

# AVON AND SOMERSET POLICE AND CRIME PANEL

8<sup>th</sup> DECEMBER 2022

## REPORT OF THE POLICE AND CRIME COMMISSIONER

### 2023/24 FINANCIAL PLANNING - BUDGET PROCESS UPDATE

#### 1. EXECUTIVE SUMMARY

This report provides an update on the ongoing process that will lead to the setting of the 2023/24 revenue budget, council tax precept and capital programme in February 2023. 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.

This report is prepared on the best information currently available to us. Given the timing of this report it has been necessary to make a number of assumptions and projections about future events. It will be necessary to continue to review these in light of a number of areas, most notably: -

- The detail of the police funding settlement, in context of the tightened fiscal situation highlighted in the budget announcements on 17<sup>th</sup> November. The funding settlement is expected later in December.
- The final projections and forecasts of our local collection authorities for both council tax base and any share of deficit or surplus resulting from collection fund performance.

Our key planning assumption at this stage in relation to the policing precept is that this will increase by an average of £10 p.a. in each of the next 2 years (in line with the maximum permitted of PCC's) and thereafter will increase by 2.0% p.a.

	<i>Current</i>	<b>MTFP Period</b>				
	<i>22/23</i>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
	<i>£p</i>	<b>£p</b>	<b>£p</b>	<b>£p</b>	<b>£p</b>	<b>£p</b>
Av. Band D Precept	<i>£251.20p</i>	£261.20p	£271.20p	£276.62p	£282.16p	£287.80p
<i>Annual increase</i>	<i>+\$10.00p</i>	+\$10.00p	+\$10.00p	+\$5.42p	+\$5.54p	+\$5.64p
<i>Annual increase (%)</i>	<i>+4.1%</i>	+4.0%	+3.8%	+2.0%	+2.0%	+2.0%

The final decision on proposed precept will be made on consideration of the panel's feedback, on conclusion of our public consultation and in the context of the increased certainty post funding settlement.

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

Revenue Plan	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Budget requirement	377,153	392,637	404,461	414,576	424,207
Less; Identified Savings	-2,537	-3,017	-4,258	-4,264	-4,242
Less; General funding	-369,817	-379,424	-386,481	-393,715	-401,131
<b>Deficit (before use of reserves)</b>	<b>4,799</b>	<b>10,196</b>	<b>13,722</b>	<b>16,597</b>	<b>18,834</b>
Planned use of reserves	-	-	-	-	-
<b>Deficit (after use of reserves)</b>	<b>4,799</b>	<b>10,196</b>	<b>13,722</b>	<b>16,597</b>	<b>18,834</b>

There is a forecasted deficit of £4.8m in the revenue plan from 2023/24, which rises to £18.8m by 2027/28. Currently inflation is at a record high which is creating significant budgetary pressure in the medium term. The deficit is compounded by pressures to support future pay inflation; increases to pension costs; investment and inflation in IT services; specific non-pay inflation, and with acute challenges around inflationary increases in utilities and fuel costs.

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

Capital Plan	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Capital Plan Expenditure	24,923	28,986	22,020	11,694	10,901
Less, Capital Plan Funding	-24,923	-28,986	-15,285	-7,021	-6,840
<b>Deficit</b>	-	-	<b>6,735</b>	<b>4,672</b>	<b>4,061</b>

There remains a deficit in our capital plans, reflecting cuts to capital grant funding, ERP project costs, IT programmes and Estates projects. We will continue to refine our forecasts for both capital expenditure and funding further by the time our final MTFP is presented and approved.

## 2. BACKGROUND

The approval 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 Government's Beating Crime Plan and the PCC's priorities will be progressed.

The Government's [Beating Crime Plan](#) establishes [national priorities for policing](#), which are:-

- Reduce murder and other homicide;
- Reduce serious violence;
- Disrupt drugs supply and county lines;
- Reduce neighbourhood crime;
- Tackle cyber-crime; and
- Improve victim satisfaction, with particular focus on victims of domestic abuse.

