MEDIUM TERM FINANCIAL STRATEGY

2026-2030

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EXECUTIVE SUMMARY

This Medium Term Financial Strategy (MTFS) covers the financial years 2026/27 to 2029/30 and is consistent with the supporting strategies and plans that constitute the overall policing approach within South Wales. It complies with relevant legislation and codes of practice to ensure all important factors have been fully considered in determining the resource requirements, as well as being aligned to both the Commissioner's Police, Crime & Justice Plan and the Chief Constable's Delivery Plan.

The Police Grant Settlement

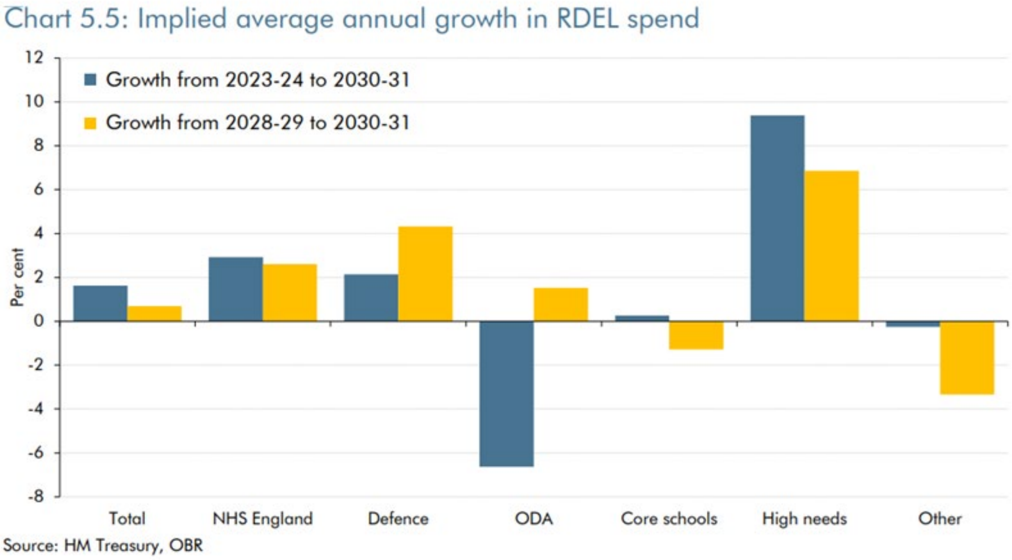
The Spending Review (SR) 2025 provided indicative funding levels for Police Forces for 2026/27 to 2029/30 in June 2025, with the Police Settlement in December 2025 providing additional detail in respect of the financial year 2026/27 only.

The SR funding envelope for policing enables some forward financial planning, and whilst that opportunity is welcome, the underlying funding itself continues to prove to be challenging for policing. The table below is a summary of the announced funding envelope from the Treasury to the Home Office over the three-year Spending Review Period to 2026 to 2029.

	2026-27	**2027-28**	**2028-29**
	£m	**£m**	**£m**
Overall Funding Envelope from Treasury	19,560.0	20,350.0	20,850.0
Less Provision for Counter Terrorism Funding	1,200.0	1,260.0	1,260.0
Allocation to Forces	18,360.0	19,090.0	19,590.0
Precept Assumptions	6,421.0	6,800.0	7,200.0
Police Grant	11,940.0	12,290.0	12,390.0
Increase in Police Grant over previous year	**433.0**	**351.0**	**100.0**
SWP Formula Share	254.4	261.9	264.0
SWP Increase in Police Grants on previous year	**8.6**	**7.5**	**2.1**

There are several points of emphasis arising from the SR for policing in South Wales:

- The additional national police grant allocations decrease year on year from £433M to £100M by 2028-29.
- The South Wales Police share based on a formula percentage similarly reduces from £8.6M in 2026-27 to £2.1m in 2028-29.
- This MTFS demonstrates the inadequacy of the additional grant over the next three years given the impact of annual inflation and national pay awards results in an average annual cost increase of £24M per annum to maintain existing staffing levels.
- There are also a number of new burdens and financial consequences arising from national obligations which are unfunded.
- The UK economic projections as evaluated by the OBR indicate further pressures on the funding of unprotected departments which includes the Home Office and consequently police funding, giving a 2.5% real terms cut to those departments.



The table below is a summary of the change in funding provided to the Commissioner/Force specifically for 2026-27. It is clear from this analysis that the ring-fenced grants have not been uplifted for the impact of pay awards and there has been a redistribution of the Additional Recruitment Top up Ring-fenced Grant from an allocation based on officer numbers, to a funding formula share basis. This results in a £1.1m reduction in funding which then gives a net additional funding position of £8.6 million for 2026-27.

South Wales Police Home Office Grants	2025-26 £M	2026-27 £M	Change £M
Pensions Grant	9.6	9.6	-
National Insurance Cost Contribution	6.0	6.0	-
Officer Maintenance Ringfenced Grant Transfer to Core	7.9	0.0	-7.9
Recruitment Top Up Ring Fenced Grant- re-distribution	3.5	2.4	-1.1
Additional Neighbourhood Policing Grant (NPG)	4.6	5.9	1.3
Total Direct Grants	**31.6**	**23.9**	**-7.7**
Core Police Grant Formula Share	214.2	230.5	16.3
Total Grant Allocation	**245.8**	**254.4**	**8.6**

With inflation at 3.6% (published November 2025) and nationally agreed pay awards of 4.2% in September 2025 and a 3.0% pay award anticipated for September 2026 this effectively gives a 5.04% cost increase in inflation compared to a 1.6% additional contribution to the budget from police grant. This is a further real-terms cut to police funding.

Importantly our 2025-26 MTFS identified the potential for unfunded future pay awards which has now crystalised for both 2025-26 and 2026-27 pay awards. It is worth restating the concern noted in the previous MTFS on this as below:

> *In terms of budget uncertainty there are a number of costs outside the control of the force relating to nationally agreed pay awards. Whilst police officers are not permitted to strike, it is evident by the level of strike action across the public sector that the level of pay award provision (2.8%) would not be acceptable.* ***Therefore, if the Home Office is unable to make an additional contribution towards pay increases in 2025, these costs will fall entirely on local budgets. Experience from the 2022 pay award would strongly suggest a significant local funding for pay awards should be anticipated.***

Police Officer Uplift Programme and Neighbourhood Policing Guarantee

Whilst the Police Uplift Programme (PUP) has only resulted in replacing officers that were cut during austerity, the experience of the new recruits does not yet match that which has been lost and will take a number of years before optimum effectiveness is realised.

The ring-fenced uplift grant allocations have helped increase officer establishment by 519 WTE (replacing 479 officers dis-established during austerity) and the police staff establishment grew by 136 WTE funded by the uplift programme. During austerity 589 police staff posts were cut of which 371 (63%) remain cut. It is important to recognise that the increase in police demand and complexity and the need for additional police resources is clearly not addressed by PUP programme.

The Home Office has responded positively to requests from policing on work force mix and the accounting regime around Police Uplift Programme has been revised and the majority of the ring fenced funding has been consolidated into Core Grant. It is important to note that some of this has now been ringfenced to deliver revised targets on the Neighbourhood Policing Guarantee and therefore some of the PUP funded officers are expected to be reflected in Neighbourhoods.

We are awaiting the detail on the grant conditions and penalties and the reporting requirements for NPG. The following is a quote from Home Office to Forces:

"To simplify the police funding settlement, there will only be one conditional workforce grant in the 2026-27 settlement: the Neighbourhood Policing ringfence grant. To qualify for this grant forces will need to meet their Neighbourhood Policing target.
…The government still expects forces to prioritise maintaining overall operational capacity but has listened to feedback on the importance of workforce flexibility"

The full costs of maintaining these numbers is not reflected in the grant thus creating additional funding pressure. Any potential flexibility on the work force mix will take time to implement and therefore given the demand on the frontline resources the strategy has sought to maintain the number of officers to deliver effective policing.

In order to minimise the budget ask, a challenging £5M vacancy factor has again been built into the police officer budgets, of which around £3M is related to turnover, with the balance made up from pensions opt outs (which are not certain to continue). The scope for a higher vacancy factor risks losing ring fenced grant if numbers are not maintained.

The Force proactively monitors expenditure associated with uplift officers, this includes training and the provision of operational kit. In 2026/27, there is a shortfall against the grant available of £5.7M rising to around £9.7M by 2029/30. A major factor in these deficits is unfunded incremental pay on officers recruited through the PUP. The police constable has a 7-year incremental scale with material increases in years 6 and 7. These unfunded incremental pay costs contribute £1.8M, £3.6M and £3.4M respectively for 2026/27, 2027-28 and 2028-29 to the deficit as shown below.

Uplift Analysis	2020/21* £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M	2029/30 £M
Police Officers	2.8	8.5	15.2	18.3	22.9	24.8	25.8	26.7	27.9	29.1
Police Staff		3.1	5.7	6.7	6.5	6.9	7.1	7.3	7.5	7.7
Non Pay Costs	0.9	1.5	2.6	2.7	2.8	2.6	2.6	2.7	2.8	2.8
Set Up Costs	7.6									
Gross Expenditure	11.3	13.2	23.5	27.7	32.2	34.3	35.5	36.7	38.1	39.6
Specific Ringfenced Grants	3.7	2.3	3.1	6.2	11.7	11.4		0.0	0.0	0.0
Net Expenditure	**7.6**	**10.9**	**20.4**	**21.5**	**20.5**	**22.8**	**35.5**	**36.7**	**38.1**	**39.6**
Home Office Uplift Funding/ NPG transfer	7.6	10.9	20.4	19.5	19.5	19.5	29.9	29.9	29.9	29.9
Uplift Annual Budget Deficit / (Surplus)	**0.0**	**0.0**	**0.0**	**2.0**	**1.1**	**3.4**	**5.7**	**6.8**	**8.2**	**9.7**

Neighbourhood Policing Guarantee (NPG)

As anticipated further direct funding has been announced to maintain the Government mission of 13,000 additional officers in Neighbourhood policing by the end of the current parliament and this additional funding is ring-fenced and claimed on a cost incurred basis. Importantly the baseline of Officers and PCSO's is also required to be maintained which further constrains staffing budgets.

The Force has been allocated a revised ring-fenced grant target of £8.3M in 2025/26 to bolster neighbourhood policing under the governments NPG programme resulting in 110 additional neighbourhood police officers from September 2025 based on formula share of £363M. However, £113M of this is not new money, it is a redesignation of existing allocations. The base funding has not been increased for inflation and additional local funding is required to maintain numbers and secure the grant funding. Whilst the increase in funding for NPG is welcomed and necessary, it is clear this is at the expense of real terms cut in core police grant funding.

Welsh Government Funding

WG will receive an additional £0.5 billion over the spending review period, however, it is unlikely to impact on police budgets in Wales – the apprentice levy is a prime example of continuing inequity where eligibility for police apprenticeship degree funding available in England is not reciprocated for policing in Wales.

Maintenance by the Welsh Government of the funding for additional PCSOs is positive and a welcomed initiative, however, this was only maintained at 2025-26 levels with a small uplift of 2% for inflation for 2026-27.

The original funding from WG (2022-23) enabled recruitment of 247 Whole Time Equivalent (WTE) PCSO posts for South Wales Police but this was reduced to a match funded target of 123 WTE in 2024-25. The 2% inflation uplift for 2026-27 needs to be considered in conjunction with a 4.2% increase in police staff pay from September 2025 and a further 3% anticipated for September 2026. This reduces the number of PCSO posts that can be maintained within the grant allocation and will mean that WG funded PCSO numbers will be reduced by around 8 WTE posts.

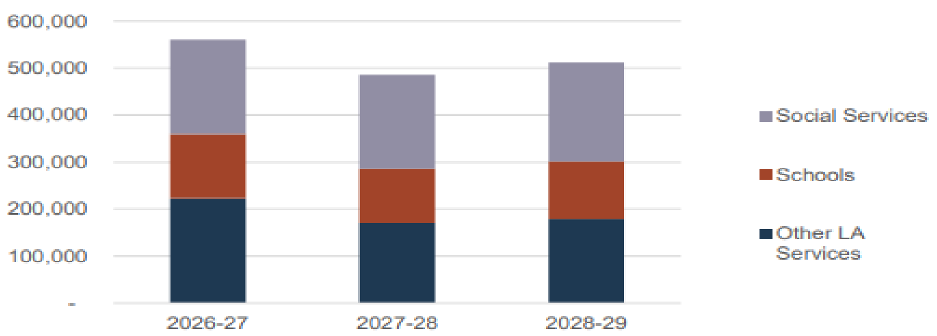
During 2024-25 WG withdrew financial support for the All Wales Schools Programme and during 2025-26 the Force reconfigured the operating model and introduced Youth Engagement Teams. Due to the PUP grant restrictions, the police officer baseline establishment has had to be maintained which includes reinstating the 13 officer posts previously funded by WG. At the time of writing this strategy we understand that WG is exploring a contribution of £1M of grant funding for a pan-Wales crime prevention and education initiative.

Safer Communities Network – WG reduced their contribution in 2024/25 by £40,000 creating a deficit that has been part funded by the Commissioner's budget from 2025/26 onwards to continue this important network.

Other Public Sector Partners.

There is also a danger that funding reductions to the 22 Unitary Authorities in Wales may also impact policing adversely. In the Summer of 2025, the Society of Welsh Treasurers conducted a survey of budget pressures across the 22 Authorities (seven of which lie in the South Wales Police area). Total budget pressures for 2026/27 being estimated at £560M with a total of £1.56 billion of pressures spanning 2026/27 to 2028/29. Inevitably with the additional Barnet Consequential from the Treasury only being £0.5BN over the same period, budget cuts seem inevitable which could result in increased demand on policing, particularly with Social Services and Education, accounting for two thirds of the budget pressures.

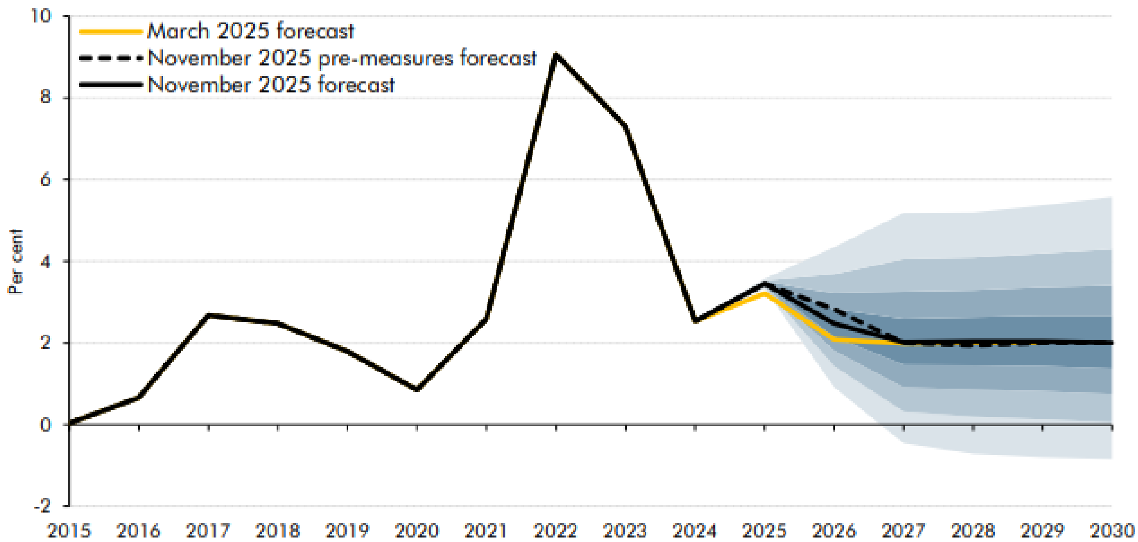
Figure 1: Budget pressures by service, 2026-27 to 2028-29, £000s



Source: SWT Survey 2025

The Impact of Inflation on Police Expenditure

Pay and price inflation continue to be the main drivers for budget increases. The latest Office of Budget Responsibility assessment on inflation based on the Autumn Budget in November 2025, forecasts that Consumer Price Index (CPI) is unlikely to return to the Bank of England target rate of 2% per annum until the start of 2027 (2026 was reported last year). UK inflation was 3.6% to the 12 months ending October 2025 (published November 25).



Note: Successive pairs of lighter-shaded areas around our central forecast represent 20 per cent probability bands.
Source: ONS, OBR

The previous MTFS had correctly recognised the temporary nature of the rise in energy costs and funded these through the creation of a £4M energy reserve – only £0.5M of this now remains and is expected to be fully utilised in 2025/26.

Whilst the graph shows that the rate of increase in inflation is anticipated to slow, the cumulative effective of inflation is now baked into contracts**.** Therefore, with the exception of energy costs, this results in higher rates of pay and contractual RPI/CPI changes being reflected in future contracts. It is clear from the SR June 2025 police settlement, that the Police Grant Allocation for 2026/27 and beyond is well-below the sum required to address costs increases attributed to inflation (a real terms cut).

South Wales Police has £100m of multi-year contracted services to deliver an effective policing service. The timing of the impact of the Treasury changes in the rates and thresholds for employers' national insurance contributions on contracted services remain difficult to predict; a prudent assumption would be to anticipate these costs to crystalize on each contract renewal to be over and above CPI inflation.

Value For Money and Funding Disadvantages

In terms of Value for Money, South Wales Police continues to be the best performing in its most similar grouping of forces with regard to crime per-thousand-population. Year on year, there is a 20% lower chance of being a victim of crime in the South Wales Police area, and we have prevented the equivalent of £916M of harm to the public - from not becoming a victim of crime - since 2011 compared to crime rates experienced in our Most Similar Grouping of forces.

South Wales Police has been denied over £135M in formula funding which has been frozen for nearly two decades despite changes to population and the policing environment. The Capital City of Wales has an additional annual policing cost of £8M which is also not recognised in the existing funding formula. The Commissioner and Chief Constable continue to engage with the Home Office in order to secure a special capital city grant.

The previous Government had announced an intention to implement a new funding formula during the life of its parliament, this did not materialise and it is highly unlikely that any new funding formula will be implemented before 2030. The Police Reform White Paper has set out the government's ambition on reforming policing in England and Wales and the formula changes are stated to occur on the conclusion of Police Reform so potentially towards the end of next parliament. This MTFS therefore assumes the current formula will continue unchanged over the planning horizon.

South Wales Police is also disadvantaged by the application in Wales of the Apprenticeship Levy by £2.5M per annum compared to a similar sized force in England. Strong representations were made to the Home Office during 2022 on this issue and whilst the Home Office agreed a £1M apprenticeship grant to South Wales Police, it has not been uplifted for inflation and consequently has reduced in value on a real-terms basis. Again, engagement with the Home Office continues.

Financial Risk and Resilience

In terms of South Wales Police's financial health, the General (contingency) Reserve was £11.4M at March 2025 and is forecast to be £4.0M below the Force's agreed Reserve Strategy target by 31st March 2026, as informed by CIPFA recommendations. This shortfall is required to be addressed as soon as finances permit.

The Force's current commitment to essential infrastructure asset replacements also results in long term new borrowing requirement of £85M with annual interest and principal (effectively the mortgage equivalent) of £6.7M, an increase of £1.4M from 2025/26 due to Capital Investment planned for Cardiff Central, Operational Safety Training and Custody provision (Swansea, Neath and Port Talbot area), these debt service costs being the first call on budgets.

The third APCC/NPCC sponsored national survey on police financial risk and resilience was conducted in 2025 across England and Wales policing landscape through to 2028. Using the national assumptions on cost and the June 2025 SR announcement for police funding, the following standardised indicators of Financial Risk and Resilience were developed and assessed.

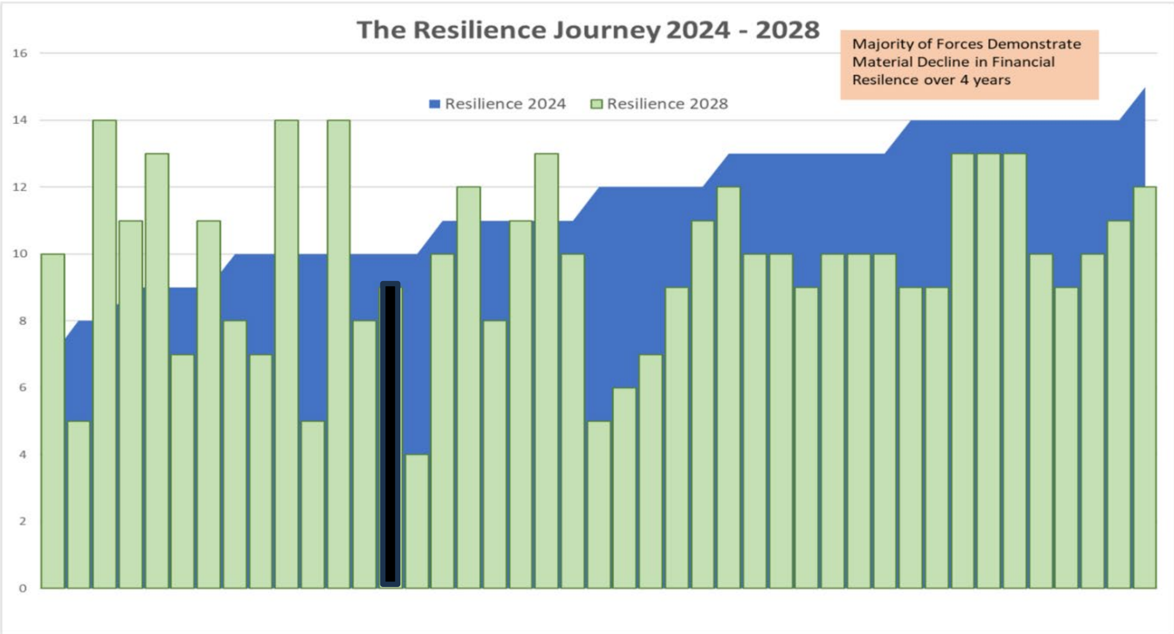
Measures of Resilience 2028

- ❑ Cash in Bank (Total Reserves)
- ❑ Funding Gap as a % of Budget
- ❑ Debt Financing as a % of Budget
- ❑ Total Debt as a % of Budget

Measures of Risk 2028

- ❑ Rate of Decline in Total Reserves
- ❑ The rate of Increase in Budget Gap
- ❑ The rate of Increase in Debt Financing
- ❑ The rate of Increase in Debt

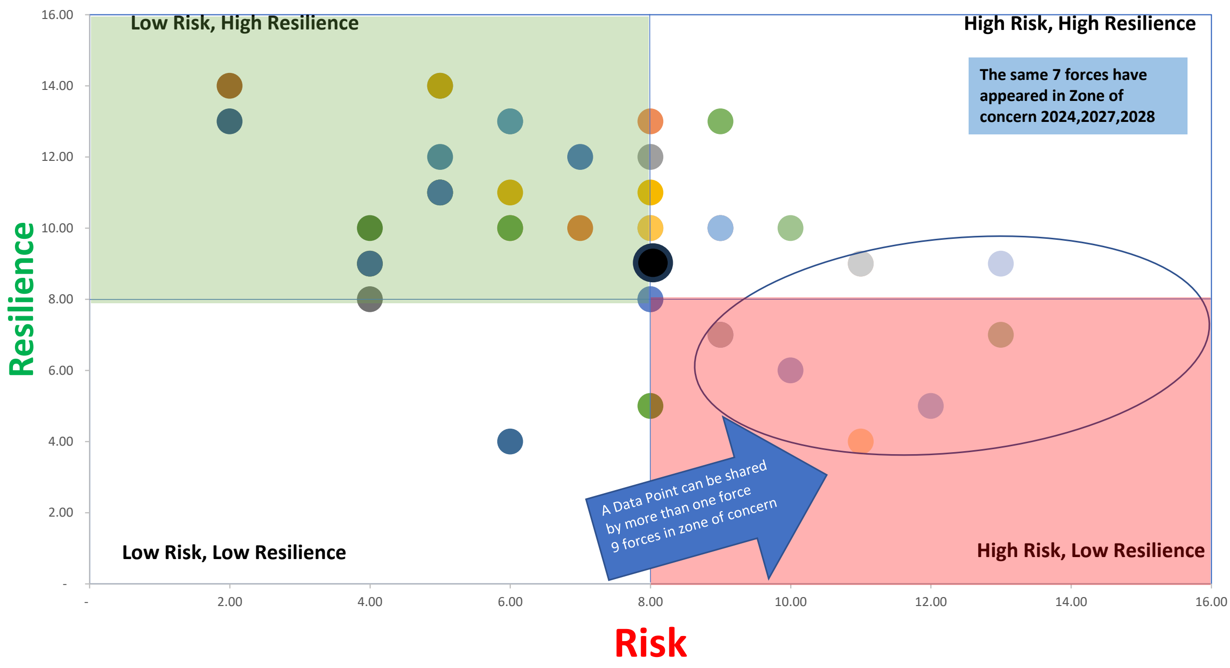
This work provided further evidence of the continued decline in police financial resilience and its capacity to cope with unplanned financial shocks as shown by the graph below which compares financial resilience in 2024 with the projected position in 2028 with comparative change for SWP (shaded in black on both charts).



The national survey reveals a concerning picture particularly for 9 police forces carrying high levels of debt, low reserves, large budget gaps and vacancy levels. Whilst South Wales Police is currently outside the circle of immediate concern, its position has declined in comparison with other Forces and the financial gap and reserves are the underlying issues which this strategy seeks to address.

It is important to recognise that a number of forces also appear to have low risk and high resilience, this is due to a combination of historical factors such as favorable formula grant and comparatively higher council tax base and a healthy asset base.

Comparative Risk v Resilience 2028



The Office of Budget Responsibility (OBR) analysis of the Autumn 2025 Statement forecasted the comparative growth in the council tax base for England and Wales. The tax base growth forecast by the OBR is now lower at 0.4% per annum for Wales than previous forecasts used in prior iterations of the MTFS. This Strategy therefore uses the revised growth forecast of 0.4%.

With inflation remaining above the Bank of England target rate and the SR funding representing further real terms cut for policing over the next three years, police efficiency and precept decisions are core to delivering a financially resilient police service in South Wales.

Capital Expenditure Plans 2026/27 to 2029/30

The Force has an extensive Capital Programme in order to maintain safe, warm and dry accommodation, a fit for purpose vehicle fleet, modern technology and realistic plans to comply with statutory climate change targets as well as maintaining operational capabilities to deliver the national Strategic Policing Requirements (SPR).

Due to successive governments gradually removing capital grants, the cost of financing the essential Capital Programme now falls on the annual revenue budget. These financing costs come in the form of either direct contributions known as DRF or borrowing costs (interest and the setting aside of funds to repay loans as they mature - known as MRP).

The table below is a summary of the medium-term capital programme in line with capital strategy, prudential code and operational priorities. The table shows the sound financial management approach of funding recurring expenditure (replacement assets) with recurring funding and restricting borrowing to one-off estate related long-term assets. Sustainable borrowing is a statutory consideration under the CIPFA Prudential Code.

The Capital Programme requires £85M of new borrowing over the next 4 years with an annual Revenue implication of £6.7million. The implementation of this Capital Programme now addresses the majority of the long-term remaining estates strategy issues and resolves the historic underfunding of the estate for the foreseeable future.

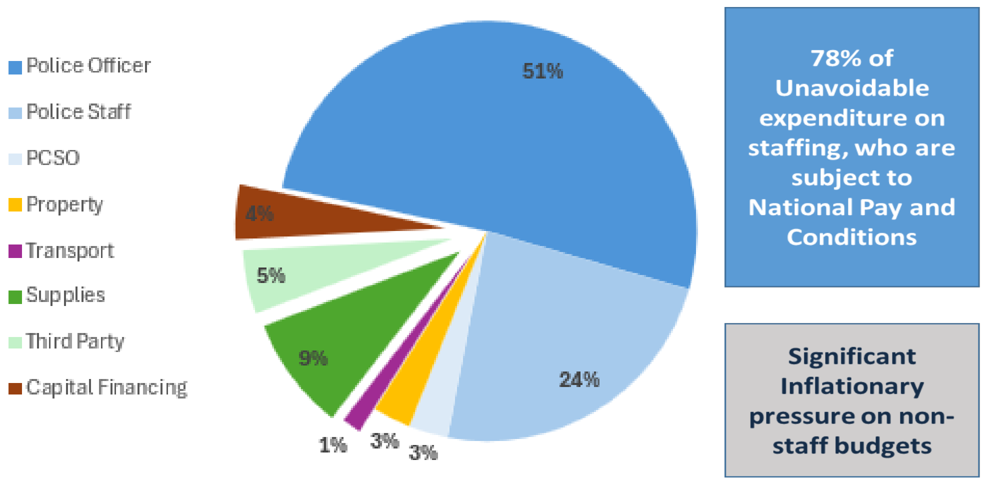
DESCRIPTION	FORECAST OUTTURN 2025/26	BUDGET 2026/27	2027/28	2028/29	2029/30	4 Year Programme
EXPENDITURE	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Estate Maintenance	2	3	3	2	2	10
Vehicle Fleet Maintenance	5	4	4	4	4	15
Technology Maintenance	13	11	9	10	9	19
Core Instrastructure Maintenance / Renewal	**20**	**18**	**16**	**16**	**14**	**64**
Estate New Builds- including partner contributions	17	22	23	30	22	101
Technology	1	2	1	1	1	6
One Off Projects	**18**	**24**	**24**	**32**	**24**	**103**
TOTAL CAPITAL EXPENDITURE	**39**	**42**	**40**	**48**	**38**	**168**
FUNDED BY						
Revenue Contributions	12	16	16	16	16	63
Use of Capital Reserves	10	11	3	1	0	15
External Grants / Other Contributions	2	1	0	0	0	1
Capital Receipts	0	1	1	1	1	4
Total Funding in Year	**25**	**28**	**20**	**18**	**17**	**82**
TOTAL OF CAPITAL BORROWING REQUIREMENT	**14**	**14**	**21**	**30**	**21**	**85**

Revenue Budget 2026/27

The Revenue Budget for 2026/27 and required precept proposal have been prepared taking into account all of the factors that are outlined above and other considerations discussed in substantial detail throughout the MTFS and in particular are cognisant of:

- The Commissioner's Police, Crime and Justice Plan;
- The Chief Constable's Delivery Plan;
- Strategic Operational Assessments;
- Force Management Statement;
- Capital Programme funding requirements;
- Feedback from the Commissioner's public consultation survey; and
- The increase in the council tax base.

Policing is a service delivered by people and consequently the Revenue Budget is largely derived from pay costs. With 51% spend on Police Officer Pay and 27% on combined PCSO and Police Staff Pay, Non-pay contracted services make up 22% of the total. Further analysis is provide in the chart below.



Whilst the statutory duty to deliver a balanced budget is determined on an annual basis, South Wales Police has consistently sought to take a medium to longer term perspective on budget setting and balance the impact of police precept with the operational imperatives of keeping the public of South Wales Safe and the independent assessments by HMICFRS, Audit Wales, and our independent Joint Audit Committee provide a level of assurance on the sound financial management and effective operational delivery.

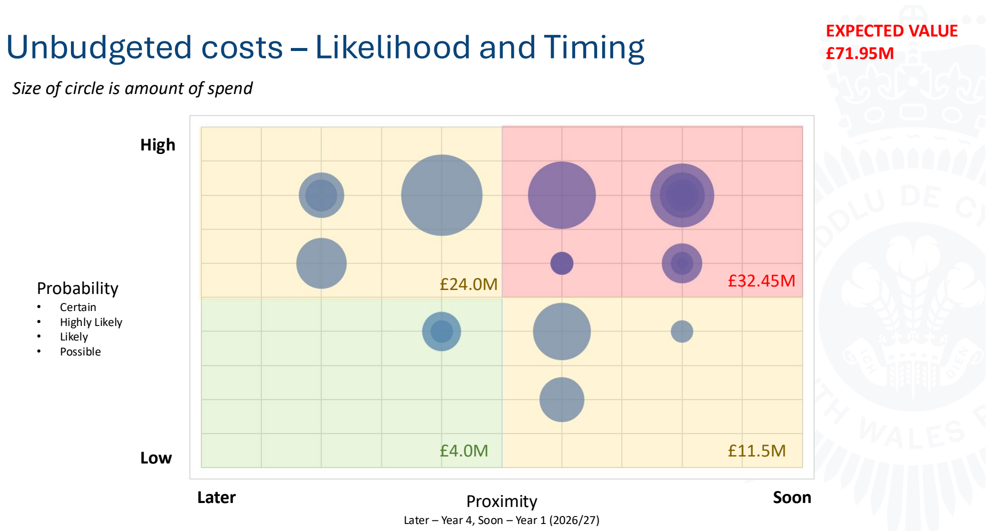
The Revenue account has been projected forward to 2030 using prudent national assumptions on cost drivers such as pay and inflation, new burdens where possible, such as the Emergency Services Network and the Treasury and OBR projections on funding. It is important to recognise the historic strength on this level of analysis, which has ensured that South Wales Police has avoided the damaging effects of short-term decision making from unpredicted and unfunded cost challenges.

SUMMARY REVENUE ACCOUNT	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Employees	400.6	424.4	437.1	450.7	464.5
Indirect Staff	4.4	4.6	4.7	4.8	4.9
Premises	15.1	15.8	16.2	16.6	17.1
Transport	7.7	8.1	8.3	8.5	8.7
Supplies & Services	41.0	43.2	44.2	45.3	46.5
Agency & Contracted Services	25.4	26.7	27.6	28.5	29.4
Capital Financing Costs	21.1	23.0	30.0	36.0	36.0
Gross Revenue Expenditure	**515.1**	**545.7**	**568.1**	**590.3**	**607.0**
Less Income & Specific Grants Income and Specific Grants	(105.0)	(103.2)	(103.6)	(104.1)	(104.9)
Net Revenue Expenditure	**410.1**	**442.5**	**464.6**	**486.1**	**502.1**
Core HO and WG Funding	(214.2)	(230.5)	(238.0)	(240.0)	(242.0)
2026-27 Precept at £27 (7.13%) and 5% thereafter	(195.9)	(211.9)	(223.7)	(236.0)	(249.0)
Total Resources	**(410.1)**	**(442.5)**	**(461.7)**	**(476.1)**	**(491.1)**
Annual Budget Gap	-	-	2.9	10.1	11.0

There remains a budget gap for each of the subsequent three years of the strategy increasing from £3M to £11M by 2030 on the basis of core grant funding being in line with SR 2025 and 5% police precept per annum.

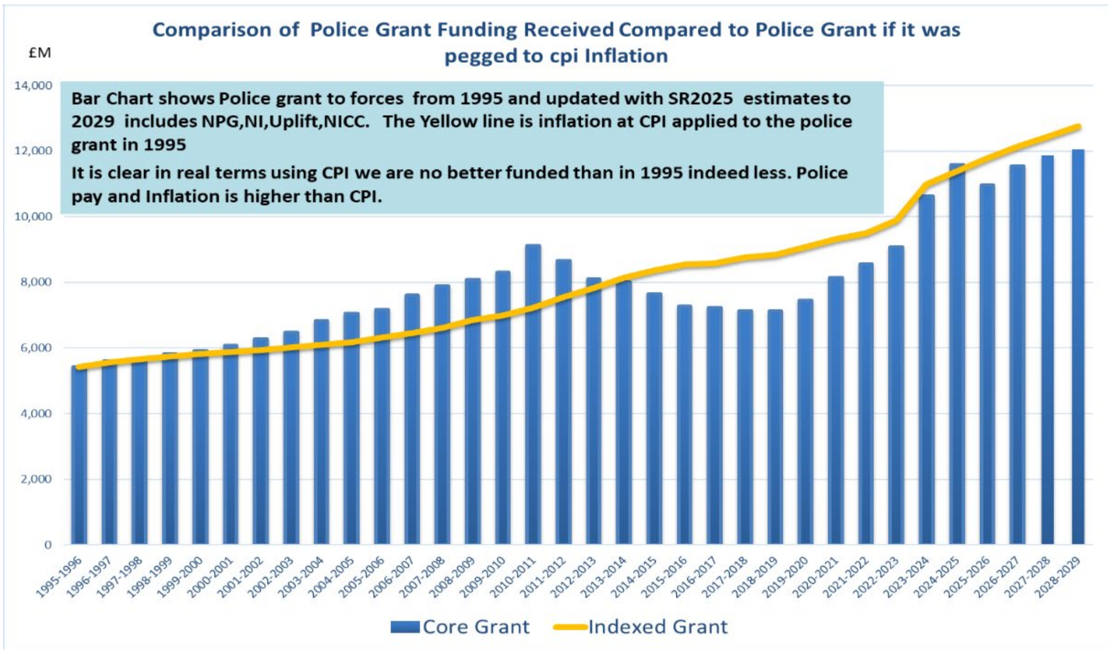
Current Unbudgeted Risk

As part of the due diligence on medium term financial planning an assessment on affordability and risk has been undertaken and the following chart reflects the potential impact of **unfunded pressures** that South Wales Police is managing. In respect of 2026-27 there is a £32M of unfunded pressure which (in an ideal funding environment) should be funded. A further £24M is deemed highly likely in 2027-28.

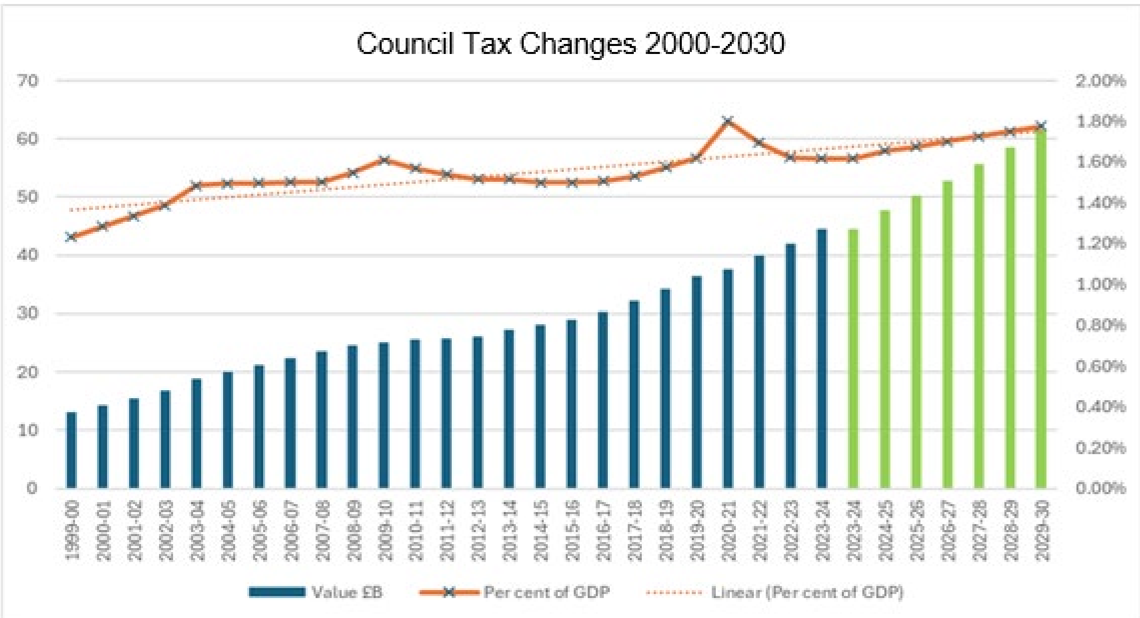


The Medium and Longterm Financial Outlook

The financial year 2026/27 represents the 16th consecutive year of real-terms financial cuts to police grants. Since 2010/11. In essence, Police grant funding in real terms is less than the value of grant funding received three decades ago and consequently police precept and budget cuts have been used as measures to manage the financial and operational pressures on policing in England and Wales.



Clearly it is not possible to maintain the same level of resources with real terms funding pegged at 1995 for central grants and consequently a combination of collaboration, productivity , cost cutting initiatives and measured increases in police precept have been necessary. The Treasury's policy shift of a greater proportion of local funding for local services is evidenced by the below OBR analysis and the chart demonstrates the change in Council Tax from 1999 to 2030 where by the amount of tax as a proportion of GDP rises from 1.2% to 1.8% and the tax yield increases from £15B to £60B by 2030.



South Wales Police delivered £72M of budget cuts and efficiency savings during austerity and current budgets include an annually assessed £8M vacancy factor on police establishments. This is a very challenging target to deliver year on year. Our demand analysis on the frontline shows the need to increase response officer capacity by 300,000 hours **(equivalent to an investment of £11M)** and minimising the gap between recruitment cycles is part of that capacity creation in addition to releasing as many officers from essential support functions as possible. This then has implications on support staff levels and its £3M vacancy factor.

The detailed and sophisticated budgeting exercise with forecasts through to 2029-30 is summarised in the table below. It shows the effects of inflation and the amount of additional Police Formula Grant announced for 2026/27 and that estimated over the following 3 years to 2029/30 and the required precept level to achieve a balanced budget for 2026/27.

Financial Year	Anticipated Grant Increase	Increase in Costs	Additional Precept Income	Vacancy Factor in Base Budget	Remaining VFM / Savings to Budget Required	Precept Increase	Band D Increase
	£M	£M	£M	£M	£M	%	£
2024/25	(11.6)	28.2	(16.1)	9.0	9.0	8.7	28.20
2025/26	(8.5)	24.0	(15.5)	8.0	0.0	7.4	26.00
2026/27	**(8.7)**	**24.7**	**(16.0)**	**8.0**	**0.0**	**7.13**	**27.00**
2027/28	(7.5)	22.1	(11.7)	8.0	2.9	5.0	20.28
2028/29	(2.0)	21.5	(12.4)	8.0	10.1	5.0	21.29
2029/30	(2.0)	15.9	(13.0)	8.0	11.0	5.0	22.36

The uplift funding as anticipated has been consolidated into core grant without being fully funded. This MTFS has critically challenged and tried to absorb the impact of growth in budgets and therefore the above projections are predominantly reflective of unfunded inflation on standstill resources. The projections indicate increasing year on year budget gap based on a 5% annual police precept. The projections have not yet been modelled to reflect the potential further cuts to grant funding indicated by the OBR analysis for unprotected departments and the Home Office is one of those unprotected departments.

<u>Police Reform</u>

There is great uncertainty within policing at the moment, both from the perspectives of Police and Crime Commissioners and from Force's themselves.

Commissioners will be abolished in May 2028. This MTFS does not provide for any associated costs, which could include transition/shadow running costs of the proposed Policing Boards. More will be known when the Government's White Paper is published at the end of January 2026.

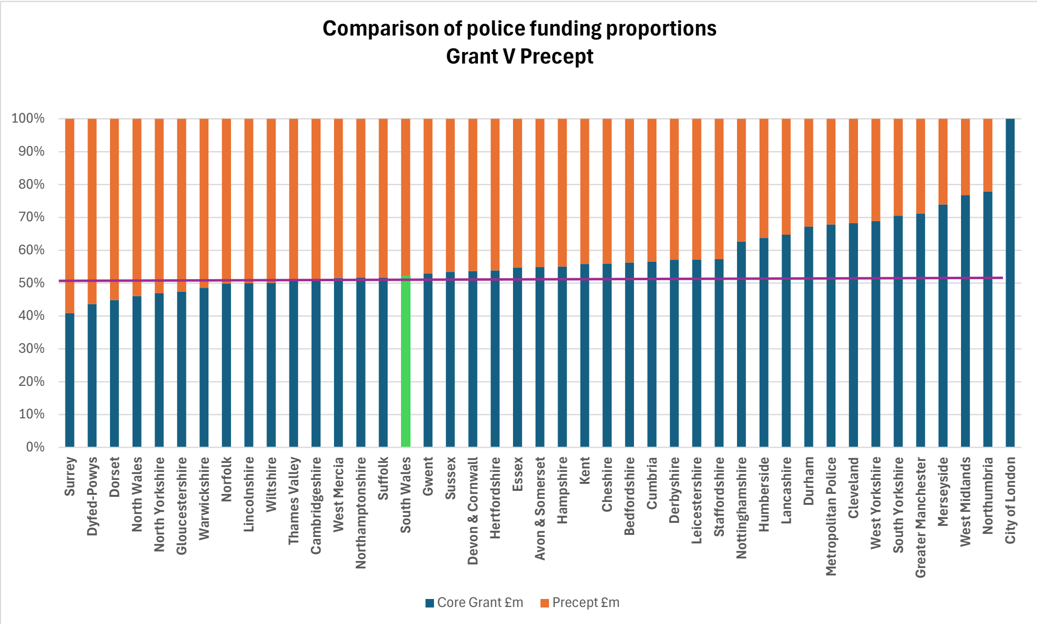
The Police Reform White Paper also includes the rationalisation of Forces from the current 43 by the end of the next parliament. This will likely come at a significant cost and the White paper acknowledges it will require investment, which is not yet quantified.

<u>Precept Proposal To Deliver Balanced Budget 2026-27</u>

An analysis of the council tax base for policing in England and Wales has shown that the composition of the tax base (the number of higher or lower banded properties) and its annual growth rate varies considerably across police force areas.

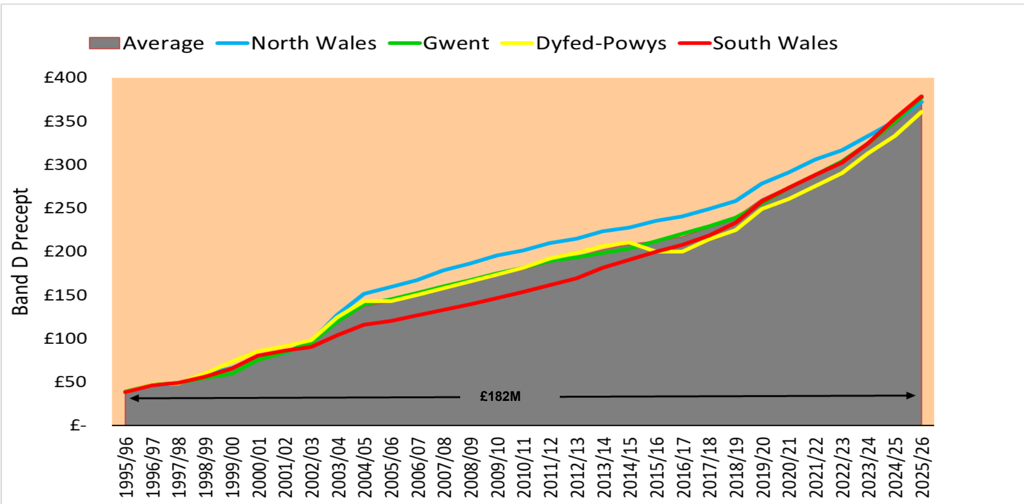
The South Wales Police Precept generates **proportionately lower levels** of Precept income than many other forces across the UK. Effectively the lower growth in tax base is equivalent to a comparative income of £2.3M. This MTFS has set-out comprehensive information to inform the Precept judgement and importantly has an excellent track record on accuracy of forecasts.

The Police and Crime Commissioner must consider both the operational consequences and consultation feedback from the local taxpayers in her Precept recommendation to the Police and Crime Panel. It is apparent that the burden for sustainable police budgets has gradually shifted to local taxation, however, despite the many financial challenges and financial disadvantages faced **the South Wales Police share of budget from police precept is still around the average of that across all police forces in England and Wales**.



Source: PACCTS data. Forces in Wales have been highlighted. South Wales Police 48% Wales Average 50% National Average 39%

South Wales Police precept has been below the average for Wales policing for decades as per chart below which has contributed to historic poor infrastructure investment. This long legacy has contributed to funding the infrastructure through borrowing**.**



The cumulative budget cuts and the on-going vacancy factor plus the £32M of unbudgeted risk in 2026-27 present a considerable challenge to service delivery and consequently **the Revenue Budget required for 2026/27 is £442.5M and in order to deliver a balanced budget (a legal requirement) necessitates Band D Precept £405.67 which is an increase of 7.13% (£27.00 or £2.25 per month) on a Band D equivalent property.** This level of precept is deemed as the minimum to sustain effective policing levels over the next financial year as evidenced by the considerable detail within the strategy.

The public across South Wales area have been consulted on precept increase options ranging from £2.25 per month to £2.75 per month on a Band D property. The survey of respondents shows that 41.6% would support a £2.25 per month increase. The full survey results will be made available as part of the precept report to the panel in February.

The council tax banding analysis also shows that 68% of households in the South Wales Police area live within property banding A to C and will consequently pay less than the required £2.25 increase per month. **The impact on Band A, B and C will be £1.50, £1.75, £2.00 per month respectively.**

Summary and Conclusions

This strategy has set out the evidence base to support the development of the Revenue and Capital Programme requirements.

1. The strategy is based on sound financial assumptions to maintain financial stability and service continuity. The overall financial management within South Wales Police is highly positive as assessed through independent scrutiny by Audit Wales, HMICFRS and the Joint Audit Committee, based on independent internal audits on financial governance.

2. The year on year break-even position on budget to outturn is a further testament on the strength of financial management. The annual audited accounts of South Wales Police are delivering a year-on-year budget to expenditure accuracy of 99.99%, which combined with the already low level of the General Reserve (£4.3M below target) leaves little margin for error and places the 2026/27 budgets at risk of overspend.

3. It has taken due regard of long-term policing objectives of both the Police and Crime Commissioner and the Chief Constable. The much anticipated Police Reform White Paper has now been published and the 2026-27 budget proposals have correctly assumed a neutral position whilst further work and Royal Ascent is determined. The legislative process would suggest impact on budgets will start to emerge for potential impact from 2027-28.

4. It has identified and reflected new burdens and sought to identify internal improvements to reduce budget pressures for growth. There is considerable pressure on front line response and internal measures to create 300,000 hours of additional frontline response capacity are being developed which is equivalent to an investment of £11M being driven out from existing resources.

5. It has taken a long-term realistic view of police funding and sought to smooth the impact of further contraction in central government funding for policing. Grants are reducing year on year and the trend is set to continue to 2031.

6. The value for Money Plan includes a comprehensive approach to collaboration and a project has been launched to consolidate Technology Services between Gwent and South Wales Police. This is a £50M annual collaborative spend and anticipated to deliver savings in third party contracted services towards the third year of implementation.

7. Inflation affects all sectors including policing and wider society. This refreshed MTFS has again attempted to minimise the impact of the police precept on households. The £8.0M vacancy factor is equivalent to an additional precept increase of 4.2% (or £15.90 per year).

8. It has addressed Risks and Uncertainties identified in 2025/26 and their future implications. National pay awards and control of inflation are the main uncertainties that could have material negative impact on budgets, and South Wales Police is actively engaged on national committees to influence where possible. The 3.0% pay award provision is in line with national assumptions and it is clear that the Home Office is unlikely to provide any additional funding should this level be agreed nationally. Each 1% variation in pay is equivalent to around £3M in cost. In total there is £32M of unfunded budget pressures identified with high likelihood of occurrence.

9. There is a high level of confidence on achieving and maintaining the target number of officers, in respect of the ring fencing of the police officer and PCSO numbers in neighbourhoods. However, given that ring fenced budgets are 54% of the Revenue Budget and long term contractual goods and services are 22% of spend (and subject to baked in inflation) , this then leaves police staff budgets to absorb the full impact of budget pressures which is not tenable. Of the 589 police staff posts cut during austerity 63% (371) of the posts have not been replaced as uplift funding was focused on Officer numbers.

10. Identifying further cuts during 2026/27 on top of the £8M vacancy factor and the previous £72M of cumulative recurring cuts to balance the budget is extremely challenging.

11. An independent OBR assessment on the medium-term forecasts produced by the Treasury shows further real-terms cuts to police funding should be anticipated, However these are not yet reflected in our MTFS which shows an £11M cumulative funding gap to 2029/30.

Therefore, the required 7.13% (£2.25 Band D increase per month) is assessed as the minimum necessary to balance the 2026-27 budget given that:

1.0 INTRODUCTION AND CORE FINANCIAL PLANNING PRINCIPLES

1.1 The Police Reform and Social Responsibility Act 2011 established two “Corporations Sole” for Police Forces; the Police and Crime Commissioner and the Chief Constable who have complementary policing responsibilities, and gave them shared responsibility to provide effective financial and budget planning for the short, medium and long term.

1.2 The Police and Crime Commissioner and the Chief Constable are duty bound to secure Value for Money which is independently examined by the Audit Wales and by His Majesty’s Inspectorate of Constabulary Fire and Rescue Services (HMICFRS). The positive findings of the independent bodies are set out later in this report.

1.3 The Police and Crime Commissioner is required to prepare the following strategies and plans, and in South Wales this is done jointly with the Chief Constable in accordance with the agreement to a co-operative model of leadership and oversight:

- A Police and Crime Plan that reflects the Commissioner’s priorities. The Plan is developed after public consultation and after consideration of the resources available. The plan has to take account of the Strategic Policing Requirement, which is set by the Home Secretary, as well as the Policing Protocol Order;
- A Risk Management Strategy;
- A Medium Term Financial Strategy (the MTFS);
- A Treasury Management Strategy and Capital Strategy;
- A Reserves Strategy;
- An Asset Management Strategy;
- A Capital Programme; and
- An Annual Revenue Budget and Value for Money Plan.

