

MEETING: Joint Finance Meeting	Date: 27 th November 2015	Agenda No
DEPARTMENT: Finance and Business Services	AUTHOR: Nick Adams	
NAME OF PAPER: DRAFT MTFP and Capital Programme		COG Sponsor: Julian Kern

1. PURPOSE OF REPORT AND BACKGROUND

This report provides the draft position of the Medium Term Financial Plan (MTFP) and Capital Programme. The report enables the PCC and Chief Constable 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 16/17 budget and police precept in February 2016. The report also makes four recommendations which will realise savings, and seeks approval for these to be incorporated into our plans.

2. EXECUTIVE SUMMARY

The table below shows the current position on the MTFP (fuller breakdown at Appendix A):-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
2015/16 Approved Budget	272,975	272,975	272,975	272,975	272,975
Adjustments to Budget Requirement	10,212	13,987	17,587	21,020	25,062
Standstill Budget Requirement	283,187	286,962	290,562	293,995	298,037
Less; Total Funding	(268,744)	(262,919)	(258,618)	(254,441)	(258,179)
DEFICIT before savings	14,443	24,043	31,944	39,554	39,858
Planned and identified savings	(4,370)	(4,856)	(9,506)	(9,802)	(9,802)
Further identified savings for approval	(2,304)	(2,156)	(1,324)	(1,194)	(1,194)
Savings yet to be identified	7,769	17,031	21,114	28,558	28,862

In summary we forecast that our costs will increase by £25.1m/8.8% over the next five years. When combined with a forecast funding reduction of £14.8m/5.4% over the same period, this creates a budget deficit of £39.9m by 20/21.

Against this deficit we have already planned, and identified savings that initially amount to £4.4m, and rise to £9.8m by 19/20 (assuming a targeted saving of £4.5m in 18/19 from end of the Southwest One contract). In addition to this we have proposals for discussion and approval that will realise a further £2.3m in 16/17, which will reduce (owing to the time limited nature of some of these savings) to £1.2m by 19/20.

The position presented by this MTFP is a slightly improved picture than the one discussed at the finance meeting in September. This reflects more detailed work undertaken in our financial planning, as well as increased optimism around the council tax base increases expected across the medium term.

It should be recognised that this draft MTFP has been prepared in advance of the CSR announcements expected on 25th November. We are therefore still forecasting that the grant reduction will be a 25% real terms reduction (19.2% cash reduction) over four years. Depending on the detail of these announcements, and the settlement (expected mid-December) we anticipate that these assumptions will need to be updated.

We have also included our draft capital programme. There remains a lot of uncertainty around the level of future capital needs. We have therefore tried to reflect known projects and anticipated spend as best we can, but in several cases it is too early to quantify this spend with any degree of clarity.

3. PART ONE – REVENUE BUDGET AND THE MTFP

Key Assumptions – Our MTFP is built on a lot of different assumptions. These assumptions dictate the value of our future funding from both grants as well as from local council taxpayers, as well as the expected changes to our costs as we reflect pay awards, inflationary adjustments and other commitments across the medium term. Our key assumptions are set out in a table at Appendix B, and where applicable are explained in more detail throughout this report.

Our funding and income - The Police and Crime Commissioner receives funding through grants from central Government, and from local tax-payers in the form of a precept on council tax bills. This is analysed in more detail over the following tables (more detail is provided at appendix C):-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Main Grant	162,440	154,651	146,862	139,073	131,284	131,284
Legacy CTax Grants	14,709	14,709	14,709	14,709	14,709	14,709
Victims Grant	1,736	1,736	1,736	1,736	1,736	1,736
Council Tax	92,133	95,742	99,112	102,601	106,212	109,950
Collection Fund Surplus	1,957	1,906	500	500	500	500
Funding Net Budget	272,975	268,744	262,919	258,618	254,441	258,179
Annual movement (%)	-1.2%	-1.6%	-2.2%	-1.6%	-1.6%	+1.5%

Main grant funding - The following table details our assumptions around our Home Office main grant funding over the next four years:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Main Grant Funding	162,440	154,651	146,862	139,073	131,284	131,284
+ / - on prior year	-8,746	-7,789	-7,789	-7,789	-7,789	Nil
+ / - on prior year (%)	-5.1%	-4.8%	-5.0%	-5.3%	-5.6%	0.0%
+ / - cumulative on 2010	-23,623	-31,412	-39,201	-46,990	-54,779	-54,779
+ / - cumulative (%)	-12.7%	-16.9%	-21.1%	-25.3%	-29.4%	-29.4%

The provisional settlement will not be communicated to us by the Home Office until mid-December, with final confirmation of this expected in the new year. The above therefore represents an estimate at this stage, which is based upon the following key assumptions:-

- Reduction of 25.0% real terms/19.2% cash terms reduction – reflecting expectation that Home Office will be at the lower end of unprotected departmental budget cuts (range expected to be 25% - 40% in real terms);
- Reduction is realised evenly in cash terms across the next four years (which results in increasing annual percentage reduction as identified in the table above);
- Impact of change to the formula to distribute main grant funding is revenue neutral for Avon & Somerset – remains largely unknown until final details are confirmed, which is not now expected to be implemented until 2017/18 at earliest.

Other grant funding – In addition to our main grant funding we are also in receipt of other funding which we account for in determining our net revenue budget. These are:-

- Legacy council tax grants – these are the grants that have been awarded to us over the past five years either in compensation for the decision to freeze our council tax precept, or following the abolition of council tax benefit;
- Victims grant – this grant has been awarded to each of the PCC's throughout the country to

commission the provision of victim's services. The grant is paid by the Ministry of Justice.

In the case of both grants outlined above we have assumed that they continue to be separately identified (as opposed to being rolled up into the main grant funding) and that they are frozen at their 2015/16 cash value.

Council Tax - The following table summarises the council tax funding forecast across the MTFP:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Council Tax precept	92,133	95,742	99,112	102,601	106,212	109,950
Collection fund surplus	1,957	1,906	500	500	500	500
Total Council Tax	94,090	97,648	99,612	103,101	106,712	110,450
Av. Band D (£p)	£174.78p	£178.26p	£181.81p	£185.42p	£189.11p	£192.88p
Annual movement (%)	+1.99%	+1.99%	+1.99%	+1.99%	+1.99%	+1.99%
Tax base (No.)	527,135	537,097	545,153	553,330	561,630	570,055
Annual movement (%)	+2.12%	+1.89%	+1.50%	+1.50%	+1.50%	+1.50%

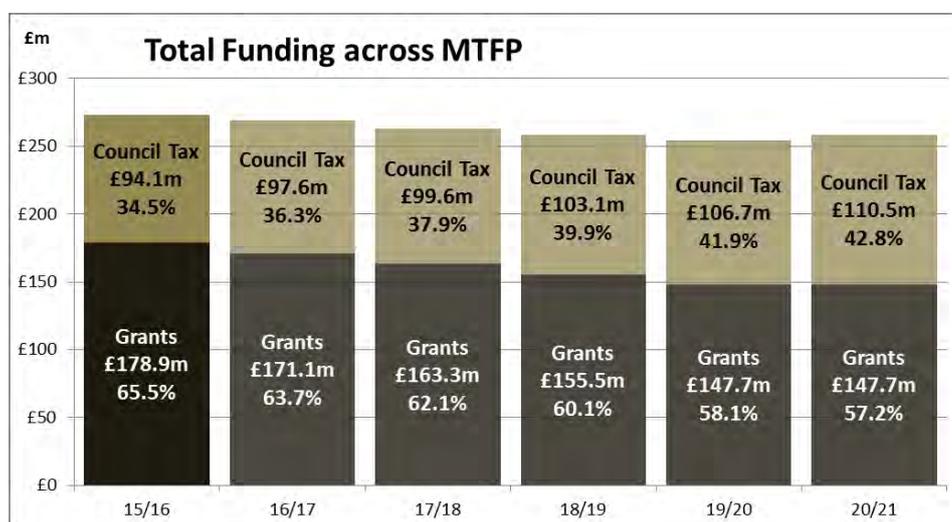
The value of our total council tax income is dependent on:-

- Confirmation of the tax base figures from our local billing authorities – the figures above are estimated based on the draft figures provided by our local billing authorities. We expect the final position to be confirmed to us before the end of the calendar year;
- Confirmation of collection fund surplus/deficit, and the PCC's share of this – the figures above are estimated based on the draft figures provided by our local billing authorities. The final value of these is expected by mid-January.

Funding Analysis – The combined result of our funding assumptions and forecasts across the MTFP is summarised below:-

	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Grant Funding	(178,885)	(171,096)	(163,307)	(155,518)	(147,729)	(147,729)
Council Tax Funding	(94,090)	(97,648)	(99,612)	(103,101)	(106,712)	(110,450)
TOTAL Funding	(272,975)	(268,744)	(262,919)	(258,618)	(254,441)	(258,179)

The net reduction in income we're currently forecasting over the MTFP is £14.8m/5.4%. This is the net result of a decline in grant funding and an increase in council tax funding. As is demonstrated in the following graph this is affecting the profile of our funding over the medium term:-



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

Office of the PCC Budget - The following table summarises the expenditure forecast over the MTFP for the PCC's office budget:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
15/16 Budget	1,381	1,381	1,381	1,381	1,381
Provision for inflation	0	15	25	30	35
Savings	(2)	(2)	(2)	(2)	(2)
TOTAL Budget	1,379	1,394	1,404	1,409	1,414

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 £0.03m/2.4%. 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 16/17 financial year.

PCC's Commissioning Budget – The following table summarises the expenditure forecast over the MTFP for the PCC's commissioning budget:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
15/16 Budget	3,266	3,266	3,266	3,266	3,266
Provision for inflation	0	0	0	0	0
Savings	(60)	(60)	(60)	(60)	(60)
TOTAL Budget	3,205	3,205	3,205	3,205	3,205

This represents the budget that supports the commissioning of services from external organisations. Over the course of the MTFP this budget is forecast to reduce by £0.06m/1.8% as a consequence of savings identified in 2016/17.

