

**OFFICE OF THE POLICE & CRIME COMMISSIONER**

<b>TITLE:</b>	<b>Medium Term Financial Plan 2017/18 to 2021/22</b>
<b>DATE:</b>	<b>21<sup>st</sup> December 2016</b>
<b>TIMING:</b>	<b>Routine</b>
<b>PURPOSE:</b>	<b>For Consideration</b>

<b>1.</b>	<b><u>RECOMMENDATION</u></b>
1.1	To consider the updated Medium Term Financial Projections (MTFP) for 2017/18 to 2021/22.
<b>2.</b>	<b><u>INTRODUCTION &amp; BACKGROUND</u></b>
2.1	This report shows the group financial projections for the financial years 2017/18 to 2021/22, which identify a recurring deficit of £12.023m by 2021/22.
2.2	As part of the on-going Staying Ahead Programme, the financial projections therefore provide a requirement to deliver recurring efficiency schemes amounting to £12.023m.
2.3	The 2017/18 budget setting round is the second year of the 2015 Comprehensive Spending Review (CSR) which, in common with the preceding 2010 and 2013 CSR periods, has required the delivery of significant financial efficiencies and budget reductions. It is anticipated that this theme will continue for the life of this Parliament through subsequent CSRs. The Staying Ahead Programme was initiated to address these efficiency requirements and to the end of 2015/16, has delivered cumulative recurring savings of £37.719m. The 2016/17 savings target of a further £4.350m will be exceeded this year due to the continuing success of the Staying Ahead Programme.
2.4	The future financial challenge to 2021/22 is exacerbated by the Home Office's review of the Police Funding Formula. By way of background, once the overall size of the policing budget is determined by the Home Office (via the CSR), then the amount of funding provided to respective Commissioners is determined by the Police Funding Formula. It has been well publicised that the current formula is out-dated, overly complex, opaque and in need of review. Following a 'false start' to the review process during the latter half of 2015, the review is back on track and hoping to produce its findings by February/March 2017, with an implementation date of the 2018/19 financial year. Importantly however, early exemplifications from the Home Office received during 2015 (showing the effect of the then revised police funding formula being suggested), identified a £6m cut in Central Government Core Grant to Gwent. It could be expected therefore, that the Home Office will continue with their approach now that the review is back on track and from the 2018/19 financial year onwards, the Commissioner could be faced with a £6m cash cut in addition to the underlying cuts forecast from the effect of the Government's austerity programme. It is also likely that this cut will not be actioned in one fell swoop, but transitional arrangements will affect the cut

	over a number of financial years.
2.5	The MTFP report will also be presented to the Joint Audit Committee on the 21 <sup>st</sup> December 2016. Members will then consider and comment on the budget setting process as per the terms of reference of the Committee.
<b>3.</b>	<b><u>ISSUES FOR CONSIDERATION</u></b>
<b>3.1</b>	<b>Police Funding Announcement 2017/18</b>
3.2	On the 23 <sup>rd</sup> November 2016, the Chancellor of the Exchequer, Rt. Hon. Philip Hammond MP, announced the Autumn Statement 2016, confirming that the Government has scrapped its target to be in budget surplus by 2019/20, as measured by the Public Sector Net Borrowing figure. Although the deficit has been cut by almost two-thirds from its 2009/10 post war high of 10.1% of Gross Domestic Product (GDP) to 4.0% last year, borrowing and debt remain high and the Office for Budget Responsibility (OBR) has passed a judgment that the economic and fiscal outlook for the UK has deteriorated since the EU referendum. The connotation of this means that public finances will no longer reach a surplus by 2019/20.
3.3	In terms of what the Autumn Statement provided regarding the specific impact on police and crime, the only key message gleaned was that 'Departmental spending plans set out in the 2015 Spending Review were to remain in place'. This provides a degree of clarity in that it confirms the 'flat cash funding' expected for next financial year, assuming that locally determined precept increases are maximised. However, this position may be worsened if the Home Office decide to further allocate budgets to other non-policing pressures (e.g. Border Force) and/or top-slice to other areas of policing outside of Commissioner's budgets (e.g. Her Majesty's Inspectorate of Constabulary (HMIC), Independent Police Complaints Commission (IPCC), etc.).
3.4	The Provisional Police Settlement for 2017/18, which will provide the expected levels of Central Government Core Grant that individual Commissioners may receive, is not due to be announced until, at the earliest the 15 <sup>th</sup> December 2016.
3.5	The MTFP is therefore based upon estimated funding assumptions, which indicate a further reduction in the level of funding from the Home Office both in terms of year on year reductions and an anticipated revision to the Police Funding Formula.
3.6	The Home Office are yet to announce the level of capital funding for 2017/18.
<b>3.7</b>	<b>Council Tax Increases 2017/18 (Appendix 1a)</b>
3.8	The MTFP assumes that the Band D council tax precept will increase by 3.99% in 2017/18 and continue at this level throughout the projections. The Council Tax Base is assumed to be maintained at the growth rate for 2016/17 of 0.84%.
3.9	It has been assumed that there will be no further impact from the Council Tax Support Scheme in 2017/18.
3.10	The incremental impact of change to the growth in precept away from the projected growth rate of 3.99% is shown at Appendix 1a.

