	BUDGET REQUIREMENT AND COUNCIL TAX PRECEPT REQUIREMENT 2026/27 (INCLUDING MEDIUM TERM FINANCIAL STRATEGY 2026/27 TO 2029/30)
MEETING	**POLICE AND CRIME PANEL FOR SOUTH WALES**
DATE	**3rd FEBRUARY 2026**
AUTHORS	**SOUTH WALES POLICE AND CRIME COMMISSIONER & CHIEF FINANCE OFFICER OPCC**

1. Background

1.1 As the Police and Crime Commissioner for South Wales I am required to prepare the following, which I do in full consultation with the Chief Constable:

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

1.2 The Medium-Term Financial Strategy (MTFS) covers the period 2026/27 to 2029/30 and is attached. It is a comprehensive document which sets out the assumptions and considerations used in order to inform both budget and precept considerations.

1.3 It is my duty to determine the Police and Crime Budget for 2026/2027 and set the Council Tax Precept, prior to 1st March 2026, after taking the views of the Police and Crime Panel into consideration in relation to the level of Council Tax Precept.

1.4 This MTFS is predicated on the draft settlement for 2026/27 published on the 18th December 2025 and the CSR published in June 2025.

2. The Provisional Settlement 2026/27, Welsh Government funding and CSR funding to 2028/29.

Provisional Settlement 2026/27

2.1 The draft settlement outlined total national funding to Commissioners/Forces from the Home Office of £11.89 billion compared to £11.51 billion in 2025/26 an increase of 3.3%. During early January a further £50M of funding was announced with respect to the Neighbourhood Policing Guarantee (NPG).

2.2 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. Additionally, 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 resulting in a loss of £1.1M of funding for SWP.

2.3 Overall funding has grown by £8.6M, however, it should be noted that £1.3M of the increase in funding is for **additional Neighbourhood Policing Officers** and the grant for these does not completely fund the additional costs that will be incurred. **Core funding for pre-existing budgets has therefore only increased by £7.3M (2.97%).**

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
Balance of Recruitment Top Up Ring Fenced Grant to NPG		0.0	-2.4
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**

2.4 With CPI inflation to December 2025 at 3.4% (published January 2026) and independent forecasts showing that CPI will not return to 2% until the end of 2026, the settlement therefore represents a real-terms cut in funding.

2.5 The settlement also does not include any funding for Capital expenditure therefore this cost falls onto the revenue budget either as the combined interest costs associated with borrowing and the setting aside of funds to repay of principal borrowed (known as MRP) or as direct revenue contributions (DRF) to fund capital expenditure.

Welsh Government Funding

2.6 Members will be familiar with difficult budgetary decisions faced by Welsh Government in 2024/25.

- 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.

Comprehensive Spending Review

2.7 The CSR2025 set out the funding available for policing up to 2028/29. This is summarised in the table 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**
SWP Formula Share	254.4	261.9	264.0
SWP Increase in Police Grants on previous year	**8.6**	**7.5**	**2.1**

2.8 The percentage increases in funding on prior years for 2027/28 and 2028/29 are 2.95% and 0.8% respectively. Clearly this will be very challenging for the service.

3. Revenue Budget 2026-27 and forecast to 2029-30.

3.1 The table below is a summary of the budget growth required to maintain an effective policing service taking into account the Commissioner's Police, Crime and Justice Plan, the Chief Constable's Delivery Plan, the Commissioner's/Force's Risk Registers, the most recent Strategic Operational Assessment (STRA), the Force Management Statement and the Force's commitment to the national Strategic Policing Requirement.

3.2 The standstill budget gap is £16.1M before precept income. Once growth in tax base has been included then the residual budget gap is £14.1M. Last year's position is also shown for comparative purposes.

		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**

3.3 Further detail on the base budget changes can be found at Appendix 10 to the MTFS document attached.

3.4 The aforementioned budget gap requires a precept increase of 7.13% in order to balance the budget at the level sought by the Force. The resulting budget for 2026-27 is shown in the table below together with forecast budgets 2029-30 with further 5% annual precept increase assumed.

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

3.5 The annual budget gap is forecast to grow to £11.0M by 2029-30. A detailed revenue account can be found at Appendix 8 in the MTFS attached.

4. Capital Programme 2026-27 to 202930

4.1 Expenditure is classed as Capital when it results in an asset that has a life of greater than one year – for example vehicles, buildings and IT systems. Capital expenditure is accounted for separately from recurring revenue expenditure so that large one-off items of expenditure, such as the under construction £60M Joint Firearms Range, does not fall in a single financial year and disproportionately affect the precept that year.

