



WILTSHIRE AND SWINDON

Medium Term Financial Strategy (MTFS) 2016-17 to 2019-20

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Executive Summary

1. The 4 year MTF5 has been produced in a climate of austerity. Whilst the Autumn 2015 Statement promised no cuts to policing savings will be required to finance additional costs such as National Insurance resulting from the Pensions Bill. There has also been significant top slicing by the Home Office which results in reduced funding levels being passed to the PCCs. With limits on Council Tax increases and rising demand in new areas of policing there remains significant pressures on the funds available to the PCC to fulfil his remit.
2. In producing the MTF5, the settlement data announced on 17 December 2015 has been used. Unfortunately this only relates to 2016-17 therefore forecasts are required for the other 3 years of the MTF5. For the purposes of standard forecasts calculations assume a cash neutral position for central funding. The forecasts do however assume that the Formula Funding review will taken place and be implemented in 2017-18 with a £2.3m favourable swing to Wiltshire Police. Utilising this, with the use of reserves, has reduced the need to cut officers and staff in 2016-17. There is a risk around this which is considered in the MTF5.
3. It is estimated by the end of 2016-17 that central funding will have dropped in real terms by 29% since 2010-11.
4. During the next 4 years the Police and Crime Commissioner (PCC) will have to make difficult decisions on the level of precept (the police part of the council tax). Considering the Chief Constable's initial plans the MTF5 identifies the savings required to balance budgets under 2 different scenarios: no increase in Precept (Council Tax) or a 1.9% increase. The estimated funds available to the PCC under each strategy is shown below;

	No Precept (Council Tax) Increase	1.9% Precept (Council Tax) Increase	Variance
2016-17	£104.928m	£105.695m	£0.767m
2017-18	£107.271m	£108.839m	£1.568m
2018-19	£107.942m	£110.364m	£2.422m
2019-20	£108.344m	£111.644m	£3.300m

5. An increase of 1.9% would result in a Band D Council Tax of £167.10, £3.12 p.a. more than the current precept. Even if all other South West Forces agreed not to increase their council tax we would still have the lowest Council Tax in the region. This is also £7.71 less than the national average of £174.81 (a £7 increase in council tax would provide the PCC with £1.7m of additional funding).
6. The national discussion on formula funding is likely to impact the funds available to the PCC. Initial information suggests that Wiltshire may benefit from this by £4m per annum. Finding a middle ground which does not provide over reliance on the expectation of increased income, considering the risk of no change, is important. Based on this £2.3m additional funding in 2017-18 has been allowed in the knowledge that if this is not obtained the savings required in 2017-18 will be significant. This additional funding is related to the fact that Wiltshire are the 3rd lowest funded per head of population.

7. Any reduction in finances reduces the PCC's capability to commission services. As the largest part of the PCC's budget is used to finance the CC the MTFs assumes the CC will see the largest impact on budget.
8. The impact on the Chief Constable has been considered. Expenditure plans have been estimated based on assumptions surrounding pay awards, inflation and limited growth. When compared to the different estimated income levels the following savings are required in each year to balance the budget after the use of £1.605m of reserves in 2016-17;

	No Council Tax Increase	1.9% Council Tax Increase
2016-17	£1.425m	£0.674m
2017-18	£1.358m	£0.583m
2018-19	£1.158m	£0.338m
2019-20	£1.588m	£0.753m
Total	£5.529m	£2.347m

9. These savings are on top of the £17m savings delivered over the last 5 years and are only reduced to this level by, initially, additional one off funding from the PCC and then an increase in formula funding.
10. The savings required will increase by approximately £2.3m if the funding formula change does not occur.
11. The increase in savings requirement in 2016-17 is a result of a change in policy by the government on pensions. The proposal to not give National Insurance credits on contracted out pensions will cost the Force £2.052m p.a.
12. The MTFs includes an updated Capital Plan. Estimated resources are adequate to fund current needs and allow a small amount for future funding. The plan does not identify a need to borrow during the MTFs period.
13. Reserves are seen as a key instrument in managing risk. A level of reserves is seen as essential to manage both large incident risks and year on year variations. The reserves have been reviewed and significant changes made to allow the use of £3m of reserves for investment and covering short term funding issues. This gives confidence when considering the risk surrounding savings targets and possible slippage.
14. 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 Wiltshire's spend per head of population is £154, this is the third lowest in the country with a national average of £181. This current low level of funding makes finding savings difficult especially when considering that £17m of savings has already been made in the previous 5 years,

Introduction

15. 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.
16. It then considers how the Commissioner may use the finances available to him to fulfil his wide ranging remit.
17. 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 information which will assist them in decision making surrounding precept (council tax), police officer numbers, etc. in the short to medium term.

The Financial Environment

18. The 4 year MTFS has been produced in a climate of austerity. Whilst the Autumn 2015 Statement promised no cuts to policing savings will continue to be required to finance additional costs such as National Insurance resulting from the Pensions Bill. There has also been significant top slicing by the Home Office which results in reduced funding levels being passed to the PCCs.
19. The settlement announced for PCCs is for one year only even though Home Office funding has been announced for 4 years in the settlement. It is assumed that only one year has been provided due to the desire by the Home Office to review the formula. With Wiltshire funding being low per head of population any review is expected to increase funding for Wiltshire. The lack of a 4 year settlement does however make planning more difficult.

Central Public Finances

20. In line with the cash neutral position declared by the Chancellor of the Exchequer the MTFS assumes initially that the settlements from 2017-18 will be similar. The MTFS does however include a £2.3m increase from the formula funding review.
21. The £2.3m is based on the fact that Wiltshire is the third lowest funded per head of population across the country. Whilst the specific calculation to be used is yet to be consulted on an increase of £4m was suggested in the withdrawn calculations. £2.3m is based on the following:
 - Wiltshire grant funding per head of population is £89
 - The most similar forces funding per head of population is £96
 - The difference between the two is £7
 - Assuming this closes by 50% of the gap, Wiltshire increase to £92.50
 - £3.50 per head of population equates to £2.3m
22. There is no guarantee that this will occur however some change is likely. For Wiltshire, any change in the formula directed towards population is likely to be favourable.

23. If no assumptions were made on the formula it may result in the force reducing officer numbers and making staff redundant when there was no requirement to do so. Hence it is important to balance the risks involved. The approach reported above is a reasonable approach to managing the risk. If the outcome of additional funding does not occur it will mean that additional savings will be required in 2017-18 rather 2016-17. With the delay in savings funded by reserves

24. Whilst the Autumn statement announcement suggested a 'cash flat' position the actual settlement identified a £0.334m reduction, this is before inflation is considered. Since the austerity measures were introduced police funding has significantly reduced. The table below for Wiltshire identifies an estimated real term reduction of 29% over the last 6 years in central funding.

