

MEETING: Police and Crime Panel	Date: 15 th December 2016	Agenda No
DEPARTMENT: Finance and Business Services	AUTHORS: Mark Simmonds & Nick Adams	
NAME OF PAPER: Medium Term Financial Planning		

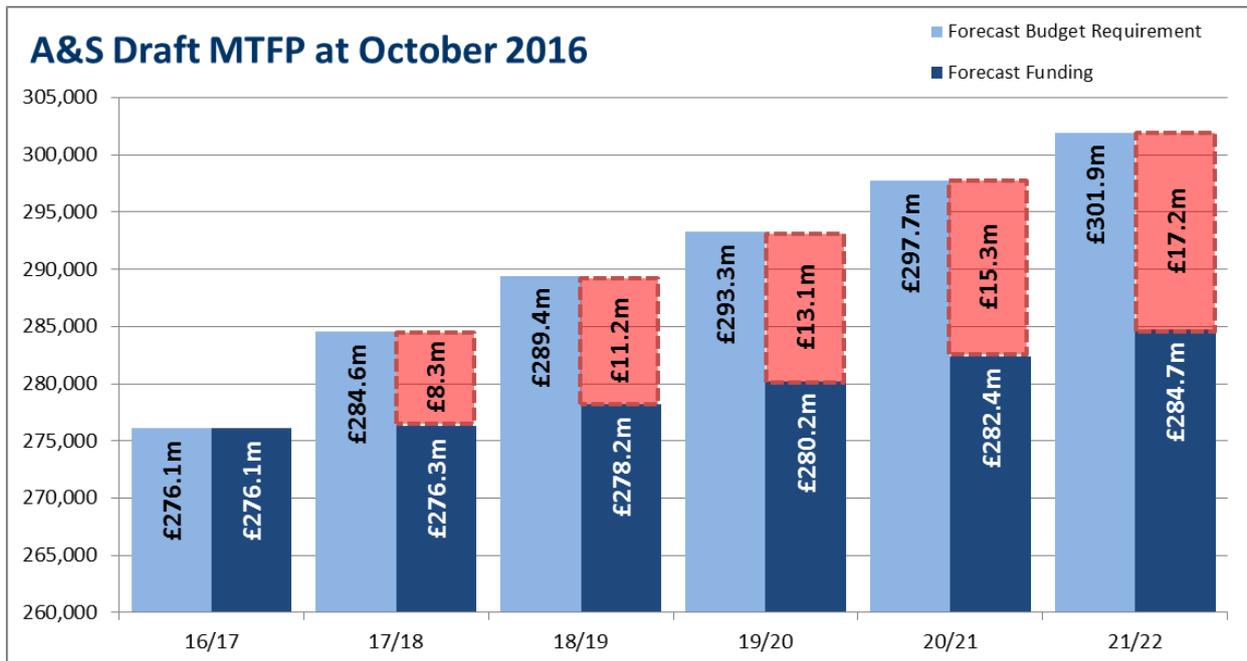
1. PURPOSE OF REPORT AND BACKGROUND

This report provides an update on the current development of the Medium Term Financial Plan, reflecting the current status of work towards completing this plan reported to the most recent PCC Police & Crime Board in November 2016. The next update of this work will be presented to the PCC at the December Police & Crime Board on 20th December. A verbal update on progress will be provided to the Panel where possible. The following key strands of work are ongoing since the November PCC Board:

- Confirm council tax base and surplus
- Confirm Police Main Grant provisional settlement
- Scrutinise the Force priority based resourcing (“PBR”) work and agree savings
- Agree Avon & Somerset short and medium term savings from enabling services following the end of the Tri Force work in this area
- Assessment of key risks in inflation, pensions and income streams

2. SUMMARY

Based on current forecasts of both funding and costs over the next five years, we’re forecasting a deficit of £17.2m in order to standstill, with the deficit in 17/18 alone forecast to be £8.3m.