1.4 The Commissioner must also propose a precept level for the forthcoming year. These plans are then subject to review by the Police and Crime Panel for South Wales.

1.5 This report sets out the key issues considered by the Commissioner in determining an appropriate level of budget and precept necessary to meet the legal requirement to provide an **efficient and effective police service to the public across South Wales.**

1.6 The Commissioner takes personal responsibility for the proposed level of precept but, makes proposals each year in consultation with the Chief Constable, the Chief Constable’s Chief Financial Officer and the Treasurer (the Commissioner’s Chief Finance Officer). The Commissioner’s decision is based on an assessment of what is required to deliver the priorities set out in the Police & Crime Plan, and careful consideration of the professional advice received in regard to policing and financial management.

1.7 In developing this Medium Term Financial Strategy the following **Core Principles** have been adopted:

a) The Medium Term Financial Strategy is consistent with the South Wales Police’s Vision of ‘*To be an outstanding police service, accessible, reliable and trusted by our communities’*. **It will support the Commissioner’s Police, Crime & Justice Plan and the Chief Constable’s Operational Delivery Plan.**

b) In order to minimise ambiguity and uncertainty over local funding decisions over the medium term planning cycle the benchmark for South Wales Police is **attaining and**

maintaining a level of police precept which is broadly the average of the other three Welsh police forces. The precept for South Wales is currently 2.3% or £8.62 per annum greater than the £370.05 average of the other three Forces. Clearly, if Central Government funding decisions for South Wales Police change dramatically then this will need to be reviewed, but currently this provides a reasonable planning assumption.

c) South Wales Police had to cope with a £45M cut in grant funding since 2010 and then a freeze in police grant funding at the reduced level between 2017 to 2025. The combination of grant cuts followed by grant freezes, substantially reduced the purchasing power of the policing budget and required £72M of cashable savings to balance the budget, together with significant efforts to deliver a continuous improvement culture with leadership that delivers the right people, skills, tools, at the right place and time. **We will ensure in our financial planning assumptions that we provide our people with the necessary skills, tools and resources to maintain a highly effective policing service.**

d) **This strategy will seek to optimise the ringfenced funding to deliver the Neighbourhood Policing Guarantee and enhance operational policing performance**.

e) We worked hard to achieve efficiencies and to reduce costs in order to protect the number of police officers employed whilst also maintaining the number of PCSOs. During 2022, the Welsh Government (due to funding constraints) reduced its number of PCSOs directly funded from 247 to a new target of 123 with some transitional funding to allow for natural turnover. **The MTFS seeks to maximise PCSO establishments within the funded level.**

f) Police staff numbers were cut by 589 posts prior to the Uplift Programme and there are many key specialist roles that impact on front line services which has been acknowledged in the funding model for the 20,000 Police Officer Uplift Programme, which incorporated 6,500 police staff posts to support the increase in direct and indirect support services. The Uplift Programme in South Wales included funding for 136 police staff posts. **The MTFS will ensure that we are able to fully utilise the allocated funding to support frontline services.**

g) The MTFS will continue to **maintain collaborative momentum and secure further savings for South Wales Police and its partners.** The new consolidation of Technology services project across Gwent and South Wales Police brings £50M under collaboration focus of which £30M is on third party contracted services. This will deliver further cashable savings and increase technical and change capacity across both forces.

h) The MTFS will seek to secure a **sustainable infrastructure base which is compliant with Health & Safety and other legislative requirements to maintain operational effectiveness.**

i) Detailed strategies including Estates, Fleet, ICT and Sustainability Strategies will ensure effective provision and use and deployment of resources. **The Capital and Treasury Management Strategies will ensure compliance with the Prudential Code requirements and that borrowing levels remain affordable and sustainable.**

j) This MTFS will seek to **maintain the purchasing power of base budgets** particularly on fixed or unavoidable costs (e.g. overtime, allowances, utilities, licences, contracts) in order to ensure that financial plans are realistic and deliverable. **The aim is for the annual budget to achieve a budget to outturn accuracy of more than 99.5%.**

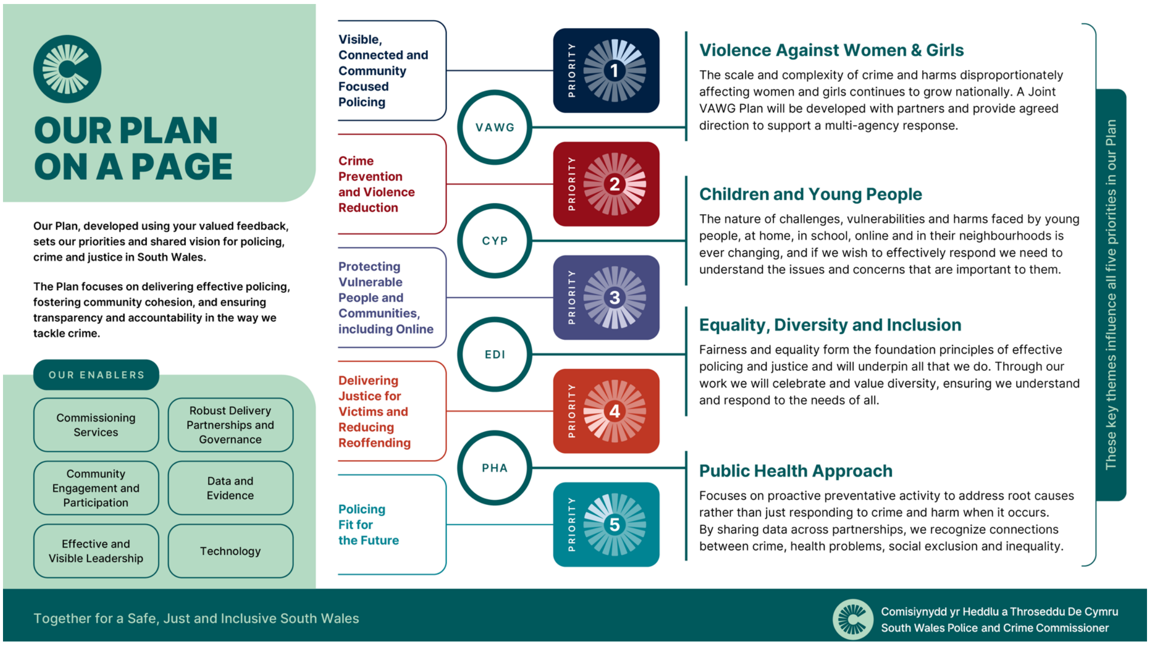
2.0 THE POLICE & CRIME COMISSIONER, THE POLICE CRIME & JUSTICE PLAN and POLICE REFORM

2.1 The election of a new Police and Crime Commissioner in May 2024 required the development and publication of a new Police, Crime & Justice Plan which was achieved in the Commissioner's first year of office, including extensive public consultation, and was launched in June 2025.

2.2 The Policing Minister announced on the 13th November 2025, in Parliament, that the role of the Police and Crime Commissioners would be abolished in May 2028 along with the current governance arrangements. A new Police Reform White Paper has now been published and sets out the vision for police governance, oversight and accountability. This has changed the priorities for the Commissioner's Office considerably and therefore greater focus and effort in not only delivering the plan but also ensuring an effective voice in helping shape and then transition to the new governance arrangements in Wales. There will also be the task of potentially managing the transition of staff into new governance structures, whilst maintaining service delivery in uncertain circumstances.

2.3 At the time of writing this MTFS it is thought that Policing Boards may replace Commissioners. However, the MTFS has prudently assumed that in respect of 2026/27 the OPCC will continue to operate fully within the currently legal provisions and any changes will only manifest from 2027/28 and then be reflected in the normal refresh of the MTFS for the following year.

2.4 The infographic below is a summary of the Police, Crime and Justice Plan.



3.0 THE POLICE & CRIME COMMISSIONER'S BUDGET

3.1 The Police and Crime Commissioner (the Commissioner) and the Chief Constable have an agreed governance process which ensures that the Chief Constable has sufficient resources to fulfil operational requirements. The majority of the budget is delegated to the Chief Constable. Governance is set out within an agreement which makes clear the joint nature of leadership which has proved effective and endured since 2012.

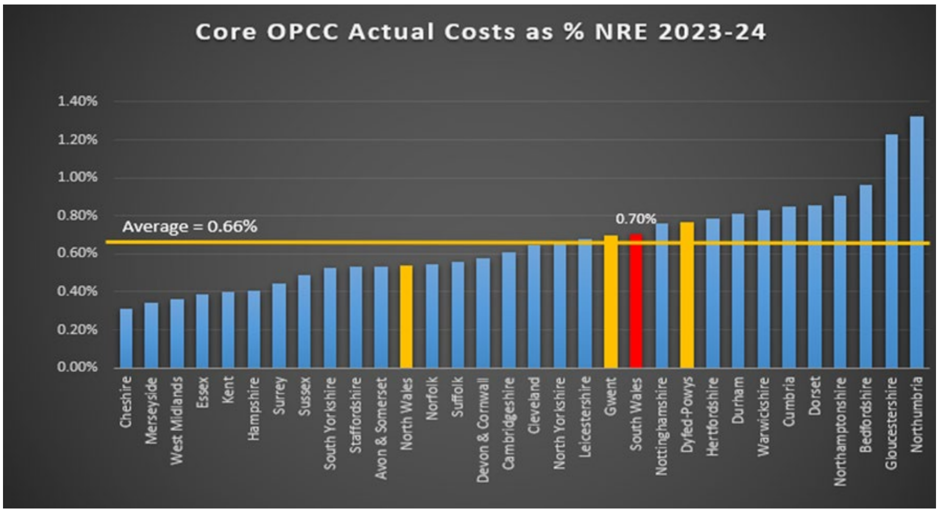
3.2 The role of the Commissioner is much wider and more complex than that of the previous Police Authority and now includes delivery, prevention, and partnership in addition to oversight and governance. This partnership approach will continue to be developed by the Commissioner to deliver the Police Crime and Justice Plan.

3.3 The Commissioner retains direct allocation and manages resources in the areas summarised in the table below (further detail is provided at **Appendix 1**). Notably the forecast is contained to 2027/28 for now - pending further detail from government.

Internally Funded	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**
Commissioner's Team Core Budget	2,969	3,197	3,261
Community Safety Commissioned Services	1,124	1,134	1,144
Mental Health & Substance Misuse Commissioned Service	2,439	2,476	2,498
Drive Programme	800	807	815
Victims' Services	255	257	260
Commissioner's VFM Plan	(225)	(225)	(225)
Sub-total	7,361	7,646	7,752
Partnership Fund Earmarked Reserve			
Preventing Re-offending	1,650	1,650	1,150
Sub-total	1,650	1,650	1,150
Externally Funded			
Victims Services	2,812	2,812	2,812
Violence Reduction Grants	1,610	1,610	1,610
Anti Social Behaviour Hotspots Grants	1,429	1,429	1,429
Family Pathfinder	635	635	635
Other Grants	132	132	132
Project ADDER	0		
Sub-total	6,618	6,618	6,618
Commissioner's Overall Budget	**15,629**	**15,914**	**15,520**

3.4 Police and Crime Commissioner's Team

3.4.1 Regular reviews are undertaken of the Commissioner's Team to ensure it remains fit-for-purpose and provides value for money. The Commissioner's core team currently costs around £3.1M per annum which represents around 0.7% of the overall Force budget. The graph below shows the results of the most recently available CIPFA benchmarking with regards to the OPCC costs.



3.4.2 Whilst a new structure in the OPCC for 2026/27 has been established it is prudent to expect some changes arising from the uncertainty generated by Police Reform. The transitional arrangements will have appropriate strategic oversight by senior officers within the Commissioner's team and ensure delivery of the plan continues to make progress.

3.5 Commissioned Services - Community Safety Fund

3.5.1 *Community Safety*

Each Community Safety Partnership within the South Wales Police area receives a contribution to support their work. The Commissioner will continue to provide funding of £0.66M to help deliver a range of community safety related services including:

- Crime and disorder reduction and prevention interventions.
- Offender management.
- Anti-social behaviour interventions.
- Substance misuse support.
- Domestic and sexual abuse (including IDVA and ISVA services) support.
- Mental health support.
- Evening and night time economy interventions.
- Hate crime support.
- Community cohesion and engagement activities.
- Tackling modern slavery.

3.5.2 *Youth Offending Teams*

The continued funding of £0.35M by the Commissioner towards youth offending has helped the partnerships to deliver early intervention and prevention services, diversionary activities, substance misuse services and services for victims of youth crime.

3.5.3 *Substance Misuse Intervention*

The Dyfodol service was launched in 2016 and aimed to build a cohesive model that delivers substance misuse services to those who come into contact with the Criminal Justice System. This service is currently being recommissioned to the value of £3M and it is funded in partnership with His Majesty's Prison and Probation Service, who contribute £1.5M annually. It will be delivered by a range of commercial and third sector providers.

Our recent success includes:

Police Custody (Bridgend, Cardiff, Merthyr, and Swansea)
- 11,653 contacts in Police Custody
- 11,133 actively engaged – 96%

Community Support (across South Wales)
- 4,049 people accessed the support across the year
- 1,059 people were active on community caseload at the end of March 2025
- The average quarterly caseload for 2024 – 2025 was 1,012 people
- 2,066 referrals were received for clinical interventions during the year
- 475 people were receiving clinical treatment at the end of March 2025

Prisons (HMP Cardiff, HMP Swansea, HMP Usk, HMP Prescoed)
- 6,821 induction assessments completed
- 4,552 brief interventions delivered
- 1,796 individuals taken onto caseload for structured support

- 73.7% of those leaving prison engaged with community services upon release (this percentage increases to 85.9% when focusing on those in receipt of clinical interventions)

3.6 **Prevent Offending & Re-offending**

One Wales Integrated Women's and Young Adult's Commissioned Service Contract

3.6.1 The One Wales integrated women and young adult (18-25) service went live in April 2024 and is a key example of how the vision of a whole system approach jointly by Welsh Government and MOJ Women's Justice Blueprint (2019) has been operationalised and delivered in practice. It is delivered by Nelson's Trust (Lead), Pact, Media Academy Cymru and The Change.

3.6.2 The significant investment of £9.8m, made by HMPPS in Wales, the South Wales, Gwent Police and Crime Commissioners and Welsh Government demonstrates the strong commitment of Commissioners in Wales to delivering sustainable improvements to the outcomes and experiences of women and young adults who are at risk of entering, or who are in the criminal justice system.

3.6.3 The Commissioners set the ambition of designing a service that could work seamlessly to support women at all stages (including key transition points) of the justice system, alongside an integrated early intervention service for young adults in South Wales and Gwent.

3.6.4 The One Wales service recognises and seeks to respond to women and young adults with intersecting and marginalised identities, recognising and being responsive to the intersectionality that may exist for women for example age, gender, ethnicity and how they further compound the disadvantage faced by women in the justice system. The service also supports the anti-racism commitments of the Criminal Justice Board for Wales.

3.6.5 In the first 12 months of operation in South Wales, the service accepted 1668 referrals to support women and young adults as part of an out of court resolution or on a voluntary basis. This builds on the successes and significant innovation of the original Women's Pathfinder Whole System Approach and 18-25 Early Intervention Service delivered in South Wales and Gwent from October 2019 to March 2024, as evidenced in independent evaluation (Cordis Bright, 2022), and by integrating key contracts such as Probation Women's Community Rehabilitation Service (CRS) and Visiting Mum Service.

3.6.6 The service has been designed to strategically align with and support the delivery of a number of other key partnership priorities in Wales, including the anti-racism programme, Violence Against Women Domestic Abuse and Sexual Violence (VAWDASV) agenda and partnership work to tackle impact of Adverse Childhood Experiences (ACEs).

3.7 Tackling Perpetrators

3.7.1 The Drive Programme has been delivered across the whole of South Wales Force area since 2021/22, having expanded following its initial launch in Cardiff and Cwm Taf in 2016 and has a budget of £0.8M for 2026/27. Drive responds to high-harm perpetrators of domestic violence and abuse (DVA) by challenging and fundamentally changing their behavior, with the key objective of reducing risk to victims and their families. The Drive team adopt a multi-agency approach, working closely with partners such as Police, HMPPS and IDVAs to manage risk, as well as developing relationships and influencing behaviour change in those using harmful behaviours. The community project is well embedded, operating as business as usual and is widely recognised and supported by Criminal Justice and other partners. In South Wales, in the last 12 months, the programme has accepted referrals for 231 perpetrators, with support available for 244 victims and 407 associated children.

3.7.2 In 2023, in collaboration with HMPPS, South Wales OPCC launched a pilot for Drive to work in HMP Swansea. Since implementation and as of the 30th of September 2025 Drive in the prison has worked with 41 perpetrators with dedicated support of a HMP Drive IDVA and CHIDVA for 45 victims and 93 associated children and young people. Response from HMPPS has been positive with excellent engagement rates and signs of impact. There continues to be conversations around how to explore longer-term impact, as well as expansion to other prisons.

3.7.3 Drive is delivered in partnership with Safer Merthyr, with the objective to improve victim safety by focusing on support and disrupt interventions for high harm perpetrators of domestic violence and abuse (of any gender), aged 16 years or over sits within a suite of perpetrator approaches which offer support an intervention across the continuum of need and risk. The project is undergoing its second large-scale evaluation led by the University of Bristol across three national Drive sites, with findings anticipated early 2026/27.

3.7.4 Now that Drive implementation has taken place and the project is embedded, work is ongoing to adopt a more streamlined model and reduce the Drive Central costs in order to prioritise frontline delivery and maximise value for money. South Wales Force area coverage, including the HMP Swansea pilot project will be maintained into 2026/27 with an anticipated revised approach to Central costs.

3.7.5 The Home Office has recently announced a £53 million investment over the next 4 years to expand Drive across England and Wales. Whilst South Wales will not receive a proportion of this due to already funding Drive, the Police and Crime Commissioner's team and delivery partners will play a key role in supporting the national roll-out in Wales. Offering support and guidance and sharing learning with Gwent, Dyfed Powys and North Wales. We have been awarded funding for a 'Drive Implementation Lead' to support with this roll-out and exploring the commissioning of Drive. Recruitment has not been successful to date.

3.8 **Victim Services – Ministry of Justice Funding**

3.8.1 Since 2015, the Ministry of Justice (MoJ) has devolved funding for services to support victims of crime to Police and Crime Commissioners. This funding is allocated via a population matrix formula through an annual grant, allowing Police and Crime Commissioners to decide how best to commission services that meet the needs of victims locally. During 2022, the team were successful in securing additional funding ringfenced to support victims of domestic abuse and sexual violence.

3.8.2 Victim Services funded by the Commissioner have continued to help victims cope and recover from the effects of crime and to ensure that the criminal justice system centralises the needs and rights of victims.

3.8.3 The South Wales Police and Crime Commissioner is currently in receipt of £2.8M from the Ministry of Justice for 2025/26 from the following funding streams:

- Ministry of Justice Core Victims Funding: £1,490,311
- Ringfenced domestic abuse/sexual violence funding: £1,322,854

3.8.4 This funding includes £0.9m to support the provision of a multi-crime victim support service (South Wales Victims Focus). The funding also includes £1.4m towards the provision of Independent Domestic Abuse Advocacy (IDVA) services and a jointly commissioned Independent Sexual Violence Adviser (ISVA) service to support victims and survivors across the Police Force Area (with this funding including specialist posts who provide specific support for children and young people, older people, victims from racially minoritised communities and male victims).

3.9 Violence Prevention Unit (VPU)

3.9.1 At the time of writing this strategy the Home Office have yet to confirm the funding for the Violence Prevention Unit for 2026/27. If the level of grant is maintained then the unit should receive around £1.2M and this has been built into the Commissioner's budget for 2026/27.

3.9.2 The Violence Prevention and Reduction Unit (VPRU) is funded through the Home Office VRU grant and applies a public health approach to preventing violence. Recently the Unit has evolved from the previous Wales-wide VPU model to a localised South Wales model, ensuring that resources are focused on local need and delivered through Violence Prevention Boards across South Wales. The core team comprises staff from the Commissioner's Office and the Force, with continued national support from Public Health Wales, alongside Local Authority Contextual Safeguarding Leads and specialist third sector services. The Unit maintains a particular focus on preventing serious violence in line with the Home Office grant agreement.

3.9.3 The core function of the Violence Prevention and Reduction Unit is to offer leadership, establish a core membership and, working with all relevant agencies operating locally, provide strategic coordination of the local response to serious violence. The Unit supports a multi-agency, public health, long-term approach to preventing and tackling serious violence, in line with the Home Office Serious Violence Strategy, which is:

- Focused on a defined population;
- With and for communities;
- Not constrained by organisational or professional boundaries;
- Focused on generating long-term as well as short-term solutions.
- Based on data and intelligence to identify the burden on the population, including inequalities.
- Rooted in evidence of effectiveness to tackle the problem.

3.9.4 The VPRU's new strategic priorities are aligned to the South Wales VPRU Strategy, which focuses on:

- Strengthening systems to tackle serious violence
- Data driven action and evidence-based decision making
- Preventing violence through early intervention.
- Effective Criminal justice and enforcement responses
- Engaging and supporting communities

3.9.5 The Violence Prevention and Reduction Unit must track progress against the statistical success measures set by the Home Office as part of the VRU grant agreement. These include reductions in:

- NHS data on hospital admissions for assaults with a knife or sharp object (for all ages, and especially those under 25);
- Knife and sharp-object-enabled serious violence recorded by the police;
- Homicides recorded by the police, particularly those involving victims under 25 and in non-domestic settings (where data allows).

3.9.6 VRUs are required to conduct local evaluation, spending not less than 10% of the amount allocated by the VRU to intervention spend in their delivery plan. There is also a match-funding requirement to maximise available investment and to support long-term sustainability, with VRUs required to demonstrate contributions from local partners equivalent to at least 20% of the VRU allocation.

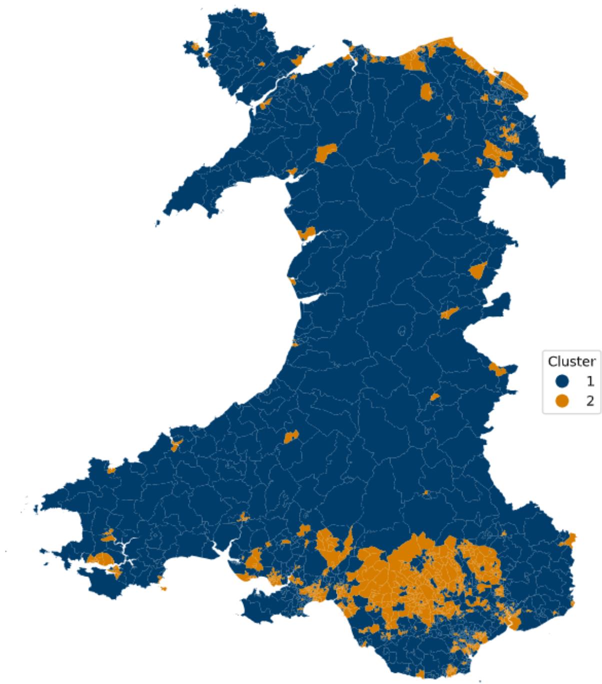
4.0 DEMAND, CAPABILITY, CAPACITY, ASSESSMENT - THE FORCE MANAGEMENT STATEMENT

4.1.1 South Wales Police is the busiest force in Wales with 42% of crime in Wales occurring in the South Wales Police force area. It is the 16th busiest nationally in terms of overall crime per 1000 population rate of 81.5 as at 31st March 2025. Previous comparisons on the levels of deprivation within the force boundary showed that it contained 54 of the 100 most deprived communities in Wales.

4.1.2 In November 2025 Welsh Government published the updated Welsh Index of Multiple Deprivation (WIMD) as the official measure of relative deprivation for small areas in Wales. It identifies areas with the highest concentrations of several different types of deprivation. WIMD ranks all small areas from 1 (most deprived) to 1,917 (least deprived). It is an accredited official statistic produced by statisticians at the Welsh Government.

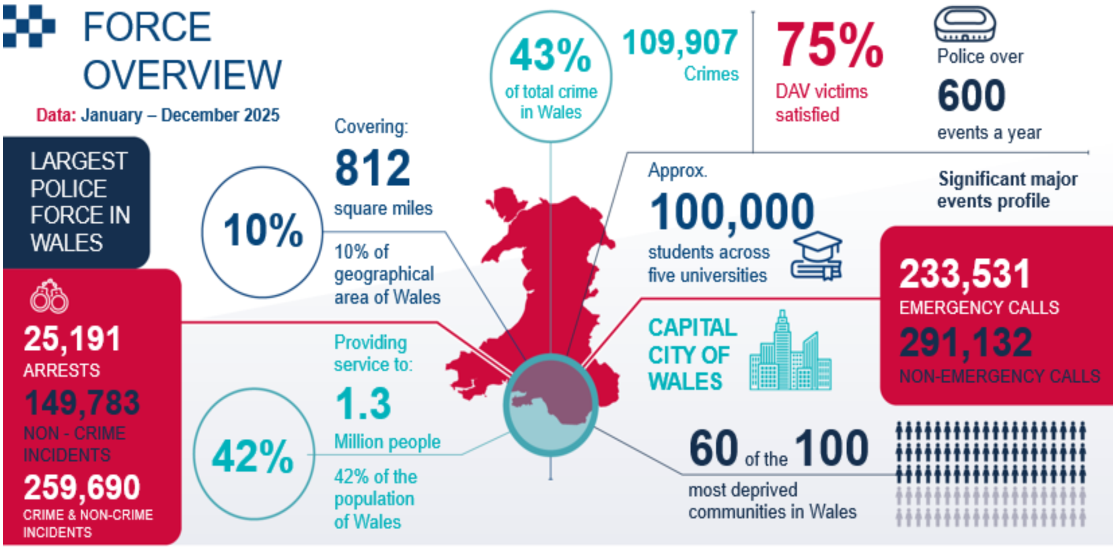
The WIMD re-affirmed that the most deprived areas across Wales are found in the South Wales cities and valleys, as shown by orange cluster 2 in the graph below.

Figure 1: Distribution of Primary Cluster 1 and Primary Cluster 2 across Wales at LSOA level



Primary Cluster 1 (blue) is, on average, less deprived than Primary Cluster 2 (orange) **across all WIMD domains**.

4.1.3 South Wales Police provides a policing service to 1.3 million people - 43% of the Welsh population; managing around 42% of the total crime in Wales during the 12 months to March 2025. The infographic below provides further information:



4.1.4 South Wales Police functions as the strategic force in Wales delivering not only a local service but also provides support and capabilities for major national events outside the Force area.

4.1.5 The Force polices around 600 events each year which require varying levels of police intervention in terms of planning and resources. These can include policing championship and international football (The Euros 28 will have its opening match in Cardiff and the footballing world focus will be on Cardiff again). The International Stadium of Wales will be hosting six games in 2026. International cricket and rugby and other sporting events, concerts, Royal visits, Public Military events, demonstrations and protest marches all add to the normal demand of policing of the nighttime economies of Cardiff and Swansea. **The scale and complexity of incidents routinely dealt with by the Force and the additional issues involved in policing a Capital City make it unique within Wales and more widely**.

4.2 Demand, Capability, Capacity Assessment- Force Management Statement (FMS)

4.2.1 The FMS provides a candid insight into the challenges facing the force and how, through the Commissioner's Police, Crime & Justice Plan and the South Wales Police Delivery Plan, the force will address those issues.

4.2.2 The force has undertaken a comprehensive review and refreshed its Force Management Statement (FMS 7) using the available full year performance information from 2024.

4.3 Financial Implications resulting from the Force Management Statement (FMS)

4.3.1 The FMS highlights the complexity of modern policing, including digital evolution, serious organised crime, international instability and the impacts of the Cost of Living crisis adversely affecting the most vulnerable across our communities. With a population of over 1.35 million people and it was previously noted that 60 of the 100 most deprived areas of Wales were located within the South Wales Police area, this continues to be reflected in the latest WIMD data and presents intricate policing challenges which manifest in a number of ways, including domestic violence and child sexual exploitation and abuse and calls for service for mental health occurrences.

4.3.2 Protecting the vulnerable remains a key priority within the Delivery Plan and we continue to progress a significant amount of work in this area, and our commitment to Right Care Right Person will ensure the Force delivers a compassionate and tailored response particularly for the most vulnerable ensuring their needs are met by the most appropriate agency. The establishment of dedicated Rape Investigation Teams and Exploitation teams, as well as our involvement in Operation Soteria is helping to improve our performance in investigating rape and serious sexual offending. This is consistent with our new mission **“To prevent, detect crime, protect, serve, reassure communities and provide first class service to victims”**

4.3.3 As such, the uplift of police officers and staff following is welcomed and is helping to improve our response to crime across South Wales, as well as our investigative capacity and capability. However, the growing influence of technology and the evolving threat from virtual crime is increasing the complexity of the demands we face, with organised crime groups moving swifty to exploit this space and policing needing to keep pace.

4.3.4 Many of the demand pressures identified through the previous FMS remain and whilst the Force is in a good position in terms of HMICFRS assessment across a number of areas within the PEEL framework, there remain areas for enhanced focus over the next 12 months as follows~~:~~

4.3.5 The latest FMS also identifies gaps in service provision and demand pressures that have had to be taken into consideration in the refresh of this MTFS and budgets requirement for 2026-27.

a. Increasing demand on partners coupled with funding restraints mean that partners are unable to cope with demand – the sentencing review is an example of this with costs to policing national estimated at nearly £400M. The force share of this would be additional cost of £9M.

b. The Public Service Centre is currently assessed as being under resourced by 24 FTE in its ability to cope with current demand using existing systems and processes. The new strategy reflects investment in a new citizen centric policing approach with a victim’s portal to enable self-service on victim updates. This approach based on experience from other forces who have implemented the same technology should reduce demand and close the resource gap and improve quality and timeliness of call handling.

c. Ongoing national direction from the College of Policing and NPCC alongside emerging local priorities means there is an increased demand for operational learning and development leading to higher levels of abstraction. The people strategy seeks to undertake a risk based approach to training needs and is engaged with the College of Policing on proposals.

d. South Wales Police’s current infrastructure to underpin policing of major events is in urgent need of refresh, the provision of an Operational Safety Training Centre has been agreed as a priority and the strategy has made initial provision in readiness of meeting the Euro 2028 championships.

e. The obsolescence of the current Joint Firearms Training Facility was a significant threat to provision of armed response officer which is a strategic police requirement. The collaborative tri-force firearms training unit is on track for go-live in Spring 2027 and the financing of this is reflected in the MTFS.

f. The collaborative investment in a Joint Data Analytics Project is necessary investment to fully exploit the power of data and make evidence based decisions on resource deployment and improved productivity.

g. The replacement of the current police radio system with a Digital alternative has been agreed and proposed implementation is due to commence in 2027. This new national Emergency Services Network has considerably higher estimated costs which are recognised in this strategy as a new funding pressure.

h. The continued growth in areas for ISO accreditation for forensic services and the funding of expanding storage and analysis in the digital forensic network have been recognised in the MTFS.

i. Changes in Legislation such as vetting standards and information security have necessitate additional business cases for investment which have been challenged and approved based on criticality.

j. The need to drive greater value from technology and address the enduring capacity within ICT has led to an agreement by South Wales Police and Gwent Police to develop a shared technology function to increase capability, capacity and value from existing technology investments.

k. Development of realistic plans to fund the force Decarbonisation and Sustainability Strategy. The initial focus is on energy and tackling energy costs, consumption and creation. Additional investment in the capital programme anticipates a £3M annual reduction in energy costs upon delivery of the Energy Strategy.

l. The transition to ULEVs will require new equipment, tools and training for vehicle technicians as well as a charging infrastructure across the force in readiness for the banning of internal combustion engines in new vehicles by 2035.

m. The demand on frontline services of police response has been analysed and assessed as under resourced by 300,000 hours. The additional capacity equivalent to £11M is being sourced through productivity improvement and officer redeployments from support functions, this is highly ambitious and necessary to provide a first class service to victims of crime.

n. Implementation of DA Protection Orders (DAPO) in the coming year is expected to greatly increase the number of Preventative Orders as victims and third parties will also be able to apply alongside the police. A key challenge will be ensuring the force is promptly notified of issued orders and that relevant systems are updated to maintain oversight and compliance. The ongoing management of DAPO’s, particularly in monitoring and addressing breaches, will likely lead to increased demand on enforcement teams. Preparing for this will require robust coordination, resource allocation, and technological solutions to ensure efficient processing and effective safeguarding measures.

o. Securing Stalking Protection Orders remains a challenge for the force, with a growing number of orders awaiting triage and the process requiring a large amount of time. The imminent change introduced in the Crime and Policing Bill granting Orders upon conviction, is expected to increase the volume of Orders, increasing demand on resources and necessitating additional support to effectively manage and enforce these orders

p. Reoffending and rehabilitation continue to pose challenges, particularly due to gaps in essential support services such as mental health care, addiction recovery programs, and stable housing. The absence of these resources can hinder an offender's ability to reintegrate successfully into society, increasing the likelihood of reoffending and further straining police demand. This demand is likely to increase with the early release of prisoner scheme.

4.4 Strategic Operational Threat Risk Harm Assessment

4.4.1 The purpose of the Strategic Operational Threat Risk and Harm Assessment is to provide an accurate and realistic evaluation of the risk posed by significant areas of crime, disorder and emerging threats impacting the South Wales Police force area, in the short to medium term.

4.4.2 The assessment is produced to inform the force crime and disorder priorities for the next 12 months, along with the development of control strategies to mitigate the identified risk. It also informs the organisational planning process and is used by a broad range of other decision-making forums.

4.4.3 The following table summarises the top 14 areas of operational threat risk and harm and consequently the operational effort that will need to be directed to address and mitigate these.

Overarching Thematic Group	Risk Score	2025 Risk Ranking
Drug related Harm	91	1
Civil Contingencies	88	2
Child Protection	72	3
Rape and Serious Sexual Offences (Adult)	59	4
Domestic Abuse and Stalking	56	5
Road Traffic Collision (KSI)	52	6
Serious Violence	50	7
Events, Protest, Tension and Disorder	49	8
Serious Organised Crime	46	9
Missing Persons	39	10
Fraud	36	11
Volume/Acqusitive Crime and ASB	30	12
Terrorism	29	13
Cyber Crime	18	14

Whilst the 2025-27 overarching Thematic Groups have remained at 14. There have been two changes in relation to the thematic groupings, the first being the removal of the Community thematic group, following a decision not to have a specific cost of living assessment, as it is a cross cutting issue impacting on many areas of criminality. To better reflect existing force priorities missing persons have been included as a separate thematic area this year, and the force will undertake a separate assessment of the risk.

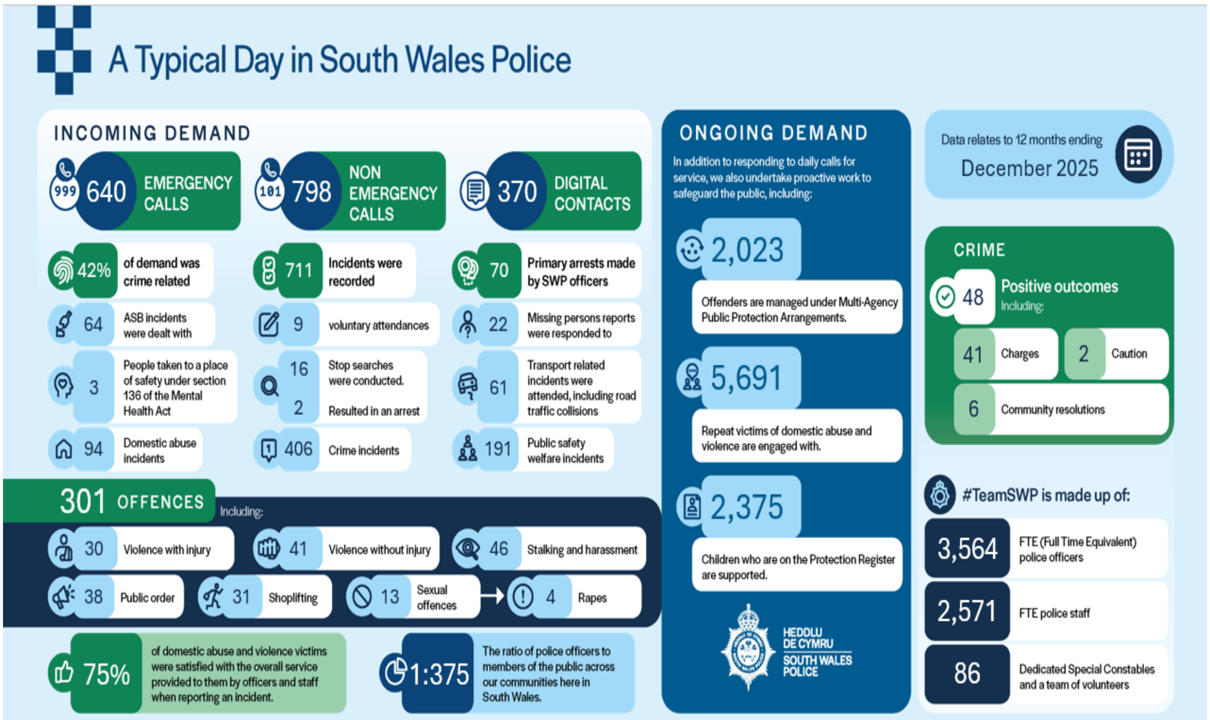
4.4.4 Due to the high level of associate risk, drug related harm remains as the highest scoring area, including:

- Potent Synthetic Opioids
- Problematic drug markets (Heroin, Crack, Cocaine and Spice)
- Middle market drug trafficking and supply
- Illicit Benzodiazepines

4.4.5 There were two notable changes in the ranking of the overarching thematic risk. The first being the increase in the area of Rape and Serious Sexual Offences from 8th to 4th. Reflecting the impact on the community particularly where the perpetrator is not known to the victim and the increase in the volume of historical reports. The second was the area of Policing Event Protests and Disorder, which moved from 5th to 8th in the rankings. Whilst there have been unprecedented levels of tension across the nation, locally this has not translated into the large-scale disorder which has been seen in previous years, resulting in a positive impact on the risk score.

4.5 **Demand Assessment**

4.5.1 The infographic below outlines the complexity of daily demand within South Wales Police for the 12 months to December 2025 and the need to maintain effective and sustain frontline resources.



4.6 **South Wales Police Delivery Plan 2025-29**

4.6.1 The force is implementing a new Delivery Plan setting out the force's new Mission, Vision and Values and key deliverables over the next 4 years. This is summarised in the infographic below. With further detail at Appendix 2. Enhancing productivity and efficiency, an absolute necessity for balancing budgets in the current financial climate, is a key component of the plan.

5.0 PEOPLE AND ORGANISATIONAL DEVELOPMENT STRATEGY

5.1.1 The People & Organisational Development Strategy has been refreshed during 2025 to reflect the challenge of meeting the increasing complexity, diversity and volume of demand which is changing how police forces operate and strive to deliver the required levels of public service delivery.

The People and Organisational Development Strategy (2025-29) aims to meet the changing demand and skills requirement of our future workforce, enable the Force to overcome key workforce challenges and become increasingly resilient and agile.

By incorporating key people objectives of the South Wales Police Delivery Plan (SWPDP), the strategy is then an enabler for SWP to develop a fit for purpose organisation and workforce. One that is sustainably capable of delivering our vision of providing an ***outstanding service, that is accessible, reliable and trusted by our communities***.

5.1.2 **OurValues are :Courage, Integrity and Compassion**

These values are central to how we support and respond to the public and our colleagues. They define the **organisational behaviours** that are expected from everybody working within the Force.

Key to ensuring that our people are ready, willing and able to deliver the service and change required; will be the provision of robust people policy, processes and services that help create an **inclusive workplace culture** where our teams are clear about expectations of them and the support in place to ensure they can excel and **be the very best they can be**.

5.1.3 Our Behaviours

1. **Customer First**

   We are a caring and compassionate team driven to provide the best service possible and represent value for money to the communities we serve.

2. **High Performing**

   We want our people to be focussed on quality services and strive to deliver, in full, our commitments to our communities. We will have a collective focus to always be the best we can. Critically analysing our performance & learning from things that do not work, as well as those that do.

3. **Learning & Innovative**

   We expect our people to take personal responsibility for developing their skills and knowledge so they become the best they can. We will have a restless ambition for improvement, learn from events and be open minded to learning new ideas from others within SWP or from other partners. We will be creative and innovative in how we continuously improve the way services are delivered.

4. **Inclusive**

   We will provide an inclusive environment in which employees are afforded equal opportunity to be the best they can. People’s different skills and perspectives will be used to develop new ways of addressing core issues. Our leaders will be role models, inspiring and engaging employees to realise their full potential. Encouraging transparency, trust, and honest, regular feedback.

5. **Empowered & Accountable**

Our workforce will enjoy open communication channels and have a real and meaningful employee voice. We aspire to create an environment where employees are prepared to challenge convention and openly contribute to improving things that matter. We want a culture where all people are trusted and empowered to make decisions. We take ownership for what we do and are accountable for our actions.

6. **Agile & Resilient**

We will develop a flexible workforce that is able to meet force wide demands. Working across the command units and functions, our skilled workforce will provide agile and collaborative solutions, enabling optimal workforce mix and effective workplace practices. We will have a **'one force'** mentality and look to increase our resilience through effective deployment and utilisation of our employees across the Force and approaches with external partners and suppliers.

5.1.4 The Delivery of the Strategy is underpinned by 4 Strategic Objectives:

Objective 1 We will prioritise the Safety, Wellbeing & Resilience of our People.

Objective 2: We will create a more representative and inclusive workforce

Objective 3: We will support our people to be confident leaders, and active contributors

Objective 4 We will increase workforce capacity, through more effective workforce planning and development.

5.2 Budgeted Establishments

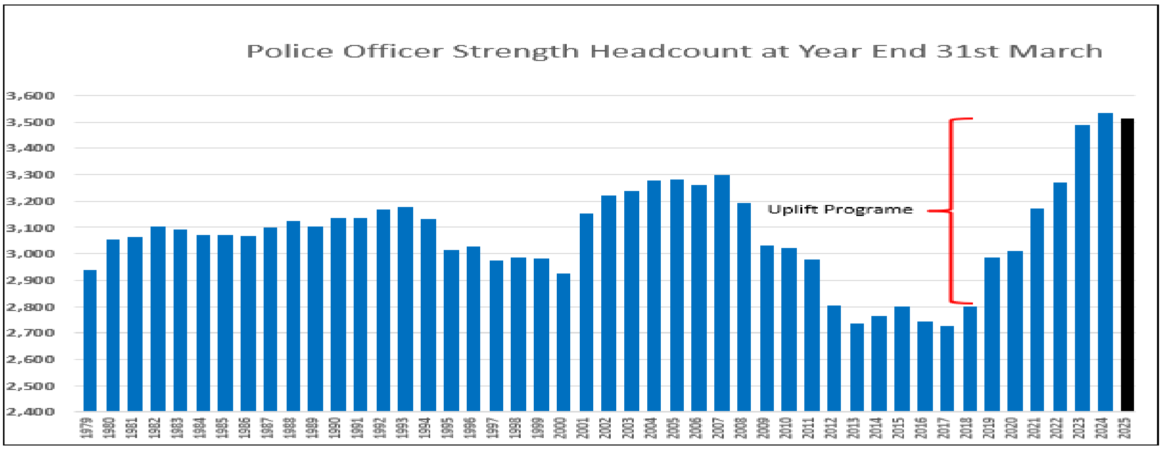
5.2.1 The MTFS reflects a PCSO establishment of 204 full time equivalent (FTE) posts funded, from the South Wales Police budget which compliments the revised target of 123 PCSOs (previously 247) funded by the Welsh Government and 10 funded by Rhondda Cynon Taff.

5.2.2 Detailed operational assessments have been undertaken to ensure the positive community impact of this partnership continues to be protected. Our investment in officer and PCSO tracking and tasking has already shown a 20% increase in the visibility of PCSOs in the community and we are unique in being able to demonstrate PCSO activity across the Force in this way. The new target under the Neighbourhood Policing Guarantee is to increase officers and PCSO's in neighbourhoods by 110 by March 2027 to retain the ring fenced grant of £8.3M. The table below summarises our projected establishments over the medium-term planning horizons:

Establishments	2025/26 WTE	2026/27 WTE	2027/28 WTE	2028/29 WTE	2029/30 WTE
SWP Funded Core Establishment					
Police Officers	2,828	2,841	2,841	2,841	2,841
Police Staff	1,873	1,915	1,915	1,915	1,915
Police Community Support Officers	204	204	204	204	204
	4,905	4,960	4,960	4,960	4,960
Police Uplift Programme					
Police Officers	519	492	492	492	492
Police Staff	136	136	136	136	136
Police Community Support Officers	0	0	0	0	0
	655	628	628	628	628
Externally Funded					
Police Officers	183	178	178	178	178
Police Staff	439	439	439	439	439
Police Community Support Officers	133	153	143	143	143
	755	770	760	760	760
Neighbourhood Policing Guarantee					
Police Officers	47	77	77	77	77
Police Staff	0	33	33	33	33
Police Community Support Officers	0	0	0	0	0
	47	110	110	110	110
	6,362	6,468	6,458	6,458	6,458

5.3 Historic Police Officer Numbers

5.3.1 The chart below tracks actual strength in terms of headcount at a point in time ie officers in post at March each year from 1979 to 2025 to provide a long term perspective on police officer numbers. The budgeted position is FTE whilst the Police Uplift programme (PUP) measures against headcount at each year end, hence the chart below.

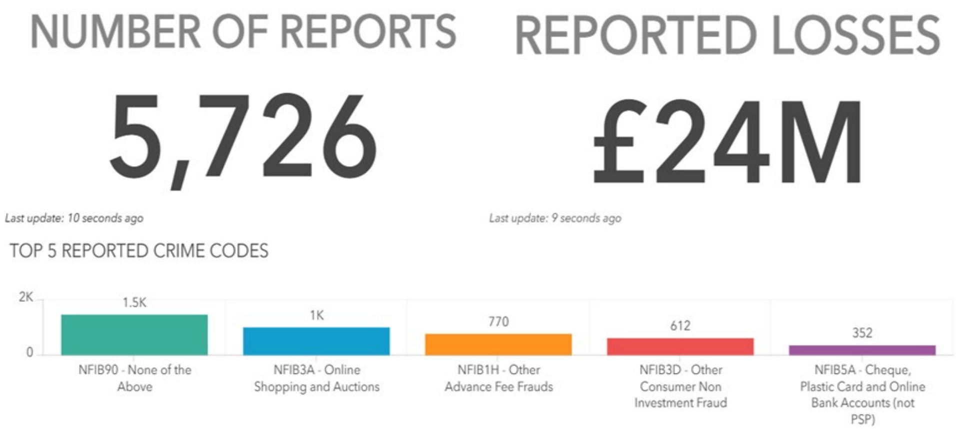


5.3.2 The 2026-27 budgeted establishment reflects 519 increase in posts as part of the Government's 20,000 Police Uplift Programme (PUP), which was baselined for South Wales Police as at March 2019 with a headcount officer numbers of 2,995. When comparing the PUP funded increase of 519 a historic peak of 3,300 at March 2007 the net additionality over 18 years is 214 officers (3,514 compared to 3,300). However, this ignores the impact of the vacancy factor which effectively reduces the establishment by an equivalent of 100 posts giving a net increase of 114 some of these were directed to areas of vulnerability and harm mitigation.

5.3.3 It is not possible to accurately assess the long-term consequences of these reductions but some considerations would be as follows:

- The significant loss in police resources, skills, knowledge, and experience.
- The is increased focus on vulnerability with concerns on low outcome rates.
- The deterioration in the trust and confidence in policing.
- The increased threat of terrorism and extremism.
- The growth in technology and use of technology in the evidential process adds additional complexity and resource requirements which are not funded.
- Internet-related crime and online fraud offences have increased with reported losses due to fraud in the South Wales Police Area amounting to £24M in the 12 months to November 2025 (source Action Fraud).

The table below shows the crimes recorded by Action Fraud:



Policing has therefore changed dramatically over the past 18 years and the complexity of issues required to addressed upon first response are markedly different and take longer to address. These pressures despite the net 114 post increase, still show a large shortfall in frontline officer capacity to meet demand. This has necessitated a productivity review to increase frontline response officer capacity by 300,000 hours or the equivalent of an additional 170 officers. A new Resource Allocation Management Programme is being chaired by the DCC to deliver this capacity from within the organisation.

5.4 **Maximising the Allocation of Uplift Officers and Staff**

5.4.1 A task and finish project was created to ensure that the officer and police staff posts arising from the Uplift Programme were targeted to make the greatest impact. The project applied objective criteria to ensure priority areas were identified and addressed including the findings of the strategic operational assessment, the Force Management Statement and productivity and efficiency considerations. The Police Uplift Programme funded officers and staff using the prioritisation matrix are detailed in **Appendices 4 and 5,** together with the rationale for allocation.

6.0 SOUTH WALES POLICE FINANCIAL STANDING

6.1.1 This Financial Strategy has considered the resource implications arising out of the updated Police, Crime & Justice Plan, the Chief Constable's new Delivery Plan, the Strategic Operational Assessment and the Force Management Statement.

6.1.2 To ensure a holistic financial planning process to deliver an effective policing service across South Wales a robust risk management framework is in place. The supporting business processes ensure we drive resource decisions to mitigate the identified risk and capitalise on opportunity.

Issues and Uncertainty Registers

6.1.3 There are a number of threats linked to the present economic circumstances which are well documented within this report. There are also a number of substantial resource implications arising from the identified issues and uncertainties as follows:

a) There is a need for a Strategic Command Centre to be operational in time for the Euros in 2028, therefore this has been factored into the Capital Programme. Lack of an appropriate facility would risk the smooth operational policing aspect of the event and could cause harm to the public and cause reputational harm. A sum of £2M has been profiled into the Capital Programme.

b) Cardiff Central Police Station is no longer fit for purpose as a Capital City Police Station. A business case outlining options for a suitable replacement on the current location is currently being drafted.

c) The Western area of the Force area requires new custody facilities the current facilities are incapable of meeting new requirements due to building constraints.

d) The Waterton sight is in need of redevelopment to ensure that there are appropriate arrangements in place for operational support units such as the Dog Section, Mounted Section and Tactical Support Units and operational safety training.

e) The ICT Infrastructure to protect against cyber attacks needs investment, the risk and potential for significant disruption to operational policing has been evaluated and remains under continued vigilance. A programme of work is underway.

f) Sustainability and the drive to net zero is an increasing focus as the statutory deadlines are approaching. The Capital Programme includes decarbonisation work for the Estate and a transition to Electric and Hybrid Vehicles along with the associated charging infrastructure.

6.2 Reserves and Provisions

6.2.1 There is a legal obligation on the Police and Crime Commissioner to have proper regard to the totality of the settlement when considering the approach to the budget for 2026/27 and subsequent years, including an assessment of the contingency reserve. The most up-to- date Reserve Strategy is shown at Part D of this strategy.

6.2.2 The updated 5 year estate strategy identifies the need for a replacement for Cardiff Central Police Station, a new custody facility in Swansea, a Strategic Co-ordination Centre and new Public Order Training facilities. Decarbonisation is also now a key element of the Estates Strategy as set-out above.

6.2.3 Major capital schemes at one time were able to be funded from either direct capital grant allocation or supported borrowing including PFI funding. However, these options have all been withdrawn, and major capital schemes now have to be funded through local means. One such means is the establishment of a capital reserve over the medium to long term, given the extent of prudential borrowing already undertaken, this additional borrowing requirement should ideally be funded by a Capital Reserve, and therefore the target for Capital Reserves should ideally be £85M by March 2030.

6.2.4 The table below shows the forecast balance in our reserves at March 2026 against the required target level of £116.4M resulting in a shortfall in reserves of £45.1M principally due to the known funding required to maintain a Capital Reserve to address the Estate Strategy issues.

Reserves and Provisions	Forecast 31.3.26 £M	Target 31.3.27 £M	Shortfall £M
Unallocated Reserves			
General Reserve	11.9	16.4	4.5
Earmarked Reserves			
Wellbeing & Equipment	0.4	0.2	0.0
Partnership Fund & Others	5.5	2.7	0.0
Regional Incentivisation	2.3	1.7	0.0
Operational Reserve	1.5	1.4	0.0
External Funds	8.5	3.5	0.0
Specific Requirements	3.9	0.2	0.0
Capital Reserve	44.3	85.0	40.7
Provisions			
Insurance Liabilities	5.3	5.3	0.0
Total	**83.6**	**116.4**	**45.1**

6.3 General Reserve

6.3.1 There is a requirement to maintain a prudent level of balances in line with the sound financial management principles and professional guidelines. It is even more important in times of austerity and high inflation (when budget flexibility is severely constrained and unpredictable), that an adequate level of contingency reserves is maintained to ensure any unplanned critical incidents are able to be addressed.

