



# **Avon & Somerset Police & Crime Commissioner**

# **Medium Term Financial Plan**

**2023/24 – 2027/28**

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## Executive Summary

The Medium-Term Financial Plan (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 priorities and ensure financial sustainability and resilience. The MTFP needs to be responsive to changing national and local conditions and is therefore a living document subject to annual review, with this plan covering 2023/24 – 2027/28.

This MTFP reflects the tightened financial constraints within which everyone is now managing. The plan builds on the announcements made by the Chancellor of the Exchequer in November 2022, reflecting the growth in grant funding and the assumption that the policing precept will increase by £15 p.a. for an average band D property in 2023/24. The plan then builds on these assumptions in subsequent years, forecasting that funding will **increase by £45.2m/12.7% by the 2027/28** financial year.

These forecasts are made within the context that policing in Avon and Somerset continues to be **under-funded compared to our need** and to comparable forces around the country. Our funding per head of population is below national average, and below the funding levels seen in those force areas with one of the other core cities in England and Wales. The Government is intending to consult on the formula for the distribution of police funding in 2023. We remain hopeful that this review will address some of this imbalance, but this plan makes no specific assumptions about what this might mean for our grant funding levels.

This plan also recognises growth in our costs. This includes the full cost from 2023/24 onwards of having delivered our share of the growth in police officer numbers, as we rebuild and maintain our officer strength and resilience. As of April 2023/24, we will have achieved the agreed national uplift target of 456 officers, increasing our **target officer headcount to 3,291**. Through the settlement announcement £6.3m of grant funding has been ringfenced for uplift and will only be payable to us in arrears upon maintaining officer numbers. Delivering and maintaining this growth in police officer headcount has been and will remain a focus for the Constabulary.

This plan also recognises growth in costs resulting from inflationary pressures, including significant increases in the costs of running our police buildings and in running our fleet of police vehicles, as well as the cost increases resulting from pay awards and pensions. This plan forecasts that our costs will increase by **£70.8m/20.0% by the 2027/28** financial year, reducing to **£66.6m/18.8%** after we have accounted for £4.2m of newly identified savings captured to date.

	Current	MTFP Forecast				
	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Budget requirement	353,706	376,083	392,392	404,128	414,962	424,501
Less; Total funding	-356,364	-369,696	-379,343	-386,498	-393,833	-401,352
<b>(Surplus)/Deficit before savings</b>	<b>-2,658</b>	<b>6,387</b>	<b>13,049</b>	<b>17,630</b>	<b>21,129</b>	<b>23,149</b>
Less; New savings		-2,952	-3,084	-4,211	-4,217	-4,195
Contribution (from)/to reserves	2,658	-3,435	-	-	-	-
<b>(Surplus)/Deficit after savings</b>	<b>-</b>	<b>-</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>

At this stage our plan shows that our 2023/24 revenue budget position is balanced after using £3.4m of

reserve funding. We know that the use of reserves to balance a revenue budget in any one year is not the basis for a sustainable plan. This is not something we would normally want to present; however, it reflects both the pace and scale of the increases to our costs combined with the need to prioritise our short-term focus on realising the officer Fuplift plans. Therefore, while at this stage we have not fully identified the savings needed to balance our 23/24 budget, we will bring forward these plans as soon as possible to minimise the reliance on reserves in balancing next year's budget. **Our intention is to have identified all the savings needed to balance the 2024/25 budget and beyond without further need for reserves.**

The identification of new savings will require us to review all aspects of our work. The Constabulary has delivered more than £90m in savings since 2010/11 and has done so against a backdrop of already being underfunded compared to need.

Further productivity and efficiency savings will remain a focus, particularly where they unlock a cashable saving. However, given the scale of what this plan forecasts will be required, **we know we will have to reduce headcount.** With protection on police officer numbers this will require us to review our police staff numbers as part of the considerations for how we will achieve the savings that deliver a sustainable balanced budget for the medium-term.

Our intention will be to minimise the impact the delivery of these savings will have on successfully achieving both the Government's national '**Beating Crime Plan**' and the PCC's '**Police and Crime Plan**' for Avon and Somerset. To achieve this, we will need to review our demand, particularly our non-crime demand, and to reset expectations as to where policing is best placed to respond and where a response is best provided elsewhere. Through this work we will ensure that our focus remains on that demand and those services which the public rightly expect of their police service.

This MTFP reflects a **proposed increase in council tax of £15/6.0% in 2023/24** for average Band D properties. The proposal to increase the precept by £15 is reflective of:

- The need to sustainably **maintain the increase in police officers** for the medium term, recognising the incremental increase in costs of doing this as pay progression, pay inflation and pensions changes gradually move officer costs upwards.
- The need to provision for a reasonable **pay award to officers and staff** (proposed +3.0%/+£5.2m in 2023/24, +£9.4m full year effect).
- The need to manage current **inflationary pressures** around energy, fuel, and general inflation due to the cost-of-living crisis. Inflation has been at a 40-year record high, averaging at 10.0% in 2022. We are forecasting inflationary cost pressures of +£4.8m in our 2023/24 budget, rising to +£10.5m by 2027/28.

The key assumptions that follow from this forecast position are.

- Revenue **funding is forecast to grow by £45.0m/12.6%** p.a. by 2027/28, driven by:
  - Increases to **core police grant funding** of £0.7m/0.3% in 2023/24, rising to an increase of £10.1m/4.8% by 2027/28.
  - Increases in **council tax funding** of £12.6m/8.7% in 2023/24, rising to an increase of £34.9m/24.1% by 2027/28, which is achieved through both increases to the precept and tax base (1.74% in 2023/24) in line with forecasts being made across our local authorities.
- Revenue **budget requirement is forecast to increase by £66.6m/18.8%** p.a. by 2027/28, driven by factors such as:
  - Inflationary adjustments to **officer and staff pay**, incorporating the full year effect of the September 2022 pay awards, and provisioning for 3.0% p.a. in 2023/24 and 2024/25 then

annual forecasted increases of 2.0% p.a. thereafter. This is an increase in cost of £16.1m in 2023/24 rising to £46.0m p.a. by 2027/28.

- Increases to budgets in support of **delivering and sustaining the uplift in officer numbers** in line with the target headcount of 3,291 to be achieved by March 2023 – generating budget growth of £6.3m in 2023/24 and each year thereafter.
- Increases to **pensions costs** to provide for current and anticipated future deficits in staff and officer pension schemes, as well as inflationary increases for injury pensions – in total an increase in cost of £1.4m in 2023/24, increasing to £6.1m p.a. by 2027/28 is recognised within this plan.
- Decreases to **national insurance** costs because of the reversal of the social care levy announced in November 2022 – reducing costs by £2.3m in each year of the MTFP.
- Inflationary increases to **non-pay costs** reflective of **specific and acute pressures** adding **+£3.3m** in 2023/24 rising to **+£5.8m** by the end of the plan, including:
  - Increases to electricity costs estimated at +50.6% or +£1.3m in 2023/24, rising to +£2.3m p.a. by 2027/28.
  - Increases to gas costs estimated at +62.5% or £0.3m in 2023/24, rising to +£0.6m p.a. by 2027/28.
  - Increases to fuel costs estimated at 19.2% or £0.4m in 2023/24, rising to +£0.7m p.a. by 2027/28.
  - Increases to Business Rates estimated at 10.4% or £0.4m in 2023/24, rising to +£0.9m p.a. by 2027/28.
- Inflationary increases to **non-pay costs** reflective of **general inflationary pressures**. Inflation is currently tracking above 10.0% p.a., whereas the Bank of England's inflationary target is 2.0%. Recognising the wider challenges of affordability presented here, an average general inflationary factor of 4.0% in 2023/24 has been applied, decreasing to 2.0% p.a. thereafter – an increase in cost of £1.5m in 2023/24 rising to £4.6m by 2027/28.
- **Growth and commitments** in employee costs of £3.5m in 2023/24 rising to £3.7m by 2027/28 – reflecting growth in strategic capabilities such as communications and workforce planning, as well as incorporating pay reviews in hard to fill roles. Further growth and commitments of £2.5m in 2023/24, rising to £3.9m by 2027/28 in non-employee costs are also identified – reflecting some growth in premises costs in support of our estate plans, some growth in transport costs reflecting increased mileage across our fleet, and in IT costs as we increasingly consume more and more cloud services in our move away from on premise solutions. This also includes £0.8m of growth in our capital financing charges over the course of the MTFP.
- Increases in the costs of **partnerships**, recognising increases into these collaborations reflective of pay and inflation assumptions, as well as investment into SWROCU in line with their final year uplift allocation and investment in SW Forensics to support service improvements and increased costs of compliance – an increase of £2.7m in 2023/24, rising to £5.8m in 2027/28.
- Increase to the **ring-fenced grant funding** to support police officer uplift delivery funding of £3.2m/103.7% in 2023/24 and thereafter maintained at this level to sustain new officer numbers.

- Increases to **income** budgets of £3.2m in 2023/24 and returning to £3.2m by 2027/28 after some increases during the middle part of the plan. These include inflationary adjustments to our income budgets where appropriate, as well as an increase of £1.7m in our investment income in 23/24, reducing to £0.8m p.a. by 2027/28.
- Specific **contributions from reserves** are planned to be £1.4m in 2023/24, supporting one off or time bound cost pressures associated with our DC DHEP course fees (£0.5m), the use of targeted incentives for those in or aspiring to filling a detective role (£0.4m) and the short-term pressure created by our increase pay for PCDA entry level salary to help with attraction (£0.4m).
- Realisation of new **revenue savings** of £3.0m in 2023/24 rising to £4.2m by 2027/28, reflecting those savings already identified and in implementation.
- **Adjustments** to budgets are also included and these have the effect of reducing the budget by £4.9m in 2023/24 which partially reverses to a reduction of £2.9m by 2027/28. The adjustments reflect the lower average cost of police officers in the short-term, which are forecast to have reversed out by the end of this plan. They also include the adjustments to reflect the changing profile of our costs and income relating to policing at Hinkley Point, adjustments to our regional project budgets reflecting the delays in the national Emergency Services Communications Programme, adjustments to our revenue funding of capital expenditure and adjustments in the accounting for our PFI buildings in accordance with our PFI model.

Avon and Somerset's continued transformation also requires capital investment. Investments in **digital transformation**, as well as **across our estate and fleet**, require funding to implement. Capital funding is increasingly under pressure to provide for this ambition, at the same time as maintaining and replacing existing asset base. These plans therefore make forward provision for capital funding, continuing to fund direct revenue contributions to capital, as well as planning for the use of borrowing in support of specific estates projects. These plans present a residual capital funding shortfall of £6.5m at this stage of development, and more work will be undertaken to identify opportunities to close this gap.

Useable **reserve levels** stood at £60.2m at the end of March 2022 and are forecast to increase slightly to £60.9m by March 2023. By the end of March 2028, the forecast projects that useable reserves will stand at £25.7m, representing the recurring prudent level beyond which they are unlikely to drop much further.

## Introduction

This is the second MTFP set by this PCC since his election in May 2021. It has been developed in collaboration between the Office of the PCC and the Constabulary and is underpinned by the principles that it is progressive, modernising and financially sustainable – enabling the delivery of the PCC’s Police and Crime Plan.

The MTFP is being set in a context of growth for policing focussed on rebuilding the police officer strength which was lost during a decade of austerity. However, while funding might be growing to support this growth ambition, it is increasingly being managed against a backdrop of severe economic challenge creating cost of living challenges for households and acute inflationary pressures for public and private sector organisations and institutions.

This plan therefore includes hitherto unforeseen inflationary and cost pressures, which when added to planned growth to realise the Government and PCC’s ambitions, mean that our costs are forecast to outstrip growth in funding over the next five years – thereby creating a need for new savings plans to be identified and delivered.

As part of the Government’s plan to increase police officer numbers, Avon and Somerset are due to deliver 456 extra officers by March 2023, increasing our target officer headcount to 3,291. We are on track to not only achieve this, but with the agreement of the Home Office, to temporarily exceed this target thereby supporting national efforts to attain the 20,000 officer uplift.

This growth in officer numbers drives wider cost increases for the Force as officers are provided with the training, tools and infrastructure that enable them to perform their roles. Alongside this the Force continues to innovate, investing in new tools and capabilities that help further improve its efficiency and effectiveness.

In 2023/24, we will continue to see significant change. This plan commits Avon and Somerset to using the funds available through both government grant and council tax precept growth to:-

- **Maintain the +456 officer uplift achieved by March 2023** and sustaining these increases throughout the duration of the Spending Review. The government is keen to maximise the funding it has invested into the policing services. Therefore, the government have set 3 key priorities around maintaining the 20,000 additional officers by reducing crime & keeping the public safe and delivering operational efficiencies.
- **Fund a reasonable pay award for officers and staff.** In September 2022 a pay award uplift of £1,900 to each spinal point for police officers was approved. This award was ultimately replicated for police staff after a renegotiation that built on a previously settled position. Our model assumes +3.0% pay award for September 2023, and a further +3.0% for September 2024 in line with the emerging national position. Thereafter we have assumed annual pay awards at +2.0%. These increases to pay are not only important for the retention and morale of existing staff, but also to ensure policing remains attractive to new entrants as uplift targets are delivered and maintained.
- **Fund inflationary cost pressures**, including several specific and acute pressures driven by market conditions (e.g., utilities, business rates and fuel) and provision for general inflationary pressures in the economy which continue to track significantly above the Bank of England’s inflationary target of 2.0%.
- **Fund increases in the costs of partnerships**, accounting for growth brought about by pay awards and general inflation. In addition, there is further investment into SWROCU in line with their final year uplift allocation and further investment in SW Forensics infrastructure to support the sustainability of service delivery in the short term and medium term.

