



WILTSHIRE AND SWINDON

Medium Term Financial Strategy (MTFS) 2021-22 to 2024-25

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Executive Summary

1. The December settlement provided the police service with funding for 6,000 new officers. This means that funding to date has been provided for 12,000 of the 20,000 new officers promised in the election. With the majority of the 12,000 officers now financed within the central grant it looks like I have received a significant increase, this however must be set aside to fund the 97 Uplift Officers I am recruiting in 2020-21 and 2021-22.
2. The settlement also confirmed that Police and Crime Commissioners can increase their Band D Council Tax precept levels by a maximum of £15. For Wiltshire a £15 increase is equivalent to a 6.9% increase.
3. This MTFS has been drawn up in a period of uncertainty with the Covid 19 pandemic putting real pressure on national finances. An early signal of this is the cancelling of pay awards for public sector workers except those classified as low paid (£24,000 or less). There is uncertainty on what future settlements will look like, nationally the expectation is cash flat, this means that any cost increases will need to be funded by savings or local taxation increases.
4. This uncertainty means that future years funding positions are very much an estimate and will change in a year's time when more information is available. A long-term settlement would be welcomed, this would enable better planning. Based on this I would recommend the focus to be on the 2021-22 financial plan.
5. The uncertainty continues with local funding. The pandemic has led to a number of people being made unemployed and unable to pay Council Tax. The Council tax base estimates show for the first time a reduction, this reduces my income. The government however has provided funding via the Local Council Tax Support Grant which will be used to fund shortfalls in 2020-21 and in future years.
6. Whilst the increases are welcome Wiltshire remain underfunded. It still has the lowest council tax in the South West (significantly below the similar size forces of Gloucestershire and Dorset). It also remains the 3rd lowest funded area in the country even though it has the urban issues that Swindon brings and the rural/sparsity issues caused by Salisbury Plain.
7. By increasing Council Tax by £15 per Band D property, my local income will increase by circa £4m. This is needed to fund part year pay awards and unavoidable cost increases. The MTFS also deals with the Capital Financing Strategy, which has revenue consequences in this budget.
8. The Chief Constable's increased expenditure plans surround closing threats identified in the Force Management Statement (FMS) and the risk register. This is an evidence-based approach in line with HMIC expectations.
9. I now report Shared Services as a separate budget, these costs were previously included within the Chief Constables budget. This provides more transparency and is more appropriate considering they provide services to the OPCC as well.

10. With a £15 increase in the Band D levy there is a need to save £0.587m. The table below shows the budgets impacted by the savings.

Financial Yr.	£15 increase
OPCC	£0.186m
Shared Services	£0.050m
Chief Constable	£0.351m
Total Savings Req	£0.587m

11. It should be noted that from 2022-23 to 2024-25 funding assumptions are based on a 2.5% increase in Council Tax and initially a cash flat Central Grant. It is important to note that there is no evidence to support these levels of increase, it is purely an estimate.

12. The MTFS includes an updated Capital Plan and a new Capital Financing Strategy. The plan shows how capital expenditure could be financed in future years. The plan shows that by the end of 2023-24 the PCC is expected to have borrowed in excess of £13m. With the significant need for capital investment in ICT and Estate there is a need to increase the Revenue Contribution to Capital contribution in a financially viable manner to over £2.9m by 2023-24. It should be noted that some expenditure, for instance the HQ redevelopment plan, will require approvals in future years. The level of the redevelopment will significantly impact the Capital Plan and Financing Strategy.

13. 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 in 2020-21 Wiltshire's funding per head of population was £176.76 the national average is £200.48. Wiltshire PCC was the 4th lowest centrally funded and 3rd lowest when considering all funding. These figures need to be updated for the 2021-22 settlement however with the same central funding increase being applied to all forces and the majority of PCC's looking towards the £15 council tax increase they will not change significantly.

14. It should be remembered that this years funding decision will impact the funds available for the future. Considering our low funding position I have agreed a £15 council tax increase to £231.27 for a Band D property.

Introduction

15. 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. It then considers how the Commissioner may use the finances available to him to fulfil his wide ranging remit.
16. 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 with 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

17. This version of the 4 year MTFs has been produced post the 2021 settlement and the PCCs decision to increase Band D Council Tax by £15.

Central Finances

18. After 9 years (2011-12 to 2019-20) of funding restrictions which had seen the budget reduce by 34.5% the 2020-21 settlement saw an increase in cash of 7.5%. A significant part of the increase was to finance infrastructure to enable the police service as a whole to deliver 20,000 new officers.
19. In 2021-22 a 4.8% increase has been provided, this is entirely to fund officer increases and is the Wiltshire portion of the £415m national announcement. There remains no medium or long term settlement which impacts on our ability to plan for the future.
20. The Legacy Council Grant has remained at £5.235m since 2013-14. This grant compensates PCC's and Police Authorities for not raising the precept between 2011 and 2013. The MTFs assumes that this grant will continue in future years with no increase or reduction (i.e. Cash flat).

