

AVON AND SOMERSET POLICE & CRIME PANEL

5TH FEBRUARY 2014

REPORT: PROPOSED PRECEPT, BUDGET AND MEDIUM TERM FINANCIAL PLAN

1. INTRODUCTION

PURPOSE OF THE REPORT

The purpose of this report is to present the revenue and capital budget for 2014/15. This report includes the PCC notifying the Panel of her proposal to increase the police council tax precept for 2014/15 by a maximum of 1.99% as previously notified to the panel. This proposal was put forward on the basis of the earlier indications from the Government that the referendum precept trigger level for 2014/15 would be set at 2%.

Since the last meeting of the panel the Government has indicated that it may vary this level and will not confirm the level until mid-February. As a result, the PCC is also notifying the Panel of her intention to vary the level of precept for 2014/15 in the following scenario: if the Government announces a referendum trigger level applicable to the PCC for 2014/15 at a different (lower is expected) level than 2% after the date of this meeting, the proposed police council tax precept increase for 2014/15 will be set at the highest level possible before a referendum requirement is triggered (or 1.99% whichever is the lower)

In addition this paper will present the Medium Term Financial Plan (MTFP) for the four year period until 2017/18, and the capital programme for the five year period until 2018/19. The panel are asked for their comments on these plans.

EXECUTIVE SUMMARY

- 1.1. The Police & Crime Commissioner (PCC) has consulted with the public on the level of the policing precept during the course of 2013. In light of the consultation responses, which show a majority of respondents in favour of a precept increase, and in consideration of the financial challenges set out in this paper, **the PCC is proposing to raise the policing precept by 1.99% (average annual increase of £3.36) for 14/15**. The PCC does not feel she has sufficient mandate to incur the costs and risks of a referendum which we currently think would be triggered by a precept rise above 2%. If 1.99% proves to be higher than the level set by the Government (confirmation is not expected until mid-February), then the precept increase will be reduced accordingly.
- 1.2. This paper sets out the financial considerations for 14/15 and beyond and a plan which enables a balanced budget for 14/15 with steps to reduce the deficit thereafter:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
Standstill Budget	287,654	293,710	304,332	313,189
Less; Total Funding	(276,193)	(268,834)	(267,577)	(266,907)
STANDSTILL DEFICIT	11,462	24,876	36,755	46,282
Less; Planned Savings	(11,462)	(21,015)	(23,265)	(23,296)
REVISED DEFICIT	Balanced	3,861	13,490	22,986

- 1.3. Before the application of any new savings we forecast a deficit of £46.3m (16.5% of our 13/14 budget) by the end of 17/18. This forecast deficit reflects our assumptions for both expenditure and income. These assumptions include underlying reductions in grant funding, as well as inflationary pressures on our cost base, including the impact of future pay increases, the outcome of state pension reform and the impact of actuary's review into the Somerset Local Government Pension Scheme.
- 1.4. Our savings plan will enable us to balance the 14/15 deficit based upon our current assumptions. These savings also substantially reduce the size of the deficit for 15/16, and close the gap thereafter. Our challenge in the final two years of the MTFP, whilst diminished by the emerging savings plan, remains large and will require renewed effort to determine the best way in which this can be closed. This will be the focus of work over the coming months.
- 1.5. Our capital programme is presented, although this has been drafted at a time of unprecedented change for the Constabulary. We have an emerging ICT strategy and an emerging Estates strategy, both of which will harness our transformation ambition, but both of these are being informed by the major transformation of our operating model, and therefore have not been finalised at the time of writing. The capital programme presented therefore reflects our best estimate as to the size, scale and timing of capital initiatives over the next five years and we expect this to continue to evolve over the coming months and years.
- 1.6. Our passive borrowing strategy, which at present means we do not expect to draw down any new borrowing during 14/15 and 15/16, means that the impact of this uncertainty in our capital programme does not have a material impact on our revenue budgets.

2. ESTABLISHING THE BUDGET REQUIREMENT

OVERVIEW

- 2.1. In presenting our forecast expenditure budgets it is necessary to take into account inflationary and contractual adjustments, as well as the consequences of our decisions around capital or other investment. Only once these have been factored in, and compared to the forecast funding position, can you determine the size of the gap which needs to be closed in order to balance the budget.

	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
2013/14 Base budget	279,661	279,661	279,661	279,661
Cumulative budget increases necessary to standstill	7,993	14,049	24,671	33,528
Standstill Budget Requirement	287,654	293,710	304,332	313,189

- 2.2. Simply in order to standstill, and fund the costs of inflationary, statutory and contractual commitments, we forecast that we would require a further £33.5m (12% of 13/14 budget) over the next four years. The key elements of this increase in our underlying cost base relate to pay, reflecting the profile of our budget. Pay and staffing adjustments, which includes the costs of pay awards, incremental pay progression, changes to national insurance and increases in cost of pensions, accounts for £26.8m (80%) of this overall increase. The remaining 20% is made up of other non-pay inflationary adjustments, and the revenue costs of our new PFI buildings, although the latter is offset by ring-fenced savings identified at the time of approval.

AGREEING THE STARTING POINT

- 2.3. The budgets covered by this MTFP fall into those which are retained by the PCC (to run the PCC office and to commission services from parties other than the Constabulary), and the budget provided by the PCC to the Chief Constable in order to support the provision of policing services across Avon & Somerset. Historically there was no split in budget, as under the Police Authority, the entire budget was presented together. We continue to adjust budgets to ensure that they represent the best allocation of funding between that managed by the PCC and that which is passed to the Chief Constable.
- 2.4. The following table sets out those adjustments between budgets agreed with the PCC, that in effect re-set our budget starting position:-

	Office of PCC Budget £'000	Commissioning Budget	Constabulary Budget £'000	TOTAL Budget £'000
2013/14 Approved Budget	1,450	2,403	275,808	279,661
Local Partnership Working	-	60	(60)	-
Sexual Assault Referral Centre	-	212	(212)	-
Advanced Arrest Referral	-	236	(236)	-
Drug Intervention Grant Funding	-	(355)	355	-
Audit Fee Budget	(25)	-	25	-
Revised 2013/14 Budget	1,425	2,556	275,680	279,661

- 2.5. In summary the Constabulary is passing budget totalling £0.51m to the PCC who will own this budget and use this to determine the size and level of commissioning in these areas going forward. In return the PCC will pass over budget totalling £0.38m to the Chief Constable, reflecting the value of the historic drug intervention grant funding, and an element of the audit fee budget to support the splitting of the external audit fee between the PCC and the Chief Constable in future years.

OPCC AND COMMISSIONING EXPENDITURE BUDGET

- 2.6. The table below sets out the forecast adjustments to the OPCC and Commissioning budgets:-

	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
OPCC Revised 2013/14 Budget	1,425	1,425	1,425	1,425
Cumulative adjustments to base budget	(19)	(9)	6	31
OPCC Budget Requirement	1,406	1,416	1,431	1,456
Commissioning Revised 2013/14 Budget	2,556	2,556	2,556	2,556
Cumulative adjustments to base budget	-	-	-	-
Commissioning Budget Requirement	2,556	2,556	2,556	2,556
OPCC & Commissioning Budget Requirement	3,962	3,972	3,987	4,012

- 2.7. The OPCC inherited the Police Authority budget from 12/13 of £1,415k and increased that to £1,450k in 13/14. The PCC has now been able to operate for a year and has identified a transfer of £25k in funds across to the OCC in support of audit fees, and in addition to this the PCC has identified a net budget reduction of £19k in 14/15. Beyond 14/15 the

PCC's budget is adjusted to reflect anticipated pay awards in line with the same assumptions used for the pay budgets of the Constabulary.

