the Exchequer, Philip Hammond, made his Autumn Budget 2018 announcement in the House of Commons. This was the Chancellor's third Budget and was the last Budget before the UK's exit from the European Union on 29 March 2019. The Chancellor recognised that the Police were under pressure from the changing nature of crime and stated that there will be further consideration given to police during the provisional settlement in December.
- 1.16 There has been much independent commentary over the last year in relation to Police sustainability, funding, resilience and increased burdens which include increases to employer's pension contributions which highlight and confirm the very critical and precarious position that Dyfed-Powys and the police service in general face. As Commissioner I have both articulated and lobbied local Members of Parliament in relation to the very significant impacts and risks that threaten our local communities.
- 1.17 The CC and I held a Finance Seminar on the 30th November 2018 for members of the Police and Crime Panel, Joint Audit Committee and Wales Audit Office. The purpose of the event was to allow the Force to present a summary of the operational environment that they work within and the impact that this has on their demand levels and therefore resource requirements for 2019/20 and beyond.
- 1.18 The seminar also covered the steps taken so far in preparing the 2019/20 budget and the draft position, including budget assumptions, funding context, savings and investment. This allowed a valuable opportunity to present on both the operational and financial challenges and context which impact on my plans for the precept for 2019/20.
- 1.19 The CC and I also met with local Members of Parliament on the 4th December to present both current operational and financial contexts with a view to assisting them in their representations ahead of the provisional settlement.
- 1.20 The provisional settlement was announced by the Policing Minister on the 13th December 2018 which included headline figures of £970m additional funding with approximately £813m for local policing: £153m pension grant, £161m additional core grant funding to provide all forces with a 2.1% increase and £509m from additional precept flexibility by raising precept by £24 per year per Band D property.
- 1.21 In outlining the provisional settlements both the Home Secretary and Policing Minister recognised the police services engagement over the last year. This has facilitated Governments appreciation that crime is both changing and increasing in complexity which has resultant impacts on both the demand for resources and the capabilities required to enable response.

- 1.22 The 2019/20 provisional settlement for Dyfed-Powys is £50.348m being £1.035m/ 2.1% higher than 2018/19. I must stress however, that it is vital that this increase is considered in light of the very significant and unforeseen pressures which have arisen from changes to the employer's contribution rate for Police Officer pensions. A new specific grant for pensions has also been awarded for 2019/20 amounting to £1.302m, but even in addition to the uplift in core grant, still leaves a shortfall of £535k to be met.
- 1.23 In 2018/19 I increased the council tax precept by 5%. This resulted in a council tax precept in Dyfed-Powys of £224.56 for an average band D property. This was the lowest in Wales and compared with £233.52 in South Wales, £238.84 in Gwent and £258.12 in North Wales. It is also worth highlighting that Dyfed-Powys has had the fifth lowest council tax precept increases across England and Wales since 2012/13.
- 1.24 In order to fulfil my responsibilities as Commissioner, I have consulted with the public to obtain their views on the level of police precept increase. I was delighted to see an increase in the numbers of Dyfed-Powys residents participating in this consultation. Two thirds, 66%, of those who responded to the Commissioner's survey were to pay an additional £2 each month through the Police Precept. 19% would not wish to pay an additional amount, whilst 25% were willing to pay an additional £1.50 or £1 each month. I have considered these responses carefully in determining my precept proposal for 2019/20. The results of this consultation are outlined in section 15 of this report.
- 1.25 In deciding on a police precept for 2019/20, I have considered very carefully the current financial position of the organisation, future plans, wider financial context and the equality impacts of budgetary options.
- 1.26 At this point there are year to date pressures but the CC is confident that although it has been a challenging year, pressures will be mitigated in year and financial performance will broadly be in line with the budget set for 2018/19.
- 1.27 The continued investment in estate and critical infrastructure, use of financial reserves to support priorities and operational delivery within the revenue budget along with meeting the costs of unforeseen events during 2017/18 has seen a significant reduction in the level of reserves over the medium term. Useable reserves stood at £20.480m at 31st March 2018, split between earmarked revenue reserves, capital reserves and a general reserve. Useable reserves are predicted to reduce to £7.028m by 2023/24, albeit that this includes ring-fenced reserves of £1.902m which are being held on behalf of third parties or for collaborative arrangements.
- 1.28 Albeit that this planned utilisation is very much in line with ministerial expectations in relation to the level of reserves being held, it does mean that there will be very little spare capacity to safeguard and

mitigate against the costs of unexpected events and support future capital investment in critical infrastructure.

- 1.29 In addition, the capital grants available are only £325k per annum, which are wholly insufficient to support the comprehensive programme of capital investment in Estates, Fleet and Information Technology that are critical to supporting a modern day policing service. The MTFP therefore includes an increase in revenue contributions to capital along with assumptions in relation to prudential borrowing along with the consequential revenue costs of financing. Ultimately this puts additional pressure on the revenue budget.
- 1.30 Future funding is uncertain but the APCC and NPCC continue to work closely with Home Office and wider policing partners to develop co-ordinated law enforcement submission for Comprehensive Spending Review (CSR) submission which will cover the period 2020/21 through to 2024/25. The outcome from this submission will not be known until the Chancellor's Autumn Budget 2019.
- 1.31 There has been much discussion and significant work carried out nationally to review and create a new model to distribute funds across police forces in England and Wales. We now understand that a new formula will not be introduced until after the next CSR. The last, unimplemented formula review would have seen us receive some £8m less in funding and, whilst we cannot be certain of the outcome of a future review, for planning purposes, I have built in a reduction of 4% in central grant from 2021/22 onwards to reflect the potential reduction in grant that might occur.
- 1.32 Given the scale of the financial pressures faced I believe that Dyfed-Powys and the police service generally are in critical and precarious position. I have carefully considered the significant impacts and risks that continue to threaten our local communities in conjunction with the expectations detailed in ministerial statements when determining both my precept proposal for 2019/20 and assumptions that underpin the MTFP to 2024/25.
- 1.33 **I therefore submit my precept proposal for scrutiny by the Dyfed-Powys Police and Crime Panel which will raise the average band D property precept by £24 to £248.56, a 10.7% increase. This increase is in accordance with the flexibilities outlined by the Government and will raise a total precept of £55.247m. This will provide a total of central and local funding of £106.897m representing a 7.87% increase on funding levels in 2018/19.**
- 1.34 This level of funding will enable the Force to continue to focus on the delivery of the Police & Crime Plan, address priorities detailed within the Force Management Statement and continue to safeguard the communities of Dyfed-Powys.

- 1.35 I expect to receive notification of the final settlement for 2019/20 in February 2019. I will notify the Panel of any changes to the provisional settlement once I receive them.
- 1.36 This report aims to provide Dyfed-Powys Police and Crime Panel Members with the information necessary to scrutinise my precept proposal and provide information in relation to the operational and financial context which underpin the resourcing requirements and assumptions for 2019/20 and beyond.

2. Organisational Context and Performance

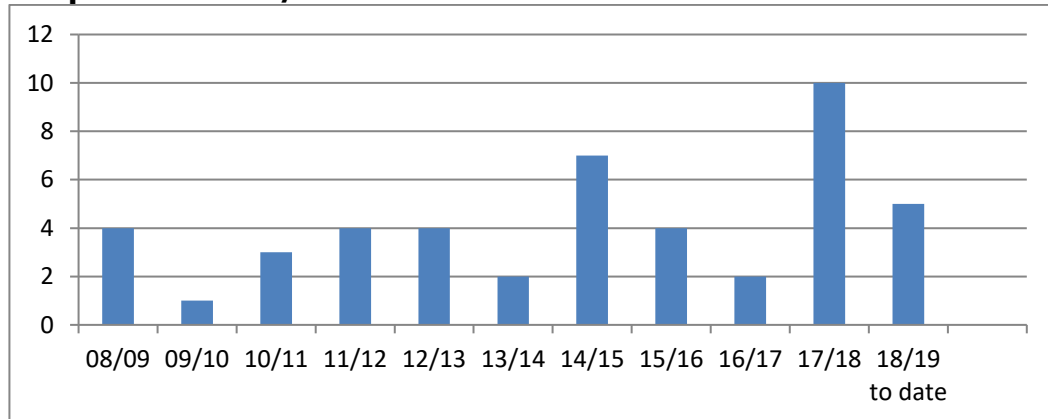
- 2.1 Spanning 4,188 square miles, Dyfed-Powys is the largest force area in England and Wales. With 13,842 miles of roads, 2 large ports, 350 miles of coastline and vast areas of countryside, the geography presents us with significant demand and resourcing challenges.
- 2.2 The resident population of 515,870 is spread across extensive rural areas, holiday and market towns and more heavily populated areas.
- 2.3 The draw of tourism presents unique demands with large numbers of tourists visiting key towns such as Tenby and Brecon. This presents its own implications for crime, anti-social behaviour and roads policing.
- 2.4 Ensuring the workforce is visible to improve victim satisfaction, protect the vulnerable, prevent crime and bring offenders to justice is challenging given the vast area policed.
- 2.5 The Force has invested significantly in digital policing, providing front line officers and PCSOs with access to force systems through mobile data terminals and body worn video cameras, as well as introducing vehicle based telematics to enhance incident response.
- 2.6 In April 2010 the Force had 1195 police officers and the number has remained relatively stable. In this period police staff numbers have fallen from 692 to 595. The workforce also includes 148 PCSOs and 98 special constables.
- 2.7 Since the 2010 comprehensive spending review, central grant funding has reduced by 22% or £14.16million; the Force has been required to make savings of £24.7million.
- 2.8 Against this backdrop, demands continue to grow and become increasingly complex. The Force has experienced increases in recorded crime with incidents involving mental ill-health and more complex inquiries into child sexual exploitation and cybercrime increasing.
- 2.9 The Welsh language is spoken by 32% of Dyfed-Powys residents compared with the national average of 19%. As a service we are committed to ensuring that the workforce is representative of the communities it serves so that members of the public are, whenever possible, afforded the opportunity to communicate with us via the medium of Welsh.
- 2.10 The Force has experienced significant changes to its Chief Officer team but has benefited from recent stable executive leadership and clear strategic direction, evidenced through improved assessments from external regulators.
- 2.11 The four priorities of the Police and Crime Plan underpin all aspects of operational and organisational delivery:

- Keeping our communities safe.
 - Safeguarding the vulnerable.
 - Protecting our communities from serious threats.
 - Connecting with our communities.
- 2.12 The Force has developed both a delivery plan for 2017-21 and Vision for 2025, which are shown in Appendix A and B respectively. These high level documents are underpinned by detailed plans. The plans recognise the challenging operational environment, the need for continued investment to support sustainable services and the requirement to match force resources and assets to meet force demand appropriately.
- 2.13 Recorded crime has increased year on year with the latest figures for 2017/18 at 26,720 total crimes recorded by Dyfed-Powys police. Year to date figure demonstrate 20,248 crimes recorded, an increase of 10% on the same period last year. Recorded crime has increased by 42% since 2015, when recorded crime figures stood at 14,301. This increase has been experienced nationally and therefore, Dyfed-Powys police are in line with national trends.
- 2.14 Call volume to report matters to police has also increased over time and follows a similar trend to the seasonal variance experienced locally. Call volume peaked at 28,716 calls to the FCC in July 2018 and decreased to 20,846 calls in November 2018, however interestingly year to date figures demonstrate that total call volume has decreased by 7% since 2015 (206,512 vs. 192,907 calls).
- 2.15 Key areas of vulnerability for Dyfed-Powys Police are assessed through a risk assessment process known as a MoRiLE (Management of Risk in Law Enforcement) assessment. Partners are brought together to draw on experience and evidence of key areas of threat, risk and harm so as to determine resource allocation and focus for policing. The outcomes of this exercise inform the Control Strategy for Dyfed-Powys Police. As at November 2018, the priorities within the Control Strategy are:
- Class A drugs and New Psychoactive Substances
 - Cyber Dependent Crime
 - Domestic Abuse
 - Impacts arising from the exit from the European Union (Brexit)
- 2.16 The cross cutting themes are County Lines, Vulnerability and Digital Enabled Crime. In the HMIC PEEL inspection of 2017, the Force was graded as Requires Improvement in terms of protecting those who are vulnerable from harm, and supporting victims. Since then, much has been done to improve how we safeguard the vulnerable and give protection from serious harm. All elements of the control strategy have an associated Protect, Prevent, Prepare and Pursue action plan. The action plans are included within the Force Tasking and Co-ordinating Group Meetings that are held quarterly and chaired by the ACC. Control strategy priorities are considered at BCU Performance &

Tasking meetings, while intelligence relating to the control strategy is discussed at both force and county level intelligence meetings.

- 2.17 In terms of the most serious offences Dyfed-Powys Police has recorded 41 homicides since 2008/9; the largest volume of homicides were noted during 2014/15 (7 homicides) and 2017/18 (10 homicides). It should be noted that both the year on year fluctuations and nature of each individual case can have significant impacts on associated costs.

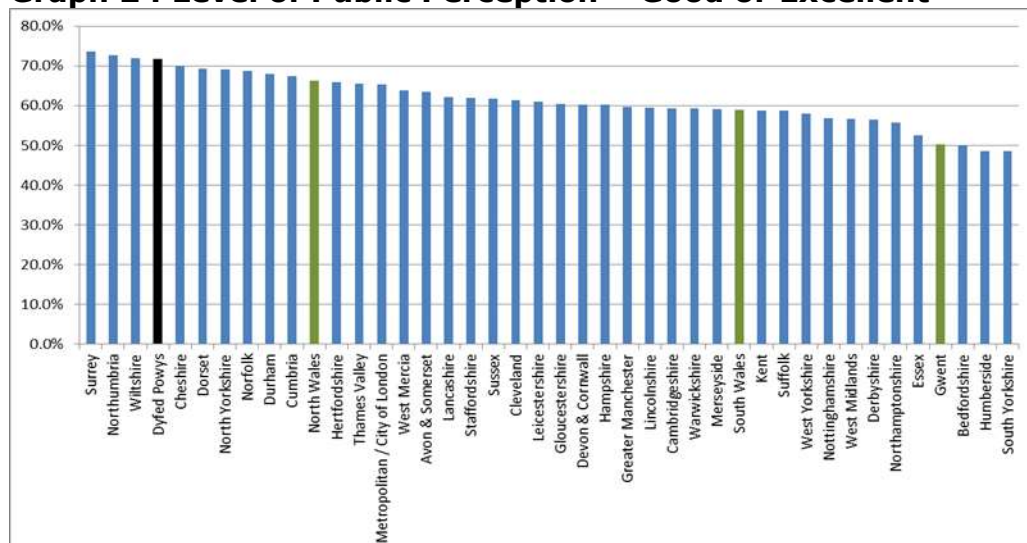
Graph 1 : Profile/ Number of Homicides



- 2.18 To better understand public opinion of local policing two key repositories of information are analysed. These are the Crime Survey for England and Wales which offers public perception of policing and the Victim Satisfaction Survey which provides victim experience of policing. The CSEW is carried out by the ONS and the Victim Satisfaction Survey is carried out by police staff within DPP.