As is demonstrated in the above graph we are forecasting that over the next five years:-

- Funding will increase from £276.1m to £284.7m – an increase of **£8.6m/3.1%**; and
- Costs will increase from £276.1m to £301.9m – an increase of **£25.8m/9.4%**.

The net result of these two factors is that **in 2017/18 we need to find £8.3m to balance the budget, with this figure rising to £17.2m by the time we get to 2021/22.**

Both the forecast for funding and costs over the period covered by this MTFP represent our best assessment at this stage. As will be highlighted in this report there remain a number of risks and issues which have the potential to affect the scale of the challenge presented here. Some of these risks reflect current uncertainty at this point in the process of developing the MTFP, whereas others are more reflective of wider uncertainties and challenges. It is important that these risks are understood as the wider context in which the above financial challenge is set.

Work to identify savings is progressing, with expectation that by the time we report on the MTFP at the next meeting of the Police and Crime Board (20th December) we will be able to quantify the value of the savings and include these within our MTFP.

3. FUNDING FORECASTS

Over the next five years funding is forecast to increase by £8.6m/3.1%. This is the combined result of the following key assumptions:-

- Grant funding forecast to reduce by £7.9m/4.4%, as result of:-
 - Main Grant forecast to reduce in value by 1.0% p.a. in every year of the next five years;
 - Legacy council tax grants and Victims grants forecast to be frozen at historic cash values;
- Council Tax funding forecast to increase by £16.5m/16.9%, as result of:-
 - Council Tax base forecast to grow by 1.50% p.a. in every year of the next five years;
 - Council Tax surplus of £0.5m p.a. in every year of the next five years; and
 - Council Tax precept increase of 1.99% p.a. in every year of the next five years.

	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
Grant Funding	176,552	174,953	173,370	171,803	170,251
Council Tax Funding	99,748	103,241	106,858	110,601	114,477
TOTAL Funding	276,300	278,194	280,227	282,404	284,728
<i>Av. Band D Precept</i>	<i>£181.81p</i>	<i>£185.42p</i>	<i>£189.11p</i>	<i>£192.88p</i>	<i>£196.72p</i>
<i>Increase on 16/17</i>	<i>+£3.55p</i>	<i>+£7.17p</i>	<i>+£10.86p</i>	<i>+£14.62p</i>	<i>+£18.46p</i>

The above figures are estimates at this stage in our development of the MTFP. As such there remain some risks and issues which could affect the overall value of our funding (see risks and issues below).

Over the coming months we expect to receive confirmation of the actual position for 17/18, which will enable us to finalise these figures for presentation in the final MTFP at the end of January. These confirmations will include:-

- Notification of main grant settlement, including legacy council tax grants (expected mid-Dec);
- Notification of council tax base and surplus (expected mid-Jan);
- Notification of Victims grant (expected mid-Jan).

4. COST FORECASTS

Over the next five years our costs are currently forecast to increase by £25.9m/9.4%. The following table provides an overview of where these costs increases are forecast:-

	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000
2016/17 Budget	276,075	276,075	276,075	276,075	276,075
OPCC – provision for inflation	15	35	60	90	125
Pay & Staffing adjustments	4,783	7,905	11,538	15,242	18,934
Inflationary adjustments	1,029	1,528	1,971	2,403	2,832
Cost of Capital adjustments	1,050	1,534	1,698	1,927	1,927
Growth and Commitments	1,616	2,343	1,937	1,998	2,060
Additional Budget Required	8,493	13,344	17,204	21,660	25,878
Forecast Budget Requirement	284,568	289,419	293,279	297,735	301,953

OPCC – provision for inflation – The inclusion of a provision of £0.13m in the MTFP at this stage is to reflect the inflationary pressures which will affect the OPCC's offices ability to stand still. A more detailed budget position is being developed by the OPCC Chief Finance Officer, and we would therefore expect this position to become more refined as this detail is worked through. There is no provision within the MTFP for inflationary increases to commissioning budgets.