- 2.8. The commissioning budget has increased as responsibility for commissioning drugs referral services and the SARC service have passed to the OPCC budget from the OCC budget in 14/15. This is a transfer of budget and not a combined budget increase. Beyond 14/15 we are assuming that the commissioning budget remains static throughout the MTFP.
- 2.9. Additional funding to commission Victims services will be received by the PCC. As the values and timing of this funding remain uncertain, we have not yet reflected them in this budget. All of these funds will be ring-fenced in support of victim services, and therefore there will be no net impact on this budget. We anticipate that the position on victim commissioning will become clearer over the coming year, and that this certainty will allow for us to include this area within our budgets going forward.

CONSTABULARY (OFFICE OF THE CHIEF CONSTABLE) EXPENDITURE BUDGET

- 2.10. The table below sets out the forecast adjustments to the Constabulary's budgets:-

	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Constabulary Revised 2013/14 Budget	275,680	275,680	275,680	275,680
Pay and Staffing cumulative adjustments	5,138	9,392	19,021	26,750
Inflationary cumulative adjustments	414	1,123	1,992	2,833
Cost of Capital cumulative adjustments	(348)	(212)	(164)	33
Other Unavoidable Commitment cumulative adjustments	2,809	3,755	3,817	3,881
Constabulary Standstill Budget Requirement	283,692	289,738	300,345	309,177

- 2.11. **Pay and Staffing adjustments** are the biggest area of adjustment across the MTFP, reflecting the profile of our budget which is weighted towards pay and employee related costs. The following table provides a more detailed summary of the adjustments over the MTFP period for Pay and Staffing:-

Pay and Staffing cumulative adjustments	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Pay Awards	1,776	3,807	7,777	13,159
Incremental Pay Progression	2,319	3,819	5,319	6,819
National insurance	(323)	(323)	4,276	4,391
Pensions	1,357	1,853	2,361	2,775
Housing & Comp Grant	(175)	(316)	(527)	(761)
Bank Holidays – Overtime	183	551	(185)	367
Pay and Staffing Adjustments TOTAL	5,138	9,392	19,021	26,750

- **Pay Awards** – After a two year pay-freeze across the public sector, we have now seen an inflationary pay increase of 1% with effect from September 2013. The MTFP therefore provides for the full year effect of this pay award in 14/15, as well as assuming further 1% pay awards in September 2014 and September 2015. Beyond this we have assumed pay awards of 2.5%;
- **Incremental Pay Progression** – This budget provides for incremental pay scale progression for both police officers and staff. Historically this has been linked to

time served, however it is expected that this will change for police officers to be linked to achievement of satisfactory performance over the 14/15 and 15/16 financial years. We are not at this stage assuming that will lead to any change in the cost of incremental pay progression;

- **National Insurance** – An adjustment to our national insurance budgets in 14/15 is necessary to reflect clarification around the rate changes experienced in 2013/14. The biggest change is then forecast to occur in 16/17 when we anticipate that the impact of the Government reforms to the State pension will have a direct impact on our employer national insurance rate;
- **Pensions** – The increases here reflect the on-going indexation of our Injured on Duty pension enhancements, as well as the cost of the actuaries solution to top-up the pension fund through a combination of reduced management contribution rates combined with an annual top-up lump-sum payment;
- **Housing Allowance and Comp Grant** – The adjustment here reflects the gradual decline in the value of payments made for these allowances as the number of officers entitled to receive them continues to reduce;
- **Bank Holidays Overtime** – This adjustment is necessary to reflect the anticipated number of bank holidays that fall due within any one financial year (the fluctuation is generally a consequence of the timing of Easter).

2.12. **Inflationary Adjustments** reflect our provision for general inflation in prices, as well as any contractual inflationary pressures which we are required to make under the terms of our contractual agreements. The following table provides a more detailed summary of the inflationary adjustments over the MTFP period:-

Inflationary cumulative adjustments	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Utilities Inflation	203	327	458	595
Fuel Inflation	(177)	(45)	94	240
Non-pay Inflation	462	1,050	1,652	2,269
Southwest One Contractual Indexation	(124)	(82)	29	85
Interest on Investment Income	50	(127)	(241)	(355)
Inflationary Adjustments TOTAL	414	1,123	1,992	2,833

- **Utilities Inflation** – Utilities inflation continues to run ahead of RPI and other measures of inflation, reacting as it does to the long-term trends in the commodities and wholesale markets. The forecasts made here are therefore our best estimate of the inflation over the course of the MTFP;
- **Fuel Inflation** – Like utilities, fuel budgets are subject to fluctuations which do not follow clear and predictable inflationary indices. The 13/14 budget was set based upon assumptions at the time, which in large part have not been realised. This is partly a reflection of the general price of fuel, as well as the cancellation by the Government of two planned fuel duty increases during the 13/14 financial year. The consequence of these is that our fuel budgets are set to reduce in 14/15, with inflationary increases factored in again thereafter;
- **Non-Pay Inflation** – This reflects the review of non-pay budgets, and the inflation of these by 2.7% being the current RPI rate. Some specific elements of inflation have

been built in for future years in addition to this general provision for the impact of inflation;

- **Southwest One contractual indexation** – This adjustment reflects the indexation of the Southwest One unitary charge in accordance with the charging model in place between us and Southwest One;
- **Interest on Investment Income** – in 14/15 we have reduced our assumption about the average rate of interest we anticipate from 1% (as the budget is currently set) to 0.8% which is a closer reflection of the actual interest rates we’re currently able to attract on our cash balances. Thereafter we assume a gradual increase in the interest rate, reaching 1.5% by 17/18, at the same time as a slight increase in our average cash balances.

2.13. **Cost of Capital Adjustments** reflects the revenue costs of the capital programme. In particular this includes any of the debt servicing costs that we incur as a consequence of our borrowings, including both payment of interest as well as the provision for the repayment of the borrowing (known as the Minimum Revenue Provision – MRP). The following table provides a more detailed summary of the cost of capital adjustments over the MTFP period:-

Cost of Capital cumulative adjustments	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Direct revenue costs of the capital programme	0	220	220	220
Minimum Revenue Provision	(75)	(55)	(50)	(50)
Interest on Borrowing	(274)	(378)	(334)	(138)
Cost of Capital TOTAL	(348)	(212)	(164)	33

- **Direct Revenue Costs** – These reflect the specific anticipated revenue costs of areas of capital development. In particular these include anticipated revenue costs of digitalisation projects (e.g. digital evidence), as well as licences and maintenance contracts for a number of areas of IT development;
- **Minimum Revenue Provision (MRP)** – This represents the revenue cost of having to set aside funds in order to re-pay for the borrowing. The timeframe for this repayment is established by the anticipated life of the asset the borrowing has been used to procure. Therefore if land/buildings are purchased with borrowing they have a 50 year life, and the MRP will seek to set aside the funds to re-pay that borrowing over 50 years. Owing to our on-going passive borrowing strategy, and the ability to identify and move reserves across to fund capital purchases, we are able to reduce our base budget here, and not seek to inflate this materially until towards the end of the MTFP;
- **Interest on Borrowing** – This represents the direct interest payments we’re required to make on our borrowing. Again our passive borrowing strategy, coupled with the fact that we have not renewed borrowing that has come to the end of its life, means that we have been able to reduce our interest payments, without any planned increase in these until the final two years of the current MTFP.

2.14. **Other unavoidable commitments** reflect any other adjustments that we have to make to our base budget during the life of the MTFP. The following table provides a more detailed summary of these commitments over the MTFP period:-

Other cumulative unavoidable commitments	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
PFI Buildings Unitary Charge	2,320	3,014	3,060	3,106
National Systems Price Increases	302	302	302	302
Other unavoidable Commitments	187	439	456	473
Other Unavoidable Commitments TOTAL	2,809	3,755	3,817	3,881

- PFI Buildings Unitary Charge** – This reflects the anticipated revenue element of the unitary charge that we will be paying. The 14/15 position anticipates that Patchway, Keynsham and Bridgwater sites will all be operational for the entirety of 14/15, with Blackrock quarry only becoming operational in 15/16 following the delays created by the fire (NB – This is a working assumption at this stage, the precise operational date for Blackrock quarry is still being determined in conjunction with our partners). These costs are completely offset by savings which are identified in the table at paragraph 40;
- National Systems Price Increases** – This reflects the anticipated increase in the charges we receive from the Home Office for national systems that we use. There are seven systems to which this price increase relates, the most significant of which is for Police National Database (PND) where we anticipate a price increase of £154k in 14/15;
- Other unavoidable commitments** – This line reflects two areas of commitments:-
 - The anticipated costs associated with the closure of existing elements of the estate, and the costs of co-location with local partners where there is likely to be a recurring revenue costs for rent and other service charges; and
 - The anticipated salary costs of our planned student officer intake whilst they undergo initial training. We currently plan to recruit 56 new police officers per year across the MTFP.

