



WILTSHIRE AND SWINDON

Medium Term Financial Strategy (MTFS) 2014-15 to 2016-17

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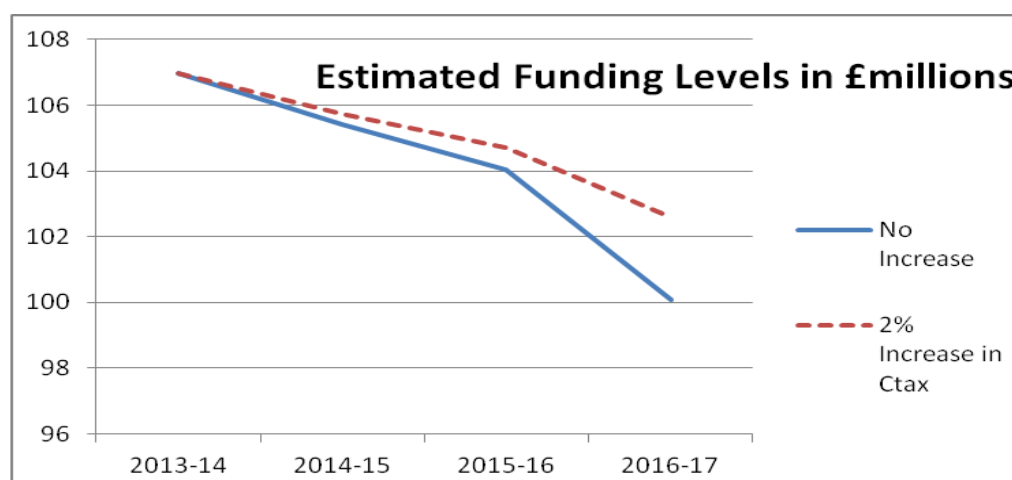
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Executive Summary

1. The 3 year MTFS has been produced in a climate of reduced funding. Central grant cuts and limited council tax increases are expected in this period. This will put significant pressures on the funds available to the PCC to fulfil his remit.
2. In producing the MTFS, statements made by Government in the 2013 Spending Round have been used to forecast funding for the first 2 years. For the 3rd year calculations have been based on a 3% grant reduction. Depending on the Council Tax Freeze Grant central funding reduces by between 2.3% and 3% in the first 2 years of the MTFS. In year 3 the reduction may be 6% as the freeze grants are removed.
3. It is estimated by the end of 2016-17 that central funding will have dropped in real terms by 31% since 2010-11.
4. During the next 3 years the Policing and Crime Commissioner (PCC) will have to make difficult decisions on the level of council tax increase. Considering the Chief Constable's initial plans the MTFS identifies the savings required to balance budgets under 2 different scenarios: no increase in Council Tax or a 2.0% increase.
5. The estimated funds available to the PCC under each strategy is shown below;

	No Council Tax Increase	2.0% Council Tax Increase	Variance
2014-15	£105.420m	£105.752m	£0.332m
2015-16	£104.034m	£104.728m	£0.694m
2016-17	£100.319m	£102.607m	£2.288m

6. An increase of 2.0% would result in a Band D Council Tax of £160.92, £3.15 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.
7. The graph shows the impact council tax increases has on funding. The 'cliff edge' in 2016-17 relates to the removal of £2.2m of Council Tax Freeze grant in that year.



Impact on the Police and Crime Commissioner's Plans;

8. The 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 they will take the largest reduction in budget. The reductions to the Office of the PCC and the external commissioning budget need to be considered and plans drawn up to ensure the office can function on these estimated budget levels.

Impact on the Chief Constable's Plans;

9. 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;

	No Council Tax Increase	2.0% Council Tax Increase
2014-15	£4.214m	£3.890m
2015-16	£3.611m	£3.261m
2016-17	£5.975m	£4.424m
Total	£13.800m	£11.575m

10. Assuming a 2.0% Council Tax increase the cumulative savings requirement over the next three years is £11.575m (£22.408m if the savings since 2011-12 are included).
11. An agreement to a strategy of 2% Council Tax increases would enable the Force to continue with the Vision plan until the end of the CSR period with the projected savings from the Wiltshire Council Strategic Alliance closing any gap which may exist. The table below shows the planned savings against the estimated shortfalls under a 2% increase for the 2 years where funding announcements have been made;

	Shortfall with a 2% CT Increase	Planned Savings	Variance
2014-15	£3.890m	£3.907m	£0.017m
2015-16	£3.261m	£3.312m	£0.051m
Total	£7.151m	£7.219m	£0.068m

12. An analysis of the budget shows that 80% or £90m of the gross revenue budget is spent on staffing. To obtain savings, changes to staffing levels will be necessary. The figure of 1,062 Police Officer at the end of March 2015 is currently under review as part of the Operations Model.
13. To produce the necessary savings a corporate approach is required. The Vision change programme is providing this with £10.3m delivered to the end of September 2013. Partnership, collaboration and empowerment of staff will be the cornerstones of the next 3 years saving plan. Working with councils and other forces will help us deliver savings whilst protecting the front line and the service to the public. It should be noted that to deliver £7m of savings will be hard and slippage may occur.
14. In 2014-15 the CC has deemed that further investment in safeguarding is critical. The CC wishes to use a portion of the increase in council tax to invest 9 staff into the Multi Agency Safeguarding Hub.

15. 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.
16. Reserves have been considered and are seen as a key instrument in managing risks. A level of reserves is seen as essential to manage both large incident risks and year on year revenue variations. Finances are available for one off investments, be this for capital, innovation or to fund one year shortfalls. This gives confidence when considering the risk surrounding savings targets and possible slippage.
17. 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 3 years.

Introduction

18. This is the first MTFs produced since the introduction of the Police and Crime Commissioner (PCC). In this new environment the Commissioner has the option on how to spend the finances available to him to fulfil his wide ranging remit. This is different from the previous arrangements where once the cost of running the Authority was deducted the remaining funds were available to the Chief Constable (CC) to provide policing services.
19. In response to the change the MTFs has been structured differently. The main body of the MTFs deals with the finances available to the PCC under various scenarios. Appendix B will deal with the CC's budget requirement, this will then be referred to in the report when considering any shortfalls which may exist.

The Financial Environment

20. The MTFs for 2014/15 to 2017/18 has been produced against a backdrop of reducing funds. The first 2 years of the strategy use information provided in the June 2013 Spending Round. The 3rd year of the strategy (2017-18) assumes that central funding will continue to reduce. However there is no certainty of whether this will be the case and what the reduction will be.
21. The MTFs attempts to give an overall picture of the PCC's finances. The MTFs then considers the likely funds to be allocated to the CC by the PCC. It then considers this funding against the CC's budget requirement. The outcome provides both the PCC and the CC information which will assist them in decision making surrounding council tax levels, police officer numbers, etc. in the short to medium term.