Precept (Council Tax)

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. The announcement on precept flexibility for 2021-22 was included within November 2020's Comprehensive Spending Review (CSR). This allows PCCs to increase Band D council tax by £15. No long term guidance was provided.
22. The Council Tax receipt is dependent on the council tax base (the number of dwellings paying the tax). Due to the downturn in the economy related to Covid 19 the Council Tax base has marginally fallen in 2021-22. The base reduces when the number of people not paying council tax exceeds any increase in dwelling growth. The net combined reduction in the base due to lower collection rates is 0.01% in 2021-22.

23. A 1% increase in the police part of the Band D council tax in 2021-22 is worth £0.570m. Any increase in council tax secures future funding at a higher level.
24. The reduction in payments of Council Tax has led to a provisional deficit on the Collection Fund, this is the first time that a deficit has existed. A deficit becomes a cost to the PCC.
25. In response to this national position the government has provided £670m to precepting authorities via the Local Council Tax Support grant. Wiltshire PCC has been allocated £0.924m. In addition to this a Local Tax Income Guarantee scheme has been introduced. This will fund 75% of irrecoverable income relating to 2020-21. This is not expected to be significant; any income will be added to the Support Grant reserve to further reduce risk. The scheme also mandates that any deficit relating to 2020-21 to be spread across the next 3 financial years.
26. The table below shows the PCCs intention to ringfence the Support Grant to fund announced and expected shortfalls in collection funds over the next 3 years. There is currently a balance reducing risk.

		Balance of Funding
Grant Received		£0.924m
SBC Shortfall 20-21	-£0.110m	£0.814m
WC Shortfall 20-21 (yr. 1)	-£0.184m	£0.630m
WC Profiled Shortfall 21-22 (yr. 2)	-£0.174m	£0.456m
WC Profiled Shortfall 22-23 (yr. 3)	-£0.174m	£0.282m

27. The table above shows the current deficit from the councils is £0.642m (a surplus of £0.293m existed in 2020-21). In introducing this earmarked reserve there is not considered a need to include any surplus or deficit in the next two years when producing the MTFS. The table below shows this along with a forecast on Band D dwelling. These forecast the economy to slowly bounce back.

	Additional Dwellings	Est total Dwellings	% Increase	Collection Fund Surplus/(Deficit) within MTFS
2020-21 Actual	3,327	263,814	1.24%	£293,000
2021-22 Est	-37	263,777	-0.01%	-
2022-23 Est	2,638	266,415	1.00%	-
2023-24 Est	5,328	271,743	2.20%	£72,000
2024-25 Est	4,077	275,820	1.50%	£200,000

Inflation

28. The consumer price index shows inflation for the 12 months to September 2020 at 0.7%. Year on year changes have fluctuated throughout the year with a low being 0.5% and 1.1% being the high. The initial MTFS allowed for general inflation at 2%, this has been reduced to 1% as part of the savings plans. Pay is based on 5/12th of the 2020 pay settlement and an allowance of £0.100m for those earning below £24,000. In 2022-23 an increase of 1% has been allowed, rising to 2% in 2023-24 and beyond.

29. In 2020-21 the budget allowed for pay increases of 3%, the actual pay award was 2.5%. This has resulted in a favourable £0.250m cost reduction in the MTFs.

30. In March 2020 the bank base rate was reduced from 0.75% (August 2018) to 0.10%. A decline on investment returns has resulted. Recognising this it is planned to reduce the investment income budget to £0.079m.

Police and Crime Plan 2017-2021

31. As required under law the PCC has produced a Police and Crime Plan. The plan has 4 overarching priorities, these are shown below:

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

32. In 2020-21 Wiltshire received total funding of £176.76 per head of population, this is £23.72 less than the national average (Excludes the Met and the City of London) of £200.48.

33. Central Funding in 2020-21 for Wiltshire was £97.76 per head of population, £26.15 less than the national average (Excludes the Met and the City of London).

34. Combined with the lowest policing precept in the South West, this results in Wiltshire Police having the third lowest total funding per head of population. The plan states that the PCC will continue to lobby the Government to revise the way policing is funded. However national information suggests that any change in formula is unlikely to be implemented until 2022-23.

35. In the absence of a fair funding settlement there is a requirement to unlock resources to invest in priorities or continue to provide services at today's level. What this means is a drive to eliminate waste, 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.