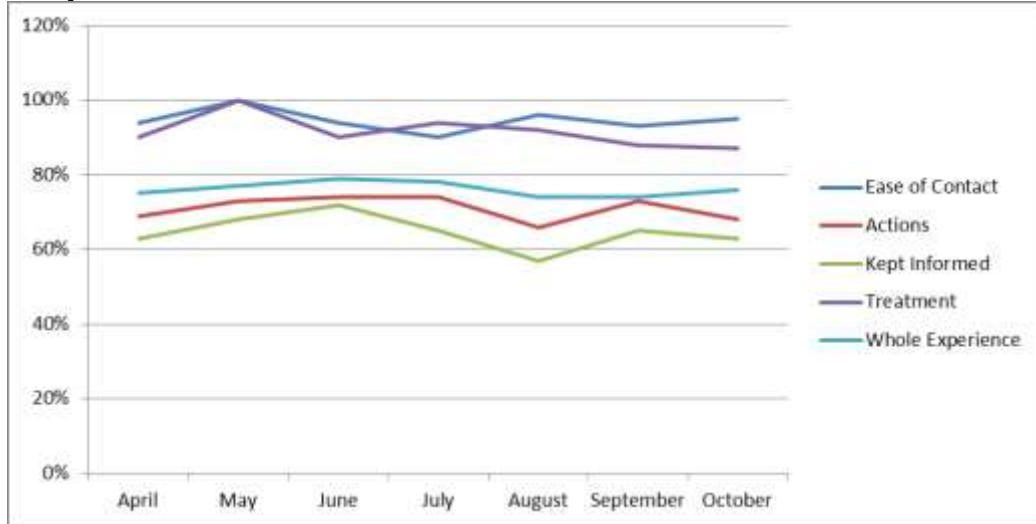
- 2.19 The level of public perception is one of the highest in the country with 71.7% rating the work that Dyfed-Powys Police do as good or excellent:

Graph 2 : Level of Public Perception – Good or Excellent



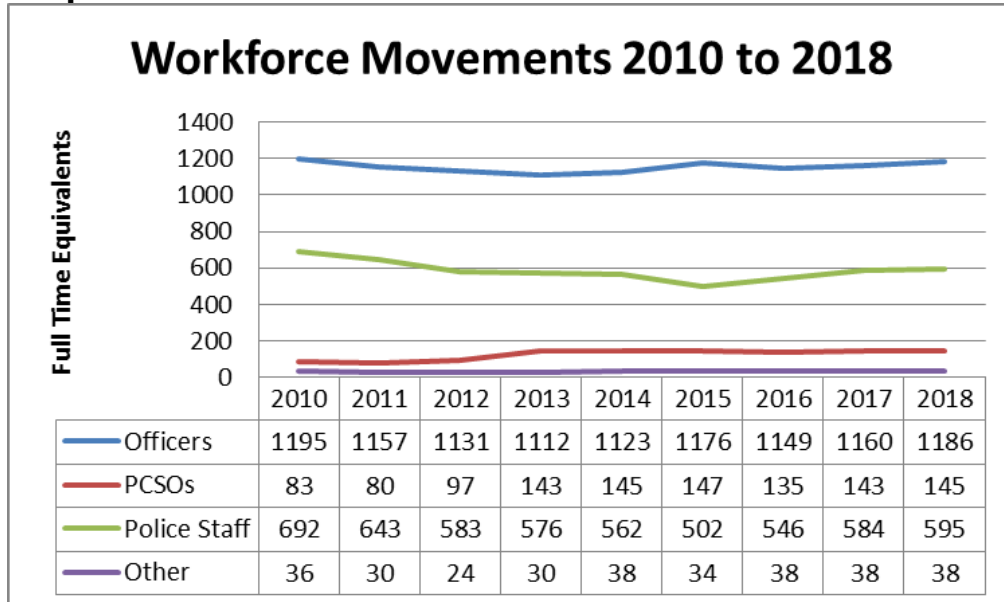
2.24 In terms of Victims Satisfaction 76% were satisfied with their whole experience but the Force recognises that there is work to do to focus on keeping victims up to date.

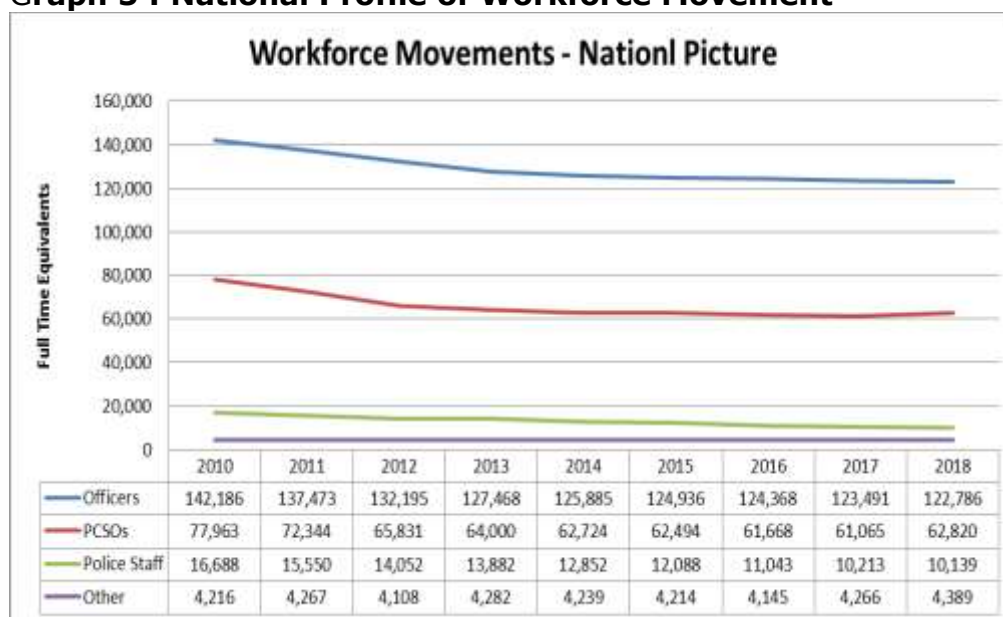
Graph 3 : Victim Satisfaction



2.25 The following graphs outline the changing profile in Police Officer, PSCO and Police Staff strength over the last 10 years against the wider national picture. The balance of resourcing levels is critical in dealing with ever evolving and changing demands and the CC manages and controls this through internal governance arrangements.

Graph 4 : Profile of Workforce Movements



Graph 5 : National Profile of Workforce Movement

3 Financial Context – Independent Commentary

- 3.1 The financial challenges facing the police service have been well documented and commented upon during 2018 with a number of professional and independent high profile studies and reports. The salient finance issues are highlighted as follows:
- 3.2 The Home Affairs Committee Policing for the Future Report issued on 22nd October 2018 is far reaching and makes 66 very critical conclusions and recommendations based upon research and substantial evidence. Specifically in relation to funding, the report states:
- a. "The Government must be clear and accurate about police funding, and the resource pressures facing forces. We welcome the Home Secretary's commitment to prioritising police funding in the next Comprehensive Spending Review (CSR), and the Policing Minister's clear recognition that the service requires additional resources to enable it to meet changing demands. We agree with them. Policing urgently needs more money. We strongly recommend that police funding is prioritised in both the upcoming Budget and the next CSR.
 - b. Given the complex challenges outlined in this report, we have no doubt that a failure to provide a funding uplift for policing would have dire consequences. Efficiency savings can only go so far, in the context of the challenges that forces now face: substantial increases in serious violence and volume crime; a rise in complex cases, including child sexual offences and domestic abuse; an ever-growing workload from safeguarding vulnerable people, and an explosion of internet crime, with the evidential challenges that creates. Without extra funding, something will have to give, and the police will not be able to fulfil

their duties in delivering public safety, criminal justice, community cohesion and public confidence.

- c. We are extremely concerned by the National Audit Office's recent conclusion that the Home Office does not know whether or not the police system is financially sustainable, and cannot be sure that funding is being directed to the right places. Future investment must be strategic and evidence-based, ensuring that resources are focused in the areas in which they can have the most impact on crime prevention and harm reduction, and not just those areas that might attract the most favourable press coverage.
 - d. The current model for police funding is not fit for purpose, and should be fundamentally revised and restructured. Such heavy reliance on the council tax precept for additional funding is also unsustainable. It is time to stop kicking this problem into the long grass, and create a funding settlement for Forces that is fit for the 21st century, recognising the true cost of policing. This must be based on robust evidence on resource requirements arising from diverse and complex demands. It is also likely to require more resource to be channelled to regional levels, to address the structural challenges outlined later in this report.
 - e. The police service is playing an increasing role in managing vulnerability and risk across public services, and many individuals have complex needs which cross organisational boundaries. In Chapter 2, we referred to models involving the co-location of police officers or PCSOs with other agencies, to work on interventions for individuals in greater need of holistic support. The Government should undertake a review of models that enable the police to pool resources with other public agencies, and facilitate these arrangements where they would enable a more joined-up, effective and cost-efficient response.
 - f. Many witnesses highlighted the challenges created by the short-term approach to police funding. This is an unnecessary obstacle to investment in innovation, and it disincentivises medium and long-term financial planning. The Government should move to a longer-term funding structure, to enable the service to frontload investment in the technology that will enable it to make the best use of its resources and assets. The Police Transformation Fund is a piecemeal and ad hoc method for funding innovation and new technology in policing, and a much more coordinated, long-term approach is required."
- 3.3 On 11 September, the National Audit Office (NAO) released their financial sustainability report for police forces in England and Wales. In 2015, the NAO had previously reported on financial sustainability for police forces and concluded that *'there were significant gaps in the Department's understanding of demand and of pressures on the service, and it needed to be better informed to discharge its duties of overseeing the police and distributing funding'*.

- 3.3.1 The report highlights some very stark figures in relation to both the cuts and top slicing that have dramatically impacted on policing services and the increasing reliance on local funding and points to the disparity between forces' ability to raise income through the precept. Capital funding that forces receive is now minimal with the service becoming increasingly dependent on the sale of land and assets to fund new capital expenditure which the NAO point out that this is not sustainable.
- 3.3.2 The report makes five recommendations:
1. *"The Department should make clear all of the accountability relationships and processes for policing, setting out who is accountable for what at all levels of the system.*
 2. *The Department should develop a clearer ongoing understanding of whether police forces' funding is sufficient to support them to deliver an efficient and effective police service.*
 3. *The Department should review the funding formula and adopt an approach to funding that takes account of forces' local circumstances more fairly.*
 4. *The Department should develop an overall strategy for policing that includes clear thinking on how its support programmes, such as the Police Transformation Fund (PTF), contribute to forces' financial position.*
 5. *When developing an overall strategy for policing, the Department should identify which of its policies and programmes are best delivered locally and which are best delivered nationally and assign them to bodies with the capability to fulfil them."*
- 3.3.3 The report concluded that the Home Office's hands off approach left uncertainty that current funding arrangements secured financial sustainability. Additionally, the Home Office lacked a long-term plan for policing and that there were significant gaps in information regarding the demand on policing services and the associated costs. The way that the HO distributes funding has been too detached from the nature of policing for too long, particularly with the delay of the formula review. The NAO, therefore, concluded that the HO's oversight of the police system was not assuring good value for money.
- 3.4 The Chartered Institute of Public Finance & Accountancy (CIPFA) have highlighted in their 2018 Performance Tracker Report that both central government and local authorities (including police) are passing the costs of services onto local tax payers. CIPFA's Chief Executive commented on the real terms cuts to policing and stated that if the government were to meet communities' expectations for public services they must come up with a new sustainable funding model that

would require bolder, braver and perhaps politically unpopular decisions

4 Provisional 2019/20 Police Funding Settlement

4.1 The Provisional 2019-20 Police Finance Settlement was announced in an oral statement and a letter to the Home Affairs Select Committee by the Minister for Policing and the Fire Service Nick Hurd MP on Thursday 13 December. Full details of the settlement can be found on the Home Office pages of the gov.uk website. The Welsh Government then published their Provisional Settlement for Welsh PCCs.

4.2 In outlining the provisional settlement both the Home Secretary and Minister recognise the police services' engagement which has informed Governments understanding of both the changing nature, complexity and increase in demand along with the capabilities required to enable response.

4.3 The provisional settlement highlighted £970m additional funding for the police service which includes:

- **£161m additional formula funding**, with a £146m increase in core grant funding by 2.1% with the balance to two London forces to recognise the additional costs of policing the Capital, unique local financial pressures and the fact that City of London Police do not benefit from increases in Council Tax precept.
- **£153m of pension grant**, which provides specific additional funding to assist in meeting the cost increases above those estimated at Budget 2016. This funding will be allocated in line with the recommendations of the technical working group we set up on pensions with the Association of Police and Crime Commissioners and the National Police Chiefs' Council. Each PCC will receive a proportionate allocation of the pensions funding, based on their employer pension contributions. The funding is based on a revised calculation of the increase in pension's contributions in 2019/20, following the welcome decision by HM Treasury to cease applying the 2.9% surcharge on police officer employer pension's contributions.
- **£59m additional funding for Counter Terrorism**, which now makes a total of £816 million, £160m more than the original Spending Review 2015 plan.
- **£90m additional funding to tackle Serious and Organised Crime** and to implement the new strategy which will invest in much-needed (SOC) capabilities at national, regional and local levels. £56m of this will be split between the NCA and ROCUs to ensure a flat cash settlement for each, with an additional £38m to strengthen the response to organised crime.

- **£509m as a result of additional council tax flexibilities**, assuming all PCCs across the country raise their precepts by £24 per year.

4.4 In 2019-20 the top-slices/reallocations total £1,029m, £84m higher than 2018-19 (£945m).

Table 1 : National Police Funding –Reallocations/ Adjustments

Police Funding	2017/18 (£m)	2018/19 (£m)	2019-20 (£m)
Reallocations and adjustments	812	945	1,029
PFI	73	73	73
Police technology programmes	417	495	495
Arm's length bodies	54	63	63
Top-ups to NCA and ROCUs			56
Strengthening the response to Organised Crime	28	42	90
Police transformation fund	175	175	175
Special Grant	50	93	73
Pre-charge bail	15	4	4

4.4.1 Investment to enhance digital capability including the development of a national approach to mobile digital working will be maintained at £495m, albeit most of this will be to support the new Emergency Services Network. Agile working is a key enabler to support police access to information and seeks to ensure that forces deliver mobile working consistently to avoid duplication, share best practice and maximise productivity gains.

4.4.2 The Police Transformation Fund will be maintained at £175m for 2019/20 of which £167m will be allocated as follows:

- £40.5m to support the continuation of 15 programmes and 4 serious organised crime projects.
- £102.1m to support national programmes, workforce initiatives and Police ICT Company.
- £24m has also been committed to the firearms uplift.

4.5 Total Police Capital Grants have increased very slightly from £75.2m in 2019/20 to £76m in 2019-20. Dyfed-Powys will receive £0.325m for 2019/20 which reflects a small increase of £7k.

Table 2 – National Police Capital Grant Allocations

2018/19	£m
Police Capital Grant	46.9
Special Grant Capital	1.0
Police Live Services	13.1
National Police Air Service	11.5
Arm's Length Bodies	3.5
Total	76.0

- 4.6 Victim's funding comes from the Ministry of Justice (MoJ) with £597k being allocated for Dyfed-Powys for 2019/20.
- 4.7 The settlement contained no further mention of future settlements other than to say "this is the last settlement before the next Spending Review, which will set long term police budgets and look at how resources are allocated fairly across police forces. The Home Office is grateful to the police for the good work they are doing to build the evidence base to support that work, and we will also want to see evidence that this year's investment is being well spent."
- 4.8 The 2019-20 settlement provided more funding than had been previously expected but four priority areas to "drive efficiency, productivity and effectiveness next year" where included:
1. Continued efficiency savings in 2019-20 through collective procurement and shared services. There will be an expectation that every force contributes substantially to procurement savings and the Home Office will be working with the police to agree the "right force level objectives for 2019-20 and 2020-21.
 2. Major progress expected to resolve challenges in investigative resource identified by HMICFRS, including recruitment of more detectives to tackle the shortfall.
 3. Continue to improve productivity, including smarter use of data to deliver £50m of productivity gains in 2019-20.
 4. Maintain a Serious and Organised Crime response that spans identification and management of local threats as well as support for national priorities.

5 Council Tax Capping/ Referendum

- 5.1 In England, the Ministry for Housing, Communities and Local Government publish council tax referendum principles. In 2019-20 PCCs in England will be allowed to increase band D bills by as much as £24. Under devolution arrangements for Wales the power to determine capping levels on the council tax are administered by the Welsh Government.
- 5.2 There are two forms of capping – designation and nomination. Welsh Government may designate or nominate an Authority for capping its precept if in their opinion its budget requirement is excessive.
- 5.3 Designation requires an Authority to reduce its budget requirement and re-bill the Council Tax payers (through the Unitary Authorities). Nomination effectively puts an Authority on notice that Welsh Government will stipulate a budget limit for the following year. Welsh Government is responsible for determining the criteria (the principles) for capping for all Local Authorities and Police Forces in Wales. The

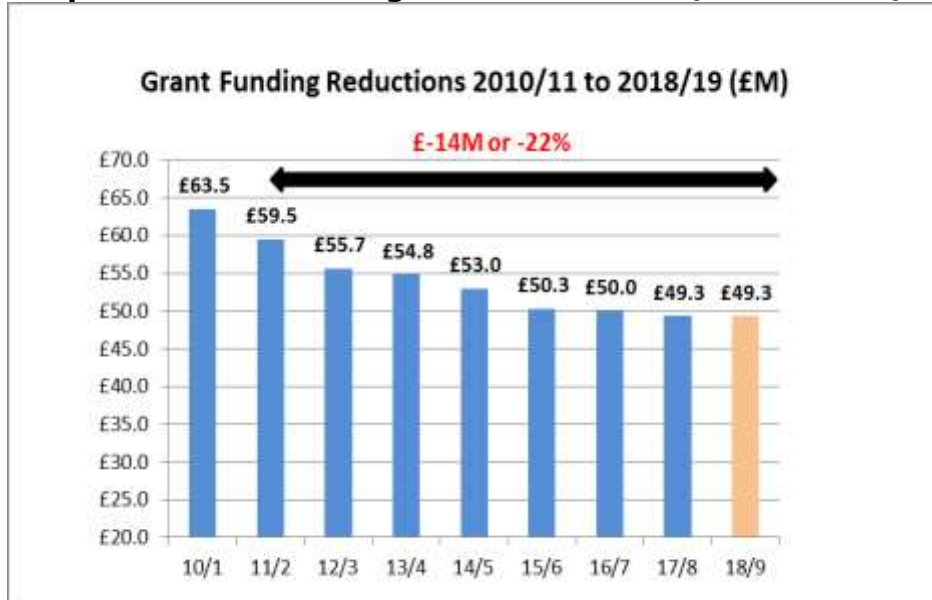
principles must include a comparison between the calculated budget requirement with that calculated for a previous financial year. Ministers are free to include in the principles any other matters they consider relevant.

