

MEETING: Police and Crime Panel	Date: 8 th February 2017	Agenda No
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NAME OF PAPER: 2017/18 Precept, Budget and Medium Term Financial Plan		

1. PURPOSE OF REPORT AND BACKGROUND

This paper presents the revenue and capital budget for 2017/18. This includes the PCC's proposal, for consideration by the Police and Crime Panel, to increase the police council tax precept by 1.99%, resulting in **an average council tax level of £181.81** – an average annual increase of £3.55 pence .

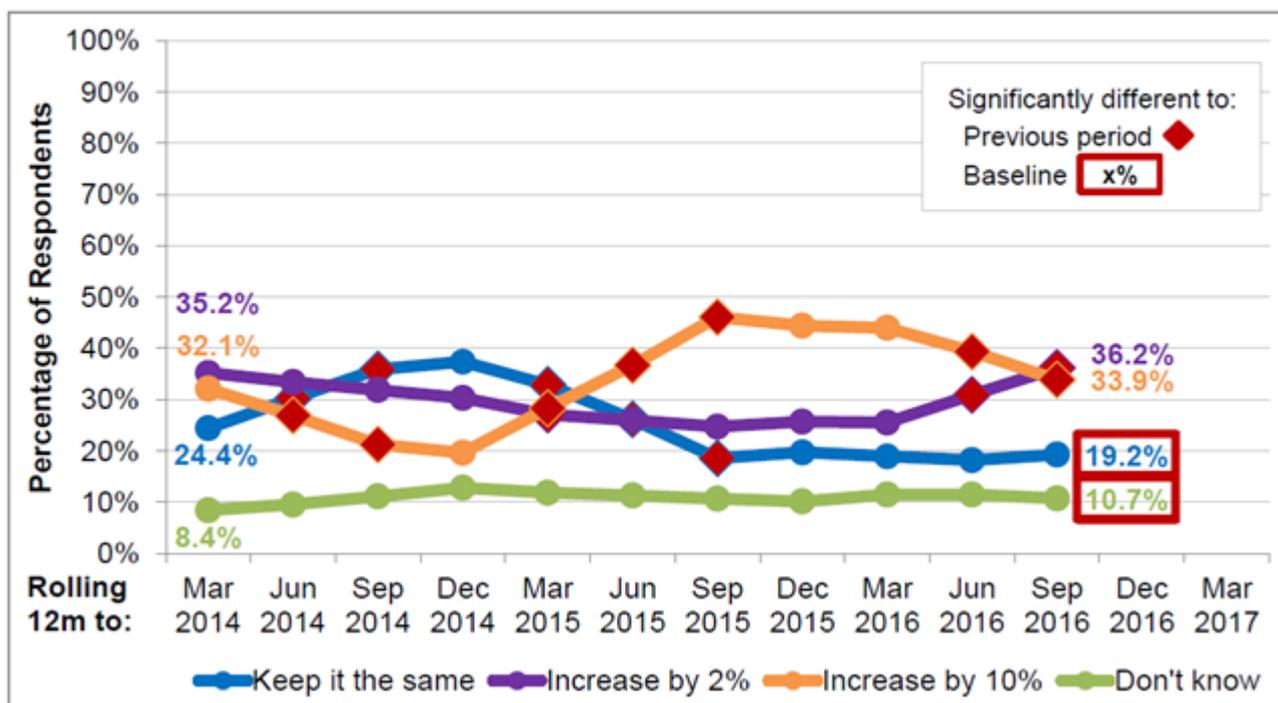
In addition this paper will present the draft Medium Term Financial Plan (MTFP) and the draft capital programme for the 5 year period until 21/22.

2. EXECUTIVE SUMMARY

The PCC has considered the outcome of the provisional settlement for Police grant funding, the cost pressures on the Constabulary, the need to fund capital programmes and the context of this within the Medium Term Financial Plan (MTFP). The PCC and her CEO and CFO have conducted budget consultation meetings with local authority partners to explain these considerations. In addition the PCC has considered the feedback and results of her ongoing consultation about the precept levels in Avon & Somerset. The Police and Crime Survey results are based on circa 3,000 responses over a rolling 12 month period. The survey asks a range of questions about residents' experiences of crime and policing, their feelings of safety, their priorities. The survey also seeks a view on the level of council tax precept which residents would support to fund police services.

The most recent survey data available indicates that **70% of respondents over a 12 month period would support an increase in police precept**, as is demonstrated in the graph below:

What level of council tax would you like to see set towards policing [next year]?



The proposed 2017/18 revenue budget will be £277.591m, which will be funded by grant funding totalling £175.914m (63.4%) and by council tax funding totalling £101.677m (36.6%). In order to achieve this **it is proposed that the precept is increased by 1.99% to an average band d of £181.81 – an annual increase of £3.55 pence.**

The proposed allocation of the 2017/18 budget is as follows:-

	2017/18 £'000		2016/17 £'000	
Office of the PCC (flat)	1,354	0.5%	1,354	0.5%
OPCC Commissioned Services (increase see below)	3,488	1.2%	3,430	1.2%
Constabulary (increase see below)	272,749	98.3%	271,290	98.3%
TOTAL Budget	277,591	100.0%	276,075	100.0%

The £50k increase in spend on OPCC commissioned services reflects new services for victims of child sexual abuse and victims of CSE and is funded by a re-deployment of £50k from the MoJ Victims grant commensurate with savings in the victims Lighthouse service. The table below shows this budget in the context of our MTFP (fuller breakdown at Appendix A):-

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
2016/17 Approved Budget	276,075	276,075	276,075	276,075	276,075
Forecast cost increases	10,373	15,501	19,072	22,625	26,476
Budget Requirement	286,448	291,576	295,147	298,700	302,551
Less; Total Funding	(277,591)	(277,562)	(278,845)	(280,290)	(281,904)
DEFICIT Before Savings	8,858	14,014	16,302	18,409	20,648
Current Planned Savings	(7,471)	(10,971)	(15,471)	(15,471)	(15,471)
New Savings required	(1,387)	(3,043)	(831)	(2,938)	(5,177)
DEFICIT After Planned Savings	Balanced	Balanced	Balanced	Balanced	Balanced

In summary we forecast that our cost base will increase by £26.5m/9.6% over the next five years. When combined with a forecast increase in funding of £5.8m/2.1% over the same period, this creates a **budget deficit of £20.6m by 21/22.**

Savings plans are being developed which will address this deficit. Immediately there are plans in place which substantially deliver £7.5m of the savings needed in 17/18, leaving £1.4m of residual required savings. By the end of the MTFP our current savings plans grow to £15.5m, resulting in £5.2m of required residual savings.

The Constabulary's change programme is currently being restructured. This will be aligned to support and deliver change that substantially addresses the savings required to meet the challenge presented here. Our intention is to have delivered a high level plan detailing how we will balance the budget across the MTFP period by the end of March 2017. This will build on those planned savings already in place, and consider all aspects of our budgets going forward.

Our current 16/17 budget performance as at the end of the third quarter is forecasting a revenue underspend of nearly £2.9m. The level of this underspend, coupled with new emerging opportunities to realise savings earlier than planned, provides assurance that we have the necessary capacity to realise the total savings needed to fully balance our 17/18 budget without funding from reserves.

We have reviewed our capital funding, and identified £73.6m that will be available to fund the current year (16/17) capital spend as well as to provision for spend over the next five years. Our initial plans for capital expenditure exceed this, with a current deficit of £19.9m on the capital

programme. **We will prioritise our plans against the funding identified, and thereby ensure that our investments are both sustainable and affordable.** This will include reconsideration and prioritisation of all of our ICT, Estates and Fleet plans, which will be revised to levels which can be contained within our funding plans.

We are forecasting that our **reserve position is going to be substantially reduced over the medium term,** with utilisation of these funds to support both capital and revenue transformation the key driver behind this forecast. We are forecasting that **we will require £2.6m from reserves in 2017/18 to fund the additional, one-off revenue costs of change.** Of this £2.0m will be needed to support local costs of change, and £0.6m to support our share of the regional change costs.

3. BACKGROUND AND PROVISIONAL GRANT SETTLEMENT

The government's previous Comprehensive Spending Review (CSR) placed considerable pressure on all of our crime, community safety and criminal justice agencies. The Police and Crime Commissioner for Avon & Somerset (previously the Police Authority) has had to make savings of £66m/22% since 2010 in order to balance our budgets. This it has done through organisational restructures, and natural attrition which released savings in departmental budgets and staff costs.

