

AVON AND SOMERSET POLICE & CRIME PANEL
 DRAFT MEDIUM TERM FINANCIAL PLAN AND CAPITAL PROGRAMME
 REPORT OF THE CFO'S FOR THE PCC AND FOR THE CHIEF CONSTABLE
 10 DECEMBER 2014

PURPOSE OF THE REPORT

1. This report provides the draft position of the Medium Term Financial Plan (MTFP) and Capital Programme. The report enables the PCC and Chief Officers to be briefed on the latest position and to ask questions about the work carried out to date and that which still needs to be completed prior to approval of the 15/16 budget in February 2015.

EXECUTIVE SUMMARY

2. The following is a snapshot of the latest position on the draft MTFP:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Budget Requirement	284,818	293,014	298,516	304,132
Less; Total Funding	(272,652)	(268,942)	(266,644)	(264,597)
DEFICIT before savings	12,166	24,072	31,871	39,534
Less; Planned Savings	(12,166)	(16,073)	(16,594)	(16,653)
DEFICIT outstanding	Balanced	7,999	15,278	22,881

3. By 18/19 we're **forecasting a reduction of £11.6m/4.2% in total funding**. This is the combined result of forecast reduction of £22.2m/11.9% in grant funding, and an increase of £10.6m/11.7% in council tax funding. The increase in council tax funding is based on the **assumption that our police precept will increase by 1.99% p.a. in each of the years of the MTFP**.
4. By 18/19 we're **forecasting an increase of £27.9m/10.1% in our base budget requirement**. This is the combined result of a £23.2m increase for pay and staffing, a £1.6m increase for non-pay inflation, a £0.1m increase for cost of capital, a £2.4m increase on other commitments as well as an increase in commissioning budget of £0.6m to account for new victims commissioning service.
5. The combined result of the above is a **standstill deficit of £39.5m by 18/19**. This is reduced to a **£22.9m** deficit after we have accounted for our current planned savings of £16.7m by 18/19. The majority (£12.2m/73.0%) of these planned savings occur within 15/16, enabling us to report a **balanced budget for 15/16** at this stage.
6. The forecast standstill deficit, when added to the savings already identified and achieved in the past three years and being delivered in the current financial year, takes our **total actual and forecast deficit to £85.4m/28.6% in the eight years since our 10/11 baseline year**.
7. Our draft capital programme identifies **new planned spend of £49.8m** (increases to £55.5m if forecast carry forward is included) over the next five years. The majority (£41.7m/83.7%) is planned to be spent in the next three years. Spend includes

Estates (£25.8m/51.8%), Fleet (£13.0m/26.0%), Information and Communications Systems (£9.9m/19.9%), and Equipment (£1.1m/2.2%).

8. In 14/15 we're forecasting that we will generate £17.9m in capital receipts, with a further £15.5m anticipated over the life of the capital programme. All of these receipts will be utilised in supporting the planned spend. In addition we plan on utilising funding from capital grant, contributions from revenue budget, innovation funding, earmarked capital reserves and some limited borrowing to support this planned spend.

PART ONE – THE REVENUE BUDGET AND THE MTFP

FUNDING ACROSS THE MTFP

9. The funding provided to the PCC is received either as a Government grant, or as a precept on local taxpayers collected on the PCC's behalf by local billing authorities. Annex C provides further, more detailed analysis of our funding since 10/11 to date, and that which is currently forecast across the MTFP until 18/19.

Government Grants

10. Since the 10/11 our grant funding has seen a net reduction of £18.3m/9.0%. This headline however masks the major upheaval that has occurred across our grant funding in this period:-
 - a. Specific grants (e.g. Crime Fighting Fund, Neighbourhood Policing Grant) have been consolidated into our main grant funding;
 - b. Other grants (e.g. community safety grant) have been diverted from partner agencies and organisations and are now paid over to the PCC;
 - c. Incentives to freeze council tax precept have resulted in additional council tax freeze grants; and
 - d. Reform of council tax benefit/support scheme has resulted in council tax grant funding being paid directly to the PCC when it was previously paid to our local billing partners (also resulting in a reduction to our council tax receipt see below).
11. As our current grant funding now includes funds which were not provided to us in 10/11 (e.g. community safety grant, local council tax support grant), we estimate that the true **underlying grant reduction we have seen to date is £35.3m/17.3%**.
12. Whilst the future presents uncertainty about the value of our grant, we understand that this will continue to reduce year-on-year throughout the current MTFP. In addition to this we expect to receive annual Victims Services funding from 15/16 onwards. The following table summarises the grant funding position forecast across the MTFP (further detail is provided Annex B):-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Main Grants	162,966	160,752	155,608	150,628
Council Tax Grants	14,709	11,378	11,378	11,378
Victims Grant	1,736	1,736	1,736	1,736
TOTAL Grants	179,411	173,866	168,722	163,742

13. The following are our key assumptions in relation to grant funding across the MTFP:-
- a. Main grant funding – We are assuming an annual reduction in this grant funding of £8.2m/4.8% in 15/16. This is the consequence of original announced cuts, combined with further cuts announced in 2013 autumn statement, and an anticipated further topslices in support of growth in the IPCC and increases to the central innovation funding. We have further assumed an annual cash reduction of 3.20% in each year of the MTFP thereafter, in accordance with the direction being set by the Home Office;
 - b. Council Tax freeze grants – The grants received for freezing council tax in 11/12 and 13/14 (£3.3m) are assumed to be consolidated into main grant funding from 16/17 onwards. We are therefore continuing to recognise this income separately at its historic cash value for 15/16 (being the last year of the current SR period) and consolidated into main grant (and therefore reduced as part of the overall main grant) from the start of a new SR period. This is in line with the announcement made by the DCLG in December 2013; *“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.”*¹
 - c. Local Council Tax support grant – This grant is forecast to remain as a separate grant, frozen at its 14/15 cash level (£11.4m) across the MTFP;
 - d. Victims Services grant – The value of this new grant in 15/16 has already been set at £1.7m. We have therefore included this grant in our overall funding forecast, and have assumed that this continues to remain as a separate grant, frozen at its 15/16 cash level across the MTFP.
14. The result of these assumptions is that we are **forecasting grant income to reduce by £22.2m/11.9%** over the next four years (the size of reduction increases to £23.9m/12.9% if the new victims funding stream is excluded).
15. In addition to the above known changes that we have included in our assumptions for grant funding, we are aware of two further changes which could have an impact but which as yet are not currently factored in:-
- a. Medical services passing to the NHS – From 15/16 the medical services provided in support of our custody facilities will be provided by the NHS. In order to facilitate this change the Home Office intends to topslice grant funding to pass across to the NHS. It is our expectation that the value of the topslice should equal our current costs of the service and therefore the impact of this change should be revenue neutral to the PCC;
 - b. Police pension scheme employer reduction – The reform of police pensions introduced this year was partly predicated on increasing the contribution individual officers make to their pension and reducing the contribution that the employer (ultimately the tax payer) make. The Home Office is seeking to realise this employer benefit, but they do not intend to let this benefit accrue locally. They are therefore considering ways in which this benefit can be quantified, and retained at the centre. One of the options under consideration is a further topslice to our grant funding.

¹ <https://www.gov.uk/government/news/a-fair-deal-for-councils-and-fair-bills-for-taxpayers>

16. We will continue to monitor developments in these areas, and make and necessary adjustments to our assumptions to the extent we are able to prior to the final draft of the MTFP being completed in January.

Council Tax Funding

17. Since 10/11 our council tax funding has seen a net reduction of £4.4m/4.6%. However, as outlined above this is predominantly a result of the reform of council tax benefit/local discount schemes which introduced the local council tax support grant being paid directly to the PCC where it had previously been paid to billing authorities and passed across to the PCC as part of the precept income. Therefore adjusting for this change, our **council tax funding has actually seen an increase of £7.0m/7.4% since 10/11.**
18. This underlying growth has predominantly been driven by increases to the council tax base during this period, as between 11/12 and 13/14 the Police Authority and subsequently the PCC made the decision to freeze the police precept. 14/15 therefore represented the first time in four years that the police precept increased following the decision to raise this by 1.99% to **£171.37 for an average band d property.**
19. The following table summarises the council tax funding position forecast across the MTFP (further detail is provided Annex B):-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Council Tax Precept	91,812	94,576	97,422	100,355
Council Tax Surplus	1,428	500	500	500
TOTAL Council Tax	93,240	95,076	97,922	100,855
<i>Av. Band D (£)</i>	<i>£174.78p</i>	<i>£178.26p</i>	<i>£181.81p</i>	<i>£185.42p</i>
<i>% Change on PY</i>	<i>+1.99%</i>	<i>+1.99%</i>	<i>+1.99%</i>	<i>+1.99%</i>
<i>Tax Base (No.)</i>	<i>525,302</i>	<i>530,555</i>	<i>535,860</i>	<i>541,219</i>
<i>% Change on PY</i>	<i>+1.8%</i>	<i>+1.0%</i>	<i>+1.0%</i>	<i>+1.0%</i>

20. As we forecast forward across the MTFP we have made the following key assumptions in relation to our council tax income:-
- Precept – We are assuming a **1.99% increase in the police precept in each year of the MTFP.** This will see **our average band d precept increase by £14.05p/8.2% over the next four years.** This is a working assumption at this stage, with the final decision to be made by the PCC with reference to the Police and Crime Panel and informed by any relevant referendum limits imposed by central government;
 - Tax base – six of our local billing authorities have supplied us with the forecast taxbase position for 15/16, and we've agreed an appropriate % adjustment with the remaining three. The combined result of this is that we are forecasting growth of 1.8% in the council tax base in 15/16, and are forecasting 1.0% increases p.a. thereafter. We will continue to review and refine these assumptions in line with our local collecting authorities as they formally approve their tax bases over the coming months;

c. Collection Fund Surplus – Based on the information provided to us by six of our nine local collecting authorities, we are forecasting that we will receive £1.4m as our share on the combined surpluses of our local collection funds. Given the level of fluctuation this has been subject to we are only forecasting surpluses of £0.5m in each of the remaining years of the MTFP, however we will continue to review in light of the full responses received from our local collecting authorities.