Pay & Staffing adjustments – This is the most significant area of cost growth within the MTFP, accounting for £18.9m of the total cost increases forecast. There are a number of factors included within this, with the most significant assumptions here being:-

- Pay Awards – assumption that there will be 1.0% inflationary pay award each year throughout the MTFP, for officers and staff. This assumption accounts for £10.5m of our cost increase over the MTFP;
- Incremental pay progression – provision to support incremental pay scale progression for officers and staff over the next five years. This provision accounts for £7.5m of our cost increase over the MTFP;
- Apprenticeship Levy – provision to support the additional cost of this new levy on our pay bill that is being introduced by the Government with effect from April 2017. Our current estimate of the cost of this levy is £1.0m;

In addition to the above there are some other smaller adjustments here, including inflationary adjustments for injury and medical pensions, adjustments for bank holiday numbers as they fall across a financial year, and reductions in housing allowance and compensatory grant payments as the numbers in receipt of these allowances continues to reduce.

Inflationary adjustments – This area of the MTFP makes provision for inflationary and other adjustments necessary in managing our general non-pay budgets. Over the course of the next five years we forecast a further £2.8m in costs as a consequence of these pressures, with significant factors being:-

- General non-pay inflation – assuming that we will need to adjust non-pay budgets by 1.0% p.a. in order to manage general inflationary pressures. Over the course of the next five years we forecast that this will add £1.1m in cost. This assumption is currently subject to some risk, see more below;
- Business rates – The draft rating lists, completed as part of the 2017 non-domestic rate revaluation exercise, were published on 30th September. An initial assessment of the impact is that this will see our business rates bill increase by £0.54m in 17/18. For purposes of our MTFP we have assumed a 1.0% inflationary increase each year after 17/18, thereby adding £0.70m in cost over the MTFP;
- Fuel and utilities – we have assumed an average increase of 2.5% p.a. in each year of the MTFP for these two areas of the budget – adding £0.55m in cost over the MTFP. Like other inflationary assumptions this is currently subject to some risk, see more below;
- Interest receivable – based on the advice of Treasury advisors, we forecast a significant reduction in our interest income in 17/18 (£0.39m), with the impact of this reducing by the end of the MTFP. This assumes a significant reduction in the interest receivable on cash balance and forecast reductions in cash balances as we draw down against reserves to fund capital and revenue transformation costs;

- Southwest One contractual indexation – The forecast is that our unitary charge will decrease through until the end of the contract – reflecting the payment model in place here. Thereafter we have inflated this budget by 1.0% p.a. on assumption that this cost will be subject to pay and non-pay inflationary pressures like other budgets across the Constabulary.

Cost of Capital adjustments – This area of the MTFP makes provision for the revenue cost of funding our capital programme. Over the course of the MTFP we are forecasting an additional £1.9m in cost, with significant factors being:-

- Revenue costs of the Capital programme – over the course of the MTFP we forecast it will be necessary to grow our budgets by £0.8m in order to pick up the direct revenue costs associated with planned capital investments. Items within this forecast include costs of new systems (e.g. intra-day forecasting, QlikSense), and networking costs (e.g. WAN costs of new police stations/bases, and support costs for our disaster recovery provision). In addition we have included a provision of £0.5m in annual revenue costs in anticipation of significant costs coming forward in the mobilisation business case which we expect to be presented in December;
- Costs of Borrowing – It is necessary to make provision to pay the interest on our borrowing, as well as to make provision in our revenue budgets for the repayment of the principal sum (this is known as the Minimum Revenue Provision – MRP). Based on current assessment of likely borrowing requirements over the medium term we have identified a combined cost of £0.39m by the end of the MTFP. This area will need to be closely reviewed as the capital programme develops over the coming weeks and months – particularly in light of the emerging investment costs associated with our mobilisation programme, and in support of our enabling services collaboration;
- Revenue funding of capital – in setting the 16/17 budget we decided to take a two year holiday from our revenue contribution towards capital funding. This two year holiday therefore continues through 17/18, requiring the budget of £0.74m to be re-instated from 18/19 onwards;