The current CSR, announced in November 2015, brought about an improved outlook for the funding of the Police Service. At the time of these announcements the Chancellor of the Exchequer said:-

*"...now is not the time for further police cuts. Now is the time to back our police and give them the tools to do the job. I am today announcing that there will be no cuts in the police budget at all. There will be real-terms protection for police funding. The police protect us, we are going to protect the police."*¹

Subsequent announcements have provided more information which has better enabled us to understand the detail behind this headline. In summary the announcement is applicable to all police funding, and therefore assumes that:-

- Grant funding to individual PCC's will continue to reduce;
- Reductions in grant will be offset by increases in council tax income driven by:-
 - Assumed annual increase in council tax precept of 1.99% (being the maximum that can be determined without the need for a local referendum to be held);
 - Assumed average increase in council tax base across all PCC's areas (in 16/17 assumption was that each PCC would benefit from 0.5% increase in base);
- The final grant funding to individual PCC's would further be subject to 'reallocations' of funds to support other areas of spend, including continuation of the Police Transformation fund, and the cost of the new Emergency Services Network (ESN) programme;
- Capital grant funding to individual PCC's would continue to be cut, requiring alternative arrangements to be put into place to support the funding of ongoing capital requirements.

The provisional Police Grant report was published by the Home Office on 15th December 2016². This confirmed the following:-

- **A £2.3m/1.4% cash reduction in core grant for Avon & Somerset** in 2017/18 – a worse position than had previously been forecast owing to:-

¹ HC Deb 25 November 2015, vol 602, col 1373

² <https://www.gov.uk/government/consultations/provisional-police-grant-report-2017-to-2018>

- More funding 'reallocated' to other areas of spend than in previous years – 17/18 reallocations total £812m which is an increase of £240m/42.0% on 2016/17; and
- An adjustment to reflect the fact that the actual tax base increase in 16/17 was higher than the 0.5% that had been assumed by the Government (average increase appears to have been closer to 2.0%);
- Legacy council tax grants continue to be frozen at their historic cash levels;
- Total reallocations made in 17/18 include:-
 - £175m for a Transformation fund (which now replaces the innovation fund completely);
 - £417m in support of Major Programmes, including £383m for ESN; and
 - £54m for arms length bodies, including £37.6m for IPCC and £9.4m for HMIC.

The settlement does not project out beyond 2017/18, however we know that the Home Office remains committed to reviewing the current formula and we expect this work and its recommendations to be substantially advanced over the next 12 months. It is expected that any changes would be subject of transitioning arrangements which could commence as early as 2018/19. This factor, coupled with a continued expectation that the overall level of grant funding will continue to reduce (subject to the same factors outlined above) make forecasting of grant funding beyond 2017/18 complex and it would therefore be appropriate to expect a degree of movement in this as we monitor and develop our understanding over the coming months.

4. 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 and 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 A, 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):-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Main Grant	161,513	159,254	156,865	154,512	152,195	149,912
Legacy CTax Grants	14,709	14,709	14,709	14,709	14,709	14,709
Victims Grant	1,945	1,951	1,951	1,951	1,951	1,951
Council Tax	95,873	99,775	103,287	106,922	110,686	114,582
Collection Fund Surplus	2,035	1,902	750	750	750	750
Funding Net Budget	276,075	277,591	277,562	278,845	280,290	281,904
<i>Annual movement (%)</i>	<i>+1.1%</i>	<i>+0.5%</i>	<i>+0.1%</i>	<i>+0.5%</i>	<i>+0.5%</i>	<i>+0.6%</i>

MAIN GRANT FUNDING - The following table details our assumptions around our main grant for the duration of the MTFP period. This includes the detail confirmed in the 2017/18 provisional Police Grant Report:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Main Grant Funding	161,513	159,254	156,865	154,512	152,195	149,912
+ / - on prior year	-927	-2,259	-2,389	-2,353	-2,317	-2,283
+ / - on prior year (%)	-0.6%	-1.4%	-1.5%	-1.5%	-1.5%	-1.5%
+ / - cumulative on 2010	-24,550	-26,809	-29,198	-31,551	-33,868	-36,151
+ / - cumulative (%)	-13.2%	-14.4%	-15.7%	-17.0%	-18.2%	-19.4%

The above represents the 17/18 figure as published in the provisional grant report, with our estimate based on an assumed reduction in grant of 1.5% p.a from 18/19 onwards.

We have not made any adjustment to the level of grant funding across the MTFP as a result of the impending changes to the formula to distribute main grant funding across police forces. We know that the Home Office is progressing a review into the formula, and expect this to culminate in recommendations next year. However, it is not possible for us to forecast the impact of this at this stage in the process, and we will therefore retain a watching brief over the position as it emerges.

KEY RISK - *Our forecasts for the future value of our grant funding could change owing to the large number of variables that will ultimately effect the level of funding. We have explained the sensitivity of our assumptions at Section 7 below, and included this risk at appendix G.*

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 six years either in compensation for the decision to freeze our council tax precept, or following the abolition of council tax benefit. It was confirmed in the provisional grant report, that this funding would remain frozen at the same level as last year. We have assumed that this will remain frozen throughout the period covered by the MTFP;
- 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, who have confirmed the value of this grant to be substantially frozen compared to 16/17 values. Again we have assumed that this will remain frozen throughout the period covered by the MTFP.

COUNCIL TAX - The following table summarises the council tax funding forecast across the MTFP:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Council Tax precept	95,873	99,775	103,287	106,922	110,686	114,582
Collection fund surplus	2,035	1,902	750	750	750	750
Total Council Tax	97,908	101,677	104,037	107,672	111,436	115,332
Av. Band D (£p)	£178.26p	£181.81p	£185.42p	£189.11p	£192.88p	£196.72p
Annual movement (%)	+1.99%	+1.99%	+1.99%	+1.99%	+1.99%	+1.99%
Tax base (No.)	537,833	548,800	557,032	565,388	573,868	582,476
Annual movement (%)	+2.03%	+2.04%	+1.5%	+1.5%	+1.5%	+1.5%

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

- Confirmation of the tax base figures from our local billing authorities – the 17/18 figures above

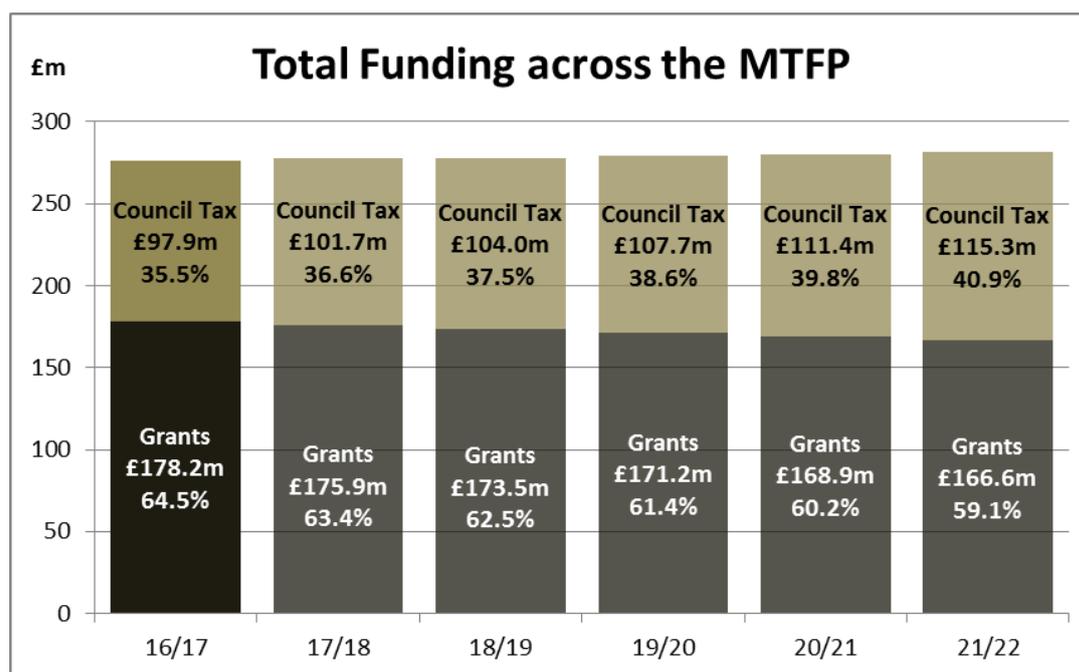
have been confirmed to us by our 9 billing authorities. Thereafter we have forecast an increase of 1.5% p.a. for the duration of the MTFP period. This assumption is slightly more than our councils are themselves predicting, but reflects our experience that they tend to better their predictions;

- Confirmation of collection fund surplus/deficit, and the PCC's share of this – the 17/18 figure above is still indicative as we await final confirmation from all billing authorities. This is not expected to materially change.

