

## **POLICE AUTHORITY MEETING – 29 JULY 2010**

### **UPDATED MEDIUM TERM FINANCIAL FORECAST TO 2015**

#### **REPORT BY TREASURER, CHIEF CONSTABLE AND CHIEF EXECUTIVE**

##### **Introduction**

1.1 The Police Authority agreed the Medium Term Financial Forecast (MTFF) for the period 2010-15 in February 2010. The Resources Scrutiny Committee has already received the first of a series of regular updates on financial planning assumptions during the year; this report provides the first update for the Authority.

This report sets out:

- the latest MTFF for revenue and capital
- the latest planning assumptions
- progress towards the savings target for 2011-15
- the approach to budget planning for next year
- an update on reserves

##### **Background**

- 2.1 The current year, 2010-11 is the final year of the current Comprehensive Spending Review (CSR). Whilst funding is uncertain, real term and cash reductions to non-protected departments of 25% (on average) for the four years upto 2015 have been announced. The Home Office falls in this category.
- 2.2 The Police Minister has confirmed reductions in grant funding for the current year of £2.4m for revenue and £0.2m for capital. This saving will be in addition to any savings required to cover any future funding gap.
- 2.3 As well as funding reductions the Force faces cost pressures mainly pay related; pay awards, pay increments, national insurance and pension increases, but also on inflation and other specific operational cost pressures and funding streams.
- 2.4 The government has made a number of policy announcements with financial implications for Police Authorities, most notably a commitment to council tax freezes. We are awaiting detailed announcements to assess the impact on the medium term financial strategy.
- 2.5 In addition to real terms funding reductions, the new government announced in the emergency budget on 22 June a lower than expected increase in employers national insurance and a 2 year pay freeze for public sector workers. All of these factors are taken into account in the latest MTFF.
- 2.6 The outcome of the Comprehensive Spending Review will be known on the 20 October. This will provide a more detailed picture of funding for government departments next year and the medium term. Actual figures are likely to be released for individual police authorities and local authorities in late November /early December.

## Latest Planning Assumptions

- 3.1 The updated MTFF including key assumptions, sensitivity analysis, risks and pressures is attached at Appendix A. To aid national comparisons, ACPO have agreed a number of common assumptions and planning scenarios. These have been incorporated where appropriate in the latest MTFF.
- 3.2 Three planning options are set out offering an increasingly pessimistic view of the financial landscape. The Treasurer and Chief Constable propose that the mid case option is used for planning purposes.

### MTFF Options

<u>Current Assumption</u>	<u>Mid Case Scenario</u>	<u>Worst Case Scenario</u>
Shortfall 2014-15      £34m 2011-12      £11m  Based on <ul style="list-style-type: none"> <li>• 2.5% Council Tax</li> <li>• 10-15% reduction in police grants</li> <li>• various pay and pension pressures</li> <li>• inflation 2%</li> </ul>	Shortfall 2014-15      £52m 2011-12      £14m  Based on <ul style="list-style-type: none"> <li>• 2.5% Council Tax</li> <li>• 17.5% cash reduction in all grants</li> <li>• various pay and pension pressures (pay freeze for 2 years)</li> <li>• Inflation 3%</li> </ul>	Shortfall 2014-15      £76m 2011-12      £21m  Based on <ul style="list-style-type: none"> <li>• 0% Council Tax</li> <li>• 25% cash reduction in all grants</li> <li>• various pay and pension pressures (pay freeze for 2 years)</li> <li>• inflation 5%</li> </ul>

- 3.3 ACPO assumptions take a more pessimistic view on inflation and precept increases and form the basis for the worst case scenario. The assumptions used in the mid and worst case models are attached at Appendix B.
- 3.4 The updated forecast shows the current forecast plus two options, both revealing a significantly increased requirement for savings over the next four years. The Mid case assumes a 17.5% cash reduction (equivalent to a real terms reduction of 25%). The Worst case assumes a 25% cash reduction in total grant funding. (Equivalent to a real terms reduction of 33%). These are in line with announcements in the budget on 22 June and subsequent interpretation of how these could translate into police funding.
- 3.5 Assumptions agreed in February produced a shortfall in funding of over £30m over four years 2010-15, the forecast reported to the RSC indicated an increase to £34m. This increases to £76m under worst case planning assumptions. The underlying position, assuming a funding freeze after 2015, is for on-going savings requirement of £9m per year.