Central Public Finances

22. In June 2013 the Chancellor of the Exchequer produced the 2013 Spending Round document. This outlined a plan to reduce public sector spending in 2015-16 by £11.5 billion. This reduction is in addition to savings required under the 2010 Comprehensive Spending Review.
23. Since the austerity measures were introduced police funding has significantly reduced. The table below for Wiltshire identifies an estimated real term reduction of 31% (these figures are included within the MTFs). The real terms reduction is reduced to 26% if the 2016-17 figures are removed. This reduction is a forecast based on previous figures – no central announcements have been received surrounding 2016-17.

Year	Real Terms Reduction	Inflation	Cash Reduction
2014-15	5.7%	2.4%	3.3%
2015-16	4.9%	1.7%	3.2%
2016-17	5.0%	2.0%	3.0%
Sub Total	15.6%		9.5%
2011-12	3.9%	2.1%	1.8%
2012-13	8.8%	2.1%	6.7%
2013-14	2.7%	1.1%	1.6%
Total	31.0%		19.6%

24. Owing to government capping of public sector pay increases the inflation impact has been reduced in recent years. This results in the 'real terms' reduction not being as severe as initially reported.
25. It should be noted that the figures announced for 2014-15 and 2015-16 are for the Police Service as a whole and do not go down to the detail for each PCC. Therefore the actual grants for those years are likely to be different from those estimated in this document. The 2016-17 figures are based on pure estimates as these will be dependent on the future CSR announcements.
26. It has been announced that the Community Safety Funding Grant will be mainstreamed into the central grant. It is assumed that this funding will be reduced in line with all central funding. For the purpose of the MTFS the grant has been kept as a separate line with the reduced funding levels.

Council Tax

27. In 2011-12 and 2012-13 Wiltshire Police Authority decided not to increase the Council Tax levy. The PCC continued this trend in 2013-14 therefore there has been no increase in Council Tax in Wiltshire for 3 years. In return the Authority and PCC received grants. The 2012-13 grant was for one year and is no longer payable. The PCC continues to receive grant for 2011-12 and 2013-14, the June 2013 spending review announced that these grants will be funded up to 2015-16.
28. The June 2013 spending review also announced that a grant equivalent of a 1% increase in council tax will be available for all PCC's who decide not to increase their Council Tax. This is on offer for both 2013-14 and 2014-15.
29. Whilst the acceptance of these grants reduces the impact on local tax payers it does reduce the overall funding available to the PCC. The biggest risk however is the impact in 2016-17 when it is anticipated that all the freeze grants will be removed. If no further grants are accepted the impact will be a reduction in income of £1.391m, if freeze grants are accepted in 2014-15 and 2015-16 the reduction in income will be £2.193m.
30. 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 more than 2% would be considered excessive and be subject to a referendum. Taking this into consideration the MTFS has been produced using two different council tax levels:
 - 0% - No increase (therefore attracting the freeze grant)
 - 2.0% - The maximum before referendum
31. A 1% increase in council tax in 2014-15 is estimated to be worth £0.367m. Any increase in council tax increases the base and secures future funding at a higher level.

32. The Council Tax receipt is dependent on the council tax base (the number of dwellings paying the tax). The Localism Bill also gave councils more freedom surrounding what council tax benefits could be given. In return for this freedom the funding of benefits was changed. From 2013-14 the centrally funded council tax benefit has been removed reducing the council tax base and in turn all precepting bodies income. In return each precepting body will receive grant income. In 2013-14 a grant of £3.830m has been received to cover the reduction in council tax receipts. Initial information suggests that funding will remain at this level in 2014-15 with no increase or reduction.
33. Prior to the revision in tax base a 1% increase has occurred regularly. Initial information from Wiltshire Council suggests that another 1% increase in tax base is likely in 2014-15. No information has been obtained from Swindon Borough Council. For the MTFS the estimate should be cautious but reasonable. Based on this a 1% increase has been included in each of the 3 years.
34. In order to estimate total funding, assumptions also have to be made on the collection fund surplus/deficit. In the last 2 years the surplus has remained at £488,000. Initial discussions suggest a drop in surplus in 2014-15 due to the change in council tax benefit legislation (as collection rates may fall when those previously receiving council tax benefits are asked to pay more) under the localisation bill and with that trend continuing into the mid term. Taking these factors into account the MTFS assumes the surplus in 2013-14 reducing by 50% in future years. The table below summarises the assumptions made in the MTFS.

	Additional Dwellings	Est total Dwellings	% Increase	Collection Fund Surplus
2014-15	2,300	232,296	1.0%	£300,000
2015-16	2,323	234,619	1.0%	£150,000
2016-17	2,347	236,966	1.0%	£75,000

Inflation

35. The consumer price index shows inflation reducing to 2.7% in August 2013. Based on this the MTFS allows for a 2.5% increase in all non-pay costs.
36. In the 2013 budget the Chancellor of the Exchequer announced that public sector pay increases would be capped at 1% until 2015-16. The MTFS allows for this low level of increase and assumes a 1% increase in 2016-17.
37. At September 2013 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

38. 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 2017. If this is confirmed it will increase the National Insurance bill for all employers. The impact on Wiltshire Police has been estimated at £2m

39. As this impact is so significant on all public bodies it is expected that the government will alter the Final Pensions Bill resolving the problem. This MTFS assumes this is the case. This position should be reconsidered in the 2015-16 MTFS.

Police and Crime Plan 2013-2017

40. As required under law the PCC published his Police and Crime Plan in March 2013. The plan reports 6 overarching priorities to be delivered during his time in office, these are shown below:

- Reducing Crime and anti-social behaviour
- Protecting the most vulnerable in society
- Putting victims and witnesses first
- Reducing offending and re-offending
- Driving up standards of customer service
- Ensuring unfailing and timely response to call for assistance

41. 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.

42. 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, middle and back) will be necessary to drive costs down as central funding reduces.

43. A part of the Police and Crime Plan included the commissioning of a minimum number of PCSO's (141) and Police Officers (1062). These staffing levels are based on work completed in response to the 2010 Comprehensive Spending Review (CSR). With the receipt in 2013 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 financially 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 commissioned an Operational Policing Review to provide an evidence based report to establish the front line requirement.

44. 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 other organisations (i.e. other public bodies, charities, the private sector, etc.)
- Financing capital expenditure which support the plan
- Financing the running costs of the OPCC

Financial Health

45. 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.