36. With a need to reduce costs whilst delivering more, the PCC has agreed that investment in technology is essential.

37. During 2014 the PCC became responsible for the commissioning of Victims Services. In 2020-21 Specific Grant funding was £0.892m, the 2021-22 funding is not expected to change. As these funds are specific grants they are not included in the main funding reported.

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 the running costs of the OPCC
- Capital Investment

Income Forecasts

39. The 2020-21 budget relied on the following income to finance activity (excludes £1.384m of earmarked grant for Uplift Year 1);

Central Funding	Central Grant	£62.942m	
	Council Tax Legacy Grant	£5.235m	£68.177m
Local Funding	Precept – Council Tax	£57.055m	
	Council Tax Surplus	£0.293m	£57.348m
MTFS Funding		£125.525m	£125.525m

40. The 2020-21 council tax level of £216.27 is £11.64 below the national average of £227.91 (excluding the City of London and the Met).

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 the £15 (6.9%) increase in council tax for 2021-22, before reverting to a 2.5% increase in 2022-23 and 2023-24

Authority	2020-21 Band D Council Tax	Wiltshire £15 increase 2021-22	Wiltshire 2.5% increase 2022-23	Wiltshire 2.5% increase 2023-24
Gloucestershire	£257.25			
Dorset	£240.58			
Avon & Somerset	£227.81			
Devon & Cornwall	£221.64			
Wiltshire	£216.27	£231.27	£237.05	£242.98

Additional cost per Band D Household with a 6.9% increase	£15 p.a.
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42. The table shows that even if Wiltshire increased its council tax in all 3 years by these levels and all the other PCC's in the region froze their council tax Wiltshire would still not exceed the levy currently in Gloucestershire.

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

- a) Funding at the South West Av. (£232.71), Extra income is £4.3m
- b) Funding at National Av (£227.91), Extra income is £3.1m

44. It should be noted that today's decision on council tax impacts future years funding. For example, Gloucestershire's levy of £257.25 was based on a 50% increase in 2003. This shows how future viability is dependent on decisions made today.

45. In 2020-21 Council tax was 45% of the PCC's funding; therefore to fund an expenditure increase of 1% (£1m) requires a 2.5% increase in the precepts (the gearing effect). If central grant remains the same.

46. The MTFS shows income over 4 years based on various assumptions. It excludes further funding for year 3 of the officer increase plan assuming that this would be netted

off against the cost of the officers and investment income. The tables in the appendix show the following income levels (includes ring fenced Uplift Grant);

	Funding Est (excludes Investment Income)	Grant Inc Assumption	C Tax Inc Assumption
2021-22	£133.949m	-	2.5%
2022-23	£136.098m	-	2.5%
2023-24	£139.713m	1%	2.5%
2024-25	£143.183m	1%	2.5%

47. It is necessary to consider the impact of different scenarios. The impact on the 2022-23 finances of changes in funding is shown below;

Scenario	Impact on 2022-23 MTFS Figures
Standard Central funding changes by 1%	Funding changes by £0.669m
Council Tax base changes by 1%	Funding changes by £0.610m
Council Tax increase changes by 1%	Funding changes by £0.570m
Council Tax increase changes by £1	Funding changes by £0.264m

Impact of Funding Allocations

48. The table below shows the allocation with a £15 increase. From 2020-21 the amount spent on Shared Services has been separated out from the Chief Constables (CC) allocation. These departments which include HR, Finance, Estates, Corporate Communications, Business Improvement etc provide services to both the OPCC and the CC. The 2020-21 allocation includes the Uplift ringfenced grant and investment income.

	2020-21 Allocation	2021-22 Allocation	Increased Allocation
OPCC Office cost	£1.471m	£1.622m	£0.151m
OPCC Commissioning	£1.646m	£1.646m	-
OPCC Capital cont (RCCO)	£1.781m	£2.329m	£0.548m
Shared Services Allocation	£26.327m	£27.683m	£1.356m
CC Allocation	£95.884m	£100.747m	£4.863m
Total	£127.109m	£134.027m	£6.918m

49. The increase in 2021-22 funds the 48 year 2 Uplift officers (includes funds for 2 ROCU allocated officers not counted within force strength).

50. The specific Victims grant mentioned in paragraph 37 is in addition to the funding available for external commissioning.

51. In 2020 the PCC has approved a revised Capital and Capital Financing Strategy, the updated version in attached at Appendix D. This strategy outlines the need to consider the medium term financing of capital. With an intention to invest in the HQ as part of

the 2018 Estates Strategy there needs to be an agreed strategy to fund this. Capital costs are also significant in ICT and it is not appropriate to stop investing in this area.