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

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Grant Funding	(178,167)	(175,914)	(173,525)	(171,172)	(168,854)	(166,572)
Council Tax Funding	(97,908)	(101,677)	(104,037)	(107,672)	(111,436)	(115,332)
TOTAL Funding	(276,075)	(277,591)	(277,562)	(278,845)	(280,290)	(281,904)

The net increase in income we're forecasting over the life of the MTFP is £5.8m/2.1%. 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:-

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
16/17 Budget	1,354	1,354	1,354	1,354	1,354
Provision for inflation	0	15	35	60	90
TOTAL Budget	1,354	1,369	1,389	1,414	1,444

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 £0.1m/6.6%. There is no increase in budget planned for 17/18, where the PCC is looking to manage inflationary pressures within existing budget. Thereafter provision for inflation, in line with that used elsewhere in the MTFP, drives the increase in budget here.

PCC'S COMMISSIONING BUDGET – The following table summarises the expenditure forecast over the MTFP for the PCC's commissioning budget:-

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
15/16 Budget	3,430	3,430	3,430	3,430	3,430
Provision for inflation	0	0	0	0	0
Growth	57	57	57	57	57
TOTAL Budget	3,488	3,488	3,488	3,488	3,488

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 £0.1m/0.2%, which reflects the Ministry of Justice funding for victims services returned by the Constabulary to the PCC as the share on savings being made in this area. This therefore enables the PCC to continue to use these funds in support of victims services through other commissioned bodies.

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

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
16/17 Budget	271,290	271,290	271,290	271,290	271,290
Pay and staffing	4,095	6,838	9,482	12,200	14,954
Non-pay inflation	997	1,586	2,025	2,452	2,875
Cost of capital	1,039	2,382	3,274	3,546	4,046
Other commitments	4,184	4,623	4,199	4,309	4,453
TOTAL Budget before savings	281,606	286,719	290,270	293,798	297,619

Over the course of the MTFP the Constabulary budgets are forecast, at present, to increase by £26.5m/9.6%.

- Pay and Staffing Adjustments - The biggest driver of the increase in budget requirement, **adding £15.0m by 21/22**, is the adjustments required to pay and staffing budgets. These adjustments include:-
 - 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 which continues to be consistent with the messages from Government.
 - This assumption accounts for £10.6m of the increased forecast in our cost over the MTFP (*i.e. circa £2m increase per year*);

KEY RISK – The cost of supporting pay increases represents the single biggest factor driving cost increase over the course the MTFP period. If actual pay increases are materially greater than the 1.0% assumption made, then the impact of this on the scale of our financial challenge could be significant. We have explained the sensitivity of our assumptions at Section 7 below, and included this risk at appendix G.

- Incremental pay progression – It is necessary to reflect the changing profile of our officers and staff as determined by their position on respective pay scales. We had attempted to reflect this for officers through the introduction of standard unit costs. Having reviewed this as part of the budget build, against the actual costs of officers in role, we have released £1.8m from this in 17/18, and offset by increase of £1.4m in officer and staff increments based on actual people in post. The net effect of this is actually a reduction in 17/18 of £0.4m. Thereafter we have assumed annual increase of £0.5m to support incremental pay progression, but will continue to test and challenge this assumption to ensure that it remains appropriate;
- Adjustments to Vacancy Factor – In setting the 16/17 budget we introduced an increase in the vacancy factor used against PC pay budgets from 1.0% to 2.0%. This was a reflection of the forecast position that we would continue to see vacancies whilst recruitment plans took time to close the gap. As we have seen across 16/17 the gap is reducing, and is forecast to continue to reduce. We have therefore decided to unwind this back to an assumption of 1.0% over the next two years, thereby bringing about a PC vacancy factor of 1.5% in 17/18, reducing further to 1.0% in 18/19;
- LGPS Employer Contributions – Our Local Government Pension Scheme (LGPS) has been subject of a fund valuation exercise undertaken by the actuaries. The purpose of this review is to ascertain the extent to which the current and future liabilities against the fund are covered by the current and future value of assets held by the fund. We have now had it confirmed that our actuary requires us to increase our employer contribution into the fund. Our employer contribution rate needs to increase from 11.0% to 13.2%, combined with adjustments to our annual lump-sum payment which will see this increase over the MTFP. The combined result of this is that we need to increase our pensions cost by £1.1m in 17/18, rising to £1.2m p.a. by 21/22;
- Apprenticeships Levy – This new levy will see large organisations have to pay 0.5% of their total pay costs into the Government to establish a national apprenticeships fund to support the growth in apprenticeships targeted over the next few years. We anticipate that this levy will be introduced from April 2017 and will see us having to pay over £0.9m into this fund (as determined through use of the HMRC calculator). This cost is offset by a reduction of £0.1m in the budget we had historically used to support apprenticeships within the force. Our MTFP assumes no upside to this new levy at this stage, but there is potential for us to recover some benefit from this new scheme. The potential benefits of the scheme to us will be included within the work taking forward our review of enabling services;
- Non-pay inflationary adjustments - Adjustment to non-pay budgets to reflect inflationary and contractual pressures are forecast to add £2.9m to our cost base over the next five 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 assumed a 1.0% increase p.a. In addition we have made provision for specific inflationary pressures generated by our requirement to renew our Microsoft licences in 2017/18, as well as other specific inflationary pressures including those created by the increase in insurance premium tax charges. The impact of these assumptions is to add £2.2m by 21/22;

- 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 Q1 of 18/19, and therefore we have assumed inflation at 1.0% on the value of this budget thereafter in line with both our pay and non-pay assumptions elsewhere within the MTFP. Our decision to end our business services contract early (during 17/18) has not yet been factored into these numbers, and potentially provides us with opportunities for direct cost control and earlier realisation of savings from our enabling services costs;
- Interest receivable – as advised by our Treasury advisors (Somerset County Council) we're forecasting a reduction to our interest income over the course of the MTFP. This income is forecast to reduce by £0.4m in 17/18, with some recovery by 21/22. This is the result of forecast reductions in both the value of the cash balances held, as well as reductions in the rate of return we are able to achieve;
- Cost of capital - Adjustment to our cost of capital budgets is forecast to add £4.0m over the life of the MTFP. These adjustments relate to:-
 - Revenue costs of the capital programme – we have identified £0.8m in revenue growth in support of costs of capital investments. This includes the costs of supporting the mobilisation of our workforce (revenue growth of £0.6m p.a.), and net increases in a number of other IT costs (£0.2m p.a. - including investments in QlikSense, Digital evidence management and our WAN infrastructure);
 - Minimum Revenue Provision – as is explained in more detail under our capital section at part 2 below, we are assuming that we will need to undertake borrowing to support capital investment. Under public sector accounting conventions it is necessary for us to make provision for the repayment of sums borrowed against our revenue budget. Over the course of the MTFP we will see borrowing undertaken 10 years ago in support of our investment in our ERP system, become fully re-provisioned. This sees a significant reduction in our MRP budget, which is offset by an assumption that we will borrow a further £25m by 19/20 in support of forward investment. The effect of these adjustments is an increase of £0.1m in 17/18, reducing thereafter to a reduction of £0.2m by the time we get to 21/22;
 - Interest Payable – the requirement to borrow a further £25m over the next three years will also see an increase in the value of interest we are paying against our borrowing. The assumption within the MTFP is that we will look to borrow at the end of the year in which the funding is needed, thereby only needing to service the interest cost for a full year in the following financial year. We are assuming that the interest will be payable at 4.1% of the principal, which is the current average rate of interest we pay against existing borrowing. The impact of this is to increase our cost by £0.2m in 17/18, rising to £1.0m by 21/22;
 - Direct revenue funding of capital – these lines re-instate the revenue funding budgets up to a level of £0.7m (ending our planned holiday from this funding), but recognise that in context of future forecasts in capital spend that more funding needs to be set aside, and therefore looks to grow this budget by a further £1.8m by 20/21. This will

therefore provision a recurring budget of £2.5M p.a. from 20/21 onwards in support of our recurring capital spend need;