46. A report on progress against Health Indicators will be presented to PCC and the Force's management on an annual basis

Income Forecasts

47. The 2013-14 budget relies on the following income to finance activity;

Central Funding	Police Grant	£41.714m	
	Council Tax freeze Grant 2011-12	£0.990m	
	Council Tax freeze Grant 2011-12	£0.363m	
	Council Tax Localisation Grant	£3.830m	
	Community Safety Fund Grant	£0.477m	
	DCLG Funding	£22.545m	£69.919m
Local Funding	Precept – Council Tax	£36.286m	
	Council Tax Surplus	£0.488m	£36.774m
MTFS Funding		£106.693m	£106.693m

48. In line with the comments made within the 'Financial Environment' section the MTFS includes the Police Grant and DCLG Funding reducing in cash terms by variable figures of 3.3%, 3.2% and 3% in each of the 3 years. The Council Tax Freeze Grants are expected to be removed in 2016-17.

49. In the last 3 yrs there has been no increase in Council Tax. The current council tax level of £157.77 is the 17th lowest in the country. In 2013-14 12 PCC's chose not to increase the council tax. The remaining 31 agreed increases in the region of 1.9% to 7%. The table below compares the PCCs Band D council tax against others in the South West. It also shows the impact of a 2.0% increase in council tax in 2014-15.

Authority	2013-14 Band D Council Tax	Wiltshire 2% increase 2014-15	Wiltshire 2% increase 2015-16	Wiltshire 2% increase 2016-17
Gloucestershire	£203.68			
Dorset	£183.51			
Avon & Somerset	£168.03			
Devon & Cornwall	£162.92			
Wiltshire	£157.77	£160.92	£164.14	£167.42

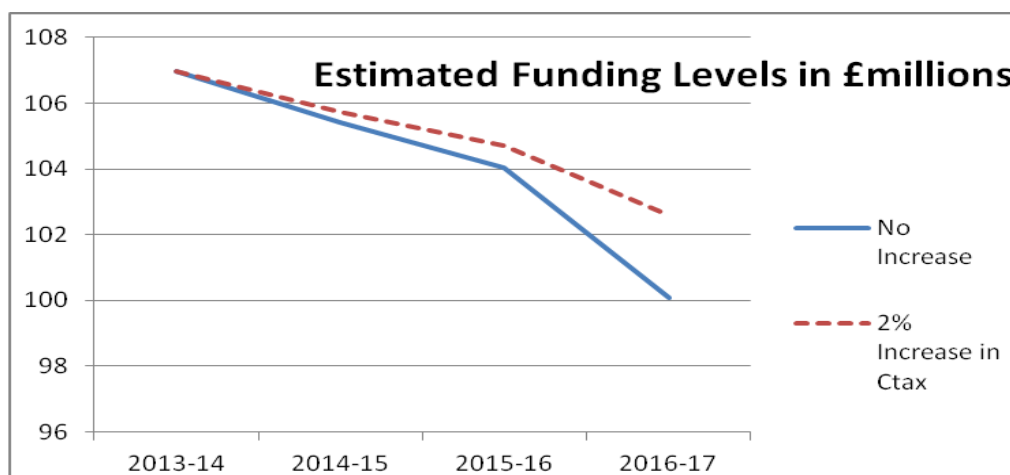
Additional cost per Band D Household with a 2% increase	£3.15 p.a.
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50. The table shows that even if Wiltshire increased its council tax in all 3 years by 2% and all the other PCC's in the region froze their council tax Wiltshire would still have the second lowest council tax in the region.
51. It should be noted that the financial benefit of council tax increases in future years is dependent on previous decisions made on the council tax. For instance if Wiltshire's Band D were the same as Avon and Somerset (the mid force) we would receive £38.646m, £2.364m more than the £36.282m actually received. So roughly a £10 increase in Council Tax is worth £2.4m in funding to Wiltshire Police.
52. Council tax is 34% of the Authority's funding; therefore to fund an expenditure increase of 1% (£1.066m) requires a 2.9% increase in council tax. This is known as the 'gearing effect'.
53. The assumptions made on occupied housing are reported earlier in the MTFs, this will increase the tax base. Initial information from the councils suggests that levels of council tax payment remain stable and that a council tax surplus is forecast however at a lower level than 2013-14.
54. The total income over the next 3 years based on the 2 levels of Council Tax increase is reported under Appendices Ai and Aii and is summarised below. These show that even with a 2.0% council tax increase cash funding reduces.

No Increase	2014-15	2015-16	2016-17
Central Funding	£68.221m	£66.619m	£62.608m
Local Funding	£36.949m	£37.166m	£37.461m
Investment Income	£0.250m	£0.250m	£0.250m
Total Funding	£105.420m	£104.034m	£100.319m
Total reduction/inc.	-1.4%	-1.3%	-3.6%

2% Increase	2014-15	2015-16	2016-17
Central Funding	£67.820m	£65.817m	£62.608m
Local Funding	£37.682m	£38.661m	£39.749m
Investment Income	£0.250m	£0.250m	£0.250m
Total Funding	£105.752m	£104.728	£102.607m
Total reduction/inc.	-1.1%	-1.0%	-2.0%

55. The impact on the funding levels is shown graphically below;



56. It is necessary to consider the impact of different scenarios. The impact on the 2014-14 finances is shown below;

Scenario	Impact on 2014-15 MTFS Figures
The Central funding cash cut is 4% rather than 3%	Funding reduces by £0.700m
The Central funding cash cut is 2% rather than 3%	Funding increases by £0.700m

Impact of Reduced Funding Allocations

57. The MTFS assumes that the reductions in finances tabled under paragraph 52 are split equally across current funding allocations. Appendices Ai and Aii report the funding splits over the 3 years. The table below shows the impact of the reduction forecast for 2014-15 of 1.1% or 1.4% under the two council tax options;

	2013-14 Allocation	2014-15 Allocation 2% Ctax	Reduced Allocation 2% Ctax	2014-15 Allocation 0% Ctax	Reduced Allocation 0% Ctax
OPCC Office cost	£0.957m	£0.946m	£0.011m	£0.943m	£0.014m
OPCC Capital cont (RCCO)	£0.750m	£0.742m	£0.008m	£0.739m	£0.011m
OPCC Ext. Commissioning	£0.797m	£0.788m	£0.009m	£0.785m	£0.012m
CC Allocation	£104.460m	£103.276m	£1.184m	£102.952m	£1.508m
Total	£106.964m	£105.752m	£1.212m	£105.420m	£1.545m

58. The cost of the PCC's office is currently under review. Since the election in November 2012 the PCC has been under spent due to vacancies. The PCC is now reviewing the structure of his office. The outcome of this will affect how the PCC allocates the finances available.

