

DRAFT BUDGET SETTLEMENT

Purpose

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

Background

2. In October 2015 the initial Medium Term Financial Strategy (MTFS) was produced and reviewed at my monitoring board. The MTFS looks at the estimated financial position of the OPCC over the next 4 years and the impact this has on my ability to commission services. It acknowledges the fact that decisions I make today will impact my finances over the medium and long term. In December 2015 the provisional settlement was received and the MTFS revised to reflect this.
3. The revised MTFS is included as an appendix to this report; however it should be noted that the assumptions included are superseded by actual information as it is received.

The Settlement

4. The following police-relevant information was announced in the December settlement;
 - top slicing of Policing Funding in 2016-17 of £274m (for the Innovation Fund, IPCC, Major Programmes, Transformation, ESN (Airwaves replacement), contingency and other areas).
 - the setting of the police precept referendum threshold level at 2%.
 - the announcement that PCC's with funds in the lowest quartile nationally can increase their police precept up to a maximum of £5 per band D property without triggering the requirement for a referendum (Wiltshire is not in the lowest quartile).
 - the consolidation of freeze grants and the localisation grant into one stream of funding called 'Legacy Council Tax Grants' which is now funded by the Home Office rather than the Department for Communities and Local Government.
5. As a result, the main grant received from central government reduces from £63.737m to £63.403m, a reduction of £0.334m.

Precepting Options

6. I am currently considering 2 options surrounding the police precept;

- Option A – To increase by 1.9%
- Option B – To maintain at the 2015-16 level

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

	2016-17 Budget	2016-17 0% Precept increase	2016-17 1.9% precept increase
Standard Funding available to commission services (including investment income)	£103.957m	£104.928m	£105.695m
Swindon PFI Specific Grant	£2.067m	£2.067m	£2.067m
Special Policing Specific Grant	£1.130m	£1.130m	£1.130m
Total	£107.154m	£108.125m	£108.892m

8. In addition to this I have central funding allocated to me from the Ministry of Justice to commission victims services and to support restorative justice. Figures for 2016-17 have not yet been released. In 2015-16 I received £0.769m of grant to commission these services.

9. My considerations surrounding the options on a police precept increase focus on the long term funding position. To not increase at this opportunity will have considerable impacts on my future ability to commission policing and crime services. According to the HMIC Value for Money profiles, Wiltshire receives £89.20 per head of population under the current formula. This compares to a national average of £108.50 per head and a most similar forces average of £96.80 per head. Being the 3rd lowest centrally funded PCC per head of population increases my reliance on the police precept.

10. A 1.9% increase will result in Wiltshire's Band D council tax for policing increasing from £163.98 to £167.10, a £3.12 increase. The table below shows that, even with no increases in the rest of the region, Wiltshire will remain the lowest.

	2015-16 Band D	Wiltshire 1.9% increase
Gloucestershire	£207.73	
Dorset	£187.11	
Avon & Somerset	£174.78	
Devon & Cornwall	£169.47	
Wiltshire	£163.98	£167.10

11. These considerations surrounding local funding levels cannot occur without taking into account the central funding position. 61% of my funding derives from central grants. This is significantly different from Local Authority funding where Wiltshire Council is 34% grant funded and Swindon Borough Council is 42% grant funded.

12. By having a larger portion of my budget funded by grants any changes to central grants are more significant and any benefits in increases in the local council tax base less significant.

13. In calculating the funding available, increases in both the council tax base and council tax surpluses have been reported by Wiltshire Council and Swindon Borough Council. The increase in the tax base of 3.3% has provided £1.3m of additional income.

Future Funding

14. In 2015 there has been a debate surrounding the policing funding formula. Any change to the formula is expected to benefit Wiltshire. With a 4 year policing settlement but only a 1 year settlement per force it is expected that the formula will be changed in 2017-18. The MTFs shows Wiltshire benefiting from this by £2.3m per annum (this relates to the low funding per head of population as discussed under paragraph 9). To smooth out the impact of this there is an intention to use a portion of reserves (£1.605m) this year. This should stop a position where in one year the Chief Constable would be making staff redundant/reducing officer intakes, when in the next year he would have funding available to increase officers/staff.
15. The risk in this approach has been considered and it has been made clear to the Chief Constable that if no increase in available funds occurs, then officer reductions savings will be required in the financial year 2017-18.

Impact on the Chief Constable's Budget

16. Whilst there is a small increase in funding, the Chief Constable will incur unavoidable cost increases surrounding inflation, pay increases, spinal point increase, pensions and custody costs. In addition he must fund the impact of the Pensions Act; this removes the discount given against National Insurance bills when staff are contracted out. This will cost the Chief Constable in excess of £2m. Overall costs have increased by over £4m. The table below shows his budget requirement against funding levels which I may provide him in 2016-17;

	0% increase	1.9% increase
Budget Requirement	£105.815m	£105.815m
Funding Available	£102.472m	£103.221m
Commissioning funds	£0.315m	£0.315m
Proposed Reserve Use	£1.605m	£1.605m
Shortfall (savings req.)	£1.423m	£0.674m

17. The table also reflects the impact on the savings requirement for the Chief Constable given my intention to allocate £1.605m of reserves to balance this year's budget (paragraph 14 refers) and £0.315m from my commissioning funds to assist in maintaining police officer numbers.

Closing the Shortfall

18. A strategy has been produced which focuses on maintaining local policing as a priority. Using the reserves and commissioning fund means that officer numbers can be maintained in the short term. It should be noted however that if the additional formula funding income is not forthcoming, there may need to be a reduction in 2017-18. The shortfall in 2016-17 of £0.674m (with a 1.9% increase) will be resolved via collaboration and efficiency reductions.

Reserves

19. I have reviewed the reserves that I hold. The value of the general reserve has been considered and I am advised that a reduction to 2.5% (£2.6m) is acceptable. This would free up £0.5m to assist funding the £1.605m needed to balance the budget in 2016-17. A complete review of reserves has taken place with the outcome disclosed in Appendix E of the MTFS. Some reserves have been removed or reduced to free up funds to balance the 2016-17 budget and for specific purposes such as the Specials Intake Strategy (£1m). With these plans it is estimated that the reserves forecast to be held on 1 April 2016 (£9.3m) will reduce to £5.9m by 31 March 2017.

Collaboration

20. Collaboration (local and regional) will play a large part in delivering the savings required. Savings from the Strategic Alliance with Avon and Somerset are forecast to deliver £6.7m over the next four years; however the impact on 2016-17 is expected to be limited. Further collaboration savings already banked include those relating to Forensics, Estates, Legal and Procurement.

Conclusion

21. This paper shows the panel my MTFS and gives them my current thinking surrounding the 2016-17 precept. I believe a £3.12 Band D increase per household per year is appropriate and I am now consulting the public on this via the area and locality boards, Community Messaging and social media.

Angus Macpherson
Police and Crime Commissioner