



WILTSHIRE AND SWINDON

Medium Term Financial Strategy (MTFS) 2023-24 to 2026-27

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Executive Summary

1. The December settlement provided the Wiltshire PCC with a cash increase of 1.8%. Whilst any increase is welcomed the impact of inflation and service demand means that finances remain under pressure. The 164 Uplift Officers have been delivered however there is no new money for further Officers and Staff unless savings can be delivered. National Pay Increases have been agreed at 5% for Police Officers and Police Staff however additional funding has only been provided for Police Officers so the Police Staff Pay Award and all other inflationary increases (including Energy) have to be funded from the 1.8% and any precept increase.
2. The settlement has provided the PCC with an option to increase the Band D Council Tax precept level by a maximum of £15 (without referendum). For an extra £15 per household per year this has to be considered as it would provide an additional £4m to deliver the Police and Crime Plan.
3. The Comprehensive Spending Review (CSR) in 2021 informed PCCs that they were allowed to increase the Band D Council Tax Level by £10 in all of the next 3 years. Whilst this has been increased the final year of the CSR is 2024-25 so this does provide a bit more certainty. The CSR also stated that there will be a minimum increase in Police Funding of 1.5% in 2024-25. Whilst this again gives some certainty there are no specific figures for individual PCCs and the grant increases are low in a period of uncertainty when inflation is high.
4. This uncertainty means that future years funding positions are very much an estimate and will change in a years' time when more information is available.
5. Whilst the increases are welcome Wiltshire remain underfunded. It still has the lowest council tax in the South West (significantly below the similar size forces of Gloucestershire and Dorset). It also remains the 3rd lowest funded area in the country even though it has the urban issues that Swindon brings and the rural/sparsity issues caused by Salisbury Plain.
6. By increasing Council Tax by £15 per Band D property there is still a £3.108m funding gap in 2023-24. In future years shortfalls are also estimated which will need to be closed. A plan is in place to deliver the £3.108m and a strategy shaping to deliver savings in the future.
7. The MTFS also deals with the Capital Financing Strategy. This now includes funds for a Southern Policing Hub. The strategy shows how this can be financed with the use of borrowing and revenue contributions. This and the HQ refurbishment will lead to increased levels of borrowing but are necessary to enable the Force to deliver now and in the future. This borrowing will result in revenue costs over the life of the asset.
8. The Chief Constable's increased expenditure plans surround closing threats identified in the Organisational Risk Assessment (ORA) and Corporate Risk Register. This is an evidence-based approach in line with HMICFRS expectations.
9. The MTFS now includes a Work Force Assessment. This is a positive step and will ensure we focus on the people as this is where over 80% of the budget is spent.

10. The MTFS is based on assumptions which may or may not be realised but are currently considered as reasonable. Its purpose is to give to the PCC and the CC a financial framework to plan strategic direction over the next 4 years. As disclosed in the MTFS in 2022-23 Wiltshire's funding per head of population was £192.61 the national average is £213.74. Wiltshire PCC was the 4th lowest centrally funded and 3rd lowest when considering all funding. These figures need to be updated for the 2023-24 settlement however with the same central funding increase being applied to all forces and the majority of PCC's looking towards the £15 council tax increase they will not change significantly.
11. It should be remembered that this years funding decision will impact the funds available for the future. Considering our low funding position I am consulting on a £15 council tax increase to £256.27 for a Band D property.

Introduction

12. This is the four year MTFS. The MTFS first covers the funds available to the Police and Crime Commissioner (PCC) depending on different local funding scenarios. It then considers how the Commissioner may use the finances available to him to fulfil his wide ranging remit.
13. Appendix B deals with the Chief Constable's budget allocation and the implications on his spending plans which occur depending on the local funding decision made by the PCC. The report then considers any shortfalls which may exist. The outcome provides both the PCC and the CC with information which will assist them in decision making surrounding precept, police officer numbers, etc. in the short to medium term.

The Financial Environment

14. This version of the 4 year MTFS has been produced post the 2022 settlement before the PCCs decision on how much to increase the Band D Council Tax by. At this stage the PCC is consulting the public on a Band D increase of £15 (6.2%).

Central Finances

15. After 9 years (2011-12 to 2019-20) of funding restrictions which had seen the budget reduce by 34.5% the last 3 years (2020-21 to 2022-23) has seen central cash increases of £13m. The main reason for this increase was to deliver Wiltshire's part of the 20,000 (164) new officers required by the government.
16. The 2023-24 settlement does not provide for any new officers. Overall the increase is 1.8%. 1% of the increase was signposted in the CSR, the remaining 0.8% is provided to contribute towards a 5% uplift in Police Officers pay it is then reduced to consider lower National Insurance costs. It should be noted that even though the same pay offer for Officers (a £1900 increase in basic pay for all ranks) was agreed for Police Staff there is no central funding provided for this. Noting this and the inflationary pressures being borne by all organisations it is clear that this low level of funding will need to be supported by local increases in the precept and a reduction in service costs to produce a balanced budget.
17. The Legacy Council Grant has remained at £5.235m since 2013-14. This grant compensates PCC's and Police Authorities for not raising the precept between 2011 and 2013. The MTFS assumes that this grant will continue in future years with no increase or reduction (i.e. Cash flat).

Precept (Council Tax)

18. In 2012 the Secretary of State, under The Localism Bill, introduced new regulations surrounding Council Tax. If a major precepting body (which includes the PCC) proposes to raise taxes above a limit agreed by government then they will have to hold a referendum to obtain approval from local voters and the local voters may veto the rise. This means that major precepting bodies will need to convince local voters, rather than central government of the case for excessive rises in council taxes. The initial announcement on precept flexibility for 2023-24 was included within November 2021's Comprehensive Spending Review (CSR). This allowed PCCs to increase Band D

council tax by £10 over the next 3 years. This however has now been superseded with the government allowing a £15 increase in 2023-24 only.

19. The Council Tax receipt is dependent on the council tax base (the number of dwellings paying the tax). Provisional information provided by the councils reports an increase in the base of 1.56% in 2023-24.
20. A 1% increase in the police part of the Band D council tax in 2023-24 is worth £0.654m. Any increase in council tax secures future funding at a higher level.
21. A net surplus of £0.543m is the provisional calculation on the Collection Fund. This will be confirmed by the councils early in the calendar year. It should be noted that this figure changes each year and hence there is no guarantee that this level of funding will be available in 2024-25.
22. The table below shows the assumptions made in the MTFS.

	Additional Dwellings	Est total Dwellings	% Increase	Collection Fund Surplus/(Deficit) within MTFS
2022-23 Actual		266,748		-
2023-24 Est	4,168	270,916	1.56%	£543,000
2024-25 Est	4,064	274,980	1.50%	£295,000
2025-26 Est	3,850	278,830	1.40%	£295,000
2026-27 Est	3,903	282,733	1.40%	£295,000

Inflation

23. The consumer price index shows inflation for the 12 months to November 2022 at 10.7%. The settlement on pay awards has been circa 5%. For future years it has been estimated at 3% (Sept 2023) and 2% thereafter. This is in line with government advice noting the target of 2% inflation. If increases are much higher than this we would look for additional grant support from the Home Office in line with 2022-23. Other budgeted areas have had to be contained to minimal increases however on energy it is estimated to be a 100% increase costing £1m. Noting that some increases are unavoidable a new reserve has been created to reduce this risk (Inflation Risk Reserve planned to be £0.500m at 31 March 2023). If this is fully used in 2023-24 it will create pressure on the 2024-25 budget.
24. In December 2022 the bank base rate was increased to 3.5%, at the start of the calendar year it was 0.25%. This rise puts pressure on borrowing however it has enabled investment returns to increase. Recognising this it is planned to increase the investment income budget to £0.500m (it was £0.079m in 2022-23).

Police and Crime Plan 2017-2021

25. The Police and Crime Plan has 4 overarching priorities, these are shown below:
 - Priority 1: A police service that meets the needs of its communities
 - Priority 2: Reduce violence and serious harm
 - Priority 3: Tackle crimes that matter to local communities
 - Priority 4: Improve the experience of victims and deliver justice

26. In 2022-23 Wiltshire received total funding of £192.61 per head of population, this is £21.13 less than the national English average (Excludes the Met and the City of London) of £213.74.
27. Central Funding in 2021-22 for Wiltshire was £104.08 per head of population, £28.71 less than the national English average (Excludes the Met and the City of London).
28. Combined with the lowest policing precept in the South West, this results in Wiltshire Police having the third lowest total funding per head of population. The plan states that the PCC will continue to lobby the Government to revise the way policing is funded. National information suggests that the outcome of the review will be reported in this parliament but there is no guarantee that any change will be implemented by then.
29. In the absence of a fair funding settlement there is a requirement to unlock resources to invest in priorities or continue to provide services at today's level. What this means is a drive to eliminate waste, being more cost efficient and cost effective. This plan identifies that the police alone will not be able to deliver the priorities. It will mean working in partnership with other organisations, volunteers, and communities.
30. With a need to reduce costs whilst delivering more, the PCC has agreed that investment in technology is essential.
31. During 2014 the PCC became responsible for the commissioning of Victims Services. In 2022-23 Specific Grant funding was £0.843m, the 2023-24 funding is not expected to change. As these funds are specific grants they are not included in the main funding reported. It should be noted that the Home Office also hold back £2.265m in a Ringfenced Uplift Grant, whilst final details of the grant conditions are yet to be released it is expected that only 100% of the grant will be received if 1,189 officers (headcount not FTE) are in place at 31 March 2024. As this is a special grant it is not included within main funding.
32. In setting the budget the PCC will be allocating a certain level of resources for the following purposes.
- Commissioning police services from the Chief Constable
 - Commissioning services in line with the Police and Crime Plan for specific purposes (for instance from public bodies, charities, the private sector, etc.)
 - Financing the running costs of the OPCC
 - Capital Investment

Income Forecasts

33. The 2022-23 budget relied on the following income to finance activity (excludes ringfenced Uplift grant);

Central Funding	Central Grant	£70.428m	
	Council Tax Legacy Grant	£5.235m	£75.663m
Local Funding	Precept – Council Tax	£64.359m	
	Council Tax Surplus	£0.295m	£64.654m
MTFS Funding		£140.317m	£140.317m

34. The 2021-22 council tax level of £241.27 is £6.39 below the national average of £247.66 (excluding the City of London and the Met).

35. The table below compares the police part of the Band D council tax against others in the South West. It also shows the impact of a £15 (6.2%) increase in council tax in 2023-24 then £10 in the next 2 years.

