Avon & Somerset Police & Crime Commissioner

Medium Term Financial Plan

2018/19 – 2022/23

This is the current draft of the Medium Term Financial Plan, reflecting the current known and assumed position at the time of writing. This will be discussed with the PCC and Chief Constable at the Police & Crime Board on 1 December 2017. There are planning assumptions and forecasts presented here that may change before the final plan is published in February 2018, as government funding announcements are made and strategic decisions are taken by the PCC.

Executive Summary

This Medium Term Financial Plan (MTFP) sets out the extent of our forecast financial challenge over the next five years, and prepares the way for the continued transformation and change required of us in order to meet this challenge and continue to operate within ever tightening fiscal constraints.

	Actual	***Forecast***				
	17/18 £'000	***18/19 £'000***	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Total funding	277,552	*277,562*	*278,845*	*280,290*	*281,904*	*283,688*
Less; budget requirement	278,830	*288,861*	*294,695*	*301,317*	*308,200*	*314,297*
Deficit before savings	**1,278**	***11,299***	***15,850***	***21,026***	***26,297***	***30,609***

The key assumptions that underpin this forecast position are:-

- Our **funding is forecast to grow by £6.1m/2.2%** p.a. by 2022/23, driven by:-
  - Main police grant funding will shrink by 1.5% p.a. – a cumulative **reduction of £11.6m/7.3%** p.a. by 2022/23;
  - Council Tax funding will grow, driven by annual increases to our tax base of 1.5% p.a., and increases to the precept of 1.99% p.a. – an **increase in this funding of £17.7m/17.4%** p.a. by 2022/23;
- Our **budget requirement is forecast to increase by £36.7m/13.2%** p.a. by 2022/23, driven by key cost assumptions:-
  - Annual uplift to officer and staff pay of 2% p.a. – an **increase in cost of £24.3m** p.a. by 2022/23;
  - Annual increases to non-pay costs of 2.5% for the next two years (3.5% for utilities/fuel costs), reducing to 2.0% (3.0% for utilities/fuel) to keep track with rising inflation pressures – **an increase in cost of £5.2m** p.a. by 2022/23;
  - Increases in the amount of capital funding we have set aside to support ongoing investment, and to replace other sources of capital funding which are expected to diminish over the medium term – an **increase in cost of £3.0m** p.a. by 2022/23;
  - Increases resulting from unavoidable commitments and growth, including an increase in the number of officers being recruited into the force in order to maintain current establishment levels – an **increase in cost of £1.4m** p.a. by 2022/23;
  - Increases to costs resulting from the transition of services back from our Southwest One joint venture and the introduction of our collaboration with Multi-Force Shared Service (MFSS) – an **increase in cost of £1.5m** p.a. by 2022/23 – all of which is expected to be covered by specific savings achieved as a result of this transition.

This forecast represents a worsening position than previously presented, driven primarily by increases in our pay uplift assumptions and increases in non-pay cost inflationary pressures, without any increases in our assumptions around funding to compensate.

The forecast position presents a challenge. It comes after 8 years of continued austerity, in which we have already realised savings of £74m/25%, and at a time of increasing demand and pressure on policing.

Avon & Somerset has supported the work led by the Association of Police and Crime Commissioners (APCC) and National Police Chiefs Council (NPCC) to put forward the case for why policing needs greater investment. Whilst we remain hopeful that this case will result in an improvement to the forecast position outlined above, we must also acknowledge:-

- the affordability challenges for public sector spending within which this case has been made; and
- the continued need to ensure that our services are provided as efficiently and effectively as they can be – recognising that calls for further investment are not going to be as impactful unless we can demonstrate this clearly.

To that end we are continuing to plan for further transformation and change, much of which will bring about savings which will help us in meeting the financial challenge set out above. These initiatives include:-

- Transition of our main back office systems and many back office transactional services into the MFSS collaboration – delivering savings which should at least cover the increased costs outlined above (**target of £1.2m** w/e from 2018/19);
- Restructure of our Enabling Services, and continue rationalisation across our estate and fleet portfolios – realising improvements in the service, and savings in their delivery (**target of £6.6m** w/e from 2019/20);
- Review of our victims and safeguarding services (**target of £0.15m** w/e from 2018/19);
- Reductions in our use of the National Police Air Service (NPAS) which we are hopeful of realising a reduction in the costs of this (**target of £0.3m** w/e from 2018/19);
- Re-financing of our PFI contracts which we hope will unlock recurring savings over the remainder of the life of these arrangements (target TBC);

The above alone will not realise the full extent of savings required, and this means that we will need to consider short-term options to help us transition through 2018/19 whilst we develop longer-term options for our future.

Continued transformation also requires capital investment. Continued investments in our digital transformation, as well as across our estates and fleet transformation, require funding to implement. Capital funding is increasingly under pressure to provide for our ambition, at the same time as maintaining and replacing our existing asset base. Our capital programme is under development at the time of writing this report, and will be more fully included in later versions.

Reserve levels stood at £44.3m as reported in the March 2017 annual accounts, of which £15m are ring fenced for PFI funding flows and other specific use. This level is a reduction of £7.0m/13.7% over the preceding 12 months. We forecast continued reductions in our reserves as they are utilised to support our ongoing transformation and investment. By the end of the March 2022 we forecast total reserves will stand at £23.7m but only £12 million not ring-fenced to PFI and other specific uses. (This would be a further reduction of £20.3m/46%). At this level of reserves, we approach the minimum prudent level.

Our current 17/18 financial outturn forecasts an underspend of £4.5m/1.6%. This creates an opportunity to increase our transformation and change reserve levels at the year end to help support the delivery of changes and management of risk (including budgetary) in 2018/19.

	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Deficit before savings	***11,299***	***15,850***	***21,026***	***26,297***	***30,609***
Savings plans	*(5,650)*	*(8,250)*	*(8,250)*	*(8,250)*	*(8,250)*
Use of reserves **subject to PCC approval**	*TBA*	-	-	-	-
Residual deficit	***5,649***	***7,600***	***12,776***	***18,047***	***22,359***

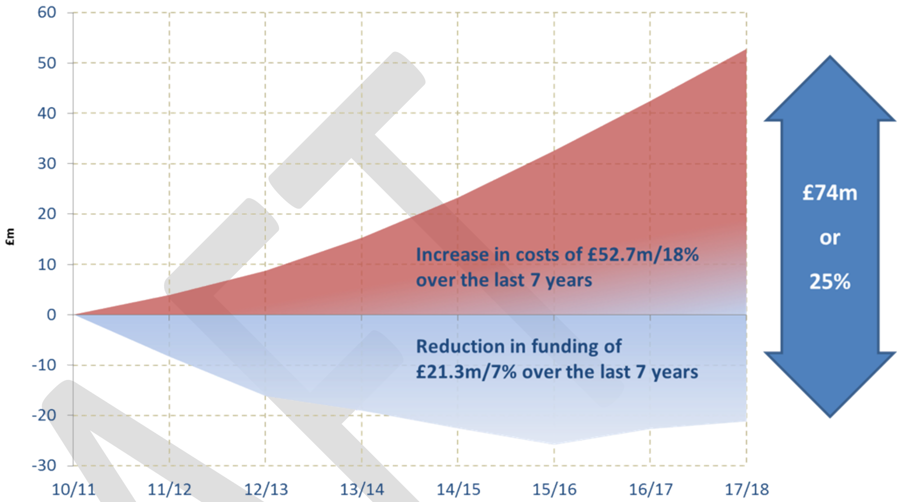
Options for further closing this deficit position are outlined in the draft report below.

Context

The context within which this MTFP has been prepared is one of significant uncertainty and change. We face increasingly complex challenges to keep communities, vulnerable victims and individuals safe, and tackle criminality, the impact of globalisation and extremism. We face these challenges at a time of significant political and economic uncertainty, after having already faced 8 years of austerity across our financial position.

Compared to 2010 Avon & Somerset now receives £21.3m less in overall funding.

During the same period we have seen our costs increase by £52.7m as we've managed the impacts of inflation, as well as having to account for specific cost changes (e.g. apprenticeship levy) and make provision to continue to support change and transformation.



Since 2010 therefore we have already had to find £74m/25% of savings. Our forecasts predict that, unless something fundamental changes, we will continue to see our funding fall short of increases in our costs, requiring us to realise savings in order to balance our annual budgets.