4.2 The Capital Programme is however funded from:-

a) annual contributions from the revenue account known as Direct Revenue Financing (DRF) – the amount is reviewed annually to ensure it is affordable; and

b) the financing costs of borrowing that fall on the revenue account in the form of interest and the setting aside of amounts to repay loans when they mature known as Minimum Revenue Provision (MRP).

The combined budgeted cost of a) and b) are shown as Capital Financing Costs of £23M in the revenue account above.

4.3 The four-year capital programme of £168M is summarised in the table below.

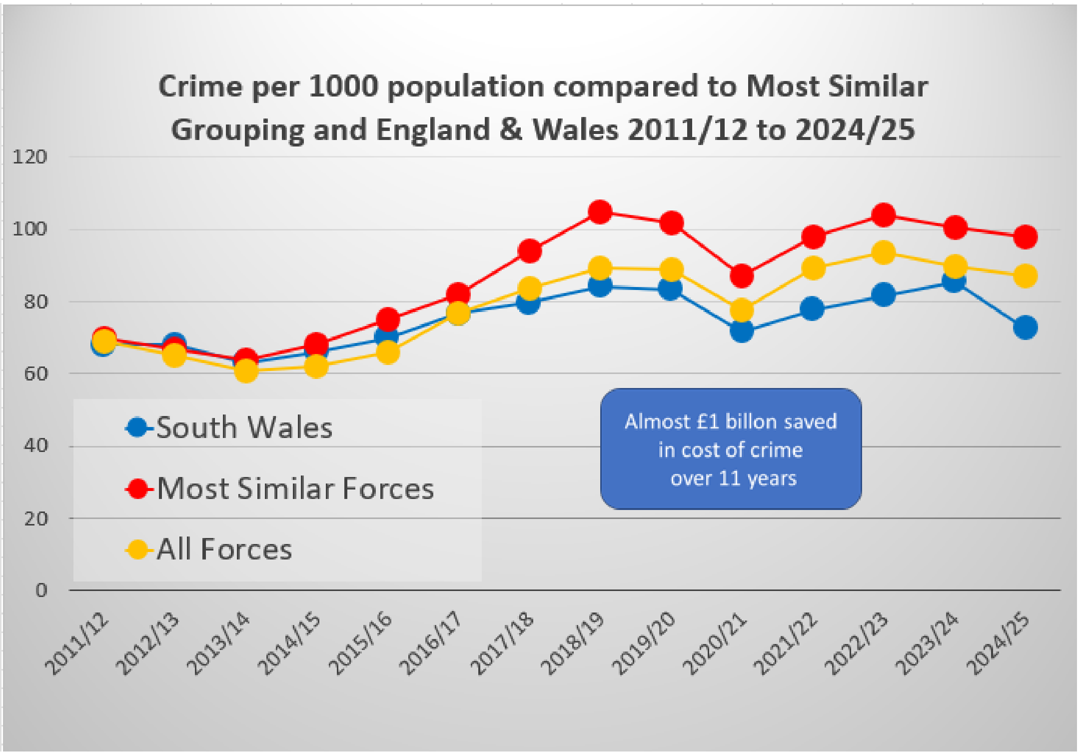
DESCRIPTION EXPENDITURE	FORECAST OUTTURN 2025/26 £'000	BUDGET 2026/27 £'000	2027/28 £'000	2028/29 £'000	2029/30 £'000	4 Year Programme £'000
Infrastructure Maintenance / Renewal						
Estates Essential & Legislative Works	2	3	3	2	2	10
Fleet	5	4	4	4	4	15
Information Services	4	5	5	4	5	19
Digital Services 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**

4.4 Although the funding shortall indicates a borrowing requirement of around £85M over the 4 year MTFS period, it is likely that actual new borrowing will be around £50M over the MTFS period with the difference made up of internal borrowing from cash backed reserves and working capital. This is approved common practice and a means of reducing interest costs. This is considered in further detail in the Treasury Management Strategy in Part B to the MTFS. The full Capital Strategy is detailed at Part C to the MTFS.

4.5 Both the Treasury Management Strategy and the Capital Strategy contain a suite of KPIs (known formally as Prudential Indicators) that set out limits within which Capital and Treasury activities must be contained to ensure that undue risk is not taken and that Capital expenditure plans remain affordable both in the short term and long term. The spending and investment plans outlined within the MTFS comply with these indicators.

5. Value for Money

5.1 The Force continues to demonstrate value for money. The chart below shows the Force position in terms of crimes per 1000 head of population and the Force continues to outperform is Most Similar Group (MSG) of Forces and all 43 Forces nationally.



5.2 Since Austerity the Force has delivered £72M of efficiency savings, the main contributing programmes of work being:

- 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; and
- Reduced expenditure on Good and Services by more than 20% £15M.