Authority	2022-23 Band D Council Tax	Wiltshire £15 increase 2023-24	Wiltshire £10 increase 2024-25	Wiltshire £10 increase 2025-26
Gloucestershire	£280.08			
Dorset	£265.58			
Avon & Somerset	£251.20			
Devon & Cornwall	£246.56			
Wiltshire	£241.27	£256.27	£266.27	£276.27

Additional cost per Band D Household with a 6.2% increase	£15 p.a.
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36. The table shows that even if Wiltshire increased its council tax in all 3 years by these levels and all the other PCC's in the region froze their council tax Wiltshire would still not exceed the levy currently in Gloucestershire.

37. The additional funding available to Wiltshire under various precept scenarios is shown below when compared against the current precept income;

- a) Funding at the South West Av. (£260.85), Extra income is £5.363m
- b) Funding at National Av (£241.27), Extra income is £1.7m

38. It should be noted that today's decision on council tax impacts future years funding. For example, Gloucestershire's levy of £280.08 was based on a 50% increase in 2003. This shows how future viability is dependent on decisions made today.

39. In 2022-23 Council tax was 46% of the PCC's funding. Therefore to fund an expenditure increase of 1% (£1m) requires a 2.5% increase in the precept (the gearing effect), If central grant remains the same.

40. The funding settlement announced a cash increase (including Ringfenced Uplift grant) of 1.8%. This was higher than last year's CSR as it included grant towards the Police Officer Pay Settlement netted off against the reduction in National Insurance. The CSR announced that police funding for the three years will increase by at least £550m in 2022-23, £650m in 2023-24 and £800m in 2024-25. Based on this the central funding increase in 2024-25 is included at 1.5%. For future years it is limited to 1%.

41. The MTFs shows income over 4 years based on assumptions. The tables in Appendix Ai show the following estimated income (excludes Uplift Grant and Investment Income);

	Estimated Income	Increase	% Increase
2023-24	£145.863m	£5.546m	3.9%
2024-25	£150.467m	£4.604m	3.2%
2025-26	£154.997m	£4.530m	3.0%
2026-27	£159.628m	£4.631m	3.0%

42. It is necessary to consider the impact of different scenarios. The impact on the 2024-25 finances of changes in funding is shown below;

Scenario	Impact on 2024-25 MTFS Figures
Standard Central funding changes by 1%	£0.707m
Council Tax base changes by 1%	£0.721m
Council Tax increase changes by 1%	£0.707m
Council Tax increase changes by £1	£0.276m

Impact of Funding Allocations

43. The table below shows the allocation with a £15 increase and Investment Income of £0.500m (£0.079m in 2022-23). From 2020-21 the amount spent on Shared Services has been separated out from the Chief Constables (CC) allocation. These departments which include HR, Finance, Estates, Business Improvement, ICT etc provide services to both the OPCC and the CC.

	2022-23 Allocation	2023-24 Allocation	Increased Allocation
OPCC Office cost	£3.443m	£3.591m	£0.148m
OPCC Commissioning	£1.728m	£1.802m	£0.074m
OPCC Capital cont (RCCO & MRP)	£2.857m	£2.912m	£0.055m
Shared Services Allocation	£32.224m	£33.609m	£1.385m
CC Allocation	£100.144m	£104.449m	£4.305m
Total	£140.396m	£146.363m	£5.967m

44. The 2022-23 figures have been revised to reflect that £0.441m of capital budget has been reclassified as revenue within the Shared Services allocation.

45. The specific Victims grant mentioned in paragraph 31 is in addition to the funding available for external commissioning. It should also be noted that £2.265m of Ringfenced Uplift Grant is not included within these figures (provided to fund 164 officers).

46. In 2022 the PCC has approved a revised Capital Plan and Capital Financing Strategy, the updated version is attached at Appendix D. This strategy outlines the need to consider the medium term financing of capital. With an intention to invest in the HQ as part of the new Estates Strategy there needs to be an agreed strategy to fund this. The overall expenditure plan has significantly increased this year with the inclusion of a budget of £18m to fund a Southern Policing Hub. Capital costs are also significant in ICT and it is not appropriate to stop investing in this area.

47. To finance the capital spends it has been accepted by the PCC that borrowing will be required for longer term assets. There is also a need to increase direct revenue funding of short term ICT assets.

48. The strategy suggests a steady increase in the revenue budget to fund the borrowing costs and to provide direct funding. If the whole 8 year (2022-23 to 2029-30) plan occurs the total cost is in the area of £111m. As capital grant has now been removed and capital receipts are limited the revenue consequences will need to rise to £9m by 2029-30. In 2022-23 the PCC is utilising £2m of revenue underspend to fund the plan, this will eliminate the need to borrow this year with rising interest rates.
49. Whilst the MTFS shows a requirement to save money in each specific area in practice this will not be possible. For instance the Shared Services Cost has increased by over £1m due to energy inflation, with a budget of £33m it will not be possible to make large enough savings to carry on delivering a service with a cut to this level. Therefore later in the document (within the CC section) a plan to deliver the entire savings, as a group, is outlined.

OPCC Direct Expenditure

50. In recent years the OPCC budget has been increased as part of ensuring that the 'and crime' part of the PCCs role is delivered. In 2023-24 the only growth is the full year impact of the increase in Legal and Commissioning Staff agreed in the 2022-23 budget. The increase in Legal staff is expected to reduce the need for third party services and savings have been included in the MTFS to reflect this.
51. The funding specifically available for direct commissioning will be in the region of £3m in 2023-24 plus any other specific grants they are able to obtain. The focus on the expenditure includes Substance Misuse, Youth Offending, Reoffending, Victims Services, Mental Health Triage and Community Messaging. This team will also need to plan for the introduction of the Serious Violence Duty, working with partners there are specific grants available to help finance this.
52. Appendix Aii shows the consolidated OPCC Financial Plan (OPCC office costs, commissioning and capital). £8.305m is the initial allocation with a £15 Band D increase this will result in a need to identify savings of £0.139m. As mentioned in paragraph 49 this will be dealt with as a group in a later section.

Shared Services

53. From 2020-21 Shared Services costs have been extracted from the Chief Constables allocation and is now reported separately. Shared Services includes HR, OHU, Health and Safety, Learning and Development, Business Improvement, ICT, Information Management, Finance and Facilities.
54. Appendix Aiii shows the financial plans for Shared Services. There are several cost pressures in the area which have been identified. £0.152m has been allocated for ongoing costs surrounding Cyber Security. This will fund 2 new staff, software licences and an increased level of training for staff. This requirement was identified post a review surrounding an increased threat level in March 2022, hence much of this investment is already in place.
55. A further growth item surrounds Learning and Development. With the intake requirement increasing and an increased focus required on leadership training (due to the number of new Sergeants required) a critical review of the function occurred between November 2021 and March 2022 by an external company. The report

identified a number of recommendations and a requirement to increase the units staffing. On review it was agreed by the PCC and Chief Constable to increase the team by 4 at a cost of £0.145m p.a.

56. It was expected that recruitment levels would return to pre Uplift numbers in 2023-24 which were roughly 4 intakes of 20 recruits during the year. The need however is a lot higher than this due to more staff leaving and needing to be replaced and growth in officers (discussed later in the workforce mix section). With a requirement to deliver at least 6 intakes of 20 forecast in 2023-24 it will be necessary to further invest in the infrastructure delivering the intakes. Issues are currently being managed in Stores, HR, L&D and the ERP system which need resolving. A fund of £0.250m over 2 years has been allowed to deal with the critical issues.

57. With an allocation of £33.609m in 2023-24 savings of £1.696m are required. As discussed earlier in the paper, over £1m extra for energy and Police Staff Pay increases of circa 5% cannot be resolved solely from this budget hence the need for a wider savings plan.

Capital

58. The Capital Plan (Appendix C) has been revised this year to compliment the longer term Capital Financing Strategy. The plan shows the capital expenditure forecast over the 4 years. It then shows how these costs will be funded. This plan is then taken forward in the Strategy (Appendix D)

59. The increase in revenue costs (both revenue contributions to capital and the consequences of debt) is planned to finance capital expenditure in a manner that is affordable over a period of time. The plan is more dynamic (it will change regularly throughout the year) than the strategy hence there will be variances occurring which will need reconciliation in each MTFS.

60. It should be noted that the need to borrow and increase revenue costs is not just to finance the Estates Strategy. The ICT spend in years ranges from £2.0m to £5.3m. With the removal of grant the reliance on revenue is now critical and an increase in revenue costs to finance capital is unavoidable. In addition to this over £1m of spending on Vehicles and Equipment must be financed each year.

61. The financing of capital spends is dependent on the asset;

- ICT assets with a predicted life of 7 years or more will be financed by borrowing over 7 years
- Significant investment (over £1m) in Estates will be financed by borrowing over 30 years, or capital receipts.
- Specific Grants will be used in line with the specific grant rules
- All other capital expenditure will be funded by a mixture of general grant, revenue contribution to capital and capital receipts.

62. It is important to note that once borrowing is entered into this will be a liability on the revenue account for years to come.

63. The Capital grant available to each force has significantly reduced in recent years. For instance in 2013-14 it was £0.939m and fell to £0.407m by 2017-18. One of the

reasons for this is the top slicing for national projects (such as ESMCP) with the amount available to forces falling. With these projects still in the early stage it was not expected that this trend would reverse. The 2019-20 settlement saw the grant reduced to £0.109m, it has now been decided centrally that there will no general capital grant with PCCs expected to utilise revenue from now on to finance capital.

64. The table below summarises the Capital Plan;

	2022-23	2023-24	2024-25	2025-26	2026-27	Cumul.
Signif. Estates	£2.274m	£5.327m	£11.503m	£16.057m	£10.984m	£46.145m
Refurb. Estates	£1.273m	£5.196m	£1.965m	£0.570m		£9.004m
Equip/Fleet	£1.904m	£1.545m	£1.285m	£1.309m	£1.333m	£7.376m
Long Term ICT					£3.235m	£3.235m
Short Term ICT	£2.444m	£3.157m	£3.697m	£2.367m	£2.087m	£13.752m
Total Expenditure	£7.895m	£15.225m	£18.450m	£20.303m	£17.639m	£79.512m
Financed by:						
Specific Grant	£0.493m					£0.493m
Capital Dev Res	£1.045m	£0.487m	£2.285m		£-0.574m	£3.243m
Capital Receipts	£1.015m	£7.248m	£1.356m	£0.632m		£10.251m
Borrowing	£0.576m	£4.669m	£11.503m	£16.057m	£14.219m	£47.024m
Underspend Cont	£2.000m					£2.000m
Revenue Cont.	£2.766m	£2.821m	£3.306m	£3.614m	£3.994m	£16.501m
Total Financing	£7.895m	£15.225m	£18.450m	£20.303m	£17.639m	£79.512m

65. A review of the capital receipts expected has occurred with the revised strategy. This is based on a reduced portfolio as determined by the PCCs 2018 Estates Strategy. There is a large amount of risk in the forecast. The new plan includes only 80% of the original valuation/market offer and that receipts are received 6 months later than forecast. This will mitigate some of the risk. The PCCs Acquisitions and Disposals Board monitor and approve decisions with the delivery of best value the primary purpose.
66. All new capital projects are approved by the PCC. Funding of £18m has been allowed for a new Southern Policing Hub, this however is just an allocation, until a suitable site is located and a construction programme agreed it is not possible to estimate the cost accurately. Development costs for HQ are also programmed into the plan. All estimates are subject to risk as inflation increases.
67. The plan continues to have funding allocated for ESMCP (Emergency Services Mobile Communications Project). These costs are very much an estimate. The delay and uncertainty surrounding this national project remains and it is expected that unit costs will change from those included in the current estimates. Time delays have seen the planned capital expenditure slip back to 2026-27.
68. The ICT capital expenditure plan is now produced as part of the Digital, Data and Technology (DDaT) strategy. ICT managers have looked ahead to forecast costs up to 2025-26, this has been utilised for the whole period of this strategy. This is the second year that this has occurred and we have learnt that it is difficult to accurately forecast all costs over a 4 year period with the speed of technology change. To acknowledge this £1m has been included in each year from 2025-26 for Systems Upgrades. Detailed plans will need to be submitted before projects utilising these funds are approved.