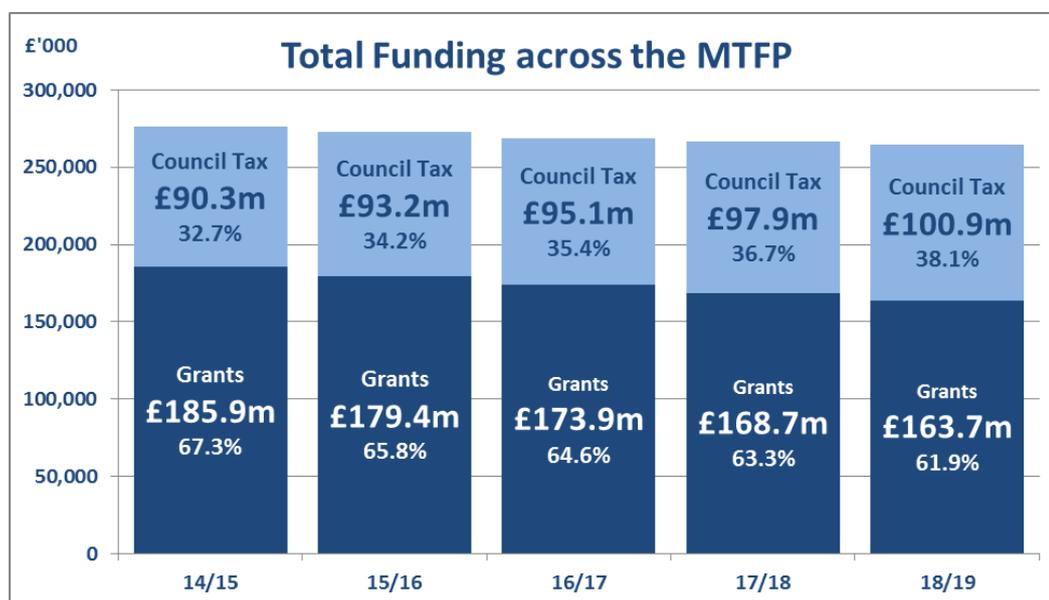
21. The result of these assumptions is that we **are forecasting our council tax income to increase by £10.6m/11.7%** over the next four years.

Funding Analysis

22. The combined result of our funding assumptions across the MTFP is summarised in the following table:-

	Current Year	MTFP			
	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Grant Funding	185,895	179,411	173,866	168,722	163,742
Council Tax Funding	90,298	93,240	95,076	97,922	100,855
TOTAL Funding	276,193	272,652	268,942	266,644	264,597

23. Therefore the net reduction in total funding we're forecasting over the MTFP is £11.6m/4.2%. This is the result of a decline in grant funding and an increase in council tax funding, as demonstrated in the following graph:-



24. As a consequence of our assumptions which will see grant funding continue to fall, but council tax funding continue to rise, the profile of our funding will change across the MTFP. At present grant funding accounts for 67.3% and council tax funding 32.7%. By the end of the MTFP we forecast this profile will have changed so that grants will account for 61.9% of funding and council tax 38.1%.

EXPENDITURE ACROSS THE MTFP

25. The budgeted expenditure incurred both by the PCC and by the Chief Constable, enables the provision of policing and community safety across Avon & Somerset. Annex C provides further, more detailed analysis assumptions in relation to expenditure changes across the MTFP.

PCC's Office Budget

26. The following table summarises the expenditure forecast over the MTFP for the PCC's office budget:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
14/15 Budget	1,406	1,406	1,406	1,406
Provision for inflation	0	15	40	70
Savings	(25)	(25)	(25)	(25)
TOTAL	1,381	1,396	1,421	1,451

27. This represents the budget that supports the running costs of the PCC's office. Over the course of the MTFP this budget is forecast to increase by £0.07m/5.0%. This is as a consequence of an assumed provision for inflation in line with that being used across the rest of the MTFP, offset by savings from this budget identified for the 15/16 financial year. Further detail on this budget is provided in a separate paper by the PCC's CFO.

PCC's Commissioning Budget

28. The following table summarises the expenditure forecast over the MTFP for the PCC's office budget:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
14/15 Budget	2,556	2,556	2,556	2,556
Net new MoJ Funding	629	629	629	629
TOTAL	3,185	3,185	3,185	3,185

29. This represents the budget that supports the commissioning of services from external organisations. Over the course of the MTFP this budget is forecast to increase by £0.63m/24.6% entirely as a consequence of the addition of victims services commissioning which is being funded by new grant funding from the Ministry of Justice.
30. The total funding for victims services expected to be received in 15/16 is £1.74m (see section on Government grants above). The majority of this funding is supporting the integrated victim care service within the Constabulary, with the balance (as identified above) being added to the PCC's commissioning budget to support the commissioning of victims services from other bodies. Further detail on this budget is provided in a separate paper by the PCC's CFO.

The Constabulary

31. The following table summarises the expenditure forecast over the MTFP for the Constabulary budgets:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
14/15 Budget	272,231	272,231	272,231	272,231
Pay and Staffing	3,946	11,946	17,284	23,166
Non-Pay Inflation	547	990	1,277	1,613
Cost of Capital	681	684	710	59
Other Commitments	2,846	2,582	2,408	2,427
TOTAL	280,252	288,433	293,910	299,496

32. Over the course of the MTFP the Constabulary budgets are forecast, at present, to increase by £27.6m/10.1%.

33. Pay and Staffing adjustments - The biggest driver of the increase in budget requirement, **adding £23.2m by 18/19**, is the adjustments required to pay and staffing budgets. These adjustments are further broken down at Annex C, and include:-

- a. Pay Awards – Our working assumption is that pay awards will continue, but within constraints that will see a gradual increase to pay over a number of years (this is against current backdrop of union balloting on strike action following rejection of 14/15 pay award). The following table summarises our assumptions and their impact:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
1 st Sep 2014 – 1.0%	816	816	816	816
1 st Sep 2015 – 1.0%	1,169	1,984	1,984	1,984
1 st Sep 2016 – 1.5%	-	1,753	3,005	3,005
1 st Sep 2017 – 2.0%	-	-	2,373	4,067
1 st Sep 2018 – 2.5%	-	-	-	3,025
TOTAL	1,985	4,553	8,178	12,898

Our working assumption is therefore that pay awards will increase our standstill cost by **£12.9m by 18/19**;

- b. National Insurance – As previously reported the reform to the state pension from April 2016 will result in an increase to our employers national insurance rate. The result of this is estimated to add £4.4m to our cost in 16/17, rising to **£4.7m by 18/19** as the impact of pay awards is factored onto this increase;
- c. Incremental Pay Progression – In order to support the cost of incremental pay progression (progression through pay scales based on length of service) we have made provision based on actual staff for 15/16 (£1.53m) followed by an annual provision of £1.5m in each of the three remaining years of the MTFP. This leads to a cost increase of **£6.0m by 18/19**.
- d. Other – In addition to the three key assumptions above, there are a number of other adjustments that are forecast in relation to pay and staffing. These include, provision for further increases to LGPS employer contributions, inflationary increases for injury pensions, adjustments to housing allowance and compensatory grant payments and adjustments to overtime budgets to reflect the number of bank holidays that fall in any one financial year. The

net result of all of these adjustments is actually a decrease in budget of **£0.42m by 18/19**.

34. Non-pay inflationary adjustments – Adjustment to non-pay budgets to reflect inflationary and contractual pressures are **forecast to add £1.6m to our cost base over the next four years**. These relate to:-
- a. Utilities (+£0.37m) and fuel (+£0.36m) - both of these budgets have been subject to detailed review for 15/16, including the use of our energy bureau service in relation to utilities, and a rebasing of our fuel budget to reflect the current low position of fuel prices (resulting in no inflation to fuel budgets in 15/16). In each of the three remaining years of the MTFP these budgets have been inflated by 5% p.a.;
 - b. Other non-pay budgets (+£1.86m) – all other non-pay budgets have been reviewed, with the application of a 2.0% inflationary factor (equivalent to target RPI levels) in the majority of cases, with some specific inflationary factors included in relation to specific circumstances and advice (e.g. contractual inflationary commitments, non-domestic rates). In each of the remaining years of the MTFP these budgets have been inflated by 2.0% p.a.;
 - c. Interest Receivable (-£0.97m) – as advised by our Treasury advisors (Somerset County Council) we're forecasting an increase to our interest income over the course of the MTFP. This is in part a consequence of increases to average cash levels in the early years of the MTFP, as well as forecasts about the likely gradual increase to interest rates over the medium term. The impact of this increase in interest income is to reduce the overall size of our non-pay inflationary adjustments.
35. Cost of Capital – Adjustment to our cost of capital budgets is **forecast to add less than £0.1m over the life of the MTFP**, however the profile of these adjustments is such that there is forecast to be pressures in 15/16 (£0.68m), which then reduce over the remainder of the MTFP. The pressures in 15/16 are largely as a consequence of new IT costs associated with our planned upgrades to our Wide Area Network (WAN), and the costs of supporting our digital evidence solutions. The offset against these costs in future years comes from the reductions to budgets as legacy systems come to end of life (including in savings), coupled with reductions in our Minimum Revenue Payment (MRP) reflecting reductions in borrowing, and full provision for the repayment of borrowing on certain assets.
36. Other Commitments – Adjustment to our costs to account for other commitments is **forecast to add £2.4m over the life of the MTFP**. At present these costs are predominantly a consequence of two things:-
- a. PFI costs – Our PFI costs will increase over the MTFP, firstly as we recognise the service availability of the shared Black Rock training facility (anticipated to be Q1 of 15/16), and then as we index our costs in accordance with the provisions of the contract, and (in the case of pass through costs for utilities) other inflationary factors. The cost of these increases is anticipated to be **£0.7m by 18/19**;
 - b. Growth – Over the course of the year, and through our detailed budget review, several items of budget growth have been identified. The cost of

these in 15/16 is forecast to be £2.3m, reducing to £1.7m by 18/19 as time limited growth is subsequently removed. Areas of budget growth include:-

