

AVON AND SOMERSET POLICE AND CRIME PANEL

8TH DECEMBER 2020

REPORT OF THE POLICE AND CRIME COMMISSIONER

2021/22 FINANCIAL PLANNING - BUDGET PROCESS UPDATE

1. EXECUTIVE SUMMARY

This report provides an update on the process that will lead to the setting of the 2021/22 revenue budget, council tax precept and capital programme in February 2021. It sets out our current planning assumptions and areas of continued uncertainty at time of writing. At this stage of the process, the Panel are not being asked to consider a draft budget or financial plan, only to note the current assumptions and illustrative examples of their implications.

Whilst this report is prepared on the best information currently available, it has been necessary to make a large number of assumptions and projections about future events in order to arrive at these financial illustrations. Going forward, it will be necessary to continue to review these in light of a number of areas, most notably:-

- The outcome of the 1 year Comprehensive Spending Review (CSR), and the detail of the police funding settlement;
- The confirmation of targets and funding beyond March 2021 for the delivery of the Government's promised 20,000 increase in police officer numbers;
- The projections and forecasts of local authorities for council tax, particularly the impact that Covid-19 will have on the tax base and on the PCC's share of any deficit against the 20/21 collection fund;
- The principles and parameters within which the PCC is asked to consider and set the policing precept, including the level at which a local referendum will need to be held.

Our key working assumption at this stage in relation to the policing precept is that this will increase by 1.99% p.a. in each of the next 5 years.

	<i>Current</i>	MTFP Period				
	<i>20/21</i>	<i>21/22</i>	<i>22/23</i>	<i>23/24</i>	<i>24/25</i>	<i>25/26</i>
Av. Band D Police Precept	<i>£227.81p</i>	£232.34p	£236.97p	£241.68p	£246.49p	£251.40p
<i>Annual increase</i>	<i>+£10.00p</i>	<i>+£4.53p</i>	<i>+£4.62p</i>	<i>+£4.72p</i>	<i>+£4.81p</i>	<i>+£4.91p</i>

We acknowledge however that there remains the possibility that the government both enables and expects PCC's to agree to a different change in the precept, as has been the case in previous years. The final decision on proposed precept will therefore be made in the context of the increased certainty that the future funding settlements are expected to provide.

The other key variable in our future revenue forecasts is whether or not any inflationary increase is made to our main grant funding and to the ring fenced funding to support the uplift in police officer numbers. At this stage of our planning we have developed two

illustrative scenarios for our revenue planning depending on whether we assume our future grant funding includes inflation or not:-

Revenue Plan - Scenario 1	21/22	22/23	23/24	24/25	25/26
Grant funding with inflation	£'000	£'000	£'000	£'000	£'000
Budget requirement	335,457	345,739	354,528	363,293	373,053
Less; Identified Savings	-7,261	-8,805	-9,803	-8,542	-6,281
Less; General funding	-323,255	-330,028	-337,734	-348,066	-356,925
(Surplus)/Deficit	4,942	6,906	6,991	6,684	9,848

Revenue Plan - Scenario 2	21/22	22/23	23/24	24/25	25/26
Grant funding without inflation	£'000	£'000	£'000	£'000	£'000
Budget requirement	335,670	346,412	355,649	364,802	374,959
Less; Identified Savings	-7,261	-8,805	-9,803	-8,542	-6,281
Less; General funding	-319,601	-322,804	-326,869	-333,486	-338,555
(Surplus)/Deficit	8,809	14,803	18,977	22,774	30,124

The capital plan headline forecasts at this stage of our planning are:-

Capital Plan	21/22	22/23	23/24	24/25	25/26
	£'000	£'000	£'000	£'000	£'000
Capital Plan Expenditure	19,549	18,565	20,536	14,113	7,910
Less; Capital Plan Funding	-19,549	-18,565	-12,673	-12,119	-7,619
Deficit	-	-	7,863	1,994	291

There remains a deficit in our capital plans, reflective of cuts to capital grant funding and of the continued uncertainty around the local implementation costs related to national IT programmes, most notably the Emergency Services Mobile Communication Programme, which alone is forecast to cost £13m to deliver in Avon and Somerset over the next five years. Where possible we will refine our forecasts for both capital expenditure and funding further by the time our final MTFP is presented and approved.

2. BACKGROUND

The setting of an annual budget occurs within the framework of our Medium Term Financial Plan (MTFP). This sets out our strategic approach to the management of our finances and provides the framework within which the delivery of the PCC's priorities will be progressed.

The PCC's Police and Crime Plan has four overarching priorities:-

- Protect the most vulnerable from harm;
- Strengthen and improve your local communities;
- Ensure the Constabulary has the right people, the right capability and the right culture;
- Work together effectively with other police forces and key partners to provide better services to local people.

The MTFP provides the financial outlook, context and resourcing principles for the annual budget setting process. It outlines, in broad terms, the specific service and funding issues over the 5-year period and how the PCC will, within these financial constraints, fund its priorities and ensure financial sustainability and resilience can be achieved. The MTFP is subject to annual review, with the next period covering 2021/22 – 2025/26.