69. Each year the PCC undertakes a number of planned maintenance programmes to increase the life of assets. This can be upgrading assets such as lifts or undertaking substantial works. It is proposed to fund substantial estates programmes via the capital plan. Minor works costs will now be funded by revenue. Significant known improvement projects on the Estate have been included in the strategy. Examples of this are £1.265m for Environmental Projects and £1.940m for the Fire Safety Bill. Detailed plans of expenditure and their benefits will be produced before these capital projects are approved.
70. The Fleet strategy is based on the Policing Model. The strategy includes the use of framework vehicles to reduce cost. This is now in place for our high volume vehicles. Further work on the remainder of the fleet is on-going with the National buying groups expected to deliver better value for money and improve standardisation. In 2023-24 an additional £0.200m has been allowed for Response Vehicles. In 2022-23 we have struggled to obtain new vehicles due to the international market and lack of source resources impacted by the war in Ukraine. Whilst these vehicles are expected in March 2023 it is accepted that more needs to be done to improve the condition of the vehicles used by Response. This may mean a short period of time when vehicles are purchased outside of the normal strategy.
71. A budget for operational equipment is in place. This is intended to fund small capital items such as firearms, tasers, drones, etc. The exact budget required for this area will need to be determined each year.

Risks and Reserves

72. The assessment of risks and the setting of appropriate levels of reserves is an essential element of medium term financial planning.
73. When setting budgets and future plans it is essential to ensure that they are both affordable and sustainable. Reserves are held to manage risk and for investment.
74. The risks may be categorised in three ways:
- Local small level risks, where they would be accommodated within devolved budgets
 - Significant risks which can be covered by insurance cover
 - Larger risks which, if they occurred, would need to be funded from reserves in the knowledge that they would have a significant impact upon the next year's budget setting process.
75. With Policing being an emergency service there is always the risk that one incident could result in costs of £1m or more. The Home Office do provide some cover for large incidents agreeing to provide special grant for costs over 1% of budget (for instance the incidents in Salisbury and Amesbury in 2018 where all costs have been recovered from special grant). This does alleviate some of the need for the PCC and CC to hold a high level of reserves however there are 2 incidents currently being managed which could result in significant costs for the PCC. To mitigate the risk a Major Incident Reserve has been established to help fund the first 1%.

76. The Reserves and Provisions Policy has been produced by the PCC in association with the CC. This policy states the purpose of reserves and the principles in how they are used. The policy is in line with CIPFA (Chartered Institute of Public Finance and Accountancy) best practice. This is included under Appendix E.

77. There continues to be a focus on the level of reserves held by PCCs. With austerity there was central concern that funds were not being used appropriately. Based on this the policing minister wished to improve the transparency of reserves. The policy now includes estimated levels for the next 3 years. The table below shows the history on reserves and current forecasts. The Capital Development Reserve is shown separately due to its size and impact on the total reserves (this is in the total reserves amount);

Year End	Total Reserves	Capital Dev. Reserve
March 13	£19.332m	£12.879m
March 14	£21.536m	£13.192m
March 15	£20.677m	£12.626m
March 16	£19.594m	£11.895m
March 17	£20.194m	£9.864m
March 18	£18.375m	£9.475m
March 19	£15.328m	£8.111m
March 20	£12.247m	£4.811m
March 21	£12.850m	£2.260m
March 22	£12.001m	£3.817m
March 23 Est.	£12.116m	£2.772m
March 24 Est.	£8.254m	£2.285m
March 25 Est.	£6.822m	-

78. A review of reserves has taken place considering the budget strategy. This includes the general reserve. Considering the total reserves available and the emergency funding available for significant costs the level of 2.5% remains reasonable.

79. The PCC holds other specific earmarked reserves for specific risks and investments e.g. Insurance. The estimated level of reserves for these is reported in Appendix F.

80. The largest reserve is the Capital Development Reserve. This is required to finance the capital plan and is £3.817m on 31 March 2022. The table above shows this is forecast to be completely used by the end of March 2025. The need for this reserve is important to fund short life assets (such as ICT) as the capital strategy does not promote borrowing for short life assets.

81. All reserves are 'one-off' funds and can only be used for investments which do not have on-going revenue consequences, hence the need to identify medium term strategies when reserves are used to assist balancing the revenue budget.

PCC's Conclusion

82. The MTFs is a living document. It changes as information is received concerning costs, funding and service delivery requirements. The MTFs will be reviewed annually and is the cornerstone of the budget planning cycle.

83. It is expected that the Chief Constable will improve the efficiency in how he delivers policing. Depending on the funding provided there is likely to be a budgetary gap, it is expected that the Chief Constable will continue to identify ways in which he can close these gaps.

PCC for Wiltshire Medium Term Financial Plan

Scenario A- Grant 1.8% 2023/24, 1.5% 2024/25, then 1% and £15 Precept 2023/24 Only

Estimated Funding Available to the PCC

	2023/24	2024/25	2025/26	2026/27
	£million	£million	£million	£million
Police Grant/DCLG	70.657	71.717	72.434	73.158
Legacy Council Tax Grant	5.235	5.235	5.235	5.235
Total Central Funding	75.892	76.952	77.669	78.393
Council Tax Surplus	0.543	0.295	0.295	0.295
Precept	69.428	73.220	77.033	80.939
Reserve Contribution	0.000	0.000	0.000	0.000
Total Grant and Precept Funding	145.863	150.467	154.997	159.628
Investment Income	0.500	0.500	0.500	0.500
Total Income Available to PCC	146.363	150.967	155.497	160.128
Funding Increase	3.90%	3.15%	3.00%	2.98%
Central Funding Increase *	0.30%	1.40%	0.93%	0.93%
Band D Council Tax	256.27	266.27	276.27	286.27
Increase per Band D household	15.00	10.00	10.00	10.00

* Excludes Ringfenced Grants

Allocation of Funding

OPCC - Office Costs (Less inv inc)	3.591	3.687	3.775	3.856
OPCC - Capital Contribution	2.912	3.685	4.702	6.071
OPCC - Commissioning	1.802	1.850	1.895	1.936
OPCC - Shared Service allocation	33.609	34.507	35.330	36.094
OPCC - Chief Constable allocation	104.449	107.238	109.796	112.171
	146.363	150.967	155.497	160.128

OPCC Financial Plan

Scenario A- Grant 1.8% 2023/24, 1.5% 2024/25, then 1% and £15 Precept 2023/24 Only

	2023/24	2024/25	2025/26	2026/27
	£ millions	£ millions	£ millions	£ millions
Expenditure BFWD	8.469	8.305	9.222	10.371
Capital moved to Revenue	-0.441			
	8.028	8.305	9.222	10.371
<u>Unavoidable Cost Increases</u>				
Inflation	0.129	0.161	0.111	0.114
Spinepoint increases	0.008	0.008	0.008	0.008
Police Staff Pay - Additional 2% allowance	0.038	0.000	0.000	0.000
Police Staff Pay -Initial settlement	0.027	0.000	0.000	0.000
<u>Growth Requirements</u>				
Capital Changes	0.055	0.773	1.017	1.369
Legal Services	0.049	0.000	0.000	0.000
Commissioning Staff	0.110	0.000	0.000	0.000
<u>Cost Reductions</u>				
Total increases in Expenditure	0.416	0.942	1.136	1.491
Contributions to or from reserves				
Savings Required/Growth Available	-0.139	-0.025	0.013	0.000
New Requirement	8.305	9.222	10.371	11.863
<u>Inflation Assumptions</u>				
Employees - Officers	1.75%	3.00%	2.00%	2.00%
Utilities	100.00%	5.00%	5.00%	5.00%
Fuel	5.00%	5.00%	5.00%	5.00%
ICT	5.00%	5.00%	5.00%	5.00%
Other	3.00%	3.00%	2.00%	2.00%
Interest	3.00%	3.00%	2.00%	2.00%
Income	3.00%	3.00%	2.00%	2.00%

Shared Service Financial Plan

Scenario A- Grant 1.8% 2023/24, 1.5% 2024/25, then 1% and £15 Precept 2023/24 Only

	2023/24	2024/25	2025/26	2026/27
	£ millions	£ millions	£ millions	£ millions
Expenditure BFWD	31.783	33.609	34.507	35.330
Revenue funded from Capital	0.441			
	32.224	33.609	34.507	35.330
<u>Unavoidable Cost Increases</u>				
Inflation	1.890	1.176	0.966	0.996
Spinepoint increases	0.152	0.152	0.152	0.152
Police Officer pay inc to 5%	0.051	0.000	0.000	0.000
Police Staff Pay - Additional 2% allowance	0.242	0.000	0.000	0.000
Police Staff Pay -Initial settlement	0.171	0.000	0.000	0.000
Unidentified Policing Pressures	0.050	0.050	0.050	0.050
<u>Growth Requirements</u>				
ERP Development 0.5 x W7	0.016	0.000	0.000	0.000
Applications Infra. and Network Engineer	0.094	0.000	0.000	0.000
Cyber Security	0.152	0.000	0.000	0.000
L&D Staff increases post review	0.145	0.000	0.000	0.000
Increase in Infrastructure re Uplift pressures	0.125	0.125	0.000	0.000
<u>Cost Reductions</u>				
Reduction in Rent Allowance	-0.007	-0.004	0.000	0.000
Total increases in Expenditure	3.081	1.499	1.168	1.198
Contributions to or from reserves				
Savings Required/Growth Available	-1.696	-0.601	-0.345	-0.434
New Requirement	33.609	34.507	35.330	36.094
<u>Inflation Assumptions</u>				
Employees - Officers	1.75%	3.00%	2.00%	2.00%
Utilities	100.00%	5.00%	5.00%	5.00%
Fuel	5.00%	5.00%	5.00%	5.00%
ICT	5.00%	5.00%	5.00%	5.00%
Other	3.00%	3.00%	2.00%	2.00%
Interest	3.00%	3.00%	2.00%	2.00%
Income	3.00%	3.00%	2.00%	2.00%

The Chief Constable's Allocated Budget

Introduction

1. The 2023-24 plan has been produced in a difficult financial environment where Forces are aware there is minimum opportunity for growth and cashable reductions need to be made to balance the budget. The increasing costs occurring with high inflation are a concern.
2. This years Business Planning Process has concentrated on risk with an Organisational Risk Assessment (ORA) completed to identify where the biggest focus need to be. The ORA will now feed into the FMS (Force Management Statement) which is currently being drafted.
3. In addition to this we have focused effort on our officers and staff. With over 80% of the budget spent in this area the introduction of the Strategic Workforce Assessment is intended to ensure we get the most out of this resource.
4. In line with HMICFRS expectations the section on savings has been increased to show a high level plan as to how budgets can be balanced in future years.