6.3.2 Sound financial principles advocate a provision of at least 1% for major incidents, 1% for day to day operating cashflow risk and 1% for other unknown events. This would suggest that a General Reserve should be maintained at a level of at least 3% of the gross operating expenditure. This translates to a General Reserve requirement of £16.4 M to be maintained and annually updated in line with budget and cost increases. The Reserve is currently short of this level by £4.5M. Given the extent of financial uncertainty it remains a priority to uplift the reserve to a sum of £16.4M as soon as finances permit.

6.4 Financial Risk and Resilience

6.4.1 In terms of South Wales Police's comparative financial health, the Force's current commitment to essential infrastructure asset replacements also results in long term new borrowing requirement of £85M with annual interest and principal (effectively the mortgage equivalent) of £6.7M, an increase of £1.4M from 2025/26 due to Capital Investment planned for Cardiff Central, Operational Safety Training and Custody provision (Swansea, Neath and Port Talbot area), these debt service costs being the first call on budgets.

6.4.2 These factors were reflected in the third APCC/NPCC sponsored national survey on police financial risk and resilience and conducted in 2025 across policing in England and Wales through to 2028. Using the national assumptions on cost and the June 2025 SR announcement for police funding, the following standardised indicators of Financial Risk and Resilience were developed and assessed.

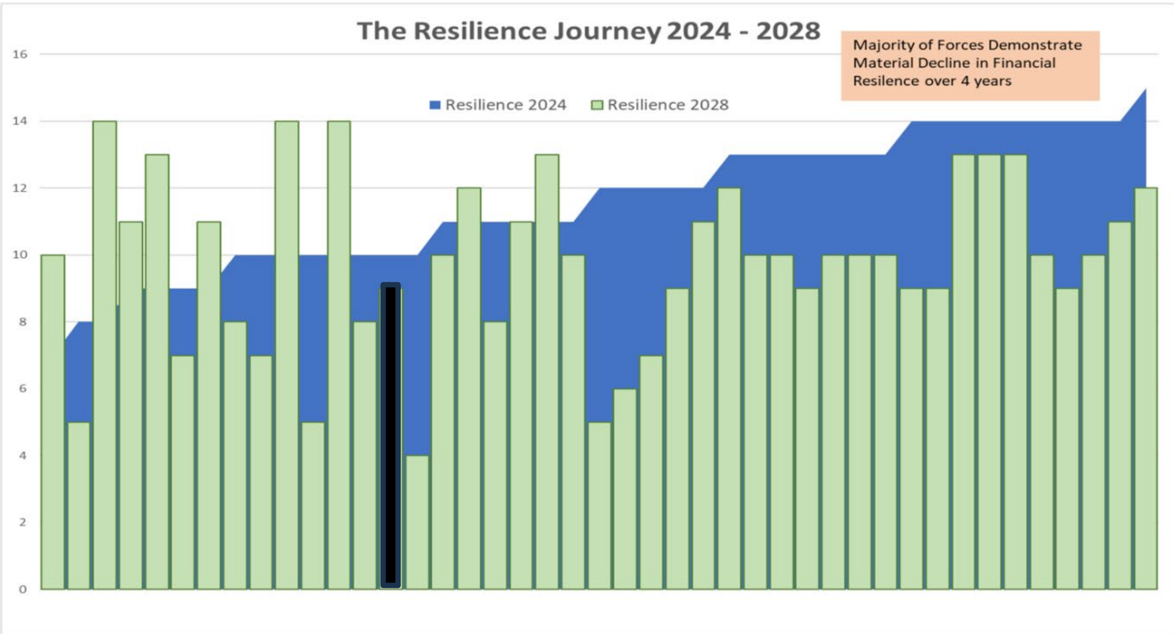
Measures of Resilience 2028

- ❑ Cash in Bank (Total Reserves)
- ❑ Funding Gap as a % of Budget
- ❑ Debt Financing as a % of Budget
- ❑ Total Debt as a % of Budget

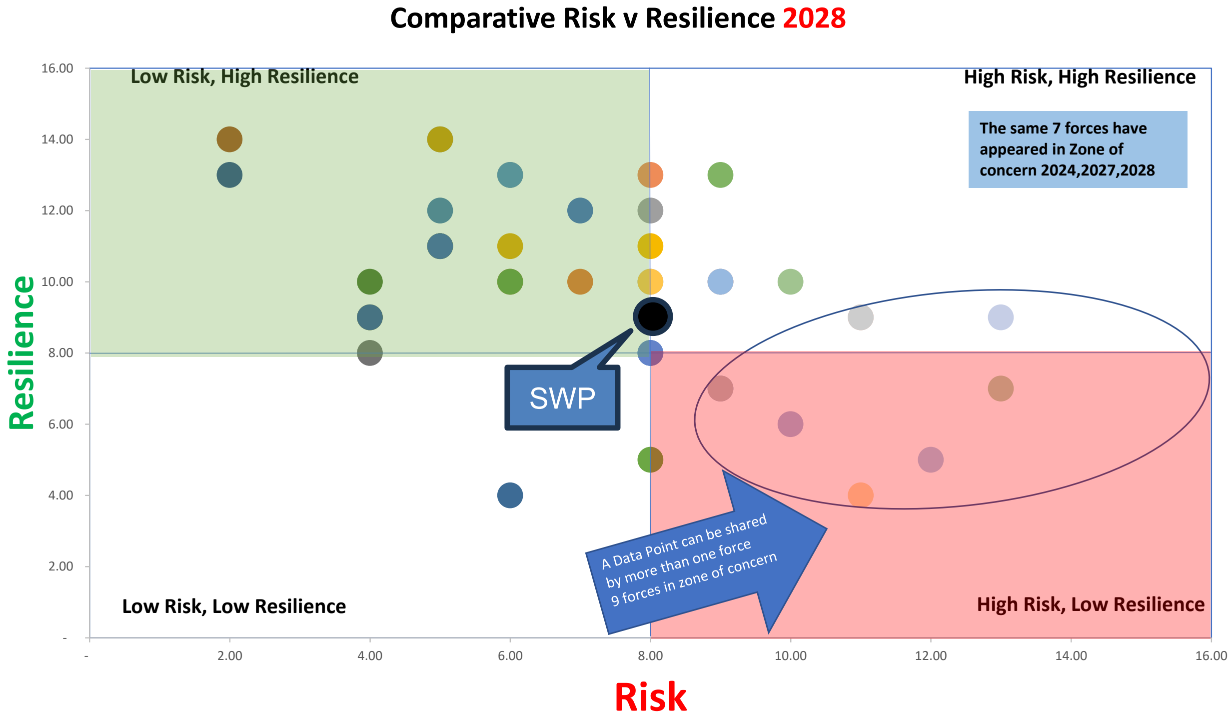
Measures of Risk 2028

- ❑ Rate of Decline in Total Reserves
- ❑ The rate of Increase in Budget Gap
- ❑ The rate of Increase in Debt Financing
- ❑ The rate of Increase in Debt

6.4.3 This work provided further evidence of the continued decline in police financial resilience and its capacity to cope with unplanned financial shocks as shown by the graph below which compares financial resilience in 2024 with the projected position in 2028 with comparative change for SWP (shaded in black on both charts).



6.4.4 The national survey also reveals a concerning picture particularly for 9 police forces carrying high levels of debt, low reserves, large budget gaps and vacancy levels. Whilst South Wales Police is currently outside the circle of immediate concern, its position has declined in comparison with other Forces and the financial gap and reserves are the underlying issues which this strategy seeks to address.



6.4.5 It is important to recognise that a number of forces also appear to have low risk and high resilience, this is due to a combination of historical factors such as favorable formula grant and comparatively higher council tax base and a healthy asset base.

6.4.6 There have been numerous instances of Local Authorities having issued Section 114 notices over the last few years and the list is growing. The policing survey suggests some police forces may be joining that list.

6.5 Conclusion

Whilst South Wales Police is outside the immediate zone of concern, the main contributors to the decline in financial resilience and increased risk are the inadequacy of General Reserves and growing budget gap as well as increasing debt levels to finance and address legacy estate issues.

7.0 VALUE FOR MONEY, PRODUCTIVITY, INNOVATION AND EFFICIENCY

7.1 Value for Money Targets

7.1.1 The police service has been unique in demonstrating year on year compliance with the efficiency agenda since 1999. In addition, due to the historic under funding and the inequities of the Police Funding Formula, South Wales Police has had to exceed the national targets to achieve a balanced budget, which in later years have been achieved through budget cuts.

7.1.2 The Value for Money (VFM) Plan savings achieved to 2025/26 and planned are detailed at **Appendix 12**. South Wales Police has to date delivered £72M in cuts and savings since the CSR2010. The table below is a summary of the achieved and forecasted VMF plans.

VALUE FOR MONEY CASH REDUCTIONS			
	Grant Cuts %	VFM Plan £M	Vacancy Factor £M
2010/11	1.9%	2.6	
2011/12	5.1%	16.4	
2012/13	6.7%	5.2	
2013/14	1.6%	2.3	
2014/15	4.8%	5.3	
2015/16	5.1%	7.5	
2016/17* Plus NI increase	0.6%	5.4	
2017/18	1.4%	3.1	
2018/19	0.0%	3.4	
2019/20	0.0%	7.2	
2020/21	0.0%	0.0	
2021/22	0.0%	0.0	
2022/23	0.0%	4.5	
2023/24	0.0%	9.6	9.0
2024/25	0.0%	0.0	9.0
2025/26	0.0%	0.0	8.0
Sub-Total		**72.5**	**9.0**
2026/27	0.0%	0.0	8.0
Identified savings 2027/28	0.0%	0.0	8.0
Identified savings 2028/29	0.0%	0.0	8.0
Identified savings 2029/30	0.0%	0.0	8.0
Total VFM Plan Revenue Savings		**72.5**	
Residual Gap Revenue		**9.7**	
Total VFM Achieved/Required 2010 to 2030		**82.2**	

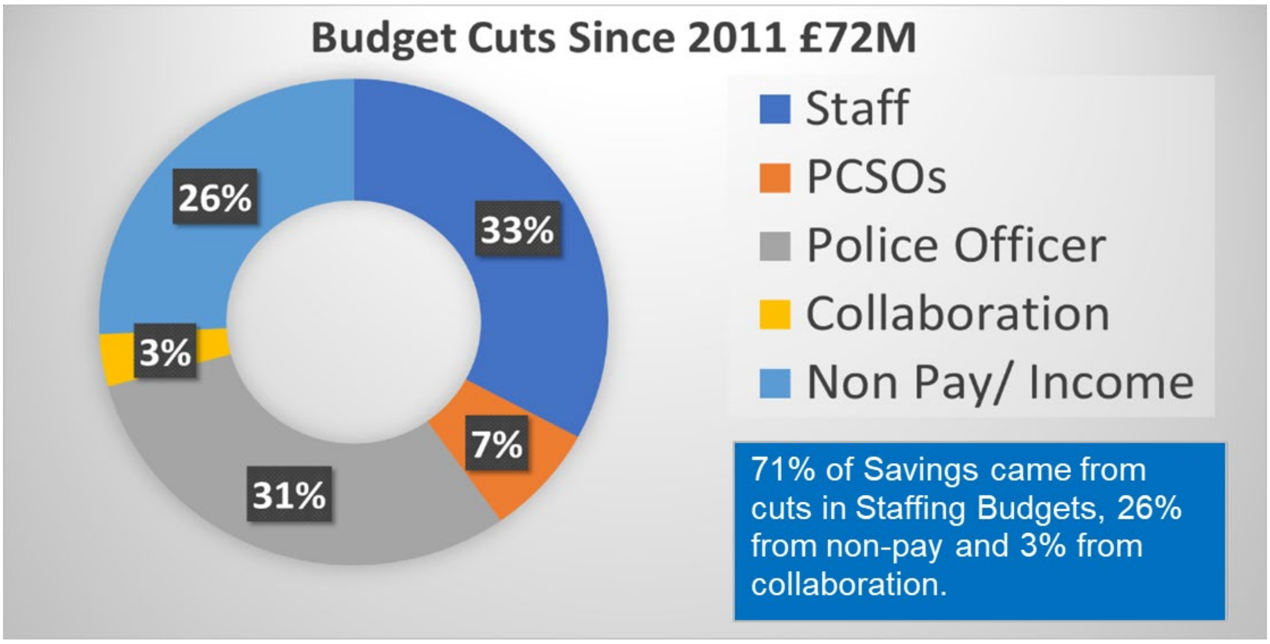
7.1.3 South Wales Police has implemented successive change programmes to continually transform the policing service and delivered £72M cash releasing savings to 2025/26 and some of the most significant initiatives delivered are as follows:

- Reduction from seven contact and controls rooms to one.
- Rationalisation of 16 custody facilities to 4.
- Rationalisation of 8 Basic Command Units to 3.
- Lean review and re-engineering of all back office functions and frontline support functions.
- Rationalised police estate by 33% and implemented Fixed -Flexible-Field working.
- Reduced police staff numbers by 31% 575 posts.
- Reduced police officer posts by 14% 479 positions.
- Reduced expenditure on Good and Services by more than 20% £15M.

- Extended collaborative work (£67M) with police forces, local authorities, other emergency services, probation service and Welsh Government as well as collaborative procurement with other public sector bodies.

- Given the difficult choices to balance the budget introduced a recurring vacancy factor of £9m (£5M police officer establishment and £4M police staff establishment) was introduced during 2023/24 and subsequent tight managed staffing levels and related budgets. However it has proven challenging to achieve a £4M vacancy factor on police staff budgets given the loss of nearly 589 posts during austerity and increase in demand. The police staff vacancy has been adjusted to a realistic vacancy factor of £3M to avoid budget overspend. The overall vacancy factor is complicated by the requirements to maintain officer numbers which are verified at September and March each year where any failure to maintain numbers results in disproportionate grant claw-back.

7.1.4 The combination of all the above initiatives resulted in significant reductions in budgeted expenditure. The reductions in police staff posts contributed 33% (£19M), reductions in police officer posts contributed 31% (£18M), reductions in PCSO's contributed 7% (£4M) and in goods and services 26% (£15M). In addition to the above a further vacancy factor of £8M remains built into the 2026/27 budget.



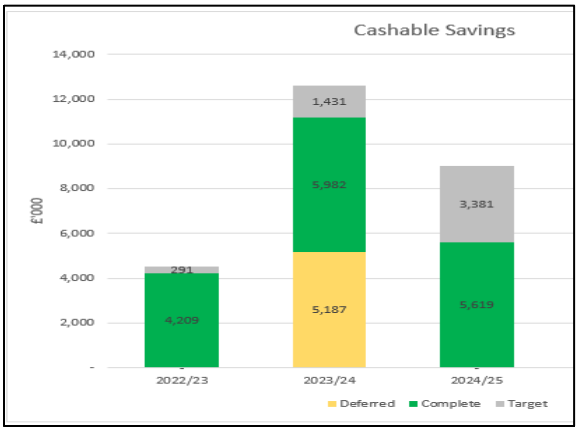
7.2 **Productivity, Innovation and Efficiency Strategy**

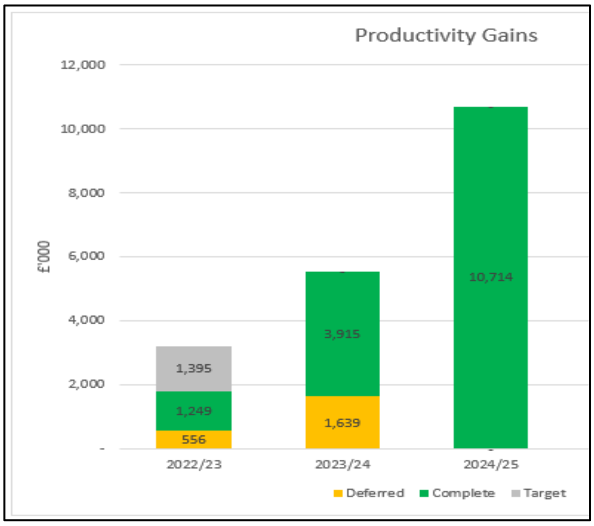
7.2.1 Given the real prospect of continued flat cash grant settlements and real-terms cuts to police budgets over the MTFS planning horizon as indicated by the OBR following their review of the Autumn 2025 Statement, the Force has developed a comprehensive Productivity, Innovation and Efficiency Strategy and governance structure to deliver the following:

- A comprehensive benefits realisation methodology, ensuring it is applied consistently.
- Embed benefits realisation into investment proposals by developing standard business case templates that will ensure business benefits are clearly identified and measurable.

- Quality assured business cases which are supported by subject matter experts, prior to Chief Officer Board approvals.
- Monitor and evaluate regional and national best practice initiatives on productivity innovation and efficiency.
- Develop and support business cases for national funding streams that demonstrate productivity, innovation, and efficiency.
- Develop a reporting framework on productivity and efficiency that facilitates resource alignment to organisational priorities.

7.2.2 The Strategy has developed performance methodology and progress against the above targets is shown in the graphs below in terms of both cashable savings and productivity gains.





7.2.3 Exceptional Productivity Gains were attained in 2024/25 due to the implementation of digital evidence capture technologies which saves considerable time for officers, including miles travelled, and provides more timely submission which in turn facilitates prompt and responsive investigation; innovative use of facial recognition software and changes to training programmes.

7.2.4 A number of new initiatives to further improve productivity and efficiency for 2026-2029 totaling £32M are as follows:

1. The Resource Allocation Programme will re-direct 300,000 hours to frontline response from within existing resources £11M equivalent investment value.
2. The Continuous improvement team has demonstrated £1.5M of time savings through improvements in workflow and processes.

3. The introduction of Robotics and automation has commenced with £0.2M of time savings so far and considerably more to be captured as new bots are approved and benefits tracked.

4. The Energy Strategy of tackling Cost, Consumption and Creation has a £3M per annum target when fully implemented by the end of the MTFS horizon.

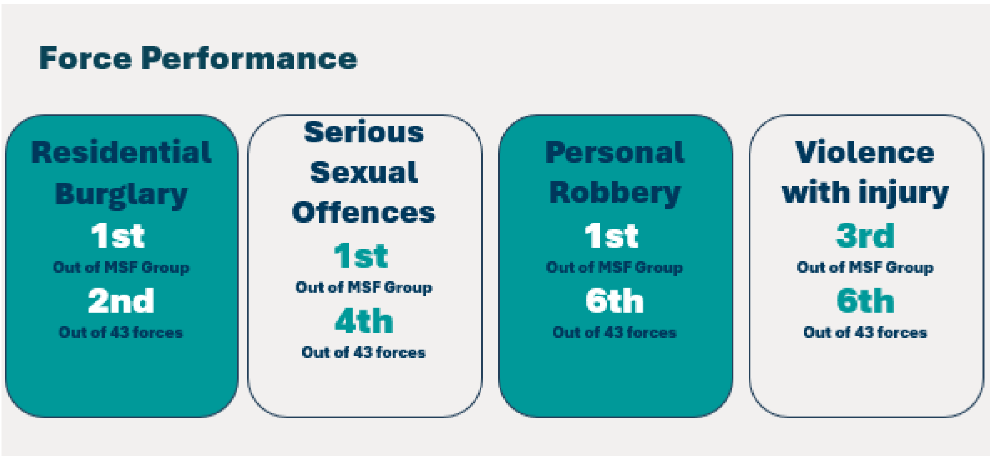
5. The new collaboration with Gwent Police on a single Technology service targets contracted services with a view to rationalisation of systems to give a 10% cost reduction or £3M per annum shared by both forces, in the ratio 34% Gwent Police and 66% South Wales Police.

6. A joint collaborative project with Gwent police on Citizen Centric Policing has an evidenced based business case which aims to deliver £5M of time savings through demand reduction once implemented and therefore shared benefits for both forces.

7.3 **Quality of Service improvements achieved by South Wales Police**

7.3.1 South Wales Police has throughout the extended austerity period, protected and maintained neighbourhood and community presence. We focused on achieving the best possible balance between Protection, Prevention and Early Intervention in line with our mission of **"To prevent, detect Crime, protect, serve, reassure communities and provide first class service to victims"** and our vision '***To be an outstanding police service, accessible, reliable and trusted by our communities'*.**

7.3.2 In keeping with our core mission and based on the data from His Majesty's Inspectorate of Constabulary, we consistently perform better that our most similar group of Forces/Nationally as shown below.



7.3.3 Despite the recurring financial challenges we have faced we have achieved some significant improvements in performance in comparison to all forces and we are **recognised as one of the best performing forces in England and Wales.** It is a long list, but some of the improvements achieved despite austerity challenges include:

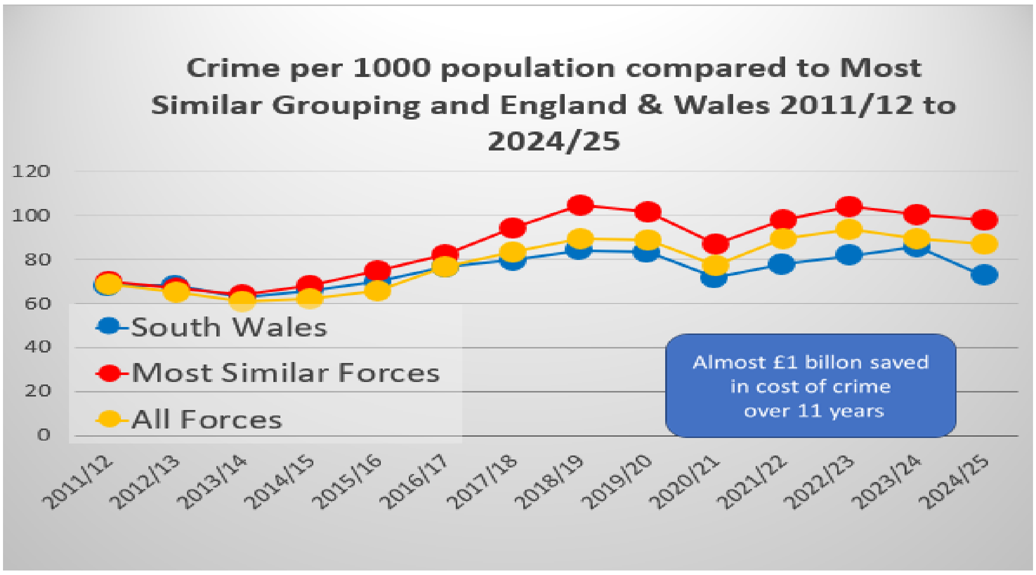
- A consistent and protected model of Neighbourhood Policing. (HM Inspectorate were concerned that many forces have eaten into Neighbourhood Policing capabilities);
- A beacon Public Service Centre shared with two fire Authorities and a Clinical Desk for the Wales Ambulance Service;
- Maintained assets and capabilities that support the National UK wide Strategic Policing Requirement;
- Leading nationally on development and use of technology to transform policing;
- Modern collaborative vehicle fleet and fit for purpose workshop; and
- Modern and legislatively-compliant custody facilities.
- Addressed the majority of the estate dilapidations with now only a handful of key buildings needed to be addressed
- Developed one of the most integrated IT systems on Resource and intelligence in policing.
- State of the art Police Learning Centre ensuring new recruits have the best possible start in the policing careers and on-going professional development.
- State of the art collaborative Firearms Range construction to be finished in September 2026.
- On the cusp of delivering a full data analytics capability.

7.3.4 These year-on-year improvements have brought the service up to a level that we believe the public of South Wales have a right to expect and receive. The Commissioner and Chief Constable are committed to continuing with this impressive level of performance.

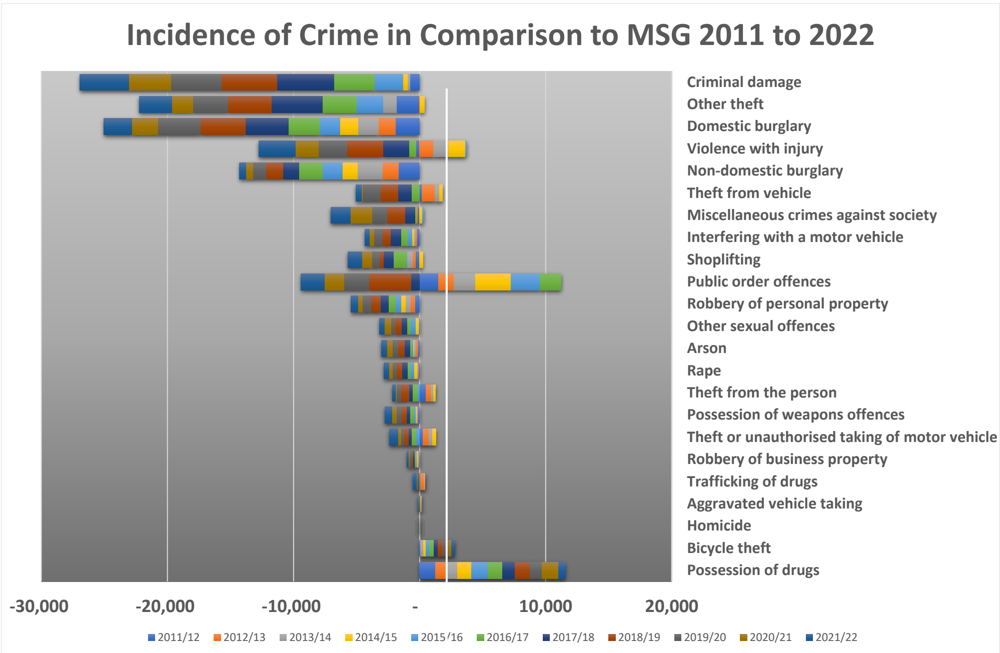
7.4 **HMICFRS Value for Money Profiles and Economic Cost of Crime**

7.4.1 In addition to delivering the above performance during a period of austerity the HMICFRS has reviewed our comparative performance and reported as shown below together with particular praise on the recent thematic inspections into child protection.

7.4.2 Using HMIC benchmarking data set South Wales Police can demonstrate that it has prevented significantly more harm in our communities in comparison to our most similar group of forces for over a decade through year on year fewer crimes per 1,000 population. The following chart tracks crime per 1000 population from 2011 to 2025 and shows achievement of lower crime in South Wales than our most similar forces and indeed all forces.



7.4.3 This is further analysed below into individual crime classifications and shows that apart from Public order and procession of drugs the public across the South Wales Police area are at considerably lower risk of experiencing crime.



7.4.4 Every crime has an emotional and economic cost and an academic study published on the Home Office Website "The Economic and Social Costs of Crime" (second Edition July 2018) has sought to empirically attribute an economic value to each type of crime experienced by individuals and society.

7.4.5 Using this study and the comparatively lower crime levels achieved in the South Wales area, it is possible attribute a cost and hence the benefit of the policing model in South Wales. The cumulative benefit through not becoming a victim of crime over the past eleven years for the communities of South Wales amounts to £916M as per the table below.

Financial Year	**£M**
2011/12	91
2012/13	13
2013/14	74
2014/15	22
2015/16	58
2016/17	125
2017/18	111
2018/19	131
2019/20	107
2020/21	120
2021/22	106
TOTAL	**916**

7.4.6 A key measure of success for policing is the prevention of crime and the benchmarking analysis undertaking by HMICFRS demonstrates the value and effectiveness of our policing approach.

7.5 **VFM Conclusions**

7.5.1 South Wales Police has proven to be efficient and effective and in comparison, to its most similar group of forces.

7.5.2 Despite the national economic circumstance the South Wales Police Financial Strategy has enabled a year-on-year balanced budget, but this has been a challenging process with some difficult decisions having been taken to deliver an effective police service with declining resources.

7.5.3 With 54% of the pay budgets effectively ring fenced (due to the need to evidence Uplift on an agreed base) and with non-pay budgets subject to cost of living pressures/high inflation and supply chain backlogs. There are increasingly limited options to deliver a sustainable balanced budget.

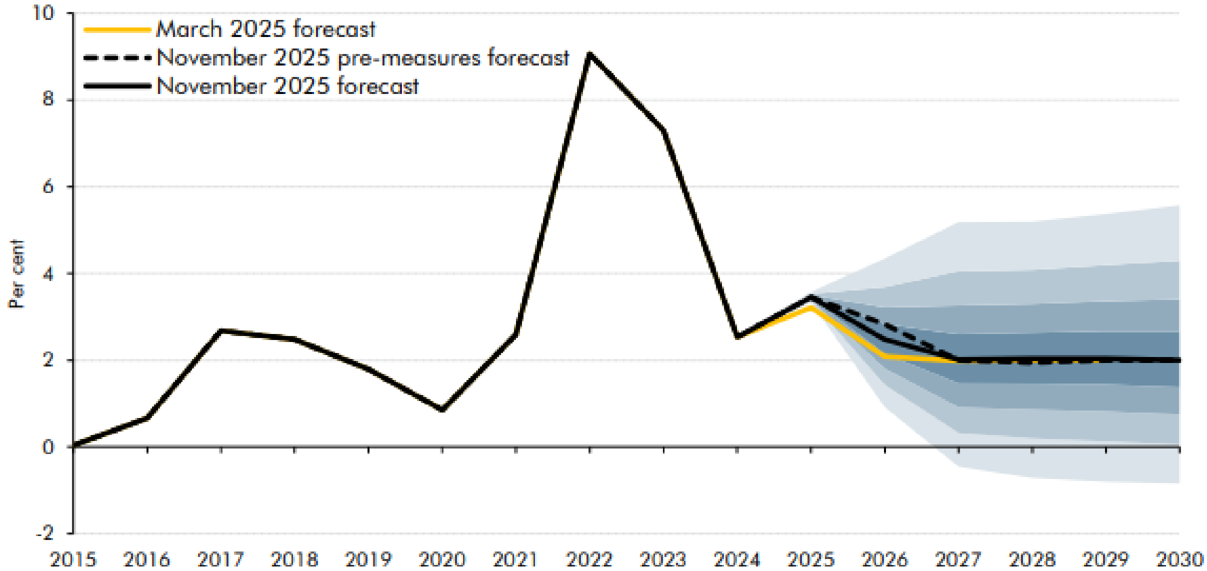
7.5.4 South Wales Police continues to target productivity gains through the implementation of cost effective digital solutions that also contribute to quality of investigations are further of programme of £32M of productivity and Efficiency has been initiated.

7.5.5 Whilst the Government has recognised the need to replace the lost capability and capacity in policing due to austerity with 20,000 officers (to replace the 21,000 officers lost), and the Neighbourhood Policing Guarantee, there remains a considerable shortfall of funding to sustain core budgets.

7.5.6 This is compounded by the impact of inflation of pay and price increases and organisational support structures to sustain Uplift in terms of technology, transport, uniform, property, training recruitment, are all adding to the financial pressures.

8.0 UK ECONOMIC CONTEXT

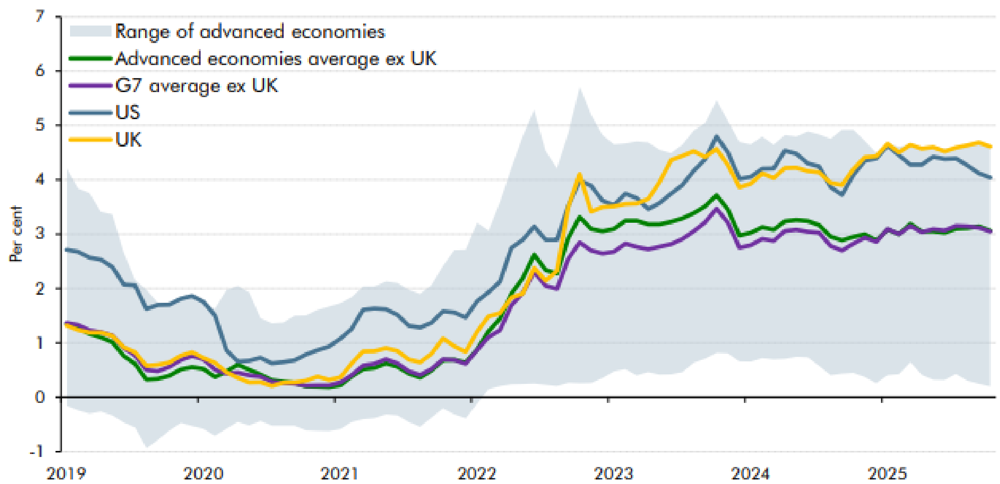
8.1 The graph below shows the current OBR forecast for inflation as measured by the Consumer Prices Index (CPI).



Note: Successive pairs of lighter-shaded areas around our central forecast represent 20 per cent probability bands.
Source: ONS, OBR

8.2 Having fallen back to around the 2 per cent target in mid-2024, CPI inflation stood at 3.6% for the 12 months to October 2025 (published November). Whilst forecast to return to 2% by early 2027, the chart demonstrates the considerable variation in forecasts. Whilst the rate of inflation is falling from previous years very high price increases against most goods and services this is now baked into the system and hence the Force's budgets. Higher living costs have also resulted in employment costs rising – noting that pay accounts for 80% of the force spend.

8.3 From its current level of 4.00%, the Bank Base Rate is expected to fall to 3.5% in 2027 before rising to 4.00% again towards the end of the MTFS horizon in 2029/30. Government borrowing costs, influenced by guilt yields, are also steadily increasing. This has implications for this MTFS as the any borrowing by the Commissioner (see Part B - Capital Strategy) will be sourced from the Treasury via the PBLW. The infographic below shows rising guilt yields.



9.0 ENGLAND & WALES POLICING SETTLEMENT

9.1 Background

9.1.1 This is the second police settlement following the election of a new government on 5 July 2024 and follows the June 2025 Spending Review (SR) that broadly outlined funding for policing nationally over the SR period to 2029. Analysis performed on behalf of the National Police Chiefs Council (NPCC) indicates that the CSR provided increases to police funding as outlined below.

	2026-27	2027-28	2028-29
	£m	£m	£m
Overall Funding Envelope from Treasury	19,560.0	20,350.0	20,850.0
Less Provision for Counter Terrorism Funding	1,200.0	1,260.0	1,260.0
Allocation to Forces	18,360.0	19,090.0	19,590.0
Precept Assumptions	6,421.0	6,800.0	7,200.0
Police Grant	11,939.0	12,290.0	12,390.0
Increase in Police Grant over previous year	**433.0**	**351.0**	**100.0**

9.1.2 Whist the amounts remain indicative for 2027/28 and 2028/29, the settlement provides much needed insight into futures to inform a medium term financial strategy.

9.1.3 The settlement confirms an additional £433m nationally in 2026/27 which then declines to an additional £100M by 2028-29. The national projections using standard assumptions indicate a £1.6 Billion shortfall in police funding to 2028-29 and the need for urgent reform to sustain policing.

9.1.4 Wages account for nearly 80% of Gross Revenue Budgets for forces nationally, an area in which there has been a significant upwards pressure over the past couple of years. The most recent pay award for officers and staff in September 2025 was 4.2% but most forces had only budgeted an average 2.5%. The Home Office has provided a one-off grant in 2025-26 to cover the gap, but this is not recurrent and full implications of the September 2025 pay ward fall on local funding. Importantly the incremental costs of officers recruited under the Police Uplift Programme are also not funded which adds to budget pressures.

9.2 Core Grant Funding

9.2.1 The Home Secretary letter states that “ total police funding to police forces will be up to £18.4bn, an increase of £796m compared to 2025-26, a 4.5% cash increase and a 2.3% real terms increase”. However this funding also assumes an increase in police precept of £363M – which is subject to local decisions by Commissioners and therefore cannot be assumed. The central grant increase is therefore £433M

Importantly £50M of the additional £433m of central grant allocations is ringfenced to deliver an additional 1,750 officers in neighbourhoods. The Home Office has ringfenced a total of £363M to deliver the objective of 4,750 additional resources in neighbourhood by March 2027 compared to the March 2025 baseline. The continued ring fencing is explained in the following settlement quotes:

"To simplify the police funding settlement, there will only be one conditional workforce grant in the 2026-27 settlement: the Neighbourhood Policing ringfence grant. To qualify for this grant forces will need to meet their Neighbourhood Policing target.

…The government still expects forces to prioritise maintaining overall operational capacity but has listened to feedback on the importance of workforce flexibility"

9.2.2 The consolidation of the previous ringfenced grants into core grants has also created a redistribution of the PUP Recruitment Top Up Grant (£106.7M) from an allocation that was based on an amount per officer recruited to an allocation now based on funding formula share. This has resulted in some forces being disadvantaged including South Wales Police.

9.2.3 None of the previous ring fenced and direct allocations have been uplifted for inflation .

	2025-26 £M	**2026-27 £M**	**Difference £M**
Core Grant	9,486.5	10,132.5	646.0
Legacy Council Tax Grants	552.4	552.4	-
NICC	255.2	255.2	-
Precept Grant	8.5	8.5	-
Pensions Grant	398.1	398.1	-
Officer Maintenance Ringfenced Grant/ PUP	270.1	-	(270.1)
Additional Recruitment Top-Up	106.7	-	(106.7)
NIC	230.3	230.3	-
Neighbourhood Policing Grant	199.2	363.0	163.8
TOTAL	**11,507.0**	**11,940.0**	**433.0**

9.2.4 It is noteworthy that the Home Office Settlement letter from the Home Secretary and the Policing Ministers Statement to the Commons makes no reference to funding of future pay awards.

Total funding to territorial police forces will be up to £18.3 billion, an increase of up to £746 million compared to 2025-26. This equates to a 4.2% cash increase and a 2.0% real terms increase for police forces. For Police and Crime Commissioners in England the council tax referendum threshold will be £15 for a Band D property.

Funding for Counter-Terrorism Policing will increase by at least £52 million to £1.2 billion in 2026-27. Police and Crime Commissioners will be notified separately of force-level funding allocations for CT Policing, which will not be made public for security reasons.

We will publish a Police Reform White Paper in early 2026 which will set out a vision to bring policing into the modern age with the technology, innovation and structures they need to ensure policing can focus on the crimes that matter to the public and to drive out waste and inefficiency. As with previous years, a copy of the Police Grant Report (England and Wales) 2026-27 will be laid before the House by my rt hon Friend, the Home Secretary, in the New Year.

9.3 Top slicing

9.3.1 The table below reflects top sliced allocation in 2025/26 we are still awaiting announcements in respect of these top sliced allocations which are outside the core funding and therefore the Net budget requirement. It would be prudent to assume a standstill position on the overall sum given the pattern of direct grant freezes in the rest of the policing settlement. 2026/27 data has yet to be published at the time of writing.

Home Office Top Slicing	2024/25 £M	2025/26 £M
Counter Terrorism Specific Grant	1,018	1,160
Legacy Council Tax	552	552
Police Technology Programmes	501	501
Capital Reallocations	129	123
PFI Grant	71	71
Serious Violence Strategy	46	50
National Capability Programmes	50	48
Police Special Grant	34	49
Top Ups to ROCU and NCA	32	38
Drugs and County Lines	30	30
NPCC Programmes	8	3
Police Aviation		2
Forensics	13	0
Tackling Exploitation and Abuse	18	0
Crime Reduction Capabilities & Programmes	0	0
Fraud	18	0
Cyber Crime	13	0
Arms Length Bodies - HMICFRS etc	66	0
Productivity & Innovation	11	0
Total Home Office Top Slicing	**2,607**	**2,627**

9.4 Infrastructure Funding

9.4.1 Capital grant funding in of respect replacement technology, transport, and property related expenditure has been zero since 2019. A decade ago the Police Capital Grant to forces was £110M. The South Wales Police share of this was £3M per annum (2010) but this was reduced to nil in 2022/23. The resulting burden of funding now falls on revenue grants and police precept.

	Capital Grant £M	Special Capital Grant £M	National Police Air Service £M	Police Live Services, Arms Length £M	CT, SOC, Technology £M	Total £M
2013/14	106.0	1.0	13.0	0.0	0.0	120.0
2014/15	109.3	1.0	10.0	0.0	0.0	120.3
2015/16	109.5	1.0	10.4	0.0	0.0	120.9
2016/17	54.1	1.0	16.5	10.4	0.0	82.0
2017/18	45.9	1.0	12.2	18.1	0.0	77.2
2018/19	45.9	1.0	15.2	13.1	0.0	75.2
2019/20	46.9	1.0	11.5	16.6	0.0	76.0
2020/21	12.3	1.0	11.5	13.1	38.1	76.0
2021/22	12.3	0.0	11.5	9.2	31.6	64.6
2022/23	0.0	0.0	12.0	4.0	172.1	188.1
2023/24	0.0	0.0	11.7	5.4	87.8	104.9
2024/25	0.0	0.0	13.1	4.0	111.6	128.7
2025/26	0.0	0.0	11.5	0.0	111.6	123.1

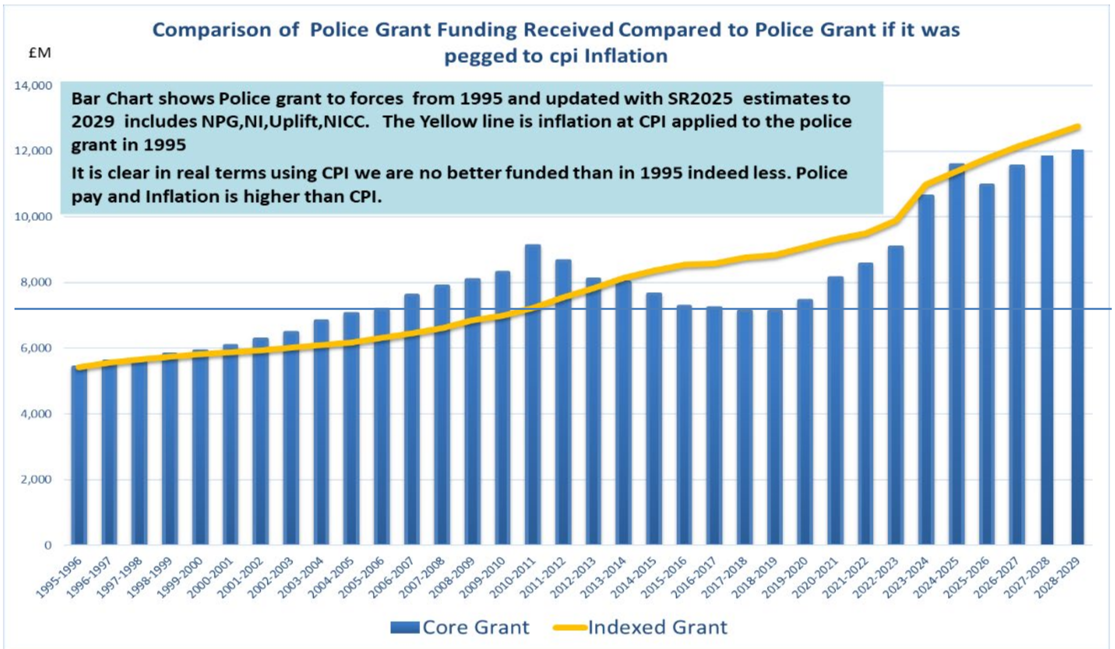
9.4.2 The total capital funding across policing initiatives peaked at £188M in 2022/23 and reduced to £123.1M by 2025/26 now being directed entirely towards centrally managed initiatives.

9.5 The Cumulative Impact of Government Decisions on Police Funding

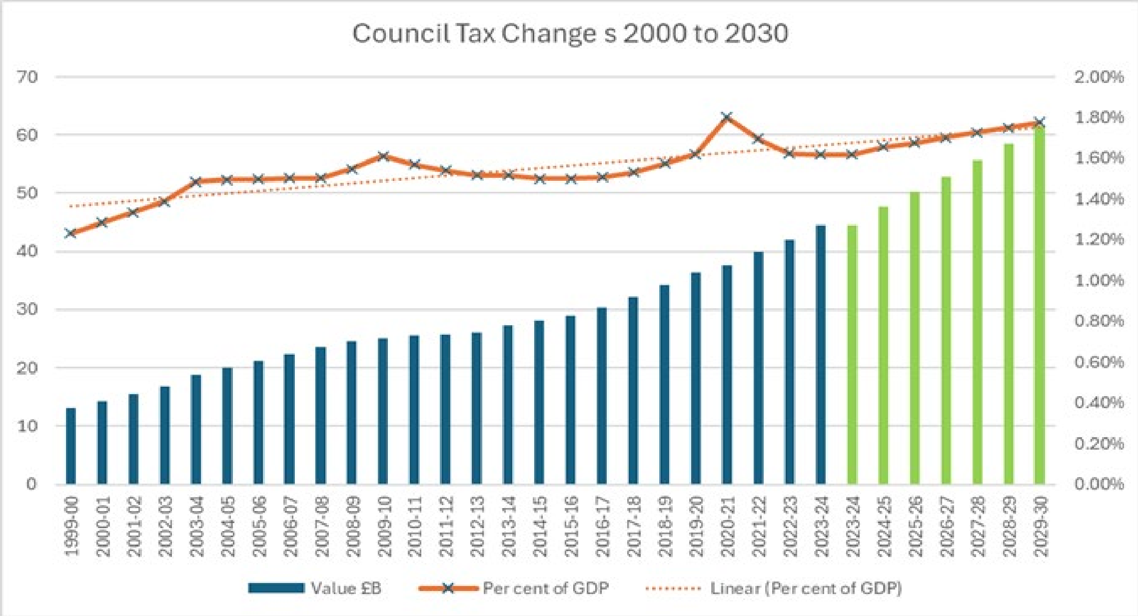
9.5.1 The June 2025 Spending Review – set out funding levels for policing up to 2028/29. There continues to be a forecasted real terms reduction in funding for both 2027/28 and 2028/29 as outlined below, government use GDP deflators to base real terms assessment. Police inflation is well in excess of GDP deflators hence a difference of perspective on real terms decreases.

9.5.2 This strategy has tracked police grant allocations since 1995 to the present day in cash terms and the annual CPI inflation. The chart below clearly shows that any above inflation growth in police grants which started from 2000 was effectively taken back through cuts by 2020. This was acknowledged as the most financially challenging (but manageable- HMICFRS) funding settlement for policing in a generation, this translated into a real-terms reduction of 20% and led to a 21,000 reduction in officer numbers.

9.5.3 Whilst the Police Uplift Programme and funding helped to replace some of the 21,000 officers cut, the legacy of underfunding is still evident. When comparing the police grant funding forces for from 1995 to date against CPI it is also clear that in real-terms the funding is no greater than that received in 1995 so essentially frozen in real terms for over 30 years.



9.5.4 That is an unrealistic proposition as it is not possible to maintain the same level of resources with real terms funding pegged at 1995 for central grants and consequently a combination of collaboration, productivity , cost cutting initiatives and measured increases in police precept have been necessary. The Treasury’s policy shift of a greater proportion of local funding for local services is evidenced by the below OBR analysis and the chart demonstrates the change in Council Tax from 1999 to 2030 where by the amount of tax as a proportion of GDP rises from 1.2% to 1.8% and the tax yield increases from £15B to £60B by 2030.



9.5.5 The Government's announcement of funding for 20,000 police officers acknowledges the difficult policing challenges being faced. However, as core inflation is not funded then this creates an acute financial challenge for Commissioners and Chief Constables. With more than 50% of the police budgets comprising police officer establishment with ringfenced funding and long-term contractual commitments impacted by inflation, means that any unfunded inflation has to be mitigated through precept and vacancy factors which are currently £8M per annum.

9.5.6 The policy shift to precept funding to help bridge the budget gap due to inflation is also not sustainable, and greater central support through a fair funding formula that addresses the local challenges has to be the right solution.

9.5.7 It is hoped that a review of the police funding formula will address the disadvantages being experienced by the Force during the current parliament. However, the problematic funding formula has been an issue that has not been resolved in the past quarter of a century and hence optimism is low in this regard.

10.0 SOUTH WALES POLICE CAPITAL GRANT ALLOCATONS & CAPITAL PROGRAMME AND CAPITAL STRATEGY 2026-30

10.1.1 As a consequence of successive reductions to police capital grant the SR2021 settlement effectively removed any capital grant allocations to local policing. Therefore, the financing of capital asset replacements and projects falls on the Revenue Account.

10.1.2 The Capital Programme is based on comprehensive Estate, Transport, ICT and Digital Services Strategies which are regularly refreshed and have been prioritised to maximise the limited resources available to maintain the capital infrastructure, upon which effective policing service is now dependent.

10.2 Capital Strategy

10.2.1 Given the prudential regime, it is important to prepare a capital statement and approve a Capital Strategy. This statement is intended to describe how the Police and Crime Commissioner and the Chief Constable collectively determine the programme of capital investments, including how key priorities are identified.

The Capital Strategy is important because it promotes the most effective use of capital resources by ensuring that the capital investment programme is closely aligned to key priorities; and the assessment by HMICFRS and External Audit is that it contributes to both the financial and operational management of the police service.

10.3 Capital Strategy Objectives

10.3.1 To ensure the delivery of an effective policing service through sustainable infrastructure management aligned to the policing priorities. The key aims for the main infrastructure areas are:

- Transport – Fit for purpose vehicles that address operational requirements in terms of availability and function whilst also transitioning to zero emissions;
- Technology – Technology platform that facilitates agile/mobile working with information and intelligence systems delivered to the point of need; and
- Estate – A safe, warm and dry operating environment that is conducive to wellbeing goals, and effective policing.

10.3.2 The detailed requirements of Transport, Technology and Estate are informed by:

- An Asset Management Plan that identifies the medium term asset replacement requirements;
- Capital Programme monitoring within the context of the agreed financial framework to ensure delivery of capital projects;
- Appropriate Planning Seminars to ensure requirements are relevant;
- The Performance Management and Risk Management regimes.

10.3.3 In this context the Force has a multi-year asset replacement programmes and annually reviews its requirements against the asset base and changing operational need. An updated Estates Strategy 2025-30 has been produced to address the remaining estate issues which once resolved will result in a sustainable estates infrastructure to underpin effective policing in South Wales. The Technology platform has migrated to an integrated mobile capability, and the Transport Programme is being aligned to national collaborative standardised specifications and procurement for vehicles, as well as considering the de-carbonisation agenda.

10.3.4 Due to the now zero capital grant allocations (£3.1M in 2011), the financing of the Capital Programme is derived predominantly from revenue contributions to capital and external borrowing and any capital receipts on asset disposals as shown below.

10.3.5 The medium term Capital Programme has been developed in accordance with approved strategies for Estates, ICT, DSD and Fleet. The Police and Crime Commissioner and the Chief Constable jointly scrutinise and determine the approval or otherwise of specific capital spending within the programme. A fully costed programme based on the current announced funding is included at **Appendix 11,** and summarised below:

DESCRIPTION	FORECAST OUTTURN 2025/26	BUDGET 2026/27	2027/28	2028/29	2029/30	4 Year Programme
EXPENDITURE	£'000	£'000	£'000	£'000	£'000	£'000
Infrastructure Maintenance / Renewal						
Estates Essential & Legislative Works	2	3	3	2	2	10
Fleet	5	4	4	4	4	15
Information Services	4	5	5	4	5	19
Digital Services Division	6	4	2	4	2	12
Other	3	2	2	2	2	8
Sub total for Instrastructure Maintenance / Renewal	**20**	**18**	**16**	**16**	**14**	**64**
One Off Projects						
Estates	33	25	23	30	22	101
(Less Partner Contributions)	(16)	(3)	0	0	0	(3)
Information Services	1	2	1	1	1	6
Sub total for One Off Projects	**18**	**24**	**24**	**32**	**24**	**103**
TOTAL CAPITAL EXPENDITURE	**39**	**42**	**40**	**48**	**38**	**168**
FUNDED BY						
Revenue Contributions	12	16	16	16	16	63
Use of Capital Reserves	10	11	3	1	0	15
External Grants / Other Contributions	2	1	0	0	0	1
Capital Receipts	0	1	1	1	1	4
Total Funding in Year	**25**	**28**	**20**	**18**	**17**	**82**
TOTAL OF CAPITAL BORROWING REQUIREMENT	**14**	**14**	**21**	**30**	**21**	**85**

10.3.6 The key elements within the capital programme are:

a) Investment in respect of the Estate's Strategy and the Force's contribution to the Strategic Policing Requirements include the Tri Force Tactical Firearms Range, the redevelopment of Cardiff Central Police Station new Custody Facilities in the Swansea Neath Port Talbot area as well a s the development of Strategic Command Centre following the recommendations of the Public Enquiry into the terrorist incident.in Manchester. The majority of the funding for Estates programme will come from external borrowing.

b) A key strategy in mitigating future energy costs is the implementation of the Energy Strategy which will not only benefit carbon reduction targets but also reduce annual energy costs with a net positive return of around £3M per annum when fully implemented through:

- Cost reduction – procuring energy through national frameworks
- Consumption reduction – by investing in energy efficiency products
- Creation of electricity through wind and PV cells

c) The last few years saw a heavy impact on the Fleet supply chain, caused by the effects of Brexit, Covid, the wars in Ukraine and Middle-East, with long delays for new vehicles and for parts. The lead-time for vehicles is now back to pre-Covid times, however, the delays over the last few years has meant that vehicles have generally needed to be kept longer and the Force has an increased number of vehicles being deemed beyond economic repair, prior to new vehicles being available.