3.11	<b>Medium Term Financial Projections 2017/18 to 2021/22</b>
3.12	The current MTFP is shown at Appendix 1b. The detailed assumptions and service pressures/developments which support the projections are reflected at Appendices 2 to 3.
3.13	Members will note that although a small budgetary surplus could be achieved in 2017/18, this is to the backdrop of sustaining £7.480m of accelerated efficiency savings already accounted for in 2017/18. Moving forward, the estimated impact of the CSR 2015 and the Police Funding Formula review, coupled with internal assumptions beyond this, present further funding pressures. It is forecast therefore that this will form a recurring funding deficit of £12.023m by 2021/22.
3.14	<b>Funding Assumptions (Appendix 2)</b>
3.15	As confirmed above in paragraph 3.2, very little was indicated in the Autumn Statement about the direct impact upon police and crime funding. Therefore, due to the confirmation that CSR 2015 spending plans would remain in place (equating to at least a 0.57% cut p.a. in Central Government Core Grant for Commissioners), plus uncertainty over future Home Office pressures and potential top-slices for such things as the Police Transformation Fund and Emergency Services Network, the MTFP continues to reflect the assumption that Central Government Core Grant will reduce by 2.00% in 2017/18 and in each year through to the end of the MTFP. This will obviously be revised upon receipt of the Provisional Settlement in December 2016 and reflected in the Commissioner's Proposed Precept Report, which will be presented to the Police and Crime Panel on the 27 <sup>th</sup> January 2017.
3.16	Similar to above, the further financial impact and transitional arrangements from the revision of the Police Funding Formula are uncertain at this stage, therefore the MTFP reflects a further £6m reduction in funding, implemented at £2m per year between 2018/19 and 2020/21.
3.17	It is further anticipated that Home Office Specific Grants and Welsh Government Specific Grants will remain at levels consistent with the 2016/17 projections.
3.18	The Council Tax Precept is assumed to increase by 3.99% in 2017/18 and remain at that level of annual growth to the end of the MTFP. This is consistent with the growth rate in 2016/17 and the results of previous public consultation (further on-line public consultation will take place in December 2016 into January 2017). The Council Tax Base is assumed to increase at a rate consistent with the growth in 2016/17. No further impact of the Council Tax Support Scheme is anticipated before the end of the financial projections.
3.19	<b>Expenditure Assumptions (Appendices 2, 3 and 4)</b>
3.20	The pay and non-pay cashable efficiency savings generated in 2015/16 and those estimated for 2016/17 demonstrate that the Staying Ahead Programme has accelerated recurrent savings ahead of schedule and across all expenditure areas. It is planned that these savings can be recognised in the 2017/18 base expenditure budget and the MTFP reflects the impact of these savings. This places the group in a position that strengthens its risk