- Other commitments - Adjustment to our costs to account for other commitments is forecast to add £4.5m over the life of the MTFP. These costs are a consequence of:-
 - New Growth and Investments – Several areas of new investment have been approved and are included within our budgets. In total we have identified £0.4m of new investment, which is made up of:-
 - Provision to support growth in internet child abuse team (£0.3m);
 - Provision to support growth in digital policing support unit and Corporate Gazetteer (£0.1m);
 - Other budget pressures, commitments and adjustments - Several areas of budget growth have been identified. The cost of these is forecast to be £3.3m in 17/18, reducing to £3.1m by the end of the MTFP. The key areas to highlight here include:-
 - Provision to support increase in student officer intake to 160 per year (£0.4m);
 - Provision to permanently grow in on call cadre of Chief Inspectors (£0.3m);
 - Adjustments to correct for SW Forensic collaboration contributions (£0.8m);
 - Increase in our cost for the National Police Air Service (NPAS) to reflect current actual usage (£0.5m);
 - Increase to reflect new (non-PFI) business rates following review (£0.2m);
 - Increase in the cost of our insurance premiums (£0.5m);
 - Increase to uniform budgets to reflect changes in uniform personal issue, and support increased student officer intake (£0.2m);
 - Removal of savings originally targeted through wind turbine at HQ (£0.1m);
 - Glastonbury – we have made provision for the festival fallow year, planned for 2018, to reflect the loss of income above those direct costs that we charge for. This surplus funds a number of indirect costs that it is not possible for us to charge directly for, but which are covered by the full economic rates used. Many of these are fixed costs, and therefore will continue to be incurred even in year when the festival is not run;
 - Buildings maintenance reserve – we have continued to reduce the contribution from our buildings maintenance reserve to top-up our estates repairs and maintenance budget. By the end of the MTFP period our reduced repairs and maintenance budget will no longer receive a top-up from reserve;
 - PFI Buildings – we have made provision within the MTFP for specific changes to our budget for our PFI buildings. This includes adjustments relating to both business rates (as consequence of wider business rates review), and increases to our utilities costs to provision for the ongoing pressures being felt in the running of these buildings.

INVESTMENT – Included within the above provisions for cost increases are a number of areas which it would be right to classify as investments. In total the MTFP includes provision for £4.7m of new investment focused on cyber crime and workforce mobilisation as detailed below:-

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Mobilisation	552	676	676	676	676
Networking and Voice Over IP	134	150	182	204	204
Business Intelligence Tools	145	145	145	145	145
Digital Evidence Management	54	54	54	54	54
Internet Child Abuse Team	310	310	310	310	310
Digital Policing Support	60	60	60	60	60
Direct revenue funding of capital	0	760	1,010	1,260	1,760
Servicing of new borrowing	305	916	1,526	1,526	1,526
TOTAL	1,558	3,070	3,962	4,234	4,734

THE BUDGET REQUIREMENT - The following table summarises the budget requirement before savings:-

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
PCC's Office	1,354	1,369	1,389	1,414	1,444
Commissioning	3,488	3,488	3,488	3,488	3,488
Constabulary	281,606	286,719	290,270	293,798	297,619
Budget Requirement	286,448	291,576	295,147	298,700	302,551
Grant Funding	(175,914)	(173,525)	(171,172)	(168,854)	(166,572)
Council Tax Funding	(101,677)	(104,037)	(107,672)	(111,436)	(115,332)
TOTAL Funding	(277,591)	(277,562)	(278,845)	(280,290)	(281,904)
DEFICIT Before Savings	8,858	14,014	16,302	18,409	20,648

As the table above demonstrates the forecast deficit before any new savings are accounted for, is £8.9m in 2017/18 rising to £20.6m by 21/22. This is an increase deficit compared to previous forecasts primarily driven by:-

- Greater degree of pessimism in our forecast for future value of our main grant funding as a consequence of the detail of the provisional 2017/18 settlement. We had been previously forecasting an annual reduction of 1% in the value of our main grant funding, which we have now altered to reflect an annual reduction of 1.4% in 2017/18 and 1.5% each year thereafter. The result of this is that we now anticipate that we will see £3.7m less in grant funding by 21/22 than had been previously forecast;
- Increased staff pensions costs as a consequence of the outcome of the actuarial valuation of the Local Government Pension Scheme. We have now reflected the conclusions of the actuaries which has required us to provision for an extra £1.2m in costs by 2021/22. We had previously assumed £0.8m, and therefore this has increased our costs by £0.3m;
- Increase in our commitments to include an uplift of £0.5m for our costs of NPAS. Following the national collaboration on NPAS, there have been moves towards a costing model that is more closely aligned to usage.
- The final budget for NPAS has not been finalised, so the final cost might be subject to some change – this provisions for a worst case scenario;
- Increased uplift to our revenue funding of capital by a further £0.5m by 2021/22. In light of

further cuts to home office capital grant funding (see below) we have decided that a further increase to our revenue funding of ongoing capital funding requirements of £0.5m would be prudent to ensure we are able to maintain and replace our existing infrastructure and assets.

SAVINGS – As identified above there have been a number of factors which have now lead to us forecasting an increased deficit from that which was being forecast before now. The Constabulary had originally been planning on savings of £7.5m in 2017/18, rising to £15.5m by 2019/20. Based upon our revised forecasts we recognise that this is not now enough, and are currently in process of restructuring our change programme to address the totality of the £20.6m of savings identified as being required by 21/22.

The below table summarises the work to date in targeting £15.5m of savings by 2019/20. The profile of the delivery of these savings outlined below has been assumed, but there may be opportunities to bring forward this profile and begin to realise savings sooner rather than later in order to help close the residual gaps in earlier years. This will be considered as part of our new plans going forward.

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
Savings identified by finance through budget build process	(471)	(471)	(471)	(471)	(471)
Savings targeted from operational departments ("PBR")	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Savings targeted from enabling services departments	(1,500)	(5,000)	(9,500)	(9,500)	(9,500)
Savings targeted from existing collaborations	(500)	(500)	(500)	(500)	(500)
Total savings plans	(7,471)	(10,971)	(15,471)	(15,471)	(15,471)
Further savings to be targeted	(1,387)	(3,043)	(831)	(2,938)	(5,177)
Total Savings to balance budget	(8,858)	(14,014)	(16,302)	(18,409)	(20,648)

- Finance identified savings – included within this are those savings and reductions to budget identified by finance through the detailed budget build process. They include the permanent realisation of many of those savings taken against the 16/17 in-year savings target (as reported on through the quarterly financial performance report);
- Savings targeted from operational departments – our Priority Based Resourcing (PBR) activity is targeting savings of £5.0m from operational departments for delivery in 17/18. The detail of these proposals is being presented to the Constabulary Management Board meeting on 26th January for discussion and endorsement, allowing for consultation and final approval so that implementation starts at the beginning of the new financial year in April;
- Savings from enabling services – we are currently targeting £9.5m from across our enabling services budgets to be achieved for full year effect from 2019/20. It was originally envisaged that this would be delivered through collaboration with Wiltshire and Gloucestershire, however that is no longer the case. In order to begin the work towards the realisation of these savings we have instigated plans from each area of enabling services to in aggregate realise savings of £1.5m in 17/18. Thereafter we will establish a more formal programme through which the realisation of further savings can be achieved from enabling services.

This will include aligning this ambition more clearly to the work to prepare for the end of the Southwest One contract;

- Savings from existing collaborations – both of the regional ACC's have been challenged to

realise savings from their combined budgets, which it is hoped will realise savings back to Avon & Somerset of £0.5m. Work on these is progressing under the stewardship of those ACC's, and will be picked up through the collaborative budget setting process.

5. PART TWO – CAPITAL PROGRAMME

Over the next five years we recognise that capital investments are going to be required to not only support and refresh our current assets and infrastructure, but also to invest in new transformative initiatives helping us to realise operational efficiencies that support our need to find revenue savings.

