

Agenda Item 6

Meeting	Police and Crime Panel
Date	18 January 2024
Report Title	Draft Budget Settlement
Report presented by	Philip Wilkinson, Police and Crime Commissioner
Author	Clive Barker, Chief Finance Officer

PURPOSE OF REPORT

- 1 This paper provides the panel with information on the draft budget and precept being considered. It also shows the draft Medium Term Financial Strategy (MTFS) which estimates the financial position over the next 4 financial years.

BACKGROUND

- 2 On the 14 December the provisional settlement was announced by the government. Whilst the settlement papers reported a 6.4% increase in Wiltshire funding this funded areas outside of our control (a 7% Pay Rise and a 3.2% increase in Police Officer Pension costs). It also assumed that the PCC would take up the full £13 annual increase in precept, per Band D household.

CENTRAL GRANT

- 3 The total grant announced is an increase of £8.3m (10.5%). When the pay award and pension grant increase are removed this reduces to £1.5m (a 1.9% increase).
- 4 This increase is provided via the ringfenced police officer Uplift grant and will only be received if police officer headcount is maintained to the government figure of 1,194.
- 5 Assuming police officer numbers are maintained, the 1.9% increase will contribute to funding inflationary pressures (pay, energy, etc.). However, the 1.9% does not fund all these pressures, hence an increase in the policing element of council tax and savings will be required to maintain current policing levels.

COUNCIL TAX

- 6 The government has set a capping level of a £13 increase on Band D council tax levels for all PCC's. In Wiltshire this would equate to an increase of 5.1% on the 2023-24 Band D level of £256.27 to £269.27. CPI inflation between November 2022-2023 averaged 7.4% per month.
- 7 The MTFS is built on the £13 increase, whilst also considering the impact of funding if the Council Tax increase is varied. This is shown below;

- Council Tax Increase is 1% more or less - £0.698m impact
- Council Tax Increase is £1 more or less - £0.273m impact

- 8 Information has been provided by Swindon Borough Council and Wiltshire Council which provisionally shows the tax base has increased by 0.60%. This is lower than expected and points towards either a decline in house building and / or council tax collection levels. The assumptions used in forecasting this base are not within the control of the PCC and are set by both Local Authorities as independent tax collecting authorities.
- 9 Provisional information on the collection fund has also been received for both councils suggesting a total net surplus of £0.023m, this is expected to change when final figures are received. The MTFs allows a reserve to maintain receipts at a standard level each year (£0.295m), it is therefore intended to withdraw £0.272m from this reserve in 2024-25.
- 10 Wiltshire Council is currently consulting on a change to its Council Tax Reduction Scheme to better support low-income households. If this is introduced, it will reduce the PCC's overall precept income by £0.123m. This is included in the figures below.

TOTAL FUNDING

- 11 The table below shows the estimated funds with a £13, per year, per Band D household, increase

	2023-24 Budget	2024-25 £13 CT incr.	Variance
Central Grant	£70.675m	£74.910m	£4.235m
Local Precept (CTax)	£69.428m	£73.261m	£3.833m
Legacy Council Tax Grant	£5.235m	£5.235m	-
Collection Fund	£0.713m	£0.023m*	£-0.690m
Investment Income	£0.500m	£1.197m	£0.697m
Standard Funding available to commission services	£146.551m	£154.626m	£8.075m
Ringfenced Uplift Grant	£2.265m	£3.741m	£1.476m
Standard Funding + Uplift	£148.816m	£158.367m	£9.551m
Swindon PFI Specific Grant	£2.268m	£2.268m	-
Police Officer Pensions Grant	£1.000m	£3.619m	£2.619m
Special Policing Spec Grant	£1.986m	£1.986m	-
Total Funding	£154.070m	£166.240m	£12.170m

* Prior to reserve transfer, with £0.272m transfer standard funding increases to £154.898m

- 12 Since 2021 the provision of specific grants to the PCC to commission services has increased. This trend continues and in 2024-25, the PCC is expected to receive the following funds. As these are specific grants with specific purpose and conditions, they

are not included in the main funding reported. As they are time limited or are reviewed annually, we need to balance the risk of withdrawal, ensuring any long-term commitments are effectively managed to balance risk.