2018/19 will be a year of significant change within Avon & Somerset. We will:-

- Continue the Constabulary's digital transformation with the roll out of personal issue laptops to officers and staff, supported by Wi-Fi capability throughout our estate and vehicles;
- Implement a new neighbourhood policing model across our communities;
- Introduce new ways of bringing student police officers into the Constabulary in step with the College of Policing's new Professional Educational Qualification Framework (PEQF);
- Transition our main back office systems and transactional services that provide HR, resource management, procurement and finance functions across to Multi-Force Shared Service (MFSS);
- Transition our Technology Services function back from Southwest One, and bring this contract to a conclusion at the end of its 10 year life;
- Restructure our enabling services functions to release increased efficiency and effectiveness in their delivery, and to realise savings on a recurring basis;
- Continue to enhance our business intelligence and insights, utilising our investment in business analytics capabilities and enhancing this to include insight into our partners data;
- Bring forward opportunities to rationalise our estate and fleet, delivering a modern, sustainable, flexible and efficient property and fleet portfolio that supports both an effective Constabulary and the communities it serves; and
- Continue our investment in enhancing our leadership capabilities, improving staff health and wellbeing, and furthering our ambition to increase the diversity of our workforce.

It is in this national and local context that this MTFP has been prepared.

Funding

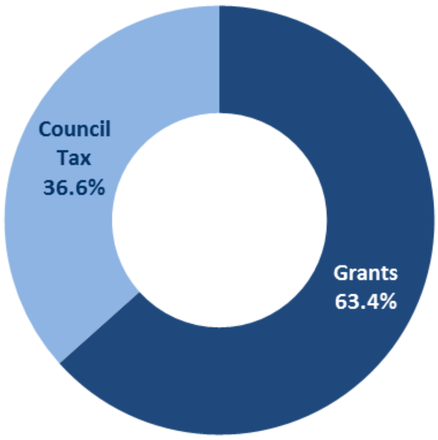
The PCC receives two main sources of funding:-

- Government grant funding; and
- Council tax funding.

Over the medium term we expect there to be modest growth in our total funding, with **an increase of £6.1m/2.2% by the 2022/23** financial year.

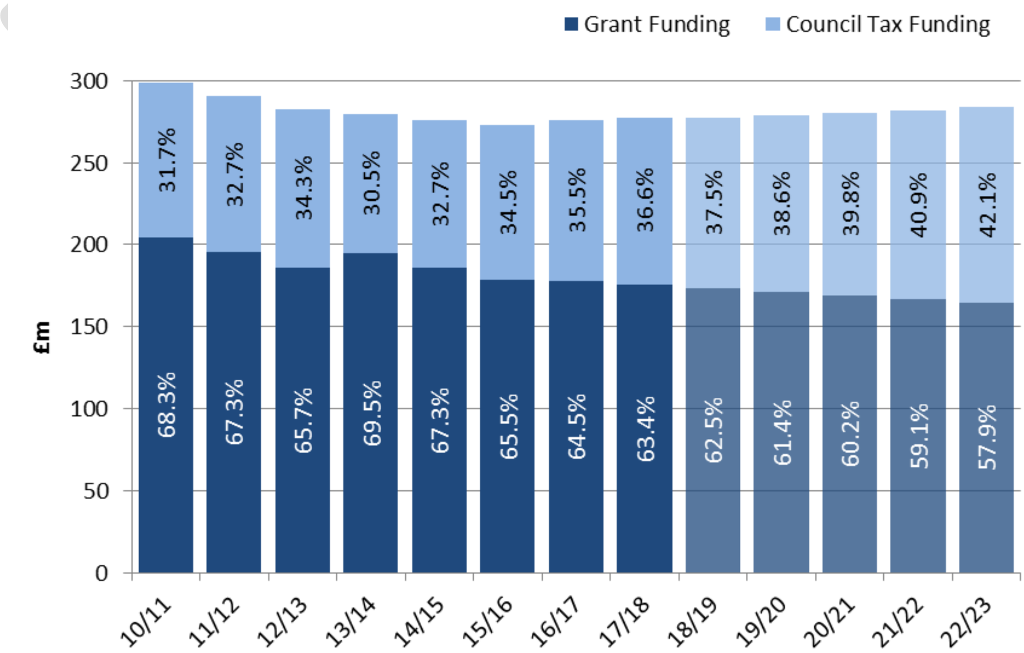
Underlying this forecast is a shift in the profile of our funding, resulting from increases to our council tax income offset by reductions in our grant funding.

Figure 1: 17/18 Profile of funding



	Actual	***Forecast***				
	17/18 £'000	***18/19 £'000***	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Grant funding	175,914	*173,525*	*171,172*	*168,854*	*166,572*	*164,323*
Council tax funding	101,638	*104,037*	*107,672*	*111,436*	*115,332*	*119,365*
TOTAL funding	**277,552**	***277,562***	***278,845***	***280,290***	***281,904***	***283,688***

Figure 2: Actual and forecast profile of total funding



Grant Funding

The forecasts for our future grant funding focus on three areas:-

- Main grant funding;
- Legacy council tax grant funding;
- Victims grant funding.

There are other sources of grant funding (e.g. Counter Terrorism grant funding) but these are all passed straight through to the Chief Constable to support specific activity within the Constabulary.

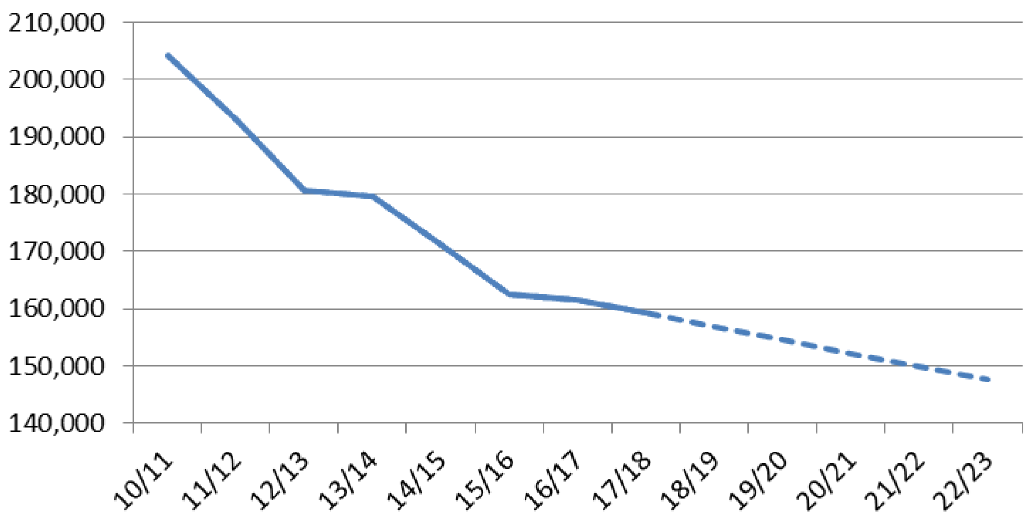
	Actual	***Forecast***				
	17/18 £'000	***18/19 £'000***	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Main grant funding	159,254	*156,865*	*154,512*	*152,195*	*149,912*	*147,663*
Legacy council tax funding	14,709	*14,709*	*14,709*	*14,709*	*14,709*	*14,709*
Victims grant funding	1,951	*1,951*	*1,951*	*1,951*	*1,951*	*1,951*
TOTAL grant funding	**175,914**	***173,525***	***171,172***	***168,854***	***166,572***	***164,323***

Main grant funding – Over the course of the MTFP we forecast that grant funding will reduce by 1.5% p.a. This assumption has been made as an extrapolation of the annual reduction seen in our 2017/18 settlement (an annual reduction of 1.5%). At the time of writing this report we have not yet been provided with the detailed police funding settlement information (expected mid-December), and therefore this forecast reflects our best estimate at this stage.

This projection means we forecast that our grant funding will reduce from £159.3m in 2017/18 to £147.7m by 2022/23 – **a reduction of £11.6m/7.3% over the next five years.**

When considered against our 2010/11 baseline (including other grants which have been consolidated into our main grant funding), this forecast will mean a cumulative reduction in main grant funding of £56.6m/27.7% over a 12 year period.

Figure 3: Actual and Forecast Main Grant Funding 2010/11 – 2022/23



In making this projection we have not assumed any change to the current formula for the distribution of funding. We will continue to monitor the developments nationally in this area.

Legacy council tax grant funding – This grant funding is analysed separately from the main grant funding, and is the combination of:-

- funding that is paid in recognition of historic council tax freezes (therefore only payable to those PCC's who froze council tax in relevant years); and
- funding which reflects the abolition of council tax benefit and the replacement of this with local council tax discount schemes (payable to all PCC's to replace funds previously paid through as council tax income).

The 17/18 value of this funding is £14.7m, and this is **forecast to remain frozen for the duration of the MTFP**.