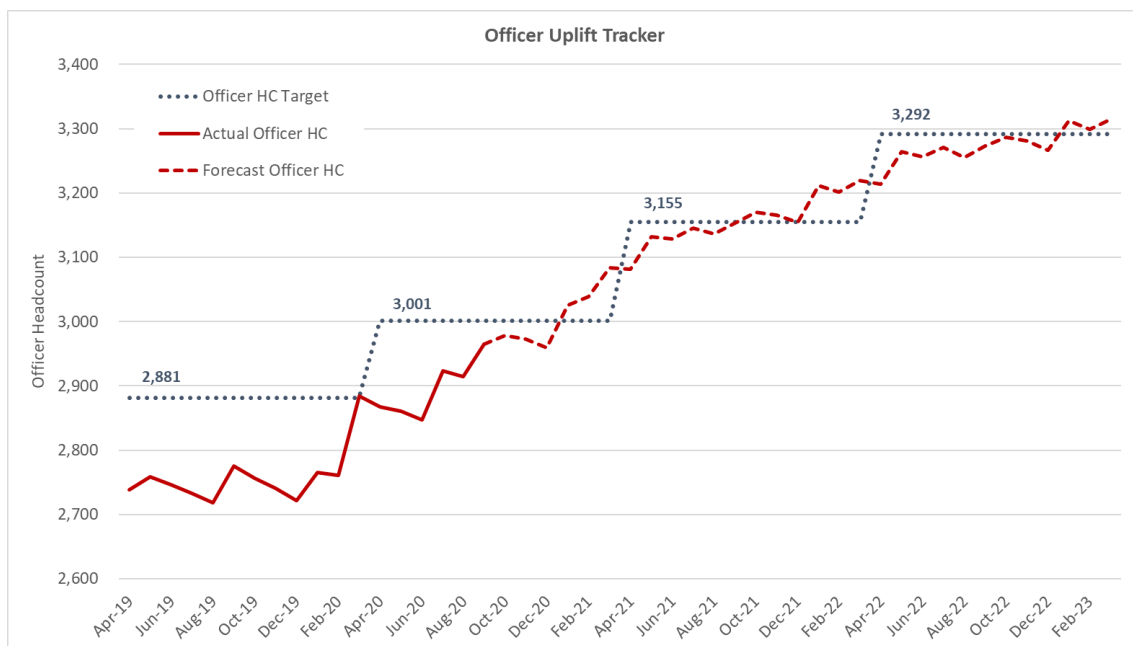
In February 2020 the PCC approved the 20/21 revenue budget and capital plan, confirming an average band d precept of £227.81, an increase of £10/4.6% on the previous year. The increase in local precept in 20/21 enabled investment in new police staff investigators and provided permanent funding for PCSO's previously funded by time limited specific grant funding.

When combined with main government grant funding, the total revenue funding received by the PCC in 20/21 equates to £186.02 per head of population, £29.84 below the national average for PCC's across England and Wales.

During the summer of 2019, the Government announced its intention to increase the number of police officers in England and Wales by 20,000. The target date for the achievement of this objective is by the end of March 2023, with incremental targets every year to ensure that this can be achieved. So far, the Government has confirmed targets for each force area to achieve by 31st March 2021, with announcements of future targets expected alongside the police funding settlement.

In the absence of confirmed targets beyond March 2021 at this stage, the Constabulary is planning towards the delivery of 457 extra officers by 31 March 2023 compared to a baseline headcount of 2,835 as at 1st April 2019. This 457 represents 2.3% of the national uplift target, equating to the Avon and Somerset % share of total police grant funding.

As at September 2020 the Constabulary was well on track to achieve this target, as is shown in the graph below. Between October 2020 and March 2023 it is projected a further 756 new officers will be recruited to achieve this growth and offset expected leavers numbers. Upon confirmation of future targets, we will review this plan and flex accordingly.



The global Covid-19 pandemic has introduced both short and medium term pressures and uncertainty.

- Short-term - the initial and ongoing response resulted in cost pressures (e.g. the costs of providing personal protective equipment to frontline officers, enabling home working for large numbers of our workforce), as well as reductions in income (e.g. cancellation of events for which we would normally charge for special policing services and reductions in speed awareness course referrals). Some of this pressure has been eased through the provision of extra government funding during 20/21 financial year;
- Medium-term – the economic outlook in the UK and across the globe has been weakened by this pandemic. It is likely that recovery will be slow with heightened unemployment and the ongoing need for virus control measures impacting on both consumer and business confidence. Against this backdrop our local authorities are forecasting reductions in council tax receipts, generating collection fund deficits and adjustments to future council tax base which are materially different from our previous assumptions.

The impact of the pandemic will also have consequences for wider public finances. By necessity, the government have had to introduce a number of interventions the financial costs of which will require long-term plans to recover. At this stage in the pandemic the government has confirmed that the CSR will focus only on a 1 year settlement, rather than the 3 year period previously planned.

The police service have engaged with the Home Office in its submission as part of the spending review. In doing so the case has been made for the funding needed to assure the delivery of the uplift in officers as well as to manage ongoing inflationary pressures arising from future pay awards, pension increases and other factors. The service has recognised the need to offer further savings and efficiencies, and has done so through ongoing opportunities presented out of a number of national programmes and initiatives. These include further potential procurement savings achievable through the newly created [Bluelight Commercial Organisation](#), as well as realising productivity and efficiency gains through national technology programmes (e.g. [National Enabling Programme](#)).

3. REVENUE FUNDING

The main revenue funding received by the PCC comes from two sources:-

- General grant funding – consisting of Home Office policing grants and legacy council tax grants; and
- Council tax funding – determined by the policing precept multiplied by the local council tax base and adjusted for our share of historic surplus or deficits on collection fund.

In addition grant funding is also received for specific purposes, and these grants include:-

- Uplift grant funding – this new grant funding for 2020/21 reflects the funding provided to enable delivery of the government's commitment to increase police officer numbers;

- Pensions grant funding – this grant funding was introduced in 2019/20 to provide support for the increased cost of police officer pensions following an actuarial assessment that increased the employer contribution rate from 24% to 31%;
- Victims commissioning grant funding – this grant funding is provided to the PCC from the Ministry of Justice in support of the commissioning of victims services.

The value of both general and specific purpose funding is dependent on a number of variables which at the time of presenting this report remain uncertain. It has therefore been necessary to make a number of assumptions, and (in the case of council tax) rely on the forecasts of local authorities which in themselves remain subject to significant uncertainty at this time.

Council tax funding – The previous MTFP, approved back in February 2020, assumed future growth in council tax revenue. COVID-19 will impact on these assumptions, and early indications from our collecting authorities confirm this emerging picture. We expect to receive firmer confirmation of both tax base estimates and collection fund performance in time to finalise our budget proposal for presentation to panel in February.

The current average household in Avon and Somerset pays £227.81p towards local policing costs in 2020/21. This remains nearly £21 lower than the average across England and Wales (excluding city of London). In the southwest region, Avon and Somerset have the median police precept:-

	20/21 Precept £p	Difference £p	Difference %	Value £m
Gloucestershire PCC	£257.25p	+\$29.44p	+12.9%	+\$16.8m
National Average ¹	£248.65p	+\$20.84p	+9.1%	+\$11.9m
Dorset PCC	£240.48p	+\$12.67p	+5.6%	+\$7.2m
Avon and Somerset PCC	£227.81p			
Devon and Cornwall PCC	£221.64p	-\$6.17p	-2.7%	-\$3.5m
Wiltshire PCC	£216.27p	-\$11.54p	-5.1%	-\$6.6m

Our working **assumption at present is that the precept will be increased by 1.99% each year across the 5 year planning period covered by the MTFP**. This level has been assumed at this stage in our planning to reflect the expectation that this will be the level at which the referendum capping principles will be set:-

Annual increase of 1.99%	Current	MTFP Period				
	20/21	21/22	22/23	23/24	24/25	25/26
Av. Band D Police Precept	£227.81p	£232.34p	£236.97p	£241.68p	£246.49p	£251.40p
Annual increase	+\$10.00p	+\$4.53p	+\$4.62p	+\$4.72p	+\$4.81p	+\$4.91p

The PCC is undertaking a public consultation to seek views on precept levels and the attitude to any potential increase. The consultation will be online, by telephone and by mailshot to

¹ Calculated from an England and Wales policing council tax requirement of £4,396,606,485 divided by a council tax base of 17,681,556. The City of London Police are excluded from this calculation as their council tax requirement is calculated using a difference methodology to the rest of the county.

elicit the widest possible response. Once the results have been received they will be shared as part of the 21/22 budget and precept proposal.