Ministry of Justice	Victims fund	£1.428m
Home Office	Serious Violence Duty	£0.249m
Home Office	Safer Streets Fund	£0.535m
Home Office	Hot Spot Policing Fund	£1.000m
Home Office	Immediate Justice Fund	£0.500m
Total		£3.712m

- 13 The investment income return shows an increase from 2023-24. The new forecast uses information from our Treasury advisors, Link. The calculation expects interest rates to reduce from 5.25% in April 2024 to 4.00% in March 2025.
- 14 When proposing council tax increases, the maintenance of local policing and the long-term funding position has to be considered. As demonstrated within this paper to not increase the policing element of the council tax at this time will impact on the future ability to commission policing and crime services.
- 15 In 2023-24, Wiltshire received central funding (including specific grants) of £110.10 per head of population under the current formula. This compares to a national average of £143.46 per head (excludes MOPAC and City of London). Being the 3rd lowest centrally funded PCC, per head of population, increases the reliance on council tax.
- 16 The impact of low funding becomes clear when the HMICFRS Value for Money Profiles are reviewed. This shows that Wiltshire Police, in relation to forces in its Most Similar Group (MSG), has £12.529m less to spend on policing which results in a workforce with 163 FTE less than would be expected in other MSG force areas.
- 17 A £13 per annum increase, per Band D property, in Council Tax will result in Wiltshire's Band D police precept increasing from £256.27 to £269.27 (5.1% increase). The table below shows that even with no increases in the rest of the South West, Wiltshire's policing precept will still be lower than Gloucestershire and Dorset. It is, however, likely that even with a £13 increase Wiltshire will remain the lowest in the region.

	2023-24 Act Band D CTax	Wiltshire £13 inc
Gloucestershire	£295.08	
Dorset	£280.58	
Avon & Somerset	£266.27	
Devon & Cornwall	£261.56	
Wiltshire	£256.27	£269.27

FUTURE FUNDING

- 18 In recent years there has been a debate surrounding the policing funding formula. Due to our low funding per head of population, it is reasonable to expect that a change will benefit Wiltshire. It was anticipated that the change would be implemented in 2017-18, however, it was delayed. It was then announced that this would occur in 2018-19 but no progress has been made. Successive Policing Ministers have stated the formula will be reviewed and a Police Funding Formula Review Senior Sector Group set up however technical details continue to be developed. At this moment there is not

enough certainty to suggest that additional funding will be forthcoming to plan for any changes.

- 19 I continue to raise the impact of low funding and the need for urgent changes of the police funding formula with ministers and Home Office officials.
- 20 Considering the delays in a fair funding settlement and the impact council tax income will have on policing in Wiltshire now and in the future, the PCC is consulting with the public surrounding an increase to the Band D Council Tax. The consultation was started prior to the £13 central government announcement and is asking if people would support an increase in council tax and if so at what level (£10, £15 or £20). The summary of the public consultation will be presented at the February Police and Crime Panel, although some mid point survey findings are presented within the consultation and engagement paper also contained within the agenda pack.
- 21 With the tax base increase, a £13 per year, per Band D property increase, would provide additional funds of £3.542m to keep the people of Wiltshire safe. This equates to an additional £1.08 per month per Band D property.
- 22 The use of reserves is a high-profile issue within the police service. Within the MTFS I set out, clearly, my policy and how I intend using them in the short to medium term.
- 23 I maintain an expectation that the police continue to improve efficiency, productivity, and effectiveness. Whilst I intend that Wiltshire will continue to improve its efficiency and effectiveness the ring fencing of police officer numbers with the Uplift Grant restricts this to areas of police staff and good and services.

UNAVOIDABLE COSTS

- 24 The most significant unavoidable cost is inflation. The MTFS includes increases of £8.295m attributable to inflation in 2024-25.
- 25 The question of pay rises has also been considered. For budgeting purposes 2.5% has been allowed for 2024-25 this is in line with national guidance.
- 26 The MTFS includes detail on other cost increases. The two largest increases surround investments in HR (£0.332m) and Forensic Outsourcing (£0.274m). Both these investments are needed to resolve current capacity issues. It is anticipated that in the medium term this will allow improvements in better systems and capabilities to unlock future productivity opportunities.

POLICE OFFICER NUMBERS

- 27 Whilst there is a savings requirement, the PCC is proposing to maintain budgeted Police Officer numbers at 1,193 in 2024-25. It is planned to bring 140 Officers into the force in 2024-25 to replace leavers.
- 28 The HMICFRS Value for Money profiles continues to show Wiltshire Police as an outlier on its number of Police Officers – 264 less than our MSG (Most Similar Group) average. The main factor behind this is that Wiltshire's funding per annum is £12.529m

less than our MSG. This means that we do not have the funds to provide the 'average' number of officers compared to other similar forces.

29 The Workforce Assessment is considered essential when considering efficiency and effectiveness. With over 80% of the budget spent on the workforce, focus is required. The MTFS details the areas where focus will be given in 2024-25.