Growth and Commitments – This area of the MTFP is used to make adjustments to our budget for items of growth and other commitments/adjustments made which are unavoidable. Over the course of the MTFP we forecast a further £2.1m of costs here, with key aspects of this forecast being:-

- Growth and other commitments – over the course of the MTFP we forecast that it will be necessary to grow our budgets by £1.37m in order to manage the pressures here. This includes items such as:-
 - Forensic budgets (£0.79m) as a consequence of having to reverse savings previously planned and grow budgets in order to meet the required contribution towards this collaboration;
 - Internet Child Abuse Team growth (£0.32m) as approved by Chief Officers;
 - Student Officers (£0.18m) increase to account for numbers of new recruits up to 160 p.a.;
 - Digital Policing Support Unit growth (£0.08m) as approved by Chief Officers;
- Buildings Maintenance Reserve – in setting the 16/17 budget we made the decision to utilise the buildings maintenance reserve in order to release savings from our revenue repairs and maintenance budget early. It is therefore necessary for us to reverse out our use of this reserve over the MTFP which has the effect of adding £0.37m over the life of the MTFP;
- PFI Costs – this includes further provision to deal with utility cost pressures in relation to our PFI buildings, as well as to support the contractual indexation in line with the PFI payment model;
- Glastonbury – The MTFP also recognises the planned fallow year for Glastonbury festival in 2018. This will have the impact of adding in £0.6m in the 18/19 year as a consequence of the loss of the income received which helps the Constabulary manage the more fixed costs associated with support of this large scale policing operation.

5. RISKS AND ISSUES

The draft MTFP requires assumptions on key issues at this stage. Whilst we make every effort to draft an MTFP which provides an accurate picture for purposes of planning and decision making, the impact of these risks could materially change the scale of the budget challenges which are forecast. Given this it is important that the MTFP in its current position is considered in context of this risk.

Appendix D includes more detail on some of the specific areas of risk. The following 4 areas of risk are worth specific note:-

- **Grant Funding**
We expect to be informed of the draft grant settlement in mid-December. This will most likely only provide details for 17/18 settlement, although the announcements made at the same time might give us greater clues about the trajectory for grant funding in the following years. In addition, we are also aware that the Government is working on a revised police funding formula for consultation after Feb 2017. Whether this works to Avon & Somerset's advantage or dis-advantage will be dependent on how strongly population is weighted in the proposals. The PCC has written to MPs and the Panel on this subject and is meeting with the Policing Minister on 29th November – calling for a fair funding formula that weights population adequately and also more flexibility for PCCs to raise council tax via their precept;
- **Pay inflation**
The current forecast is based on assumption of 1.0% inflation to pay each year across the MTFP. This is in context of public sector pay restraint over the past 6 years, and emerging wider inflationary pressures affecting household budgets (see risk below) which could lead for greater calls for an end to public sector pay restraint from staff associations and representatives. Pay budgets account for over 75% of the whole budget. Every 1.0% increase to pay is equivalent of £2.1m p.a., which when compounded across a number of years can have a very material impact on budget plans. This risk is not unique to Avon & Somerset, and will affect all areas of the public sector. We will maintain close monitoring of this risk throughout the life of the MTFP;
- **Pension costs – LGPS**
We await confirmation from our scheme actuary of the results of their latest tri-annual valuation of the LGPS scheme. Early indications are not promising with a possible increase in employer funding rate by some 1.5%. This would create a risk of some £750k per annum not yet shown in the MTFP forecasts.
- **General inflation – the UK faces a number of challenges and uncertainties in its economic outlook.** The value of the pound has fallen significantly following the outcome of the EU referendum, and the impact of this on the cost of imports is already starting to be felt through reported inflation indices. In this context our assumption that general inflation will increase at 1.0% p.a., and fuel and utilities at 2.5% might no longer be appropriate. If both assumptions are increased by 0.5% p.a. this would add a further £0.15m p.a. and if we were to do this across all 5 years of the MTFP this would add c. £0.75m to the overall deficit.