59. In 2013-14 the PCC has broadly commissioned services in line with how the Community Safety Grant was used in 2012-13. The PCC has informed the organisations that received these grants that he is intending to ensure all services commissioned are outcome based in 2014-15; this is expected to lead to a change in the allocations.

60. As 98% of the funds received by the OPCC are allocated to the CC it is inevitable that the reduction in central funding will impact the CC the hardest. Depending on the level of funding the table shows the CC allocation reducing by either £1.184m or £1.508m.

61. 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 a savings requirement for the CC of £3.890m or £4.214m in 2014-15,

62. Assuming the PCC decides to split the funding reduction equally the CC's savings requirement is forecast to be £11.575m or £13.800m over the 3 year period (paragraph 14 of Appendix B reports in more detail).
63. With both funding options the savings required to be delivered by the CC are significant. These savings requirements are in addition to the £11m saved in the 3 year period from 2010-11.
64. The PCC has agreed with the CC a strategy to reduce middle and back office costs by partnership with Wiltshire Council. This is expected to deliver £2m of savings within 3 years. The savings strategy also includes collaborating with other Police Forces and PCC's working together to provide improved services at lower cost. More detail on savings plans is included in the CCs Budget Requirement (Appendix B).

Capital

65. 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 MTFS.
66. 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.
67. The base budget for 2013-14 allows the Authority to supplement the capital programme with a £0.750m revenue contribution to capital (RCCO). Paragraph 57 shows this reducing each year in line with the funding reduction.
68. Appendix D shows the Capital Plan for the next 3 years. This is the plan approved at the Commissioners Monitoring Board in August 2013 adjusted for the reduction in RCCO (assuming a 2% council tax increase). This plan shows capital grant of £0.939m in each financial year, this is in line with information provided by the Home Office in February 2013.
69. 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;

	2014-15	2015-16	2016-17
Balance available	£0.282m	£0.632m	£0.867m

70. It is expected that these funds will be needed to finance future development. However there is also an expectation that part of the current estate will become surplus to requirements as we follow our co-location strategy with council partners. This will provide funding to improve the estate. Salisbury is an illustration of this where the capital receipt from the expected sale will assist in financing replacement facilities.
71. There is also a requirement to invest in a number of our current main locations (Police HQ and Melksham specifically). Investment is needed to modernise the office environment enabling more efficient, mobile, working practices which will lead to reduced costs and better performance. £3m has been set aside in reserves to finance the necessary ICT and estates changes required.

72. 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 (above £0.040m) via capital, programmes. Below this value will be funded by revenue. The plan allows £0.100m per year for these substantial programmes from 2014-15.
73. The refresh ICT programme is based on a need to significantly 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.
74. 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 South West Police Procurement Department leading. This should reduce cost and lead to more standardisation across the region.
75. The Financial Health Indicators expect that across the plan the funding for replacement and maintenance programmes will be funded by annual grants and revenue contributions. The plan identifies that for the period 2014-15 to 2016-17 the income from grant and revenue will be £5.012m compared to estimated replacement costs of £5.809m (including part of the ICT refresh programme), a difference of £0.797m. This means that currently the indicator is not met

Risks and Reserves

76. The assessment of risks and the setting of appropriate levels of reserves is an essential element of medium term financial planning.
77. When setting budgets and future plans it is essential to ensure that they are both affordable and sustainable.
78. 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.
79. 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.
80. 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 has been updated and is included under Appendix E.

81. To cover large scale risks the PCC's stated position, reported in the reserves policy, is to hold a minimum general reserve of 3% of budget (£3.2m). As at 1 April 2013 the general reserve was £4.268m (4% of budget). The review has identified other risk mitigation reserves in place, there enable the PCC to free up resources for investment to improve the service.
82. The PCC holds other specific earmarked reserves for specific risks e.g. Insurance. The estimated level of reserves at 31 March 2014 for these is reported in Appendix E.
83. The largest of the Investment Reserves included within the revised policy at Appendix E is the Estates Transformation Reserve. In line with paragraph 71 £3.0m has been set aside to finance the transformation of Melksham and Police HQ Devizes into modern offices with up to date ICT. Work is being undertaken in line with the Estates Strategy to cost these works identifying realistic timescales for development. The PCC is able to finance this reserve to this level by transferring funds from the generic Investment Reserve and by utilising the forecast 2013-14 underspend of £2.5m. This transfer is expected to be a one-off opportunity as no underspend is forecast in 2014-15. The continual reduction in staffing numbers to meet budget constraints reduces the likelihood of underspends. The approved Police Officer recruitment strategy is also expected to result in a continual stream of new recruits replacing retiring officers throughout the year. To enable a consistent level of recruitment, protecting the future of the service, funding has been set aside to finance the periods of time over the next 3 years when officer numbers exceed budget.
84. 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...
85. All reserves are 'one-off' funds and can only be used for investments which do not have on-going revenue consequences.
86. 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

87. 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	2.00%		
Financial Year >>>>>>	14/15 <i>£million</i>	15/16 <i>£million</i>	16/17 <i>£million</i>
Estimated Funding Available to the PCC			
Main Police Grant	40.337	39.047	37.875
Community Safety Fund Grant	0.461	0.446	0.433
DCLG Funding	21.800	21.102	20.469
Freeze Grant 11/12	0.990	0.990	0.000
Freeze Grant 13/14	0.401	0.401	0.000
Freeze Grant 14/15	0.000	0.000	0.000
Freeze Grant 15/16	0.000	0.000	0.000
Localisation Grant	3.830	3.830	3.830
Total Central Funding	67.820	65.817	62.608
CT Surplus	0.300	0.150	0.075
Precept	37.382	38.511	39.674
Contribution from reserve	0.000	0.000	0.000
Total Grant and Precept Funding	105.502	104.478	102.357
Investment Income	0.250	0.250	0.250
Total Income available to PCC	105.752	104.728	102.607
Reduction in Total Funds Available	-1.1%	-1.0%	-2.0%
<i>Central Funding Reduction</i>	<i>-3.0%</i>	<i>-3.0%</i>	<i>-4.9%</i>
Band D Council Tax	160.93	164.14	167.43
Increase per Band D household	3.16	3.22	3.28
Allocation of Funding			
Assuming that funding reduction is split equally across all current allocations			
OPCC - Office costs	0.946	0.937	0.918
OPCC - Capital Contribution	0.742	0.734	0.719
OPCC - External Funding allocations	0.788	0.780	0.765
OPCC - Chief Constable allocation	103.276	102.276	100.205
Total Allocation	105.752	104.728	102.607