Funding

5. The table below shows the funding the PCC is considering provided me in 2023-24 (based on a £15 Band D increase), these are shown in more detail in Appendix Bi. It also shows what 'direct' savings I need to deliver based on this however I note that I will need to save a larger proportion than this due to the inflationary pressures on Shared Services.

	2023-24	2024-25	2025-26	2026-27
CC allocation	£104.449m	£107.238m	£109.796m	£112.171m
Funding (gap)/surplus	(£1.274m)	(£1.275m)	(£1.003m)	(£0.508m)

Expenditure

6. In 2022-23 the PCC gave the CC a budget of £131.927m (including shared services). The table below shows how expenditure was planned when allocated according to the Police Objective Analysis (POA), the total includes capital of £xxxxm as per the national classification guidelines; - [TABLE TO COMPLETE]

	Officer FTE	Staff FTE	Total FTE	% of Staff	£m	% of Budget
Local Policing						
Dealing with the Public						
Criminal Justice						
Ops Support (inc RPU)						
Intelligence						
Investigations						
Public Protection						
National Policing						
Support Functions						
Cap Finance/Pensions						
Reserves/Commis.						

7. Each year the PCC and the Force review spending levels against other forces using national data and HMICFRS's Value for Money profiles. These profiles show our level of investment in policing and compares these against a national average and the average of similar forces. The 2021-22 profiles (*caveat - it should be noted that new profiles are expected in January 2023 and the profiles are based on data which could have changed*) show the following;
- Wiltshire are an outlier on many spending areas, the main reason for this being that the PCC has £12.390m less than forces in its MSG (Most Similar Group) to spend on policing. This results in most area spends being less than MSG.
 - There are 2 areas where spend is above MSG that is Roads Policing and Intelligence spend.
 - Compared to the MSG the workforce profile shows the following concern;
 - 276 less Police Officers
 - 42 more PCSOs
 - 102 more Police Staff
 - Overall 132 less workforce due to our low funding
 - Wiltshire's total Business Support spend is £2.106m lower than MSG, however it is the largest spender on Press/Media and Professional Standards in its MSG.
 - 9% of our Police Staff leave voluntarily which is the 3rd highest in the country
 - Wiltshire has the 10th highest long term sickness rate
8. This information will be used later in the document when considering what changes and savings are necessary.
9. Appendix Bi shows the cost increases and cost reductions expected to be faced by the CC over the next 4 years. These financial plans are based on pay inflation of 3% in 2023-24 eventually reducing to 2% in future years. This is in line with Home Office guidance suggesting that 2% is the inflation target in future years. It should be noted that with central government funding expected to increase by 1.5% in 2024-25 a pay

award of 3% will require savings to be made or, again, a larger portion of funding coming from the precept.

10. Within the unavoidable costs is the impact of the circa 5% pay award on Police Officers and Police Staff.
11. The budget requirement should be driven by risk and unavoidable costs. This has led to the following investments.
12. The introduction of Targeted Variable Payments (TVPs) and the increase in the CCC are required to attract officers and staff to undertake critical roles. TVPs have been mainly focused on Detectives ensuring they are rewarded in having the right skills levels and for undertaking complex and often difficult work. The VAWG Local Crime Investigators are the full funding of the teams agreed last year to focus on the important area of Violence against Women and Girls.
13. The ORA identified 2 critical areas which needed investment;
 - Bail Management – a risk was identified in the way custody dealt with the bailing of individuals and management of Voluntary Attendance. With changes to the Bail Act demand is increasing. It was considered that there was a risk to detainees and the general public in not managing this effectively hence it was agreed to increase staffing at a cost of £0.200m.
 - MASH investment – a risk was identified in the time available for MASH decision makers to review PPNs (Public Protection Notices) due to an increase in demand (volume of PPNs). The increase in staff at a cost of £0.284m will allow them 30 mins per PPN which is in line with other good performing forces and should reduce the risk of inaccurate gradings and as such leaving individuals at risk.
14. The largest investment is on Regional Collaborations (£0.700m). Whilst the final detail and agreements are yet to be confirmed there has been a significant need for investment in Forensics and the ROCU (Regional Organised Crime Unit).
15. The Forensics increase is £0.298m. £0.096m of this is to fund Wiltshire's part of a £0.703 investment in ICT to help efficiencies and ensure the stability of the ICT service. £0.053m is our contribution to 13 new officers who are focusing on submissions and ensuring the ISO Quality Standards are met. The remaining £0.149m is the cost of increased demand and more submissions to external providers alongside software and training increases.
16. The ROCU increase is £0.346m. This increase is due to the full year effect of officers being provided by the Uplift process. It also includes 50% of cost for a further 31 officers focused on Serious and Organised Crime. This will result in further, above inflation costs, in 2024-25 hence the allocation of £0.300m in that year.

The Workforce Assessment

17. Led by the Director of People and Change this is the first year a Workforce Assessment has been completed. Its purpose is to ensure we get the most productivity from our investment.

18. The areas reviewed in the assessment include;

- Workforce data - age, religion, ethnicity, gender.
- Workforce distribution – workforce mix and use of workforce
- Recruitment and Retention – leavers, cost of leavers, retention
- Skills – leadership training, detective resilience
- Sickness – levels and reasons

19. The document has also used information from the Value For Money profiles. The areas to be focused on following the assessment include;

- a) To focus on the workforce mix and where possible move back to more general Police Officers improving flexibility and experience whilst also looking at efficiency of recruitment and training.
- b) To review the Intelligence Department to consider whether an alignment of resources is required or to identify that it performs above standard and that the CC considers this level of investment to be appropriate
- c) To note that Roads Policing income levels are below standard and increase focus on delivering the business case made with the recent investment in Community Speed Watch.
- d) To note the current Police Staff Vacancy level and consider increasing it noting that at times in 2022-23 this has been at 10%.
- e) To improve focus on exit interviews to understand better why people leave in order to improve retention.
- f) To consider the introduction of performance pay for Police Staff, finders fees and development of job families as options to assist retention
- g) To improve focus on sickness, to look at options for management review and actions to increase productivity,

20. With this being the first year of the assessment it is believed that it can be further developed and become an important tool in assisting in the efficiency of the force.

Savings Plans

21. As identified throughout this paper and the PCCs MTFs due to inflationary increases it is not possible to hold each area to delivering its own savings this year. The table below summaries the savings required;

	2023-24	2024-25	2025-26	2026-27
OPCC	£0.139m	£0.025m	-£0.013m	-
Shared Services	£1.696m	£0.601m	£0.345m	£0.434m
CC	£1.274m	£1.275m	£1.003m	£0.508m
Total	£3.109m	£1.901m	£1.335m	£0.942m

22. Whilst in previous years we have focused on the oncoming year noting HMICFRS expectations this year we are identifying solutions and impacts across all years.
23. The table below identifies solutions to closing the gap. A number have been referred to previously i.e. Intelligence Expenditure above MSG, workforce mix, etc..

	2023-24	2024-25	2025-26	2026-27
ICT/Clothing Uplift Reduction	£0.240m			
Estates - Energy and Disposals	£0.100m	£0.050m	£0.050m	£0.050m
Procurement	£0.050m	£0.050m	£0.050m	£0.050m
Telematics	£0.050m	£0.075m		
CSW Income	£0.200m	£0.200m		
Police Services Income Incr.		£0.100m		
Legal 3rd party cost reduction	£0.050m	£0.050m		
LCI - 20 conv. to officers pa	£0.240m	£0.240m		
PCSO - 20 conv. to officers pa	£0.100m	£0.100m		
Pronto Productivity CCC (5 FTE)		£0.220m		
PCSO unsocial hrs budget adj	£0.046m			
Ill Health reduction	£0.172m			
Support Staff Pension Reval.	£0.404m			
Spinal Point Review (Officers)	£0.525m			
1% inc to Police Staff Vac Factor	£0.439m			
Intel reduction to MSG average	£0.219m			
Sup and Services Budget Red.	£0.033m	£0.016m	£0.035m	£0.042m
Strategic Support Officer Red.	£0.240m			
Staff Reduction required		£0.800m	£1.200m	£0.800m
Total Savings	£3.108m	£1.901m	£1.335m	£0.942m

24. The 2023-24 Savings plan has been reviewed by both OPCC and Force Senior Management and in principle received agreement. Further conversations will now take place surrounding delivering the longer term savings.
25. It should be noted that to deliver the 'Staff Reduction' savings will mean reducing headcount by 20 in both 2024-25 and 2026-27 and 30 in 2025-26. Whilst this activity is not required immediately the Chief Constable and PCC need to start to consider which areas establishment can be reduced or whether there is a need for reverse modernisation.
26. Appendix Bii shows the impact on staff and shows that if this was implemented the workforce mix would change meaning that Wiltshire Police were less of an outlier (as identified in the VFM profiles). This is highlighted by the table below;

Profile of Staff	2022-23	2023-24	2024-25	2025-26	2026-27
% Officers	49.3%	50.4%	52.7%	53.6%	54.1%
% Staff	45.6%	45.4%	43.8%	42.9%	42.4%
% PCSOs	5.2%	4.3%	3.5%	3.5%	3.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

27. During the period of the MTFs it is expected that efficiencies will be made surrounding air support. Currently £0.577m is contributed towards the National Policing Aviation Service (NPAS). It is expected that better effectiveness and lower costs will eventually

be delivered by the use of drones. As no certainty exists on when this will be deliverable it is currently not featured in the savings plan.

Conclusion

28. This paper identifies a plan to fund the inflationary pressures and improve capacity in areas with significant risk. With a £15 council tax increase savings of £3.108m for the group are required, a plan to deliver this is in place which I believe I can deliver.
29. Considering the risks, as Chief Constable, I am advising the PCC that any return available from the Council Tax be maximised to assist in the maintaining of local policing in Wiltshire in the future. This advice is in the knowledge that we are the 3rd lowest funded force in the country. Increasing the base funding each year is essential when considering future delivery plans.