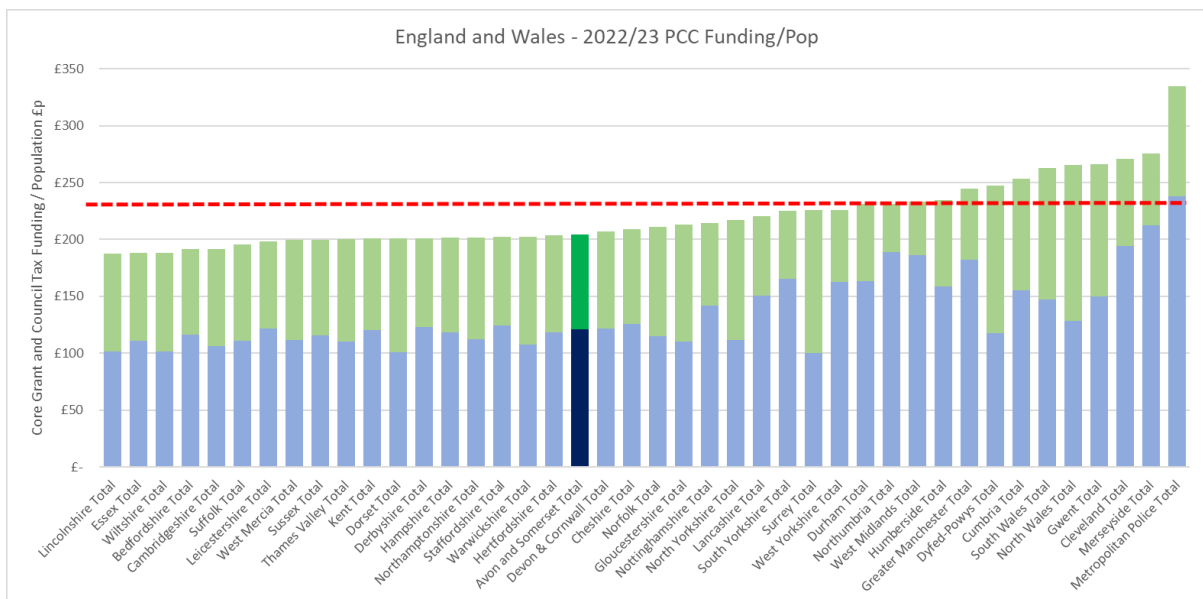
The PCC has published his draft [Police and Crime Plan](#) which includes these four overarching priorities:-

- Preventing and fighting crime;
- Engaging, supporting and working with communities, victims and partner organisations;
- Leading the police to be efficient and effective;
- Increasing the legitimacy of, and public confidence in, the police and criminal justice system.

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 our priorities and ensure financial sustainability and resilience can be achieved. The MTFP needs to be responsive to changing national and local conditions and risks and is therefore a living document subject to annual review, with the next period covering 2023/24 – 2027/28.

In February 2022 the PCC approved the 22/23 revenue budget and capital plan, confirming an average band D precept of £251.20, an increase of £10.00/4.1% on the previous year. The increase in local precept in 22/23 allowed us to continue with our recruitment plans to realise the planned growth in officer numbers.

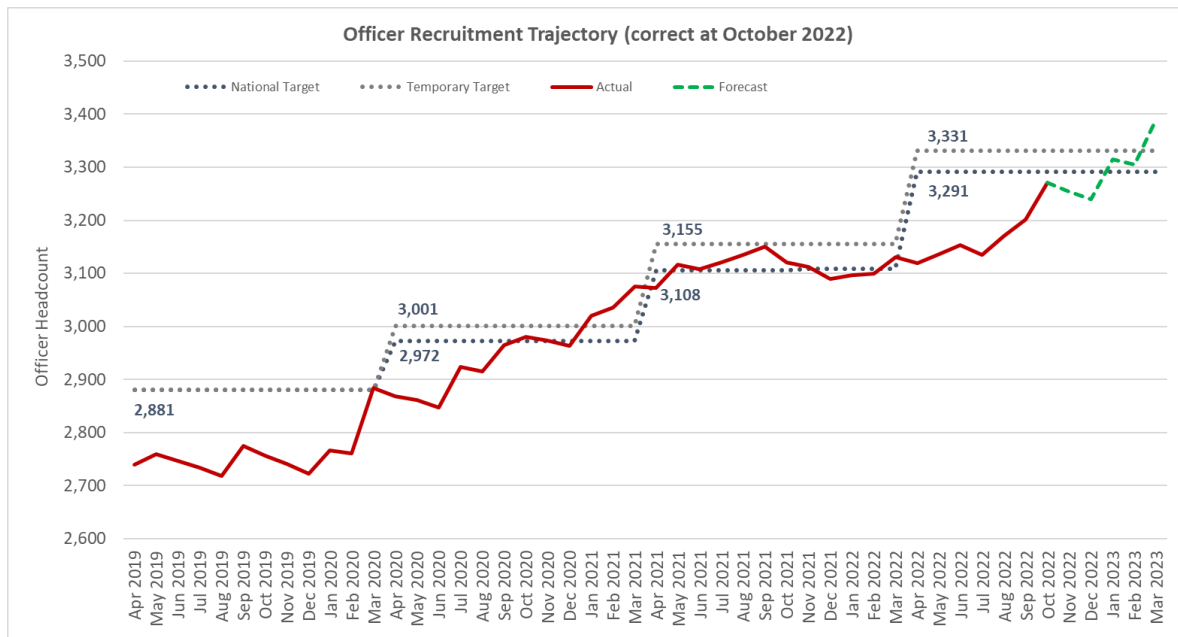
When combined with main government grant funding, the total revenue funding received by the PCC in 22/23 equates to £204.21 per head of population, £30.42 below the national average (£13.11 below if London removed) for PCC’s across England and Wales.



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.

Avon and Somerset’s share of this target is an additional 456 officers, which when added to our baseline, results in an uplift target headcount of 3,291 officers to be reached by the end of the current financial year.

As at October 2022, with five months left to go, the Constabulary is on track to not only achieve this target, but to exceed this with the agreement of the national uplift programme, as is shown in the graph below.



In the Autumn of 2021, the Government set out its expected three year Spending Review (SR). The police service in England and Wales worked closely with the Home Office in its submission as part of this SR. In doing so the case was successfully made for the funding needed to assure the delivery of the uplift in officers as well as to help manage ongoing inflationary pressures arising from future pay awards, pension increases and other factors as forecast at that time.