	awareness rather than continued risk aversion.
3.21	In terms of the largest area of spend therefore, Police Officer, Police Community Support Officer (PCSO) and Police Staff establishments have been set at authorised levels as determined by the Staying Ahead Programme.
3.22	The assumptions for pay awards, allowances, enhancements and non-staff inflation remain consistent with those used in the 2016/17 budget setting round, with the exception of pay awards, which are anticipated to increase by 1.00% in 2017/18, before rising to 1.50% in future years.
3.23	Base expenditure developments and service pressures that have been identified during the detailed budget preparation, which are not able to be absorbed within the existing budgets, have been incorporated. These are shown at sections 1 to 4 of Appendix 3. Future years reflect an estimate of the unknown pressures that will arise, to ensure that a more realistic assessment of the funding pressures is shown.
3.24	No additional revenue costs from capital investment have been reflected as yet, however this cannot be discounted as the respective Information and Communications Technology (ICT), Estate and Fleet Strategies are progressed and the pressure on the Commissioner's Reserves and other Committed Funds increases.
3.25	<b>Reinvested Efficiency Opportunities (Appendix 3)</b>
3.26	The underlying ethos of the Staying Ahead Programme is to deliver service improvement through transformational change, to meet current and future demand and deliver efficiency savings (both cashable and non-cashable).
3.27	Historically, the cashable efficiencies generated have been fully utilised in meeting current and future budgetary deficits as a result of the Government's austerity programme. However, with the exceptional success of the Staying Ahead Programme in improving the service (as independently verified by recent HMIC PEEL Inspections) and delivering cashable efficiency savings ahead of time; coupled with a 'less bad' funding settlement in 2016/17, has enabled the Commissioner and the Force to be in a position to reinvest cashable efficiencies into known emerging pressures and service developments.
3.28	These pressures and service developments are consistent with those identified within local, regional and national priorities identified through such things as the Commissioner's Police and Crime Plan and the Strategic Policing Requirement. They include addressing: <ul style="list-style-type: none"> <li>a) Visible and accessible local policing provision;</li> <li>b) Community Cohesion, for example, to understand and collaboratively address the recent public order events in Newport;</li> <li>c) Safeguarding the vulnerable in society, including tackling mental health and modern slavery;</li> <li>d) Child Sexual Abuse/Exploitation;</li> <li>e) Cyber enabled criminality including on-line fraud; and</li> </ul>

	f) The requirements of the Wellbeing of Future Generations Act.
3.29	In a recent workshop hosted by HMIC and attended by Commissioners, Chief Constables and Chief Finance Officers amongst others, both Brandon Lewis MP, Minister of State for Policing and the Fire Service and HMIC confirmed that the financial challenges facing Commissioners and the policing service are as acute as ever. In order to deal with the increasing volume and complexity of demand (as identified in paragraph 3.28 above), Commissioners and forces will need to develop an investment plan to build the capability and capacity of the police service to meet these demands and also commission external services (very much focussing on the 'prevention' agenda) to compliment the police response. This requirement is therefore reflected in the 2017/18 budget proposal.
3.30	Section 5 of Appendix 3 confirms the amount indicatively required for the above investment plan. The detailed resources and timescales required for delivery will be formalised before Christmas by Chief Officers and presented in the Commissioner's Proposed Precept Report on the 20 <sup>th</sup> January 2017.
3.31	The Staying Ahead Programme will continue to remain focused on delivering a new generation of savings schemes and maintaining a detailed schedule of planned work to review functions and departments across the whole of the organisation.
3.32	In recognising the accelerated savings in the projected 2017/18 estimated budget, the schedule of work will need to reflect the sustainability of these savings and set out the continued and future areas of review, to address the longer term funding imbalance. The savings plan will also be presented in the Commissioner's Proposed Precept Report on the 20 <sup>th</sup> January 2017.
3.33	<b>Value For Money Profiles 2016</b>
3.34	The Value For Money (VFM) profiles have been produced by HMIC for the past six financial years. The main purpose of these profiles is to help forces compare performance and costs. They are designed for use by force management, Commissioners as well as the HMIC. The comparisons are across all English and Welsh forces, but exclude the Metropolitan Police and City of London Police, due to their uniqueness of data.
3.35	The final profiles have been received and a detailed commentary will be presented in the Commissioner's Proposed Precept Report on the 27 <sup>th</sup> January 2017. However, initial recognition of the profiles provides a degree of confidence that the future budgetary recurrent deficit can be met.
3.36	<b>Financial Performance to 30<sup>th</sup> September 2016 (Appendix 5a)</b>
3.37	This Appendix shows the group financial performance as at 30th September 2016, which identifies savings of £2,246,000 against budget with a forecast saving of £1,766,000 at year end. As part of the Staying Ahead Programme, the 2016/17 budget proposal included a requirement for £4,350,000 of in-year efficiency schemes against the CSR target.
3.38	Police Officer Salaries and Allowances show total savings against budget of £1,867,000 (Appendix 5a, Line 1). The authorised budget reflects the new operating model, together with non-recurrent funding for transitional roles and the Staying Ahead Programme. As the programme advances, the non-