Victims grant funding – This grant is awarded to PCC's annually from the Ministry of Justice to support the commissioning of victims services, including £906k pass through to the Chief Constable to support the Lighthouse Victims service provision, with the remainder retained by the PCC to support the commissioning of wider victims services. This funding has remained substantially frozen since it was introduced 2015/16, and we have assumed that it will remain **frozen across the MTFP period**.

Council Tax Funding

The value of council tax income received in any one year is determined by three key factors:-

- The value of the **precept** set by the Police and Crime Commissioner;
- The **tax base** (no. and profile of properties) from which council tax will be collected;
- Effectiveness of collection in previous year generating **surplus or deficit on the collection fund**.

	Actual	***Forecast***				
	17/18	***18/19***	***19/20***	***20/21***	***21/22***	***22/23***
Precept (£p)	£181.81p	*£185.42p*	*£189.11p*	*£192.88p*	*£196.72p*	*£200.63p*
Tax base (No.)	548,800	*557,032*	*565,388*	*573,868*	*582,476*	*591,214*
Precept Income (£'000)	**99,775**	***103,287***	***106,922***	***110,686***	***114,582***	***118,615***
Surplus/Deficit (£'000)	1,863	*750*	*750*	*750*	*750*	*750*
Total Council Tax (£'000)	**101,638**	***104,037***	***107,672***	***111,436***	***115,332***	***119,365***

As a result of the assumptions we are making across these three factors we forecast that our **council tax funding will increase by £17.7m/17.4% over the next five years.**

Precept – The value of the precept is defined by the rate applicable to an average band d property. Currently Avon & Somerset have the median average band d precept value of all PCC's across England and Wales - £181.81p.

In considering the level of precept to set the PCC will have consideration of:-

- The views of the public, as expressed to her through a range of ongoing public engagement activity (see survey results in chart below);
- The views of the Police and Crime Panel, who have a power of veto over the precept; and
- The Governments council tax referendum principles which establish the level above which a local referendum must be held in order to approve a proposed increase to the value of the precept.

Survey Data – views on Police Precept

(This survey data is based on a rolling 3000 responses per annum.)

- Overall support for raising the police precept by 2% (or more) remains robust with current survey results showing that 50% supporting the 2% rise and a further 32% of those surveyed supporting a rise of up to 10%.
- 13% of those surveyed indicated for keeping the precept the same (no increase).

For the past four years the PCC has approved annual increases to the precept of 1.99% p.a.

Our planning assumption at time of writing is to continue to raise the precept by 1.99% p.a. over the life of this**.** The table below sets out the impact of these changes:-

	Actual	***Forecast***				
	17/18 £p	***18/19 £p***	***19/20 £p***	***20/21 £p***	***21/22 £p***	***22/23 £p***
Av. Band D Precept	£181.81p	*£185.42p*	*£189.11p*	*£192.88p*	*£196.72p*	*£200.63p*
Annual Increase %		*+1.99%*	*+1.99%*	*+1.99%*	*+1.99%*	*+1.99%*
Annual Increase £p		*+£3.62p*	*+£3.69p*	*+£3.76p*	*+£3.84p*	*+£3.91p*

Tax base – This is the number of properties against which tax can be collected, expressed as a weighted average at band D, and adjusted for a collection rate. In our area we have 9 billing authorities, and we therefore have to collate this from them all. There are a number of factors which can impact on the growth in this figure, with volume of new house building being the single biggest factor.

We have seen strong growth in our local tax base over recent years. In 2017/18 our tax base stood at 548,800, after growth of 2.04% compared to the previous year:-

	16/17 No.	**17/18 No.**	**Change No.**	**Change %**
Bath & North East Somerset	62,735	63,996	+1,262	+2.0%
Bristol	120,946	124,083	+3,137	+2.6%
North Somerset	75,608	77,204	+1,597	+2.1%
South Gloucestershire	90,205	90,777	+572	+0.6%
Unitary ("Avon") authorities	**349,493**	**356,060**	**+6,567**	**+1.88%**
Mendip DC	38,546	39,323	+777	+2.0%
Sedgemoor DC	38,697	39,400	+704	+1.8%
South Somerset DC	58,543	59,313	+770	+1.3%
Taunton Deane BC	39,073	40,843	+1,770	+4.5%
West Somerset DC	13,482	13,860	+378	+2.8%
District ("Somerset") authorities	**188,340**	**192,740**	**+4,400**	**+2.34%**
TOTAL Tax Base	**537,833**	**548,800**	**+10,967**	**+2.04%**

As the above table demonstrates we see fairly significant variation across our billing authorities which make this number subject of potential variation. Given this uncertainty we have projected an assumed growth of 1.5% p.a., which is lower than the growth experienced in each of the last four years. However, current estimates from local collecting authorities indicates a forecast growth of 1.6% this year.

Collection fund surplus – This represents our share of any surplus or deficit on the collection fund as calculated by our 9 collecting authorities. In each of the past four years all of our local collecting authorities have generated a surplus, with the combined value of these ranging from £1.8m - £2.0m, however the forecast for this year is materially lower at circa £750k in total across all billing authorities (3 Somerset authorities have not yet submitted their estimates)

There is no guarantee of this trend and level continuing, and with the role out of universal benefit, and wider economic challenges hitting household budgets there may be some challenges in maintaining collection levels and achieving surpluses like those experienced in recent years. For the purposes of planning we are making the **assumption that our share will be £0.75m p.a. over the medium term**.

As our local collecting authorities confirm their calculations we will refine this assumption further.

The budget requirement

The budget requirement accounts for how the PCC will commit expenditure that enables the provision of policing and community safety across Avon & Somerset.

The budget requirement broadly falls into three areas:-

	Forecast				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
PCC's Office budget requirement	*1,358*	*1,373*	*1,393*	*1,423*	*1,458*
PCC's Commissioning budget requirement	*3,438*	*3,438*	*3,438*	*3,438*	*3,438*
Chief Constables budget requirement	*284,065*	*289,884*	*296,486*	*303,339*	*309,401*
TOTAL budget requirement	***288,861***	***294,695***	***301,317***	***308,200***	***314,297***

PCC's Office budget requirement

This budget reflects the costs of the PCC and her immediate office that enables and supports the fulfilment of the full range of duties of the Police and Crime Commissioner.

	Forecast				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
17/18 Base budget	*1,354*	*1,354*	*1,354*	*1,354*	*1,354*
Pay and inflationary adjustments	*23*	*38*	*58*	*88*	*123*
Growth	*15*	*15*	*15*	*15*	*15*
Annual budget requirement	***1,392***	***1,407***	***1,427***	***1,457***	***1,492***
Savings	*(34)*	*(34)*	*(34)*	*(34)*	*(34)*
Proposed budget	***1,358***	***1,373***	***1,393***	***1,423***	***1,458***

17/18 Base Budget – The 17/18 base budget was set at £1,354k. This budget supports the PCC, and a team of 17 Full Time Equivalent (FTE) staff who support her in the range of activities undertaken in the fulfilment of her statutory duties.

Pay and inflationary adjustments – Applying the same assumptions to the OPCC budgets as those used for the Chief Constables budgets (see below for more detail) identifies an inflationary pressure over the MTFP period. This predominantly relates to increased costs for both pay and non-pay items.

Growth – The budget includes provision for the expected shared costs of a new regional OPCC officer role, the costs of which will be shared across the 5 south west regional forces.

Savings – In reviewing the budget, the Chief Finance Officer for the PCC has identified savings from budget in 18/19 totalling £34k. The result of this is that the proposed budget for 18/19 shows a very small net growth from the 17/18 base position.

PCC's commissioning budget requirement

This budget supports the commissioning of services from external organisations.

	Forecast				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
17/18 Base budget	*3,488*	*3,488*	*3,488*	*3,488*	*3,488*
Annual budget requirement	***3,488***	***3,488***	***3,488***	***3,488***	***3,488***
Savings	*(50)*	*(50)*	*(50)*	*(50)*	*(50)*
Proposed budget	***3,438***	***3,438***	***3,438***	***3,438***	***3,438***

This is budget is used by the PCC to commission core services across the following areas:-

	2018/19 £'000
Drug and alcohol referral services	565
Victims services (inc SARC, but exc those within Constabulary)	1,724
Appropriate adult services	52
Mental health triage service in A&S call centre	159
Restorative justice services	179
Police and crime grants for community safety and other 3rd party work	760
TOTAL	**3,438**

In addition to the above new Independent Sexual Advisors (ISVA) services will be procured, utilising £80k of new funding from NHS England.

As identified above the commissioning budget only provisions for those victims services commissioned from other organisations. The funding provided to the Chief Constable for the provision of the Lighthouse victims services (£906k confirmed for 2018/19), is captured within the Chief Constables budget requirement set out below.

