

DRAFT BUDGET SETTLEMENT

Purpose

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

Background

2. In November 2018, 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.
3. On the 13 December 2018 the provisional settlement was received. This was different than originally forecast. It allows PCCs to increase their precept by up to £24 per Band D property and provides a 2.1% increase in the main central grants. The Government has listened to the concerns raised by me, by this Panel and by many other PCCs. With these changes a revised MTFS has been drafted and is included as an appendix to this report.

Council Tax Options

4. The MTFS shows various scenarios. I am currently considering a range of options surrounding the Band D council tax. This paper outlines the outside parameters:
 - Option A – To increase council tax by £24 per annum (13.2%)
 - Option B – To maintain council tax at the 2018-19 level
5. The table below shows the estimated funds I will have available under each option and those available to me in 2018-19;

	2018-19 Budget	2019-20 0% CTax Inc	2019-20 £24 p.a. CTax Inc
Standard Funding available to commission services (including investment income)	£110.159m	£112.034m	£118.287m
Swindon PFI Specific Grant	£2.067m	£2.067m	£2.067m
Police Officer Pensions Grant		£1.002m	£1.002m
Special Policing Specific Grant	£1.130m	£1.130m	£1.130m
Total	£113.356m	£116.233m	£122.486m

6. In addition to this I have central funding allocated to me to commission victims services and to support restorative justice. Provisional information suggests this will remain stable at £0.827m.
7. The new Police Officer Pensions Grant will help offset some of the cost increase which will be incurred with a higher contribution rate. The gross forecast cost of the change is £2.254m, so a grant of £1.002m will reduce the net cost to £1.252m. The net cost is included as a new cost pressure in the MTFS.
8. It can be seen that the financial settlement has given me the opportunity to significantly improve my financial position. With a £24 per annum increase the standard funding I would have is £8m more than with no increase.
9. My considerations surrounding the options on a council tax increase focus on protecting local policing and the long term funding position. To not increase council tax at this opportunity will have considerable impact on my future ability to commission policing and crime services. According to the HMICFRS Value for Money profiles, Wiltshire receives central funding of £87 per head of population under the current formula. This compares to a national average of £112 per head and a most similar forces average of £97 per head. Being the 4th lowest centrally funded PCC per head of population increases my reliance on council tax.
10. A £24 per annum increase in council tax will result in Wiltshire's Band D council tax increasing from £182.27 to £206.27, a 13% increase. The table below shows that even with no increases in the rest of the region, Wiltshire will still be lower than Gloucestershire and Dorset. Initial conversations across the region suggest that the majority will increase their precept by £24 per annum. So it is likely that even with a £24 increase we will remain the lowest in the region.

	2018-19 Band D CTax	Wiltshire £24 increase
Gloucestershire	£226.49	
Dorset	£206.58	
Avon & Somerset	£193.81	
Devon & Cornwall	£188.28	
Wiltshire	£182.27	£206.27

11. These considerations surrounding local funding levels cannot occur without taking into account the central funding position. Even with a 2.1% increase in central funding it will not cover the rising cost of policing (inflation and pensions increase). Over recent years the percentage of my funding received from central grants has reduced; this direction of travel is likely to continue.
12. In calculating the funding available, an increase in the council tax base has been included. The increase for Wiltshire Council is 1.81% and Swindon Borough Council 2.24%. The consolidated increase in the tax base is 1.93%. The funding available also includes the collection fund surplus; provisionally this has reduced (£0.781m in 2018-19, £0.550m in 2019-20).

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 it was delayed. It was then announced that it would occur in 2018-19 but no progress has been made. Latest information suggests that 2021-22 will be the earliest that any change will be implemented.
14. The use of reserves is a high profile issue within the police service. Within the MTFS, I have revised my policy and set out clearly how I intend using them in the short to medium term. It is clearly identifiable that over half of my reserves (£9.475m) are earmarked for capital development. The capital plan (Appendix C) of the MTFS shows how I will use this one off reserve.
15. In delivering the settlement, the Home Secretary made clear that he expects the police to present ambitious plans to drive improved efficiency, productivity and effectiveness. These plans will influence the national spending review. I intend that Wiltshire will continue to improve its efficiency and effectiveness. With our agile approach and modernising agenda, I intend to deliver in line with the Minister's expectations. The use of the capital reserve for ICT and Estates investments is directly in line with this.

Impact on the Commissioning Budget

16. In 2019-20 I wish to invest more finances into proactive and preventative work with partners. With a £24 increase it is proposed to invest an additional £0.475m in commissioning. This is required to ensure that I deliver the 'and Crime' part of my role and support the Chief Constable to reduce demands on policing.

Impact on the Chief Constable's Budget

17. The MTFS reports the detail behind the cost pressures the Chief Constables budget is facing. These include inflation, spinal point increases, pensions, collaborations, etc.
18. Included within the plans are a number of growth areas. The most significant, which have staffing impacts, are shown in the table below;

	Officers	Staff	£m
Digital Intelligence Unit (Cyber)	4	2	£0.290m
CIET (Child Exploitation)	3		£0.139m
Data Quality/Crime Compliance		3	£0.093m
Information Management/GDPR		3	£0.100m
Roads Policing	9		£0.468m
Firearms Officers	15		£0.800m
Dog Training		1	£0.037m
CPT Co-ordinators	12		£0.624m
CPT Officers	3		£0.156m
Total Proposed Savings	46	9	£2.707m

19. It has been calculated that to afford this investment will require savings of £0.944m.

Savings Plans

20. The table below outlines the plan in the MTFs to deliver the required savings. This has been produced in association with the Chief Constable's Senior Leadership Team;

Estates	Reduced costs as Estate reduces	£0.100m
Custody	Reduction in Sgts and Detention Officers	£0.240m
Central Comm Centre	3 staff reduction	£0.090m
General Costs	1% reduction in inflation	£0.214m
Finance	1 staff reduction, Reg contribution saving	£0.049m
Fleet	In-housing electrical work	£0.028m
People Services	RMU structure revision	£0.035m
People Development	Cost review	£0.025m
Organisational Dev.	Reducing Systems Thinking Costs	£0.125m
Corporate Comms	Reduction in survey costs, etc.	£0.038m
Total		£0.944m

Reserves

21. Paragraph 14 reports my intention that earmarked reserves will reduce. The value of the general reserve has been considered and I am advised that £2.863m (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.

Conclusion

22. This paper shows the Panel my MTFs, reports the impact post the settlement on the 13 December 2018 and gives my current thinking surrounding the 2019-20 precept. I believe a £24 Band D increase per household per year is appropriate and I am now consulting the public on this.

Angus Macpherson

Police and Crime Commissioner