6. BALANCING THE BUDGET

The draft MTFP as presented in this paper reflects the position at this stage in its development. The draft MTFP identifies a forecast deficit of £17.2m over the next five years, with the forecast for 17/18 alone identifying a deficit of £8.3m. Accepting the degree of risk which remains around the figures involved in these calculations, the fact remains that it will be necessary to deliver further significant savings from our budgets in order to meet these financial challenges.

The Constabulary has in place a number of strands of work which seek to address this challenge. These include:-

- **Enabling services collaboration – the programme of work to bring together the enabling services across Avon & Somerset, Wiltshire and Gloucestershire has been stopped.** Avon & Somerset will now target savings delivery outside of the Tri Force programme across these functions. The target from tri force work had been set at £9.5m by 2019/20. The core strands of work in this area are: A new ERP system with reduced running costs; lower HR and lower finance costs; Re-letting of major contracts as they return from SW1; benefiting from accrued savings since 2008 in headcount seconded to SW1 compared to the contract unitary charge.
- **Priority Based Resourcing (PBR) – the Constabulary has instigated a programme of work targeting savings of at least £5 million from those areas of its budgets that are not enabling services, and are not subject of existing collaborations.** The purpose of this review is to enable the delivery of savings, as well

as ensuring that resources are appropriately aligned to demand. The initial outcomes from this work have been reviewed by Chief Officers, and the emerging picture has been discussed with the PCC. This work is now in a process of further more detailed work to complete in time for the outcome to be presented at the next Police & Crime Board on 20th December 2016;

- Existing Collaborations – both regional ACC's have been tasked to consider options for how existing collaborations might be able to achieve greater savings for all parties, including Avon & Somerset. A target of £1 million savings for Avon & Somerset is now subject to further work, which could include savings from the current scope of these collaborations, as well as savings achieved through an increase in scope of the functions covered by those collaborations. This work is progressing through established governance processes, and we hope to be in a position to better understand the potential savings for inclusion in the next version of our MTFP;

In addition to these three areas of work we are also reviewing the savings we expect to be delivered through our achievement of the estates strategy (additional savings previously identified of £0.7m but currently under review in light of changes to our estates plans), and will continue to challenge and scrutinize budgets through our detailed budget build process in finance.

7. EQUALITY ANALYSIS

There are no specific equality issues identified at this stage in the development of the MTFP. As initiatives for savings and change are brought forward, and supported by individual business cases, these will be subject to equality impact assessments.

8. SUSTAINABILITY

There are no specific sustainability issues identified at this stage in the development of the MTFP. As initiatives for both savings and investment are brought forward we will consider any specific issues relating to sustainability.

9. CONCLUSIONS AND NEXT STEPS

The MTFP is in development. The financial position presented in this paper reflects the position reported to the PCC at her the last (November 2016) Police & Crime Board. As has been highlighted this is subject to confirmation of income and the outcome of a number of savings programmes and assessment of a number of risks. This further work is expected to be substantially complete in the next version of the MTFP – for discussion at the next Police and Crime Board meeting on 20th December.

MTFP Key Assumptions Table

	17/18	18/19	19/20	20/21	21/22
Grant Funding annual change	-1.00%	-1.00%	-1.00%	-1.00%	-1.00%
Precept annual change	+1.99%	+1.99%	+1.99%	+1.99%	+1.99%
Council Tax Base annual change	+1.50%	+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	+£1.0m	+£1.0m	+£1.0m	+£1.0m	+£1.0m
Officer recruitment No.	+160	+160	+160	+160	+160

