



WILTSHIRE AND SWINDON

Medium Term Financial Strategy (MTFS) 2017-18 to 2019-21

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Contents

Page

Executive Summary	3
Introduction	5
The Financial Environment	5
Police and Crime Plan	7
Income Forecasts	8
Impact of Reduced Funding Allocations	10
Use of Finances	11
Capital	11
Risks and Reserves	12
PCC's Conclusion	13

List of Appendices

Appendix Ai	PCCs Medium Term Financial Plan (1.9% Council Tax Increase)
Appendix Aii	PCCs Medium Term Financial Plan (0% Council Tax Increase)
Appendix B	CC's Budget Allocation
Appendix Bi	CC's Financial Plan (1.9% Council Tax Increase)
Appendix Bii	CC's Financial Plan (0% Council Tax Increase)
Appendix C	PCC's Capital Expenditure Plan
Appendix D	PCC's Reserves and Provisions Policy (Oct 2016)

Executive Summary

1. The 4 year MTFs has been produced in a climate of uncertainty. Following the vote to leave Europe we now have a new Prime Minister and Chancellor of the Exchequer. It was unclear as to how these individuals would look at the country's finances and how their decisions will affect the future funding Wiltshire receives. The Autumn Statement reported that the new Chancellor of the Exchequer would continue with the same austerity measures towards public spending but would not seek to achieve a balanced budget by the end of the term. Provisional specific funding for Forces was announced on 15 December. This reported a 1.4% cut in central funding for Wiltshire, this is higher than the reduction last year. The national high level message is that if PCC's choose to increase Council Tax by 2% then the cash each PCC receives will remain the same. An increase lower than this, or no increase, will result in a cash reduction. In real terms this is a reduction in funding. This MTFs assumes a 1.4% cash reduction in central funds in each of the years up to 2020. 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 MTFs, the settlement data announced on 15 December 2016 is the base. Last year's forecasts assumed that the Formula Funding review would be implemented which would lead to additional funding for Wiltshire Police. This has not been forthcoming and whilst promised in the future any gain for Wiltshire remains uncertain. This does make 2017-18 a challenge as the reserve funding utilised of £1.6m needs to be financed.
3. It is estimated by the end of 2017-18 that central funding will have dropped in real terms by 31.4% 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 (CC) initial plans the MTFs 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
2017-18	£104.997m	£105.789m	£0.792m
2018-19	£104.819m	£106.442m	£1.623m
2019-20	£104.662m	£107.156m	£2.494m
2020-21	£105.306m	£108.713m	£3.407m

5. An increase of 1.9% would result in a Band D Council Tax of £170.27, £3.17 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 £3.97 less than the national average of £174.24.
6. Depending on the decision on the Council Tax, cash funding will grow by a maximum of 0.1%. With the need to fill the reserve funding of £1.6m and unavoidable increases such as pay/price inflation and the Apprenticeship scheme, significant savings are

required. 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.

7. 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 before the use of any reserves;

	No Council Tax Increase	1.9% Council Tax Increase
2017-18	£4.599m	£3.827m
2018-19	£1.444m	£0.622m
2019-20	£1.644m	£0.783m
2020-21	£0.866m	-£0.036m
Total	£8.553m	£5.196m

8. The high savings requirement in 2017-18 is mainly due to the need to finance the reserves utilised in 2016-17 with the previous expectation of extra base budget funding through the formula review. The new plan proposes reserves being used to balance out the funding gap between 2017-18 and 2018-19. With a 1.9% Council Tax increase the savings requirement would then be £2.388m and £2.061m in the 2 years.
9. The MTFS includes an updated Capital Plan. Estimated resources are adequate to fund short term needs. Depending on the outcome of the Estates masterplan and the capital cost of the Emergency Services Mobile Communication Project (ESMCP) there may be a requirement to borrow towards the end of the MTFS period.
10. 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, the level planned gives confidence when considering the risk surrounding savings targets and possible slippage.
11. 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 funding per head of population is £152, the national average is £170. Wiltshire are the 6th lowest centrally funded. This current low level of funding makes finding savings difficult especially when considering that £17.680m of savings has already been made in the previous 5 years,

Introduction

12. This is the four year MTFS. The MTFS first covers the funds available to the Police and Crime Commissioner (PCC) depending on different local funding scenarios.
13. It then considers how the Commissioner may use the finances available to him to fulfil his wide ranging remit.
14. 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

15. The 4 year MTFS has been produced in a climate of uncertainty. Following on the vote to leave Europe we now have a new Prime Minister and Chancellor of the Exchequer. It was unclear as to how these individuals would look at the country's finances and how their decisions will affect the future funding Wiltshire receives. The Autumn Statement reported that the new Chancellor of the Exchequer would continue with the same austerity measures towards public spending but would not seek to achieve a balanced budget by the end of the term. Provisional specific funding for Forces was announced on 15 December. This reported a 1.4% cut in central funding for Wiltshire, this is higher than the reduction last year. The national high level message is that if PCC's choose to increase Council Tax by 2% then the cash each PCC receives will remain the same. An increase lower than this, or no increase, will result in a cash reduction. In real terms this is a reduction in funding. This MTFS assumes a 1.4% cash reduction in central funds in each of the years up to 2020.
16. Recently funding has been announced on an annual basis, this provides no certainty which does make financial and organisational planning more difficult.