- **Fund a small number of other growth and commitments**, reflecting existing contractual commitments and investment in areas that support continued efficiency and effectiveness.
- **Deliver the existing savings plans and commence planning for further savings** across the medium term that will not only enable the balancing of the revenue budget, but also support further re-investment into priority areas.
- Fund the ongoing **replacement of existing assets** as they reach the end of their useful lives, as well as **support new investment** in both national and local IT projects, and in the police estate across Avon and Somerset.

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



# Revenue Funding

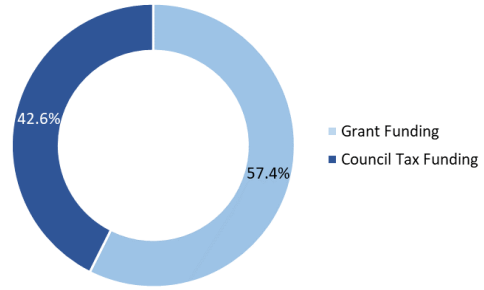
The PCC receives two main sources of funding: -

- Government grant funding; and
- Council tax funding.

Total funding is forecast to be **£369.7m<sup>1</sup> in 2023/24**, the equivalent of £211.80p per head of population. This forecast reflects an increase by £13.3m/3.7% on prior year.

Over the medium term total funding is forecast to **increase by £45.0m/12.6% by the 2027/28** financial year. This increase occurs in both grant and council tax funding.

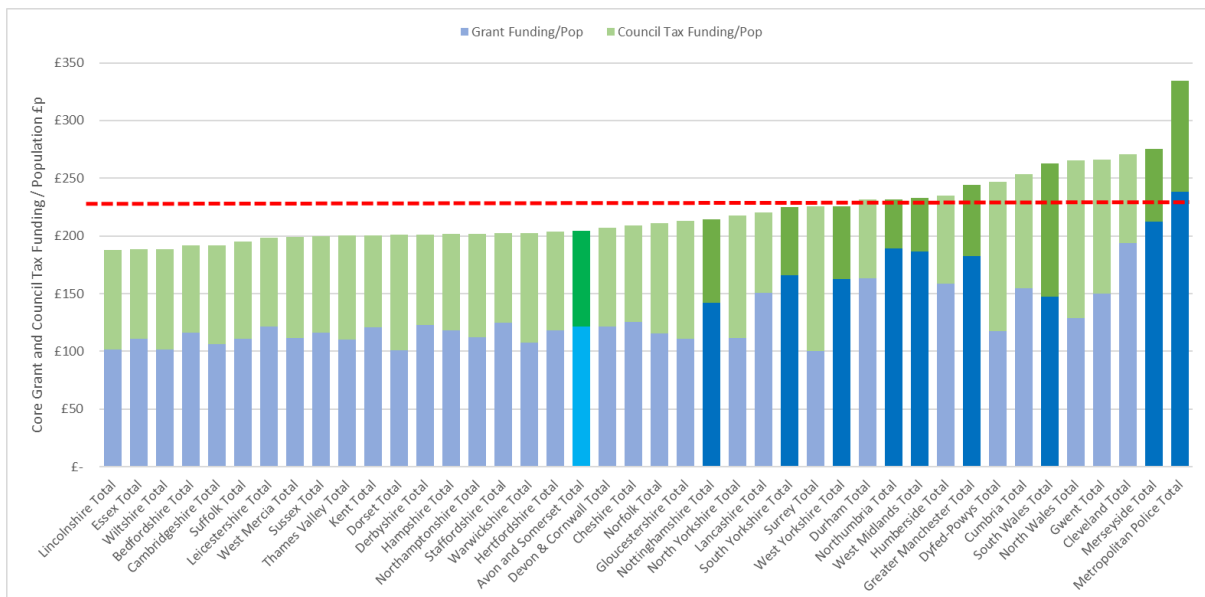
**Figure 1 – Ratio of Grant and Council Tax Funding**



	Current	Forecast				
	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Grant funding (for budget requirement) <sup>1</sup>	211,618	212,302	215,529	217,569	219,630	221,711
Council tax funding	144,746	157,394	163,814	168,929	174,203	179,641
<b>TOTAL funding</b>	<b>356,364</b>	<b>369,696</b>	<b>379,343</b>	<b>386,498</b>	<b>393,833</b>	<b>401,352</b>
<i>Increase in funding</i>		<i>+13,333</i>	<i>+22,979</i>	<i>+30,134</i>	<i>+37,469</i>	<i>+44,989</i>

When funding per head of population is compared across England and Wales, it remains the case that Avon and Somerset is under-funded against both the national average and those forces with a core city<sup>2</sup>.

**Figure 2: 2022/23 funding per head of population showing grant and council tax breakdown by PCC in England and Wales**

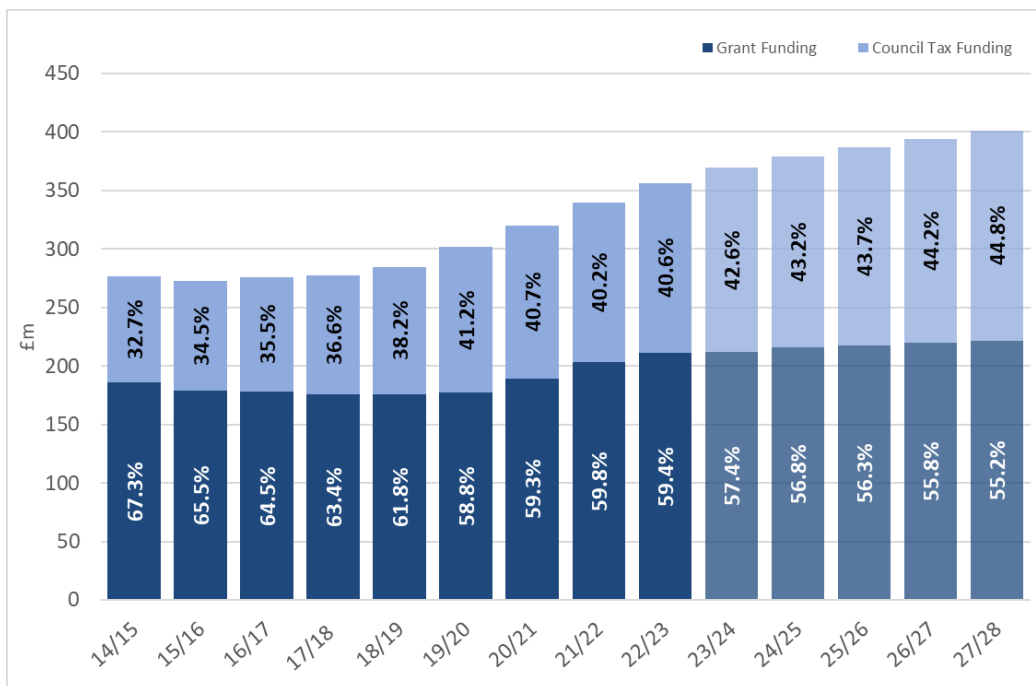


<sup>1</sup> This includes release from reserves of £0.2m in 22/23 and 23/24 as annual share of Covid-19 council tax income guarantee grant  
<sup>2</sup> 10 core cities in England and Wales are – London, Birmingham, Manchester, Leeds, Liverpool, Newcastle, Nottingham, Sheffield, Bristol, and Cardiff

As the above graph demonstrates our funding is both below the national average (£234.63p per head of population) and the average received by those PCCs with the 9 other core cities within their area (£274.22p in 2022/23). If we received funding at the national average, we would receive £53.1m more in funding p.a. If we received the average funding of those other PCCs with a core city, we would receive £122.1m more in funding p.a.

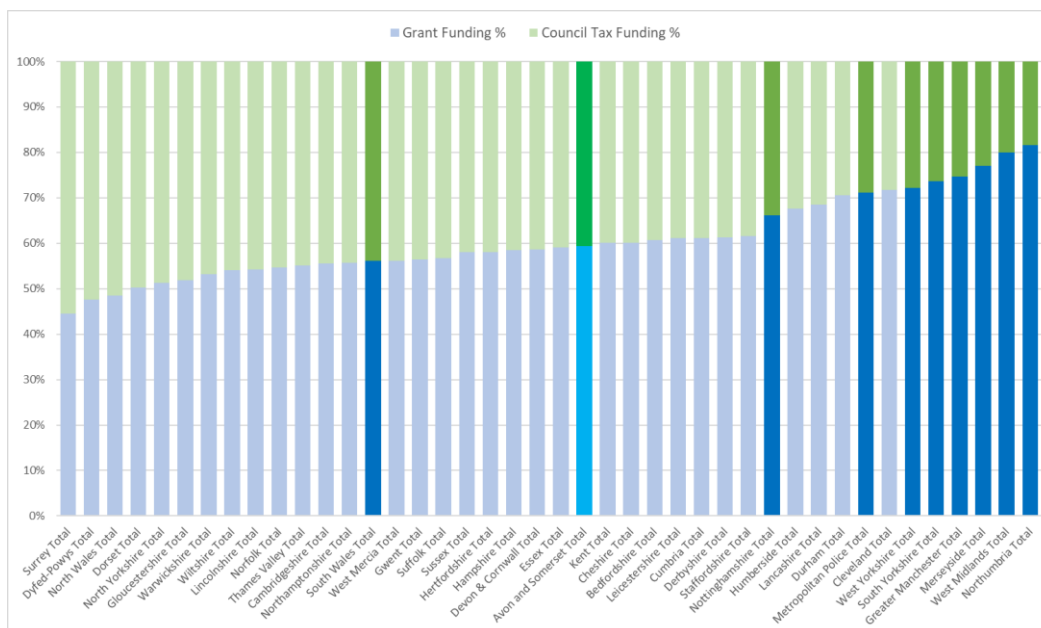
Over the course of this plan the ratio between grant funding and council tax funding is forecast to continue to change. Our forecasts suggest an incremental increase to that ratio of funding which is supported by council tax compared to that which is supported by grant. This reflects a continuation of the long-term trend of more and more of police funding being generated through council tax and not from grant funding.

**Figure 3: Avon and Somerset actual and forecast profile of total funding**



The ratio of grant funding to council tax funding differs significantly across the country. The reasons for these differences are historic, reflecting the underlying variation in the way in which grant funding is distributed to PCCs, and the local council tax decisions in the context of relative funding levels:-

**Figure 4: 2022/23 ratio of grant to council tax funding for PCCs in England and Wales**



As the above graph shows, the funding ratio position in Avon and Somerset reflects an average position when compared to forces nationally. However, highlighted in darker colours are those other forces who have one of the nine core cities, demonstrating that in most cases they receive significantly more of their funding through grant compared to council tax. The only exception to this is South Wales police, reflecting the different arrangements for council tax which have been in operation under the devolved administration.

## Grant Funding

The forecasts for future grant funding focus on these areas: -

- Core grant funding.
- Officer uplift grant funding.
- Legacy council tax grant funding.
- Council Tax support grant.
- Council Tax income guarantee grant.
- MoJ grant funding - Victims Services; DA/SV (Domestic Abuse & Sexual Violence); and ISVA/IDVA (Independent Sexual Violence Advisors and Independent Domestic Violence Advisors).
- Pensions Grant.

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.