The value of council tax funding is not determined by only the precept level, but also by the change to the council tax base, and the distribution of any surplus or deficit on local collection funds.

- **Tax Base** - The MTFP approved in February assumed aggregate tax base growth of 1.5% p.a. across our eight local collecting authorities. Taking into account the current impact of COVID-19 on the number of Local Council Tax Reduction Scheme claimants, and the slowing down of new house building during the pandemic, this assumption is no longer appropriate. At time of writing this report, we have received early estimates from all of our local authorities with the exception of Bristol City Council. Using an estimate for Bristol based on the worst-case position presented by our other local authorities, we project an aggregate **reduction in the tax base of 0.6% for 2021/22** financial year. Thereafter we are prudently forecasting a slow recovery, with 0.5% growth in 22/23, 1.0% for 23/24 and annual growth of 1.5% thereafter. We will review our assumptions here in light of final confirmed tax base estimates once received;
- **Collection Fund** - the MTFP approved in February assumed our aggregate share of collection fund surpluses would be £0.5m p.a. This reflected our assessment based on the historic performance. COVID-19 has resulted in all of our local authorities now projecting deficits on their collection fund. The government has announced that collection fund deficits arising in relation to 2020/21 must be spread over the forthcoming three financial years – normally these would be funded in the next financial year in full. Our **projected share of the deficit** based on returns provided by our local authorities (only Mendip have yet to confirm a figure) **would be £1.6m in 2021/22, rising to £1.7m in 2022/23 and 2023/24**. It is understood that conversations are still happening with HM Treasury around further support for local authorities to help manage the impact of this. At this stage we have assumed no support for this in either of our illustrative scenarios, and therefore we expect the full value of the deficit to be funded by the PCC.

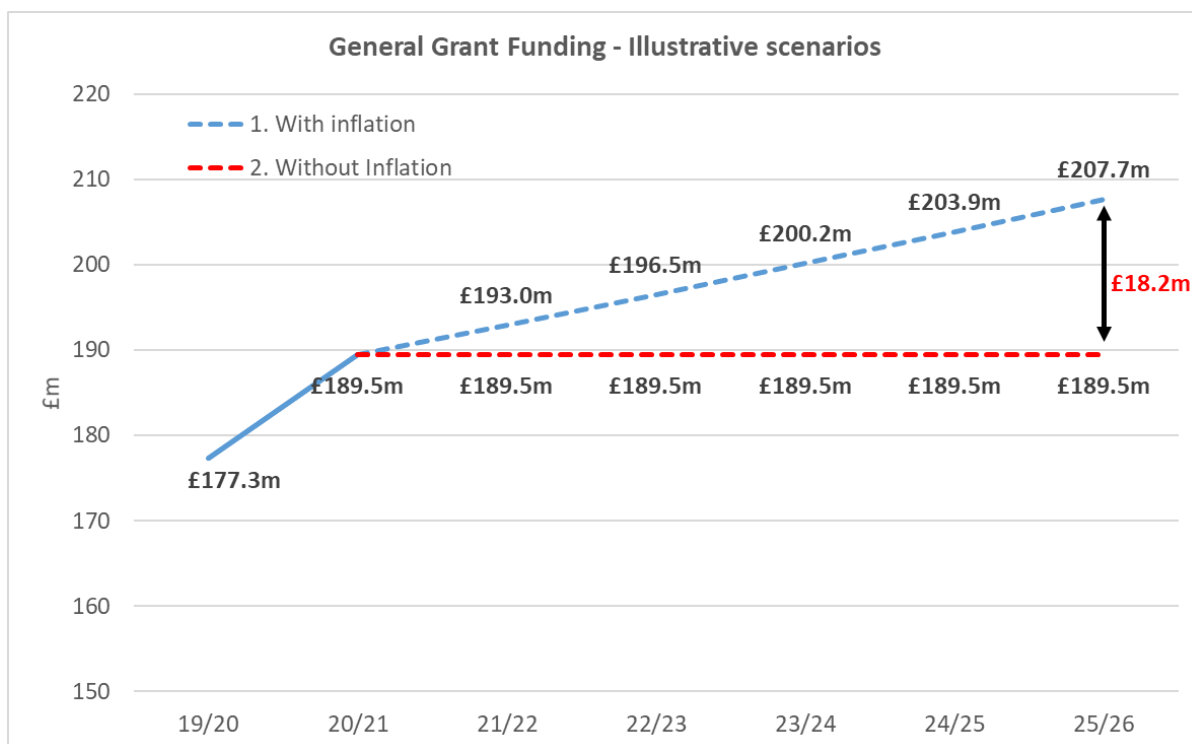
General Grant Funding – The final values of our grant funding will not be known until the announcement of the police settlement, which is not expected until mid-December at the earliest, with recent rumours suggesting that it will actually be January until this is published.

The key variable here is whether we will receive inflationary increases in Home Office police grant funding into the future (we are already assuming legacy council tax funding is frozen at historic values). Our last MTFP had assumed that future grant funding would be inflated, however we understand that this assumption is a key area under review by government.

We have modelled two illustrative scenarios at this stage in our planning:-

- Illustration 1 assumes growth in Home Office grant funding of 2% p.a. and
- Illustration 2 assumes this grant remains frozen for the duration of the MTFP, which we recognise is extreme.

The difference between these two illustrations, particularly when compounded over the 5-year planning period, is significant as demonstrated by this graph:-



There is a commitment from Government to review the formula used to determine the distribution of the Home Office police grant funding, however we recognise that this is not a current priority for the Government and therefore we do not expect this to be a significant factor affecting the value of this funding over the life of this MTFP.