Summary of Assumptions

- i. There will be no change in legacy Council Tax Grant (cash flat) over the period of the MTFS
- ii. General Central Grant funding increases are 1.5% in 2024-25 and 1% in future years.
- iii. Council Tax increases will be £10 from 2024-25
- iv. A small Council Tax Surplus will occur with risk cover from reserves in 2024-25.
- v. The Council Tax Base will increase by 1.5% in 2024-25 and 1.4% in 2025-26 and 2026-27 in line with national assumptions
- vi. General inflation will be 3% p.a. in 2024-25 then 2% from 2025-26
- vii. 3% pay inflation is allowed in 2024-25 then 2% each year from September 2022.
- viii. Investment income will be consistent at £0.500m p.a. over the period of the MTFS
- ix. A General Reserve level of 2.5% of budget and an Operational Reserve of 1% will remain appropriate across the period of the MTFS.

Chief Constables Financial Plan

Scenario A- Grant 1.8% 2023/24, 1.5% 2024/25, then 1% and £15 Precept 2023/24 Only

	2023/24	2024/25	2025/26	2026/27
	£ millions	£ millions	£ millions	£ millions
Expenditure BFWD	100.144	104.449	107.238	109.796
Reserve Funding from Previous Year				
	100.144	104.449	107.238	109.796
<u>Unavoidable Cost Increases</u>				
Inflation	1.808	3.192	2.240	2.296
Fixing of Specific Grants	0.064	0.064	0.064	0.064
Spinepoint Increases	0.590	0.640	1.085	0.640
Increase in Bank Holidays	0.000	0.000	0.092	0.183
Microsoft Costs	0.105	0.000	0.000	0.000
Police Officer pay inc to 5%	1.493	0.000	0.000	0.000
Police Staff Pay - Additional 2% allowance	0.702	0.000	0.000	0.000
Police Staff Pay -Initial settlement	0.447	0.000	0.000	0.000
Unidentified Policing Pressures	0.195	0.195	0.200	0.200
<u>Growth Requirements</u>				
Targeted Variable Payments (TVP)	0.200	0.010	0.000	0.000
CCC Starting Grade now W5	0.065	0.000	0.000	0.000
VAWG LCI (3 with 9 in future years)	0.318	0.000	0.000	0.000
VCT Supervision (5 PC's to SGT)	0.110	0.000	0.000	0.000
6 DO's - Niche Bail Mandated Increases	0.200	0.000	0.000	0.000
Increase Tutor Payments from £25 to £50	0.070	0.000	0.000	0.000
MASH Investment	0.284	0.000	0.000	0.000
Regional Collaborations	0.700	0.300	0.000	0.000
Salisbury Additional Officers	0.000	0.380	0.380	0.000
<u>Cost Reductions</u>				
Uplift Grant	-1.153	0.000	0.000	0.000
Reduction in Bank Holidays	-0.092	-0.183	0.000	0.000
In Year Spinal Impact of New Recruits	-0.500	-0.500	-0.500	-0.500
Reduction in Rent Allowance	-0.028	-0.033	0.000	0.000
Total increases in Expenditure	5.578	4.065	3.561	2.883
Contributions to or from reserves				
Savings Required/Growth Available	-1.274	-1.275	-1.003	-0.508
New Requirement	104.449	107.238	109.796	112.171
<u>Inflation Assumptions</u>				
Employees - Officers	1.75%	3.00%	2.00%	2.00%
Utilities	100.00%	5.00%	5.00%	5.00%
Fuel	5.00%	5.00%	5.00%	5.00%
ICT	5.00%	5.00%	5.00%	5.00%
Other	3.00%	3.00%	2.00%	2.00%
Interest	3.00%	3.00%	2.00%	2.00%
Income	3.00%	3.00%	2.00%	2.00%

Savings Plan Impact on staffing (FTE)

Officer Impact

	2023/24	2024/25	2025/26	2026/27
Numbers Brought forward	1,165	1,197	1,247	1,257
SB Officers to National Collaboration	-4			
Funding of 16 Ch Insp posts	-2			
L&D Review	1			
MASH decision makers	2			
Salisbury Officers		10	10	
LCI - 20 converted to officers p.a.	20	20		
PCSO - 20 converted to officers p.a.	20	20		
Strategic Support Officer Reduction	-5			
Total carried forward	1,197	1,247	1,257	1,257

Police Staff Impact

	2023/24	2024/25	2025/26	2026/27
Numbers Brought forward	1,078	1,078	1,035	1,005
In Year net changes	-2			
Funding of 16 Ch Insp posts	-3			
Cyber Security	2			
L&D Review	2			
VCT LCIs	9			
VA - Custody	7			
MASH decision makers	4			
Intake infrastructure	3	2		
LCI - 20 converted to officers p.a.	-20	-20		
Pronto Productivity CCC (5 FTE)		-5		
Intel Spend reduction to MSG average	-4			
Strategic Support Officer Reduction	2			
Staff reduction required		-20	-30	-20
Total carried forward	1,078	1,035	1,005	985

PCSO Impact

	2023/24	2024/25	2025/26	2026/27
Numbers Brought forward	122	102	82	82
PCSO - 20 converted to officers p.a.	-20	-20		
Total carried forward	102	82	82	82

Profile of Staffing	2022/23	2023/24	2024/25	2025/26	2026/27
Officers	1,165	1,197	1,247	1,257	1,257
Staff	1,078	1,078	1,035	1,005	985
PCSO	122	102	82	82	82
Total	2,365	2,377	2,364	2,344	2,324
Change		12	-13	-20	-20

Profile of Staffing	2022/23	2023/24	2024/25	2025/26	2026/27
% Officers	49.3%	50.4%	52.7%	53.6%	54.1%
% Staff	45.6%	45.4%	43.8%	42.9%	42.4%
% PCSO	5.2%	4.3%	3.5%	3.5%	3.5%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Wiltshire Police and Crime Commissioner

Capital Expenditure Plan

Financial Year >>>>>>	<i>bfwd</i> <i>£million</i>	<i>22/23</i> <i>£million</i>	<i>23/24</i> <i>£million</i>	<i>24/25</i> <i>£million</i>	<i>25/26</i> <i>£million</i>	<i>26/27</i> <i>£million</i>	<i>Cum</i>
Capital Financing Plan							
ESN Grant	0.493	0.493					0.493
Capital Development Reserve Used		1.045	0.487	2.285	0.000	-0.574	3.243
Capital Receipts Used		1.015	7.248	1.356	0.632	0.000	10.251
Borrowing	0.576	0.576	4.669	11.503	16.057	14.219	47.024
Additional Revenue Contribution		2.000					2.000
Revenue Cont. to Capital (as per MTFS)		2.766	2.821	3.306	3.614	3.994	16.501
Financing Plan		7.895	15.225	18.450	20.303	17.639	79.512
<u>Capital Funding Balances</u>							
Cap Development Reserve BFWD	3.817	3.817	2.772	2.285	0.000	0.000	
Cont to Capital Development Reserve						0.574	0.574
Cap Development Reserve Used		-1.045	-0.487	-2.285	0.000		-3.817
Cap Development Reserve CFWD	3.817	2.772	2.285	0.000	0.000	0.574	
Cap Receipts BFWD	0.000	0.000	0.000	0.000	0.000	0.000	
Cap Receipts Received		1.015	7.248	1.356	0.632	0.000	
Cap Receipts Used		-1.015	-7.248	-1.356	-0.632	0.000	-10.251
Cap Receipts CFWD	0.000	0.000	0.000	0.000	0.000	0.000	
Capital Expenditure (on a cashflow basis)							
Part A - Significant Estates Projects (Borrowing)							
Devizes HQ Phase 1 Ops and L&D *		0.200	0.800	8.600	8.700	7.500	25.800
Tidworth Hub	0.121	1.953	0.200				2.274
Southern Hub and Touchdowns *		0.000	4.327	2.903	7.357	3.484	18.071
Total Significant Estates Projects	0.121	2.153	5.327	11.503	16.057	10.984	46.145
Part B - Estates Refurbishment Projects							
CCC M&E Works *			0.250	0.250			0.500
CCTV HQ *			0.050	0.110	0.050		0.210
Environmental Projects (Boiler etc.) *		0.020	0.345	0.700	0.200		1.265
Fire Safety Bill Related works *		0.045	0.790	0.785	0.320		1.940
Boundary Maintenance Works *		0.010	0.210	0.120			0.340
Trowbridge Roof Maintenance	0.253						0.253
HQ L&D OST Impr. Plan	1.200	-0.500	0.500				1.200
SPR Estates Impr. Plan (in reserves)	0.000						0.000
Melksham Custody and Office Refurb	0.045	0.200	3.051				3.296
Total Estates Refurbishment Projects	1.498	-0.225	5.196	1.965	0.570	0.000	9.004
Part C - Equipment and Fleet Repl. Prog.							
Vehicle Fleet	0.518	1.159	1.329	1.185	1.209	1.233	6.633
Operational Equipment (Taser etc.)	0.127	0.100	0.216	0.100	0.100	0.100	0.743
Total Equipment and Fleet Prog.	0.645	1.259	1.545	1.285	1.309	1.333	7.376
Part D - Long Term ICT Projects (Borrowing)							
ESMCP						3.235	3.235
Total Long Term ICT Projects	0.000	0.000	0.000	0.000	0.000	3.235	3.235
Part E - Short Term ICT Projects							
Computer Laptops, Tablets	0.171	0.089	1.430	1.430	0.343	0.130	3.593
Systems Upgrades *		0.000	0.159	0.075	1.000	1.000	2.234
Storage			0.045	0.045			0.090
Avaya 999/101 upgrade	0.282	0.300					0.582
Desktops (5 yr prog)		0.046			0.240		0.286
Network Upgrades *		0.416	0.130	0.300			0.846
Telephony			0.040				0.040
ANPR Cameras Fixed		0.125	0.206	0.205			0.536
ANPR Cameras Vehicles				0.084	0.384	0.084	0.552
Smartphone Replacement Programme	0.079			0.350	0.350		0.779
Business Intel. Tools *				0.250			0.250
New DEAMS allocation *				0.500			0.500
DIR replacements			0.150				0.150
BWV refresh				0.408			0.408
Radio Refresh - handsets	0.130		0.354			0.523	1.007
Radio Refresh - vehicle sets			0.050	0.050	0.050	0.050	0.200
ESN Grant funded	-0.038	0.531					0.493
ERP	0.082						0.082
DFU Servers	0.157		0.593				0.750
Alarms	0.074						0.074
Mobile Application						0.300	0.300
Total Short Term ICT Programme	0.937	1.507	3.157	3.697	2.367	2.087	13.752
Total Exp (Parts A, B, C, D and E)	3.201	4.694	15.225	18.450	20.303	17.639	79.512
Financing Plan		-7.895	-15.225	-18.450	-20.303	-17.639	-79.512
Balance		0.000	0.000	0.000	0.000	0.000	0.000



The Police and Crime Commissioners Capital Financing Strategy (December 2022 v3)

Purpose

1. This document reviews the current way that the Police and Crime Commissioner (PCC) has financed capital expenditure and then looks forward to how future capital spends can be financed.
2. The document relies on high level estimates for capital spending over the next 8 years and considers the PCC's and Chief Constables desire to provide staff with fit for purpose technology and modern estate to improve productivity.
3. CIPFA's Prudential Code sets the boundaries for capital financing. Legal duties exist and have been considered in this document.
4. The Capital Financing Strategy must consider the Medium Term Financial Strategy (MTFS). The availability of revenue finances to fund capital costs now and in the future is critical.
5. The proposals from this report will impact the Treasury Management Strategy, this will be revised in light of this document.