	Current	Forecast				
	22/23 £'000	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Home Office – Pensions grant	2,828	2,828	2,828	2,828	2,828	2,828
Home Office – Uplift grant	3,088	6,290	6,290	6,290	6,290	6,290
MoJ – Victims Services	2,001	2,005	2,005	2,005	2,005	2,005
MoJ – DA/SV	-	491	491	491	491	491
MoJ – ISVA/IDVA	-	1,417	1,417	1,417	1,417	1,417
<b>Accounted for within Budget Requirement</b>	<b>7,917</b>	<b>13,031</b>	<b>13,031</b>	<b>13,031</b>	<b>13,031</b>	<b>13,031</b>
Home Office - Core Police grant	196,702	197,385	200,820	202,860	204,921	207,002
Home Office - Legacy council tax grant	14,709	14,709	14,709	14,709	14,709	14,709
<b>Accounted for in funding Budget Requirement</b>	<b>211,410</b>	<b>212,094</b>	<b>215,259</b>	<b>217,569</b>	<b>219,630</b>	<b>221,711</b>
Release of CTax guarantee grant from reserve	208	208	-	-	-	-
<b>TOTAL Grant Funding</b>	<b>219,536</b>	<b>225,333</b>	<b>228,560</b>	<b>230,600</b>	<b>232,661</b>	<b>234,742</b>

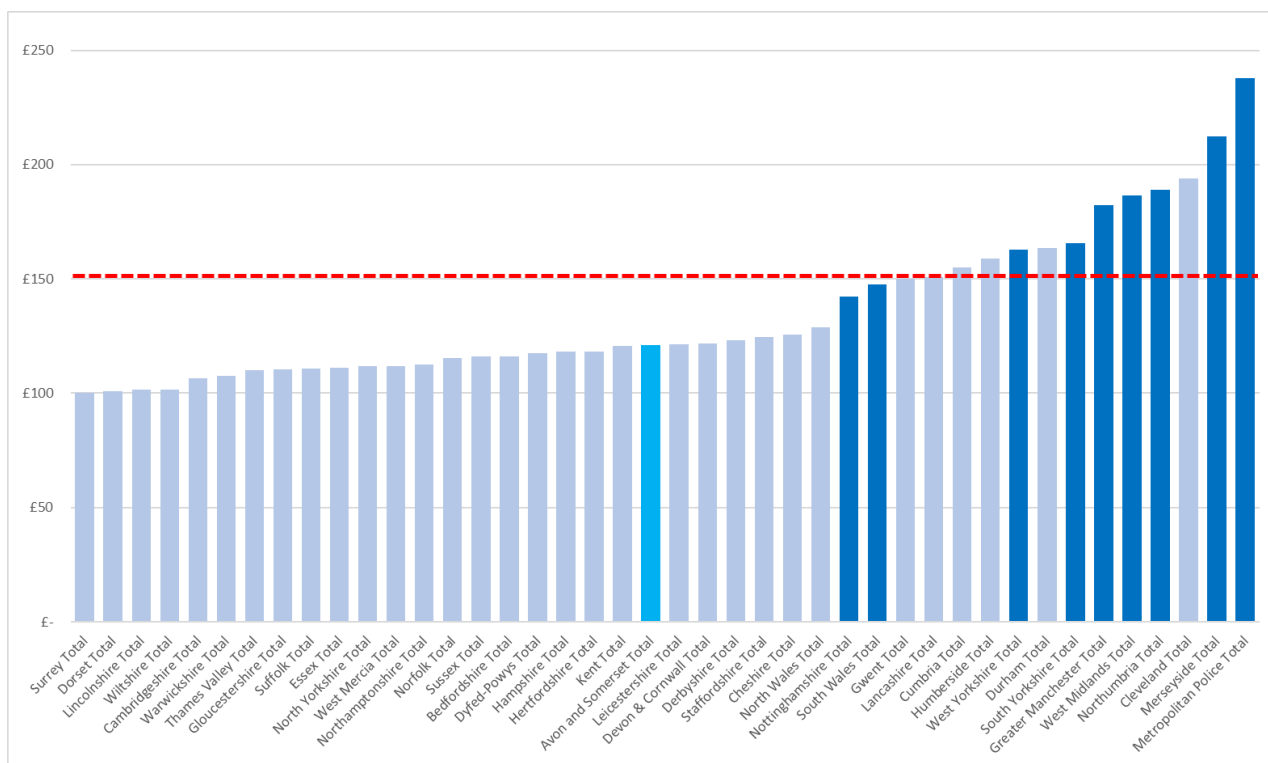
**Core police grant funding** – Core police grant funding is the term used to describe the combined value of the Home Office police main grant, and the formula grant element which was historically distributed by the Department for Communities and Local Government but is now controlled by the Home Office.

The distribution of this grant funding to individual PCCs is the result of a historic formula. Under the changes to this formula proposed many years ago, Avon and Somerset were identified as being under-funded by circa. £10m p.a. However, because of transitional arrangements (also known as “damping”) this revised

formula was never implemented. Since 2010/11 the distribution of this funding to PCCs has been done on the same ratios, in effect locking in the 2009/10 funding distribution. This remains in place for the 2022/23 settlement.

Avon and Somerset have therefore never seen the increases in grant funding which an application of the current funding formula would have realised. Consequently, Avon and Somerset continue to be relatively under-funded compared to its need, a position which is particularly apparent when compared to those force areas with one of the 10 core cities in England and Wales: -

**Figure 5: 2022/23 grant funding per head of population by PCC in England and Wales**



The Government has reconfirmed its commitment to review the funding formula for the distribution of police grant. It is expected that there will be a consultation on this at some point later in 2023. However, this plan does not recognise any change to grant funding value because of this review as it remains too difficult to predict what this might conclude at this stage.

The funding settlement confirmed that core grant funding will increase in 2023/24 by £0.7m/0.3%. A further increase of £3.4m/1.6% is forecast for 2024/25 reflecting the SR announcements confirmed by the Chancellor in November 2022. Beyond 2024/25 our plan assumes increase to grant funding of +1.0% p.a.

**Officer uplift grant funding** – The funding settlement announcements also confirmed the amount that would be ring-fenced and paid in arrears upon maintaining officer numbers throughout 2023/24. This confirmed a ring-fenced grant of £6.3m in 2023/24, an increase of £3.2m, thereby more than doubling the value of this grant funding reflecting the Government’s intention to penalise any PCC or force who do not sustain police officer numbers post uplift.

We have assumed that this value of grant funding will remain ringfenced for the duration of our plan, continuing therefore to incentivise the maintenance of police officer numbers across the medium term.

**Legacy council tax grant funding** – This grant funding, which is included in the annual police grant report, but which is analysed separately from the main grant funding, is the combination of:-

- Funding that is paid in recognition of historic council tax freezes (therefore only payable to those PCCs 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 PCCs to replace funds previously paid through as council tax income).

The confirmed 2023/24 value of this funding is £14.7m, reflecting a continued freeze at historic levels. We have assumed this continues to remain frozen for the duration of the MTFP.

**Victims grant funding** – Grant is awarded to PCCs annually from the Ministry of Justice (MoJ) to support the commissioning of victims’ services. In addition to this we now have confirmation of further MoJ grant funding for other specific purposes, as outlined below. The total value of these grants in 2023/24 is forecast to be £3.9m. This funding is accounted within the calculation of our budget requirement in the following ways:-

- Commissioning of victims support services – a grant of £2.0m is forecast, and accounted for as follows:-
  - Funding of £0.9m is accounted for against the Constabulary’s budget requirement, reflecting the part funding provided through this grant for the victim support services provided by the Constabulary; and
  - Funding of £1.1m is accounted for against the OPCC’s commissioning budget requirement, reflecting the funding of victim support services from 3<sup>rd</sup> parties.
- Grant funding of £0.5m is forecast to provide for Domestic Abuse and Sexual Violence (DA/SV) services and is accounted for within the OPCC’s commissioning budget requirement reflecting the use of these funds to commission services from 3<sup>rd</sup> parties. 23/24 is not the first year that this grant funding has been received, but now that funding is confirmed in advance of the financial year we have recognise this within our budgeting.
- Grant funding of £1.4m is forecast to provide for Independent Sexual Violence Advisors and Independent Domestic Violence Advisors (ISVA/IDVAs) and is accounted for within the OPCC’s commissioning budget requirement reflecting the use of these funds to commissioning services from 3<sup>rd</sup> parties. 23/24 is not the first year that this grant funding has been received, but now that funding is confirmed in advance of the financial year we have recognise this within our budgeting.

**Police Pensions Grant** – this grant was introduced in 2019/20 to help forces manage the large increase in employer contributions for police pensions resulting from the 2018 valuation exercise (24% to 31%). The continuation of this grant funding was confirmed in the 2022/23 settlement, and we have assumed this will continue for the duration of the MTFP, frozen at its historic value.

**Council tax income guarantee grant** – This was a one-off grant in response to the short and medium term impact of the Covid-19 pandemic. The grant was paid to the PCC at the end of the 2020/21 financial year, with the expectation that this would be released over the following three years to cover 75% of the irrecoverable local council tax losses. The plan identifies the final £0.2m of this grant funding held in reserves will be released in 2023/24.

## 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 a **surplus or deficit on the collection fund**.

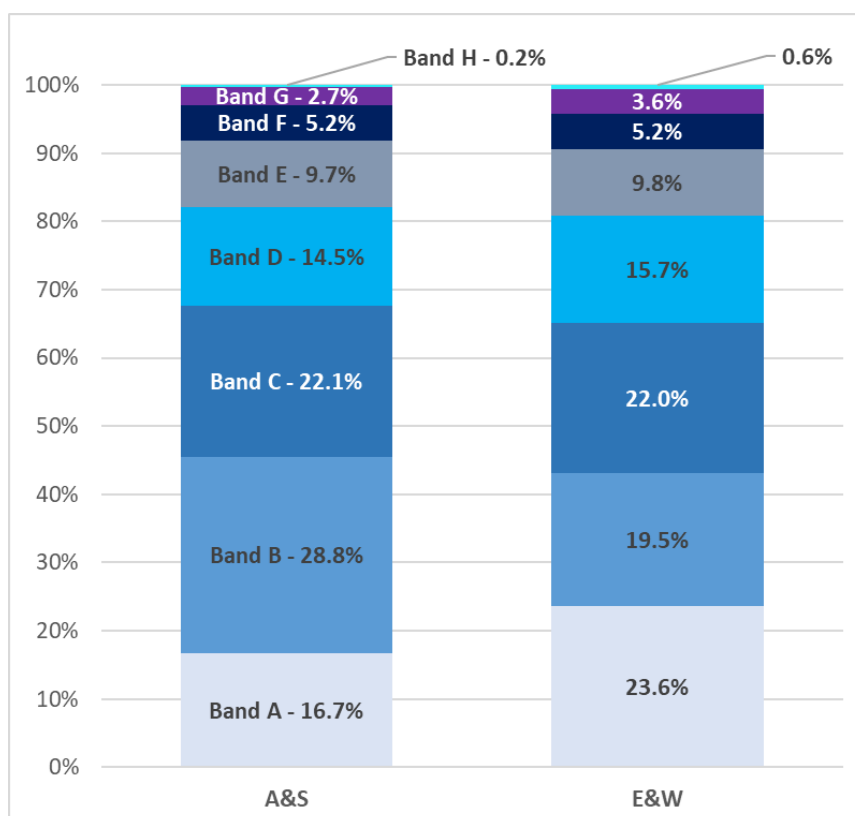
As a result of the assumptions made in this plan across these three factors it is forecast that **council tax funding will increase by £34.9m/24.1% over the next five years**.

	Current	Forecast				
	22/23	23/24	24/25	25/26	26/27	27/28
Precept (£p)	£251.20p	£266.20p	£276.20p	£281.72p	£287.36p	£293.11p
Tax base (No.)	<b>576,588</b>	<b>586,648</b>	<b>593,101</b>	<b>599,625</b>	<b>606,221</b>	<b>612,889</b>
<b>Precept Income (£'000)</b>	<b>144,839</b>	<b>156,166</b>	<b>163,814</b>	<b>168,929</b>	<b>174,203</b>	<b>179,641</b>
Surplus/(Deficit) (£'000)	(93)	1,229	-	-	-	-
<b>Total Council Tax (£'000)</b>	<b>144,746</b>	<b>157,394</b>	<b>163,814</b>	<b>168,929</b>	<b>174,203</b>	<b>179,641</b>

**Precept** – The value of the precept is defined by the rate applicable to an average band D property. In February 2022 the PCC approved the 2022/23 revenue budget and capital plan, confirming an average band D precept of £251.20, an increase of £10.00/4.1% per household on the previous year.

The precept is expressed at the value for a band D equivalent property. There are 8 council tax bands in total (A – H), and each property is placed into a band based on the value of the property as of April 1991.

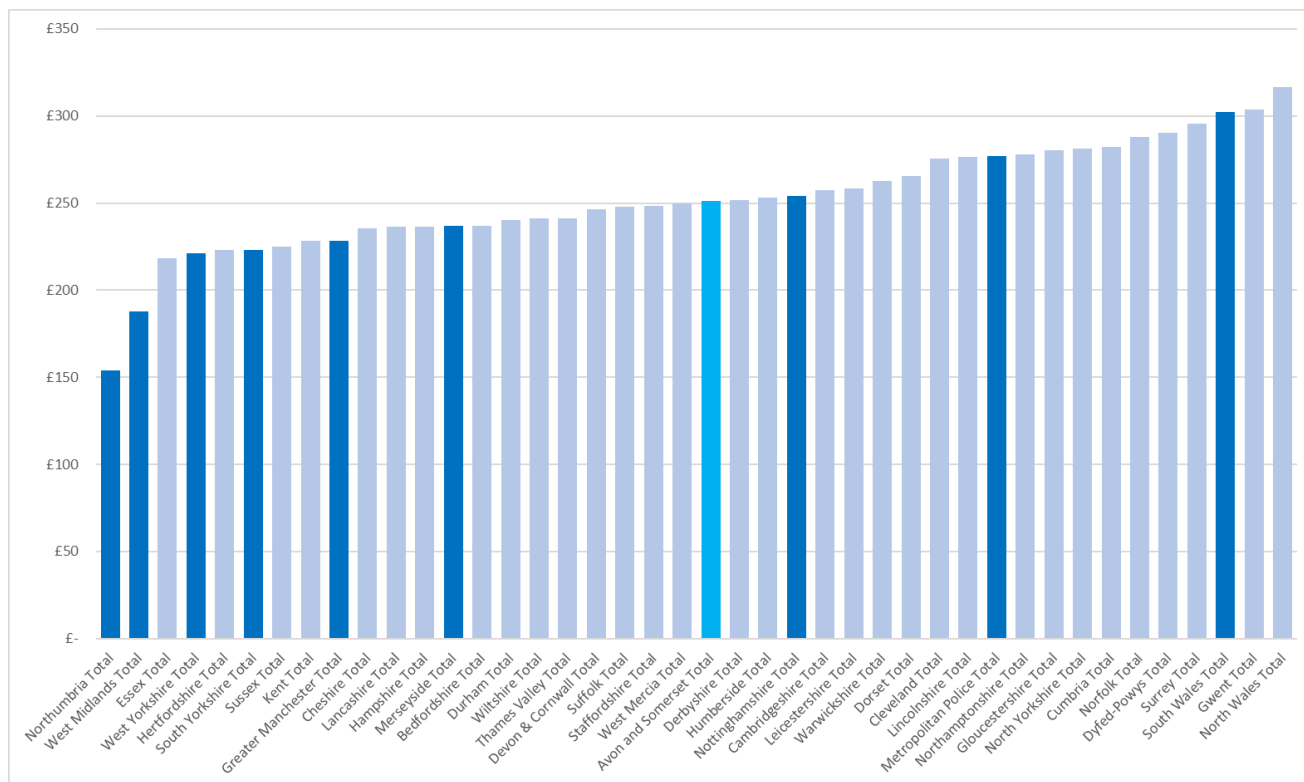
**Figure 6: 2022/23 % of properties by band Avon and Somerset compared to England and Wales**



Overall, there are more properties weighted towards the lower council tax bands in Avon and Somerset than compared to the national position. In total there are 67.6% of properties in bands A-C, and 32.4% of properties in bands D-H in Avon and Somerset. This compares to 65.1% of properties in bands A-C, and 34.9% of properties in bands D-H nationally. This position means while we express the precept as an average band D, most properties in our area are in lower bandings than this. This is why many of our local authorities now express their council tax position as band B in their budget discussions as that is often the most common banding for properties in Avon and Somerset.