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
15/16 Budget	268,328	268,328	268,328	268,328	268,328
Pay and staffing	6,568	10,235	13,258	16,794	20,325
Non-pay inflation	490	338	475	672	930
Cost of capital	192	291	(3)	246	434
Other commitments	3,024	3,170	3,894	3,340	3,400
TOTAL Budget before savings	278,602	282,362	285,952	289,380	293,417

Over the course of the MTFP the Constabulary budgets are forecast, at present, to increase by £25.1m/9.4%.

- Pay and Staffing Adjustments - The biggest driver of the increase in budget requirement, **adding £20.3m by 20/21**, is the adjustments required to pay and staffing budgets. These adjustments are further broken down at Appendix D, and includes:-
 - Pay Awards – we have assumed a 1% pay award p.a. for officers and staff in each year of

the MTFP. This mirrors the message of pay restraint announced by the Chancellor of the Exchequer in announcements made earlier in the year. This assumption accounts for £10.3m of the increased forecast in our cost over the MTFP;

- 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 16/17 followed by an annual provision of £1.5m in each of the remaining years of the MTFP. This leads to a cost increase of £6.2m by 19/20;
- 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 £4.6m by 19/20 as the impact of pay awards is factored onto this increase;
- Non-pay inflationary adjustments - Adjustment to non-pay budgets to reflect inflationary and contractual pressures are forecast to add £0.9m to our cost base over the next four years. These relate to:-
 - Inflationary factors applied to non-pay – We have assumed 2.5% inflation to both our fuel and utilities budgets in each year throughout the MTFP. For other areas of non-pay we have assume a nil increase in 16/17 (with a few exceptions where contractual commitments require an uplift – e.g. increase to minimum wage has brought about an increase to our cleaning contract costs), and 1.0% p.a. thereafter;
 - Southwest One – we have built in indexation as required by our contract, to reflect the change in cost of our Southwest One unitary charge. Our contract is due to come to an end during 17/18, and therefore no further inflation has been factored in beyond this point;
 - Interest receivable – 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 income is forecast to increase by £0.95m over the MTFP reflecting the growth in interests rates expected over this period;
- Cost of capital - Adjustment to our cost of capital budgets is forecast to add £0.4m over the life of the MTFP. This is a consequence of some increases to revenue budgets to support lifecycle costs of capital investment, as well as increases to our interest payable (as a consequence of expectation of more borrowing), offset by a reduction in our MRP which reflects that in 18/19 we will have full re-provisioned for the borrowing in support of our investment in our ERP system;
- Other commitments - Adjustment to our costs to account for other commitments is forecast to add £3.4m over the life of the MTFP. These costs are a consequence of two things:-
 - 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 is forecast to be £2.3m over the MTFP (fuller breakdown provided at Appendix F). The biggest element of this relates to technology services which alone accounts for £1.6m of this growth. This reflects the growth in budgets for our Digital Policing Programme (e.g. NICHE), and our Voice and Data Communications Project as well as budget pressures created through our ongoing investment in WAN technology. Much of this growth is offset by savings captured elsewhere within the MTFP. Other areas of growth include increase to Professional Standards (£0.4m), and the uplift to our NPAS costs (£0.1m).
 - PFI Buildings – All of our PFI buildings are now operational, with our Blackrock training

centre becoming operational this year. We have therefore increased our budget to reflect the full-year effect of the costs of running this building, and made provision for anticipated inflation over the remainder of the MTFP. This is forecast to add a further £1.1m to our costs, offset by savings from our accommodation and mobilisation programme and income from our partners (see savings below).

The Budget Requirement - The following table summarises the standstill budget position:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
PCC's Office	1,379	1,394	1,404	1,409	1,414
Commissioning	3,205	3,205	3,205	3,205	3,205
Constabulary	278,602	282,362	285,952	289,380	293,417
Budget Requirement	283,187	286,962	290,562	293,995	298,037
Grant Funding	(171,096)	(163,307)	(155,518)	(147,729)	(147,729)
Council Tax Funding	(97,648)	(99,612)	(103,101)	(106,712)	(110,450)
TOTAL Funding	(268,744)	(262,919)	(258,618)	(254,441)	(258,179)
DEFICIT Before Savings	14,443	24,043	31,944	39,554	39,858

As the table above demonstrates the forecast deficit before any new savings are accounted for, is £39.9m by 20/21. This is in addition to the £58.9m we have had to save over the past four years. This means that our total actual and forecast deficit is £98.8m/33.1% in the 10 years since our 10/11 baseline year.

Savings – At the time of writing this draft MTFP we have identified some savings against this deficit, and continue to progress work to confirm how we will deliver the remainder of the savings required. A full breakdown of our identified savings is provided at Appendix E.

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Change programme - identified savings	(1,568)	(1,943)	(2,093)	(2,389)	(2,389)
Budget build – identified savings	(2,802)	(2,913)	(2,913)	(2,913)	(2,913)
SW One contract – targeted savings	0	0	(4,500)	(4,500)	(4,500)
Tiger Team – recommended savings	(2,304)	(2,156)	(1,324)	(1,194)	(1,194)
Total identified/recommended savings	(6,674)	(7,012)	(10,830)	(10,996)	(10,996)

- Change programme savings – The programmes and projects being delivered through the Constabulary's change programme are on track to deliver £2.4m by 2019/20. The most significant of these is the Accommodation and Mobilisation Programme which is forecast to deliver £0.5m in 16/17, rising to £1.2m by 2019/20, which will be achieved through the delivery of our estates strategy. Other savings include digital policing programme (£0.12m), operating model savings (£0.3m), regional forensics collaboration (£0.5m by 17/18), SW Regional Organised Crime Unit (£0.14m) and our vehicle telematics project (£0.13m). All of these savings have been reviewed and (where necessary) adjusted to ensure they are deliverable. There may be wider benefits and efficiencies, particularly as a result of our digital policing programme, but it is now expected that these efficiencies will be considered as part of the wider work to identify the further savings required to balance our budget;
- Budget build savings - During our budget build process we have identified a number of areas of our budget where it has been possible to achieve a reduction and recognise the saving. These savings total £2.9m by 17/18, and include the full year effect of our partners funding in support of our shared PFI training facility (£0.25m), savings from our investment in voice and

data communications (£0.22m by 17/18), increase in income from traffic courts (£0.43m), and reduction to our unsocial hours allowance budget (£0.35m). A full breakdown of these savings is provided at Appendix E;

- Southwest One end of contract savings – our contract with Southwest one for the provision of key enabling services such as IT, HR, Enquiry Offices and Finance is due to come to an end in 17/18. We have already commenced our work to plan for the end of this contract, and will be exploring the range of options available to us over the coming months. We recognise that these areas of organisation have already undergone some change, but the reality is that this contract was put in place prior to the current period of austerity we are going through. Were it not for the Southwest one contract we would have had to realise further savings from these areas before now, and the savings we are therefore targeting (£4.5m which is c. 25% of our current costs) are in recognition of the levels of reductions we would expect to be achievable in these areas;
- Tiger Team recommended savings – the Constabulary has established a group of key individuals, whose work is overseen by the Deputy Chief Constable, to progress options for how we might bring about the further savings required. This group, which is meeting fortnightly, has already identified firm proposals for savings, which it is recommending for approval at this stage. These savings, which total £2.3m in 16/17 are:-
 - Revenue funding of the capital programme – The Constabulary base budget includes provision of £0.74m to support capital expenditure. Given the other options available to us to support capital investment, not least reserves and capital receipts, **it is recommended that we take a 2 year holiday on this budget for 16/17 and 17/18**. This proposal does not advocate a permanent reduction of this budget as we would still need to maintain some provision in the medium term in order to support ongoing capital investment and not see ourselves become over reliant on borrowing;
 - Repairs and Maintenance savings – included within our Accommodation and Mobilisation savings (see change programme above) are further reductions of £0.37m from our estates repairs and maintenance budget by 19/20. These savings are phased in conjunction with the planned delivery of our estates strategy. **We are recommending the early recognition of these savings through the utilisation of our earmarked buildings maintenance reserve to top-up the estates repairs and maintenance budget** in the meantime. This saving therefore enables us to achieve £0.37m in 16/17, which slowly then reduces through until nil in 19/20 (in recognition that the permanent savings is reflected in the accommodation and mobilisation savings above). The buildings maintenance reserve has been built up from underspends in our estates budgets over a number of years, and therefore the utilisation of this reserve in the way proposed is entirely in keeping with the purpose of the reserve;
 - Speed Enforcement: Collisions Unit/Central Ticket Office – based on our current actual income levels from driver awareness training referrals we are **recommending that the income is used to fund the collisions unit and the central ticket office** (2016 cost expected to be £0.34m). This would enable us to realise a saving against our base budget;
 - Speed Enforcement: cost of driver awareness course – At £80 Avon & Somerset currently has one of the cheapest driver awareness courses in England and Wales. **We are recommending that the cost of this course is increased to £95**, to bring it in line with charges elsewhere in the country, but keep the cost of the course below the £100 charged for the fixed penalty. Based on current take-up levels of the driver awareness course we anticipate that this increased charged could generate a further £855k in

annual income, which we propose to ring-fence and used to support the funding of our roads policing unit (thereby protecting this from the impact of further savings).