   The project to move to Electric vehicles has needed to be slowed considerably, following a key supplier withdrawing from EV charger market, which has required re-tender for EV Chargers. This enables the full evaluation of EV's in Various operational roles to facilitate medium term fleet replacement programme.

d) South Wales Police has rapidly transitioned to an enhanced mobile data capability and is on target to deliver the ambition of the Right Person, Right Place, at the Right Time, with the appropriate access to force intelligence systems that enable more work to be undertaken remotely and will also enhance visibility. It is self-evident that the new improved operating model is heavily dependent upon use of technology to deliver policing that meets public expectations. The short life cycle for technology requires regular refresh and the programme reflects these requirements through recurring funding.

e) The collaborative Data Analytics Project with Gwent Police has delivered use case one; demand capability and capacity and is being tested prior to being operationalised , further workstreams will follow gateway approval procedures.

f) In order to reduce demand in call handling, tried and tested technology on citizen centric policing will be introduced during 2026/27 to reduce call volumes and thereby increase timeliness and quality of service to the public. Productivity savings of £5M are anticipated to help reduce the pressure for additional resources in the control room.

g) The delays to the nationally procured Emergency Services Network (ESN) appear to be resolved with an implementation date of Spring 2027 being set by the National Programme Board. ESN is necessary to maintain effective police communications but has a significant implementation and maintenance cost. Using national templates the South Wales Police cost is estimated at £22M initial set-up with a 4 year refresh cost of £16M. There are no opt outs and consequently this will be a unfunded new burden to be met by local funding unless the Treasury is able to support the Home Office implementation.

10.3.7 The four-year Capital Programme is valued at £168M which requires long-term borrowing of £85M. This results in an annual debt financing impact on the Revenue account of £6M with additional direct funding from the Revenue for short life assets of £63.4M over the course of the MTFS period as it is not prudent to fund short-life assets through long-term borrowing.

11.0 TREASURY MANAGEMENT AND PRUDENTIAL BORROWING 2026-30

11.1 The South Wales Police borrowing requirements are determined by the application of the Prudential Code which is designed to ensure **that any borrowing is affordable and sustainable**. The Prudential Indicators are summarised below and the further Prudential Indicators are detailed within the Capital Strategy and Prudential Indicators (attached at Part B). Estimates of Capital Expenditure are as follows:

Table 1: Prudential Indicator 1: Estimates of Capital Expenditure

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Transport	5.354	5.307	3.654	3.654	3.954	3.654
Technology	7.907	14.173	13.090	11.150	11.172	9.755
Estates	15.694	19.030	25.156	25.250	32.650	24.650
TOTAL	**28.955**	**38.510**	**41.900**	**40.054**	**47.776**	**38.059**

11.2 The Capital Financing Requirement measures the underlying need to borrow for capital purposes and is linked to **asset values** and proposed capital expenditure.

11.3 Under the CIPFA Prudential Code, borrowing (gross debt) **must not exceed** the Capital Financing Requirement except within the short term – defined as the current year plus future two years' estimate of the Capital Financing Requirement. As gross Debt remains significantly below capital financing requirements **SWP has therefore complied with this prudential code requirement.** This is shown in the table below.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Gross Debt	30.742	29.957	29.380	38.804	58.227	77.755
Other Long Term Liabilities / Right of Use Assets	2.694	2.078	1.618	1.279	0.998	0.939
Total Debt	**33.436**	**32.035**	**30.998**	**40.083**	**59.225**	**78.694**
Closing Capital Financing Requirement	46.046	56.035	65.652	82.095	108.261	125.648
Under/(Over) Borrowing	**12.609**	**24.000**	**34.653**	**42.012**	**49.035**	**46.954**

11.4 Despite the impacts of inflation on infrastructure spend, careful capital programme management will help to avoid additional financial impact on the Revenue Account which remains in line with previous strategy assumptions on capital financing. The Core DRF budget remains at £15.8M with the additional amounts outlined below funded from reserves created by slippage in the programme from prior years.

	2024-25 Actual £m	2025-26 Projection £m	2026-27 £m	2027-28 £m	2028-29 £m	2029-30 £m
Direct Revenue Financing	16.537	22.266	**26.745**	18.554	16.776	16.059
Minimum Revenue Provision (MRP)	1.009	1.230	**2.937**	2.488	2.279	3.029
Additional Voluntary Revenue Provision (VRP)	2.670	1.873	**0.781**	1.230	1.275	0.525
Interest Paid Charges	0.735	0.711	**0.688**	1.181	2.164	3.097
Balance of Interest Paid Budget to make VRP	-	-	**2.409**	1.916	0.933	-
Total Capital Financing Expenditure	**20.950**	**26.079**	**33.560**	**25.369**	**23.426**	**22.709**

11.5 **Over the MTFS planning horizon borrowing costs of around £3.6M to £5.5M per annum are anticipated which are roughly 1% of the Net Revenue Budget Requirement and therefore considered to be sustainable for the foreseeable future. The Force is also compliant with the Prudential Indicators for Capital Expenditure.**

12.0 SOUTH WALES POLICE REVENUE GRANTS & BUDGETS 2026-30

12.1 **Revenue Grant Allocations**

12.1.1 The Police Grant allocation for South Wales Police (excluding ringfenced Police Officer Uplift Programme and the NPG funding) is essentially another settlement that does not cover inflationary pressures and is thus a cut in funding in real terms.

12.1.2 Whilst a fair expectation, (after more than a decade of cash and real-terms cuts), would be to expect police funding to be inflation proofed going forward, the reality is that the settlement for 2026/27 does not fully cover inflationary costs and perpetuates a real-terms reduction of funding into a 15th consecutive year. Indeed the settlement places additional burden on the budgets as NPG, NI costs and Pensions costs are not inflation proofed. Pay awards are also underfunded as well as pay drift for officers recruited under both the PUP and NPG programmes.

12.1.3 Previous Medium Term Financial Strategies have been founded on sound judgements and have been demonstrably prescient. A reconciliation of the police grant against mandated and ringfenced expenditure shows that the grant settlement is essentially only covers a one third of the inflation based cost pressures at £8.6M. Unfortunately inflation will continue to drive annual cost increases of around £24M per annum.

12.1.4 Whilst a further allocation under the NPG of £1.3M is welcomed, it is insufficient to sustain an additional 40 NPG officers target. The ringfenced grant has been increased to £8.3M by a reclassification of some of the existing grants previously ringfenced for PUP.

South Wales Police Home Office Grants	2025-26 £M	2026-27 £M	Change £M
Pensions Grant	9.6	9.6	-
National Insurance Cost Contribution	6.0	6.0	-
Officer Maintenance Ringfenced Grant Transfer to Core	7.9	0.0	-7.9
Recruitment Top Up Ring Fenced Grant- re-distribution	3.5	2.4	-1.1
Additional Neighbourhood Policing Grant (NPG)	4.6	5.9	1.3
Total Direct Grants	31.6	23.9	-7.7
Core Police Grant Formula Share	214.2	230.5	16.3
Total Grant Allocation	245.8	254.4	8.6

12.1.5 A new performance framework has not yet been agreed with the Home Office but there is a clear expectation of additional resources towards the national target of 13,000 front line resources, the Force formula share of which would be approximately 291 officers/staff/PCSOs and volunteers.

12.2 **Funding Assumptions Beyond 2026/27**

12.2.1 The Spending Review (SR) June 2025 provided for the first time an overall envelope of funding per annum from the Treasury to policing from 2026-27 to 2028-29. This shows that total additional grants in subsequent years for South Wales Police are expected to decline from £8.6M in 2026-27 to £2.1M in 2028-29

	2026-27	2027-28	2028-29
	£m	£m	£m
Overall Funding Envelope from Treasury	19,560.0	20,350.0	20,850.0
Less Provision for Counter Terrorism Funding	1,200.0	1,260.0	1,260.0
Allocation to Forces	18,360.0	19,090.0	19,590.0
Precept Assumptions	6,421.0	6,800.0	7,200.0
Police Grant	11,939.0	12,290.0	12,390.0
Increase in Police Grant over previous year	**433.0**	**351.0**	**100.0**
SWP Formula Share	254.4	260.8	262.9
SWP Increase in Police Grants on previous year	**8.6**	**7.5**	**2.1**

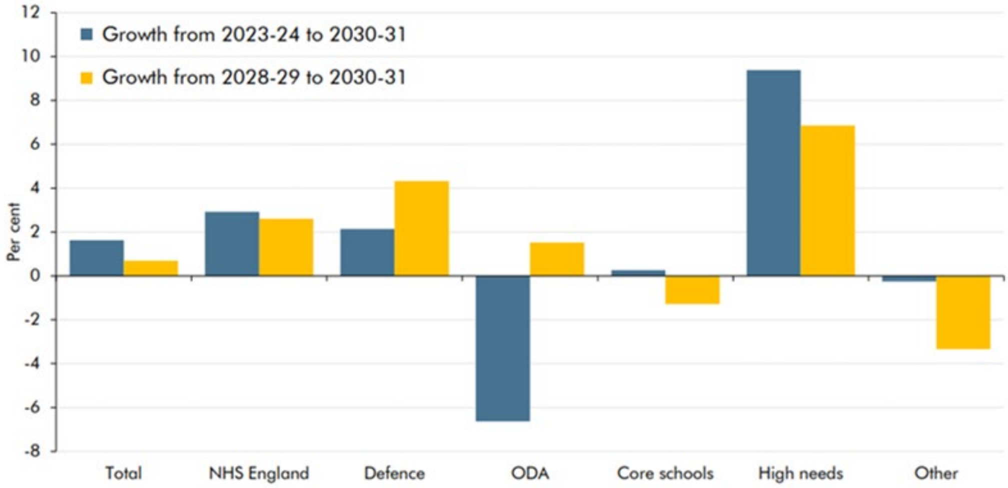
12.2.2 Using standard assumptions on Pay and Non-pay inflation factors as advocated by the NPCC finance committee and applying local knowledge on financial new burdens and pressure this MTFS provides a forecast of the budget position through to 2029-30 as below.

Financial Year	Anticipated Grant Increase	Increase in Costs	Additional Precept Income	Vacancy Factor in Base Budget	Remaining VFM / Savings to Budget Required	Precept Increase	Band D Increase
	£M	£M	£M	£M	£M	%	£
2024/25	(11.6)	28.2	(16.1)	9.0	9.0	8.7	28.20
2025/26	(8.5)	24.0	(15.5)	8.0	0.0	7.4	26.00
2026/27	**(8.7)**	**24.7**	**(16.0)**	**8.0**	**0.0**	**7.13**	**27.00**
2027/28	(7.5)	22.1	(11.7)	8.0	2.9	5.0	20.28
2028/29	(2.0)	21.5	(12.4)	8.0	10.1	5.0	21.29
2029/30	(2.0)	15.9	(13.0)	8.0	11.0	5.0	22.36

12.2.3 The decline in grant funding and predictable impacts of inflation are likely to result in an £110.M budget deficit by the end of the planning cycle assuming a balanced budget is achieved for 2026-27 and then 5% annual increases in precept. It would be prudent to assume the grant funding position is unlikely to improve and this is evidenced by the OBR analysis of the Autumn Statement 2025.

12.2.4 The graph below clearly shows further real terms cuts to funding should be anticipated by unprotected departments shown as other. The Home Office is in the unprotected funding departments.

Chart 5.5: Implied average annual growth in RDEL spend



Source: HM Treasury, OBR

12.2.5 The combination of top-slicing, National Insurance costs, Apprenticeship Levy and redistribution of central IT charges results in a net 15.5% cut over the period 2011 to 2030. The impact of this and pay awards is shown below.

Financial Year	Actual Percentage Change Core	Actual Cash Cuts / Increase	Unfunded Pay Awards	Unfunded Prices-CPI OBR	Impact of Unfunded Pay & Prices £M	Total Austerity Measures
	%	£M	%	%	£M	£M
2011/12	-3.8%	-9.4	2.6%	3.7%	-7.70	-17.10
2012/13	-5.5%	-12.2	1.1%	4.2%	-4.60	-16.80
2013/14	-1.9%	-2.8	0.0%	2.7%	-1.40	-4.20
2014/15	-4.8%	-8.5	0.6%	2.0%	-2.31	-10.81
2015/16	-5.1%	-8.6	1.0%	0.5%	-2.33	-10.93
2016/17	-0.6%	-0.9	1.0%	2.0%	-3.06	-3.98
2017/18	-1.4%	-2.2	1.0%	1.0%	-2.59	-4.79
2018/19	0.0%	0.0	2.0%	2.8%	-5.68	-5.68
2019/20	*0.0%*	*0.0*	*3.0%*	*2.6%*	*-7.91*	-7.91
2020/21	*0.0%*	*0.0*	*2.5%*	*1.8%*	*-6.78*	-6.78
2021/22	*0.0%*	*0.0*	*0.0%*	*4.2%*	*-2.59*	-2.59
2022/23	*0.0%*	*0.0*	*3.5%*	*11.1%*	*-16.45*	-16.45
2023/24	*0.0%*	*0.0*	*2.5%*	*3.6%*	*-9.42*	-9.42
2024/25	*0.0%*	*0.0*	*4.8%*	*2.6%*	*-15.50*	-15.50
2025/26	*1.1%*	8.5	*4.2%*	*2.0%*	*-14.54*	-6.04
2026/27	*3.5%*	*8.7*	*3.0%*	*2.5%*	*-11.92*	-3.22
2027/28	*2.9%*	*7.5*	*2.5%*	*2.5%*	*-11.06*	-3.56
2028/29	*0.1%*	*2.0*	*2.5%*	*2.5%*	*-11.62*	-9.62
2029/30	*0.0%*	*2.0*	*2.5%*	*2.5%*	*-12.15*	-10.15
Total	**-15.5%**	**-15.9**	**40.3%**	**57%**	**-149.6**	**-165.5**

12.2.6 Since the implementation of national austerity measures (2011), South Wales Police has lost cash funding of £15.9M (15.5%), which has been compounded by the combined effect of pay pressures of 40.3% and inflationary pressures of 57%. **This loss of spending ability is equivalent to a cut of £166M to 2029/30.** It is vital therefore that appropriate local decisions on funding are taken to ensure an effective sustainable police service over the medium term. The only effective funding mechanism locally is the Police Precept whilst representations on inflation proofed grant funding continue to be made.

13.0 REVENUE EXPENDITURE 2026/27 AND FORECAST 2030

13.1 The Revenue Budget projections made by South Wales Police have consistently proven to be highly accurate. Similarly the Value for Money Plan savings have been carefully considered and robustly challenged, which has helped ensure year on year delivery of the Value for Money Plan and budget balance.

13.2 Police Officers and Staff Pay Budgets

The proposed expenditure budget for 2026/27 reflects zero-base calculations for all staff and officers drawing a salary. The zero-base ensures appropriate budget provision for each individual based on their specific entitlements, including increments and cost savings from individuals who leave the organisation. Using the revised zero base budgets, all calculations on potential savings resulting from a reduction in staffing levels are undertaken on real costs to ensure budget accuracy. Appendix 13 details movement on the establishment for the Force.

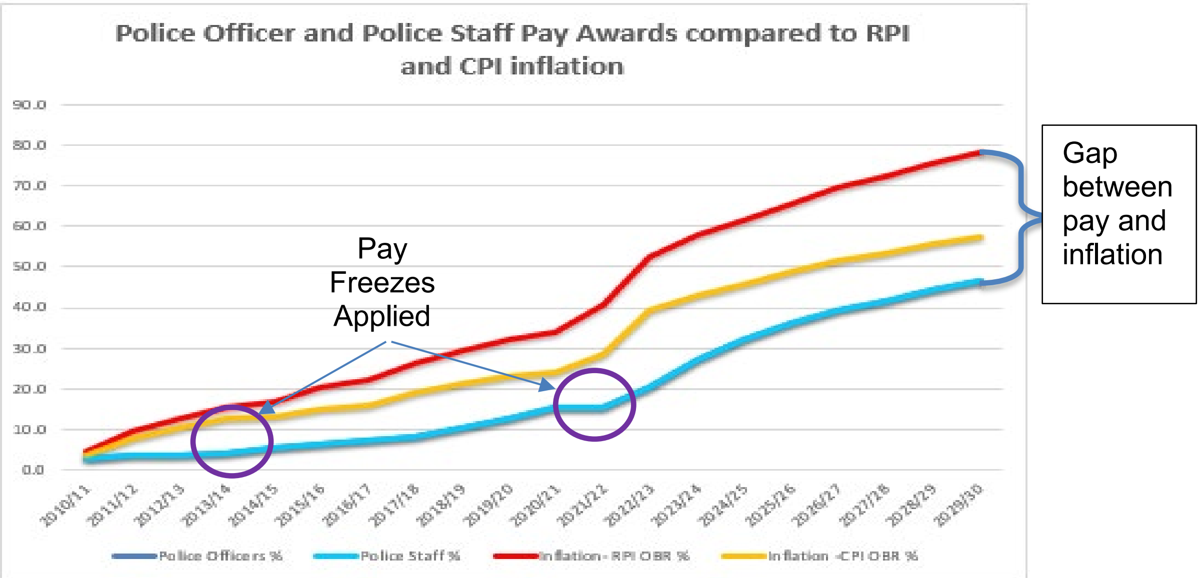
13.3 Key Expenditure Assumptions

The key expenditure assumptions that inform the budget are as follows:

a) Pay Inflation

The Independent Police Pay Review Body recommended a 4.2% pay award for all police ranks from September 2025 and a separate agreement with the PSC for police staff also agreed 4.2% for police staff thus ensuring pay award alignment where possible.

It is clear from the graph below that the protracted period of public sector pay restraint, and the erosion of pay through inflation has had a considerable detrimental impact on take-home pay of police officers and staff. Understandably this then drives up pressure on wage claims. Particularly pay the two pay freezes that were applied to contain costs.



The historic pay awards and the new assumptions over the Financial Strategy planning horizon are detailed in the table below, and shows the equivalent OBR inflation rates for RPI and CPI respectively as per the OBR November forecast. With inflation forecast to reduce to 2% during 2027 future pay awards have been factored into MTFS forecasts beyond 2026/27 at lower rates than previous years from 3.0%

in September 2026 to 2.5% for September 2027 to 2030. Whist this reduces budget requirement it also increases budget risk as pay is set via an independent advisory group to the Home Office. It is also clear from the September 2025 pay award that all pay awards centrally determined that exceed local provision are a local funding responsibility.

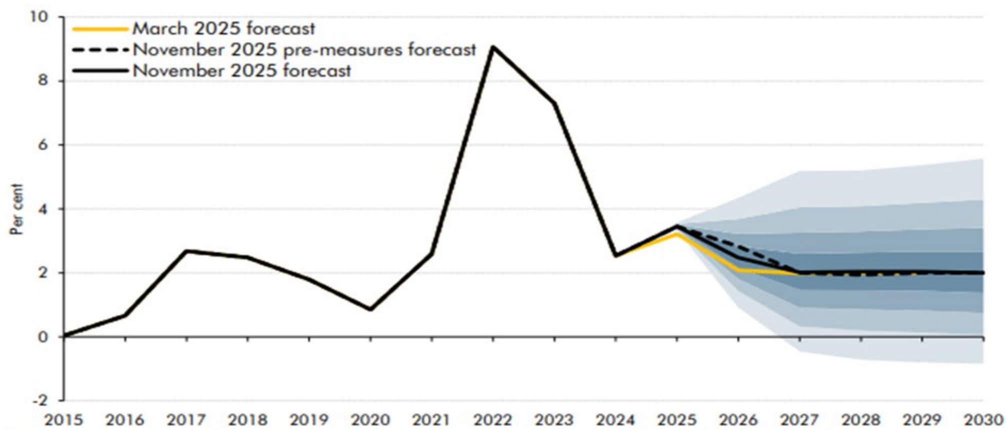
Pay Awards and Inflation				
	Police Officers %	Police Staff %	Inflation- RPI %	Inflation -CPI %
2010/11	2.6	2.6	4.8	3.7
2011/12	1.1	1.1	4.8	4.2
2012/13	0.0	0.0	3.1	2.7
2013/14	0.6	0.6	2.7	2.0
2014/15	1.0	1.0	1.6	0.5
2015/16	1.0	1.0	3.2	2.0
2016/17	1.0	1.0	2.0	1.0
2017/18	1.0	1.0	3.9	2.8
2018/19	2.0	2.0	3.5	2.6
2019/20	2.5	2.5	2.7	1.8
2020/21	2.5	2.5	1.5	0.8
2021/22	0.0	0.0	7.1	4.2
2022/23	5.0	5.0	11.6	11.1
2023/24	7.0	7.0	5.3	3.6
2024/25	4.75	4.75	3.6	2.5
2025/26	4.20	4.20	4.3	3.5
	36.3	**36.3**	**65.7**	**49.0**
2026/27	3.0	3.0	3.7	2.5
2027/28	2.5	2.5	3.1	2.0
2027/28	2.5	2.5	2.9	2.0
2029/30	2.5	2.5	2.9	2.0

To quantify the budget risk to future budgets a broad rule of thumb is that 1% increase in police pay equates to around £3M per annum. Therefore a 2% higher pay award variation per annum could result in a £24M deficit over the next 4 years to 2029.

b) Non-Pay Inflation

Annual CPI inflation was at 3.6% in October 2025, and whilst this is lower than previous years the historic increases are baked into contracted services. The budget requirement for 2026/27 reflects the revised costs of contracts renewed in the past twelve months. Some contracts have a stipulated annual increase and that too has been factored into contract price increases.

The forecast inflation has a large variation and that remains a risk to budgets.

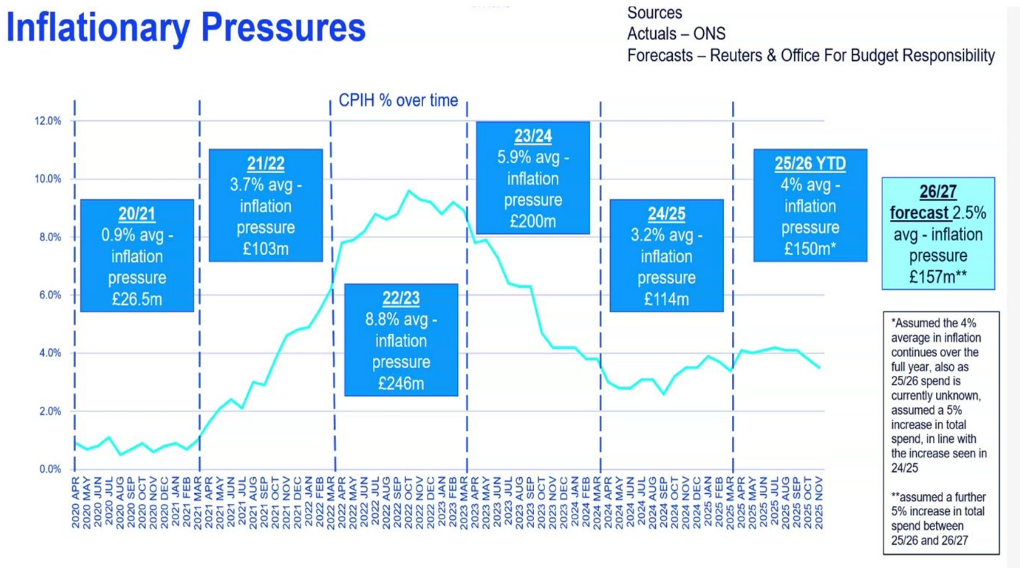


Note: Successive pairs of lighter-shaded areas around our central forecast represent 20 per cent probability bands.
Source: ONS, OBR

c) Employers' National Insurance

The Autumn Budget 2024 included an increase in both the rate for employers' national insurance contributions and a lowering of the thresholds from which this tax applies. This has resulted in a salary cost increase of £6.6M (1.8%) which has been mitigated mostly by additional grant of £6.0M – therefore there is an unfunded cost increase of £0.6m. Clearly all our suppliers and contractors will incur similar rises to their employment costs on top of their normal inflationary pressures. This will place further pressure on Force non-pay budgets albeit this is difficult to quantify at present.

The Graph below is an assessment of police contract inflation rises since 2020



This demonstrates a £40.5M increase in non-pay costs should be anticipated by SWP based on a proportion of the national assessment.

- National Police Contract Inflation 2020 to 2025 is shown as £840 million
- A further Projection to 2026-27 indicates a £157M price increase.
- THE SWP share of the total price increases to policing contracts of £1billion would be £40.5M over the past 6 years.

d) Pensions

In April 2019, HM Treasury (HMT) announced changes to the discount rate for unfunded public sector pensions late in September 2018, which uses lower discount rate (due in part to national economic conditions) from 3% to 2.4%. This had the effect of increasing employer contributions from 24.2% to the current 31.0% from April 2019. The Government Actuaries Department (GAD) has estimated that the above will result in an increased cost to policing of £330M per annum. During 2023 a further assessment of the Police pension scheme determined that the employers contribution rate would need to increase again by 4.4% giving a total contribution rate of 35.4% from 2024-25.

The Treasury has continued to provide additional funding in 2026/27 (£9.6M) to mitigate against some of the increase, with policing budgets paying the balance. This strategy assumes a continuation of this HMT contribution on a flat cash basis to 2029/30.

The Local Government Pension Scheme (LGPS) concluded a triennial actuarial review in 2025 (results published in November). South Wales Police had ensured that the long term exposure to increased pensions costs attributed to workforce transformation during the austerity period were properly planned, and ensured appropriate contribution levels to avoid a major increase in subsequent valuations.

The benefit of this decision and the improved performance of fund investments means that the scheme is now at a funding level of 117.5%. This means that Pension scheme valuation has produced a revised employers' contribution rate from April 2026 to March 2029. The new employer contribution rate is 13.6% and compares with the current 16.7%. The savings of £3M have been reflected in the budget development and MTFS projections.

e) Police Education Qualification Framework

Following a national debate on the level of qualifications, training and development of police officers the College of Policing introduced new standards, referred to as the Professional Educational Qualification Framework (PEQF). The four Welsh forces are disadvantaged compared to English forces, who have secured funding from the Skills Funding Agency within the Department for Education for a Police Apprenticeship Degree, with an estimated cost of £27,000 per new officer in England.

Education and related funding is a devolved matter in Wales and the Welsh Government determines what apprenticeships qualify for funding in Wales. The Police Apprenticeship Degree does not meet the Welsh Government criteria for funding. As a result, Welsh forces have worked together in developing a cost effective solution to achieve the same national educational and professional standard as officers in England.

The annual cost of administrating the framework in South Wales Police for 2026/27 will be around £3.5M, but only £1M of this is currently funded by a pan-Wales PEQF funding contribution from the Home Office of £2.4M. The strategy assumes the current shortfall will continue over the planning horizon to 2029/30.

f) Welsh Government Funding

WG will receive an additional £0.5 billion over the spending review period, however, it is unlikely to impact on police budgets in Wales – the apprentice levy is a prime example of continuing inequity where eligibility for police apprenticeship degree funding available in England is not reciprocated for policing in Wales.

Maintenance by the Welsh Government of the funding for additional PCSOs is positive and a welcomed initiative, however, this was only maintained at 2025-26 levels with a small uplift of 2% for inflation for 2026-27.

The original funding from WG (2022-23) enabled recruitment of 247 Whole Time Equivalent (WTE) PCSO posts for South Wales Police but this was reduced to a match funded target of 123 WTE in 2024-25. The 2% inflation uplift for 2026-27 needs to be considered in conjunction with a 4.2% increase in police staff pay from September 2025 and a further 3% anticipated for September 2026. This reduces the number of PCSO posts that can be maintained within the grant allocation and will mean that WG funded PCSO numbers will be reduced by around 8 WTE posts.

During 2024-25 WG withdrew financial support for the All Wales Schools Programme and during 2025-26 (a contribution of £0.867M) the Force reconfigured the operating model and introduced Youth Engagement Teams. Due to the PUP grant restrictions, the police officer baseline establishment has had to be maintained which includes reinstating the 13 officer posts previously funded by WG. At the time of writing this strategy we understand that WG is exploring a contribution of £1M of grant funding for a pan-Wales crime prevention and education initiative.

Safer Communities Network – WG reduced their contribution in 2024/25 by £40,000 creating a deficit that has been part funded by the Commissioner's budget from 2025/26 onwards to continue this important network.

13.4 2026/27 Revenue Budget Requirements

13.4.1 The detailed medium term revenue account requirement reflecting both Uplift and core budgets in respect of the period 2026/27 to 2029/30 is shown at **Appendix 8** and summarised in the tables below under broad income and expenditure classifications. A comprehensive reconciliation of the expenditure requirements between the financial years 2024/25 to 2026/27 is included at **Appendix 10** with a further reconciliation on tax consequences between the financial years is shown at **Appendix 9.**

13.4.2 The summary table below shows an inflation based increase in costs of £24.7M and net additional grant income of £8.7M giving a budget gap of £16.0M in respect of 2026/27 to be achieved through measured increase in police precept to deliver a balanced budget. It is also important to note that the cumulative cuts to police funding previously required cuts and savings of £72M per annum including a £8M vacancy factor on staffing.

13.4.3 Given the funding situation, and the need to maintain a significant vacancy factor of £8M presents significant challenges to achieving a balanced budget.

SUMMARY REVENUE ACCOUNT	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M	2029/30 £M
Employees	400.6	424.4	437.1	450.6	464.5
Indirect Staff	4.4	4.6	4.7	4.8	4.9
Premises	15.1	15.8	16.2	16.6	17.1
Transport	7.7	8.1	8.3	8.5	8.7
Supplies and Services	40.6	43.2	44.2	45.3	46.5
Agency & Contracted Services	25.9	26.7	27.6	28.5	29.4
Capital Financing Costs	21.1	23.0	30.0	36.0	36.0
Gross Expenditure	**515.2**	**545.7**	**568.1**	**590.3**	**607.00**
Less income & specific grants	(105.1)	(103.2)	(103.5)	(104.2)	(105.0)
Net Expenditure	**410.2**	**442.5**	**464.6**	**486.1**	**502.1**
Home Office and WG Funding	(214.2)	(230.6)	(238.1)	(240.1)	(242.1)
Precept based on 7.13% increase in 2026/27 and 5% thereafter.	(195.9)	(211.9)	(223.7)	(236.0)	(249.0)
Total Resources	**(410.1)**	**(442.5)**	**461.7**	**(476)**	**(491.10)**
Annual Budget Gap	**0.0**	**0.0**	**2.9**	**10.0**	**11.0**
Value For Money Plan	0.0	0.0	0.0	0.0	0.0
Revised Unfunded Expenditure	**0.0**	**0.0**	**2.9**	**10.0**	**11.0**

13.5 Police Uplift Programme Costs 2024/25 to 2027/28

13.5.1 Whilst the Police Uplift Programme (PUP) has only resulted in replacing officers that were cut during austerity, the experience of the new recruits does not yet match that which has been lost and will take a number of years before optimum effectiveness is realised.

13.5.2 T The ring-fenced uplift grant allocations have helped increase officer establishment by 519 WTE (replacing 479 officers dis-established during austerity) and the police staff establishment grew by 136 WTE funded by the uplift programme. During austerity 589 police staff posts were cut of which 371 (63%) remain cut. It is important to recognise that the increase in police demand and complexity and the need for additional police resources is clearly not addressed by PUP programme.

13.5.3 The Home Office has responded positively to requests from policing on work force mix and the accounting regime around Police Uplift Programme has been revised and the majority of the ring fenced funding has been consolidated into Core Grant. It is important to note that some of this has now been ringfenced to deliver revised targets on the Neighbourhood Policing Guarantee and therefore some of the PUP funded officers are expected to be reflected in Neighbourhoods.

We are awaiting the detail on the grant conditions and penalties and the reporting requirements for NPG. The following is a quote from Home Office to Forces:

"To simplify the police funding settlement, there will only be one conditional workforce grant in the 2026-27 settlement: the Neighbourhood Policing ringfence grant. To qualify for this grant forces will need to meet their Neighbourhood Policing target. …The government still expects forces to prioritise maintaining overall operational capacity but has listened to feedback on the importance of workforce flexibility"

13.5.4 The full costs of maintaining these numbers is not reflected in the grant thus creating additional funding pressure. Any potential flexibility on the work force mix will take time to implement and therefore given the demand on the frontline resources the strategy has sought to maintain the number of officers to deliver effective policing.

13.5.5 In order to minimise the budget ask, a challenging £5M vacancy factor has again been built into the police officer budgets, of which around £3M is related to turnover, with the balance made up from pensions opt outs (which are not certain to continue). The scope for a higher vacancy factor risks losing ring fenced grant if numbers are not maintained.

13.5.6 The Force proactively monitors expenditure associated with uplift officers, this includes training and the provision of operational kit. In 2026/27, there is a shortfall against the grant available of £5.7M rising to around £9.7M by 2029/30. A major factor in these deficits is unfunded incremental pay on officers recruited through the PUP. The police constable has a 7-year incremental scale with material increases in years 6 and 7. These unfunded incremental pay costs contribute £1.8M, £3.6M and £3.4M respectively for 2026/27, 2027-28 and 2028-29 to the deficit as shown below.

Uplift Analysis	**2020/21* £M**	**2021/22 £M**	**2022/23 £M**	**2023/24 £M**	**2024/25 £M**	**2025/26 £M**	**2026/27 £M**	**2027/28 £M**	**2028/29 £M**	**2029/30 £M**
Police Officers	2.8	8.5	15.2	18.3	22.9	24.8	25.8	26.7	27.9	29.1
Police Staff		3.1	5.7	6.7	6.5	6.9	7.1	7.3	7.5	7.7
Non Pay Costs	0.9	1.5	2.6	2.7	2.8	2.6	2.6	2.7	2.8	2.8
Set Up Costs	7.6									
Gross Expenditure	11.3	13.2	23.5	27.7	32.2	34.3	35.5	36.7	38.1	39.6
Specific Ringfenced Grants	3.7	2.3	3.1	6.2	11.7	11.4		0.0	0.0	0.0
Net Expenditure	**7.6**	**10.9**	**20.4**	**21.5**	**20.5**	**22.8**	**35.5**	**36.7**	**38.1**	**39.6**
Home Office Uplift Funding/ NPG transfer	7.6	10.9	20.4	19.5	19.5	19.5	29.9	29.9	29.9	29.9
Uplift Annual Budget Deficit / (Surplus)	**0.0**	**0.0**	**0.0**	**2.0**	**1.1**	**3.4**	**5.7**	**6.8**	**8.2**	**9.7**

13.5.7 The enduring Financial Strategy to bridge the inevitable budget gaps has been a combination of recurring cash released from efficiency savings and measured increases in police precept, which has been proven to be effective to date in delivering a quality service and balanced budget. This approach is supported by recent comments from the HMICFRS that '**financial understanding and planning to be sound'.**

13.5.8 The only budget flexibility would be to reduce police staff posts further and replace these with police officer posts which is detrimental to VFM and frontline policing and at odds with the Neighbourhood Policing Guarantee. During austerity police staff positions were reduced by 589 and resulted in the 10th lowest level of police staff establishments in policing, the majority of which are within the Public Contact Centre, Criminal Justice, Basic Command Units, Training and Technology areas. The Value For Money Profiles developed by the HMIC show South Wales police to have a lean police staffing levels and this is further supported by the fact that overall police staff establishments are still below pre austerity levels,

13.5.9 In addition, the Police Officer Uplift Programme modelling by the Home Office team recognised that support functions would need to increase to support the growth in officer numbers in a ratio of one member of police staff to around three officers which would equate to 150 police staff posts for South Wales Police. Unfortunately, the grant envelope did not support this level of growth in police staff posts, indeed we have included a vacancy factor of £3M (75 police staff posts) in order to balance the budget.

The national modelling of demand on support functions remains sound and still needs to be addressed, arising in part, to the increase in demand and complexity of incidents routinely responded to by South Wales Police. The accreditation of the forensic evidential chain is but one example of additional demand and complexity.

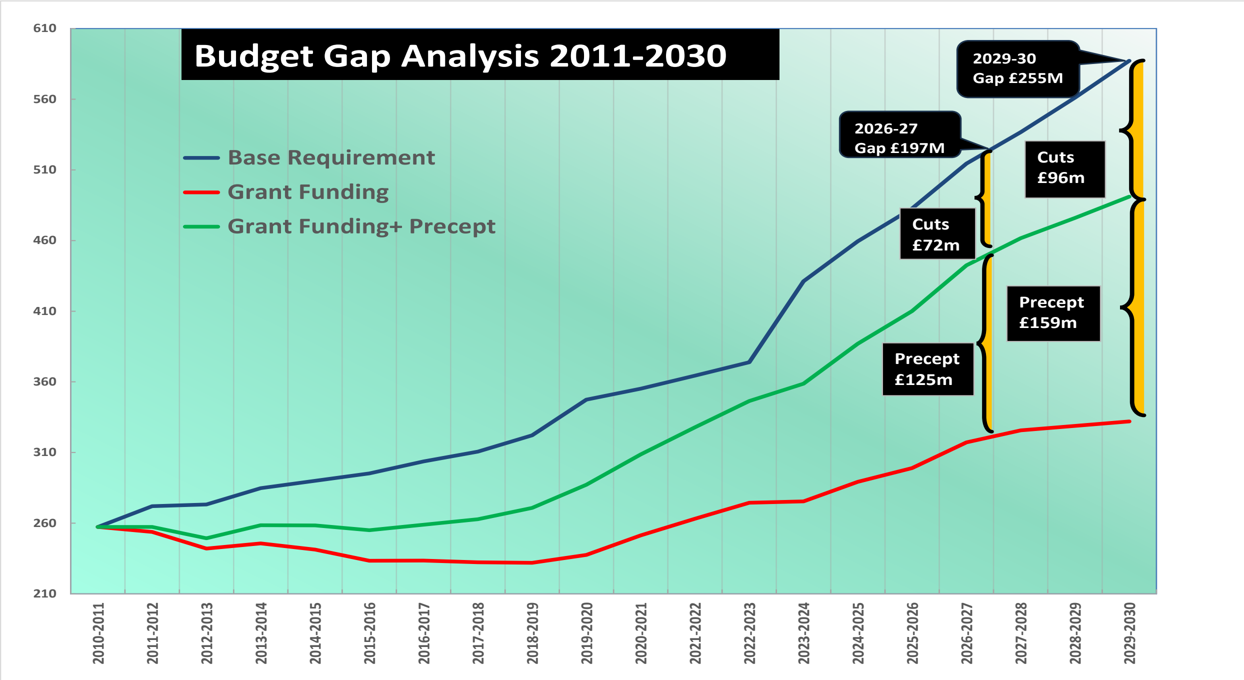
13.6 Forward Projections on Revenue Budgets

13.6.1 This Financial Strategy, also considers the resource implications over the medium term and the financial projections 2026 to 2030. The funding being made available to forces as indicated in the SR2025 and the Police Settlement 2026/27 indicates a continued decline in real terms funding over the remaining MTFS planning horizon at best and a worse scenario is deeper real-terms cuts to grant funding.

13.6.2 The projections below reflect SR 2025 assumptions on grant and national assumptions on pay and non-pay inflation .

		CSR 10											CSR21	Mini Budget		1 year budget	CSR 25			
SUMMARY REVENUE ACCOUNT	**2010/11 £M**	**2011/12 £M**	**2012/13 £M**	**2013/14 £M**	**2014/15 £M**	**2015/16 £M**	**2016/17 £M**	**2017/18 £M**	**2018/19 £M**	**2019/20 £M**	**2020/21 £M**	**2021/22 £M**	**2022/23 £M**	**2023/24 £M**	**2024/25 £M**	**2025/26 £M**	**2026/27 £M**	**2027/28 £M**	**2028/29 £M**	**2029/30 £M**
Net Revenue Spend (Pre VFM)	260	272	274	285	290	294	304	311	322	346	367	386	409	431	459	483	515	537	561	587
External grants		(183)	(170)	(174)	(169)	(161)	(160)	(157)	(157)	(161)	(173)	(184)	(194)	(195)	(207)	(214)	(231)	(238)	(240)	(242)
Precept base		(71)	(72)	(72)	(72)	(73)	(74)	(75)	(76)	(77)	(79)	(80)	(80)	(80)	(83)	(85)	(87)	(88)	(89)	(90)
Total Resources		(254)	(242)	(246)	(241)	(233)	(234)	(232)	(232)	(238)	(251)	(263)	(274)	(275)	(289)	(299)	(317)	(326)	(329)	(332)
Cumulative Unfunded Expenditure		**18**	**32**	**39**	**49**	**61**	**70**	**78**	**90**	**108**	**116**	**123**	**135**	**156**	**170**	**184**	**197**	**211**	**232**	**255**
Precept increase		(4)	(7)	(13)	(17)	(22)	(25)	(30)	(39)	(50)	(57)	(65)	(72)	(83)	(98)	(111)	(125)	(136)	(147)	(159)
Value For Money Plan Savings Required		**15**	**24**	**27**	**32**	**39**	**45**	**48**	**51**	**58**	**58**	**58**	**63**	**72**	**72**	**72**	**72**	**75**	**85**	**96**
Current Value For Money Plan		19	24	27	32	39	45	48	51	58	58	58	63	72	72	72	72	72	72	72
Net VFM Plan (Surplus)/Deficit		**(4)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**(0)**	**0**	**0**	**3**	**10**	**11**

13.6.3 The cumulative budget gap from 2011 to 2026-27 before Police Precept is £197M (based on the reductions in central police grant allocations and known expenditure requirements). This £197M gap is bridged through additional income from Police Precept of £125M and Value for Money savings/cuts by March 2025 of £72M excluding annual vacancy factor which is deducted from the Net Revenue Spend prior to precept ask. The graph below illustrates the budget gap journey and mitigations to date and period ahead.



13.6.4 This strategy forecasts a cumulative budget gap by 2029/30 of £255M before Police Precept. This will require the cuts in expenditure of £96M and additional police precept income of £159m (based on annual 5% precept increases and 0.4% increases in the tax base).

This is still subject to changes in formula allocation by the Home Office, inflation, cost of borrowing and operational exigencies. For example the replacement for police radio communications continues to be difficult to time and cost with current estimates of £22M initial transition.

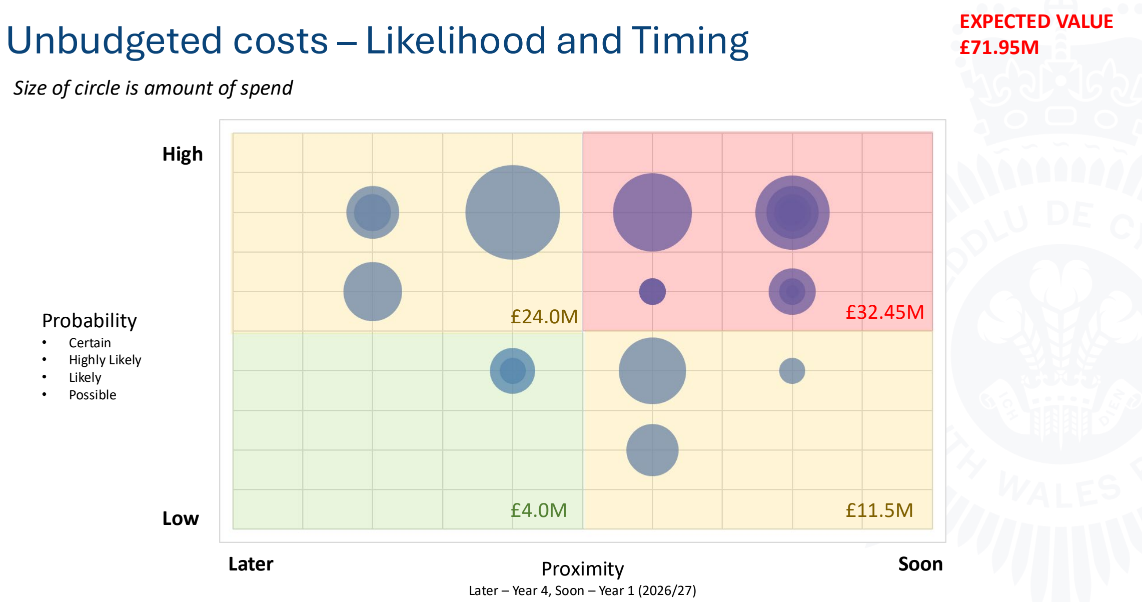
13.7 **Current Unbudgeted Risk**

13.7.1 As part of the due diligence on medium term financial planning an assessment on affordability and risk has been undertaken and the following chart reflects the potential impact of **unfunded pressures** that South Wales Police is managing.

13.7.2 These pressures have been assessed for confidence levels on quantum, probability of event crystallising and proximity the timing of event crystallisation £72m of budgetary risk has been quantified with majority having high confidence.

Un Budgeyed Items and Financial Risk	Impact £M	Cost Confidence Level H/M/L	Probability Certain - Highly Likely - Likely- Possible	Proximity Yr1 to 4
ESN - Unbudgeted	9.00	H	4	2
Vacancy Factor	8.00	H	4	1
Reserves - Underfunded	4.00	H	4	1
Pay Awards 1% variation	3.20	H	3	1
Overtime staff and Officers	2.00	H	4	1
Go Safe	1.00	H	4	1
Cyber Resilience - enhanced National Standards	1.00	M	3	2
Forensic Accreditation	1.00	M	4	1
Force Delivery Plan	1.00	M	3	1
Fleet Refresh Cycle - bring forward if possible	1.00	H	3	2
Legislative Changes	1.00	L	4	1
Bank Interest on Debt outstanding 0.5%	0.25	H	3	1
High Probability and Proximity of cost crytalisation	32.45			
ESN- Unbudgeted Set-up costs	13.00	H	4	3
ESN- Cycle replacement annual costs	4.00	H	3	4
Capital Programme 5% contingency	5.00	H	4	4
De-carbonisation of Estate	2.00	H	4	4
High Probability Yr 3 plus Proximity of cost crytalisatic	**24.00**			
WG PCSO's - Assembly Elections	6.50	H	2	2
Major Events - Euros	4.00	L	1	2
Technology - Innovation and national dev	1.00	M	2	1
Low Probability Yr 1 Proximity of cost crytalisation	**11.50**			
Cyber Attack 1.0% GRE	3.00	L	2	3
Police Reform	1.00	L	2	3
Low Probability yr 3 plus Proximity of cost crytalisatio	**4.00**			

13.7.3 The unbudgeted risks have then been mapped to understand the underlying risk to future budgets and this is shown in the graphic below. In respect of 2026-27 there is a £32M of unfunded pressure which (in an ideal funding environment) should be funded. A further £24M is deemed highly likely in 2027-28.



14.0 POLICE PRECEPT AND BUDGET BALANCE 2026/27

14.1 The funding for South Wales Police is a combination of central grants and a local Police Precept. The core police grant settlement in respect of 2026/27 is essentially the same amount of cash as at 2007/08 (excluding pensions, NI and uplift/NPG funding), this has the effect of year on year inflation not being funded and compounds upward pressure on spending due to unavoidable price and pay increases, as well as operational resource demand.

The movement in cash between cost increases and funding are summarised as follows:

		2025/26 £M	2026/27 £M
	Essential and unavoidable cost increases		
1	Total standstill cost increases due to inflation, uplift and NI	32.0	32.7
2	Changes in Grants & Other External Funding	(8.5)	(8.6)
3	VFM and budget cuts	(8.0)	(8.0)
4	Standstill Budget Gap	15.5	16.1
5	Changes in the tax base	(2.0)	(2.0)
6	**Remaining budget gap to funded by precept / new savings**	**13.5**	**14.1**

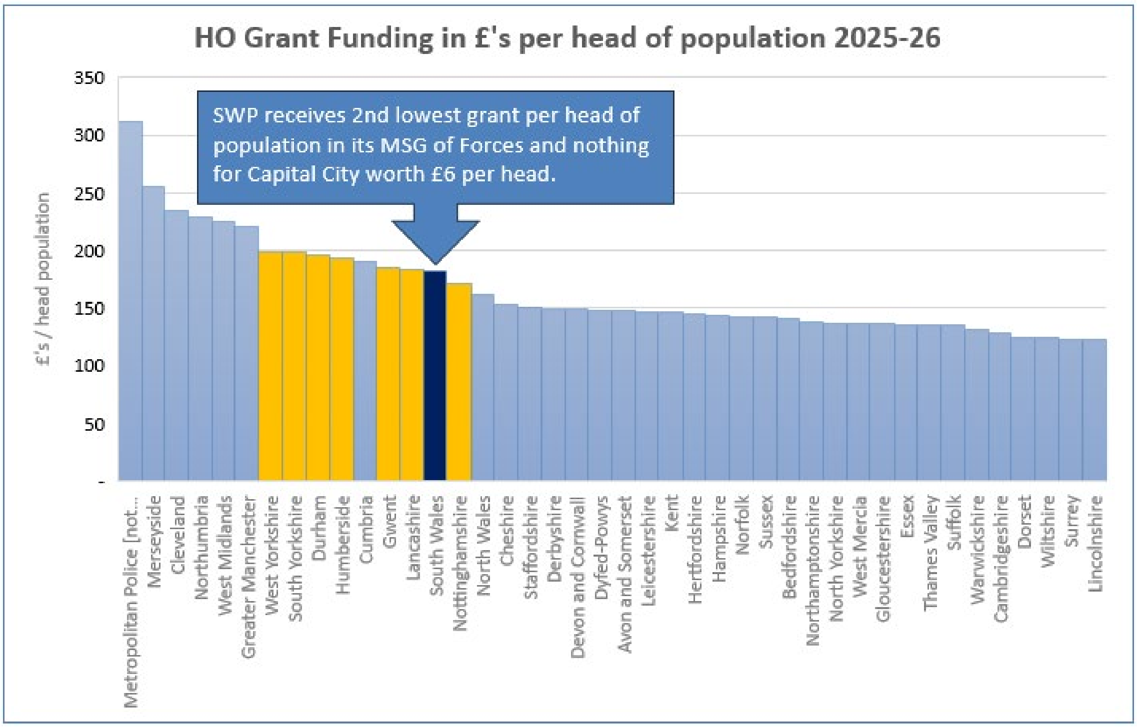
14.2 Historic and Persistent Funding Inequities

14.2.1 Previous Medium Term Financial Strategies have cited a number of areas where South Wales Police is significantly disadvantaged in terms of funding, and these issues continue to remain unresolved due mainly to the failure to address the funding formula freeze. We are committed to seeking a resolution to these issues and will continue to raise them at the highest levels to seek redress.

14.2.2 The below table summarises the annual detriment in funding faced by South Wales Police (with further detail at **Appendix 7**). The assessment shows that around £21.7M of annual funding inequity persists which if addressed would transform policing for the public in the South Wales Police area.

Funding Inequalities Impacting on South Wales Police	£M	Medium Term Financial Strategy Reference
Funding Formula Damping (Rule 1)	5.6	Appendix 7
Area Cost Adjustment	4.0	Appendix 7
Capital City Requirements	8.0	Appendix 7
Police Education Qualification Framework (PEQF)	1.0	
Capital Infrastructure Funding	1.6	Appendix 7
Total Impact of Funding Inequalities	**20.2**	

14.2.3 Some of the inexplicable anomalies of the funding formula are illustrated below. South Wales Police receives the second lowest level of funding per head of population compared to its most similar group of forces i.e. £21M less than West Yorkshire Police and even £3.3M less than Gwent Police.



14.2.4 The failure of successive Governments to devise and agree a new funding formula is a major cause for concern. The formula continues to be dampened resulting in a year on year denial of funding for South Wales Police. The Policing Minister will continue to apply damping in respect of 2026/27 of £5.6M. The funding that is removed from the force has been effected year on year for almost two decades, and the cumulative effect of this for South Wales Police has seen a loss in formula funding of £135M of police grant, despite changes to population and policing environment.