Appendix A – Summary MTFP

	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000
FUNDNG					
<i>2016/17 Base Funding</i>					
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	(1,615)	(3,214)	(4,797)	(6,364)	(7,916)
Council Tax Funding	1,840	5,333	8,949	12,693	16,568
TOTAL Funding	225	2,119	4,152	6,329	8,653
Forecast Funding					
Grant Funding	176,552	174,953	173,370	171,803	170,251
Council Tax Funding	99,748	103,241	106,858	110,601	114,477
TOTAL Funding	276,300	278,194	280,227	282,404	284,728
BUDGET REQUIREMENT					
<i>2016/17 Base Budget</i>					
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	15	35	60	90	125
Commissioning	0	0	0	0	0
Constabulary	8,478	13,309	17,144	21,570	25,753
TOTAL Adjustments to Budgets Required/Planned	8,493	13,344	17,204	21,660	25,878
Budget Requirement					
Office of the Police and Crime Commissioner	1,369	1,389	1,414	1,444	1,479
Commissioning	3,430	3,430	3,430	3,430	3,430
Constabulary	279,769	284,600	288,434	292,861	297,043
TOTAL Budget Requirement	284,568	289,419	293,279	297,735	301,953
DEFICIT BEFORE SAVINGS	8,269	11,225	13,051	15,331	17,225

Appendix B – 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	159,898	158,299	156,716	155,149	153,597
Victims Commissioning	1,945	1,945	1,945	1,945	1,945	1,945
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	176,552	174,953	173,370	171,803	170,251
Annual Change (£'000)	-718	-1,615	-1,599	-1,583	-1,567	-1,551
Annual Change (%)	-0.4%	-0.9%	-0.9%	-0.9%	-0.9%	-0.9%
Cumulative Change (£'000)	-26,047	-27,662	-29,261	-30,844	-32,411	-33,963
Cumulative Change (%)	-12.8%	-13.5%	-14.3%	-15.1%	-15.9%	-16.6%
COUNCIL TAX FUNDING						
Council Tax Precept	95,873	99,248	102,741	106,358	110,101	113,977
Collection Fund Surplus	2,035	500	500	500	500	500
TOTAL COUNCIL TAX FUNDING	97,908	99,748	103,241	106,858	110,601	114,477
Annual Change (£'000)	3,818	1,840	3,493	3,616	3,744	3,875
Annual Change (%)	4.1%	1.9%	3.5%	3.5%	3.5%	3.5%
Cumulative Change (£'000)	3,253	5,093	8,586	12,203	15,946	19,822
Cumulative Change (%)	3.4%	5.4%	9.1%	12.9%	16.8%	20.9%
TOTAL FUNDING	276,075	276,300	278,194	280,227	282,404	284,728
Annual Change (£'000)	3,100	225	1,894	2,033	2,176	2,324
Annual Change (%)	1.1%	0.1%	0.7%	0.7%	0.8%	0.8%
Cumulative Change (£'000)	-22,794	-22,569	-20,675	-18,641	-16,465	-14,141
Cumulative Change (%)	-7.6%	-7.6%	-6.9%	-6.2%	-5.5%	-4.7%
Grant Funding	64.5%	63.9%	62.9%	61.9%	60.8%	59.8%
Council Tax Funding	35.5%	36.1%	37.1%	38.1%	39.2%	40.2%
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	545,901	554,089	562,401	570,837	579,399
Annual Change (No. of Properties)	10,698	8,067	8,189	8,311	8,436	8,563
Annual Change (%)	2.03%	1.50%	1.50%	1.50%	1.50%	1.50%
Cumulative Change (No.)	-22,955	-14,887	-6,699	1,613	10,049	18,611
Cumulative Change (%)	-4.1%	-2.7%	-1.2%	0.3%	1.8%	3.3%