Specific Grant Funding – Like with general grant funding we do not expect the value of these grants to be confirmed until the police settlement is announced. In the case of the pensions grant (20/21 - £2.8m) and the victims commissioning grant (20/21 - £2.0m) we expect these grants to remain frozen at historic levels. The key variable therefore relates to the uplift grant funding.

The uplift grant is payable on delivery of officer uplift targets which have been given to each police force area across England and Wales. The distribution of the targets has been confirmed up until March 2021, with Avon and Somerset being expected to increase our officer headcount by 137. Thereafter we are planning in line with the national planning assumptions which see our target increase to 457 additional officers by March 2023.

	19/20	20/21	21/22	22/23
Baseline officer headcount ²	2,835	2,835	2,835	2,835
A&S cumulative officer uplift target	+46	+137 ³	+320	+457
Target officer headcount	2,881	2,972	3,155	3,292

² This is the headcount figure after the increase of 100 officers funded by the 2019/20 precept increase were accounted for.

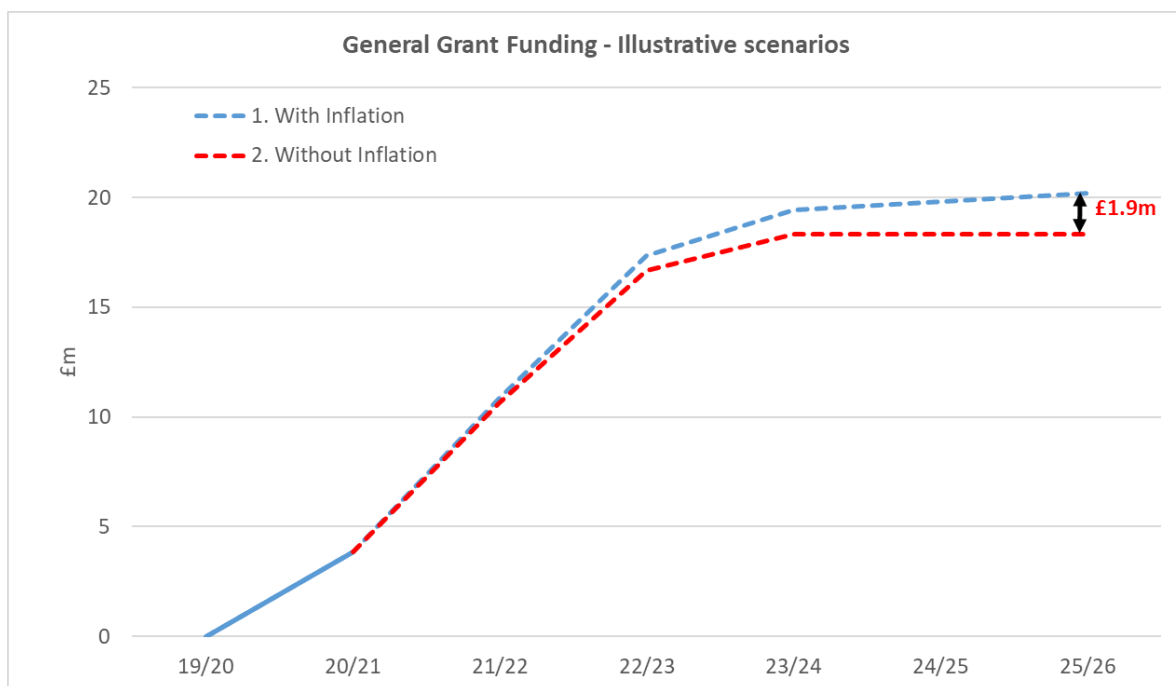
³ Given the uncertainty we planned for the delivery of a further 29 officers by March 2021, making our local target 3,001 as per the graph above. This 'local stretch' has been removed from future year projections.

In 2020/21 we were allocated £3.84m in uplift funding which we are expecting to receive in full by the end of the financial year on demonstration of having achieved this targeted increase in officer headcount. The value of this funding was based on 137 extra officers at 70% funding (which worked out at £28.1k per officer) on the assumption that all officers would not be employed for a full year.

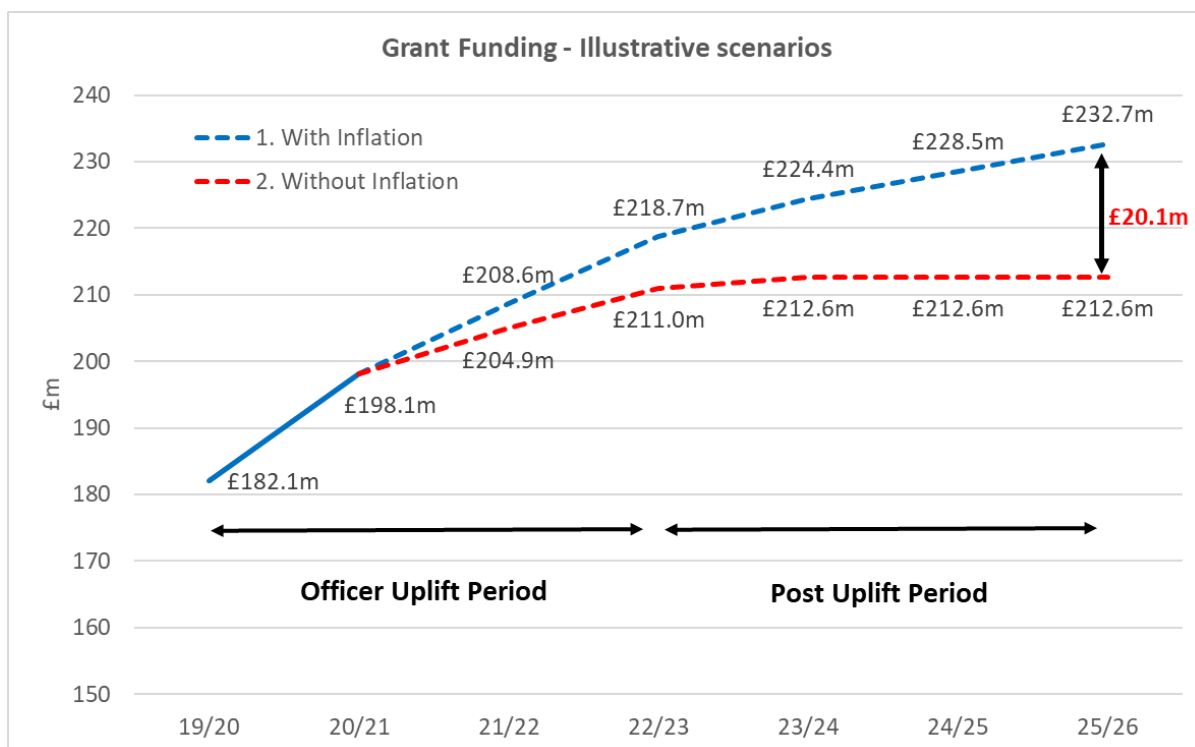
Using this understanding to inform our future projections, we therefore recognise that in the second year we expect to receive 100% funding for officers recruited in the previous year, plus 70% funding for a new target of additional officers to be delivered over the course of the new financial year. The remaining uncertainty (beyond confirmation of the distribution of officer targets) is therefore whether we will see unit funding per officer inflated or not.