CAPITAL FUNDING – Over the current financial year, and the next five years we anticipate that we will have the following levels of capital funding available to us:-

	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	TOTAL £'000
Home Office Capital Grant	1,184	1,005	1,005	1,005	1,005	1,005	6,208
Revenue Contributions	0	0	1,500	1,750	2,000	2,500	7,750
Capital Reserves	2,096	0	0	0	0	0	2,096
Capital Receipts	14,274	7,319	2,855	1,271	2,860	100	28,679
Contributions from Partners	874	0	0	0	0	0	874
Other funding (e.g. grants)	719	0	0	0	0	0	719
Unapplied Borrowing	2,232	0	0	0	0	0	2,232
New Borrowing	5,000	10,000	10,000	0	0	0	25,000
TOTAL	26,379	18,324	15,360	4,026	5,865	3,605	73,558

The above capital funding forecast assumes:-

- Further reduction in Home Office capital grant funding in 17/18 of £0.18m/15.1% (as confirmed through provision grant settlement information), followed by a freeze in the value of this grant each year thereafter;
- As highlighted in our revenue budget planning above, re-instatement of revenue contributions towards capital funding (£0.74m p.a.) from 18/19 and further growth in this up to £1.5m in 18/19 rising to £2.5m p.a. by 21/22. This goes some way to compensating for historic reductions in capital grant funding and ensures that we have a more sustainable basis on which we can maintain our annual replacement and renewal programmes across our asset bases;
- Capital reserves reflect the current level of reserves set aside to support our capital expenditure. We have not at this stage assumed any increase in the level of these reserves over the next five years, but will review this as part of our review of reserves at the end of the 2016/17 financial year;
- Capital receipts reflect the current and forecast value of receipts we anticipate will be generated from the sale of buildings and vehicles across the next five years;
- Borrowing assumptions recognise the current value of unapplied borrowing (£2.2m) and build in a further £25m in borrowing phased over the current year (£5m before end of 16/17) and next two years (£10m in each of 17/18 and 18/19). It is assessed that this is a sustainable level of borrowing to be undertaking in support of our ambitions, and the revenue costs of servicing this uplift in debt have been factored into our revenue assumptions above.

In total we therefore forecast that we will have £73.6m of funding available to us to support capital expenditure in current year and across the next five years.

CAPITAL EXPENDITURE – Our forecast for 16/17, coupled with our initial proposals for investment (always subject to business cases) over the next five years total £93.4m in capital expenditure. The table below provides more detail of this:-

	As at Q3		DRAFT CAPITAL PROGRAMME				TOTAL £'000
	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	
	£'000	£'000	£'000	£'000	£'000	£'000	
ICT	5,269	12,736	10,835	5,244	2,910	1,917	38,911
Estates	7,534	11,142	6,959	3,408	2,445	400	31,888
Fleet	4,138	5,292	3,363	2,397	2,532	2,830	20,552
Capital Equipment	342	513	308	308	308	308	2,087
TOTAL	17,283	29,683	21,465	11,357	8,195	5,455	93,438

As it stands our **draft capital programme therefore exceeds our capital funding by £19.9m**. We recognise that this is an unsustainable position, and are progressing work which will see us prioritise our plans sufficiently so that they remain within the funding levels forecast. This will include:-

- Reducing the number of estates projects, and looking at opportunities to further rationalise our estate, realising the benefits of mobilisation and digitalisation transformation;
- Reviewing, and reassessing the options for the future replacement and renewal programmes for ICT, ensuring that these are aligned to a long-term vision for the way in which we plan to provision for our IT infrastructure and applications;
- Reviewing, and assessing the options for further fleet rationalisation or re-profiling of our fleet in order to ensure that our plans for future fleet replacement are both sustainable and affordable.

The table below provides an overview of the current plans, identifying whether the plans reflect spend which is already committed, aligned to replacement and renewal or is a new project yet to be subject of approval:-

Capital Investment 2016/17 – 2021/22	Already Committed £'000	Replacement/ Renewal £'000	Projects to be approved £'000	TOTAL £'000
ICT	12,875	23,012	3,024	38,911
Estates	9,589	3,159	19,140	31,888
Fleet	4,138	16,414	0	20,552
Capital Equipment	342	1,745	0	2,087
TOTAL	26,944	44,330	22,164	93,438

More detail on the plans as they currently stand is provided below, and this will provide the context and baseline against which we will look to reduce our plans to align to forecast funding available.

INFORMATION AND COMMUNICATION SYSTEMS - The capital programme identifies a total of **£33.6m** over the next five years, which when added to the current forecast spend in 16/17, increases to **£38.9m over a 6 year period**. This represents 42% of the total proposed investment over this period.

The following table summarises the draft capital programme for ICT:-

	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	TOTAL £'000
Replacement and renewal	408	2,946	1,600	1,561	2,910	1,917	10,892
Projects – Corp Systems	1,994	1,929	625	0	0	0	4,548
Projects – National	4	289	4,828	2,436	0	0	7,557
Projects – Regional	-25	0	173	0	0	0	148
Projects – Mobile & Data	559	775	0	0	0	0	1,334
Projects – Mobilisation	913	5,903	3,032	1,247	0	0	10,182
Projects – Digital Evidence	1,153	1,103	750	0	0	0	1,853
Projects – Other	253	68	0	0	0	0	321
TOTAL	5,269	12,736	10,835	5,244	2,910	1,917	38,911

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

- a. **Replacement and renewal programme** – There is provision for the replacement of end-user devices (desktops, laptops etc...), including hardware used to access our confidential domain. In addition further provision is made for ongoing infrastructure refresh, although the detail of this will be subject to our planning for the end of the Southwest One contract and our future IT Strategy (particularly in defining our ambition towards cloud hosting and storage solutions). A contingency for unscheduled IT spend which is included annually to cope with the types of pressure which occur from time to time;
- b. **Projects – Corporate Systems** – The plan here relates to the completion new workforce management system during 17/18, as well as including provision to support upgrade of the server for our duty management system, upgrades for our Storm system, and provision for the potential costs of upgrading our ERP system;
- 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 across 17/18, 18/19 and 19/20. At this stage we have estimated the capital costs to amount to £7.6m across this period, and have assumed that we will receive no central government funding to support these costs;
- d. **Projects – Regional Systems** – There remains uncertainty around the regional storm solution, which is currently on hold pending further review. In addition we are including provision in 17/18 for funds to support the connecting of policing and healthcare systems, which was the subject of a failed innovation fund bid in 16/17;
- e. **Projects – Mobile and Fixed Line Telephony / Data** – This includes the work required to complete the project to roll out VOIP across the force, including embedding call cards into Storm, and desktop video tele-conferencing. Provision is made in later years to ensure the resilience of this system is maintained;
- f. **Projects – Digital Mobilisation** – This area of the programme makes provision to support the costs set out in the business case to deliver mobilisation of our workforce. Where appropriate we have made adjustments in other areas of the plan to ensure that there is no duplication of costs where provision for hardware replacement had already been made in our plans;
- g. **Projects – Digital Evidence** – This area of the programme includes the costs of completing the roll out of our body worn video cameras, including provision for greater storage capacity to enable us to store the anticipated growth in digital evidence;
- h. **Projects – Others** – This provisions for further ‘live links’ between our buildings and the courts.

ESTATES - The capital programme identifies a total of **£24.4m** over the next five years, which when added to the current forecast spend in 16/17, increases to **£31.9m over a 6 year period**. This represents 34% of the total proposed investment over this period.

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

	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	TOTAL £'000
Replacement and renewal	359	400	400	400	400	400	2,359
Projects – HQ Site	2,771	6,771	0	0	0	0	9,542
Projects – Rationalisation	4,240	3,913	6,559	3,008	2,045	0	15,525
Projects - Other	164	58	0	0	0	0	222
TOTAL	7,534	11,142	6,959	3,408	2,445	400	31,888

The above table shows that the Estates part of the programme will fall into four 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 are provisioned for within this part of the programme include the refurbishment of the training accommodation within the training school, the completion of the Hand Operations Centre, the replacement of one of our generators, improvements to training school classrooms, improvements to the traffic management on site, work to support the co-location of the Fire Service at Police HQ and the work to deliver the regional drugs and chemical lab;
- 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 ultimately unlock savings. In total there are 31 separate projects, ranging from co-location of neighbourhood policing teams with partners, through to larger projects such as our plans for Yeovil, Weston super Mare, Shepton Mallet, Taunton, Southmead, and Kenneth Steele House. 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 as well as costs;
- d. **Projects – Other** – This supports ongoing feasibility work.

TRANSPORT - The capital programme identifies a total of **£16.4m** over the next five years, which when added to the current forecast spend in 16/17, increases to **£20.6m over a 6 year period**. This represents 22% of the total proposed investment over this period.

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

	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	TOTAL £'000
Replacement and renewal	4,795	3,459	3,363	2,397	2,532	2,830	19,376
Projects – Telematics	111	0	0	0	0	0	111
Projects – Other	13	0	0	0	0	0	13
TOTAL	4,919	3,459	3,363	2,397	2,532	2,830	19,500

The above table shows that the Transport part of the programme is largely concentrated on replacement and renewal plans for our fleet:-

- a. **Replacement and renewal programme** – This part of the programme represents our ongoing plan for the replacement and renewal of our fleet, including both marked and unmarked vehicles, those for general and those for specific purposes. The scale of spend forecast as needed is to maintain our current fleet numbers based on projected utilisation.