Central Public Finances

17. The MTFS now assumes a 1.4% cash reduction in the first 3 years of the MTFS. This is an estimate.
18. Last year's MTFS stated that there was no guarantee that the changes in the funding formula would occur however if no assumptions were made on the formula it would have resulted in the force reducing officer numbers and making staff redundant when there was no requirement to do so. Hence it was important to balance the risks involved. It was stated that if the outcome of additional funding did not occur (which it did not) it would mean that additional savings will be required in 2017-18 rather 2016-17.
19. Whilst the Autumn statement announcement suggested a 'cash flat' position the actual settlement identified a £0.814m 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 31.4% over the last 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%
2017-18	2.4%	1.0%	1.4%
Total	31.4%	11.4%	20.0%

Precept (Council Tax)

20. 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 is expected in 2017-18. The funding of 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 with no increase or reduction (i.e. Cash flat).
21. 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% will remain in 2017-18. 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.
22. A 1% increase in the police part of the council tax in 2017-18 is worth £0.418m. Any increase in council tax increases the base and secures future funding at a higher level.
23. The Council Tax receipt is dependent on the council tax base (the number of dwellings paying the tax). Information from Swindon Borough and Wiltshire Council suggests that an increase of 1.2% in tax base is likely in 2017-18. The increase in Wiltshire Council is low this year at 0.6% compared to 3.5% in 2016-17.
24. The total funding includes the collection fund surplus. The provisional figures from the councils total £0.491m. This is significantly lower than last year. The provisional surplus from Wiltshire Council has reduced from £0.678m to £0.222m.

25. 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.

	Additional Dwellings	Est total Dwellings	% Increase	Collection Fund Surplus
2017-18 Actual	3,030	249,356	1.23%	£491,000
2018-19	3,740	253,096	1.50%	£491,000
2019-20	3,797	256,893	1.50%	£491,000
2020-21	3,853	260,746	1.50%	£491,000

Inflation

26. The consumer price index shows inflation for the 12 months to September 2016 at 0.6%. This is largely due to pay increases.

27. The MTFS allows for general inflation at 0.6%, ICT at 2.5% and utilities at 1.0% in all 4 years. Pay is allowed for at 1% in line with the government's policy on public sector pay increases.

28. During 2016 the bank base rate was reduced to a historic low of 0.25%. 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.

Apprenticeship Levy

29. Last year the Government announced that an Apprenticeship Levy would be introduced for all employers operating in the UK, with a pay bill of over £3 million per year. This funding would then be used to increase the nation's investment in apprenticeships.

30. From 2017 the PCC and Chief Constable will be required to pay 0.5% of the Salary bill (£0.310m per annum) to the apprenticeship fund. Access to this fund will only be given for training of employees identified as eligible to be classed as apprentices.

31. It is not possible to opt out of the levy therefore plans are being worked up to maximise the investment Wiltshire are making, In the first year of this levy it is hoped that we would utilise this money to upskill our existing workforce. In the second year we are hopeful that a Police Officer apprenticeship scheme, currently being developed by another force, will be in place which we could access or replicate. Administration costs and costs of the employees themselves are not recoverable costs under this scheme but training costs are fully recoverable for those on designated apprenticeships as long as the appropriate accreditation is undertaken.

32. Advice and detail surrounding the scheme is currently limited which does not help in planning for 2017-18 and future years.

Police and Crime Plan 2017-2021

33. As required under law the PCC is producing a Police and Crime Plan. This is currently being revised. The draft plan has 4 overarching priorities, these are shown below:

- Prevent crime and keep people safe
- Protect the most vulnerable in society
- Putting victims, witnesses and communities at the heart of everything we do
- Secure a trusted, quality and efficient police service

34. 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.

35. 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.

36. During 2014 the PCC became responsible for the commissioning of Victims Services. In 2016-17 funds of £0.826m were made available as a special grant for the PCC. 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. Currently no figures on 2017-18 funding have been released.

37. The 2016 Autumn statement showed clearly that this period of austerity is going to extend beyond the period since 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.

38. 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

Income Forecasts

39. The 2016-17 budget relies on the following income to finance activity;

Central Funding	Police Grant	£37.485m	
	Council Tax Localisation Grant	£5.235m	
	DCLG Funding	£20.683m	£63.403m
Local Funding	Precept – Council Tax	£41.161m	
	Council Tax Surplus	£0.882m	£42.043m
MTFS Funding		£105.446m	£105.446m

40. The current council tax level of £167.10 is £7.14 below the English average of £174.24. When compared to our most similar force grouping it is £21.60 below the average of £188.70 (from HMIC VFM profiles)

41. 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	2016-17 Band D Council Tax	Wiltshire 1.9% increase 2017-18	Wiltshire 1.9% increase 2018-19	Wiltshire 1.9% increase 2019-20
Gloucestershire	£210.31			
Dorset	£190.80			
Avon & Somerset	£178.26			
Devon & Cornwall	£172.84			
Wiltshire	£167.10	£170.27	£173.51	£176.81

Additional cost per Band D Household with a 1.9% increase	£3.17 p.a.
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42. 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.

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

- a) Funding at the South West Av. (£183.86), Extra income is £4.201m
- b) Funding at Similar Force Av. (£188.70), Extra income is £5.414m
- c) Funding at English Av (£174.24), Extra income is £1.790m
- d) Funding with 1.9% increase (£167.10), Extra income £0.796m

44. It should be noted that today's decision on council tax impacts future years funding. For example Gloucestershire levy of £210.31 was based on a 50% increase in 2003. This shows how future viability is dependent on decisions made today.

45. In 2016-17 Council tax was 39% 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.

46. The total income over the next 3 years based on the 2 options is reported under Appendices Ai and Aii, this is summarised below.