	recurrent posts will be rationalised and savings will be moved to the Identified Savings (Appendix 5a, Line 16).
3.39	At the end of September 2016, the actual Police Officer establishment stood at 1,170.29 wte, 17.71 wte below the authorised operating model of 1,188.0 wte. Further probationer school intakes are planned, which will enable the Force to achieve the authorised establishment by the end of the financial year, pending the outcome of the voluntary exit scheme. In reaching the authorised establishment, this will reflect the recruitment of 160 police officers during 2016/17.
3.40	Police Staff Salaries and Allowances show total overspendings of £663,000 (Appendix 5a, Line 2). This is the net position of savings from vacant posts from being below the current authorised establishment (£672,000), which has been offset by redundancy and lieu of notice payments (£1,313,000) arising from the implementation of new operating structures, as part of the Staying Ahead Programme. The additional overspending (£23,000) is primarily due to Tutor Payments within the First Point of Contact Centre (£8,000) and Holiday Pay entitlements (£15,000) as a result of the Bear Scotland high court ruling. Additional savings and termination payments are anticipated during 2016/17. Savings through structure remodelling will be recognised as recurring efficiencies and moved to the Identified Savings (Appendix 5a, Line 16).
3.41	At the end of September 2016, the actual establishment stood at 705.17 wte (including 101.0 wte Welsh Government funded PCSOS and 30.47 wte Force funded PCSOs), against the current authorised establishment of 840.37 wte. The vacancies are partly offset by 27.00 wte temporary agency staff currently in Force.
3.42	At the end of September 2016, the PCSO Salaries and Allowances showed savings of £399,000 which are as a result of being 38.53 wte below the authorised establishment of 170.00 wte. The current vacancies; those that are anticipated during the year and also planned recruitment of 20.00 wte, will enable the planned target of 130.00 wte to be achieved by the end of the financial year.
3.43	Police Officer Overtime and Enhancements is in line with budget as the overtime worked continues to be scrutinised by the Chief Officer Team to understand the cause and effect. The delegated budgets are overspent by £107,000 (Appendix 5a, Line 16) to the end of September 2016 whilst a contingent budget of £363,000 is held by Chief Officers and to date, no allocations have been issued.
3.44	At the end of September 2016, Police Staff and PCSO Overtime and Enhancements showed combined savings of £216,000. These reflect a minor overspending on Overtime of £27,000 and significant savings of £243,000 relating to enhancement savings arising from vacant posts.
3.45	Other Employee Related Costs (Appendix 5a, Line 7) show overspendings of £246,000 to the end of the month. Savings have been made in relation to Medical Costs (£28,000) and Training costs (£7,000), but these have been offset by overspendings in relation to Police Injury Pensions (£119,000), Police Medical Retirements (£91,000), Police Injury Gratuity Payments (£25,000), Recruitment (£8,000) and Employee Insurance Premiums