The above identified, targeted and recommended savings total £6.7m in 16/17, rising to £11m by 20/21. However, there remains an outstanding target for savings which is identified in the following table:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
DEFICIT Before Savings	14,443	24,043	31,944	39,554	39,858
Identified/recommended savings	(6,674)	(7,012)	(10,830)	(10,996)	(10,996)
DEFICIT Requiring further savings	7,775	17,037	21,120	28,564	28,868

At the time of writing this draft of the MTFP there remains two potential activities which could address some or all of the above residual savings requirement:-

- Strategic Alliance with Wiltshire police – Discussions around the potential to progress a Strategic Alliance with Wiltshire police are happening. An alliance provides opportunities to bring together the two forces to share costs more formally, thereby unlocking savings through alignment of management and leadership, systems and ways of working;
- Avon & Somerset Tiger Team – The work of the Tiger Team is bringing forward options for savings which could compliment the work of the Strategic Alliance, or could replace those savings should the progression of a Strategic Alliance not be favoured at this time.

Whilst there is this uncertainty around delivery model for savings, the Constabulary recognises that further headcount reduction of both officers and staff will be necessary to continue to be able to balance our budget. With that in mind the Tiger Team has been progressing work to determine how we can achieve the capacity required to deliver the savings at the time required. Whilst more work is needed to be done here, we anticipate reductions in the magnitude of:-

	2016/17 FTE	2017/18 FTE	2018/19 FTE	2019/20 FTE	2020/21 FTE
Indicative Officer reductions	(70)	(150)	(210)	(280)	(280)
Indicative Staff/PCSO reductions	(150)	(300)	(350)	(500)	(500)
TOTAL Headcount reduction	(230)	(460)	(560)	(780)	(780)

- **Police Officers reductions** – the key lever that enables the Constabulary to manage the indicative reduction in headcount forecast is recruitment. In order to determine the level of expected recruitment needed over the next five years it is necessary to forecast forward the likely retirements and officer leavers. The following table therefore sets out the current forecast position:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Expected establishment as at 31/03/16	2,694	2,694	2,694	2,694	2,694
Cumulative forecast reduction	(70)	(150)	(210)	(280)	(280)
Forecast Officer Establishment (Posts)	2,624	2,544	2,484	2,414	2,414
Expected actual as at 31/03/16	2,648	2,648	2,648	2,648	2,648
Cumulative forecast leavers	(177)	(351)	(534)	(662)	(790)
Cumulative recruitment	128	256	384	512	640
Forecast Officer Actuals (People)	2,599	2,553	2,498	2,498	2,498
Over/(Under)	(25)	9	14	84	84

Based on current forecasts we are therefore assuming that recruitment can continue at 128 p.a. for the foreseeable future, and this will (by and large) enable us to achieve the level of headcount reductions identified as being needed in the first three years of the MTFP. Beyond this we may need to reduce recruitment down again, but this will be subject to ongoing review and re-forecasting of these numbers in the meantime;

- **Police Staff reductions** – there are a greater range of options available to us in achieving the level of staff reductions expected. However, it is in our interests to try and achieve the levels of reductions needed through natural turnover of staff. With that in mind we are already taking the opportunity to hold vacancies in order to provide some capacity to achieve the levels of savings required. In so doing we are looking to assess the criticality of the vacancy so as to ensure that this does not place undue pressure on those parts of the organisation dealing with the greatest threat, risk and harm.

The work towards achieving the indicative headcount reduction does not directly answer the question of where the savings will be achieved from the Constabulary. That remains the focus of the work of both the Strategic Alliance and the Constabulary's Tiger Team. Opportunities for savings on the back of this work will be brought forward for consideration over the coming weeks and months, thereby enabling us to return in January with a clearer picture of where the likely savings will be achieved from the Constabulary.

4. PART TWO – THE CAPITAL BUDGET PERFORMANCE

Our capital programme identifies planned expenditure of **£45.9m over the next five years**, with £40.0m (87.1%) of this spend forecast across the first three years.

The following table summarises the capital programme. A fuller presentation of this is included at Appendix F:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Info & Comms Systems	2,104	3,075	1,100	350	100	6,729
Estates	14,987	6,025	4,440	400	400	26,252
Transport	2,445	2,410	2,435	2,215	1,800	11,305
Equipment	315	315	315	315	315	1,575
TOTAL	19,851	11,825	8,290	3,280	2,615	45,861

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 include:-

- Strategic Alliance with Wiltshire - There is currently no provision for any costs which might have to be incurred as a consequence of this;
- 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;
- There are a number of IT development projects under consideration. These include the development of digital and mobile applications, information systems and collaborative system development, which will improve the efficiency and working practices of the force's services. These developments need precise scoping and cost assessment before they can be included in the capital plan.

The plan above is focussed on new additional spend. It will therefore be in addition to any re-profiling

and carry forward of committed funds from the 15/16 capital programme. Based on the Q2 forecast position, the following table summarises the anticipated 16/17 plan at this stage:-

	2015/16 Forecast C/Fwd £'000	5 Year Plan £'000	TOTAL Capital Plan £'000
Info & Communication Systems	0	6,729	6,729
Estates	527	26,252	26,779
Transport	2,220	11,305	13,525
Equipment	0	1,575	1,575
TOTAL	2,747	45,861	48,608

Once our anticipated carry forward from the 15/16 plan is added, this takes the total capital expenditure **to £48.6m over the next five years**, with £42.7m (87.9%) planned in the next three years.

INFORMATION AND COMMUNICATION SYSTEMS - The capital programme identifies a total of **£6.7m** (no anticipated carry forward from 15/16 plan) over the next five years, representing 13.8% of the total plan. The following table summarises the draft capital programme for Information and Communication Systems (I&CS):-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Replacement and renewal	515	1,100	1,100	350	100	3,165
Projects – Corp Systems	150	0	0	0	0	150
Projects – National Systems	300	1,350	0	0	0	1,650
Projects – Regional Systems	tbc	tbc	0	0	0	tbc
Projects – Mobile & Data	1,004	625	0	0	0	1,629
Projects – Other	135	0	0	0	0	135
TOTAL	2,104	3,075	1,100	350	100	6,729

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

- a. **Replacement and renewal programme** – There is provision for the replacement of end-user devices (desktops, laptops, mobiles etc...), and Comms operator touch screens. A contingency for unscheduled IT spend which is included annually to cope with the types of pressure which occur from time to time. As the Southwest One contract reaches the end of its life in 17/18, there are likely to be costs for replacement servers and IT infrastructure – the precise detail of these requirements will be determine as part of our planning for the end of the contract;
- b. **Projects – Corporate Systems** – This relates to the completion of the new workforce management system during 16/17;
- c. **Projects – National Systems** – The main 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. In addition there is a provision of £0.45m in 2017/18 for HOLMES 3 for a national cloud solution;
- d. **Projects – Regional Systems** – There are several schemes that are part of the innovation bid process which includes digital policing solutions, cognitive technology, integrated approach to enterprise & social collaboration, and policing & healthcare pathways. Full costs of these projects are in the process of being developed. In addition, as work continues on the strategic alliance, costs could be identified to align networks and systems across Avon and Somerset and

Wiltshire;

- e. **Projects – Mobile and Fixed Line Telephony / Data** – This includes the completion of the voice over IP (VOIP) infrastructure during 16/17. The development of a mobile platform and apps for the mobile devices, additional mobile devices and the devices for the National Image Transfers (NITS), the actual requirement and the estimated likely cost is currently unknown to date;
- f. **Projects – Others** – This includes the upgrade of the intranet and covert video distribution network.

ESTATES - The capital programme identifies a total of **£26.2m** (£26.8m including anticipated carry forward of 15/16 plan) over the next five years, representing 57.2% (55.1% including carry forward) of the total plan. The following table summarises the draft capital programme for Estates:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Replacement and renewal	400	400	400	400	400	2,000
Projects – HQ Site	3,910	0	0	0	0	3,910
Projects – Rationalisation	10,677	5,625	4,040	0	0	20,342
TOTAL	14,987	6,025	4,440	400	400	26,252

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 refurbishment of the training accommodation within the training school (£2.6m due to be completed in 16/17), wind turbine project £0.6m, training school classroom improvement (£0.5m), reception and security improvements and improvements to the traffic management on site. Other schemes where the scope and costs are to be identified include forensics at HQ, locker & shower facilities refurbishments and relocation of Operational training to the Specialist Training centre;
- 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 21 separate projects, ranging from co-location of neighbourhood policing teams with partners, through to larger projects such as our plans for Trinity Road (Bristol), Weston super Mare, Yeovil, Southmead, Street 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 (delays or opportunities requiring postponement or bringing forward of projects) as well as costs (as a consequence of the opportunities that arise, and unforeseen issues such as removal of asbestos etc...).

TRANSPORT - The capital programme identifies a total of **£11.3m** (£13.5m also including anticipated carry forward of 15/16 plan) over the next five years, representing 24.7% (27.8% including carry forward) of the total plan. The following table summarises the draft capital programme for Transport:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Replacement and Renewal of vehicles	2,445	2,410	2,435	2,215	1,800	11,305

The above table shows the Transport part of the programme for the replacement and renewal of the vehicles. This remains the subject of ongoing scrutiny and review, and will be determined by a number of factors, including decisions around our Detainee Transport Solution, the information provided to us through our vehicle telematics infrastructure, and the ongoing work of the Strategic Alliance and Tiger Team to identify savings.