52. To finance the capital spends it has been accepted by the PCC that borrowing will be required for longer term assets. There is also a need to increase direct revenue funding of short term ICT assets.

53. The strategy suggests a steady increase in the revenue budget to fund the borrowing costs and to provide direct funding. If the whole 9 year plan occurs the total cost is in the area of £90m. As capital grant and capital receipts are limited the revenue consequences will need to rise to £5m to £6m by 2028-29. The plan of steady growth in the revenue funding and a cut in the specific capital grant saw the 2020-21 contribution rising to £1.732m. In addition to this it is forecast that the cost of borrowing (interest and repayments) will be £0.053m in 2020-21. The revised 2021-22 strategy requires the direct revenue funding of capital to increase to £2.217m and the cost of borrowing to rise to £0.112m.

OPCC Direct Expenditure

54. In recent years the OPCC budget has been increased as part of ensuring that the 'and crime' part of the PCCs role is delivered. In 2020-21 it is proposed to increase the budget for the OPCC due to the need to implement the new mandated Complaints process and the good practise of having a Scrutiny Officer. The Office costs are 1.2% of the budget

55. The Commissioning Team (3 staff included within the Office costs) focus on proactive and preventative commissioning with external providers. The commissioning budget allocation in 2021-22 is proposed to remain cash flat however the team have been successful in obtaining grants in 2020-21 to finance other proactive services which fit in with the Police and Crime Plan objectives.

56. The funding specifically available for direct commissioning will be in the region of £2.5m in 2021-22 plus any other specific grants they are able to obtain. The focus on the expenditure includes Substance Misuse, Youth Offending, Reoffending, Victims Services, Mental Health Triage and Community Messaging.

57. Appendix Aii shows the consolidated OPCC Financial Plan (OPCC office costs, commissioning and capital). The capital increase is discussed later in this document.

Shared Services

58. In 2020-21 Shared Services costs have been extracted from the Chief Constables allocation and is now reported separately. £26.327m is the 2020-21 allocation. Shared Services includes HR, OHU, Health and Safety, Learning and Development, Business Improvement, Corporate Communications, Finance and Facilities.

59. Appendix Aiii shows the financial plans for Shared Services. There are several cost pressures in the area which have been identified. One risk surrounds Police Officer Pensions, the impact of the Courts ruling on national changes as unlawful has created a significant volume of work. We are working in the region to resolve this however guidance suggests we will need to provide additional funds nationally, regionally and

locally to deal with the re-working which is required. £0.100m has been allowed for this increase in cost.

60. With the Police Officer numbers increasing more staff are required in Learning and Development, Fleet, OHU, ICT, etc. £0.578m has been allowed for this. Some of this budget will be transferred to the Chief Constable's budget once the detail is confirmed.

Use of Finances

61. 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 2020-21 budget has been reviewed to identify the relationship between spend and funding.

62. The table below shows that in 2020-21 45.7% of the funding is collected locally whilst 49.0% of the budget is used for Local Policing (this classifies the legacy council tax grant as 'other policing' as it is paid from central funds);

	Local Policing	Other Policing	Total
CC Spend per area	£45.012m	£47.478m	£92.490m
Support Services	£15.084m	£15.084m	£30.168m
OPCC	£1.533m	£1.533m	£3.066m
Total	£61.629m	£64.096m	£125.725m
	49.0%	51.0%	100.0%
Staffing (FTE)	1132	1069	2201
	51.4%	48.6%	100.0%
Income	£57.348m	£68.177m	£125.525m
Interest	£0.100m	£0.100m	£0.200m
Total	£57.448m	£68.277m	£125.725m
	45.7%	54.3%	100.0%

Capital

63. The Capital Plan (Appendix C) has been revised this year to compliment the longer term Capital Financing Strategy. The plan shows the capital expenditure forecast over the 4 years. It then shows how these costs will be funded. This plan is then taken forward in the Strategy (Appendix D)

64. The increase in revenue costs (both revenue contributions to capital and the consequences of debt) is planned to finance capital expenditure in a manner that is affordable over a period of time. The plan is more dynamic (it will change regularly throughout the year) than the strategy hence there will be variances occurring which will need reconciliation in each MTFs.

65. It should be noted that the need to borrow and increase revenue costs is not just to finance the Estates Strategy. The ICT spend in years ranges from £1.9m to £6.1m. With 2020-21 standard capital income being £1.8m (capital grant and current revenue contributions) an increase in revenue costs to finance capital is unavoidable. In

addition to this £1m of spending on Vehicles and Equipment must be financed each year.