- 5.4 Both the Commissioner and CC have maintained effective communications with Welsh Government and ministers to highlight the gravity of the financial pressures that are being faced by Dyfed Powys Police and the wider police service in Wales.

6 Dyfed Powys Police – Financial Context and Police Precept

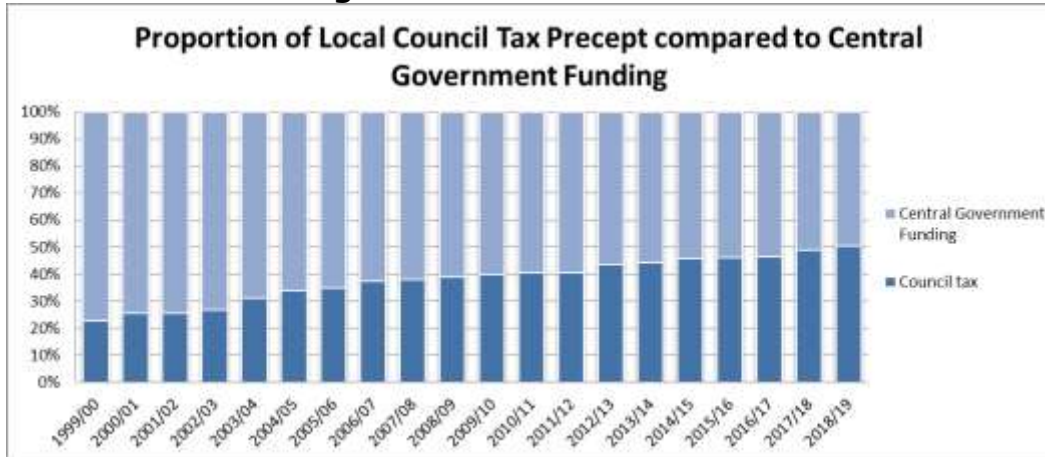
- 6.1 Dyfed Powys Police have seen grant funding reductions 22%, or £14m since 2010/11 as shown below:

Graph 6 : Grant Funding Reductions 2010/11 to 2018/19



6.2 The following graph shows how the proportion of income that Dyfed-Powys receives from central sources compared with local sources has changed over time:

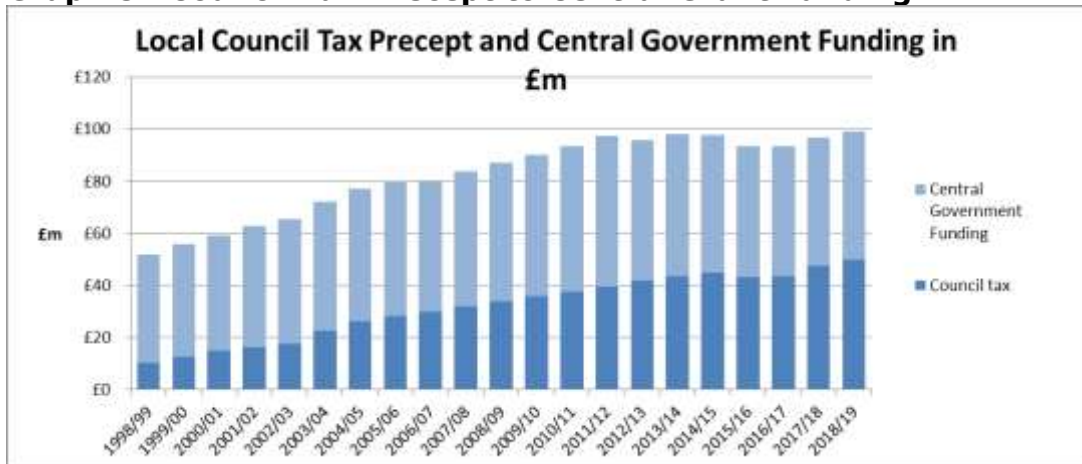
Graph 7 : Proportion of Council Tax Precept to Central Government Funding %



6.3 Historically, central funding provided the vast majority of Dyfed-Powys’ funding. However, the proportion received from central sources has slowly decreased over time and for the first time in 2018/19, local funding (at £49.788m) was greater than central funding (£49.303m). The proportional split or ‘gearing’ will continue to increase as more funding is met from the local tax payer.

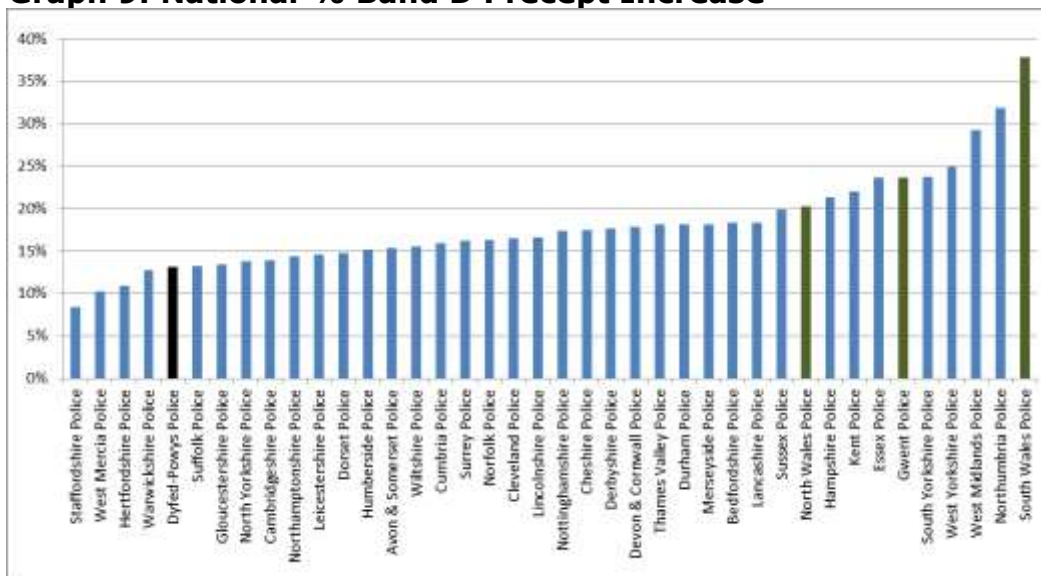
6.4 The following graph shows (in £m) the amount of funding that Dyfed-Powys has received from both local and central sources over time:

Graph 8 : Council Tax Precept to Central Grant Funding £



6.5 Residents in Dyfed-Powys have seen the fourth lowest increase in Band D police precept since 2012/13 as highlighted below:

Graph 9: National % Band D Precept Increase



*excludes Council Tax Freeze grant for England

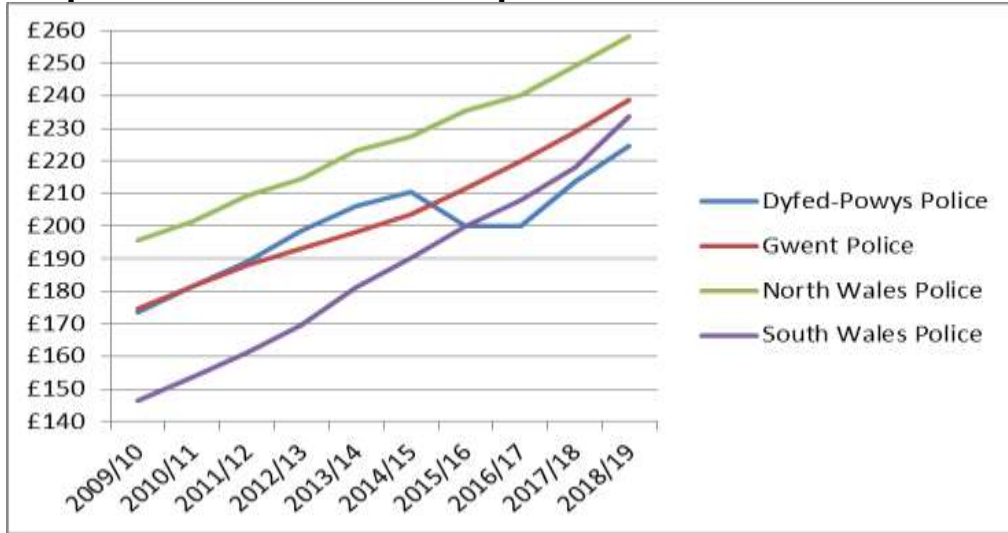
6.6 Residents in Dyfed-Powys have the lowest police precept in Wales:

Table 3 : Precept Levels Wales

Council Tax at Band D (£)	2017/18	2018/19	%
Dyfed Powys Police	213.87	224.56	5.0
Gwent Police	228.84	238.84	4.4
North Wales Police	249.21	258.12	3.6
South Wales Police	218.24	233.52	7.0
Wales	226.70	238.70	5.3

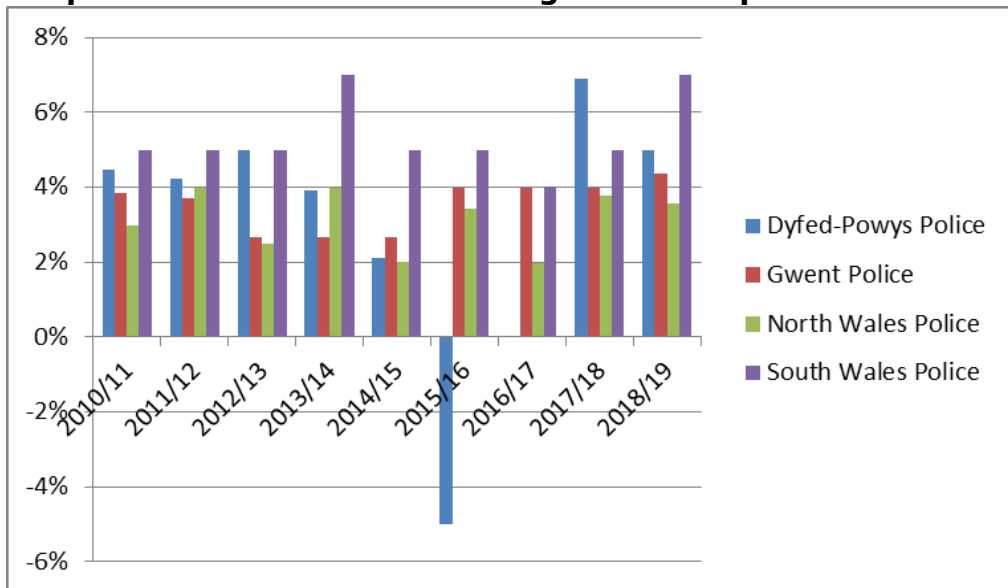
6.7 The following graph shows the change in precept levels for the Welsh forces since 2009/10.

Graph 10 : Increases in Precept levels across Wales



6.8 The percentage year on year change in precept levels for the Welsh forces is shown in the following graph.

Graph 11 : Year on Year % changes in Precept across Wales



7 Council Tax Base

7.1 The Police precept which is raised through local Council Tax payers is allocated to the billing councils on the basis of the relevant tax bases notified by them. The tax base is calculated from the number of properties in each area allocated to each property band and discounted for single occupancy, non-payers, etc. The tax base is expressed as a "Band D" equivalent as follows:

Table 4 : Tax Base Levels

Tax base Band D	2017/18	2018/19	2019/20	Variance
Carmarthenshire	71,598.56	72,153.24	72,440.46	0.40%
Ceredigion	31,893.64	31,683.05	31,648.30	-0.11%
Pembrokeshire	55,920.65	56,103.15	56,055.84	-0.08%
Powys	61,764.29	61,768.85	62,123.50	0.57%
Total Tax base	221,177.14	221,708.29	222,268.10	0.25%
	2.1%	0.24%	0.25%	

- 7.2 The police precept will be added to the figures for the Unitary Authorities and will form part of the overall Council Tax demand bills.
- 7.3 Under the regulations, the billing authority must determine a schedule of instalments for payments to precepting authorities. The agreement is that the Unitary Authorities will pay the Force in 12 instalments on or before the last working day of each month.
- 7.4 It should also be noted that when announcing the provisional police settlement, the Government make assumptions in regard to the tax base changes using information provided by the Office of Budget Responsibility. For Wales a 0.8% increase was assumed, however the actual increase for Dyfed-Powys was only 0.25%. This lower level of increase detrimentally impacts on the announced headline figures both locally and nationally by c£300k for Dyfed Powys Police.

8 Police Officer Pensions 2019/20

- 8.1 As part of the 2016 Pension Valuation, Her Majesty's Treasury (HMT) announced a Public Sector Pension Valuation 'Directions' on 6th September 2018, which serve to increase the Employer's Contribution rate from 2019/20 for Public Sector Pension Schemes (including the Police Pension Scheme).
- 8.2 The main change is the reduction to the 'discount rate', which is used to convert future pension payments into present day value. This rate reflects the Office for Budget Responsibility (OBR) view on the current national economic outlook, which in turn reflects a particularly uncertain period prior to Brexit. The Chancellor suggested at Party Conference that *any* agreement on Brexit would see an improvement on economic growth predictions, however, put simply, markets like certainty. There is a strong argument to say that using the amended rate as outlined below, risks corrective action in the future when markets stabilise.
- 8.3 The Discount Rate has been reduced from 3.0% to 2.4% (although a reduction to 2.8% was contained in the 2016 Budget). The impact of the Valuation Directions results in a sizeable increase in the police

officers employer contribution from 22.1% to 31%, albeit that 24.2% has been paid since the last revaluation. The impact of this increase has been assessed to be £330m.

- 8.4 Considerable national and political representations were made in relation to the impact of this significant and unforeseen pressure. The provisional settlement has now included two elements to partially mitigate the financial impact.
- 8.5 Firstly a new specific grant has been allocated to all Forces, which has been allocated to forces by the Home Office based on averages police officer pension's costs over a three year period, for Dyfed-Powys this has been set at £1.302m. The second is the totality of the additional £161m allocation of core police grant which for Dyfed-Powys totals £1.035m.
- 8.6 The estimate of financial impact of the increase to 31% has been calculated to be £2.872m for Dyfed-Powys. The increase in funding of £2.337m therefore leaves a shortfall of £0.535m which must be met from within the revenue budget.
- 8.7 The impact on individual forces varies considerably across the country with some receiving additional funding to effectively cover the full costs with others having shortfalls to meet and others gaining. It must also be noted that there are risks in relation to the ongoing commitment to both elements of this funding which are mitigating this pressure.

9 Draft Budget for 2019/20

- 9.1 The overall result of the provisional settlement and proposed precept is a total funding increase of £7.797m in 2019/20 compared with 2018/19 as shown in the table below.

Table 5: Total Funding for 2019/20 (Provisional)

	2018/19	2019/20	Change	
	£m	£m	£m	%
Core Police Grant	27.714	28.317	0.603	2.2%
Add Rule 1 + Floor Funding	8.498	8.676	0.178	2.1%
Welsh Government	13.101	13.355	0.254	1.9%
Central Funding	49.313	50.348	1.035	2.1%
Pensions Grant	0	1.302	1.302	-
Council Tax Base (Band D)	221,708	222,268	560	0.3%

Council Tax at Band D (£)	224.56	248.56	24.00	10.7%
Precept	49.787	55.247	5.460	11.0%
Total Funding	99.100	106.897	7.797	7.9%

- 9.2 This has resulted in the following balanced budget being prepared for 2019/20:

Table 6: Draft Revenue Budget for 2019/20

	2018/19	2019/20
	£M	£M
OPCC and Commissioning	1.992	1.946
Estates	3.736	3.993
Force (net of reserve movements)	93.372	100.958
Total	99.100	106.897

- 9.3 A full breakdown of the proposed expenditure for 2019/20 (through to 2024/25) is provided in Appendix C.
- 9.4 In preparing the budget for 2019/20, the following inflationary factors have been applied to the 2018/19 budget which have taken appropriate consideration of current Consumer Price Index CPI and Retail Price Index rates which are running at 2.3% and 3.2% respectively.