1.9% Increase	2017-18	2018-19	2019-20	2020-21
Central Funding	£62.589m	£61.786m	£60.994m	£60.994m
Local Funding	£42.950m	£44.407m	£45.911m	£47.469m
Investment Income	£0.250m	£0.250m	£0.250m	£0.250m
Total Funding	£105.789m	£106.442m	£107.156m	£108.713m
Total inc.	0.1%	0.6%	0.7%	1.5%

0% Increase	2017-18	2018-19	2019-20	2020-21
Central Funding	£62.589m	£61.786m	£60.994m	£60.994m
Local Funding	£42.158m	£42.783m	£43.418m	£44.062m
Investment Income	£0.250m	£0.250m	£0.250m	£0.250m
Total Funding	£104.997m	£104.819m	£104.662m	£105.306m
Total inc.	-0.7%	-0.2%	-0.2%	0.6%

47. 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.

48. It is necessary to consider the impact of different scenarios. The impact on the 2017-18 finances of changes in central funding is shown below;

Scenario	Impact on 2017-18 MTFS Figures
The Central funding cash cut is 1.9% rather than 1.4%	Funding reduces by £0.286m
Central funding remains cash flat rather than a 1.4% cash cut	Funding increases by £0.803m

Impact of Funding Allocations

49. 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;

	2016-17 Revised Allocation	2017-18 Allocation 1.9% Ctax	Increased Allocation 1.9% Ctax	2017-18 Allocation 0% Ctax	Reduced Allocation 0% Ctax
OPCC Office cost	£0.712m	£0.713m	£0.001m	£0.707m	-£0.005m
OPCC Capital cont (RCCO)	£0.741m	£0.742m	£0.001m	£0.736m	-£0.005m
OPCC Ext. Commissioning	£1.227m	£1.228m	£0.001m	£1.219m	-£0.008m
CC Allocation	£103.016m	£103.107m	£0.091m	£102.335m	-£0.681m
Total	£105.696m	£105.789m	£0.093m	£104.997m	-£0.699m

50. The specific Victims grant mentioned in paragraph 36 is in addition to the funding available for external commissioning.

51. 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 £3.827m or £4.599m in 2017-18. The plan (further detailed in the reserves section) proposes to utilise £1.439m of reserves to reduce the impact. Taking the £1.439m into account the savings requirement with a 1.9% council tax increase reduces to £2.388m or £3.160m with no council tax increase.

52. The savings required to be delivered by the CC are significant. These savings requirements are in addition to the £17.680m saved in the 5 year period from 2010-11.

53. 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

54. 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 2016-17 budget has been reviewed to identify the relationship between spend and funding.

55. 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	£40.655m	£38.015m	£78.670m
Support Services	£12.173m	£12.172m	£24.345m
OPCC	£1.340m	£1.340m	£2.680m
Total	£54.168m	£51.527m	£105.695m
	51%	49%	100%
Staffing (FTE)	1018	1004	2022
	50%	50%	100%
Income	£46.396m	£59.049m	£105.445m
Interest	£0.125m	£0.125m	£0.250m
Total	£46.521m	£59.174m	£105.695m
	44%	56%	100%

Capital

56. 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.

57. 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.

58. The base budget for 2016-17 allows the PCC to supplement the capital programme with a £0.741m revenue contribution to capital (RCCO). This can change if approved by the PCC. Paragraph 49 shows a slight increase with a 1.9% increase or a reduction if no precept increase is agreed.

59. The Capital grant available to each force has significantly reduced in recent years. Last year the December settlement reported an increase in top slicing for national projects (such as ESMCP) with the amount available to forces falling from £89.5m to £64.5m, a 28% reduction. The final settlement saw this drop to £54.1m (a 40% reduction). The December 2016 settlement has seen the forces allocation drop again to £45.9m. This results in Wiltshire's capital grant reducing from £0.479m per annum to £0.407m.

60. Appendix C shows the Capital Plan for the next 3 years. This is the plan approved at the Commissioners Monitoring Board in October 2016 adjusted for the RCCO and grant.

61. 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 2019-20 this will change (go up and down) during this period as both income and costs change.

	2017-18	2018-19	2019-20
Balance available	£0.924m	-£3.371m	-£5.522m

62. These balances rely on £1.945m of capital receipts. These surround the sale of property at 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.

63. 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 initial estates masterplan work. An allocation of £2.408m has been allowed for the ESMCP however these costs are very much an estimate.

64. Each year the PCC undertakes a number of planned maintenance programmes to increase the life of assets. This can be upgrading assets such as lifts or undertaking substantial works. It is proposed to fund substantial estates programmes via the capital plan. Below this value will be funded by revenue. The plan allows £0.100m per year for these substantial programmes.

65. 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 be identified ICT investment in each future year.

66. The Fleet strategy is based on the Policing Model. The strategy includes the use of framework vehicles to reduce cost. This is now in place for our high volume vehicles. Further work on the remainder of the fleet remains on-going with the National buying groups expected to deliver better value for money and improve standardisation across the region.

Risks and Reserves

67. The assessment of risks and the setting of appropriate levels of reserves is an essential element of medium term financial planning.
68. When setting budgets and future plans it is essential to ensure that they are both affordable and sustainable.
69. 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.
70. 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.
71. 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 the CIPFA (Chartered Institute of Public Finance and Accountancy) best practice. This is included under Appendix D.
72. A review of reserves has taken place considering the budget strategy. It is proposed that £1.439m be moved to the Contribution to Revenue Budget reserve. £1.091m of this is funded by the expected underspend in 2016-17 and £0.348m from the Officer Intake Strategy Reserve. This £1.439m would be used in balancing the 2017-18 budget.
73. The general reserve has been reviewed. Considering the total reserves available and the emergency funding available for significant costs the level of 2.5% (£2.6m) remains reasonable.
74. The PCC holds other specific earmarked reserves for specific risks e.g. Insurance. The estimated level of reserves for these is reported in Appendix D.
75. The largest reserve is the capital development reserve. This is required to finance the capital plan and is £11.895m at 31 March 2016.
76. 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 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...