66. The financing of capital spends is dependent on the asset;

- ICT assets with a predicted life of 7 years or more will be financed by borrowing over 7 years
- Significant investment (over £1m) in Estates will be financed by borrowing over 30 years, or capital receipts.
- Specific Grants will be used in line with the specific grant rules
- All other capital expenditure will be funded by a mixture of general grant, revenue contribution to capital and capital receipts.

67. It is important to note that once borrowing is entered into this will be a liability on the revenue account for years to come.

68. The Capital grant available to each force has significantly reduced in recent years. For instance in 2013-14 it was £0.939m and has fallen to £0.407m by 2017-18. One of the reasons for this is the top slicing for national projects (such as ESMCP) with the amount available to forces falling. With these projects still in the early stage it was not expected that this trend would reverse. The 2019-20 settlement saw the grant reduced to £0.109m, it is expected that it will remain at this low level in 2021-22.

69. The table below summarises the Capital Plan;

	2020-21	2021-22	2022-23	2023-24	Cumul.
Signif. Estates	£0.986m	£0.450m	£1.850m	£9.867m	£13.153m
Refurb. Estates	£0.580m	£1.372m	£1.050m	£0.100m	£3.102m
Equip/Fleet	£1.445m	£0.990m	£1.059m	£1.194m	£4.688m
Long Term ICT	£0.198m	£3.084m	-	-	£3.282m
Short Term ICT	£5.536m	£3.015m	£1.959m	£2.259m	£12.769m
Total Expenditure	£8.745m	£8.911m	£5.918m	£13.420m	£36.994m
Financed by:					
Capital Grant	£0.109m	£0.109m	£0.109m	£0.109m	£0.436m
Specific Grant	£0.300m	£0.171m	-	-	£0.471m
Capital Dev Res	£4.687m	£0.124m	-	-	£4.811m
Capital Receipts	£0.733m	£2.756m	£1.407m	£3.556m	£8.452m
Borrowing	£1.184m	£3.534m	£1.850m	£6.867m	£13.435m
Revenue Cont.	£1.732m	£2.217m	£2.552m	£2.888m	£9.389m
Total Financing	£8.745m	£8.911m	£5.918m	£13.420m	£36.994m

70. A review of the capital receipts expected has occurred with the revised strategy. This is based on a reduced portfolio as determined by the PCCs 2018 Estates Strategy. There is a large amount of risk in the forecast. The new plan includes only 70% of the original valuation and that receipts are received 6 months later than forecast. This will mitigate some of the risk. The PCCs Acquisitions and Disposals Board monitor and approve decisions with the delivery of best value the primary purpose.

71. All new capital projects are approved by the PCC via the Commissioners Monitoring Board. The current plan includes approvals for Warminster, Tidworth and Bourne Hill.

Development costs for HQ are being programmed into the plan alongside the current work on the recreational areas,

72. The plan continues to have funding allocated for ESMCP (Emergency Services Mobile Communications Project). These costs are very much an estimate. The delay and uncertainty surrounding this national project remains and it is expected that unit costs will change from those included in the current estimates. With time delays comes an increase in project costs, at the moment central funding for slippage and cost increases has not been forthcoming.
73. The plan and strategy allows for significant investment in ICT. Funding for the National Enabling Project and the refreshment of laptops and mobile phones is included. With the reliance on ICT in policing growing every year the need for investment increases. Whilst funds have been allowed in each year for ICT investment and compliance work this may not be sufficient. National work on ANPR, the Police Database, etc. may lead to additional funding requirements, it is expected that much of this cost will be funded by national top slicing however historically some costs have fallen to individual PCCs. It is often the case that the revenue costs resulting from these national projects fall to PCC's also, in 2021-22 national ICT direct charges are estimated to increase by £0.193m. Funds are also set aside for costs relating to the Hi-Tech Crime teams storage servers and workstations. £0.853m has been allowed for the ERP project which is currently at implementation stage.
74. 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.
75. 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 is on-going with the National buying groups expected to deliver better value for money and improve standardisation. It is planned to transfer some of the Enabling funds set aside in 2021-22 to increase the fleet in light of the increase in officers. This will result in an increase in revenue contributions to capital in this and future years.
76. A budget for operational equipment is in place. This is intended to fund small capital items such as firearms, tasers, drones, etc. The exact budget required for this area will need to be determined each year.

Risks and Reserves

77. The assessment of risks and the setting of appropriate levels of reserves is an essential element of medium term financial planning.
78. When setting budgets and future plans it is essential to ensure that they are both affordable and sustainable. Reserves are held to manage risk and for investment.
79. 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.

