

## **DRAFT BUDGET SETTLEMENT**

### **Purpose**

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

### **Background**

2. In October 2014 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 3 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. The MTFS is included as an appendix to this report however it should be noted that the assumptions included are superseded by actual information as it is received.

### **The Settlement**

4. The following Police relevant information was announced in the December settlement;
  - a **5.1% cash reduction** in Police Revenue funding for 2015-16
  - Additional top slicing of PCC Funding in 2015-16 of £96m (for the Innovation Fund, IPCC, HMIC, Major Programmes, contingency and other areas). Resulting in a funding reduction of £835,000 for Wiltshire PCC.
  - the provision of additional council tax freeze grants for 2015-16 equivalent to a 1% tax rise for those precepting bodies which decide not to increase council tax.
  - the announcement that any council tax freeze grants will be funded from the original police settlement hence reducing 'normal funding' available for distribution to PCC's in the future.
  - the setting of the council tax referendum threshold level at 2%.
5. This results in the main grants received from central government reducing from £61.652m to £58.502m, a reduction of £3.150m.

### **Council Tax Options**

6. I am currently considering 2 options surrounding the council tax;

- Option A – To increase council tax by 1.9% (in the knowledge that this will be the maximum allowable before a referendum is called)
- Option B – To maintain council tax at the 2014-15 level

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

	2014-15 Budget	2015-16 0% CTax Inc	2015-16 1.9% CTax Inc
Standard Funding available to commission services (including investment income)	£105.100m	£103.131m	£103.476m
Swindon PFI Specific Grant	£2.067m	£2.067m	£2.067m
Special Policing Specific Grant	£1.145m	£1.145m	£1.145m
<b>Total</b>	<b>£108.312m</b>	<b>£106.343m</b>	<b>£106.688m</b>

8. In addition to this I have central funding allocated to commission victims services and to support restorative justice. Provisional funding announced for victims services in 2015-16 is £584,000, part of this funding will now finance Wiltshire's direct contribution to the Victims Support Charity. Provisional funding for restorative justice is £155,000 for 2015-16.

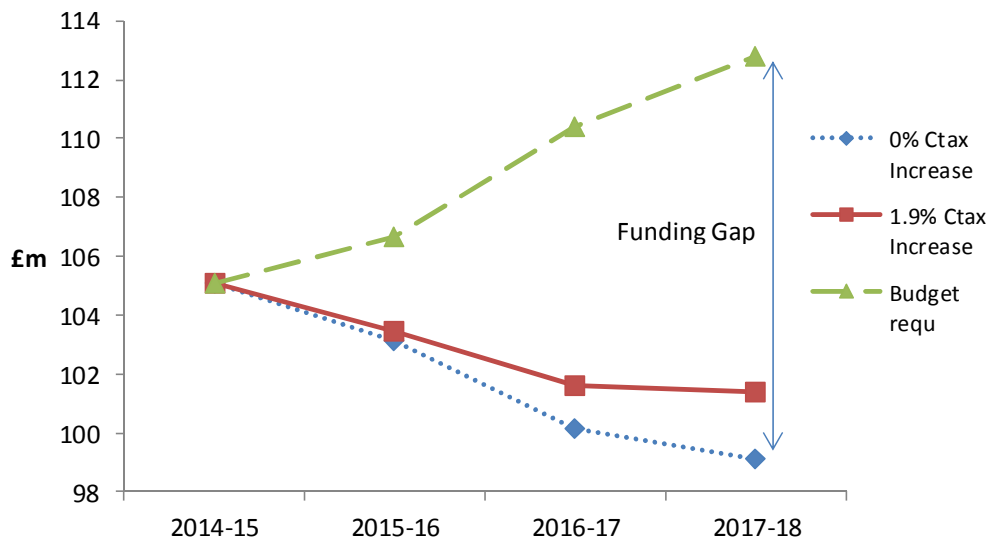
9. My considerations surrounding the options on a council tax increase focus on the long term funding position. To not increase council tax at this opportunity will have considerable impacts on my future ability to commission policing and crime services. The offer of freeze grants, whilst appreciated, reduces my future base budget and only further depletes the funding available nationally for policing. As the table in paragraph 7 shows my funding will reduce significantly under either option.

10. A 1.9% increase in Council Tax will result in Wiltshire's Band D council tax increasing from £160.92 to £163.98, a £3.06 increase. The table below shows that even with no increases in the rest of the region Wiltshire will remain the lowest.

	2014-15 Band D CTax	Wiltshire 1.9% increase
Gloucestershire	£207.73	
Dorset	£187.11	
Avon & Somerset	£171.37	
Devon & Cornwall	£166.16	
<b>Wiltshire</b>	<b>£160.92</b>	<b>£163.98</b>

11. Whilst future funding is dependent on subsequent spending reviews which will vary depending on the outcome of the general election OPCC's have been advised to plan on further central reductions of 3.2% per annum by HMIC.