CAPITAL FINANCING STRATEGY (CFS)

30 With no central capital grant and reducing reserves the financing of essential capital ICT and estates investment has become an additional challenge. This increased in 2022-23 with the removal, by the Home Office, of the general capital grant. This places even more demands on revenue funding (via direct contributions or financing borrowing) to fund capital.

31 The strategy includes an allocation of £19.5m for a new Southern Policing Hub. This is an estimate and will need to be revised when the land is secured and a tender for construction let. Development costs for the HQ Masterplan are also included in the strategy at a cost of £51.5m. This is for costs incurred up to March 2030, this will rise to £90m by March 2034 which is the forecast end date for the programme of works.

32 The strategy has been reviewed and amended to reflect these allocations and reduce any immediate need for external borrowing noting the current interest rates. The intention is to use £3m of internal borrowing in 2023-24 which will be replaced by external borrowing later in 2024-25 when interest rates are expected to have reduced.

33 The increased revenue consequences of capital have been limited to £0.297m in 2024-25. It should however be noted that when the Southern policing hub and HQ masterplan move to delivery there will be a need for increasing revenue contributions to cover increased borrowing. This is included within the MTFS.

THE REVENUE BUDGET PROPOSAL

34 The table below identifies a summary of the current budget proposal (more information is included in the MTFS) to meet the pre-ringfenced funding allocation of £154.898m available with the £13 Council Tax increase.

Budget Bfwd	£146.551m
Unavoidable costs (less cost reductions)	£8.242m
Growth Requests	£2.234m
Capital Funding	£0.297m
Sub Total	£157.324m
Savings	-£2.426m
Budget Requirement	£154.898m

35 The following proposals have been suggested to close the gap;

Directorate	Low risk	Medium Risk	Total
CC	£0.024m	£0.015m	£0.039m
Deputy CC	-	£0.074m	£0.074m
Corp Comm	£0.009m	£0.043m	£0.052m
ACC Local	£0.038m	£0.179m	£0.217m
ACC Crime	£0.522m	£0.020m	£0.542m
ACO Finance & Fac	£0.121m	£0.144m	£0.265m
ACO People	£0.046m	£0.014m	£0.060m
Corporate Savings			£1.309m
Total Savings			£2.558m
Requirement			£2.426m
Excess			£0.132m

36 The Chief Constable requested all Directorate holders to review their areas and develop options for savings, prioritising them (low, medium, and high risk). The settlement has allowed the Chief Constable to accept all the low-risk options provided and a number of the medium risk options. The current position provides £0.132m excess, this allows a small amount of flexibility which is welcomed noting the inflationary increases which have to be funded.

37 The impact on budgeted FTE staff numbers from the plan is shown in below;

Profile of Staff	Officers	Staff	PCSOs
Balance BFWD	1,193	1,078	102
2023-24 Budget Finalising	-5	+4	
Growth less realignment	+5	+21	
Savings (vacant posts removed)		-19	
New Total to CFWD	1,193	1,084	102

RESERVES

38 A review of reserves has taken place with the outcome disclosed in the MTFs. The value of the general reserve has been considered and the CFO advises that £3.843m (2.5% of the revenue budget) is acceptable.

RISK ASSESSMENT

39 It should be noted that this is a provisional settlement which can change.

40 The savings proposed are based on the risk involved in reducing investment in certain areas. These have been reviewed and proposed by the Wiltshire Police Chief Officer Group on a risk basis.

41 The increase in revenue contributions required in the future to finance capital expenditure increases financial pressure. However this has to be balanced against provision of a policing service and service continuity within HQ facilities at end of life.

42 As with all budgets this is a plan, changes will occur and where necessary some plans may have to be delayed ensuring the budget is not overspent.

ENVIRONMENTAL IMPACT

- 43 The MTFS includes funding for Estates projects which help reduce our carbon footprint in the medium term. The investment in vehicles, where possible, is targeted at low emission vehicles with the introduction of Telematics expected to improve driving standards and fuel consumption. All reports produced requesting approvals from the PCC now consider the impact on the environment of the decision being made.
- 44 The MTFS outlines a need to invest in the Electric Vehicle Charging Infrastructure. Whilst no funds are currently set aside for this it is acknowledged that this must be an invest to save programme which will significantly assist the PCC and Chief in delivering Net Zero.

CONCLUSION

- 45 This paper shows the panel the MTFS and the current thinking surrounding the 2024-25 precept. It is considered that a £13 Band D increase per household, per year, is appropriate, I am currently consulting the public on the level of precept and I will provide further information at the meeting in February.