80. 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 costs over 1% of budget (for instance the incidents in Salisbury and Amesbury in 2018 where all costs are being recovered from special grant). This does alleviate some of the need for the PCC and CC to hold a high level of reserves.

81. 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 with CIPFA (Chartered Institute of Public Finance and Accountancy) best practice. This is included under Appendix F.

82. There continues to be a focus on the level of reserves held by PCCs. With austerity there was central concern that funds were not being used appropriately. Based on this the policing minister wished to improve the transparency of reserves. The policy now includes estimated levels for the next 3 years and whether there is a legal or contractual commitment for each reserve. The table below shows the history on reserves and current forecasts. The Capital Development Reserve is shown separately due to its size and impact on the total reserves (this is in the total reserves amount);

Year End	Total Reserves	Capital Dev. Reserve
March 13	£19.332m	£12.879m
March 14	£21.536m	£13.192m
March 15	£20.677m	£12.626m
March 16	£19.594m	£11.895m
March 17	£20.194m	£9.864m
March 18	£18.375m	£9.475m
March 19	£15.328m	£8.111m
March 20.	£12.247m	£4.811m
March 21 Est.	£7.061m	£0.124m
March 22 Est.	£6.196m	-
March 22 Est.	£5.815m	-

83. A review of reserves has taken place considering the budget strategy. This includes the general reserve. Considering the total reserves available and the emergency funding available for significant costs the level of 2.5% remains reasonable.

84. The PCC holds other specific earmarked reserves for specific risks and investments e.g. Insurance. The estimated level of reserves for these is reported in Appendix F.

85. The largest reserve is the Capital Development Reserve. This is required to finance the capital plan and is £4.811m at 31 March 2019. The table above shows this is forecasted to be completely used by the end of March 2021. The need for this reserve is important to fund short life assets (such as ICT) as the capital strategy does not

promote borrowing for short life assets. From 2022 these costs will be funded from revenue contributions to capital.

86. 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.
87. Since production of the reserves strategy the Local Council Tax Support Grant has been announced. There is expected to be a balance of circa. £0.630m in this grant at year end. It is planned that this be transferred to a new earmarked reserve at year end which will finance any collection fund shortfalls. This will increase the total reserves held summarised in paragraph 82.

PCC's Conclusion

88. 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.
89. It is expected that the Chief Constable will improve the efficiency in how he delivers policing. Depending on the funding provided there is likely to be a budgetary gap, it is expected that the Chief Constable will continue to identify ways in which he can close these gaps.

PCC for Wiltshire Medium Term Financial Plan

Council Tax Increase 2.50% (2022-23)

Central Grant Increase 0.00% (2022-23)

Financial Year >>>>>>	2021-22 <i>£million</i>	2022-23 <i>£million</i>	2023-24 <i>£million</i>	2024-25 <i>£million</i>
Estimated Funding Available to the PCC				
Police Grant/DCLG	66.909	66.909	67.578	68.254
Uplift Grant	0.800	0.800	0.800	0.800
Legacy Council Tax Grant	5.235	5.235	5.235	5.235
Total Central Funding	72.944	72.944	73.613	74.289
CT Surplus	0.000	0.000	0.072	0.200
Precept	61.004	63.154	66.028	68.694
Contribution from reserve	0.000	0.000	0.000	0.000
Total Grant and Precept Funding	133.948	136.098	139.713	143.183
Investment Income	0.079	0.079	0.079	0.079
Total Income available to PCC	134.027	136.177	139.792	143.262
Increase in Total Funds Available	5.4%	1.6%	2.7%	2.5%
<i>Central Funding Reduction</i>	<i>4.9%</i>	<i>0.0%</i>	<i>0.9%</i>	<i>0.9%</i>
Band D Council Tax	231.27	237.05	242.98	249.05
Increase per Band D household	15.00	5.78	5.93	6.07

Allocation of Funding

Assuming that funding reduction is split equally across all current allocations

OPCC - Office costs (less inv inc)	1.622	1.638	1.756	1.870
OPCC - Capital Contribution	2.329	3.156	3.579	4.239
OPCC - Commissioning	1.646	1.663	1.701	1.736
OPCC - Shared Services allocation	27.683	27.961	28.615	29.189
OPCC - Chief Constable allocation	100.747	101.759	104.140	106.228
Total Allocation	134.027	136.177	139.792	143.262

PCC Financial Plan

Council Tax Increase	2.50%	(2022-23)
Central Grant Increase	0.00%	(2022-23)