EQUIPMENT - The capital programme identifies a total of **£1.6m** (no anticipated carry forward from 15/16 plan) over the next five years, representing 3.2% of the total plan. The following table summarises the capital programme for Equipment:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Replacement and renewal – ANPR	215	215	215	215	215	1,075
Replacement and renewal – Other	100	100	100	100	100	500
TOTAL	315	315	315	315	315	1,575

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

- Replacement and renewal – ANPR** – This provides for the ongoing replacement and renewal of our automatic number plate recognition (ANPR) cameras and equipment, including the replacement of the ANPR on the Motorways and strategic routes;
- 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 - The following table summarises the plan for how this capital programme might be financed:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	TOTAL £'000
Capital grant	1,861	1,768	1,680	1,596	1,516	8,421
Revenue contributions	0	0	740	740	740	3,700
Capital contributions	75	0	0	0	0	75
Capital receipts	14,702	3,773	2,889	246	0	21,610
Total funding available	16,638	5,541	5,309	2,582	2,256	35,073
Shortfall to be funded from borrowings/further reserves	3,213	6,284	2,981	698	359	13,535

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

- 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 15/16 is £2.0m. For the purposes of our planning we have assumed a small reduction in this grant to £1.9m in 16/17 (at time of writing we have received no confirmation from the Home Office of the likely value of this grant) and then for the value of the grant to reduce by 20% over the course of the capital programme. Therefore in total capital grant will fund £8.4m, which is 24.0% of the total funding available, and 17.3% of the total funding required;
- Revenue contributions** – This is the value of recurring revenue base budget to support the capital programme. As identified in the savings above we are recommending a holiday from this revenue contribution for the first two years of the MTFP. However, we do not feel that this can be a permanent reduction and have therefore assumed that this budget will be built back in from 2018/19 onwards. The total revenue contributions will fund £2.2m, which is 10.9% of the

total funding available, and 4.6% of the total funding required;

- c. **Capital contributions** – Capital contributions often occur through specific grant funding or partner contributions towards specific capital schemes. At present we forecast a small element of funding will be provided to support planned capital works at Bristol Airport in 16/17;
- d. **Capital receipts** – This funding represents the sale proceeds (minus the costs of sale) from the disposal of our assets, our land and building assets. The estates rationalisation programme is forecast to generate a further £18.0m across the next five years, which will be available to support capital expenditure over the next five years. The total capital receipts contribution will fund £21.6m, which is 61.6% of the total funding available, and 44.5% of the total funding required. The following table summarises the forecast position on the capital receipts reserve:-

Capital Receipts	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Balance at 1 st April	3,610	0	0	0	0
Additions during year	11,092	3,773	2,889	246	0
Used during year	(14,702)	(3,773)	(2,889)	(246)	0
Balance at 31st March	0	0	0	0	0

- e. **Borrowing** – Our current plan assumes that we will require new borrowing from 16/17, with an indicative value of £13.5m needed over the course of this plan (27.9% of the total funding required). However, as our current assumptions on grant funding and the various uncertainties within the capital plan change over the coming months, the funding assumptions will be updated accordingly.

5. SENSITIVITY ANALYSIS

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 five 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 Appendix G.

- **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 16/17, but also across the remainder of the MTFP. In summary each 1% of grant funding (excluding those elements we're assuming to be cash frozen) is equivalent to £1.6m. Therefore if the grant reduction is only 3.8% p.a. (as opposed to the 4.8% p.a. current forecast) we would expect to receive £1.6m more in 16/17, rising to £6.5m p.a. more by 19/20. Correspondingly therefore our standstill deficit would reduce to £12.8m in 16/17 and £33.4m by 20/21;
- **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 15/16) 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 tax increase was set at 1.0% p.a. (as opposed to 1.99% as is currently forecast) we would receive £0.9m less funding in 16/17 and £5.2m less by 20/21. This would increase our standstill deficit in 16/17 to £15.4m, rising to £45.1m by 20/21;
- **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, which is now expected to continue with increases of 1% p.a. expected across the medium term. If the pay award was actually set at 1.5% p.a. (as opposed to the 1.0% currently forecast) we would see our costs increase by £0.6m in 16/17 and by £4.6m by 20/21. This would increase our standstill deficit in 16/17 to £15.0m, rising to £44.5m by 20/21.

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 Appendix I 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.

6. EQUALITY ANALYSIS

All business cases in support of change, both with revenue and capital implications are subject to an equality impact assessment. This way we can ensure that those decisions on how we allocate our funding across budgets and plans are cognisant of equality issues.

7. SUSTAINABILITY

Sustainability is important in regard to ensuring the organisation is living within both its financial limits (financial sustainability) as well as within its environmental limits through ensuring effective and efficient use of natural resources. In fulfilling the objectives in terms of financial sustainability, the PCC has adopted the set of Key Financial Health Indicators which were originally adopted by the Police Authority and which are reported on within the content of this report. Wider environmental sustainability considerations are also accounted for within the budget and capital programme.

8. CONCLUSIONS AND RECOMMENDATIONS

The MTFP as presented shows a position which at present still requires the identification of further savings, both in terms of setting a balanced 2016/17 budget as well as in providing a balanced position across the medium term.

There remains much uncertainty at the time of writing this report both in terms of the wider funding position, as well as locally around the delivery model for these savings (Strategic Alliance and/or Tiger Team).

Whichever savings delivery model is progressed we are seeking to ensure that there are sufficient options available to be brought forward to achieve the necessary savings. Critical to this is the work which will enable us to have sufficient capacity to achieve the indicative headcount reduction required.

The uncertainty also extends to the capital programme, where there remain a number of new potential areas of investment, which at this point in time it has not been possible for us to quantify.

In light of the position presented the PCC and Chief Constable are invited to note and to comment upon the current position of the MTFP. In particular they are asked to approve the four savings options brought forward from the Tiger Team work, so that these can be permanently recognised in the MTFP. These recommendations are:-

- 2 year holiday from the revenue funding of the capital programme;
- Early recognition of the estates repairs and maintenance savings through utilisation of the buildings maintenance reserve;
- Utilisation of current driver awareness income to fund the work of the collisions unit and

central ticket office; and

- Increase the charge for driver awareness course attendance to £95, and ring-fence this additional funding to support the current costs of our Road Policing Unit.

Appendix A – Summary MTFP

Appendix B – Key Assumptions and Figures

Appendix C – Revenue Funding Analysis

Appendix D – Revenue Expenditure Analysis

Appendix E – Revenue Savings Analysis

Appendix F – Revenue Growth Analysis

Appendix G – Revenue Sensitivity Analysis

Appendix H – Draft Capital Programme and Funding

Appendix I – MTFP Risk Register

Appendix A - Medium Term Financial Plan

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)					
OPCC 2015/16 Budget	1,381	1,381	1,381	1,381	1,381
Adjustments (inc any savings)	(2)	13	23	28	33
OPCC Budget Requirement	1,379	1,394	1,404	1,409	1,414
COMMISSIONING					
Commissioning 2015/16 Budget	3,266	3,266	3,266	3,266	3,266
Adjustments (inc any savings)	(60)	(60)	(60)	(60)	(60)
Commissioning Budget Requirement	3,205	3,205	3,205	3,205	3,205
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)					
Constabulary 2015/16 Budget	268,328	268,328	268,328	268,328	268,328
Pay and Staffing adjustments	6,568	10,235	13,258	16,794	20,325
Non-Pay Inflationary adjustments	490	338	475	672	930
Cost of Capital adjustments	192	291	(3)	246	434
Other commitment adjustments	3,024	3,170	3,894	3,340	3,400
Constabulary Budget Requirement	278,602	282,362	285,952	289,380	293,417
TOTAL BUDGET REQUIREMENT	283,187	286,962	290,562	293,995	298,037
FUNDING					
TOTAL Grant Funding	(171,096)	(163,307)	(155,518)	(147,729)	(147,729)
TOTAL Council Tax Funding	(97,648)	(99,612)	(103,101)	(106,712)	(110,450)
TOTAL FUNDING	(268,744)	(262,919)	(258,618)	(254,441)	(258,179)
DEFICIT BEFORE SAVINGS	14,443	24,043	31,944	39,554	39,858
PLANNED SAVINGS					
Change Programme - Identified Savings	(1,568)	(1,943)	(2,093)	(2,389)	(2,389)
Other savings - identified through budget build process	(2,802)	(2,913)	(2,913)	(2,913)	(2,913)
Southwest One - targeted savings from end of contract	0	0	(4,500)	(4,500)	(4,500)
Tiger Team - recommended savings	(2,304)	(2,156)	(1,324)	(1,194)	(1,194)
<i>Savings to be identified through Strategic Alliance/Tiger Team</i>	<i>(7,769)</i>	<i>(17,031)</i>	<i>(21,114)</i>	<i>(28,558)</i>	<i>(28,862)</i>
TOTAL SAVINGS	(14,443)	(24,043)	(31,944)	(39,554)	(39,858)
REMAINING DEFICIT	Balanced	Balanced	Balanced	Balanced	Balanced

Appendix B - Key Assumptions

	Note	2016/17	2017/18	2018/19	2019/20	2020/21
		%	%	%	%	%
KEY FUNDING ASSUMPTIONS						
Main grant (Home Office and DCLG grants) reduction ¹	1	-4.80%	-4.80%	-4.80%	-4.80%	Nil
Council Tax precept increase		+1.99%	+1.99%	+1.99%	+1.99%	+1.99%
Council Tax base increase		+1.89%	+1.50%	+1.50%	+1.50%	+1.50%
Av. Band D Council Tax Precept (£p)		£178.26p	£181.81p	£185.42p	£189.11p	£192.88p
KEY EXPENDITURE ASSUMPTIONS						
Pay award - September 2015		+1.00%	+1.00%	+1.00%	+1.00%	+1.00%
Pay Award - September 2016			+1.00%	+1.00%	+1.00%	+1.00%
Pay Award - September 2017				+1.00%	+1.00%	+1.00%
Pay Award - September 2018					+1.00%	+1.00%
Pay Award - September 2019						+1.00%
General Non-Pay inflationary factor	2	Nil	+1.00%	+1.00%	+1.00%	+1.00%
Utilities inflationary factor	3	+2.50%	+2.50%	+2.50%	+2.50%	+2.50%
Fuel inflationary factor	3	+2.50%	+2.50%	+2.50%	+2.50%	+2.50%
Impact of National Insurance Changes (£'000)	4	+£4.4m	+£4.4m	+£4.5m	+£4.5m	+£4.6m
Planned number of new police officer recruits (FTE)		+128	+128	+128	+128	+128
<p>Note 1 - Our working assumption is that the Home Office budget will be reduced by 25% in real terms, or 19.8% in cash terms (using GDP deflators). We have assumed that these reductions will be evenly spread across the next four years, with equal cash value reductions year-on-year. However, as the annual % reduction will be based on a reduced prior year balance the actual % movement will not be 4.8% p.a. This assumption has therefore been simplified for presentation above.</p>						
<p>Note 2 - Our general inflationary assumption is at nil in 2016/17 reflecting the current position of CPI and RPI. In reality we have had to build in some inflation to specific budgets to reflect contractual commitments (e.g. impact of minimum wage increases etc...), but where possible we have sought to restrict this. Beyond 2016/17 we are assuming 1% increase p.a.</p>						
<p>Note 3 - Both our utilities and fuel budgets are reviewed annual to ensure that they are appropriately adjusted for price variations and quantity variations. Most of the adjustments downwards are recognised as savings in the MTFP. This therefore re-provisions for price increases on these across the next 12 months.</p>						
<p>Note 4 - This represents the financial cost of the change to the employer national insurance rate, which will change from 1st April 2016. Beyond this date this cost is inflated in line with the assumption around pay awards.</p>						