Avon and Somerset’s 2022/23 precept, at £251.20 for an average band D property, is the median across England and Wales.

**Figure 7: 2022/23 Average Band D precept value by PCC in England and Wales**



The police funding settlement announcements made by the Government in December 2022 confirmed the referendum principles for consideration when setting the precept in 2023/24.

*“To ensure that policing are able to balance budgets and deliver on key priorities, we have gone even further by providing an additional £5 on top of the £10 precept limit agreed at SR21...”*

In considering the level of precept to set for 2023/24 the PCC has made consideration of: -

- The views of the public, as expressed through a range of ongoing public engagement activity.
- The views and opinions of the Chief Constable, set out in writing to the PCC.
- The national context which continues to see Avon and Somerset underfunded compared to relative need.
- The unprecedented inflationary environment and the scale of savings required over the medium term; and
- The expectation of Government that their prior and ongoing investment in policing continues to be matched through ongoing local investment through the precept.

After due consideration, this plan has been drafted on the basis that **the PCC will increase the average Band D policing precept by £15.00p in 2023/24**. Thereafter we have assumed that the precept will increase by £10.00 in 2024/25 and by 2.0% p.a. in each year for the remainder of the plan.

	Current	Forecast				
	22/23 £p	23/24 £p	24/25 £p	25/26 £p	26/27 £p	27/28 £p
Av. Band D Precept	£251.20p	£266.20p	£276.20p	£281.72p	£287.36p	£293.11p
Annual Increase %		+6.0%	+3.8%	+2.0%	+2.0%	+2.0%
Annual Increase £		+£15.00p	+£10.00p	+£5.52p	+£5.64p	+£5.75p

An increase of £15 in an average band D property for 2023/24, generates the following amounts of council tax for the various bands:-

Council Tax Band	£p	% of Properties
A	£177.47	16.7%
B	£207.04	28.8%
C	£236.62	22.1%
D	£266.20	14.5%
E	£325.36	9.7%
F	£384.51	5.2%
G	£443.67	2.7%
H	£532.40	0.2%

The precept increases assumed for future years remain a planning assumption at this stage. They will continue to be subject to ongoing consideration and consultation, and an annual decision-making process including the presentation of a proposal to the Police and Crime Panel will be required.

**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.

For many years Avon and Somerset has had eight billing authorities, with our tax base being the aggregate value of them all. On 1 April 2023, the four Somerset district councils will combine to become one unitary authority called Somerset Council, and in preparation for this we have received one taxbase figure for Somerset in 2023/24.

There are several factors which can affect the growth of the tax base figure, with both volume of new house building and entitlement to council tax discount under locally designed schemes being two significant factors.

We have seen growth in the local tax base over recent years which slowed in 2021/22 due to the impact of the Covid-19 pandemic. However, forecasts for 2023/24 are showing a return to increases in all authorities with a confirmed total position of 586,648 which is an increase of 10,060 (1.74%) from 2022/23: -



	22/23 No.	23/24 No.	Change No.	Change %
Bath & North East Somerset	67,854	68,610	+756	+1.1%
Bristol	127,917	129,654	+1,737	+1.4%
North Somerset	79,927	81,015	+1,088	+1.4%
South Gloucestershire	100,143	101,695	+1,552	+1.5%
<b>“Avon” authorities</b>	<b>375,841</b>	<b>380,974</b>	<b>+5,133</b>	<b>+1.4%</b>
Mendip DC	41,544	-	-	-
Sedgemoor DC	41,910	-	-	-
South Somerset DC	60,644	-	-	-
West Somerset & Taunton	56,649	-	-	-
Somerset Council (from 1 April 2023)	-	205,674	-	-
<b>“Somerset” authorities</b>	<b>200,747</b>	<b>205,674</b>	<b>+4,927</b>	<b>+2.45%</b>
<b>TOTAL Tax Base</b>	<b>576,588</b>	<b>586,648</b>	<b>+10,060</b>	<b>1.74%</b>

As the above table shows, all authorities are showing an increase ranging from a 1.1% increase in Bath and North East Somerset to a forecasted 2.45% increase from the new Somerset Council.

The MTFP forecasts changes to the tax base across the plan are based on our local authorities’ own estimates where these have been supplied. Where they have not been provided, we have used an average of those received as an assumption at this stage. This has resulted in the following forecasts of tax base growth across the period of the plan: -

	23/24	24/25	25/26	26/27	27/28
Change in tax base	+1.74%	+1.10%	+1.10%	+1.10%	+1.10%

**Collection fund surplus or deficit** – This represents the PCC’s share of any surplus or deficit on the collection fund as calculated by our eight collecting authorities. Historically, all the local collecting authorities have largely generated surpluses, however, the economic impact of the Covid-19 pandemic and as a result the non-recovery of council tax, resulted in deficits from all 8 authorities in 2021/22. Under rules implemented in 2020/21, the recovery of any deficit relating to 2020/21 can be spread over a three-year period. The impact of these deficits are mitigated to some extent by the provision of the Council Tax income guarantee grant in 2021/22 (see section on grant funding above).

The final collection fund surpluses or deficits forecast for 2022/23 will be confirmed very shortly, however, current forecasts from the collecting authorities demonstrates a range from one authority showing a deficit of £0.2m to another showing a surplus of £1.0m. Overall, the plan forecasts a **2023/24 surplus of £1.3m** (2021/22 deficit £0.1m).

Predicting with any accuracy the collection fund deficit figures going forward will be particularly difficult given current uncertainties. For the purposes of planning beyond 2022/23 the assumption is **that there will be a net zero surplus/deficit position.**

## The Revenue 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.

### Budget Requirement (before savings)

	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
PCC's Office budget requirement	2,210	2,299	2,347	2,388	2,429
PCC's Commissioning budget requirement	2,393	2,393	2,393	2,393	2,393
<b>PCC's TOTAL budget requirement</b>	<b>4,603</b>	<b>4,692</b>	<b>4,740</b>	<b>4,781</b>	<b>4,822</b>
Chief Constables budget requirement	368,529	384,617	395,177	405,964	415,484
<b>TOTAL budget requirement</b>	<b>373,132</b>	<b>389,309</b>	<b>399,917</b>	<b>410,745</b>	<b>420,306</b>

### PCC's Office budget requirement

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

	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Base budget	1,906	1,906	1,906	1,906	1,906
Pay Award and Adjustments	+283	+371	+417	+456	+496
Growth and Commitments	+21	+22	+24	+26	+27
<b>OPCC Budget Requirement</b>	<b>2,210</b>	<b>2,299</b>	<b>2,347</b>	<b>2,388</b>	<b>2,429</b>

**2023/24 Base Budget** – This budget supports the PCC, and a team of 27.0 FTE (full time equivalent) staff who support the PCC in a range of activities undertaken in the fulfilment of their 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 growth recognising the potential consequences of the planned OPCC office review and an increase in the training budget to better reflect the size of the team.

### PCC's commissioning budget requirement

This budget supports the commissioning of services from external organisations.

	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Base budget	3,507	3,507	3,507	3,507	3,507
Adjustments	-1,114	-1,114	-1,114	-1,114	-1,114
<b>Annual budget requirement</b>	<b>2,393</b>	<b>2,393</b>	<b>2,393</b>	<b>2,393</b>	<b>2,393</b>

This budget is presented inclusive of specific ringfenced grant funding from the MoJ (see grant funding section above), and is used by the PCC to commission core services across the following areas:-

	<b>2023/24 £'000</b>
Drug and alcohol referral services	553
Victims services (inc SARC, but excluding those within Constabulary)	3,768
Appropriate adult services	89
Mental health triage service in A&S call centre	122
Restorative justice services	179
Police & Crime Grants (community safety & YOT)	740
Police and crime grants for community safety and other 3rd party work	20
MOJ grant top-slice to support OPCC grants process	50
<b>TOTAL Commissioning Expenditure</b>	<b>5,521</b>
MOJ Grant Funding – Victim Services (share of MoJ grant supporting 3rd party services)	-1,099
MoJ – Domestic Abuse and Serious Violence Services	-491
MoJ – Independent Sexual Violence Advisors/Domestic Violence Advisors Services	-1,417
Other PCC Commissioning Grants	-121
<b>TOTAL Commissioning Net Budget Requirement</b>	<b>2,393</b>

The commissioning budget provisions for victims' services commissioned from organisations other than the Constabulary. The funding provided to the Chief Constable for the provision of the Lighthouse victims services is £906k in 2023/24 and is accounted for within the Chief Constable's budget requirement set out below.

### Chief Constable's budget requirement

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

<b>Budget pre-savings</b>	<b>Base</b>	<b>MTFP</b>				
	<b>22/23 £'000</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 Costs	176,291	186,409	192,925	197,052	202,172	207,060
PCSO and Staff Pay	110,896	121,841	125,820	129,110	131,849	134,385
Other Pay and Pensions	9,662	10,771	11,069	11,368	11,675	11,990
Non-Pay (inc partnerships)	73,587	83,642	87,875	90,209	91,821	93,922
Contribution to/(from) reserve	75	(1,881)	(1,301)	(1,501)	(390)	(405)
Capital Financing	17,507	16,052	16,843	17,763	18,699	18,553
Savings Achieved	614	286	286	286	286	286
Less; Income & Specific Grants	(40,328)	(45,640)	(45,816)	(44,900)	(45,931)	(46,113)
<b>Total</b>	<b>348,293</b>	<b>371,480</b>	<b>387,702</b>	<b>399,388</b>	<b>410,181</b>	<b>419,679</b>

This base budget makes provision to increase the establishment, which for 2023/24 will be:-

Budgeted Establishment - FTE	Core Funded	External Funding	Collaboration	TOTAL
Police Officers	3,006	43	157	<b>3,206</b>
Police Community Support Officers	342	3	-	<b>345</b>
Police Staff	2,403	58	352	<b>2,813</b>
<b>TOTAL Budgeted establishment</b>	<b>5,751</b>	<b>104</b>	<b>509</b>	<b>6,364</b>

**Police Officer Costs** – represents the single biggest area of spend for the Force. Before accounting for savings and adjustments the plan forecasts that costs will increase by £30.5m/17.3% over the course of the MTFP. The key movements in this budget forecast are:-

- Growth (national uplift delivery) – In 2023/24 we have accounted for the final full-year uplift budget, which increases costs by £6.3m. This will enable the Force to maintain and budget for the target head count of 3,291 officers (an establishment of 3,206 FTE). Included in this growth is added budget provision to support target variable payments in our detective roles and an uplift to the starting salary for new Police Constable Degree Apprentice (PCDA) students. These adjustments to salaries were agreed during 2022/23, and addresses challenges around recruitment and retention in PCDA students and accreditation of detective roles.
- Pay awards – In 2023/24 we have included the full year effect of 2022/23 pay award that was agreed at £1,900 uplift across all spinal points effective from September 2022. This increases costs by £4.7m in 2023/24. The budget assumes an inflationary pay increase of 3.0% with effect from September 2023, increasing costs by £3.1m in 2023/24. The assumption of 3.0% mirrors the emerging national consensus on pay, albeit this will only be confirmed by Government decision following a recommendation made by the independent pay review board. In 2024/25 an increase of 3.0% is forecasted and thereafter the plan assumes a 2.0% pay award, increasing overall costs to £25.0m by 2027/28.
- National Insurance – In April 2022 the government increased national insurance by 1.25% in support of the Health and Social Care Levy. As of November 2022, the government reversed this levy increase and has reinstated the national insurance rate of 13.8%. This decision has resulted in a decrease in national insurance costs for police officers of £1.1m in each year of the MTFP.
- Adjustments – The budget recognises a reduction in the average cost of an officer in recognition of the scale of recruitment and therefore the relatively inexperienced workforce currently. These adjustments total £2.6m in 2023/24. As our recruitment plans slow to maintain rather than grow officer numbers, we expect this adjustment will have fully reversed by the end of the MTFP period, reflecting a gradual increase in the average cost of a police officer as our workforce becomes more experienced and therefore higher up the police constable pay scales.
- Allowances and Overtime – The plan accounts for a small reduction to officer allowances reflecting the further reduction in those officers entitled to historic allowances that have since been removed for newer in-service officers. We have also accounted for an increase to overtime budgets, reflecting the uplift in officer numbers in CID and overtime growth in Major Incidents. These increases are offset against an adjustments for the number of bank holidays in any given financial year and increases to our mutual aid income.
- Police Officer Pensions – Increases to pension costs to provide for current and anticipated future deficits in officer pension schemes are recognised within this plan. From 2024/25 we have forecasted an additional £3.5m in pensions as an estimate of the likely increase in costs arising from the actuarial valuation which is underway. While our plan makes some provision for this, we recognise that depending on the scale of change here there will need to be discussions and agreements with the

Home Office about provision of further funding as happened at the time of the last valuation (see pensions grant funding above).