3. FUNDING THE BUDGET REQUIREMENT

TOTAL FUNDING

3.1. The following table identifies the total comparable funding received over the past four years, and the forecast for this total funding across the next four years. Further detail is provided at Annex B, and in the analysis which follows this table:-

Total Funding	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Grant Funding	(185,895)	(177,379)	(173,561)	(170,258)
Council Tax Funding	(90,298)	(91,455)	(94,016)	(96,650)
TOTAL Funding	(276,193)	(268,834)	(267,577)	(266,907)
% Change on PY	-1.2%	-2.7%	-0.5%	-0.3%
% Change on 10/11 Base	-7.6%	-10.0%	-10.5%	-10.7%

GRANT FUNDING

3.2. The following table summarises (full detail is provided at Annex B) the grant funding over the past four years, and the forecast across the next four year MTFP period:-

Grant Funding	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Main Grants	(171,186)	(162,670)	(162,183)	(158,880)
Council Tax Grants	(14,709)	(14,709)	(11,378)	(11,378)
TOTAL Grants	(185,895)	(177,379)	(173,561)	(170,258)
% Change on PY	-4.4%	-4.6%	-2.2%	-1.9%
% Change on 10/11	-9.0%	-13.1%	-15.0%	-16.6%

3.3. The provisional grant settlement announcements made on 18th December 2013 set out an annual cash reduction of £8.5m (4.4%) in our overall grant funding, confirming our previous forecasts. This takes our cumulative grant reduction between the 10/11 base and 14/15 year to a value of £18.3m (9.0%). However, once new grant funding (community safety grant, council tax freeze grants and local council tax support grants) are excluded, the like for like reduction stands at £35.4m (17.3%), with the total forecast cash reduction through until the end of the MTFP period estimated to be £47.5m (23.3%).

3.4. The following are key highlights and assumptions made in relation to grant funding across the MTFP:-

- **2013 Autumn Statement Cuts to Home Office funding** – In his autumn statement on 5th December the Chancellor of the Exchequer announced additional cuts to certain departmental budgets. This included the Home Office who saw an additional reduction of £118m in 14/15 and £113m in 15/16. The Home Office has protected police and crime commissioners from the impact of these cuts in 14/15, but we have assumed that the 15/16 cut is passed through in its entirety, adding to those cuts already anticipated;
- **Independent Police Complaints Commission Topslice** – The size of the topslice applied to all policing funding in 14/15 was £18m, and we've been told by the Home Office that this is being phased in over three years. We have therefore assumed that a further £18m will be topsliced in 15/16 and the final £18m topsliced in 16/17 and the share of this applicable to Avon & Somerset is in proportion to the relative size of our grant funding;
- **Council Tax Freeze grants** – In his statement on 18th December 2014 the Local Government Minister said "From April next year funding for previous 2011-12 and 2013-14 freezes will now be in the main local government settlement total for future years... This will give maximum possible certainty for councils that the extra funding for freezing Council Tax will remain available without a 'cliff edge' effect on freeze grant." Whilst this statement is applicable to Local Authorities, we are now assuming that it will equally apply to police funding also. We have therefore assumed the continuation of the council tax freeze grants beyond 15/16, and have consolidated these alongside our main grant funding from this date in order that they are now reduced in line with our assumptions for main grants;
- **Grant funding beyond 15/16** – The final two years of this MTFP period remain very uncertain, particularly as this will be subject of a new spending review undertaken by a government elected at the May 2015 general election. For the purposes of our modelling we have assumed a 2% cash reduction in grant funding in 16/17 and in 17/18, combined with a freeze in the cash value of the local council tax support grant.

- 3.5. The distribution of police grant funding has historically been determined through application of a formula which assessed the need for funding of policing across all policing areas in England and Wales. This formula, which was introduced back in 06/07, has never been fully implemented, resulting in Avon & Somerset receiving £110m less than our assessed need across the 8 years up to and including 13/14.
- 3.6. Following consultation the Government have announced their intention to review the current formula mechanism, although the timing of this review and the process of the review remain uncertain. In anticipation that the review will change the existing arrangements, the Home Office have chosen not to run the formula in determining the 14/15 grant allocations. In so doing they have locked in the current historical funding levels, and at present, are no longer seeking to assess underlying need.
- 3.7. We remain hopeful that the proposed review will both provide a transparent and effective assessment of need, and that the distribution of funds against that need are implemented in full.

COUNCIL TAX FUNDING

- 3.8. The following table summarises (full detail is provided at Annex B) the council tax funding over the past four years, and the forecast across the next four year MTFP period:-

Council Tax Funding	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
Council Tax Precept	(88,464)	(90,955)	(93,516)	(96,150)
Council Tax Surplus	(1,834)	(500)	(500)	(500)
TOTAL Council Tax	(90,298)	(91,455)	(94,016)	(96,650)
Av. Band D (£)	171.37	174.80	178.30	181.86
% Change on PY	+1.99%	+2.00%	+2.00%	+2.00%
Tax Base (No.)	516,203	520,333	524,495	528,691
% Change on PY	+2.4%	+0.8%	+0.8%	+0.8%

- 3.9. In summary our council tax income has seen a £9.4m (10.0%) reduction in the four years to 13/14. This reduction is the net effect of a fluctuating collection fund surplus, some increases to the base as a consequence of new housing, offset by the impact of the reduction in the base as a consequence of the abolition of council tax benefit. However, when the local council tax support grant (which replaced council tax benefit) is added to this, our council tax income has in fact increased by £1.9m (2.0%).
- 3.10. Our council tax precept has been frozen at £168.03 for an average band d property for four years, with the last increase being in 10/11. The PCC is proposing a precept increase of 1.99% in 2014/15, which we have built into our forecasts. Beyond that the PCC has asked that a 2% precept increase is modelled. We have not modelled increases above this as this is the level of increase above which we understand it will be necessary for the PCC to hold a referendum.
- 3.11. ***The following table sets out the 14/15 council tax precept income, as well as the surplus on previous years collection funds which will be paid to us in 14/15, across each of our 9 councils:-***

Council Tax Funding – by Local Authority	13/14 Base	14/15 Base	Base Change %	14/15 Precept £'000	14/15 Surplus £'000	14/15 TOTAL £'000
B&NES	59,360.2	60,433.3	+1.81%	(10,357)	(217)	(10,574)
Bristol	113,099.0	115,008.0	+1.69%	(19,709)	(502)	(20,211)

North Somerset	70,870.8	73,217.0	+3.31%	(12,547)	(145)	(12,692)
South Gloucestershire	82,868.0	86,262.0	+4.10%	(14,783)	(474)	(15,257)
Mendip	36,498.3	37,452.9	+2.62%	(6,418)	(110)	(6,528)
Sedgemoor	36,224.2	36,797.1	+1.58%	(6,306)	(254)	(6,560)
South Somerset	54,870.6	56,140.8	+2.32%	(9,621)	(54)	(9,675)
Taunton Deane	37,280.6	37,663.0	+1.03%	(6,454)	(39)	(6,493)
West Somerset	12,861.8	13,229.0	+2.86%	(2,267)	(39)	(2,306)
TOTAL	503,933.4	516,203.1	+2.43%	(88,464)	(1,834)	(90,298)

- 3.12. The 1.99% increase to precept *is combined with a 2.43% increase in our council tax base for 14/15, leading to an increase of £3.8m (4.4%) on our 13/14 precept income.* In addition we expecting our share of the collection funds of our local authorities to be £1.4m in 14/15 (£0.6m in 13/14).
- 3.13. Across the remainder of the MTFP we have assumed 0.8% increases p.a. in council tax base, combined with annual surpluses of £0.5m p.a.
- 3.14. The impact on our Average Band D council tax is set out in the table above. In summary an increase of 1.99% equates to an annual average increase of £3.34 (6p per week), and this combined with 2% increases p.a. thereafter, leads to an overall average increase of £13.83 across the next four years.