Appendix C - Revenue Funding Analysis

	Baseline		Coalition Government- CSR +2				16/17 £'000	NEW CSR				
	10/11 £'000	11/12 £'000	12/13 £'000	13/14 £'000	14/15 £'000	15/16 £'000		17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	
	Actual						New MTFP					
GRANT FUNDING												
Main Grants	186,063	185,273	172,857	177,348	171,186	162,440	154,651	146,862	139,073	131,284	131,284	
Neighbourhood Policing	7,357	7,356	7,313	0	0	0	0	0	0	0	0	
Crime Fighting Fund	5,686	0	0	0	0	0	0	0	0	0	0	
Additional Rules 2	4,730	0	0	0	0	0	0	0	0	0	0	
Community Safety	378	375	356	2,403	0	0	0	0	0	0	0	
Victims Commissioning	0	0	0	0	0	1,736	1,736	1,736	1,736	1,736	1,736	
Council Tax Freeze	0	2,369	5,245	3,339	3,331	3,331	3,331	3,331	3,331	3,331	3,331	
Council Tax Support	0	0	0	11,341	11,378	11,378	11,378	11,378	11,378	11,378	11,378	
TOTAL GRANT FUNDING	204,214	195,373	185,771	194,431	185,895	178,885	171,096	163,307	155,518	147,729	147,729	
Annual Change (£'000)		-8,841	-9,602	8,660	-8,536	-7,010	-7,789	-7,789	-7,789	-7,789	0	
Annual Change (%)		-4.3%	-4.9%	4.7%	-4.4%	-3.8%	-4.4%	-4.6%	-4.8%	-5.0%	0.0%	
Cumulative Change (£'000)		-8,841	-18,443	-9,783	-18,319	-25,329	-33,118	-40,907	-48,696	-56,485	-56,485	
Cumulative Change (%)		-4.3%	-9.0%	-4.8%	-9.0%	-12.4%	-16.2%	-20.0%	-23.8%	-27.7%	-27.7%	
COUNCIL TAX FUNDING												
Council Tax Precept	94,230	94,776	97,879	84,678	88,464	92,133	95,742	99,112	102,601	106,212	109,950	
Collection Fund Surplus	425	217	989	552	1,834	1,957	1,906	500	500	500	500	
TOTAL COUNCIL TAX FUNDING	94,655	94,993	98,868	85,230	90,298	94,090	97,648	99,612	103,101	106,712	110,450	
Annual Change (£'000)		338	3,875	-13,638	5,068	3,791	3,559	1,964	3,489	3,611	3,739	
Annual Change (%)		0.4%	4.1%	-13.8%	5.9%	4.2%	3.8%	2.0%	3.5%	3.5%	3.5%	
Cumulative Change (£'000)		338	4,214	-9,425	-4,357	-565	2,993	4,957	8,446	12,057	15,796	
Cumulative Change (%)		0.4%	4.5%	-10.0%	-4.6%	-0.6%	3.2%	5.2%	8.9%	12.7%	16.7%	
TOTAL FUNDING AND ANALYSIS												
TOTAL FUNDING	298,869	290,366	284,639	279,661	276,193	272,975	268,744	262,919	258,618	254,441	258,179	
Annual Change (£'000)		-8,503	-5,727	-4,978	-3,468	-3,218	-4,231	-5,825	-4,300	-4,178	3,739	
Annual Change (%)		-2.8%	-2.0%	-1.7%	-1.2%	-1.2%	-1.6%	-2.2%	-1.6%	-1.6%	1.5%	
Cumulative Change (£'000)		-8,503	-14,229	-19,208	-22,676	-25,894	-30,125	-35,950	-40,251	-44,428	-40,690	
Cumulative Change (%)		-2.8%	-4.8%	-6.4%	-7.6%	-8.7%	-10.1%	-12.0%	-13.5%	-14.9%	-13.6%	
Grant Funding	68.3%	67.3%	65.3%	69.5%	67.3%	65.5%	63.7%	62.1%	60.1%	58.1%	57.2%	
Council Tax Funding	31.7%	32.7%	34.7%	30.5%	32.7%	34.5%	36.3%	37.9%	39.9%	41.9%	42.8%	
TOTAL Funding	100.0%	100.0%	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	£189.11p	£192.88p	
Annual Change (£p)		£0.00	£0.00	£0.00	£3.34	£3.41	£3.48	£3.55	£3.62	£3.69	£3.76	
Annual Change (%)		0.00%	0.00%	0.00%	1.99%	1.99%	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	£21.08	£24.85	
Cumulative Change (%)		0.0%	0.0%	0.0%	2.0%	4.0%	6.1%	8.2%	10.4%	12.5%	14.8%	
Council Tax Base	560,788	564,040	570,607	503,933	516,203	527,135	537,097	545,153	553,330	561,630	570,055	
Annual Change (No. of Properties)		3,252	6,567	-66,674	12,270	10,932	9,961	8,056	8,177	8,300	8,424	
Annual Change (%)		0.58%	1.16%	-11.68%	2.43%	2.12%	1.89%	1.50%	1.50%	1.50%	1.50%	
Cumulative Change (No.)		3,252	9,819	-56,855	-44,585	-33,653	-23,691	-15,635	-7,458	842	9,267	
Cumulative Change (%)		0.6%	1.8%	-10.1%	-8.0%	-6.0%	-4.2%	-2.8%	-1.3%	0.2%	1.7%	

Appendix D - Revenue Expenditure Analysis

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)					
OPCC 2013/14 Budget	1,381	1,381	1,381	1,381	1,381
Provision for inflation	0	15	25	30	35
Savings	(2)	(2)	(2)	(2)	(2)
OPCC Budget Requirement	1,379	1,394	1,404	1,409	1,414
COMMISSIONING					
OPCC 2013/14 Budget	3,266	3,266	3,266	3,266	3,266
Provision for inflation	0	0	0	0	0
Savings	(60)	(60)	(60)	(60)	(60)
Commissioning Budget Requirement	3,205	3,205	3,205	3,205	3,205
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)					
Constabulary 2013/14 Budget	268,328	268,328	268,328	268,328	268,328
Police Officer Pay Awards	1,294	2,630	3,956	5,296	6,649
Police Staff/PCSO Pay Awards	732	1,472	2,176	2,886	3,604
Incremental Pay Progression	236	1,736	3,236	4,736	6,236
National Insurance adjustments	4,379	4,423	4,467	4,512	4,557
Pension adjustments	110	251	376	501	628
Overtime adjustments	244	437	52	244	437
Housing allowance and compensatory grant adjustments	(427)	(714)	(1,004)	(1,381)	(1,785)
Pay and Staffing adjustments	6,568	10,235	13,258	16,794	20,325
Non-Pay Inflationary adjustments	215	597	996	1,406	1,827
Southwest One - contractual indexation adjustments	275	56	56	56	56
Interest receivable adjustments	0	(315)	(578)	(790)	(953)
Non-Pay Inflationary adjustments	490	338	475	672	930
Revenue costs of the capital programme	67	96	96	96	96
Minimum Revenue Provision (MRP) adjustments	99	24	(519)	(519)	(360)
Interest payable adjustments	25	170	420	668	697
Cost of Capital adjustments	192	291	(3)	246	434
Growth	2,135	2,237	2,915	2,314	2,327
PFI Costs	889	933	979	1,026	1,073
Other commitment adjustments	3,024	3,170	3,894	3,340	3,400
Constabulary Budget Requirement	278,602	282,362	285,952	289,380	293,417
TOTAL BUDGET REQUIREMENT	283,187	286,962	290,562	293,995	298,037