Background

6. In recent years the reason for capital expenditure has shifted towards ICT from Estates. These are short life assets (less than 5 years predicted life) such as laptops and body worn video cameras. To ensure efficiency and effectiveness these assets need a clear life cycle replacement programme with associated financial planning.
7. The Capital Development Reserve has been used to supplement reducing general capital grant and low revenue contributions. However this reserve is reducing and cannot be relied on in the medium to long term. The removal of general capital grant in 2022-23 increases the problem.
8. Whilst a new Estates Strategy has yet to be formally agreed there has been a change in direction from the new PCC, this has impacted the capital financing strategy (different levels of expenditure and changes to the capital receipts received). The inclusion of £18m in this strategy for a Southern Hub is an example of the change.

9. Receipts from surplus estate will be used to contribute to the capital plan. However this will not cover the full costs of replacement facilities and the proposed developments to deliver the Estates strategy.
10. The PCC's long term contract surrounding the provision of Estate in Swindon is a PFI. The capital element of Private Finance Initiatives (PFI's) need to be considered within the capital strategy. In accounting terms, this constitutes a long term liability which is essentially a form of borrowing.

Police and Crime Plan

11. A new Police and Crime Plan has been produced. Within this the 2 comments below surrounding 'Giving the Police the right tools for the job' will impact the Capital Financing Strategy;
 - *Design the police estate to deliver operationally. Building a new police site at Tidworth and developing new police estate in Salisbury and Devizes HQ in a new Estates Strategy.*
 - *Invest £16m, by 2025, in the digital and ICT capability of Wiltshire Police in order to enhance operational delivery, deliver a more visible policing presence in our communities and to increase police officers, staff and volunteers' ability to engage with the public*
12. In addition to the Police and Crime Plan, the Force Management Statement provides detailed analysis of anticipated demands on policing and estates requirements.

Future Capital Plan

13. High level capital expenditure plans have been produced. The most significant area of spend and uncertainty surrounds Estates. In line with the Estates Strategy all facilities have been reviewed. To make the estate compliant to the strategy costs of £73.794m are forecast (Appendix A) with capital receipts of £10.791m estimated.
14. A sizable amount of the expenditure (£44.3m) is for the redevelopment of Police HQ in Devizes. This contains a number of specialist and support facilities which are approaching the end of their serviceable life. This is a long term programme split into 4 phases which prioritises organisational need and ensures service disruption is minimised. The masterplan has been developed flexibly to allow phasing to be independent yet complimentary. The PCC has agreed the overall strategy to develop the HQ site and initial planning work is occurring.
15. It is possible to deliver phase 1 (£17.8m) and not proceed with the rest of the redevelopment. Phase 1 provides a fit for purpose training facility and an operations building. This would enable Devizes Operations to move from Devizes Borough providing a possible capital receipt whilst prioritising the facilities in greatest need of improvement. This would not be live until 2025-26. Due to the delay in provision of an improved training facility the PCC and CC has requested that the current facilities be invested in. £1.2m of this cost is included within the capital plan. A further £0.5m is included in reserves to finance Audio Visual and improvement work in the training delivery rooms.

16. The PCC has also announced that the current shared facility in Salisbury is not fit for purpose. Options have been considered alongside the business requirement. This Strategy includes £18m for a large southern hub and touchdowns. This figure does not include the provision of a custody unit. Operational advice suggests this is not required and would not offer value for money. During the next 12 months further work will occur which will lead to firmer costs for planning purposes.
17. Known improvement projects on the Estate have been included in the strategy. Examples of this are £1.265m for Environmental Projects and £1.940m for the Fire Safety Bill. Detailed plans of expenditure and their benefits will be produced before these capital projects are approved.
18. The ICT capital expenditure plan is now produced as part of the Digital, Data and Technology (DDaT) strategy. ICT managers have looked ahead to forecast costs up to 2024-25, this has been utilised for the whole period of this strategy. Due to the length of the strategy and the speed in which technology changes there are many unknowns. To acknowledge this £1m has been included in every year from 2025-26 for Infrastructure. Plans will need to be submitted before projects utilising these funds are approved. The total cost over the 8 years is £25.798m (reported in Appendix B).
19. Within Appendix B is also the Vehicles and Operational Equipment plan, this is forecast at a cost of £11.5m over the 8 years.
20. A summary of the full requirement (in millions) is shown below;

	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	Total
Est Invest	3.472	8.878	11.503	16.057	10.984	11.645	6.800	0.200	69.539
Est Improv	0.075	1.645	1.965	0.570	0.000	0.000	0.000	0.000	4.255
ICT	2.444	3.157	3.697	2.367	5.322	2.022	3.689	3.120	25.798
V&E	1.904	1.545	1.285	1.309	1.333	1.358	1.383	1.409	11.526
Total	7.895	15.225	18.450	20.303	17.639	15.005	11.872	4.729	111.118
Cumul.	7.895	23.120	41.570	61.873	79.512	94.517	106.389	111.118	

Capital Funding Strategy

21. The PCC has adopted the Prudential Code for Capital Finance in Local Authorities. The Code states that the PCC will make reasonable estimates of the total capital financing requirement at the end of each year. The objective of the Code is to *‘ensure within a clear framework, that the capital expenditure plans of local authorities (including PCCs) are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved and how these risks will be managed to levels that are acceptable to the organisation’*.
22. In considering the affordability of the capital plans the PCC is required to consider all of the resources currently available and estimated for the future, together with the totality of the capital plans and income and expenditure forecasts. This is considered in the annual Treasury Management strategy (TMS). The TMS will also include details surrounding authorised and operational borrowing limits and controls surrounding investment decisions. It will also include information on the expert advice received to ensure effective but prudent management of resources.

23. The sources of funding available to the PCC to finance capital expenditure are:

- Capital Grant
An annual capital grant has been received from the Home Office in prior years however from 2022-23 this has been removed with PCCs expected to allocate funds for capital expenditure from general revenue grant.
- Revenue Budget
A contribution is made each year from the revenue budget to fund capital expenditure. For 2023-24 the budget is £2.857m. In addition the PFI unitary payment is financed via revenue. The unitary payment will include an amount for interest and capital repayment. In 2022-23 a underspend is forecast, it is planned to transfer £2.000m of this to the Capital Plan to remove the need for borrowing in 2022-23.
- The Capital Development Reserve
Reserves have been set aside to fund capital costs, the level of this reserve is shown in the PCC's Reserves Strategy.
- Capital Receipts
Funds from the sale of assets. Achieved post Acquisition and Disposal Board review to ensure appropriate community consultation and VFM.
- Borrowing
The PCC has the ability to borrow to fund capital expenditure, provided controls on affordability, sustainability and prudence are met. Borrowing can only be for capital purposes, and must be within the limits agreed in the Treasury Management Strategy. Borrowing will usually be applied to long term capital expenditure. In 2019-20 and 2020-21 the PCC has borrowed £1.930m, taking a 30 year loan towards financing the replacement station at Warminster. At the 31 March 2022 £0.576m of this remained unallocated this will be utilised to finance capital in 2022-23 however no new borrowing is planned in 2022-23.

24. In line with the Prudential Code we have undertaken work on preparing the Liability Benchmark. This considers the use of internal borrowing vs external borrowing to fund capital. This will be further considered in next year's Treasury Management Strategy when decisions on borrowing will need to be made.

25. The Estates strategy and increased ICT demands require a plan to be produced to finance this increased capital requirement. This plan is based on the following assumptions;

- ICT assets with a life of over 7 years will be funded by borrowing over 7 years
- Significant Investments (new sites or major redevelopments) in Estates will be funded by borrowing over 30 years, or capital receipts if the plan allows
- Specific Grants will be used for funding capital in line with the grant
- All other capital expenditure will be funded by a mixture of general grant, revenue contributions to capital and capital receipts.

26. Since 2019-20 the Capital Financing Strategy has identified a plan for the extended period and proposed an increase in both revenue contributions and the use of borrowing. This requirement continues in this strategy.

27. With every pound of borrowing a liability arises. In line with the Prudential Code and good financial practice revenue funds needs to be set aside over the life of the asset to finance the capital and interest. The plan smooths the increased revenue costs over the period with a small contingency of £0.799m for additional expenditure in later years (this is the planned balance held in the Capital Development Reserve at March 2030).

28. The table below shows how it is planned to finance the capital expenditure;

	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30	Total
Current RCCO	2.766	2.821	2.877	2.935	2.994	3.054	3.115	3.177	23.799
22-23 Additional RCCO	2.000								3.000
New RCCO			0.429	0.679	1.000	1.250	1.500	1.750	6.608
Sp Grant	0.493								0.493
Borrow	0.576	4.669	11.503	16.057	14.219	10.645	6.800	0.000	64.469
Cap Rec Used	1.015	7.248	1.356	0.632	0.000	0.540	0.000	0.000	10.791
Cap Dev Reserve	1.045	0.487	2.285		-0.574	-0.484	0.457	-0.198	3.018
Total Inc	7.895	15.225	18.450	20.303	17.639	15.005	11.872	4.729	111.118
Cum Inc	7.895	23.120	41.570	61.873	79.512	94.517	106.389	111.118	
Cum Exp	7.895	23.120	41.570	61.873	79.512	94.517	106.389	111.118	
Balance	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	

Revenue Implications of Capital Investment

29. To implement this plan additional revenue costs will be required over the 8 years (for both RCCO and to pay back borrowing costs). The table below shows the increase required per annum in the MTFs. The one off 2022-23 underspend transfer is excluded from this table.