## Estimated Funding Shortfall

	2011-12	2012-13	2013-14	2014-15	Total
	£m	£m	£m	£m	£m
MTFF (Feb 2010)	11.4	6.9	5.9	5.9	<b>30.1</b>
MTFF v1.1 (May 2010)	11.4	7.3	7.3	8.3	<b>34.3</b>
Mid case position	14.8	10.5	12.2	14.7	<b>52.2</b>
% of annual budget	5.62%	4.03%	4.80%	5.87%	<b>19.6%</b>
Worst case position	21.1	16.4	17.6	20.7	<b>75.8</b>
% of annual budget	8.10%	6.59%	7.35%	8.93%	<b>29.2%</b>

- 3.6 The forecast has changed due to the inclusion of more severe reductions in all core and specific grants. Changes in any of the assumptions will impact on the funding shortfall and level of savings required up to 2015. A sensitivity analysis showing the impact of any variation in assumptions is included at Appendix C.
- 3.7 In addition to the potential grant reductions, announcements on the detail of how the new government intends to 'support' authorities to achieve a Council Tax freeze for 2011-12 and potentially 2012-13 are still to be made. The worst case scenario for the MTFF assumes a Council Tax freeze not matched with any additional funding support up to 2013.
- 3.8 A summary of the potential impact of the above proposals on the MTFF compared to current assumptions is set out below.

Precept	Grants
Council Tax current assumption 2.5% (1.5% council tax = £1.4m) (0% council tax = £2.4m)	Assumptions of reductions in core/specific grants (equally spread over 4 years) (17.5% reduction = £54m) (25% reduction = £87m)

### Other Budget Risks and Pressures

- 4.1 The MTFF does not include a number of known potential costs and/or funding risks with respect to:
- introduction of the carbon trading scheme;
  - additional funding to meet identified backlog maintenance gap
  - one off cost associated with planning and resourcing for the 2012 Olympics.
  - on-going costs of implementing national IT systems;

- 4.2 The likelihood, impact and justification of the above and any other significant pressures or proposed investments will be assessed during the budget build for 2011-12 and alternative funding or mitigation considered. Any agreed additional costs or investment included in the MTFF will increase the funding shortfall. An assessment of the potential costs is attached at Appendix C.

### Serving Sussex 2015

- 5.1 The approach being taken to address the funding position over the medium term is through a joint strategic approach with the Police Authority and Sussex Police to determine what policing should look like in 2015 and beyond within the likely funding available. Reports will be brought to future meetings of the Authority.
- 5.2 The governance structure for Serving Sussex 2015 has been agreed by the Police Authority and outcomes and options will be presented in the autumn. It is anticipated that financial savings from the work programmes will arise only in part in 2011-12.

### Spending Wisely

- 6.1 Work is continuing to identify all current proposed efficiencies and savings for 2011-12 and beyond that can be used to bridge the latest funding gap to 2015. The current estimated firm savings proposals as shown at Appendix D and summarised below.

#### Spending Wisely Savings

	2011-12	2012-13	2013-14	2014-15	Total
	£m	£m	£m	£m	£m
<b>Total Savings Identified</b>	9.7	2.2	0.3	0.3	12.5
Savings Requirement (Mid Case)	14.8	10.5	12.2	14.7	<b>52.2</b>
Savings Gap/(surplus)	<b>5.1</b>	<b>8.3</b>	<b>11.9</b>	<b>14.4</b>	<b>39.7</b>

- 6.2 The firm saving proposals represent all those areas where initial or final business cases have been agreed and implementation plans are being prepared.
- 6.3 Other identified savings represent a mixture of provisional estimates and target amounts, all of which are subject to business case assessment and approval. These include on-going work on Quest volume crime and case management, Finance and Business Review, collaboration and contract reviews. Some of these proposals may require further investment, not currently agreed within the 2010-11 budget, in order to be achieved. These and further areas of work on-going for 2011-12 are show at Appendix D.
- 6.4 In addition to the above further work on the Spending Wisely Programme is being undertaken as agreed by Chief Officers on
- Divisional and Department saving proposals from budget holders, force wide spending reviews including star chamber scrutiny process and some specific zero based budget reviews

- other proposals generated from direct involvement with officers and staff
- review of non-delegated budgets

6.5 Budget proposals will be considered and scrutinised by the Force Strategic Boards and the Force Executive Board and updates provided to the Resources Scrutiny Committee and full Police Authority during the remainder of 2010.