4. CLOSING THE BUDGET GAP

THE SIZE OF THE CHALLENGE

- 4.1. The table below shows the totality of the standstill budget deficit forecast:-

	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
OPCC Budget Requirement	1,406	1,416	1,431	1,456
Commissioning Budget Requirement	2,556	2,556	2,556	2,556
Constabulary Standstill Budget Requirement	283,692	289,738	300,345	309,177
TOTAL Budget Requirement before savings	287,654	293,710	304,332	313,189
Grant Funding	(185,895)	(177,379)	(173,561)	(170,258)
Council Tax Funding	(90,298)	(91,455)	(94,016)	(96,650)
TOTAL Funding	(276,193)	(268,834)	(267,577)	(266,907)
STANDSTILL DEFICIT	11,462	24,876	36,755	46,282

- 4.2. As the above table shows, the standstill budget deficit for 14/15 stands at £11.9m, rising to £46.3m by the end of the MTFP period.
- 4.3. Our existing change programme has already identified and delivered savings totalling £34.4m through until 13/14. Meeting the challenge presented by the MTFP will require us to increase the cumulative savings we will have delivered to £80.7m across a seven year period.
- 4.4. We have reviewed and revised our change programme, introducing 8 separate corporate programmes managed under the stewardship of the Deputy Chief Constable. Some of the original planned savings have now been aligned into this new structure, and potential for new savings are beginning to emerge.

- 4.5. In addition to the work of these programmes, the finance function has also been able to identify savings from both review of current year underspends, as well as from the detailed work undertaken to build the 14/15 budget.
- 4.6. All of the work has enabled us to identify, and begin to quantify a revised savings plan across the MTFP. The plan incorporates all current areas of forecast savings, however the precise timing and values identified are firmer in some areas than in others at this stage. Given the uncertainty we face some flexibility in these plans could actually be beneficial.
- 4.7. The emerging savings plan is detailed in the table below:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
a. Savings from new operating model (phased in)	(4,991)	(7,242)	(7,242)	(7,242)
b. Savings from Tri-Force collaboration	(320)	(1,291)	(1,291)	(1,291)
c. Savings from move to PFI buildings	(666)	(2,081)	(2,081)	(2,081)
d. Savings from sustainability initiatives	(241)	(365)	(365)	(365)
e. Savings from removal of in-year contingencies	(300)	(300)	(300)	(300)
f. Savings identified through budget build process	(1,650)	(2,400)	(2,400)	(2,400)
g. Savings identified and ring-fenced in 2013/14	(3,086)	(3,086)	(3,086)	(3,086)
h. Savings from estate strategy (beyond PFI)	(202)	(627)	(1,077)	(1,108)
i. Savings from fleet management initiatives	0	(550)	(550)	(550)
j. Savings from new crime, case, custody system	0	(850)	(1,700)	(1,700)
k. Other emerging change programme Savings	(6)	(2,223)	(3,173)	(3,173)
TOTAL SAVINGS PLAN	(11,462)	(21,015)	(23,265)	(23,296)
TOTAL Savings since start of current Spending Review	(45,889)	(55,442)	(57,692)	(57,723)

- 4.8. **Applying this savings plan and the proposed 1.99% precept increase against the standstill deficit results in a balanced budget for 14/15 and a much reduced deficit for 15/16:-**

	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000
STANDSTILL DEFICIT	11,462	24,876	36,755	46,282
LESS; TOTAL SAVINGS PLAN	(11,462)	(21,015)	(23,265)	(23,296)
DEFICIT TO BE CLOSED FROM FURTHER SAVINGS	balanced	3,861	13,490	22,986

- 4.9. The current savings plan will see the total value of savings identified increase to £57.7m in the seven years through until the end of 2017/18. However, we forecast that a further £23m of savings will be needed by that point simply to balance our budget.
- 4.10. 14/15 represents a year of significant change in policing across Avon & Somerset. During this year we will:-
- introduce three new operational buildings delivered under PFI contracts, resulting in the movement of staff and the implementation of new operational processes in custody and crime investigation;
 - roll out a new operating model across the Constabulary, resulting in structural and process changes across operational policing departments and areas;

- embark upon an operational collaboration with Wiltshire Constabulary and Gloucestershire Constabulary in the delivery of roads policing, firearms response and dog handlers;
- progress a new integrated crime, intelligence case and custody system, providing the backbone on which we can further transform and continue to deliver savings.

4.11. Against this background, we will continue to refine our forecasts, determine the detail of those savings planned beyond 15/16 and progress further savings options that will enable us to close the forecast deficit in across the remainder of the MTFP.

5. THE CAPITAL PROGRAMME

- 5.1. The following table summarises the draft capital programme at this stage, a fuller presentation of this is included at Annex D:-

	2014/15*	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000	£'000
Info & Communication Systems	14,078	635	731	2,324	987
Estates	5,420	7,286	10,500	7,142	1,100
Transport	3,993	3,165	2,241	2,245	2,145
Plant, Machinery & Equipment	465	425	425	425	300
TOTAL	23,956	11,511	13,897	12,136	4,532

* - Includes anticipated carry forward in support of projects which will have commenced but not completed by the end of the 13/14 financial year.

- 5.2. The following table breaks down the proposed 14/15 plan into projects which will have commenced by end of 13/14 and for which we will be carrying forward their budget, and new projects which will not commence until 14/15:-

	Anticipated 2013/14 C/Fwd £'000	New 14/15 Programme £'000	TOTAL 14/15 Plan £'000
Info & Communication Systems	1,977	12,101	14,078
Estates	1,472	3,948	5,420
Transport	143	3,850	3,993
Plant, Machinery & Equipment	0	465	465
TOTAL	3,592	20,364	23,956

- 5.3. Drafting the capital programme has not been straightforward. As has already been identified, 14/15 represents a year of significant change for Avon & Somerset police. We know that there will be several capital projects undertaken during the year, not least the substantial delivery of our new PFI funded buildings, representing the culmination of several years of work.
- 5.4. At the time of writing we have not yet finalised both our ICT strategy and our Estates strategy. In order, therefore, to present a capital programme for review, consideration and outline approval, it has been necessary to make certain assumptions both in terms of value of projects and in terms of the timing of their delivery. Over the next few months the position should become a lot clearer, and it is proposed at that point that the capital programme is reviewed again and updated to reflect any material amendments that come to light.
- 5.5. The impact of the capital programme on the revenue budget is minimal at this stage, particularly as a consequence of our passive borrowing strategy. This stance means that, as it currently stands, we do not expect to undertake any new borrowing before the end of 2015/16. Therefore, the impact on the revenue budget of any changes to the capital programme should be minimal.
- 5.6. Contained within the capital programme are several key projects, which are highlighted below.