	22-23	23-24	24-25	25-26	26-27	27-28	28-29	29-30
Current RCCO	2.766	2.821	2.877	2.935	2.994	3.054	3.115	3.177
Additional RCCO			0.429	0.679	1.000	1.250	1.500	1.750
Cost of Borrowing	0.091	0.091	0.379	1.087	2.076	3.297	3.953	4.372
Total	2.857	2.912	3.685	4.701	6.070	7.601	8.568	9.299
Inc P.A.		0.055	0.773	1.017	1.369	1.531	0.967	0.731

30. The table above is based on borrowing advice provided by Link, our Treasury Management Experts. The interest rates used are those currently available - 4.53% for borrowing over 30 years (last year 1.98%) and 4.26% for borrowing over 7 years (last year 1.74%) . These will change as highlighted by the difference in the rates now and 12 months ago. They will only be finalised when the borrowing is taken out. The rates will influence borrowing decisions. In 2022-23 due to the instability in the markets we are not proposing to take out any further borrowing.

31. The Estates strategy and capital financing strategy are flexible. As an example, if the PCC did not wish to proceed with phases 2 to 4 of the HQ redevelopment plan (£26.5m) the cost of borrowing would drop by £1.632m per annum.

Risk and Risk Appetite

32. This capital strategy is for an 8 year period. This extended length of time is necessary to understand the long term implications of current decisions. This is to enable the PCC and Chief Constable to consider the long term position, the 'going concern' concept and allow advice from the CFO to meet the prudential code.
33. Over the 8 year period there are factors, both internal and external, that will significantly affect the capital programme and the ability of the PCC to finance the programme. The main risks identified are:
- Costs and timelines for significant projects may change
 - Government spending reviews may impact finances available
 - The Estates Strategy may change reducing the premises available for sale
 - The market for excess estate may drop reducing sale values
 - The changing demand for police services may lead to more or less projects
 - Pace of technological change may require further ICT costs
 - Replacement of technology, items become obsolete quicker
 - Uncertainty relating to external borrowing costs
 - Change in PCC priorities impacting the capital plan
34. The risks above are being managed with mitigation in place. There are currently no significant risks relating to the Capital Strategy on the Corporate Risk Register. These risks are reviewed as part of the Annual Governance Statement.
35. The Prudential code helps acknowledge risk in the amount of revenue required to service capital expenditure. In 2022-23 this is 1.9% of net revenue expenditure. Assuming the total budget rises to £160m by 2029-30 5.8% of the total budget would be required to finance capital.
36. The capital receipt sale value risk is partly mitigated by only including 80% of the valuation in the plan. The receipt of the sale value has also been delayed by 6 months in the plan.
37. This approach provides flexibility and considers decision points for PCCs, linked to the election cycle. This will enable robust planning and estates risks to be managed to a sustainable plan, but recognises the long term nature of delivering this plan. It allows flexibility for future PCCs and Chief Constables as direction and requirement develop.
38. As the most significant project in the estates strategy, the Devizes HQ redevelopment significantly affects this strategy. A high level masterplan has been produced based on estates strategy parameters.

Recommendation

39. The PCC is recommended to agree the high level strategy and include the increased revenue costs in the MTFS.

Clive Barker

Chief Finance Officer to the Police and Crime Commissioner

December 2022

Estates Review - December 2022

Appendix A

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
L&D Refurb at HQ	0.700	0.500							1.200
Devizes HQ - P1 T&Ops	0.200	0.800	8.600	8.200					17.800
Devizes HQ - P2 Admin				0.500	7.500	1.500			9.500
Devizes HQ - P3 F&S						10.000	2.800		12.800
Devizes HQ - P4/5 CP&D							4.000	0.200	4.200
Melksham Custody and Off	0.245	3.051							3.296
Trowbridge	0.253								0.253
Tidworth Campus	2.074	0.200							2.274
Southern Police Hub		4.327	2.903	6.532	3.484	0.145			17.391
Salisb Touchdown				0.475					0.475
Amesbury Touchdown				0.350					0.350
Estates Investments	3.472	8.878	11.503	16.057	10.984	11.645	6.800	0.200	69.539
Minor Works/Prog Maint									0.000
CCC M&E Work		0.250	0.250						0.500
CCTV HQ		0.050	0.110	0.050					0.210
Environmental Projects	0.020	0.345	0.700	0.200					1.265
Fire Safety Bill Related Works	0.045	0.790	0.785	0.320					1.940
Boundary Maint Works	0.010	0.210	0.120						0.340
Estates Improvements	0.075	1.645	1.965	0.570	0.000	0.000	0.000	0.000	4.255
Total	3.547	10.523	13.468	16.627	10.984	11.645	6.800	0.200	73.794

ICT Review - December 2022

Appendix B

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Computer Laptops, etc.	0.260	1.430	1.430	0.343	0.130	0.260	1.430	1.430	6.713
Monitors (now revenue)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Systems Dev (now revenue)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Storage		0.045	0.045						0.090
Networks	0.416	0.130	0.300						0.846
Radio Refresh - handsets	0.130	0.354			0.523				1.007
Radio Refresh - veh		0.050	0.050	0.050	0.050	0.050	0.050	0.050	0.350
SmartPhone Replacement Prog	0.079		0.350	0.350			0.350	0.350	1.479
Business Intel Tools			0.250						0.250
BWVC			0.408			0.408			0.816
Replacement DIRs		0.150					0.150		0.300
DEAMS system			0.500						0.500
DFU servers (prev Hi Tech CU)	0.157	0.593					0.500		1.250
Alarms	0.074								0.074
Mobile Working					0.300	0.200			0.500
Avaya 999 upgrade	0.582								0.582
Telephony		0.040							0.040
Desktops 5 yr repl	0.046			0.240					0.286
ANPR Cameras - fixed	0.125	0.206	0.205				0.125	0.206	0.867
ANPR Cameras - veh			0.084	0.384	0.084	0.084	0.084	0.084	0.804
Infrastructure Req	0.000	0.159	0.075	1.000	1.000	1.000	1.000	1.000	5.234
Replacement ICT costs	1.869	3.157	3.697	2.367	2.087	2.002	3.689	3.120	21.988
ESN (Grant funded) cortex etc	0.493								0.493
ICT Grant Funded	0.493	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.493
ERP	0.082								0.082
ESMCP					3.235				3.235
Systems >£500k	0.082	0.000	0.000	0.000	3.235	0.000	0.000	0.000	3.317
Total	2.444	3.157	3.697	2.367	5.322	2.002	3.689	3.120	25.798

Vehicles and Equip Review - 2022

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	Total
Vehicles	1.677	1.329	1.185	1.209	1.233	1.258	1.283	1.309	10.483
Op Equipment	0.227	0.216	0.100	0.100	0.100	0.100	0.100	0.100	1.043
Total Replacement	1.904	1.545	1.285	1.309	1.333	1.358	1.383	1.409	11.526

RESERVES AND PROVISIONS POLICY (updated Dec 2022)

Purpose

1. This policy sets out how the Police and Crime Commissioner (PCC), in association with the Chief Constable (CC), will determine and review the level of usable and unusable Reserves and Provisions. This version provides further information in line with recent Home Office guidelines.
2. The PCC is required to maintain adequate financial reserves to meet the needs of the organisation. The PCC's Chief Financial Officer (here on known as the Treasurer) has a legal duty to local taxpayers and must be satisfied that the decisions taken on balances and reserves represent proper stewardship of public funds.
3. The optimisation of reserves is an important part of medium term planning. Reserves are a potential source of funding for pump priming initiatives and also can cover the consequences of risks which may materialise. The Treasurer has to take account of the strategic, operational and financial risks facing Wiltshire Police in assessing the adequacy of reserves when setting the budget.
4. Reserves may either be earmarked for particular purposes or held as a general sum as a matter of prudence to cover unforeseen expenditure. Reserves are defined by CIPFA as:

“Amounts set aside for purposes falling outside the definition of provisions should be considered as reserves, and transfers to and from them should be distinguished from service expenditure disclosed in the Statement of Accounts. Expenditure should not be charged direct to any reserve. For each reserve established, the purpose, usage and the basis of transactions should be clearly identified. Reserves include earmarked reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management.”

5. This policy will take into account the latest guidance and regulation on the use and management of reserves and balances. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code', states that, for each reserve established, the purpose, nature and basis of transactions should be identified. The policy will also take into account comments from central government surrounding improving transparency surrounding reserves.
6. CIPFA's Prudential Code requires Chief Financial Officers in PCC's to have full regard to affordability when making recommendations about the local authority's future capital programme. The requirement for three year revenue forecasts across

local authorities, coupled with three year grant settlements ensures there is a focus on the levels and application of local balances and reserves.

Managing Reserves – Principles

7. Reserves held are either usable or unusable.
8. When reviewing their medium term financial plans and preparing their annual budgets PCC's should consider the establishment and maintenance of the General Reserve, this assists in providing;
 - ❖ a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing;
 - ❖ a contingency to cushion the impact of unexpected events or emergencies;
9. Other reserves classified as 'usable' exist for specific 'earmarked' purposes.
10. Unusable reserves may also be held. These arise out of the interaction of legislation and proper accounting practice. These 'unusable' reserves are not resource-backed and cannot be used for any other purpose.
11. Transfers to and from reserves will be made in accordance with financial regulations.
12. The Treasurer will comment on the adequacy and use of Reserves as part of the annual budget setting process.

Types of Reserves

13. In addition to the PCC's **General Reserve** and the Chief Constable's **Operational Reserve** Wiltshire Police will hold usable reserves for the following purposes:
 - **General Contingency** - reserves required to meet other expenditure needs held in accordance with sound principals of good financial management. This will include specific reserves held for partnership purposes which may include funding provided by partners to help achieve a specific purpose.
 - **Projects and Programmes** - reserves held to fund investments in programmes in line with the Police and Crime Plan. This will include the Capital Development Reserve which is critical in the funding of the on-going capital plan. These are all required during the life of the MTFs. This will include specific reserves held for partnership purposes which may include funding provided by partners to help achieve a specific purpose.
14. Unusable reserves, which are not resource-backed and cannot be used for any other purpose, are described below:
 - **Asset Adjustment** - reserves to account for the losses or gains on assets through revaluation or timing differences

- **Pensions** - carries the future liability for post employment benefits in accordance with statutory provisions.
- **Statutory adjustments** - reserves to adjust between costs recognised in the general fund balance and statutory arrangements.

15. For each reserve there should be a clear protocol setting out the reason for/purpose of the reserve. When establishing reserves PCC's need to ensure that they are complying with the CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom known as 'The Code' and in particular the need to distinguish between reserves and provisions. Annex A identifies the reason for each reserve, how the level of the reserve has been set and whether there is a contractual obligation. Annex B shows the current level of funding set aside for each reserve and the plan for use over 3 years.

Building Reserves

16. The General Reserve will change each year with the transfer of year end surpluses or deficits to this reserve. This reserve will be set in line with the Treasurers view which will take into account issues such as the current and future financial climate. The Treasurers current view is that the target for this reserve should equate to 2.5% of the CC budget. It is expected that variations in year will be dealt with by a transfer to or from an investment reserve. This transfer will be recommended at year end as part of the closure of accounts process and will need to be approved by the PCC.