Table 7: Budget Assumptions for 2019/20 (compared with 2018/19)

Budget Assumptions (%)	2018/19	2019/20
Police Officers	2.29%	2.00%
Police Staff	2.29%	2.00%
Inflation	2.50%	2.00%
Premises Fuel	2.50%	10.00%
Vehicle Fuel	2.50%	2.00%
Grants	0.00%	0.00%
Income	2.50%	2.00%
Capital Financing	0.00%	0.00%
Pension	3.00%	3.00%

- 9.5 In addition to inflationary pressures in 2018/19, the following additional cost pressures have been identified for 2019/20:
- Overtime – the Force has continued to see unprecedented levels of operational activity and major incidents. As part of the CC's Finance Gold Group, a critical review of all overtime arrangements and requirements has been undertaken with additional controls being put in place. An additional requirement of £510k has been identified within the recurring base budget, although this will be

monitored to ensure that the inevitable year on year peaks and troughs in major/ critical incidents can be managed financially to best effect.

The CC intends to use £100k of this uplift to create an operational reserve to mitigate against the operational costs arising from peaks in major or critical incidents.

- Forensic Analytical Services – Difficulties have been faced in the forensics market over the last year and there are concerns that these will continue and extend. Work is ongoing nationally to meet and negotiate with all providers to come up with proposals to help sustain the market in the short term (12 to 18 months), which will then allow time to work on a longer term solution.

Based on the analysis of Forensic spend nationally so far, it is likely that Forces will be faced with a minimum average price increase across the consortium of approximately 29% with effect from 1 January 2019. To put this into some context, in 2016 the average savings across the consortium was 25%, so this returns Forces back to that pricing point, with a slight RPI increase over the last 2 years.

- Premises fuel costs – The budget for electricity and gas costs have been increased by 10%, which equates to £78k to adequately reflect forecasted usage and the current industry predictions of a rise in fuel charges due to changes in global production and consumption.
- Facilities Management Contract – Historically the maintenance of the Estate has been sporadic and inefficient resulting in large spend on reactive rather than planned works. Failure of plant/equipment and downtime has also caused ongoing problems combined with technical limitations within the Estates team posing operational risk. Through the mobilisation of a Facilities Management contract the aim is to minimise risk whilst increasing the accuracy, efficiency and quality of services provision. Albeit that there is an additional cost of £252k in providing these services there will be opportunities to reduce and refine maintenance service provision which will bring cost efficiencies over the longer term.
- National Enabling Programmes –A significant number of ICT projects are being funded at a National level from the Police Transformation Fund and from Police Technology reallocations. These include:
 - National Enabling Programme
 - Productivity Services – Office 365 / Cloud
 - National Security Management Centre
 - Identity Access management
 - Digital Policing Portfolio

- Digital Public Contact (Single On-line Home)
- Digital Investigation and Intelligence
- Digital First (Electronic Case Files)
- Home Office Programmes
 - Emergency Services Mobile Communications Programme
 - National law Enforcement Data Programme (Police National Databases)
 - National ANPR System
 - Home Office Biometrics

Taken together these projects reflect a significant commitment by the Home Office and National Police Chiefs' Council to streamline National Systems. Although the development costs are covered through central funding, revenue budget consequences and local implementation costs are to be picked up by local Forces through their own Capital and Revenue Budgets. In total a sum of £485K has needed to be included in next year's budget to cater for the increased revenue costs associated with these National Programmes.

- The Force already contribute to a range of national ICT projects but a review of the basis of charging is currently taking place seeking consistency and equity of approach. Historically a number of these have used the respective share of police grant funding as the basis to allocate charges to individual Forces. Due to the very wide disparities of the 'gearing' balance between police grant funding and council tax precept across the country, it is generally being considered that the use of Net Revenue Expenditure (NRE) would be a more equitable and reflective basis of charging for national projects. The impact of this would be £150k for Dyfed-Powys and has been included as a pressure for 2019/20, although representations and discussions are still ongoing.
- National Air Support – work is currently ongoing to review the charging arrangements which underpin the provision of the National Police Air Support service. A number of options have been consulted upon, the outcome of which is uncertain at this time but it is likely that as any new charging arrangement will bring increased costs of £115k as a consequence of both the basis of charging and the increased calls for service within the Force area.
- Regional Organised Crime Unit – the collaborative arrangement between the three southern welsh Forces is partly funded by grant funding and partly from Force contributions. There are both uncertainties over future grant funding which is likely to see a cut in funding in 2019/20 along with additional pressures and IT costs. Whilst due diligence and consideration of options continue £219k has been included within the budget to mitigate these pressures.

- Critical National Infrastructure/ Ports – Counter Terrorism grant funding is received to support Operation Protect which includes both land and waterways. The basis of this grant has always been contributory which has meant that the full costs have not been fully funded. Historically these shortfalls have been met in year from either additional grant bids due utilising national underspends or from efficiencies and savings within the Force budgets. A pressure of £121k has been recognised within the budget to ensure that the full costs are fully reflected from the outset.
- As well as these National and inflationary pressures, the Force is also faced with a number of local cost pressures including police staff and officer pay awards and increments, reductions in income and grants, additional bank holiday working costs, collaboration cost increases and welsh language translation costs

9.6 After a period of discussion and consultation, the CC approved the following prioritised growth bids from a number of organisational business cases:

- General Data Protection Regulations (GDPR) – structural changes and resourcing requirements of £167k as a consequence of the regulations which came into effect in 2018.
- CCTV Co-ordination – additional resources of £108k to ensure that the significant investment in CCTV across Dyfed-Powys is utilised to maximum potential to support local policing.

9.7 The Commissioner is currently evaluating the benefits of the custody triage project in Pembrokeshire to determine whether there is merit in rolling it out across the whole of Dyfed-Powys. Discussions are also ongoing with Welsh Government in relation to grant funding opportunities to specifically support the provision of this service to women. Budgetary provision has been retained within the Commissioning budget pending the outcome of the evaluation.

9.8 The Commissioner has also commissioned an independent needs assessment to better inform the prioritisation of funding for commissioned services. The outcomes from this will be considered by both the Commissioner and the Commissioning Advisory Board to ensure that funds are directed to best effect on a sound and robust evidence base. Having rebased the Commissioning budget, this will now stand at £1.455m a reduction from £1.477m from 2018/19. This budget is supported by Ministry of Justice grant of £0.597m which support Victims support services.

9.10 In addition to the investments above, the outline budget for 2018/19 includes annual recurring cost reductions of £2.932m within the Force as summarised below:

Table 8: Cost Reduction Summary for 2019/20

		Expected Savings
		2019/20
		£'000
Pay/ Allowances	Reduction in allowances	-83
Workforce	Voluntary Early Severance	-390
Workforce	Modernisation/ Workforce transformation	-100
Workforce	Temporary staff reductions	-143
Workforce	Police Pay - Voluntary Early Severance	-1,218
Procurement	Contractual efficiencies/ savings/ collaboration	-525
Procurement	Forensics contractual savings	-205
OPCC	Efficiencies	-128
Commercialisation	Income generation	-60
Other	Other	-80
		-2,932

- 9.11 The MTFP for 18/19 included provision for Voluntary Early Severance (VES) for Police Officers. Rigorous scrutiny and consultation surrounded the implementation of this new policy which aimed to assist with the efficient running of the Force in times of austerity, allows for succession planning and ensures that the Force as an effective skills mix. Having carefully reviewed the financial situation, police officer forecasted establishment levels and MTFP 17 FTEs were approved to exit the organisation.
- 9.12 The Force will see a reduction in Police Officer strength for 2019/20 of around 40 officers which is made up of 17 from VES, 7 as a result of reduction in planned intakes during 2018/19 and 16 as a result of net leavers and secondments, which contributes a further of £1.218m of cost reductions.

10 Future Funding

- 10.1 Considerable uncertainty has existed over future financial settlements for some time. The Home Secretary's letter written on the day of the 2015 Spending Review stated that the settlement for policing, including funding for counter terrorism, will be reduced by 1.3% in real terms over four years. Taking into account local income, the settlement will protect police spending in real terms over the Spending Review period. This news was better than expected as previously, non-protected departments were expected to see reductions in the region of 27% over three years.

- 10.2 However, in December 2016, the Minister for Policing and the Fire Service announced a flat rate reduction in grant funding of 1.4% in cash terms for all Forces for 2017/18. This provisional settlement was slightly worse than predicted as an average increase in the council tax bases had been estimated by the Home Office before calculating the resulting decrease in funding.
- 10.3 The settlement for 2018/19 announced in December 2017 allocated a flat cash grant (i.e. the same allocations as in 2017/18). In addition, the Minister announced that we would receive a broadly flat cash settlement for 2019/20 also depending on progress on efficiency milestones to be agreed in the New Year.
- 10.4 Having been satisfied on the progress made in relation to efficiencies, the Rt. Hon Nick Hurd MP announced the draft settlement on the 13th December 2018 which allocated additional core grant funding of £1.036m. However it is important to highlight that in addition to the new pension's grant of £1.302m this only partly mitigates the additional police officer pensions cost of the increase to employers contribution for 2019/20 and leaves uncertainty over future years.
- 10.5 Despite the work that is ongoing in relation to the Comprehensive Spending Review (CSR), a consistent national approach to budgetary assumptions has been advocated by the Police and Crime Commissioners Treasurers Society which is to assume a cash flat settlement for 2020/21. Clearly there are risks attached to this assumption and this position will be monitored carefully in line with the CSR working groups.
- 10.6 The Policing Minister has stated that a new funding formula will not be introduced until 2021/22 at the earliest. The impact of the last (unimplemented) review was a £7.9m loss in grant to Dyfed-Powys. Therefore, with this in mind, the MTFP also incorporates a reduction of 4% in central grant from 2021/22 onwards.

10.7 The current medium term funding position is shown below:

Table 9: Total Funding for 2019/20 to 2024/25

	19/20	20/21	21/22	22/23	23/24	24/25
	£M	£M	£M	£M	£M	£M
Central Grants	50.348	50.348	48.334	46.401	44.545	42.763
Pensions Grants	1.302	1.302	1.302	1.302	1.302	1.302
Precept	55.247	58.155	61.215	64.436	67.827	71.397
Total Funding	106.897	109.805	110.851	112.139	113.674	115.462
Variance to prior year	7.797	2.908	1.046	1.288	1.535	1.788
% Change	7.87%	2.72%	0.95%	1.16%	1.37%	1.57%

10.8 This funding position assumes the following increases in council tax precept and includes an assumption that the council tax base will increase by 0.25% per year:

Table 10: Proposed Precept Level 2019/20 to 2024/25

	19/20	20/21	21/22	22/23	23/24	24/25
	£	£	£	£	£	£
Council Tax Precept	248.56	260.99	274.04	287.74	302.13	317.23
Increase from prior year £	24.00	12.43	13.05	13.70	14.39	15.10
% Change	10.69%	5.00%	5.00%	5.00%	5.00%	5.00%

11 Medium Term Budget 2019/20 to 2024/25

11.1 It is expected that pay and price inflation will continue to exert pressure on the costs of providing policing services over the period and the following assumptions have been made in relation to these:

Table 11: Inflation Assumptions for 2018/19 to 2023/24

	19/20	20/21	21/22	22/23	23/24	24/25
Police Officers	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Police Staff	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Premises Fuel	10.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Vehicle Fuel	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Grants	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Income	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Capital Financing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Pension	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

- 11.1 In addition to these increases in base costs, an efficiency and savings plan has been developed that is due to deliver savings amounting to £4.063m over the next five years. These savings are detailed in the table below:

Table 12: Cost Reduction Summary for 2019/20 to 2023/24

	19/20	20/21	21/22	22/23	23/24	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reduction in allowances	-83					-83
Voluntary Severance Early	-390					-390
Modernisation/ Workforce transformation	-100	-31	0	0	0	-131
Temporary staff reductions	-143	-50	-50	-50	-150	-443
Contractual efficiencies/ savings/ collaboration	-525	-200	-200	-200	-200	-1,325
Forensics contractual savings	-205					-205
Efficiencies	-128					-128
Income generation	-60					-60
Other	-80					-80
Police Pay – Voluntary Severance Early	-1,218					-1,218
	-2,932	-281	-250	-250	-350	-4,063

- 11.2 The impact of the consolidation of the inflationary increases, pressures forecasted changes and resultant funding gaps are detailed as follows:

Table 13 – Cost Variation Statement

Medium Term Financial Plan -Variation Statement 2019/20 to 2023/24						
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Total Funding - Prior Year	-99,100	-106,897	-109,805	-110,851	-112,139	-113,674
Total Funding available -for year	-106,897	-109,805	-110,851	-112,139	-113,674	-115,462
Total Funding Change	-7,797	-2,907	-1,046	-1,288	-1,535	-1,788
Inflationary Pressures						
Pay Inflation - Prior Year	761	805	820	836	853	869
Pay Inflation In Year	1,225	1,249	1,273	1,298	1,323	1,348
Police Staff Increments / LYR Growth	878	0	0	0	0	0
Police Officer Overtime	410	0	0	0	0	0
Other Pay Pressures	308	0	0	0	0	0
Non Pay Inflation	484	404	472	549	645	767
Pensions Costs	2,968	0	0	0	0	0
Reduction In Reserves	1,298	631	346	30	10	10
Capital Financing Costs	540	872	1,264	662	484	484
Loss Of Specific Grants / Income	23	150	0	0	0	0
Unavoidable Increases - Agency / Estates	753	219	219	0	0	0
Increases in Non Pay Costs (Inc ICT)	724	418	130	14	2	2
Growth Bids Included	357	290	21	0	0	0
Savings Plan						
Efficiency	-1,714	-281	-250	-250	-350	-350
Demand Savings Incorporated	-1,218	0	0	0	0	0
Total Cost Pressures	7,797	4,757	4,296	3,140	2,967	3,129
Shortfall (+) / Surplus (-)	-0	1,850	3,250	1,851	1,432	1,341
Cumulative Shortfall (+)	-0	1,850	5,100	6,951	8,383	9,724

- 11.2 Given the future uncertainty of funding and the identified budgetary shortfalls it is prudent for plans to be developed to meet the shortfalls that have been identified. The CC continues to develop options for potential operating models should these scenarios occur. There is no doubt that any significant reductions in central grant funding would have a serious impact on police services and the communities of Dyfed-Powys.

- 11.3 Work continues on a national and all-Wales basis to seek every opportunity for collaboration, consistency of approach and commercial efficiencies.

12 Section 25 and Budgetary Risk

- 12.1 Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer report to the Commissioner, at the time the budget is being set, on the risks and uncertainties that might require more to be spent on the service than planned, and the adequacy of financial reserves. This report is shown in Appendix D
- 12.2 Allowance is made for these risks by:
- making prudent allowance in the estimates; and in addition
 - ensuring that there are adequate reserves to draw on if the service estimates turn out to be insufficient.
- 12.3 It is important that budgetary risk has been minimised when the budget is set. The level of budgetary risk must be formally considered by the Commissioner informed by the advice and judgement of his Chief Finance Officer.
- 12.4 The proposed budget for 2019/20 reflects the identified and quantifiable risks. However it has not been possible to incorporate the following risks:
- Amendments to the final government grant notification from the provisional figures included in this report or for future years;
 - Unforeseeable changes in government policy;
 - Unknown financial consequences arising from the exit from the European Union (Brexit);
 - Further future impacts of pension scheme reviews on employer contribution rates.
 - Financial outcomes of national legal cases and challenges in relation to undercover policing and police pensions.
- 12.5 Appendix E also outlines a risk impact assessment across various budget headings and based on the percentage of the net revenue budget and the known factors which could influence levels of actual expenditure or income.

13 Reserves

- 13.1 In accordance with the Home Office Financial Management Code of Practice (FMCoP) the Commissioner considers the role of reserves when compiling the MTFP and annual budget. The Commissioner, supported by his Chief Finance Officer holds the responsibility for ensuring the adequacy of reserves each year so that unexpected demand led pressures on the budget can be met without adverse impact on the achievement of the key priorities.
- 13.2 The FMCoP requires the Commissioner to establish a strategy on reserves in consultation with the CC. This Strategy is shown in Appendix F and details the approach for 2019/20 and beyond.

13.3 The opening and estimated closing position for reserves during 2018/19 are shown in the table below.

Table 14: Reserve Balances and Utilisation during 2018/19

	Balance as at 31 st March 2018	Net Movement in year	Balance as at 31 st March 2019
	Actual	Estimated	Estimated
	£000k	£000k	£000k
General Reserve	4,032	0	4,032
Earmarked Revenue Reserves	1,687	-363	1,324
Ring-fenced Revenue Reserves	3,560	-348	3,212
Capital Grants	750	-324	426
Capital Reserves	10,451	-4,980	5,471
Total	20,480	-6,016	14,464

13.3 The table below details how the MTFP will impact on reserves over the coming years.

Table 15: Use of Reserves

	19/20	20/21	21/22	22/23	23/24	Total
Use of Reserves	£000k	£000k	£000k	£000k	£000k	£000k
Revenue Reserves (contribution to revenue budget)	-977	-346	0	0	0	-1,323
Earmarked Reserves	-4	-4	-4	26	36	50
Ring-fenced Reserves	0	0	0	0	0	0
Capital Grants	-243	-183	0	0	0	-426
Capital Reserves	-3,150	-2,011	-495	584	-166	-5,238
Total use of Reserves	-4,274	-2,544	-499	610	-130	-6,937
Balance at year end	10,091	7,546	7,047	7,657	7,528	

13.4 The contribution to revenue budget line in the table above appears as the result of the previous PCC's decision to reduce the council tax precept for 2015/16 by 5% and to use reserves to fund an element of the revenue budgets for 2015/16 to 2018/19. Given the pressures in 2018/19 revenue budget a decision was taken to draw the remaining reserve not just from 2018/19 but over 3 years with the last planned contribution from reserves in relation to this decision now to be made in 2020/21.