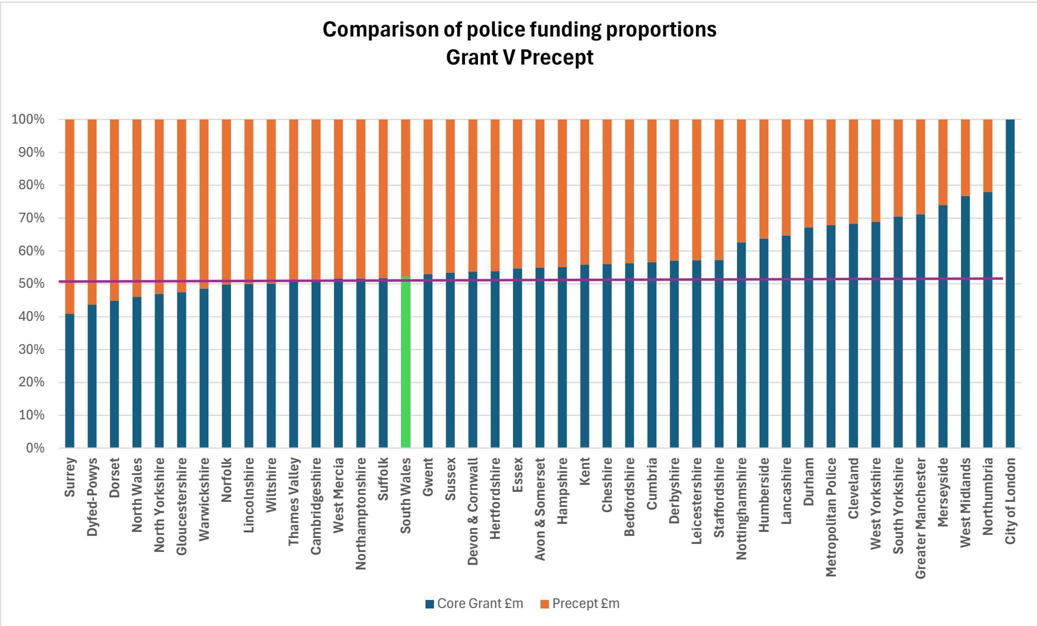
14.2.5 The previous Government had announced an intention to implement a new funding formula during the life of the previous parliament which did not happen. With a new Government now in place further delays are acknowledged in the Police Reform White Paper and real Terms Cuts to Police Grant which should now be anticipated upon the conclusion of Police Reform towards the end of the next parliament. Given the challenges and level of uncertainty this strategy continues to reflect neutral impact arising from any changes in the funding formula for the medium term.

14.2.6 The Capital City of Wales has an additional annual policing cost of £8M which is also not recognised in the existing funding formula. The Police and Crime Commissioner for South Wales, supported by the Chief Constable, have provided successive Policing Ministers with evidence of the inequity on funding affecting South Wales Police. Ministers have acknowledged that there is a problem but without any financial redress. The generic police formula is too complex and fraught with difficulty, however a special grant may be more feasible.

14.2.7 We are also disadvantaged on the application of the Apprenticeship Levy to the tune of £2.5M per annum compared to a similar sized force in England. Strong representations were made to the Home Office during 2022 on this issue and whilst the Home Office agreed a £1M apprenticeship grant to South Wales Police, it has not been uplifted for inflation and consequently reduced in value on a real-terms basis.

14.3 Police Precept

14.3.1 The proportion of funding from Police Precept 2025-26 (Home Office data set) varies across England and Wales from less than 22% (Northumbria) to nearly 60% (Surrey) of the total police budget. Interestingly Northumbria receives one of the highest funding per head of population and Surrey receives the lowest funding per head of population. In this context, the South Wales Police precept percentage from local funding is 48% (the average across 43 forces is 39%), as shown below:

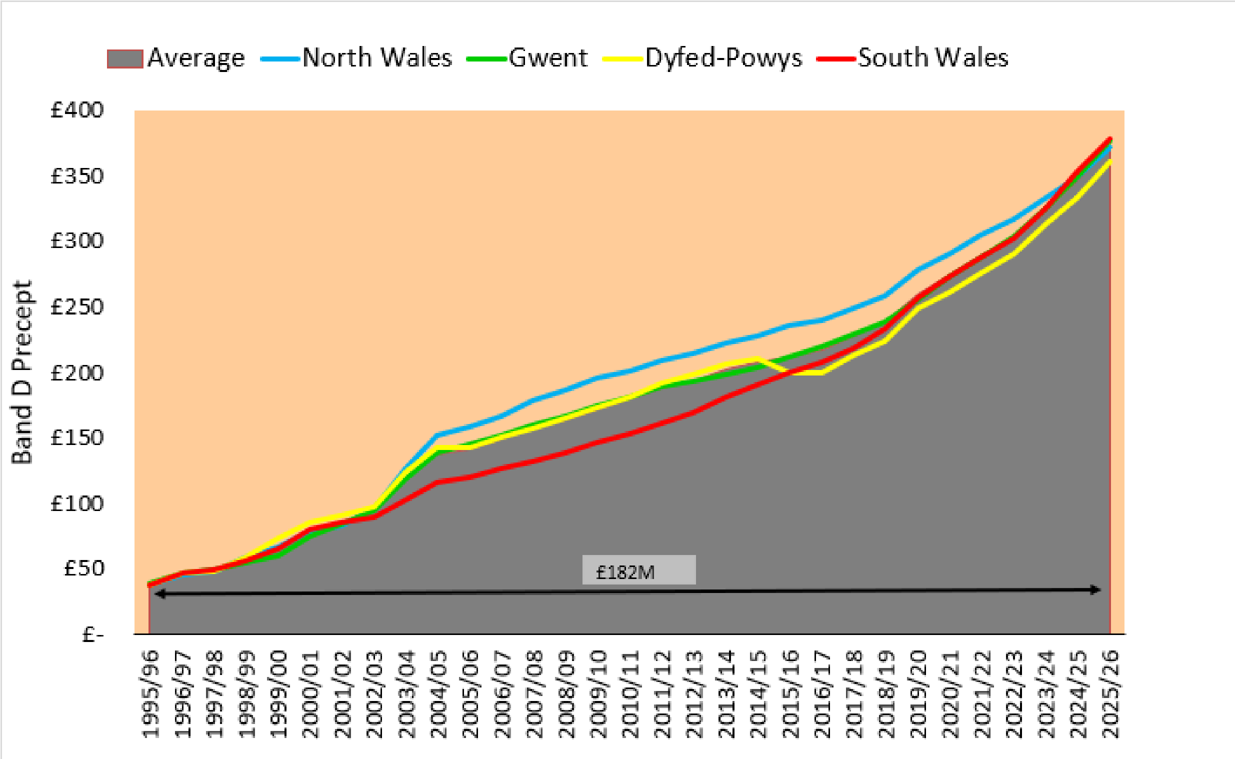


14.3.2 The amount of funding raised through Police Precept is a combination of the tax base measured as Band D equivalents multiplied by the level of Police Precept. The rate of tax base growth across police areas can vary significantly – with a significant difference between England and Wales.

14.3.3 The OBR has forecast that the English taxbase is set to further grow by 4.6% to 2029/30 whilst the Welsh Tax Base is forecast to only grow by 1.6%. This would be to the detriment of SWP by a further **£6M per annum** by 2029/30.

Change in Council Tax Base				Effect on taxbase & Precept	
Year	England %	Wales %	Difference	Tax Base Differential	Income Differential £M
2026/27	0.9	0.4	0.5	2,587	1.0
2027/28	1.4	0.4	1.0	7,817	3.0
2028/29	1.2	0.4	0.8	12,082	4.6
2029/30	1.1	0.4	0.7	15,880	6.0
Total	4.6	1.6	3.0		14.5

14.3.4 Set out below is the history and context of Police Precept levels (based on a Band D property) since 1995, across police forces in Wales. It has been acknowledged by Ministers that police forces with lower levels of Police Precept as a proportion of their total budgets will face a greater financial challenge, as the cuts are in central grant funding only. The chart shows that South Wales Police has historically had the lowest level of Police Precept in Wales for over two decades (and has forgone income of £182M by not maintaining the average position). A key objective of the MTFS is to sustain a South Wales Police Precept at the average of the forces in Wales.



14.3.5 The 2025/26 financial year agreed Police Precept in Wales for each force is shown below. The South Wales Police Precept is currently £8.62 (2.3%) per annum higher than the average of £370.05 amongst the other three forces.

2025/26 Band D Precept	
Force	**£**
North Wales	372.15
Gwent	377.31
Dyfed Powys	360.68
Average	370.05
South Wales	378.67
Difference	8.62
As a percentage %	2.3

14.3.6 Whilst recognising the pressures to comply with government guidance on council tax increases, there are only a limited number of alternative options to bridge the budget gap:

- Generating even more additional cash releasing efficiencies.
- Phasing development requirements in line with delivery of efficiencies.
- Increasing borrowing for long life assets.
- Minimising developmental expenditure.
- Making service cuts.
- Raising additional income through police precept/grants.

14.3.7 In preparing the detailed budget, all the above factors have been considered and addressed. The delivery of cash releasing efficiencies of £72M over the 14 consecutive years of funding cuts is unprecedented as is a recurring £8M vacancy factor. Our VFM plans have already delivered some unpalatable reductions through police officer numbers and realignment of ranks, overtime reductions and changes in traffic management and outcomes from Project Reform. The Value for Money Plan considerations in chapter 7 have detailed the delivery of value for money and its independent verification through scrutiny by the HMICFRS.

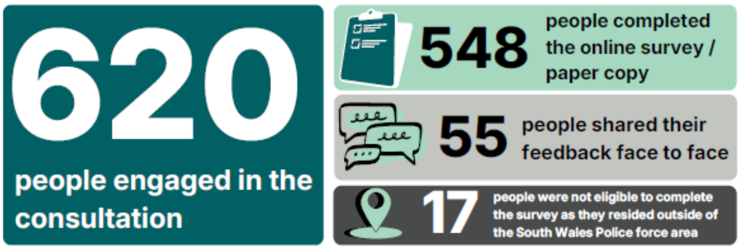
14.3.8 The HMICFRS and Audit Wales (as independent reviewers of our operational and financial performance) have confirmed we have appropriate arrangements for the use of public finances and deliver Value for Money. We have consistently improved our performance and delivered an effective policing service within a reducing resource envelope.

14.3.9 The determination of the level of Police Precept depends on a combination of operational need, judgments on affordability and Welsh Government powers to limit increases (if deemed by Welsh Ministers to be excessive). Whilst there is no expectation that the historic funding inequities we have suffered can be bridged over the medium term, or indeed longer term, the strategy of measured increases in Police Precept alongside efficiency cuts is sound.

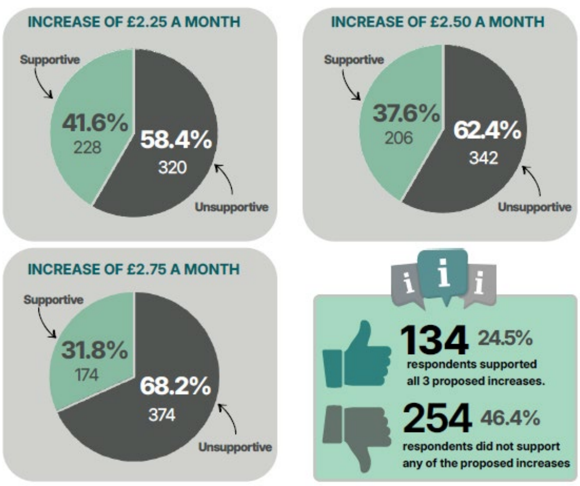
14.4 Precept Public Consultation Survey 2026/27

14.1 Police and Crime Commissioner has a responsibility under the Police Reform and Social Responsibility Act to obtain the views of the public on matters relating to policing. This includes consulting with residents in advance of setting the Police Precept level and allocating the police budget.

14.2 A public consultation ran for an eight-week period, between 25th November 2025 to19th January 2026. This involved the launch of a public survey and a series of pop-up stalls across the South Wales Police force area.



14.3 The results of the consultation survey are presented in a separate paper to the Panel. In summary, the questions directed at precept increases are as follows:



14.4 **Police Precept Requirements to Achieve a Balanced Budget**

a) The amount of Police Grant continues to be frozen again at 2007/08 levels. This results in a standstill budget gap in 2026/27 before precept of **£16.1M**

b) The focus over the next financial year in addition to meeting the requirements of the Strategic Policing Plans is to ensure the officers and staff allocated through the NPG and associated £8.3M funding is secured whilst maintaining overall operational capability. An important consequence of the NPG is that forces need to demonstrate additionality above the base budgets to secure full additional funding.

c) Whilst there is a high level of confidence on achieving and maintaining the target number of officers, in respect of the ring fencing of the police officer and PCSO numbers in neighbourhoods. However, this is also removes the single largest component of the Revenue Budget (54%) and with long term contractual inflation affecting goods and services (22%) **26% higher than in April 2021**, this then leaves police staff budgets to absorb the full impact of inflation pressures which is not tenable. Of the 589 police staff post cut during austerity more than 371 posts have not been replaced as uplift funding was focussed on Officer numbers

d) This strategy is based on sound financial assumptions to maintain financial stability and service continuity. The overall financial management within South Wales Police is highly positive as assessed through independent scrutiny by Audit Wales, HMICFRS and the Joint Audit Committee, based on independent internal audits on financial governance.

e) The year on year break-even position on budget to outturn is a further testament on the strength of financial management. The annual audited accounts of South Wales Police are delivering a year-on-year budget to expenditure accuracy of 99.99%, which combined with the already low level of the General Reserve (£4.0M below target) leaves little margin for error and places the 2026/27 budgets at risk of overspend.

f) It has taken due regard of long-term policing objectives of both the Police and Crime Commissioner and the Chief Constable. The much anticipated Police Reform White Paper has been published and 2026-27 budget proposals are unaffected by the proposals. The legislative process would suggest impact on budgets will start to emerge in 2027-28.

g) It has identified and reflected new burdens and sought to identify internal improvements to reduce budget pressures for growth. There is considerable pressure on front line response and internal measures to create 300,000 hours of additional frontline response capacity are being developed which is equivalent to an investment of £11M being driven out from existing resources.

h) It has taken a long-term realistic view of police funding and sought to smooth the impact of further contraction in central government funding for policing. Grants are reducing year on year and the trend is set to continue to 2031.

i) The value for Money Plan includes a comprehensive approach to collaboration and a project has been launched to consolidate Technology Services between Gwent and South Wales Police. This is a £50M annual collaborative spend and anticipated to deliver savings in third party contracted services towards the third year of implementation.

j) Inflation affects all sectors including policing and wider society. This refreshed MTFS has again attempted to minimise the impact of the police precept on households. The £8.0M vacancy factor is equivalent to an additional precept increase of 4.2% (or £15.90 per year).

k) It has addressed Risks and Uncertainties identified in 2025/26 and their future implications. National pay awards and control of inflation are the main uncertainties that could have material negative impact on budgets, and South Wales Police is actively engaged on national committees to influence where possible. The 3.0% pay award provision is in line with national assumptions and it is clear that the Home Office is unlikely to provide any additional funding should this level be agreed nationally. Each 1% variation in pay is equivalent to around £3M in cost. In total there is £32M of unfunded budget pressures identified with high likelihood of occurrence

l) Identifying further cuts during 2026/27 on top of the £8M vacancy factor and the previous £72M of cumulative recurring cuts to balance the budget is extremely challenging.

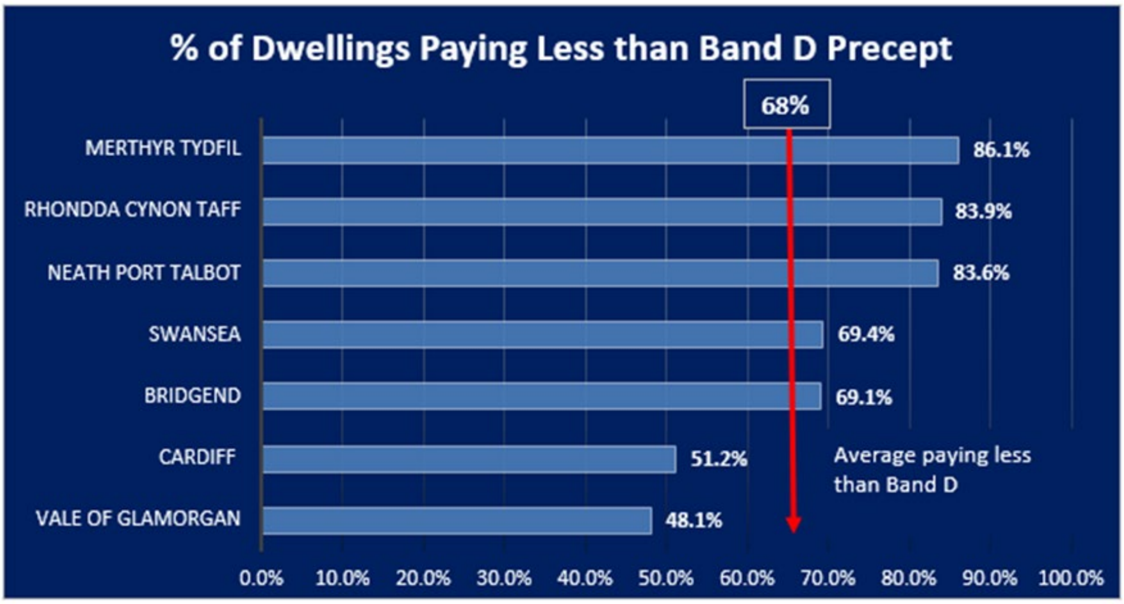
m) The independent OBR assessment on the medium-term forecasts produced by the Treasury shows further real-terms cuts to police funding should be anticipated, However these are not yet reflected in our MTFS which shows an £11M cumulative funding gap to 2029/30.

n) The Autumn Budget Statement and actual police settlement have clearly not been sufficient to address core budget inflation and therefore a measured increase in the Police Precept is critical to deliver a balanced budget and maintain staffing objectives.

o) On this basis, in order to achieve both a balanced budget and deliver on the Uplift Programme, it is necessary that the Police Precept is increased by 7.13% or £27.00 per annum (£2.25 per month) resulting in a total annual Band D Precept of £434.8M).

14.5 Analysis of Property Bandings and Council Tax

14.5.1 An analysis of council tax properties by local authority area (below) shows that 68% of the residents living within South Wales Police area will pay less than the average Band D value, and therefore the majority of residents will pay less than £2 additional per month



14.5.2 The Police and Crime Commissioner in recommending her Police Precept proposal to the Police and Crime Panel will need to take cognisance of both the operational consultation and local taxpayer consultation. The required increase is slightly higher than the sum supported by the majority through consultation, and ensures maintenance of an effective police service in a period of significant financial uncertainty.

14.5.3 The operational assessment shows that both demand and crime are increasing across England and Wales, and previous decisions on investment in tackling vulnerability and prevention have ensured crime in the South Wales Police area is rising slower and remains significantly lower in comparison with our most similar group of forces and indeed all forces across many crime categories. As identified earlier there is a 20% lower chance of being a victim of crime in the South Wales Police Area compared to our grouping of most similar forces as evidenced by benchmarking by the HMICFRS.

15.0 CAPPING CONSIDERATION AND COUNCIL TAX BASE

15.1 Capping Considerations

15.1.1 Under devolution arrangements the power to determine capping levels on the council tax are administered by the Welsh Government and presently there are no proposals to cap council tax increases in Wales.

15.2 Council Tax Base

The council tax to be paid has to be 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:

	Band D Equivalent Properties			
Local Authority	**2025/26**	**2026/27**	**Change**	**%**
Cardiff Council	**153,582.00**	**156,050.00**	2,468.00	1.61%
Swansea Council	**95,063.00**	**96,701**	1,638.18	1.72%
Bridgend County Borough Council	**55,660.20**	**55,793.37**	133.17	0.24%
Merthyr Tydfil County Borough Council	**18,898.13**	**18,964.91**	66.78	0.35%
Neath Port Talbot Council	**49,703.53**	**49,751.61**	48.08	0.10%
Rhondda Cynon Taf County Borough Council	**80,440.26**	**80,551.88**	111.62	0.14%
The Vale of Glamorgan Council	**63,970.00**	**64,634.00**	664.00	1.04%
Total Council Tax Base	**517,317.12**	**522,446.95**	**5,129.83**	**0.99%**

15.3 Changes in Council Tax Base

15.3.1 New housing developments and population growth has seen the council tax base increase overall by 0.99% for the South Wales Police area for 2026/27. It is notable that the overall increase is mostly made up from the tax base increase in Cardiff and Swansea local authority areas.

15.3.2 Using the above tax base the impact of the Police Precept on property bandings for each local authority area is detailed at Appendix 14. The Force Precept will be added to the figures for the Unitary Authorities and will form part of the overall council tax demand bills. 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.

16.0 TREASURER'S COMMENTS (THE CHIEF FINANCIAL OFFICER TO THE COMMISSIONER)

16.1 The Local Government Act 2003, Part 2 Section 25, requires additional statements by the Treasurer to be included in the budget report. The Treasurer is required to report to the Police and Crime Commissioner on the robustness of the estimates, which underpin the budget requirement, and the adequacy of the proposed financial reserves. The Panel is required to have regard to this report when considering the budget.

16.2 The proposed budget presented in this report is based upon robust figures, prepared by the Chief Constable's Chief Financial Officer. The detailed estimates have been prepared on a realistic basis. A wide range of Senior Officers have been involved in the budget process. Proper provision has been made for pay and price increases, achievable levels of income and productivity and efficiency gains.

16.3 A Resources Board attended by both Chief Financial Officers monitors budgets on a regular basis. The Board reports into the Commissioner's Performance, Oversight and Assurance Board, which is also attended by the Chief Constable and his Chief Finance Officer. There is a detailed monthly budget monitoring system in place involving all budget holders and reports are provided to facilitate financial management. Both the Audit Wales and His Majesty's Inspectorate of Constabulary Fire and Rescue Services have commented on the robustness of financial planning by South Wales Police.

16.4 The Police Fund is below the 3% target of Gross Revenue Expenditure recommended by CIPFA, however, annual planned contributions are in place to rectify this. Both earmarked revenue and capital reserves are monitored regularly by the Resources Board. Similarly, the robust approach on risk management has enabled critical infrastructure developments and ensures a sustainable police service. However, the Estate condition continues to be a cause for concern and is reviewed regularly by the Resources Board and the Commissioner's Strategic Estates Board.

16.5 It is clear that the financial environment will remain extremely challenging for the foreseeable future. The CSR 2025 provided real terms cuts in funding for both 2027/28 and 2028/29.

16.6 The two most recent pay awards have been 4.75% and 4.20%, whilst some funding has been provided for the costs of the September 2024 additional funding is not included to cover the full costs of the September 2025 award in 2026/27. This is likely to be the new scenario whereby no additional funding will be provided beyond the envelope set by the Treasury for policing.

16.7 The combination of these factors will make 2026/27 another challenging year placing great financial pressure not only on the Force but also on our other partners in the public sector, particularly local government, where cuts to services, particularly social services and education, often result in increased demand for police services.

16.8 Based on prudent assumptions that reflect the increase in demand on police resources with additional costs, future years budgets continue to show deficits on 5% precept assumptions with a budget deficit by 2029/30 of £11M and reflect a recurring £8M vacancy factor on establishments which presents a significant challenge but remains necessary without additional grant funding.

16.9 The Productivity, Innovation and Efficiency Board has developed a further £32M of productivity and efficiency initiatives (including £6M of Cashable savings) to address growing demand but these will take time to materialise

16.10 As correctly anticipated within the previous MTFS the SR 2025 did not address core budget inflation, and the latest settlement has not kept pace with inflation and therefore financial pressures are set to continue. The proposed increase in the police precept of £27 has been minimised by

- maintaining past cuts to budgets of £72M
- non-recurring use of reserves to cover the higher costs in energy;
- perpetuating vacancy factor on establishments of £8M; and
- developing additional productivity measures (£11M for frontline response).

16.11 The Police and Crime Commissioner and the Chief Constable, and their respective teams, will need to work together to ensure the forecasted budget deficit over the course of the MTFS can be closed through:

- continued prudent financial management;
- continued lobbying of government around funding inequities across Wales and in particular South Wales Police; and
- continued investment in technology to drive productivity improvements.

17.0 LOCAL GOVERNMENT ACT 2003 – "SECTION 25" STATEMENT

17.1 When setting the Budget and Capital Programme for the forthcoming year the Police and Crime Commissioner must be satisfied that adequate consideration has been given to the following:

a) Government policy on spending, as applied to the Police;
b) The medium term implications of the Budget and Capital Programme;
c) The CIPFA Prudential Code;
d) The size and adequacy of general and specific earmarked balances;
e) Whether the proposals represent a balanced budget for the year;
f) The impact on the Council Tax;
g) The threat or risk of capping; and
h) The prevailing pressure for service development and associated risk to performance.

17.2 This Financial Strategy proposal has fully considered and documented the requirements above. I am satisfied that the proposals for 2026/27 produce a balanced budget and whilst the current level of reserves is inadequate plans are being developed to address this.

17.3 South Wales Police faces a difficult challenge in the coming year and I have highlighted in section 16, the need to develop mitigation plans going forward to address the forecasted further budget gap of £11.0M by 2029/30.

David Holloway-Young CPFA
Chief Financial Officer to the Police and Crime Commissioner South Wales Police

18 GOVERNANCE AND ACCOUNTABILITY ARRANGEMENTS

18.1 The Police Reform and Social Responsibility Act 2011 together with the Policing Protocol Order 2023 and the Financial Management Code of Practice (as revised in July 2018) sets out the updated governance arrangements for policing with effect from the 3rd July 22nd November 2012. The Act established the Police and Crime Commissioner and the Chief Constable each as a Corporation Sole.

18.2 The Police and Crime Panel has been established to scrutinise the actions and decisions of the Police and Crime Commissioner for the area. **Appendix 15** provides an overview of the main governance and accountability arrangements that are in place in South Wales.

18.3 His Majesty's Inspectorate of Constabulary, Audit Wales and TIAA have independently reviewed aspects of the South Wales Police Service and reported objectively on their findings.

18.4 Since the current Police Effectiveness Efficiency Legitimacy (PEEL) inspection regime was established, South Wales Police has consistently performed well in the inspection process. The table below is a summary of the most recent inspection carried out in 2024 and published in May 2024.

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Preventing and deterring crime and antisocial behaviour, and reducing vulnerability	Recording data about crime	Responding to the public	
	Building, supporting and protecting the workforce	Police powers and treating the public fairly and respectfully		
	Tackling workforce corruption	Investigating crime		
		Protecting vulnerable people		
		Managing offenders and suspects		
		Leadership and force management		

18.5 Ten areas of policing activity were assessed. Of these nine are placed on a grading scale indicated above and one review 'Victims of Crime' is normally not graded by HMICFRS so is not indicated on the above table.

18.6 Whilst 'Use of Resources' is no longer a separate area of assessment, HMICFRS to review the Forces financial position as part of the PEEL assessment and offered the following opinion as part of the above review

"We found its financial understanding and planning to be sound. The force adequately understands its finances and is using its reserves to smooth the effects of expenditure"

18.7 HMICFRS most recent inspection of the Force, specifically looking at Child Protection Arrangements was also positive. The summary is shown below.

Outstanding	Good	Adequate	Requires improvement	Inadequate
	Leadership of child protection arrangements	Risk assessment and referrals		
	Working with safeguarding partners	Investigating child abuse, neglect and exploitation		
	Responding to children at risk of harm			

HM Inspector's summary

I am pleased with the performance of South Wales Police in safeguarding children at risk.

18.8 Audit Wales concurred with the findings of the HMICFRS on both our understanding of demand and resource allocation and usage. The Annual Audit Letter is shown in full at **Appendix 16** and the key outcomes described in the letter are summarised below:

> *Based on the work I have undertaken, I am satisfied that the Commissioner and Chief Constable have appropriate arrangements in place to secure economy, efficiency, and effectiveness in their use of resources…..**Auditor General for Wales.***

18.9 The Commissioner and the Chief Constable have established a Joint Audit Committee to monitor the effectiveness of the governance arrangements and the Joint Audit Committee reported their findings for 2024/25 as follows:

> The Committee has received reports, recommendations, and observations from TIAA, Audit Wales, HMICFRS, and presentations from officers of both Corporations Sole to formulate an independent opinion and provide independent assurance to the Police and Crime Commissioner and Chief Constable in respect of the financial and governance controls within the Corporations Sole.
>
> **Having received these reports, the Joint Audit Committee is satisfied that there are no major issues of concern that affect the financial standing of the Corporations Sole. It is satisfied that there is a robust governance framework in place, supported by adequate risk management and controls.**

18.10 The above independent external scrutiny confirms the well-developed governance arrangements in place to deliver an effective policing service to the public in South Wales, as well as securing Value for Money in the use of public resources.

19.0 SUMMARY AND CONCLUSIONS

19.1 Whilst the ongoing national economic climate continues to have a significant bearing on the acceptability in level of Police Precept to be levied on local taxpayers it is also recognised that in times of economic decline the requirements for an efficient and effective police service rise considerably.

19.2 This Financial Strategy has attempted to balance the difficult equation of risk, demand, affordability, the need to limit increases in expenditure where possible and the possibility of capping.

19.3 The analysis by The Institute of Fiscal studies on the national fiscal position strongly indicates a further tightening of budgets in the unprotected departments by 3.5%.

19.4 Capital funding has been reduced to nil and the financial burden of the replacement of short life assets falls entirely on the revenue grants, which are reducing in real-terms.

19.5 A balanced budget is achievable only through maintaining a £8M vacancy factor, using non recurring reserves funding for the costs of energy, reducing demand for additional resources through internal productivity equivalent to £11M, therefore an increase in the Band D precept of £27.00 (7.13% which equates to £2.25 per month). The previous cuts of £72M plus £8M vacancy equate to £80M of cost mitigation being managed by the force.

19.6 The further constraint of maintaining officer numbers throughout 2026/27 has a £8.3M of clawback potential if numbers fall below the target of 110 additional officers deployed to Neighbourhood policing.

19.7 CONCLUSION

This Medium Term Financial Strategy concludes that:

- **A 7.13% increase in South Wales Police Precept for 2026/27 is essential which gives an annual Band D Precept of £434.8M, which results in a 2026/27 Revenue Budget of £442,488,484 with total precept income of £211,941,055.**

- **A Capital Programme for 2026/27 to 2029/30 of £168.0M including the utilisation of £15.0M of Capital Reserves and the implementation of the Capital Strategy, Treasury Management Strategy, MRP Policy and setting of the associated Prudential Indicators for 2026 to 2030 that are necessary to support the Capital Programme requirements.**

- **The independent analysis of the Autumn Statement 2024 strongly indicates further tightening of funds by 3.5% for unprotected departments including the Home Office and hence policing. Essentially real terms cuts to funding over the MTFS planning period is probably the best case scenario.**

- **It is important to ensure decisions on Precept are sustainable and avoid compounding the future years' budget challenges given the current forecasted budget gap by 2029/30 of £11M (assuming future annual 5% increase in Precept per annum from 2027/28).**

19.8 WIDER GOVERNANCE CONSIDERATIONS

A. LEGAL

The Commissioner is required to set a balanced budget, determine the rate of council tax and issue a precept in accordance with the Local Government Finance Act 1988 and the Police Act 1996. Under the Police Reform and Social Responsibility Act 2011 the Commissioner may only issue a Precept after consultation with the Police and Crime Panel.

B. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES AND HUMAN RIGHTS CONSIDERATIONS

South Wales Police has a comprehensive Community and Equalities Impact Assessment process that is embedded within the change management programme. Each workstream will consider the wider service implications and undertake an equalities and Human Rights impact assessment in the planning phase.

C. REVIEW ARRANGEMENTS

There will be regular monitoring of the 2026/27 Revenue Budget, Capital Programme and Value for Money Plan/Vacancy Factors by the Commissioner and Police and Crime Panel.

D. RISKS

1. The operational and organisational risks have been considered and adjusted for in the development of the four-year Medium Term Financial Strategy using the Force Management Statement, the Commissioner's Police Crime and Justice Plan, the Chief Constable's Delivery Plan and the Strategic Risk and Uncertainty Management arrangements within the Force and OPCC.

2. The risk of capping has been considered through discussions with Welsh Government and the proposed Precept is not expected to initiate capping action.

3. The main uncontrolled risk relates to the nationally determined pay awards and the long-term estate issues which are reviewed regularly to ensure legislative compliance is not compromised.

4. There is a potential for pay and price inflation to exceed assumptions whereby each 1% can add £3M to the budget shortfall.

E. LIST OF BACKGROUND PAPERS

Local Government Finance Report 2026 to 2027 Welsh Government.
Police Grant Report England and Wales 2026 to 2027.

Schedule of Appendices

Appendix 1	Police and Crime Commissioner's Budget
Appendix 2	South Wales Delivery Plan 2025-2029
Appendix 3	Neigbourhood Policing Guarantee
Appendix 4	Year 1 Uplift Prioritisation Matrix
Appendix 5A	Year 2 Uplift Prioritisation Matrix
Appendix 5B	Year 3 Uplift Prioritisation Matrix
Appendix 6	Summary of the Police Revenue Funding Announcement/ Forecast 2014 to 2029
Appendix 7	Funding Inequities Impacting on South Wales Police
Appendix 8	South Wales Police Draft Revenue Budget 2026/27 to 2029/30
Appendix 9	Revenue Budget - Reconciliation of Changes 2025/26 to 2026/27
Appendix 10	Analysis of Revenue Budget Changes 2025/26 to 2026/27
Appendix 11	Capital Programme Budget and Financing Arrangements 2026/27 to 2029/30
Appendix 12	Value for Money Plan 2010/11 to 2029/30
Appendix 13	Establishment Movement
Appendix 14	Revenue Budget - Precept Implications
Appendix 15	Overview of the Governance Framework within South Wales Police

APPENDIX 1

Police & Crime Commissioner's Core Budget and Commissioning Budgets

Core Office Budget	2025/26 £'000	2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000
Salary Related Costs	2,668	2,885	2,943	250	0
Officer Salary Cost	94	101	103	105	0
Indirect Employee Costs	35	35	36	37	0
Premises Costs	5	6	6	6	0
Transport Costs	29	30	30	31	0
Supplies & Services	137	140	143	146	0
Sub-Total	**2,969**	**3,197**	**3,261**	**574**	**0**

Internally Funded Commissioned Services					
Substance Misuse Intervention – Dyfodol Project	2,439	2,476	2,498		0
Community Safety Partnerships	660	666	672		0
Youth Offending Teams	349	352	355		0
Other Commissioned Services	37	37	37		0
Violent Crime	78	78	79		0
Drive Project	800	807	815		0
Victims Services - Change that Lasts	171	173	174		0
Family Intervention Programs	84	85	86		0
Commissioner's VFM Plan	(225)	(225)	(225)		0
Sub-Total	**4,393**	**4,449**	**4,492**	**0**	**0**
Partnership Fund (specific ear-marked reserve)					
Women Pathfinder / 18-25 Year Olds	740	754	754	0	0
PCP Implementation and Investment	150	695	195	0	0
Other Funded Projects	760	201	201	0	0
Sub-Total	**1,650**	**1,650**	**1,150**	**0**	**0**
Externally Funded Commissioned Services	**2025/26 £'000**	**2026/27 £'000**	**2027/28 £'000**	**2028/29 £'000**	**2028/29 £'000**
Violence Reduction Grants	1,610	1,610	1,610	0	0
Anti Social Behaviour Hotspots Grants	1,429	1,429	1,429	0	0
Victim Services	2,812	2,812	2,812	0	0
Family Pathfinder	635	635	635	0	0
Other Grants	132	132	132	0	0
Sub-Total	**6,618**	**6,618**	**6,618**	**0**	**0**
Total Funding	**12,661**	**12,717**	**12,260**	**0**	**0**
Total Police & Crime Commissioner Investment	**15,629**	**15,914**	**15,520**	**574**	**0**

New Governance, Commissioning and Partnership Arrangements				**15,055**	**15,714**

APPENDIX 2

SOUTH WALES DELIVERY PLAN 2025 to 2029

Ein Cynllun Cyflawni
Our Delivery Plan

OUR MISSION

To prevent and detect crime; protect, serve and reassure our communities; and provide a first-class service to victims.

OUR VISION

To be an outstanding police service: accessible, reliable and trusted by our communities.

OUR VALUES

Courage.
Integrity.
Compassion.

WE WILL:

Provide a first-class service to victims

- Be accessible and conduct reasonable lines of enquiry from the outset.
- Attend in a timely fashion and keep our promises.
- Always carry out high-quality investigations, proportionate to the seriousness of the crime.
- Safeguard and protect the most vulnerable.
- Provide investigation updates, including letting people know when their incident has been finalised.
- Understand and use victim feedback to shape and improve our service and performance.

Improve trust and confidence in our service

- Be visible, accessible and engage with our communities, to better understand them and their concerns.
- Work with local people and partners to solve problems together.
- Earn trust by working to protect communities from crime and antisocial behaviour.
- Act with professionalism and the highest standards of conduct.
- Work with partners to build cohesive communities responding swiftly to hate crime.

Persistently pursue criminals

- Protect and safeguard women and girls from violence.
- Keep people safe in their homes, free from child and domestic abuse.
- Make our streets safer by reducing knife crime and other serious violence.
- Pursue prolific offenders, bringing them to justice.
- Protect our communities from organised crime and online harm.
- Manage sexual and violent offenders through multi-agency public protection arrangements.

Create a courageous and engaged workforce

- Prioritise staff safety, ensuring they are well briefed, trained and equipped.
- Drive out racism and misogyny, creating upstanders not bystanders.
- Build a resilient and courageous workforce, representative of the communities we serve.
- Listen and respond to our staff, engaging them to improve our organisation.
- Develop talented staff to create future leaders.
- Take pride in our appearance, our buildings, our vehicles and our equipment.

Enhance efficiency and productivity

- Use data to; understand the complexity of our demand; drive up productivity; direct and deploy our resources more efficiently.
- Eliminate waste and apply problem-solving principles at all levels.
- Adopt new and emerging technology to create capacity and improve capability.
- Minimise workplace abstractions whilst ensuring our people are competent and capable of delivering to the communities of South Wales.

HEDDLU DE CYMRU
SOUTH WALES POLICE

2025-29

APPENDIX 3

Neighbourhood Policing Guarantee

The Neighbourhood Policing Guarantee (NPG) is a UK-wide programme announced in April 2025 to restore visible, community-focused policing as part of the Government's Safer Streets Mission. It commits every community in England and Wales to a minimum standard of neighbourhood policing built around five pillars:

1. **Police Back on the Beat –** Visible, intelligence-led patrols; neighbourhood teams protected from abstraction.
2. **Community-Led Policing –** A named, contactable officer for every neighbourhood, with residents able to influence local priorities.
3. **Clear Standards & Professional Excellence –** A new national neighbourhood policing career pathway and specialist training.
4. **Crackdown on Anti-Social Behaviour (ASB) –** Tougher powers, a dedicated ASB lead in every force, and local ASB action plans.
5. **Safer Town Centres –** Targeted action on shop theft, violence, street crime and repeat ASB offenders.

The Government has stated national milestones including:

- 13,000 additional neighbourhood officers, PCSOs, and specials by 2029, with the first 3,000 by spring 2026.
- Every community having named, contactable neighbourhood officers by July 2025.
- Neighbourhood queries answered within 72 hours, and routine local beat meetings.

A national NPG Performance Framework was introduced in April 2025 to measure delivery across all forces.

What South Wales Police Are Doing to Deliver the Guarantee

Workforce Growth & Deployment

SWP's delivery plans commit to:

- 70 new neighbourhood police officers by March 2026
- 9 additional Special Constables allocated to neighbourhood policing.
- No PCSO uplift in Year 1 due to stable establishment and strategic focus on warranted officers.

This aligns directly with Pillar 1 (police back on the beat).

Visibility, Contact & Community Engagement

To meet Pillar 2 requirements by 30 June 2025, SWP is delivering:

- A named PC or PCSO online for every neighbourhood.
- Online contact route via Single Online Home integrated with South Wales Listens.
- A commitment to respond to neighbourhood queries within 72 hours and provide recourse routes.
- Regular beat meetings and transparent publication of priorities and engagement outcomes.

Professionalisation & Training

Supporting Pillar 3, SWP has:

- 310 staff already qualified in Level 3 "Understanding Neighbourhood Management".
- Further CPD cycles scheduled before summer 2025.
- National Neighbourhood Policing Pathway (NPP1 online modules released June 2025; NPP2 ten-day in-person training).

Tackling Anti-Social Behaviour
In line with Pillar 4, SWP is:

- Implementing new ASB perpetrator risk assessments at first point of contact.
- Rolling out best practice in CPNs, CBOs and injunctions.
- Developing the statutory ASB Action Plan for publication April 2026.
- Housing a dedicated ASB lead as required by the NPCC.

Safer Town Centres
SWP's town centre strategy (Pillar 5) includes:

- Targeted problem-solving operations using clear-hold-build methodology.
- £1.43M Home Office Hotspot Fund devoted to town-centre surge activity (April–Sept 2025).
- "Keeping Town Centres Safe This Summer" intensification: June–September 2025.
- "Winter of Action" intensification: December 2025 – February 2026
- Monthly reporting to the Home Office (August–October 2025).

Key Delivery Milestones for South Wales Police
By March 2026

- Full delivery of the 70-officer uplift commitment.
- 9 Specials fully integrated.
- Funding fully utilised as per Home Office rules.

By April 2026

- Publication of SWP's Local Anti-Social Behaviour Action Plan.

Financial Overview

- SWP's provisional 2025/26 NHP budget: £4.52M.
- Majority committed to 70 officers (growth + redeployment).
- £48k reserved for improved recruitment capacity.
- Funding fully allocated with £0.33M remaining.
- Additional allocation 2026/27 : £1.3M to increase Neighbourhood Policing Officers by 40 FTE

Overall Assessment
South Wales Police is on track and in some areas ahead of national expectations, with clear evidence of:

- Early workforce uplift and redeployment planning.
- Strong alignment with national performance frameworks.
- Robust ASB and town-centre plans.
- Rapid digital and engagement improvements enabling compliance with Pillar 2.

The key risks to monitor include recruitment pacing, supervision capacity for new officers, and maintaining neighbourhood abstraction levels.

APPENDIX 4

YEAR 1 UPLIFT PRIORITISATION MATRIX

SOUTH WALES POLICE

UPLIFT ROADMAP

2019 - 2021

136 ADDITIONAL POLICE OFFICERS

Intake	Officers	Date
Intake 1	15 OFFICERS	SEPT 2019
Intake 2	18 OFFICERS	MAR 2020
Intake 3	26 OFFICERS	JUN 2020
Intake 4	26 OFFICERS	SEPT 2020
Intake 5	26 OFFICERS	DEC 2020
Intake 6	25 OFFICERS	MAR 2021

OFFICER UPLIFT - YEAR 1

This force will receive an injection of funding which will enable us to recruit an additional **136** police officers.

Bringing our recruitment total to **379** for the years.

The initial intake of officers during 2020-2021 will be prioritised and allocated to areas where there are identified challenges based upon;

- RADAR team findings from data assessed September 2018 to September 2019
- Process Evolution research adapted to a 3 BCU Force Model
- Professional Judgements and Business Case requests of BCU and Departmental Commanders
- Business Case proposals previously agreed by Chief Officers

DECISIONS ON THE ALLOCATION OF THESE RESOURCES WILL BE CAREFULLY MADE CONSIDERING THE FOLLOWING PRIORITY THEMES AND THROUGH ANALYTICAL EVIDENCE

2019 — Intake 1 — Intake 2 — Intake 3 — Intake 4 — Intake 5 — 2021

LEADERSHIP & SUPERVISION

There will be an increase in the number of operational supervisors at the rank of Inspector and Sergeant.

Greater supervisory capacity will provide:

- Visible and accessible leadership
- Ensure the best use of resources
- Closer supervision of the initial response to critical incidents
- Appropriate wellbeing support
- Operational advice and guidance

TRAINING & DEVELOPMENT OF STAFF

We will continue to develop our workforce, providing staff with a range of learning activities to enhance their skills.

To meet existing and future staff training requirements there will be an increase in the number of:

- Area Training Officers
- Investigative Trainers
- Driver Trainers

TRUST & CONFIDENCE

Public trust and confidence will be undermined if, as a force, we are unable to carry out the increased requirement for vetting processes, misconduct investigations, complaints management or, counter-corruption activities effectively.

We will therefore invest further in our Professional Standards Department.

OFFICER AVAILABILITY & VISIBILITY

In considering the increasing volume of urgent, high risk demand our officers face, we have to consider our ability to listen and respond to the needs of our communities.

To protect our ability to deliver meaningful, problem solving policing, we need to reduce misplaced demand to use them for other work.

Innovative solutions within our PSC are also helping to manage demand more efficiently at first point of contact leading to a reduction in the number of officer deployments.

By formally establishing these initiatives, we improve the opportunity for our officers to be visible and accessible in our communities.

VULNERABILITY

Protecting vulnerable people from harm is our principal priority.

To do this effectively we need to identify it at the earliest opportunity.

That is why we will be strengthening our local policing teams and improving efficiencies through our new force structure.

These changes will enhance our pace of deployment and response to give a better and more consistent service to the communities of South Wales.

It will also further develop our ability to protect the most vulnerable in our society through enhanced safeguarding measures.

Specially trained officers will be based in our Public Service Centre, to ensure vulnerability and missing person reports are appropriately risk assessed and managed effectively in line with Wales Safeguarding Procedures.

The Incident Resolution Team will continue to deal with non-urgent demand at the first point of contact to further reduce the pressure on our response officers and investigative colleagues.

CRIMINAL EXPLOITATION

The Police Online Investigation Team (POLIT) was created in 2016 and consists of a specialist team of officers who are dedicated to deal with this complex area of business on a daily basis.

The team has seen a significant increase in the number of referrals from external agencies for online offending. This remains a significant threat for the communities of South Wales.

We will be investing further in this area to ensure we can continue to carry out investigations, safeguard the most vulnerable and bring high risk offenders to justice.

TACKLING VIOLENCE AGAINST WOMEN & GIRLS

We are committed to reducing violence against women and girls.

To help those affected by domestic abuse, sexual violence, stalking and harassment, there will be an increase in the number of Public Protection Notice Risk Assessors.

Domestic Abuse Offender Managers will also be introduced who will adopt an innovative, perpetrator led approach to tackle offending. This will ensure:

- Early identification of offenders and victims
- Increased reporting of incidents through improving victim confidence
- A reduction of further offences through early intervention

EMERGING CRIME TRENDS

Digital forensics is a growth area of investigation for the force.

Since 2015 the work of the Digital Forensic and Cyber Crime Unit has increased by **76%**.

By 2022 the workload of the unit is expected to increase by a further **40%**.

Additional officers will be assigned to address this rapidly growing area of criminality to ensure we can counter cyber enabled and cyber dependent crime into the future.

Fraud is fast becoming the most commonly experience crime in the UK, with criminals developing creative and innovative methods to defraud victims.

In response to this, the remit of the Economic Crime Unit has expanded and they will receive additional staff to ensure the communities we serve are better protected.

DETECTIVE RESILIENCE

Policing demands of today have increased significantly in volume and complexity, including within specialist areas:

- Child abuse and vulnerable adult investigations have increased by **11%**
- The management of Sexual and Violent Offenders is up **10%**
- Rape and Serious Sexual Assault is also up **5%**

Detectives play a vital role in dealing with the threat of serious organised crime and protecting some of the most vulnerable across our communities.

To ensure we have the investigative capacity to meet the growth in demand and continue to effectively protect members of the public the number of front line detectives will be increased.

Intake 6 — RESPONSE POLICING

Additional officers will be allocated to front line response policing.

There will be an investment in police officer posts where the greatest impact will be made upon:

- Reducing police officer work rates
- Improving G1 response times
- Improving G2 response times

APPENDIX 5A

YEAR 2 UPLIFT PRIORITISATION MATRIX

#TeamSWP UPLIFT

YEAR 2

2021-2022

133 ADDITIONAL POLICE OFFICERS

- INTAKE 1: 23 OFFICERS – JUNE 2021
- INTAKE 2: 11 OFFICERS – SEPTEMBER 2021
- INTAKE 3: 23 OFFICERS – OCTOBER 2021
- INTAKE 4: 39 OFFICERS – JANUARY 2022
- INTAKE 5: 37 OFFICERS – MARCH 2022

The uplift programme will enable South Wales Police to recruit an additional 133 officers

Bringing our uplift recruitment total to 269

The intake of officers during **2021-2022** will be prioritised and allocated to areas where there are identified challenges based upon;

- Process Evolution research adapted to a 3 BCU Force Model
- Demand and capability analysis
- Professional judgements and Business Case requests of BCU and Departmental Commanders

DECISIONS ON THE ALLOCATION OF THESE RESOURCES HAVE BEEN CAREFULLY MADE CONSIDERING THE FOLLOWING PRIORITY THEMES SUPPORTED BY ANALYTICAL EVIDENCE

LEADERSHIP AND SUPERVISION

We will continue to strengthen our leadership and supervisory capability at the rank of Sergeant and Inspector. This further investment will provide capacity for:

- More visible and accessible leadership.
- Improved ability to provide personal and professional supervisory support.
- Ongoing development of skills through exchange of information, observation and practical experience. Particularly in response to critical incidents.
- Effective demand management and use of available resources in alignment with organisational priorities.
- The delivery of improved outcomes through discussing and exploring new ideas.

South Wales POLICE HEDDLU De Cymru

ONGOING TRAINING AND DEVELOPMENT OF STAFF

We will invest further in this area to ensure we meet existing and future requirements for training and development.

Additional resources will be allocated to facilitate initial training, operational skills training and IT training.

OFFICER AVAILABILITY AND VISIBILITY

We will be investing once again in response policing and increasing resilience in areas experiencing the greatest levels of demand. This will:

- Reduce response officer workloads and pressure.
- Improve G1 and G2 response times.
- Increase officer visibility and availability within these communities.

EMERGING CRIME TRENDS

We need to continue to evolve our digital investigation and intelligence capabilities in order to counter internet-facilitated and cyber-dependent crime.

Additional resources will therefore be assigned to our digital forensic investigation, communication data investigation and cyber enabled crime units.

REDUCED RISK OF HARM TO THE PUBLIC

Our investigators play a vital role in our response to serious organised crime and the protection of those who may be vulnerable.

We will be increasing the number of detectives who staff major incident rooms and investigate crimes that cause significant alarm and distress within the communities we serve.

CRIMINAL JUSTICE

The Attorney General's and Director of Public Prosecutions' revised Guidelines on Disclosure came into force on 31 December 2020.

To ensure we meet the requirements of the legislation additional officers will be allocated to each BCU.

This will build resilience into existing structures to enable national casefile standards to be met diligently and expeditiously.

PRODUCTIVITY AND INNOVATION

Significant operational benefits have been identified through the deployment of drone technology to incidents involving missing persons, suspect searches and ASB.

In doing so there has also been a considerable reduction in our requirement for NPAS support.

To fully maximise the operational benefits of the drone technology additional resources will be allocated to this area.

OPERATION SCEPTRE

We are committed to doing everything we can to tackle serious violence, particularly knife crime.

Two proactive teams, under the banner of Operation Sceptre, will therefore become formally established to provide high intensity enforcement against those intent on carrying knives and causing harm on our streets.

PREVENTING HARM FROM ORGANISED CRIME

A team of officers, with specialist skills, will be assembled from across Operational Support Services with the purpose of proactively targeting perpetrators of serious and organised crime across the force area.

The officers will work closely with local officers, regional units and intelligence cells to build a comprehensive approach to the disruption of criminality across the force area.

INTEGRATED OFFENDER MANAGEMENT

Justice Services will take the strategic lead for the new NPCC Protocol for Integrated Offender Management, focusing on those identified as being at high risk of reoffending.

The post will allow the development of strategies and guidance which include and focus on best practice for supervision and referral to rehabilitative services.

EQUALITY DIVERSITY AND INCLUSION

The EDI Officers will complement the work of Hate Crime Officers and Neighbourhood Teams; through developing new and existing engagement opportunities.

This new resource will specifically focus on addressing equality and community cohesion, contributing to the development of sustainable solutions for issues affecting our communities whilst building trust and confidence in local policing.

APPENDIX 5B)

YEAR 3 UPLIFT PRIORITISATION MATRIX

#TeamSWP
UPLIFT

YEAR 3

2022/23

Posts prioritised for uplift based on:

- Supporting frontline Supervision
- Emerging Demand and Threats, including:
  1. Identifying and managing the risk to children missing or at risk of exploitation
  2. Consistency in answering calls for service quickly enough
  3. Consistency in researching and assessing risk from the highest risk offenders
- Professional, evidentially based judgement of senior leaders based on requests from BCU's and departments

Government funding for 3 years

452 extra posts

2022/23

Funding for **183** additional Police Officers

INTAKE 1	INTAKE 2	INTAKE 3	INTAKE 4
44	41	55	43
JUL 2022	SEP 2022	JAN 2023	MAR 2023

Leadership and Supervision

There will be an increase in the number of operational supervisors at the rank of Sergeant. Greater supervisory capacity will provide:

- Visible and accessible leadership
- Effective use of resources
- Appropriate wellbeing support
- Operational advice and guidance
- Improved ability to provide personal and professional supervisory support.
- The delivery of improved outcomes through support and available supervision.

Violence Against Women and Girls

We will be investing further in our Professional Standards Department to ensure the progress of investigations relating to offences involving Violence Against Women and Girls and other Domestic Violence matters involving police officers and staff.

Officer Availability and Visibility

We will be investing once again in response policing and increasing resilience in areas experiencing the greatest levels of demand.

This will:

- Reduce response officer workloads and pressure
- Improve G1 and G2 response times.
- Increase officer visibility and availability within these communities

Trust and Confidence

We will be increasing resourcing levels within our Major Crime Review Unit. This is to better equip colleagues to manage current demand levels while also ensuring added value through the delivery of ongoing organisational learning. The team will also benefit from enhanced capability and skills to address safeguarding and vulnerability concerns.