Year	Real Terms Reduction	Inflation	Cash Reduction
2011-12	3.9%	2.1%	1.8%
2012-13	8.8%	2.1%	6.7%
2013-14	2.7%	1.1%	1.6%
2014-15	5.7%	2.4%	3.3%
2015-16	5.9%	1.2%	4.7%
2016-17	2.0%	1.5%	0.5%
Total	29.0%	10.4%	18.6%

Precept (Council Tax)

25. Between 2011-12 and 2013-14 there was no increase in the Police part of the Council Tax. In 2014-15 a 1.9% increase was agreed by the PCC. To encourage local tax raising bodies not to increase Council Tax the government have previously offered grants to those who freeze council tax. No grant has been offered in 2016-17. The funding of these grants has been adhoc. This year the funding for these grants and the council tax localisation grant has been passed from the DCLG to the Home Office. For those grants received in 2011-12 and 2013-14 they have now been subsumed within a new funding line 'Legacy Council Tax Grants'. The settlement provided for Wiltshire reports this grant to be £5.235m. This is the total of the previous grants with no inflation. The MTFS assumes now that this grant will continue in future years.

26. 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. For 2014-15 the Secretary of State announced that an increase of 2% or more would be considered excessive and be subject to a referendum. The 2% remains in 2016-17. The only exception is if the PCC is in the bottom quartile for council tax levels, then there is flexibility to set an increase up to £5. Wiltshire is not in the bottom quartile therefore the 2% level remains.

27. A 1% increase in the police part of the council tax in 2016-17 is worth £0.400m. Any increase in council tax increases the base and secures future funding at a higher level.

28. The Council Tax receipt is dependent on the council tax base (the number of dwellings paying the tax). Information from Swindon Borough Council suggests that a 2.8%

increase in tax base is likely in 2016-17. Wiltshire Council are reporting an increase of 3.5%. This has a positive impact on the funding for the PCC.

29. In order to estimate total funding, the collection fund surplus/deficit has been included. The councils have reported a surplus totalling £0.882m (similar to 2015-16)

30. Whilst the tax base increase has been high this year it is not forecast to remain so in future years. This year's increase also limits the likelihood of significant surpluses in future years. The table below summarises the assumptions made in the MTFs. In 2018-19 a larger increase is assumed based on the current intention to increase the number of houses being built alongside the impact of the army resettlement.

	Additional Dwellings	Est total Dwellings	% Increase	Collection Fund Surplus
2016-17	7,824	246,326	3.3%	£882,000
2017-18	2,956	249,282	1.2%	£441,000
2018-19	4,986	254,268	2.0%	£294,000
2019-20	3,051	257,319	1.2%	£196,000

Inflation

31. The consumer price index shows inflation for the 12 months to September 2014 at 1.2%. This is largely due to pay increases.

32. The MTFs allows for general inflation at 0.6%, ICT at 1.4% and utilities at 2.5% in all 4 years. Pay is allowed for at 1% in line with the government's policy on public sector pay increases.

33. At September 2015 the bank base rate remained at the historical low of 0.5%. This has implications on investment income that all PCC's receive. In addition there is perceived to be an increased risk in investing in institutions offering high interest rates after the Icelandic Bank crisis. All these factors mean that investment income is expected to remain low in the short term.

National Insurance

34. At the start of 2013 the government announced a Draft Pensions Bill. One of the changes to legislation in the draft was the removal of the contracting out benefit for employers from April 2016. The impact on Wiltshire Police has been estimated at £2m.

35. As this impact is so significant on all public bodies it was expected that the government would alter the Final Pensions Bill resolving the problem. During the last year no change in stance has been made by the government hence this additional cost is now included in the MTFs in 2016-17.

Police and Crime Plan 2013-2017

36. As required under law the PCC published his revised Police and Crime Plan in September 2015. This plan has 4 overarching priorities, these are shown below:

- Prevent Crime and anti-social behaviour

- Protect the most vulnerable in society
- Putting victims and witnesses at the heart of everything we do
- Secure high quality, efficient and trusted services

37. In delivering these objectives there is a requirement to unlock resources to deliver. What this means is a drive to eliminate waste and duplication, 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. As such an Innovation reserve has been created to help pump prime initiatives which are in line with the priorities.
38. In the current financial environment there is a need to reduce costs whilst delivering more. Based on this the PCC has agreed that investment in technology is required and that the sharing of various services (front and support) will be necessary to drive costs down as central funding reduces.
39. During 2014 the PCC became responsible for the commissioning of Victims Services. In 2015-16 £0.584m will be available as a special grant for the PCC. £0.156mm has also been provided to the PCC for Restorative Justice. As these funds are specific grants they are not included in the main funding reported. The specific funding by the PCC of the Victims satisfaction unit (Horizon) of £0.100m is also considered as specific grant to the Chief Constable, hence again not included in the main allocation to the Chief Constable. At the end of December no figures on 2016-17 funding have been released.
40. With the receipt in Autumn 2015 of the Spending Review we can see clearly that this period of austerity is going to extend beyond the 4 year period of the 2010 CSR, and that to maintain staffing levels will be difficult. In response to this the PCC has agreed with the CC that the focus must be on front line staffing who are delivering the priorities. Based on this the CC has reduced the number of officers in areas where it is proven that police staff are able to deliver the same or a better service at lower cost or where sharing services requires fewer police officers without impacting on service.
41. 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 capital expenditure which support the plan
 - Financing the running costs of the OPCC

Financial Health

42. It is good financial management to have a suite of health indicators which provide guidelines on the organisations financial standing. A set of indicators are reported under Appendix C.
43. A report on progress against Health Indicators will be presented to PCC and the Force's management on an annual basis

Income Forecasts

44. The 2015-16 budget relies on the following income to finance activity;

Central Funding	Police Grant	£37.700m	
	Council Tax freeze Grant 2011-12	£0.402m	
	Council Tax freeze Grant 2013-14	£0.991m	
	Council Tax Localisation Grant	£3.842m	
	DCLG Funding	£20.801m	£63.736m
Local Funding	Precept – Council Tax	£39.110m	
	Council Tax Surplus	£0.860m	£39.970m
MTFS Funding		£103.706m	£103.706m

45. The current council tax level of £163.98 is £10.83 below the national average of £174.81. When compared to our most similar force grouping it is £23.76 below the average of £187.74.

46. 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 1.9% increase in council tax p.a. during the MTFS period.

Authority	2015-16 Band D Council Tax	Wiltshire 1.9% increase 2016-17	Wiltshire 1.9% increase 2017-18	Wiltshire 1.9% increase 2018-19
Gloucestershire	£207.73			
Dorset	£187.11			
Avon & Somerset	£174.78			
Devon & Cornwall	£169.47			
Wiltshire	£163.98	£167.10	£170.27	£173.51

Additional cost per Band D Household with a 1.9% increase	£3.12 p.a.
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47. The table shows that even if Wiltshire increased its council tax in all 3 years by 1.9% and all the other PCC's in the region froze their council tax Wiltshire would still have the second lowest council tax in the region.

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

- Funding at the South West Av. (£184.77), Extra income is £5.018m
- Funding at Similar Force Av. (£187.74), Extra income is £5.735m
- Funding at National Av (£174.81), Extra income is £2.614m
- Funding with 1.9% increase (£167.10), Extra income £0.753m

49. It should be noted that today's decision on council tax impacts future years funding. For example Gloucestershire levy of £207.73 was based on a 50% increase in 2003. This shows how future viability is dependent on decisions made today.

