



WILTSHIRE AND SWINDON

Medium Term Financial Strategy (MTFS) 2020-21 to 2023-24

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Executive Summary

1. The initial 4 year MTFS was produced in a climate of uncertainty. With the December General Election the provisional settlement was delayed along with guidance on the freedoms available to PCCs on council tax increases. This information was eventually received on the 22 January. On the 6 February the Police and Crime Panel received a paper from the PCC which included his intention to increase Band D council tax by £10 (the maximum before a referendum would be invoked). This MTFS is updated for the new settlement. Future years figures are an estimate based on 2% local and central funding increases. The impact on future years is important to consider, every pound increased this year in the council tax will increase the funding available to maintain services in the future.
2. The MTFS reports that by the end of 2019-20 central funding will have dropped in real terms by 34.5% since 2010-11.
3. During the next 4 years the Police and Crime Commissioner (PCC) will have to make difficult decisions on the level of precept (the police part of the council tax). Considering the Chief Constable's (CC) initial proposals the MTFS identifies the savings required to balance budgets under different scenarios. The estimated funds available to the PCC with a 2% increase in precept and general grant is shown below;

Yr	Est Funding Available (2% increase)
2020-21 Actual	£125.724m
2021-22 Est	£128.923m
2022-23 Est	£132.238m
2023-24 Est	£135.665m

4. In 2020-21, a £10 increase in Council Tax was allowed and a grant increase of 7.5% provided. The increase in grant settlement is to enable the investment in infrastructure to deliver, nationally, 20,000 additional officers.
5. 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.
6. By increasing Council Tax by £10 per Band D property, cash funding has grown by 6%. With the need to fund last year's above budget pay award and unavoidable increases such as unsocial hours, and providing Uplift infrastructure funds, the opportunity to invest in fresh initiatives is limited. The MTFS also deals with the need to urgently implement a new Capital Financing Strategy, which has revenue consequences in this budget. As the largest part of the PCC's budget is used to finance the CC it is expected that the CC will deliver efficiencies which will enable reinvestment in priority areas.
7. The Chief Constable's 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;

Financial Yr.	CC Savings required
2020-21 Act	£0.699m
2021-22 Est	£1.740m
2022-23 Est	£1.117m
2023-24 Est	£0.869m
Total	£4.425m

8. It should be noted that from 2021-22 to 2023-24 funding assumptions are based on a 2% increase in Council Tax and a 2% increase in Central Grant. It is important to note that there is no evidence to support these levels of increase, it is purely a middle of the road estimate.
9. 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 Strategy reports that the PCC has agreed to enter into borrowing in 2019-20. The plan shows that by the end of 2022-23 the PCC is expected to have borrowed £4.816m. 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 from £0.818m to over £2.5m by 2022-23. It should also be noted that the plan is reliant on over £10m of Capital Receipts being received during the 4 year period.
10. 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 original MTFS in 2019-20 Wiltshire's funding per head of population was £162 the national average is £185. Wiltshire PCC was the 4th lowest centrally funded and 3rd lowest when considering all funding. These figures need to be updated for the 2020-21 settlement however with the same central funding increase being applied to all forces and the majority of PCC's deciding on a £10 council tax increase they will have not changed significantly.

Introduction

11. 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.
12. 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

13. This version of the 4 year MTFS has been produced post the 2020 settlement. With the General Election occurring in December the grant settlement was delayed until 22 January 2020. The announcement of the freedom the PCC has to raise Council Tax without a referendum was also delayed until this date.
14. As the date between funding agreement and the start of the financial year narrowed the need to plan for different scenarios became more important.

Central Public Finances

15. Since the austerity measures were introduced police funding has significantly reduced. The table below for Wiltshire identifies an estimated real term reduction of 34.5% over the previous 9 years in central funding.