PCC for Wiltshire Medium Term Financial Plan

Council Tax Increase	0.00%		
Financial Year >>>>>>	14/15 <i>£million</i>	15/16 <i>£million</i>	16/17 <i>£million</i>
Estimated Funding Available to the PCC			
Main Police Grant	40.337	39.047	37.875
Community Safety Fund Grant	0.461	0.446	0.433
DCLG Funding	21.800	21.102	20.469
Freeze Grant 11/12	0.990	0.990	0.000
Freeze Grant 13/14	0.401	0.401	0.000
Freeze Grant 14/15	0.401	0.401	0.000
Freeze Grant 15/16	0.000	0.401	0.000
Localisation Grant	3.830	3.830	3.830
Total Central Funding	68.221	66.619	62.608
CT Surplus	0.300	0.150	0.075
Precept	36.649	37.016	37.386
Contribution from reserve	0.000	0.000	0.000
Total Grant and Precept Funding	105.170	103.784	100.069
Investment Income	0.250	0.250	0.250
Total Income available to PCC	105.420	104.034	100.319
Reduction in Total Funds Available	-1.4%	-1.3%	-3.6%
<i>Central Funding Reduction</i>	<i>-2.4%</i>	<i>-2.3%</i>	<i>-6.0%</i>
Band D Council Tax	157.77	157.77	157.77
Increase per Band D household	0.00	0.00	0.00
Allocation of Funding			
Assuming that funding reduction is split equally across all current allocations			
OPCC - Office costs	0.943	0.931	0.898
OPCC - Capital Contribution	0.739	0.729	0.703
OPCC - External Funding allocations	0.785	0.775	0.747
OPCC - Chief Constable allocation	102.952	101.599	97.970
Total Allocation	105.420	104.034	100.319

The Chief Constable's Budget Requirement

Introduction

1. In 2013-14 the PCC allocated the CC £104.460m to police the county. This funded staffing of 1063 Police Officers, 139 Police Community Support Officers (PCSO's) and 863 Police Staff. Due to vacancies a current underspend of £2m is forecast for the year. Once these vacancies are filled no underspend is expected.
2. The current (CSR 2010) plan is to reduce staffing to 1062 Police Officers, 139 Police Community Support Officers (PCSO's) and 848 Police Staff by the end of March 2014. Whilst this plan is currently valid the Force are carrying out an operational review which will focus on the frontline requirements. This is expected to improve resilience and deliver part of the additional savings required from the 2013 Spending Round.

Funding

3. 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 MTFS will assume the funding available is that reported in the PCC's MTFS. This is reported in the table below;

	2014-15	2015-16	2016-17
CC Funding at 2% Council tax Increase	£103.276m	£102.276m	£100.205m
CC Funding at 0% Council tax Increase	£102.952m	£101.599m	£97.970m
Variance	£0.324m	£0.677m	£2.235m

The large variance in 2016-17 relates to the expected withdrawal of the freeze grants.

4. In 2014-15 the CC expects to benefit from 2 specific grants, Swindon PFI and the Security Grant. These grants total £3.1m per annum.

Expenditure

5. In 2013-14 the PCC set an overall budget of £106.694m. After removal of £1.018m of costs allocated to the PCC (under the national Police Objective Analysis (POA) guidelines) and £0.750m of capital financing the CC was left with £104.926m. For budgeting purposes the allocation was £104.780m – the difference of £0.146m relates to costs allocated to the PCC locally but when allocated under the POA is nationally determined as a cost of policing.
6. The table below shows how the CC allocated the £104.926m (POA);

	Officer FTE	Staff FTE	Total FTE	% of Staff	£m	% of Budget
Local Policing	493	171	664	32%	28.941	28%
Dealing with the Public	15	195	210	10%	6.998	7%
Criminal Justice	33	159	192	9%	8.057	8%
Road Policing	64	4	68	3%	3.724	4%
Ops Support	72	5	77	4%	4.614	4%
Intelligence	38	54	92	4%	4.583	4%
Investigations	290	130	420	20%	19.590	19%
Investigative Support	1	51	52	3%	3.050	3%
National Policing	25	13	38	2%	0.915	1%
Support Functions	43	223	266	13%	24.095	23%
Pensions	0	0	0	0	0.714	1%
	1074	1005	2079	100%	105.281	100%
Reserves used					-0.355	
					104.926	

7. 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 2013-14 the profiles show Wiltshire as low cost, this is mainly due to a low level of funding. The headlines from the draft profiles include:

- Wiltshire's spend per head of population is £162. The national average is £189 and £177 for similar forces. Wiltshire's spend is the 3rd lowest in the country.
- Wiltshire's central funding per head of population is £102. £139 is the national average, £111 for similar forces. Wiltshire's funding is the 6th lowest in the country.
- Wiltshire's Support Service spend per head of population is £35.80, £3.10 below the £38.90 for similar forces and £1.30 below the national average of £37.10.
- Wiltshire's percentage of frontline officers in visible roles is 58%, compared to a national average of 60% and 61% for similar forces.

8. Whilst the above 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	87.867	80%
Premises	6.497	6%
Transport	3.112	3%
ICT	4.206	4%
Surgeons and Forensics	2.119	2%
Other Costs	4.911	4%
Pensions	0.699	1%
Gross Cost	109.411	100%
Income	-4.631	
Net Cost	104.780	

9. Appendices Bi and Bii 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 general inflation increases of 2.5% and pay inflation of 1%.
10. The CC Financial Plans identify the impact of partnerships on funding requirements. The financial impact of the new Firearms Tri-force arrangements, the removal of partner funding in the Emergency Contact Centre (£0.441m income loss), the change from a local to a national arrangement on Air Support all have financial impacts.
11. The plans also identify an on-going requirement to increase the funding requirement for police staff pensions. The 3 yearly review has identified that the Local Government Pension Fund for Wiltshire Police has dropped to 80% of liabilities. The overall Wiltshire Pension fund strategy identifies a stepped increase in funding when funding gaps start to appear, therefore a 1% increase in the contribution is recommended by the pension's administrators. This will increase base costs by £0.246m in each of the 3 years of the plan.
12. In line with previous plans £0.250m is allowed in each year to fund policing pressures. In 2014-15 there is a critical requirement to increase staffing in the Multi Agency Safeguarding Hub (MASH). The Senior Command Team have received and approved a business case which sees the requirement to increase resources by 8 FTE to provide an effective pan Wiltshire and Swindon service. With this estimated to cost £0.195m only £0.100m has been left available for other policing pressures.
13. Cost reductions have been identified. These include the removal of the £0.200m ACC contingency budget. Any unexpected costs will now be funded by the CC's Operational Reserve. National concerns exist surrounding the possible top slicing of grants to fund a larger IPCC (Independent Police Complaints Commission). As no information on the value is available the MTFs does not consider this. Depending on the value and timing of any announcement it may be necessary to use the Smoothing reserve to assist in managing the impact.