- New officer recruitment – Our 14/15 base budget supports 64 student officers, but current plans are for there to be 96 officers introduced in 15/16. In order to support the cost of these officers whilst they undergo their initial training it is necessary for us to grow our budget by **£425k**. In subsequent years current plans will reduce the size of intakes (16/17 = 80 officers, 17/18 and 18/19 = 64 officers each) thereby leading to a reduction in the size of base growth required;
- Domestic Violence Prevention Orders/Notices – Employment of two members of staff in Legal Services, combined with budget to support court costs and legal fees - **£141k**;
- E-Services – Permanent growth in the establishment of the e-services team to reflect the temporary arrangements that have been in place during the development of the new website - **£290k**;
- Tech Services – detailed review of the tech services budget has identified a number of new commitments which need to be budgeted for. These include costs relating to data circuits, HOLMES upgrade, Minerva membership, regional SOCRATES, national Child Abuse Image database (CAID) as well as some transitional cost increases relating to mobile telephony and Guardian - **£405k**;
- Regional organised crime unit (ROCU) – our contribution into the ROCU in 15/16 is set to increase by **£362k** which is in part as a consequence of increased contributions required when the 14/15 budget was agreed (currently a budget pressure in 14/15), as well as £162k which relates to our agreed contribution for one off costs associated with the relocation of the ROCU. This second element of growth is subsequently removed in future years of the MTFP;
- Tri-Force overtime – overtime costs are included within scope of Tri-Force. The budgets identified in support of actual overtime costs being incurred are insufficient to manage our share of the overtime costs of Tri-Force. It is therefore necessary to grow our budget to cope with this pressure - **£117k**;
- Airwave – the current plan is to remove Airwave from Taunton during 15/16, resulting in one-off costs. In addition it is necessary to provide for the costs of airwave at our new PFI sites - **£102k**;
- Penna – following the successful pilot of our Penna contract this has now been rolled into business as usual, and therefore permanent funding for this contract is required - **£90k**;
- Apprentices – In order to support the current 20 apprentices across the Constabulary into 15/16, as well as introduce a further intake of 10 apprentices in 15/16, it is necessary to temporarily grow the budget - **£70k**;
- Income reductions – following detailed review of our income budgets we have reduced some of these to recognise the current

actual level of income being received. This includes reductions to some of our fees and charges budgets, as well as reductions to private policing and football policing (as consequence of fewer games requiring policing) - **£78k**;

- Other small adjustments have also been made across the budget. In many cases these are more than offset by savings identified from the same budgets (see savings identified through detailed budget review below) - **£234k**.

THE BUDGET REQUIREMENT

37. The following table summarises the standstill budget position:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
PCC's Office	1,381	1,396	1,421	1,451
Commissioning	3,185	3,185	3,185	3,185
Constabulary	280,252	288,433	293,910	299,496
Budget Requirement	284,818	293,014	298,516	304,132
Grant Funding	(179,411)	(173,866)	(168,722)	(163,742)
Council Tax Funding	(93,240)	(95,076)	(97,922)	(100,855)
Total Funding	(272,652)	(268,942)	(266,644)	(264,597)
DEFICIT before savings	12,166	24,072	31,871	39,534

38. As the table above demonstrates the forecast deficit before any new savings are accounted for, is **£39.5m by 18/19**. This is in addition to the £45.9m we have had to save over the past four years. This means that our **total actual and forecast deficit is £85.4m/28.6% in the eight years since our 10/11 baseline year**.

SAVINGS

39. Over the course of the MTFP we have identified £16.7m of savings to be delivered. The following table breaks these down:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Change programme	(6,044)	(9,097)	(9,236)	(9,236)
Estates, Sustainability, PFI	(1,223)	(1,289)	(1,671)	(1,730)
Detailed budget review	(4,899)	(5,687)	(5,687)	(5,687)
TOTAL	(12,166)	(16,073)	(16,594)	(16,653)
DEFICIT after savings	Balanced	7,999	15,278	22,881

40. Change Programme – our change programme savings represent the savings that will be delivered from the projects currently being progressed under the stewardship of our change programme. These are as set out in the table below:-

Change Programme	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Operating Model	(3,246)	(4,196)	(4,196)	(4,196)

Business and Infrastructure	(1,162)	(2,764)	(2,903)	(2,903)
Specialist Operations	(1,636)	(2,137)	(2,137)	(2,137)
TOTAL	(6,044)	(9,097)	(9,236)	(9,236)

41. **Operating Model** - Our Operating Model savings includes the remaining full-year effect of the savings that are being implemented through phases 1 and 2 of the change programme implementation (£2.3m), which once implemented will see the total savings achieved from our new operating model as being £8.0m. In addition there is a further £0.95m which was identified as part of the Integrated Offender Management work being undertaken which is earmarked for delivery in 15/16, rising to £1.9m by 16/17.
42. **Business and Infrastructure** – Our business and infrastructure savings at present come from four separate projects. These include:-
- a. **ATLAS** – Savings from our investment in the ATLAS project to introduce a new crime, intelligence, case and custody system will be achieved through greater operational efficiencies. Earmarked savings are £0.5m in 15/16, increasing to £1.7m by 16/17;
 - b. **Voice and Data Communications** – The business case for investment in networking, telephony and data communications (which will roll our Voice over Internet Protocol, as well as increase our use of video conferencing) identifies savings of £0.6m by 17/18. These savings have been included at this stage of the MTFP, however the business case has yet to be formally approved by the PCC;
 - c. **Vehicle Telematics** – The business case for investment in vehicle telematics identified net savings of £0.36m which we estimate will be achieved by 16/17;
 - d. **Central Store** – The business case for our central store project identified net savings of £0.25m, which we estimate will be fully achieved by 16/17.
43. We have not at this stage recognised any savings from our ‘mobile working’ or our ‘digital evidence’ projects, however we acknowledge that both have the potential to release further savings which we will seek to quantify, verify and deliver.
44. Estates, Sustainability and PFI – We have reviewed the estates budgets, which have already seen some savings delivered to date (e.g. as consequence of building closures already occurred), as well as our forward estates strategy and the savings to be achieved through our PFI buildings and our sustainability plans. These savings therefore represent our estimate of savings in utilities, rates, rents, service charges, cleaning and repairs and maintenance budgets, as well as recognising increased income through partners (in relation to shared Blackrock training centre) and increased detainee income as a consequence of being able to sell greater capacity in custody to UKBA and other agencies;
45. Savings identified through budget review – As in previous years the finance team, in partnership with budget holders, have reviewed the entirety of our budget and from this we have identified £4.9m of savings. This includes £2.2m of savings already identified and earmarked in our 14/15 budget (the majority of this was held as contingency against delivery of 14/15 savings), with other highlights being:-

- a. CRTP Savings – As a consequence of the phased removal of competency related threshold payment (CRTP) we have reduced this budget by £0.42m;
 - b. National Insurance – Some of our national insurance budgets are centralised (these relate to the payment of allowances that are often applicable to the individual and not the post they occupy). As a consequence of past reductions in the numbers of officer entitled to receive these allowances (e.g. CRTP, Housing Allowance, Comp Grant etc...) we have identified a reduction in our national insurance budgets of £0.38m;
 - c. Fuel – Our review of fuel budgets, especially in light of current fuel prices, has identified an opportunity to re-base these, and thereby undo previous inflationary assumptions that have not occurred. As a consequence of this we have been able to reduce our fuel budgets by £0.27m;
 - d. Pay reserves – When we centralised pay budgets three years ago we retained a central pay reserve for both officers and staff to manage budget pressures created by flexible working adjustments, and covering long-term absences (e.g. maternity leave, long-term sickness etc...). Having run with these in-year reserve levels for a number of years, we believe that it is possible to reduce them further, thereby enabling us to release a saving of £0.42m and retain a central pay reserve of £0.25m to manage these budget pressures;
 - e. Hire vehicles – following our centralisation of hire vehicles budgets under transport services in 14/15 we have seen a reduction in the use of and cost of hire vehicles. This is enabling us to release a saving of £0.1m from our budgets;
 - f. ACPO budget – following review of the ACPO budget, the Director of Resources has identified savings of £0.14m which have been released in the forward year;
 - g. Interpreters – The ongoing management of interpreter costs, utilising the contractual arrangements put in place last year, means we are confident of being able to release a further £0.09m from this budget in 15/16.
46. In addition to the above identified savings we also aim to release savings from our equipment budgets (current going through a zero based review where devolved budget holders are requested to set out their equipment requirements for the year), as well as undertake a more detailed review of overtime budgets.
47. We know the savings currently identified leave a residual deficit beyond 15/16. Our change programme is currently being reviewed, and new programmes and projects will be brought forward to realise further savings. These will include the realisation of efficiencies and savings from projects already in process of delivery (e.g. mobile working, digital evidence) as well as inclusion of the next stage of our operating model reviews, and planning for the end of the Southwest One contract in 17/18.

PART TWO – THE CAPITAL PROGRAMME

48. Our draft capital programme identifies planned expenditure of **£49.8m over the next five years**, with £41.7m (83.7%) of this spend forecast across the first three years.
49. The following table summarises the draft capital programme at this stage. A fuller presentation of this is included at Annex D:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Info & Comms Systems	5,106	1,879	1,501	1,100	350	9,936
Estates	8,059	10,060	6,092	800	800	25,811
Transport	3,578	2,340	2,410	2,435	2,215	12,978
Equipment	225	225	222	222	221	1,115
TOTAL	16,968	14,504	10,225	4,557	3,586	49,840

50. The draft plan is, at present, focussed on new additional spend. It will therefore be in addition to any re-profiling and carry forward of committed funds from the 14/15 capital programme. Based on the Q2 forecast position, the following table summarises the anticipated 14/15 plan at this stage of the programmes development:-

	Anticipated 2014/15 C/Fwd £'000	Draft 5 Year Programme £'000	TOTAL Capital Plan £'000
Info & Communication Systems	3,626	9,936	13,562
Estates	1,982	25,811	27,793
Transport	64	12,978	13,042
Equipment	0	1,115	1,115
TOTAL	5,672	49,840	55,512

51. Once our anticipated carry forward from the 14/15 plan is added, this takes the total capital expenditure to **£55.5m over the next five years**, with £47.4m (85.3%) planned in the next three years.