17. Earmarked reserves and other specific reserves will be established or removed on a 'needs basis', in line with planned or anticipated requirements set out in the Police and Crime Plan, Medium Term Financial Strategy and Financial Regulations.

18. The current financial landscape demands that significant savings need to be made in order to deliver a sustainable budget. It is prudent to have reserve levels to provide a buffer or a safeguard during uncertain times. It is also important to maintain sufficient reserves to provide additional capacity for discretionary use to smooth the introduction of savings.

Quantifying the Reserves Requirement

19. The requirement for financial reserves is acknowledged in statute. Sections 32 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.

20. This means that the minimum prudent level of reserves is a matter of judgement rather than prescription. Neither CIPFA nor statute sets a minimum level of reserves. In determining the level and type of reserves, the PCC has to take into account relevant local circumstances and the advice of the CC and CC's Chief Financial Officer to make a reasoned judgement on the appropriate level of its reserves.

21. The Treasurer, with input from the CC's Chief Financial Officer, will adopt a risk based approach in determining the appropriate level of reserves and balances in

order to support strategic priorities over the short, medium and long term and the need to maintain financial sustainability.

22. The Local Government Act 2003 requires the Treasurer to report on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides as part of the annual budget setting process.
23. For the purposes of this Policy, it is the responsibility of the Treasurer, to advise the PCC on the type and level of Reserves to be held.
24. The Treasurer should consider most if not all of the factors shown in the table below when determining the level of Reserves as part of budget setting.

Budget assumptions	Financial standing and Management
The outlook for inflation and interest rates.	The overall financial standing of Wiltshire Police (level of borrowing, debt, etc.)
The availability of other funds to deal with major contingencies and the adequacy of provisions.	Wiltshire Police's track record in budget and financial management including the robustness of its medium-term plans
Estimates of the level and timing of capital receipts.	Wiltshire Police's capacity to manage in-year or temporary budget pressures.
The potential range of costs of demand-led services.	The strength of the financial information and reporting arrangements.
Planned efficiency savings/ productivity gains.	Wiltshire Police's end of year procedures in relation to budget under/overspends.
The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments.	The adequacy of Wiltshire Police's insurance arrangements to cover major unforeseen risks.

25. The proposed use of reserves and balances to deliver a sustainable budget will form part of the budget process.

Application of Reserves

26. Use of the General Reserve is limited to the following purposes:

- ❖ to protect Wiltshire Police from financial risks and
- ❖ provide a working balance to help cushion the impact of uneven cash flows e.g. Precepts;
- ❖ planned non-recurrent funding to ensure a balanced budget is set, with the expectation that a plan will be produced to resolve the deficit and build the reserve up to its recommended level.

27. **Earmarked Reserves** should be available to meet or support a range of specific requirements, including:

- ❖ capital or asset purchases
- ❖ major change management initiatives
- ❖ fixed term projects and other one-off spend

- ❖ exceptional operational expenditure
- ❖ 'Spend to save' and 'pump priming' initiatives
- ❖ managing cross-financial year flexibility

Monitoring and reporting Reserves

28. The forecast level and usage of reserves will be formally approved by the PCC, as part of the Financial Strategy, advised by the Chief Financial Officers and Chief Constable.
29. The proposed use of reserves and balances to deliver a sustainable budget must be included as part of the budget process to the PCC.
30. Unusable reserves are managed as part of accounting policies, specified in the Statement of Accounts which is approved by the PCC.
31. The PCC is the owner of all reserves. All reserves will sit on the PCC's Balance Sheet.

Provisions

32. A provision is recognised in the accounts when a liability has been identified that is of uncertain timing or amount which is to be settled by the transfer of economic benefits.
33. Accounting arrangements for provisions are included in IAS 37 – Provisions, Contingent liabilities and Contingent assets. Further guidance is included in IPAS 19 - Provisions, Contingent liabilities and Contingent assets.
34. A provision should be created when there is a present obligation (legal or constructive) as a result of a past event. Or it is probable that a transfer of economic benefits will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation. Unless these conditions are met, no provision shall be recognised.
35. Provisions may be required for some civil and motor claims. There is a need to split the claims between a provision on the balance sheet for the cost of claims received and outstanding; and funds held in the reserve to cover claims incurred but not received or quantified. Costs surrounding claims that have been reported and assessed will be carried as a financial provision whilst incidents where no claim has yet been made, would be covered by the insurance reserve. The level of the provision will be determined annually at year end with assistance from solicitors on the valuation of claims.

Wiltshire Police Reserves

Usable Reserves

Reserve	Justification
HO Heading – General Contingency, held in accordance with sound principles of good financial management	
General Reserve	Funding set aside to cover the major risks involved with running a £140m Policing business. Currently set at 2.5% of the Budget Requirement.
Chief Constables (CC) Operational Reserve	In line with the financial code of practice CC should have a contingency available for operational activities without the need for additional approvals. Set at 1.0% of the CC Budget Requirement
Insurance Reserve	Provides cover for a one-off increase in claims in the knowledge that significant excess levels exist with current insurances. Maintained at £0.400m in line with current claims history
Seized Asset Reserve (Incentivisation)	The budget requires £192,000 of income per year to finance financial investigators undertaking this work. This reserve 'smooths' out variances across years on returns reducing risk. The level of the reserve is to a maximum of 1 yrs budget
Ill Health Reserve	For each Ill Health retirement agreed a payment of approximately £75,000 - £80,000 has to be made to the Home Office. This reserve 'smooths' out variances across years noting the low level of 'standard' budget in place.
Major Incident Reserve	The Home Office will fund costs in excess of 1% of the budget leaving the first 1% requiring local funding. 2 incidents are currently being managed which are likely to need local funding.
Council Tax Support Grant	Revenue Funding has been provided to precepting authorities to smooth the implications of lower receipts due to the pandemic. This fund covers a one off drop in the surplus in future years.
Coronation Bank Holiday Reserve	This reserve will fund one off costs, mainly overtime, occurring due to the additional Bank Holiday.
Inflation Risk Reserve	2022 has seen inflation levels of circa 10%. Inflation of 5% has been built into pay budgets and 100% on energy There is a concern that budgets have not increased enough hence the reserve to cover short term risk.
HO Heading – Projects and Programmes (to be used over the life of the Medium Term Financial Strategy)	
Capital Development Reserve	Funding set aside to assist in the financing of capital to reduce the organisations need to borrow.
Training Facility Reserve	Funds set aside to refresh the L&D Delivery Training Rooms with new Audio Visual Equipment and an improved learning environment.
Budget Smoothing Reserve	Funds any unplanned shortfalls in savings resulting from timing issues in delivering savings.

Commissioning Reserve	Funds carried forward from previous years to be used for commissioning work in line with the Police and Crime Plan.
Estates Transformation Reserve	Work has been requested from property advisors to help maximise returns from estates changes. This pump primes the initiative.
Melksham Custody Reserve	In 2023 Melksham Custody will be closed for a refurbishment. This reserve will fund overtime and mileage costs involved with providing this custody service from Gablecross
Tactical Command Centre	With a number of large scale operations occurring in the county in future years it is important that the Command Room in the CCC is fit for purpose. This reserve will fund the changes required.
Transformation Reserve	This money is available to pump prime transformation. It can be used on specific area reviews or funding costs resulting from transformation.
SPR Project	Issues exist with the retention and disposal of evidence, this fund will pay for a 3 year project to improve the management of assets and reduce the current holding.
IOM Reserve	Partnership funding provided to specifically improve Offender Management in a collaborative setting.
Investigation Standards Reserve	HMICFRS reports identify that the Force needs to improve its Investigation Standards. This reserve will finance bringing in experienced Investigators to help develop and improve skills.
ERP Employee Lifecycle Reserve	This is a 2 year fund required to map out and improve HR processes to ensure that the workflow in the ERP system is in line with them. This will allow the ERP system to be more effective and efficient.
Sustainability Projects	This is a fund set aside to do adhoc work to reduce our carbon footprint. Uses will include PV panels on stations and other initiatives in line with the PCCs strategy.
Equipment Reserve	Funding set aside for operational equipment.
Regional Projects Reserve	In line with Government guidelines Wiltshire have worked with other Forces on collaboration projects to increase efficiency and effectiveness. This fund finances one off and time limited costs
MAPPA Reserve	This receives funds from the partners in the Multi Agency Public Protection arena and is spent in line with Board decisions.
Local Resilience Forum	This receives funds from the partners in the Local Resilience Forum and is spent in line with Board decisions.

Wiltshire Police Reserves

Usable Reserves

Reserve	Actual March 2022	Forecast March 2023	Forecast March 2024	Forecast March 2025
HO Heading – General Contingency, held in accordance with sound principles of good financial management				
General Reserve	£3.538m	£3.617m	£3.617m	£3.617m
Chief Constables Operational Reserve	£1.343m	£1.368m	£1.368m	£1.368m
Insurance Reserve	£0.400m	£0.400m	£0.400m	£0.400m
Seized Asset Reserve (Incentivisation)	£0.192m	£0.192m	£0.142m	£0.092m
Ill Health Reserve	£0.385m	£0.400m	£0.240m	£0.160m
Major Incident Reserve	£1.693m	£1.693m	£1.193m	£0.693m
Inflation Risk Reserve		£0.500m	£0.150m	
Coronation Bank Holiday Res		£0.184m		
Council Tax Support Grant	£0.295m	£0.295m		
Officer Intake Strategy	£0.280m			
HO Heading – Projects and Programmes (to be used over the life of the Medium Term Financial Strategy)				
Capital Development Reserve	£3.817m	£2.772m	£2.285m	
Budget Smoothing Reserve	£0.200m	£0.191m	£0.191m	£0.191m
Commissioning Reserve	£0.130m			
Cyber Security Reserve	£0.200m			
Estates Transformation Reserve	£0.100m	£0.050m		
Equipment Reserve	£0.140m			
Regional Projects Reserve	£0.082m	£0.324m		
Tactical Command Centre		£0.070m		
Melksham Custody Refurb		£0.353m		
NEP Transition Reserve	£0.112m			
Training Facility Reserve		£0.525m		
Transformation Reserve	£1.266m	£0.500m	£0.250m	£0.150m
SPR Project Reserve	£0.660m	£0.460m	£0.260m	£0.060m
Uniform Reserve	£0.059m			
CPT Engagement Reserve	£0.037m			
Investigation Standards Reserve		£0.200m		
ERP Employee Lifecycle Res.		£0.390m	£0.195m	
Sustainability Reserve	£0.300m	£0.200m	£0.100m	
Surge (post lockdown) Fund	£0.113m			
CIU ISO Project Reserve	£0.209m			
IOM Reserve	£0.018m			
MAPPA Reserve	£0.037m	£0.037m	£0.027m	£0.017m

Local Resilience Forum	£0.212m	£0.166m	£0.120m	£0.074m
Total	£15.818m	£14.888m	£10.539m	£6.822m