Appendix E - Revenue Savings Analysis

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Change programme savings					
Digital Policing Programme Savings	(120)	(120)	(120)	(120)	(120)
Accommodation and Mobilisation Programme Savings	(496)	(743)	(893)	(1,189)	(1,189)
Operating Model Programme Savings	(297)	(297)	(297)	(297)	(297)
Regional Collaboration - Forensics Project Savings	(382)	(510)	(510)	(510)	(510)
Regional Collaboration - SWROCU Savings	(143)	(143)	(143)	(143)	(143)
Vehicle Telematics Project Savings	(130)	(130)	(130)	(130)	(130)
TOTAL Change Programme savings	(1,568)	(1,943)	(2,093)	(2,389)	(2,389)
Other savings identified through the budget build					
PFI Firearms Facility - Partnership Income	(245)	(245)	(245)	(245)	(245)
Voice and Data Communications Savings	(107)	(218)	(218)	(218)	(218)
Increase in Traffic Court Income	(432)	(432)	(432)	(432)	(432)
Reduction to 10% unsocial hours budget	(352)	(352)	(352)	(352)	(352)
Reduction to pay contingencies	(220)	(220)	(220)	(220)	(220)
Reduction to CRTP Allowance (Winsor review saving)	(189)	(189)	(189)	(189)	(189)
Reduction to fuel budgets (price rebasing)	(150)	(150)	(150)	(150)	(150)
Deletion of the Director of HR post + PA	(160)	(160)	(160)	(160)	(160)
Reduction to Airwave Budgets	(80)	(80)	(80)	(80)	(80)
Reduction to Stationery Budgets	(59)	(59)	(59)	(59)	(59)
Reduction to National Insurance on central allowances	(45)	(45)	(45)	(45)	(45)
Deletion of the Head of Transport Services post	(72)	(72)	(72)	(72)	(72)
Reductions on Local Policing budgets through build process	(125)	(125)	(125)	(125)	(125)
Reductions to Specialist Operations budgets through build process	(74)	(74)	(74)	(74)	(74)
Reductions to PPP budgets through build process	(118)	(118)	(118)	(118)	(118)
Reductions to enabling services budget through build process	(267)	(267)	(267)	(267)	(267)
Central and Misc budget savings through build process	(107)	(107)	(107)	(107)	(107)
TOTAL Other Savings	(2,802)	(2,913)	(2,913)	(2,913)	(2,913)
Targeted savings from the end of the Southwest One contract	0	0	(4,500)	(4,500)	(4,500)
Savings to be identified through Strategic Alliance/Tiger Team	10,073	19,187	22,438	29,752	30,056
Further Savings proposals from Tiger Team activity:-					
- Revenue funding of capital programme - 2 year holiday	(740)	(740)	0	0	0
- Use of Buildings Maintenance Reserve to release R&M savings	(370)	(222)	(130)	0	0
- Utilisation of existing driver awareness funding (CU and CTO)	(339)	(339)	(339)	(339)	(339)
- Increase in Driver Awareness Course fee to £95	(855)	(855)	(855)	(855)	(855)
Further savings requiring approval from Tiger Team	(2,304)	(2,156)	(1,324)	(1,194)	(1,194)
Balance still to be identified	7,769	17,031	21,114	28,558	28,862
Indication of how these savings will be achieved:-					
- Police Officer reductions (FTE)	(70)	(150)	(210)	(280)	(280)
- Police Officer reductions (£'000)	(3,150)	(6,750)	(9,450)	(12,600)	(12,600)
- Police Staff/PCSO reductions (FTE)	(150)	(300)	(350)	(500)	(500)
- Police Staff/PCSO reductions (£'000)	(4,500)	(9,000)	(10,500)	(15,000)	(15,000)
TOTAL Pay Savings	(7,650)	(15,750)	(19,950)	(27,600)	(27,600)
Balance from Non-Pay	119	1,281	1,164	958	1,262

Appendix F - Revenue Growth Analysis

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
Reductions/Reversals in prior year growth					
Adjustment to Student Officers budget	(202)	(18)	(6)	7	20
Removal of apprentices temporary uplift	(70)	(70)	(70)	(70)	(70)
Removal of Zephyr temporary uplift	(162)	(162)	(162)	(162)	(162)
Removal of predictive analytics PhD student	(22)	(13)	(27)	(41)	(41)
TOTAL Change Programme savings	(456)	(263)	(265)	(266)	(253)
Growth					
Technology Services Growth	1,616	1,616	1,616	1,616	1,616
Professional Standards Growth	389	389	389	389	389
Increase to NPAS Contributions	126	126	126	126	126
Public Misconduct Barrister (Legal Services)	46	46	46	46	46
IVWC - Skyguard Contracts	45	45	45	45	45
SW Regional Information Co-ordination Centre	35	35	35	35	35
COG - CPOSA/Audit Fee/NPCC Costs	85	85	85	85	85
COG - 1 x PS Staff Officer	55	55	55	55	55
Specialist Ops Growth	71	71	71	71	71
Enabling Services Growth	120	120	109	109	109
Glastonbury Fallow Year	0	0	600	0	0
TOTAL Growth	2,590	2,590	3,178	2,578	2,578
TOTAL Growth	2,135	2,327	2,915	2,314	(253)

Appendix G - Revenue Sensitivity Analysis

	2016/17	2017/18	2018/19	2019/20	2020/21
	£'000	£'000	£'000	£'000	£'000
GRANT FUNDING					
Less 2.8% in first four years and static in 19/20	174,336	169,788	165,240	160,691	160,691
Increase (+) / Reduction (-) in forecast deficit	-3,241	-6,481	-9,722	-12,963	-12,963
Less 3.8% in first four years and static in 19/20	172,712	166,539	160,367	154,194	154,194
Increase (+) / Reduction (-) in forecast deficit	-1,616	-3,233	-4,849	-6,465	-6,465
Current Assumption; Less 4.8% p.a. for first 4 years and static in 19/20	171,096	163,307	155,518	147,729	147,729
Increase (+) / Reduction (-) in forecast deficit	No Change				
Less 5.8% in first four years and static in 19/20	169,463	160,042	150,620	141,199	141,199
Increase (+) / Reduction (-) in forecast deficit	+1,633	+3,265	+4,898	+6,530	+6,530
Less 6.8% in first four years and static in 19/20	167,839	156,793	145,747	134,701	134,701
Increase (+) / Reduction (-) in forecast deficit	+3,257	+6,514	+9,771	+13,028	+13,028

COUNCIL TAX PRECEPT FUNDING					
Precept increase of 1.0% p.a. throughout MTFP	94,815	97,198	99,642	102,148	104,717
Increase (+) / Reduction (-) in forecast deficit	+930	+1,914	+2,961	+4,064	+5,234
Precept increase of 1.5% p.a. throughout MTFP	95,285	98,161	101,131	104,186	107,335
Increase (+) / Reduction (-) in forecast deficit	+460	+950	+1,472	+2,026	+2,616
Current Assumption; Precept increase of 1.99% p.a. throughout MTFP	95,745	99,111	102,603	106,212	109,951
Increase (+) / Reduction (-) in forecast deficit	No Change				
Precept increase of 2.5% p.a. throughout MTFP	96,224	100,105	104,150	108,353	112,728
Increase (+) / Reduction (-) in forecast deficit	-479	-994	-1,547	-2,140	-2,777
Precept increase of 3.0% p.a. throughout MTFP	96,693	101,084	105,681	110,483	115,504
Increase (+) / Reduction (-) in forecast deficit	-948	-1,973	-3,078	-4,270	-5,553

PAY AWARDS					
Pay Award of 0.5% p.a. in each year of MTFP	199,248	200,328	201,366	202,430	203,520
Increase (+) / Reduction (-) in forecast deficit	-583	-1,579	-2,570	-3,557	-4,538
Pay Award of 0.75% p.a. in each year of MTFP	199,539	201,116	202,649	204,203	205,779
Increase (+) / Reduction (-) in forecast deficit	-291	-790	-1,288	-1,784	-2,279
Current Assumption; Pay Award of 1.0% p.a. in each year of MTFP	199,831	201,907	203,937	205,987	208,058
Increase (+) / Reduction (-) in forecast deficit	No Change				
Pay Award of 1.25% p.a. in each year of MTFP	200,122	202,698	205,230	207,783	210,533
Increase (+) / Reduction (-) in forecast deficit	+291	+792	+1,293	+1,796	+2,475
Pay Award of 1.5% p.a. in each year of MTFP	200,414	203,492	206,529	209,591	212,679
Increase (+) / Reduction (-) in forecast deficit	+583	+1,585	+2,592	+3,604	+4,621