- 13.5 The following table outlines the estimated reserves which underpin the 2019/20-2023/24 MTFP:

Table 16: Estimated Reserves at year end

Estimated Year End Reserves	Balance at 31st March 2019	Balance at 31st March 2020	Balance at 31st March 2021	Balance at 31st March 2022	Balance at 31st March 2023	Balance at 31st March 2024
	£000k	£000k	£000k	£000k	£000k	£000k
General Reserve	4,032	4,032	4,032	4,032	4,032	4,032
Earmarked Revenue Reserves	1,324	446	200	300	400	500
Ring-fenced Revenue Reserves	3,212	3,108	3,004	2,900	2,826	2,762
Capital Grants	426	183	0	0	0	0
Capital Reserves	5,471	2,321	310	-185	399	233
Total	14,464	10,091	7,546	7,047	7,657	7,528

- 13.6 At the end of 2023/24, the general reserve is expected to remain at £4.032m with total reserves amounting to £7.528m. The percentage of general reserve against net revenue budget will fall from 4.1% at the end of 2018/19 to 3.5% as the net revenue budget increases. The reserves are further detailed in Appendix G and also provide the information to accord with the Home Office and ministerial requirements.
- 13.7 The above reserve levels have been considered in the context of risk which comply with CIPFA's guidelines which state that "*in order to assess the adequacy of unallocated general reserves....take account of the strategic, operational and financial risks facing the authority.*"
- 13.8 Whilst risk exposure and mitigation of that risk may not necessarily drive a material increase in spending, it will influence the level of general reserves year by year.
- 13.9 Four key risks are specifically relevant to the level of general reserves now and in the future, which are outlined below.
- Economic instability – the risk that worsening economic conditions, real terms reductions in levels of government grant and the increased resource requirements will have a significant effect on already stretched financial resources. This will result in a restriction on operational activity and developments over the next four years and beyond, for example, curbing the ability to offer the level of community policing that the public is expecting unless a bigger draw on reserves is authorised;

- External Risks – such as Brexit and global financial markets have been taken into account in setting reserves;
- Operational major incidents and nationally and locally managed capital schemes – the likelihood and impact of a major incident that could occur within the Force area and risks attached to significant capital schemes has been considered in determining an appropriate level of reserves;
- Council Tax – keeping council tax under control remains a priority for the Government.

14. Capital

14.1 Well maintained and managed assets play a vital role in the delivery of efficient policing services. Therefore it makes sense to plan how these assets will be maintained and managed. The Capital Strategy is shown in Appendix H and underpins the draft capital programme for 2019/20:

Table 17: Draft Capital Programme for 2018/19 to 2023/24

Capital Programme	18/19	19/20	20/21	21/22	22/23	23/24	Total
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
Land and Buildings	2,309	4,250	16,250	3,900	500	500	27,709
Vehicles	953	962	1,095	1,050	1,050	1,050	6,160
IT and Other Strategic Spending	3,217	3,405	2,424	2,160	1,690	1,440	14,337
Capital Expenditure	6,479	8,617	19,769	7,110	3,240	2,990	48,206
Grant Funding	-318	-325	-325	-325	-325	-325	-1,941
Borrowing	0	-4,250	-16,250	-3,900	0	0	-24,400
NPAS Capital	-23	0	0	0	0	0	-23
Capital Grants	-324	-243	-183	0	0	0	-750
Contribution from Revenue Account	0	-500	-1,000	-1,500	-2,000	-2,500	-7,500
Capital Receipts	-2,402	-150	0	-891	-1,500	0	-4,943
Capital Reserve	-3,412	-3,150	-2,011	-495	584	-166	-8,650
Capital Financing	-6,479	-8,617	-19,769	-7,110	-3,240	-2,990	-48,206

14.2 The draft capital programme requires total funding of £48.2m for 2018/19-2023/24 with £10.2m being spent in 2018/19. For the current capital programme to be fully financed over the next six year, capital reserves will be depleted by the end of 2021/22. In addition, it is foreseen that external borrowing of £24.4m will be needed over the same period. The majority of this borrowing will fund the building of a

new custody facility for Carmarthenshire, provide a solution to the ageing police facility in Brecon and fund the new training facility for the Joint Firearms Unit. The cost of these three capital projects are currently expected to be in the region of £22.5m.

15 Public Consultation and Opinion

- 15.1 On the 7th December 2018, the Commissioner launched his public consultation on police funding for 2019/20. It was important to the Commissioner that he sought the views of the public and Dyfed-Powys Police workforce. He urged all to voice their opinion on this critical issue, to ensure that as a Police Force, Dyfed-Powys Police can continue to safeguard its communities with the highest standard of service available.
- 15.2 To assist the public in providing their views, a survey was created and both distributed and promoted widely. The survey closed on Sunday 6th January 2019.
- 15.3 Through a series of posters within the survey the Commissioner demonstrated the impact on Dyfed-Powys Police and its service users should Dyfed-Powys Police receive an additional £1, £1.50 and £2 per month via the Police Precept, and should they receive no additional funding through the Precept.
- 15.4 This year's consultation saw a significant increase in responses from 217 last year to 531 for this year.

Table 18 – 2019/20 Precept Consultation Responses

How much more, if any, would you be willing to pay each month through the police precept?		
Response	No. of responses	% of responses
No more	99	19%
An additional £1	35	6%
An additional £1.50	46	9%
An additional £2	351	66%
Total	531	100%

- 15.5 Two thirds, 66%, of those who responded to the Commissioner's survey would be willing to pay an additional £2 each month through the Police Precept. 19% would not wish to pay an additional amount, whilst 9% would be willing to pay an additional £1.50 and 6% an additional £1 each month.

16 Conclusion

- 16.1 As outlined in the Commissioners summary, given the historic funding decisions and scale of the financial challenges and operational challenges that both Dyfed-Powys and the police service generally face, it is vital to secure a police precept which will safeguard policing and support the continued delivery of the priorities set out the Police & Crime Plan.
- 16.2 The above report sets out the array of internal and external factors and considerations which have informed the development of the MTFP.
- 16.3 The Commissioner submits a precept proposal for 2019/20 and assumptions that underpin the MTFP to 2024/25.
- 16.4 The Commissioner therefore submits a precept proposal for scrutiny by the Dyfed-Powys Police and Crime Panel which will raise the average band D property precept by £24 to £248.56, a 10.7% increase. This increase is in accordance with the flexibilities outlined by the Government and will raise a total precept of £55.248m. This will provide a total of central and local funding of £106.898m representing a 7.87% increase on funding levels in 2018/19.
- 16.5 The impact of this police precept on each property banding are shown below:

Table 18 - Council Tax Bandings

Tax Band	Basis	2018/19	2019/20	Increase
A	6/9ths	£149.71	£165.71	£16.00
B	7/9ths	£174.66	£193.32	£18.66
C	8/9ths	£199.61	£220.94	£21.33
D	9/9ths	£224.56	£248.56	£24.00
E	11/9ths	£274.46	£303.80	£29.34
F	13/9ths	£324.36	£359.03	£34.67
G	15/9ths	£374.27	£414.27	£40.00
H	18/9ths	£449.12	£497.12	£48.00
I	21/9ths	£523.97	£579.97	£56.00

- 16.6 This level of funding will allow the Force to continue to provide focussed funding to meet their operational and strategic delivery plans addressing priorities detailed within their Force Management Statement.

Safeguarding our communities together: Working together to provide a first class service that is visible and accessible, ensuring that our communities remain safe. We will be there when the public need us and we will act with fairness and respect in all that we do.



Intelligence
 Dyfed-Powys Police & Crime Panel
 Commissioned services
 Office of the Police & Crime Commissioner
 Corporate communications
 Criminal Justice
 Procurement
 Equality & Diversity
Local Policing
 Business Support Unit
 Continuous Improvement
 Vehicle Maintenance Unit
 Integrated Offender Management
 School's Liaison
 Custody
 Armed Response
Criminal Investigation
 Legal & Compliance
 Force communications
 Specialist Operations
Partnerships
 Information, Communication, Technology
Department Operations
 Collaboration & Efficiency
Public Protection
 Professional Standards
 People Services
 Scientific Support
 Roads policing
 Special Const. & Volunteers
 Recording
 Crime
 Civil Contingencies

POLICE & CRIME DELIVERY PLAN 2017-2021

Heddlu Dyfed-Powys Police TOWARDS 2025



Building a service fit for 2025 and beyond means working together, working smarter and striving for continuous improvement.

We will develop a police service that is forward thinking, innovative and engaged - guided by community needs, demand and intelligence.

Mark Collins, Chief Constable



Local Policing

Local policing will be tailored to the needs of our communities - Informed by their priorities and our evidence.

- Police Officers and PCSOs will be located in the places where our analysis tells us they are needed.
- We will also be visible and accessible online - Available to engage with our communities in ways that suit their needs.
- We will adopt a multi-agency problem solving approach to community problems, focusing on early intervention from the most appropriate agency.



Specialist Capabilities

We will build our capacity and continue to test ourselves, so that we are prepared and ready to respond to existing and emerging crime types.

- We will build specialist capability with other Welsh forces to respond to existing and emerging threats e.g. terrorism, serious and organised crime and cybercrime.
- We will exercise for these threats together, ensuring we are ready to respond when needed.
- We will develop one approach to accreditation of specialist services within Wales (e.g. Collision Investigation), reducing costs and avoiding duplication of effort.



Workforce

We will work to retain and recruit confident and capable professionals, empowered to do their best for the communities we serve.

- We will have a skilled and agile workforce that reflects our communities and look to standardise staff terms and conditions to allow regionalised service delivery.
- We will develop a more responsive approach to workforce planning and use sophisticated demand analysis to inform resource decisions.
- We will embed the Transformational Leadership Programme across Dyfed Powys Police as part of our leadership approach.



Digital Policing

New technology will make it easier for our communities to speak with us. It will remove waste from our work and improve processes.

- We will develop, improve and integrate our digital policing programme to support operational policing and to improve accessibility for the public.
- We will implement a new records management system, reducing bureaucracy and enhancing the scope for collaboration with other Welsh forces.
- We will make best use of digital and mobile services, maximising the time that officers remain operational within their community.



Business Delivery

We will be flexible in the way we work - Looking for opportunities to do more with others, reducing waste and duplication.

- Our procurement processes will seek to maximise on economies of scale, deliver efficiencies and secure ethical arrangements with local suppliers.
- We will actively explore delivery mechanisms for shared services across public sector, balancing the need for high quality cost effective services with the retention of local employment.
- With other public sector bodies we will reduce the public sector estate in Wales and the associated costs, by exploring co-location and limiting our carbon footprint.



Governance & Accountability

Clear arrangements for accountability and transparency will make us more agile and adaptable as circumstances change.

- We will be open to robust scrutiny and challenge, through internal quality assurance arrangements, external audit and inspection.
- We will play an active role within each Public Service Board to improve the economic, social, environmental and cultural well-being.
- We will recognise and address gaps in service through the annual production of a Force Management Statement.

Revenue Budget 2018/19 to 2024/25								
		Final Budget	Proposed Budget	Financial Outlook				
		2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Budget for OPCC and Commissioning								
	Staff Costs	685	703	717	731	746	761	776
	OPCC Non Pay	336	284	290	295	301	307	313
	Commissioning Staff	95	100	102	105	107	109	111
	Commissioning Non Pay	1,477	1,455	1,484	1,514	1,544	1,575	1,607
	Commissioning Income	-600	-597	-597	-597	-597	-597	-597
	Estates Staff	720	713	728	742	757	772	788
	Estates Non Pay	3,016	3,280	3,319	3,359	3,399	3,441	3,483
	Total OPCC Costs	5,728	5,939	6,043	6,150	6,258	6,369	6,482
Budget for Chief Constable and Staff under Direction and Control of Chief Constable								
Employees								
	Police Officers	53,210	53,403	54,456	55,551	56,667	57,806	58,968
	Police Staff	22,064	23,547	23,948	24,400	24,840	25,187	25,541
	PCSO's	4,922	5,021	5,122	5,225	5,330	5,437	5,546
	Police Pensions (net)	12,052	15,083	15,386	15,695	16,010	16,332	16,660
	Indirect Staff Costs	885	929	947	966	986	1,005	1,025
	Total Employee Costs	93,134	97,983	99,859	101,837	103,832	105,767	107,741
Running Expenses								
	Premises Costs	332	367	374	381	388	395	403
	Transport Costs	1,779	1,966	2,005	2,044	2,084	2,124	2,166
	Supplies & Services	9,869	10,426	11,369	11,786	12,165	12,629	13,214
	Agency & Contracted Services	2,307	2,841	3,121	3,407	3,475	3,545	3,616
	Total Running Expenses	14,286	15,601	16,868	17,618	18,112	18,693	19,399
	Capital Financing Costs	440	776	1,648	2,913	3,575	4,059	4,543
	Total Expenditure	107,861	114,359	118,376	122,368	125,519	128,519	131,682
Financed By:								
Income								
	Specific Grants	-6,924	-6,959	-6,856	-6,904	-6,953	-7,004	-7,055
	Other Income	-5,286	-5,461	-5,559	-5,658	-5,760	-5,863	-5,969
	Total Income	-12,209	-12,420	-12,415	-12,563	-12,713	-12,867	-13,024
	Net Costs - Force	95,651	101,940	105,961	109,805	112,806	115,652	118,658
	% Change	0.0%	6.6%	9.7%	3.5%	2.7%	2.5%	2.5%
Contribution From Reserves								
	Use of / Contribution to Reserves	-2,279	-981	-350	-4	26	36	46
		-2,279	-981	-350	-4	26	36	46
	Net Costs - Force	93,372	100,958	105,611	109,801	112,832	115,688	118,704
	Total Costs for OPCC and Force	99,100	106,897	111,655	115,951	119,090	122,057	125,186
	Net Cost of Policing To be Funded From Grants and Precepts	99,100	106,897	111,655	115,951	119,090	122,057	125,186

Revenue Budget 2018/19 to 2024/25								
	Final Budget	Proposed Budget	Financial Outlook					
	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	
Grants and Precepts	0.0%	0.0%	0.0%	-4.0%	-4.0%	-4.0%	-4.0%	
Police Grant	-27,724	-36,993	-36,993	-35,514	-34,093	-32,729	-31,420	
Floor Funding	-8,874	0	0	0	0	0	0	
NNDR	-8,161	-13,355	-13,355	-12,821	-12,308	-11,815	-11,343	
RSG	-4,554	0	0	0	0	0	0	
Total External Support	-49,313	-50,348	-50,348	-48,334	-46,401	-44,545	-42,763	
Pensions Grant	0	-1,302	-1,302	-1,302	-1,302	-1,302	-1,302	
Precepts on Billing Authorities	-49,788	-55,247	-58,154	-61,215	-64,436	-67,827	-71,396	
TOTAL RESOURCES	-99,100	-106,897	-109,805	-110,851	-112,139	-113,674	-115,462	
Difference (Deficit / Unidentified Savings)	0	0	1,850	5,100	6,951	8,383	9,724	
Taxbase	221,708	222,268	222,824	223,381	223,939	224,499	225,060	
COUNCIL TAX LEVEL	£ 224.56	£ 248.56	£ 260.99	£ 274.04	£ 287.74	£ 302.13	£ 317.23	
Council Tax Increase	5.0%	10.7%	5.0%	5.0%	5.0%	5.0%	5.0%	
Taxbase @ Band D	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2023/24	
Carmarthenshire	72,153	72,440.46	72,622	72,803	72,985	73,168	73,351	
Ceredigion	31,683	31,648.30	31,727	31,807	31,886	31,966	32,046	
Pembrokeshire	56,103	56,055.84	56,196	56,336	56,477	56,619	56,760	
Powys	61,769	62,123.50	62,279	62,435	62,591	62,747	62,904	
Taxbase	221,708	222,268.10	222,824	223,381	223,939	224,499	225,060	
	0.24%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	

1. Section 25 of the Local Government Act 2003 requires that the Chief Finance Officer report, to the Commissioner, at the time the budget is being set, on the following matters:
 - the robustness of the estimates made for the purposes of calculations;
 - and the adequacy of the proposed financial reserves.
2. Both the Commissioner and Police and Crime Panel are required to have regard to this report when considering and making decisions in connection with the budget.
3. The proposed budget presented in this report is based upon robust figures, prepared by the Director of Finance. The detailed estimates have been prepared on a realistic basis and a result of comprehensive work undertaken by Corporate Finance in liaison with senior officers across the Force and have been subject to review and discussion through formal and informal meetings. Proper provision has been made for assumed pay and price increases, achievable levels of income and deliverable efficiency savings.
4. The CC continues to report financial performance monthly through Policing Board and Police Accountability Board. Updates are also provided as a result of discussion of actions arising from the Finance Gold Group which was established during 2018/19. Bi weekly meetings take place between the Director of Finance and I there is close working with the Corporate Finance team in relation to a number of specific areas which impact on the budget preparation and the MTFP.
5. The Efficiency Plan is the sensible and measured way to reduce expenditure in a controlled and structured manner. It is recognised however that the plan carries a higher risk than the budget in terms of attainment. The Efficiency Plan for 2019/20 is forecast to deliver sufficient savings to balance the 2019/20 but savings and efficiencies are proving harder and the current plan is insufficient to produce a balanced budget throughout the MTFP which coupled with the potential loss of core police grant shows a residual budget gap of £9.7M. There will need to be a continued focus on efficiencies and transformation over the next 4 years if operational effectiveness is to be sustained and improved.
6. The use of General Reserves in 2017/18 now means that its adequacy needs to be closely monitored to ensure that it is maintained at a sustainable level. The assumed profile of funding and cost of services within the MTFP sees a reduction of General Reserves falling from 4.07% of Net Revenue Expenditure at the end of 2018/19 to 3.30% by the end of 2023/24. This reduction is due to the increases in the net revenue budget rather than the utilisation of reserves. These levels assume that there are no calls on general reserves to meet unforeseen financial burdens.
7. There has been a planned use of useable specific reserves to support and underpin the revenue budget. The only specific reserves that will remain are effectively held on behalf of third parties (Go Safe/

Collaborative Arrangements) or for specific road safety initiatives. The 2019/20 budget includes additional provision for overtime with a plan to create an operational contingency reserve which will be held to assist in mitigating the financial impacts of annual peaks and troughs in critical and major incidents.