### Budget Planning

- 7.1 The budget setting approach for 2011-12 will be significantly different to previous years in that we will be working toward a cash planning target linked to savings requirement as set out above.
- 7.2 This means the approach will be focussed on reducing baseline budgets with no opportunity for developments. Business critical unavoidable cost pressures will be scrutinised to ensure only those of forcewide impact are considered.
- 7.3 A report on the finalised approach will be brought to the October Authority meeting, followed by an options paper in December when the outcome of the CSR will be known.

### Capital Budget

- 8.1 The 3 year Capital programme was agreed by the Police Authority at its meeting in February and set out the prioritised investment plans, and the expected performance outcomes, from the Authority's estates, fleet, information systems and protective services equipment.
- 8.2 Following decisions by the Authority on the capital budget outturn for 2009-10 the capital programme for 2010-11 has been reviewed and re-prioritised (included in the budget monitoring report on the agenda) This has a subsequent impact of the profile of schemes for the remainder of the current three year capital programme. Despite current programme slippage and re-profiling there is insufficient capital reserves and capital receipts to sustain the current programme beyond 2013-14.

The reprofiled programme is attached at Appendix E.

- 8.3 The latest capital strategy covers the period to 2014 and totals £42m. Based on current funding sources, approved borrowing and assumptions on the level of capital grant, there is an estimated funding shortfall in 2013-14 of £1.4m.

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	Total £'000
Estates Strategy	3,424	5,655	250	-	9,329
Information Systems Strategy	3,842	3,664	3,785	3,160	14,451
Fleet Strategy	3,001	3,187	3,199	3,467	12,854
IMPACT Programme	952	1,568	-	-	2,520
Finance Systems	25	-	-	-	25
Estates Other	200	-	-	-	200
ANPR	229	160	160	-	549
TSU	374	350	351	351	1,426
Digital Interview Recording	465	-	-	-	465
<b>STRATEGY TOTALS</b>	<b>12,512</b>	<b>14,584</b>	<b>7,745</b>	<b>6,978</b>	<b>41,819</b>

- 8.4 The level of ongoing funding assumes £1.8m from the revenue base budget and a continuing level of capital grant of around £3.1m. There is a risk around the level of future grant, following the finalisation of the CSR this year.

- 8.5 The potential reduction in capital grant and the forecast funding shortfall means tougher tests need to be considered for the capital programme. Stricter criteria for approval and prioritisation will be needed potentially giving greater weighting to schemes which deliver the best return on investment.
- 8.6 It is proposed that schemes should meet a basic threshold in order to be considered for the programme based on cashable savings/benefits, operational critical, statutory obligations, strategic fit, partnership/collaboration fit. Schemes will be prioritised according to a scoring matrix based on return on investment and how operational/business critical.
- 8.7 Applying a standard assessment across all capital schemes will ensure the Authority maximises the use of scarce resources and invests in schemes that clearly deliver tangible benefits.
- 8.8 The capital strategy, including financing options to 2015 will be considered at the December meeting of the Authority. Strategic Boards have considered asset management plans as part of the capital strategy process.

## **Reserves**

- 9.1 The overall level of reserves remains healthy and is at a higher level than previously assumed. Following 2009-10 budget outturn, the level of general balances was £9.9m or 3.79% of net revenue expenditure at 31 March.
- 9.2 Total usable reserves are forecast to stand at £41m at 31 March 2011 with the combined total for non-earmarked reserves (general, asset replacement and major change) at £17m. The operational contingency stands at £2.2m, enabling the Force to deal with a very significant incident outside of the day to day budget.
- 9.3 All reserves will be reviewed to identify the potential for reallocation and a report taken to the October Authority meeting. Reserves will be included in the budget build to ensure we maintain the optimum level of specific and general reserves for medium term planning requirements.

## **Conclusion**

- 10.1 The potential scale of the financial challenge facing Sussex Police has dramatically increased following the emergency budget and announcements on the potential reductions in Government Department funding. The full extent of the funding shortfall is still uncertain and will not be fully known until the completion of the CSR in the autumn.
- 10.2 The Serving Sussex Programme is setting the strategic direction for the Force, by determining what Sussex Police should look like in 2015 and beyond within available funding. The shorter term savings options are being identified as part of the Spending Wisely workstream. Progress has been made in identifying all of the in year budget savings required for 2010-11 and some of the estimated savings requirement for 2011-12. Significant further work is taking place over the summer and autumn to finalise savings options to be delivered next year. A review of all capital schemes due to start in 2011 onwards is currently taking place.