INFORMATION AND COMMUNICATION SYSTEMS

5.7. The following table summarises the draft capital programme for Information and Communication Systems (IC&S):-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Replacement and renewal	120	635	731	2,324	387
Projects – Corporate systems	7,287	0	0	0	0
Projects – National/collaboration	576	0	0	0	100
Projects – Mobile/fixed line telephony	5,000	0	0	0	500
Projects – Custody technology	510	0	0	0	0
Projects – Security and Access Controls	500	0	0	0	0
Projects – Other	85	0	0	0	0
TOTAL	14,078	635	731	2,324	987
<i>% requiring business case for PCC approval</i>	<i>98%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>61%</i>

5.8. The above table shows that the IC&S part of the programme will fall into seven distinct areas:-

- **Replacement and renewal programme** – This programme consists of those areas of spend where the replacement of old or obsolete items of IC&S equipment are required to maintain operational performance and activities, as well as contingency to support unscheduled upgrades/development;
- **Projects (corporate systems)** - The two projects included in 14/15 are:-
 - **Workforce management system** – The replacement/upgrade of our Duty Management System was originally planned to coincide with the roll out of our SAP ERP system. However, owing to changes in the market place at the time this system was due to be rolled out, we have not until now been in a position to progress a solution. This is now being done, as an upgrade to our existing software, and £500k has been set aside to ensure that the new solution can provide the necessary technical changes required to incorporate some legislative and contractual changes;
 - **Crime, intelligence, case and custody system** – At present we have two separate systems; one for the management of crime and intelligence and one for the management of custody and case progression. At least one of these systems is due to become unsupported within the lifetime of this capital programme, and the other will be up for contract renewal. With the approval of the PCC the Constabulary has been exploring options for the replacement of these separate systems with one, integrated solution. This will not only drive out efficiencies from our existing processes, but also will enable further transformation, including the development of the next generation of our mobile information strategy. We will be seeking permission from the PCC to progress our preferred solution here imminently, and have set aside nearly £6.8m in support of this (in addition to which we're forecasting some spend before the end of the 13/14 financial year – see Q3 outturn report elsewhere on the agenda);

- **Projects (national and collaborative systems)** – Each of the three projects is in support of IC&S systems which are either national systems, or part of our collaboration programme with other forces;
- **Projects (mobile and fixed line telephony)** – Communication and information tools are a critical element of our transformation. Our projects here are:-
 - **Mobile Information** –The development of a mobile strategy is underway, and we expect to substantially progress this during 14/15 in support of our new operating model. At present £2m has been set aside for progression of this solution;
 - **Fixed line telephony and networking** – Investment in our local area network (LAN) infrastructure is required to support our IC&S ambitions, as well as providing opportunities for the internet enablement of our telephony network to Voice over Internet Protocol (VOIP). This will enable the achievement of ongoing revenue savings from our fixed line telephony costs. At present £3m has been set aside in support of this initiative;
- **Projects (custody technology)** – The development of a solution which delivers CCTV and video conferencing within our custody cells is being progressed. This will enable efficiencies within our proposed operating model, as well as providing enhancements to the wider criminal justice system which might bring about future savings as well;
- **Projects (Security and access controls)** – These two projects relate to an upgrade of existing security infrastructure to ensure it is compliant with Windows 7, as well as enhancement to access controls which will further enable operational collaboration with other police forces and partner agencies;
- **Projects (Other)** – These smaller projects support investment in new systems for our regional serious and organised crime collaboration, as well as in support of legal services department.

5.9. In addition to those projects outlined in this capital programme, there is ongoing investment being made by Southwest One in relation to our Wide Area Network (WAN) capacity, as well as the ongoing replacement and upgrade of servers and our corporate hardware. This is paid for through the Southwest One unitary charge, and therefore does not feature within this capital programme.

ESTATES

5.10. The following table summarises the draft capital programme for Estates:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Replacement and renewal	582	300	300	300	300
Projects – HQ refurbishment & projects	2,110	2,621	400	400	400
Projects – Estates rationalisation	1,628	3,935	9,400	6,042	0
Projects – PFI building	710	0	0	0	0
Projects – Front receptions	300	300	300	300	300
Projects - Other	90	30	0	0	0
TOTAL	5,420	7,286	10,500	7,142	1,100
% requiring business case for PCC approval	82%	95%	96%	94%	64%

5.11. The above table shows that the Estates part of the programme will fall largely into six distinct areas:-

- **Replacement and renewal programme** – This includes those items of spend where it is necessary to maintain and upgrade to electrical systems, fire precaution and security measures, and central heating. These on-going rolling programmes are necessary to ensure that our operational buildings remain fit for purpose;
- **Projects (HQ)** – As part of our wider estates strategy there are a number of projects being undertaken at our HQ site in Portishead. These include a refurbishment programme for our training accommodation, reconfiguration of existing buildings to enable more staff to be located at HQ, traffic and parking measures, sustainability initiatives and work to relocate functions to HQ, enabling reductions in our estate elsewhere;
- **Projects (estates rationalisation)** – As our organisation gets smaller, and we benefit from the new buildings provided through PFI funds, we are able to make reductions in our wider estate which can help to deliver revenue savings. We therefore have an emerging strategy which has considered all buildings across our estate, and which will set out our plans for these across the next five years. This will involve the closure, and relocation of some facilities, including where possible co-location of our services with those of our partners;
- **Projects (PFI buildings)** – We will see the culmination of nearly five years of work manifest itself in the opening of three new PFI buildings during the next year, with a fourth (blackrock training facility) now expected to be delivered in 15/16. It is necessary to continue our project until these facilities have been delivered, at which point the buildings will pass to ongoing contractual management. These funds therefore reflect the remaining project costs;
- **Projects (front reception refurbishments)** – The refurbishment of reception facilities in our public facing buildings, to ensure that they provide accessibility to all members of the public, as well as incorporating areas of current best practice, remains an ambition. Our rolling programme of refurbishments will be considered, and brought forward as part of our estates strategy;
- **Projects (other)** – This covers our project to relocate our Bristol CCTV control room, which will support the rationalisation of our estate in Bristol.

TRANSPORT

5.12. The following table summarises the draft capital programme for Transport:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Non-Specialist Fleet	2,588	2,445	2,241	2,245	2,145
Specialist Fleet	840	720	0	0	0
Projects – in vehicle tracking	565	0	0	0	0
TOTAL	3,993	3,165	2,241	2,245	2,145
% requiring business case for PCC approval	14%	0%	0%	0%	0%

5.13. The Transport services part of the capital programme is primarily related to on-going replacement and renewal of the fleet, both specialist (e.g. Support group vans, prison

vans etc..) and non-specialist (e.g. patrol vehicles, neighbourhood policing vehicles, road policing vehicles etc...).

- 5.14. In addition to this replacement programme, we also have a project which will look to fit vehicle tracking devices to all our vehicles over the next twelve months. This will provide benefits in terms of providing data to better help us manage our deployment and utilisation of vehicles, as well as supporting our change programme to ensure that our officers and staff are positioned and located in the best possible place to respond to our demand. Direct cashable savings will come from fuel reduction and the reduced cost of vehicle accidents.

PLANT, MACHINERY AND EQUIPMENT

- 5.15. The following table summarises the draft capital programme for Plant, Machinery and Equipment:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Unscheduled Spend	300	300	300	300	300
ANPR	165	125	125	125	0
TOTAL	465	425	425	425	300
% requiring business case for PCC approval	0%	0%	0%	0%	0%

- 5.16. The nature of our spend on plant, machinery and equipment is such that there remains an on-going programme of planned replacement, as well as provision for ad hoc replacement as and when required. The specific values of these items of equipment are generally low, but above our £12k capitalisation value and as such are treated as capital. In order therefore to support this on-going programme we are setting aside £300k p.a. which if not used will not be carried forward into future financial years.

- 5.17. We have also set aside £165k for the on-going replacement and introduction of new Automatic Number Plate Recognition (ANPR) equipment throughout the force area in 14/15, reducing to £125k in 15/16 and to zero in the last year of the plan, reflecting the replacement cycle of the current deployed equipment.