8. The previous decision to utilise revenue reserves to underpin revenue costs has undoubtedly caused additional sustainability strain over the medium term. As detailed in the reserves strategy the adequacy of both the General reserve and specific reserves will be kept under constant review.
9. The robust approach on risk management and prioritisation of investment has enabled critical infrastructure developments and ensure a sustainable police service. However, despite the assumed increases in council tax precept, and use of revenue reserves there are significant shortfalls over the term of the MTFP. There are a number of uncertainties and risks which are detailed within the MTFP including those in relation to both core and specific grants and it is clear that the financial environment will remain extremely challenging for the foreseeable future.
10. This MTFP has fully considered and documented the array of known issues and assumptions which impact over the period of planning period and I am satisfied that the proposals for 2019/20 produce a balanced budget and that the current level of reserves are adequate. Dyfed Powys Police will however face difficult decisions over coming years and there is a need to develop comprehensive savings and efficiency proposals to address the residual budget gap of £9.7m to ensure both financial resilience and sustainability

Beverley Peatling

**Chief Finance Officer to the Police and Crime Commissioner for
Dyfed-Powys**



Budget area	% of net costs	Risk level	Identified Risk	Mitigating factor
Police Officer Salary Costs	50.0%	High	<p>Overtime incurred on major incidents/operations/investigations is not controlled and monitored and therefore exceeds the budget.</p> <p>Allowances paid for bonus payments, etc could exceed budget.</p> <p>The number of officers in post increases above the approved funded establishment.</p> <p>Assumptions have been made in relation to future pay awards but until finalised remain uncertain.</p> <p>Additional costs may arise as a result of a legal challenge in relation to the 2018/19 pay award for police officers as the recommendations of the independent Pay Review Body were not accepted.</p>	<p>The Finance Gold Group which was established during 2018 has put in place additional controls in relation to all aspects of financial control and has a specific sub group in relation to overtime. Additional authorisation processes for overtime were put in place in summer 2018 and financial reporting was strengthened to facilitate timely and accurate monitoring.</p> <p>The 2019/20 budget includes provision to establish an operational contingency fund to assist in smoothing the financial impacts of the annual peaks and troughs of major and critical incidents.</p> <p>Finance representation on gold groups and other operational investigation groups now occurs as a matter of course. This enables overtime and other costs to be closely monitored and reported to each meeting.</p> <p>The establishment is monitored continually as part of budgetary control process. A Budget Monitoring Procedure is in place with the budget being reported regularly to Chief Officer Group.</p> <p>HR has a recruitment plan for the year ahead based on the projected number of police officer retirements, leavers and transferees. The required intake of probationers are planned and allocated accordingly.</p> <p>In year financial performance is discussed regularly by the PCC and CC at Policing Board and within dedicated Finance Seminars. Financial matters are also covered at the Police Accountability Board, the Joint Assets Board and Finance and by the</p>

Budget area	% of net costs	Risk level	Identified Risk	Mitigating factor
				Procurement Group.
Police Staff Salary Costs (including PCSO's)	28.1%	High	<p>The number of staff in post increases above the approved funded establishment.</p> <p>Projects requiring staff involvement out of normal working hours are accurately costed for additional costs such as overtime etc.</p>	<p>The establishment is monitored continually as part of budgetary control process. A Gateway process is being established to monitor and control the establishment on a strategic basis. A Budget Control Procedure is in place.</p> <p>Professional payroll and human resources staff will be engaged in establishing staff entitlement for additional hours.</p> <p>In year financial performance is discussed regularly by the PCC and CC at Policing Board and within dedicated Finance Seminars. Financial matters are also covered at the Police Accountability Board, the Joint Assets Board and Finance and by the Procurement Group.</p>
Police Officer Pensions	14.1%	Medium	<p>Given the recent pensions directions there is a risk of future increased contributions. Also, changes in the way certain elements such as injury payments are treated pose a risk.</p> <p>Additional costs may arise from the legal challenge in relation to the move to Care Average pensions.</p>	<p>Linked to police officer salary costs above.</p> <p>Ability to amend recruitment profiles during the year.</p> <p>Historically any major changes which have significant financial implications have been funded through the Home Office and then factored into subsequent actuarial reviews.</p>
Indirect Staff Costs	0.9%	Medium	<p>These might increase above budget.</p> <p>Uncertainty exists around the ongoing funding of the new police recruitment</p>	<p>Training budgets have been set to reflect operationally critical requirements. Budgets are monitored on a monthly basis and a Training</p>

Budget area	% of net costs	Risk level	Identified Risk	Mitigating factor
			for the Police Education Qualification Framework (PEQF) requirement from March 2019.	<p>Prioritisation Group considers training priorities before training is delivered.</p> <p>The PCC and CC continue to discuss and monitor training requirements at Policing Board.</p> <p>Discussions are ongoing with Welsh Government in relation to future funding to support PEQF.</p>
Premises Costs	3.4%	Medium	<p>Further investment may be needed on premises in the future if we are to avoid a further large capital programme to bring buildings back to an acceptable and safe working environment for staff and officers.</p> <p>Fluctuations in electricity and gas costs may continue as a result of more extreme weather conditions.</p>	<p>The capital programme is considered as part of Medium Term Financial Strategy and annual budget setting process.</p> <p>Review of energy utilisation to seek efficiencies and invest to save opportunities.</p> <p>Robust budget monitoring procedures are in place and adhered to.</p> <p>The Estates Group that brings together key staff within the PCC's office and from the Force meet monthly to discuss estates matters including finances. These are also discussed at the Joint Assets Board that is regularly chaired by the PCC.</p>

Budget area	% of net costs	Risk level	Identified Risk	Mitigating factor
Transport Costs	1.8%	Medium	<p>Although there are planned changes to the fleet size, the costs of fuel are prone to significant fluctuation and could increase in running costs.</p> <p>The exit from the European Union may lead to increased fuel costs in the future and impact on the availability and costs of spare parts.</p>	<p>The capital programme is considered as part of Medium Term Financial Strategy and annual budget setting process.</p> <p>The Strategic Vehicle Group meets to discuss the vehicle fleet – group is chaired by the Director of Finance.</p> <p>Fuel prices are monitored and their impact regularly assessed through the robust budget monitoring procedures that are in place.</p> <p>Telematics data is allowing the Force to monitor vehicle usage and optimise the size of the fleet.</p> <p>The Joint Assets Board receives a monthly update on matters relating to the fleet including vehicle and fuel usage.</p> <p>The potential impacts of the exit from the European Union are being monitored at a local, regional and national level.</p>
Supplies and Services and Commissioning	10.0%	Medium	<p>Non purchase orders could result in over spends against the budget.</p> <p>The exit from the European Union may lead to shortages in supply and increases in costs.</p>	<p>Purchase orders are processed with a built in budget check for high value items.</p> <p>The Procurement Department ensure that the procurement of goods and services are made in accordance with Financial Regulations and Procedures.</p> <p>Robust budget monitoring procedures are in place and adhered to.</p> <p>PCC's commissioned services are authorised by the Director of Commissioning.</p>
Agency & Contracted	4.0%	Medium	<p>Additional and increasing costs arising from the collaboration arrangements</p>	<p>Work is ongoing to strengthen the governance and financial management arrangements surrounding</p>

Budget area	% of net costs	Risk level	Identified Risk	Mitigating factor
Services			- specifically the Regional Organised Crime Unit, Joint Firearms Unit and JFU training facility's	collaboration. Additional financial provision has been made for 2019/20 with options being further explored.
Capital Financing	0.7%	Medium	Borrowing costs could increase if there is a rise in interest rates	External advise from Treasury Management Consultants The Capital Strategy, Investment Strategy and Medium Term Financial Plan are aligned.
Specific Grant	-7.1%	High	Critical services which are supported by Grant cannot be sustained. Additional financial burdens incurred as a result of lost/ reduced grant funding. Grants should be utilised in accordance with the terms and conditions of grant. Grant providers may cease payments of grant with minimal notice.	A grant register records all grants due. Posts funded by grants should be recruited on a temporary basis for the duration of the grant. All terms of grant are authorised by the Chief Financial Officer. All Establishment Amendment forms are authorised by the Director of Finance and Head of Human Resources. Comprehensive exit plans to be developed for each specific activity supported by external grant. PCC Commissioned services are authorised by the Director of Commissioning after consultation with the Chief Finance Officer.
Other Income	-5.1%	Medium	Income targets are under achieved as a result of lower than forecasted activity levels.	Finance Gold Group established a sub group to consider all aspects and maximisation of income generation. Income will be reviewed and monitored as part of financial management and budgetary control arrangements.
Use of Reserves	-0.9%	High	Reserves are underpinning the revenue budget which causes	Annual review and consideration of reserves Strategy which outlines the approach and arrangements

Budget area	% of net costs	Risk level	Identified Risk	Mitigating factor
			<p>sustainability difficulties in future years.</p> <p>Unexpected demand led pressures on budgets cannot be met without an adverse impact.</p>	<p>MTFP reduces level of reserves which are underpinning the revenue budget over next 2 years.</p> <p>Creation of operational reserve to mitigate peaks in critical and major incidents.</p> <p>Regular monitoring of the financial position occurs through the forces' Chief Officer Group (COG) and Policing Board.</p>
Capital	N/A	High	<p>The size, high cost and complexity of capital projects increases the risk of exceeding budgets, time overruns and not achieving the objectives of the original business case.</p>	<p>The capital programme is approved and monitored by the PCC and discussed at monthly Joint Assets Board meetings. Capital investment is also discussed at dedicated Finance Seminars led by the PCC. Chief Officers receive regular reports and monitor progress with capital projects at COG. Governance arrangements are in place covering all major projects for the Force.</p>



RESERVES STRATEGY

RESERVES, BALANCES AND PROVISIONS

1 Introduction

- 1.1. The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 which require local authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.
- 1.2. The Financial Management Code of Practice states that the Police and Crime Commissioner (Commissioner) should establish a strategy on reserves (including how they might be used by the Chief Constable (CC)) and provisions in consultation with the CC. This should have due regard to the need to ensure the on-going funding of policing activities and the requirement to meet exceptional or extraordinary policing operations.
- 1.3. Reserves are an essential part of financial management. They help the Commissioner and CC cope with unpredictable financial pressures and plan for future spending commitments.
- 1.4. All reserves will be held by the Commissioner and managed to balance funding and spending priorities and to manage risks. This forms an integral part of the medium-term financial planning process.

2. Definitions

- 2.1. Reserves and balances are different from provisions from an accounting perspective. In the case of useable reserves (as opposed to unusable reserves) and provisions, both amounts represented on the balance sheet should be matched by physical cash balances, unless internal borrowing has taken place.
- 2.2. **Usable Reserves** – are balances which are generally held for three specific purposes and are categorised as general reserves or earmarked reserves:
 - A working balance to help smooth the impact of uneven cash flows – general reserves;
 - A contingency to deal with unexpected events – general reserves;
 - A means of building up funds to meet known or predicted requirements – earmarked reserves.
- 2.3. **Earmarked Reserves** – these are balances that are being held by the for a specific initiatives and purposes.

- 2.4. **Ring-fenced Reserves** - these are balances that are being held by the Commissioner on behalf of third parties and cannot therefore be utilised without specific direction.
- 2.5. **Unusable Reserves** - do not have equivalent cash balances and are held for accounting purposes.
- 2.6. **Provisions** – are required for any liabilities of uncertain timing or amount that have been incurred.

3. Governance Arrangements

- 3.1. Minimum governance requirements in respect of reserves and balances are:
 - The Commissioner has a soundly based strategy on the level and nature of reserves and balances it needs which will be considered by the Joint Audit Committee;
 - The required levels of reserves and balances should be reflected in the annual budget and Medium Term Financial Plan (MTFP);
 - The Commissioner monitors and maintains the level of reserves and balances within the range determined by its agreed policy, advised by the CFO who will ensure that there are clear protocols for their establishment and use;
 - The Commissioner retains adequate reserves so that unexpected demand led pressures on budgets can be met without adverse impact on the achievement of the key priorities;
 - The Commissioner’s strategy for reserves and balances is based on a thorough understanding of needs and risks, and is properly and clearly reported at the time the budget and precept are set. The level of balances is kept under review and managed to ensure that financial standing is sound and supports the Commissioner in the achievement of their long term objectives;
 - Where target levels for reserves and balances are exceeded, the opportunity costs of maintaining these levels has been established, compared to the benefit accrued.
- 3.2. Locally agreed Financial Regulations and the Scheme of Consent should:
 - Contain full details of how the Reserves and Balances strategy will operate locally;
 - Ensure that the annual budget includes a realistic amount of operational contingency that is available to the CC for operational priorities without the need for additional approval; and
 - Make provision, where appropriate, for budgets to be carried forward from one financial year to the next.

Statutory Responsibilities

- 3.3. The “CIPFA Statement on the Role of the Chief Finance Officer of the Police and Crime Commissioner and the Chief Finance Officer of the Chief Constable” sets out the five principles that define the core activities and behaviours that belong to the role of the CFO and the organisational arrangements needed to support them.
- 3.4. For each principle the Statement sets out the governance arrangements required within an organisation to ensure that CFOs are able to operate effectively and perform their core duties.
- 3.5. Governance arrangements required in respect of reserves and balances and which are the responsibility of the CFO are:
- Ensuring that advice is provided on the levels of reserves and balances in line with good practice guidance;
 - To report at the time the budget is considered and the precept set, on the robustness of the budget estimates and the adequacy of financial reserves, as required by s25 of the Local Government Act 2003, and in line with CIPFA guidance.
- 3.6. Both should be undertaken in consultation with the Director of Finance (CFO Chief Constable).
- 3.7. There are also a range of safeguards in place that militate against the Commissioner over-committing financially. These include:
- The balanced budget requirement;
 - Chief finance officers’ Local Government Finance Act 1988 Section 114 powers which requires the chief finance officer to report if there is or is likely to be unlawful expenditure or an unbalanced budget; and
 - The external auditor’s responsibility to review and report on financial standing includes a review of the level of reserves taking into account their knowledge of the organisation’s performance over a period of time. However, it is not the responsibility of auditors to prescribe the optimum or minimum level of reserves for individual organisations.

5. Home Office Guidance on Police Reserves

- 5.1 On 31st March 2018 the Minister for Policing and the Fire Service published new guidance on the information that each PCC must publish in terms of police reserves.
- 5.2 One of the key requirements is that the information on each reserve should make clear how much of the funding falls into each of the following three categories:
- Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan
 - Funding for specific projects and programmes beyond the current planning period

- As a general contingency to meet other expenditure needs held in accordance with sound principles of good financial management.