	2021-22 <i>£million</i>	2022-23 <i>£million</i>	2023-24 <i>£million</i>	2024-25 <i>£million</i>
Expenditure BFWD	4.898	5.597	6.457	7.036
Reserve funding from previous year	0.000	0.000	0.000	0.000
Revised Expenditure Carried Forward	4.898	5.597	6.457	7.036
Cost Increases				
Inflation estimate	0.051	0.024	0.048	0.051
Capital Increase	0.724	0.827	0.423	0.660
Spinal Point Increases	0.008	0.008	0.008	0.008
Low Pay £250 pay award	0.001	0.000	0.000	0.000
Scrutiny Post W9	0.042	0.000	0.000	0.000
Complaint Administrator W6	0.062	0.000	0.000	0.000
Cost Reduction				
Impact of Pay Increase reduction	-0.003	0.000	0.000	0.000
Total increase in Expenditure	0.885	0.859	0.479	0.719
Contributions to or from Reserves	0.000	0.000	0.000	0.000
Savings Required = '-' / Growth Available	-0.186	0.001	0.100	0.089
New Requirement	5.597	6.457	7.036	7.844
<hr/>				
Inflation Assumptions				
Employees	1.10%	1.00%	2.00%	2.00%
Income	1.00%	1.00%	2.00%	2.00%
Other	1.00%	1.00%	2.00%	2.00%
IT	1.00%	1.00%	2.00%	2.00%
Utilities	1.00%	1.00%	2.00%	2.00%

Shared Services Financial Plan

Council Tax Increase	2.50%	(2022-23)
Central Grant Increase	0.00%	(2022-23)

	2021-22	2022-23	2023-24	2024-25
	£million	£million	£million	£million
Expenditure BFWD	26.327	27.683	27.961	28.615
Reserve funding from previous year	0.000	0.000	0.000	0.000
Revised Expenditure Carried Forward	26.327	27.683	27.961	28.615
Cost Increases				
Inflation estimate	0.419	0.278	0.559	0.572
Spinal Point Increases	0.152	0.152	0.152	0.152
Low Paid £250 pay award	0.039	0.000	0.000	0.000
Welfare Officer W9	0.041	0.000	0.000	0.000
Single On Line Home	0.014	0.000	0.000	0.000
People Services - Capacity 3 posts	0.083	0.000	0.000	0.000
National Pension Remedy Costs	0.100	0.000	0.000	0.000
Enabling Staff	0.578	0.000	0.000	0.000
Unidentified Policing Pressures	0.050	0.055	0.055	0.055
Cost Reduction				
Impact of Pay increase Reduction	-0.070	0.000	0.000	0.000
Total increase in Expenditure	1.406	0.485	0.766	0.779
Contributions to or from Reserves	0.000	0.000	0.000	0.000
Savings Required = 'U' / Growth Available	-0.050	-0.206	-0.112	-0.205
New Requirement	27.683	27.961	28.615	29.189

Inflation Assumptions				
Employees	1.10%	1.00%	2.00%	2.00%
Income	1.00%	1.00%	2.00%	2.00%
Other	1.00%	1.00%	2.00%	2.00%
IT	1.00%	1.00%	2.00%	2.00%
Utilities	1.00%	1.00%	2.00%	2.00%

The Chief Constable's Allocated Budget

Introduction

1. The 2021-22 budget has been built in unusual circumstances. Covid 19 has impacted the services provided and the national funds available to finance policing services (which led to the pay freeze). In addition the Government continued to support the funding of a national increase in officers. The settlement has provided some late clarity on the funds however a number of issues still remain. With the funds available I am available to invest in services which have been identified in the FMS (Force Management Statement) as a risk.
2. Government funding plans surrounding the extra Uplift officers (97 in years one and two) remain unclear, however it seems that grant has been provided to cover their costs and to invest in the necessary infrastructure.
3. In 2020-21 Shared Services was extracted from my budget. This removed £26.327m from my £120.826m budget leaving £94.499m as my new allocation (£95.884m with the 2020-21 Uplift Grant included). Shared Services includes HR, OHU, Health and Safety, Learning and Development, Business Improvement, Corporate Communications, Finance and Facilities.

Funding

4. The table below shows the funding the PCC has provided me in 2021-22 and those possible in future years (these will be dependent on the settlements and how much the PCC wants to allocate to me). Assuming the proportion of funds allocated to me does not change the savings I would need to deliver are also shown;

	2021-22	2022-23	2023-24	2024-25
CC allocation	£100.747m	£101.759m	£104.140m	£106.228m
Funding (gap)/surplus	(£0.351m)	£0.133m	£0.092m	(£0.054m)

5. The surplus position in 2022-23 and 2023-24 occurs as the assumption for general wage inflation is zero, 1% is allowed to finance low paid staff.