INFORMATION AND COMMUNICATION SYSTEMS

52. The draft capital programme identifies a total of **£9.9m** (£13.6m including anticipated carry forward of 14/15 plan) over the next five years, representing 19.9% (24.4% including carry forward) of the total plan. The following table summarises the draft capital programme for Information and Communication Systems (I&CS):-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Replacement and renewal	100	300	1,501	1,100	350	3,351
Projects – Corp Systems	3,550	0	0	0	0	3,550
Projects – National Systems	0	1,200	0	0	0	1,200
Projects – Regional Systems	1,033	0	0	0	0	1,033
Projects – Data/Telephony	423	379	0	0	0	802
TOTAL	5,106	1,879	1,501	1,100	350	9,936

53. The above table shows that the IC&S part of the programme will fall into five distinct areas:-
- a. **Replacement and renewal programme** – In 15/16 the only item included in this programme is a contingency for unscheduled IT spend which is included annually to cope with these types of pressure which occur from time to time. Beyond this there is provision for the replacement of end-user devices (desktops, laptops, mobiles etc...), website server and Comms operator touch screens;
 - b. **Projects – Corporate Systems** – The entirety of our planned spend in this area is concentrated into 15/16 (£3.55m). This predominantly (£3.0m) relates to the costs of the ATLAS project which is expected to deliver our new crime, intelligence, case and custody system during the course of 15/16. The remainder of the plan includes provision for progression of business analytics (£0.5m) and a small amount in relation to our workforce management system (£0.05m);
 - c. **Projects – National Systems** – The only planned spend in this area of our capital programme at this stage relates to the Emergency Services Mobile Communications Programme (ESMCP). We anticipate expenditure will be incurred in 16/17 prior to go live in 17/18, and although the precise nature of our costs remains uncertain, we have included a provisional sum of £1.2m. We will continue to monitor this national programme and refine our assumptions accordingly;
 - d. **Projects – Regional Systems** – The only planned spend in this area of the capital programme is in 15/16. This is for our regional STORM platform (£0.2m - recognising the contribution that ourselves, Gloucestershire and Wiltshire Constabularies have committed to supporting this new software), and for the regional digital evidence management (DEMS) project which we're co-ordinating on behalf of the region;
 - e. **Projects – Mobile and Fixed Line Telephony** – The project to deliver new voice and data communications throughout the Force area is set to continue into 15/16 and 16/17, delivering Wide Area Network (WAN) upgrades, Voice over IP (VOIP) infrastructure and video conferencing.
54. Whilst the above position represents our best estimate of likely capital spend over the next five years, there remain some items which might have capital implications that are not included. These are:-
- a. IDIOM – This is a national integrated offender management system that the Home Office currently supports, but which they are looking to pass over to another provider. Southwest One have proposed to host on behalf of all police forces, and if so there may be costs and income that would need to be managed through the accounts of Avon & Somerset;
 - b. HOLMES – There has been an extension to the current version of HOLMES until September 2015, at which point there will be an upgrade in version (resulting in some revenue costs). In parallel Durham Constabulary are leading on a national solution for a new HOLMES system. At this stage we're uncertain whether there will be any capital costs of this;

- c. Southwest One end of contract – Our Southwest One contract is due to reach the end of life in 17/18. There is currently no provision for any IT costs which might have to be incurred as a consequence of this;
- d. STORM hardware – Included in the programme are the capital costs of the STORM software, but what we have not included is any hardware costs. This is currently under review, and if it transpires that a capital budget is required here we will include this.

ESTATES

55. The draft capital programme identifies a total of **£25.8m** (£27.8m including anticipated carry forward of 14/15 plan) over the next five years, representing 51.8% (50.1% including carry forward) of the total plan. The following table summarises the draft capital programme for Estates:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Replacement and renewal	300	400	400	400	400	1,900
Projects – HQ Site	2,374	410	400	400	400	3,984
Projects –Rationalisation	5,385	9,250	5,292	0	0	19,927
TOTAL	8,059	10,060	6,092	800	800	25,811

56. The above table shows that the Estates part of the programme will fall into three distinct areas:-
- a. **Replacement and renewal programme** – This area of the programme makes provision for ongoing electrical, central heating and fire precautions work in order to ensure our existing estate remains serviced to appropriate standards;
 - b. **Projects – HQ Site** – The projects specifically relating to our HQ site that require budget over the life of this capital programme include the completion of the central store project (£1.0m - due to be completed in 15/16), as well as provision for relocation of the mounted facilities to HQ (£1.0m - final proposal on this project yet to be determined but expected to be progressed in 15/16). In addition to this there is annual budget of £0.4m p.a. throughout the life of the capital programme to refurbish the accommodation within the training school;
 - c. **Projects – Estates Rationalisation** – This is the largest, and most complex part of the capital programme, as it reflects the current plan for the delivery of estates strategy to reduce our physical footprint and deliver savings. In total there are 24 separate projects, ranging from co-location of neighbourhood policing teams with partners, through to larger projects such as our plans for Trinity Road (Bristol), Yeovil, Bath, Weston-Super-Mare and Taunton. The profile and pattern of spend included in the draft capital programme represents our best estimate of likely costs and timeframes for these projects. However, experience suggests that these types of projects are hard to forecast accurately both in terms of timing (both delays, or opportunities requiring postponement or bringing forward of projects) as well as costs (as consequence of the opportunities that arise, and unforeseen issues such as removal of asbestos etc...).

TRANSPORT

57. The draft capital programme identifies a total of **£13.0m** (£13.0m also including anticipated carry forward of 14/15 plan) over the next five years, representing 26.0% (23.5% including carry forward) of the total plan. The following table summarises the draft capital programme for Transport:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Replacement and renewal - Non-specialist vehicles	2,685	2,340	2,310	2,435	1,835	11,605
Replacement and renewal - Specialist vehicles	840	0	100	0	380	1,320
Projects – Pool car infrastructure	53	0	0	0	0	53
TOTAL	3,578	2,340	2,410	2,435	2,215	13,042

58. The above table shows that the Transport part of the programme will fall into three distinct areas:-
- a. **Replacement and renewal – Non-specialist vehicles** - This area of the programme provides funds for both marked vehicles and unmarked vehicles ongoing replacement in accordance with our utilisation of the fleet. At present this assumes no growth in the number of vehicles needed as a consequence of the operating model. A detailed review of the fleet, and the requirements of the operating model is underway and should an increase be identified as necessary this will be the subject of a business case brought forward;
 - b. **Replacement and renewal – Specialist vehicles** – This area of the programme provides for the replacement of our more specialist vehicles within the fleet. The plan over the next five years includes replacement of Police Support Unit vans, refurbishment of two horseboxes, replacement of the dive truck and the replacement of 3 detainee transport vans;
 - c. **Projects – Pool car infrastructure** – This small project is to purchase four additional Traka cabinets, and to introduce an online self-service pool car booking system. The aim of this project is to further increase the use of pool cars and thereby reduce the cost of reimbursing individuals for the use of their personal cars.

EQUIPMENT

59. The draft capital programme identifies a total of **£1.1m** (no anticipated carry forward from 14/15 plan) over the next five years, representing 2.2% (2.0% including carry forward) of the total plan. The following table summarises the draft capital programme for Equipment:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Replacement and renewal – ANPR	125	125	122	122	121	615
Replacement and renewal – Other	100	100	100	100	100	500
TOTAL	225	225	222	222	221	1,115

60. The above table shows that the Equipment part of the programme will fall into two distinct areas:-

- a. **Replacement and renewal – ANPR** – This provides for the ongoing replacement and renewal of our automatic number plate recognition (ANPR) cameras and equipment;
- b. **Replacement and renewal – Other** – This provides a general contingency of £0.1m p.a. for replacement and renewal of operational equipment on an ad hoc basis.

FUNDING THE CAPITAL PROGRAMME

61. The following table summarises the plan for how this draft capital programme might be financed:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	TOTAL £'000
Capital grant	2,300	2,300	2,300	2,300	2,300	11,500
Revenue contributions	740	740	740	740	740	3,700
Capital contributions	889	0	0	0	0	889
Capital receipts	12,191	5,565	5,734	1,690	250	25,430
Earmarked capital reserve	848	5,899	0	0	0	6,747
Borrowing	0	0	1,451	0	123	1,574
TOTAL	16,968	14,504	10,225	4,557	3,586	49,840

62. As the above table demonstrates we have a number of sources of funding for our capital programme:-

- a. **Capital grant** – This is an annual grant provided to all police forces by the Home Office to support ongoing capital expenditure. The value of the grant in 14/15 is £2.4m. For the purposes of our planning we have assumed a small reduction in this grant to £2.3m in 15/16 and then for the value of the grant to remain frozen at this new 15/16 level over the course of the capital programme. Therefore in total capital grant will fund £11.5m, which is 20.6% of the total funding needed;
- b. **Revenue contributions** – This is the value of recurring revenue base budget to support the capital programme. The value of £0.74m has remained consistent for several years, and there is no intention at present to reduce this funding in our MTFP. The total revenue contributions will fund £3.7m, which is 6.6% of the total funding needed;
- c. **Capital contributions** – This funding consists of innovation funding in support of our digital evidence project, as well as planned contributions from our

regional partners towards the cost of this project. In addition it also includes anticipated funding from Wiltshire and Gloucestershire Constabularies in support of the software costs of the new STORM platform. The total capital contributions will fund £0.9m, which is 1.6% of the total funding needed;

- d. **Capital receipts** – This funding represents the sale proceeds (minus the costs of sale) from the disposal of our assets, mainly our land and building assets. The estates rationalisation programme has already delivered £19.2m in capital receipts (11/12 – 14/15 YTD), and is forecast to deliver a further £19.4m during the remainder of this year and across the capital programme. Some of this funding will have already been utilised to support expenditure, however we anticipate that there will be £25.4m available to support capital expenditure over the next five years (this increases to £31.1m when funding in support anticipated carry forward is included). The following table summarises the forecast position on the capital receipts reserve:-