CAPITAL FUNDING

- 5.18. There are many sources of capital funding. Borrowing has, and will continue to be our funding source of last resort, largely as a result of the long-term revenue implications of that borrowing. The following table summarises our current plan for funding the capital programme:-

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Home Office capital grant	2,393	2,393	2,393	2,393	2,393
Revenue contributions	740	740	740	740	740
Revenue reserve contributions	7,965	3,588	0	0	0
Capital contributions	466	0	0	0	0
Capital receipts	12,392	4,790	3,990	6,200	0
Borrowing	0	0	6,774	2,803	1,399
TOTAL	23,956	11,511	13,897	12,136	4,532

5.19. Throughout current programme we have sought to minimise our borrowing requirements, and have done so through reliance on other sources including:-

- Earmarked Revenue Reserve - As a result of our revenue underspend in 12/13 we were able to set aside £3m of funding specifically for capital purposes. In addition we have identified in-year underspends currently totalling £4.9m, which we have been taken to reserve, thereby negating the need for any new borrowing in 13/14. We anticipate that we will be able to further realign reserves at the end of this financial year to ring-fence capital funding, thereby allowing us to extend the period before which new borrowing will be required until 2016/17;
- Capital Receipts – We have, and will continue to, generate capital receipts through the disposal of specific buildings from across our estates. These receipts will be fully recycled in support of planned capital expenditure, further prolonging the period where we will not draw down borrowing.

5.20. As with any plan, there remain some risks within the assumptions made, and these include:-

- Value of grant funding – the funding settlement confirmed that our grant funding for 14/15 had been materially frozen at £2.4m. At this stage we have assumed that capital grant funding continues to be at this level across the programme, reflecting the growing government support for capital spending. There clearly remains a risk that this funding will be cut, and we will continue to monitor this risk;
- Value of capital receipts - the state of the property market at present, and into the future, makes the assessment of likely receipts a very difficult task to determine with any precise accuracy. The indicative values therefore used within our assumptions represent our best estimate at this stage. As and when we're in a position to begin marketing these properties we will be better placed to gauge and revise the anticipated value;
- Timing of capital receipts – Realising the receipts from the sale of our properties is dependent on our ability to vacate the property and continue to run our operations effectively. The whole estates programme, including the PFI sites and the non-PFI sites, has several critical milestones within it to ensure that we are able to achieve the vacation and sale of the properties identified.

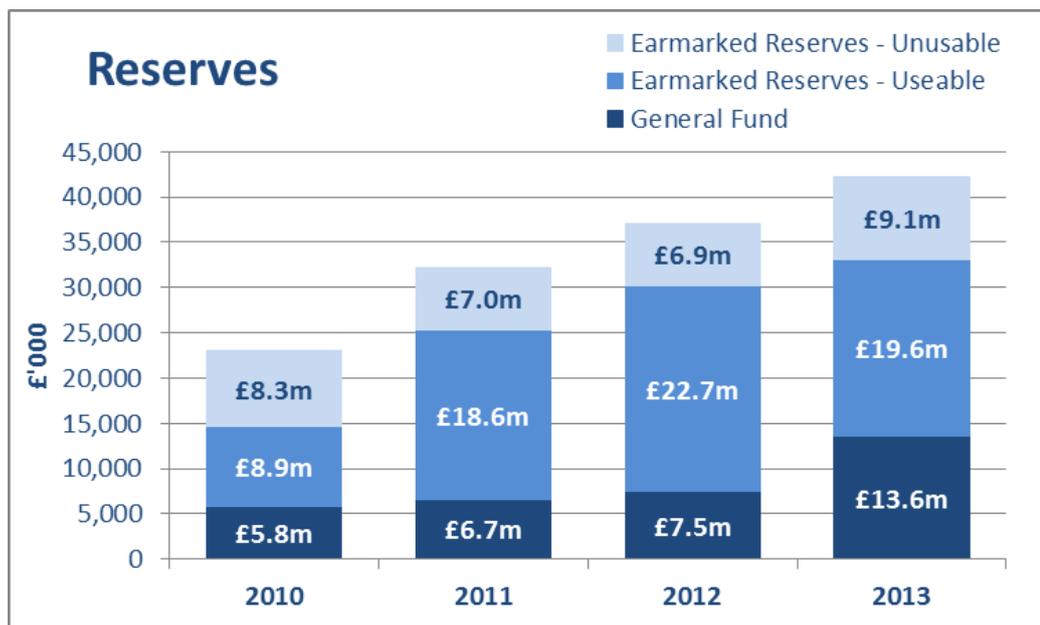
6. RISKS AND RESERVES

6.1. As is the nature of forecasts there remain a number of risks and uncertainties which could have an impact on our financial performance. In order to provide assurance that we manage these risks we maintain reserves. We are currently not reliant on reserves in order to balance the 2014/15 revenue budget, however there remain certain risks around the timing of delivery of savings that these reserves mitigate. As we look across the MTFP we cannot rule out the need to balance individual years from reserve in order to overcome the challenges of implementing further savings.

6.2. Our reserves can be broken down into three distinct groupings:-

- General Purpose reserve – This is also known as our general fund. The value held in this reserve is reviewed annually by the PCC Chief Finance Officer against quantified risk assessment;
- Specific Purpose useable reserves – These are reserves held for specific earmarked purposes, where that purpose has been locally determined and approved;
- Specific Purpose unusable reserves – These are reserves held for specific earmarked purposes, where it is not possible for us to utilise these reserves in support of other initiatives – e.g. ring-fenced grant funding, Detained Property reserve.

6.3. The value of all reserves has been increased over the past four years, as is demonstrated by the graph below.



6.4. The increase in reserves has come about as a consequence of successfully “turning off the tap” and delivering underspends against our revenue budget. This, given the context of policing and the profile of spend being so weighted towards pay costs, is expected as it is through this that we have ensured that we have the capacity within the organisation to deliver the savings needed in the context of a continuing decline in our funding.

GENERAL FUND RESERVE

6.5. The PCC CFO has undertaken a risk assessment, which has included consideration of:-

- Risks associated with the savings requirement across the MTFP as detailed above;
- Risks of potential loss of other specific purpose funding streams;
- Risks within our forward funding assumptions, in particular the value of the council tax support grant;
- Risks associated with the pension fund deficit; and
- Risks associated with the run-off of Municipal Mutual Insurance (MMI).

6.6. Having undertaken a risk assessment, the balance on the general fund has been set at £14.4m, an increase £0.8m (6.1%). We will bring about this increase to the general fund at the end of the current financial year.

SPECIFIC PURPOSE RESERVES

6.7. We intend to maintain specific purpose reserves in support of the following areas:-

- Workforce Transformation – This reserve will support the costs of transforming the operating model and working practices as a consequence of having to deliver the savings required;
- Major Incidents/Operations – This reserve will continue to provide operational assurance over any excessive costs of a serious major incident or operation being required;
- Capital Funding – This reserve will provide for capital funding in support of our transformation ambitions in terms of both our estate and our IT infrastructure, both of which will deliver ongoing revenue savings (see capital funding above);
- Building Maintenance – This reserve will provide for ongoing maintenance of our estate in order to overcome backlog maintenance.

6.8. In addition we will also continue to account for reserves in support of our PFI buildings, proceeds of crime funding, road safety funding, neighbourhood policing funds, self-insurance and a number of other ring-fenced funding sources. The precise value of these reserves will be determined at the end of the financial year as part of the preparation of our annual accounts.

7. CONCLUSIONS AND RECOMMENDATIONS

DIVERSITY

7.1. Diversity considerations are an integral part of the budget setting process, and are a key consideration across our change programme. All significant change proposals are subject of equality impact assessments, and ongoing diversity considerations.

SUSTAINABILITY

7.2. Sustainability is an important consideration for the Constabulary and the PCC in setting the budget. Financial sustainability will be essential over MTFP period and beyond.

7.3. The budget presented in this paper achieves a balanced budget in 14/15 without the need to draw down on reserves. As has been seen there remains a deficit beyond 14/15, the size and scale of which is subject to many factors.

7.4. In addressing this future deficit sustainably, the PCC and Constabulary will work closely together to identify options for further savings, and put together a plan which appropriately seeks to balance in the medium and long-term through a combination of new savings, utilisation of reserves to enable a sustainable delivery of savings, supported by appropriate increases in the council tax precept.