Appendix C – 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	15	35	60	90	125
Growth	0	0	0	0	0
Savings	0	0	0	0	0
OPCC Budget Requirement	1,369	1,389	1,414	1,444	1,479
COMMISSIONING					
OPCC 2016/17 Budget	3,430	3,430	3,430	3,430	3,430
Provision for inflation	0	0	0	0	0
Growth	0	0	0	0	0
Savings	0	0	0	0	0
Commissioning Budget Requirement	3,430	3,430	3,430	3,430	3,430
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	1,364	2,707	4,065	5,435	6,820
Police Staff/PCSO Pay Awards	755	1,468	2,188	2,915	3,650
Incremental Pay Progression	1,500	3,000	4,500	6,000	7,500
Pension adjustments	142	267	394	522	650
Overtime adjustments	174	(174)	0	174	348
Housing allowance and compensatory grant adjustments	(152)	(363)	(609)	(804)	(1,034)
Apprenticeship Levy	1,000	1,000	1,000	1,000	1,000
Pay and Staffing adjustments	4,783	7,905	11,538	15,242	18,934
General Non-Pay Inflationary adjustments	216	433	653	875	1,100
Utilities Inflationary adjustments	55	111	167	224	283
Business Rates Inflationary adjustments	542	582	622	662	703
Fuel Inflationary adjustments	50	102	155	210	265
Southwest One - contractual indexation adjustments	(219)	(98)	24	147	271
Interest receivable adjustments	385	398	350	285	210
Non-Pay Inflationary adjustments	1,029	1,528	1,971	2,403	2,832
Revenue costs of the capital programme	730	747	780	801	801
Minimum Revenue Provision (MRP) adjustments	34	(513)	(513)	(343)	(343)
Interest payable adjustments	285	560	692	729	729
Revenue Funding of Capital - End of 2 year holiday	0	740	740	740	740
Cost of Capital adjustments	1,050	1,534	1,698	1,927	1,927
Growth and commitments	1,355	1,345	1,346	1,360	1,374
Glastonbury Festival - Fallow Year	0	600	0	0	0
Building Maintenance Reserve - Funding in advance of savings	130	222	370	370	370
PFI Costs	131	176	221	268	316
Growth and commitment adjustments	1,616	2,343	1,937	1,998	2,060
Constabulary Budget Requirement	279,769	284,600	288,434	292,861	297,043
TOTAL BUDGET REQUIREMENT					
Office of the Police and Crime Commissioner	1,369	1,389	1,414	1,444	1,479
Commissioning	3,430	3,430	3,430	3,430	3,430
Constabulary	279,769	284,600	288,434	292,861	297,043
TOTAL Budget Requirement	284,568	289,419	293,279	297,735	301,953

Net increase in budget requirement on 16/17 Base

8,493

13,344

17,204

21,660

25,878

Appendix D – 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.	Benchmarking of our assumptions for future grant funding against other forces to ensure not outlier.
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.).	1.0% of council tax income is £0.96m p.a.	Seek clarity from 9 local authorities about the future forecast increases to council tax base.
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 no employer contribution increases for officer or staff pension costs. Depending on the outcome of actuarial valuations we may be required to make provision to increase contributions – LGPS valuation outcome expected in November 2016.	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.	Consider making adjustment to this assumption in our plans (see paper), and continue to monitor the position in relation to inflation indicators.
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 potentially undertake further borrowing. There is a risk that the current MTFP does not adequately provide for the cost of these investments as the cost of them is uncertain and is dependent on work still being progressed and decisions yet to be made.	Depends on the scale of ambition and the value of the investment decisions yet to be made.	Monitor the emerging picture in relation to potential investments, in particular the costs of supporting our:- <ul style="list-style-type: none"> • Mobilisation programme • Enabling Services programme • ESN programme
T&C's/HR Policy alignment – The enabling services programme is progressing work which could bring about the alignment of officer and staff T&C's across the Tri-Force. The scale of this change, and potential impact of its implementation is currently unknown but might require adjustments to base budgets to accommodate.	Depends on the scale of change required across the Tri-Force in order to achieve alignment.	Monitor the emerging picture through the enabling services programme governance structures so as to assess the combined risk, and how this might manifest itself to individual forces.