Capital Receipts	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Balance at 1 st April	4,127	15,640	-	-	-	173
Additions during year	17,882	2,223	5,565	5,734	1,690	250
Used during year	(6,368)	(17,863)	(5,565)	(5,734)	(1,517)	(423)
Balance at 31st March	15,640	-	-	-	173	-

- e. **Earmarked capital reserve** – This is funding which will need to be set aside from our other reserves, in order to support capital expenditure. In total this equates to £6.7m, although in order to reduce reliance on borrowing the profile of this is required over the next two years. Our ability to identify this funding will depend on a number of factors, including the impact of other draws against our reserves, and any re-profiling of our capital plan in light of the current uncertainties. Based on this current forecast the following table summarises the position on our earmarked capital reserve:-

Earmarked Capital Reserve	2014/15 £'000	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000
Balance at 1 st April	9,074	848	5,899	-	-	-
Required additions in year	848	5,899	-	-	-	-
Used during year	(9,074)	(848)	(5,899)	-	-	-
Balance at 31st March	848	5,899	-	-	-	-

- f. **Borrowing** – The use of loan financing has, for several years now, been our option of last resort. This passive approach to borrowing means that we have not undertaken any new borrowing since 11/12, and as a consequence we have been able to reduce the revenue costs in support of borrowing by £0.5m over the last four years, with further reductions expected over the life of this MTFP. Our current plan assumes that we will require new borrowing from 17/18, with an indicative value of £1.6m needed over the course of this plan. Like our earmarked capital reserve funding this is dependent on a number of factors, including our ability to identify funding to place into capital reserve in 15/16 and 16/17.

FUNDING THE COST OF CHANGE

63. As is evident from our 14/15 budget performance the Constabulary is undergoing a high degree of change currently. This change comes at a cost, both capital and revenue. The capital programme identified above includes all areas of known investment at this time in support of current planned change. However, there remain some revenue costs which are not reflected in the above.
64. These revenue costs are planned to be supported by our reserves. In order to provide transparency over these costs we intend to quantify them, and recognise the utilisation of reserves in support of them. This will enable much greater visibility of these costs, as well as clearer budgets for project managers and programme leads to manage to.
65. The identification and inclusion of these costs and release of funding from reserves will be included in the next version of the MTFP to be presented in January.

BENCHMARKING

66. We have produced benchmarking reports which have been discussed at the regional PCC's and CC's meeting. These identify that the majority of our assumptions are in line with the region.
67. We will continue to liaise with colleagues from other forces, as well as the information collated and shared through FRBA and PCCTS, to review our assumptions and ensure that they remain appropriate in light of the emerging picture elsewhere.

SENSITIVITY AND RISK

68. As with any form of modelling where assumptions are used, it is appropriate to consider the sensitivity of these assumptions to change. However, given the complexity of all of the assumptions used, compounded over a four year planning horizon, there is a risk that sensitivity analysis could become overly complex. The following therefore focusses on our key assumptions in an attempt to provide simplistic sensitivity information. This is supported by workings at Annex E.
 - a. Grant Funding – The grant funding settlement is agreed by the Government and announced to us in mid-December each year. The level of uncertainty in this area is high, not just in 15/16 where there remains real uncertainty over the size of funding reductions, but also across the remainder of the MTFP as these years will be set by the new Government elected at the general election in May 2015. In summary each 1% of grant funding (excluding those elements we're assuming to be cash frozen) is equivalent to £1.7m. Therefore if the grant reduction in 15/16 is only 3.8% we would expect to receive £1.7m more than the figures above, and our deficit by 18/19 would reduce to £21.3m;
 - b. Council Tax Precept – The council tax precept is set by the PCC, following review by the Police and Crime Panel (PCP). Ultimately the PCC is free to set whatever precept change they feel most appropriate, however this may be subject to rejection by the PCP, requiring refinement, and if the increase is over the Governments referendum level (1.99% in 14/15) then it also

requires the support of the public in a referendum (the incremental cost of which would have to be borne by the PCC). Each 1% of council tax funding is equivalent to £0.9m. Therefore if the council increase in 15/16 is only 1.0% we would receive £0.9m less than the figures above, and our deficit 18/19 would increase to £23.9m;

- c. Pay Awards – Pay awards are negotiated nationally for both police officers (through the Police Negotiating Board) and for police staff (through the Police Staff Council). Through these negotiations the Government has sought to exercise pay restraint, first with a two year pay freeze (in 11/12 and 12/13), followed by a 1% increase in 13/14, and an expected 1% increase in 14/15 (already agreed for Police Officers) and in 15/16. Beyond this there remains uncertainty as to the likely level of pay. Staff associations are already arguing for bigger increases than those offered, whereas all economic forecasts are now pointing towards a much more measured and long-term approach to economic recovery which would require a certain amount of continued pay restraint. Every 1% in pay is equivalent to approximately £2m. Given a higher degree of certainty around pay through until September 2015 we have modelled what the impact would be of a different pay award in September 2016. In this instance if the pay award in September 2016 was 2.5% (as opposed to current assumption of 1.5%) this would increase the deficit by £1.2m in that year (because of part year effect) and by £2.1m by 18/19, raising the overall MTFP deficit to £25.0m.

69. As the sensitivity analysis above highlights, the MTFP is subject to a high level of risk at present. Given the volume, and potential high impact of this risk, we have included at Annex F a MTFP specific risk register which tries to capture the key risks associated with grant funding, council tax funding, expenditure, savings and reserves. We will continue to monitor this risk register, and where necessary amend this to reflect changes to current identified risks, or to add new emerging risks as and when they become apparent.

DIVERSITY

70. Diversity considerations are an integral part of the budget setting process. Diversity implications are considered at all stages in the process.

SUSTAINABILITY

71. Sustainability is an important consideration in setting the revenue budget and capital programme. Financial sustainability will be essential over the medium to long-term, against a backdrop of reducing central grant funding and on-going inflationary cost pressures.
72. Sustainable utilisation of natural resources is also an important consideration. Working together to improve our carbon usage is not only important in meeting our moral and legal obligations, but also provides opportunities to meet the economic challenges of the future.

RECOMMENDATION

73. The Police & Crime Panel Members are invited to consider this report with the associated Council Tax precept proposals, discuss with and provide feedback to the Police & Crime Commissioner.

MARK SIMMONDS

Chief Finance Officer - PCC
01275 816380

JULIAN KERN

Chief Finance Officer – CC
01275 816012

Annex A – Summary MTFP

Annex B – Key Assumptions and Figures

Annex C – Funding Analysis

Annex D – Budget Requirement Analysis

Annex E – Draft Capital Programme

Annex F - Sensitivity Analysis

Annex G – MTFP Risk Register

ANNEX A - MEDIUM TERM FINANCIAL PLAN

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)				
OPCC 2014/15 Budget	1,406	1,406	1,406	1,406
Continuation adjustments between budgets	0			
Provision for inflation	0	15	40	70
Savings	(25)	(25)	(25)	(25)
OPCC Budget Requirement	1,381	1,396	1,421	1,451
COMMISSIONING				
Commissioning 2014/15 Budget	2,556	2,556	2,556	2,556
Continuation adjustments between budgets	0			
Victims Commissioning	629	629	629	629
Commissioning Budget Requirement	3,185	3,185	3,185	3,185
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)				
Constabulary 2014/15 Budget	272,231	272,231	272,231	272,231
Continuation adjustments between budgets	0			
Pay and Staffing adjustments	3,946	11,946	17,284	23,166
Non-Pay Inflationary adjustments	547	990	1,277	1,613
Cost of Capital adjustments	681	684	710	59
Other commitment adjustments	2,846	2,582	2,408	2,427
Constabulary Budget Requirement	280,252	288,433	293,910	299,496
TOTAL BUDGET REQUIREMENT	284,818	293,014	298,516	304,132
FUNDING				
TOTAL Grant Funding	(179,411)	(173,866)	(168,722)	(163,742)
TOTAL Council Tax Funding	(93,240)	(95,076)	(97,922)	(100,855)
TOTAL FUNDING	(272,652)	(268,942)	(266,644)	(264,597)
DEFICIT BEFORE SAVINGS	12,166	24,072	31,871	39,534
PLANNED SAVINGS				
Change Programme Savings	(6,044)	(9,097)	(9,236)	(9,236)
Estates, Sustainability and PFI Savings	(1,223)	(1,289)	(1,671)	(1,730)
Savings identified through detailed budget review	(4,899)	(5,687)	(5,687)	(5,687)
TOTAL SAVINGS	(12,166)	(16,073)	(16,594)	(16,653)
REMAINING DEFICIT	0	7,999	15,278	22,881

ANNEX B - KEY ASSUMPTIONS AND FIGURES

	2015/16	2016/17	2017/18	2018/19
	%	%	%	%
KEY FUNDING ASSUMPTIONS				
Main grant (Home Office and DCLG grants) reduction	-4.80%	-3.20%	-3.20%	-3.20%
Total grant (inc legacy council tax grants and victims) reduction	-3.49%	-3.09%	-2.96%	-2.95%
Council Tax precept increase	+1.99%	+1.99%	+1.99%	+1.99%
Council Tax base increase	+1.76%	+1.00%	+1.00%	+1.00%
Av. Band D Council Tax Precept (£p)	£174.78p	£178.26p	£181.81p	£185.42p
KEY EXPENDITURE ASSUMPTIONS				
Pay award - September 2015	+1.00%	+1.00%	+1.00%	+1.00%
Pay Award - September 2016		+1.50%	+1.50%	+1.50%
Pay Award - September 2017			+2.00%	+2.00%
Pay Award - September 2018				+2.50%
General Non-Pay inflationary factor	+2.00%	+2.00%	+2.00%	+2.00%
Utilities	See Note 1	+5.00%	+5.00%	+5.00%
Fuel	See Note 2	+5.00%	+5.00%	+5.00%
Impact of National Insurance Changes (£'000)		+£4,432	+£4,543	+£4,657
Planned number of new police officer recruits (FTE)	+96	+80	+64	+64
New planned savings	(12,166)	(16,073)	(16,594)	(16,653)
Total cumulative savings since 10/11	(58,055)	(61,962)	(62,483)	(62,542)
RESIDUAL DEFICIT (after planned savings)	Balanced	7,999	15,278	22,881
Total cumulative savings required to balance MTFP since 10/11	(58,055)	(69,961)	(77,760)	(85,423)
<p>Note 1 - Our utilities budgets have been reviewed in detail, in conjunction with our energy bureau service. As a consequence of this review they have been re-baselined in 2015/16. The result of this exercise means that we have not inflated our gas or oil budgets in 2015/16, and have inflated our electricity budgets by 2.2% and our water/sewerage budgets by 3.6%.</p>				
<p>Note 2 - Our fuel budgets have been reviewed in light of recent reductions to fuel prices. As a consequence of this we have not inflated our fuel budgets in 2015/16, but have reduced them in line with current prices and our forecast for these over the next 12 months.</p>				