7.5. The budget, and capital programme, includes a number of transformation programmes, which will not only support the Authority in maintaining future financial sustainability through savings yet to be realised, but also will enable the Authority to improve in its sustainable use of natural resources. Examples of these are provided below:

- Estates rationalisation programme – reductions in our physical footprint, combined with upgrading and replacing existing facilities (e.g. replacing boilers etc...) will not only bring about revenue savings, but also reduce our carbon footprint;

- Operation Velo – This scheme is looking to re-introduce cycles as a means of transport for police officers. Working with the University of the West of England, we are running an evidence based pilot involving more than 50 officers across Bristol and South Gloucestershire. If successful the programme could be extended beyond this, providing both revenue savings and a reduction in our carbon footprint;
- Alternative energy sources – We already have Photo-Voltaic (PV) cells at The Bridewell in the centre of Bristol, and during the course of 13/14 we will have fitted PV cells to one of our buildings at HQ. These are not only delivering reductions in our utilities costs, but are also providing us with income as we sell excess energy back to the grid. Wherever possible we will seek to extend our use of PV cells, and other alternatives such as wind power, to further support our sustainability credentials;
- In vehicle tracking project – One of the benefits that this project has delivered in other forces has been a reduction in fuel consumption. This is achieved partly as a consequence of changes to driving behaviours as well as from improved resource deployment resulting in a reduction to miles travelled.

RECOMMENDATIONS & PANEL ACTIONS

- 7.6. The Panel is invited to consider the PCC's precept proposals and supporting budget as notified in this report and annexes attached, according to the requirements set out in Schedule 5 of the Police Reform and Social Responsibility Act.
- 7.7. The Panel is also invited to provide comments on the wider MTFP and Capital Programme.

MARK SIMMONDS

Chief Finance Officer to the PCC

01275 816380

Annex A – MTFP Summary

Annex B – MTFP Funding History and Forecast

Annex C – MTFP Expenditure Breakdown

Annex D –Capital Programme

ANNEX A - MEDIUM TERM FINANCIAL PLAN

	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
REVENUE BUDGET				
<i>OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)</i>				
OPCC 2013/14 Budget	1,450	1,450	1,450	1,450
Continuation adjustments between budgets	(25)	(25)	(25)	(25)
Inflationary adjustments	0	10	25	50
Savings	(19)	(19)	(19)	(19)
OPCC Budget Requirement	1,406	1,416	1,431	1,456
<i>COMMISSIONING OF SERVICES FROM 3RD PARTIES</i>				
Commissioning 2013/14 Budget	2,403	2,403	2,403	2,403
Continuation adjustments between budgets	153	153	153	153
Inflationary adjustments	0	0	0	0
Savings	0	0	0	0
Commissioning Budget Requirement	2,556	2,556	2,556	2,556
<i>OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)</i>				
Constabulary 2013/14 Budget	275,808	275,808	275,808	275,808
Continuation adjustments between budgets	(128)	(128)	(128)	(128)
Pay and Staffing adjustments	5,138	9,392	19,021	26,750
Non-Pay Inflationary adjustments	414	1,123	1,992	2,833
Cost of Capital adjustments	(348)	(212)	(164)	33
Other unavoidable commitment adjustments	2,809	3,755	3,817	3,881
Constabulary Budget Requirement	283,692	289,738	300,345	309,177
TOTAL BUDGET REQUIREMENT TO STANDSTILL	287,654	293,710	304,332	313,189
FUNDING				
Main Grant Funding	(171,186)	(162,670)	(162,183)	(158,880)
Council Tax Grant Funding	(14,709)	(14,709)	(11,378)	(11,378)
Council Tax Precept and Surplus Funding	(90,298)	(91,455)	(94,016)	(96,650)
TOTAL FUNDING	(276,193)	(268,834)	(267,577)	(266,907)
STANDSTILL DEFICIT	11,462	24,876	36,755	46,282
CURRENT PLANNED SAVINGS				
a. Savings from implementation of new operating model	(4,991)	(7,242)	(7,242)	(7,242)
b. Savings from Tri-Force specialist operations collaboration	(320)	(1,291)	(1,291)	(1,291)
c. Savings resulting from move to PFI Buildings	(666)	(2,081)	(2,081)	(2,081)
d. Savings resulting from sustainability initiatives	(241)	(365)	(365)	(365)
e. Savings from removal of in-year contingency budgets	(300)	(300)	(300)	(300)
f. Savings identified through detailed budget build process	(1,650)	(2,400)	(2,400)	(2,400)
g. Savings identified and ringfenced in 2013/14 underspend	(3,086)	(3,086)	(3,086)	(3,086)
h. Savings from estate strategy (beyond PFI)	(202)	(627)	(1,077)	(1,108)
i. Savings from fleet management initiatives	0	(550)	(550)	(550)
j. Savings from new crime, case, custody system	0	(850)	(1,700)	(1,700)
k. Other emerging savings from change programme	(6)	(2,223)	(3,173)	(3,173)
TOTAL SAVINGS	(11,462)	(21,015)	(23,265)	(23,296)
REMAINING DEFICIT	0	3,861	13,490	22,986

ANNEX B - FUNDING - HISTORY AND FORECAST

	ACTUAL				MTFP FORECAST			
	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
MAIN GRANT FUNDING								
Main Police Grant	(111,385)	(120,928)	(112,691)	(115,805)	(112,510)	(106,048)	(106,693)	(104,500)
Revenue Support Grant + Non Domestic Rates	(74,678)	(64,345)	(60,166)	(61,543)	(58,676)	(56,622)	(55,490)	(54,380)
Neighbourhood Policing Grant	(7,357)	(7,356)	(7,313)	0	0	0	0	0
Crime Fighting Fund	(5,686)	0	0	0	0	0	0	0
Additional Rule 2 Grant	(4,730)	0	0	0	0	0	0	0
Community Safety Grant	(378)	(375)	(356)	(2,403)	0	0	0	0
TOTAL MAIN GRANTS	(204,214)	(193,004)	(180,526)	(179,751)	(171,186)	(162,670)	(162,183)	(158,880)
% Change in Main Grants on prior year	+3.3%	-5.5%	-6.5%	-0.4%	-4.8%	-5.0%	-0.3%	-2.0%
COUNCIL TAX RELATED GRANT FUNDING								
2011/12 Council Tax Freeze Grant	0	(2,369)	(2,369)	(2,369)	(2,369)	(2,369)	0	0
2012/13 Council Tax Freeze Grant	0	0	(2,876)	0	0	0	0	0
2013/14 Council Tax Freeze Grant	0	0	0	(970)	(962)	(962)	0	0
2014/15 Council Tax Freeze Grant	0	0	0	0	0	0	0	0
2015/16 Council Tax Freeze Grant	0	0	0	0	0	0	0	0
Local Council Tax Support Grant	0	0	0	(11,341)	(11,378)	(11,378)	(11,378)	(11,378)
TOTAL COUNCIL TAX GRANT FUNDING	0	(2,369)	(5,245)	(14,680)	(14,709)	(14,709)	(11,378)	(11,378)
% Change in Council Tax Grants on prior year	+0.0%	+100.0%	+121.4%	+179.9%	+0.2%	+0.0%	-22.6%	+0.0%
TOTAL GRANT FUNDING	(204,214)	(195,373)	(185,771)	(194,431)	(185,895)	(177,379)	(173,561)	(170,258)
% Change in TOTAL Grants on prior year	+3.3%	-4.3%	-4.9%	+4.7%	-4.4%	-4.6%	-2.2%	-1.9%
% Change in TOTAL Grants on 10/11 Base		-4.3%	-9.0%	-4.8%	-9.0%	-13.1%	-15.0%	-16.6%
COUNCIL TAX PRECEPT FUNDING								
Bath and North East Somerset Precept	(10,734)	(10,825)	(10,828)	(9,975)	(10,357)	(90,955)	(93,516)	(96,150)
Bristol Precept	(22,512)	(22,581)	(23,035)	(19,004)	(19,709)			
North Somerset Precept	(13,037)	(13,172)	(13,247)	(11,909)	(12,547)			
South Gloucestershire Precept	(15,211)	(15,252)	(15,353)	(13,925)	(14,783)			
Mendip DC Precept	(6,747)	(6,795)	(6,859)	(6,133)	(6,418)			
Sedgemoor DC Precept	(6,648)	(6,725)	(6,868)	(6,087)	(6,306)			
South Somerset DC Precept	(10,087)	(10,161)	(10,279)	(9,220)	(9,621)			
Taunton Deane BC Precept	(6,786)	(6,787)	(6,926)	(6,264)	(6,454)			
West Somerset DC Precept	(2,468)	(2,478)	(2,484)	(2,161)	(2,267)			
Surplus/(Deficit) on collection fund	(425)	(217)	(989)	(552)	(1,834)			
TOTAL COUNCIL TAX PRECEPT FUNDING	(94,655)	(94,993)	(96,868)	(85,230)	(90,298)	(91,455)	(94,016)	(96,650)
Average Band D Council Tax (£)	168.03	168.03	168.03	168.03	171.37	174.80	178.30	181.86
% Change in Council Tax Precept on prior year	+4.20%	+0.00%	+0.00%	+0.00%	+1.99%	+2.00%	+2.00%	+2.00%
Council Tax Base (No. Weighted Band D Properties)	560,788	564,040	570,607	503,933	516,203	520,333	524,495	528,691
% Change in Council Tax Base on prior year	+0.9%	+0.6%	+1.2%	-11.7%	+2.4%	+0.8%	+0.8%	+0.8%
TOTAL FUNDING	(298,869)	(290,366)	(282,639)	(279,661)	(276,193)	(268,834)	(267,577)	(266,907)
% Change in Total Funding on prior year	+3.8%	-2.8%	-2.7%	-1.1%	-1.2%	-2.7%	-0.5%	-0.3%
% Change in TOTAL Funding on 10/11 Base		-2.8%	-5.4%	-6.4%	-7.6%	-10.0%	-10.5%	-10.7%