Funding Shortfalls

14. When comparing these estimated budget requirements against the finances expected to be available from the PCC a savings requirement is identified, the tables below show the level of savings required;

No Increase	2014-15	2015-16	2016-17	Total
Estimated Expenditure	£107.166m	£105.210m	£103.945m	
Estimated Funding	£102.952m	£101.599m	£97.970m	
Estimated Shortfall	£4.214m	£3.611m	£5.975m	£13.800m

2% C.Tax Increase	2014-15	2015-16	2016-17	Total
Estimated Expenditure	£107.166m	£105.537m	£104.629m	
Estimated Funding	£103.276m	£102.276m	£100.205m	
Estimated Shortfall	£3.890m	£3.261m	£4.424m	£11.575m

15. The estimated savings requirement of £13.800m or £11.575m is on top of the savings of £12m delivered in the last 3 years. These savings have been produced by the 2010 Vision Plan and Management Structure review. They have broadly required all middle

and back off services to reduce by 15%-20%. Whilst the force can continue to reduce in this manner it is not considered that this level of savings can be achieved whilst delivering a fit for purpose service.

Efficiency Strategy

16. Appendix Biii shows the current position on the savings delivered under the Vision Wiltshire Programme. The table below summarises the position and the savings required during the CSR 2010 period;

Vision	Savings Delivered	Savings Outstanding/Planned	Total Savings
2011-12	£4.186m		£4.186m
2012-13	£3.706m		£3.706m
2013-14	£2.428m	£0.514m	£2.942m
2014-15		£3.253m	£3.253m
Total	£10.320m	£3.767m	£14.087m

17. A high level review of the savings target has taken place. This has identified a risk of £0.512m savings slippage. This has been considered in 2014-15 planning. A more detailed review of the savings outstanding will take place in October/November 2014 to ensure that the allocated responsible officers remain confident that the savings can be delivered. The main themes of the 2014-15 plan include;

- Tri-Service Operations Support (£1.000m)
- General Expenditure reduction (£0.500m)
- Regional Procurement (£0.450m)
- Estates collaboration (£0.290m)

18. It has been acknowledged that the government's austerity plans will require further savings to be made. Based on this the Senior Command Team (SCT) have been working with partners to deliver further savings (as detailed in the table below).

19. In addition to the Vision savings a further £1.145m savings was required for 2013-14 to balance the budget. The CC requested that SCT review their portfolios with the intent to reduce management structures to deliver the saving. Savings of £1.410m were identified across 2013-14 and 2014-15, the excess of £0.265m will assist in financing the savings requirement in 2014-15

20. The current savings plan for 2014-15 and 2015-16 is reported below

No Increase	2014-15	2015-16
Vision savings to deliver (para. 16 and 17)	£2.742m	£0.512m
Management Savings (balance)	£0.265m	
Strategic Alliance	£0.500m	£1.500m
Police Specific Collaboration (forensics etc.)	£0.150m	£0.250m
Campus Model		£0.250m
ICT 3 rd Party Efficiencies	£0.250m	£0.050m
Procurement Collaboration		£0.250m
Ops Model/Structure Review		£0.500m
	£3.907m	£3.312m

21. When compared to the savings required table below it can be seen that if delivered they will cover the entire shortfall forecast if a 2% council tax increase is agreed.

	2014-15	2015-16
Estimated Shortfall – 2% Increase in C.Tax	£3.890m	£3.261m
Estimated Shortfall – No Increase in C.Tax	£4.214m	£3.611m

22. Plans for 2016-17 are in their infancy. It is expected that the theme of partnership and remodelling the management structure empowering those staff lower in the chain of command will continue.
23. Whilst further savings are required and some of these savings may come from a reduced number of police officers (collaboration and structure efficiencies) it is important to agree a recruitment strategy. Each year over 40 police officers leave the force (retirements and resignations), therefore to agree to a strategy of 2 in-takes per year seems appropriate. Each in-take can be flexed to between 15 and 20 with transfers in used as a way of topping up numbers when necessary.
24. There is a risk that we will end up with more officers than we can afford. However this is a small risk with the continuing outflow of retirements mitigates the possibility of a large overspend. Any small overspends in year can be managed by use of reserves.
25. A regular in-flow of new recruits is seen as a positive way of managing officer numbers. 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.
26. Police Staff numbers continue to vary depending on leavers and the Vision Plan. With recruitment being adhoc no specific strategy is proposed or required.

CC's Conclusion

27. The CC's MTFs identifies a strategy to close the funding gaps expected over the next two years if a 2% Council Tax increase strategy is agreed. There are risks that the £7m of savings will not be achieved. The biggest risk to this is partnership failure as working with councils and other police forces is expected to help deliver large savings.
28. If the PCC's preference is for a 0% Council Tax strategy it will increase the savings target for the 2 years which is a concern. The largest risk however with this strategy surrounds 2016-17 when the freeze grants are expected to be removed. This would result in reduced funding of circa £2.5m in that year.
29. To deliver sustained, improving, performance over the next 3 years requires a level of certainty. By agreeing an allocation method for this period will enable the CC to make plans in the knowledge of stable funding.

Chief Constables Financial Plan

Based on Council Tax Increase 2.00%

	14/15 £million	15/16 £million	16/17 £million
Expenditure BFWD	104.780	103.276	102.276
Local partnership funding to OPCC	-0.320	0.000	0.000
Revised Expenditure Carried Forward	104.460	103.276	102.276
Cost Increases			
Inflation estimate	1.283	1.286	1.278
Fixing of specific grants	0.080	0.080	0.080
Spinal Point Increases	0.700	0.700	0.700
Increase in Bank Holidays	0.081	0.162	0.000
Carbon Commitment Increases	0.025	0.025	0.025
5% Reduction in Security Grant	0.057	0.052	0.052
Regional Firearms Range	0.126	0.000	0.000
End of Helicopter PFI Grant	0.304	0.000	0.000
Loss of Partner Contributions to ECC	0.441	0.000	0.000
1% Local Gov Pension Increase	0.246	0.246	0.246
Multi Agency Safeguarding Hub	0.195	0.000	0.000
Unidentified Policing Pressures	0.100	0.250	0.250
Total increases in Expenditure	3.639	2.801	2.631
Cost Reduction			
Reduced Rent Allow & Comp Grant	-0.140	-0.128	-0.116
Helicopter Tfr to NPAS from 1/1/2015	-0.140	-0.412	0.000
Winsor Review Impact	-0.330	0.000	0.000
Contingency Reduction	-0.200	0.000	0.000
Reduction in Bank Holidays	0.000	0.000	-0.162
External Fees Reduction	-0.123	0.000	0.000
Total reductions in Expenditure	-0.933	-0.540	-0.278
Contributions to or from Reserves	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-3.890	-3.261	-4.424
New Requirement	103.276	102.276	100.205
Inflation Assumptions			
Employees	1.00%	1.00%	1.00%
Other	2.50%	2.50%	2.50%