The indicative headline settlement for policing, and the detail of what this meant in Avon and Somerset, combined with our local efficiency and savings plans, meant that we were able to present an MTFP which was substantially balanced for the first three years up to 2024/25.

Since these announcements and the publication of our MTFP, the economic outlook has significantly worsened. Our costs, like those of other organisations and households across the country, have been impacted by inflationary pressures. These pressures are impacting both non-pay costs (i.e. heating and lighting our buildings, fuelling our police cars) and on pay costs where our officers and staff are understandably expectant of pay awards which acknowledge the financial pressures they and their families are experiencing.

The outlook for funding for police services remains uncertain. It is clear from the announcements made by the Chancellor on 17<sup>th</sup> November, that there will be a need for further cuts to public services to help in closing the hole in the public finances over the next few years. At this stage we cannot say with accuracy what this might mean in Avon and Somerset, and therefore our forecasts reflect our best estimate of the likely position.

#### 4. REVENUE FUNDING

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

- Core 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 surplus or deficits on collection fund.

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

- Uplift grant funding – this reflects the funding provided to deliver and sustain the officer uplift. We have assumed this grant remains ring-fenced and is frozen in cash terms for the duration of the MTFP.
- 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%. We have assumed this remains ring-fenced and is frozen in cash terms for the duration of the MTFP.
- 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. We have assumed this grant remains ring-fenced and is frozen in cash terms for the duration of the MTFP.

The value of 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 are yet to be formally confirmed.

**Council tax funding** – The previous MTFP, approved in February 2022, assumed future growth in council tax revenue. We have received draft estimates of tax base values and collection fund performance and we expect to receive firmer confirmation of both of these amounts in time to finalise our budget proposal for presentation to panel in February 2023.

The current average band D council tax bill is £251.20p towards local policing costs in 2022/23. This remains the median council tax of all forces in England and Wales, as well within the southwest: -

	22/23 Precept £p	Difference £p	Difference %	Value £m
Gloucestershire PCC	£280.08p	+£28.88p	+11.5%	+£16.7m
Dorset PCC	£265.58p	+£14.38p	+5.7%	+£8.3m
Avon and Somerset PCC	£251.20p			
Devon and Cornwall PCC	£246.56p	-£4.64p	-1.8%	-£2.7m
Wiltshire PCC	£241.27p	-£9.93p	-4.0%	-£5.7m

Our working assumption at present is that the precept will be increased by £10.00 for each of the next 2 years and thereafter at 2.0% over the remaining period covered by the MTFP. This level has been assumed at this stage in our planning: -

	<i>Current</i>	<b>MTFP Period</b>				
	<i>22/23</i>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
	<i>£p</i>	<b>£p</b>	<b>£p</b>	<b>£p</b>	<b>£p</b>	<b>£p</b>
Av. Band D Precept	<i>£251.20p</i>	£261.20p	£271.20p	£276.62p	£282.16p	£287.80p
<i>Annual increase</i>	<i>+</i> £10.00p	+£10.00p	+£10.00p	+£5.42p	+£5.54p	+£5.64p
<i>Annual increase (%)</i>	<i>+4.1%</i>	+4.0%	+3.8%	+2.0%	+2.0%	+2.0%

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 elicit the widest possible response. Once the results have been received, they will be shared as part of the 23/24 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 saw the aggregate tax base increase of 1.0% p.a. across our eight local collecting authorities. At time of writing this report we have received early estimates from each of our local authorities, **suggesting an increase of 1.64% in the tax base for 2023/24**. Thereafter we are forecasting +1.1% growth in 24/25 and 25/26, and +1.0% in 26/27 and 27/28. We will review our assumptions here in light of final confirmed tax base estimates once received.
- Collection Fund – This represents our share of any surplus or deficit on the collection fund as calculated by our eight collecting authorities. As a result of the economic effect of the Covid-19 pandemic and as a result the non-recovery of council tax, deficits were forecasted by the authorities. The MTFP approved in February assumed our aggregate share of collection fund deficits would be £0.1m in 2022/23, after adjusting for the recovery of any deficits over three years as granted by the government under new rules.

Early indications from our local authorities suggests that we will receive a **share of an aggregate surplus across local collection funds, estimated to be £1.2m in 2023/24**. In recognition of the continued uncertainty we have thereafter assumed a zero surplus/deficit for the remaining period of the MTFP. We will review our assumptions here in light of the final confirmed collection fund deficit or surplus once received in January.