5.3 The Minister also outlined that future grant funding levels would take into account the transparent publication of this information across the service.

6. Assessing the Appropriate Level of Reserves

6.1 The Commissioner is responsible for ensuring that the level of reserves is appropriate for local circumstances, and is accountable to taxpayers for the decisions made. The CFO (PCC) has a duty to provide the Commissioner with the advice they need to make good decisions.

6.2 Reserves are maintained as a matter of prudence. They enable the organisation to provide for cash flow fluctuations and unexpected costly events and thereby help protect it from overspending the annual budget, should such events occur. Reserves for specific purposes may also be maintained where it is likely that a spending requirement will occur in the future.

6.3 The public's acceptance of the precept is partly reliant on the understanding that the precept is spent on policing and that only a reasonable and prudent amount of any over-funding is being stored away as a general reserve. Conversely, when unforeseen expenditure arises, it is likely that the public would expect that the organisation would have sufficient resources to cover the expense without recourse to overspend.

6.4 In order to assess the adequacy of reserves, the CFO (PCC) should include an up-to-date assessment of the strategic, operational and financial risks facing the organisations.

6.5 Setting the level of reserves is one of several related decisions that must be taken when preparing the MTFP and the budget for a particular financial year.

6.6 Assessing the required level of reserves should involve carrying out an analysis of the Balance Sheet on an annual basis and projecting forward the key items of the Balance Sheet. This projection incorporates forecasting levels of reserves and balances over a three year time horizon to cover the MTFP and capital programme.

6.7 In assessing the level of reserves due consideration is also taken of the Government support arrangements:

- Welsh Government Emergency Financial Assistance Scheme to help Forces faced with financial burden as a result of providing relief and carrying out immediate work in response to large scale

emergencies. The scheme is subject to a threshold which is set at 0.2% of the revenue budget.

- Home Office Special Grant to meet additional costs that would be incurred from policing unexpected and exceptional events within their areas. If approved forces are expected to meet the additional costs of the event up to 1% of the revenue budget

6.8 An effective reserves and balances strategy should consider the organisations approach to treasury management, capital expenditure plans and the need for external borrowing, against the use of balances and reserves.

6.9 CIPFA guidance suggests that in addition to cash flow requirements, the following factors should be considered:

Budget Assumptions	Financial Standing and Management
The treatment of inflation and interest rates	The overall financial standing of the organisations (level of borrowing, debt outstanding, council tax collection rates etc.)
Estimates of the level and timing of capital receipts	The organisations track record in budget and financial management including the robustness of the medium term plans.
The treatment of demand led pressures	The organisations capacity to manage in-year budget pressures
The treatment of planned efficiency savings/ productivity gains	The strength of the financial information and reporting arrangements
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments	The organisation's virement and end of year procedures in relation to budget under/over spends at organisational and departmental level
The availability of other funds to deal with major contingencies and the adequacy of provisions	The adequacy of the organisation's insurance arrangements to cover major unforeseen risks.

6.10 The Commissioner must have due regard to the need to ensure the on-going funding of policing activities (including the requirement to meet exceptional or extraordinary operations). The annual budget should include a realistic amount of operational contingency to be available to the Chief Constable to meet operational priorities without the need for additional approval.

6.11 The CC will ensure that the annual revenue budget is sufficient to finance foreseeable operational needs by presenting a business case as part of the MTFP and annual budget setting process to the CFO (PCC)

and Commissioner for one-off expenditure items to be funded from earmarked reserves.

- 6.12 The business case should include consideration of the level of reserves required for major incident investigations and other operational requirements, the amount of reserves required and timescales for their use.
- 6.13 Approval of business cases for the use of reserves will be subject to the authorisation limits set out in Financial Regulations, to assist with day to day operational decision making.

7. General Reserves

- 7.1 CIPFA's "Guidance Note on Local Authority Reserves and Balances" states that a General Reserve is required to act as "*a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves*". A General Reserve is also required to act as "*a contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves.*"
- 7.2 Whilst CIPFA does not stipulate a minimum or optimal level of general reserve, its general guidance is to establish a reserve representing "resources set aside for purposes such as general contingencies and cash flow management."
- 7.3 Setting the level of earmarked and general reserves is just one of several related decisions in the formulation of the MTFP and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the organisations financial management arrangements.

8. Earmarked Reserves including Ring-fenced Reserves

- 8.1 The current accounting Code requires the purpose, usage and basis of transactions of earmarked reserves to be clearly identified. A review of the purpose and level of reserves will be carried out annually during the budget setting process and details of the use of reserves included in the relevant note to the Statement of Accounts.
- 8.2 Earmarked reserves are categorised as either "usable" reserves or "unusable" reserves. Usable reserves can be applied to fund expenditure, unusable reserves are not resources backed and therefore do not have equivalent cash balances.
- 8.3 It is the Commissioner's policy to use reserves to fund non-recurring purchases to reduce the impact on the council tax precept. This includes using capital reserves to reduce the Capital Financing

Requirement (CFR), if appropriate, which in turn will reduce the Minimum Revenue Provision charged to the revenue account annually.

- 8.4 The target level of earmarked reserves will therefore fluctuate annually but will always be justifiable and monitored to ensure levels of earmarked reserves are not too high or too low. Should the Commissioner deem that the level of usable reserves that he holds is above and beyond the levels reasonably required and specifically earmarked for future projects, the Commissioner may return reserves to the public. This is to be achieved by first utilising reserves to fund one off investments.
- 8.5 The reason useable reserves are held will be classified in line with the new Home Office classifications as outlined above.
- 8.6 Unusable reserves currently held include:
- **Revaluation Reserve** - The Revaluation Reserve contains the gains arising from increases in the value of Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are revalued downwards or impaired, consumed through depreciation, or disposed of and the gains are realised;
 - **Capital Adjustment Account** - The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions;
 - **Accumulated Absences Account** - The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account;
 - **Pensions Reserve** - The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

9 Reporting Framework

- 9.1 The Commissioner has a fiduciary duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
- 9.2 The level and utilisation of reserves will be informed by the advice and judgement of the CFO (PCC). To enable the Commissioner to reach their decision, the CFO (PCC) will report the factors that influenced their judgement and ensure that the advice given is recorded formally within the Medium Term Financial Plan. This report will include as a minimum a statement:

- detailing the level of general reserve and any movements on the fund;
- on the adequacy of the earmarked reserves, relative to spending and an estimate of provisions in respect of the forthcoming financial year and the MTFP;
- how reserves have changed over time;
- on the annual review of earmarked reserves including estimates of the year end balances. The statement will list the various reserves, their purpose, when they will be utilised and appropriate level; and
- An assessment of the risk of major incidents (operational and non-operational) occurring which is reflected in the budget and MTFP.

9.3 This report will be provided annually based on estimates to the Commissioner prior to approval of the council tax precept. The report will be updated with the year-end position for the PCC prior to the approval of the Statement of Accounts.

9.4 A mid-year report will be provided to the PCC for monitoring purposes. This will set out any changes in the status of the risks that reserves are being held to mitigate.

9.5 As outlined above the Home Office issued specific guidance on Police Finance Reserves in January 2018 which seeks enhanced transparency across the service to demonstrate clear utilisation plans. The reporting framework detailed above addresses these requirements.

10 The “Opportunity Cost” of Holding Reserves

10.1 The external auditor encourages a statement within the Reserve Policy on the opportunity cost of holding reserves. “Opportunity Cost” is an economic theory term, which means if you spend something on one thing you cannot spend it on something else.

10.2 Applied to reserves, this means that if reserves are held which are too high, then an organisation is foregoing the opportunity to lower the Council Tax. This theory does not however lend itself well in practice where levels of council tax increase can be capped.

10.3 During the budget setting process the Commissioner considers using reserves for one off investments. This is considered a more sustainable use of ‘excess’ reserves and reduces the impact on the council tax precept.

10.4 It is essential that the Commissioner’s decisions on reserves are communicated clearly to local taxpayers to promote accountability.

11 Provisions

11.1 Provisions are required for any liabilities of uncertain timing or amount that have been incurred. Provisions are required to be recognised when:

- the local authority has a present obligation (legal or constructive) as a result of a past event;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

11.2 A transfer of economic benefits or other event is regarded as probable if the event is more likely than not to occur. If these conditions are not met, no provision should be recognised.

11.3 The requirement for provisions will regularly assessed.

Appendix G– Reserves 2018/19 -2023/24

Revenue & Capital Reserves	Narrative Comment	Home Office Classification	Actual Reserves at 31st March 2018 £000k	Estimated Reserves at 31st March 2019 £000k	Estimated Reserves at 31st March 2020 £000k	Estimated Reserves at 31st March 2021 £000k	Estimated Balance at 31st March 2022 £000k	Estimated Reserves at 31st March 2023 £000k	Estimated Reserves at 31st March 2024 £000k
		see below							
General Reserves	The requirements of operational policing vary significantly from year to year. This General Reserve ensures that funds are available to respond to and mitigating the in year financial impacts of major incidents or unknown events. The PCC considers a number of factors in determining the level of reserves namely: Overall financial position and adequacy of financial control; Risk exposure and risk assessment; and Public opinion. This reserve which equates to 3.8% of the 19/20 revenue budget may also assist in mitigating any detrimental impact as a result of the Comprehensive Spending Review and changes to the police funding formula. Further information can be found within the published Reserves Strategy.	C	4,032	4,032	4,032	4,032	4,032	4,032	4,032
General Reserve as % of net revenue budget				4.07%	3.77%	3.61%	3.48%	3.39%	3.30%
Go Safe' Road Safety Partnership Reserve	This earmarked reserve is held on behalf of the all Wales 'Go Safe' Road Safety Partnership and will be utilised in line with their business requirements which may be beyond the life of the current planning period.	B	1,480	1,480	1,480	1,480	1,480	1,480	1,480
Regional Collaboration Reserve	This reserve represents the fair share of funds held for collaborative police services which include the Regional Organised Crime Unit and Regional Task Force. These funds will be utilised in line with business requirements to support operational delivery and subject to decisions by the Wales Collaboration Board may go beyond the life of the current planning period.	B	422	422	422	422	422	422	422
Total Ring-fenced Revenue Reserves			1,902	1,902	1,902	1,902	1,902	1,902	1,902
Earmarked Revenue Reserve	This reserve is being held to support the revenue budget over the next 3 years to mitigate future funding gaps and detrimental impact on service delivery as a direct result of the previous PCC's decision to reduce the council tax precept for 2015/16 by 5% and to utilise reserves to underpin the revenue budget.	A	1,687	1,324	346	-	-	-	-
Driver Retraining Scheme	This reserves is being held specifically to support activities in relation to road safety initiatives. Further opportunities will be explored to ensure that these reserves are utilised to optimal effect for the communities of Dyfed-Powys.	B	1,247	977	953	927	902	877	852
Proceeds of Crime Act	This reserve comes from funds which have been allocated to Dyfed-Powys as a result of confiscation orders arising from proceeds of crime. These reserves are then utilised to support operational activities which assist in bringing criminals to justice e.g. financial investigators.	A	241	203	164	125	86	47	8
Chief Constable Operational Fund	This is a new reserve being established to assist in mitigating against the consequential costs of notable peaks in operational activity.	A	-	-	100	200	300	400	500
Drug Intervention	This reserve will be utilised to support drug testing.	A	170	130	90	50	10	-	-
Total Earmarked Revenue Reserves			3,345	2,634	1,653	1,302	1,298	1,324	1,360

Appendix G– Reserves 2018/19 -2023/24

Revenue & Capital Reserves	Narrative Comment	Home Office Classification	Estimated Reserves at 31st March 2018 £000k	Estimated Reserves at 31st March 2019 £000k	Estimated Reserves at 31st March 2020 £000k	Estimated Reserves at 31st March 2021 £000k	Estimated Balance at 31st March 2022 £000k	Estimated Reserves at 31st March 2023 £000k	Estimated Reserves at 31st March 2024 £000k
Capital Grants	These capital grants are held to specifically support IT projects within the capital programme This reserve will be utilised to support the significant capital investment in Estates, Information Technology and Fleet including a new custody and station facility within Carmarthenshire, providing a solution to ageing police facility in Brecon and will support a range of both national and local technological developments.	A	750	426	183	-	-	-	-
Capital Reserve		A	10,451	5,471	2,321	310	185	399	233
Total Capital Reserves			11,201	5,897	2,504	310	185	399	233
Total Reserves			20,480	14,464	10,091	7,546	7,047	7,657	7,528

Home Office Police Finance Res	Classifications
Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan	A
Funding for specific projects and programmes beyond the current planning period	B
A general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management	C

Classifications as outlined in the Home Office guidance on Police Finance Reserves which was issued on the 31st January 2018

How reserves support the priorities of the Police & Crime Plan	General Reserve	Capital Reserve
Keeping our communities safe	✓	✓
Safeguarding the vulnerable	✓	✓
Protecting our communities from serious threat	✓	✓
Connecting with communities		✓



Capital Strategy

1 Introduction

- 1.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code 2017 requires local authorities to produce a capital strategy to demonstrate that capital expenditure and investment decisions are taken in line with desired outcomes and take account of stewardship, value for money, prudence, sustainability and affordability.
- 1.2 This Capital Strategy sets out the principles that underpin the production of the Police and Crime Commissioner's (Commissioner) forward capital programme. It provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the delivery of desired outcomes. It also provides an overview of the governance arrangements for approval and monitoring of capital expenditure, outlines how associated risk is managed and considers the implications for future financial sustainability.
- 1.3 The priorities for policing in the local area are detailed in the Police and Crime Plan (PCP). This document is compiled by the Commissioner in consultation with the Chief Constable (CC). The priorities take account of the views of local people and partners as well as the Commissioner's priorities as the elected representative. The Commissioner published his PCP on 31st March 2017. His priorities are:
- Priority One: Keeping our communities safe;
 - Priority Two: Safeguarding the vulnerable;
 - Priority Three: Protecting our communities from serious harm;
 - Priority Four: Connecting with communities.
- 1.4 The Commissioner and CC also take account of Strategic Policing Requirements issued by the Home Secretary. The CC is responsible for supporting the Commissioner in the delivery of the priorities set out in the PCP and has developed a Police & Crime Delivery Plan to support the PCP. His operational delivery, performance monitoring frameworks and financing decisions focus on these priorities. Five key delivery principles will support the PCP:
- Delivering value for money
 - Public engagement
 - Working together
 - Supporting victims
 - Strong leadership
- 1.5 The Capital Strategy is a tool to support planning and corporate working across the two Corporations Sole helping to ensure that assets are used and managed well. The Capital Strategy shows how we prioritise, monitor, deliver and evaluate our capital programme using the basic principles of the project methodology.

- 1.6 Dyfed-Powys is geographically the largest police area in England and Wales covering over half the landmass of Wales. It is particularly affected by the challenges associated with policing a largely rural area which includes two significant Ports, the major installations at Milford Haven and a vibrant tourist industry. Capital Assets, whether Police Stations, Police Houses, Radio Masts, Vehicles or Information Technology and other operational equipment play a vital role in the delivery of policing services across the area and in terms of delivering Police and Crime Plan priorities.

2 Key Partnerships

- 2.1 In delivering each element of the strategy, the Commissioner plans to take due account of the continuing collaboration agenda and will take every opportunity to engage with neighbouring Forces and other constituent Authorities in developing strategies to counter common problems. This Capital Strategy takes account of the continuing need to invest in these key priority areas working with partners in the future.

3. Financial Sustainability

- 3.1 For many years Dyfed-Powys has benefitted from significant levels of capital reserves which have been supplemented by the sale of operational buildings or police houses.
- 3.2 These reserves have historically underpinned capital investment but over the next 4 years the position moves away from the use of reserves into a position of funding through either direct revenue financing or borrowing. This therefore adds pressures to the revenue budget and consequentially to the council tax precept. It must also be noted that is also in a continued period of revenue pressures, increased demand and funding uncertainty.
- 3.3 The strategic approach is therefore to invest in core infrastructure now that will not only offer overall service improvements to the public, but also maximise revenue savings into the future through more efficient and mobile use of police personnel, enabled by improved Information and Communication Technology systems and other core infrastructure for example, connected vehicle fleet and building assets.
- 3.4 Capital investment will also be influenced by and take account of national visions for policing, the strategic policing requirement and both regional and local priorities.