We will also be increasing the number of deployable Taser officer across the force area. This means that our specialist training capability will also require an uplift. A Chief Taser Instructor will also be appointed.

Our force Collision Investigation Unit must achieve Internal Standards of Organisation (ISO) to become accredited. Further legal requirements relating to accreditation have resulted in significant increases in demand for our FCIU's which must be addressed through further investment.

Specialist Demand

A dedicated manager will be appointed to manage the Dog section, Mounted section and Territorial Crime Team. This role will maximise the effectiveness of our specialist capability post COVID, through heightened local and national community tensions.

A further mounted officer is required to partially address the demand on specialist resources post COVID. An excess of 100 events will take place within the force area in 2022. Mutual aid deployments will be also be required.

Vulnerability

Out Specialist Crime Command model has been separated into two distinct areas: Crime and Criminal Justice and Safeguarding and Public Protection. To ensure the necessary leadership is provided within the new structure additional posts will be created within the Safeguarding and Public Protection Team to help mitigate immediate risk and facilitate more robust partnership intervention.

We will also enhance the capacity of our Missing Person's Investigation Team based at the Public Service Centre. This is to ensure the identification and categorisation of risk can be managed effectively at the earliest opportunity and before they are forward to BCU for ratification and further investigation.

Detective Resilience – Investigations

We will increase our specialist investigative capacity through further resourcing the Major Crime Investigation team. This will not only improve the organisations capability when investigating serious and complex crime but will also significantly reduce secondments from BCU Specialist Investigative Teams.

We will also invest in our Rape Investigation teams across each of the BCU's to assist in delivering effective investigation standards, and the delivery of a quality service to each victim. Colleagues Health and wellbeing is also a key consideration.

Emerging Crime Trends

Digital forensics investigation is a prominent growth area within the force. Additional officers will therefore be assigned to this area of criminality to ensure we can counter cyber enabled and cyber dependent crime into the future.

Fraud is fast becoming the most commonly experienced crime in the UK, with criminals developing creative and innovative methods to defraud victims. In response to this, we've also expanded the Economic Crime Unit to ensure the communities we serve are better protected.

Criminal Exploitation

The Police Online Investigation Team (POLIT) was created in 2016 and consists of a specialist team of officers. The team has seen a significant increase in the number of referrals from external agencies for online offending. This remains a significant area of threat for our communities. We need to invest further in this area therefore to ensure we can continue to safeguard the most vulnerable and bring high risk offenders to justice.

A dedicated Exploitation Team has been also established to investigate and disrupt child criminal exploitation, safeguard victims and disrupt perpetrators. With this dedicated capability South Wales Police we can deliver a consistent service to children at risk of being exploited, those being exploited and those who have been exploited.

Reduced Risk of Harm to The Public

We will improve how we meet national standards concerning the Domestic Violence Disclosure Scheme (Clare's Law) through increased resourcing to enhance engagement with partners through the attendance of case conference and referral meetings - not only initial meetings but further review meetings also. This will allow us to take a more active role in the decision-making process concerning children, while also maintaining safeguarding commitments to vulnerable people within our communities.

Further investment in our Strategic Public Protection team will improve the handling, reviewing and dissemination of Public Protection Notices ensuring that they are risk assessed in a timely manner, while addressing potential safeguarding issues.

Uplift Programme Police Officer Posts

Area of Business	UPLIFT YEAR 1 FTE	UPLIFT YEAR 2 FTE	UPLIFT YEAR 3 FTE	TOTAL
Regional Posts		6.0	18.0	24.0
Response Policing	15.0	30.0	40.0	85.0
Response Support Sergeant			9.0	9.0
Hub / Investigations	28.0	25.0	22.0	75.0
Op Sceptre		14.0		14.0
Bronze Command Review	5.0	5.0		10.0
Op Support Services		10.0	3.0	13.0
Crime & Criminal Justice	4.0	21.0	35.0	60.0
Safeguarding and Public Protection	31.0	10.0	45.0	86.0
JSIU			3.0	3.0
Assurance and Inspection			3.0	3.0
Learning and Development	8.0	8.0		16.0
Equality, Diversity and Inclusion		4.0		4.0
Professional Standards	8.0		2.0	10.0
Public Service Centre	37.0			37.0
Total	**136.0**	**133.0**	**180.0**	**449.0**

Uplift Programme Police Staff Posts

Post Location	UPLIFT YEAR 1 FTE	UPLIFT YEAR 2 FTE	UPLIFT YEAR 3 FTE	TOTAL
BCU Support	0.7		3.0	3.7
Continuous Improvement		5.0		5.0
Contract Management Officer	1.0			1.0
Coroners Support	4.0			4.0
Corporate Communications	4.0			4.0
Digital Service Division	5.0			5.0
Equality, Diversity and Inclusion		2.0		2.0
Estates	3.0	3.0	1.0	7.0
Fleet		2.0		2.0
Health & Safety		2.0		2.0
Human Resources		7.5	2.0	9.5
Information Management	12.0			12.0
Information Technology			16.0	16.0
Intelligence Researcher	0.3			0.3
Legal		1.0	1.4	2.4
Public Service Centre		20.0		20.0
Research and Data Quality	4.0		5.0	9.0
Scientific Support	1.0	1.0		2.0
Crime & Criminal Justice		11.0	6.0	17.0
Specialist Operations		2.0		2.0
Learning and Development	1.0	6.5		7.5
Professional Standards			2.0	2.0
Total	**36.0**	**63.0**	**36.4**	**135.4**

APPENDIX 6

Summary of the Police Revenue Funding Announcement / Forecasts 2014-2029

	2014/15 £M	2015/16 £M	2016/17 £M	2017/18 £M	2018/19 £M	2019/20 £M	2020/21 £M	2021/22 £M	2022/23 £M	2023/24 £M	2024/25 £M	2025/26 £M	2026/27 £M	2027/28 £M	2028/29 £M
Total Formula Funding:															
Police Core Settlement	**4,585**	**4,313**	**4,291**	**4,234**	**4,234**	**4,333**	**4,333**	**4,333**	**4,413**	**5,271**	**5,713**	**5,984**	**5,984**	**5,984**	**5,984**
of which Home Office Police Main Grant	4,407	4,136	4,112	4,055	4,055	4,143	4,143	4,143	4,218	5,075	5,516	**5,720**	5,720	5,720	5,720
National, International and Capital City Grant (MPA/MoPC only)	176	174	174	174	174	185	185	185	190	190	190	**255**	255	255	255
City of London Capital City Grant + precept grant	2	3	5	5	5	5	5	5	5	6	7	**9**	9	9	9
DCLG General Grant	**2,926**	**2,820**	**2,802**	**2,765**	**2,765**	**2,821**	**2,821**	**2,821**	**2,787**	**3,382**	**3,451**	**3,579**	**3,579**	**3,579**	**3,579**
of which formula funding	2,924	2,818	2,800	2,763	2,763	2,818	2,818	2,818	2,784	3,382	3,451	**3,579**	3,579	3,579	3,579
of which Ordnance Survey	2	2	2	2	2	3	3	3	3						
WAG General Grant	**140**	**135**	**137**	**139**	**139**	**143**	**143**	**143**	**113**	**113**	**113**	113	**113**	**113**	**113**
Welsh Top-Up							**14**	**23**	**63**	**64**	**67**	74	**74**	**74**	**74**
National Police Co-ordination Centre	2	0					3	3	**3**						
National IT Cost Recovery	0			1	1	1	1	1	1						
CORE SETTLEMENT	**7,653**	**7,268**	**7,230**	**7,139**	**7,139**	**7,298**	**7,315**	**7,324**	**7,380**	**8,830**	**9,344**	**9,750**	**9,750**	**9,750**	**9,750**
UPLIFT GRANT BASELINE above															
Additional Uplift grant							519	676	676	676	676				
Additional Uplift grant								315	315	315	315				
Additional Uplift grant 2023									432	432	432				
Additional Uplift grant 2024										-40	-40				
Additional Uplift grant 2025															
Additional Uplift grant 2026															
CORE SETTLEMENT plus uplift baseline	**7,653**	**7,268**	**7,230**	**7,139**	**7,139**	**7,298**	**7,834**	**8,315**	**8,803**	**10,213**	**10,727**	**9,750**	**9,750**	**9,750**	**9,750**
Total Home Office Specific Grants Comprimising:	**819**	**1,564**	**1,776**	**2,007**	**2,193**	**2,372**	**2,626**	**2,496**	**2,896**	**2,667**	**2,610**	**2,957**	**2,958**	**2,958**	**2,958**
Welsh Top-Up	13	13	10	6	4	4									
Neighbourhood Policing Grant												**100**	100	100	100
National Insurance												**230**	230	230	230
Counter Terrorism Specific Grant	564	564	640	670	728	792	960	914	979	1,002	1,018	**1,160**	1,160	1,160	1,160
Top-Ups NCA ROCU						56	57	5	33	40	32	**38**	38	38	38
SOC Strategy						90	140	146							
PFI Grant	73	73	73	73	73	73	73	72	72	72	71	**71**	71	71	71
Police Innovation Fund	50	70	55	0	0	0									
Independent Police Complaints Commission	18	30	32												
College of Policing (for direct entry schemes)	3	5	5												
HMIC for regular force inspections	9	9	9												
Arms Length Bodies - HMIC - IPCC - C~OP + new OCD				54	63	63	83	76	69	75	66	tbc	tbc	tbc	tbc
Transformation Fund includes £32M CTSFO			76	175	175	175									
Police Special Grant		15	25	50	93	73	81	55	62	50	34	**49**	49	49	49
Major Programmes		40	22				47	39	65						
Forensics							29	26	26	21	13				
Police Now							7	7	7						
GLAA + Pre Charge Bail				17	17	4	2	2							
Serious Violence Strategy							39	39	50	46	46	**50**	50	50	50
Police Uplift Programme							17	15	12						
BlueLight Commercial / npcc programmes							4	5		10	8	3	3	3	3
Safer Streets Fund							10	20							
Counter Terrorism Specific Programmes							32	33	33						
National Policing Capabilities								3	11	69	50	48	48	48	48
International Crime Co-ordination Centre								5							
Police and CJS performance									13						
Crime Reduction Programmes / Tackling Expl/Abuse									46	21	18				
Police Aviation												2	2	2	2
Crime Reduction Capabilities									14	19					
Rape Review									12						
Drugs / County lines									30	30	30	**30**	30	30	30
Capital Reallocations									188	105	129	**123**	123	123	123
Fraud									23	18	18				
Cyber Crime										14	13				
Police Productivity and Innovation											11				
Legacy Council Tax Freeze Grants															
of which legacy Council Tax - England	23	31	31	31	31	31	31	31	31	31	31				
of which legacy Council Tax (11/12) Freeze Grant	59	59	59	59	59	59	59	59	59	59	59				
of which legacy Council Tax (13/14) Freeze Grant	7	7	7	7	7	7	7	7	7	7	7				
of which legacy Council Tax (14/15) Freeze Grant		3	3	3	3	3	3	3	3	3	3				
of which legacy Council Tax (15/16) Freeze Grant			4	4	4	4	4	4	4	4	4				
Legacy Council Tax Grants DCLG		404	404	404	404	404	404	404	404	409	409	**552**	552	552	552
DCLG freeze grants MOPAC and City of London Police		37	37	37	37	39	39	41	36	36	39	**0**			
ESN Migration + Technology programmes			80	213	291	291	294	281	403	322	297	297	297	297	297
Airwave		204	204	204	204	204	204	204	204	204	204	204	204	204	204
Total Government Funding	**8,472**	**8,832**	**9,006**	**9,146**	**9,332**	**9,670**	**10,460**	**10,811**	**11,699**	**12,880**	**13,337**	**12,707**	**12,708**	**12,708**	**12,708**
% cash change in Total Government Funding		0	0	0	0	0	0	0	0	0	0	0	0	0	
Adjustments															
Pensions Grant Treasury						143	142	142	142	143	429	**398**	398	398	398
Uplift Funding RING FENCED							168	100	135	275	425	**377**	377	377	377
Central Government Funding including CT	**8,472**	**8,832**	**9,006**	**9,146**	**9,332**	**9,813**	**10,770**	**11,053**	**11,976**	**13,298**	**14,191**	**13,482**	**13,482**	**13,482**	**13,482**
NCA Baseline adjustment		14	14	28	28										
CT		**-564**	**-640**	**-670**	**-728**	**-792**	**-960**	**-914**	**-979**	**-1,002**	**-1,018**	**-1,160**	**-1,160**	**-1,160**	**-1,160**
Total Government Funding Excl CT	**8,472**	**8,282**	**8,380**	**8,504**	**8,632**	**9,021**	**9,810**	**10,139**	**10,997**	**12,296**	**13,173**	**12,322**	**12,322**	**12,322**	**12,322**
FIGURES FROM HANSARD (EXCL CT)	**8,271**	**8,281**	**8,378**	**8,503**	**8,631**	**9,021**	**9,810**	**10,138**	**10,996**	**10,911**	**11,789**	**12,322**	**12,322**	**12,322**	**12,322**

Unable to split these figures out for 2025/26 onwards but total government funding does reconcile to the written ministerial statement.

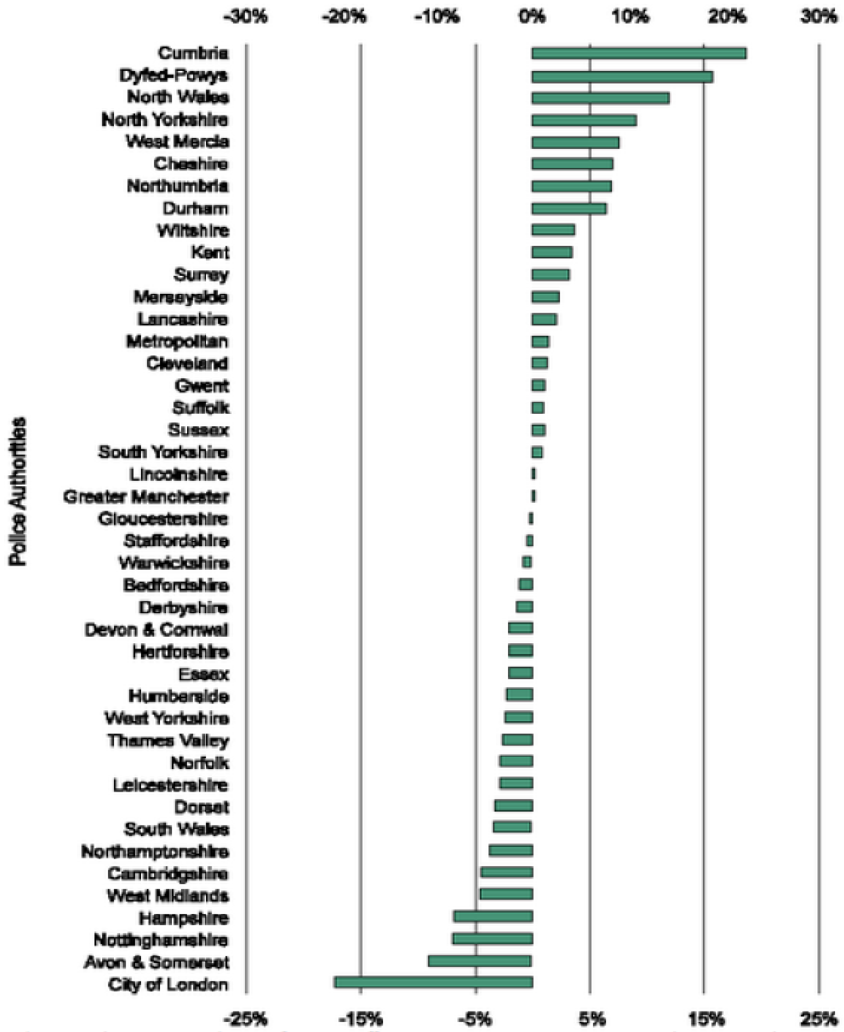
<u>Funding Inequities Impacting on South Wales Police</u>

1. Formula Allocation, Floor Funding Mechanism

Despite the inequities within the funding formula South Wales Police has been denied the full formula allocation for over a decade. The amount of formula funding denied now totals **£135M**.

We remain extremely concerned that there is no progress on an alternative mechanism to address the floor funding deductions. South Wales Police is still contributing around £5.6M (£8.8M previously) annually towards the Floor Funding mechanism and is the 5th highest floor funding contributor. The analysis shows that there are clear disparities where a potential reallocation of grant funding from deprived areas to less deprived areas is taking place as a result of floor funding.

Box 10: Effect of damping on police force formula allocation 2010/11



Notes: England: Formula grant made up of Home Office Core grant + CLG grant; Wales: Formula grant made up of Home Office Core grant (less Additional Rule 1) + WAG grant; Damping calculated as Additional Rule 1 + Welsh Top Up

Source: Home Affairs Select Committee, 6th Report *Police Finances,* 2010-12, HC 695

The allocations would be different if a more sophisticated approach was taken. However, it would be far more preferable that additional funding is found to protect those forces below the floor until such time as the funding formula is properly reviewed. The denial of funding to date of £135M is a key factor in the infrastructure funding gap being experienced. The continued application of damping in this way makes a mockery of any funding mechanism.

2 Funding Formula

The 43 police forces across England and Wales are funded through a combination of Central Government Grants and Police Precept (which is decided locally). The Government determines a total sum of money for Central Grants and this is then distributed through the application of a needs-based formula.

The current formula used for distributing the Home Office Police Main Grant divides funds between the different activities that the police undertake. These activities, or workloads, can be broken down into five key areas: Crime, Incidents (e.g. public disorder), Traffic (e.g. assistance at road traffic accidents), Fear of Crime (e.g. public reassurance), and Special Events (e.g. football matches). A portion of total funding is also distributed according to population sparsity, to address the specific needs of rural forces.

South Wales Police is adversely affected by some specific issues within the current funding formula due to the following:

- Area Cost Adjustment;
- Capital Expenditure Funding; and
- Lack of recognition of Cardiff as the Capital City of Wales for funding purposes
- Inequalities in the funding of Apprenticeships in Wales compared to England.

It is important that with the planned review of the Funding Formula by the Home Office that every effort is made to seek long term redress of the issues detailed below.

3 Area Cost Adjustment (ACA)

The Area Cost Adjustment seeks to recognise the cost of delivering public services in different geographical parts of the country (those forces benefitting have an adjustment factor greater that 1.0). However, its application to policing raises concerns on a number of grounds:

- The police officer pay is nationally determined and except for specific issues around London this is consistent across the country;
- Similarly, the police staff pay increases are determined nationally and are broadly similar except in cases of market forces and this could be argued more for London.
- The remainder of non-pay expenditure (20%) is subject to a variety of procurement routes including national frameworks; and
- There are an increasing number of centrally recharged costs and contracts meaning forces are pay the same for many services.
- Therefore, only a limited argument could be made for local variation. Yet the Area Cost Adjustment is applied to the whole of the Formula Allocation as the final reallocation adjustment.
- The expansion of Area Cost Adjustment across the country is now significantly distorting the formula grant allocation and has expanded over a wider area over the last decade as shown above and the blue shading reflects the expansion from London to the South east and beyond.

The randomness of the blue areas that benefit from an area cost adjustment defies understanding

Whilst it is understandable to apply the ACA to a restricted area in the South East region this should be constrained to those elements of policing costs that are directly affected by geographic price variations. It is clear from the above that the ACA goes much wider than the South East of England. In addition, the Area Cost Adjustment ignores Wales as a country completely and yet the areas of South and North Wales are not dissimilar in economic terms to some of the areas where the ACA currently applies.

4 Capital Funding

The continued reduction in capital funding reduces the capacity to address legacy issues of an obsolete estate and increases the risks on health and safety considerations. The current funding requirement to address property condition surveys exceeds available funding by a factor of 10.

An alternative mechanism to address the capital estate funding is long overdue particularly as PFI funding has never been accessible to South Wales Police; the other three forces in Wales have approved PFI schemes and receive annual funding in support. South Wales Police does not. Whilst not seeking a PFI as a solution the equivalent funding in supported borrowing would allow us to address some acute infrastructure issues.

5 Capital City

It is a fact that whilst the present funding formula does make some provision for major events, this is only a nominal universal sum multiplied by a population factor. In essence the formula gives the same relative recognition per head of population to Norfolk as to South Wales Police, whereas the actual range and number of major events is significantly more diverse.

It is important to recognise that the impact of policing Cardiff extends to the whole of the Force area given the flow of resources to address the number of Capital City related events. In a typical year South Wales Police manages around 600 events annually which is complete contrast to the likes of Norfolk or Wiltshire.

Cardiff is unique because it is the largest urban conurbation in Wales with an infrastructure that is both conducive and attractive to both event attendees and organisers. However, this desirable circumstance requires a commensurate effective affordable policing strategy and whilst we are addressing this, it comes at the expense of the wider policing requirements across South Wales.

- Cardiff has the highest number of licensed premises per square mile than any other city within the UK.

- Cardiff attracts 20 million visitors a year (was 10million in 1998) and is now in the top ten tourist destinations in the UK. Recent regeneration includes the £1.8 billion Bay development of Cardiff and the £102M development of the new Wales Millennium Centre, Wales' most visited attraction.

- In an average year the force will plan for around 600 events of varying scale in Cardiff alone. These range from the local to international with iconic events in iconic locations bringing added counter terrorism threats.

- In 2028 Carfiff with co-host the European Football Championships.

- Cardiff as the seat of Welsh Government attracts increasing number of demonstrations against regional and national policy.

- There is evidence that Cardiff is being used as a base for non-indigenous organised criminal groups with connections with groups in London, Bristol and Manchester. Cardiff is recognised as a main distribution centre for drugs gangs in South East Wales.

- The Welsh Government's vision for economic prosperity across some of Wales' and the UK's most deprived communities is dependent on a strong and sustainable Capital. The Wales Index of Multiple Deprivation 2005 placed a number of areas within Cardiff amongst Wales' highest 10% most deprived category, notably parts of Butetown and Riverside.

It is possible that some of these circumstances are arising across the country but we argue that the combination is unique and relates to the status of the city, which no generic funding formula is capable of addressing and just like Edinburgh and London requires a specific solution outside a formula.

South Wales Police has responsibility for 42% of the Welsh population and 49% of the total crime in Wales. Cardiff has 30% of the population of the force area and our conservative estimate of the policing demands associated with the Capital City status is now £8M but recognizing the demand on public spending are only asking for half of that to be funded.

It is important to note that the Policing Minister has recognised such issues in respect of City of London Police by providing extra top sliced funding and therefore it is time that Cardiff should now also be recognised as having a similar special status.

Over the past 24 months the Commissioner has been part of the campaign to help increase political pressure on the government to recognise the additional resource pressures in Policing the Capital City of Wales and a number of political engagements are underway.

6. **Funding of Apprenticeships**

Since the Apprenticeship Levy was introduced in 2017, Welsh Forces have been disadvantaged to the tune of around £10M. This is a by product of Education being a devolved function in Wales. As Police Constable Degree Apprenticeships (PCDA) are not recognised as a formal apprenticeship scheme, Welsh Forces cannot access their levy contributions to meet the cost of delivering the PCDA as English Forces do via their 'levy contribution pots'. Although the Home Office have partially recognisd this inequality they have not fully met the funding shortfall. The Force continues to negotiate with the Home Office on this issue.

Appendix 8

SOUTH WALES POLICE
DRAFT REVENUE BUDGET
2026/27 - 2029/30

	Base Budget 2025/26 £000	Forecast Budget 2026/27 £000	Forecast Budget 2027/28 £000	Forecast Budget 2028/29 £000	Forecast Budget 2029/30 £000
Employees					
Police Officers	201,546	213,573	220,212	227,018	233,993
Police Staff	121,504	128,378	132,587	136,902	141,325
Police Community Support Officers	15,176	16,471	16,403	16,813	17,233
Police Pensions (net)	62,349	65,971	67,920	69,918	71,966
Total Employee Costs	**400,575**	**424,393**	**437,123**	**450,651**	**464,517**
Running Expenses					
		Nominal Split			
Indirect Staff	4,362	4,590	4,705	4,822	4,943
Premises Costs	15,054	15,840	16,236	16,642	17,058
Transport Costs	7,652	8,052	8,253	8,459	8,671
Supplies and Services	41,015	43,158	44,237	45,342	46,476
Agency and Contracted Services	25,392	26,718	27,586	28,476	29,388
Total Running Expenses	**93,474**	**98,358**	**101,017**	**103,742**	**106,536**
Interest and Minimum Revenue Provision (MRP)	5,234	6,650	6,650	6,650	6,650
Direct Revenue Financing (DRF)	15,856	16,306	23,306	29,306	29,306
Total Expenditure	**515,139**	**545,707**	**568,096**	**590,349**	**607,009**
Income					
Specific Grants	(37,665)	(43,503)	(43,503)	(43,503)	(43,503)
Specific Grants- WG PCSOs	(5,607)	(6,714)	(6,714)	(6,714)	(6,714)
Pensions Grant	(9,600)	(9,600)	(9,600)	(9,600)	(9,600)
NI Grant	(6,012)	(6,012)	(6,012)	(6,012)	(6,012)
PUP Ring Fenced Grant	(11,443)	0	0	0	0
Neighbourhood Policing Grant	(2,261)	(8,269)	(8,269)	(8,269)	(8,269)
Other Income	(32,427)	(29,121)	(29,369)	(30,103)	(30,856)
Total Income	**(105,015)**	**(103,219)**	**(103,467)**	**(104,201)**	**(104,954)**
TOTAL NET REVENUE EXPENDITURE	**410,125**	**442,488**	**464,629**	**486,148**	**502,055**
Grants and Precepts					
Police Grant	(151,505)	(230,547)	(238,047)	(240,047)	(242,047)
NNDR/RSG	(62,727)		-	-	-
Total Core Funding	(214,233)	(230,547)	(238,047)	(240,047)	(242,047)
Precepts on Billing Authorities (see below)	(195,892)	(211,941)	(223,651)	(236,008)	(249,047)
TOTAL RESOURCES	**(410,125)**	**(442,488)**	**(461,698)**	**(476,055)**	**(491,094)**
Annual Budget Deficit / (Surplus)	**-**	**(0)**	**2,931**	**10,094**	**10,961**
Value For Money Plan Savings	**-**		**-**	**-**	**-**
Residual Budget Gap	**-**	**(0)**	**2,931**	**10,094**	**10,961**
Annual Vacancy Target	**8,000**	**8,000**	**8,000**	**8,000**	**8,000**
Value For Money Requirement including annual vacancy target	**8,000**	**8,000**	**10,931**	**18,094**	**18,961**
TAXBASE - Growth at 0.99% for 26/27 and 0.5% therafter	**517,317.12**	**522,446.95**	**525,059.18**	**527,684.48**	**530,322.90**
BAND D PRECEPT - Growth at 7.13% for 26/27 then 5% thereafter	**378.67**	**405.67**	**425.95**	**447.25**	**469.61**

APPENDIX 9

REVENUE BUDGET 2026/27

Reconciliation of Changes 2025/26 to 2026/27

Increases in Budget above 2025/26

	Expenditure		Band D Equivalent Tax Net of External Funding as per settlement	
Unavoidable Costs	£000	%	£	%
Pay Inflation and Incremental Drift	23,818	5.5%	45.59	12.04%
Other Inflation	1,671	0.4%	3.20	0.84%
Base Budget Adjustments and Re-allocations	8,385	1.9%	16.05	4.24%
Core & Specific Grant Allocations	(17,825)	(4.1)%	(34.12)	(9.01)%
Change in Budget Requirement	**16,049**	**3.7%**	**30.72**	**8.11%**

Budget Balance Actions

New Value For Money Plan Savings		0.0%	0.00	0.00%
Tax Base Increase	(1,943)	(0.4)%	(3.72)	(0.98)%
Balance of Funding from Police Precept Increase	(14,106)	(3.2)%	(27.00)	(7.13)%
Residual Balance	0.00			

APPENDIX 10

SOUTH WALES POLICE ANALYSIS OF REVENUE BUDGET CHANGES- 2025/26 to 2026/27	External Funded £'000	Core Budget £'000	TOTAL £'000
Pay & Pensions Inflation and Incremental Drift			
Police Officers			
Pay inflation- full year impact Sept 25 plus anticipated award Sept 26	1,322	9,716	**11,038**
Pay inflaton contingency		433	**433**
Re-based establishment including Incremental drift/ rank structure	93	1,440	**1,533**
Unsocial Hours Allowance		300	**300**
Neighbourhood Policing	651		**651**
Youth Engagement Officer (All Wales Schools) post reinstatement		854	**854**
Other net changes in externally funded/ collaborative posts	(328)		**(328)**
Overheads & Allowances			
Overtime External/ Collaborative areas	169		**169**
Pattern Accrual TOIL Overtime		1,000	**1,000**
Police Staff/ PCSO's			
Pay inflation- full year impact Sept 25 plus anticipated award Sept 26	1,236	4,490	**5,726**
Re-based establishment including Incremental drift/ structure		946	**946**
Neighbourhood Policing	1,716		**1,716**
Employers Pension Contribution reduction from 16.7% to 13.6%	(724)	(2,613)	**(3,337)**
WG PCSO adjustment in line with funding	872		**872**
Growth Posts		1,374	**1,374**
External / Collaborative Growth	880		**880**
Overheads & Allowances			
Overtime Misc inc Collaborative	(9)		**(9)**
Sub - Total Pay & Pensions Inflation and Incremental Drift	**5,878**	**17,940**	**23,818**
Other Inflation			
Inflation, Contracts & Utilities		1,820	**1,820**
Inflationary Increases on Income		(149)	**(149)**
Sub - Total Other Inflation	**0**	**1,671**	**1,671**
Base Budget Adjustments and Re-allocations			
Net Base Budget Adjustments		250	**250**
Capital Financing		1,866	**1,866**
Airwaves Contract		(450)	**(450)**
Fleet Maintenance/ Insurance		339	**339**
Utlities		482	**482**
Estates		342	**342**
Court Income reduction		200	**200**
ICT		890	**890**
External/ Collab Misc. non pay/ income	4,466		**4,466**
Sub - Total Base Budget Adjustments and Re-allocations	**4,466**	**3,919**	**8,385**
Specific & General Grant			
Misc. Changes in Specific External Funding	(5,838)		**(5,838)**
Neighbourhood Policing Grant	(6,008)		**(6,008)**
WG PCSOs	(1,107)		**(1,107)**
Police Uplift/ Top Up Grant		11,443	**11,443**
Police Grant/ RSG/ NNDR Inflationary increase		(16,315)	**(16,315)**
Sub - Total Specific & General Grant	**(12,953)**	**(4,872)**	**(17,825)**
Change in Tax Base		(1,943)	**(1,943)**
Total Standstill Budget Requirement	**(2,609)**	**16,715**	**14,106**
7.13% (£27) Precept Increase			**(14,106)**

Capital Programme Budget 2026/27 and Forecast to 2029/30

DESCRIPTION	FORECAST OUTTURN 2025/26	BUDGET 2026/27	2027/28	2028/29	2029/30	4 Year Programme
EXPENDITURE	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Infrastructure Maintenance / Renewal						
Estates Essential & Legislative Works	2,412	3,150	2,500	2,400	2,400	10,450
Fleet	5,307	3,654	3,654	3,954	3,654	14,916
Information Services	4,219	5,058	4,730	4,400	4,556	18,744
Digital Services Division	5,841	4,067	2,455	3,555	1,755	11,832
Other	2,657	2,122	2,472	1,824	2,051	8,469
Sub total for Instrastructure Maintenance / Renewal	**20,436**	**18,051**	**15,811**	**16,133**	**14,416**	**64,411**
One Off Projects						
Estates	32,565	25,338	22,750	30,250	22,250	100,588
(Less Partner Contributions)	(15,947)	(3,332)	0	0	0	(3,332)
Information Services	1,456	1,843	1,493	1,393	1,393	12,244
Sub total for One Off Projects	**18,074**	**23,849**	**24,243**	**31,643**	**23,643**	**109,500**
TOTAL CAPITAL EXPENDITURE	**38,510**	**41,900**	**40,054**	**47,776**	**38,059**	**167,789**
FUNDED BY						
Revenue Contributions	11,830	15,656	15,656	15,856	15,856	63,024
Use of Capital Reserves	10,436	11,089	2,898	920	203	15,110
External Grants / Other Contributions	2,186	675	0	0	0	675
Capital Receipts	350	685	1,000	1,000	1,000	3,685
Total Funding in Year	**24,802**	**28,105**	**19,554**	**17,776**	**17,059**	**82,494**
TOTAL OF CAPITAL BORROWING REQUIREMENT	**13,708**	**13,795**	**20,500**	**30,000**	**21,000**	**85,295**

APPENDIX 12

Value For Money Plam 2010/11 to 2029/30

			Senedd Elections May 26		End of PCCs May 28		
			CSR 2025				
Efficiency Project Name	Total 2010/11 to 2024/25 £'000	2025/26 Forecast £'000	2026/27 Target £000	2027/28 Target £'000	2028/29 Target £'000	2029/30 Target £'000	Total To Date £'000
Value For Money Targets	72,479	8,000	8,000	2,931	10,094	10,961	80,479
Police Officer Numbers	15,261	5,000	5,000				20,261
Police Staff Numbers (including an element of vacancy factor)	18,404	3,000	3,000				21,404
To be confirmed (including reverse workforce modernisation and vacancy factor)	1,600						1,600
PCSO Numbers	4,297						4,297
Generic Establishment Vacancy Factor	6,000						6,000
Terms and Conditions + Transformation+ oncosts	4,439						4,439
Collaboration	1,576						1,576
Goods and Services	8,355						8,355
Transport	1,522						1,522
Estate	2,657						2,657
OPCC	250						250
Other	1,288						1,288
Capital Programme	1,300						1,300
Income	2,875						2,875
Value For Money Delivery	69,824	8,000	8,000	0	0	0	69,824
REVENUE ACCOUNT SHORTFALL	2,655	-	-	2,931	10,094	10,961	

The force has projects to deliver £32M of productivity gains and savings across the MTFS timeframe but as these still have inherent uncertainity attached to them, they have not bee included at this stage.

Projects include:

- Energy generation
- Collaborations resulting in non-pay savings
- Resource allocation
- Robotic process automation
- Self-service technology investments

Appendix 13

SOUTH WALES POLICE
2026/27 BUDGET
ESTABLISHMENT MOVEMENTS FTE

Police Officer Establishment	VFM Plan Cuts	Investment in Vulnerability	SWP Funded Projected	Uplift/ NPG Funded	External Funded	Total Funded
	FTE	FTE	FTE	FTE	FTE	FTE
2008/09			3,244		90	3,334
2009/10	(185)		3,059		102	3,161
2010/11	(38)		3,021		123	3,144
Post Comprehensive Spending Review						
2011/12	(114)		2,907		137	3,044
2012/13	(62)		2,845		102	2,947
2013/14	(30)		2,815		97	2,912
2014/15	(15)		2,800		109	2,909
2015/16	-		2,800		118	2,918
2016/17	-		2,800		137	2,937
2017/18		44	2,844		139	2,983
2018/19		52	2,896		154	3,050
2019/20	(35)		2,861		154	3,015
2020/21			2,861	136	151	3,148
2021/22			2,861	269	147	3,277
2022/23			2,841	452	168	3,461
2023/24			2,841	452	170	3,463
2024/25			2,828	533	178	3,539
2025/26			2,828	566	183	3,577
2026/27			**2,841**	**569**	**178**	**3,588**
2027/28 - Forecast			*2,841*	*569*	*178*	*3,588*
2028/29 - Forecast			*2,841*	*569*	*178*	*3,588*
2029/30 - Forecast			*2,841*	*569*	*178*	*3,588*
	(479)					
Total Police Officers Funded Establishment in 2026/27			**2,841**	**569**	**178**	**3,588**

Police Community Support Officers	VFM Plan Cuts	SWP Funded Projected	Uplift/ NPG Funded	External Funded	Total Funded
2008/09		325		0	325
2009/10		325		0	325
2010/11		325		0	325
Post Comprehensive Spending Review					0
2011/12	(25)	300		0	300
2012/13 phased Welsh Gov PCSO	-	300		206	506
2013/14	-	300		206	506
2014/15	(100)	200		206	406
2015/16	-	200		206	406
2016/17	-	200		206	406
2017/18	-	200		206	406
2018/19	-	200		206	406
2019/20	-	200		206	406
2020/21	-	200		206	406
2021/22	-	200		206	406
2022/23	-	204		247	451
2023/24	-	204		247	451
2024/25	-	204		185	389
2025/26		204		133	337
2026/27		**204**		**153**	**357**
2027/28 - Forecast		*204*		*143*	347
2028/29 - Forecast		*204*		*143*	347
2029/30 - Forecast		*204*		*143*	347
	(125)				
Total PCSO Funded Establishment 2025/26		**204**		**153**	**357**

Police Staff Establishment	VFM Plan Cuts	WFT/ CDO/ Other Adj	SWP Funded Projected	Uplift/ NPG Funded	External Funded	Total Funded
2008/09			1,789			1,789
2009/10		270	2,059			2,059
2010/11	(131)	69	1,997			1,997
Post Comprehensive Spending Review						
2011/12	(167)		1,830			1,830
2012/13	(125)	2	1,707			1,707
2013/14	(60)	13	1,660			1,660
2014/15*	41	(130)	1,571		154	1,725
2015/16	(100)	112	1,583		186	1,769
2016/17	(21)	4	1,566		180	1,746
2017/18	0	67	1,633		222	1,855
2018/19	0		1,662		236	1,898
2019/20	(12)	64	1,714		341	2,055
2020/21			1,754		349	2,103
2021/22			1,762	90	357	2,209
2022/23			1,799	150	387	2,336
2023/24			1,821	150	408	2,379
2024/25	(14)		1,833	136	421	2,390
2025/26			1,873	136	439	2,448
2026/27			**1,915**	**169**	**439**	**2,523**
2027/28 - Forecast			*1,915*	*169*	*439*	*2,523*
2028/29 - Forecast			*1,915*	*169*	*439*	*2,523*
2029/30 - Forecast			*1,915*	*169*	*439*	*2,523*
	(589)					
Police Staff Establishment 2026/27			**1,915**	**169**	**439**	**2,523**

*** External funded disaggregated**

TOTAL VFM PLAN CUTS	(1,193)				
TOTAL FUNDED ESTABLISHMENT 2026/27		**4,960**	**738**	**770**	**6,468**

Appendix 14

SOUTH WALES POLICE
REVENUE BUDGET 2026/27

A	BUDGET AND COUNCIL TAX REQUIREMENT			£	**£**	£	£
				26.47 or 6.99%	**27.00 or 7.13%**	30.00 or 7.92%	33.00 or 8.71%
	TOTAL BUDGET			545,707,417	**545,707,417**	545,707,417	545,707,417
	LESS: Specific Grants/Income			103,218,933	**103,218,933**	103,218,933	103,218,933
	BUDGET REQUIREMENT			**442,488,484**	**442,488,484**	**442,488,484**	**442,488,484**
	LESS: Revenue Support Grant/ NNDR/ Police Specific Grant			230,547,429	**230,547,429**	230,547,429	230,547,429
	SOUTH WALES POLICE PRECEPT REQUIREMENT			**211,941,055**	**211,941,055**	**211,941,055**	**211,941,055**
	Funding Shortfall / Adjustment needed to above budget			276,897	0	-1,567,341	-3,134,681
	BUDGET REQUIREMENT			**442,211,587**	**442,488,484**	**444,055,825**	**445,623,165**
B	SWP ELEMENT OF COUNCIL TAX BY PROPERTY		Proportion of Band D	Council Tax £	**Council Tax £**	Council Tax £	Council Tax £
	Band A		6/9	270.09	**270.45**	272.45	274.45
	Band B		7/9	315.11	**315.52**	317.85	320.19
	Band C		8/9	360.12	**360.60**	363.26	365.93
	Band D		**9/9**	**405.14**	**405.67**	**408.67**	**411.67**
	Band E		11/9	495.17	**495.82**	499.49	503.15
	Band F		13/9	585.20	**585.97**	590.30	594.63
	Band G		15/9	675.23	**676.12**	681.12	686.12
	Band H		18/9	810.28	**811.34**	817.34	823.34
	Band I		21/9	945.33	**946.56**	953.56	960.56
C	PRECEPTS ON UNITARY AUTHORITIES	No. of Band D Equivalent Properties		SWP Precept £	**SWP Precept £**	SWP Precept £	SWP Precept £
	Cardiff Council	156,050.00		63,222,097	**63,304,804**	63,772,954	64,241,104
	Swansea Council	96,701.18		39,177,516	**39,228,768**	39,518,871	39,808,975
	Bridgend County Borough	55,793.37		22,604,126	**22,633,696**	22,801,077	22,968,457
	Merthyr Tydfil County Borough Council	18,964.91		7,683,444	**7,693,495**	7,750,390	7,807,284
	Neath Port Talbot Council	49,751.61		20,156,367	**20,182,736**	20,331,990	20,481,245
	Rhondda Cynon Taf County Borough Council	80,551.88		32,634,789	**32,677,481**	32,919,137	33,160,792
	Vale of Glamorgan Council	64,634.00		26,185,819	**26,220,075**	26,413,977	26,607,879
		522,446.95		211,664,158	**211,941,055**	213,508,396	215,075,736

OVERVIEW OF THE GOVERNANCE FRAMEWORK WITHIN SOUTH WALES POLICE

1.0 The Police and Crime Commissioner

The Police and Crime Commissioner has a statutory duty and electoral mandate to ensure an efficient and effective police service and to hold the Chief Constable to account on behalf of the public with respect to delivery of policing service.

The Commissioner has a strategic role in leading and developing partnership working with local government and other key partners such as health and the voluntary sector and has demonstrated this commitment through a series of consultations with partners to date.

The Commissioner is the recipient of funding relating to policing and crime reduction, including government grant and precept and other sources of income. How this money is allocated is a matter for the Commissioner in consultation with the Chief Constable, or in accordance with any grant terms. The statutory officers of the Commissioner and the Chief Constable will provide professional advice and recommendations.

2.0 The Chief Constable

The Chief Constable is responsible for maintaining the King's Peace and has direction and control over the Force's officers and staff. The Chief Constable holds office under the Crown, but is appointed by the Police and Crime Commissioner. The Chief Constable is accountable to the law for the exercise of police powers, and to the Commissioner for the delivery of efficient and effective policing, management of resources and expenditure by the police force. At all times the Chief Constable, his officers and staff, remain operationally independent in the service of the public. The Commissioner's Oath of Office includes an undertaking to protect the independence of police officers.

3.0 The Police and Crime Panel

The Police and Crime Panel consists of ten local councillors representing the seven local authorities in South Wales and two co-opted independent members. The Panel meets quarterly with the remit to hold the Commissioner to account for:

- The implementation of the priorities within the Police, Crime & Justice Plan; and
- The relevance and content of the Plan.

The Panel also has the remit to scrutinise the Commissioner's precept proposal and the appointment of a Chief Constable. The Panel has powers to veto the precept proposal and require the Commissioner to make an alternative proposal. The Panel can veto the appointment of a Chief Constable and require the Commissioner to propose a reserve candidate.

4.0 The Chief Finance Officers to the Police and Crime Commissioner and Chief Constable

Both the Police and Crime Commissioner and the Chief Constable are each required to appoint a person to be responsible for the proper administration of their financial affairs. Each Chief Finance Officer has a personal fiduciary duty by virtue of their appointment as the person responsible for proper financial administration under the Police Reform and Social Responsibility Act 2011 and the Local Government Finance Act 1988. This includes requirements and formal powers to safeguard lawfulness and propriety in expenditure. Throughout this document the 'Chief Financial Officer' to the Commissioner is referred to as the 'Treasurer' for the sake of clarity.

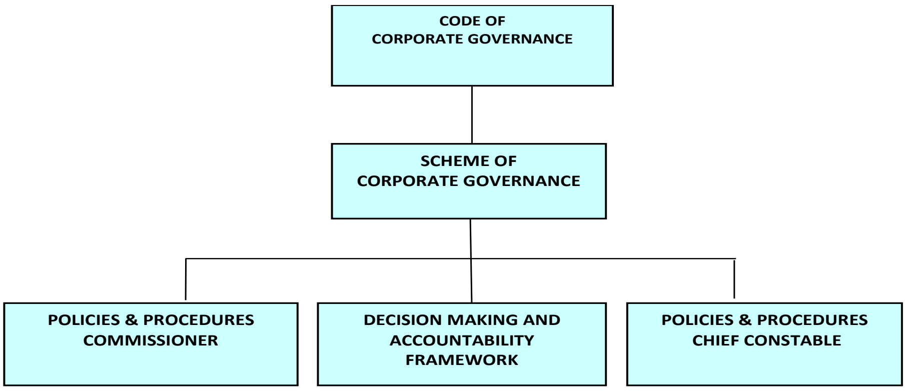
5.0 The Chief Executive (Chief of Staff) to the Police and Crime Commissioner

The Police and Crime Commissioner is required to appoint a Chief Executive. The Chief Executive is designated as Monitoring Officer for the purposes of the Local Government and Housing Act 1989 with responsibility for ensuring the legality of the actions of the Police and Crime Commissioner and her staff and acts as the 'proper officer' for the recording of all decisions made by the Police and Crime Commissioner. In South Wales the appointed officer is referred to as the Commissioner's Chief of Staff.

6.0 Manual of Corporate Governance

The corporate governance framework within which both corporations sole will govern, both jointly and separately consists of:

- Code of corporate governance – statutory framework which sets out how the core principles will be implemented.
- Manual of Corporate Governance – defines the parameters within which the corporations sole will conduct their business. This includes delegations/consents from the Commissioner, financial regulations and standing orders relating to contracts.
- Separate policy and procedures for each corporations sole, with protocols where they operate jointly.



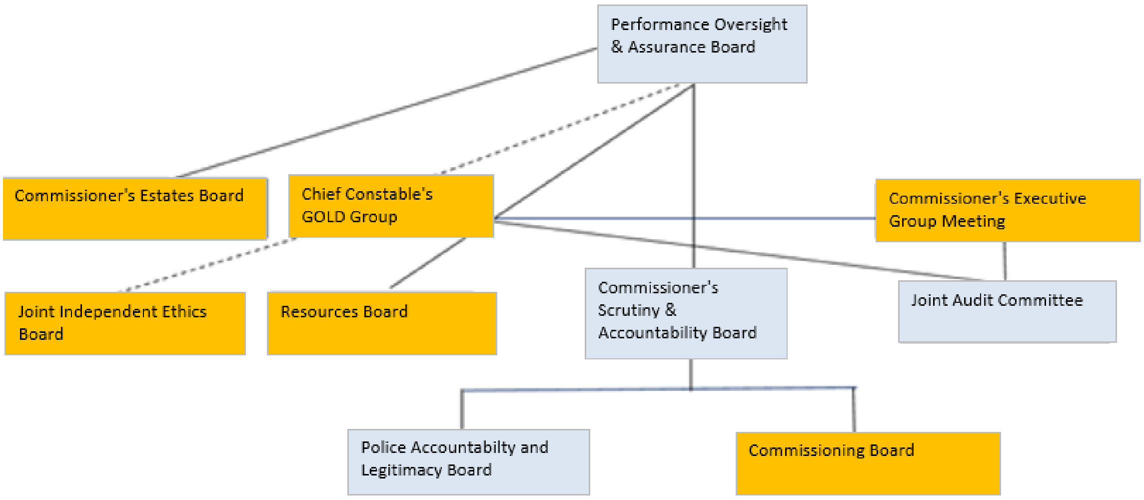
7.0 Performance Oversight and Accountability Board

The Performance Oversight and Assurance Board (POAB) is the key vehicle to hold the Chief Constable to account for the performance of the Force.

The Board is attended by both the Commissioner's and Chief Constable's senior leadership teams. The purpose of the Board is to ensure a strategic approach to the development and delivery of the Police, Crime & Justice Plan and to other areas of strategic importance.

8.0 Chief Constable's Gold Group

This holds Chief Officers to account on the delivery of the Chief Constable's Delivery Plan. The overall governance framework and links to delivery boards is shown below:



9.0 **Annual Governance Statement**

The Police and Crime Commissioner and the Chief Constable are each required to produce and sign the joint Annual Governance Statement (AGS). The AGS describes the joint governance arrangements, reviews their effectiveness and highlights significant governance issues. The AGS follows the CIPFA/SOLACE Framework *"Delivering Good Governance in Local Government"* and is published alongside the Statement(s) of Accounts each year.

10.0 **Joint Audit Committee**

The Police and Crime Commissioner and the Chief Constable have established a Joint Audit Committee. The Committee comprises six members who are independent of both the Commissioner and the Force. The Committee considers internal and external audit reports. The Committee advises the Commissioner and Chief Constable according to good governance principles and reviews the appropriateness of the governance, risk management and control frameworks, their financial reporting and annual governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability. Two new members were appointed during 2025 ensuring a 'fresh pair of eyes' approach to the committee's workplan.

11.0 **Internal Audit**

Both the Police and Crime Commissioner and the Chief Constable are required to maintain an effective internal audit of their affairs. In addition to the statutory requirement, Internal Audit is needed:

- To satisfy the Commissioner and the Chief Constable that effective internal control systems are in place; and
- To satisfy the external auditor that financial systems and internal controls are effective and that the Police Fund is managed so as to secure Value for Money.

Internal audit services are provided jointly to the Commissioner and Chief Constable currently by TIAA who attend and report their finds to the Joint Audit Committee.

12.0 External Audit

The Auditor General for Wales is responsible for the appointment of external auditors. Audit Wales (formerly the Wales Audit Office) are the appointed auditors for the Police and Crime Commissioner and the Chief Constable. The external auditor must satisfy themselves that:

- The annual accounting statements have been prepared in accordance with the Accounts and Audit (Wales) Regulations;
- They comply with all relevant regulations;
- Proper practices have been observed when the accounts were compiled; and
- The audited body has made proper arrangements to secure effectiveness, efficiency and economy in use of resources.

The most recently audited Group Statement of Accounts were given an unqualified audit opinion.

Audit Wales attend and report to the Joint Audit Committee, in addition it provides statutory review of the governance arrangements.

13.0 His Majesty's Inspectorate of Constabularies (and Fire and Rescue Services for England).

HMICFRS assess police forces and policing, are appointed by the Crown and report to Parliament on the efficiency and effectiveness of police forces in England and Wales. HMICFRS have powers to seek information from police forces and to access their premises, they can decide on the depth, frequency and areas to inspect based on their assessment of risk to the public. The annual inspection programme is subject to the approval of the Home Secretary in accordance with the Police Reform and Social Responsibility Act 2011. The Police and Crime Commissioner has to provide a response to any Inspectorate report to the Home Secretary.

During 2013, The Chief Inspector of Constabulary attended a meeting with the Commissioner and the Chief Constable following a presentation on the use of technology. He confirmed that South Wales Police were in his opinion the leading force in the use of technology in the operational environment. The Financial Strategy reflects a continuation of investment in this area under the stewardship of the Digital Services Department (DSD).

This recognition continues 10 years later with Chief Constable Jeremy Vaughan being appointed as Chair of the NPCC Science and Innovation Committee in November 2023 and raising the profile of the Force's work around the World in 2025.

Comisiynydd yr Heddlu a Throseddu De Cymru
South Wales Police and Crime Commissioner

Capital Strategy
Including Prudential Indicators

2026/27 – 2029/30

December 2025

OVERVIEW OF CAPITAL STRATEGY

1.0 INTRODUCTION

The Prudential Code for Capital Financing in Local Authorities (2021) places a requirement on the Police and Crime Commissioner for South Wales (the Commissioner), in consultation with the Chief Constable, to determine a Capital Strategy which demonstrates that capital expenditure and investment decisions are taken in line with service objectives and properly takes account of stewardship, value for money, prudence, sustainability and affordability. The Capital Strategy needs to set out the long-term context in which capital expenditure and investment decisions are made and gives due consideration to both risk and reward and impact on the achievement of priority outcomes.

1.1 AIMS AND PRINCIPLES

The Capital Strategy is presented to the Police and Crime Panel as a Policy Framework document and links the Medium Term Financial Strategy (MTFS) 2026/2030 and the Treasury Management Strategy (TMS) 2026/27. It sets out:

- what is capital expenditure/investment and why we incur it;
- the overall capital objectives, priorities and plans;
- how the capital expenditure/investment will be funded/resourced
- how the capital expenditure/investment plans will be appraised;
- how capital plans will be approved, monitored and reported upon; and
- the skills and knowledge required to deliver the capital plans.

The Capital Strategy should be read in conjunction with the TMS 2026/27 which covers the Commissioner's Investment Strategy and Borrowing Strategy and the Minimum Revenue Provision (MRP) policy which is attached as **Schedule A** to this document. The Commissioner's borrowing and MRP policy are directly impacted by capital plans.

