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## **DRAFT BUDGET SETTLEMENT**

### **Purpose**

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

### **Background**

2. In October 2016 the initial Medium Term Financial Strategy (MTFS) was produced and reviewed at my monitoring board. The MTFS looks at the estimated financial position of the PCC over the next 4 years and the impact this has on my ability to commission services. It acknowledges the fact that decisions I make today will impact my finances over the medium and long term. In December 2016 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The revised MTFS is included as an appendix to this report however it should be noted that the assumptions included are superseded by actual information as it is received.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;
  - a £0.812m cash reduction in Police Revenue funding for 2017-18, a 1.4% cut in funding for Wiltshire.
  - an increase in top slicing of Policing Funding in 2017-18 from £571m to £812m (mainly for Police Technology Programmes and Transformation Fund).
  - the setting of the council tax referendum threshold level at 2%.
  - the announcement that PCC's with funds in the lowest quartile nationally can increase the council tax up to maximum of £5 per band D property without triggering the requirement for a referendum (Wiltshire are not in the lowest quartile).

### **Council Tax Options**

5. I am currently considering 2 options surrounding the council tax;
  - Option A – To increase council tax by 1.9%
  - Option B – To maintain council tax at the 2016-17 level

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

	2016-17 Budget	2017-18 0% CTax Inc	2017-18 1.9% CTax Inc
Standard Funding available to commission services (including investment income)	£105.446m	£104.997m	£105.789m
Swindon PFI Specific Grant	£2.067m	£2.067m	£2.067m
Special Policing Specific Grant	£1.130m	£1.130m	£1.130m
<b>Total</b>	<b>£108.643m</b>	<b>£108.194m</b>	<b>£108.986m</b>

7. In addition to this I have central funding allocated to me to commission victims services and to support restorative justice. Figures for 2017-18 have not yet been released. In 2016-17 I received £0.826m of grant to commission these services.
8. My considerations surrounding the options on a council tax increase focus on the long term funding position. To not increase council tax 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 receive £96 per head of population under the current formula. This compares to a national average of £121 per head and a most similar forces average of £107 per head. Being the 6th lowest centrally funded PCC per head of population increases my reliance on council tax.
9. A 1.9% increase in Council Tax will result in Wiltshire's Band D council tax increasing from £167.10 to £170.27, a £3.17 increase. The table below shows that even with no increases in the rest of the region Wiltshire will remain the lowest.

	2016-17 Band D CTax	Wiltshire 1.9% increase
Gloucestershire	£210.31	
Dorset	£190.80	
Avon & Somerset	£178.26	
Devon & Cornwall	£172.84	
<b>Wiltshire</b>	<b>£167.10</b>	<b>£170.27</b>

10. These considerations surrounding local funding levels cannot occur without taking into account the central funding position. 60% of my funding derives from central grants.
11. By having a large portion of my budget funded by grants any changes to central grants are important whilst any benefits surrounding increases in the local council tax base less significant.
12. In calculating the funding available an increase in the council tax base has been included. The increase for Wiltshire Council is 0.6% and Swindon Borough Council 2.9%. The consolidated increase in the tax base is 1.2%. The funding available also includes the collection fund surplus; this has provisionally reduced to £0.491m in 2017-18 (£0.882m in 2016-17).

### Future Funding

13. 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 expected that the change would be implemented in 2017-18 however this had been delayed and is now expected in 2018-19.

14. The 2016-17 budget was produced using £1.605 of reserves with the expectation that our funding will increase. Last years financial strategy recognised the possibility that the change may not occur and the implications this would have (the need for greater savings in future years). Hence the 2017-18 budget requires additional savings to be delivered. To help assist planning a level of reserves has been used to smooth the savings requirement between 2017-18 and 2018-19.

### Impact on the Chief Constable's Budget

15. With a 1.9% council tax increase the Chief Constable's budget will rise by £0.091m to £103.107m, basically a standstill budget. With no increase his funding reduces by £0.681m.
16. This funding position should be considered against the unavoidable cost increases surrounding inflation, pay increases, pensions and the Apprenticeship levy. Overall there are net costs pressures on the Chief Constable of £2.3m The table below shows his budget requirement against funding levels which I may provide him in 2017-18;

	0% CTax Inc	1.9% CTax Inc
Budget Requirement	£106.934m	£106.934m
Funding Available	£102.335m	£103.107m
Proposed Reserve Use	£1.439m	£1.439m
<b>Shortfall (savings req.)</b>	<b>£3.160m</b>	<b>£2.388m</b>

### Closing the Shortfall

17. A strategy has been produced within the MTFs. The table below outlines the plan with a 1.9% Council Tax Increase;

	<b>2017-18</b>
Workforce modernisation	£0.350m
5 Officer Reduction	£0.220m
Increase in Vacancy factor	£0.382m
Current Police Partnerships	£0.100m
Reduction in National Insurance and Pension Costs	£0.360m
General Efficiencies	£0.300m
<b>Total Proposed Savings</b>	<b>£1.712m</b>
<b>Savings required with a 1.9% CTax Increase</b>	<b>£2.388m</b>
<b>Variance (additional savings required)</b>	<b>£0.676m</b>

18. The Chief Constable has been tasked to identify further savings to close the £0.676m gap.

## **Reserves**

19. The reserves held by the PCC have been reviewed. The value of the general reserve has been considered and I am advised that £2.6m (2.5% of the revenue budget) is acceptable. A complete review of reserves has taken place with the outcome disclosed in Appendix D of the MTFs. Some reserves have been removed or reduced to free up funds. With these plans it is estimated that revenue reserves will be £4.9m by 31 March 2018.

## **Conclusion**

20. This paper shows the panel my MTFs and gives them my current thinking surrounding the 2017-18 precept. I believe a £3.17 Band D increase per household per year is appropriate and I am now consulting the public on this.

**Angus Macpherson**  
Police and Crime Commissioner