Chief Constables budget requirement

This budget reflects the majority of the overall budget requirement, providing funds to support the Chief Constable and the Constabulary in the provision of policing services to the communities of Avon & Somerset.

Constabulary Budget	***Forecast***				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
17/18 Base budget	*272,710*	*272,710*	*272,710*	*272,710*	*272,710*
Residual savings balance from prior year	*+1,278*	*+1,278*	*+1,278*	*+1,278*	*+1,278*
Restated 17/18 Base budget	***273,988***	***273,988***	***273,988***	***273,988***	***273,988***
Pay & staffing adjustments	*+4,091*	*+9,448*	*+14,436*	*+19,569*	*+24,452*
Non-pay inflationary adjustments	*+1,047*	*+2,133*	*+3,050*	*+4,094*	*+5,091*
Cost of capital adjustments	*+1,004*	*+1,923*	*+2,448*	*+2,948*	*+2,948*
Growth and commitments	*+3,934*	*+2,391*	*+2,563*	*+2,740*	*+2,921*
Cumulative increase in costs	***+10,077***	***+15,896***	***+22,498***	***+29,351***	***+35,413***
Budget requirement (before savings)	***284,065***	***289,884***	***296,486***	***303,339***	***309,401***

17/18 Base Budget – Our budget for 2017/18 included an in-year savings target in order to balance. During the course of the year we have recognised savings against this target, some of which were time limited (e.g. relating to one off savings), and some of which permanent (e.g. savings from the return of Southwest One business services). However, it has also been necessary to recognise some cost pressures (e.g. uplift in Microsoft licences costs) and in-year growth (e.g. introduction of new strategic roles). The result of these changes to date means that the current savings target stands at £1,278k. It is therefore necessary to build in this balance onto our base budget position in order to project forward a true budget requirement. Including this balance on our base budget, results in an adjusted base budget position of £273,998k.

This base budget makes provision for an establishment of:-

Budgeted Establishment	**Core Funded FTE**	**Externally Funded FTE**	**Collaboration FTE**	**TOTAL FTE**
Police Officers	2,214	103	328	**2,645**
Police Community Support Officers	329	12	-	**341**
Police Staff	1,977	114	305	**2,396**
TOTAL Budgeted establishment	**4,871.8**	**229.6**	**633**	**5,382**

Pay & staffing adjustments – Pay and employee related costs represent the single biggest area of spend for the Constabulary, representing nearly 80% of our total costs. It should therefore be expected that this area of spend is where we forecast the biggest change to our costs over the MTFP period.

- **Pay Awards** – Our budget projections must make provision for annual increases to pay, in line with anticipated future pay awards. Since 2010 public sector pay restraint has seen the pay of our officers and staff initially frozen, and then uplifted by 1% p.a. More recently the Government has signalled a change in this course, recognising the numerous calls for this pay restraint to be eased. The announcement of the 2017 officer pay award (a 1% increase coupled with a 1% bonus) reflects this emerging change, and it is therefore important that our forecasts reflect this:-

Annual pay uplift (w/e 1st September)	***Forecast***				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Annual % uplift	*+3%*	*+2%*	*+2%*	*+2%*	*+2%*
Officers cumulative pay uplift	*+3,257*	*+6,138*	*+8,893*	*+11,704*	*+14,571*
Staff cumulative pay uplift	*+2,051*	*+4,081*	*+5,914*	*+7,783*	*+9,690*
TOTAL cumulative pay uplift	***+5,308***	***+10,219***	***+14,807***	***+19,487***	***+24,261***

  Our current planning assumption is that pay will increase by 2% p.a. throughout the life of the MTFP period. The only variation on this is to assume 3% uplift in 18/19, reflecting the assumption that the current 1% bonus is built into base (this wasn't budgeted for in 17/18), and that a further 2% annual pay award is added to this.

  The result of these assumptions is that our **costs will increase by £24,261k p.a. by 2022/23** – making this the single biggest increase in our costs recognised in this MTFP.

- **Change to officer and staff unit cost** – We have reviewed the current profile of officers and staff against the budgeted pay cost (adjusting for average where there are vacancies), and in so doing we recognise that in many areas the unit cost per officer/staff is less than in the budget. This is the consequence of the turnover of officers and staff, and reflects the profile of individuals within the pay scales. The result of this analysis is that we are able to reduce our unit cost in most areas of our pay, resulting in a **reduction to our pay budgets in 18/19 of £1,262k p.a.** As this is an adjustment to base, this change is reflected across the MTFP period.

- **Adjustment to vacancy factor** – In our 16/17 budget we increased the pay top slice factor on PC's from 1% (which is the normal factor applied to our officer budgets) to 2%. This was intended as a temporary adjustment, recognising the level of PC vacancies at the time and the length of time it would take to close the gap. It was therefore our intention to "unwind" this adjustment back to a 1% vacancy factor over two years, with an effective rate of 1.5% in 17/18 and a 1% factor in 18/19. The MTFP reflects this, with a **cost of £459k p.a.** to return the vacancy factor to 1%.

- **Injury and Medical pension adjustments** - The cost of injury awards made at the point at which an officer is retired on medical grounds are paid for out of the Constabulary's budget. The annual current budget for this stands at £6,141k (about 2.3% of our annual budget), but our spend in 17/18 is forecast to be nearly £200k greater than this reflecting the number of recipients of injury awards now being paid. In order to account for this pressure, and reflect future increases in both numbers and value of the awards (the value is linked to CPI), we forecast to **increase this budget over the life of the MTFP by a further £1,474k p.a.**

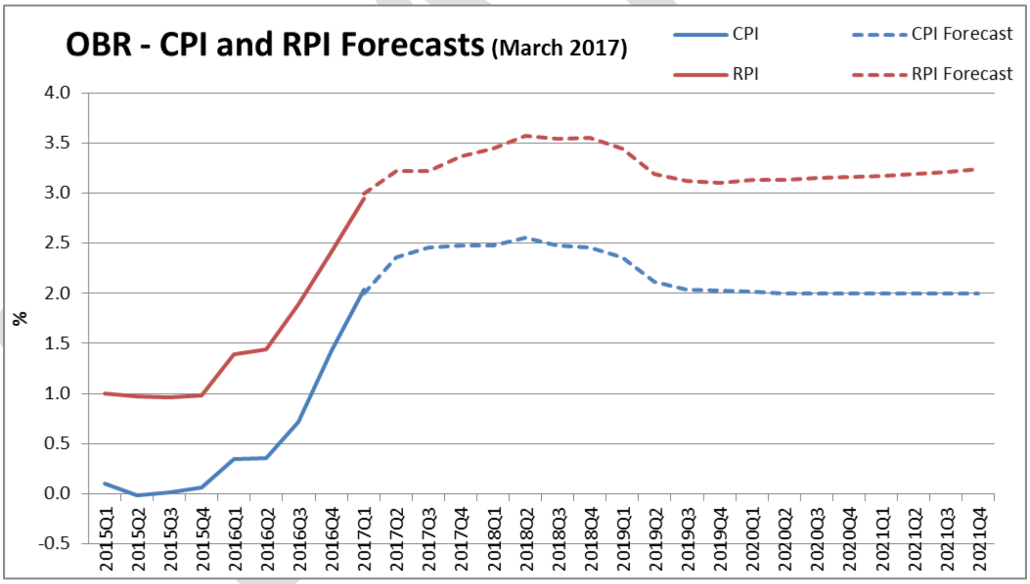
- **LGPS Pensions deficit lump-sum** – Last year the Somerset County Council Local Government Pension Scheme was reviewed by our actuaries. The result of this was to adjust both the % contribution made by us as the employer (increased from 11% to 13.2%), and to make changes to the annual value of the lump-sum payment made. The adjustments for the rate change were reflected in our 17/18 budget, but the lump-sum change requires us to make 2% uplifts each year. We have therefore reflected the cost of this within our MTFP, **adding £446k p.a. to our base budget by 2022/23**;

- **Overtime adjustments** – An annual adjustment is made to the budget to reflect the number of bank holidays which fall within any one particular financial year. Owing to the date on which Easter falls each year as well as whether Christmas falls on a weekend, this can vary from one year to the next. Whilst there is variation across the MTFP period (e.g. 18/19 has 7 bank holidays, whereas 2021/22 has 10 bank holidays) the overall impact across the life of the MTFP is negligible as our 17/18 base budget and the 2022/23 financial year both have 9 bank holidays.