**Core grant Funding** – The final values of our grant funding for 2023/24 will not be known until the announcement of the police settlement, which is not expected until mid-December. In the Chancellor’s 2021 SR announcements we were provided with high level funding allocations for policing over the three-year spending review. We already know that these have changed, as outlined in the table below:-

	2022/23 £m	2023/24 £m	2024/25 £m
SR 21 - Cumulative increase to Police Grant	+£550m	+£650m	+£800m
Less; Reversal of NI Social Care Levy		-£70m	-£70m
Add; New grant for 2022 Pay Award		+£140m	+£140m
Revised Cumulative increase to Police Grant	<b>+£550m</b>	<b>+£720m</b>	<b>+£870m</b>

Accompanying the high level funding announcement in the SR was the precept flexibility outlined above. Within the total funding envelope provided by both core grant funding and precept flexibility, the government expects that:-

- PCC's and CC's will deliver and sustain officer uplift;
- PCC's and CC's would absorb the costs of national insurance resulting from the social care levy – which has now been reversed in both cost and funding (see above table);
- The service will implement a reasonable pay award for officers and staff (following consideration and recommendation by the respective pay bodies) – which has been agreed at £1,900 increase to every spinal point for officers and for staff, thereby generating introduction of a new grant in recognition of the additional cost pressures this created; and
- The service will transition special branch policing under the oversight and funding of Counter Terrorism policing with effect from 1<sup>st</sup> April 2022 (with corresponding transfer of grant funding and costs).

We will not know for certain how this funding will be distributed until the police grant settlement is published in mid-December. However, we can make an assumption based on current distribution of total core grant funding. Therefore at this stage we have assumed the following movement in our core grant funding:-

	<i>Current</i>	MTFP Period				
	<i>22/23 £'000</i>	<i>23/24 £'000</i>	<i>24/25 £'000</i>	<i>25/26 £'000</i>	<i>26/27 £'000</i>	<i>27/28 £'000</i>
Core Grant	196,702	200,595	204,030	206,070	208,131	210,212
Legacy Council Tax	14,709	14,709	14,709	14,709	14,709	14,709
<b>Total Core Grant Funding</b>	<b>211,411</b>	<b>215,304</b>	<b>218,739</b>	<b>220,779</b>	<b>222,840</b>	<b>224,921</b>
<i>Annual Movement</i>		+3,893 +1.8%	+3,435 +1.6%	+2,040 +0.9%	+2,061 +0.9%	+2,081 +0.9%

## 5. 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 planned savings	Current	MTFP				
	22/23 £'000	23/24 £'000	22/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Constabulary	348,293	370,015	384,933	395,467	405,536	415,148
<i>Movement</i>		+21,722	+36,639	+47,174	+57,243	+66,855
OPCC	5,413	4,601	4,689	4,736	4,776	4,817
<i>Movement</i>		-812	-724	-677	-637	-596
<b>TOTAL Expenditure</b>	<b>353,706</b>	<b>374,617</b>	<b>389,620</b>	<b>400,203</b>	<b>410,312</b>	<b>419,965</b>
<i>Movement</i>		+20,910	+35,914	+46,497	+56,606	+66,259

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

	23/24	24/25	25/26	26/27	27/28
Officer Pay Award	+3.0%	+3.0%	+2.0%	+2.0%	+2.0%
<i>Impact (£m)</i>	+£3.1m	+£8.4m	+£12.8m	+£16.5m	+£20.3m
Staff Pay Award	+3.0%	+3.0%	+2.0%	+2.0%	+2.0%
<i>Impact (£m)</i>	+£2.2m	+£6.3m	+£9.4m	+£12.1m	+£14.8m
General Inflation	+4.0%	+2.0%	+2.0%	+2.0%	+2.0%
<i>Impact (£m)</i>	+£1.5m	+2.3m	+£3.1m	+£3.9m	+£4.8m
Electricity Inflation	+50.6%	+18.0%	+2.5%	+2.5%	+2.5%
<i>Impact (£m)</i>	+£1.3m	+£2.0m	+£2.1m	+£2.2m	+£2.3m
Gas Inflation	+62.5%	+27.0%	+2.5%	+2.5%	+2.5%
<i>Impact (£m)</i>	+£0.3m	+£0.5m	+£0.6m	+£0.6m	+£0.6m
Fuel Inflation	+19.2%	+2.5%	+2.5%	+2.5%	+2.5%
<i>Impact (£m)</i>	+£0.4m	+£0.5m	+£0.5m	+£0.6m	+£0.7m
Officer Pension	31.0%	31.0% <sup>1</sup>	31.0% <sup>1</sup>	31.0% <sup>1</sup>	31.0% <sup>1</sup>
<i>Impact (£m)</i>	Nil	+3.5m	+£3.5m	+£3.5m	+£3.5m
Staff Pension	18.6% <sup>2</sup>	18.6% <sup>2</sup>	18.6% <sup>2</sup>	18.6% <sup>2</sup>	18.6% <sup>2</sup>
<i>Impact (£m)</i>	+2.1m	+2.1m	+2.1m	+2.1m	+2.1m

<sup>1</sup> Officer pensions will be subject to actuarial valuation confirming employer contribution rates with effect from April 2024. There is a strong likelihood that the employer contribution rate will increase again, potentially significantly. At the last valuation the rate increased by 7%. The impact of which was c. £6m p.a. which was partially offset by pensions grant funding. At this stage in our plans, we have assumed a £3.5m increase in costs reflecting a partial impact in expectation that further grant funding would be provided to limit the impact of a further increase here.

<sup>2</sup> Staff pensions will also be subject to actuarial valuation that will confirm the employer contribution rates with effect from April 2023. It has been confirmed that this will increase from 16.3% to 18.6% as of April 2023.