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

PCC's Conclusion

78. 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 >>>>>>	17/18 £million	18/19 £million	19/20 £million	20/21 £million
Estimated Funding Available to the PCC				
Main Police Grant	36.961	36.444	35.933	35.933
DCLG Funding	20.393	20.107	19.826	19.826
Localisation Grant	5.235	5.235	5.235	5.235
Total Central Funding	62.589	61.786	60.994	60.994
CT Surplus	0.491	0.491	0.491	0.491
Precept	42.459	43.915	45.420	46.978
Contribution from reserve	0.000	0.000	0.000	0.000
Total Grant and Precept Funding	105.539	106.192	106.906	108.463
Investment Income	0.250	0.250	0.250	0.250
Total Income available to PCC	105.789	106.442	107.156	108.713
Reduction in Total Funds Available	0.1%	0.6%	0.7%	1.5%
<i>Central Funding Reduction</i>	<i>-1.3%</i>	<i>-1.3%</i>	<i>-1.3%</i>	<i>0.0%</i>
Band D Council Tax	170.27	173.51	176.81	180.17
Increase per Band D household	3.17	3.24	3.30	3.36

Allocation of Funding

Assuming that funding reduction is split equally across all current allocations

OPCC - Office costs (less inv inc)	0.713	0.717	0.722	0.732
OPCC - Capital Contribution	0.742	0.746	0.751	0.762
OPCC - External Funding allocations	1.228	1.236	1.244	1.262
OPCC - Chief Constable allocation	103.107	103.743	104.439	105.956
Total Allocation	105.789	106.442	107.156	108.713

PCC for Wiltshire Medium Term Financial Plan

Council Tax Increase 0.00%

Financial Year >>>>>>	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>	20/21 <i>£million</i>
Estimated Funding Available to the PCC				
Main Police Grant	36.961	36.444	35.933	35.933
DCLG Funding	20.393	20.107	19.826	19.826
Localisation Grant	5.235	5.235	5.235	5.235
Total Central Funding	62.589	61.786	60.994	60.994
CT Surplus	0.491	0.491	0.491	0.491
Precept	41.667	42.292	42.927	43.571
Contribution from reserve	0.000	0.000	0.000	0.000
Total Grant and Precept Funding	104.747	104.569	104.412	105.056
Investment Income	0.250	0.250	0.250	0.250
Total Income available to PCC	104.997	104.819	104.662	105.306
Reduction in Total Funds Available	-0.7%	-0.2%	-0.2%	0.6%
<i>Central Funding Reduction</i>	<i>-1.3%</i>	<i>-1.3%</i>	<i>-1.3%</i>	<i>0.0%</i>
Band D Council Tax	167.10	167.10	167.10	167.10
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	0.706	0.705	0.709
OPCC - Capital Contribution	0.736	0.735	0.734	0.738
OPCC - External Funding allocations	1.219	1.217	1.215	1.222
OPCC - Chief Constable allocation	102.335	102.162	102.008	102.636
Total Allocation	104.997	104.819	104.662	105.306

The Chief Constable's Allocated Budget

Introduction

1. In 2016-17 the PCC allocated the CC £103.016m to police the county. This funded staffing of 1003 Police Officers, 118 Police Community Support Officers (PCSO's) and 883 Police Staff. In the early months of 2016-17 a large number of officers and staff have left the organisation. This has led to a forecast underspend this year of £1.011m (excluding the Office of the PCC).

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;

	2017-18	2018-19	2019-20	2020-21
CC Funding at 1.9% Council tax Increase	£103.107m	£103.743m	£104.439m	£105.956m
CC Funding at 0% Council tax Increase	£102.335m	£102.162m	£102.008m	£102.636m
Variance	£0.772m	£1.581m	£2.431m	£3.320

3. In 2017-18 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 2016-17 the PCC set an overall budget of £103.016m. The table below shows how the CC used this when allocated according to the Police Objective Analysis (POA);

	Officer FTE	Staff FTE	Total FTE	% of Staff	£m	% of Budget
Local Policing	481	159	640	32%	29.712	29%
Dealing with the Public	9	189	198	10%	7.000	7%
Criminal Justice	24	154	178	9%	7.103	7%
Ops Support (inc RPU)	105	10	115	6%	6.725	7%
Intelligence	25	49	74	4%	4.172	4%
Investigations	236	125	361	18%	17.944	17%
Public Protection	55	69	124	6%	4.933	5%
National Policing	21	11	32	2%	0.790	1%
Support Functions	47	225	272	14%	24.212	23%
Cap Finance/Pensions	0	0	0	0	2.343	2%
Reserves/Commis.	0	0	0	0	-1.920	-2%
	1003	991	1994	100%	103.016	100%

5. 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

2016-17 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 excluding National and Central Policing is £152. The national average is £170 and £167 for similar forces. Wiltshire's spend is the 6th lowest in the country.
- Wiltshire's central funding per head of population is £96. £121 is the national average, £107 for similar forces. Wiltshire's central funding is the 5th lowest in the country.
- Wiltshire's spend per head of population on all policing activities is below the national and most similar force average. This is related to the low level of funding received.
- Wiltshire's Support Function spend per head of population is £37.60. Similar forces average is £38.50, £0.90 more than Wiltshire. The national average is £36.70, £0.90 less than Wiltshire.
- Wiltshire's spend on officers per head of population is £73; this is the lowest in the country. However Wiltshire's spend on staff of £41 per head of population is above the average of £39. This points to Wiltshire utilising the cost efficiencies available with Work Force Modernisation.
- Wiltshire's percentage of officers in an operational frontline role is 67%, compared to a national average of 71% and 70% for similar forces.