12. The graph below shows the funding gap in the future based on the two council tax scenarios and a 3.2% general grant reduction.



13. Considerations surrounding local funding levels cannot occur without taking into account the central funding position. 62% of my funding derives from central grants. This is significantly different from Wiltshire Council (40% grant funded) and Swindon Borough Council (48% grant funded).
14. By having a larger portion of my budget funded by grants the impact of central grant reductions is more significant to me than local councils and any benefits in increases in the local council tax base is less.

### Impact on the Chief Constable's Budget

15. As the Chief Constable receives the largest allocation of the funding he will receive the largest cut in funding. Whilst funding is reducing he will incur this year unavoidable cost increases surrounding inflation, pay increases, spinal point increase, pensions and bank holidays that total £2.256m. In the knowledge of this and the funding gaps little additional investment is planned this year. The table below shows his current budget requirement against funding levels which I may provide him in 2015-16;

	0% C Tax Inc	1.9% C Tax Inc
Budget Requirement	£104.218	£104.218m
Funding Available	£100.957	£101.297m
<b>Shortfall (savings req.)</b>	<b>£3.261m</b>	<b>£2.921m</b>

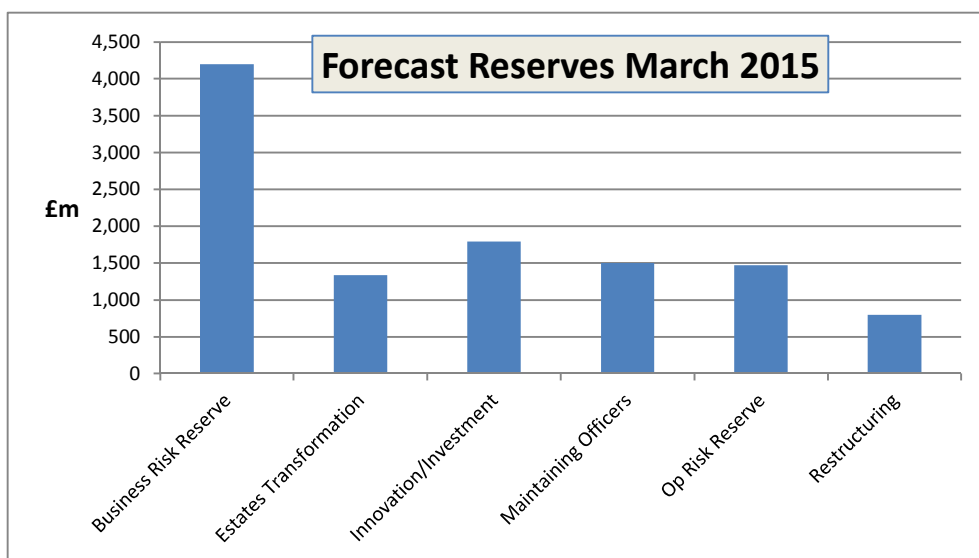
16. During 2014-15 there has been a shortfall in the savings achieved from partnership work of £0.386m. This increases the savings required in 2015-16 to £3.647m (0% C Tax increase) or £3.307m (1.9% C Tax increase).
17. It should be noted that based on estimates the savings requirements in 2016-17 and 2017-18 are between a minimum of £3.1m and £5.5m per annum. Taking the 3 years together the total saving estimate is;
  - 0% Ctax Increase Strategy - £13.7m (£27.7m over 7 years from 2010-11)
  - 1.9% Ctax Increase Strategy - £11.4m (£25.4m over 7 years from 2010-11)

## Closing the Shortfall

18. The MTFS suggested that the savings requirement would be £3.1m (0% Council Tax Increase) or £2.8m (1.9% Council Tax increase). Paragraphs 15 and 16 shows an increase in this due to the increase in top slicing for national purposes.
19. Work has been undertaken which identifies a draft savings plan of £2.622m. This is obtained by a 3 strand efficiency programme based on regional police collaboration, local partnership integration and targeted force savings.
20. A gap still remains of £0.685m (1.9% increase) or £1.025m (no increase) which needs to be resolved. With this being the 5<sup>th</sup> year of austerity and over £14m removed from the base cost of policing it is getting ever harder to come up with initiatives and solutions which remove costs without impacting on the service to the public.

## Reserves

21. The reserves I hold have been reviewed. The value of the general reserve has been considered and I am advised that 3% (£3.2m) is appropriate. The graph below represents the estimated level of reserves allocated (£11m) for investment and risk.



## Collaboration

22. Collaboration has and will continue to play a part in delivering the savings required. Future examples include Estates savings with Wiltshire Council and Swindon Borough Council and Forensics savings with other forces in the South West Region.

## Conclusion

23. This paper shows the panel my MTFS and gives them my current thinking surrounding the 2015-16 precept. I believe a £3.06 Band D increase per household per year is appropriate and I am now consulting the public on this via the area and locality boards.

**Angus Macpherson**

Police and Crime Commissioner