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

- **Police Officer Uplift** – As outlined above we are working towards a targeted increase of 456 extra officers by March 2023 compared to baseline as of April 2019. While some of the cost of these extra officers has already been included within our previous base budgets, budgeting for the full year effect for the remaining extra officers will cost **£5.4m in officer costs by 27/28.**

In addition to the above, the MTFP sets aside short-term temporary budgets for Targeted Variable Payments (TVP) and an uplift of £2k to PCDA spinal point 0. Both are in recognition of challenges around attraction, detective accreditation and retention of police officers. The budget sets aside **£1.1m of temporary growth for TVP by 25/26** and thereafter no further requirement in the MTFP as detective accreditation targets are achieved. For PCDA spinal point 0 uplift the budget allocates **£2.1m of temporary growth** across the MTFP. It is assumed that these temporary pressures will be funded using reserves in the short-term.

- **Police Staff** – As a result of approved business case growth, we are planning to make further investment into key capabilities, including Corporate Communications, Workforce Planning and the Legal Directorate. In addition, because of focussed retention issues, we have approved growth to provide targeted market supplement payments to ensure that we offer competitive market benefits. These additional targeted payments are specifically within the IT Directorate and the Criminal Intel Analyst roles across the force. In total our growth in police staff costs will be **£2.7m by 27/28;**
- **National Insurance** – The government’s announcement to reverse the national insurance increase in support of the social care levy impacts both employee and employer contributions. The reversal will reduce the contribution rates by 1.25% and is effective from the 6<sup>th</sup> of November 2022. Across the MTFP this will reduce costs by **£2.0m by 27/28;**
- **Injury Pensions** – Our forecast includes significant increase to our budget due to CPI inflation rates which is currently tracking above +10%. Further work is required to refine the modelling around demographics and mortality rates on injury pensions. In total our commitment on injury pensions increases to **£2.0m by 27/28;**
- **General Inflation** – UK inflation has hit a 41-year high of 11.1% in November 2022, as significant energy and food prices intensified the cost-of-living crisis. Our assumption around general inflation is based on an estimated quarterly average for 2023/24 from the Office for Budget Responsibility (OBR). Therefore, our modelling assumes +4.0% increase on general inflation and subsequent years at +2.0% to match the Bank of England inflationary targets. In total we have added a further **£4.6m by 27/28;**
- **Specific Inflation** – There are some acute pressures as the UK energy sector goes through a turbulent period due to increasing wholesale costs and the impact of the Ukraine War. We have based our assumptions on the latest Crown Commercial Services forecasts at October 2022. For 23/24 we are assuming an increase of +51% in relation to electricity and +63% in relation to gas. In addition, we continue to see high fuel prices – our assumptions for 23/24 is an increase of +19%. We are also seeing

higher inflationary increases in cleaning costs in line with the National Living Wage, which sees our costs increase by +9%. There are further inflationary increases in repairs and maintenance costs in Estates & Facilities, rising to +8%. In total we have added a further **£5.3m by 27/28**;

- **IT costs** – Our IT costs continue to grow, reflecting contractual inflationary increases, growth in the number of licences to support officer uplift and a move towards Enterprise 5 Microsoft licencing model. Further investments in new capabilities and the costs of gradually adopting more and more cloud services (Transformation Project) in line with both national and local digital strategies. As of 22/23 we have started our transition to a new ERP system. Although we are expecting upfront investment into the ERP, once implemented we are forecasting to achieve non pay savings in 25/26 onwards. This is forecast to add a further **£2.2m in costs by 27/28**;
- **Degree Holder Entry Programme (DHEP)** – Since 2019 we have increased our budget to support the delivery of DHEP courses allowing us to accelerate our recruitment plans in line with national uplift. As of 24/25 we will have achieved training the majority of DHEP cohorts, and thereafter we are planning to enrol students on one course per annum in line with normal levels of recruitment. We have forecasted that the costs of DHEP will **reduce to £0.2m per annum as of 25/26**. In year 1 of the MTFP, we still anticipate high DHEP costs that will be a temporary pressure and funded from reserves. Thereafter we are looking at releasing a permanent saving from the DHEP budget of **£0.6m by 27/28**;
- **Regional Collaborations** - We have budgeted for inflationary increases to our share of regional collaborations, including the Southwest Regional Organised Crime Unit (SWROCU), Southwest Forensics, Counter Terrorism Support Unit (CTSFO), Tri-Force Firearms Training, Tri-Force Major Crime Investigations Team, and Southwest Police Procurement Services (SWPPS). The key assumption driving these cost increases is the annual pay award assumed at +3.0% and non-pay inflation assumed at +4.0% for 23/24. The cost of this is forecast to be **£3.6m by 27/28**;
- **Capital Financing** – In line with the current plans for borrowing (see section on capital below) we are forecasting an increase of **£1.7m in capital financing costs by 27/28**, driven by increases to interest payable and our provision for the repayment of new loans. We are also forecasting an increase in our interest receivable by 3.0% which is in line with the current Bank of England’s interest rates. This is forecast to increase by **£0.8m by 27/28**;
- **OPCC Budgets** – The PCC has approved growth in the OPCC budget to reflect the approved pay award and the increased demands on the OPCC Office and commissioning activity. In the MTFP we are changing the way we account for the MOJ grant which supports victims commissioning services. The entirety of the MOJ grant will now be budgeted in the OPCC commissioning budget and a contribution towards Lighthouse will be recorded in the Constabulary budget.