50. In 2015-16 Council tax was 38% of the PCC's funding; therefore to fund an expenditure increase of 1% (£1m) requires a 2.5% increase in the police part of the council tax. This is known as the gearing effect.

51. The total income over the next 3 years based on the 2 options is reported under Appendices Ai and Aii, this is summarised below. It should be noted that the 2017-18 increase is dependent on the outcome of the formula funding review (para 21).

1.9% Increase	2016-17	2017-18	2018-19	2019-20
Central Funding	£63.403m	£65.703m	£65.703m	£65.703m
Local Funding	£42.042m	£42.886m	£44.411m	£45.690m
Investment Income	£0.250m	£0.250m	£0.250m	£0.250m
Total Funding	£105.695m	£108.839m	£110.364m	£111.644m
Total inc.	1.7%	3.0%	1.4%	1.2%

0% Increase	2016-17	2017-18	2018-19	2019-20
Central Funding	£63.403m	£65.703m	£65.703m	£65.703m
Local Funding	£41.275m	£41.318m	£41.989m	£42.391m
Investment Income	£0.250m	£0.250m	£0.250m	£0.250m
Total Funding	£104.928m	£107.271m	£107.942m	£108.344m
Total reduction/inc.	0.9%	2.2%	0.6%	0.4%

52. The tables assume that the new Legacy Council Tax Grant remains throughout the MTFS. This totals £5.235m so if removed would have a significant effect on funding.

53. It is necessary to consider the impact of different scenarios. The impact on the 2017-18 finances of a 1% reduction/increase in central funding is shown below;

Scenario	Impact on 2017-18 MTFS Figures
The Central funding cash cut is 1.0% rather than cash flat	Funding reduces by £0.634m
The Central funding increases by 1.0% rather than being cash flat	Funding increases by £0.634m

Impact of Funding Allocations

54. The MTFS assumes that the reductions in finances are split equally across current funding allocations. Appendices Ai and Aii report the funding splits over the 4 years. The table below shows the impact under the two council tax options;

	2015-16 Revised Allocation	2016-17 Allocation 1.9% Ctax	Increased Allocation 1.9% Ctax	2015-16 Allocation 0% Ctax	Increased Allocation 0% Ctax
OPCC Office cost	£0.700m	£0.712m	£0.012m	£0.707m	£0.007m
OPCC Capital cont (RCCO)	£0.729m	£0.741m	£0.012m	£0.736m	£0.007m
OPCC Ext. Commissioning	£1.004m	£1.021m	£0.017m	£1.013m	£0.009m
CC Allocation	£101.523m	£103.221m	£1.698m	£102.472m	£0.949m
Total	£103.956m	£105.695m	£1.739m	£104.928m	£0.972m

55. The specific Victims and Restorative Justice grants mentioned in paragraph 39 are in addition to the funding available for external commissioning.
56. When considering inflationary pressures and other unavoidable costs the savings required by the CC will be considerably higher than these figures. Appendix B reports the budget requirement for the CC. Depending on the council tax levy it identifies an initial savings requirement for the CC of £2.594m or £3.345m in 2016-17. The plan (further detailed in the reserves section) proposes to utilise £1.605m of reserves to reduce the impact in the expectation of additional funding in 2017-18 from the formula review. Taking the £1.605m and a further £0.315m contribution from commissioning funds into account the savings requirement with a 1.9% council tax increase reduces to £0.674m or £1.425m with no council tax increase.
57. The savings required to be delivered by the CC are significant. These savings requirements are in addition to the £17m saved in the 4 year period from 2010-11.
58. The CC efficiency/savings strategy surrounds collaboration and remodelling delivery. More detail on savings plans is included in the CCs Budget Requirement (Appendix B).

Use of Finances

59. The PCC expects locally collected funds to be spent on maintaining local policing. Whilst it can be difficult to identify what exactly is 'local policing' the 2015-16 budget has been reviewed to identify the relationship between spend and funding.
60. The table below shows that 44% of the funding is collected locally whilst 51% of the budget is used for Local Policing;

	Local Policing	Other Policing	Total
CC Spend per area	£39.633m	£37.332m	£76.965m
Support Services	£12.281m	£12.281m	£24.562m
OPCC	£1.215m	£1.214m	£2.429m
Total	£53.129m	£50.827m	£103.956
	51%	49%	100%
Staffing (FTE)	1050	950	2000
	52%	48%	100%
Income	£45.204m	£58.502m	£103.706m
Interest	£0.125m	£0.125m	£0.250m
Total	£45.329m	£58.627m	£103.956m
	44%	56%	100%

Capital

61. The Capital Plan is funded from capital balances brought forward, transfers from reserves, annual grant, capital receipts and revenue contributions to capital. The opportunity to borrow funds under the Prudential Code does exist. However to date this has not been necessary and this remains the case for the period of this MTF5.

62. If in the future the PCC does decide to enter into borrowing, the revenue consequences of paying back the borrowing along with associated interest should not be overlooked.
63. The base budget for 2015-16 allows the PCC to supplement the capital programme with a £0.729m revenue contribution to capital (RCCO). This can change if approved by the PCC. Paragraph 54 shows a slight increase in line with overall funding.
64. Capital grant per force was not announced in the December settlement. It however did report that after top slicing for national projects the amount available to forces falls from £89.5m to £64.5m, a 28% reduction. In line with this the plan now assumes Wiltshire's capital grant will fall from £0.792m to £0.571m in all 3 years.
65. Appendix D shows the Capital Plan for the next 3 years. This is the plan approved at the Commissioners Monitoring Board in October 2015 adjusted for the RCCO, capital grant, a reduction of £0.081m in the Communications budget and the amalgamation of Salisbury facilities and Melksham Refurbishment into one line, Estates major projects.
66. Based on this level of funding and the approved capital expenditure programme the plan identifies cumulative balances at the end of each year as below. Whilst a deficit currently exists at the end of the 2018-19 this will change (go up and down) during this period as both income and costs change.

	2016-17	2017-18	2018-19
Balance available	£0.194m	£1.066m	-£0.432m

67. These balances rely on £2.895m of capital receipts. These surround the sale of property at Chippenham, Pewsey, Tisbury and Salisbury. Slippage surrounding the date that the actual receipts are received and the sale value is a risk. There is however opportunities for further receipts in the life of this plan which will assist the net position.
68. It is expected that the capital balances will be needed to finance future development in estate and ICT. The Estates Major Projects budget will finance the Custody plans currently being drawn up in the south.
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 programmes via capital, programmes. Below this value will be funded by revenue. The plan allows £0.100m per year for these substantial programmes.
70. The refresh ICT programme is based on a need to continuously improve the ICT infrastructure. Working with Wiltshire Council we are benefiting from their experience in facilitating remote working and generally delivering fit for purpose ICT. Using their experience and by working alongside other forces in the procurement of police specific systems it is expected to lead to a reduction in revenue costs. In recognition of the under investment in ICT in previous years the plans allow £500,000 for yet to identified ICT investment in each future year.
71. The Fleet strategy is based on the Policing Model. This has enabled a reduction in response vehicles. The strategy also 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 remains on-going with the National buying groups expected to deliver better value for money and improve standardisation across the region.