Year	Real Terms Reduction	Inflation	Cash Reduction
2011-12	3.9%	2.1%	1.8%
2012-13	8.8%	2.1%	6.7%
2013-14	2.7%	1.1%	1.6%
2014-15	5.7%	2.4%	3.3%
2015-16	5.9%	1.2%	4.7%
2016-17	2.0%	1.5%	0.5%
2017-18	2.4%	1.0%	1.4%
2018-19	3.0%	3.0%	0.0%
2019-20	0.1%	2.2%	-2.1%
Total	34.5%	16.6%	17.9%

16. The new 2020-21 settlement sees 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.

Precept (Council Tax)

17. Between 2011-12 and 2013-14 there was no increase in the Police part of the Council Tax. In 2014-15 a 1.9% increase was agreed by the PCC. To encourage local tax raising bodies not to increase Council Tax the government have previously offered

grants to those who freeze council tax. No grant is expected in 2019-20. The funding of these grants and the council tax localisation grant has been passed from the DCLG to the Home Office. For those grants received in 2011-12 and 2013-14 they have now been subsumed within a new funding line 'Legacy Council Tax Grants'. The settlement provided for Wiltshire reports this grant to be £5.235m. This is the total of the previous grants with no inflation. The MTFs assumes now that this grant will continue in future years with no increase or reduction (i.e. Cash flat).

18. 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 2018-19 the Secretary of State announced that an increase of more than £12 would be considered excessive and be subject to a referendum. For 2019-20 this freedom was increased to £24. The announcement on precept flexibility for 2020-21 was received in January 2020. This enabled PCCs to increase Band D council tax by £10. No long term guidance was provided.
19. A 1% increase in the police part of the council tax in 2020-21 is worth £0.545m. Any increase in council tax increases the Band D base and secures future funding at a higher level.
20. The Council Tax receipt is dependent on the council tax base (the number of dwellings paying the tax). Information from councils identified that the base will rise by 1.24% in 2020-21. This is lower than previous years.
21. The total funding includes the collection fund surplus. The final figures from the councils is £0.293m (£0.257m less than 2019-20). The surplus is not guaranteed and history shows the figure changing significantly each year. For planning a 25% year on year reduction on the surplus is assumed.
22. The table below summarises the assumptions made in the MTFs.

	Additional Dwellings	Est total Dwellings	% Increase	Collection Fund Surplus
2020-21	3,327	263,814	1.24%	£293,000
2021-22	3,957	267,770	1.50%	£220,000
2022-23	4,016	271,787	1.50%	£165,000
2023-24	4,076	275,863	1.50%	£124,000

Inflation

23. The consumer price index shows inflation for the 12 months to September 2019 at 1.5%. Whilst the index has dropped in the last few months we have seen promises of significant pay increases for public sector staff and pressure on costs with Brexit. The MTFs allows for general inflation at 2%, ICT and utilities at 3.0% in all 4 years. Pay is initially allowed for at 2.5% rising to 3% in 2021-22.

24. In 2019-20 the budget allowed for pay increases of 2%, the actual pay award was 2.5%. The full year impact of this is included in the new MTFS, this has created an additional pressure on the 2020-21 budget.

25. In August 2018 the bank base rate was increased from 0.5% to 0.75%. A slight improvement on investment returns has resulted however current forecasts show it is unlikely to be significantly over the budget of £0.200m. Recognising this it is planned to keep the investment income budget at £0.200m. The reduction in the base rate due to the Coronavirus is likely to effect this initial assumption.

Police and Crime Plan 2017-2021

26. 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

27. In 2019-20 Wiltshire received from the Government (central funding) £26 per person less than the England and Wales average. Combined with the lowest policing precept in the south west, this results in Wiltshire Police having the third lowest funding per head of population (£162). The national average (excluding the City of London) is £185. 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 2021-22.

28. 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.

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

30. During 2014 the PCC became responsible for the commissioning of Victims Services. In 2017-18 funds of £0.826m were made available as a special grant for the PCC. In 2019-20 funding was £0.827m, in 2020-21 this increased to £0.842m. As these funds are specific grants they are not included in the main funding reported.

31. 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

32. The 2019-20 budget relied on the following income to finance activity;

Central Funding	Police Grant	£37.765m	
	Council Tax Localisation Grant	£5.235m	
	DCLG Funding	£20.794m	£63.794m
Local Funding	Precept – Council Tax	£53.743m	
	Council Tax Surplus	£0.550m	£54.293m
MTFS Funding		£118.087m	£118.087m

33. The 2019-20 council tax level of £206.27 is £12.56 below the national average of £218.83 (excluding the City of London).