- **Housing allowance and comp grant adjustments** – Adjustment is made to our budget to reflect the forecast reduction in officers who continue to receive housing allowance and comp grant. In 2018/19 we're forecasting a reduction of £533k in costs, and by **2022/23 we expect this reduction to have increased to £927k p.a.**.

Non-pay inflationary adjustments – It has been our policy over the past few years to restrict the inflationary uplifts made to our non-pay budgets. This has been possible through low inflationary pressures and strong financial and budgetary control throughout the organisation. Wider economic factors are now placing strain on our non-pay budgets, and we forecast that these pressures are likely to increase over the short to medium term.

Figure 4: Office of Budget Responsibility CPI and RPI forecasts to 2021



In light of these current and forecast pressures we have adjusted our assumptions for the future:-

- General Non-Pay – we have assumed an annual uplift in our non-pay costs of 2.5% p.a. in each of 2018/19 and 2019/20, reducing to 2.0% p.a. in each year thereafter. These assumptions **add £4,478k p.a. onto our current budgets by 2022/23**;

- Utilities and Fuel – we have assumed an annual uplift in our utilities and fuel costs of 3.5% p.a. in each of 2018/19 and 2019/20, reducing to 3.0% p.a. in each year thereafter. These assumptions **add £713k p.a. onto our current budgets by 2022/23**;

We have also made assumptions around our interest receivable balances. Over the course of the MTFP we are assuming a phased uplift in the return we can expect from our investments from current low levels up to 0.5% in 2018/19 and 2019/20, rising again to 0.75% in 2020/21 and 2021/22 and achieving 1.0% by 2022/23. The impact of these uplifts is tempered by an assumed reduction in our average cash balance over the course the MTFP period as we reduce the level of reserves held (see section on reserves below). The impact of this is to **increase our income from investments by £100k p.a. by 2022/23**.

Cost of capital adjustments – It is necessary for us to recognise increases to our revenue costs of capital investment over the life of the MTFP. Our ability to continue to afford future capital investment is dependent on us having sufficient capital funds available. Since 2010 we have seen substantial reductions in the value of our capital grant funding from the Home Office (reduced by nearly 70%). To date we have been able to minimise the impact of this reduction on our capital investment through the generation of capital receipts and the use of reserves. However, this is not a sustainable basis on which to support future capital replacement and investment.

There are two key assumptions that affect the amount by which this part of our budget needs to change:-

- **Borrowing** - The level and use of borrowing we undertake to support capital investment. Over the MTFP we forecast we will need to borrow a further £20m, with £5m expected to be taken by the end of the 2017/18 financial year, a further £10m in 2018/19 and the residual £5m in 2019/20. The timing of this is subject to ongoing review based on funding needs, interest rates and other sources of capital finance.

  The cost of borrowing has an impact on our revenue budget in two ways:-

  - Interest Payable – At present we are paying an average interest rate of 3.9% on c. £41m worth of borrowings. We know that current borrowing rates (dependent on term of the borrowing) are better than this average rate, and therefore we are assuming any new borrowing will attract interest at a rate of 3.5%. We are also assuming that we will look to take new borrowing close to the end of the financial year, thereby only requiring us to provision for the cost of this fully in the following financial year. These assumptions mean we will **increase our interest payable costs by £539k p.a. by 2020/21**.
  - Minimum Revenue Provision – It is necessary for us to make provision for the repayment of our borrowing against our revenue budget. Our method of calculating the value of the provision is dependent on the life of the asset that is being funded by the borrowing. This means we try and use our borrowing over longer-life assets (e.g. buildings) where possible, as the annual cost is minimised. At the end of 2017/18 we will have fully re-provisioned for the borrowing undertaken to support the investment in SAP, which was a short-life asset. Our assumption for the new borrowing is that the majority of this will be used over longer-life assets, and there the amount of new MRP required by the end of the MTFP is less than the reduction being made from the end of the SAP provision. Therefore in 2018/19 we're forecasting a reduction of £584k in MRP budget, with annual increases in both 2019/20 and 2020/21 which substantially reverse this benefit leaving a **residual reduction of £91k p.a. from base budget by the end of the MTFP**.

- **Direct revenue funding of capital investment** – As part of our budget setting in 2016/17 the decision was taken to have a 2 year holiday from our direct revenue funding of capital. 2018/19 therefore reflects the end of this holiday period and requires us to reinstate this budget of £740k. In light of the wider capital funding challenges however, it is necessary to go further and to increase our provision for capital funding within our recurring revenue base budgets. We are therefore planning an uplift of a further £760k to this budget in 2018/19, lifting the base budget to £1,500k in that year. Over the course the remainder of the MTFP period we are further forecasting another £1,000k uplift to this budget, so that **by 2021/22 we will have provisioned for a budget of £2,500k p.a.**

Growth and Commitment adjustments – In setting our budget it is necessary to recognise any growth or unavoidable commitments and capture the impact of these on our budgets.

- **New growth and investments** – We have identified £227k p.a. in additional revenue costs associated with uplift in Digital Policing Services team (to provide additional developer resource to support the delivery, management and maintenance of applications and interfaces between our systems) and in the creation of the new IT Director role to drive forward our digital agenda, and prepare the Constabulary for the end of the Southwest One contract in 2018/19.
- **Unavoidable commitments** – We have identified £1,650k in unavoidable commitment items in 2018/19, reducing to £1,354k by 2022/23. This is made up of lots of small amounts and items, with the majority being accounted for in just two areas:-
  - Student officer recruitment – 2018/19 will be a transitional year for student officer recruitment. We anticipate that the new police apprenticeship scheme will be introduce with effect from the autumn of 2018, changing the model and structure of how new officers will be introduced into the force over their probationary period. The impact of this change will have budgetary, and operational impacts which we still have yet to fully quantify, however for the purposes of our budgetary planning we are assuming that we will introduce an intake of 100 new officers with effect from October 2018 and that they will be in their initial classroom based training for the remainder of the 18/19 financial year.

    In order to support officer numbers in addition to this, we are also assuming that there will be a further 144 new officers recruited through more traditional means (e.g. IPLDP courses running up to the introduction of the new scheme, and then continuation of courses in parallel to the new scheme).

    In total therefore our plan assumes that **we will recruit 244 new student officers during the course of 2018/19**. In order to provision for the costs of this we are forecasting an **uplift of £1,117k**.

    After 2018/19 we have assumed that the number of **new recruits will reduce to 160 p.a.**, all of which will undertake training through the apprentice model. This means that **from 2019/20 the overall additional commitment required reduces to £674k**, uplifted thereafter in line with assumptions around the pay award.

    These numbers and assumptions will be considered further, alongside longer-term plans for officer numbers in anticipation of further savings plans that may be needed.
  - Insurance – Our plans assume an uplift of £225k p.a. in the costs of our insurance premiums, effective from 2018/19. The reason for this is twofold:-
    - Insurance Premium Tax (IPT) – In the 2017 budget, the Government increased the rate of IPT from 10% to 12%. This was introduced too late to affect our 17/18 premiums, but this is now impacting on the cost of our 18/19 premiums;
    - Change to way in which victim compensation is calculated – The Government has changed the discount rate (known as the "Ogden rate") applicable in determining appropriate value of compensation to be paid to victims of accidents. This has resulted in their being an increase in the potential value of pay outs by insurance companies, and as a consequence the cost of all premiums is increasing.
- **Glastonbury Festival** – 2018 will be a fallow year for the festival, and as a consequence we will not incur the costs of supporting the festival, nor will we receive the income from the festival to support this special policing service activity. As our income is derived on a full cost recovery basis, the income received is greater than our variable costs incurred in supporting the event. This means

that our budget recognises a net contribution of £617k towards overheads and less variable cost elements. As there will be no festival in 2018 we cannot budget for this additional income. We have assumed that the festival will return in 2019/20 and that this budget will be reinstated.

- **Building maintenance reserve adjustment** – We have reduced our building maintenance budgets within estates by £71k to reflect future forecast budget required upon substantial completion of the current estates capital plan. In the interim we will look to top-up the building maintenance budget from our buildings maintenance reserve on a reducing balance basis.

- **PFI Costs** – We have uplifted our PFI budgets in accordance with our cost model, recognising increases to both utilities costs (on same basis as utilities are inflated across the rest of our estate – see above), as well as our unitary charge payments (linked to CPI). The result of this is that we forecast increases in costs of **£161k p.a. by the end of the MTFP period**.

- **End of Southwest One and transition to MFSS** – In 2018/19 we will bring to an end our Southwest One joint venture contract. We will have to re-provision for the entirety of services currently provided through Southwest One, with current plans including the transition of our key ERP system and associated support contracts across to the Multi Force Shared Service (MFSS).