	(£41,000).
3.46	Premises Costs show savings of £166,000 (Appendix 5a, Line 8). This reflects savings in Utilities (£105,000), Waste Management (£60,000), Rent and Rates (£77,000), Maintenance Contracts (£17,000), and Insurance (£17,000). These are partially offset by overspending in Property Maintenance (£110,000), which is predominately due to dilapidation settlements on the ending of the lease for Block A, Mamhilad (£92,000). Some of these savings are due to timing, but all of these variances will be monitored throughout the year to identify recurring saving opportunities.
3.47	Transport Costs (Appendix 5a, Line 9) show savings of £150,000. The main contributors are Fuel Costs (£88,000), Fleet Repairs (£60,000), Police Vehicle Recovery (£26,000) and Vehicle Hire (£16,000). These are partially offset by overspendings on Insurance (£18,000), Mileage (£12,000), Helicopter Service charges (£5,000) and Travel and Subsistence (£5,000).
3.48	At the end of September 2016, Supplies and Services show savings of £303,000 (Appendix 5a, Line 10). The principal areas of savings are Uniforms (£104,000), Airwave (£97,000), Printing, Postage and Stationery (£57,000), Forensic Science (£50,000), Equipment (£42,000), Telephone Investigation (£24,000), Professional Services (£20,000) and Pathology (£19,000). These are partly offset by overspending on Insurance Premiums (£58,000), Software (£33,000), Ancillary Computer Costs (£12,000), and Hardware (£13,000). Some of these variances are considered to be due to timing, but all areas will be monitored throughout the year.
3.49	The 2016/17 budget included a requirement for £4,350,000 of efficiency scheme savings to be achieved. The majority of these have been mapped into the expenditure headings; however, £1,387,000 of savings could not be specifically identified against budget areas and are therefore reflected in Identified Recurring Savings (Appendix 5a, Line 16). As these saving schemes are fully identified during the year, the appropriate budgets will be reduced.
3.50	Investment Income shows a surplus of £7,000 to the end of the month. Whilst there are higher than anticipated cash balances, the position reflects the reduced level of returns through the avoidance of risk in choosing investment opportunities.
3.51	At the end of September 2016, Other Income showed surpluses of £156,000. The main contributors to this are Police Specific Prosecutions (£134,000), Home Office Incentivisation Scheme (£36,000), Firearms Licensing (£28,000), Miscellaneous Income (£14,000), Reports (£13,000), Rental Income (£11,000), Vehicle Recovery (£10,000), sale of scrap from Seized Vehicles (£8,000), and Speed Awareness (£5,000). These are partly offset by Income Generation (£87,000), Vehicle Sales (£10,000) and Abnormal Loads (£6,000). These variances will be monitored throughout the year.
3.52	<b>Forecast Outturn</b>
3.53	The forecast outturn indicates that overall savings for the financial year will be £1,766,000 (Appendix 5a, Line 33). The main contributing areas to this forecast are detailed below.
3.54	It is anticipated that Police Officer Salaries and Allowances will generate a