The Capital Programme Budget 2026/27 and Forecast to 2029/30 is a key element of the MTFS. The MTFS sets out key objectives for the three main components of the infrastructure being:-

- Transport – Fit for purpose vehicles that address operational requirements in terms of availability and function;
- Technology – Technology platform that facilitates agile/mobile working with information and intelligence systems delivered to the point of need; and
- Estate – A safe, warm and dry operating environment that is conducive to wellbeing goals and effective policing.

The Capital Strategy sets out a number of guiding principles on the following:

PRINCIPLE 1 : Focus capital investment on delivery of the Objectives and Priorities of South Wales Police
• Ensuring that capital investment plans are driven by the South Wales Police's Delivery Plan and the Commissioner's Police, Crime and Justice Plan
• Ensuring decision-makers are clear on the positive contribution capital investment makes to these objectives and priorities
• Ensure a corporate business planning process incorporating service transformation and the impact on property assets
PRINCIPLE 2 : Ensure strong governance over decision-making
• Ensuring that proposals demonstrate that a rigorous process of options appraisal has been followed, requiring evidence of need, cost, risk, outcomes and methods of financing
• Schemes will only be added once an affordable business plan is in place and it demonstrates value for money
• All major capital schemes have a lead Project Sponsor and follow project management principles
• The approval process contained in the Manual of Corporate Governance are strictly adhered to
PRINCIPLE 3 : Ensure capital plans are affordable, sustainable and prudent
• Promote capital investment which allows invest to save outcomes and which contribute to future MTFS savings
• Make sure assets perform at an optimal level through effective ongoing asset management and consistent with levels of investment
• Review and challenge assets, including the need, cost and performance of the estate
PRINCIPLE 4 : Maximise and promote the best use of available funds
• Bidding for external grants where possible and ensuring that there are effective working relationships with external funders
• Have clear policies for the consumption of our reserves
• Ensuring that there is effective pre and post project appraisal
• Ensuring up to date property information relating to condition surveys, life cycle costs and maintenance back logs

1.2 PRUDENTIAL CODE – KEY OBJECTIVES

The objective of the Prudential Code is to ensure, within a clear framework, that the capital expenditure plans are :-

- AFFORDABLE – total capital investment remains within sustainable limits. The Commissioner is required to consider the resources currently available to it and those estimated to be available in the future, together with the totality of its capital plans and income and expenditure forecasts in assessing affordability.
- PRUDENT – an authorised limit and operational boundary for external debt is set. These need to be consistent with the plans for affordable capital expenditure and financing and with its Treasury Management Strategy and practices. There should be a balance between security, liquidity and yield.

- SUSTAINABLE – taking into account the arrangements for the repayment of debt through the Minimum Revenue Provision and consideration of risk and how these will be managed to levels that are acceptable to the Commissioner.

CAPITAL EXPENDITURE AND INVESTMENT

2.0 CAPITAL EXPENDITURE

Capital investment is technically described as:

"Expenditure on the acquisition, creation, or enhancement of 'long term assets'"

This generally consists of land, property and plant which have a useful life of more than 1 year, but can also include funding passed on to other bodies in order for them to undertake capital works. Expenditure outside this definition will be classified as revenue expenditure.

Expenditure can be capitalised where it relates to the:-

- Acquisition, reclamation, enhancement or laying out of land.
- Acquisition, construction, preparation, enhancement or replacement of roads, buildings and other structures.
- Acquisition, installation or replacement of movable or immovable plant, machinery, apparatus vehicles or vessels.

Enhancement of an existing fixed asset means:-

- To lengthen the useful life of the asset; or
- To increase substantially the open market value of the asset; or
- To increase substantially the extent to which the asset can be used for the purposes of, or in connection with, the functions of the Commissioner.

Within the Accounting Policies for the Commissioner, expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Commissioner and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

All expenditure on Property, Plant and Equipment is recognised irrespective of value. However, some Capital expenditure is considered non-enhancing and is immediately impaired.

In 2026/27, the Commissioner is planning capital expenditure of £42 million as summarised below and the Prudential Indicator will need to be approved by Resources Board:

Table 1: Prudential Indicator 1: Estimates of Capital Expenditure

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Transport	5.354	5.307	3.654	3.654	3.954	3.654
Technology	7.907	14.173	13.090	11.150	11.172	9.755
Estates	15.694	19.030	25.156	25.250	32.650	24.650
TOTAL	**28.955**	**38.510**	**41.900**	**40.054**	**47.776**	**38.059**

2.1 CAPITAL FINANCING

All capital expenditure must be financed, either from external sources (grants and other contributions), the Commissioner's own resources (revenue, reserves and capital receipts) or net financing requirement (borrowing and leasing). The planned financing of the expenditure outlined in Table 1 is as follows:

Table 2: Capital financing

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
External sources	3.666	2.536	1.360	1.000	1.000	1.000
Own resources	16.681	22.266	26.745	18.554	16.776	16.059
Net Financing Requirement	8.608	13.708	13.795	20.500	30.000	21.000
TOTAL	**28.955**	**38.510**	**41.900**	**40.054**	**47.776**	**38.059**

The net financing requirement or 'debt' is only a temporary source of finance, since loans and leases must be repaid, and this is therefore replaced over time by other financing, usually from revenue which is known as Minimum Revenue Provision (MRP). So over the MTFS period, the Net Financing Requirement is anticipated to be £85.3 million. The charge to revenue will be over forty years which is akin to the asset life of the spend incurred. The MRP table includes an estimate for the charges relating to Finance Leases. These are recognised as debt because of the introduction of the new International Financial Reporting Standard (IFRS) 16. MRP charges are detailed in table 3 below:

Table 3: MRP Charges

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Minimum Revenue Provision (MRP)	1.009	1.230	2.937	2.488	2.279	3.029
Additional Voluntary Revenue Provision (VRP)	2.670	1.873	0.781	1.230	1.275	0.525
Total MRP & VRP	**3.678**	**3.102**	**3.718**	**3.718**	**3.553**	**3.553**
Other MRP Long Term Liabilities	0.663	0.616	0.460	0.339	0.281	0.059
Total MRP & VRP	**4.341**	**3.718**	**4.178**	**4.057**	**3.834**	**3.612**

The Commissioner's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). As stated above, from 1 April 2024, previous operating leases now need to be recognised as Long Term Liabilities on the Balance Sheet and included within the CFR. The opening balance of these for 1 April 2025 was £2.7 million. The table shows the Loans and Right of Use Assets (IFRS16) CFR's separately for ease of explanation. The Loans CFR is expected to increase by £9.6 million during 2026/27. This is the Net Financing Requirement for the year based on the above figures for expenditure.

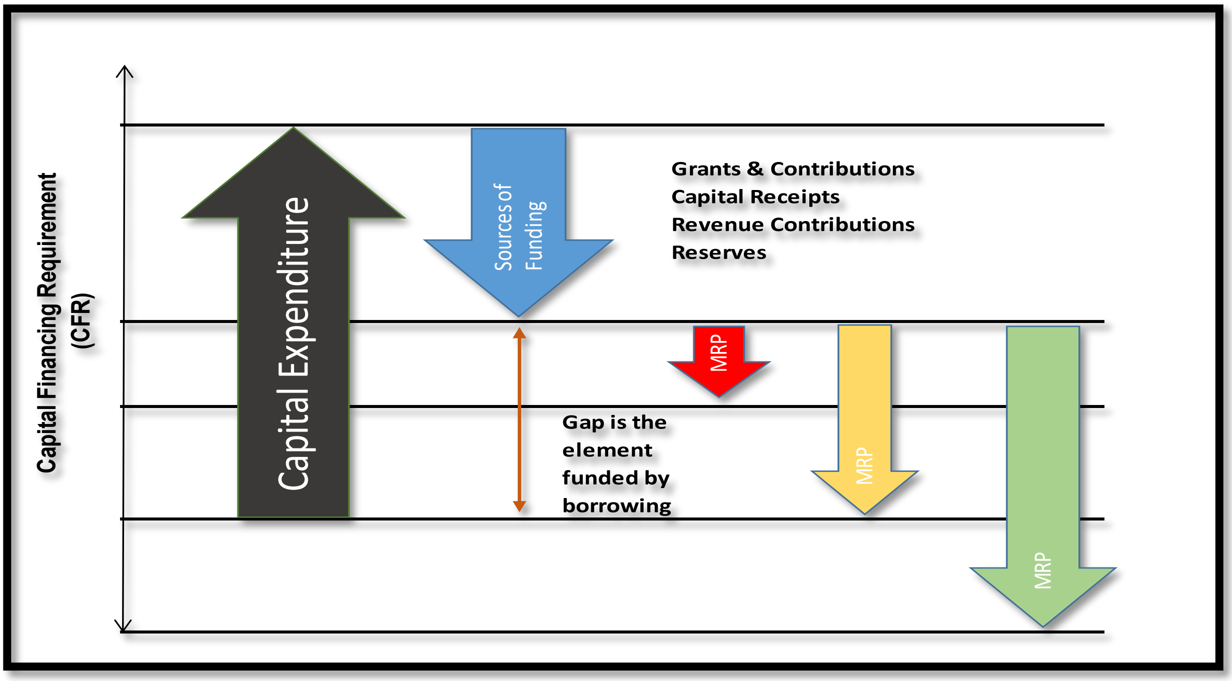
The Other Long Term Liabilities (Right of Use Assets) CFR is forecast to reduce in 2026/27 by £0.46 million. These liabilities are written down over the remaining lease liability with the charge to revenue being equivalent to the existing lease charges but accounted for as a principal repayment and an interest payment. This ensures that there will be no impact on the bottom line. It is anticipated that there will be no new Right of Use Assets in the MTFS period in the above table.

The estimated CFR is as follows and this Prudential Indicator will need to be approved by Resources Board:

Table 4: Prudential Indicator 2: Estimates of Capital Financing Requirement

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Opening Capital Financing Requirement (CFR) Loans	38.422	43.352	53.957	64.034	80.816	107.263
Other Long Term Liabilities - Right of Use Assets (ROU)	3.357	2.694	2.078	1.618	1.279	0.998
Opening CFR Adjusted	41.779	46.046	56.035	65.652	82.095	108.261
Movement in Year						
Capital Expenditure	28.955	38.510	41.900	40.054	47.776	38.059
Sources of Financing	(20.347)	(24.802)	(28.105)	(19.554)	(17.776)	(17.059)
Minimum Revenue Provision	(1.009)	(1.230)	(2.937)	(2.488)	(2.279)	(3.029)
Voluntary Revenue Provision	(2.670)	(1.873)	(0.781)	(1.230)	(1.275)	(0.525)
Other MRP Long Term Liabilities	(0.663)	(0.616)	(0.460)	(0.339)	(0.281)	(0.059)
Total Movement in Year	**4.267**	**9.990**	**9.617**	**16.443**	**26.166**	**17.388**
Closing Capital Financing Requirement (CFR) Loans	43.352	53.957	64.034	80.816	107.263	124.709
Closing Other Long Term Liabilities - ROU Assets	2.694	2.078	1.618	1.279	0.998	0.939
Closing Capital Financing Requirement (CFR)	46.046	56.035	65.652	82.095	108.261	125.648
Movement in CFR represented by :-						
Net Financing Requirement (Table 2 Above)	8.608	13.708	13.795	20.500	30.000	21.000
MRP (table 3 above)	(4.341)	(3.718)	(4.178)	(4.057)	(3.834)	(3.612)
Total Movement in Year	**4.267**	**9.990**	**9.617**	**16.443**	**26.166**	**17.388**

The diagram below shows the impact of capital expenditure, financing and MRP on the CFR:-



- Capital Expenditure – increases the CFR
- Sources of Finance – decreases the CFR
- MRP < Capital Expenditure funded from Borrowing – the net CFR increases
- MRP = Capital Expenditure funded from Borrowing – the net CFR stays the same
- MRP > Capital Expenditure funded from Borrowing – the net CFR decreases

By the end of the MTFS period, the Loans CFR is projected to be close to £125 million.

THE COMMISSIONER'S CAPITAL PLANS

3.0 CAPITAL PROGRAMME 2026/27

The Capital Strategy is important because :-

- It promotes the most effective use of capital resources by ensuring that the capital investment programme is closely aligned to these key priorities; and
- Its assessment by HMICFRS and External Audit contributes to both the financial and operational management of the police service.

In accordance with **PRINCIPLE 1** above, the majority of schemes within the existing Capital Programme link to the Commissioner's Objectives and Priorities within the Police, Crime and Justice Plan 2025-29:-

- Visible, connected and responsive community focused policing, with meaningful engagement and participation opportunities to drive forward collective action that supports safe, inclusive and resilient communities;
- A proactive approach to addressing root causes of crime and violence, through effective engagement with children and young people, diversionary and supportive activities for those at risk of crime and harm and collaborative investment to increase impact and positive outcomes;
- Protecting vulnerable people and communities, in domestic, public and online settings;
- Strengthening support for victims through investment in accessible services and monitoring of criminal justice agencies performance relating to victims rights; supporting victims and working with key partners towards an equitable criminal justice system and
- Policing fit for the future through building a workforce that is representative of the communities of South Wales; whilst harnessing technologies and digital solutions to innovate and respond to emerging policing challenges.

South Wales Police's Delivery Plan 2025-29 aims to 'enhance efficiency and productivity' which includes the adoption of new and emerging technology to create capacity and improve capability and to use data to understand the complexity of our demand; drive up productivity; direct and deploy resources more efficiently. There are specific capital projects to help deliver this objective.

3.1 OTHER KEY DRIVERS

As well as the Police and Crime Plan, there are other key drivers of the Commissioner's capital plans. These are:

- Estates Strategy (currently being updated)
- Health and Safety Assessments
- Condition Surveys
- Asset Management Plan

3.2 STRATEGIC ESTATE OBJECTIVES

The development of the Estate Strategy and the estate realignment proposed to deliver the required Core Operational and Community footprints will be based upon the following Strategic Objectives:

SO1: Maintaining a strong, visible and local presence
SO2: Supporting our Specialist Capabilities to be high performing and highly effective
SO3: Ensuring safer detention and the handling of persons in police custody
SO4: Providing high quality training facilities to enable us to attract, nurture and retain our officers and staff
SO5: Creating an inspirational and efficient office environment that supports good service performance and provides safe and secure facilities
In delivering the above we will:

SO6: Support the wellbeing of our workforce and our communities
SO7: Maximise the utilisation of core retained freehold estate so that it acts as a catalyst for wider estate re-alignment
SO8: Collaboration with partners to share facilities, integrate services and reduce costs wherever practically possible
SO9: Ensure safe, legislatively compliant and accessible accommodation that satisfies the demands of a diverse operational policing requirement

3.3 HEALTH AND SAFETY WORKS

The police estate comprises a broad range of specialised facilities, such as custody, forensic sciences, firearms and public contact centres, to open plan administration and shared front-line accommodation. The buildings and sites vary in age, quality, condition and cost. Many of our properties are still in a poor state and are not fit for purpose and some are uneconomic for repair. Within the Capital Programme, there is an allocation of £1.5 million recurrently to finance a prioritised list of health and safety works on buildings within the estate's portfolio. This will be monitored by the Capital Programme Board.

3.4 COMMERCIALISATION POLICY

The Commissioner does not hold any investment properties whereby the objective is primarily to generate capital or revenue resources. This ensures compliance with paragraph 51 of the Prudential Code 2021 which prohibits borrowing to invest primarily for financial return.

3.5 TREASURY MANAGEMENT STRATEGY (TMS)

Treasury Management is concerned with keeping sufficient but not excessive cash available to meet the Commissioner's spending needs, while managing the risks involved. Surplus cash is invested until required, while a shortage of cash will be met by borrowing, to avoid excessive credit balances or overdrafts in the bank current account. The Commissioner is typically cash rich in the short term as revenue income is received before it is spent, but cash poor in the long term as capital expenditure is incurred before being financed. The revenue cash surpluses are offset against capital cash shortfalls to reduce overall borrowing.

3.6 BORROWING STRATEGY

The Commissioner's major objectives when borrowing are:-

- to minimise the revenue costs of debt
- to manage the Commissioner's debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in re-borrowing
- to effect funding in any one year at the cheapest cost commensurate with future risk
- to forecast average future interest rates and borrow accordingly
- to monitor and review the level of variable interest rate loans in order to take greater advantage of interest rate movement
- to reschedule debt if appropriate, in order to take advantage of potential savings as interest rates change
- to optimise the use of all capital resources including borrowing, usable capital receipts, revenue contributions to capital and grants and contributions

3.7 LIMITS TO BORROWING ACTIVITY

Gross Debt comprises of long-term borrowing together with other long-term liabilities. The Commissioner's long-term borrowing, including Right of Use Assets, at 1 April 2025 was £33.436

million. External borrowing can arise as a result of both capital and revenue expenditure and timing of cash flows. As the Commissioner has an integrated TMS, there is no association between individual loans and particular types of expenditure. The projection for this for the MTFS is shown below :-

Table 5 : Gross External Debt

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Loans at start of the year	31.632	30.742	**29.957**	29.380	38.804	58.227
Right of Use Assets (ROU) liability at start of the year	3.357	2.694	**2.078**	1.618	1.279	0.998
Total Gross Borrowing at Start of the Year	**34.989**	**33.436**	**32.035**	**30.998**	**40.083**	**59.225**
New Borrowing for Capital Spend Estimated	0.000	0.000	**0.000**	10.000	20.000	20.000
New ROU Liabilities	0.000	0.000	**0.000**	0.000	0.000	0.000
Loan Repayments	(0.890)	(0.785)	**(0.577)**	(0.577)	(0.577)	(0.472)
ROU Repayments	(0.663)	(0.616)	**(0.460)**	(0.339)	(0.281)	(0.059)
Loans at end of the year	30.742	29.957	**29.380**	38.804	58.227	77.755
ROU Liabilities at end of the year	2.694	2.078	**1.618**	1.279	0.998	0.939
Total Gross Borrowing at end of year	**33.436**	**32.035**	**30.998**	**40.083**	**59.225**	**78.694**

Statutory guidance is that debt should remain below the capital financing requirement, except in the short-term. As can be seen from Table 6 below, the Commissioner expects to comply with this in the medium term. This view takes account of current commitments, existing plans and the proposals in the MTFS.

Table 6: Prudential Indicator: Gross Debt and the Capital Financing Requirement

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Gross Debt	30.742	29.957	**29.380**	38.804	58.227	77.755
Other Long Term Liabilities / Right of Use Assets	2.694	2.078	**1.618**	1.279	0.998	0.939
Total Debt	**33.436**	**32.035**	**30.998**	**40.083**	**59.225**	**78.694**
Closing Capital Financing Requirement	46.046	56.035	**65.652**	82.095	108.261	125.648
Under/(Over) Borrowing	**12.609**	**24.000**	**34.653**	**42.012**	**49.035**	**46.954**

The projections of levels of Internal Borrowing increasing over the MTFS period will need to be monitored. It is hoped that any borrowing from the market that might be needed for cash flow purposes can be either short-term borrowing or long-term when the interest rates have begun to fall.

The Commissioner is legally obliged to set an affordable borrowing limit (also termed the authorised limit for external debt) each year. In line with statutory guidance, a lower “operational boundary” is also set as a warning level should debt approach the limit.

The Operational Boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

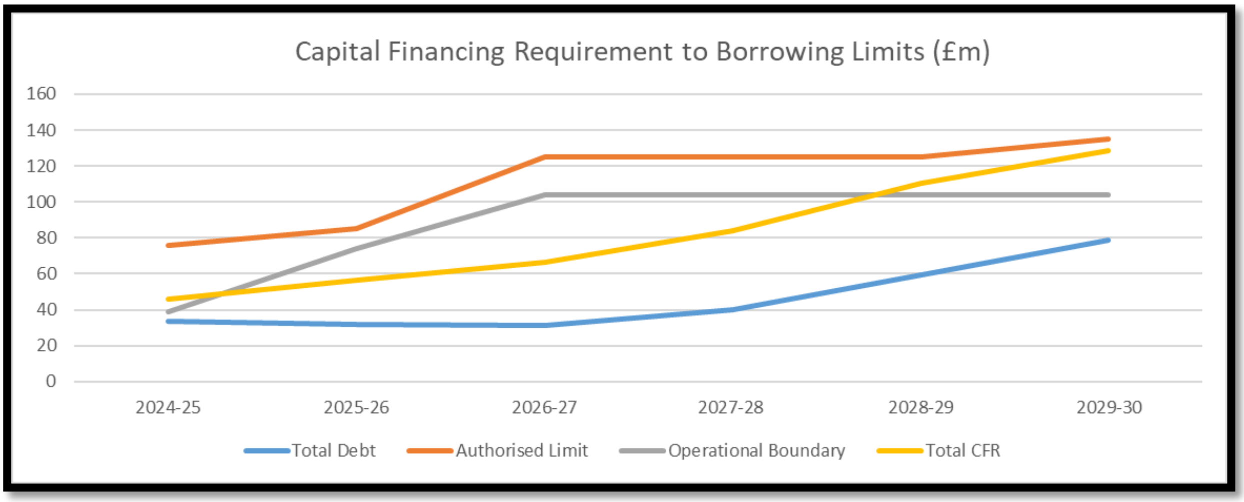
The Authorised Limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by agreement of the Commissioner. It reflects the level of external debt which, while not desired, could be afforded in the short-term, but is not sustainable in the longer-term.

- This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authority plans, or those of a specific authority, although this power has not yet been exercised.
- The Commissioner is asked to approve the following Authorised Limit:

Table 7: Prudential Indicators: Authorised limit and operational boundary for external debt in £

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Authorised limit – borrowing	70.000	80.000	**120.000**	120.000	120.000	130.000
Authorised limit – other long term liabilities	6.000	5.000	**5.000**	5.000	5.000	5.000
Authorised Limit Total	**76.000**	**85.000**	**125.000**	**125.000**	**125.000**	**135.000**
Operational boundary – borrowing	35.000	70.000	**100.000**	100.000	100.000	100.000
Operational boundary – other long term liabilities	4.000	4.000	**4.000**	4.000	4.000	4.000
Operational Boundary Limit Total	**39.000**	**74.000**	**104.000**	**104.000**	**104.000**	**104.000**
Total Borrowing and Long Term Liabilities	**31.632**	**34.456**	**33.267**	**52.09**	**65.805**	**74.792**

Full details of the Commissioner's borrowing are included within the Treasury Management Strategy. External debt (Other long-term liabilities), authorised limit and operational boundary, have been amended to allow for those leases which were previously off-balance sheet, being brought onto the balance sheet at 31 March 2025 as Right of Use Assets. The graph below shows the limits compared to the CFR. The difference between the Total Debt and the CFR represents the amount of unsupported borrowing via internal borrowing. This will need to be monitored and if the amount of usable reserves begins to fall more than estimated actual borrowing will need to be taken.



3.8 INVESTMENT STRATEGY

The Commissioner's major objectives when investing are:-

- to maintain capital **security**
- to maintain **liquidity** so funds are available when expenditure is needed

- to achieve the **yield** on investments commensurate with the proper levels of security and liquidity

Cash that is required for liquidity will be placed in instant access call accounts or money market funds. Where cash will be needed in the near future, it will be invested with the government, other local authorities or selected high-quality banks, to minimise the risk of loss. Money that will be held for longer terms is invested more widely to balance the risk of loss against the risk of receiving returns below inflation. Both near-term and longer-term investments may be held in pooled funds, where an external fund manager makes decisions on which particular investments to buy and the Commissioner may request its money back at short notice.

Table 8: Treasury management investments

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m	2027-28 Estimate £m	2028-29 Estimate £m	2029-30 Estimate £m
Cash and Cash Equivalents	27.096	20.000	**15.000**	15.000	10.000	10.000
Short term Investments	38.266	38.362	**15.000**	15.000	10.000	10.000
Longer term Investments	-	-	**-**	-	-	-
TOTAL	**65.362**	**58.362**	**30.000**	**30.000**	**20.000**	**20.000**

3.9 OTHER LONG-TERM LIABILITIES

As stated above in paragraph 3.7 above, during 2024/25 the introduction of the new accounting standard IFRS16 for leases took place. There will no longer be a distinction between Operating and Finance Leases. If a Lease exists (with some exceptions) – there will be an asset on the balance sheet – “Right of Use Asset” – and a corresponding Liability for the Obligation Value. An assessment of the total liability has been included in the Strategy and further work will be undertaken to assess the actual amount that will be recognised in the Statement of Accounts 2024/25.

3.10 REVENUE BUDGET IMPLICATIONS

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Precept, Business Rates and Police Grant.

Table 9 Prudential Indicator : Proportion of financing costs to net revenue stream

	2024-25 Actual	2025-26 Projection	2026-27	2027-28	2028-29	2029-30
Ratio of Financing Costs to Net Revenue Stream	5.41%	6.36%	**7.32%**	5.37%	5.01%	4.91%

RESOURCING STRATEGY

4.0 FINANCIAL CONTEXT

Whilst the aims and priorities will shape decisions around capital expenditure, there is recognition that the financial resources available to meet priorities are constrained in the current economic and political climate. The context for capital expenditure decisions is as follows:

- The Commissioner does have a Disposal Strategy and has capital assets which it could sell and use receipts to reinvest;
- The Commissioner is currently servicing debt of £30 million with over £2.2 million of principal needing to be repaid over the MTFS period;
- The Commissioner's MTFS shows a funding gap so any additional capital expenditure which is not funded through capital resources will increase this gap unless that expenditure delivers revenue savings or income to be used to repay the borrowing costs.

All borrowing is unsupported so South Wales Police do not receive revenue funding ring-fenced for the borrowing costs. Consequently, the Capital Programme is supported by an annual revenue contribution to capital of £16 million due to the requirements for investment in digital technology or shorter term assets where it would not be cost effective to incur borrowing costs over a greater length of time.
Earmarked Reserves have been set aside to fund capital projects which include those expenditure items slipped from the current financial year, carrying forward of the Uplift Capital Grant or projects that are multi-year.

4.1 CAPITAL EXPENDITURE BIDS

The capital programme is updated on an annual basis (or more frequently as required) to take into account revised priorities, new schemes and changes in the availability of funding. The current year's programme is monitored by the Capital Programme Board which includes the Chief Finance Officers for both the Police and Crime Commissioner and the Chief Constable.

There are only limited amounts of capital resources, and regard is needed for the overall affordability of the capital programme in future years. Each scheme, therefore, needs to be evaluated to ensure it meets **PRINCIPLES 1 to 4** above.

The business plan put forward for a capital project will be reviewed to ensure it takes account of stewardship, value for money, prudence, sustainability and affordability. Investment decisions will consider risk and reward and how the project contributes to the achievement of corporate objectives. The phasing of projects over more than one financial year will be assessed to ensure timetabling of plans and budgeting is realistic and funding is available over the life of the project.

The revenue implications for each capital bid are considered at the initial evaluation stage, covering both staffing /running costs associated with the bid and the financing costs over the lifetime of the asset created. One of the Chief Finance Officer's requirements when reviewing capital bids is to ensure that the revenue implications are realistic. The options appraisal exercise undertaken for larger projects seeks to ensure that the lifetime revenue implications of a capital project are fully considered and evaluated, are affordable and are included in the MTFS in accordance with **PRINCIPLE 2** above.

Successful projects will then be required to complete a full Business Case to be considered in more detail by the Capital Programme Board for eventual inclusion in the Capital Programme to be incorporated in the MTFS, to be approved by the Police and Crime Panel.

Any bids for capital funding outside of the annual MTFS bidding round should be accompanied by a full business case to be presented to the Capital Programme Board for approval. All funding sources should be fully identified before the bid is taken forward. Any new schemes for which external funding has been approved (grants and contributions) will be added to the capital programme once the funding has been accepted and included in the next capital programme report to the Chief Constable's Gold Group. This holds the Chief Officers to account on the delivery of the operational plan. It receives Capital Monitoring Reports for period 3, 6 and 9.

4.2 The proposed Capital Programme for the MTFS period is detailed below.

Table 10: Capital Programme 2025/26 to 2029/30

Description	2025/26 Projection £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m	4 Year Future Total £m
Estates Essential and Legislative Works	2.412	**3.150**	2.500	2.400	2.400	**10.450**
Fleet	5.307	**3.654**	3.654	3.954	3.654	**14.916**
Information Services	4.219	**5.058**	4.730	4.400	4.556	**18.744**
Other	2.657	**1.872**	2.472	1.824	2.051	**8.219**
Total Infrastructure Maintenance	**14.595**	**13.734**	**13.356**	**12.578**	**12.661**	**52.329**
Firearms Range	12.709	**11.417**	2.656	0	0	**14.073**
Other Estates	3.909	**10.589**	20.094	30.250	22.250	**83.183**
Information Services	1.456	**1.843**	1.493	1.393	1.393	**6.122**
Total One - Off Projects to be Internally Funded	**18.074**	**23.849**	**24.243**	**31.643**	**23.643**	**103.378**
Total Digital Services Division	**5.841**	**4.317**	**2.455**	**3.555**	**1.755**	**12.082**
TOTAL CAPITAL PROGRAMME	**38.510**	**41.900**	**40.054**	**47.776**	**38.059**	**167.789**
<u>Summary of Funding</u>						
Revenue Contribution	11.830	**15.656**	15.656	15.856	15.856	**63.024**
Grant Funding	2.186	**0.675**	0.000	0.000	0.000	**0.675**
Capital Receipts	0.350	**0.685**	1.000	1.000	1.000	**3.685**
Earmarked Reserves	10.436	**11.089**	2.898	0.920	0.203	**15.110**
Unsupported Borrowing	**13.708**	**13.795**	**20.500**	**30.000**	**21.000**	**85.295**
TOTAL FINANCING	**38.510**	**41.900**	**40.054**	**47.776**	**38.059**	**167.789**

<u>Estates Essential & Legislative Works</u>

The Refreshed Estate Strategy has identified a programme of works to make the South Wales Police Estate fit for purpose. In addition, Property Condition Surveys (independent professional assessment) on critical works have taken place to ensure Force properties are compliant with health and safety regulations and other legislative operational requirements. The current affordability envelope restricts works to a 'safe, warm and dry' standard. Hardwiring/asbestos plant and mechanical engineering work is also being undertaken to ensure compliance with legislation. However, given the lack of funding and capacity to undertake the scale of works, a risk-based prioritisation process will continue to apply.

<u>Vehicles Replacement Programme</u>

The challenges of the automotive industry remain and have been felt within South Wales Police. We are fortunate that we have previously maintained a good standard of fleet replacement. The replacement cycle will continue as planned into 2026/27 to ensure effective operational response capability from an efficient and effective transport service. In line with the Government's ZEV (Zero Emission Vehicles) mandate and the motor industry commitment to the eventual cessation of petrol and diesel vehicle production, the fleet replacement scheme will commence a transition to ZEV vehicles.

Information Services

In terms of Information Services, South Wales Police has rapidly transitioned to an enhanced mobile data capability and with the appropriate access to force intelligence systems that enable more work to be undertaken remotely that will also enhance visibility. It is now evident that the new improved operating model is heavily dependent upon use of technology to deliver policing that meets public expectations. The short life cycle for technology requires regular refresh and the programme reflects these requirements. Transfer to Cloud based applications are under review in a move to increase server capacity for our most critical functions. There is also further planned investment in Digital Forensics and enhanced Cyber Security.

Tactical Tri-force Firing Range

An operational requirement for a tri-force (Gwent Police, Dyfed Powys Police and South Wales Police) replacement firearms training facility was accepted by the Commissioners of the three forces. During 2025/26, significant progress has been made on the construction of a 128,000 square foot firearms training facility with associated range buildings, tactical buildings, and offices/training rooms. The combined land acquisition and construction costs are currently estimated to be approximately £60.8 million with construction completion scheduled for 2026/27 financial year and the final handover of a fully furnished site is scheduled for April 2027.

Force-wide Estate developments

The estates programme will look at developing some of the older sites across the force, this will include collaborating with partners and disposing of buildings that are no longer required for operational policing. There is also a commitment in line with the Future Generations Act to making existing buildings more carbon neutral via de-carbonisation works. Projects that will be started in 2026/27 will include Cardiff Central Re-Development, a central Strategic Command Centre in preparation for European Football Championship (Euros) 2028, Ely Police Station development, the development of Raven's Court and the Waterton site. Ty Trevethick will be undergoing significant investment to bring it up to full operational capacity to accommodate the relocation of operations from Pontypridd Police Station. There is a commitment to provide a new Bridewell in Swansea Neath-Port Talbot area to provide a modern custody alternative to that currently in Swansea Central Police Station. There will be £2.2 million investment into decarbonising Police Headquarters to reduce the current utility expenditure burden in revenue and implement an invest to save initiative.

Other Capital Projects

The Capital Programme is now reviewing investments required in preparation for Euros 2028, South Wales Police has increased its investment in the mounted section by 100% to ensure we have a successful replacement programme. During 2026/27 there will be a significant Taser roll out programme of the new T-10 model with an investment of £5.4 million.

Digital Services Division

There is significant investment required within the force for our digital services to ensure we have the appropriate kit and equipment to manage our evolving technology in line with the National Productivity Review (Technology) to enhance the productivity of frontline officers and back-office functions. The force will also be embarking on a Joint Data Analytical Project with Gwent with an over investment of £2.4 million over a 2 year period. The project aims to exploit the data analytics opportunities and ensure compliance to the National Data Strategy. This project will empower South Wales Police to undertake effective data driven decisions. It is anticipated that the Emergency Services Network Project will commence January 2027 and this will attract an investment of £8.1million over 4 years.

5.0 GOVERNANCE AND RISK MANAGEMENT STRATEGY

It is important given the risks surrounding Capital Projects that the appropriate Governance framework is in place. This is highlighted in **PRINCIPLE 2** above. The Manual of Corporate Governance provides the Framework for capital decisions.

The Prudential Code sets out a clear governance procedure for the setting and revising of a capital strategy and prudential indicators.

The Chief Finance Officer for Chief Constable will prepare a Capital Programme for consideration by Capital Programme Board. It must be approved by Police and Crime Panel as part of the MTFS. Variations to the capital programme shall require the approval of the Capital Programme Board and will be reported to the next Gold Group Meeting.

5.1 CAPITAL EXPENDITURE/INVESTMENT DECISION

A monitoring process is in place which:

- Reports on variances in expenditure and slippage on schemes and seeks explanations from project managers who are answerable to the Capital Programme Board
- Capital monitoring reports will be prepared for Resources Board which should include details of any virements between projects as well as projections of likely year end spend
- A post project appraisal of all projects must be completed to demonstrate how objectives have been met, how final costs compared to budget and what revenue costs / savings materialised. This information will be reported back to feed future appraisal exercises.

5.2 RISK MANAGEMENT

Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the capital strategy.

General risks are those which are faced as a consequence of the nature of the major projects being undertaken. Most of these risks are outside of the Commissioner’s control but mitigations have been developed as part of the business planning and governance process.

Financial Instruments – Risk

The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations.

The Commissioner’s activities expose it to a variety of financial risks, the key risks are:-

- **Credit risk** – the possibility that the counterparty to a financial asset might fail to pay amounts due to the Commissioner;
- **Liquidity risk** – the possibility that the Commissioner might not have cash available to meet its commitments to make payments;
- **Market risk** - the possibility that unplanned financial loss might arise for the Commissioner as a result of changes in such measures as interest rates movements.

Further details of these risks can be found within the Statement of Accounts’ Financial Instrument Disclosures.

Inflation Risk

Construction inflation over and above that budgeted by the Commissioner’s professionals and advisers and built into project budgets could impact on the affordability of the capital programme. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated through fixed price contracts.

Change in Law Risk
Capital schemes need to comply with the latest law and regulations which can change leading to an impact on construction costs and may be retrospective in their nature. This is mitigated by awareness of pipeline legislative changes and through contingencies.

Management of Project Risks
Project risks are those which relate to the delivery of capital projects which in many cases can be controlled, influenced or directly mitigated in ways other than making contingencies available. These risks would mostly be related to unforeseen project delays and cost increases which could arise from a range of circumstances.

Supplier Financial Stability
Construction companies and developers contracting with the Commissioner which experience financial instability post a significant risk. They may not be able to raise sufficient finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget, the Commissioner could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate the Commissioner carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

Risk of Revenue Write Off
The Commissioner commits to feasibility studies on many of its significant capital schemes at the point where spend is revenue in nature or when capital spend may be written off should the scheme in question not progress. This is managed through careful consideration and approval of all expenditure potentially at risk of revenue write off.

Contingencies in the Capital Programme
In the initial stages of development, major capital projects will have significant uncertainties. For example, these may relate to the planning process, the views / interest of stakeholders who must be consulted, ground conditions, or the costs of rectifying or demolishing existing buildings (e.g. the cost of asbestos removal). For this reason, the Commissioner has adopted a structured process of identifying and managing contingencies which is in line with guidance issued by HM Treasury. In the initial stages of a project these contingencies are necessarily broad estimates due to the number of unknown factors. As projects progressed the unknown factors become clearer and project managers focus on managing these in the most effective way possible, utilising contingencies to do so as needed.

KNOWLEDGE AND SKILLS

6.0 IN-HOUSE RESOURCES

The successful implementation of the Capital Strategy necessitates the availability of people with the necessary experience of:

- developing capital projects
- acquiring and selling properties
- commissioning partners to deliver the capital programme

Within Corporate Finance, the Capital Programme and Treasury Management Strategy are managed by professionally qualified accountants or staff with extensive experience. They all follow a Continuous Professional Development Plan (CPD) and attend courses on an ongoing basis to keep abreast of new developments and skills. The Commissioner subscribes to the

CIPFA's Achieving Financial Excellence in Policing (AFEP) and as a result has access to courses and documentation on developments within the capital and treasury management fields. Both the Chief Finance Officer (Police and Crime Commissioner) and the Chief Financial Officer (Chief Constable) are professionally qualified accountants and follow CPD arrangements. Treasury Management Practices (TMPs) are reviewed and updated as necessary.

Project management tools are used and there is a strong project management ethos within South Wales Police. There is a good mix of professionally qualified staff within the Estates Department, Fleet Services and ICT and DSD services.

6.1 EXTERNAL ADVISERS

External Advisers are used as appropriate including the valuations of assets and treasury management advisers who assist with the review of the investments and borrowing of the Commissioner. At a time when interest rates are beginning to rise, treasury management advisers will be used to provide the Commissioner with a breakeven analysis to see whether there is any opportunity to reduce borrowing costs going forward. External Advisers compliment in-house knowledge and skills.

Annual Minimum Revenue Provision Policy **Schedule A**

The Annual Minimum Revenue Provision Statement needs to be approved before the start of each financial year. The MRP charges for 2026/27 will be on the following bases:-

i. Capital expenditure previously financed through Equal Instalment of Principal (EIP) Loans, MRP will be charged equivalent to 4% of the outstanding capital financing requirement. The balance of this capital expenditure will be fully financed in 2026/27.
ii. Other capital expenditure exercised under the Prudential Code, the MRP charge will be based on the Asset Life Method. The minimum revenue provision will be at equal annual instalments over the life of the asset. The first charge may be delayed until the year after the asset is operational but this will be at the discretion of the Chief Finance Officer.
iii. For assets reclassified as Right of Use Assets under International Financial Reporting Standards (IFRS), the MRP charge will be regarded as met by a charge equal to the element of the rent/charge that goes to write down the balance sheet liability for the year.
iv. Where opportunities allow, additional Voluntary Revenue Provisions will be set aside to reduce the Capital Financing Requirement.

The anticipated charge for 2026/27 will be :-

	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m
Opening Capital Financing Requirement	**41.779**	**46.046**	**56.035**
Minimum Revenue Provision (MRP) - Supported Borrowing	0.151	0.151	**1.516**
Minimum Revenue Provision (MRP) - Unsupported Capital Expenditure (40 years)	0.858	1.079	**1.421**
Additional Voluntary Revenue Provision (VRP)	2.670	1.873	**0.781**
Total MRP & VRP	**3.678**	**3.102**	**3.718**
Other MRP Right of Use Assets	0.663	0.616	**0.460**
Total MRP & VRP Inc Right of Use Assets	**4.341**	**3.718**	**4.178**

2.3 CAPITAL PROGRAMME

Why is this important?

2.3.1 Capital expenditure involves acquiring or enhancing fixed assets with a long-term value to South Wales Police such as land, buildings, and major items of plant, equipment or vehicles. Capital assets shape the way services are delivered in the long term and may create financial commitments in the form of financing costs and revenue running costs.

2.3.2 South Wales Police is able to undertake capital investment providing the spending plans are affordable, prudent, sustainable and demonstrate VFM. CIPFA's Prudential code sets out the framework under which spending plans are considered.

2.3.3 The capital programme is linked to the approved medium term financial strategy.

Responsibilities of the Chief Constable

2.3.4 To develop an asset management plan for approval by the Police and Crime Commissioner. To implement the approved asset management plan.

Responsibilities of the Treasurer, Chief Finance Officer and Chief Constable

2.3.5 To prepare a capital funding strategy for consideration and approval by the Commissioner.

Responsibilities of the Commissioner

2.3.6 To approve the asset management plan.

2.3.7 To approve the capital funding strategy.

<u>Medium term Capital Programme</u>

Responsibilities of the Chief Constable and the Chief Finance Officer

2.3.8 To prepare a rolling programme of proposed capital expenditure for consideration by the Commissioner. The total capital cost of each project will be identified and any additional revenue commitments.

2.3.9 To prepare project appraisals (i.e. the Business Cases) for all schemes in the draft medium term year capital programme and shall be submitted to the Treasurer and Commissioner for consideration and scheme approval. This will include all additional revenue and capital costs.

2.3.10 Each capital project shall have a named officer responsible for sponsoring the scheme, monitoring progress and ensuring completion of the scheme.

2.3.11 To identify, in consultation with the Treasurer, available sources of funding for the medium term capital programme, including the identification of potential capital receipts from disposal of property.

2.3.12 A gap may be identified between available resources and required capital investment. Requirements should be prioritised by the Chief Finance Officer in consultation with the Chief Constable to enable the Commissioner to make informed judgements as to which schemes should be included in the capital programme, the risk assessed level of funding required for each scheme and the potential phasing of capital expenditure.

2.3.13 All schemes within the draft medium term capital programme should incorporate an estimate of future price inflation where appropriate.

Responsibilities of the Treasurer

2.3.14 To make recommendations to the Commissioner on the most appropriate level of revenue support and appropriate levels of borrowing, under the Prudential Code, to support the capital programme.

Responsibilities of the Commissioner

2.3.15 To approve a fully funded medium term capital programme which is sustainable and in accordance with the prudential code.

Annual Capital Programme

Responsibilities of the Commissioner

2.3.16 To agree the annual capital programme, and how it is to be financed.

Responsibilities of the Chief Finance Officer

2.3.17 Approval of the annual capital programme by the Commissioner authorises the Chief Finance Officer to incur expenditure on schemes providing the detailed business case has been approved and expenditure on the scheme does not exceed the sum contained in the approved programme by more than 10% or £250,000 whichever is the lower amount. Such approval is subject to the underlying business case remaining viable. The Chief Finance Officer shall identify appropriate capital funding.

2.3.18 To ensure that finance leases or other credit arrangements are not entered into without the prior approval of the Treasurer.

2.3.19 To ensure that, apart from professional fees (e.g. feasibility studies and design fees), no other capital expenditure is incurred before the scheme is approved by the Commissioner.

Responsibilities of the Treasurer

2.3.20 Approval of the annual capital programme by the Commissioner authorises the

Treasurer to incur expenditure on schemes providing the detailed business case has been approved and expenditure on the scheme exceeds the sum contained in the approved programme by more than 10% or £250,000 whichever is the lower amount. Such approval is subject to the underlying business case remaining viable. The Treasurer shall identify appropriate capital funding. The Treasurer shall notify the Commissioner whenever any such authorisation is given.

2.3.21 The Treasurer shall approve the detailed business case for all schemes itemised in the annual capital programme.

Monitoring of Capital Expenditure

Responsibilities of the Chief Constable

2.3.22 To ensure that adequate records are maintained for all capital contracts.

Responsibilities of the Chief Constable and the Chief Finance Officer

2.3.23 To monitor expenditure throughout the year against the approved programme.

2.3.24 To submit capital monitoring reports to the Commissioner on a regular basis throughout the year. These reports are to be based on the most recently available financial information. The monitoring reports will show spending to date and compare projected income and expenditure with the approved programme. The reports shall be in a format agreed by the Commissioner and Treasurer.

2.3.25 To prepare a business case for any new capital schemes [after the annual programme has been agreed] for submission to the Commissioner for consultation and approval. Amendments to the programme increasing its overall cost must demonstrate how such changes are to be funded.

Responsibilities of the Treasurer and Chief Finance Officer

2.3.26 To report on the outturn of capital expenditure as part of the annual report on the statutory accounts.

Comisiynydd yr Heddlu a Throseddu De Cymru

South Wales Police and Crime Commissioner

Treasury Management Strategy Including Treasury Management Indicators

2026/27 – 2029/30

December 2025

OVERVIEW OF TREASURY MANAGEMENT STRATEGY

1.0 Introduction

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines treasury management as:

"The management of the organisation's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Treasury Management activities are regulated by the Local Government Act 2003 which provides the powers to borrow and invest as well as providing controls and limits on this activity. The Local Authorities (Capital Finance and Accounting) (Wales) Regulations 2003 as amended, develops the controls and powers within the Act. This requires certain bodies, including the Police and Crime Commissioner for South Wales (the Commissioner) in consultation with the Chief Constable, to undertake any borrowing activity with regard to the CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) and to operate the overall treasury function with regard to the CIPFA Code of Practice for Treasury Management in the Public Services (the TM Code). Both Codes were updated in December 2021.

The TM Code requires a Treasury Management Strategy (TMS) and an Annual Investment Strategy to be produced and approved by committee before the start of the financial year.

The Capital Strategy including the Prudential Indicators will be approved together with this TMS by the Police and Crime Panel in February 2026 as part of the Medium Term Financial Strategy (MTFS). Both should be read in conjunction with each other.

1.1 The Purpose of TM Investments

The revised Code requires that all investments and investment income be attributed to one of the following three purposes :-

Treasury management
Arising from the organisation's cash flows or treasury risk management activity, this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

Service delivery
Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is "either related to the financial viability of the project in question or otherwise incidental to the primary purpose".

Commercial return
Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to an authority's financial capacity – i.e., that 'plausible losses' could be absorbed in budgets or reserves

without unmanageable detriment to local services. An authority must not borrow to invest primarily for financial return.

The revised Code required the Commissioner to implement the following: -

Adopt a new liability benchmark treasury indicator to support the financing risk management of the capital financing requirement; this is to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;

Long-term treasury investments, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;

Pooled funds are to be included in the indicator for principal sums maturing in years beyond the initial budget year;

Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function - to be proportionate to the size and complexity of the treasury management conducted by each authority;

Reporting to members is to be done quarterly. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators;

Environmental, social and governance (ESG) issues to be addressed within treasury management policies and practices (TMP1).

1.2 Aims and Principles

The aim of this is to provide a Treasury Management Strategy for approval to meet with the requirements of the Code which details:-

- Current Economic Forecast including Interest Rates Projections;
- Overall Current Treasury Position;
- The Borrowing Strategy 2026/27 and Liability Benchmark;
- An Annual Investment Strategy 2026/27;
- The Investment Counterparty Strategy/Creditworthiness Policy;
- Governance Arrangements.

There is a requirement to operate a balanced revenue budget which broadly means that cash raised during the year will meet cash expenditure. The treasury management operation is concerned with the need to ensure that cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low-risk counterparties or instruments commensurate with the Commissioner's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the capital plans identified within the Capital Strategy. These capital plans provide a guide to the borrowing need, essentially the longer-term cash flow planning, to ensure that the capital spending obligations can be met. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasions, when it is prudent and economic, any debt previously drawn may be restructured to meet risk or cost objectives.

The contribution the treasury management function makes is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the Police Fund Balance.

1.3 The TM Code – Key Objectives

The objective of the TM Code is to ensure, within a clear framework, that the Commissioner bases all treasury management decisions on the below Key Principles:-

KEY PRINCIPLE 1 Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities;

KEY PRINCIPLE 2 Their policies and practices should make clear that the effective management and control of risk are prime objectives of their treasury management activities and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy, including any use of financial instruments for the prudent management of those risks, and should ensure that priority is given to security and portfolio liquidity when investing treasury management funds; and

KEY PRINCIPLE 3 They should acknowledge that the pursuit of value for money in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

1.4 TM Reporting

A requirement of the Code is to produce and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

a. **Prudential and treasury indicators and treasury strategy** - The first, and most important report is forward looking and covers: -
    - the capital plans, (including prudential indicators)
    - a minimum revenue provision (MRP) policy, (how residual capital expenditure is charged to revenue over time)
    - the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
    - an Annual Investment Strategy, (the parameters on how investments are to be managed)

b. **A mid-year treasury management report** – This is primarily a progress report and will update on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, this Authority will receive quarterly update reports.

c. **An annual treasury report** – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

In addition to the three major reports detailed above, there will also be in year monitoring reports provided to Resources Board for the end of period 3 and period 9 (end of June/end of December) as required by the Codes. The above reports are required to be adequately scrutinised and this is within the terms of reference of Resources Board.

CURRENT ECONOMIC BACKGROUND

2.0 Sources of Information

On behalf of the Commissioner, South Wales Police Corporate Finance Department receives regular advice and information on the economic outlook from its Treasury Management consultants, MUFG Corporate Markets and other sources including the Commissioner's current bank provider and the tax advisors, PSTax.

2.1 Economic Forecast Summary

The economy will have an impact on the Treasury Management Strategy 2026/27 particularly around interest rates forecasts for both investments and borrowing. The main economic forecasts are detailed below.

- There was a 0.3% pick up in Gross Domestic Product (GDP) for the period April to June 2025. More recently, the economy flatlined in July, with higher taxes for businesses restraining growth, but picked up to 0.1% month over month (m/m) in August before falling back by 0.1% m/m in September. GDP growth for 2025 and 2026 is currently forecast by the Bank of England to be in the region of 1.4% before picking up in 2027.
- A looser labour market is driving softer wage pressures. The 3 month year on year rate of average earnings growth excluding 3-month bonuses has fallen from 5.5% to 4.6% in September.
- CPI inflation has ebbed and flowed but finished September at 3.8%, whilst core inflation eased to 3.5%. Services inflation stayed at 4.7%. A further loosening in the labour market and weaker wage growth may be a requisite to UK inflation coming in below 2.0% by 2027.
- The Bank of England cut interest rates from 4.50% to 4.25% in May, and then to 4% in August. At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut is imminent. With GDP for Quarter 3 disappointing, and the September CPI number staying at 3.8%, the market is split over whether the next rate cut will be in December or February 2026.
- The 10-year gilt yield fluctuated between 4.4% and 4.8%, ending the half year at 4.70% (before falling back to 4.43% in early November). In an era of high debt, high interest rates and low GDP growth, the markets are now more sensitive to fiscal risks than before the pandemic. During August, long-dated gilts underwent a particularly pronounced sell-off, climbing 22 basis points and reaching a 27-year high of 5.6% by the end of the month. While yields have since eased back, the market sell-off was driven by investor concerns over growing supply-demand imbalances, stemming from

unease over the lack of fiscal consolidation and reduced demand from traditional long-dated bond purchasers like pension funds.

2.2 Interest Rates Forecast

The table below is the most up to date information available from our Treasury Management Advisors and is still influenced by uncertainties at the time of production.

Table 1 : MUFG Corporate Markets Interest Rate Forecast

MUFG Corporate Markets Interest RateView 11.08.25													
	Sep-25	Dec-25	Mar-26	Jun-26	Dec-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28	Sep-28
BANK RATE	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.25	3.25	3.25	3.25	3.25
3 month ave earnings	4.00	4.00	3.80	3.80	3.50	3.50	3.50	3.50	3.30	3.30	3.30	3.30	3.30
6 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.30	3.40	3.40	3.40
12 month ave earnings	4.00	3.90	3.70	3.70	3.50	3.50	3.50	3.50	3.30	3.40	3.50	3.60	3.60
5 yr PWLB	4.80	4.70	4.50	4.40	4.30	4.30	4.30	4.20	4.20	4.20	4.20	4.10	4.10
10 yr PWLB	5.30	5.20	5.00	4.90	4.80	4.80	4.80	4.70	4.70	4.70	4.70	4.60	4.60
25yr PWLB	6.10	5.90	5.70	5.70	5.50	5.50	5.50	5.40	5.40	5.30	5.30	5.30	5.20
50 yr PWLB	5.80	5.60	5.40	5.40	5.30	5.30	5.30	5.20	5.20	5.10	5.10	5.00	5.00

Additional information provided by MUFG Corporate Markets is:-

- There were five Monetary Policy Committee (MPC) meetings in the first half of the financial year. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from rising food prices. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates would be reduced further.

- In August, a further rate cut was implemented. However, a 5-4 split vote for a rate cut to 4% laid bare the different views within the MPC, with the accompanying commentary noting the decision was "finely balanced" and reiterating that future rate cuts would be undertaken "gradually and carefully". Ultimately, Governor Bailey was the casting vote for a rate cut but with the CPI measure of inflation expected to reach at least 4% later this year, the MPC was wary of making any further rate cuts until inflation begins its slow downwards trajectory back towards 2%.