6. 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	87.417	85%
Premises	6.545	6%
Transport	2.397	2%
ICT	2.294	2%
Surgeons and Forensics	1.856	2%
Other Costs	9.583	9%
Pensions	0.722	1%
Gross Cost	110.814	107%
Income	-7.798	-7%
Net Cost	103.016	100%

7. 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 2.5% and utilities inflation of 1%.
8. The plan includes additional funding for Systems Thinking. This is being utilised to review areas of the business to ensure that moving forward we have a modern and robust operating model to ensure the safety of the residents of Wiltshire. We have utilised this process to look at our divisional policing and we have rolled out a Community Policing Model in 2016 which has already proved very successful in pilot

form in the Trowbridge area. Another area of the business which has been identified for review is CID. To this end a permanent team of staff to deliver this programme has been put in place at a cost of £0.155m.

9. As a Policing Organisation a number of benefits exist by being able to reflect as closely as possible, in our employee make up, the demographics of the residents of Wiltshire. At present our demographics do not achieve this and, therefore, a team of Positive Action Officers has been put in place at a cost of £0.150m to work towards an improved balance in this area.
10. As we undertake more work collaboratively within the region it has been found that dedicated resources are required to support the day to day running of these areas of business. Wiltshire's contribution to the costs of finance and management of these programmes has been addressed within this MTFs with the addition of two part time Finance personnel and two ACC's. The portion Wiltshire will pay towards these posts is £0.063m.
11. 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. This year, with the high turnover of officers, £0.500m of savings are expected.

Funding Shortfalls

12. When comparing these estimated budget requirements against the finances expected to be available from the PCC a savings requirement is identified (Appendices Bi and Bii). To reduce this a plan is being considered which utilises the revenue underspend and a large portion of reserves set aside for the Intake Strategy to finance £1.439m of revenue costs in 2017-18. This would require real savings to be delivered in 2018-19 but by that stage any changes to the formula are expected to have occurred and some savings from the Enabling Services project delivered. The tables below show this and the impact;

No Increase	2017-18	2018-19	2019-20	2020-21	Total
Est. Expenditure	£106.934m	£103.606m	£103.652m	£103.502m	
Est. Funding	£102.335m	£102.162m	£102.008m	£102.636m	
Reserves	-£1.439m	£1.439m			
Shortfall	£3.160m	£2.883m	£1.644m	£0.866m	£8.553m

1.9% Increase	2017-18	2018-19	2019-20	2020-21	Total
Est. Expenditure	£106.934m	£104.365m	£105.222m	£105.992m	
Est. Funding	£103.107m	£103.743m	£104.439m	£105.956m	
Reserves	-£1.439m	£1.439m			
Shortfall	£2.388m	£2.061m	£0.783m	£0.036m	£5.268m

13. The estimated savings requirement of £8.553m or £5.268m is on top of the savings of £17.680m 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.

Efficiency Strategy

14. To deliver the savings required under the CSR requires the force to realign resources and work in partnership with other forces.

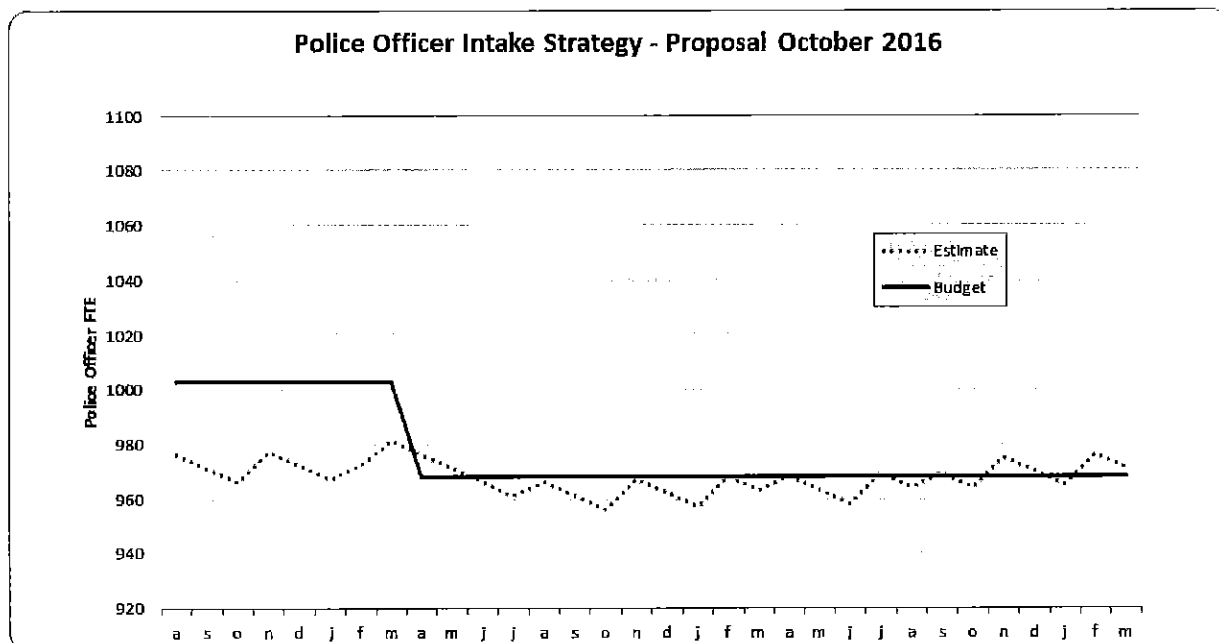
15. With 85% of our budget spent on staff it is clear that to save significant sums these staff must reduce or be shared with other partners. The 2016-17 budget finances;

- 1,003 Police Officers
- 118 PCSO's
- 883 Police Staff

16. 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. In a normal year 60 staff leave per year, these are replaced by intakes or transferees. In 2016-17 the leavers have increased and it is forecast that by March we will be 20 to 25 officers below strength. A gap of 25 is forecast throughout 2017-18 even after recruits are introduced.