34. The table below compares the police part of the Band D council tax against others in the South West. It also shows the impact of a £10 (4.8%) increase in council tax for 2020-21 (this is the highest level allowed without referendum), before reverting to a 2% increase in 2021-22 and 2022-23

Authority	2019-20 Band D Council Tax	Wiltshire £10 increase 2020-21	Wiltshire 2% increase 2021-22	Wiltshire 2% increase 2022-23
Gloucestershire	£250.49			
Dorset	£230.58			
Avon & Somerset	£217.81			
Devon & Cornwall	£212.28			
Wiltshire	£206.27	£216.27	£220.60	£225.01

Additional cost per Band D Household with a 4.8% increase	£10 p.a.
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35. 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 and Dorset.

36. 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. (£227.79), Extra income is £5.6m
- b) Funding at Similar Force Av. (£228.76), Extra income is £5.9m
- c) Funding at National Av (£218.83), Extra income is £3.3m

37. It should be noted that today's decision on council tax impacts future years funding. For example Gloucestershire levy of £250.49 was based on a 50% increase in 2003. This shows how future viability is dependent on decisions made today.

38. In 2019-20 Council tax was 46% 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.

39. The initial MTFS showed income over 4 options. This version focuses on the settlement and total income over the next 4 years assuming the Band D council tax and general grant both increase by 2% (reported under Appendices Ai). This is summarised in the table below;

	2020-21	2021-22	2022-23	2023-24
Central Funding	£68.176m	£69.435m	£70.719m	£72.028m
Local Funding	£57.348m	£59.289m	£61.319m	£63.437m
Investment Income	£0.200m	£0.200m	£0.200m	£0.200m
Total Funding	£125.724	£128.924m	£132.238m	£135.665m
Total inc.	£7.437m	£3.200m	£3.314m	£3.427m

40. The tables assume that the new Legacy Council Tax Grant remains throughout the MTFS. This totals £5.235m so if removed would have a significant effect on funding.

41. It is necessary to consider the impact of different scenarios. The impact on the 2020-21 finances of changes in central funding is shown below;

Scenario	Impact on 2021-22 MTFS Figures
Central funding changes by 1%	Funding changes by £0.629m
Central funding changes by 2%	Funding changes by £1.258m

Impact of Funding Allocations

42. The MTFS initially assumed that the finances were allocated equally across current funding allocations. With the settlement and the PCC's desire to increase the frontline the additional funding has mostly been passed on to the CC.

43. The table below shows the final allocation. This considers the impact of the Capital Financing Strategy and the need to increase revenue direct contributions to capital as the specific capital grant has been reduced.

	2019-20 Allocation	2020-21 Final Allocation	Increased Allocation
OPCC Office cost	£1.364m	£1.394m	£0.030m
OPCC Commissioning	£1.687m	£1.722m	£0.035m
OPCC Capital cont (RCCO)	£0.818m	£1.781m	£0.963m
CC Allocation	£114.417m	£120.827m	£6.410m
Total	£118.287m	£125.724m	£7.437m

44. The specific Victims grant mentioned in paragraph 30 is in addition to the funding available for external commissioning.

45. In 2019 the PCC has approved a Capital and Capital Financing Strategy (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.

46. 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.
47. The strategy suggests a steady increase in the revenue budget to fund the borrowing costs and to provide direct funding. If the whole 10 year plan occurs the total cost is in the area of £94m. As capital grant and capital receipts are limited the revenue consequences will need to rise from £0.818m to £4m to £5m by 2027-28. The plan of steady growth in the revenue funding and a cut in the specific capital grant sees 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 £0.049m in 2020-21.

OPCC Direct Expenditure

48. In 2019-20 the OPCC budget was significantly increased to allow 3 new Commissioning Posts to be introduced and £0.475m for additional commission work. These officers will be looking at how best to further deliver the 'and crime' part of the PCCs role. The focus of this work will be proactive and preventative.
49. The most significant allocations in 2019-20 were:
- Substance Misuse (£0.447m)
 - Youth Offending Teams (£0.224m)
 - Victims Services (Horizon) (£0.419m)
50. There is a small increase in these budgets in 2020-21 to cover inflation.