10.3 Further updated reports on the MTFP will be submitted to the Resources Scrutiny Committee during the year. The initial budget 2011-12 budget planning report will be considered by the Police Authority in October. The December meeting will consider a budget options paper and the Capital Strategy.

**RECOMMENDED** - that

The assumptions and approach for Medium Term Financial Planning is agreed.

RICHARD HORNBY  
Treasurer

MARTIN RICHARDS  
Chief Constable

JOHN GODFREY  
Chief Executive

Contact: Mark Baker, Director of Finance

Tel: 01273 404008

Email: [mark.s.baker@sussex.pnn.police.uk](mailto:mark.s.baker@sussex.pnn.police.uk)

## Medium Term Financial Forecast Summary (Current)

	2011-12	2012-13	2013-14	2014-15
<b>Approved Base Budget</b>	<b>260,749</b>	<b>260,478</b>	<b>260,597</b>	<b>260,787</b>
	£000's	£000's	£000's	£000's
<b>Pay Related</b>				
Police pay award	1,731	836	864	893
Police Staff pay award	1,352	854	879	906
Increment changes - Officers and Staff	2,008	2,350	2,397	2,458
Police Officer allowance changes	196	88	91	93
Additional National Insurance	1,322			
Employers Police Staff pension contribution	757	784	807	832
Employers Police Officer pension contribution	1,870			985
Police Pension Volume Changes	341	374	382	391
	<b>9,577</b>	<b>5,286</b>	<b>5,420</b>	<b>6,558</b>
<b>Non Pay Related</b>				
Price Inflation	979	972	955	908
RART/RIU contribution	359			
Capital Financing Charges	60			
<b>Non Pay</b>	<b>1,398</b>	<b>972</b>	<b>955</b>	<b>908</b>
<b>Funding Changes</b>				
Reduction in specific grants	1,140	1,143	1,095	1,050
Reversal of 2010-11 one-off costs	(1,020)			
	<b>120</b>	<b>1,143</b>	<b>1,095</b>	<b>1,050</b>
<b>Additional Costs</b>	<b>11,095</b>	<b>7,400</b>	<b>7,471</b>	<b>8,516</b>
<b>Savings/Efficiencies/Income</b>				
Savings Identified	(9,681)	(2,154)	(332)	(351)
Savings Requirement	(1,685)	(5,126)	(6,948)	(7,899)
<b>Total Savings and Efficiencies</b>	<b>(11,366)</b>	<b>(7,280)</b>	<b>(7,280)</b>	<b>(8,250)</b>
<b>Net Change in Costs</b>	<b>(271)</b>	<b>119</b>	<b>190</b>	<b>265</b>
<b>Budget Requirement</b>	<b>260,478</b>	<b>260,598</b>	<b>260,788</b>	<b>261,053</b>
<b>Source of Funds</b>				
Home Office Grant	99,744	97,414	95,084	92,754
Formula Grant	71,983	71,984	71,985	71,986
Collection fund	(243)	(243)	(243)	(243)
Council Tax Precept	88,994	91,443	93,962	96,556
<b>Total Available Resources</b>	<b>260,478</b>	<b>260,598</b>	<b>260,788</b>	<b>261,053</b>