**PCSO and Staff Pay** – Budgets for PCSO and police staff pay are forecast to increase by £22.0m/19.8% over the course of the MTFP. The key movements in this budget forecast are:-

- **Pay awards** – In 2023/24 we have included the full year effect of 2022/23 pay award; this increases costs by £5.9m. The budget assumes an inflationary pay increase of 3.0% with effect from September 2023, increasing costs by £2.2m in 2023/24. The assumption of 3.0% mirrors the emerging national consensus on pay, albeit this will only be confirmed by Government decision following a recommendation made by the independent pay review board. In 2024/25 an increase of 3.0% is forecasted and thereafter the plan assumes a 2.0% pay award, increasing overall costs to £20.8m by 2027/28.
- **National Insurance** – In April 2022 the government increased national insurance by 1.25% in support of the Health and Social Care Levy. As of November 2022, the government reversed this levy increase and has reinstated the national insurance rate of 13.8%. This decision has resulted in a decrease in national insurance costs for police officers of £0.8m in each year of the MTFP.
- **Police Staff Pensions** – The Local Government Pension Scheme (LGPS) valuation has confirmed an increase to the employer's police staff pension contribution, from 16.3% to 18.6% for Avon and Somerset. This growth of 2.3% will set employer rates with effect from April 2023, resulting in an increase to pension costs of £2.1m with effect from 2023/24. However, this increase is offset by a £1.5m reduction to the annual lump sum payment into the LGPS scheme for historic deficit recovery. The overall increase is therefore £0.6m in 2023/24, increasing to £0.7m by 2027/28.
- **Growth** – the budget recognises approved business case growth in support of adding capacity and resilience to key functions. This includes growth in Corporate Communications; Workforce Planning; Occupational Health; Professional Standards Department; Legal & Compliance and market enhancements to pay in departments facing retention challenges. This increases cost by £3.2m across the life span of the MTFP.

**Other Pay and Pensions** – The budgets here are forecast to increase by £2.3m/24.1% over the course of the MTFP. The key movement in this budget forecast are:-

- **Apprenticeship Levy** – The forecast includes an increase to apprenticeship levy payments. This reflects the additional growth in officer numbers through uplift. This increases costs by £0.2m in 2023/24 and rises to £0.3m by 2027/28.
- **Injury pensions** – The forecasts include provisions for the cost of new officers retiring on medical grounds with injury awards as well as inflation increases for the existing injury awards. These costs are indexed linked to inflation measures, and therefore recognising the current high level of inflation we forecast this to add £2.1m in costs over the MTFP period.

**Non-Pay** – Budgets for non-pay costs, before adjustments and savings, are forecast to increase by £19.5m/26.3% over the course of the MTFP. The key movements in this budget forecast are:-

- **Premises** – There are specific and acute inflationary pressures including increases to electricity costs estimated at £1.3m/50.6% and increases to gas costs estimated at £0.3m/62.5% in 2023/24. In addition, there are further inflationary pressures for business rates at £0.4m/10.4% in 2023/24. We also see further inflationary rises at £0.4m/9.2% in PFI lifecycle costs; £0.2m/8.1% in planned and unplanned maintenance costs; and £0.1m/8.6% in cleaning costs in line with assumptions around the rises in national living wage. We are forecasting general inflationary rises across all other aspects of premises' costs at £0.2m/4.0%. By the end of the MTFP we are forecasting an extra £5.6m in costs.

- **Transport** – Over the course of the MTFP there is forecast growth of £1.0m in transport and travel costs. Inflation is the key driver of these cost increases, with this impacting on the cost of fuel as well as on vehicle repairs and maintenance costs and general increases to travel budgets. In 2023/24 we are estimating fuel cost increases of £0.4m/19.2%, reflecting the increases in fuel prices already being experienced.
- **Supplies and Services** – The plan is forecasting growth in these budgets of £7.0m over the course of the MTFP. Of this:-
  - £4.8m is a direct consequence of assumptions around inflation across all areas of non-pay budgets by 2027/28, including general inflationary rises of £4.5m and specific rises to insurance costs of £0.3m.
  - £2.2m increases to IT costs, recognising growth and ongoing contractual commitments. £0.8m reflects increases to Microsoft licencing arrangements, providing for the services which continue to keep us aligned to the National Enabling Programme (NEP) for policing. Growth of £0.2m is reflective of our increased size and therefore increased consumption of licences and support services. Finally, £1.2m growth is identified in recognition of our gradual shift of services into the cloud and away from on premise solutions. This will generate savings against capital investment but increase our revenue costs around hosting and data usage.
  - £0.5m increases relating to small areas of growth across all areas of devolved budget, growth in support of our investment into corporate communications capabilities and growth in the costs we're incurring in relation to the kennelling of suspected dangerous dogs while these cases are resolved through the courts.
- **Partnerships** – The MTFP forecasts growth of £5.8m by 2027/28 driven by inflation, linked predominantly to assumptions around pay awards. This reflects the fact that most of our partnership budgets are for our collaborations (e.g., South West Forensics, Major Crime Investigation, South West Regional Organised Crime Unit) into which our officers and staff are seconded to work alongside those from other forces. Forensics costs are forecasted to increase by £1.5m in 2023/24. This is recognition of permanent growth around the new ISO accreditation standards that need to be achieved and one-off IT infrastructure improvements and outsourcing costs relating to external forensic submission.

**Capital Financing** – Growth in capital financing costs of £1.0m are included in the forecasts over the course of the MTFP. This reflects adjustments in minimum revenue provision (MRP) set aside for repaying external borrowing (loans) and loan interest payments. This is considering rises to the Bank of England inflation rates and future targets. In 2023/24 we have also reduced our direct revenue funding to capital by £0.5m in response to how we account for future IT costs. As we migrate over to a cloud-based IT solution, this will increase our revenue costs as we pay more money to external providers for hosting and data charges. This should offset our need to invest into capital IT infrastructure.

**Contribution to/from Reserves** – In 2023/24 we are using reserves to offset short-term budget provisions for DHEP course fees whilst we are working through the implementation of increased detective numbers at £0.5m. We are also using reserves to support the short-term temporary pressures in targeted variable payments for detective roles and uplift to PCDA pay point at £0.9m. This reflects maintaining detective accreditation and ensuring retention of new police officers. Lastly, we have also set reserve provisions for our policing support at Hinkley Point, West Somerset. This reserve, which is directly funded by EDF, is used to offset costs incurred for Hinkley Point policing arrangements. As these are short term budget pressures, we are expecting to see a reduction in the use of reserves in the MTFP. In 2023/24 our reserves will reduce by £1.9m to fund these activities and this decreases to £0.4m in 2027/28.

**Income** – The plan forecasts growth of £7.0m in income budgets over the course of the MTFP. This increase reflects increases to the ring-fenced grant funding to support police officer uplift delivery funding of £3.2m in 2023/24 and thereafter maintained at this level to sustain new officer numbers. In 2023/24 we have increased our interest receivable income by £1.7m considering current Bank of England inflation rates, however we expect this increase to reduce over the life of the MTFP generating only £0.8m in additional income p.a. by 2027/28. In addition, we have identified other areas for income generation and therefore stretched the income targets; £0.2m in Major Incidents to support national deployment for mid-size events; £0.1m in training income generated at Wilfred Fuller; £0.1m for Speed Enforcements courts income; £0.1m for vehicle sales income and £0.1m for abnormal loads income. We are also forecasting general inflationary rises across income budgets at £0.2m/4.0%.

## Revenue savings requirement and plans

### Savings requirement

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

	Forecast				
	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
Total Funding Forecast	369,696	379,343	386,498	393,833	401,352
Less; PCC's Office budget	-2,210	-2,299	-2,347	-2,388	-2,429
Less; PCC's Commissioning budget	-2,393	-2,393	-2,393	-2,393	-2,393
<b>Funding left to support Chief Constable</b>	<b>365,093</b>	<b>374,651</b>	<b>381,758</b>	<b>389,052</b>	<b>396,530</b>
Less; Chief Constable budget requirement	371,480	387,700	399,388	410,181	419,679
<b>Standstill Deficit</b>	<b>6,387</b>	<b>13,049</b>	<b>17,630</b>	<b>21,129</b>	<b>23,149</b>

### Accounting for identified savings

Against this the Force has identified initial savings, however even with the inclusions of these savings/adjustments we continue to forecast a deficit budgetary position in 2023/24 and onwards:

	Forecast				
	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
<b>Standstill Deficit</b>	<b>6,387</b>	<b>13,049</b>	<b>17,630</b>	<b>21,129</b>	<b>23,149</b>
Officer Pay and Allowances savings	-93	-114	-124	-130	-135
Staff Pay and Allowances savings	-286	-286	-1,043	-1,043	-1,043
Premises cost savings	-503	-514	-514	-514	-514
Transport cost savings	-9	-9	-9	-9	-9
Supplies and service cost savings	-1,789	-1,889	-2,249	-2,249	-2,222
Partnership cost savings	-272	-272	-272	-272	-272
<b>Revised Surplus/Deficit</b>	<b>3,435</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>
Planned Contribution (from)/to reserves	-3,435	-	-	-	-
<b>Underlying need for further savings</b>	<b>-</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>

The savings identified in 2023/24 include the following:-

- Officer pay and allowance savings – We have identified a recurring reduction in Officer Allowances of £93k in 2023/24 rising to £135k in 2027/28. This largely reflects the gradual reduction in historic allowances that have ceased because of changes to terms and conditions and are therefore payable to fewer officers over time.
- Staff pay and allowances savings – Initial savings of £0.3m are the result of restructures to our Intelligence function and our estates and facilities department. Further savings of £0.8m are



identified from 2025/26 relating to the replacement of our ERP (Enterprise Resource Planning) system. Through the implementation of the new ERP system, we expect to target headcount savings, because of a more efficient system and processes.

- Premises savings – Premises budgets have identified £0.5m in recurring savings through the course of the MTFP, reflecting savings on business rates following successful reviews on PFI sites. Further reductions to our estate footprint through termination of leasing arrangements, for example Bridgwater House, Clifton and Ilminster.
- Supplies and services savings – Recurring savings of £1.8m in 2023/24 have been identified across all our supplies and services budgets throughout the Force, this increases to £2.2m in 2027/28. Largely these savings have been achieved through re-procurement. In particular our new Custody Healthcare contract which went live during 2022/23, has been established in partnership with all south west police forces and saves us £0.8m p.a. on a recurring basis. Savings have also been identified in DHEP course fees due to the reduction in student intakes following the completion of the uplift programme and the Constabulary returning to normal recruitment plan to sustain officer numbers. Further non-pay savings are also expected as we implement our new ERP systems and see the cost of our more expensive legacy systems cease.
- Partnership savings – Recurring savings of £0.3m have been identified, resulting from the changes to our regional programme team completed during 2022/23.

The application of these savings against our budgets results in the following:-

<b>Budget <u>post-savings</u></b>	<b>Base</b>	<b>MTFP</b>				
	<b>22/23 £'000</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	176,291	186,315	192,811	196,929	202,042	206,925
PCSO and Staff Pay	110,896	121,841	125,820	128,353	131,092	133,628
Other Pay and Pensions	9,662	10,771	11,069	11,368	11,675	11,990
Non-Pay	73,578	81,070	85,191	87,165	88,777	90,904
Contribution to/(from) reserve	75	(1,881)	(1,301)	(1,501)	(390)	(405)
Capital Financing	17,507	16,052	16,843	17,763	18,699	18,553
Savings Achieved	614	-	-	-	-	-
Less; Income & Specific Grants	(40,328)	(45,640)	(45,816)	(44,900)	(45,931)	(46,113)
<b>Total Constabulary Budget</b>	<b>348,293</b>	<b>368,528</b>	<b>384,618</b>	<b>395,177</b>	<b>405,964</b>	<b>415,484</b>
OPCC Commissioning	3,507	2,393	2,393	2,393	2,393	2,393
OPCC Office	1,906	2,210	2,299	2,347	2,388	2,429
<b>TOTAL Budget</b>	<b>353,706</b>	<b>373,132</b>	<b>389,309</b>	<b>399,917</b>	<b>410,475</b>	<b>420,306</b>

## Residual savings requirement

	Forecast				
	23/24 £'000	24/25 £'000	25/26 £'000	26/27 £'000	27/28 £'000
<b>Revised Deficit after identified savings</b>	<b>3,435</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>
Planned Contribution (from)/to reserves	-3,435	-	-	-	-
<b>Underlying need for further savings</b>	<b>-</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>

As the above demonstrates, we are planning to 'lean on' our reserves in 2023/24. This is required as the pace and scale of the economic challenges, coinciding with the critical period for the realisation of police officer uplift delivery, mean it has as not yet been possible to fully identify all the savings required to balance the 2023/24 budget.