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.

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 cost over 1% of budget. This does alleviate some of the need for the PCC and CC to hold a high level of reserves.

76. A 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 the CIPFA (Chartered Institute of Public Finance and Accountancy) best practice. This is included under Appendix E.

77. In December 2015 a significant review of reserves has taken place considering the strategy, this ensures the following can be funded from reserves:

- project funding to increase the Special Constabulary (£1.032m)
- funding to maintain officer intakes whilst establishment falls (£0.548m)
- funding to balance a short term funding revenue gap in 2016-17 (£1.605m)

78. With only a small underspend (£0.164m) forecast in 2015-16 this funding can only come from a reallocation of reserves. Some allocated investment reserves have been reduced or removed to finance this. The general reserve has also been reviewed. Considering the total reserves available to the PCC it is considered acceptable to reduce this reserve from 3% to 2.5% (£2.6m). This frees up £0.5m to assist funding.

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

80. The largest reserve is the capital development reserve. This is required to finance the capital plan and is £12.626m at 31 March 2015.

81. The PCC's investment reserves exist to provide funding for projects which will improve the service provided to the public or will lead to a reduction in revenue costs in the medium term, examples of these reserves and their purpose is shown below;

- The Community Safety Innovation Reserve – enables the PCC to commission services from organisations who believe that with a certain level of funding they can assist the PCC in delivering the 6 objectives within his plan.
- The Restructure Reserve – finances costs incurred in delivering the savings required by the CC. Expenditure can finance redundancy costs, office changes, etc...

82. All reserves are 'one-off' funds and can only be used for investments which do not have on-going revenue consequences.

83. The Financial Health Indicators allow the PCC to monitor reserve levels, ensuring they are neither too high nor too low. Annually the appropriateness of reserves is considered by the PCC's Chief Finance Officer. His judgement is based on an assessment of the strategic, financial and operational risks facing the PCC.

PCC's Conclusion

84. 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.

PCC for Wiltshire Medium Term Financial Plan

Council Tax Increase 1.90%

Financial Year >>>>>	16/17 <i>£million</i>	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>
Estimated Funding Available to the PCC				
Main Police Grant	37.485	39.785	39.785	39.785
DCLG Funding	20.683	20.683	20.683	20.683
Legacy Ctax Grant	5.235	5.235	5.235	5.235
Total Central Funding	63.403	65.703	65.703	65.703
CT Surplus	0.882	0.441	0.294	0.196
Precept	41.160	42.445	44.117	45.495
Total Grant and Precept Funding	105.445	108.589	110.114	111.394
Investment Income	0.250	0.250	0.250	0.250
Total Income available to PCC	105.695	108.839	110.364	111.644
Increase in Total Funds Available	1.7%	3.0%	1.4%	1.2%
<i>Central Funding Red. (-) / Inc (+)</i>	<i>-0.5%</i>	<i>3.6%</i>	<i>0.0%</i>	<i>0.0%</i>
Band D Council Tax	167.10	170.27	173.51	176.80
Increase per Band D household	3.12	3.17	3.24	3.30

Allocation of Funding

Assuming that funding reduction is split equally across all current allocations

OPCC - Office costs (less inv inc)	0.712	0.733	0.743	0.752
OPCC - Capital Contribution	0.741	0.763	0.774	0.783
OPCC - Commissioning Funds	1.021	1.051	1.066	1.078
OPCC - Chief Constable allocation	103.221	106.292	107.781	109.031
Total Allocation	105.695	108.839	110.364	111.644

PCC for Wiltshire Medium Term Financial Plan

Council Tax Increase

0.00%

Financial Year >>>>>	16/17 <i>£million</i>	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>
Estimated Funding Available to the PCC				
Main Police Grant	37.485	39.785	39.785	39.785
DCLG Funding	20.683	20.683	20.683	20.683
Legacy Ctax Grant	5.235	5.235	5.235	5.235
Total Central Funding	63.403	65.703	65.703	65.703
CT Surplus	0.882	0.441	0.294	0.196
Precept	40.393	40.877	41.695	42.195
Total Grant and Precept Funding	104.678	107.021	107.692	108.094
Investment Income	0.250	0.250	0.250	0.250
Total Income available to PCC	104.928	107.271	107.942	108.344
Increase in Total Funds Available	0.9%	2.2%	0.6%	0.4%
<i>Central Funding Red. (-) / Inc (+)</i>	<i>-0.5%</i>	<i>3.6%</i>	<i>0.0%</i>	<i>0.0%</i>
Band D Council Tax	163.98	163.98	163.98	163.98
Increase per Band D household	0.00	0.00	0.00	0.00

Allocation of Funding

Assuming that funding reduction is split equally across all current allocations

OPCC - Office costs (less inv inc)	0.707	0.722	0.727	0.730
OPCC - Capital Contribution	0.736	0.752	0.757	0.760
OPCC - Commissioning Funds	1.013	1.036	1.042	1.046
OPCC - Chief Constable allocation	102.472	104.761	105.416	105.808
Total Allocation	104.928	107.271	107.942	108.344

The Chief Constable's Allocated Budget

Introduction

1. In 2015-16 the PCC allocated the CC £101.523m to police the county. This funded staffing of 1011 Police Officers, 118 Police Community Support Officers (PCSO's) and 871 Police Staff. Within the reserves funding was allowed to finance a positive recruitment strategy, this has led to the Force being above establishment. The reserve will be used to fund the additional costs, this leads to the current underspend forecast being minimal (£0.164m).

Funding

2. The CC's plans directly relate to the funding provided by the PCC. Whilst the PCC has yet to agree the exact funding allocated, the CC's plans will assume the funding available is that reported in the PCC's MTFs. This is reported in the table below;

	2016-17	2017-18	2018-19	2019-20
CC Funding at 1.9% Council tax Increase	£103.221m	£106.292m	£107.781m	£109.031m
CC Funding at 0% Council tax Increase	£102.472m	£104.761m	£105.416m	£105.808m
Variance	£0.748m	£1.531m	£2.365m	£3.223m

3. In 2016-17 the CC expects to benefit from 2 specific grants, Swindon PFI and the Security Grant. These grants total £3.2m per annum.