## Medium Term Financial Forecast Summary (Mid Case Option)

### 17.5% cash reduction in Grants

	2011-12	2012-13	2013-14	2014-15
<b>Approved Base Budget</b>	<b>260,749</b>	<b>255,195</b>	<b>250,367</b>	<b>245,924</b>
	£000's	£000's	£000's	£000's
<b>Pay Related</b>				
Police pay award	1,542		1,539	2,696
Police Staff pay award	1,045	300	1,010	1,570
Increment changes - Officers and Staff	1,516	1,812	1,836	1,897
Police Officer allowance changes	196	88	91	93
Additional National Insurance	232			
Employers Police Staff pension contribution	754	772	797	827
Employers Police Officer pension contribution	1,833			963
Police Pension Volume Changes	341	372	376	385
	<b>7,459</b>	<b>3,344</b>	<b>5,649</b>	<b>8,431</b>
<b>Non Pay Related</b>				
Price Inflation	1,244	1,244	1,215	1,302
RART/RIU contribution	359			
Bank Holiday Overtime	200	133		
Capital Financing Charges	60			
<b>Non Pay</b>	<b>1,863</b>	<b>1,377</b>	<b>1,215</b>	<b>1,302</b>
<b>Funding Changes</b>				
Reduction in specific grants	993	949	908	868
base Budget adjustments	750			
Reversal of 2010-11 one-off costs	(1,770)			
	<b>(27)</b>	<b>949</b>	<b>908</b>	<b>868</b>
<b>Additional Costs</b>	<b>9,294</b>	<b>5,669</b>	<b>7,771</b>	<b>10,600</b>
<b>Savings/Efficiencies/Income</b>				
Savings Identified	(9,681)	(2,154)	(332)	(351)
Savings Requirement	(5,166)	(8,344)	(11,881)	(14,319)
<b>Total Savings and Efficiencies</b>	<b>(14,847)</b>	<b>(10,498)</b>	<b>(12,213)</b>	<b>(14,670)</b>
<b>Net Change in Costs</b>	<b>(5,553)</b>	<b>(4,829)</b>	<b>(4,442)</b>	<b>(4,070)</b>
<b>Budget Requirement</b>	<b>255,195</b>	<b>250,367</b>	<b>245,924</b>	<b>241,854</b>
<b>Source of Funds</b>				
Home Office Grant	97,608	93,337	89,254	85,349
Revenue Support Grant	68,834	65,823	62,944	60,191
Collection fund	(243)	(243)	(243)	(243)
Council Tax Precept	88,996	91,449	93,969	96,557
<b>Total Available Resources</b>	<b>255,195</b>	<b>250,367</b>	<b>245,924</b>	<b>241,854</b>

## Medium Term Financial Forecast Summary (Worst Case Option)

### 25% cash reduction in Grants

	2011-12	2012-13	2013-14	2014-15
<b>Approved Base Budget</b>	<b>260,749</b>	<b>249,761</b>	<b>239,779</b>	<b>231,747</b>
	£000's	£000's	£000's	£000's
<b>Pay Funding</b>				
Police pay award	1,542		2,198	3,871
Police Staff pay award	1,045	300	1,389	2,256
Increment changes - Officers and Staff	1,516	1,812	1,836	1,909
Police Officer allowance changes	196	88	91	93
Additional National Insurance	232			
Employers Police Staff pension contribution	754	772	800	836
Employers Police Officer pension contribution	1,833			974
Police Pension Volume Changes	341	372	376	386
<b>Pay Related</b>	<b>7,459</b>	<b>3,344</b>	<b>6,690</b>	<b>10,325</b>
<b>Non Pay Related</b>				
Price Inflation	1,661	1,678	1,667	1,795
RART/RIU contribution	359			
Bank Holiday Overtime	200	133		
Capital Financing Charges	60			
<b>Non Pay</b>	<b>2,280</b>	<b>1,811</b>	<b>1,667</b>	<b>1,795</b>
<b>Funding Changes</b>				
Reduction in specific grants	1,418	1,329	1,246	1,168
base Budget adjustments	750			
Reversal of 2010-11 one-off costs	(1,770)			
	<b>398</b>	<b>1,330</b>	<b>1,246</b>	<b>1,169</b>
<b>Additional Costs</b>	<b>10,137</b>	<b>6,484</b>	<b>9,603</b>	<b>13,289</b>
<b>Savings/Efficiencies/Income</b>				
Savings Identified	(9,681)	(2,154)	(332)	(351)
Savings Requirement	(11,444)	(14,311)	(17,303)	(20,349)
<b>Total Savings and Efficiencies</b>	<b>(21,125)</b>	<b>(16,465)</b>	<b>(17,635)</b>	<b>(20,700)</b>
<b>Net Change in Costs</b>	<b>(10,988)</b>	<b>(9,981)</b>	<b>(8,032)</b>	<b>(7,410)</b>
<b>Budget Requirement</b>	<b>249,761</b>	<b>239,779</b>	<b>231,747</b>	<b>224,336</b>
<b>Source of Funds</b>				
Home Office Grant	95,694	89,713	84,106	78,849
Revenue Support Grant	67,484	63,267	59,314	55,608
Collection fund	(243)	(243)	(243)	(243)
Council Tax Precept	86,826	87,042	88,570	90,122
<b>Total Available Resources</b>	<b>249,761</b>	<b>239,779</b>	<b>231,747</b>	<b>224,336</b>