Revenue savings requirement and plans

After having made all of the assumptions around both funding and pay outlined above, we can establish the following overall position:-

	Forecast				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Total Funding Forecast	*277,562*	*278,845*	*280,290*	*281,904*	*283,688*
Less;					
PCC's Office proposed budget	*1,358*	*1,373*	*1,393*	*1,423*	*1,458*
PCC's Commissioning proposed budget	*3,438*	*3,438*	*3,438*	*3,438*	*3,438*
Funding left to support Chief Constable	***272,766***	***274,034***	***275,459***	***277,043***	***278,792***
Less;					
Chief Constable budget requirement	*284,065*	*289,884*	*296,486*	*303,339*	*309,401*
Standstill Deficit	***11,299***	***15,850***	***21,026***	***26,297***	***30,609***

The Constabulary has recognised the need to bring forward further savings plans, and has been working over the last 9 months on a transformation programme through which options for savings are being advanced. These savings plans include:-

- Savings achieved from transition of transactional enabling services to MFSS – it is expected that these at least cover the indicative full-year costs of this service – **minimum targeted £1.2m in savings from go live of MFSS**;

- Savings achieved from across enabling services budgets, to be achieved through restructure of enabling services and from rationalisation of our estates and fleet – **minimum targeted £6.6m in savings to be achieved for full year effect by 2019/20;**

- Savings achieved from review and restructure of our victims and safeguarding services – **targeted saving of £0.15m for full year effect in 2018/19**;

In addition to these programmes of work we have also been tracking other initiatives which we hope will enable us to realise savings, these include:-

- Reduction in our use of the National Police Air Service (NPAS) enabling us to reduce our share of the national cost of this service – **targeted saving of £0.3m for full year effect in 2018/19**;
- Re-financing across our PFI contracts enabling us to realise long-term savings for the remainder of the life of these buildings – **savings achievable through this option to be confirmed**.

Beyond these immediate plans we have other opportunities presented to realise further savings, including:-

- Further collaboration with partners, including our neighbouring police forces (through which we already collaborate in a number of operational areas) as well as with our other blue light services;
- Realising the efficiencies offered through our digital mobilisation work – potential to unlock overtime and headcount reductions here in fullness of time;
- Ongoing procurement savings which may enable us to avoid some of the forecast uplift in costs through commercial or collaborative deals struck;
- Greater automation and digitalisation across some of our operational processes, building on the opportunities presented through upgrades to existing applications (e.g. NICHE) and on those presented through national programmes and initiatives (e.g. Emergency Services Network);

	Forecast				
	18/19 £'000	***19/20 £'000***	***20/21 £'000***	***21/22 £'000***	***22/23 £'000***
Standstill Deficit	***11,295***	***15,846***	***21,022***	***26,293***	***30,605***
Further MFSS Savings	*(1,200)*	*(1,200)*	*(1,200)*	*(1,200)*	*(1,200)*
Enabling Services Restructure	*(4,000)*	*(6,600)*	*(6,600)*	*(6,600)*	*(6,600)*
Victims and Safeguarding	*(150)*	*(150)*	*(150)*	*(150)*	*(150)*
NPAS Reductions	*(300)*	*(300)*	*(300)*	*(300)*	*(300)*
PFI Restructuring	*TBC*	*TBC*	*TBC*	*TBC*	*TBC*
Revised Deficit	***5,645***	***7,596***	***12,772***	***18,043***	***22,355***

As the above table demonstrates those planned savings which we can quantify reduce the current forecast deficit, but do not close the gap completely. We therefore recognise that it will be necessary to bring forward other options for savings.

Our savings plans do not close the forecast deficit, with an immediate challenge remaining for 2018/19.

Balancing 2018/19 - There are short-term options being looked at to balance the 2018/19 budget and an agreement to seek longer term solutions to the medium term funding challenges. The Chief Constable has indicated that further savings will require change to the service that is provided to the public.

1. **Short term options:**

   Officer vacancy factor - 2 years ago we increased the vacancy "top slice" factor on our PC pay budgets to 2% in recognition of the level of vacancies at that time and the time it would take for us to fully recover this position. We have assumed that we will have fully reversed this adjustment by 2018/19, however officer vacancies remain quite high (62 at end of Q2 and forecast to be over 100 by end of the year), and with the introduction of new apprenticeship model part way through 2018/19 this may take some time to fully recover.

We have options to:

a. delay the planned change to budgets and retain a 1.5% vacancy factor on PC posts – which would **reduce the 18/19 deficit by £459k**; or

b. reverse the planned change to budgets and increase this to a 2.0% vacancy factor on PC posts – which would **reduce the 18/19 deficit by £918k**.

Staff vacancy pay top slice - Our current effective rate for top slice on staff and PCSO budgets is 3.5%. We are reviewing this and have an option to increase up to a 5% factor, which is something that several other forces already do[1]. Such a change could be permanent or time-bound, and specific consideration would need to be given to:-

c. PCSO's – these are currently top sliced at 3.5%, and with this they are still forecasting to underspend in 17/18.

d. Command and Controls – we currently recruit ahead of vacancies in call handling and despatch in order to keep on top of filling establishment. This means that we struggle to achieve the current top slice factor in this area – and this position would likely be exacerbated further by any increase.

There are a range of options and permutations within this option – with **potential range of £0.2m - £1.2m**. These options are being developed before final budget approval.

Use of Reserves – whilst there remain a number of pressures on our reserves, and these are forecast to reduce over the medium term, we do have an opportunity presented by the 17/18 forecast underspend f circa £5 million. Whilst there may still be some movement within this forecast, it does present an opportunity to utilise these funds to manage change and risk including the transition to new MFSS and new Enabling services in 2018/19 position.

Based on the current forecasts, the targeted savings identified, further vacancy management and the possible use of reserves to manage the transition to new Enabling Services and MFSS **by exception only** we should have sufficient capacity to balance our 2018/19 budget position. The longer-term position presents further challenges which will require an assessment of the service we can provide with the resources we can afford.

Preparing for further savings beyond current plans – The prospect of future savings, after having already faced 8 years of austerity, and at a time of growing complex demand for our services, is not something any of us will relish. The Tipping Point paper, and the wider national work led by the APCC and NPCC, was intended to highlight the case for greater investment in policing. Whether this has landed with any success remains to be seen.

The PCC is asking the Chief to start planning for the consequences of future savings.

This question is also linked to the re-assessment of what the policing service can and should deliver in the future.

Answering these questions with some forethought will be important in support of our longer-range recruitment planning for officers, PCSOs and staff. Our forecast vacancy levels are expected to be above 100 officers by the end of the current financial year, with monthly attrition expected to push this still further. Our MTFP assumes recruitment of 244 new officers into the force during 2018/19, with 160 every year thereafter. More refinement of the forecast position and the impact of this planned recruitment will be undertaken in conjunction with HR colleagues. This recruitment level is forecast to be required simply to maintain current establishment numbers.

Answering these questions will help set more clearly the parameters for delivering future savings.

[1] Gloucestershire, Kent, Staffordshire, Surrey, Sussex, West Yorkshire all identified as having a permanent 5% staff vacancy factor in NPCC survey carried out during 2016.

Capital Programme and Funding.

This area of our plan is still under development. The position reported in the Tipping Point report was as follows and accordingly work is underway to reduce the scope of the capital programmes.

		2017/18 forecast	2018/19 plan	2019/20 plan	2020/21 plan	2021/22 plan	Total
Spend	ICT	13.2	9	6.3	4	4	**36.5**
	Estates	4	7	3.7	0.5	0.5	**15.7**
	Fleet & Other	6	3	3.1	3.2	3.3	**18.6**
		23.2	*19*	*13.1*	*7.7*	*7.8*	***70.8***
Funding	Grant	1	1	1	1	1	**5**
	Revenue	0	1.5	1.8	2.2	2.5	**8**
	Debt	6.2	8	4	0	0	**18.2**
	Reserves	16	8.5	1	1	0	**26.5**
		23.2	*19*	*7.8*	*4.2*	*3.5*	***57.7***
Funding Gap		**0**	**0**	**5.3**	**3.5**	**4.3**	**13.1**