ANNEX C - EXPENDITURE

	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000
CONTINUATION BUDGET ADJUSTMENTS				
OPCC - Approved 13/14 Budget	1,450			
- Continuation Adjustments - net decrease	(25)			
OPCC - Revised 13/14 Budget	1,425			
Commissioning - Approved 13/14 Budget	2,403			
- Continuation Adjustments - net increase	153			
Commissioning - Revised 13/14 Budget	2,556			
Constabulary - Approved 13/14 Budget	275,808			
- Continuation Adjustments - net decrease	(128)			
Constabulary - Revised 13/14 Budget	275,680			
TOTAL 13/14 Budget	279,661			
STANDSTILL BUDGET ADJUSTMENTS				
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)				
OPCC 2013/14 Revised Budget	1,425	1,425	1,425	1,425
Inflationary adjustments	0	10	25	50
Savings	(19)	(19)	(19)	(19)
OPCC Budget Requirement	1,406	1,416	1,431	1,456
COMMISSIONING OF SERVICES FROM 3RD PARTIES				
Commissioning 2013/14 Revised Budget	2,556	2,556	2,556	2,556
Inflationary adjustments	0	0	0	0
Savings	0	0	0	0
Commissioning Budget Requirement	2,556	2,556	2,556	2,556
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)				
Constabulary 2013/14 Revised Budget	275,680	275,680	275,680	275,680
Pay Awards	1,776	3,807	7,777	13,159
Incremental Pay Progression	2,319	3,819	5,319	6,819
National Insurance	(323)	(323)	4,276	4,391
Pensions	1,357	1,853	2,361	2,775
Housing Allowance & Comp Grant	(175)	(316)	(527)	(761)
Bank Holidays - Overtime	183	551	(185)	367
Pay and Staffing adjustments	5,138	9,392	19,021	26,750
Utilities Inflation	203	327	458	595
Fuel Inflation	(177)	(45)	94	240
Non-pay Inflation	462	1,050	1,652	2,269
Southwest One Contractual Indexation	(124)	(82)	29	85
Interest on Investment Income	50	(127)	(241)	(355)
Non-Pay Inflationary adjustments	414	1,123	1,992	2,833
Direct revenue costs of the capital programme	0	220	220	220
Minimum revenue provision	(75)	(55)	(50)	(50)
Interest on borrowing	(274)	(378)	(334)	(138)
Cost of Capital adjustments	(348)	(212)	(164)	33
PFI Buildings Unitary Charge	2,320	3,014	3,060	3,106
National Systems Price Increases	302	302	302	302
Other unavoidable commitments	187	439	456	473
Other unavoidable commitment adjustments	2,809	3,755	3,817	3,881
Constabulary Budget Requirement	283,692	289,738	300,345	309,177
TOTAL BUDGET REQUIREMENT TO STANDSTILL	287,654	293,710	304,332	313,189

ANNEX D - CAPITAL PROGRAMME

Description	Anticipated C/Fwd 13/14	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
INFORMATION AND COMMUNICATIONS SYSTEMS						
Rolling Replacement and renewal programme (inc contingency for unforeseen security upgrades as required)	0	120	635	731	2,324	387
PROJECTS - Corporate Systems	1,917	5,370	0	0	0	0
PROJECTS - National and Collaborative Systems	0	576	0	0	0	100
PROJECTS - Mobile and Fixed Line Telephony/Data	0	5,000	0	0	0	500
PROJECTS - Custody Technology	60	450	0	0	0	0
PROJECTS - Security and Access Controls	0	500	0	0	0	0
PROJECTS - Other	0	85	0	0	0	0
INFORMATION & COMMUNICATION SYSTEMS TOTAL	1,977	12,101	635	731	2,324	987
ESTATES						
Rolling replacement and renewal programme (electrics, fire precaution, accessibility and central heating upgrades)	282	300	400	400	400	400
PROJECTS - HQ Site refurbishment and projects (including Central Store)	450	1,660	2,621	400	400	400
PROJECTS - Estate rationalisation programme	130	1,498	3,935	9,400	6,042	0
PROJECTS - PFI Buildings Programme	610	100	0	0	0	0
PROJECTS - Front Reception Refurbishments	0	300	300	300	300	300
PROJECTS - Other	0	90	30	0	0	0
ESTATES TOTAL	1,472	3,948	7,286	10,500	7,142	1,100
TRANSPORT SERVICES						
Rolling replacement and renewal programme - Non-Specialist Fleet	143	2,445	2,445	2,241	2,245	2,145
Rolling replacement and renewal programme - Specialist Fleet	0	840	720	0	0	0
PROJECTS - In-vehicle tracking	0	565	0	0	0	0
TRANSPORT SERVICES TOTAL	143	3,850	3,165	2,241	2,245	2,145
PLANT, MACHINERY AND EQUIPMENT						
Rolling replacement and renewal programme - Automatic Number Plate Recognition (ANPR)	0	165	125	125	125	0
Rolling replacement and renewal programme - Other	0	300	300	300	300	300
PLANT, MACHINERY AND EQUIPMENT TOTAL	0	465	425	425	425	300
TOTAL CAPITAL PROGRAMME	3,592	20,364	11,511	13,897	12,136	4,532
CAPITAL FUNDING						
Home Office Capital Grant	0	2,393	2,393	2,393	2,393	2,393
Revenue Contributions	0	740	740	740	740	740
Revenue Reserve Contributions	884	7,081	3,588	0	0	0
Capital Contributions	466	0	0	0	0	0
Borrowing	0	0	0	6,774	2,803	1,399
Capital Receipts	2,242	10,250	4,790	3,990	6,200	0
TOTAL FUNDING (inc Utilisation of Receipts)	3,592	20,464	11,511	13,897	12,136	4,532
MEMORANDUM - AIRCRAFT (EXCLUDED FROM ABOVE AS HELD ON BEHALF OF						
Funding received in 2012/13 which is ring-fenced for capital/revenue costs associated with securing a permanent base for the National Police Air Service helicoptered within our region. This is excluded from the above as it is funding we're holding on behalf of the national organisation.	1,062	0	0	0	0	0