Balancing the Overall Budget

51. Due to the significant grant increase the PCC has been able to invest in policing in 2020-21 in addition to the initial MTFS. After considering what the Uplift infrastructure requirement is and allocating funding towards known insurance premium increases the PCC has agreed to provide the CC with £0.624m to fund an additional 16 officers. The PCC is however still expecting the CC to deliver £0.699m of identified savings during 2020-21.
52. When looking ahead to 2021-22 savings will be required if the funding increases are only 2%. The current estimate is £1.740m.

Use of Finances

53. 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 2019-20 budget has been reviewed to identify the relationship between spend and funding.
54. The table below shows that now 50% of the funding is collected locally whilst 49% 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	£42.526m	£45.336m	£87.862m
Support Services	£13.729m	£13.729m	£27.458m
OPCC	£1.484m	£1.484m	£2.967m
Total	£57.739m	£60.548m	£118.287m
	49%	51%	100%
Staffing (FTE)	1052	1039	2091
	50%	50%	100%
Income	£59.528m	£58.559m	£118.087m
Interest	£0.100m	£0.100m	£0.200m
Total	£59.628m	£58.659m	£118.287m
	50%	50%	100%

Capital

55. The Capital Plan (Appendix C) has been revised this year to compliment the longer term Capital Financing Strategy (as mentioned in paragraph 45). The plan is prior to the cut in capital grant, the loss of £0.298m funding has been replaced by £0.298m of revenue funding (this will be amended in the revised strategy in 2020). The plan shows the capital expenditure forecast over the 4 years. It then shows how these costs will be funded. To finance the plan in the longer term decisions on the 2019-20 financing is required now. As detailed in the new capital strategy this will lead to the PCC borrowing for the first time (with compliance to the Prudential Code).
56. The strategy looks at a 10 year period. Significant expenditure is forecast in 2024-25 and 2025-26 (this would be the 5th and 6th year in the capital plan). To finance a large portion of this £9.216m of estimated capital receipts will be carried forward from 2021-22 and 2022-23.
57. 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.
58. 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 £1.5m to £6.2m. With 2019-20 standard capital income being £1.2m (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.
59. 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.

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

61. 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 grant settlement was the same as 2018-19 (£0.407m), the initial MTFs planned on the grant remaining at this level for the whole of the MTFs period however in the settlement it was reduced to £0.109m. The table below revises the outcome based on this, the strategy and capital plan will be changed during 2020.

62. The table below summarises the Capital Plan (revised for capital grant cut);

	2019-20	2020-21	2021-22	2022-23	Cumul.
Fleet/Equipment	£1.045m	£0.972m	£1.015m	£1.034m	£4.066m
Estates	£2.513m	£2.169m	£2.950m	£0.950m	£8.582m
ICT	£6.260m	£4.752m	£2.006m	£1.509m	£14.527m
Total Expenditure	£9.818m	£7.893m	£5.971m	£3.493m	£27.175m
Financed by:					
Capital Grant	£0.407m	£0.109m	£0.109m	£0.109m	£0.734m
Specific Grant	£0.478m				£0.478m
Capital Dev Res	£6.250m	£0.552m	£1.230m	£0.018m	£8.050m
Capital Receipts	£0.733m	£2.099m	£2.350m	£0.850m	£6.032m
Borrowing	£1.132m	£3.401m	£0.283m		£4.816m
Revenue Cont.	£0.818m	£1.732m	£1.999m	£2.516m	£7.065m
Total Financing	£9.818m	£7.893m	£5.971m	£3.493m	£27.175m

63. A forecast of the capital receipts expected has occurred with the 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 sale price may not be achievable and there may be delays in disposal. The PCCs Acquisitions and Disposals Board monitor and approve decisions with the delivery of best value the primary purpose.

64. All new capital projects are approved by the PCC via the Commissioners Monitoring Board. The current plan includes approvals for Marlborough, Warminster, Royal Wootton Bassett and Bourne Hill. Development costs for HQ are being programmed into the plan alongside the current work on the recreational areas,

65. 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.