ANNEX C - REVENUE FUNDING FORECASTS

	Baseline	Current Government					New Government			
	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000	16/17 £'000	17/18 £'000	18/19 £'000	
	Actual					New MTFP				
GRANT FUNDING										
Main Grants	186,063	185,273	172,857	177,348	171,186	162,966	160,752	155,608	150,628	
Neighbourhood Policing	7,357	7,356	7,313	0	0	0	0	0	0	
Crime Fighting Fund	5,686	0	0	0	0	0	0	0	0	
Additional Rules 2	4,730	0	0	0	0	0	0	0	0	
Community Safety	378	375	356	2,403	0	0	0	0	0	
Victims Commissioning	0	0	0	0	0	1,736	1,736	1,736	1,736	
Council Tax Freeze	0	2,369	5,245	3,339	3,331	3,331	0	0	0	
Council Tax Support	0	0	0	11,341	11,378	11,378	11,378	11,378	11,378	
TOTAL GRANT FUNDING	204,214	195,373	185,771	194,431	185,895	179,411	173,866	168,722	163,742	
Annual Change (£'000)		-8,841	-9,602	8,660	-8,536	-6,484	-5,546	-5,144	-4,979	
Annual Change (%)		-4.3%	-4.9%	4.7%	-4.4%	-3.5%	-3.1%	-3.0%	-3.0%	
Cumulative Change (£'000)		-8,841	-18,443	-9,783	-18,319	-24,803	-30,348	-35,492	-40,472	
Cumulative Change (%)		-4.3%	-9.0%	-4.8%	-9.0%	-12.1%	-14.9%	-17.4%	-19.8%	
COUNCIL TAX FUNDING										
Council Tax Precept	94,230	94,776	97,879	84,678	88,464	91,812	94,576	97,422	100,355	
Collection Fund Surplus	425	217	989	552	1,834	1,428	500	500	500	
TOTAL COUNCIL TAX FUNDING	94,655	94,993	98,868	85,230	90,298	93,240	95,076	97,922	100,855	
Annual Change (£'000)		338	3,875	-13,638	5,068	2,942	1,835	2,847	2,932	
Annual Change (%)		0.4%	4.1%	-13.8%	5.9%	3.3%	2.0%	3.0%	3.0%	
Cumulative Change (£'000)		338	4,214	-9,425	-4,357	-1,415	421	3,268	6,200	
Cumulative Change (%)		0.4%	4.5%	-10.0%	-4.6%	-1.5%	0.4%	3.5%	6.5%	
TOTAL FUNDING AND ANALYSIS										
TOTAL FUNDING	298,869	290,366	284,639	279,661	276,193	272,652	268,942	266,644	264,597	
Annual Change (£'000)		-8,503	-5,727	-4,978	-3,468	-3,541	-3,710	-2,297	-2,047	
Annual Change (%)		-2.8%	-2.0%	-1.7%	-1.2%	-1.3%	-1.4%	-0.9%	-0.8%	
Cumulative Change (£'000)		-8,503	-14,229	-19,208	-22,676	-26,217	-29,927	-32,225	-34,272	
Cumulative Change (%)		-2.8%	-4.8%	-6.4%	-7.6%	-8.8%	-10.0%	-10.8%	-11.5%	
Grant Funding	68.3%	67.3%	65.3%	69.5%	67.3%	65.8%	64.6%	63.3%	61.9%	
Council Tax Funding	31.7%	32.7%	34.7%	30.5%	32.7%	34.2%	35.4%	36.7%	38.1%	
TOTAL Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Average Band D Council Tax	£168.03p	£168.03p	£168.03p	£168.03p	£171.37p	£174.78p	£178.26p	£181.81p	£185.42p	
Annual Change (£p)		£0.00	£0.00	£0.00	£3.34	£3.41	£3.48	£3.55	£3.62	
Annual Change (%)		0.00%	0.00%	0.00%	1.99%	1.99%	1.99%	1.99%	1.99%	
Cumulative Change (£p)		£0.00	£0.00	£0.00	£3.34	£6.75	£10.23	£13.78	£17.39	
Cumulative Change (%)		0.0%	0.0%	0.0%	2.0%	4.0%	6.1%	8.2%	10.4%	
Council Tax Base	560,788	564,040	570,607	503,933	516,203	525,302	530,555	535,860	541,219	
Annual Change (No. of Properties)		3,252	6,567	-66,674	12,270	9,099	5,253	5,306	5,359	
Annual Change (%)		0.6%	1.2%	-11.7%	2.4%	1.8%	1.0%	1.0%	1.0%	
Cumulative Change (No.)		3,252	9,819	-56,855	-44,585	-35,486	-30,233	-24,928	-19,569	
Cumulative Change (%)		0.6%	1.8%	-10.1%	-8.0%	-6.3%	-5.4%	-4.4%	-3.5%	

ANNEX D - REVENUE EXPENDITURE ANALYSIS

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)				
OPCC 2013/14 Budget	1,406	1,406	1,406	1,406
Continuation adjustments between budgets	0	0	0	0
Provision for inflation	0	15	40	70
Savings	(25)	(25)	(25)	(25)
OPCC Budget Requirement	1,381	1,396	1,421	1,451
COMMISSIONING				
OPCC 2013/14 Budget	2,556	2,556	2,556	2,556
Continuation adjustments between budgets	0	0	0	0
Victims commissioning	629	629	629	629
Commissioning Budget Requirement	3,185	3,185	3,185	3,185
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)				
Constabulary 2013/14 Budget	272,231	272,231	272,231	272,231
Continuation adjustments between budgets	0			
Police Officer Pay Awards	1,371	3,006	5,345	8,390
Police Staff/PCSO Pay Awards	614	1,547	2,833	4,508
Incremental Pay Progression	1,528	3,028	4,528	6,028
National Insurance adjustments	0	4,432	4,543	4,657
Pension adjustments	1	305	499	710
Housing allowance and compensatory grant adjustments	(129)	(367)	(648)	(933)
Overtime adjustments	561	(5)	184	(194)
Pay and Staffing adjustments	3,946	11,946	17,284	23,166
Utilities inflationary adjustments	47	149	256	368
Fuel inflationary adjustments	0	114	233	359
Southwest One - contractual indexation adjustments	57	155	9	(23)
Other non-pay inflationary adjustments	552	987	1,431	1,884
Interest receivable adjustments	(109)	(416)	(653)	(975)
Non-Pay Inflationary adjustments	547	990	1,277	1,613
Revenue costs of the capital programme	717	782	811	808
Minimum Revenue Provision (MRP) adjustments	0	24	24	(653)
Interest payable adjustments	(36)	(123)	(126)	(96)
Cost of Capital adjustments	681	684	710	59
PFI Costs	531	701	701	701
Growth	2,315	1,881	1,707	1,726
Other commitment adjustments	2,846	2,582	2,408	2,427
Constabulary Budget Requirement	280,252	288,433	293,910	299,496
TOTAL BUDGET REQUIREMENT	284,818	293,014	298,516	304,132
CURRENT PLANNED SAVINGS				
Change Programme Savings	(6,044)	(9,097)	(9,236)	(9,236)
Estates, Sustainability and PFI Savings	(1,223)	(1,289)	(1,671)	(1,730)
Savings identified through detailed budget review	(5,687)	(5,687)	(5,687)	(5,687)
TOTAL PLANNED SAVINGS	(12,954)	(16,073)	(16,594)	(16,653)
TOTAL BUDGET REQUIREMENT AFTER PLANNED SAVINGS	271,864	276,941	281,922	287,479