We have modelled two illustrative scenarios at this stage in our planning:-

- Illustration 1 assumes growth in uplift grant funding unit value of 2% p.a. and
- Illustration 2 assumes the unit value of uplift grant funding is frozen across the MTFP.



At this stage in the development of our MTFP and budget plans the key area of uncertainty remains as to whether our grant funding will be frozen in cash value, or whether it will grow in real terms in line with inflation. Over the course of a 5 year planning horizon the difference between these two illustrations is estimated to be c. £20.1m, and therefore the outcome of this has a material bearing on our financial plans (although it is recognised that a freeze for this duration would be extreme):-



4. REVENUE EXPENDITURE

Our planning remains under development, but at the point of writing this report the following table summarises the modelling for revenue expenditure over the next 5 years:-

Expenditure net of savings	Current	MTFP				
	20/21 £'000	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Constabulary	323,411	338,577	353,715	363,860	374,219	386,582
<i>Movement</i>		+15,166	+30,304	+40,449	+50,808	+63,171
OPCC	5,040	5,284	5,387	5,411	5,495	5,551
<i>Movement</i>		+244	+347	+371	+455	+511
TOTAL Expenditure	328,451	343,861	359,102	369,301	379,714	392,133
<i>Movement</i>		+15,410	+30,651	+40,850	+51,263	+63,682

The key assumptions that shape the future changes to our costs are:

	21/22	22/23	23/24	24/25	25/26
Officer Pay Award	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%
<i>Impact (£m)</i>	+£3.6m	+£7.3m	+£11.2m	+£15.1m	+£19.1m
Staff Pay Award	+2.5%	+2.5%	+2.5%	+2.5%	+2.5%
<i>Impact (£m)</i>	+£2.9m	+£5.9m	+£8.9m	+£12.0m	+£15.2m
General Inflation	+1.0%	+1.5%	+2.0%	+2.0%	+2.0%
<i>Impact (£m)</i>	+£0.3m	+£0.8m	+£1.4m	+£1.9m	+£2.4m

	21/22	22/23	23/24	24/25	25/26
Officer Pension	31.0%	31.0%	31.0% ⁴	31.0% ²	31.0% ²
<i>Impact (£m)</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>
Staff Pension	16.3%	16.3%	18.0% ⁵	18.0% ³	18.0% ³
<i>Impact (£m)</i>	-	-	+£1.6m	+£1.7m	+£1.8m

In addition to these general assumptions there are a number of areas of specific increases to our costs, including:-

- Police Officer Uplift** – As outlined above we are working towards a targeted increase of 457 extra officers by March 2023 compared to baseline as at April 2019. While some of the cost of these extra officers has already been included within our base budgets, budgeting for the full year effect of those as well as the delivery of further officers towards this target will cost **£19.8m in officer costs by 25/26**, which has been included within these forward plans. In addition we have also built in growth to both training budgets (£0.3m) and equipment budgets (£0.3m) reflecting the increased costs in both these areas as a consequence of the extra officers;
- Police Staff** – There has been approved growth in staff numbers to both sustain the increase officer numbers, as well as to target specific investment into our IT Directorate (in recognition of the need to bolster resilience here, and ensure capacity for future national and local transformation initiatives), and into our information security capacity (in response to increase compliance demand). In total our growth in police staff costs will be **£1.4m by 25/26**;
- Injury Pensions** – Forecasting for both inflation and annual increases in the number of retired officers in receipt of an injury pension has been included in the forecast, with this increasing our costs by **£0.6m by 25/26**;
- Specific inflation** – Our forecasts include specific inflationary factors for utilities, business rates and fuel costs over the next five years. This is forecast to add a further **£1.4m by 25/26**;
- Mobile Policing** – During 2020 we have reviewed and reset our forward strategy for the key policing application that will be used by frontline officers and staff through their mobile smart phones. This is forecast to add **£0.6m in annual costs with effect from 21/22**;
- National Police Air Service (NPAS)** – The funding model for NPAS is set to change with effect from April 2021 as a consequence of a national review. The impact of this locally is that we expect our costs to increase with immediate effect, reflecting the true cost of delivering air support services in the Southwest. The cost forecast at present is **£0.4m extra p.a. from 21/22**;

⁴ Officer pensions will be subject to actuarial valuation confirming employer contribution rates with effect from April 2023. At this stage we are assuming no change here. If there were to be a change in the rate we would expect affordability considerations to be part of discussions with the Home Office service wide.

⁵ Staff pensions will also be subject to actuarial valuation that will confirm the employer contribution rates with effect from April 2023. At this stage we're assuming a further increase to 18%.

- **Degree Holder Entry Programme (DHEP)** – Following the introduction of the Police Constable Degree Apprenticeship (PCDA) programme in 2019, the Constabulary has been developing alternative entry route for degree holders in partnership with the University of the West of England. This offers the potential to direct some of the officer uplift more swiftly into specialist roles, such as investigative roles. Unlike PCDA, DHEP does not attract apprenticeship levy funding from government. The annual cost, which is forecast to be **£0.6m by 22/23 reducing to £0.3m by 25/26**, therefore has to be met locally;
- **Regional Collaborations** - We have budgeted for inflationary increases to our share of regional collaborations, including the South West Organised Crime Unit (SWROCU), South West Forensics, Tri-Force firearms training and Tri-Force Major Crime Investigations Team. As the majority of costs within these budgets is pay, the key assumption driving these costs increases is the annual pay award assumed at 2.5% p.a. in common with regional counterparts. The cost of this is forecast to be **£2.3m by 25/26**;
- **Interest Receivable** – As a consequence of the wider global financial position following COVID restrictions around the world, we have been advised by Somerset County Council who provide treasury services to us, to expect a significant reduction in the interest rate we earn on cash balances. The consequence of their advice will see our **income here reduce by £0.4m every year for the next five years**;
- **Capital Financing** – In line with the current plans for borrowing (see section on capital below) we are forecasting an **increase of £0.4m in capital financing costs by 25/26**, driven by increases to interest payable and our minimum revenue provision;
- **OPCC Budgets** – The PCC has approved growth in budget to reflect the approved pay award and the increased demands on the OPCC Office and commissioning activity.