Appendix I - Medium Term Financial Planning – Risk Register

Constabulary/Dept objective (to which this risk relates):							Strategy For Tackling Risk	
FINANCIAL PLANNING - Ensure effective and appropriate financial planning is undertaken across the medium term to support strategic planning and decision making in the Constabulary								
Risk description (Uncertain future event that may affect objective)	Inherent		Things we are doing/will do to reduce likelihood of occurrence(Consider causes)	Named action owner(s)	Action due date	Evidence we will test for assurance	Moderated	
	L	I					L	I
Failure to set a sustainable balanced budget			<ul style="list-style-type: none"> Developing the MTFP with a range of scenarios, but making it clear in the presentation of this that regardless of the outcome of the uncertainty, significant further savings will be required; Full reporting of all assumptions made in MTFP report which is presented to PCC and to Chief Officers, thereby enabling scrutiny and challenge over assumptions made; Working with HR to develop joint HR/Financial Planning to ensure appropriate planning around recruitment and resource management; Developing mechanisms through which resource reductions can be considered in wider strategic context, including consideration of threat/risk/harm, PCC priorities, service promise and demand; Ensuring close scrutiny of all areas of non-pay budget, including continued support of Estate strategy to reduce our physical presence, as well as IT and fleet planning to ensure that this remains appropriate in supporting a more flexible, mobile and leaner workforce in the future. 	Julian Kern – Director of Resources Nick Adams – Head of Finance Jonathan Clements – Financial Services Manager	Annual through MTFP and budget setting cycle	Balanced budget for 2016/17 MTFP development as evidenced through minutes of joint finance meeting, Force COG and other forums In-year financial reporting identifying budget pressures which suggest capacity to achieve savings is impaired Robust application of controls over the approval of business cases (as evidenced through minutes of Force COG and CCB) Ongoing benefits tracker reported to CCB	4	4
Strategic Lead and/or Risk Owner	Julian Kern	Nick Adams						
Last review date:	October 2015							
Cause (Because)	Consequences (resulting in)							
1. Failure to identify, implement and deliver the necessary savings in order to balance the budget; 2. Failure to accurately forecast, report and plan for reductions to Grant Funding; 3. Failure to accurately forecast, report and plan for Council Tax funding; 4. Failure to accurately forecast, report and plan for changes to our expenditure; 5. Failure to plan effectively for reserve levels and usage over the MTFP planning horizon.	<ul style="list-style-type: none"> Spending beyond our means resulting in immediate pressures on reserves as these would be used to bolster the current year budget; Unless addressed this overspending could see our reserves substantially reduced in a short period of time, thereby removing our ability to manage risk and support ongoing costs of change; Loss of confidence of our local communities, government and of our auditors and inspectors around our ability to effectively manage our finances and plan appropriately for the reductions in funding; Adverse publicity as a consequence of the overspending, leading to loss in public confidence around the Constabulary. 		5	5				
	Risk Value (Likelihood x Impact value)		Things we are doing/ will do (Controls) to reduce impact if risk were to occur (Consider consequences)	Named action owner(s)	Action due date	Evidence we will test for assurance		Risk Value (Likelihood x Impact value)
	25		<ul style="list-style-type: none"> Ensure robust challenge of costs that not only considers the cost of doing something, but also whether it is necessary to incur the cost at all Maximising the savings achieved wherever possible through change programmes, spend scrutiny and appropriateness of income budgets so as to minimise the size of the residual deficit as much as possible Bring forward options for further cost reduction, in conjunction (where appropriate) with other parts of the organisation (e.g. Estates, ICT, Fleet etc...) 	Julian Kern – Director of Resources Nick Adams – Head of Finance Jonathan Clements – Financial Services Manager	Annual through MTFP and budget setting cycle	Balanced budget set by the time the PCC approves the budget and sets the precept level (February 2016)		16
Risk Indicators								
<ul style="list-style-type: none"> Lack of clarity over the remaining options available to us to close the budget deficit by the time of COG planning in December 2015 Grant settlement being materially worse than forecast when this is communicated to us in December 2015 Forecasts from local authorities about the size of tax base increases, and the size of collection fund surplus/deficits being materially worse than forecast as they are communicated to us through November/December and into the new year In-year financial, HR and performance reporting will provide indicators of how well we achieved the savings and are able to live within our budget Adverse feedback from HMIC through annual PEEL efficiency inspection Adverse feedback from External Auditors in their annual value for money opinion, or around the financial sustainability of the Constabulary 								

Risk description (Uncertain future event that may affect objective)			Inherent		Things we are doing/will do to reduce likelihood of occurrence (Consider causes)	Named action owner(s)	Action due date	Evidence we will test for assurance	Moderated					
			L	I					L	I				
1. Failure to identify, implement and deliver the necessary savings in order to balance the budget			4	5	<ul style="list-style-type: none"> Developing the MTFP with a range of scenarios, but making it clear in the presentation of this that regardless of the outcome of the uncertainty, significant further savings will be required; Working with HR to develop joint HR/Financial Planning to ensure appropriate planning around recruitment and resource management; Developing mechanisms through which resource reductions can be considered in wider strategic context, including consideration of threat/risk/harm, PCC priorities, service promise and demand; Ensuring close scrutiny of all areas of non-pay budget, including continued support of Estate strategy to reduce our physical presence, as well as IT and fleet planning to ensure that this remains appropriate in supporting a more flexible, mobile and leaner workforce in the future. 	Julian Kern – Chief Financial Officer Nick Adams – Head of Finance and Business Services	Annual through the MTFP cycle	Achievement of a balanced budget by February 2016, or if unable to balance then clear plan of how the gap will be closed in short-term, and work ongoing to help close this more permanently in the long-term.	3	4				
Strategic Lead and/or Risk Owner		Julian Kern									Nick Adams			
Last review date:		October 2015												
Cause (Because)	Consequences (resulting in)													
<ul style="list-style-type: none"> Reductions in funding, combined with increased cost pressures creates a need to achieve savings from base budget; Uncertainty around the precise scale of savings required could lead to inaction or delays in decision making; Reliance placed on planned savings, including those which are indicative (e.g. Strategic Alliance) could result in problems should they fail to deliver either in terms of value or timing of savings required. 			<ul style="list-style-type: none"> Unable to identify a balanced budget within the timeframes required by the PCC to approve a budget, resulting in needing to carry forward unclear savings targets and/or utilising reserves as a temporary measure to balance the budget; Under-delivery of planned savings could lead to in-year overspends, unless corresponding underspends or savings elsewhere within the budget compensate for this. 											
			Risk Value (Likelihood x Impact value)		Things we are doing/ will do (Controls) to reduce impact if risk were to occur (Consider consequences)		Named action owner(s)		Action due date		Evidence we will test for assurance		Risk Value (Likelihood x Impact value)	
			20		<ul style="list-style-type: none"> The risk of not being able to achieve savings quickly enough will be managed through a combination of options to quickly stop certain areas of spend, as well as utilising reserves to help support the budget where this is considered both appropriate and necessary; Once the budget is set, ongoing budget monitoring will be critical to ensure that we understand the financial consequences of savings being achieved and the potential impact this may have on cost displacement (e.g. overtime); Other in-year monitoring will also become more critical to ensure that we understand the impact that these ongoing saving have on staff turnover, staff welfare (inc sickness), operational performance, including public satisfaction and confidence. 		Julian Kern – Chief Financial Officer Nick Adams – Head of Finance and Business Services		Annual through the MTFP cycle, and beyond into ongoing budgetary cycle		In-year financial, HR and performance reporting will help to understand the impact that cuts have had on the organisation, as well as help us to continue to assess the medium term challenge of taking further resource out in order to achieve future funding reductions.		12	
Risk Indicators														
<ul style="list-style-type: none"> MTFP and savings development throughout the budget setting and planning cycle – reporting of this will identify the extent to which we have been able to identify the savings required In-year financial, HR and performance reporting will provide indicators of how well we achieved the savings and are able to live within our budget Adverse feedback from HMIC through annual PEEL efficiency inspection Adverse feedback from External Auditors in their annual value for money opinion, or around the financial sustainability of the Constabulary 														

Constabulary/Dept objective (to which this risk relates):

FINANCIAL PLANNING - Ensure effective and appropriate financial planning is undertaken across the medium term to support strategic planning and decision making in the Constabulary

Strategy For Tackling Risk

Risk description (Uncertain future event that may affect objective)		Inherent		Things we are doing/will do to reduce likelihood of occurrence (Consider causes)	Named action owner(s)	Action due date	Evidence we will test for assurance	Moderated		
		L	I					L	I	
2. Failure to accurately forecast, report and plan for reductions to Grant Funding		5	5	<ul style="list-style-type: none"> Full reporting of all assumptions made in MTFP report which is presented to PCC and to Chief Officers, thereby enabling scrutiny and challenge over assumptions made; Modelling multiple scenarios so that a range of outcomes are considered; On-going benchmarking of assumptions with other forces, including the sharing of intelligence to ensure consistency of approach wherever possible; Link into FRBA, PCCTS and CIPFA to ensure latest intelligence is obtained and reflected in our workings; MTFP development and planning timetable includes dates (where known) of key announcements to ensure that the outcome of these can be factored into our plans. 	Nick Adams – Head of Finance and Business Services	Annual through MTFP cycle	N/a	4	5	
Strategic Lead and/or Risk Owner	Julian Kern									Nick Adams
Last review date:	October 2015									
Cause (Because)	Consequences (resulting in)									
<ul style="list-style-type: none"> Impact of austerity – leading to further reductions to funding to the Home Office who, in turn, reduce grant funding to police forces Impact of formula funding review – review into the model used by the Home Office to arrange for the distribution of funding across all forces in England and Wales Impact of any future topslices to grant funding – these could lead to reductions in funding beyond those headline forecasts. Topslices could include further funding for IPCC, HMIC, and NHS etc.... Future of grants managed outside of main grant – failure to adequately forecast victims grant, legacy council tax grants, CT grants etc. 	<ul style="list-style-type: none"> Inaccurate financial planning forecasts – predicting materially incorrect deficits to be managed in the future Inaccurate forecast of the size of savings needed (either too little or too much) might lead to operational and strategic decisions about savings which prove to be inappropriate in medium/long-term 									
		Risk Value (Likelihood x Impact value)		Things we are doing/ will do (Controls) to reduce impact if risk were to occur (Consider consequences)	Named action owner(s)	Action due date	Evidence we will test for assurance	Risk Value (Likelihood x Impact value)		
		25		<ul style="list-style-type: none"> There will be reduced grant funding over the next four years. The critical question dealt with in this risk register is by how much do we think this will reduce. Above we have set out how we will reduce the uncertainty as much as we can; We will continue to report regular on the evolving financial landscape, identifying where changes in this have resulted in material changes to our assumptions. This will inform and support our medium and longer term strategic and change programme planning. By so doing we will manage the iterative development of our financial plans so as to ensure that there are no last minute large variations in the size of the financial challenge faced. 	Nick Adams – Head of Finance and Business Services	Annual through MTFP cycle	N/a	20		
Risk Indicators										
<ul style="list-style-type: none"> Appearing as a significant outlier in benchmarking undertaken through FRBA, PCCTS as well as others (inc regional benchmarking) Adverse feedback from HMIC through annual PEEL efficiency inspection Adverse feedback from External Auditors in their annual value for money opinion, or around the financial sustainability of the Constabulary 										

Constabulary/Dept objective (to which this risk relates):

FINANCIAL PLANNING - Ensure effective and appropriate financial planning is undertaken across the medium term to support strategic planning and decision making in the Constabulary