## Medium Term Financial Forecast Assumptions

### Mid Case option 17.5% cash impact on Grants

Assumption	Risk	2011-12	2012-13	2013-14	2014-15
Home Office grant reduction	Medium	-£5.2m (4.4%)	-£10.2m (4.4%)	-£14.8m (4.4%)	-£19.2m (4.4%)
Specific Grants change	Medium	-£0.99m (4.4%)	-£0.95m (4.4%)	-£0.90m (4.4%)	-£0.87m (4.4%)
Tax base increase	Medium	0.25%	0.25%	0.25%	0.25%
Precept	Medium	2.5%	2.5%	2.5%	2.5%
Collection deficit	Medium	-£0.25m	-£0.25m	-£0.25m	-£0.25m
Pay award (Sept average)	Low	+2.55%	0	+1.75%	+1.75%
Pay Increments	Low	+0.5%	+0.5%	+0.5%	+0.5%
Employers National Insurance	Low	+£0.20m	-	-	-
Police officer pension contributions	Medium	+1.5%	-	-	+1.0%
Police staff pension contributions	Medium	+1.0%	+1.0%	+1.0%	+1.0%
Price inflation	Medium	+3.0%	+3.0%	+3.0%	+3.0%
Investment Interest	Low	+0.75%	+0.75%	+0.75%	+0.75%

### Worst Case option 25% cash impact on Grants

Assumption	Risk	2011-12	2012-13	2013-14	2014-15
Home Office grant reduction	Low	-£7.5m (6.25%)	-£14.7m (6.25%)	-£21.8m (6.25%)	-£28.3m (6.25%)
Specific Grants change	Medium	-£1.41m (6.25%)	-£1.33m (6.25%)	-£1.25m (6.25%)	-£1.17m (6.25%)
Tax base increase	Medium	+0.25%	+0.25%	+0.25%	+0.25%
Precept	Medium	0	0	1.5%	1.5%
Collection deficit	Medium	-£0.25m	-£0.25m	-£0.25m	-£0.25m
Pay award (Sept average)	Low	+2.55%	0	+2.50%	+2.50%
Pay Increments	Low	+0.5%	+0.5%	+0.5%	+0.5%
Employers National Insurance	Low	+£0.20m	-	-	-
Police officer pension contributions	Medium	+1.5%	-	-	+1.0%
Police staff pension contributions	Medium	+1.0%	+1.0%	+1.0%	+1.0%
Price inflation	Low	+5.0%	+5.0%	+5.0%	+5.0%
Investment Interest	Low	+0.75%	+0.75%	+0.75%	+0.75%

**Note:** Risk status relates to likelihood of assumption being worse than currently estimated.

## Medium Term Financial Forecast Sensitivity & Risk Analysis

### Sensitivity Analysis

Assumption	Mid Case Assumption	Variation	Sensitivity
Home Office grant reduction	Cash reduction between 4.4% and 6.5% per year	1%	£1.02m.
RSG funding	Cash reduction between 4.4% and 6.5% per year	1%	£0.72m
Specific grants	Cash reduction between 4.4% and 6.5% per year	1.0%	£0.23m
Precept increase	2.5% pa	1%	£0.86m
Tax base increase	0.25% pa	0.1%	£0.86m
Collection deficit	£0.25m pa (equal to 0.3%)	0.1%	£0.86m
Pay award (officers & staff)	2.55% from Sept 2010 0% from Sept 2011 1.75% from Sept 2013	1%	£2.05m
Pay increments	0.5% of pay costs pa	0.5%	£1.00m
Police Officer pension contributions	1.5% from April 2011 1% from April 2014	0.5%	£0.62m
Police staff pension contributions	1.0% from April 2011	0.5%	£0.40m
Price inflation	Average increase of 2.5% pa	1.0%	£0.52m
Investment interest	Interest rate at 0.75%	0.25%	£0.22m

### Potential Cost Pressures & Funding Risks (2011-15)

Assumption	Issues	Estimate
NPIA IT Systems	Potential to shift cost of national computer systems	£0.5m pa
Carbon Levy	Net loss on new carbon trading scheme	£0.1 to £0.5m pa
Olympics 2012	Additional planning and support costs (2011-13)	£2-3m one off
Backlog Maintenance Backlog	To bring the estate up to standard	Tbd