PLANT, MACHINERY AND EQUIPMENT - The capital programme identifies a total of **£1.7m** over the next five years, which when added to the current forecast spend in 16/17, increases to £2.1m over a 6 year period. This represents 2% of the total proposed investment over this period.

The following table summarises the draft capital programme for Equipment:-

	16/17 £'000	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	TOTAL £'000
Replacement – ANPR	189	208	208	208	208	208	1,040
Replacement - Other	153	305	100	100	100	100	705
TOTAL	342	513	308	308	308	308	1,745

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, including the replacement of the ANPR on the Motorways and strategic routes;
- 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.

6. THE COST OF CHANGE AND RESERVES

Over the course of the MTFP it is important that we recognise the one-off costs associated with the delivery of transformation, a lot of which will be critical to support our delivery of savings to balance our revenue budget over the medium term. It is therefore necessary for us to plan for this additional cost through the utilisation of our reserve set aside to support the cost of transformation.

In total we anticipate that **we will require £2.6m of reserve funding in support of our costs of change during 2017/18.** This funding will largely be utilised to cover the two aspects of change delivery:-

- £0.6m to provide for our share of the cost of change being delivered in collaboration with regional partners through the regional programme – going forward this wholly relates to the costs of the regional programme team (£0.2m in 17/18) and the costs of supporting the ESMCP project (£0.43m in 17/18);
- £2.0m providing for the additional resources needed to support the delivery of A&S local transformation – including the costs of supporting mobilisation, digital evidence, accommodation and mobilisation, and service and workforce redesign initiatives (including planning for end of the Southwest One contract). As has been highlighted above the structure, shape and resourcing profile of our change programme is currently under review. We will therefore provide a detailed breakdown of costs across the programme of activities once we have completed this exercise.

The utilisation of £2.6m from reserves in support of our cost of change needs to be considered in the context our wider forecast reserve position. The table below provides a summary of this, with more

detail provided at appendix F:-

Balance as at	Actual		Forecast			
	31/03/16 £'000	31/03/17 £'000	31/03/18 £'000	31/03/19 £'000	31/03/20 £'000	31/03/21 £'000
Discretionary Reserves	12,396	11,936	6,658	3,270	2,177	2,112
Non-Discretionary Reserves	7,991	7,019	6,533	6,158	6,158	6,158
Capital and PFI Reserves	20,529	14,141	7,514	7,932	8,027	8,084
General Fund	10,400	10,400	10,400	10,400	10,400	10,400
TOTAL	51,317	43,496	31,105	27,760	26,762	26,754

In total we forecast that our reserves will see substantial reductions over the next five years, with funds utilised to support both capital and revenue costs of transformation and investment.

- Discretionary Reserves – this area of reserves includes the funds set aside to support the revenue cost of transformation, from which we would plan to utilise the £2.6m in 17/18 that was identified above. Also included within this area of our forecast are reserves that:-
 - Provision for risk around costs of large scale policing operation/incident;
 - Provision for historic overtime liabilities;
 - Provision in support of claims relating to historic undercover activities; and
 - Provision in support of our buildings and maintenance programme;
- Non-Discretionary Reserves – this area of reserves includes a number of things, including the funds retained in support of our self-insurance, funds held on behalf of SWROCU (substantially being used to support the cost of new accommodation provision) as well as other pots for road safety, victims, Proceeds of Crime funds etc...
- Capital and PFI Reserves – this area of reserves includes our capital receipts, and other capital funding reserves which we anticipate will be fully utilised over the next couple of years. In addition we also have our reserves which support the accounting for our PFI buildings, which are forecast to adjust in line with our PFI financial model;
- General Fund – the level of this reserve is set by the PCC CFO, in consultation with the Constabulary, with reference to an assessment of our risks. The level of this reserve is therefore subject to annual review, which in recent years has reduced the value of the reserve to its current level at 3.5% of net expenditure. We have at this stage forecast no change in the value of this reserve, but recognise that this might change as we review reserve levels at the end of the financial year.

7. 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.

- Grant Funding – The grant funding settlement is agreed by the Government and announced to

us in mid-December each year³. The level of uncertainty in this area is high across the remainder of the MTFP. This uncertainty derives from a lack of granular detail in the Treasury's statements, and uncertainty created by the potential for future topslices to fund ESMCP investment and the expectation that the Home Office will now retrospectively adjust grant funding in light of actual local council tax base growth above their assumption. We are currently assuming a 1.5% reduction in grant funding each year from 18/19 onwards (17/18 provisional grant at 1.4% reduction). Each 1.5% of formula grant funding is equivalent to £2.3m. Therefore if the grant reduction is actually 2% p.a. we would expect to receive £0.8m less in 18/19, rising to £3.0m p.a. less by 21/22. Correspondingly therefore our standstill deficit would increase to £23.6m by 21/22;

- **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 Government's referendum level (2.00% and above) 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 £1.0m. 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 £1.0m less funding in 17/18 and £5.5m less by 21/22. This would increase our standstill deficit to £26.1m by 21/22;
- **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 £5.4m by 21/22. This would increase our standstill deficit to £26.0m by 21/22.

As the sensitivity analysis above highlights, the MTFP is subject to levels of inherent risk as it is predicated on a large number of assumptions. Given the volume, and potential high impact of this risk, we have included at Appendix F a list which tries to capture the key risks associated with grant funding, council tax funding, expenditure, savings and reserves. We will continue to monitor this list, and where necessary amend this to reflect changes to current identified risks, or to add new emerging risks as and when they become apparent.

8. CONCLUSIONS AND NEXT STEPS

Members of the Police and Crime Panel have been consulted on the PCC's budget and precept proposals in update sessions with the PCC's CFO in November and December 2016.

Panel Members are now invited to consider the PCC's updated budget, precept and MTFP proposals in this paper, which sets out a balanced budget after planned savings and after the PCC's proposal to increase the police Council Tax precept next fiscal year by 1.99%.

The proposed precept increase would result in an average Band D council tax level in 2017/18 of £181.81 in our area – an average annual increase of £3.55 pence.

³ Although these timescales might be brought forward in future years as the Treasury moves to make the Autumn statement the substantive budget announcement.

Mark Simmonds ACA, BSc Hons

CFO for the PCC of Avon & Somerset

Appendix A - MTFP Key Assumptions Table

	17/18	18/19	19/20	20/21	21/22
Grant Funding annual change	-1.40%	-1.50%	-1.50%	-1.50%	-1.50%
Precept annual change	+1.99%	+1.99%	+1.99%	+1.99%	+1.99%
Council Tax Base annual change	+2.04%	+1.50%	+1.50%	+1.50%	+1.50%
Av. Band D Council Tax	£181.81p	£185.42p	£189.11p	£192.88p	£196.72p
Pay Award – Sep 2017	+1.0%	+1.0%	+1.0%	+1.0%	+1.0%
Pay Award – Sep 2018		+1.0%	+1.0%	+1.0%	+1.0%
Pay Award – Sep 2019			+1.0%	+1.0%	+1.0%
Pay Award – Sep 2020				+1.0%	+1.0%
Pay Award – Sep 2021					+1.0%
General Non-pay inflation	+1.00%	+1.00%	+1.00%	+1.00%	+1.00%
Utilities inflation	+2.50%	+2.50%	+2.50%	+2.50%	+2.50%
Fuel inflation	+2.50%	+2.50%	+2.50%	+2.50%	+2.50%
Apprenticeship Levy	+£0.9m	+£0.9m	+£0.9m	+£0.9m	+£0.9m
Officer recruitment No.	+160	+160	+160	+160	+160