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.

## 6. BALANCING THE REVENUE BUDGET

As we have developed our plans, we have sought to continue to identify savings where possible. Much of this has been achieved through the ongoing challenge and scrutiny of budget holders in their own budgets. However, it has also been possible to release savings after our successful review of business rates on PFI sites and closure of co-located sites.

We have achieved savings within our supplies and services budgets, this includes procurement savings on Custody Healthcare contracts, reduction in costs in our Intel telephony service, procurement savings on printing and continued savings in our IT Infrastructure. Within pay we have assumed reductions on police officer allowances. Through these savings we have sought as much as possible to protect staff headcount at this stage. We have made assumptions around ERP savings both on Pay & Non-Pay costs, however once we have taken account of these savings there is still further work required to balance the budget.

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

<b>Revenue Savings</b>	<b>23/24 £'000</b>	<b>24/25 £'000</b>	<b>25/26 £'000</b>	<b>26/27 £'000</b>	<b>27/28 £'000</b>
Police Officer Pay and Allowances	-93	-114	-124	-129	-135
Police Staff Pay and Allowances	-	-	-757	-757	-757
Non-Pay Costs	-2,443	-2,903	-3,377	-3,378	-3,350
Income	-	-	-	-	-
<b>TOTAL Savings</b>	<b>-2,536</b>	<b>-3,017</b>	<b>-4,258</b>	<b>-4,264</b>	<b>-4,242</b>

In addition to 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. We have already started to formulate these plans, but it is unrealistic to expect that this work will deliver a fully balanced budget for 2023/24 without some use of reserves.

## 7. 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.

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 £15.5m 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.

	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Asset replacement	11,828	11,151	5,795	7,074	6,233
Digital Projects	10,382	6,027	4,118	4,231	4,258
Estates Projects	1,510	11,440	11,759	67	270
Funded Projects	1,203	368	347	321	140
<b>TOTAL Capital Plan</b>	<b>24,923</b>	<b>28,986</b>	<b>22,020</b>	<b>11,694</b>	<b>10,901</b>
Capital Grants	-	-	-426	-	-
Partner Contributions	-1,203	-368	-347	-321	-140
Direct revenue funding	-6,500	-6,500	-6,500	-6,500	-6,500
Capital reserve funding	-15,744	-570	-	-	-
Capital receipts	-200	-11,006	-4,190	-200	-200
Borrowing	-1,276	-10,542	-3,822	-	-
<b>TOTAL Capital Funding</b>	<b>-24,923</b>	<b>-28,986</b>	<b>-15,285</b>	<b>-7,021</b>	<b>-6,840</b>
<b>Deficit</b>	<b>-</b>	<b>-</b>	<b>6,735</b>	<b>4,672</b>	<b>4,061</b>

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

	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>	<b>27/28</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
ICT	2,073	5,572	1,098	3,137	3,253
Estates	1,890	1,077	455	455	25
Fleet	4,970	4,222	3,962	3,202	2,675
Equipment	2,895	280	280	280	280
<b>TOTAL Replacement</b>	<b>11,828</b>	<b>11,151</b>	<b>5,795</b>	<b>7,074</b>	<b>6,233</b>

- **ICT replacement** – our plans predict we will need to spend £15.1m on the replacement of ICT infrastructure. This includes the replacement of laptops (£6.4m); the replacement of personal issue mobile smartphones (£3.2m); the replacement of body worn video cameras (£2.3m); and the replacement of monitors (£1.1m);
- **Estates replacement** – our plans predict we will need to spend £3.9m 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 (£1.6m); and the repairs and maintenance of items within HQ buildings (£1.7m);
- **Fleet replacement** – our plans predict we will need to spend £19.0m on the replacement of our fleet over the next 5 years. This includes the replacement of

response and tactical support fleet (£6.6m); the replacement of Investigations and Ops support fleet (£4.9m); and the replacement of neighbourhood fleet (£3.5m).

- Equipment replacement – our plans predict a £4.0m spend on the replacement of current number of Tasers in 23/24, there is also £1.0m over the next 5 years to replace our Automatic Number Plate Recognition (ANPR) hardware.

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

	<b>23/24</b> <b>£'000</b>	<b>24/25</b> <b>£'000</b>	<b>25/26</b> <b>£'000</b>	<b>26/27</b> <b>£'000</b>	<b>27/28</b> <b>£'000</b>
Infrastructure Projects	829	395	777	-	-
Revenue Projects	3,098	3,095	1,231	1,231	1,258
National Projects	-	-	1,110	-	-
Local Projects	6,455	2,537	1,000	3,000	3,000
<b>TOTAL Digital Projects</b>	<b>10,382</b>	<b>6,027</b>	<b>4,118</b>	<b>4,231</b>	<b>4,258</b>