	saving of £2,503,000 (Appendix 5a, Line 1). This is primarily due to the Force being below the authorised officer establishment. It is currently 30.83 wte below the authorised level. However, the planned recruitment of a further 80 wte probationer constables (80 wte already recruited to date this financial year), will take the establishment into surplus by the end of the financial year – offsetting the current shortfall and forecast leavers through natural wastage (13 wte) and the Voluntary Exit Scheme (30 wte).
3.55	Police Staff Salaries and Allowances (Appendix 5a, Line 2) are anticipated to overspend by £132,000. The actual staff establishment currently stands at 93.44 wte below the authorised level; this is predicted to grow in the Flight Path projections to 119.26 wte by the end of the financial year. These vacancies will contribute significant recurrent savings, however the one-off costs associated with the implementation of new operating models under the Staying Ahead Programme (Redundancy Payments and Pension Capital Costs) outweighs the savings this financial year.
3.56	A saving of £1,145,000 is currently forecast for PCSO Salaries and Allowances (Appendix 5a, Line 3). The Force is currently below the authorised establishment by 38.53 wte PCSOs. It is planned that an establishment of 130.0 wte will be maintained through a recruitment process towards the end of the calendar year, which will offset further anticipated leavers and allow the establishment plan to be achieved.
3.57	Police Officer Overtime and Enhancement payments are forecast to produce savings of £190,000 (Appendix 5a, Line 4). This reflects the offsetting of delegated overspendings by the Chief Officer contingent budget.
3.58	Police Staff and PCSO Overtime and Enhancements are estimated to save £450,000 (Appendix 5a, Lines 5 and 6) which is in line with expenditure incurred to date.
3.59	The underlying position for Other Employee Related Costs (Appendix 5a, Line 7) is a forecasted overspending of £383,000. The main areas of anticipated savings are Course Fees and Training (£74,000) and Medical Schemes (£28,000); however, these are more than offset by overspendings on the Police Pension Scheme (£421,000), Employee Insurance (£41,000) and Recruitment Costs (£23,000). Above this underlying position, a further £2,000,000 is forecast, to offset the financial implications of the current triennial review of the Greater Gwent Local Government Pension Scheme (LGPS), administered by Torfaen County Borough Council on behalf of the Chief Constable and the Police and Crime Commissioner. The review has been ongoing since the start of this financial year and is scheduled to be completed by November 2016. Employer representatives of LGPS members will be informed of the impact of the review on 13 <sup>th</sup> December 2016. However, early informal indications show that future employer contribution rates will rise, therefore this investment will mitigate the impact of future rate rises. This decision will be subject to a separate business case to be considered by both Corporations Sole.
3.60	Premises Costs (Appendix 5a, Line 8) are expected to generate savings of £307,000. This comprises of savings on Utilities (£227,000), Cleaning and Waste Management (£86,000), Rent and Service Charges (£43,000), Contracted Services (£22,000) and Building Insurance (£3,000). This is

	partly offset by anticipated overspending on Building Repairs and Maintenance (£90,000).	
3.61	Transport Costs are forecast to save £546,000 (Appendix 5a, Line 9). This is primarily due to savings on Petrol and Diesel (£280,000), Helicopter (£200,000), Spares, Repairs and Tyres (£49,000), Vehicle Recovery (£49,000) and Vehicle Hire (£35,000). These are offset by anticipated overspends on Mileage Allowances (£36,000), Vehicle Insurance (£38,000) and Fares and Subsistence (£13,000).	
3.62	Supplies and Services (Appendix 5a, Line 10) are forecast to make savings of £920,000. The main contributing areas of savings are:	
		£
	a) Professional Services	175,000
	b) Scientific Testing	155,000
	c) Communications	131,000
	d) Computer Hardware and Software	108,000
	e) Postage, Printing and Stationery	103,000
	f) Insurance Costs	66,000
	g) Uniform	65,000
	h) Operational Equipment	37,000
	i) Operational Expenses	27,000
	j) Police Surgeons	25,000
	k) Hospitality Expenses	20,000
	l) Subscriptions	20,000
	m) Dangerous Dogs	11,000
	n) Police Dogs	8,000
	o) Vehicle Recovery	6,000
	These are, however, partially offset by forecast overspendings in the following areas:	
		£
	a) Ancillary Expenses	26,000
	b) Non-Operational Equipment	17,000
3.63	It is anticipated that the Major Incident Fund will break even (Appendix 5a, Line 11), however, this is highly dependent upon operational demand and could potentially experience significant change.	
3.64	Pro-active Operational Initiatives (Appendix 5a, Line 12), is forecast to save £80,000, however, this too is highly dependent upon operational demand and could potentially experience significant change.	
3.65	Contributions to Police ICT Company and national systems (Appendix 5a, Line 13) is forecast to save £80,000. This is due to a change in contribution	