Appendix B – Summary MTFP

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
FUNDNG					
2016/17 Base Funding					
Grant Funding	178,167	178,167	178,167	178,167	178,167
Council Tax Funding	97,908	97,908	97,908	97,908	97,908
TOTAL Funding	276,075	276,075	276,075	276,075	276,075
Forecast increase/(decrease) to 2016/17 Base Funding					
Grant Funding	(2,253)	(4,642)	(6,995)	(9,313)	(11,595)
Council Tax Funding	3,768	6,129	9,764	13,528	17,424
TOTAL Funding	1,515	1,487	2,769	4,215	5,828
Forecast Funding					
Grant Funding	175,914	173,525	171,172	168,854	166,572
Council Tax Funding	101,677	104,037	107,672	111,436	115,332
TOTAL Funding	277,591	277,562	278,845	280,290	281,904
BUDGET REQUIREMENT					
2016/17 Base Budget					
Office of the Police and Crime Commissioner	1,354	1,354	1,354	1,354	1,354
Commissioning	3,430	3,430	3,430	3,430	3,430
Constabulary	271,290	271,290	271,290	271,290	271,290
TOTAL 2016/17 Base Budget	276,075	276,075	276,075	276,075	276,075
Adjustments to Budgets Required/Planned (not including Savings)					
Office of the Police and Crime Commissioner	0	15	35	60	90
Commissioning	57	57	57	57	57
Constabulary	10,316	15,429	18,980	22,507	26,329
TOTAL Adjustments to Budgets Required/Planned	10,373	15,501	19,072	22,625	26,476
Budget Requirement					
Office of the Police and Crime Commissioner	1,354	1,369	1,389	1,414	1,444
Commissioning	3,488	3,488	3,488	3,488	3,488
Constabulary	281,606	286,719	290,270	293,798	297,619
TOTAL Budget Requirement	286,448	291,576	295,147	298,700	302,551
DEFICIT BEFORE SAVINGS	8,858	14,014	16,302	18,409	20,648
Savings Identified through Estimates Process	(471)	(471)	(471)	(471)	(471)
Savings targetted through PBR Process over operational budgets	(5,000)	(5,000)	(5,000)	(5,000)	(5,000)
Savings targetted through Enabling Services	(1,500)	(5,000)	(9,500)	(9,500)	(9,500)
Savings targetted through existing collaborations	(500)	(500)	(500)	(500)	(500)
(SURPLUS)/DEFICIT AFTER CURRENT SAVINGS	1,387	3,043	831	2,938	5,177
Further Savings Requiring Development	(1,387)	(3,043)	(831)	(2,938)	(5,177)
(SURPLUS)/DEFICIT AFTER ALL SAVINGS	Balanced	Balanced	Balanced	Balanced	Balanced

Appendix C – Funding Forecasts

	16/17	17/18	18/19	19/20	20/21	21/22
	£'000	£'000	£'000	£'000	£'000	£'000
GRANT FUNDING						
Main Grants	161,513	159,254	156,865	154,512	152,195	149,912
Victims Commissioning	1,945	1,951	1,951	1,951	1,951	1,951
Council Tax Freeze	3,331	3,331	3,331	3,331	3,331	3,331
Council Tax Support	11,378	11,378	11,378	11,378	11,378	11,378
TOTAL GRANT FUNDING	178,167	175,914	173,525	171,172	168,854	166,572
Annual Change (£'000)	-718	-2,253	-2,389	-2,353	-2,318	-2,283
Annual Change (%)	-0.4%	-1.3%	-1.4%	-1.4%	-1.4%	-1.4%
Cumulative Change (£'000)	-26,047	-28,300	-30,689	-33,042	-35,360	-37,642
Cumulative Change (%)	-12.8%	-13.9%	-15.0%	-16.2%	-17.3%	-18.4%
COUNCIL TAX FUNDING						
Council Tax Precept	95,873	99,775	103,287	106,922	110,686	114,582
Collection Fund Surplus	2,035	1,902	750	750	750	750
TOTAL COUNCIL TAX FUNDING	97,908	101,677	104,037	107,672	111,436	115,332
Annual Change (£'000)	3,818	3,768	2,360	3,636	3,764	3,896
Annual Change (%)	4.1%	3.8%	2.3%	3.5%	3.5%	3.5%
Cumulative Change (£'000)	3,253	7,022	9,382	13,018	16,781	20,677
Cumulative Change (%)	3.4%	7.4%	9.9%	13.8%	17.7%	21.8%
TOTAL FUNDING	276,075	277,591	277,562	278,845	280,290	281,904
Annual Change (£'000)	3,100	1,515	-28	1,283	1,446	1,613
Annual Change (%)	1.1%	0.5%	0.0%	0.5%	0.5%	0.6%
Cumulative Change (£'000)	-22,794	-21,278	-21,307	-20,024	-18,578	-16,965
Cumulative Change (%)	-7.6%	-7.1%	-7.1%	-6.7%	-6.2%	-5.7%
Grant Funding	64.5%	63.4%	62.5%	61.4%	60.2%	59.1%
Council Tax Funding	35.5%	36.6%	37.5%	38.6%	39.8%	40.9%
TOTAL Funding	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Average Band D Council Tax	£178.26p	£181.81p	£185.42p	£189.11p	£192.88p	£196.72p
Annual Change (£p)	£3.48	£3.55	£3.62	£3.69	£3.76	£3.84
Annual Change (%)	1.99%	1.99%	1.99%	1.99%	1.99%	1.99%
Cumulative Change (£p)	£10.23	£13.78	£17.39	£21.08	£24.85	£28.69
Cumulative Change (%)	6.1%	8.2%	10.4%	12.5%	14.8%	17.1%
Council Tax Base	537,833	548,800	557,032	565,388	573,868	582,476
Annual Change (No. of Properties)	10,698	10,967	8,232	8,355	8,481	8,608
Annual Change (%)	2.03%	2.03908%	1.50%	1.50%	1.50%	1.50%
Cumulative Change (No.)	-22,955	-11,988	-3,756	4,600	13,080	21,688
Cumulative Change (%)	-4.1%	-2.1%	-0.7%	0.8%	2.3%	3.9%

Appendix D – Cost Forecasts

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)					
OPCC 2016/17 Budget	1,354	1,354	1,354	1,354	1,354
Provision for inflation	0	15	35	60	90
Growth	0	0	0	0	0
Savings	0	0	0	0	0
OPCC Budget Requirement	1,354	1,369	1,389	1,414	1,444
COMMISSIONING					
OPCC 2016/17 Budget	3,430	3,430	3,430	3,430	3,430
Provision for inflation	0	0	0	0	0
Growth	57	57	57	57	57
Savings	0	0	0	0	0
Commissioning Budget Requirement	3,488	3,488	3,488	3,488	3,488
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)					
Constabulary 2016/17 Budget	271,290	271,290	271,290	271,290	271,290
Police Officer Pay Awards	1,473	2,847	4,232	5,632	7,047
Police Staff/PCSO Pay Awards	713	1,437	2,138	2,846	3,561
Incremental Pay Progression	(364)	136	636	1,136	1,636
Adjustment to vacancy factor	508	1,093	1,093	1,093	1,093
Pension adjustments	47	94	142	190	238
Increase in LGPS Employer Contribution	1,034	1,044	1,054	1,065	1,076
Adjustment to Pension Deficit Lump-Sum	(72)	(5)	64	134	252
Overtime adjustments	174	(179)	(2)	174	351
Housing allowance and compensatory grant adjustments	(221)	(432)	(678)	(873)	(1,103)
Apprenticeship Levy	803	803	803	803	803
Pay and Staffing adjustments	4,095	6,838	9,482	12,200	14,954
General Non-Pay Inflationary adjustments	605	857	1,111	1,369	1,629
Utilities Inflationary adjustments	54	108	163	219	277
Fuel Inflationary adjustments	50	103	157	213	270
Southwest One - contractual indexation adjustments	(96)	121	243	366	490
Interest receivable adjustments	385	398	350	285	210
Non-Pay Inflationary adjustments	997	1,586	2,025	2,452	2,875
Revenue costs of the capital programme	722	699	731	753	753
Minimum Revenue Provision (MRP) adjustments	112	(433)	(233)	(233)	(233)
Interest payable adjustments	205	616	1,026	1,026	1,026
Revenue Funding of Capital - End of 2 year holiday	0	740	740	740	740
Additional Direct Revenue Funding of Capital	0	760	1,010	1,260	1,760
Cost of Capital adjustments	1,039	2,382	3,274	3,546	4,046
New growth and investments	388	388	388	388	388
Unavoidable commitments and adjustments	3,287	3,034	3,049	3,064	3,079
Glastonbury Festival - Fallow Year	0	600	0	0	0
Building Maintenance Reserve - Funding in advance of savings	0	47	163	211	292
PFI Costs	509	554	600	646	694
Growth and commitment adjustments	4,184	4,623	4,199	4,309	4,453
Constabulary Budget Requirement	281,606	286,719	290,270	293,798	297,619
TOTAL BUDGET REQUIREMENT					
Office of the Police and Crime Commissioner	1,354	1,369	1,389	1,414	1,444
Commissioning	3,488	3,488	3,488	3,488	3,488
Constabulary	281,606	286,719	290,270	293,798	297,619
TOTAL Budget Requirement	286,448	291,576	295,147	298,700	302,551

Net increase in budget requirement on 16/17 Base 10,373 15,501 19,072 22,625 26,476