Our work to build our forward revenue budgets remains under review at this stage, and therefore will be subject to further changes over the coming weeks as we refine our planning assumptions.

5. BALANCING THE REVENUE BUDGET

Our plans include savings which have been reflected in the above numbers.

Revenue Savings	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Officer and staff standard unit cost	-2,760	-4,685	-5,610	-4,610	-2,610
Staff vacancy factor	-1,212	-1,053	-1,053	-786	-520
Officer and Staff allowances	-624	-508	-581	-693	-698
Other employee costs	-156	-156	-156	-156	-156
Premises costs	-446	-446	-446	-446	-446
Transport costs	-215	-215	-215	-215	-215
Supplies and services costs	-805	-805	-805	-805	-805

Revenue Savings	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Partnership costs	-79	-79	-79	-79	-79
Income	-351	-246	-246	-140	-140
Central costs	-611	-611	-611	-611	-611
TOTAL Savings	-7,261	-8,805	-9,803	-8,542	-6,281

Despite these savings we recognise at this stage in our planning that further savings will be required to balance our revenue budget over the medium term.

In the absence of any certainty, we are planning to achieve a further £14m in savings by 23/24 financial year. We are planning this in conjunction with our work to determine the best allocation and use of the extra police officers, and we expect these plans to become more firmly established in time to brief a new PCC following the elections next year.

Achieving further savings following a decade of austerity will not be easy. Achieving savings at a time when we are under the sustained operational and organisational pressure presented by COVID, alongside the delivery of growth in officer numbers and the resultant expectation on the part of government and our communities will require careful planning and consideration.

6. CAPITAL PLANS

Our assets are essential to the provision of an effective policing service. In order to sustain this service, and meet the objectives and ambitions set out in the Police and Crime Plan, it is important that we set out how we intend to maintain and develop our assets, identifying investments we plan to make. These are required to both support the refresh of our existing assets and infrastructure, as well as to invest in new transformative initiatives that will help us to realise improvements in our operational efficiency and effectiveness.

The COVID-19 pandemic has had implications in the delivery of our capital plan during 20/21. In our estates plans we have seen a slowing down of delivery in some of our schemes because of wider restrictions within the construction sector. Our fleet plans have been impacted by the lead times for vehicle manufacture and delivery, a situation we hope to have recovered by the end of the financial year. Our IT plans have been the least impacted, and in some cases it has been necessary to change and accelerate our plans as part of our COVID-19 response.

At time of writing our capital plans remain under review. The emerging picture suggests continued investments in support of both local and national change programmes. A number of assumptions have been needed to be made to inform this plan, which is reflected in the fact that at present we are showing as having a deficit in capital funding of £10.1m over the next 5 year plan. Refining the assumptions that drive cost here (where possible), as well as our funding considerations will be part of our work over the coming weeks and months.

	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Asset replacement	8,879	7,986	8,215	5,876	6,860
Digital Projects	4,639	8,156	9,434	2,987	300
Estates Projects	6,031	2,422	2,886	5,250	750
TOTAL Capital Plan	19,549	18,565	20,536	14,113	7,910
Capital Grants	-416	-308	-527	-269	-269
Direct revenue funding	-6,500	-6,500	-6,500	-6,500	-6,500
Capital reserve funding	-7,533	-1,323	-	-	-
Capital receipts	-100	-9,634	-4,146	-100	-100
Borrowing	-5,000	-800	-1,500	-5,250	-750
TOTAL Capital Funding	-19,549	-18,565	-12,673	-12,119	-7,619
Deficit	-	-	7,863	1,994	291

Asset replacement – the breakdown of our asset replacement plan is as follows:-

	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
ICT	4,396	4,598	4,798	2,489	2,591
Estates	1,542	489	497	311	1,281
Fleet	2,683	2,681	2,703	2,859	2,770
Equipment	258	218	218	218	218
TOTAL Replacement	8,879	7,986	8,215	5,876	6,860

- **ICT replacement** – our plans predict we will need to spend £18.9m on the replacement of ICT infrastructure. This includes the replacement of laptops (£5.6m) and monitors (£1.0m); the replacement of personal issue mobile smartphones (£1.8m); the replacement of body worn video cameras (£1.5m); and the replacement and upgrade of storage, servers and networks (£7.6m).
- **Estates replacement** – our plans predict we will need to spend £4.1m on the replacement and repair of our estate. This is informed through building condition surveying as well as the delivery of our wider plans, and includes the replacement of heating, ventilation, air conditioning, mechanical and electrical systems (£2.4m); and the repairs and maintenance of the fabric of our buildings (£1.2m);
- **Fleet replacement** – our plans predict we will need to spend £13.7m on the replacement of our fleet over the next 5 years. This includes the replacement of response and patrol fleet (£2.6m); the replacement of road policing and specialist response fleet (£5.0m); and the replacement of neighbourhood fleet (£3.0m).