Chief Constables Financial Plan

Based on Council Tax Increase 0.00%

Financial Year >>>>>>	14/15 <i>£million</i>	15/16 <i>£million</i>	16/17 <i>£million</i>
Expenditure BFWD	104.780	102.952	101.599
Local partnership funding to OPCC	-0.320	0.000	0.000
Revised Expenditure Carried Forward	104.460	102.952	101.599
<u>Cost Increases</u>			
Inflation estimate	1.283	1.283	1.272
Fixing of specific grants	0.080	0.080	0.080
Spinal Point Increases	0.700	0.700	0.700
Increase in Bank Holidays	0.081	0.162	0.000
Carbon Commitment Increases	0.025	0.025	0.025
5% Reduction in Security Grant	0.057	0.052	0.052
Regional Firearms Range	0.126	0.000	0.000
End of Helicopter PFI Grant	0.304	0.000	0.000
Loss of Partner Contributions to ECC	0.441	0.000	0.000
1% Local Gov Pension Increase	0.246	0.246	0.246
Multi Agency Safeguarding Hub	0.195	0.000	0.000
Unidentified Policing Pressures	0.100	0.250	0.250
Total increases in Expenditure	3.639	2.798	2.625
<u>Cost Reduction</u>			
Reduced Rent Allow & Comp Grant	-0.140	-0.128	-0.116
Helicopter Tfr to NPAS from 1/1/2015	-0.140	-0.412	0.000
Winsor Review Impact	-0.330	0.000	0.000
Contingency Reduction	-0.200	0.000	0.000
Reduction in Bank Holidays	0.000	0.000	-0.162
External Fees Reduction	-0.123	0.000	0.000
Total reductions in Expenditure	-0.933	-0.540	-0.278
Contributions to or from Reserves	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-4.214	-3.611	-5.975
New Requirement	102.952	101.599	97.970
<u>Inflation Assumptions</u>			
Employees	1.00%	1.00%	1.00%
Other	2.50%	2.50%	2.50%

Banked Savings towards 2013-14 Target and Full CSR Target

MTFS 9/10/13

Notes: Excludes £1.1m management structure savings req in 13-14

App BIII

Reduces Custody 14-15 Saving by 50% based on Salisbury need

Area	W/S No	Owner (SRO)	4 Year Plan		
			Savings Target	All Savings verified	Savings Outstanding
COMPLETE					
Corp Dev - Perf (135k full implem) (incl 68k consultat from CF)	1a	S Hedley	265,000	135,353	129,647
Corp Dev - PMO/IST (216k full implem)	1b	S Hedley	423,000	261,000	162,000
Corp Comms (108k full implem)	2	C Mills	122,000	108,725	13,275
Finance (126k full implem)	3	C Barker	120,000	126,497	-6,497
ACPO (342k full implem)	6	-	350,000	342,336	7,664
IN PROGRESS					
Admin & Transactions	4	S Leffers	590,000	523,757	66,243
Justice Dept (+ 600k ERO -450k to Cust)	7a	S Leffers	683,000	793,560	-110,560
Info Management	13	S Leffers	233,000	118,807	114,193
Custody (+450k from Justice)	15	S Leffers	779,000	281,729	497,271
Citizen Focus (excl 68k consultat to perf)	5	A Tatam	1,132,000	692,571	439,429
PS - Investigation (excl 600k ERO to Justice)	8a	K Pritchard	900,000	801,337	98,663
PS - Intelligence (incl 300k ANPR from Ops.)	8b	K Pritchard	1,600,000	1,515,707	84,293
HQ Ops (excl 300k ANPR to Int.)	9	P Mills	1,000,000	396,300	603,700
Snr Police Off Reduct	11	-	106,000	106,000	0
Fleet & Stores	12	C Barker	183,000	102,271	80,729
People Services	14	Z Durrant	1,710,000	1,424,645	285,355
Contact Management	16	P Mills	540,000	444,491	95,509
Gen Expenditure	17	C Barker	2,900,000	1,950,000	950,000
Estates Portfolio	18	C Barker	463,000	194,814	268,186
Air Support	19	-	0	0	0
			14,099,000	10,319,900	3,779,100

% achieved 73%

2013/14 Savings against requ only >>>>		
2013/14 verified only	Required	Variance
0	0	0
0	45,000	-45,000
0	0	0
0	0	0
0	0	0
0	0	0
136,635	142,665	-6,030
410,750	299,058	111,692
48,131	229,041	-180,910
144,947	0	144,947
14,690	182,537	-167,847
112,698	121,000	-8,302
48,856	121,000	-72,144
37,310	145,000	-107,690
0	0	0
0	0	0
237,681	410,000	-172,319
116,538	147,000	-30,462
950,000	950,000	0
169,601	150,000	19,601
0	0	0
2,427,837	2,942,301	-514,464

Profile and latest forecast on planned savings							
2011/12 verified	2012/13 verified	2013/14 verified	2013/14 outstandin	2014/15	Total	Shortfall	
135,353	0	0	0	129,000	264,353	-647	
239,250	21,750	0	42,637	119,363	423,000	0	
99,665	9,060	0	0	0	108,725	-13,275	
118,787	7,710	0	0	0	126,497	6,497	
342,336	0	0	0	0	342,336	-7,664	
270,635	116,487	136,635	0	6,030	529,787	-60,213	
264,472	118,338	410,750	0	0	793,560	110,560	
0	70,676	48,131	180,910	0	299,717	66,717	
136,782	0	144,947	0	179,869	461,598	-317,402	
612,310	65,571	14,690	0	167,847	860,418	-271,582	
238,066	450,573	112,698	8,302	103,000	912,639	12,639	
476,957	989,894	48,856	72,144	0	1,587,851	-12,149	
0	358,990	37,310	107,690	1,000,000	1,503,990	503,990	
106,000	0	0	0	0	106,000	0	
55,864	46,407	0	0	0	102,271	-80,729	
253,068	933,896	237,681	72,319	213,000	1,709,964	-36	
314,952	13,001	116,538	30,462	97,000	571,953	31,953	
500,000	500,000	950,000	0	950,000	2,900,000	0	
21,011	4,202	169,601	0	287,787	482,601	19,601	
0	0	0	0	0	0	0	
4,185,508	3,706,555	2,427,837	514,464	3,252,896	14,087,260	-11,740	
Total fcast 2013-14				2,942,301			

