

Agenda Item 5

Meeting	Police and Crime Panel
Date	16 th January 2019
Report Title	Draft Budget Settlement
Report presented by	Angus Macpherson, Police and Crime Commissioner
Author	Clive Barker, Chief Finance Officer

1.0 PURPOSE OF REPORT

- 1.1 This paper provides the panel with information on the draft budget and precept being considered.

2.0 INTRODUCTION AND BACKGROUND INFORMATION

- 2.1 This paper is written with more uncertainty than the normal draft budget paper. With the general election occurring in December 2019 we have not received a provisional grant settlement from the government nor any indication on precept capping rules. This means rather than definitive options I have had to prepare scenarios reflecting the range of budgetary possibilities. It is not clear whether the funds I will have available will allow me to invest in policing or require me to make savings.
- 2.2 The MTFS forecasts the estimated financial position over the next 4 years and the impact this has on my ability to commission services. With the lack of funding certainty and the multiple scenarios being considered it means financial planning beyond 2020-21 is more uncertain than usual. I acknowledge that decisions I make today will impact my finances over the medium and long term.

3.0 CENTRAL GRANT

- 3.1 On the 4 September 2018 the Chancellor announced the Spending Review. Whilst this is expected to be revised in the near future this included additional funding for the Home Office (HO). Within the settlement, £750m additional funding was provided for the police. I am aware that a large portion of this will be used to fund the first tranche of 20,000 additional officers promised. I am also aware that a portion of the £750m is required for central HO costs to administer the uplift in officers. Conversations between Finance Directors across the country have identified various outcomes depending on different assumptions on the grant funding. Excluding the officer uplift these range from zero (efficiency savings expected to cover inflation) to 4% (inflation fully covered).
- 3.2 In planning for 2020-21 the MTFS includes scenarios which consider the impact of a zero to 3% increase in grant. The funding difference is £1.757m (£0.585m each 1%). Considering the need and risk I have asked for planning to be based on a 3% central grant settlement.

4.0 COUNCIL TAX SCENARIOS

4.1 The MTFs also shows various scenarios surrounding Council Tax. Without any national guidelines I am considering a range of options surrounding the Band D council tax. This paper outlines my current preferences:

- Option A – To increase council tax by £12 per annum (5.8%)
- Option B – To increase council tax by £8.25 per annum (4%)

4.2 The impact of a 1% increase in council tax is £0.545m

5.0 TOTAL FUNDING SCENARIOS

5.1 The table below shows the estimated funds I will have available under these options. Due to the current uncertainty I have focused only on 2020-21 (all figures exclude police officer uplift grant as this is currently unknown but assumes a central grant increase of 3%);

	2019-20 Budget	2020-21 Option A £12 incr. 5.8% on the CTax	2020-21 Option B £8.25 incr. 4% on the CTax
Central Grant	£58.559m	£60.316m	£60.316m
Local Precept (CTax)	£53.743m	£57.576m	£56.587m
Localisation Grant	£5.235m	£5.235m	£5.235m
Collection Fund	£0.550m	£0.257m	£0.257m
Investment Income	£0.200m	£0.200m	£0.200m
Standard Funding available to commission services	£118.287m	£123.584m	£122.595m
Swindon PFI Specific Grant	£2.067m	£2.067m	£2.067m
Police Officer Pensions Grant	£1.002m	£1.002m	£1.002m
Special Policing Specific Grant	£1.130m	£1.130m	£1.130m
Total Funding	£122.486m	£127.783m	£126.794m

5.2 In addition to this I have central funding allocated to me to commission victims services and to support restorative justice. No information has been provided on this figure, currently I am planning on this remaining stable at £0.827m.

5.3 When I consider council tax increases I am focused on protecting local policing and the long term funding position. To not increase council tax at this time will have considerable impacts on the future ability to commission policing and crime services.

5.4 Wiltshire receives central funding of £87.79 per head of population under the current formula. This compares to a national average of £113.91 per head. Being the 4th lowest centrally funded PCC per head of population increases my reliance on council tax.

5.5 A £12 per annum increase in Council Tax will result in Wiltshire's Band D council tax increasing from £206.27 to £218.27 (5.8% increase). The table below shows that even with no increases in the rest of the South West, Wiltshire's policing precept will still be lower than Gloucestershire and Dorset. It is however likely that even with a £12 increase Wiltshire will remain the lowest in the region.