66. The plan and strategy does now allow 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 (as discussed in paragraph 61) however historically some costs have fallen to individual PCCs. Funds are also set aside for costs relating to the Hi-Tech Crime teams storage servers and workstations. £1.090m has been allowed for the ERP project which is currently at implementation stage.
67. 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.
68. 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.
69. 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

70. The assessment of risks and the setting of appropriate levels of reserves is an essential element of medium term financial planning.
71. 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.
72. 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.
73. 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.

74. 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.

75. Due to the late settlement the initial MTFs identified that there may be a need to utilise reserves if a lower level of funding is received and there is little time to implement corresponding savings. The improved settlement should negate this.

76. 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 Est.	£7.901m	£1.861m
March 21 Est.	£6.660m	£1.309m
March 22 Est.	£5.178m	£0.079m

77. 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.

78. 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.

79. The largest reserve is the Capital Development Reserve. This is required to finance the capital plan and is £8.111m at 31 March 2019. The table above shows this is forecasted to reduce. 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.

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

PCC's Conclusion

81. 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.

82. 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 6.16% (£10) Inc 20/21, then 2%
Central Grant Increase 7.48% inc 20/21, then 2%

Financial Year >>>>>>	2020-21 £million	2021-22 £million	2022-23 £million	2023-24 £million
Estimated Funding Available to the PCC				
Main Police Grant	40.591	41.403	42.231	43.075
DCLG Funding	22.350	22.797	23.253	23.718
Localisation Grant	5.235	5.235	5.235	5.235
Total Central Funding	68.176	69.435	70.719	72.028
CT Surplus	0.293	0.220	0.165	0.124
Precept	57.055	59.069	61.154	63.313
Contribution from reserve	0.000	0.000	0.000	0.000
Total Grant and Precept Funding	125.524	128.723	132.038	135.465
Investment Income	0.200	0.200	0.200	0.200
Total Income available to PCC	125.724	128.923	132.238	135.665
Increase in Total Funds Available	6.3%	2.5%	2.6%	2.6%
<i>Central Funding Reduction</i>	<i>6.9%</i>	<i>1.8%</i>	<i>1.8%</i>	<i>1.9%</i>
Band D Council Tax	216.27	220.60	225.01	229.51
Increase per Band D household	10.00	4.33	4.41	4.50

Allocation of Funding

Assuming that funding reduction is split equally across all current allocations

OPCC - Office costs (less inv inc)	1.394	1.430	1.467	1.506
OPCC - Capital Contribution	1.781	2.505	3.066	3.333
OPCC - Commissioning	1.722	1.742	1.769	1.807
OPCC - Chief Constable allocation	120.827	123.246	125.935	129.018
Total Allocation	125.724	128.923	132.238	135.665

PCC Financial Plan

	2020-21 £million	2021-22 £million	2022-23 £million	2023-24 £million
Expenditure BFWD	3.870	4.897	5.677	6.303
Reserve funding from previous year	0.000	0.000	0.000	0.000
Revised Expenditure Carried Forward	3.870	4.897	5.677	6.303
Cost Increases				
Inflation Estimate	0.064	0.075	0.077	0.079
Capital Consequences	0.963	0.724	0.561	0.267
Cost Reduction				
Total Cost	4.897	5.696	6.315	6.649
Contributions to or from Reserves	0.000	0.000	0.000	0.000
Savings Required = 'A' / Growth Available	0.000	-0.298	-0.279	-0.267
New Requirement	4.897	5.398	6.036	6.382

The Chief Constable's Allocated Budget

Introduction

1. Planning for the 2020-21 budget was hampered by a lack of detail on the funding available. The planning was based on initially identifying circa £1m of savings rather than an exact amount.
2. This was impacted by the Government announcing plans to introduce nationally 20,000 officers. It was assumed that these will be funded by specific grant with a caveat that the previous budget for officer number must not reduce. This means that roughly 50% of the budget could not be reduced. There was also an expectation that in delivering nationally 20,000 additional officers that support services, such as training and recruitment would need to grow.
3. The settlement clarified these issues. The funding for the new officers will be provided by specific grant received in arrears and will be dependent on the target being achieved. The funding of the increase in the infrastructure was built into the normal settlement. The settlement was better than expected and has resulted in the savings I need to achieve reducing to £0.699m, I have also been provided with a further £0.624m by the PCC to invest in 16 new officers.