Inclusive of New Investment of... 1,558 3,070 3,962 4,234 4,734

Appendix E – Draft Capital Programme

	Forecast	DRAFT Plan				
	2016/17 £'000	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
CAPITAL EXPENDITURE						
INFORMATION AND COMMUNICATIONS SYSTEMS						
Rolling Replacement and renewal programme (inc contingency)	408	2,496	1,600	1,561	2,910	1,917
Projects - Corporate Systems	1,994	1,929	625	0	0	0
Projects - National Systems	4	289	4,828	2,436	0	0
Projects - Regional Systems	-25	173	0	0	0	0
Projects - Mobile and Fixed Line Telephony/Data	559	775	0	0	0	0
Projects - Custody Technology	10	0	0	0	0	0
Projects - Digital Mobilisation	913	5,903	3,032	1,247	0	0
Projects - Digital Evidence (DEMS)	1,153	1,103	750	0	0	0
Projects - Others	253	68	0	0	0	0
TOTAL INFORMATION & COMMUNICATION SYSTEMS TOTAL	5,269	12,736	10,835	5,244	2,910	1,917
ESTATES						
Rolling replacement and renewal programme	359	400	400	400	400	400
Projects - HQ Site refurbishment and projects	2,771	6,771	0	0	0	0
Projects - Estate rationalisation programme	4,240	3,913	6,559	3,008	2,045	0
Projects Other	164	58	0	0	0	0
ESTATES TOTAL	7,534	11,142	6,959	3,408	2,445	400
FLEET						
Rolling replacement and renewal programme	4,033	5,042	3,113	2,147	2,282	2,580
PROJECTS - Vehicle Telematics	92	0	0	0	0	0
PROJECTS - Community resilience Task Force	0	0	0	0	0	0
Contingency	0	250	250	250	250	250
PROJECTS - Pool Car Infrastructure	13	0	0	0	0	0
PROJECTS - Detainee Transport Solutions	0	0	0	0	0	0
FLEET TOTAL	4,138	5,292	3,363	2,397	2,532	2,830
PLANT, MACHINERY AND EQUIPMENT						
Replacement - ANPR	189	208	208	208	208	208
Replacement - Other	153	305	100	100	100	100
PLANT, MACHINERY AND EQUIPMENT TOTAL	342	513	308	308	308	308
TOTAL DRAFT CAPITAL PROGRAMME	17,283	29,683	21,465	11,357	8,195	5,455
CUMULATIVE CAPITAL PROGRAMME	17,283	46,966	68,431	79,788	87,983	93,438
CUMULATIVE CAPITAL FUNDING						
Home Office Capital Grant	1,184	2,189	3,194	4,199	5,204	6,209
Revenue Contributions	0	0	1,500	3,250	5,250	7,750
General Capital Reserve	1,973	1,973	1,973	1,973	1,973	1,973
Earmarked Capital Reserve	123	123	123	123	123	123
Capital Receipts - Vehicle Sales	100	200	300	400	500	600
Capital Receipts - Property	14,174	21,393	24,148	25,319	28,079	28,079
Contributions from Partners	874	874	874	874	874	874
Other Funding (e.g. specific grants)	719	719	719	719	719	719
Unapplied borrowing (B/Fwd from 15/16)	2,232	2,232	2,232	2,232	2,232	2,232
New Borrowing	5,000	15,000	25,000	25,000	25,000	25,000
TOTAL FUNDING AVAILABLE	26,379	44,703	60,063	64,089	69,954	73,559
CUMULATIVE (SURPLUS)/DEFICIT IN CAPITAL FUNDING	(9,096)	2,263	8,368	15,699	18,029	19,879

Appendix F – Useable Reserves Forecast

	Bal as at 31st March 2016 £'000	Bal as at 31st March 2017 £'000	Bal as at 31st March 2018 £'000	Bal as at 31st March 2019 £'000	Bal as at 31st March 2020 £'000	Bal as at 31st March 2021 £'000
Carry Forwards	474	100	100	100	100	100
Neighbourhood Policing reserve	250	212	197	182	167	152
Operations reserve	1,500	1,500	1,500	1,500	1,500	1,500
Overtime - liability for AURORA Switch on	1,200	1,200	0	0	0	0
Undercover	0	2,200	1,100	0	0	0
Buildings and sustainability	1,499	1,014	651	378	300	250
Transformation reserve	7,473	5,710	3,110	1,110	110	110
DISCRETIONARY RESERVES	12,396	11,936	6,658	3,270	2,177	2,112
Insurance reserve	1,948	2,222	2,222	2,222	2,222	2,222
Other Non-Discretionary Reserves	6,044	4,797	4,311	3,936	3,936	3,936
NON-DISCRETIONARY RESERVES	7,991	7,019	6,533	6,158	6,158	6,158
Capital Financing reserve	1,973	1,973	0	0	0	0
Capital earmarked reserves	90	208	290	576	576	576
PFI Change Reserve	558	519	519	519	519	519
PFI Interest Smoothing Account	2,820	2,710	2,590	2,462	2,327	2,185
PFI Sinking Fund Reserve	3,512	3,826	4,114	4,375	4,605	4,804
Capital Receipts Reserve	11,577	4,905	0	0	0	0
CAPITAL AND PFI RESERVES	20,529	14,141	7,514	7,932	8,027	8,084
General Fund	10,400	10,400	10,400	10,400	10,400	10,400
TOTAL Useable Reserves	51,317	43,496	31,105	27,760	26,762	26,754

Appendix G – Risks and Issues

Risk	Potential scale	Mitigation
Grant Funding – the value of future grant levels is higher or lower than currently forecast owing to decisions made by the Government about the overall funding available to provide to PCC's.	1.0% of total grant funding is £1.8m p.a.	Review of detailed grant settlement (expected mid Dec) and associated announcements. Benchmarking against other forces.
Grant Funding – the value of future grant levels is higher or lower than current forecast owing to decisions made by the Government about how to distribute overall funding available to PCC's.	1.0% of formula grant funding is £1.6m p.a.	Engage with and monitor the work of the Home Office as they consult on proposals to change the current formula for distribution.
Council Tax Base – the increase in council tax base currently forecast is higher or lower than currently forecast (1.5% growth p.a. from 18/19 onwards).	1.0% of council tax income is £0.96m p.a.	Ensure our forecasts for council tax base increases materially reflect those being made by local authorities themselves.
Council Tax Precept – the increase in council tax precept current forecast (1.99% p.a.) is not supported and/or not possible without incurring cost and risk of a local referendum.	1.0% of council tax income is £0.96m p.a.	Continue to seek confirmation from PCC about appropriateness of this assumption, and monitor Government information about referendum capping principles.
Pay Inflation – the increase in pay is higher or lower than currently forecast (1.0% increase p.a.).	1.0% of officer and staff pay is £2.1m p.a.	Benchmarking of our assumptions for future pay awards against other forces to ensure not outlier. Monitor Government statements regarding future public sector pay.
Pensions – the MTFP currently assumes growth in employer contribution over the next three years in accordance with LGPS actuarial valuation. Depending on the outcome of officer pension scheme valuations, and future LGPS valuations we may be required to make provision to increase contributions further.	Additional 1.0% contribution is:- Staff = £0.52m p.a. Officer = £1.0m p.a.	Monitor the ongoing position of actuarial reviews, engaging where appropriate with national intelligence (new national support for police pensions through NPCC Finance and Resources).
Inflation – the UK economic position carries a lot of uncertainty and risk at present which could lead to higher inflation. This has already started to be seen with the falling value of the pound. As such our assumptions that 1.0% inflationary provision for non-pay, and 2.5% provision for utilities and fuel costs, might not be appropriate to keep pace with increases in price. This could be exacerbated by our decision to not apply any inflationary adjustment to non-pay budgets (exc fuel and utilities) in 16/17.	Additional 1.0% on non-pay budgets is £0.3m p.a.	Continue to monitor emerging picture and determine if any adjustment needs to be made above the 1.0% p.a. already factored in across the MTFP.
Cost of Change – The Constabulary and PCC have ambitious programmes which will require both capital and revenue investment. Funding these will require us to utilise our reserves, as well as undertake further borrowing. However, as identified there remains a need to ensure that our investments remain within a level of affordability, and if we are unable to achieve this through some prioritisation of current plans then there is a risk that the MTFP does not adequately provide for the cost of these investments. Making further provision for these costs will increase the revenue budget requirement, and in turn increase the size of the savings needed.	Depends on the scale of ambition and the value of the investment decisions yet to be made. Currently capital ambition is nearly £20m greater than our funding.	Identify and support activity to review current capital plans to enable the cost of these to be reduced from current forecast levels.