Strategy For Tackling Risk

Risk description (Uncertain future event that may affect objective)		Inherent		Things we are doing/will do to reduce likelihood of occurrence (Consider causes)	Named action owner(s)	Action due date	Evidence we will test for assurance	Moderated		
		L	I					L	I	
3. Failure to accurately forecast, report and plan for Council Tax funding		3	4	<ul style="list-style-type: none"> Taking steer from the PCC as to how to model changes to precept levels across the medium term; Setting a working assumption based on historical experience of the management of tax base and the collection fund; Setting clear timescales for billing authority partners to share information with us about the changes to council tax base, so as to enable us to build in these assumptions to our plans; Setting clear timescales for billing authority partners to share information with us about the forecast collection fund surplus or deficit position so that we might adjust our forecasts accordingly; Link into FRBA, PCCTS and CIPFA to ensure latest intelligence on likely referendum level is obtained and reflected in our workings. 	Nick Adams – Head of Finance and Business Services	Annual through MTFP cycle	N/a	3	2	
Strategic Lead and/or Risk Owner	Julian Kern									Nick Adams
Last review date:	October 2015									
Cause (Because)	Consequences (resulting in)									
<ul style="list-style-type: none"> Inappropriate/inadequate forecast around likely council tax base changes; Inappropriate/inadequate forecast around likely collection fund surplus/deficit levels; Inappropriate/inadequate forecast around precept levels, including the impact of referendum levels. 	<ul style="list-style-type: none"> Inaccurate financial planning forecasts – predicting materially incorrect deficits to be managed in the future Inaccurate forecast of the size of savings needed (either too little or too much) might lead to operational and strategic decisions about savings which prove to be inappropriate in medium/long-term 									
		Risk Value (Likelihood x Impact value)		Things we are doing/ will do (Controls) to reduce impact if risk were to occur (Consider consequences)	Named action owner(s)	Action due date	Evidence we will test for assurance	Risk Value (Likelihood x Impact value)		
		12		<ul style="list-style-type: none"> There is less risk in this area as we retain a degree of control by virtue of setting precept levels. Therefore our working assumption, which is based on historical experience, acts as a good proxy of the actual; Our planning timetable builds in expectations of when our billing partners will provide more accurate information; We will then report on any changes to this over the development of our MTFP, so that the impact of these changes can be incorporated into our overall forecasts and plans. 	Nick Adams – head of Finance and Business Services	Annual through MTFP cycle	N/a	6		
Risk Indicators										
<ul style="list-style-type: none"> Appearing as a significant outlier in benchmarking undertaken through FRBA, PCCTS as well as others (inc regional benchmarking) Adverse feedback from HMIC through annual PEEL efficiency inspection Adverse feedback from External Auditors in their annual value for money opinion, or around the financial sustainability of the Constabulary 										

Constabulary/Dept objective (to which this risk relates):

FINANCIAL PLANNING - Ensure effective and appropriate financial planning is undertaken across the medium term to support strategic planning and decision making in the Constabulary

Strategy For Tackling Risk

Risk description (Uncertain future event that may affect objective)	Inherent		Things we are doing/will do to reduce likelihood of occurrence (Consider causes)	Named action owner(s)	Action due date	Evidence we will test for assurance	Moderated	
	L	I					L	I
<p>4. Failure to accurately forecast, report and plan for <u>changes to our expenditure</u></p>			<ul style="list-style-type: none"> Full reporting of all assumptions made in MTFP report which is presented to PCC and to Chief Officers, thereby enabling scrutiny and challenge over assumptions made; Basing key assumptions on readily available information – such as government announcements, to ensure there is some basis in reality behind key assumptions; On-going benchmarking of assumptions with other forces, including the sharing of intelligence to ensure consistency of approach wherever possible; Link into FRBA, PCCTS and CIPFA to ensure latest intelligence is obtained and reflected in our workings. Capital Programme developed alongside revenue MTFP to ensure that the revenue costs in support of our capital investment are appropriately captured; Review of all business cases, including innovation fund bids, to ensure any costs associated with these is captured appropriately within our plans. 	<p>Nick Adams – Head of Finance and Business Services</p> <p>Jonathan Clements – Financial Services Manager Southwest One</p>	<p>Annual through MTFP cycle</p>	<p>N/a</p>	<p>3</p>	<p>3</p>
<p>Strategic Lead and/or Risk Owner</p> <p>Julian Kern Nick Adams</p>								
<p>Last review date:</p> <p>October 2015</p>								
<p>Cause (Because)</p> <p>• Inappropriate/inadequate forecast around changes to pay budgets, including the:</p> <ul style="list-style-type: none"> impact of pay awards; impact of national insurance changes; impact of incremental pay progression; impact of pension changes; impact of changes to allowances <p>• Inappropriate/inadequate forecast around changes to non-pay budgets, including the:</p> <ul style="list-style-type: none"> Impact of inflationary adjustments; Impact of contractual commitments; Impact of changes to national charges (e.g. NPAS, national ICT contracts); Impact of financing capital investment. 	<p>Consequences (resulting in)</p> <ul style="list-style-type: none"> Inaccurate financial planning forecasts – predicting materially incorrect deficits to be managed in the future Inaccurate forecast of the size of savings needed (either too little or too much) might lead to operational and strategic decisions about savings which prove to be inappropriate in medium/long-term 	<p>4</p>	<p>4</p>					
			<p>Risk Value (Likelihood x Impact value)</p> <p>16</p>	<p>Things we are doing/ will do (Controls) to reduce impact if risk were to occur (Consider consequences)</p> <ul style="list-style-type: none"> There is less inherent risk within this area as we have a greater level of control over our work to ensure that our forecast are accurate. There do, however, remain areas of spend which are dictated by factors outside of our control (e.g. national charges) where it is necessary to manage the information; We will continue to report regular on the evolving financial landscape, identifying where changes in this have resulted in material changes to our assumptions. This will inform and support our medium and longer term strategic and change programme planning. By so doing we will manage the iterative development of our financial plans so as to ensure that there are no last minute large variations in the size of the financial challenge faced. 	<p>Nick Adams – Head of Finance and Business Services</p> <p>Jonathan Clements – Financial Services Manager Southwest One</p>	<p>Annual through MTFP cycle</p>	<p>N/a</p>	<p>9</p>
<p>Risk Indicators</p> <ul style="list-style-type: none"> Appearing as a significant outlier in benchmarking undertaken through FRBA, PCCTS as well as others (inc regional benchmarking) Adverse feedback from HMIC through annual PEEL efficiency inspection Adverse feedback from External Auditors in their annual value for money opinion, or around the financial sustainability of the Constabulary 								

Risk description (Uncertain future event that may affect objective)			Inherent		Things we are doing/will do to reduce likelihood of occurrence (Consider causes)	Named action owner(s)	Action due date	Evidence we will test for assurance	Moderated					
			L	I					L	I				
5. Failure to plan effectively for reserve levels and usage over the MTFP planning horizon			4	4	<ul style="list-style-type: none"> Ongoing and regular dialogue between CFO's and Head of Finance over the level of reserves, and the call against these reserves; Reporting of the cost of change through finance meeting, to enable oversight and approval of this cost to be recorded; Cost of change beyond 2015/16 being developed in line with MTFP development timescales, to enable scrutiny and approval of this along with the impact to be planned against reserves at the appropriate time; Annual review of reserves will be conducted in conjunction with the PCC's office to ensure that our risk assessment and planning around these remains appropriate 	Nick Adams – Head of Finance and Business Services Jonathan Clements – Financial Services Manager Southwest One	Annual through the MTFP cycle, and beyond into ongoing budgetary cycle	MTFP will include reserve planning information which will link to risk assessment.		3	2			
Strategic Lead and/or Risk Owner		Julian Kern										Nick Adams		
Last review date:		October 2015												
Cause (Because)		Consequences (resulting in)												
<ul style="list-style-type: none"> Reserves cover a number of pots of funds, including both revenue and capital funding, ring-fenced and general purpose; Maintaining reserves supports prudent financial planning, enabling the management of risk and recognising that often initiatives requiring support outside of budget have live beyond the artificial constraints of a financial year; Inappropriate or ineffective planning of reserves could lead to too high or too low reserves being held. 			Too high a level of reserves could lead to:- <ul style="list-style-type: none"> Criticism from Home Office, HMIC and others that we are sat on too much reserves; Undermining of the argument that policing should receive a greater level of protection in future cuts; Undermining of the argument for further increase to our council tax precept; Too low a level of reserves could lead to:- <ul style="list-style-type: none"> Inability to meet unexpected costs and occurrences – which could arise from unexpected operational requirements (e.g. significant major investigation) or could arise from claims made against us; Inability to support the cost required to bring about further change and transformation leading to increased risk that ongoing change to meet the financial challenge is not delivered in as effective way as possible. 		Risk Value (Likelihood x Impact value)		Things we are doing/ will do (Controls) to reduce impact if risk were to occur (Consider consequences)		Risk Value (Likelihood x Impact value)					
			16		<ul style="list-style-type: none"> At present our reserve levels remain quite healthy, so there is a degree of scope already inbuilt into these values which will make the management of any impact here more possible; Through close scrutiny, and planning it is hoped that we can reduce the risk around our reserve levels, and ensure these are accounted for an presented in a consistent and effective way so as to continue to stand up to scrutiny from those who might seek to utilise our reserve levels as a means of continuing to argue for cuts. 		Nick Adams – Head of Finance and Business Services Jonathan Clements – Financial Services Manager Southwest One		Annual through the MTFP cycle		MTFP will include reserve planning information which will link to risk assessment.		6	
Risk Indicators														
<ul style="list-style-type: none"> Overspends against in-year revenue budgets could lead to unplanned draw down against reserves; Overspends against capital projects could lead to greater utilisation of reserves than was originally planned and provided for; Overspends/Increased cost of change leading to a greater utilisation of reserves than was originally planned and provided for; Inability to balance revenue budget in the short-term leading to need to rely on reserves to enable the budget to be balanced initially prior to the delivery of savings at a later date. 														