## Spending Wisely Savings

<b>Revenue Savings Schedule to 2011-2015</b>						
<b>Heading</b>	<b>Status</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>Total</b>
		<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>B/F from 2010-11</b>	Green	1,206				1,206
Quest: Volume Crime	Red	2,212	1,550			3,762
Reduction in Overtime	Red	1,700				1,700
Computer shut down (5x5x5)	Amber	31				31
Finance & Business/MSA	Red	400				400
Student Officer Course	Green	145				145
Spending Wisely 2010-11 FY Impact	Green	1,500	32			1,532
Removal of one off Div & Dept Savings	Amber	(1,038)				-1,038
IS Modernisation	Green	723				723
Command & Control	Amber	300				300
Hewlett Packard Contract	Amber	122				122
Telephony	Green		124			124
Digital Evidence Project	Red	240				240
Digital Interviewing	Amber	60				60
VRS Storage	Green	43				43
Evidential Drug ID tests	Green	45				45
<b>Spending Wisely</b>		<b>7,689</b>	<b>1,706</b>			<b>9,395</b>
ASU	Red	333	79			412
TSU/Covert/WP	Amber	28	69	72	125	294
<b>Total Collaboration</b>		<b>361</b>	<b>148</b>	<b>72</b>	<b>125</b>	<b>706</b>
Procurement - contracts	Red	500				500
Allowances	Amber	348	300	260	226	1,134
Insurance contracts	Green	153				153
Non Delegated Review	Green	630				630
<b>Total Corporate Services</b>		<b>1,631</b>	<b>300</b>	<b>260</b>	<b>226</b>	<b>2,417</b>
<b>Total in year savings</b>		<b>9,681</b>	<b>2,154</b>	<b>332</b>	<b>351</b>	<b>12,518</b>
<b>Target</b>		<b>14,847</b>	<b>10,498</b>	<b>12,213</b>	<b>14,670</b>	<b>52,228</b>
<b>Funding gap</b>		<b>5,166</b>	<b>8,344</b>	<b>11,881</b>	<b>14,319</b>	<b>39,710</b>

## Capital Programme 2010-14

Capital Scheme	2010/11	2011/12	2012/13	2013/14	TOTAL
	£'000	£'000	£'000	£'000	£'000
Telephony Refresh/Migration	432	504	150	100	1,186
Disaster Recovery	192	40			232
Business Objects Refresh	81	50	50	150	331
OIS Enhancements	45				45
SAP Enhancements	28	38			66
Mobile Computing (MDT)	210	150	100	100	560
Implementation of Contact Mgmt Strategy	407	72			479
PENTIP		100			100
ABM Nemesis	67				67
GIS Mapping	22	75			97
IMS (NEMESIS) Enhancements	25				25
Holmes Version Upgrade	20		50	50	170
Active Directory		100			100
Exchange 2007 Update		180	200	150	530
Sharepoint 2007 Update		210		150	360
Storage Environment Update	490	500	255	250	1,495
Intranet Content Management		130		100	230
Server Refresh	235				235
CRM Enhancements	39				39
Video Witness Upgrades		20			20
Software Support Environment	96	70			166
Federated Data	120	100	100	100	420
Collaboration Proj & ISS4PS Initiatives	50	50	250	250	600
Command & Control System	1,221	165	50		1,436
CRASH		100	100		200
CIMS Update	50	50	50	50	200
Airwave	13				13
Digital Evidence		500	500	250	1,250
Case & Custody			750	500	1,250
Command & Control Enhancements				50	50
Covert Intelligence Refresh		100	180		280
Network Capacity Upgrade		60		60	120
ICCS Refresh			100		100
Contact Centre Refresh			200	400	600
Desktop			200	200	400
Portal & Workflow		250	500	250	1,000
<b>Information Systems Strategy</b>	<b>3,842</b>	<b>3,664</b>	<b>3,785</b>	<b>3,160</b>	<b>14,451</b>
HQ Redevelopment	40				40
Lewes Police Station	1,500	454			1,954
Provision of Emergency Generators	150	150	150		450
Kingstanding Redevelopment	500	1,424			1,924
Key Buildings Power Upgrades	50	154	50		254
Window Replacements	95	51	50		196
Sussex House Protective Services	87				87
Crawley Custody	850	25			875
HQ Bodiam Block Conversion	100				100
Astley House Replacement	52	3,397			3,449
<b>Estates Strategy</b>	<b>3,424</b>	<b>5,655</b>	<b>250</b>		<b>9,329</b>
Sussex House Protective Services	200				200
<b>Estates Other</b>	<b>200</b>				<b>200</b>
IMPACT Programme	952	1,262			2,214
Information Security		306			306
<b>IMPACT</b>	<b>952</b>	<b>1,568</b>			<b>2,520</b>
Fleet Replacement	3,001	3,187	3,199	3,467	12,854
<b>FLEET</b>	<b>3,001</b>	<b>3,187</b>	<b>3,199</b>	<b>3,467</b>	<b>12,854</b>
TSU Equipment	323	350	351	351	1,375
HTCU Server	51				51
<b>HQ CID Equipment</b>	<b>374</b>	<b>350</b>	<b>351</b>	<b>351</b>	<b>1,426</b>
Digital Interview Recording	465				465
<b>CJD</b>	<b>465</b>				<b>465</b>
ANPR Strategic Road Additional	49				49
i2 ANPR	180	160	160		500
<b>Operations Dept Equipment</b>	<b>229</b>	<b>160</b>	<b>160</b>		<b>549</b>
Finance	25				25
<b>Finance</b>	<b>25</b>				<b>25</b>
<b>TOTAL</b>	<b>12,512</b>	<b>14,584</b>	<b>7,745</b>	<b>6,978</b>	<b>41,819</b>