Funding

4. The PCC has provided me with £120.827m in 2020-21. The estimated funding I will receive in future years (based on grant and precept increases of 2%) is shown below;

	2020-21	2021-22	2022-23	2023-24
CC Est allocation	£120.827m	£123.246m	£125.935m	£129.018

5. In 2020-21 the PCC will benefit from 4 specific grants which are managed within the CC budget, Swindon PFI, a Security Grant, Police Pensions and a new Operation Uplift Grant (the national increase of 20,000 officers). The 3 current grants total £4m per annum. The grant for Operation Uplift is to a maximum of £1.383m (dependent on 49 officers being introduced by 31 March 2021). This is Wiltshire's portion of the first tranche of officers (6,000).

Expenditure

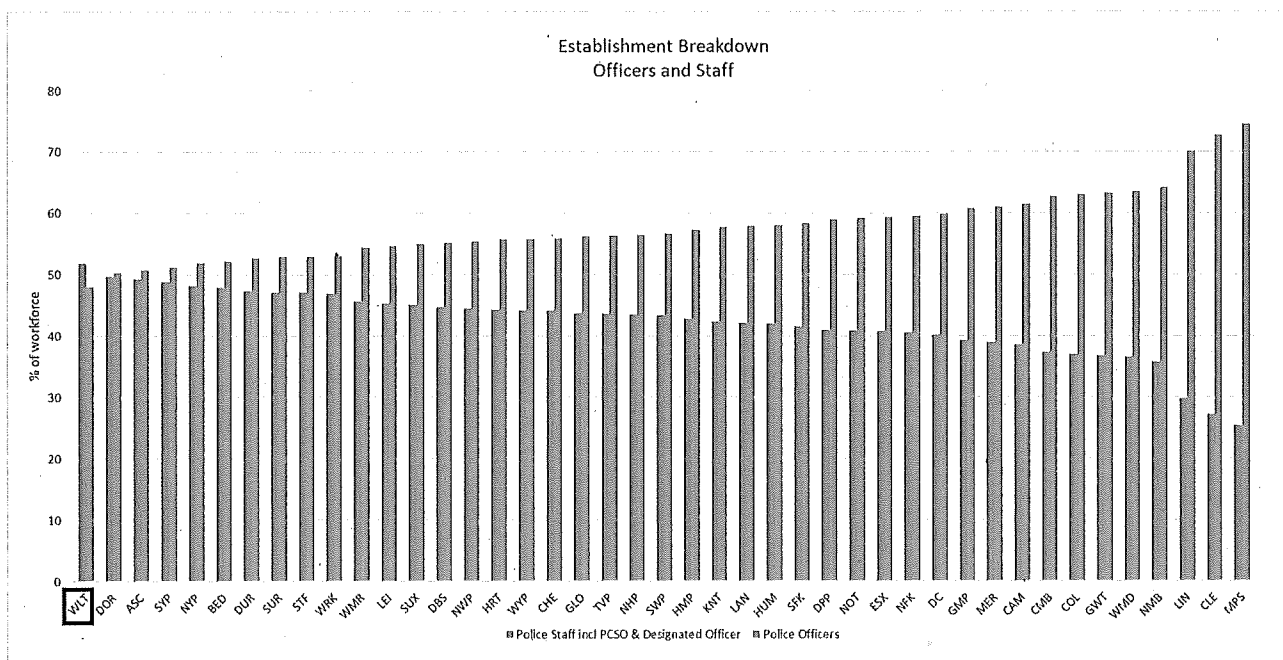
6. In 2019-20 the PCC gave the CC a budget of £114.417m. The table below shows how expenditure was planned when allocated according to the Police Objective Analysis (POA), the variance of £0.703m is due to national classification guidelines;