Expenditure

6. In 2020-21 the PCC gave the CC a budget of £122.211m (including shared services). The table below shows how expenditure was planned when allocated according to the Police Objective Analysis (POA), the variance of £0.247m is due to national classification guidelines;

	Officer FTE	Staff FTE	Total FTE	% of Staff	£m	% of Budget
Local Policing	572	175.4	747.4	34%	34.414	28%
Dealing with the Public	8	187.8	195.8	9%	8.041	6%
Criminal Justice	22	150.0	172.0	8%	7.601	6%
Ops Support (inc RPU)	112	10.7	122.7	6%	8.092	6%
Intelligence	31	63.9	94.9	4%	5.040	4%
Investigations	175	156.8	331.8	15%	18.250	15%
Public Protection	67	79.8	146.8	7%	6.916	6%
National Policing	33	10.1	43.1	2%	0.739	1%
Support Functions	47.5	297.0	344.5	16%	30.168	25%
Cap Finance/Pensions	-	-	-		3.197	3%
Reserves/Commis.	-	-	-			
	1067.5	1131.5	2199.0	100%	122.458	100%

7. Each year the PCC and the Force review spending levels against other forces using national data and HMICFRS'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 2020-21 the profiles are yet to be released (delayed due to Covid). Whilst this information is outstanding I can see no reason as to why the headlines for 2019-20 are still not valid;
- Wiltshire's spend per head of population is £162. The national average is £185 and £181 for similar forces. Wiltshire's spend is the 3rd lowest in the country.
 - Wiltshire's central funding per head of population is £88. £114 is the national average, £100 for similar forces. Wiltshire's central funding is the 4th 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 £38.13. Similar forces average is £41.25, £3.12 more than Wiltshire.
 - Wiltshire's spend on officers per head of population is £72.87 this is the lowest in the country (£21.40 lower than our similar forces). However Wiltshire's spend on staff of £46.91 per head of population is above the similar forces average of £45.80). This points to Wiltshire optimising Work Force Modernisation options.
8. Appendix Bi shows the cost increases and cost reductions expected to be faced by the CC over the next 4 years. These financial plans are based on inflation of 1% in 2021-22 and 2022-23, rising to 2% in 2023-24 and 2024-25. Whilst it is assumed that the Grant will be cash flat in 2022-23 it is expected that low paid workers will receive an increase. Spinal point increases are excluded from the pay freeze.
9. There are several unavoidable costs in the financial plan. These include a number of national services provided where the costs allocated to Wiltshire have increased. Cost increases surrounding National ICT and Air support total £0.277m

10. The budget requirement should be driven by the Force Management Statement (FMS), risk and unavoidable costs. The FMS is continually being developed and is now over 700 pages.
11. Each Area's Manager has scored their understanding of demand and capacity (current and future) out of 5 based on the following grading rules;

Score	Grading	Description
1	Very Good	The Force has a very good and consistent approach to understanding current and/or future demand. There are no gaps in meeting current demand and substantive plans are in place to deal with future demand.
2	Good	The Force has a good approach to understanding both current and/or future demand. There are limited gaps in meeting current demand but plans are in place to address them, which are having a some positive impacts. Plans are in place to deal with future demand.
3	Acceptable	The Force has a reasonable approach to understanding current and/or future demand. There are some gaps in meeting current demand and some plans are in place to address them. Plans are being considered to address potential future demands.
4	Concerning	The Force has a limited approach to understanding current and/or future demand. There are considerable gaps in meeting current demand and limited plans are in place to address them. Limited consideration given to plans to address future demand.
5	Significantly Concerning	The Force has a deficient understanding of current and/or future demand. The Force is unable to meet current demand and has no suitable plans to address them. No consideration has been given to dealing with future demand.

12. Appendix E is the risk assessment resulting from this. These key threats and risks have been reviewed by the Chief Constables Executive Leadership Team. The outcome is summarised below for those areas with an average score above 3;

FMS Area	Agreed Outcome
CJU	The risk surrounds the court capacity with Covid, working with partners to assist
Custody	A Continuous Improvement review scheduled for 2021-22 to understand issue
Horizon	The risk surrounds the court capacity with Covid, working with partners to assist
Counter Terrorism	Constantly developing demand however national network investment ensures capacity
Protecting Vulnerable People	The FIM2 (investigation model) review is expected to assist, 18 new Uplift officers have been allocated to this area.
Managing Offenders	A review of the working practices is occurring which is reducing demand
Major Events (Ops Support)	Investment in both Armed Response and Collision Investigations is within the budget
ICT	Investment in the new dept is in the budget however with reliance on IT ever-growing further investment may be needed
Professional Standards	Investment is within the OPCC budget and the Force Command Structure review.
Health and Safety	Covid has placed significant demand on this