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## **DRAFT BUDGET SETTLEMENT**

### **Purpose**

1. This paper provides the Panel with information on the draft budget and precept being considered.

### **Background**

2. In November 2017, the initial Medium Term Financial Strategy (MTFS) was produced and reviewed at my Monitoring Board. The MTFS looks at the estimated financial position of the PCC over the next 4 years and the impact this has on my ability to commission services. It acknowledges the fact that decisions I make today will impact my finances over the medium and long term. At this stage, I was assuming central government rules surrounding the capping of all parts of Council Tax would remain in place i.e. any planned increase above 2% would require a referendum.
3. On the 19 December 2017 the provisional settlement was received. This was significantly different from that expected. Due to the significant changes, a new revised MTFS is still in development.
4. The initial MTFS is included as an appendix; however it should be noted that these funding assumptions are based on a 1.9% precept cap and a lower level of central government grant. It is important to note that this report will show the funding expected post the provisional settlement so will not match those reported in the initial MTFS.

### **The Settlement**

5. The following police relevant information was announced in the December settlement;
  - A cash flat central government Police Revenue Grant funding for 2018-19.
  - The raising of the policing element of council tax (policing precept) threshold for a referendum to £12 per annum. For Wiltshire this provides flexibility to increase the police part of the precept by 7%.

### **Policing element of Council Tax Options**

6. I am currently considering 3 options for the policing precept;
  - Option A – Not to increase the precept (0% increase)
  - Option B – To increase the precept by 1.9%
  - Option C – To increase the precept by £12 per annum (7%)

7. The table below shows the estimated funds I will have available under each option for 2018-19;

	2017-18 Budget	OPTION A No change in precept	OPTION B + 1.9% precept	OPTION C + 7% £12 precept
Standard Funding available to commission services (including investment income)	£105.898m	£107.193m	£108.021m	£110.261m

8. In addition to this I have central funding allocated to me to commission victims services and to support restorative justice. Ministry of Justice has announced that this will be slightly reduced from 2017-18 levels of £0.826m to £0.820m.
9. The increase in maximum policing precept has provided increased flexibility between options A, B and C.

### Option A – 0% increase in policing precept

10. The savings requirement under Option A would be £4.237m.
11. The MTFS suggests that a gap of £3.479m could be closed by;
- The savings plan of £1.340m (detailed in paragraph 32)
  - The removal of all revenue contribution to capital. This would release £0.746m for revenue funding but would mean that I would need to borrow to fund day to day investments, such as vehicles, in the near future.
  - And the use of £1.393m of reserves to fund the 2018-19 budget. Page 18 of the MTFS clearly shows the negative impact of doing this on the 2019-20 budget
12. This would leave a shortfall of £0.758m still to be resolved. The full breakdown of the assumptions and risks are outlined in the MTFS.

### Option B - 1.9% increase policing precept

13. The savings requirement under Option B would be £3.429m.
14. The MTFS plan disclosed under paragraph 11 above of £3.479m would cover this gap; however the down sides of this plan needs full consideration.
15. Whilst the removal of all revenue contributions to capital would release £0.746m for revenue funding, it would mean that I would need to borrow to fund day to day investments such as vehicles in the near future. All borrowing has to be repaid alongside any interest.
16. The use of £1.393m of reserves to fund the 2018-19 revenue budget does have medium term consequences. Page 18 of the MTFS clearly shows the negative impact of doing this on the 2019-20 budget (a £3.952m shortfall is forecast)
17. Whilst Option B would deliver a balanced budget, I believe this would significantly increase risk, particularly in 2019-20.

### Option C – +£12 (Band D) increase in policing precept

18. The savings requirement under Option C will be £1.246m. This shortfall could be covered by the savings planned (as detailed in paragraph 32).
19. Option C significantly increases policing precept income by £3.068m.
20. A £12 per annum increase in policing precept will result in a Wiltshire's Band D council tax increasing from £170.27 to £182.27, a 7% increase. This is proportionate across all Council Tax bands as shown in the table below.

Band	Council Tax
A	£0.67
B	£0.78
C	£0.89
<b>D</b>	<b>£1.00</b>
E	£1.22
F	£1.44
G	£1.67
H	£2.00

21. Even with no increases in the rest of the region, Wiltshire will only be slightly above Avon and Somerset if they do not increase their precept. Initial conversations across the region suggest that the majority will increase their precept by £12 per annum. So it is likely that even with a £12 increase we will remain the lowest in the region. The changing policing precept is shown in the table below.

	2017-18 Band D C Tax	<b>OPTION A</b> No change	<b>OPTION B</b> + 1.9% precept	<b>OPTION C</b> + 7% (£12 precept)
Gloucestershire	£214.49			
Dorset	£194.58			
Avon & Somerset	£181.81			
Devon & Cornwall	£176.28			
<b>Wiltshire</b>	<b>£170.27</b>	<b>£170.27</b>	<b>£173.51</b>	<b>£182.27</b>

22. Option C allows the protection of community policing team (CPT) resources and strengthens the sustainability of my MTFS. I can commit to maintaining officers and staff in CPTs. I am also working with the Chief Constable at how I can reduce the impact on officer numbers in all other areas of policing.
23. According to the HMICFRS Value for Money profiles, Wiltshire receives £95 per head of population under the current formula. This compares to a national average of £120 per head and a most similar forces average of £106 per head. Being the 5th lowest centrally funded office per head of population increases my reliance on locally raised income.
24. These considerations on local funding levels cannot occur without taking into account the central funding position as this provides the majority of the income for policing.