- Infrastructure Projects – our plans predict that we will need to spend £2.0m enabling the implementation of improvements to our infrastructure through servers and cloud-based options.
- Revenue Projects – our plan predicts we will spend £9.9m on digital projects that has a non capitalised element, this is mainly the cloud part of the ERP project and Transformation professional services
- National Projects – Our plan predicts that we will spend £1.1m on the Emergency Services Network project, however due to national delays this has been pushed to 2025/2026
- Local Projects – our plans predict that we will spend £16.0m on the implementation of local projects over the next five years. This includes:-
  - ERP Replacement – we are currently developing our plans for the improvement of our corporate system capabilities, enabling continued improvements in many of our key corporate processes. Our capital plans include £5.7m in support of this over the next five years;
  - Data Platform – we are progressing a digital strategy over the next three years which will see predicted spend of £3.0m

**Estates Projects** – our estates projects largely fall into the following categories: -

	<b>23/24</b> <b>£'000</b>	<b>24/25</b> <b>£'000</b>	<b>25/26</b> <b>£'000</b>	<b>26/27</b> <b>£'000</b>	<b>27/28</b> <b>£'000</b>
Somerset Projects	342	4,781	6,308	-	-
Bristol Projects	1,001	4,540	4,365	-	-
BANES Projects	-	1,734	577	-	-
Other Projects	167	385	509	67	270

<b>TOTAL Estates Projects</b>	<b>1,510</b>	<b>11,440</b>	<b>11,759</b>	<b>67</b>	<b>270</b>
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- Somerset Projects – our capital plan includes £11.4m over the next three years to progress estates projects in Somerset. This supports: -
  - South Somerset - £10.0m over the next three years is included within the plan to review properties requiring development within South Somerset; this includes the station at Yeovil, Chard, Crewkerne and Somerton.
  - Burnham police station - £1.4m is included within our plan for 25/26 to develop our police station in Burnham.
- Bristol Projects – our capital plan includes £9.9m over the next three years to progress 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. 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. £1.7m over the next three years has been included in the plan to support this.
  - Broadbury Road police station (Knowle West) – our plans include £4.7m over the next two years for the redevelopment of our existing police station site.
  - Almondsbury police station – our plans include £2.0m in 25/26 for the refurbishment of the station
- Bath and North East Somerset Projects – our capital plan includes £2.3m over the next three years in support of collaborative opportunities to provide for a new response base.
- Other Projects – Our plan includes £1.4m over the five years for projects such as Electric car charging and taser storage

## 8. 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 2023/24 tax base across our local authorities – expected in December/early January.
- Confirmation of the government’s main police grant funding for 2023/24 – expected in mid-December.
- Confirmation of our share of any surplus or deficit on the collection fund across our 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 and efficiency plans, refining these where appropriate.

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



## APPENDIX 1 - 2023/24 - 2027/28 Medium Term Financial Plan - Revenue

	Current Yr 2022/23 £'000	MTFP Period				
		2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
<b>Constabulary Budgets</b>						
Police officer costs	177,223	186,863	193,225	197,610	201,597	206,285
Police community support officer costs	12,956	14,054	14,551	14,943	15,271	15,579
Police staff costs	97,715	108,199	111,600	113,695	116,077	118,275
Other current and former employee costs	9,649	9,212	9,543	9,877	10,203	10,538
Premises costs	15,140	17,074	18,179	18,840	19,111	19,744
Transport costs	5,415	5,604	5,717	5,825	5,952	6,073
Supplies and services costs	36,070	38,287	39,104	39,375	40,171	40,979
Partnership costs	17,542	19,165	19,857	20,342	20,837	21,341
<i>Plus</i>						
Contribution to/(from) reserve	179	- 2,337	- 1,821	- 2,051	- 765	- 592
Capital financing costs	16,448	14,397	15,617	16,972	17,849	17,734
Outstanding savings target	399	-	-	-	-	-
<i>Less</i>						
Income (inc Specific Grants)	- 32,526	- 33,680	- 33,818	- 33,138	- 33,945	- 33,986
<b>Constabulary costs before specific grants</b>	<b>356,210</b>	<b>376,837</b>	<b>391,754</b>	<b>402,289</b>	<b>412,358</b>	<b>421,970</b>
<i>Less</i>						
Home Office - Pensions grant	- 2,828	- 2,828	- 2,828	- 2,828	- 2,828	- 2,828
Home Office - Uplift grant	- 3,088	- 3,088	- 3,088	- 3,088	- 3,088	- 3,088
Ministry of Justice - Victims commissioning grant	- 2,001	- 906	- 906	- 906	- 906	- 906
<b>TOTAL constabulary costs</b>	<b>348,293</b>	<b>370,015</b>	<b>384,933</b>	<b>395,467</b>	<b>405,536</b>	<b>415,148</b>
<b>OPCC Budgets</b>						
PCC commissioning costs	3,507	2,393	2,393	2,393	2,393	2,393
Office of the PCC costs	1,906	2,208	2,296	2,343	2,383	2,424
<b>TOTAL OPCC costs</b>	<b>5,413</b>	<b>4,601</b>	<b>4,689</b>	<b>4,736</b>	<b>4,776</b>	<b>4,817</b>
<b>Net Revenue Expenditure</b>	<b>353,706</b>	<b>374,617</b>	<b>389,620</b>	<b>400,203</b>	<b>410,312</b>	<b>419,965</b>
<i>Funded by:</i>						
Home Office - Core police grant	- 196,701	- 200,595	- 204,030	- 206,070	- 208,131	- 210,212
Home Office - Legacy council tax grant	- 14,709	- 14,709	- 14,709	- 14,709	- 14,709	- 14,709
MHCLG - Council tax support grant	-	-	-	-	-	-
MHCLG - Council tax income guarantee grant	- 208	- 208	-	-	-	-
Council Tax - Precept	- 144,839	- 153,077	- 160,686	- 165,703	- 170,876	- 176,210
Council Tax - (Surplus)/Deficit	93	- 1,229	-	-	-	-
<b>TOTAL Revenue Funding</b>	<b>- 356,364</b>	<b>- 369,817</b>	<b>- 379,424</b>	<b>- 386,481</b>	<b>- 393,715</b>	<b>- 401,131</b>
<b>Surplus (-) / Deficit (+) before use of reserves</b>	<b>- 2,658</b>	<b>4,799</b>	<b>10,196</b>	<b>13,722</b>	<b>16,597</b>	<b>18,834</b>
Planned Contribution (from)/to reserves	657	-	-	-	-	-
<b>Surplus (-) / Deficit (+) after use of reserves</b>	<b>- 2,001</b>	<b>4,799</b>	<b>10,196</b>	<b>13,722</b>	<b>16,597</b>	<b>18,834</b>