ANNEX E - CAPITAL PROGRAMME AND CAPITAL FUNDING

Project name	Description	2014/15 Anticipated C/Fwd	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	TOTAL £'000
INFORMATION AND COMMUNICATIONS SYSTEMS								
	Rolling Replacement and renewal programme (inc contingency)	0	100	300	1,501	1,100	350	3,351
	PROJECTS - Corporate Systems	3,250	3,550	0	0	0	0	6,800
	PROJECTS - National Systems	126	0	1,200	0	0	0	1,326
	PROJECTS - Regional Systems	0	1,033	0	0	0	0	1,033
	PROJECTS - Mobile and Fixed Line Telephony/Data	0	423	379	0	0	0	802
	PROJECTS - Security	250	0	0	0	0	0	250
	INFORMATION & COMMUNICATION SYSTEMS TOTAL	3,626	5,106	1,879	1,501	1,100	350	13,562
ESTATES								
	Rolling replacement and renewal programme	0	300	400	400	400	400	1,900
	PROJECTS - HQ Site refurbishment and projects (including Central Store)	1,425	2,374	410	400	400	400	5,409
	PROJECTS - Estate rationalisation programme	455	5,385	9,250	5,292	0	0	20,382
	PROJECTS - PFI Buildings Programme	102	0	0	0	0	0	102
	ESTATES TOTAL	1,982	8,059	10,060	6,092	800	800	27,793
Project name	Description	2014/15 Anticipated C/Fwd	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	TOTAL £'000
FLEET								
	Rolling replacement and renewal programme - Non Specialist Fleet	0	2,685	2,340	2,310	2,435	1,835	11,605
	Rolling replacement and renewal programme - Specialist Fleet	0	840	0	100	0	380	1,320
	PROJECTS - In-vehicle tracking	64	0	0	0	0	0	64
	PROJECTS - Pool Car Infrastructure	0	53	0	0	0	0	53
	FLEET TOTAL	64	3,578	2,340	2,410	2,435	2,215	13,042
EQUIPMENT								
	Rolling replacement and renewal programme - Automatic Number Plate Recognition (ANPR)	0	125	125	122	122	121	615
	Rolling replacement and renewal programme - Other	0	100	100	100	100	100	500
	EQUIPMENT TOTAL	0	225	225	222	222	221	1,115
	TOTAL CAPITAL PROGRAMME	5,672	16,968	14,504	10,225	4,557	3,586	55,512
MEMORANDUM - AIRCRAFT (EXCLUDED FROM ABOVE AS HELD ON BEHALF OF NPAS)								
	<i>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 helicopter within our region. This is excluded from the above as it is funding we're holding on behalf of the national organisation.</i>	1,043	0	0	0	0	0	0
Project name	Description	2014/15 Anticipated C/Fwd	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000	TOTAL £'000
CAPITAL FUNDING								
	Home Office Capital Grant	0	2,300	2,300	2,300	2,300	2,300	11,500
	Revenue Contributions	0	740	740	740	740	740	3,700
	Capital Contributions (including innovation bid funding)	0	889	0	0	0	0	889
	Capital Receipts	5,672	12,191	5,565	5,734	1,517	423	31,102
	Earmarked Capital Financing Reserve	0	848	5,899	0	0	0	6,747
	Borrowing	0	0	0	1,451	0	123	1,574
	TOTAL FUNDING	5,672	16,968	14,504	10,225	4,557	3,586	55,512
Capital Receipts Reserve								
	Balance as at 1st April	4,127	15,640	0	0	0	173	
	Anticipated receipts during the year	17,882	2,223	5,565	5,734	1,690	250	
	Anticipated useage of capital receipts during the year	(6,368)	(17,863)	(5,565)	(5,734)	(1,517)	(423)	
	Balance as at 31st March	15,640	0	0	0	173	0	
Earmarked Capital Financing Reserve								
	Balance as at 1st April	9,074	848	5,899	0	0	0	
	Required additions during the year	848	5,899	0	0	0	0	
	Anticipated useage of capital financing reserve during the year	(9,074)	(848)	(5,899)	0	0	0	
	Balance as at 31st March	848	5,899	0	0	0	0	

ANNEX F - REVENUE SENSITIVITY ANALYSIS

	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
GRANT FUNDING				
Less 2.8% in 15/16 the same thereafter	182,838	177,183	171,932	166,850
Change in Deficit	-3,426	-3,317	-3,211	-3,108
Less 3.8% in 15/16 the same thereafter	181,126	175,526	170,328	165,298
Change in Deficit	-1,714	-1,660	-1,606	-1,555
Current (-4.8%, -3.2%, -3.2%, -3.2%)	179,411	173,866	168,722	163,742
Change in Deficit	No Change	No Change	No Change	No Change
Less 5.8% in 15/16 the same thereafter	177,702	172,211	167,121	162,194
Change in Deficit	+1,709	+1,655	+1,601	+1,548
Less 6.8% in 15/16 the same thereafter	175,990	170,554	165,517	160,641
Change in Deficit	+3,421	+3,312	+3,205	+3,101

COUNCIL TAX PRECEPT FUNDING				
Precept increase of 1.0% in 15/16 and 1.99% thereafter	90,924	93,657	96,479	99,381
Change in Deficit	+891	+918	+946	+974
Precept increase of 1.5% in 15/16 and 1.99% thereafter	91,374	94,121	96,957	99,873
Change in Deficit	+441	+454	+468	+482
Current (+1.99%, +1.99%, +1.99%, +1.99%)	91,815	94,575	97,425	100,355
Change in Deficit	No Change	No Change	No Change	No Change
Precept increase of 2.5% in 15/16 and 1.99% thereafter	92,274	95,048	97,912	100,857
Change in Deficit	-459	-473	-487	-502
Precept increase of 3.0% in 15/16 and 1.99% thereafter	92,724	95,512	98,390	101,349
Change in Deficit	-909	-937	-965	-994

PAY AWARDS				
Same Pay Awards except 0.5% in Sep 2016	199,544	200,943	203,709	208,382
Change in Deficit	+0	-1,169	-2,027	-2,073
Same Pay Awards except 1.0% in Sep 2016	199,544	201,527	204,723	209,419
Change in Deficit	+0	-584	-1,013	-1,037
Current (1.0%, 1.5%, 2.0%, 2.5%)	199,544	202,111	205,736	210,456
Change in Deficit	No Change	No Change	No Change	No Change
Same Pay Awards except 2.0% in Sep 2016	199,544	202,696	206,750	211,493
Change in Deficit	+0	+584	+1,013	+1,037
Same Pay Awards except 2.5% in Sep 2016	199,544	203,280	207,763	212,529
Change in Deficit	+0	+1,169	+2,027	+2,073

Risk	Impact	Likelihood	Risk Value	Mitigating Actions/Assumptions	Moderated Risk Value
GRANT FUNDING					
Grant Funding Cuts - Forecasting the future level of cuts to grant funding is not straightforward. 2015/16 represents the last year of the current SR, and the last year that this Government will set funding levels. Whilst the outcome of the General Election is unlikely to affect the reality of cuts to funding, it might bring about a difference in approach to the way in which funding is cut.	5	5	25	Continuing to monitor the latest information as published by the Government about the future size of funding cuts to Government departments. Liaising with other local regional forces to share assumptions, and with FRBA/PCCTS to understand latest intelligence and building this into our forecasts.	12
IPCC Funding (Topslice) - In addition to underlying reductions to grant funding as a consequence of austerity, we also anticipate further topslices to our funding in support of the growth to the IPCC which the Home Secretary has announced. 14/15 was the first year in which this topslice took effect, and we expect this to grow in future years to enable sustainable growth in the IPCC. The value and timing of this remains uncertain.	3	5	15	Continuing to monitor the latest information from the Home Office about the size of any potential changes to our funding. Liaising with local regional forces to share assumptions, and with FRBA/PCCTS to understand latest intelligence and building this into our forecasts.	6
Innovation Funding (Topslice) - In addition to underlying reductions to grant funding as a consequence of austerity, we also now anticipate further topslices to our funding in support of increases to the central innovation fund administered by the Home Office. 14/15 saw approximately £50m topslice from police grant across England and Wales. Indications are that there could be a further £20m topsliced from 15/16 grants.	3	5	15	Continuing to monitor the latest information from the Home Office about the size of any potential changes to our funding. Liaising with local regional forces to share assumptions, and with FRBA/PCCTS to understand latest intelligence and building this into our forecasts.	6
Medical provision passed to the NHS (Topslice) - The provision of medical services in custody is currently contracted out. The Government intends to pass responsibility for this service across to the NHS, and to transfer budgets across for this service. We're currently working towards a date of 1st April 2015 for this transfer of the service, however there is potential for this to be delayed. A topslice to our funding seems the most likely method to implement this change, but the value is yet to be determined.	3	5	15	Continuing to monitor the latest information through the regional board (chaired by Wiltshire), and from the Home Office about the proposed way in which the transfer of funds will occur. We will continue to lobby, alongside other Forces, that the value of this transfer should be no more than the current cost of the contracted out service.	6
Police Pensions Employer Contributions (Topslice) - The Government is currently exploring ways in which it can reduce the employer costs for police pensions as a consequence of reforms to the police pension scheme. The reduction in employer contributions which they are currently considering, would not be retained by individual PCC's. One of the ways in which they would enable this benefit to accrue centrally would be through a topslice to grant funding.	5	3	15	It is uncertain what course of action the Government will take, or indeed the timing for any changes. We will therefore continue to liaise closely with other forces through FRBA and PCCTS on this issue, and seek to inform the debate and eventual solution as best we can.	9
Council Tax Freeze Grants - the grants which have been provided by the Government in return for freezes to the policing part of the council tax, were originally intended to be time limited. We received grants for our freeze in 11/12, 12/13 (which has already been lost as it was for one year only) and 13/14. We did not qualify for a freeze grant in 14/15, and based on current assumptions we will not qualify for one in 15/16 either. The grants we are currently in receipt of amount to £3.3m. We are currently forecasting that these grants will continue indefinitely.	5	3	15	In their press release on 18th December 2013 the DCLG 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. Ministers have agreed that funding for the next 2 freeze years will also be built into the spending review baseline. 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." This statement therefore supports our forecast here.	2
Local Council Tax Support Grant - The abolition of Council Tax benefit, and its replacement with a local discount scheme, had the effect of redirecting grant funding previously paid into Local Authority collection funds (and therefore paid to us as part of our precept) with this grant which was paid directly to us. We are currently forecasting that this funding remains fixed at its 14/15 cash value across the MTFP, however there remains risk that this is not the case and that it is reduced or consolidated into main grant funding and then becomes subject to cuts.	5	3	15	At present our assumption that this funding will remain static at 14/15 cash levels is in keeping with the advice received from the Home Office. However, there remains uncertainty whether this is an appropriate assumption to be making for future years, or whether this funding might be subject to further changes (e.g. consolidation into main grant funding).	9
Damping - The use of a formula for the distribution of our grant funding would lead to an increase over our historic funding level. However the Government has never fully implemented this formula, and instead sort to smooth its impact through the application of damping. The Home Office has abandoned the formula entirely in 14/15, and is merely applying a % cut across all forces. There is a commitment from the Home Office to review this formula. At present we are assuming no change to the current distribution during the lifetime of this MTFP.	5	3	15	Our current assumption is to assume that there is no change to the current formula. We remain hopeful that a change might bring about an upside for us, but given the practical and political realities of identifying a funding formula that everyone can agree on, and then applying this consistently (which in turn could place certain forces into serious financial jeopardy) means that we're unlikely to see a complete resolution to this issue within the timeframe of this MTFP.	10
Victims Funding - The new victims funding being provided by the Ministry of Justice is currently forecast to continue frozen at its 15/16 cash value for the entirety of the MTFP. There remains a risk that this grant funding is cut, or consolidated into main grant funding, which in turn is then cut, thereby creating a larger reduction to grant funding than is currently forecast.	5	3	15	At present our assumption that this funding will remain static at 14/15 cash levels. However, there remains uncertainty whether this is an appropriate assumption to be making for future years, or whether this funding might be subject to further changes (e.g. consolidation into main grant funding). We will continue to monitor this, along with the assumptions of other forces based on any intelligence.	9
COUNCIL TAX FUNDING					
Future changes to council tax base - 14/15 saw the biggest annual increase (2.4%) in the tax base for as far back as our records go. This was substantially as a result of our local authorities being overly cautious in 13/14 because of the abolition of council tax benefit, and correcting this 14/15 - however, there remains an underlying trend of growth. We therefore project growth in our tax base of 1.8% in 15/16 (based on initial responses of 6 of our 9 local authorities), followed by 1% p.a. in each of the remaining years of our MTFP. Whether this level of growth is sustainable, or achievable consistently across the MTFP is at this stage uncertain.	5	3	15	We will continue to review our assumptions in this area, and will do so in consultation with our local authority partners. We would remain hopeful that 1.0% p.a. growth (equivalent of c. £900k p.a.) is achievable over the life of the MTFP, but accept that there might be annual variation in the achievement of this target.	5
Future surpluses/deficits on collection fund - like with the tax base 14/15 saw the biggest annual surplus (£1.8m) for as far back as our records go. This level of surplus is unsustainable, but early indications (based on 6 out of 9 local council responses) suggest a surplus of £1.4m in 15/16. Beyond this we are forecasting surpluses of £0.5m p.a. as this would appear reasonable based on historic trends. There remains a risk of being materially incorrect, with too high or too low, particularly if some of our bigger councils (e.g. Bristol) were to experience issues with their collection fund which reduced their surplus, or perhaps put them into a deficit position.	4	3	12	We will continue to review our assumptions in this area, and will do so in consultation with our local authority partners. We would remain hopeful that a sustainable annual surplus of £500k is achievable over the life of the MTFP, but accept that there might be annual variation in the achievement of this target.	4
Capping of precept levels - The Government has clearly established that it expects local authorities to freeze council tax. They have introduced the requirement to hold local referendums on the matter should a precept increase above a certain % value be sought. The level above which a referendum is required is set annually by the Secretary of State, and in 14/15 was not clarified until very late in the budget setting process causing several PCC's to have to change their plans at the final stage in order to comply.	5	4	20	In 14/15 the capping level was set at 1.99%, which is the same level as our current assumption across the MTFP. 15/16 is an election year, and therefore it is possible that the Government will seek to impose an even tighter limit for increases to council tax without referendum. Beyond the election there is true uncertainty about this, although all parties will want to be seen to be tackling the "cost of living" of which council tax is an element. We will therefore continue to scope for intelligence on this through FRBA and PCCTS.	16