Digital Projects – our digital projects largely fall into three categories as follows:-

	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
National Projects	2,801	5,566	4,134	2,089	-
Regional Projects	100	390	100	100	100
Local Projects	1,738	2,200	5,200	798	200
TOTAL Digital Projects	4,639	8,156	9,434	2,987	300

- National Projects – our plans predict that we will need to spend £14.6m enabling the implementation of national programmes locally within Avon and Somerset. This relates to two national projects:-
 - Emergency Services Mobile Communication Programme (ESMCP) will see all emergency services replace the existing airwave radio system with a new digital solution using 5G technology. It is currently forecast to cost us £12.6m over the next four years. This national project continues to prove difficult to predict with accuracy. National airwave contracts require emergency services to have transitioned to the new solution by end of 2024, but the final business case for the national programme remains under review and is yet to receive ministerial approval. Our costs are based on some modelling done locally to interpret the national business case, but will need to be subject to further refinement as and when the national position becomes clearer;
 - National Enabling Programme (NEP), which will see all police forces and agencies introduce the latest cloud based productivity tools, increasing effectiveness and improving service delivery by enhancing communications and facilitating interaction with other forces, partner organisations and the public. Improved identity access management into policing systems and networks and national infrastructure and asset information security monitoring services will also be delivered. The cost of implementing this within Avon and Somerset will be £2.0m over the next two years.
- Regional Projects – the provision of £0.8m within our capital plan for regional projects reflects the ongoing work around two systems:-
 - Crime, Case, Custody and Intelligence records management system (Niche) – we continue to work with four of our regional neighbours in the shared development of our separate instances of the same Niche system. Over the course of the next 5 years £0.5m has been identified to support this at this stage;
 - Forensic Management System (Socrates) – our plans include £0.3m in 22/23 to upgrade or replace our regional forensic management system in conjunction with regional partners.
- Local Projects – our plans predict that we will spend £10.1m on the implementation of local projects over the next five years. This includes:-
 - Corporate Systems – we are currently developing our plans for the improvement of our corporate HR, finance and operational capabilities,

enabling continued improvements in many of our key corporate processes. We have yet to set out clear plans here as the development work remains ongoing, but at this stage our capital plans include £8.0m in support of this over the next four years;

- Mobile platform – during 2020 we have reviewed and reset our forward strategy for the key policing application that will be used by frontline officers and staff through their mobile smart phones. Our capital plan includes £0.6m in 21/22 to support the necessary work to take this forward;

Estates Projects – our estates projects largely fall into three categories as follows:-

	21/22 £'000	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000
Somerset Projects	4,988	992	580	-	-
Bristol Projects	358	1,430	807	-	-
BANES Projects	686	-	1,500	5,250	750
TOTAL Estates Projects	6,031	2,422	2,886	5,250	750

- **Somerset Projects** – our capital plan includes £6.6m over the next three years to progress estates projects in Somerset. This supports:-
 - Yeovil police station - £5.4m over the next three years is included within the plan to complete the demolish and rebuild of our Yeovil police station on our existing police station site;
 - Frome police station - £0.5m is included within our plan for 23/24 to develop our police station in Frome;
 - Minehead - £0.5m is included within our plan for 22/23 to develop a new plan for our future police station in west Somerset;
 - Wells and Williton police stations – our plans for the new police stations in both these locations are expected to be substantially progressed by the end of the current financial year, however our forward plan identifies £0.1m in 21/22 to complete these projects in the spring of 2021.
- **Bristol Projects** – our capital plan includes £2.6m over the next three years to progress two estates projects in Bristol. This supports:-
 - Trinity Road police station (Old Market) – the work to progress the redevelopment of our current Trinity Road police station site has continued throughout 2020. We have now sold the site (subject to planning permission) to a social housing developer, with the intention of securing a neighbourhood base on the ground floor of the redeveloped site. £1.6m over the next three years has been included in the plan to support this;
 - Broadbury Road police station (Knowle West) – our plans include £1.0m over the next two years for the redevelopment of our existing police station site.
- **Bath and North East Somerset Projects** – our capital plan includes £8.2m over the next five years in support of both an enhanced neighbourhood and enquiry office presence

in the city centre (£0.7m), as well as the longer-term development of a new response base (£7.5m).

7. NEXT STEPS AND TIMETABLE

We expect to further develop and finalise our plans and our precept proposal in time to present a final recommended proposal for consideration by the Police and Crime Panel at their meeting in early February. We are reliant on the following in order to achieve this timetable:-

- Confirmation of approved 2021/21 tax base across our 8 local authorities – expected in December;
- Confirmation of the government’s main police grant funding for 2021/22 – expected in December but may slip into January;
- Confirmation of the future targets and funding for officer growth to be delivered in Avon and Somerset – expected at the same time the grant funding is announced;
- Confirmation of the referendum capping principles for the policing precept – expected at the same time the grant funding is announced;
- Confirmation of our share of any surplus or deficit on the collection fund across our 8 local authorities – expected mid-January.

In addition to the above external confirmations we will continue internally to progress our development of the MTFP and budget and associated savings plans, refining these where appropriate.

This paper was finalised prior to the chancellor’s Spending Review announcement on 25th November. The implications of this are therefore not included, but will be reviewed at the Police & Crime Board on 2nd December.

Members of the Police and Crime Panel are asked to discuss this report.

Appendix A - Scenario 1 Grant Funding with inflation		<i>Current Yr 2020/21 £'000</i>	MTFP Period				
			2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000
Constabulary Budgets							
Police officer costs	152,926	161,751	171,322	175,886	181,498	188,846	
Police community support officer costs	12,251	12,362	12,778	13,203	13,562	13,929	
Polices staff costs	88,984	92,485	95,003	99,216	102,392	105,734	
Other current and former employee costs	9,840	10,311	10,649	10,654	10,658	10,663	
Premises costs	13,966	13,806	14,113	14,429	14,785	15,151	
Transport costs	5,150	5,024	5,102	5,180	5,289	5,400	
Supplies and services costs	34,339	36,821	37,637	38,078	38,532	39,173	
Partnership costs	13,912	14,552	14,962	15,350	15,747	16,155	
<i>Plus</i>							
Contribution to/(from) reserve	678	138	138	138	138	138	
Capital financing costs	17,277	17,317	17,375	17,595	17,604	17,603	
Outstanding savings target	214	-	-	-	-	-	
<i>Less</i>							
Income (inc PFI Grants)	- 26,124	- 25,990	- 25,364	- 26,181	- 26,297	- 26,522	
Constabulary costs before specific grants	323,411	338,577	353,715	363,547	373,907	386,269	
<i>Less</i>							
Pensions grant	- 2,828	- 2,828	- 2,828	- 2,828	- 2,828	- 2,828	
Uplift grant	- 3,843	- 10,836	- 17,340	- 19,434	- 19,823	- 20,219	
TOTAL constabulary costs	316,741	324,913	333,547	341,286	351,256	363,222	
OPCC Budgets							
Office of the PCC costs	3,488	3,529	3,529	3,529	3,529	3,529	
PCC commissioning costs	1,552	1,755	1,858	1,911	1,966	2,021	
<i>Less</i>							
Victims commissioning grant	- 2,001	- 2,001	- 2,001	- 2,001	- 2,001	- 2,001	
TOTAL OPCC costs	3,039	3,284	3,387	3,440	3,494	3,550	
Net Revenue Expenditure	319,780	328,197	336,934	344,725	354,751	366,772	
<i>Funded by:</i>							
Home Office police grant	- 174,768	- 178,262	- 181,828	- 185,464	- 189,173	- 192,957	
Legacy council tax grant	- 14,709	- 14,709	- 14,709	- 14,709	- 14,709	- 14,709	
Council Tax - Precept	- 130,068	- 131,914	- 135,212	- 139,281	- 144,184	- 149,259	
Council Tax - (Surplus)/Deficit	- 235	1,630	1,720	1,720	-	-	
TOTAL Revenue Funding	- 319,780	- 323,255	- 330,028	- 337,734	- 348,066	- 356,925	
Deficit at this stage of our plan development	-	4,942	6,906	6,991	6,684	9,848	