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 Plans (reduced RCCO based on 2% C.Tax Increase)

Financial Year >>>>>>>	<i>bfwd</i> <i>£million</i>	<i>13/14</i> <i>£million</i>	<i>14/15</i> <i>£million</i>	<i>15/16</i> <i>£million</i>	<i>16/17</i> <i>£million</i>	<i>Cum</i>
Capital Financing						
Government Grant	0.000	0.939	0.939	0.939	0.939	3.756
Capital Reserve	8.035					8.035
Contribution from Earmarked Reserves	0.000	1.815				1.815
Capital Receipts	0.000	0.225	1.500			1.725
Revenue Cont. to Capital **	0.000	0.750	0.742	0.734	0.719	2.945
	8.035	3.729	3.181	1.673	1.658	18.276
Capital Expenditure (on a cashflow basis)						
Part A - Maintenance and Replacement Programme						
Vehicle Fleet	0.000	0.913	0.913	0.913	0.913	3.652
Programmed Maintenance - Buildings	0.040	0.100	0.100	0.100	0.100	0.440
Airwave Handsets	0.029	0.035	0.750	0.035	0.035	0.884
Hi-tech crime unit computers	0.053	0.000	0.050	0.000	0.050	0.153
Emergency Contact Centre - Police Share		0.050	0.050	0.050	0.050	0.200
Operational Equipment (Taser)	0.040	0.112	0.050	0.000	0.050	0.252
Total Maintenance and Replacement	0.162	1.210	1.913	1.098	1.198	5.581
Part B - Development and Improvement Projects						
Minor Works - Building Improvements		0.075	0.075	0.075	0.075	0.300
Phase 2-3 Contact Management	0.063					0.063
Video Conferencing	0.064					0.064
CCTV Melk/Sals/HQ	0.016					0.016
CCTV Gablecross	0.316					0.316
ECC/FCC Meridian Replacement	0.279					0.279
Finance System	0.100					0.100
Performance System		0.148				0.148
Blackrock Firearms Training Facility	0.068					0.068
FIM	0.049					0.049
ECC Refurbishment Programme		0.815	1.000			1.815
Airwaves Related systems	0.018					0.018
Total Development and Improvement	0.973	1.038	1.075	0.075	0.075	3.236
Part C - ICT Refresh Programme						
ICT Professional Services		0.900	0.900	0.000	0.000	1.800
Computer Desktops		0.750	0.750	0.000	0.000	1.500
Broadband		0.400	0.400	0.000	0.000	0.800
Mobile Working	0.200	0.550	0.550	0.000	0.000	1.300
Servers and Infrastructure		0.675	0.675	0.150	0.150	1.650
Storage Networks and Arrays	0.292	0.000	0.250	0.000	0.000	0.542
Telephony	0.063	0.437	0.500	0.000	0.000	1.000
Total ICT Refresh	0.555	3.712	4.025	0.150	0.150	8.592
Total for Parts A, B and C	1.690	5.960	7.013	1.323	1.423	17.409
Surplus / Deficit (-) for Year	6.345	-2.231	-3.832	0.350	0.235	0.867
Cumulative Surplus / Deficit	6.345	4.114	0.282	0.632	0.867	0.867



RESERVES AND PROVISIONS POLICY (December 2013)

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 PCC's CFO) 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 PCC's CFO 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 PCC's CFO 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** the PCC 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. The PCC 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 PCC CFO's view which will take into account issues such as the current and future financial climate. The PCC CFO's current view is that the target for this reserve should equate to 3% 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 CC. The 'Budget Smoothing Reserve' enables the PPC and CC to cover time delays in efficiency savings. Funds have been allocated to the 'Estates Transformation Reserve'. This will part fund the estates redevelopment programme with the intention to change the culture bringing in hot desking and increased mobility. This is expected to lead to more efficient staff, improved performance and lower overhead costs.

20. The 'Policing Investment Reserve' is available to the PCC to invest in specific projects which have an aim of improving performance, improve resilience or reducing cost. In line with the PCC's Police and Crime Plan a Community Safety Investment Reserve exists. Use of this fund will be determined by the PCC.

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 PCC's CFO, 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 PCC's CFO 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 PCC's CFO, to advise the PCC on the type and level of Reserves to be held.

26. The PCC's CFO 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 the PCC and CC (level of borrowing, debt, etc.)
The availability of other funds to deal with major contingencies and the adequacy of provisions.	The PCC's and CC'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.	The PCC's and CC'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.	The PCC's and CC'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 the PCC's and CC'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 the PCC and CC 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 CFO's 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. As part of the stage 2 transfer he may formally approve an allocation to the CC however until that occurs 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	3% 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/CC	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	Maintain at £400,000 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 (currently £160,000)
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 years	To allow for an additional 3 officers, above, budget, to leave under Ill Health (£210,000)
PCC	Fleet Managers Trading Reserve	Wiltshire Police facilitate the national Fleet Managers Conference each year. In carrying this out Wiltshire undertake the risk of loss from the conference. This fund covers this risk and has been built up via surpluses in previous years	Surpluses received in previous years to a maximum of £100,000.
	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	£250,000 of the £1m allocated is estimated as remaining.
PCC	Policing Investment Reserve	This reserve is intended to finance one-off investment in the Police Service to either improve service to the public or improve efficiency.	£964,000 has been allocated for this reserve

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.	2 years worth of historic change costs (£800,000)
PCC	Budget Smoothing Reserve	Funds any shortfall in savings resulting from receipt of part year savings.	Shortfall identified as £500,000
PCC	Estates Transformation Reserve	Finances the redevelopment of the Estate providing Hot desking facilities and improved ICT in a modern office environment.	£3.067m has been set aside
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	£250,000 has been set aside
PCC	Training Reserve	In recent years Training has been limited until the new structure of the Force has been agreed. It is expected that this fund will be used to catch up on specific training.	A plan identifying the requirement is being produced within a £150,000 envelope
PCC	Police Officer Intake Strategy Reserve	To enable consistent officer intakes protecting the future of the service as budget levels reduce	£1.464m has been calculated as the funding required
	Partnerships		
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 yr end is estimated at £20,000
PCC	Other Partnership Reserves	Holding funding not utilised in year received from partners	Amount to be clarified at year end
	Provisions		
PCC	Insurance	The estimated cost of finalising claims currently being progressed by the Police	Assessed as part of the year end process