4 Capital Programme

- 4.1 Assets are vital to the delivery of efficient services and should be well managed and maintained. Strategies for Estates Management, ICT and Vehicle replacements underpin the Capital Strategy in providing the details for the longevity and the optimum replacement cycles for these items.
- 4.2 The Capital Programme and financing which covers the revised position for 2018/19 through to 2023/24 is summarised below:

Table 1- Capital Programme 2018/19 – 2023/24

Capital Programme	18/19	19/20	20/21	21/22	22/23	23/24	Total
	£000k	£000k	£000k	£000k	£000k	£000k	£000k
Land and Buildings	2,309	4,250	16,250	3,900	500	500	27,709
Vehicles (Including Boat)	953	962	1,095	1,050	1,050	1,050	6,160
IT and Other Strategic Spending	3,217	3,405	2,424	2,160	1,690	1,440	14,337
Capital Expenditure	6,479	8,617	19,769	7,110	3,240	2,990	48,206
Grant Funding	-318	-325	-325	-325	-325	-325	-1,941
Borrowing	0	-4,250	-16,250	-3,900	0	0	-24,400
NPAS Capital	-23	0	0	0	0	0	-23
Capital Grants	-324	-243	-183	0	0	0	-750
Contribution from Revenue Account	0	-500	-1,000	-1,500	-2,000	-2,500	-7,500
Capital Receipts	-2,402	-150	0	-891	-1,500	0	-4,943
Capital Reserve	-3,412	-3,150	-2,011	-495	584	-166	-8,650
Capital Financing	-6,479	-8,617	-19,769	-7,110	-3,240	-2,990	-48,206

- 4.3 The capital investments seeks to contribute to cashable efficiencies in the future delivery of policing in the Dyfed-Powys area in the following ways:
- A reduction in revenue expenditure through a programme of potential buildings refurbishments and rationalisation as outlined in the estates strategy;
 - Ensuring that planned building maintenance is prioritised on the basis of risk and statutory compliance;
 - Centralisation of custody in Carmarthenshire;
 - New partnership facilities in Brecon;
 - New collaborative firearms Range to support the training needs and requirements of the Joint Firearms Unit;
 - Delivery against the Digital Policing Strategy and Roadmap which entails investing in mobile data, record management system, digital policing and continued investment in IT systems, Body Worn Video, CCTV and ANPR technology to maintain productivity and performance levels;
 - Ensuring that opportunities for collaboration and sharing of buildings and other assets continue to be explored.

4.4 Estates

- 4.4.1 The Commissioner has an Estates Strategy which provides clear guidance and direction around the future strategic and operational Estates requirements for the Dyfed-Powys Force, and provides clarity for budget allocation and future investment requirements.
- 4.4.2 The aim of this strategy is *"to provide a cost effective and operationally relevant estate that supports and compliments the services we provide to the community"*
- 4.4.3 Critical to this is the provision for improving custody facilities in Carmarthenshire which is expected to cost in the region of £11m. The project is seeking to deliver an 18 cell complex with ancillary office accommodation and Police station facilities on the outskirts of Llanelli. The project is currently at design Royal Institute of British Architects (RIBA) stage 3 which in principal denotes preparing and issuing the proposed design for planning Ecological, geotechnical and ground surveys have already been undertaken during 2018 and planning approvals are now being sought. Subject to planning approvals and contract, the project timescales are envisaged to be 18 to 20 months with public consultation planned for early 2019 and construction commencing in Autumn 2019.
- 4.4.4 Significant refurbishment works and investment has now taken place to address a considerable programme of condition survey works across the estate within all four counties, some residual works will be completed during 2019/20. The condition survey has also informed the Estates Strategy in determining which properties to retain and where future moves and accommodation changes need to be planned
- 4.4.5 Due to the deteriorating condition of the existing facility in Brecon, provision of £5.5m has been included for a potential collaborative opportunity, albeit there will be proceeds of sale arising from existing station of c£1.5m. Funding was received during 2018 to assist in developing a business case on behalf of partners and this work is ongoing. A potential site has been identified and subject to the outcomes of the business case, and relevant feasibility studies it is anticipated that construction will commence in 2020/21.
- 4.4.6 In addition to this, there will be a rolling custody upgrade programme and a continuing planned maintenance programme which will be funded from both the revenue and capital budget. Custody upgrades are carried out in a phased approach based on risk and corrective actions as identified during HMIC audits. Condition surveys have been carried out across the whole estate determining the level of investment required at each location by each sub fabric element. Prioritisation of works is reviewed based on risk factors aligned to condition of fabric and to the occupant, legislative requirements and business continuity considerations which inform the decision making process and timescales.
- 4.4.7 A new requirement for a firearms training facility to support the southern Welsh Forces collaborative Joint Firearms Unit was identified during 2018/19. The existing range has been deemed not fit for purpose and a

new facility is required to meet the very extensive training needs and legal requirements for firearms officers. Considerable discussion has taken place between Commissioners and Forces and a full business case is currently being developed which will consider a number of options and potential locations for a new facility. Extensive due diligence is and will continue to be applied. At this stage total costs of c£24m have been identified with £6m being Dyfed-Powys' share of costs profiled over the next two financial years.

4.4.8 As outlined, the capital budget supplements a centralised revenue budget for planned and cyclical major buildings works which are programmed based on risk and future strategies for each building. Revenue resources are also held and managed locally for smaller scale repairs, upkeep, and maintenance initiatives/programmes. Investment has been prioritised within the capital programme to achieve efficiencies and reap reductions in revenue expenditure within the estate. A number of procurement arrangements were reviewed during 2018 to ensure the efficient and effective use of resources in maintaining the estate and a Facilities Management Contract will commence in the spring of 2019.

4.5 **Fleet**

4.5.1 In relation to Fleet, telematics devices were fitted into the Forces' vehicles during the course of 2017/18. This has provided the Force with the first tranche of fleet utilisation and driver behaviour data which is currently being analysed to inform the optimal operational fleet size and deployment profile along with informing operational driver training requirements. Revenue efficiencies have already been realised as a consequential result of the installations. An initial replacement programme has been developed and the cost implications are included in the forward capital plan.

4.5.2 A Strategic Fleet Management Group meets quarterly to provide overall governance and operational assurance which in turn reports into a Joint Assets Board. Vehicle requirements are considered in detail at the vehicle user group which is attended by operational and support representatives. The Force continues to utilise the National Framework agreement to procure operational vehicles. Currently the replacement programme is on target to fully spend the budget for the 2018/19 financial year. The Force continues to actively pursue collaboration opportunities and is fully engaged with the National Police Chief's Council work in relation to fleet efficiency and sustainability and is currently trialling the use of hybrid and electric vehicles which upon evaluation will inform its future programme.

4.6 **Information Technology**

4.6.1 The Force has a current ICT Strategy Document which covers the period from 2018 up until 2024, and sets out the Force's ambitious digital transformation aims and the essential ICT infrastructure upgrades necessary to deliver a robust, resilient and performant platform with increased capacity to support the Force's needs over the coming years.

4.6.2 The forward capital strategy takes account of a number of local strategic IT projects and also a number of re-procurement projects involving technologies and IT solutions that have reached the end of contract or end of life of essential equipment. The key IT capital projects which are taking place over planned for the 2019/20 period are:

- A business case has been developed for the procurement of an integrated Records Management System (RMS), which represents a significant investment in ICT and will result in substantial business change across operational policing whilst also affecting most areas of business. There are a number of reasons why the Force sees moving to an RMS as important at this time. One of the reasons being the identified need for a RMS that is interoperable between Forces with shared business processes, this is seen as a key component and enabler for collaboration. The ultimate vision should encompass systems that allow staff to work seamlessly across boundaries with the same ICT functionality. This business case will be considered within normal governance arrangements and if supported will lead to a procurement exercise and the commencement of the implementation during 2019 / 20.
- Depending on the decision regarding a new RMS solution it may lead to the need to re-integrate / re-design the current mobile solution to work with the new RMS provider.
- The work has been carried out as part of the Commissioner's reinvestment in CCTV provision across the Force. The rollout is well underway and should be completed by the end of 2019.
- The current contract for body worn video comes to an end in November 2019 – there is a requirement to re-procure and implement a replacement solution during 2019 / 20.
- The procurement of an In Car Video solution has been concluded with the implementation planned for Q1/Q2 2019.
- Mobile device replacement has occurred under a phased procurement over 2 years (18/19 and 19/20), with the Force upgrading to the Samsung Note 8s. Deployment to begin in Q1 2019 in line with the replacement of the MDM (Mobile Data Management) solution. The new MDM will provide a far richer set of capabilities in terms of remote device management and software deployment and improved user experience / functionality (e.g. secure containerisation)
- Due to delays in the delivery of ESN (Emergency Services Network) it is critical that the Force purchases a stock of Airwave handsets to enable continuity of service to frontline officers, the National ESN position is being closely monitored to ensure investment is kept to a minimum in the short term.
- The replacement negotiation of new Digital Interview Recording contract has been completed and following approval the upgrade of the system including a hardware refresh can be rolled out during early 2019.
- The Force has also expanded its capacity in relation to fixed and mobile Automatic Number Plate Recognition (ANPR) with a focus on more rural parts of the Force area. Significant investment has also

been made in relation to Cyber and Digital Crime capabilities in relation to ICT infrastructure.

4.6.3 The forward capital strategy takes account of National Programmes of work that are being taken forward by the National Police Chief's Council and the Home Office. There are some 17 schemes being taken forward nationally including the following:

- National Law Enforcement Database programme which will replace the Police National Computer (PNC) and Database (PND), with a modern 21st century solution for policing, built on a set of open source products and delivering a rich set of services that will enable greater interoperability between local systems and the new LEDS solution.
- Digital Policing Portfolio are delivering three separate strands:-
 - Digital Public Contact – which is seeking to standardise the design, user experience of police Force websites and provide a consistent set of web enabled on-line transactional processes across policing,
 - Digital First – which is seeking to facilitate video enabled justice, virtual remand hearings, Digital Evidence Transfer Service (DETS) and digital case files nationally,
 - Digital Investigations and Intelligence – a programme looking to enable digital crime prevention and detection, to provide a toolkit for Forces to assess their digital capabilities against a national standard applied to roles within the Force.
- A National ANPR Service (NAS)
- The National Enabling Programme are delivering three separate strands:-
- A set of enabling technologies by introducing the Microsoft Office 365 productivity tools, delivered via the Microsoft Cloud based on a nationally assured solution blueprint design and template.
- IAM – Identity and Access Management
- NMC – National Monitoring Centre providing national level security operations capability to respond to cyber threats.
- Emergency Services Mobile Communications Programme to replace the existing Airwave radio system
- Home Office Biometrics

4.6.4 Due to key infrastructure projects having been delivered in the previous financial year the Force has capacity to capitalise on the benefits of nationally enabled programmes and activities as well explore some more innovative technology options such as artificial intelligence, facial recognition and augmented reality technology etc. during the latter part of the developing plan.

5 Capital Requirements and Resources

5.1 There has been a significant reduction in core capital funding allocated by the Home office over recent years. In 2019/20 a total capital grant of £325 will be available for the Commissioner. In addition, central funding

will be available to part fund the Emergency Services Network, although £2.6m of the future costs of this programme will need to be funded.

- 5.2 As part of his integrated service and financial planning arrangements, the Commissioner estimates the level of capital resources available for subsequent years in order to draw up a forward capital programme.
- 5.3 The Commissioner and Chief Constable have prioritised investment in the capital programme towards strategic priorities, unavoidable spending and towards areas that reduce future revenue expenditure and a revised capital programme for 2018/29 to 2023/24 totalling £48.206m.
- 5.4 In order to meet future capital investment requirements and mitigate the reductions in capital grant funding, the medium term financial plan and capital programme include revenue contributions to capital from 2019/20 and also external borrowing requirements to support the Carmarthenshire Custody development, Brecon policing facility, the new Joint Firearms Unit training facility and other elements of critical investment.
- 5.5 The profiled level of capital investment and external resources are used to assess the need for both short and long term borrowing. The strategy also feeds into the considerations that the Commissioner makes annually in setting prudent sustainable and affordable borrowing levels and indicators.
- 5.6 Local Authorities, including the Police, can set their own borrowing levels based on their capital need and their ability to pay for the borrowing. The levels will be set by using the indicators and factors set out in the Prudential Code. The borrowing costs are not supported by the Government so DPP needs to ensure it can fund the repayment costs. The authority's Minimum Revenue Provision (MRP) Policy sets out a prudent approach to the amount set aside for the repayment of debt. These are set out separately under the Treasury Management Strategy which is considered and approved by the Joint Audit Committee.
- 5.7 In addition to their own capital programme, the Commissioner and CC work with partners and the Home Office to secure additional capital and revenue resources to further partnership and transformational objectives. These are dealt with through complementary processes. The resources levered in are not included in the capital programme unless they form part of a direct Dyfed-Powys Police led project. Innovation and transformation fund bids will also be considered to bolster further capital projects in future years.

6 Governance Arrangements

6.1 Identifying and Prioritising Capital Projects

- 6.1.1 As outlined the capital programme has been prioritised by Commissioner and CC who appraise requirements against strategic priorities. The processes recognise the varying scale and complexity of capital projects and incorporate a proportionate approach to capital project appraisal, monitoring and evaluation.

- 6.1.2 The Commissioner manages his capital strategy operationally through the Policing Board, which oversees the major change projects for both capital and revenue. In addition, the Joint Assets Board will support delivery and monitor specific programme risks. Detailed implementation work is assigned to key individuals and overseen by the Strategic Estates, Strategic ICT Group and Vehicle User Groups or at specific Project Board.
- 6.1.3 Major projects are managed in accordance with project management best practice in terms compliance with PRINCE 2 project methodology. Links have been established between benefits management on key projects, efficiency planning and costing information.
- 6.1.4 The Capital project proposals are considered and prioritised with reference to a business case and are considered against the following factors:
- Strategic importance - how the bid supports the Commissioner's priorities and wider national and regional priorities;
 - The outcomes that will be achieved and the specific benefits and impacts;
 - Sustainability - whether costs are realistic and the level of future revenue implications;
 - What options have been considered;
 - What other funding sources may be available;
 - The degree to which the proposals support partnership working.
- 6.1.5 Prioritisation is then made, based on four categories, which are listed below in order of priority:
- Unavoidable (statutory, contractual or tortuous liability);
 - Corporate Priority (relating directly to the Corporate Aims and priorities for improvement);
 - Service Priority (meeting stated service priorities);
 - Other (payback, invest to save, leverage of external funding etc).
- 6.1.6 Lower priority projects which cannot be delivered within available resources can only be considered and undertaken if additional resources or an under-spend on the approved capital programme is identified during the year.

6.2 Implementing and Monitoring Capital Projects

- 6.2.1 Progress against capital schemes is reported on at least a quarterly basis to the Policing Board and the Force Executive Board.
- 6.2.2 Following approval of the capital programme, a project manager and a user representative is identified for each capital project. The project manager is responsible for managing the project implementation and delivering its objectives. For all projects within the capital programme an officer is identified as project sponsor.
- 6.2.3 The user representative is responsible for representing users and customers and for defining the quality requirements. Both roles reflect the

underlying principles of the PRINCE 2 project management methodology. The project manager produces a project plan for approval. Progress against the project plan is reported to the Programme Management Board and Project Sponsor.

6.3 Evaluating Completed Capital Projects

6.3.1 Once projects have been completed the project manager completes a post implementation review for the major capital projects. This includes identifying at what stage the post project review will be carried out. The post project report is reviewed by the Joint Assets Board and escalated to the Policing Board if required.

6.3.2 To evaluate the actual success and outcomes of capital projects a post project review is also carried out. The depth of this review is proportionate to the scale of the project and the benefits set out in the initial Project Initiation Documentation.

6.3.3 This review is in effect a check of performance against the original proposal. It focuses on the outcomes achieved, the extent to which the benefits claimed are being realised, the actual costs, both revenue and capital, and the impact of other funding and partnership working. Dyfed-Powys can then use this information to learn lessons and make any improvements identified during project implementation.

6.3.4 The ongoing success of projects is monitored through a number of mechanisms such as officer feedback, public consultation and customer feedback.

7 The Disposal of Assets

7.1 The Commissioner and Chief Constable recognise the need to dispose of surplus or unsuitable assets to help achieve its corporate aims and deliver its capital programme and the detailed process for disposal of assets is included in the Corporate Governance Framework. A number of properties were disposed of during 2017/18 with plans to market further redundant properties in due course.

8 Revenue Implications of Capital Investment

8.1 Particular attention has been paid to on-going revenue costs stemming from capital projects within the appraisal process. All potential capital bids identify ongoing revenue costs and consider how these can be met. Once approved, revenue costs stemming from capital schemes including any prudential borrowing requirements are built into the medium term financial plan.

9 Conclusion

- 9.1 This Capital Strategy considers all aspect of capital management, sets out the methods for assessing capital projects and assets and outlines the revised capital programme for the period 2018/19 to 2023/24. The strategy should be read in conjunction with the detailed Estates and ICT Strategies, annual Vehicle Replacement Plan and Treasury Management Strategy which covers the requirements of CIPFAs Prudential Code.