	Officer FTE	Staff FTE	Total FTE	% of Staff	£m	% of Budget
Local Policing	531	177	708	34%	33.364	29%
Dealing with the Public	10	188	198	10%	7.987	7%
Criminal Justice	22	151	173	8%	7.319	6%
Ops Support (inc RPU)	110	12	122	6%	7.377	6%
Intelligence	27	62	89	4%	4.751	4%
Investigations	155	156	311	15%	16.697	15%
Public Protection	67	84	151	7%	6.775	6%
National Policing	24	11	35	2%	0.833	1%
Support Functions	39	253	292	14%	27.458	24%
Cap Finance/Pensions	0	0	0	0	2.559	2%
Reserves/Commis.	0	0	0	0	0	0
	985	1094	2079	100%	115.120	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 2019-20 the statistics show Wiltshire as low cost, this is mainly due to a low level of funding. The headlines include:

- 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. The table below illustrates the modernisation approach taken by Wiltshire Police. Wiltshire are on the far left (as we have the lowest percentage of officers than any other force).



9. Whilst the POA table shows how the funding was allocated per area of policing the table below shows the breakdown of cost between salaries and other costs.

	£m	%
Staff and Employee Costs	95.819	83.7%
Premises	6.714	5.9%
Transport	2.594	2.3%
ICT Supplier Costs	4.734	4.1%
Surgeons and Forensics	2.179	1.9%
Other Costs	9.795	8.6%
Pensions	1.118	1.0%
Gross Cost	122.953	107.5%
Income	-8.536	-7.5%
Net Cost	114.417	100.0%

10. 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 pay inflation of 2.5%, general inflation increases of 2%, ICT inflation of 3% and utilities inflation of 3%.
11. The budget requirement should be driven by the Force Management Statement (FMS), risk and unavoidable costs. The FMS is continually being developed and will again improve in year 3 (2020), to enable this a new Police Staff post has been included as growth in the plan.
12. Appendix E is a report which reviews the FMS and considers what investment is required in the MTFS. The report's conclusion is summarised below;

FMS Area	Investment Required
Prevention and Deterrence (Neighbourhood Policing)	£0.300m for the supervision uplift cost of 20 PCs is included
Protecting vulnerable people	Issue resolved within Department
Managing Offenders	Issue resolved within Department

ICT and Information Management	£0.217m is allocated to fund additional costs expected with a single service provision
Human Resources	£0.140m has been agreed as temporary resource, no long term growth included.
Forensics	Issue expected to be self-financed by the collaboration

13. The Risk Register taken to the Audit Committee on 14 November 2019 has been reviewed and where appropriate investment recommended. The register shows 8 risks with a residual risk score of 40 or more.
14. There is, as would be expected, a crossover between the FMS and Risk Register. Hence some of the investment requests are duplications. The outcome is shown below;

Risk Area	Risk Score	Investment Required
Delivering Preventative Community Policing	60	£0.300m for the supervision uplift cost of 20 PCs is included. An extra 16 officers has also been provided with this budget.
Delivery of Ph. 1 Operational Improvement Programme	48	£0.300m for the supervision uplift cost of 20 PCs is included
HR Resources	48	£0.140m has been agreed as temporary resource, no long term growth included.
Change Fatigue	48	No direct investment required
Kidnap and Extortion Resilience	45	Plans being drawn up to increase resourcing minimal cost implication
Loss of ICT Services	45	£0.217m is allocated to fund additional costs expected with a single service provision
Ability to record and retrieve radio transmissions	40	Progress made with no cost implication, risk has been reduced
Custody Staffing	40	Vacancies in Detention Officers have been recruited for from within current budget

15. During 2019 the area of ANPR reliance and capacity was identified as a high risk on the register. With ANPR being a key tool in counter terrorism it was agreed that the risk needed to be targeted. Two new staff were therefore agreed at a cost of £0.058m
16. The next paragraphs within the paper explain the reasons behind the other significant cost increases proposed in 2020-21.
17. The largest other increases surrounds Unsocial Hours (£0.800m). In December 2017 the Force agreed to implement the national Police Staff Terms and Conditions Handbook. This mean unsocial hours payments replacing SAF (shift allowance for flexibility). It was initially anticipated that this would lead to costs rising from £1.9m to £2.5m (£0.6m was allowed for in the 2019-20 budget). Costs have been higher (£3.3m), therefore a further £0.8m is required in the budget.