## APPENDIX F

## RESERVES FORECAST

Reserve ----->	Insurance	Operational	Major Change Reserve	Capital Reserve	Asset Replacement	PFI	Asset Seizures	Delegated Budget holder Reserve	General Reserve	Total Reserves	% NRE
	£m	£m		£m	£m	£m	£m	£m	£m	£m	
<b>Balance 31/03/10</b>	<b>4,076</b>	<b>2,230</b>	<b>1,554</b>	<b>12,108</b>	<b>3,882</b>	<b>12,432</b>	<b>440</b>	<b>2,505</b>	<b>9,869</b>	<b>49,098</b>	<b>3.79%</b>
<b>2010-11</b>											
Provisional contributions					1,500				675	2,175	
Estimated Expenditure	-194			-7,908	-130			-1,309		-9,541	
Additional contributions etc					100					100	
Transfers between reserves				500		-500					
<b>Estimated balance at 31.3.2011</b>	<b>3,882</b>	<b>2,230</b>	<b>1,554</b>	<b>4,700</b>	<b>5,352</b>	<b>11,932</b>	<b>440</b>	<b>1,196</b>	<b>10,544</b>	<b>41,832</b>	<b>4.04%</b>
<b>2011-12</b>											
Provisional contributions					760				675	1,435	
Estimated expenditure				-3,938						-3,938	
<b>Estimated balance at 31.3.2012</b>	<b>3,882</b>	<b>2,230</b>	<b>1,554</b>	<b>762</b>	<b>6,112</b>	<b>11,932</b>	<b>440</b>	<b>1,196</b>	<b>11,219</b>	<b>39,329</b>	<b>4.31%</b>
<b>2012-13</b>											
Provisional contributions					760				675	1,435	
Estimated expenditure				-762						-762	
<b>Estimated balance at 31.3.2013</b>	<b>3,882</b>	<b>2,230</b>	<b>1,554</b>	<b>0</b>	<b>6,872</b>	<b>11,932</b>	<b>440</b>	<b>1,196</b>	<b>11,894</b>	<b>40,002</b>	<b>4.56%</b>
<b>2013-14</b>											
Provisional contributions					750				675	1,425	
Estimated expenditure					75					75	
<b>Estimated balance at 31.3.2014</b>	<b>3,882</b>	<b>2,230</b>	<b>1,554</b>	<b>0</b>	<b>7,697</b>	<b>11,932</b>	<b>440</b>	<b>1,196</b>	<b>12,569</b>	<b>41,502</b>	<b>4.82%</b>
<b>2014-15</b>											
Provisional contributions					750				675	1,425	
<b>Estimated balance at 31.3.2015</b>	<b>3,882</b>	<b>2,230</b>	<b>1,554</b>	<b>0</b>	<b>8,447</b>	<b>11,932</b>	<b>440</b>	<b>1,196</b>	<b>13,244</b>	<b>42,927</b>	<b>5.07%</b>