5.3 The revenue budget continues to carry an £8M (£5M officers / £3M staff) vacancy factor, which effectively requires a planned reduction in officer establishments between uplift census points equivalent to around 40 officers per annum. The £8M vacancy factor translates into a reduction in budget of £667,000 per month.

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

a) The Resource Allocation Programme will re-direct 300,000 hours to frontline response from within existing resources equivalent to £11M of redirected investment.

b) The Continuous improvement team has demonstrated £1.5M of time savings through improvements in workflow and processes.

c) 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.

d) 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.

e) 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.

f) 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.

6. Proposed Precept Increase 2026/27

6.1 The Commissioner, in consultation with the Chief Constable, and also via public consultation, has considered carefully the level of precept required to either balance the budget or leave the Force with a requirement to find further savings on top of the £72M it has removed from its budget since 2011-12.

6.2 Initially a £27 (7.13%) increase in precept has been sought by the Force to balance the 2026/27 budget. Significant due diligence has been performed on the Force's financial management arrangements historically, throughout 2025-26 and during the current budget setting cycle - the precept increase sought by the Force to balance the budget is not considered unreasonable by the Commissioner.

6.3 **After careful consideration the Commissioner has decided to propose a precept increase of 6.99% or £26.47 (£2.21 per month) on a band D property.** This leaves a budget gap of approximately £0.28M that the Force will need to close. The table below summarises the precept increase options considered as part of the public consultation together with the proposed 6.99% increase. A precept increase option of 5% is also shown in the table below –

this has been included following discussions that took place at the PCP Finance Sub-group meeting in January.

Precept increase options	5.00% £M	6.99% £M	Consultation Amounts 7.13% £M	7.92% £M	8.71% £M
Gross Budget	545.707	545.707	545.707	545.707	545.707
Specific Grants	(103.219)	(103.219)	(103.219)	(103.219)	(103.219)
Net Budget Requirement	442.488	442.488	442.488	442.488	442.488
Funded by					
Home Office Police Grant/ RSG	(230.547)	(230.547)	(230.547)	(230.547)	(230.547)
Council Tax Precept	(207.730)	(211.664)	(211.941)	(213.508)	(215.075)
Budget Deficit / (Surplus)	4.211	0.277	0.000	(1.567)	(3.134)

6.5 Compared the other Welsh Forces the proposed 6.99% increase is the joint lowest percentage increase and compares with recent precepts for South Wales of 8.69% (2024/25) and 7.37% (2025/26) – reflecting a downward trend.

Force	Increase %
South Wales	6.99
Gwent	6.99
Dyfed Powys	7.47
North Wales	7.01

7. Conclusions & Recommendations

Conclusions

7.1 The police settlement for 2026/27 is a real-terms cut in Home Office funding;

7.2 No funding is provided towards capital expenditure with the costs of the same continuing to fall onto the revenue budget in the form of direct contributions to capital or borrowing costs;

7.3 Unavoidable cost pressures for 2026/27 have resulted in a budget gap of 16M before any increase in Precept is considered.

7.4 £72M of prior VFM / savings made by the Force means that there are limited options available in terms of new savings to help balance the budget; and

7.5 The Force has an established VFM programme in place which continues to generate productivity gains allowing officers and staff to be redeployed to front line policing.

Recommendations

a) **That the Panel supports the proposed increase in precept of £26.47 (6.99%) per annum, giving rise to a revenue budget for 2026/27 of £442,211,587. The Precept to be levied on each billing authority is shown in the table below together with the Council Tax due by property banding in the second table.**

Unitary Authorities	No of Band D Equivalent Properties	£ Total Precept
Cardiff Council	156,050.00	63,222,097
Swansea Council	96,701.18	39,177,516
Bridgend County Borough Council	55,793.37	22,604,126
Merthyr Tydfil County Borough Council	18,964.91	7,683,444
Neath Port Talbot Council	49,751.61	20,156,367
Rhondda Cynon Taf County Borough Council	80,551.88	32,634,789
The Vale of Glamorgan Council	64,634.00	26,185,819
Totals	522,446.95	211,664,158

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

Council Tax Band	£
A	270.09
B	315.11
C	360.12
D	**405.14**
E	495.17
F	585.20
G	675.23
H	810.28
I	945.33

b) That the Panel approves the four-year Capital Programme of £168M and the associated Capital Strategy 2026-27 (including the MRP policy).

c) That the panel approves the Treasury Management Strategy for 2026-27.

d) That the Panel approves the Reserves Strategy 2026-27.

Emma Wools, South Wales Police & Crime Commissioner

David Holloway Young, Chief Finance Officer, for South Wales Police and Crime Commissioner

3rd February 2026