Reserves and Risk

Reserves

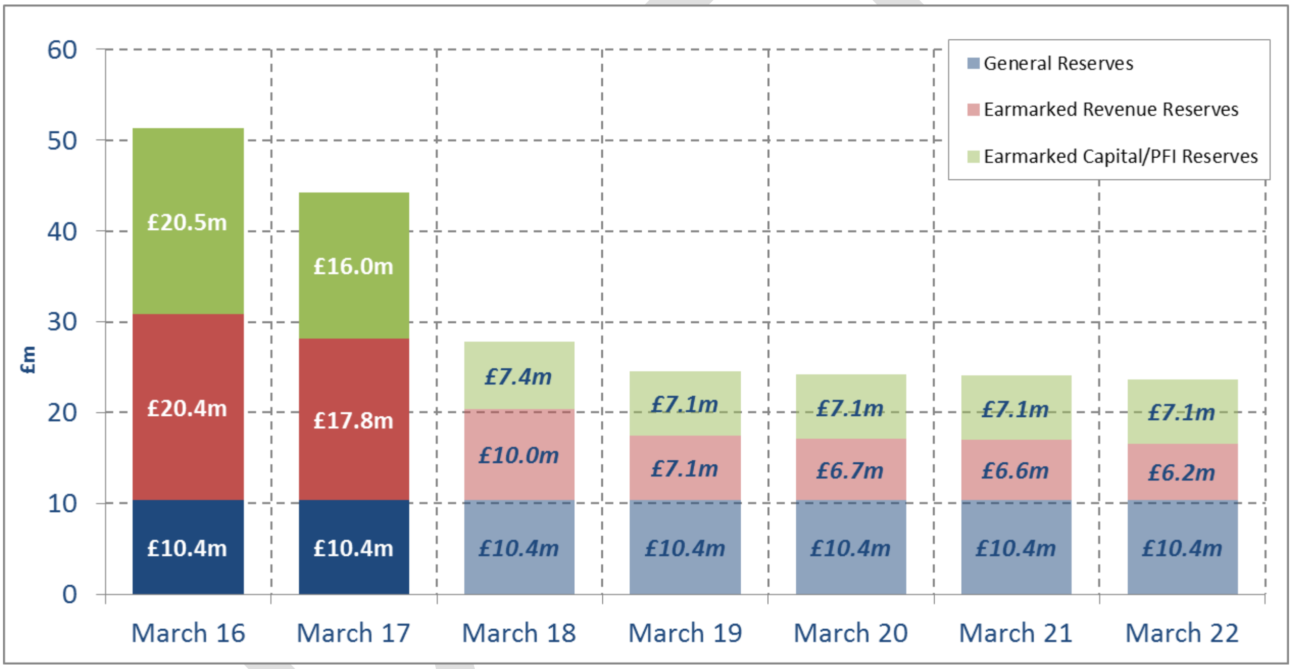
The PCC holds reserves in order to:-

- Support capital and revenue investment to continue our further transformation and change "spend to save";
- Manage uncertainty and risk in our future; and
- Comply with accounting practice and convention.

As reported in our financial statements at the end of March 2017 the PCC had total reserves of £44.3m. This reflected a reduction of £7.0m/14% compared to the balance held 12 months previously.

Our projections across the medium term forecast that our reserves will continue to significantly reduce, with the biggest change occurring by the end of this financial year.

Figure 5: Useable reserve projections over the life of the MTFP



These forecasts will need to be updated to reflect the revised capital programme development, 18/19 revenue cost of change and the Q3 financial performance position reported in January.

Our useable reserve levels are therefore forecast to stand at £27.8m by the end of the 17/18 financial year, with smaller annual reductions expected each year thereafter. Our reserve levels are not forecast to substantially reduce beyond this level for the following reasons:-

- Our **general fund** is set annually by the PCC's Chief Finance Officer in consultation with the Chief Constable's Chief Finance Officer, and after a consideration of all risks facing the PCC. The risk level, and our appetite for the financial provision needed to assure ourselves, may change over the medium term enabling some reductions in this reserve – however, we will need to maintain some provision here and **the general fund balance (£10.4m) represents 3.7% of our current Net Revenue budget**, which would be within the prudent range expected of us (between 3-5% would be the expected range of general reserves held);
- Our forecasts assume we would maintain an **operations reserve (£1.5m)** in order to provision for the one-off costs associated with a significant operation or investigation which placed our annual budget provisions under pressure;

- Our **PFI reserves** are used to equalise the phasing of our income (in the form of PFI credits and interest receipts) to our forecast expenditure. In the early years of the contract we generate a surplus which our accounting model requires us to put into reserves, in order to be released against the annual deficit in funding forecast in the later years of the contract. By so doing we are able to smooth the financial impact on the revenue budget over the life of these assets. By March 22 we forecast that our PFI reserves will stand at **£7.1m**;
- Our reserves will need to continue to provision for our **self-insurance**, making provision for the likely future cost of claims against the PCC and Chief Constable. Our reserve levels stand at **£2m** in support of this, and are likely to have to stay at this level throughout the MTFP period;
- The remainder of our reserves are made up of smaller amounts, reflecting annual amounts expected to be held at any given year-end which relate to ring-fenced activity. This includes the value on our detained property fund (the majority of which is returnable), specific grants and ring-fenced receipts of funding unspent at any given year-end, as well as an ongoing road safety reserve generated through income received from speed awareness course referrals.

The level of reserves will be impacted, from time to time, by the revenue and capital budget performance. At present we are forecasting revenue underspends in 2018/18 which will temporarily inflate our reserves at the end of the 17/18 financial year. However, given the scale of the emerging financial challenge, and the level of transformation required throughout 2018/19, we anticipate reserves will be required to manage the costs and risks of a significant change transition in 2018/19.

Risk

Given the extent of the modelling and assumptions required across the development of our MTFP, it is important that we have consideration of risks and the potential impact these could have on our forecasts and plans. The table below highlights some of the key risks identified:-

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 £1.7m 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 £1.5m 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 £1.0m 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 £1.0m p.a.	Continue to seek confirmation from PCC about appropriateness of this assumption, and monitor Government information about referendum capping principles.

Risk	Potential scale	Mitigation
Pay Inflation – the increase in pay is higher or lower than currently forecast (2.0% 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 fluctuations in inflation. Our assumptions for non-pay inflationary provisions, might not be appropriate to keep pace with increases in price.	Additional 1.0% on non-pay budgets is £0.4m p.a.	Continue to monitor emerging picture and determine if any adjustment needs to assumptions already factored in across the MTFP.

Appendix A – DRAFT MTFP

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
FUNDNG					
2017/18 Base Funding					
Grant Funding	*175,914*	*175,914*	*175,914*	*175,914*	*175,914*
Council Tax Funding	*101,638*	*101,638*	*101,638*	*101,638*	*101,638*
TOTAL Funding	***277,552***	***277,552***	***277,552***	***277,552***	***277,552***
Forecast increase/(decrease) to 2017/18 Base Funding					
Grant Funding	(2,389)	(4,742)	(7,059)	(9,342)	(11,591)
Council Tax Funding	2,399	6,035	9,798	13,694	17,727
TOTAL increase/(decrease) in Funding	**10**	**1,293**	**2,739**	**4,352**	**6,136**
Forecast Funding					
Grant Funding	173,525	171,172	168,854	166,572	164,323
Council Tax Funding	104,037	107,672	111,436	115,332	119,365
TOTAL Funding	**277,562**	**278,845**	**280,290**	**281,904**	**283,688**
BUDGET REQUIREMENT					
2017/18 Base Budget					
Office of the Police and Crime Commissioner	*1,354*	*1,354*	*1,354*	*1,354*	*1,354*
Commissioning	*3,488*	*3,488*	*3,488*	*3,488*	*3,488*
Constabulary	*273,988*	*273,988*	*273,988*	*273,988*	*273,988*
TOTAL 2017/18 Base Budget	***278,830***	***278,830***	***278,830***	***278,830***	***278,830***
Adjustments to Budgets Required/Planned					
Office of the Police and Crime Commissioner (inc savings)	4	19	39	69	104
Commissioning (inc savings)	(50)	(50)	(50)	(50)	(50)
Constabulary	10,077	15,896	22,498	29,351	35,413
TOTAL Adjustments to Budgets Required/Planned	**10,031**	**15,864**	**22,486**	**29,370**	**35,467**
Budget Requirement (before savings)					
Office of the Police and Crime Comissioner	1,358	1,373	1,393	1,423	1,458
Commissioning	3,438	3,438	3,438	3,438	3,438
Constabulary	284,065	289,884	296,486	303,339	309,401
TOTAL Budget Requirement	**288,861**	**294,695**	**301,317**	**308,200**	**314,297**
SAVINGS AND USE OF RESERVES					
DEFICIT BEFORE SAVINGS	**11,299**	**15,850**	**21,026**	**26,297**	**30,609**
Savings					
MFSS Savings	(1,200)	(1,200)	(1,200)	(1,200)	(1,200)
Enabling Services/Infrastructure Savings	(4,000)	(6,600)	(6,600)	(6,600)	(6,600)
Victims and Safeguarding	(150)	(150)	(150)	(150)	(150)
NPAS Reductions	(300)	(300)	(300)	(300)	(300)
PROVISION FOR FURTHER SAVINGS/ADJUSTMENTS	*(1,649)*	*0*	*0*	*0*	*0*
TOTAL Savings	**(7,299)**	**(8,250)**	**(8,250)**	**(8,250)**	**(8,250)**
Planned Use of Reserves to Balance the Budget	**(4,000)**	**0**	**0**	**0**	**0**
REVISED DEFICIT	**0**	**7,600**	**12,776**	**18,047**	**22,359**