We recognise that this is not a position we want to be in. The use of reserves does not offer a permanent solution for a sustainable financial forecast and reduces the funds available to us to support ongoing transformation. However, given our prudent financial management to date we have the capacity to plan on this basis and ensure that the savings plans we do bring forward offer a more sustainable approach for the medium and long-term.

Therefore, while the budget is presented as relying on reserves to be balanced in 2023/24, our ambition will be to minimise the value of reserves we will need as we identify and implement those plans which will be needed of us to release further savings. Our intention is that from 2024/25 our new savings plans will address the residual deficit, currently forecast at £9.9m in 2024/25 and rising to £18.9m by 2027/28.

Identifying new savings will require some difficult choices, particularly for an organisation that has already delivered more than £90m in savings since 2010/11. We remain committed to achieving the promise and vision that the growth in police officer numbers provides, and therefore it is against this ambition that we will need to identify the savings required.

Given the profile of our budgets, releasing the scale of savings we forecast will be needed will require reduction in our headcount. With the expectation that having grown our police officer strength we will need to maintain their numbers; we recognise that review of our police staff establishments will therefore be needed as part of the work to identify savings that help us to deliver a sustainable balanced budget for the medium term.

Reductions in headcount, combined with further non-pay savings, will form the basis on which our savings plans will be developed. This will incorporate considerations in the following areas:-

- Further **automation** and digitalisation across both operational and corporate processes and ways of operating to realise efficiencies and opportunities for savings.
- Review channels for **public contact** to continue to ensure that the Force are providing the right means and capabilities for this contact to happen in the most efficient and effective way.
- Review the **allocation of police officer growth** across the organisation, ensuring that this provides the best means of delivering our ambitions and unlocking savings as part of our overall workforce mix.
- Identify opportunities across our **enabling services** to improve transactional processes and realise the benefits of investments in the new ERP system, expected to go live in 2024/25.
- Continue to **benchmark** budgets and areas of spend against other police forces to consider opportunities this presents to learn from others.

- Consider opportunities across current **collaborations**, as well as identifying opportunities for new collaborations with supporting and like-minded partners.
- Ongoing **procurement savings** which may enable avoidance of some of the forecast uplift in costs through commercial or collaborative deals struck.
- Ongoing review of our **estates footprint** and work to realise energy efficiency savings to improve our energy consumption.

At the heart of this work will be our ongoing focus on creating capacity, thereby ensuring our officers and staff are able to be as productive and effective as possible. This work will require us to continue to innovate and provide focus on how effectively we manage and meet our demand but will also require us to take a fresh look at the demand we're responding to and managing to ensure that this reflects what the public expect of their police service.

We recognise that the scope and role of policing has evolved over time, and increasingly the demands we're facing are reflective of more and more non-crime demand. While in many cases a police response will be required and appropriate, this is not always the case.

To free up capacity to deliver on the ambitions for policing and meet the savings required of us, we will need to consider what service standard we can maintain, and where it is right that our partners and other agencies are better placed to support this demand. Through this work we hope to further identify improvements in our capacity which enable us to review how we best deploy our resources to:-

- Deliver the priorities of the Governments beating crime plan.
- Delivery the priorities of the PCC's Police and Crime Plan; and
- Deliver the savings needed to balance our budgets.

## Capital Programme and Funding

The Medium-Term Financial Plan recognises the importance and complexity of capital planning, and how integral this is in the context of our wider financial planning. The section sets out the context and framework within which these capital plans have been prepared, and in so doing fulfils the requirements of a capital strategy as introduced in the revised CIPFA Prudential code.

Our assets are essential to the provision of an effective policing service. 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 existing assets and infrastructure, as well as to invest in new transformative initiatives which will help to realise improvements in operational efficiency and effectiveness.

Capital plans are, by their nature, complex and require detailed planning and forecasting. This requires support and understanding of colleagues across the organisation. It also requires a large degree of wider environmental scanning to assess the impact of national projects and initiatives which will require support to implement locally.

The capital funding position is also complicated, relying on multiple sources of funding to be able to support planned expenditure. Forecasting our funding is therefore based on many assumptions and inter-dependencies which are subject to ongoing change both in value and timing.

The delivery of capital plans continues to be hampered by the environment within which we are operating. Global supply chain challenges and contributing to both delays and price inflation make planning and forecasting in this area particularly difficult. We do not expect this uncertainty to end any time soon, and therefore we recognise that it will be necessary to continue to refine and reassess our cost projections and funding considerations on a recurring basis.

## Developing the Capital Programme

Assets are integral to the delivery of efficient policing services. Maintaining the optimum use of resources whilst securing best value in relation to both cost and quality are key considerations. This is done by following best practice in relation to procurement, sales, and construction, taking external legal and professional advice where required.

Our assets fall into four broad categories:-

- Buildings – all buildings are owned by the PCC, and the PCC's office retain responsibility for key decisions around the purchase and disposal of buildings, maintaining close oversight of the estate management and planning to fulfil this role. The day-to-day management of the estate is undertaken by the Force's estates department, within the Finance and Business Services directorate.
- Information and communication technology – all ICT assets are managed and maintained through the Force's IT Directorate. Forward planning of these assets is informed by considerations of longevity and optimum replacement cycle. This enables effective planning of renewal and replacement activity to be considered alongside new transformative initiatives and projects, either local or national, that may see the type and nature of our assets continue to change.
- Fleet – all vehicles are maintained through the Force's transport services department within the Finance and Business Services directorate. All fleet assets are maintained and managed through the fleet management system, which provides information that enables effective optimisation of the usage of our fleet as well as planning around replacement activity.
- Capital equipment – This will include equipment in use across the Force, where the responsibility for its management and maintenance rests with the responsible department of the Constabulary.

The capital programme is developed to consider all requirements for maintenance and investment across these categories of assets. The programme produced therefore is reflective of a mixture of:-

- Asset replacement and renewal – recognising the optimum operating life for all assets, and where necessary, ensuring that plans provision for the replacement of them.
- New initiatives and projects – recognising new investments to realise the priorities of the Police and Crime Plan and meet the objectives of the Force.

The programme is developed jointly between the PCC and the Force and is realised through wide stakeholder engagement. The finalised programme reflects a list of anticipated and recommended projects that enables high level planning across a medium-term horizon. The programme, and the approval of it through the medium-term financial plan, reflects approval for the next 12 months replacement and renewal activity, but recognises individual business cases are still required to progress new initiatives and projects.

These business cases, all of which will be approved in accordance with the PCC's scheme of governance, will be delivered using a prescribed format, and will cover:-

- Clear definition of the objectives of the proposal.
- Baseline assessment of the "as is" position, and how this compares with user specifications and force standards.
- Consideration, assessment and appraisal of possible options – including alternative ways of procuring assets (e.g., leasing, partnership arrangements) where these are viable options.
- Financial appraisal of the options, to include identification of capital funding source and consideration of whole life costs and ongoing impact on revenue budgets.
- Risk appraisal, enabling decision makers to reach a decision informed by a clear understanding of the risk and allowing these to be clearly included on risk registers for management as appropriate.

The delivery of capital projects will be overseen either by the department responsible, or in the case of larger projects, through our change programme boards. In monitoring the delivery of capital projects particular focus is placed on:-

- Delivery is on time and achievement of the intended outcome/s.
- The overall use of capital and revenue funding is as close as possible to original plans; and
- When the above factors are not achieved, variations are reported appropriately.

Progress against the capital programme, including considerations of capital financing, is reported quarterly to our Finance and Assets Committee, to the Constabulary Management Board and to the Police and Crime Board. The quarterly finance performance paper, which includes the reporting of performance against our capital plan, is published on the PCC's website once it has been reviewed at PCB.

Upon completion of a capital project, consideration will be given to the use of a Post Implementation Review (PIR). This review will provide a check against the performance compared to the original proposal. It will focus on the outcomes achieved, the extent to which the benefits claimed are being realised, and the actual costs both revenue and capital. Through the use of these types of review we would capture learning that can inform our future projects and programmes for the better.

The table below summarises the current capital forecast and our forward 5 year capital plan:-

	Current	MTFP					Total
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
Capital Expenditure	12,581	22,839	29,307	18,524	10,784	9,844	103,879
Less; Capital Funding	(12,581)	(22,840)	(29,307)	(18,523)	(7,021)	(6,840)	(97,410)
<b>Deficit</b>	-	-	-	-	3,464	3,004	6,469

## Capital Expenditure

The emerging picture identifies that the current year (2022/23) of capital spend, plus the planned spend over the next five years (through until 2027/28) totals £103.9m. Against this we have identified and forecast funding sources of £97.4m, thereby leaving a residual deficit in capital funding of £6.5m over the next 5-year period.

	Current	MTFP					Total
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
Asset replacement	7,226	9,313	11,472	6,116	7,396	6,435	47,957
Capital projects	4,668	12,324	17,467	12,060	3,067	3,270	52,856
Funded projects	687	1,203	368	347	321	140	3,066
<b>TOTAL</b>	<b>12,581</b>	<b>22,839</b>	<b>29,307</b>	<b>18,524</b>	<b>10,784</b>	<b>9,844</b>	<b>103,879</b>

**Asset replacement** – Our asset replacement plans total £48.0m, accounting for 46% of our capital plan spend. This provides for the ongoing maintenance, replacement and renewal of our existing assets:-

	Current	MTFP					Total
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
ICT replacement	2,142	2,073	5,572	1,098	3,137	3,253	17,275
Estates replacement	612	1,740	1,077	455	455	25	4,365
Fleet replacement	4,045	4,970	4,222	3,962	3,202	2,675	23,077
Equipment replacement	427	529	601	601	601	481	3,241
<b>TOTAL</b>	<b>7,226</b>	<b>9,313</b>	<b>11,472</b>	<b>6,116</b>	<b>7,396</b>	<b>6,435</b>	<b>47,957</b>

**ICT replacement** – The plan assumes the following renewal and replacement activity: -

- End User Devices (£14.6m) – the number of end user devices has increased in recent years, and we would expect all devices to need at least one replacement during the life of this plan. The plan includes:-
  - replacement and new issue of laptop devices and monitors - £8.4m.
  - replacement and new issue of mobile phones - £3.9m.
  - replacement and new issue of body worn video cameras - £2.2m.
- Infrastructure (£2.7m) – over the course of the plan we have made provision for replacement and enhancements to our IT infrastructure, including:-

- Storage and back-up requirements - £0.8m.
- Servers and networks - £0.6m.
- Video conferencing capability - £0.8m.
- Airwave handsets - £0.3m.

**Estates replacement** – The plans predict £4.4m will need to be spent on the replacement and repair of our estate, including the following areas of activity:-

- Electrical, fire and central heating systems (£1.6m) – This is informed through building condition surveys as well as the requirements of our wider plans.
- Repairs and maintenance of our buildings (£2.7m) – This includes chiller replacement within HQ operation building, LED lighting replacement and the Wilfred fuller CBRN storage.

**Fleet replacement** – The fleet replacement plan currently reflects the activity required to both maintain our current fleet numbers as well as supporting the anticipated uplift of officer numbers. Our plans predict we will need to spend £23.1m for the replacement of our fleet. This includes the replacement of response fleet (£4.8m); the replacement of road policing and specialist response fleet (£9.6m); and the replacement of neighbourhood fleet (£4.0m). The total expenditure will remain dependent upon the ongoing review of our fleet to further rationalise and identify savings where appropriate.

**Equipment replacement** – The plan for the replacement of capital equipment is as follows:-

- Automatic Number Plate Recognition (ANPR) (£1.1m) – over the course of the plan to both maintain and replace the current ANPR asset estate.
- Taser replacement (£1.4m) – this is the direct replacement of tasers currently used by the Force.
- Carbines (£0.2m) – replacement of these firearms for our armed response officers.
- Provision (£0.5m) – an annual provision is included in the plan to provide for the rolling replacement of many smaller value assets which when purchased in aggregate are more suitable to be funded through capital than through our revenue equipment budgets.

**Capital projects** - The planned capital projects total £52.9m, accounting for 51% of our total capital plan spend:-

	Current	MTFP					Total £'000
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
Digital Projects	3,698	10,382	6,027	1,777	3,000	3,000	27,884
Estates Projects	970	1,942	11,440	10,283	67	270	24,972
<b>TOTAL</b>	<b>4,668</b>	<b>12,324</b>	<b>17,467</b>	<b>12,060</b>	<b>3,067</b>	<b>3,270</b>	<b>52,856</b>

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

	Current	MTFP					Total £'000
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
Infrastructure Projects	185	829	395	777	-	-	2,186
ICT Capital Projects	3,363	6,455	2,537	1,000	3,000	3,000	19,355
ICT Revenue Projects	150	3,098	3,095	-	-	-	6,343
<b>TOTAL Digital Projects</b>	<b>3,698</b>	<b>10,382</b>	<b>6,027</b>	<b>1,777</b>	<b>3,000</b>	<b>3,000</b>	<b>27,884</b>

- **Infrastructure Projects** – We forecast that we will need to spend £2.2m enabling the implementation of the plans for our IT infrastructure transformation, covering the improvement of servers, storage and network access refresh.
- **ICT Capital Projects** – We forecast £19.3m within the capital plan for various local ICT projects, including:-
  - Data Platform – £3.0m has been provided for to introduce a new platform as part of the delivery of our data strategy for 23/24 – 25/26.
  - Microsoft Office 365 – £0.9m has been provided for to build on the national implementation of a common configuration for M365 to increase effectiveness and improve service delivery by enhancing communications and facilitating collaboration and interaction with other teams, forces, partner organisations and the public.
  - Corporate Systems – £8.5m has been provided to implement the replacement of a suite of corporate systems, including our Duty Management System and our ERP system through which our corporate HR, finance, and procurement capabilities are delivered. This project has been progressed during 2022/23, with approval of the final business case by the PCC enabling this project to enter implementation – with planned go live in 2024/25.
- **ICT Revenue Projects** – These plans predict that we will spend £6.3m as part of our ICT projects which will not result in a specific asset.
  - ERP – £2.6m is forecast as required to support the non-capital elements of this project, including the costs of bringing new systems on line before we can switch off legacy systems.
  - Digital Transformation – £3.7m is forecast for non-capital elements of spend, including professional fees and training costs that enable our ongoing transformation work, supporting our journey towards more cloud services away from on-premises solutions.