17. This gap creates a problem surrounding demand but also provides an opportunity. Discussions at Senior Command Team have agreed that the best solution is to Work Force Modernise 25 officer posts. Police staff posts are easier to fill and can be targeted at specific areas. The financial benefit involved with replacing 25 officers with 25, on average, w7 posts is £0.350m.

18. The recruitment profile after these posts are Work Force Modernised is shown below:



19. Even with this reduction in officers it is anticipated that we will be understrength during the majority of the year. Based on this it is possible to increase the vacancy factor to 2%. This would result in the budget requirement reducing by £0.382m. There is a risk that this may not occur in future years. By leaving £0.200m in the Officer Intake Strategy reserve we are able to cover this risk in the short term.

20. From the staff survey the Chief Constable has identified that staff want him to deal with officers who are not able to deliver policing services. This can be for a number of reasons. Proactive action is therefore underway to remove those who are not adding value. Dealing with staffing issues takes time hence the MTFs efficiency strategy allows for 5 posts to be removed and not replaced. This would save £0.220m.
21. Whilst savings from new partnerships are not included in the plan there is a focus across our police partners to reduce costs. The Wiltshire spend on Brunel and Tri Force Special Ops totals £6.6m, a 1% reduction in costs would save £0.066m. Wiltshire also contribute £0.668 towards Blackrock, with income exceeding budget and costs lower than budget a 2% reduction in our net cost seems reasonable, this would save £0.014m. Further pressure is being put on the Tri-force ACC to deliver savings. Based on this a £0.100m reduction in cost is planned for.
22. In October the new Community Policing Team (CPT) model started to roll out. It has been expected that significant savings will occur from this model. Whilst we are unable to determine the exact savings deliverable a significant (£0.500m-£1.000m) dividend is expected. There are risks in this as the project is in its early stages and it may not be possible to deliver this volume of reduction.
23. In previous years we have targeted non staff costs to deliver a portion of the savings required. The continual reduction in budgets with austerity has made it ever harder to deliver savings in this manner. For 2017-18 a target of £0.300m seems reasonable.
24. During the year we have seen variances in the on-cost of pensions and national insurance. As part of the initial budget build confidence exists to suggest that we can reduce both contributions by 0.5%. On the £36m Police Officer budget this will reduce the budget requirement by £0.360m.
25. The following summarises the savings plan discussed above (for 2017-18) and compares it to the funding gap with a 1.9% Council Tax increase;

	2017-18
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
Total Proposed Savings	£1.712m
Savings required with a 1.9% C Tax Increase	£2.388m
Variance (additional savings required)	£0.676m

26. If no council tax increase was agreed another £0.772m of savings would need to be delivered.
27. The Chief Constable have been tasked to review the current cost base and produce a plan to save the additional saving of £0.676m, this is based on a 1.9% council tax increase.
28. With the use of reserves reducing the savings required in 2017-18 it is important to look at the position for 2018-19. The strategy suggests savings from CPT (£0.5m-

£1m). It is also hoped that savings on Estates running costs and Channel Shift will be available to cover the majority of the £2m shortfall estimated with a 1.9% Council Tax Increase.

Conclusion

29. This paper identifies a strategy to close the majority of the funding gap in 2017-18 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.
30. 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, £8.553m rather than £5.268m over the 4 years.
31. It should be noted that this strategy does not deal with the increasing demands put on Wiltshire Police. Additional demand in cyber, public protection, etc. requires the Chief Constable to adjust and realign resources in a dynamic manner. It would always be preferable that additional resources were made available to finance this demand however it is acknowledged that in today's financial climate this is unlikely.
32. Considering the risks 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%

	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>	20/21 <i>£million</i>
Expenditure BFWD	103.016	103.107	103.743	104.439
Local partnership funding to OPCC	1.605	0.000	0.000	0.000
Revised Expenditure Carried Forward	104.621	103.107	103.743	104.439
Cost Increases				
Inflation estimate	1.025	1.019	1.025	1.032
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	0.087	0.000	0.087	0.087
Systems Thinking Team	0.155	0.000	0.000	0.000
Increase in Specials	0.200	0.050	0.000	0.000
Diversity (Inc Positive Action Officers)	0.150	0.000	0.000	0.000
CC Communications Officer	0.033	0.000	0.000	0.000
Apprentice Levy	0.310	0.000	0.000	0.000
1% Local Gov Pension Increase yr 1	0.275	0.000	0.000	0.000
Regional ACC's/Finance	0.063	0.000	0.000	0.000
WSCB - Quality Assurance	0.010	0.000	0.000	0.000
Unidentified Policing Pressures	0.100	0.250	0.250	0.250
Total increases in Expenditure	3.127	2.039	2.081	2.088
Cost Reduction				
Decrease in Comp Grant	-0.021	-0.003	-0.005	0.000
Decrease in Rent Allowance	-0.202	-0.103	-0.098	-0.106
Reduction in Bank Holidays	0.000	-0.174	0.000	0.000
Spinal Impact of New Recruits	-0.500	-0.500	-0.500	-0.500
Change in HQ Rateable Value	-0.041	0.000	0.000	0.000
PTT overtime removal	-0.050	0.000	0.000	0.000
Total reductions in Expenditure	-0.814	-0.780	-0.603	-0.606
Contributions to or from Reserves	0.000	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-3.827	-0.622	-0.783	0.036
New Requirement	103.107	103.743	104.439	105.956
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	2.50%	2.50%	2.50%	2.50%
Utilities	1.00%	1.00%	1.00%	1.00%