	2019-20 Band D CTax	Wiltshire £8.25 increase	Wiltshire £12 increase
Gloucestershire	£250.49		
Dorset	£230.58		
Avon & Somerset	£217.81		
Devon & Cornwall	£212.28		
Wiltshire	£206.27	£214.52	£218.27

5.6 Other PCCs across the region are in the same position of uncertainty on capping rules and central grant allocations. At the time of writing, only Dorset PCC has begun public consultation, for an increase in council tax of £15 (6.5% increase).

5.7 In calculating the funding available an increase in the council tax base has been included. The increase for Wiltshire Council is 1% and Swindon Borough Council 1.8%. The consolidated increase in the council tax base is 1.2%. The funding available also includes the collection fund surplus; provisionally this has reduced (£0.550m in 2019-20, £0.257m in 2020-21).

5.8 Depending on the level of Council Tax I would allocate the funding as below;

	2019-20 Budget	2020-21 Option A £12 incr. 5.8% on the CTax	2020-21 Option B £8.25 incr. 4% on the CTax
OPCC (Direct Commissioning and Office Costs)	£3.052m	£3.189m	£3.156m
Capital	£0.818m	£1.483m	£1.483m
Chief Constable	£114.417m	£118.912m	£117.956m
Total	£118.287m	£123.584m	£122.595m

6.0 **FUTURE FUNDING**

6.1 In recent years there has been a debate surrounding the policing funding formula. Due to our low funding per head of population it is reasonable to expect that a change will benefit Wiltshire. It was anticipated that the change would be implemented in 2017-18 however it was delayed. It was then announced that this would occur in 2018-19 but no progress has been made. Latest information suggests that 2021-22 will be the earliest that any change will be implemented.

6.2 Considering the delays in a fair funding settlement and the impact council tax income will have on policing in Wiltshire now and in the future I will be proposing to increase the Band D Council Tax by £12 this year (Option A).

6.3 The use of reserves is a high profile issue within the police service. Within the MTFS I have revised my policy and set out clearly how I intend using them in the short to medium term. Due to the delayed policing settlement I may need to use reserves to fund unanticipated shortfalls in 2020-21, if this is the case savings will be required to close the gap in 2021-22.

6.4 There still remains an expectation that the police improve efficiency, productivity and effectiveness. Whilst I intend that Wiltshire will continue to improve its efficiency and effectiveness the ring fencing of police officer funding with the Uplift Grant will make this more difficult. It is also difficult to identify savings in support services after 9 years of austerity.

7.0 THE CAPITAL FINANCING STRATEGY

- 7.1 In 2019 I have reviewed my strategy surrounding capital financing. With low levels of central grant (£0.407m p.a.) and reducing reserves the financing of essential ICT investment and making our facilities fit for modern day policing has become a concern.
- 7.2 The 2018 Estates Strategy is being delivered with capital receipts being delivered and lower revenue estates costs. I have however reviewed the operational and training facilities in Devizes and accept the Chief Constables recommendation that these need to be improved. This is becoming more essential with the increase in officers under the national Uplift programme.
- 7.3 To finance continual investment in estates and ICT I must increase the revenue contributions to capital (either to directly fund short life assets or to service borrowing). The capital strategy requires the 2019-20 revenue contribution of £0.818m to rise to £2.7m by 2026-27. In 2020-21 I intend to make the first steps in closing this gap by increasing my revenue contribution to capital by £0.6m.

8.0 OPCC DIRECT EXPENDITURE

- 8.1 In 2019-20 I retained 2.4% of the funds available for office costs and commissioning of services.
- 8.2 The most significant allocations in 2019-20 were:
- Substance misuse services (£0.447m), jointly with Wiltshire Council and Swindon Borough Council
 - Youth Offending teams (£0.224m), statutory contribution
 - Horizon Victims Services (£0.419m)
- 8.3 In 2019-20 the OPCC budget was increased to recruit 2 additional commissioning posts and £0.465m additional commissioning resource to deliver the police and crime plan objectives including meeting responsibilities in criminal justice. This team has been operational since November 2019 and are developing commissioning options for me to consider for 2020-21.
- 8.4 These options will build on the 2019-20 allocation and develop work across the three areas of reducing demand (early intervention), victims and vulnerability and reducing reoffending. This work is being developed with Wiltshire Police and local partnerships. They will support the challenges identified in the Force Management Statement and contribute to work across both local authorities and the criminal justice system.
- 8.5 A commissioning budget will be presented to the PCP at the next full PCP March 2019.