	levels which arose after the 2016/17 budget was confirmed.	
3.66	Capital Charges are forecast to overspend by £2,963,000 by year-end (Appendix 5a, Line 14). The major contributor to this (£3,000,000) reflects the intention to repay a significant proportion of the Commissioner's debt. The Commissioner's debt position is carefully managed through his annual Treasury Management Strategy and associated mid-year and annual reviews. For a number of years, the intention to repay debt has been considered and reported, but the recurrent benefits have been marginal. However, pending any further reduction in interest rates, the Commissioner's current Treasury Management position facilitates the early repayment of debt, thereby providing interest payment savings of nearly £250,000 per annum moving forward.	
3.67	The Staying Ahead Programme has delivered accelerated savings ahead of the budgeted plan for 2016/17. At present, Identified Recurring Savings (Appendix 5a, Line 16) is forecast to deliver savings of £1,162,000 ahead of plan – these are primarily through restructuring of Police Officer and Police Staff posts.	
3.68	Investment Income (Appendix 5a, Line 17) is forecast to deliver a small surplus of £10,000. This reflects the higher than anticipated cash balances throughout the year.	
3.69	Other Income (Appendix 5a, Line 18) is forecast to produce a surplus of £138,000. The main contributing areas of this surplus are:	
		£
a)	Specified Police Proceedings	260,000
b)	Miscellaneous Income	60,000
c)	Training	50,000
d)	Reports	24,000
e)	Rental Income	11,000
f)	Speed Awareness Training	10,000
g)	Firearms Licensing	10,000
h)	Special Duties	10,000
i)	Vehicle Recovery	9,000
j)	Scrappage of Seized Vehicles	8,000
	The above savings are offset by the following anticipated shortfalls:	
		£
a)	Income Generation	174,000
b)	Disposal of Assets	50,000
c)	Mutual Aid	50,000
d)	Grant Income	33,000
e)	Immigration Detainee Income	10,000

3.70	When the 2016/17 Revenue Budget was originally set, it was planned that a contribution from Earmarked Reserves (Appendix 5a, Line 30) would be needed to deliver the Staying Ahead Programme. The forecast savings, particularly in terms of staffing, mean that this non-recurrent funding will not be needed, and is therefore showing as a shortfall of funding (£834,000).
3.71	The enhanced scrutiny of the insurance provision has meant that a number of anticipated claims have been resolved, with reduced or nil cost to the organisation. This has resulted in the release of non-recurrent monies (£438,000) into the revenue position.
3.72	The savings that are forecast, present the Police and Crime Commissioner with usable funds that can be used to facilitate a number of developments, which will provide longer term benefits and value for money opportunities. Upon confirmation of the opportunities, these will be reflected in future forecast projections.
3.73	<b>Control Account Reconciliations</b>
3.74	The financial performance and forecast outturn processes are reliant on the accuracy and validity of the information held within the financial systems. One aspect of this is the control account reconciliations. These are largely completed up to the end of Month 5 and it is planned to get up to date for Month 7.
3.75	<b>Virement Summary</b>
3.76	No new virement requests have been made in the year to date.
3.77	<b>Capital Programme (Appendix 5b)</b>
3.78	The Revised Annual Budget on proposed schemes for 2016/17 is £5,202,000.
3.79	The Programme for 2016/17 will be funded from Home Office funding in the form of Capital Grant and Innovation Fund Grant, combined with Specific Earmarked Reserves and a Revenue Contribution.
3.80	Expenditure to date amounted to £734,000 of which £561,000 to Information Systems, £94,000 related to Force Projects, £75,000 to Vehicle purchases and £4,000 to Estates Schemes.
3.81	<b>Reserves and Committed Funds (Appendix 6)</b>
3.82	Appendix 6 provides a forecast summary of the Commissioner's Reserves and Committed Funds to 2020/21. This reflects all movements that can currently be estimated, including the delivery of the Commissioner's Capital Strategies. This forecast will be further refined following confirmation of the Capital Programme and the central funding for 2017/18.
3.83	<b>Outstanding Issues and Unquantifiable Risks</b>
3.84	Whilst the MTFP is designed to reflect the most up to date intelligence, a number of outstanding issues and unquantifiable risks remain, which cannot currently be reflected. In summary these are: a) Confirmation of the Provisional Central Government Funding; b) The impact of any future review of the Funding Formula;