Chief Constables Financial Plan

Based on Council Tax Increase 0.00%

Financial Year >>>>>>	17/18 <i>£million</i>	18/19 <i>£million</i>	19/20 <i>£million</i>	20/21 <i>£million</i>
Expenditure BFWD	103.016	102.335	102.162	102.008
Local partnership funding to OPCC	1.605	0.000	0.000	0.000
Revised Expenditure Carried Forward	104.621	102.335	102.162	102.008
Cost Increases				
Inflation estimate	1.025	1.031	1.037	1.043
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	0.087	0.000	0.087	0.087
Systems Thinking Team	0.155	0.000	0.000	0.000
Increase in Specials	0.200	0.050	0.000	0.000
Diversity (Inc Positive Action Officers)	0.150	0.000	0.000	0.000
CC Communications Officer	0.033	0.000	0.000	0.000
Apprentice Levy	0.310	0.000	0.000	0.000
1% Local Gov Pension Increase yr 1	0.275	0.000	0.000	0.000
Regional ACC's/Finance	0.063	0.000	0.000	0.000
WSCB - Quality Assurance	0.010	0.000	0.000	0.000
Unidentified Policing Pressures	0.100	0.250	0.250	0.250
Total increases in Expenditure	3.127	2.050	2.093	2.099
Cost Reduction				
Decrease in Comp Grant	-0.021	-0.003	-0.005	0.000
Decrease in Rent Allowance	-0.202	-0.103	-0.098	-0.106
Reduction in Bank Holidays	0.000	-0.174	0.000	0.000
Spinal Impact of New Recruits	-0.500	-0.500	-0.500	-0.500
Change in HQ Rateable Value	-0.041	0.000	0.000	0.000
PTT overtime removal	-0.050	0.000	0.000	0.000
Total reductions in Expenditure	-0.814	-0.780	-0.603	-0.606
Contributions to or from Reserves	0.000	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-4.599	-1.444	-1.644	-0.866
New Requirement	102.335	102.162	102.008	102.636