Estates Projects – our estates projects are categorised as follows: -

	Current	MTFP					Total
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
Somerset Projects	54	342	6,515	6,308	-	-	13,219
Bristol Projects	25	1,001	4,540	857	-	-	6,423
South Glos Projects	-	-	-	2,032	-	-	2,032
North Somerset Projects	202	-	-	-	-	-	202
BANES Projects	444	432	-	577	-	-	1,453
Force wide Projects	245	167	385	509	67	270	1,642
<b>TOTAL Estates Projects</b>	<b>970</b>	<b>1,942</b>	<b>11,440</b>	<b>10,283</b>	<b>67</b>	<b>270</b>	<b>24,972</b>

- Somerset Projects – The capital plan includes £13.2m over the next three years to progress estates projects in Somerset. This supports our work reviewing our estate at several locations, including Yeovil, Somerton, Chard, Crewkerne, Minehead, Burnham-on-Sea and Frome.
- Bristol Projects – The capital plan includes £6.4m over the next three years to progress estates projects in Bristol relating to our Trinity Road police station (Old Market), which has been sold to a social housing developer subject to the completion of planning permission, and our Broadbury Road police station (Knowle West) where we plan to redevelop our existing police station site.



- South Glos Projects – The capital plan recognises the need for investment in the redevelopment of our site at Almondsbury, which we would anticipate progressing in 2025/26.
- North Somerset Projects – The capital plan does not provide for any new projects in North Somerset over the next 5 years, recognising the completion of our works at our Wilfred Fuller training base in the current financial year.
- BANES Projects – The capital plan includes provision for our estate within Bath, as well as the redevelopment of our police station at Radstock.
- Force wide Projects – The capital plan includes £1.6m over the five years for the continued investment in electric car charging infrastructure (£1.4m) and the taser storage (£0.2m).

## Capital Funding

Under the provisions of the Prudential Code, the PCC can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”.

The capital programme is reflected in the PCC’s Treasury Management Strategy, which is presented annually to the Police and Crime Board, and regularly reviewed by the PCC’s Chief Finance Officer. This sets out the prudential indicators, which determine the limits set against the requirements of affordability, prudence, and sustainability.

The PCC, in consultation with the Chief Constable, will identify available sources of funding in support of the capital programme. This will include the identification of potential capital receipts from the disposal of property.

The sources of capital funding available are detailed below.

	Current	MTFP					Total £'000
	22/23	23/24	24/25	25/26	26/27	27/28	
	£'000	£'000	£'000	£'000	£'000	£'000	
Specific Purpose Funding	717	1,263	658	347	321	140	<b>3,446</b>
Revenue Contribution	7,000	6,500	6,500	6,500	6,500	6,500	<b>39,500</b>
General Capital Reserve	4,602	13,601	4,563	0	0	0	<b>22,766</b>
Capital Receipts (Estate)	0	0	6,844	7,654	298	0	<b>14,796</b>
Capital Receipts (Other)	200	200	200	200	200	200	<b>1,200</b>
Previous Borrowing	62	342	642	0	0	0	<b>1,046</b>
New Borrowing	0	934	9,900	3,822	0	0	<b>14,656</b>
<b>TOTAL</b>	<b>12,581</b>	<b>22,840</b>	<b>29,307</b>	<b>18,523</b>	<b>7,319</b>	<b>6,840</b>	<b>97,410</b>

- Specific Purpose funding – This includes the partnership contributions to fund capital expenditure in relation to those collaborations which are hosted by Avon and Somerset, as well as the of earmarked reserves and ringfenced grant funding.
- Revenue contribution – This reflects the annual recurring general revenue contribution for capital funding which is set aside in our revenue budgets. It has been necessary to increase the value of this budget over recent years to compensate for the loss of capital grant funding. A small reduction to this is planned from 2023/24, to offset some of the new revenue costs being introduced because of the move towards clous services within some of our IT.

- General capital reserve – This represents historic and ongoing funds which have been set aside to support general capital investment. The above plan shows we intend to fully exhaust these by the end of 2024/25.
- Capital receipts (Estate) – Over the course of the period covered by the plan it is anticipated we will sell several of our buildings. Over the next 4 years the plan identifies potential future capital receipts of £8.4m, which when combined with previous receipts totals £14.8m to be used in support of this plan. There remains risk over those receipts not yet received both in terms of the value (subject to market factors at the point at which the asset is sold) and the timing (subject to us being able to release the asset from operational use) which will continue to be monitored.
- Capital receipts (Other) – Over the course of the plan it is assumed some receipts will be generated from the sale of vehicles and other assets that have reached the end of their useful life. On average we expect to generate £0.2m p.a.
- New borrowing – this reflects the current assumed profile of borrowing which will be taken in support of capital expenditure. The final value and profile of our borrowing will be subject to consideration and approval by the PCC. The timing of when borrowing is taken will be managed as part of wider treasury management considerations.

The general principle applied when allocating funding in support of the capital plan is that for shorter-life assets, sources of funding other than borrowing will be used. Borrowing is planned to be used only against longer-life assets, where the revenue provision needed to set aside for the repayment of the borrowing (known as the “Minimum Revenue Provision” or “MRP”) can be taken over a longer timeframe, thereby reducing the annual cost to our revenue budgets. All borrowing undertaken can only be done with the approval of the PCC, and must be prudent, affordable, and sustainable.

All of the revenue implications of the capital programme, including those costs which are either as a consequence of the direct funding or in order to service our borrowing (both interest and MRP) have been fully reflected in our revenue budget plans as set out earlier in our MTFP.

## Reserves and Risk

### Reserves

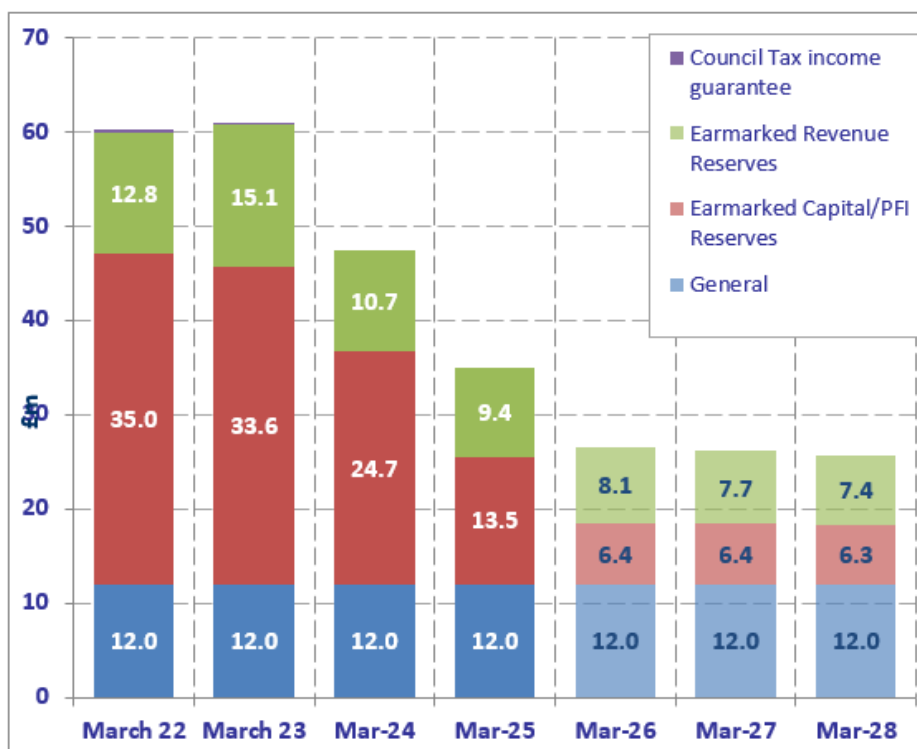
The PCC holds reserves to:-

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

As reported in the financial statements at the end of March 2022 the PCC had total usable reserves of £60.2m. This reflected an increase of £11.3m/15.8% compared to the balance held 12 months previously, mainly due to increases in our capital reserves and discretionary reserves. Our useable reserve levels are forecast to stand at £60.9m by the end of the 2022/23 financial year (a small increase of £0.7m).

The current projections estimate a £13.5m decrease in reserves during the 2023/24 financial year, with further reductions of £12.4m to March 2025. The main reasons for the reduction over this period are the consumption of our capital reserves in line with our capital plans, and the reduction in our discretionary earmarked reserves reflecting the use of reserves in balancing our 2023/24 revenue budget. As the graph demonstrates, from 2025/26 financial year we expect the reserves level to stabilise, with reserves standing at £25.7m by the end of the MTFP period (March 2028). This reflects a projection only at this stage and will therefore be subject to ongoing review and refinement as our plans crystallise.

Figure 8: Useable reserve projections over the life of the MTFP



The reserves largely fall into the following categories: -

- The **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 and the Force. We are proposing to keep the fund at £12m for the duration of this plan. The risk level, and our appetite for the financial provision needed to assure ourselves, may change over the medium-term

requiring change in the level of this reserve. At this stage **the proposed general fund balance (£12.0m) represents 3.3% of our planned 23/24 Net Revenue budget.**

- The **PFI reserves** are used to equalise the phasing of our income (in the form of PFI credits) to our forecast expenditure. In the early years of the contract, we generate a surplus which the accounting model requires us to put into reserves, to be released against the annual deficit in funding forecast in the later years of the contract. By so doing the financial impact on the revenue budget is smoothed over the life of these assets. By March 2028 it is forecast that our PFI reserves will stand at **£5.6m**. Our financial model forecasts that the reserves will begin to gradually reduce as we use the funds to help top-up our revenue budgets. Our modelling identifies that this reserve will not fully unwind until the 2038/39 financial year which will coincide with the end of our PFI contracts.
- The **capital reserves** consist of both the capital financing reserve and the capital receipts reserve. The general capital reserve represents historic and ongoing funds which have been set aside to support general capital investment. It is expected that we will have fully utilised the capital financing reserve by the end of 2024/25 in line with our capital plans. The capital receipts reserve holds receipts from the sale of assets, mainly buildings. It is expected we will fully exhaust this reserve by the end of 2024/25 in line with our capital plans.
- The remainder of the reserves have been **earmarked for specific revenue purposes**. The earmarked reserves are expected to decrease by £4.4m between March 2023 and March 2024. The remaining reserves reflect lots of smaller annual amounts projected to be held at any given year-end which relate to ring-fenced activity. This includes the value on our non-returnable detained property fund, specific grants, and ring-fenced receipts of funding unspent at any given year-end. Also included are a road safety reserve generated through income received from speed awareness course referrals, and reserves held on behalf of collaborations which are hosted by Avon and Somerset.