	<p>c) Confirmation of the Council Tax Bases for 2017/18;</p> <p>d) Future delivery of the Staying Ahead Programme;</p> <p>e) Emerging cost pressures; and</p> <p>f) Unplanned initiatives and the international dimension particularly post Brexit.</p>
3.85	<b>Capital Programme 2016/17 (Appendix 7)</b>
3.86	The initial 2016/17 Capital Programme is shown at Appendix 7, and will be refined as the ICT, Fleet and Estate Strategies are confirmed. All of the schemes currently proposed aim to deliver long-term benefits to the organisation, i.e. appropriate estate provision, fit for purpose fleet, maximum returns on ICT investment. However, due to the current level of capital grant, it will be necessary to utilise Committed Funds and also potentially undertake future borrowing to ensure sufficient funding is available.
<b>4.</b>	<b><u>NEXT STEPS</u></b>
4.1	The financial planning process will continue for both the Revenue and Capital budgets in line with the 2017/18 Budget Setting Timetable, presented and confirmed by the Joint Audit Committee on the 15 <sup>th</sup> September 2016. Receipt of the provisional settlement in December will greatly crystallise the position and better inform the budget setting process.
<b>5.</b>	<b><u>FINANCIAL CONSIDERATIONS</u></b>
5.1	These are detailed in the report.
<b>6.</b>	<b><u>PERSONNEL CONSIDERATIONS</u></b>
6.1	The successful delivery of a balanced recurring budget will have significant staffing and personnel issues, which form part of the implementation of the Staying Ahead Programme. The realisation of vacancies through natural wastage is key to the delivery of savings and this is closely monitored on a regular basis. Slippage or non-attainment of anticipated natural wastage may require other options to be considered.
<b>7.</b>	<b><u>LEGAL IMPLICATIONS</u></b>
7.1	There are no legal implications arising from this report.
<b>8.</b>	<b><u>EQUALITIES AND HUMAN RIGHTS CONSIDERATIONS</u></b>
8.1	This report has been considered against the general duty to promote equality, as stipulated under the Strategic Equality Plan and has been assessed not to discriminate against any particular group.
8.2	In preparing this report, consideration has been given to requirements of the Articles contained in the European Convention on Human Rights and the Human Rights Act 1998.
<b>9.</b>	<b><u>RISK</u></b>

9.1	<p>The risks relating to this report are being managed through the Staying Ahead Programme and are detailed below:</p> <p>a) Financial:</p> <ul style="list-style-type: none"> <li>i. Ongoing austerity and the Police Funding Formula Review;</li> <li>ii. Loss of 'assumed' precept income;</li> <li>iii. Impact of the localisation of council tax support;</li> <li>iv. Withdrawal of funding by partners (Home Office, Welsh Government and Local Authorities);</li> <li>v. Increased 'last resort' demand due to others withdrawing service; and</li> <li>vi. Failure of Government to deliver on national issues (e.g. pay bill, de-cluttering).</li> </ul> <p>b) Organisational:</p> <ul style="list-style-type: none"> <li>i. Partners re-trench from collaborative ventures (Welsh Government settlement); and</li> <li>ii. Failure of key efficiency schemes to deliver.</li> </ul> <p>c) Societal:</p> <ul style="list-style-type: none"> <li>i. Emergent complex crime types and increased safeguarding requirements;</li> <li>ii. Increased crime, ASB and incidents due to economic and political climate; and</li> <li>iii. Lack of staff turnover due to limited job opportunities.</li> </ul>
<b>10.</b>	<b><u>PUBLIC INTEREST</u></b>
10.1	This is a public document.
<b>11.</b>	<b><u>CONTACT OFFICER</u></b>
11.1	Darren Garwood-Pask, Chief Finance Officer.
<b>12.</b>	<b><u>ANNEXES</u></b>
12.1	Appendix 1a – Estimated Impact of Incremental Precept Changes 2017/18
12.2	Appendix 1b – Medium Term Financial Projections 2017/18 to 2021/22
12.3	Appendix 2 – Medium Term Financial Projections 2017/18 to 2021/22 – Budget Assumptions
12.4	Appendix 3 – Identified Budget Developments
12.5	Appendix 4 – Estimated 2017/18 Budget (Subjective Analysis)

12.6	Appendix 5a – Group Financial Revenue Performance to September 2016
12.7	Appendix 5b – Group Financial Capital Performance to September 2016
12.8	Appendix 6 – Commissioner’s Reserves and Committed Funds
12.9	Appendix 7 – Capital Programme 2017/18 to 2021/22