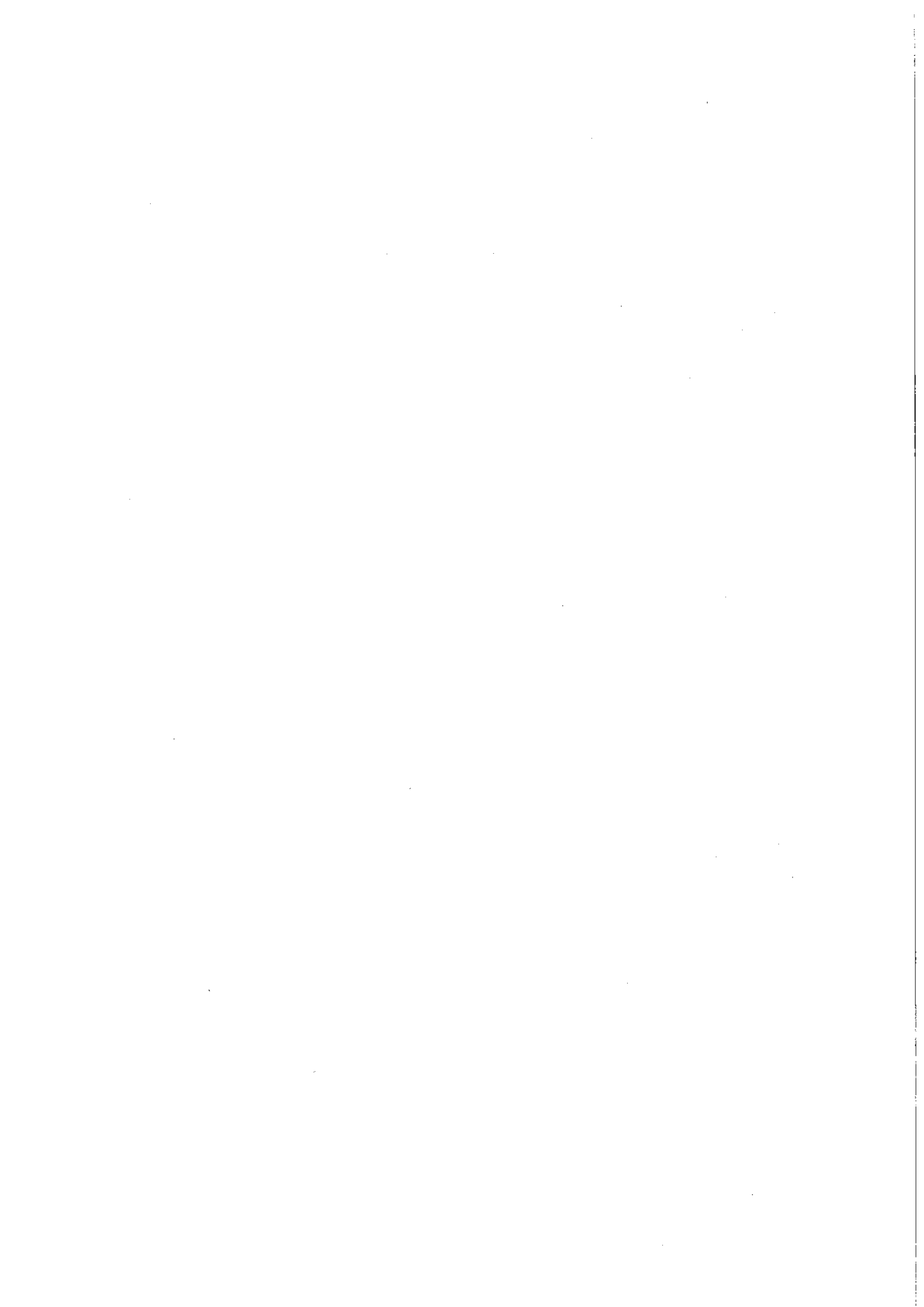
Inflation Assumptions

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	2.50%	2.50%	2.50%	2.50%
Utilities	1.00%	1.00%	1.00%	1.00%

Wiltshire Police and Crime Commissioner - Financial Plan

Capital Expenditure Plan

Financial Year >>>>>>>	<i>bfwd</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>19/20</i> <i>£million</i>	<i>Cum</i>
Capital Financing						
Government Grant	0.000	0.479	0.407	0.407	0.407	1.700
Capital Reserve (post cap fin tfr)	11.895					11.895
Contribution from Reserves	0.000					0.000
Capital Receipts	0.000		1.945			1.945
Revenue Cont. to Capital (1.9% CT)	0.000	0.739	0.742	0.746	0.751	2.978
	11.895	1.218	3.094	1.153	1.158	18.518
Capital Expenditure (on a cashflow basis)						
Part A - Maintenance and Replacement Programme						
Vehicle Fleet	0.022	0.913	0.913	0.913	0.913	3.674
Programmed Maintenance - Buildings	0.000	0.100	0.100	0.100	0.100	0.400
Airwave Handsets	0.000	0.035	0.000	0.000	0.000	0.035
Hi-tech crime unit computers	0.000	0.050	0.000	0.050	0.000	0.100
Operational Equipment (Taser)	0.030	0.050	0.000	0.050	0.000	0.130
Total Maintenance and Replacement	0.052	1.148	1.013	1.113	1.013	4.339
Part B - Development and Improvement Projects						
Minor Works - Building Improvements		0.075	0.075	0.075	0.075	0.300
Estates Major Projects	1.180	0.923	5.603	2.000		9.706
Gablecross Enabling Works		0.129				0.129
Forcewide Telephone Platform	0.008					0.008
Blackrock Firearms Training Facility	0.043					0.043
DEMS est (incl; DIR/BWVC)		0.874				0.874
Tasking and Briefing System	0.080					0.080
ESMCP		0.262	0.316	0.354	1.476	2.408
ANPR	0.375					0.375
HR systems	0.033					0.033
Total Development and Improvement	1.719	2.263	5.994	2.429	1.551	13.956
Part C - ICT Refresh Programme						
ICT Remediation Work Phase 2	0.013	0.245				0.258
Computer Laptops, Tablets, Desktops, etc.	0.047	0.243	0.154	1.406	0.245	2.095
Business Cont and Compliance	0.000	0.150				0.150
ICT Investment (incl servers, storage)	0.000	0.000	0.500	0.500	0.500	1.500
Systems Development	0.000	0.484				0.484
Mobile Working	0.551	0.422				0.973
Hi Tech Crime Unit Storage and Servers	0.039	0.000				0.039
Communications Network	0.246	0.000				0.246
Total ICT Refresh	0.896	1.544	0.654	1.906	0.745	5.745
Total for Parts A, B and C	2.667	4.955	7.661	5.448	3.309	24.040
Surplus / Deficit (-) for Year	9.228	-3.737	-4.567	-4.295	-2.151	-5.522
Cumulative Surplus / Deficit	9.228	5.491	0.924	-3.371	-5.522	-5.522





RESERVES AND PROVISIONS POLICY (updated Oct 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 Innovation 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 Specific	Justification	Target
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	£0.140m will allow for 2 additional ill health retirements to be funded
PCC	Contribution to Revenue Budget	Funding set aside to finance short term revenue funding issues	£1.439m is targeted for 31 March 2017
PCC	Officer Intake Strategy	Finances to allow for short term excess officer numbers or variances in the vacancy factor.	£0.200m is targeted for 31 March 2017
	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	£0.491m is expected to be available at 31 March 2017
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.	A balance of £0.232m is expected to be available at 31 March 2017
PCC	Diversity Reserve	Funding set aside to finance projects which will lead to a more	A balance of £0.050m is

		diverse workforce and benefits that provides.	expected to be available at 31 March 2017
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.	A balance of £0.036m is expected to be available at 31 March 2017
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.	A balance of £0.153m is expected to be available at 31 March 2017
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	£0.432m allocated for specific projects is expected to remain at 31 March 2017
PCC	Held Property Project	This will fund a 3yr project to consolidate, review and where appropriate dispose of held property across the Force	£0.168m is expected to remain at 31 March 2017
PCC	Uniform Reserve	Funding set aside to replace the entire Body Armour provision during 2015-16 and 2016-17.	£0.149m is expected to remain at 31 March 2017
	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 2016 is £0.040m
PCC	Switch Reserve	This receives funds from partners and is spent on the Integrated Offender Management programme	The balance at 1 April 2016 is £0.037m
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 2016 is £0.028m
	Provisions		
PCC	Insurance	The estimated cost of finalising claims currently being progressed by the Police	Assessed as part of the year end process