Appendix B Capital Plan	Current Yr	MTFP Period					5 Yr Plan
	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	TOTAL
	£'000	£'000	£'000	£'000	£'000	£'000	£'000

CAPITAL PLAN EXPENDITURE							
Information and Communication Technology	4,594	2,073	5,572	1,098	3,137	3,253	19,727
Estates	515	1,890	1,077	455	455	25	4,419
Fleet	4,500	4,970	4,222	3,962	3,202	2,675	23,532
Equipment	285	2,895	280	280	280	280	4,300
<b>TOTAL Maintenance and Replacement</b>	<b>9,894</b>	<b>11,828</b>	<b>11,151</b>	<b>5,795</b>	<b>7,074</b>	<b>6,233</b>	<b>51,977</b>
Transformation Project	150	829	395	777	-	-	2,151
Revenue Projects	378	3,098	3,095	1,231	1,231	1,258	10,290
National Projects	115	-	-	1,110	-	-	1,225
Local Projects	3,424	6,455	2,537	1,000	3,000	3,000	19,417
<b>Digital Projects</b>	<b>4,067</b>	<b>10,382</b>	<b>6,027</b>	<b>4,118</b>	<b>4,231</b>	<b>4,258</b>	<b>33,083</b>
Somerset Projects	34	342	4,781	6,308	-	-	11,466
Bristol Projects	255	1,001	4,540	4,365	-	-	10,161
BANES Projects	-	-	1,734	577	-	-	2,311
Other Projects	244	167	385	509	67	270	1,642
<b>Estates Projects</b>	<b>533</b>	<b>1,510</b>	<b>11,440</b>	<b>11,759</b>	<b>67</b>	<b>270</b>	<b>25,580</b>
<b>Funded projects</b>	<b>687</b>	<b>1,203</b>	<b>368</b>	<b>347</b>	<b>321</b>	<b>140</b>	<b>3,066</b>
<b>TOTAL Capital Plan</b>	<b>15,182</b>	<b>24,923</b>	<b>28,986</b>	<b>22,020</b>	<b>11,694</b>	<b>10,901</b>	<b>113,706</b>

CAPITAL PLAN FUNDING							
Partner contributions	- 686	- 1,203	- 368	- 347	- 321	- 140	- 3,065
General Capital Grant Funding	-	-	-	-	-	-	-
Specific Capital Grant Funding	- 472	-	-	426	-	-	- 898
Direct Revenue Funding	- 7,000	- 6,500	- 6,500	- 6,500	- 6,500	- 6,500	- 39,500
Capital Reserves	- 6,647	- 15,744	- 570	-	-	-	- 22,961
Capital Receipts	- 200	- 200	- 11,006	- 4,190	- 200	- 200	- 15,996
Borrowing	- 62	- 1,276	- 10,542	- 3,822	-	-	- 15,702
<b>TOTAL Grant Funding</b>	<b>- 15,067</b>	<b>- 24,923</b>	<b>- 28,986</b>	<b>- 15,285</b>	<b>- 7,021</b>	<b>- 6,840</b>	<b>- 98,122</b>

<b>Deficit</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>6,736</b>	<b>4,672</b>	<b>4,061</b>	<b>15,469</b>
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Capital Reserve						
B/Fwd	- 6,375	- 8,746	- 13,796	- 3,190	- 0	- 0
Additions	- 2,371	- 5,050	- 200	- 800	-	-
Use of	-	-	10,806	3,990	-	-
C/Fwd	- 8,746	- 13,796	- 3,190	- 0	- 0	- 0

Capital Receipts Reserve						
B/Fwd	- 22,961	- 16,314	- 570	- 217	- 217	- 217
Additions	-	-	-	-	-	-
Use of	6,647	15,744	353	-	-	-
C/Fwd	- 16,314	- 570	- 217	- 217	- 217	- 217