Over recent years the percentage of my funding received from central grants has reduced. With a cash flat central government settlement but an increase in local funding, this direction of travel will continue.

25. In calculating the funding available, an increase in the council tax base has been included. The increase for Wiltshire Council is 2.76% and Swindon Borough Council 1.99%. The consolidated increase in the tax base is 2.54%. The funding available also includes the collection fund surplus; provisionally this has not significantly changed (£0.882m in 2017-18, £0.869m in 2018-19).
26. I have been lobbying for greater flexibility for local people to increase resources for their policing service. As one of the lowest funded forces I believe that I must use this opportunity to avoid further reduction in resources and maintain current resource levels.

### **Future Funding**

27. There has been significant work and debate surrounding the policing funding formula for central government funding. Due to our low funding per head of population, it is reasonable to expect that a change will benefit Wiltshire. It was expected that the change would be implemented in 2017-18; however this was delayed. To date no further progress has been announced. In light of this I do not believe it is prudent to rely on this providing improved funding for Wiltshire in the short to medium term.
28. The 2017-18 budget was balanced using £1.439 of reserves. As detailed in both Options A and B, I would need to use reserves again in 2018-19 to balance the budget; this increases risk and is not sustainable. Proceeding with Option C means the additional funding removes this reliance on reserve funding and strengthens our medium term financial position.
29. The use of reserves is a high profile issue within the police service. Within the MTFs, I have revised my policy and set out clearly how I intend using them in the short to medium term. Approximately half of my reserves (£9.864m) are earmarked for capital development. The capital plan (Appendix C) of the MTFs shows how I will use this funding. If Option C is used I will review my use of reserves and capital plans.
30. I intend that Wiltshire does continue to improve its efficiency and effectiveness. With our agile approach and modernising agenda, I intend to deliver in line with the Minister's expectations. The use of the majority of the capital reserve for ICT and Estates issues is directly in line with this.
31. It is important to note the Policing Minister's comments in delivering the settlement:

*I have listened to the views of PCCs and Chief Constables, who have requested greater certainty about future funding to help more efficient financial planning. If the police deliver clear and substantial progress against the agreed milestones on productivity and efficiency in 2018, then the Government intends to maintain the protection of a broadly flat police grant in 2019/20 and repeat the same flexibility of the precept, i.e. allowing PCCs to increase their Band D precept by a further up to £12 in 2019/20.*

## Initial Savings Plans

32. The table below outlines the initial plan in the MTFS. This has been produced by the Chief Constable's Senior Command Team;

	<b>2018-19</b>
Operational Collaborations	£0.187m
Estates Strategy	£0.050m
ICT Maintenance/Licences	£0.068m
CPT Swindon Sgts (5 Reduction)	£0.275m
3 to 2 Swindon CPTs (3 Reduction)	£0.150m
Inspector Cover (3 Reduction)	£0.210m
FIM (10 officers modernised to staff)	£0.150m
Channel Shift (50% of full year savings)	£0.150m
Additional 10 modernisations	£0.100m
<b>Total Proposed Savings</b>	<b>£1.340m</b>

33. If Option C is taken forward these plans will be reviewed ensuring they are achievable and are compliant with my desire to protect local policing.

## Reserves

34. Paragraphs 16, 28 and 29 report my intentions surrounding earmarked reserves. The value of the general reserve has been considered and I am advised that £2.6m (2.5% of the revenue budget) is acceptable. As outlined above a complete review of reserves has taken place with the outcome disclosed in Appendix D of the MTFS.

## Policing Precept Consultation

35. The public consultation on the policing precept began on 2 January 2018 and will close on 31 January 2018.
36. Building on the improved consultation last year I hope to increase awareness and encourage public participation through a variety of channels. This will include:
- High profile media campaign launching the precept proposals for consultation
  - Short video to the precept proposals
  - Social media Q&As sessions – where the public could ask questions directly
  - Telephone Q&A session
  - Online responses
  - Participation in local radio programmes and phone-ins
  - Snap twitter polls
  - Stakeholder distribution including Councillors and MP's asking for their views on behalf of the people they serve
  - Working with all area boards and parish councils to make them aware of consultation and request presentation of consultation video
37. Comments and feedback will be considered and a report summarising the consultation will be provided at the Police and Crime Panel meeting where the recommendation is made on precept.

## **Conclusion**

38. This paper outlines to the Panel my initial MTFs, reports the impact of the settlement on the 19 December 2017 and provides an assessment of the options I have on the 2018-19 policing precept level.
39. I believe Option C, a £12 increase per Band D household per year, may be appropriate and proportionate and I am now consulting the public on this proposal as outlined above.

**Angus Macpherson**  
Police and Crime Commissioner