- With the August bank rate cut now, MUFG are comfortable revising the previous forecast for a November rate cut, instead pushing that back to February 2026, on the basis that CPI inflation should have peaked by then and will be on a slow downwards trajectory back to 2% by 2027. Further gradual reductions in Bank Rate to 3.25% are then anticipated but only if inflation and employment data are supportive of such cuts.

- With wages still rising by just below 5%, it was no surprise that the September meeting saw the MPC vote 7-2 for keeping rates at 4%. Moreover, the Bank of England also took the opportunity to announce that they would only shrink its balance sheet by £70 billion over the next 12 months, rather than £100 billion. The repetition of the phrase that "a gradual and careful" approach to rate cuts is appropriate suggested the Bank still thought interest rates will fall further.

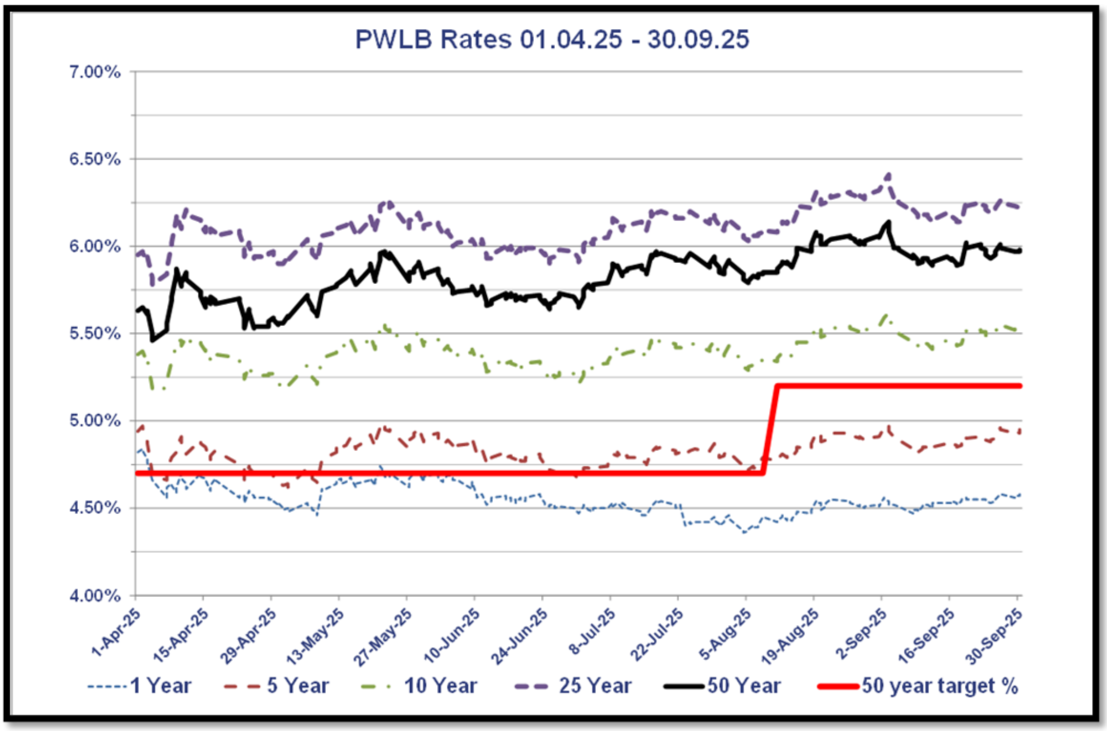
- At the 6 November meeting, Governor Bailey was once again the deciding vote, keeping Bank Rate at 4% but hinting strongly that a further rate cut is imminent. With GDP for Quarter 3 disappointing, and the September CPI number staying at 3.8%, the market is split over whether the next rate cut will be in December or February.

- The MUFG Corporate Markets forecast for average earnings are averages i.e., rates offered by individual entities may differ significantly from these averages, reflecting their different needs for borrowing short-term cash at any one point in time.

2.3 Public Works Loan Board (PWLB) Borrowing Rates

While the Commissioner will not be able to avoid borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

The graph below shows how current PWLB borrowing rates exceed the 50-year target and therefore the advice from MUFG is to limit borrowing to temporary and short-dated borrowing out to five years in the first instance and only seek medium to longer dated borrowing if absolute certainty in the long-term is needed and can conclude it is affordable, sustainable and prudent if funded at prevailing levels.



Gilt yields and PWLB certainty rates have remained relatively volatile throughout the first six months of 2025/26, but the general trend has been for medium and longer dated parts of the curve to shift higher whilst the 5-year part of the curve finished September close to where it begun in April. The high/low/average PWLB forecasts for the first half of the financial year are detailed below:

	1 Year	5 Year	10 Year	25 Year	50 Year
01/04/2025	**4.82%**	4.94%	**5.38%**	5.95%	**5.63%**
30/09/2025	**4.58%**	4.95%	**5.53%**	6.23%	**5.98%**
Low	**4.36%**	4.62%	**5.17%**	5.78%	**5.46%**
Low date	**04/08/2025**	02/05/2025	**02/05/2025**	04/04/2025	**04/04/2025**
High	**4.84%**	4.99%	**5.62%**	6.41%	**6.14%**
High date	**02/04/2025**	21/05/2025	**03/09/2025**	03/09/2025	**03/09/2025**
Average	**4.55%**	4.82%	**5.40%**	6.11%	**5.83%**
Spread	**0.48%**	0.37%	**0.45%**	0.63%	**0.68%**

TREASURY MANAGEMENT STRATEGY

3.0 The Commissioner's Overall Treasury Position 2026/27

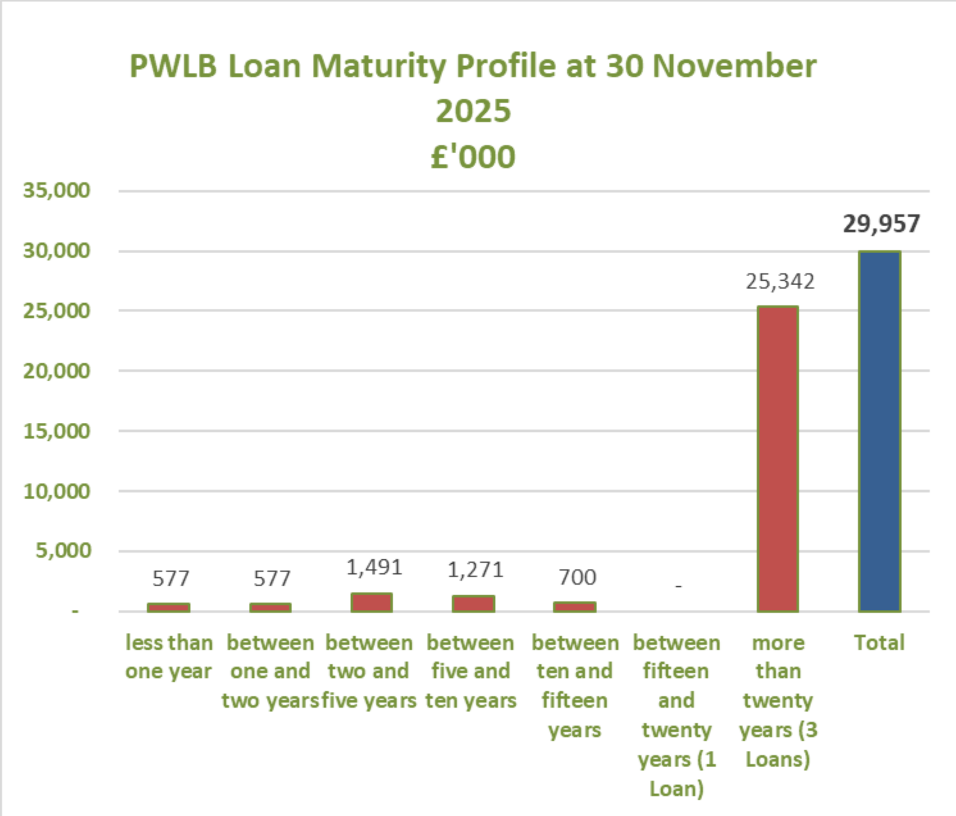
The external debt and investment position for 30 November 2025 is detailed below. To date in this financial year, no long-term borrowing has been taken. Also, it is unlikely that any will be taken during the remainder of the year. There have been payments in respect of principal paid on the Equal Instalment of Principal (EIP) Loans. Favourable cash flows have provided surplus funds for investment and the balance on investments at 30 November 2025 shows Net Investments of £59.42 million. This is as a result of positive cash balances especially the large Pension Grant that is received in July 2025 :-

Table 2 : Overall Treasury Position 30 November 2025

	Principal as at 1 April 2025 £'000	Principal as at 30 November 2025 £'000
External Borrowing – Public Works Loan Board (PWLB)		
Short Term Borrowing	785	393
Long Term Borrowing	29,958	29,958
Total External Borrowing	**30,743**	**30,351**
Treasury Investments		
Call Accounts		
Lloyds Bank	6,065	4,890
Total Call Accounts	**6,065**	**4,890**
Deposits		
Blackpool Council	5,000	-
Bradford City Council	-	5,000
Bristol City Council	-	5,000
Lancashire County Council	10,000	-
Leeds City Council	5,000	10,000
Liverpool City Council	2,500	-
London Borough of Barking & Dagenham	-	10,000
Merthyr Tydil CBC	-	10,000
Natwest Markets	5,000	-
Plymouth City Council	-	10,000
South Lanarkshire Council	5,000	-
West Dunbartonshire Council	5,000	-
Wirral Borough Council	-	5,000
Total Deposits	**37,500**	**55,000**
Money Market Funds (MMF's)		
Aviva	10,000	10,000
BNP Paribas	1,982	-
Federated	10,000	10,000
Insight Liquidity	-	9,880
Invesco	1,363	-
Northern Trust	1,890	-
Total MMF's	**25,235**	**29,880**
Total Treasury Investments	**68,800**	**89,770**
NET DEBT/(INVESTMENTS)	**(38,057)**	**(59,420)**

There was an increase in net investments outstanding from the start of the financial year of £21.363 million.

The current maturity profile for the repayment of long-term borrowing is depicted below :-



3.1 Liability benchmark (LB)

The 2021 Treasury Management Code introduced the requirement to estimate and measure the Liability Benchmark (LB) for the forthcoming financial year and the following two financial years, as a minimum. In order to compare the Commissioner's actual borrowing against an alternative strategy, a LB has been calculated showing the lowest risk level of borrowing. This assumes the forecasts on the level of reserves, borrowing and working capital and that cash and investment balances are kept to a minimum level at each year-end to maintain sufficient liquidity but minimise credit risk. There are four components to the LB: -

1. **Existing loan debt outstanding**: the Commissioner's existing loans that are still outstanding in future years.
2. **Loans CFR**: this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
3. **Net loans requirement**: this will show the Commissioner's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
4. **Liability benchmark** (or gross loans requirement): this equals net loans requirement plus short-term liquidity allowance.

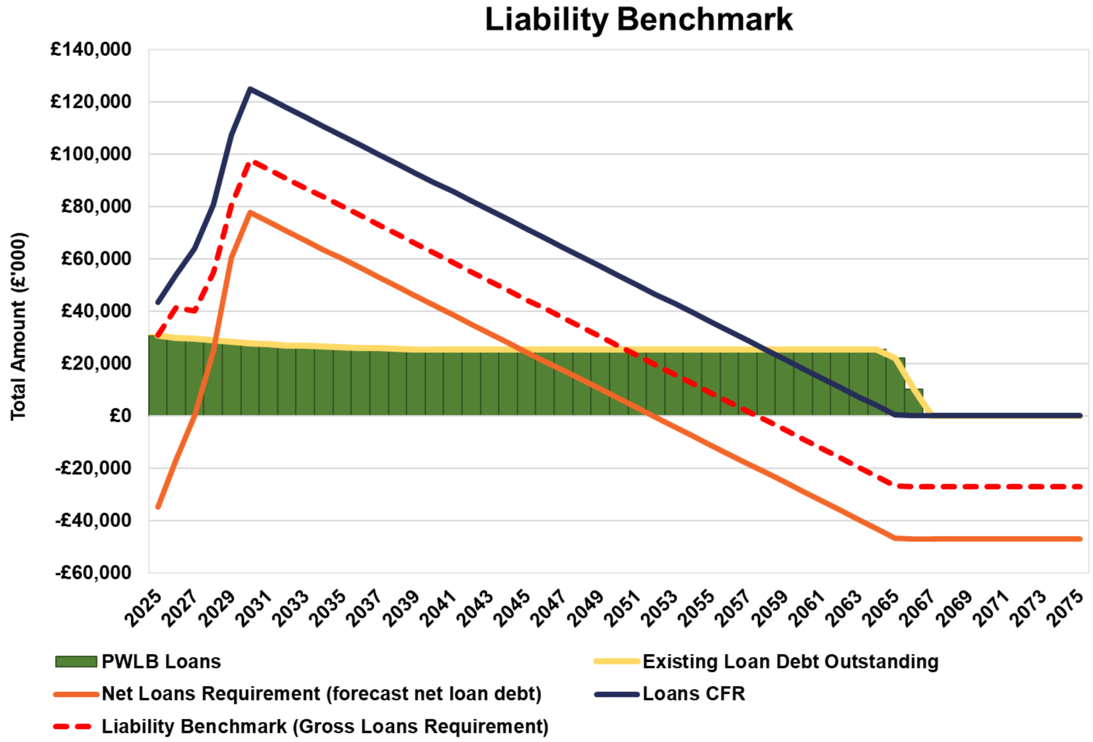
Table 3 below details how :-

- the Capital Financing Requirement (CFR) is forecast to increase from £43.4 million at the start of the 2025/26 financial year to £124.7 million at the end of the MTFS period representing a net increase of £81.3 million of unfinanced capital expenditure or unsupported borrowing;
- the External Borrowing figure is based on existing loans which are reducing annually with the repayment of instalments relating to Equal Instalments of Principal (EIP) Loans;
- the difference between the CFR and current borrowing represents whether the Commissioner has borrowed in advance of need (this would be a negative amount) or has used internal resourcing to help with the cash flow of capital expenditure payments which is the case in South Wales Police;
- the Commissioner will strive to maintain the Police Fund at a level of just over £11 million together with Earmarked Reserves and Provisions and this provides an opportunity to use internal borrowing rather than going out to the market;
- the Working Capital Requirement is based on the level that was required in the last full financial year 2024/25;
- the amount Investment / (New Borrowing) line represents:-
    - in 2024/25 there was £65.4 million of investments at year end;
    - in 2025/26 the forecast is that investments will drop to £47.0 million at year end;
    - in 2026/27, the forecast is that investments will drop to £29.3 million at year end;
    - in 2027/28, the forecast is that investments will drop to £4.0 million at year end;
    - in 2028/29, there will be a requirement of £32.1 million of new borrowing; and
    - by the end of the MTFS 2029/30, there will be a requirement of £50 million of new borrowing.

Table 3 : Liability Benchmark 2025/26 to 2029/30

	31-Mar 2025 £m	31-Mar 2026 £m	31-Mar 2027 £m	31-Mar 2028 £m	31-Mar 2029 £m	31-Mar 2030 £m
Capital Financing Requirement (Loans)	43.4	54.0	64.0	80.8	107.3	124.7
Less: External Borrowing	(30.7)	(30.0)	(29.4)	(28.8)	(28.2)	(27.8)
Internal / (Over) Borrowing	**12.6**	**24.0**	**34.7**	**52.0**	**79.0**	**97.0**
Less: Usable Reserves	(89.1)	(82.1)	(75.1)	(67.1)	(58.1)	(58.1)
Plus: Working Capital Required	11.1	11.1	11.1	11.1	11.1	11.1
Investments / (New Borrowing)	**65.4**	**47.0**	**29.3**	**4.0**	**(32.1)**	**(50.0)**
Net Borrowing Requirement	(34.6)	(17.0)	0.1	24.8	60.3	77.7
Preferred Year-end Investment Position	65.4	60.4	40.0	30.0	20.0	20.0
Liability Benchmark (year-end)	**30.8**	**43.4**	**40.1**	**54.8**	**80.3**	**97.7**

The Liability Benchmark shows that the lowest risk level of borrowing by 31 March 2030 would be £97.7 million. This would cover the capital financing requirement of £124.7 million less the amount available from reserves after the working capital adjustment plus a £20 million liquidity balance for investments. As stated this is the lowest risk level for borrowing, so the actual borrowing might be lower where cash flow is being actively managed. Using this approach is recommended if interest rates on borrowing is high and is likely to reduce in the future. A graphical representation of the Liability Benchmark (LB) is shown below:-



As can be seen above, there are years where actual loans or borrowing (marked as green) are less that the benchmark (red broken line) indicating that there is a borrowing requirement. After 2051, actual borrowing outstanding exceeds the benchmark representing an overborrowed position which will result in excess cash requiring investment. The LB will be monitored throughout the financial years and assumptions will be adjusted.

BORROWING STRATEGY

4.0 Net Borrowing Requirement

Using the above liability benchmark analysis, the new borrowing to be taken over the MTFS period (Net Borrowing Requirement reduced by current External Borrowing) is forecast to total £50 million as detailed in Table 4 below:-

Table 4 : New Borrowing Requirement 2026/27 to 2029/30

	31-Mar 2025 £m	31-Mar 2026 £m	31-Mar 2027 £m	31-Mar 2028 £m	31-Mar 2029 £m	31-Mar 2030 £m
Net Borrowing Requirement	(34.6)	(17.0)	0.1	24.8	60.3	77.7
External Borrowing	(30.7)	(30.0)	(29.4)	(28.8)	(28.2)	(27.8)
Investments / (New Borrowing)	**65.4**	**47.0**	**29.3**	**4.0**	**(32.1)**	**(50.0)**
Year on Year New Borrowing					**32.1**	**17.9**

At the end of the MTFS period, the below table summarises this new borrowing requirement :

Table 5 : New Borrowing Requirement 2029/30

	31 March 2030 £m
Capital Expenditure financed through borrowing	124.7
Anticipated Police Fund & Earmarked Reserves	(58.1)
Working Capital Requirement	11.1
External Borrowing	(27.8)
MTFS New Borrowing	**50.0**

The new borrowing is anticipated to be taken in accordance with the table below. This is to spread the burden across three financial years. As interest rates are anticipated to fall, the borrowing is profiled to be taken towards the earlier years of the MTFS :-

Table 6 : New Borrowing Profile MTFS

	31-Mar 2026 £m	31-Mar 2027 £m	31-Mar 2028 £m	31-Mar 2029 £m	31-Mar 2030 £m
Net Borrowing	-	-	10.0	20.0	20.0

4.1 Borrowing Objectives

The chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the long-term plans change is a secondary objective. Therefore the major borrowing objectives for 2026/27 are :-

To minimise the revenue costs of debt;
To manage the debt maturity profile i.e. to leave no one future year with a high level of repayments that could cause problems in repayment or re-borrowing;
To effect borrowing in any one year at the cheapest cost commensurate with future risk;
To forecast average future interest rates and borrow accordingly;
To monitor and review the level of fixed and variable interest rate loans in order to take advantage of interest rate movements; and
To reschedule debt in order to take advantage of potential savings as interest rates change.

At the start of the financial year 2025/26, the Commissioner had an under-borrowed position of £12.6 million. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Commissioner's reserves, balances and cash flow has been used as a temporary measure.

Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Chief Finance Officers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

if it was felt that there was a significant risk of a sharp FALL in borrowing rates, then borrowing will be postponed.

if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

Any decisions will be reported to the appropriate decision-making body at the next available opportunity.

4.2 Sources of Borrowing

The Commissioner has no policy to restrict the type of borrowing instruments required, however in practice it has been confined to-

PWLB
Market temporary / Local Authorities
Market Long Term / Local Authorities
Overdraft
Leasing

The Commissioner will also investigate other sources of finance, such as local authority loans.

4.3 Policy on Borrowing in Advance of Need

The Commissioner will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates and will be considered carefully to ensure that value for money can be demonstrated and that the Commissioner can ensure the security of such funds. Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

4.4 Debt Rescheduling

The PWLB allows borrowers to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. If the possibility of debt rescheduling opportunity arises, it will not be taken unless the appropriate discounted cash flow calculations are favourable. Any decision to reschedule will be reported to Resources Board at the earliest opportunity.

4.5 Maturity Structure of Borrowing Indicator

The first Treasury Management Indicator is set for the forthcoming financial year to control exposure to refinancing risk with respect to the maturity of external borrowing and has been set to allow for the possible restructuring of long-term debt where this is expected to lead to an overall saving or reduction in risk. It is the amount of projected borrowing maturing in each period as a percentage of total projected borrowing. The upper and lower limits on the maturity structure of borrowing will be:

Table 7 : Treasury Management Indicator 1 – Maturity Structure of Borrowing

Maturity Structure of Fixed Rate Borrowing at 31 March	Upper Limit	Lower Limit	Estimate % 31/03/2026	Estimate £'000 31/03/2026	Estimate % 31/03/2027	Estimate £'000 31/03/2027
Under 12 Months	10%	0%	2%	577	2%	577
12 Months and within 24 Months	10%	0%	2%	577	2%	577
24 Months and within 5 Years	15%	0%	5%	1,491	4%	1,252
5 Years and within 10 Years	25%	0%	4%	1,271	4%	1,167
10 Years and within 15 Years	25%	0%	2%	700	2%	467
15 Years and within 20 Years	40%	0%	0%	-	0%	-
Over 20 Years	85%	0%	85%	25,342	85%	25,342
TOTAL			100%	29,957	100%	29,380

Annual Investment Strategy 2026/27

5.0 Investment Background

The Commissioner's Annual Investment Strategy has regard to the following: -

Welsh Government (WG)'s Guidance on Local Government Investments 2019 ("the Guidance")
CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the TM Code")
CIPFA Treasury Management Guidance Notes 2021

Both the TM Code and the WG Guidance require the Commissioner to invest her funds prudently and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The objective when investing money is to strike an appropriate balance between risk and return, balancing the risk of incurring losses from defaults against receiving unsuitably low investment income.

In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider "laddering" investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated, as well as wider range fund options.

The above guidance from Welsh Government and CIPFA places a high priority on the management of risk. The Commissioner has adopted a prudent approach to managing risk and defines its risk appetite by the following means: -

1. Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short-term and long-term ratings.

2. **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Authority will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

3. **Other information sources** used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

4. The Commissioner has defined the list of **types of investment instruments** that the treasury management team are authorised to use under the categories of 'specified' and 'non-specified' investments.

5.1 Investment Objectives

The general policy objective is the prudent investment of its treasury balances. Balances include monies borrowed for the purpose of expenditure in the medium term. The major objectives to be followed in 2026/27 are :-

To maintain capital **security**;
To maintain portfolio **liquidity** so funds are available when expenditure is needed;
To achieve the **yield** on investments commensurate with the proper levels of security and liquidity;
To maintain policy flexibility; and
To achieve a level of return greater than would be secured by defaulting internal investment.

5.2 The TM Code Requirements

The key requirements of both the Code and the investment guidance are to identify and approve the following:

The strategy guidelines for decision making on investments;
The principles to be used to determine the maximum periods for which funds can be committed;
Specified investments which the organisation will use; and
Non-specified investments which the organisation will use.

5.3 Specified and Non- Specified Investments

The Commissioner has defined the list of types of investment instruments that the treasury management team are authorised to use. These are categorised as either Specified Investments or Non-Specified investments.

Specified investments - The Welsh Government Investment Guidance defines specified investments as those:-

Denominated in pound sterling;
Due to be repaid within 12 months of arrangement (364 days);
Not defined as capital expenditure by legislation; and
Invested with one of:

- the UK Government;
- a UK local authority;
- a UK parish or community council; or
- a body or investment scheme of "high credit quality"

The Commissioner defines "high credit quality" as organisations and securities as those having:-

a long term credit rating of A- (Fitch or equivalent) or higher;
a short term credit rating of F1, P1, A1 or higher;
domicile in the UK or a foreign country with a minimum sovereign rating of AA+ or higher;

money market funds and other pooled funds "high credit quality" is defined as those having a credit rating of A- or higher.

Non-specified investments - Any investment that does not fall into the criteria detailed above under the Specified investments definition. The Commissioner does not intend to make any investments denominated in foreign currencies nor any defined as capital expenditure.

Non-specified investments will therefore be limited to:-

long-term investments, i.e. those that are due to mature 12 months or longer from the date of arrangement; or
investments with bodies and schemes not meeting the definition on high credit quality.

5.4 Investment Performance/Risk Benchmarking

The Commissioner will pursue value for money in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance. Regular monitoring of investment performance will be carried out during the year and reported to Resources Board. The Financial Accountancy Team will benchmark its investment performance for the year against a blended rate based on the Sterling Overnight Index Average (SONIA) using the overnight and one-month rates.

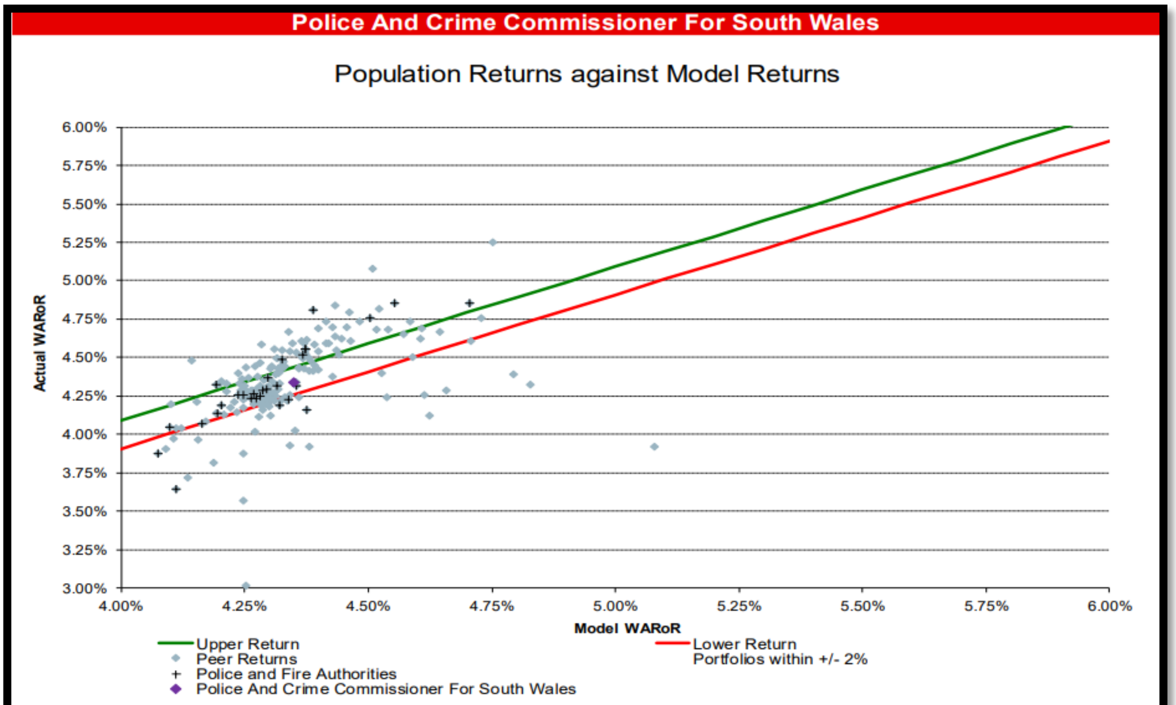
There are a couple of Performance Indicators that are suggested by MUFG Corporate Markets. These will now be incorporated within monitoring reports and will show both the Debt and Investment Cover over financial years :-

Table 7 : Performance Indicators – Debt and Investment Cover

Debt Cover	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m
Gross Debt	30.742	29.957	29.380
Net Revenue Expenditure	386.961	410.124	434.000
Debt to Net Revenue Expenditure	7.9%	7.3%	6.8%

Investment Cover	2024-25 Actual £m	2025-26 Projection £m	2026-27 Estimate £m
Total Net Income from Investments	(4.626)	(3.004)	(2.500)
Interest Costs	738.0	712.0	688.0
Total Net Income from Investments v Interest Costs	-0.6%	-0.4%	-0.4%

Benchmarking information provided by our treasury advisors on their client group will also be utilised. An example of the Peer Group Investment Performance for September 2025 is shown below :-



Police And Crime Commissioner For South Wales	Actual WARoR	Model WARoR	Difference	Lower Bound	Upper Bound	Performance
	4.34%	4.35%	-0.01%	4.26%	4.44%	Inline

5.5 Investment Counterparty Strategy/Creditworthiness Policy

The primary principle governing the Commissioner's investment criteria is the security of investments, although the yield or return on the investment is also a key consideration. After this main principle, the Commissioner will ensure:

It maintains a policy covering: the categories of investment types it will invest in; criteria for choosing investment counterparties with adequate security; and monitoring their security.

It has sufficient liquidity in its investments. For this purpose, it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to prudential indicators covering the maximum principal sums invested.

The Commissioner will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them for approval as necessary. Long term are expressed on a scale from AAA (the highest quality) through to D (indicating default). Ratings of BBB- and above are described as investment grade, while ratings of BB+ and below are described as speculative grade.

This Commissioner relies on credit ratings published by Fitch Ratings, Moody's Investors Service or Standard & Poor's to establish the credit quality of counterparties (issuers and issues) and investment schemes. The Commissioner has also determined the minimum long-term and short-term and other credit ratings it deems to be "high" for each category of investment.

The rating criteria use the Lowest Common Denominator (LCD) method of selecting counterparties and applying limits. This means that the application of minimum criteria will apply to the lowest available rating for any of the above three rating institution. For instance if an institution is rated by two agencies, one meets the criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with the WG Guidance and the TM Code.

Credit rating information is supplied by our MUFG Corporate Markets, our treasury advisors, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer-term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum criteria will be suspended from use, with all others being reviewed in light of market conditions. Similarly, if a counterparty is upgraded following suitable consultation, so that it fulfils the criteria, it will be included in the Counterparty List.

Additional requirements under the TM Code require the Commissioner to supplement credit rating information. Whilst the above criteria rely primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/ outlooks) will be applied to compare the relative security of differing investment counterparties. Credit Default Swaps (CDS) are currently considered more responsive of market factors than rating changes, with the lower the measure the lower the perceived risk. MUFG Corporate Markets monitor CDS prices as part of their creditworthiness service the Commissioner who also has access to this information via the provided Passport portal.

The time and monetary limits for institutions on the Commissioner's counterparty list are as follows (these will cover both specified and non-specified investments).

5.6 Approved Investment Counterparties and Limits

The criteria for providing a pool of high credit quality investment counterparties (both Specified and Non-specified investments) are considered further. The table below sets out the authorised deposit takers and details the proposed organisational limit for each category:-

Table 8 : Approved Investment Counterparties and Limits

	Fitch Long Term Rating (or equivalent)	Category Money Limit	Transaction limit	Maximum Time Limit
UK Debt Management Office – Executive Agency of HM Treasury (incl. deposit, Treasury bills, gilts and other securities) (DMADF)	UK sovereign rating	unlimited	unlimited	50 years
Bank for PCC	N/A	-	**£15 million**	-
Local authorities	N/A	£100 million	£10 million	10 years
Banks – Higher Quality	AAA AA+ AA-	£100 million	£10 million " "	5 years 3 years 2 years
Banks – Medium Quality	A+ A	£80 million	£8 million "	2 years 1 year
Banks – Lower Quality	A-	£20 million	£5 million	6 mths
Building Societies – Top 10 Rated Overall Limit £30 million	AAA AA+ AA- A+ A A-	£30 million	£10 million " " £8 million " "	5 years 3 years 2 years 2 years 1 year 6 mths
Top 10 Unrated only * Max £10m included in overall limit	Unrated*	£10 million	£5 million	6 mths
Money Market Funds including Low Volatility Net Asset Value	AAA to A-	**£120 million**	£10 million	liquid

5.7 Principal sums invested for periods longer than a year

All investments longer than 365 days (non-specified) will be made with a cautious approach to cash flow requirements and advice from the treasury management consultants will be sought as necessary. Where the Commissioner invests, or plans to invest, for periods longer than a year, an upper limit is set for each forward financial year period for the maturing of such investments. The purpose of this indicator is to control the exposure to the risk of incurring losses by seeking early repayment of long term investments. The limits on the long term principal sum invested to final maturities beyond the period end will be as shown in table 10 below.

Table 10 : Treasury Management Indicator 2 Principal Sums Invested for Periods longer than 365 days

£m	2026/27	2027/28	2028/29	2029/30
Principal sums invested for longer than 365 days	£10 million	£10 million	£10 million	£10 million

The Commissioner has no current investments in excess of one year.

5.8 Investment Limits

Giving due consideration to the Commissioner's level of balances over the next 3 years, the need for liquidity, its spending commitments and provisioning for contingencies, it is currently determined that no more than £10 million of overall fund balances can be prudently committed to longer term investments (i.e. those with a maturity exceeding one year). Currently, this amount is nil and given the scope of financing over the medium term, this is likely to continue to be the case. Based on its current cash flow, the Commissioner anticipates its fund balances in 2026/27 to range between £15 million and £140 million. The latter takes into account a significant grant advance, normally each July. The minimum amount of its overall balance in short-term investments is nil.

5.9 Environmental, Social & Governance (ESG) Considerations

This topic is becoming a more commonplace discussion within the wider investment community. Changes to the CIPFA TM Code 2021 meant that ESG was incorporated into Treasury Management Practice 1 as follows:-

"The organisation's credit and counterparty policies should set out its policy and practices relating to environmental, social and governance (ESG) investment considerations. This is a developing area, and it is not implied that the organisation's ESG policy will currently include ESG scoring or other real-time ESG criteria at individual investment level."

Organisations are therefore recommended to consider their credit and counterparty policies in light of ESG information and develop their own ESG investment policies and treasury management practices consistent with their organisation's own relevant policies, such as environmental and climate change policies. MUFG Corporate Markets, our Treasury Management Advisors, the most important issue is ensuring that there is a clear understanding of what "environmental, social and governance (ESG)" investment considerations means. It is about understanding the ESG "risks" that an entity is exposed to and evaluating how well it manages these risks, (all entities will be subject to these to one extent or other). It is NOT the same as Socially Responsible Investing, (typically where you apply negative screens), and equally, it is NOT the same as Sustainable Investing, (investing in products / companies based on expected sustainable and beneficial societal impact, alongside a financial return). Opportunities to make such investments will be actively sought.

5.10 Security of Money Lent to Local Authorities

Unlike the financial institutions that Commissioner lends to, there are only a few Local Authorities with a formal credit rating. MUFG does not currently provide a separate credit assessment of each Local Authority in the UK. However, if the Commissioner does lend to another local authority, it would have specific statutory protection. The relevant legislation is set out in the Local Government Act 2003 - Sections 6 and 13. This is especially important where some Local Authorities have issued a Section 114 Notice when the Authority believes that it cannot balance its revenue budget.

5.11 End of Year Investment Report

At the end of the financial year, the Commissioner will report on its investment activity as part of its Annual Treasury Management Outturn Report.

GOVERNANCE AND PROCEDURES

6.0 Treasury Management reporting

The Commissioner is currently required to receive and approve, as a minimum, three main treasury reports each year, which incorporate a variety of policies, estimates and actuals.

Treasury Management Strategy including Treasury Management Indicators - The first, and most important report is forward looking and covers: -

- the Treasury Management Strategy, (how the investments and borrowings are to be organised), including treasury indicators; and
- an Annual Investment Strategy, (the parameters on how investments are to be managed)

A Treasury Management Half Year Report – This is primarily a progress report and will update members on the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition, Resources Board will receive quarterly update reports.

An Annual Treasury Management Outturn Report – This is a backward-looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

As well as the above, the Commissioner also receives quarterly monitoring reports for Period 3 and Period 9.

6.1 Manual of Corporate Governance

The Manual of Governance is currently under revision. The below is an extract of procedures linked to Treasury Management and the various responsibilities:-

Treasury Management

Why is this important?

South Wales Police is a large organisation that handles hundreds of millions of pounds in each financial year. It is important that South Wales Police money is managed properly, in a way that balances risk with return, but with the prime consideration being given to the security of the South Wales Police capital sum.

South Wales Police will create and maintain, as the cornerstones for effective treasury management:

A treasury management strategy, stating the policies, objectives and approach to risk management of its treasury management activities.
Suitable Treasury Management Practices (TMPs) setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

Responsibilities of the Commissioner

- To adopt the key recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code).
- To approve the annual treasury management strategy and annual investment Strategy.
- To receive and approve quarterly treasury management performance monitoring reports.

Responsibilities of the Treasurer

- To implement and monitor treasury management policies and practices in line with the CIPFA Code and other professional guidance and to execute and administer treasury management in accordance with the CIPFA Code and the approved policy.
- To prepare reports on the treasury management policies, practices and activities, including, as a minimum, an annual strategy, quarterly performance monitoring reports and an annual report.
- To arrange borrowing and investments, in compliance with the CIPFA Code and the Treasury management policy and to ensure that all investments and borrowings are made in the name of the Police and Crime Commissioner for South Wales.

6.2 Treasury Management Training

The CIPFA Treasury Management Code states the expectation that "all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making".

The scale and nature of this will depend on the size and complexity of the organisation's treasury management needs. The Commissioner will consider how to assess whether treasury management staff have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.

The needs of staff for training in investment and treasury management are assessed as part of the staff appraisal process, Perform. Also, if the responsibilities of individual members of staff change, the training needs will be reassessed. Training is received from the treasury management consultants, CIPFA and other bodies in the form of training courses and seminars. Personal development is also encouraged so individuals enhance their own knowledge through reading CIPFA guidance, publications, and research on the internet. Continuous Professional Development (CPD) is one of the Commissioner's Objectives for staff.

As a minimum, the Code suggests that we "should carry out the following to monitor and review knowledge and skills:

- Record attendance at training and ensure action is taken where poor attendance is identified.
- Prepare tailored learning plans for treasury management officers and board members.
- Require treasury management officers and board members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
- Have regular communication with officers and board members, encouraging them to highlight training needs on an ongoing basis."

6.3 Treasury Management Practices

CIPFA recommends that an organisation develops a number of treasury management practices (TMPs) that are relevant to its treasury management powers and the scope of its treasury management activities. These have been written and approved by the Police and Crime Panel.

6.4 Treasury Management Consultancy and Investment Brokers

The Commissioner MUFG Corporate Markets as its external treasury management advisors.

The Commissioner recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon the services of our external service providers. All decisions will be undertaken with regards to all available information, including, but not solely, our treasury advisers.

It also recognises that there is value in employing external providers of treasury management services to acquire access to specialist skills and resources. The Commissioner will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented and subjected to regular review.

PART D

SOUTH WALES POLICE RESERVES STRATEGY 2026-2030

A BACKGROUND

1. Introduction

1.1 **This Reserve Strategy seeks to ensure that the level of Reserves retained by South Wales Police are necessary and proportionate to the risks and challenges facing the force in delivering its strategic objectives, maintenance of critical force infrastructure, or as contingencies to avoid adverse impact on policing plans in the event of a critical incident or incidents.**

1.2 As part of the 2018/19 Police Funding Settlement, Nick Hurd, the Minister of State for Policing and the Fire Service provided guidance on what information Police and Crime Commissioners (PCCs) should publish on their reserves. This guidance forms part of Financial Management Code of Practice (FMCOP).

1.3 In July 2014 the Chartered Institute of Public Finance issued updated guidance on the establishment of local authority reserves and balances, setting out the key factors that should be taken into account locally in making an assessment of the appropriate level of reserves and balances to be held.

- The requirement for financial reserves is acknowledged in statute. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 require billing and precepting authorities in England and Wales to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. Section 93 of the 1992 Act requires Scottish authorities, in calculating council tax, to take into account ‘any means by which those expenses may otherwise be met or provided for’. This includes reserves.

  There are also a range of safeguards in place that help to prevent local authorities over-committing themselves financially. These include:

  - The balanced budget requirement: - England, sections 31A, 42A of the Local Government Finance Act 1992, as amended - Wales, sections 32 and 43 and Scotland, 93 of the Local Government Finance Act 1992 and - section 85 of the Greater London Authority Act 1999.

- Chief finance officers' duty to report on robustness of estimates and adequacy of reserves (under section 25 of the Local Government Act 2003) when the authority is considering its budget requirement (England and Wales)

- Chief finance officers' duty to report on the robustness of estimates and the adequacy of reserves (under sections 4 and 6 of the Local Government and Finance Act (Northern Ireland) 2011

- The legislative requirement for each local authority to make arrangements for the proper administration of their financial affairs and that the chief finance officer / proper officer has responsibility for the administration of those affairs section 151 of the Local Government Act 1972, section 95 of the Local Government (Scotland) Act 1973 and section 1 of the Local Government and Finance Act (Northern Ireland) 2011

- The requirements of the Prudential Code. CIPFA's Prudential Code requires chief finance officers in local authorities to have full regard to affordability when making recommendations about the local authority's future capital programme. Such consideration includes the level of long term revenue commitments. Indeed, in considering the affordability of its capital plans, the authority is required to consider all of the resources available to it/estimated for the future, together with the totality of its capital plans and revenue forecasts for the forthcoming year and the following two years.

- These requirements are reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief finance officer in England and Wales to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year. The issue of a section 114 notice cannot be taken lightly and has serious operational implications. Indeed, the authority's full council must meet within 21 days to consider the s114 notice and during that period the authority is prohibited from entering into new agreements involving the incurring of expenditure.

- Within the existing statutory and regulatory framework, it is the responsibility of chief finance officers (proper officer in Scotland) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use. Reserves should not be held without a clear purpose.

- CIPFA and the Local Authority Accounting Panel consider that local authorities should establish reserves including the level of those reserves based on the advice of their chief finance officers. Authorities should make their own judgements on such matters taking into account all the relevant local circumstances. Such circumstances vary. A well-managed authority, for example, with a prudent approach to budgeting should be able to operate with a level of general reserves appropriate for the risks.

- In a well-managed authority those reserves are not only adequate but are also necessary. There is a broad range within which authorities might reasonably operate depending on their particular circumstances.

- Section 26 of the Local Government Act 2003 gives Ministers in England and Wales a general power to set a minimum level of reserves for local authorities. However, the government has undertaken to apply this only to individual authorities in the circumstances where an authority does not act prudently, disregards the advice of its chief finance officer and is heading for serious financial difficulty. This accords with CIPFA's view that a generally applicable minimum level is inappropriate, as a minimum level of reserve will only be imposed where an authority is not following best financial practice.

- When reviewing their medium term financial plans and preparing their annual budgets local authorities should consider the establishment and maintenance of reserves. These can be held for three main purposes:

-
  - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of general reserves;

  - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of general reserves;

  - A means of building up funds, often referred to as earmarked reserves (or earmarked portion of the general fund in Scotland - see below), to meet known or predicted requirements; earmarked reserves are accounted for separately but remain legally part of the General Fund.

1.4 This Reserves Strategy is therefore published in order to supplement the current Medium Term Financial Strategy and comply with the forthcoming updated Financial Management Code of Practice. The Force retains and classifies Reserves to three broad categories:

- **Earmarked Revenue Reserves:** Known Revenue expenditure commitments for specified items which transition over more than a year.

- **Earmarked Capital Reserves:** Known Capital Infrastructure and specific capital project commitments which may straddle a number of years in the completion cycle.

- And a **General Reserve:** – a contingency Reserve that reflects the complexity and uncertainty in a 24-hour, seven days a week emergency response service. The General Reserve, alternatively known as the Police Fund, is funded from historic accumulated surplus of income over expenditure and is maintained to meet exceptional and unforeseen expenditure that can provide short-term security until there is a fundamental reorganisation of services or other such action that is required to return to a sustainable operating model.

- Revenue reserves are used for matters such as:

  - Unforeseen emergencies linked to a major incident, terrorist incident, civil contingency not afforded by in year budgets or special grant mechanisms,

  - In year changes to Nationally funded programmes with local implementation costs for example the police radio communications systems.

- A shift or change in police demand such as spike in gun crime, knife crime, or serious organised crime spree.

- The smoothing of timing differences between grant receipts and expenditure for example South Wales Police manages Regional Units for which grant funding does not get allocated until a number of months into the financial year and without reserve funding short term expensive bank loans would be required.

B FINANCIAL CONSIDERATIONS

2. Forecast Reserves as at 31st March 2025

2.1 The table below details the South Wales Police Reserve balances forecast as at 31st March 2025. A future expenditure profile of these reserves over the 2025/29 MTFS period is also provided.

	Forecast Balance at 31 March 2026 £'000	Comments	Forecast Spend Profile 2026-27 £'000	2027-28 £'000	2028-29 £'000	2029-30 £'000	Forecast Balance at 31 March 2030 £'000
Police Fund	**11,918**	Mandatory Reserve for contingencies	-	-	-	-	**11,918**
Earmarked Revenue Reserves							
Health & Wellbeing Reserve	**443**	To support Health & Wellbeing strategy to transform organisational capability	(200)	(200)	(43)		-
Partnership Fund/ PCC's General reserve	**2,263**	Top up for Partnership Fund - Women's Pathfinder and other approved initiatives	(1,150)	(1,113)			-
PCC's General & VPU reserve	**977**	To fund commitments for VPU, Dyfodol and other initiatives	(488)	(489)			-
Police Property Act (SWP)	**1,582**	Transfered from balance sheet, awarded incentivisation funding under statute	(500)	(500)	(250)	(100)	**232**
Other Specific Reserves under £150,000	**629**	Various minor schemes relating to delayed expenditure plans	(629)				-
Regional Incentivisation/ ROCU 3 Force reserve	**2,259**	ARIS receipts for 3 force collaboration	(600)	(600)	(300)	(300)	**459**
Officer Safety Equipment	**956**	Operational requirement to improve officer safety, Body Armour, Uniform and Equipment	(956)				-
PSC Overtime	**250**	To fund variable demand and staffings costs	(100)	(150)			-
Major Crime Fund	**250**	Contingency for Major Crime Incidents e.g. Cat A Murders					**250**
Go Safe restructure/ recovery	**1,585**	Additional Financial Contributions Required	(1,585)				-
JSIU Forensic Collision Investigation	**230**	To support the attainment of mandatory accreditation requirements	(230)				-
Energy/Fuel Unbudgeted Inflation Reserve	**168**	Temporary funding to meet cost of high energy inflation	(168)				-
Digital Forensics Accreditation & Infrastructure	**470**	To support the attainment of mandatory accreditation requirements	(250)	(220)			-
Overtime & Incident Fund	**979**	To manage additional costs of responding to incidents					**979**
Force Change and Delivery Plan	**512**	To resource the pillars of Force Delivery Plan	(512)				-
NPCC Science & Innovation Fund	**8,457**	Held on behalf of NPCC and spent on projects of national interest	(4,936)	(3,521)			-
Sub-total Revenue Reserves	**22,010**		**(12,304)**	**(6,793)**	**(593)**	**(400)**	**1,920**
Capital Reserves							-
Estate Redevelopment	**17,270**	Required for redevelopment of Force Estate	(6,661)	(163)	-	-	**10,446**
ICT & Operational Equipment	**22,957**	Required to Support ICT Projects	(2,928)	(1,495)	(920)	(203)	**17,411**
Fleet	**239**	In-car radio installations	-	-	-	-	**239**
Police Officer Uplift Programme	**3,874**	Required to fund equipment, vehicles & safety	(1,500)	(1,240)	-	-	**1,134**
Sub-total Capital Reserves	**44,340**		**(11,089)**	**(2,898)**	**(920)**	**(203)**	**29,230**
Total Earmarked Reserves	**78,268**		**(23,393)**	**(9,691)**	**(1,513)**	**(603)**	**43,068**

3. Purpose/Description of individual Reserves

3.1 A brief description of the most significant revenue and capital reserves is as follows.

3.2 **Police Fund (General Reserves)**

Our operational experience and sound financial principles would advocate that the force should maintain a General Reserve balance at a level of 3% of the gross operating expenditure as follows:

- 1% for major incidents,
- 1% for day to day operating cash-flow risk and
- 1% for other unknown events.

This would result in a General Reserve Balance of circa £15.5M and the Force is currently £4.3M short of that target. The current £11.2M balance has been funded from an accumulation of modest budget surpluses over many years and still represents a considerable achievement and reflects positively on the financial standing of the force. Our experience of change management and the need to invest in the short term to save over the longer term in an austere environment has demonstrated that such a risk assessed General Reserve is vital to maintain an effective policing service. Finding opportunities to top-up the General Reserve remains a target, but is currently secondary to managing specific matters using Earmarked Revenue Reserves.

3.3 Earmarked Revenue Reserves

The rationale and purpose for retaining the main Earmarked Reserves is explained below.

Health and Well-being Reserve
The Health & Wellbeing Reserve will ensure the reorientation and organisational development necessary to sustain a motivated and productive work force.

Commissioner's Partnership Funds
Required for Commissioning Strategy and includes partnership working, diversionary work with 18-25 year offender group and reducing Violence Against Women and Girls, Women's Pathfinder – a diversionary scheme to reduce re-offending.

Other Specific Reserves less than £150,000
A variety of small budget requests by departments as part of the financial control framework that encourages prudence within devolved budgets to carry forward required underspends into approved business cases to be delivered in the following year.The single largest balance is to fund the integration of the national LEDS – Law Enforcement Database System.

Regional Incentivisation & Police Property Act
This represents a share of funds determined by the courts from asset seizures and confiscation of cash to deny criminals benefiting criminal activity. The money is used to undertake further activity to disrupt serious and organised crime activity across the three Southern Wales Forces (ROCU) or South Wales Police (SWP)

Operational Safety Equipment
This is to ensure that officers and staff remain safe and protected from harm whilst performing their duties.

PSC Overtime
To manage the fluctuations in cyclical and unexpected demand in answering 999 and 101 calls and the provision of a continuous uninterruptable service.

Major Crime Fund

To provide for the exceptional policing cost of responding to a serious incident or complex crime investigation.

GoSafe
This is required to support additional operating costs of running the partnership and is SWP's one off contribution.

Energy/Fuel Reserve
This is remainder of a fund the meet increased energy costs not covered by fixed term contracts.

Forensic Collision, Digitial Forensic Accreditation & Infrastructure
This is required to fund the changing accreditation landscape where there changes to working practices and additional or upgraded infrastructure required to meet the evidential standard.

Overtime & Incident Fund
To provide funding to respond to a significant incident that places above and beyond typical demand that would require overtime to resource.

Force Change and Delivery Plan
South Wales Police has a comprehensive set of targets to improve productivity, efficiency workforce engagement, trust and confidence and service to victims in the pursuit of criminals. While new and improved practices have to be funded recurrently in the budget, this reserve provides funding to implement programmes of change.

Innovation Fund
These are monies South Wales Police holds on behalf of the NPCC and will utilize to deliver projects furthering the national policing interest.

3.4 Earmarked Capital Reserves

The rationale and purpose of the main Earmarked Capital Reserves are as follows:

Estate Redevelopment
Required to support the development of a Joint Firearms Range necessary to meet current operational threats along with decarbonisation upgrade projects and planning for police station improvements. Other major capital requirements include modernization of the high-profile Cardiff Central station, improvement to outdoor specialist support operational facilities, custody changes and other strategic assets.
ICT & Operational Equipment
This reserve is required to support the delivery of a number of integrated technology platforms to ensure the right people are in the right place at the right time with the right skills to improve productivity and effectiveness.

Police Officer Uplift
Required to purchase vehicles, radios, computers and operational safety equipment for uplift officers and staff.

4. Home Office Transparency

4.1 The Minister's guidance to Forces also requires Commissioners to analyse their current reserves by those required for general contingencies, those required over the MTFS period and those extending beyond the MTFS period. This analysis is shown in the table below.

Projected Reserve Balances for Reserves held at 31 March					
	March 2026 £'000	March 2027 £'000	March 2028 £'000	March 2029 £'000	March 2030 £'000
Funding held as a general contingency or resource to meet other expenditure needs in accorsance with sound principles of financial practice	11,918	11,918	11,918	11,918	11,918
Funding for planned expenditure on projects and programmes over the period of current Medium Term Financial Strategy	66,350	42,957	33,266	31,753	31,150
Funding on specific projects and programms beyond the current planning period	-	-	-	-	-
Total	**78,268**	**54,875**	**45,184**	**43,671**	**43,068**

C. LEGAL AND HUMAN RIGHTS CONSIDERATIONS

Detailed in within the Financial Considerations within paragraphs 2.1

D. PERSONNEL, EQUAL OPPORTUNITIES AND DIVERSITY ISSUES

None.

E. REVIEW ARRANGEMENTS

The Reserves Strategy will be updated as part of the preparation of the MTFS for 2026-30.

F. LIST OF BACKGROUND PAPERS

CIPFA LAAP bulletin 99 – July 2014.

Financial Management Code of Practice.

Comisiynydd yr Heddlu a Throseddu De Cymru

South Wales Police and Crime Commissioner