Expenditure

4. In 2015-16 the PCC set an overall budget of £103.706m. After removal of £2.179m of costs allocated to the PCC (under the national Police Objective Analysis (POA) guidelines) and £0.729m of capital financing the CC was left with £101.527m.
5. The table below shows how the CC used the £101.526m (POA);

	Officer FTE	Staff FTE	Total FTE	% of Staff	£m	% of Budget
Local Policing	497	172	669	33%	28.925	29%
Dealing with the Public	12	195	207	10%	6.513	6%
Criminal Justice	31	145	176	9%	6.920	7%
Road Policing	43	4	47	2%	2.108	2%
Ops Support	68	5	73	4%	4.192	4%
Intelligence	26	53	79	4%	3.899	4%
Investigations	268	153	421	21%	19.656	19%
Investigative Support	3	41	44	2%	2.550	3%
National Policing	25	12	37	2%	0.714	1%
Support Functions	40	231	271	13%	23.679	23%
Pensions	0	0	0	0	2.370	2%
	1013	1011	2024	100%	101.526	100%

6. Each year the Force reviews its spending levels against other forces using HMIC'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. In 2015-16 the profiles show Wiltshire as low cost, this is mainly due to a low level of funding. The headlines from the profiles include:

- Wiltshire's spend per head of population is £154. The national average is £181 and £174 for similar forces. Wiltshire's spend is the 3rd lowest in the country.
- Wiltshire's central funding per head of population is £95. £116 is the national average, £104 for similar forces. Wiltshire's funding is the 7th lowest in the country.
- Wiltshire's Support Service spend per head of population is £37.10. similar forces average is £38.80, a difference of £1.70. The national average is £36.10, £1 less than Wiltshire.
- Wiltshire's percentage of frontline officers in visible roles is 60.9%, compared to a national average of 60.6% and 62.3% for similar forces.

7. Whilst the POA table shows how the funding was allocated per area of policing the table below shows the breakdown of cost between salaries and other costs.

	£m	%
Staff and Employee Costs	83.879	83%
Premises	6.657	7%
Transport	2.677	2%
ICT	2.859	3%
Surgeons and Forensics	0.971	1%
Other Costs	10.577	10%
Pensions	0.718	1%
Gross Cost	108.338	107%
Income	-6.811	-7%
Net Cost	101.527	100%

8. Appendix Bi show the cost increases and cost reductions expected to be faced by the CC over the next 3 years. These financial plans are based on pay inflation of 1%, general inflation increases of 0.6%, ICT inflation of 1.4% and utilities inflation of 2.5%.

9. The plan includes growth of an OHU Mental Health Nurse to respond to a growing volume of mental health cases. Also included is an increase in the MASH capability within the Swindon area, this includes the creation of 4 decision maker posts and 1 researcher. This is to respond to the increased volume of work in this area and the desire to provide a consistent service to both councils in our area. Other areas include additional funding for mobile data due to increased ANPR capability and the agile agenda. A few small areas of other growth are also identifiable in the appendix. All these areas have been discussed at Senior Command Team in the knowledge that any growth will need to be funded by compensating savings.

10. One cost increase discussed at Senior Command Team and with the PCC is an increase in Custody Health Care costs of £0.122m. It had been expected that the police budget for this would be transferred across to the NHS in the near future, however in the settlement the Home Secretary announced this would not happen. Funds and costs will now remain with each force.
11. In previous plans the issue of possible National Insurance increases resulting from national pension changes was highlighted. At that stage it was expected that the Government would make amendments to the system to negate the impact. No further information has been received from the government therefore in line with the prudent principle these additional costs are now included. These National Insurance increases will be required due to the reforms to the State Pension which are being introduced from 1st April 2016. This will affect all forces and all public sector employers. These plans will abolish 'contracted out' for employees in defined benefit schemes, thereby, leading to an increase in the employer contributions required. Where this is affecting private sector employers the Government advice has been to consider offsetting this increase cost through a review of scheme benefits/contribution rates. In the public sector we are expected to simply pick up this additional cost. At a cost of £2m this is significant to the future funding of the Force.
12. Each year officers retire; these are paid at the top of their grade. These officers are then replaced in the organisation by new recruits who are paid at a much lower rate. Winsor reforms increase the variance between the top and bottom grades. Therefore in each year £0.298m of savings occur which is now built into the plans.

Funding Shortfalls

13. When comparing these estimated budget requirements against the finances expected to be available from the PCC a savings requirement is identified. To reduce this the PCC is allowing £1.605m of reserves to be utilised (in the knowledge that funds are expected to increase for Wiltshire in 2017-18 with the formula review). The PCC has also agreed to use £0.315m of commissioning funds for the next 2 years to reduce the savings required. The tables below show this and the level of savings now required;

No Increase	2016-17	2017-18	2018-12	2019-20	Total
Est. Expenditure	£105.817m	£106.119m	£106.574m	£107.396m	
Est. Funding	£102.472m	£104.761m	£105.416m	£105.808m	
Comm. Fund	£0.315m				
Reserves	£1.605m				
Shortfall	£1.425m	£1.358m	£1.158m	£1.588m	£5.529m

1.9% Increase	2016-17	2017-18	2018-12	2019-20	Total
Est. Expenditure	£105.815m	£106.874m	£108.119m	£109.784m	
Est. Funding	£103.221m	£106.292m	£107.781m	£109.031m	
Comm. Fund	£0.315m				
Reserves	£1.605m				
Shortfall	£0.674m	£0.582m	£0.338m	£0.753m	£2.347m

14. The estimated savings requirement of £5.529m or £2.347m is on top of the savings of £17m delivered in the last 5 years. These savings have been produced by the 2010 Vision Plan, Management Structure review, etc. They have broadly required all middle

and support services to reduce by 15%-20%. Whilst the force can continue to reduce in this manner it is not considered appropriate and would likely lead to an ineffective service to the public.

15. These savings assume the formula funding review will deliver additional funds of £2.3m. If this is not the case the savings requirement will be £7.829m or £4.647m. This is not guaranteed nor is how it will be implemented, i.e. it will be in year 1 or over the life of the CSR.

Efficiency Strategy

16. To deliver the savings required under the CSR requires the force to realign resources and work in partnership with other forces.
17. With 81% of our budget spent on staff it is clear that to save significant sums these staff must reduce or shared with other partners. The 2015-16 budget finances;
 - 1,008 Police Officers (1,011 budget less 3 civilianisation's)
 - 118 PCSO's
 - 842 Police Staff (post 2015-16 revised from 871 original)
18. Police Officers terms and conditions remove the redundancy option so we can only consider the impact of not replacing retiring officers or those who choose to leave. On average 60 staff leave per year, these are replaced by intakes or transferees.
19. Due to ever increasing demand the Chief Constable wishes to maintain officer numbers wherever possible.
20. Assuming the £2.3m additional funding is received the strategy maintains the establishment. The establishment for 2016-17 would be 1007 (Current 1008 + 2 (Specials plan) – 3 (Custody civilianisation)). This relies on a £0.315m investment from the PCC from his commissioning fund. The establishment would be reconsidered during 2016 depending on the outcome of the formula funding review. If additional funding was not available there would be a slow down in recruitment in 2017-18. To fund the calculated gap the establishment would need to reduce in 2017-18 by 39 officers, saving £1.7m. The in year additional costs incurred with a gradual slow down would be funded from the Officer Intake Strategy Reserve.
21. Initial works suggest that the new Community Policing project (STOP) would require significantly lowers number of police officers, without reducing the number of local officers. Any future reduction is expected to come from this area.
22. There are risks in this as the project is only in pilot and it may not be possible to deliver this volume of reduction. It should be noted that whatever the outcome of the Community Policing project that officers may need to be reduced to meet the financial challenge.
23. In previous years we have targeted non staff costs to deliver a portion of the savings required. An initial review suggests a savings target of £0.500m is realistic. This would leave additional savings of £0.174m to find if a 1.9% Council tax increase was levied.