## 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 these forecasts and plans. The table below highlights some of the key risks identified: -

Risk	Potential scale	Mitigation
<p><b>Grant Funding Value</b> – 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 PCCs.</p>	<p>1.0% of total grant funding is £2.1m p.a.</p>	<p>Grant funding is expected to increase in 2023/24 by £0.7m/0.3% and a further increase of £3.4m/1.6% is forecast for 2024/25 reflecting the SR announcements confirmed by the Chancellor in November 2022.</p> <p>Beyond the SR period we have assumed annual increases to grant funding of 1.0%, however we are unlikely to know the true value of this until the Autumn of 2024, when we would expect the next SR announcements to be made. We will therefore continue to track our assumptions against that being made by other forces across the country.</p>
<p><b>Grant Funding Distribution</b> – 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 PCCs.</p>	<p>1.0% of formula grant funding is £2.0m p.a.</p>	<p>A Home Office consultation on proposals to change the current formula for distribution is expected during 2023 and we will engage with and monitor this work closely.</p>
<p><b>Council Tax Base</b> – the increase in council tax base currently forecast is higher or lower than current forecast (1.74% growth in 23/24, +1.1% 2024/25, +1.1% 2025/26).</p>	<p>1.0% of council tax income is £1.6m p.a.</p>	<p>Ensure our forecasts for council tax base are adjusted regularly and reflect those forecasts being made by local authorities themselves.</p>
<p><b>Council Tax Surplus / Deficits</b> – the current forecasts by the local authorities are higher or lower than current forecasts (£1.2m surplus 2023/24 and net zero position thereafter)</p>	<p>10% of deficit is £0.1m p.a.</p>	<p>Continue to update our forecasts in line with local authorities' expectations.</p>
<p><b>Council Tax Precept</b> – the referendum cap is set at a lower level than that which is planned within our forward projections.</p>	<p>1.0% of council tax income is £1.6m p.a.</p>	<p>The government announcement in December 2022 confirmed the principles for the PCC to set the precept in 2023/24 but beyond this, there is no certainty around the referendum cap. We have assumed a £10 increase for 2024/25.</p> <p>Thereafter our assumption brings precept growth back in line with the Bank of England's long-term projection for inflation at 2.0%.</p> <p>We will continue to monitor this closely and seek intelligence through the PCC as to any potential changes to the principles within which the policing precept will be expected to be considered.</p>

Risk	Potential scale	Mitigation
<p><b>Pay Inflation</b> – the increase in pay is higher or lower than currently forecast (3.0% increase in 2023/24 and 2024/25, thereafter 2.0% increase p.a.).</p>	<p>1.0% of officer and staff pay is £3.0m p.a.</p>	<p>Benchmarking of our assumptions for future pay awards against other forces to ensure that we are not an outlier. Monitor Government, and emerging sector statements regarding future public sector pay.</p>
<p><b>Officer Pensions</b> – the MTFP reflects the increase from the last valuation, which saw employer contributions increase to 31% with effect from April 2019. The MTFP recognises the ongoing risk and a provision for £3.5m has been included from 2024/25 as an estimate of growth in employer contribution rate at next valuation date (April 2024). However, there is a high level of uncertainty, and any increase would need a sector wide response in consultation with the Government.</p>	<p>1.0% change in employer contribution is £0.4m p.a.</p>	<p>We do not expect the rate to change until it next comes under review. Experience of the 2018 valuation has meant service and Home Office have agreed to work more closely on monitoring arrangements – thereby ensuring any potential swings in future rates are forecast in a timely manner.</p>
<p><b>Staff Pensions</b> – the MTFP reflects the expected increase from the 2023 valuation exercise - a rise of employer contributions from 16.3% to 18.6% with effect from April 2023.</p>	<p>Additional 1.0% contribution is £0.2m p.a.</p>	<p>Monitor the ongoing position of actuarial reviews, engaging with this process through representation on the SCC LGPS Scheme Board.</p>
<p><b>Inflation</b> – the UK economic and political 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.</p>	<p>Additional 1.0% on non-pay budgets is £0.8m p.a.</p>	<p>Continue to monitor emerging picture and determine if any adjustment needs to assumptions already factored in across the MTFP.</p>
<p><b>Capital Affordability</b> – Our capital plans set out our ambitions in relation to both local and national projects and plans. They include a share of maintaining and replacing existing capabilities and infrastructure, with enhancements to support the realisation of the vision of providing outstanding policing in Avon and Somerset. However, we recognise the affordability challenges of our current plan in the latter years. Failure to close this gap will lead to us having to reduce the scope of our plans and/or identify alternative funding sources with resultant impacts on our revenue budgets.</p>	<p>Currently the deficit in our capital plan stands at £10.2m over the next five years.</p>	<p>Continue to review and refine plans, ensuring scrutiny of business cases as they are brought forward for consideration.</p> <p>Take opportunistic approach to ring-fencing revenue underspends to bolster capital funding options.</p> <p>Look to identify alternative sources of funding wherever possible to support our projects and plans (e.g., use of Salix loans, specific purpose grant funding).</p> <p>Consider further increases to the recurring revenue contributions to capital, raising this beyond the current £7.0m p.a. (£6.5m from 23/24 onwards).</p>

## Appendix A – MTFP – Revenue Forecasts

2023/24 - 2027/28 Medium Term Financial Plan - Revenue						
	Current Year 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	176,291	186,315	192,811	196,929	202,042	206,925
Police community support officer costs	12,956	14,208	14,706	15,097	15,425	15,733
Police staff costs	97,940	107,633	111,115	113,256	115,667	117,895
Other current and former employee costs	9,662	10,771	11,069	11,368	11,675	11,990
Premises costs	14,200	17,463	18,637	19,385	19,530	20,172
Transport costs	5,093	5,603	5,717	5,825	5,952	6,073
Supplies and services costs	36,203	37,650	38,919	39,337	40,166	41,007
Partnership costs	18,081	20,353	21,918	22,618	23,130	23,652
<i>Plus</i>						
Contribution to/(from) reserve	75	1,881	1,301	1,501	390	405
Capital financing costs	17,507	16,052	16,843	17,763	18,699	18,553
Outstanding savings target	614	-	-	-	-	-
<i>Less</i>						
Income (inc Specific Grants)	- 32,412	- 35,616	- 35,792	- 34,876	- 35,907	- 36,089
<b>Constabulary costs before specific grants</b>	<b>356,209</b>	<b>378,552</b>	<b>394,642</b>	<b>405,201</b>	<b>415,988</b>	<b>425,508</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	- 6,290	- 6,290	- 6,290	- 6,290	- 6,290
Ministry of Justice - Victims commissioning grant	- 2,001	- 906	- 906	- 906	- 906	- 906
<b>TOTAL constabulary costs</b>	<b>348,293</b>	<b>368,528</b>	<b>384,618</b>	<b>395,177</b>	<b>405,964</b>	<b>415,484</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	2,210	2,299	2,347	2,388	2,429
<b>TOTAL OPCC costs</b>	<b>5,413</b>	<b>4,603</b>	<b>4,692</b>	<b>4,740</b>	<b>4,781</b>	<b>4,822</b>
<b>Net Revenue Expenditure</b>	<b>353,706</b>	<b>373,132</b>	<b>389,309</b>	<b>399,917</b>	<b>410,745</b>	<b>420,306</b>
<i>Funded by:</i>						
Home Office - Core police grant	- 196,701	- 197,385	- 200,820	- 202,860	- 204,921	- 207,002
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	- 156,166	- 163,814	- 168,929	- 174,203	- 179,641
Council Tax - (Surplus)/Deficit	93	1,229	-	-	-	-
<b>TOTAL Revenue Funding</b>	<b>- 356,364</b>	<b>- 369,696</b>	<b>- 379,343</b>	<b>- 386,498</b>	<b>- 393,833</b>	<b>- 401,352</b>
<b>Surplus (-) / Deficit (+) before use of reserves</b>	<b>- 2,658</b>	<b>3,435</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>
Planned Contribution (from)/to reserves	2,658	- 3,435	-	-	-	-
<b>Surplus (-) / Deficit (+) after use of reserves</b>	<b>-</b>	<b>-</b>	<b>9,965</b>	<b>13,419</b>	<b>16,912</b>	<b>18,954</b>

## Appendix B – Planned Savings

Savings (By Subjective Area)	2023/24 £'000	2024/25 £'000	2025/26 £'000	2026/27 £'000	2027/28 £'000
Police Officer Pay and Allowances - Savings	- 93	- 114	- 124	- 129	- 135
PCSO Pay and Allowances - Savings	-	-	-	-	-
Staff Pay and Allowances - Savings	- 286	- 286	- 1,043	- 1,043	- 1,043
Other Pay and Pensions Cost - Savings	-	-	-	-	-
Premises Cost - Savings	- 503	- 514	- 514	- 514	- 514
Transport Cost - Savings	- 9	- 9	- 9	- 9	- 9
Supplies and Services Cost - Savings	- 1,789	- 1,889	- 2,249	- 2,249	- 2,222
Partnership Cost - Savings	- 272	- 272	- 272	- 272	- 272
Income - Savings	-	-	-	-	-
<b>TOTAL Savings</b>	<b>- 2,952</b>	<b>- 3,084</b>	<b>- 4,211</b>	<b>- 4,217</b>	<b>- 4,195</b>



## Appendix C – Capital Programme

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
<b>CAPITAL PLAN EXPENDITURE</b>								
Information and Communication Technology	2,142	2,073	5,572	1,098	3,137	3,253	17,275	
Estates	612	1,740	1,077	455	455	25	4,365	
Fleet	4,045	4,970	4,222	3,962	3,202	2,675	23,077	
Equipment	427	529	601	601	601	481	3,241	
<b>TOTAL Maintenance and Replacement</b>	<b>7,226</b>	<b>9,313</b>	<b>11,472</b>	<b>6,116</b>	<b>7,396</b>	<b>6,435</b>	<b>47,957</b>	
Transformation Project	185	829	395	777	-	-	2,186	
Revenue Projects	150	3,098	3,095	-	-	-	6,342	
National Projects	-	-	-	-	-	-	-	
Local Projects	3,363	6,455	2,537	1,000	3,000	3,000	19,355	
<b>Digital Projects</b>	<b>3,698</b>	<b>10,382</b>	<b>6,027</b>	<b>1,777</b>	<b>3,000</b>	<b>3,000</b>	<b>27,884</b>	
Somerset Projects	53	342	6,515	6,308	-	-	13,219	
Bristol Projects	227	1,001	4,540	2,888	-	-	8,656	
BANES Projects	444	432	-	577	-	-	1,453	
Other Projects	246	167	385	509	67	270	1,644	
<b>Estates Projects</b>	<b>970</b>	<b>1,942</b>	<b>11,440</b>	<b>10,283</b>	<b>67</b>	<b>270</b>	<b>24,972</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>12,581</b>	<b>22,839</b>	<b>29,307</b>	<b>18,524</b>	<b>10,784</b>	<b>9,844</b>	<b>103,879</b>	
<b>CAPITAL PLAN FUNDING</b>								
Partner contributions	- 687	- 1,203	- 368	- 347	- 321	- 140	- 3,066	
General Capital Grant Funding	-	-	-	-	-	-	-	
Specific Capital Grant Funding	- 30	- 60	-	-	-	-	- 90	
Direct Revenue Funding	- 7,000	- 6,500	- 6,500	- 6,500	- 6,500	- 6,500	- 39,500	
Capital Reserves	- 4,602	- 13,601	- 4,563	-	-	-	- 22,766	
Earmarked reserves	-	-	- 290	-	-	-	- 290	
Capital Receipts	- 200	- 200	- 7,044	- 7,854	- 498	- 200	- 15,996	
Borrowing	- 62	- 1,276	- 10,542	- 3,822	-	-	- 15,702	
<b>TOTAL Grant Funding</b>	<b>- 12,581</b>	<b>- 22,840</b>	<b>- 29,307</b>	<b>- 18,523</b>	<b>- 7,319</b>	<b>- 6,840</b>	<b>- 97,410</b>	
<b>Deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,464</b>	<b>3,004</b>	<b>6,469</b>		

## Appendix D – Reserves Forecast

### Useable Reserves

	ACTUAL		FORECAST				
	Bal as at 31st March 2022	Bal as at 31st March 2023	Bal as at 31st March 2024	Bal as at 31st March 2025	Bal as at 31st March 2026	Bal as at 31st March 2027	Bal as at 31st March 2028
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Carry Forwards	770	500	500	500	500	500	500
Operations reserve	1,500	1,000	1,000	1,000	1,000	1,000	1,000
Specific revenue budget smoothing reserve		1,389	743	945	0	0	0
General revenue budget smoothing reserve		3,435	0	0	0	0	0
Overtime - liability for new ERP switch on	1,000	1,000	1,000	0	0	0	0
Buildings and sustainability	290	290	290	0	0	0	0
Transformation reserve	195	0	0	0	0	0	0
New PCC Fund	1,000	800	800	800	800	800	800
<b>DISCRETIONARY RESERVES</b>	<b>4,755</b>	<b>8,414</b>	<b>4,333</b>	<b>3,245</b>	<b>2,300</b>	<b>2,300</b>	<b>2,300</b>
SW ROCU (ASP Share)	262	104	104	104	104	104	104
Proceeds of Crime	1,086	1,109	1,048	1,073	1,082	1,076	1,053
DPR Reserves	370	370	330	289	249	208	168
Specific revenue grants	834	151	33	32	30	28	26
Hinkley Point	531	889	970	956	638	308	11
Road Safety	991	991	991	991	991	991	991
LRF Reserve	109	88	56	0	0	0	0
LRF Projects reserve	244	168	123	71	49	49	49
Victims and Commissioning	3,127	2,630	2,630	2,630	2,630	2,630	2,630
Miscellaneous Reserve	141	83	57	52	52	52	49
Regional Programme Reserve	290	0	0	0	0	0	0
Pension Fund McCloud	88	88	0	0	0	0	0
<b>NON-DISCRETIONARY RESERVES</b>	<b>8,073</b>	<b>6,671</b>	<b>6,342</b>	<b>6,198</b>	<b>5,825</b>	<b>5,446</b>	<b>5,081</b>
Capital Financing reserve	22,961	18,354	4,521	0	0	0	0
Capital earmarked reserves	236	236	0	0	0	0	0
PFI Change Reserve	457	457	457	457	457	457	457
PFI Sinking Fund Reserve	4,969	5,099	5,191	5,243	5,253	5,218	5,136
ESMCP Reserve	0	704	704	704	704	704	704
Capital Receipts Reserve	6,375	8,746	13,796	7,110	0	0	0
<b>CAPITAL AND PFI RESERVES</b>	<b>34,998</b>	<b>33,596</b>	<b>24,669</b>	<b>13,514</b>	<b>6,414</b>	<b>6,379</b>	<b>6,297</b>
Council Tax income guarantee	417	208	0	0	0	0	0
General Fund	12,000	12,000	12,000	12,000	12,000	12,000	12,000
<b>TOTAL Useable Reserves</b>	<b>60,243</b>	<b>60,889</b>	<b>47,344</b>	<b>34,957</b>	<b>26,539</b>	<b>26,125</b>	<b>25,678</b>