9.0 IMPACT ON CHIEF CONSTABLE'S BUDGET

- 9.1 The MTFs reports the detail behind the cost pressures the Chief Constables budget is facing. These include Inflation, Spinal Point Increases, etc. The most significant cost pressures are reported below.
- 9.2 The first requirement in the 2020-21 budget must be to close the pay increase gap. In 2019-20 the budget was set with a forecast pay award of 2%, the actual, nationally set award was 2.5%. This requires additional funding of £0.5m p.a.

- 9.3 The cost of implementing national police staff hand book changes on unsocial hours has also been higher than forecast (£3.3m rather than £2.5m) and needs resolving. This leads to an additional £0.800m requirement.
- 9.4 Investment in Community Policing Teams remains a priority. Whilst the national Uplift programme announced that Wiltshire will receive 49 new officers (out of the first 6,000) there is a need to improve management structures. It is therefore proposed to increase Inspectors by 5 and Sergeants by 15 at a cost of £0.300m. This will bring our management ratio's more in line with those found in the neighbouring same size forces of Dorset and Gloucestershire. This is vital considering that Wiltshire has removed Chief Inspector and Chief Superintendent ranks.
- 9.5 In 2020-21 the decision was made to insource ICT. The successful partnership with Wiltshire Council (WC) was becoming increasingly challengingly due to national police security requirements a move to more central led police systems which the current infrastructure cannot support. The year 1 additional cost will be £0.217m.

10.0 **SAVINGS PLANS**

- 10.1 The initial Chief Constables requirement is £120.002m. Under my preferred Option A (a 5.8% increase, with 3% central funding) I would allocate the Chief Constable £118.912m. This would lead to a savings target of £1.090m.
- 10.2 The table below outlines the plan in the MTFs to deliver the required savings. This has been produced in association with the Chief Constable's Senior Leadership Team;

Review of Crime Prevention	Remove 2 posts	£0.115m
Review of Chief Officer Support	Remove 3 posts	£0.100m
ICT changes	Remove 1 post	£0.057m
Review of current budget	Reduce NI and Fuel budget	£0.150m
Inflationary Review	Reduce Inflation Increases	£0.332m
Ops Support Review	Remove 1 post, rank change	£0.099m
SWPPD review of Niche	Lower cost contract	£0.073m
Reduce Pressures Allocation	Reduce budget	£0.100m
Other Savings	To be identified	£0.064m
Total		£1.090m

- 10.3 The impact on staffing levels from the investment and savings is shown below;

	Officers	Staff	PCSO
Starting Position	975	962	131
Crime Prevention Realignment	+4	-4	
Crime Prevention Structure		-2	
Chief Officer Support	-1	-2	
Professional Stds Inspector	+1		
Public Protection Inspector	+1		
Ops Support Inspector	-1		
ANPR staff		+2	
FMS and People Support		+2	
ICT Insource		+33	
National Uplift Programme	+49		
Total	1028	991	131

10.4 It is acknowledged that the funding planned may not be deliverable, either by a lower capping level or a reduced central grant. In this instance the funding gap could increase by an additional £1m. I have asked the Chief Constable to consider how he would close the gap if this was the case. With Police Officers being ring fenced under the Uplift programme the majority of savings would have to come from police staff (including PCSOs). It is therefore likely that if this was the case that there would be a further reduction in staff.

11.0 RESERVES

11.1 A complete review of reserves has taken place with the outcome disclosed in the MTFS. The value of the general reserve has been considered and I am advised that £3.090m (2.5% of the revenue budget) is acceptable.

12.0 CONCLUSION

12.1 This paper shows the panel my MTFS, reports how difficult it is to estimate the funding I have available (as central information is outstanding) and gives them my current thinking surrounding the 2020-21 precept. I believe a £12 Band D increase per household per year is appropriate and it is my intention to consult the public on this.