24. In October 2015 senior management have received information from the Strategic Alliance Team identifying ways to save in excess of £50m (between both parties). This figure is very much an estimate and includes areas such as Local Policing which is also targeted by the Community Policing project. On review a figure of £25m is more likely. This would be split 27% Wiltshire (£6.7m) and 73% Avon and Somerset (£18.3m). With business cases, senior management and PCC sign off outstanding it would be imprudent to rely significantly on the alliance to deliver major savings in 2016-17 (these savings would be over a 4 year period). However it is expected that this could deliver the outstanding £0.174m savings required (with a 1.9% council tax levy).

25. The following summarises the savings plan discussed above;

	2016-17
Strategic Alliance	£0.174m
General Efficiencies	£0.500m
	£0.674m

26. If no council tax increase was agreed another £0.751m of savings would need to be delivered.

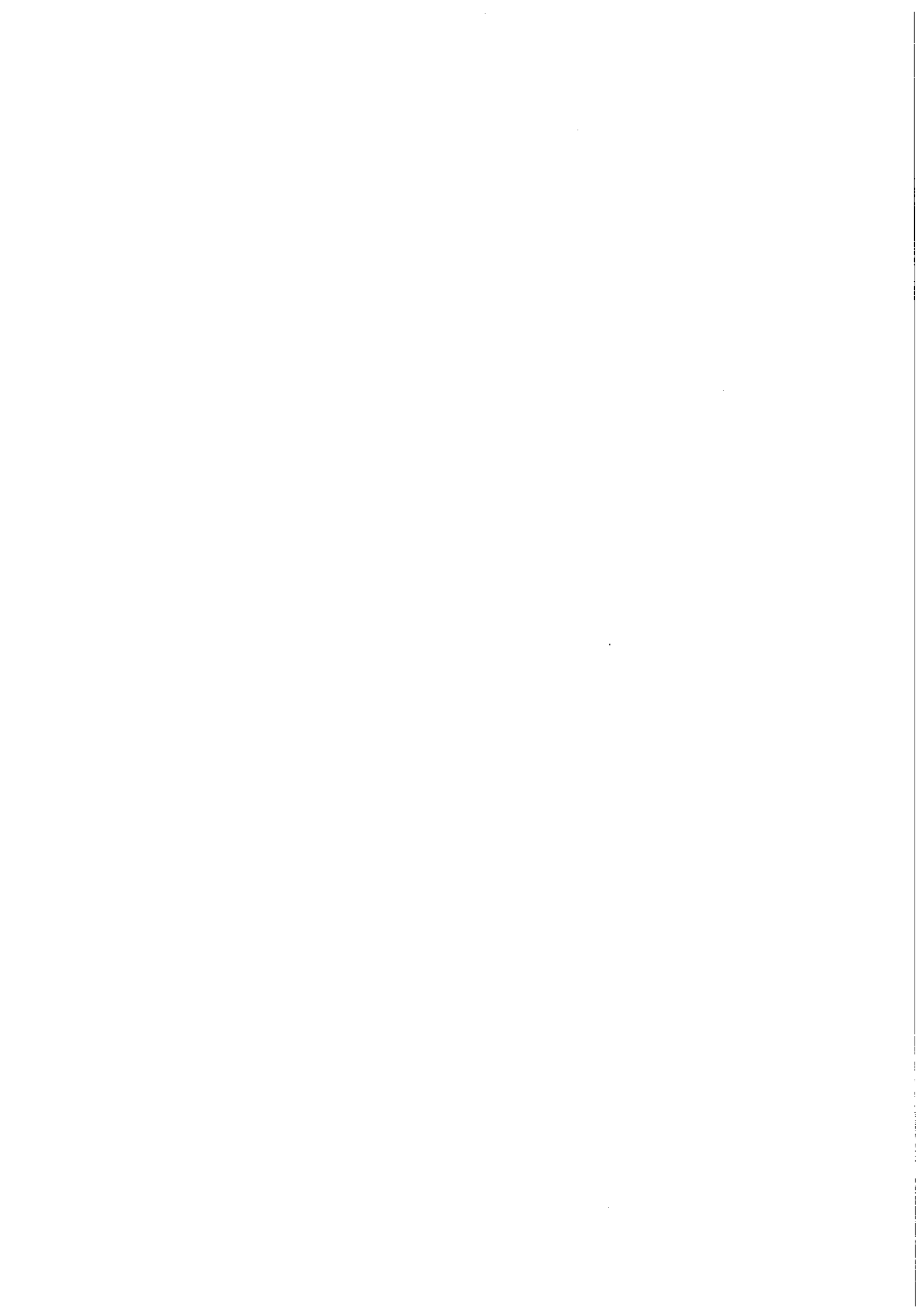
27. A regular in-flow of new recruits is seen as a positive way of managing officer numbers. This plan funds 3 intakes in 2016-17 totalling 47 officers. The switching on and off of recruitment has left us in the past with gaps in officers which have taken over 18 months to close. A large influx of probationers at one time also results in training and mentoring problems.

Conclusion

28. This paper identifies a strategy to close the funding gap if a 1.9% increase in the police part of the Council Tax is agreed. There are risks that the savings will not be achieved. The biggest risk to this is partnership failure as working with Avon and Somerset Police is expected to help deliver large savings.

29. A 0% increase in the police part of the council tax would increase the savings target which is a concern. One of the risks with this strategy surrounds future savings requirements; by not increasing the council tax base larger savings will be required, £5.529m rather than £2.347m over the 4 years. Especially when the £2.3m additional formula funding income is not guaranteed.

30. Considering the risks involved with the partnership and the continuing reduction in central funding the Chief Constable is advising that any return available from the Council Tax be maximised to assist in the maintaining of local policing in Wiltshire.