Appendix B – DRAFT Revenue Funding Forecasts

	17/18 £'000	18/19 £'000	19/20 £'000	20/21 £'000	21/22 £'000	22/23 £'000
GRANT FUNDING						
Main Grants	159,254	156,865	154,512	152,195	149,912	147,663
Victims Commissioning	1,951	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	**175,914**	**173,525**	**171,172**	**168,854**	**166,572**	**164,323**
Annual Change (£'000)	-2,253	*-2,389*	*-2,353*	*-2,318*	*-2,283*	*-2,249*
Annual Change (%)	-1.3%	*-1.4%*	*-1.4%*	*-1.4%*	*-1.4%*	*-1.3%*
Cumulative Change (£'000)		*-2,389*	*-4,742*	*-7,059*	*-9,342*	*-11,591*
Cumulative Change (%)		*-1.4%*	*-2.7%*	*-4.0%*	*-5.3%*	*-6.6%*
COUNCIL TAX FUNDING						
Council Tax Precept	99,775	103,287	106,922	110,686	114,582	118,615
Collection Fund Surplus	1,863	750	750	750	750	750
TOTAL COUNCIL TAX FUNDING	**101,638**	**104,037**	**107,672**	**111,436**	**115,332**	**119,365**
Annual Change (£'000)	3,730	*2,399*	*3,636*	*3,764*	*3,896*	*4,033*
Annual Change (%)	3.8%	*2.4%*	*3.5%*	*3.5%*	*3.5%*	*3.5%*
Cumulative Change (£'000)		*2,399*	*6,035*	*9,798*	*13,694*	*17,727*
Cumulative Change (%)		*2.4%*	*5.9%*	*9.6%*	*13.5%*	*17.4%*
TOTAL FUNDING	**277,552**	**277,562**	**278,845**	**280,290**	**281,904**	**283,688**
Annual Change (£'000)	1,476	*10*	*1,283*	*1,446*	*1,613*	*1,784*
Annual Change (%)	0.5%	*0.0%*	*0.5%*	*0.5%*	*0.6%*	*0.6%*
Cumulative Change (£'000)	-21,317	*-21,307*	*-20,024*	*-18,578*	*-16,965*	*-15,181*
Cumulative Change (%)	-7.1%	*-7.1%*	*-6.7%*	*-6.2%*	*-5.7%*	*-5.1%*
Grant Funding	63.4%	62.5%	61.4%	60.2%	59.1%	57.9%
Council Tax Funding	36.6%	37.5%	38.6%	39.8%	40.9%	42.1%
TOTAL Funding	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Average Band D Council Tax	**£181.81p**	**£185.42p**	**£189.11p**	**£192.88p**	**£196.72p**	**£200.63p**
Annual Change (£p)	£3.55	*£3.62*	*£3.69*	*£3.76*	*£3.84*	*£3.91*
Annual Change (%)	1.99%	*1.99%*	*1.99%*	*1.99%*	*1.99%*	*1.99%*
Cumulative Change (£p)	£13.78	*£17.39*	*£21.08*	*£24.85*	*£28.69*	*£32.60*
Cumulative Change (%)	8.2%	*10.4%*	*12.5%*	*14.8%*	*17.1%*	*19.4%*
Council Tax Base	**548,800**	**557,032**	**565,388**	**573,868**	**582,476**	**591,214**
Annual Change (No. of Properties)	10,967	*8,232*	*8,355*	*8,481*	*8,608*	*8,737*
Annual Change (%)	2.03908%	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
Cumulative Change (No.)	-11,988	*-3,756*	*4,600*	*13,080*	*21,688*	*30,426*
Cumulative Change (%)	-2.1%	*-0.7%*	*0.8%*	*2.3%*	*3.9%*	*5.4%*

Appendix C – DRAFT Revenue Costs Forecasts

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000
OFFICE OF THE POLICE AND CRIME COMMISSIONER (OPCC)					
OPCC 2017/18 Budget	***1,354***	***1,354***	***1,354***	***1,354***	***1,354***
Provision for inflation	*23*	*38*	*58*	*88*	*123*
Growth	*15*	*15*	*15*	*15*	*15*
Savings	*(34)*	*(34)*	*(34)*	*(34)*	*(34)*
OPCC Budget Requirement	***1,358***	***1,373***	***1,393***	***1,423***	***1,458***
COMMISSIONING					
OPCC 2017/18 Budget	***3,488***	***3,488***	***3,488***	***3,488***	***3,488***
Provision for inflation	*0*	*0*	*0*	*0*	*0*
Growth	*0*	*0*	*0*	*0*	*0*
Savings	*(50)*	*(50)*	*(50)*	*(50)*	*(50)*
Commissioning Budget Requirement	***3,438***	***3,438***	***3,438***	***3,438***	***3,438***
OFFICE OF THE CHIEF CONSTABLE (THE CONSTABULARY)					
Constabulary 2017/18 Budget	***273,988***	***273,988***	***273,988***	***273,988***	***273,988***
Police Officer Pay Awards	*3,257*	*6,138*	*8,893*	*11,704*	*14,571*
Police Staff/PCSO Pay Awards	*2,051*	*4,081*	*5,914*	*7,783*	*9,690*
Change to officer and staff unit cost	*(1,262)*	*(1,262)*	*(1,262)*	*(1,262)*	*(1,262)*
Adjustment to vacancy factor	*459*	*459*	*459*	*459*	*459*
Injury and Medical Pension adjustments	*450*	*733*	*986*	*1,228*	*1,474*
Adjustment to Pension Deficit Lump-Sum	*47*	*136*	*206*	*324*	*446*
Overtime adjustments	*(351)*	*(169)*	*13*	*196*	*13*
Housing allowance and compensatory grant adjustments	*(533)*	*(658)*	*(763)*	*(852)*	*(927)*
Apprenticeship Levy	*(28)*	*(12)*	*(12)*	*(12)*	*(12)*
Pay and Staffing adjustments	***4,091***	***9,448***	***14,436***	***19,569***	***24,452***
General Non-Pay Inflationary adjustments	*915*	*1,870*	*2,723*	*3,592*	*4,478*
Utilities Inflationary adjustments	*75*	*153*	*220*	*289*	*360*
Fuel Inflationary adjustments	*72*	*147*	*214*	*282*	*353*
Interest receivable adjustments	*(15)*	*(38)*	*(106)*	*(69)*	*(100)*
Non-Pay Inflationary adjustments	***1,047***	***2,133***	***3,050***	***4,094***	***5,091***
Minimum Revenue Provision (MRP) adjustments	*(584)*	*(191)*	*(91)*	*(91)*	*(91)*
Interest payable adjustments	*88*	*364*	*539*	*539*	*539*
Revenue Funding of Capital	*1,500*	*1,750*	*2,000*	*2,500*	*2,500*
Cost of Capital adjustments	***1,004***	***1,923***	***2,448***	***2,948***	***2,948***
New growth and investments	*227*	*227*	*227*	*227*	*227*
Unavoidable commitments and adjustments	*1,406*	*963*	*1,011*	*1,060*	*1,111*
Glastonbury Festival - Fallow Year	*617*	*0*	*0*	*0*	*0*
Building Maintenance Reserve adjustment	*(71)*	*(71)*	*(71)*	*(71)*	*(71)*
PFI Costs	*84*	*102*	*120*	*140*	*161*
End of Southwest One and transition to MFSS	*1,671*	*1,170*	*1,275*	*1,383*	*1,494*
Growth and commitment adjustments	***3,934***	***2,391***	***2,563***	***2,740***	***2,921***
Constabulary Budget Requirement	***284,065***	***289,884***	***296,486***	***303,339***	***309,401***
TOTAL BUDGET REQUIREMENT					
Office of the Police and Crime Comissioner	*1,358*	*1,373*	*1,393*	*1,423*	*1,458*
Commissioning	*3,438*	*3,438*	*3,438*	*3,438*	*3,438*
Constabulary	*284,065*	*289,884*	*296,486*	*303,339*	*309,401*
TOTAL Budget Requirement	***288,861***	***294,695***	***301,317***	***308,200***	***314,297***