Risk	Impact	Likelihood	Risk Value	Mitigating Actions/Assumptions	Moderated Risk Value
EXPENDITURE					
Pay Awards - The Chancellor announced in his 2013 Autumn statement that pay restraint in the public sector will see pay capped at 1% p.a. in 14/15 and in 15/16. Pay awards beyond this still remain uncertain, and at present we're forecasting 2.5% p.a. from 16/17. This figure is comparable to pay increases experienced immediately prior to pay restraint, but could be considered low by staff associations (who are already balloting on strike action having rejected the 14/15 pay award of 1%) or high for the Government (who are looking to extend pay restraint).	5	4	20	We will continue to monitor announcements from the Government on this, but again we're unlikely to have any further clarity on this point until after the next General Election. We will review our assumptions alongside those of other regional forces, and through the PCCTS questionnaire, national forces to ensure that our assumptions are broadly similar to those being made by others.	16
National Insurance Changes - the reform of the state pension, and the abolition of "contracted out" leading to an increase in our employers national insurance contributions, is the single biggest increase in our expenditure across the life of this MTFP. We have reviewed these changes, and calculated the impact on us as being £4.7m - although this is not an immediately straightforward calculation and the value of it will be influenced by the number of staff we have at that time.	5	3	15	We are confident that the cost of this is unlikely to be greater than we're currently forecasting. We will continue to review our assumptions here and update them in line with forecast police officer and staff number projections, and if necessary we will alter the value of this impact in future iterations of the MTFP.	6
Pensions - Our LGPS has just undergone a full valuation which led to a reduction in % employer contribution rate, combined with an annual lump sum payable regardless of the number of scheme members. The overall impact of this was an increase in the cost of employer contributions which is now built into our base budget. Police pensions (as identified above) could see a reduction in employer contributions, however the benefit of this will be taken by central government and therefore we will not feel the benefit of this at a local level.	4	2	8	It is unlikely that there will be significant changes to the employer pension costs in the immediate future, however there remains the longer-term risk that pension deficit do not reduce as our acruaries expect them to, and as a consequence employer contributions are once again reviewed.	4
General Inflation - General inflationary pressures affect a lot of our non-pay budgets and therefore it is important that we continue to monitor and prepare for the impact of general increases in the prices of goods and services. At present inflation is at a relatively low level, however when setting a budget we need to give consideration to where inflation is likely to be in the future. For the purposes of our high level planning we will make assumptions about the value of inflation, and will seek to apply this in determining the standstill budget position.	3	3	9	We will continue to monitor the relevant indices for inflation, and compare our assumptions to those being made by other Forces. We will overlay these general principles with more specific intelligence relating to specific items of budgeted expenditure where appropriate.	2
NPAS - We understand that there are some financial issues associated with the national police air service which we joined in June 2013. The costs of this service are not currently being covered by the contributions from individual forces, and as such NPAS are undertaking a review of their funding arrangements. This could include a change to their current funding arrangements which introduces a variable (pay as you go) element to the charge. This presents a risk around the future costs of this service.	4	3	12	We will continue to monitor the situation with regard to NPAS, and ensure that we're feeding our thoughts and comments into any consultation around the changes to the current financing of this collaborative venture.	6
Southwest One - our southwest one contract for the provision of support services (inc IT, Finance, HR, procurement, Enquiry Offices, Corporate and Facilities Services etc...) represents the single largest item of non-pay in our budget. This contract is due to come to an end in 2017, and therefore we have already commenced work on what will replace this contract at that point. This presents us with both opportunities and risks which will require careful management.	5	5	25	At present our MTFP assumes no savings, but also no further costs from the end of the Southwest One contract. We would expect whatever replaces this to be capable of delivering further savings beyond those already achieved by Southwest One, and this is the principle that we are progressing. However, there are equally likely to be some costs associated with the end of the contract which equally are not being included in our MTFP at this stage. The MTFP is therefore taking a prudent approach to the end of this contract.	12
National IT - As a force we're required to participate in several national IT initiatives (e.g. PNC, PND, HOLMES etc...) the costs of which are passed through to us by the Home Office. These costs are outside of our control, and therefore any increases in these we have no other option than to simply accept and budget for. Since the demise of the NPJA these costs have increased significantly. We are hopeful that they have achieved a more steady state position, but there remains the risk of further large increases here.	3	4	12	We will continue to review the information provided to us by the Home Office about the future increases to these costs, and ensure that we are budgeting for these as and when notified to us. If necessary we will ensure that any large increases are identified to the PCC to enable more transparent lobbying of Government over the situation.	9
SAVINGS					
Delivery of planned savings - By the end of £14/15 we will have achieved £45.9m in savings since 2010/11. We are on track to deliver this saving, based on the current implementation of the operating model. Beyond this we have identified a further £16.6m to be delivered by 2018/19. There remains some risk within this saving as this includes a number of areas of saving which as yet are not fully scoped, or (in the case of our estates and sustainability savings) are largely dependent on factors which we are not fully in control of (e.g. planning permission etc...).	5	4	20	The Constabulary Corporate Change Board (CCB) is responsible for monitoring the change programme, and through this the delivery of the savings and other benefits identified. The Terms of reference for this meeting have recently been reviewed, and governance arrangements have undergone a stock take, to ensure that this body remains focussed on the task to ensuring the delivery of planned savings.	9
Ability to identify further savings - beyond the planned savings, we identify a further £22.9m of savings will be needed in order to balance the 17/18 budget. This number is only likely to increase beyond the life of the current MTFP as we continue to forecast a reduction to grant funding and an increase in our cost base. The ability to continue to take large sums of money out of the organisation is reduced. Our planned savings already reduce our non-pay budgets for estates, fleet and other areas. Southwest One contract ending does offer some opportunities for further savings, but even with this it is likely that operational services are likely to see budgets reduced still further.	5	5	25	Our change programme is well established, and recognises that further change will be needed in order to balance our revenue budgets in future. Discussions about how and where these savings will come from are ongoing, but there is a certainty that further reductions in staffing levels will be necessary in order to achieve the size of savings that are being forecast.	20
Costs of Transformation - the delivery of transformation comes with a cost if it is going to be successful. Investment in infrastructure (buildings, IT etc...) is necessary to support change and the delivery of recurring revenue savings. Our reserve levels are being used to support these costs, and where possible we're seeking to top-up these levels from in-year underspends. However, our reserves are finite and once used are lost. We therefore need to ensure that we are managing our reserve position sufficient in order to support the costs of change.	4	5	20	The review of use of reserves will be undertaken as part of the budget setting process. This will include further use of these funds to support capital investment, as well as the revenue costs of the change programme. Achieving a sustainable change programme that is capable of continuing to deliver savings without the need for so much use of reserves will be a critical element of how we continue to move forward.	16
RESERVES					
Reserve levels and their use over MTFP - Our reserve levels are relatively healthy as at 31/03/14. They have benefitted from the release savings from our revenue budgets early over the SR period to date. As such we've ring-fenced funding in support of our capital aspirations as well as the revenue costs of our transformation. Managing reserves is critical to our MTFP; too high and they undermine arguments for future increases in the precept; too low and we do not provide sufficient funds to support our ongoing transformation and manage risk.	4	4	16	The review of use of reserves will be undertaken as part of the budget setting process. This will include further use of these funds to support capital investment, as well as the revenue costs of the change programme. We will continue to demonstrate our use of reserves (initiatives such as ATLAS Project will support this), but balance this against the uncertainty and risk that is being managed into the future.	9