Chief Constables Financial Plan

Based on Council Tax Increase

1.90%

	16/17 <i>£million</i>	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>
Expenditure BFWD	101.523	103.221	106.292	107.781
add back funded from reserve	0.000	1.605	0.000	0.000
Revised Expenditure Carried Forward	101.523	104.826	106.292	107.781
Cost Increases				
Inflation estimate	0.987	1.015	1.032	1.046
Fixing of specific grants	0.019	0.019	0.019	0.019
Spinal Point Increases	0.700	0.700	0.700	0.700
Increase in Bank Holidays	0.000	0.054	0.000	0.054
OHU Mental Health Nurse	0.044	0.000	0.000	0.000
5% Reduction in Security Grant	0.057	0.052	0.052	0.052
Transformation Team W10	0.035	0.000	0.000	0.000
Charter System	0.008	0.000	0.000	0.000
Crime Prevention Dept Restructure	0.019	0.000	0.000	0.000
MASH - incl property	0.199	0.000	0.000	0.000
1% Local Gov Pension Increase	0.275	0.275	0.275	0.275
Increase in NI (Pensions Bill)	2.052	0.000	0.000	0.000
CAID - NPCC	0.037	0.023	0.000	0.000
Leadership Training	0.030	0.000	0.000	0.000
Increase in Specials	0.000	0.260	0.000	0.000
Corporate Comms Investment	0.039	0.000	0.000	0.000
Increase in data costs	0.175	0.000	0.000	0.000
Custody Healthcare	0.122	0.000	0.000	0.000
Nat. Police Promotions F/work	0.033	0.000	0.000	0.000
Additional PTT staff	0.100	0.000	0.000	0.000
Unidentified Policing Pressures	0.150	0.250	0.250	0.250
Total increases in Expenditure	5.081	2.648	2.328	2.396
Cost Reduction				
Reduced Rent Allow & Comp Grant	-0.173	-0.302	-0.095	-0.095
Reduction in Shift Allowance	-0.020	0.000	0.000	0.000
C RTP	-0.136	0.000	0.000	0.000
Reduction in Bank Holidays	-0.162	0.000	-0.108	0.000
Spinal Point Impact of New Recruits	-0.298	-0.298	-0.298	-0.298
Total reductions in Expenditure	-0.789	-0.600	-0.501	-0.393
Contributions to or from Reserves	-1.605	0.000	0.000	0.000
Contribution from OPCC Commissioning Fund	-0.315	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-0.674	-0.583	-0.338	-0.753
New Requirement	103.221	106.292	107.781	109.031

Inflation Assumptions

Employees	1.00%	1.00%	1.00%	1.00%
Grant Income/Interest	0.60%	0.60%	0.60%	0.60%
Other	0.60%	0.60%	0.60%	0.60%
IT	1.40%	1.40%	1.40%	1.40%
Utilities	2.50%	2.50%	2.50%	2.50%

Chief Constables Financial Plan

Based on Council Tax Increase

0.00%

Financial Year >>>>>>	16/17 <i>£million</i>	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>
Expenditure BFWD	101.523	102.472	104.761	105.416
add back funded from reserve	0.000	1.605	0.000	0.000
Revised Expenditure Carried Forward	101.523	104.077	104.761	105.416
Cost Increases				
Inflation estimate	0.988	1.009	1.018	1.024
Fixing of specific grants	0.019	0.019	0.019	0.019
Spinal Point Increases	0.700	0.700	0.700	0.700
Increase in Bank Holidays	0.000	0.054	0.000	0.054
OHU Mental Health Nurse	0.044	0.000	0.000	0.000
5% Reduction in Security Grant	0.057	0.052	0.052	0.052
Transformation Team W10	0.035	0.000	0.000	0.000
Charter System	0.008	0.000	0.000	0.000
Crime Prevention Dept Restructure	0.019	0.000	0.000	0.000
MASH	0.199	0.000	0.000	0.000
1% Local Gov Pension Increase	0.275	0.275	0.275	0.275
Increase in NI (Pensions Bill)	2.052	0.000	0.000	0.000
CAID - NPCC	0.037	0.023	0.000	0.000
Leadership Training	0.030	0.000	0.000	0.000
Increase in Specials	0.000	0.260	0.000	0.000
Corporate Comms Investment	0.039	0.000	0.000	0.000
Increase in data costs	0.175	0.000	0.000	0.000
Custody Healthcare	0.122	0.000	0.000	0.000
Nat. Police Promotions F/work	0.033	0.000	0.000	0.000
Additional PTT staff	0.100	0.000	0.000	0.000
Unidentified Policing Pressures	0.150	0.250	0.250	0.250
Total increases in Expenditure	5.082	2.642	2.314	2.374
Cost Reduction				
Reduced Rent Allow & Comp Grant	-0.173	-0.302	-0.095	-0.095
Reduction in Shift Allowance	-0.020	0.000	0.000	0.000
CRTP	-0.136	0.000	0.000	0.000
Reduction in Bank Holidays	-0.162	0.000	-0.108	0.000
Spinal Point Impact of New Recruits	-0.298	-0.298	-0.298	-0.298
Total reductions in Expenditure	-0.789	-0.600	-0.501	-0.393
Contributions to or from Reserves	-1.605	0.000	0.000	0.000
Contribution from OPCC Commissioning Fund	-0.315	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-1.425	-1.358	-1.158	-1.588
New Requirement	102.472	104.761	105.416	105.808
Inflation Assumptions				
Employees	1.00%	1.00%	1.00%	1.00%
Income	0.60%	0.60%	0.60%	0.60%
Other	0.60%	0.60%	0.60%	0.60%
IT	1.40%	1.40%	1.40%	1.40%
Utilities	2.50%	2.50%	2.50%	2.50%

Financial Health Indicators

Area	Indicator
Revenue	
The budget should be built on a solid base for future years limiting the use of one off funds to finance areas of continual cost.	The budget should not be funded via one off funds in excess of a 2% increase in precept
The budget and spend should be managed efficiently limiting the possibility of over or under spends	The over or underspend should not be more than 2% of budget.
The need to incur cost and the manner in which cost is occurred should be constantly reviewed. There is an expectation that efficiency savings are required to fund investment/balance the budget.	Efficiency savings of at least 3% of the budget should be achieved.
Reserves	
The general reserve should be sufficient to finance large scale problems which may be encountered by the Force.	The general reserve should be at least 3% of budget
The other revenue reserves held by the Authority should be at a reasonable level and should not be excessive.	The other revenue reserves should not exceed 3% of budget.
Capital	
The capital maintenance and replacement programme is an annual requirement and as such should be aligned with the funding available from grants and revenue contributions.	The revenue contribution from capital and annual capital grant should finance the maintenance programme in the capital plan period.
Capital plans should be realistic, achievable and timely. Development and Improvement projects must be backed by a business case with accurate timescales for expenditure.	Capital slippage should not exceed 25% of the capital budget.
The financing of capital should reflect the type of asset being purchased, i.e. long term assets can be financed by long term borrowing, short term assets are funded by annual funding or reserves.	Borrowing is only used for long term assets