Appendix B - Scenario 2 Grant funding without inflation		<i>Current Yr</i> 2020/21 £'000	MTFP Period						
			2021/22 £'000	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26 £'000		
Constabulary Budgets									
Police officer costs	152,926	161,751	171,322	175,886	181,498	188,846			
Police community support officer costs	12,251	12,362	12,778	13,203	13,562	13,929			
Polices staff costs	88,984	92,485	95,003	99,216	102,392	105,734			
Other current and former employee costs	9,840	10,311	10,649	10,654	10,658	10,663			
Premises costs	13,966	13,806	14,113	14,429	14,785	15,151			
Transport costs	5,150	5,024	5,102	5,180	5,289	5,400			
Supplies and services costs	34,339	36,821	37,637	38,078	38,532	39,173			
Partnership costs	13,912	14,552	14,962	15,350	15,747	16,155			
<i>Plus</i>									
Contribution to/(from) reserve	678	138	138	138	138	138			
Capital financing costs	17,277	17,317	17,375	17,595	17,604	17,603			
Outstanding savings target	214	-	-	-	-	-			
<i>Less</i>									
Income (inc PFI Grant)	- 26,124	- 25,990	- 25,364	- 26,181	- 26,297	- 26,522			
Constabulary costs before specific grants	323,411	338,577	353,715	363,547	373,907	386,269			
<i>Less</i>									
Pensions grant	- 2,828	- 2,828	- 2,828	- 2,828	- 2,828	- 2,828			
Uplift grant	- 3,843	- 10,623	- 16,666	- 18,313	- 18,313	- 18,313			
TOTAL constabulary costs	316,741	325,126	334,221	342,406	352,766	365,128			
OPCC Budgets									
Office of the PCC costs	3,488	3,529	3,529	3,529	3,529	3,529			
PCC commissioning costs	1,552	1,755	1,858	1,911	1,966	2,021			
<i>Less</i>									
Victims commissioning grant	- 2,001	- 2,001	- 2,001	- 2,001	- 2,001	- 2,001			
TOTAL OPCC costs	3,039	3,284	3,387	3,440	3,494	3,550			
Net Revenue Expenditure	319,780	328,409	337,607	345,846	356,260	368,679			
<i>Funded by:</i>									
Home Office police grant	- 174,768	- 174,768	- 174,768	- 174,768	- 174,768	- 174,768			
Legacy council tax grant	- 14,709	- 14,709	- 14,709	- 14,709	- 14,709	- 14,709			
Council Tax - Precept	- 130,068	- 131,754	- 135,048	- 139,113	- 144,009	- 149,078			
Council Tax - (Surplus)/Deficit	- 235	1,630	1,720	1,720	-	-			
TOTAL Revenue Funding	- 319,780	- 319,601	- 322,804	- 326,869	- 333,486	- 338,555			
Deficit at this stage of our plan development	-	8,809	14,803	18,977	22,774	30,124			

Appendix C – Capital Plan

Appendix C Capital Plan	Current Yr	MTFP Period					5 Yr Plan
	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000

CAPITAL PLAN EXPENDITURE							
Information and Communication Technology	6,425	4,396	4,598	4,798	2,489	2,591	18,872
Estates	1,652	1,542	489	497	311	1,281	4,120
Fleet	3,082	2,683	2,681	2,703	2,859	2,770	13,695
Equipment	411	258	218	218	218	218	1,130
TOTAL Maintenance and Replacement	11,570	8,879	7,986	8,215	5,876	6,860	37,817
National Projects	744	2,801	5,566	4,134	2,089	-	14,591
Regional Projects	-	100	390	100	100	100	790
Local Projects	1,069	1,738	2,200	5,200	798	200	10,135
Digital Projects	1,812	4,639	8,156	9,434	2,987	300	25,516
Somerset Projects	1,437	4,988	992	580	-	-	6,559
Bristol Projects	1,104	358	1,430	807	-	-	2,595
BANES Projects	79	686	-	1,500	5,250	750	8,186
Estates Projects	2,620	6,031	2,422	2,886	5,250	750	17,339
TOTAL Capital Plan	16,002	19,549	18,565	20,536	14,113	7,910	80,673

CAPITAL PLAN FUNDING							
General Capital Grant Funding	- 269	- 269	- 269	- 269	- 269	- 269	- 1,346
Specific Capital Grant Funding	-	- 147	- 38	- 257	-	-	- 442
Direct Revenue Funding	- 7,168	- 6,500	- 6,500	- 6,500	- 6,500	- 6,500	- 32,500
Capital Reserves	- 6,585	- 7,533	- 1,323	-	-	-	- 8,856
Capital Receipts	- 171	- 100	- 9,634	- 4,146	- 100	- 100	- 14,080
Borrowing	- 1,808	- 5,000	- 800	- 1,500	- 5,250	- 750	- 13,300
TOTAL Grant Funding	- 16,002	- 19,549	- 18,565	- 12,673	- 12,119	- 7,619	- 70,525

Deficit	-	-	-	7,863	1,994	291	10,147
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Capital Reserve						
B/Fwd	- 15,441	- 8,856	- 1,323	-	-	-
Additions	-	-	-	-	-	-
Use of	6,585	7,533	1,323	-	-	-
C/Fwd	- 8,856	- 1,323	-	-	-	-

Capital Receipts Reserve						
B/Fwd	- 3,982	- 8,606	- 12,980	- 4,046	-	-
Additions	- 4,624	- 4,374	- 600	-	-	-
Use of	-	-	9,534	4,046	-	-
C/Fwd	- 8,606	- 12,980	- 4,046	-	-	-