Wiltshire Police and Crime Commissioner - Financial Plan

Capital Expenditure Plan

Financial Year >>>>>>	<i>bfwd</i> <i>£million</i>	<i>15/16</i> <i>£million</i>	<i>16/17</i> <i>£million</i>	<i>17/18</i> <i>£million</i>	<i>18/19</i> <i>£million</i>	<i>Cum</i>
Capital Financing						
Government Grant (28% red. est)	0.000	0.793	0.571	0.571	0.571	2.506
Capital Reserve (post cap fin tfr)	12.626					12.626
Contribution from Reserves	0.000					0.000
Capital Receipts	0.000	0.000	1.265	1.630		2.895
Revenue Cont. to Capital (1.9% CT)	0.000	0.729	0.739	0.739	0.739	2.946
	<u>12.626</u>	<u>1.522</u>	<u>2.575</u>	<u>2.940</u>	<u>1.310</u>	<u>20.973</u>
Capital Expenditure (on a cashflow basis)						
Part A - Maintenance and Replacement Programme						
Vehicle Fleet	-0.039	0.913	0.913	0.913	0.913	3.613
Programmed Maintenance - Buildings		0.100	0.100	0.100	0.100	0.400
Airwave Handsets	0.166	-0.100	0.035	0.000	0.000	0.101
Hi-tech crime unit computers	0.000	0.000	0.050	0.000	0.050	0.100
Operational Equipment (Taser)	0.030	0.000	0.050	0.000	0.050	0.130
Total Maintenance and Replacement	0.157	0.913	1.148	1.013	1.113	4.344
Part B - Development and Improvement Projects						
Minor Works - Building Improvements		0.075	0.075	0.075	0.075	0.300
Estates Major Projects	0.780	0.400	8.186	0.340		9.706
Video Conferencing						0.000
CCTV Gablecross						0.000
ECC/FCC Meridian Replacement						0.000
Forcewide Telephone Platform	-0.091	0.220				0.129
Performance System	0.010					0.010
Blackrock Firearms Training Facility	0.043					0.043
FIM						0.000
CCC Refurbishment Programme	0.176					0.176
Tasking and Briefing System	0.128					0.128
ANPR		-0.484				-0.484
HR systems		0.145				0.145
Total Development and Improvement	1.046	1.324	8.261	0.415	0.075	11.121
Part C - ICT Refresh Programme						
ICT Remediation Work Phase 2	0.159	0.337	0.245			0.741
Computer Laptops, Tablets, Desktops, etc.	-0.393	1.175	0.140	0.140	1.120	2.182
ICT Investment (incl servers, storage)	-0.083	0.353	0.500	0.500	0.500	1.770
Mobile Working	0.496	0.200	0.000			0.696
Protective Monitoring	0.006	0.000	0.000			0.006
Hi Tech Crime Unit Storage and Servers	0.039	0.000	0.000			0.039
Communications Network	0.256	0.000	0.250			0.506
Total ICT Refresh	0.480	2.065	1.135	0.640	1.620	5.940
Total for Parts A, B and C	1.683	4.302	10.544	2.068	2.808	21.405
Surplus / Deficit (-) for Year	10.943	-2.780	-7.969	0.872	-1.498	-0.432
Cumulative Surplus / Deficit	10.943	8.163	0.194	1.066	-0.432	-0.432



RESERVES AND PROVISIONS POLICY (updated Jan 2016)

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.
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.
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 **General Reserve** Wiltshire Police will hold usable reserves for the following purposes:
 - **Investment** - reserves held to fund future time limited capital or revenue expenditure requirements in line with the Local Policing Plan and Priorities
 - **Partnership** - specific reserves held for partnership purposes which may include funding provided by partners to help achieve a specific purpose
 - **Contingency and Risk** - reserves held to provide a level of cover for unexpected or one off events or emergencies or predictable liabilities or costs.
14. Wiltshire Police will hold a **Capital Development Reserve**. This reserve is critical in the funding of the on-going capital plan.
15. 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.

16. 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.

Building Reserves

17. 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 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.

18. 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.

19. 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. For redundancy and other small change costs the Restructuring Reserve will be used by the Chief Constable.

20. In line with the PCC's Police and Crime Plan a Community Safety Investment Reserve has been introduced. Use of this fund will be determined by the PCC with decisions documented at the internal Corporate Management Board.

Quantifying the Reserves Requirement

21. 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.

22. 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.

23. 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.

24. 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.
25. 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.
26. 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.

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

Application of Reserves

28. 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.

29. **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

30. 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.
31. The proposed use of reserves and balances to deliver a sustainable budget must be included as part of the budget process to the PCC.
32. Unusable reserves are managed as part of accounting policies, specified in the Statement of Accounts which is approved by the PCC.
33. The PCC is the owner of all reserves. All reserves will sit on the PCC's Balance Sheet.

Provisions

34. 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.
35. 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.
36. 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.
37. 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, their Purpose, owner and Target Level

Usable Reserves

User	Reserve	Justification	Target
	Specific		
PCC	General Reserve	Funding set aside to cover the major risks involved with running a £100m Policing business	2.5% of Budget Requirement
PCC	Capital Development Reserve	Funding set aside to assist in the funding of capital to reduce the organisations need to borrow.	As identified in the 3 year Capital Plan
	Contingency and Risk		
PCC	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	1.0% of Budget Requirement
PCC	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
PCC	Seized Asset Reserve	The budget requires £160,000 of income per year to finance financial investigators undertaking this work. This reserve 'smooths' out variances across years on returns.	Excess returns above budget, to a maximum of 1 yrs budget
PCC	Ill Health Reserve	For each Ill Health retirement agreed a payment of approximately £70,000 has to be made to the Home Office. The annual budget allows for 3 per year, this reserve 'smooths' out variances across yrs	£0.200m has been allocated
PCC	2016-17 Contribution to Revenue Budget	Funding set aside to finance a short term funding position expected in 2016-17	£1.605m has been allocated
PCC	Officer Intake Strategy	Finances to implement a 2yr recruitment strategy to even out officer intakes against budget reductions.	£0.5488m has been allocated this will be mainly used for year 2 of the strategy.
	Investment		
PCC	Community Safety Innovation Reserve	In line with the PCC's Policing and Crime Plan this reserve enables the PCC to allocate finances to 'pump prime' initiatives in line with priorities	£0.237m is expected to remain at 31 March 2016
PCC	Specials Intake Strategy	This reserve is intended to finance a plan to increase the number of Specials assisting the force to 500 with a specific recruitment and training strategy.	£1.032m is available for investment

PCC	Diversity Reserve	Funding set aside to finance projects which will lead to a more diverse workforce and benefits that provides.	£0.150m is available for investment
PCC	Corporate Communications Reserve	Funding set aside to finance new initiatives expected to improve the way the PCC and CC communicate to the public and staff.	£0.116m is allocated
PCC	Restructuring Reserve	This funds one off costs such as redundancy and minor office changes required to restructure the business to meet reduced funding levels.	£0.250m is allocated
PCC	Budget Smoothing Reserve	Funds any unplanned shortfalls in savings resulting from timing issues in delivering savings	£0.200m is allocated
PCC	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 reviews and start up costs	£0.274m allocated for specific projects is expected to remain at 31 March 2016
PCC	Held Property Project	This will fund a 3yr project to consolidate, review and where appropriate dispose of held property across the Force	£0.189m is expected to remain at 31 March 2016
PCC	Uniform Reserve	Funding set aside to replace the entire Body Armour provision during 2015-16 and 2016-17.	£0.274m is expected to remain at 31 March 2016
	Partnerships		
PCC	MAPPA Reserve	This receives funds from the partners in the Multi Agency Public Protection arena and is spent in line with Board decisions.	The balance at 1 April 2015 is £0.033m
PCC	Switch Reserve	This receives funds from partners and is spent on the Integrated Offender Management programme	The balance at 1 April 2015 is £0.099m
PCC	Local Resilience Forum	This receives funds from the partners in the Local Resilience Forum and is spent in line with Board decisions.	The balance at 1 April 2015 is £0.033m
	Provisions		
PCC	Insurance	The estimated cost of finalising claims currently being progressed by the Police	Assessed as part of the year end process

