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Title: 2019/20 Revenue Budget and Precept and Capital Budget and Programme 2019/20 to 2022/23

EXECUTIVE SUMMARY

This report sets out the Police and Crime Commissioner's 2019/20 Revenue Budget and Precept and Capital Budget and Programme 2019/20 to 2022/23.

DECISION

- (a) That, for 2019/20, a total revenue expenditure level of **£575,148,000** be approved;
- (b) That, net contributions from Reserves to support the precept of **£5,300,000** be made in 2019/20;
- (c) That, a net budget requirement for 2019/20 of **£569,848,000** be approved;
- (d) That the Commissioner's General Reserve remains at **£12,042,000**;
- (e) That the capital budget and programme as set out in **paragraph 16** and **Appendix 4** be approved;
- (f) That the Band D precept for 2019/20 should be set at **£152.55** an increase of £24 compared to 2018/19;
- (g) That, a total precept on the District Councils of the West Midlands be approved and apportioned between such Districts, on the basis of relevant tax base as determined by the District Councils and set out in **Appendix 5**;
- (h) That, District Councils be required to make payments on account of such precept upon them, by way of twelve equal instalments on or before the last banking day of each month, commencing in April 2019;
- (i) The continued commitment to maintain Community Safety Funding at 2018/19 levels;
- (j) That, the Operational Budget for 2019/20, be delegated in accordance with

the Scheme of Consent, as set out in **Appendix 2**;

- (k) That the Police and Crime Commissioner's budget be delegated to the Chief Executive in accordance with **paragraph 8**;
- (l) That the Capital Strategy 2019/20 – 2022/23 as set out in **Appendix 3** be approved;
- (m) That the Prudential Guidelines and Indicators set out in **Appendix 7** be approved;
- (n) That, the Chief Finance Officer (CFO) to the Commissioner be authorised to arrange the necessary financing for the Capital Programme, in accordance with the approved Treasury Management Strategy and the CIPFA Code of Treasury Management;

West Midlands Police and Crime Commissioner

I confirm that I do not have any disclosable pecuniary interests in this decision and take the decision in compliance with the Code of Conduct for the Police and Crime Commissioner for the West Midlands. Any interests are indicated below.

Signature.....*David Davis*
Date.....*8.2.19*.....

NON – CONFIDENTIAL FACTS AND ADVICE TO THE POLICE AND CRIME COMMISSIONER

INTRODUCTION AND BACKGROUND

PURPOSE

1. Following the meeting of the Police and Crime Panel on 4th February, this paper sets out the Police and Crime Commissioner's 2019/20 Revenue Budget and Precept and Capital Budget and Programme 2019/20 – 2022/23.

BACKGROUND

GOVERNMENT GRANT SETTLEMENT 2019/20

2. The total grant settlement for the West Midlands in 2019/20 is £460m which is an increase of £15.9m on the 2018/19 settlement. This includes an increase of £8.9m in additional formula funding and £7m in pension grant. The pension grant is specific funding which the government will fund from a reserve. The other main points to note from the settlement are detailed below.
 - (a) The settlement includes the expectation for PCC's to raise their precept by up to £24 per year per Band D property in 2019/20. This expectation is for all PCC's with no differential for the existing low precepting areas.
 - (b) The Force has significant cost pressures in 2019/20 including increased costs of the employers' contributions to the police pension scheme which are now estimated to be £15.1m per annum.
 - (c) For 2019/20 existing formula damping arrangements remain unchanged.
 - (d) The government expects PCCs to pay for the 2018 pay award and costs of the 2019 pay award from the funding settlement.
 - (e) For the West Midlands capital grant allocations of £2.5m remain the same in 2019/20 as in the current year.
 - (f) The settlement allows PCCs to retain the full benefit from any additional local council tax income. It is assumed this means any additional funding from increased council tax base across the West Midlands are retained locally.

BALANCES AND RESERVES

3. The prudent use of reserves to support spending continues to be a key factor in the Medium Term Financial strategy. The following table details the anticipated level of reserves at 31 March 2019 and the estimated level of reserves up until March 2020.

	<i>Estimated Balance as at March 2019 £m</i>	<i>Estimated Balance as at March 2020 £m</i>
<i>Budget Reserve (Including Devolved Budget)</i>	9.5	0.0
<i>POCA Income Reserve</i>	0.5	0.0
<i>Self-funded Insurance Reserve</i>	9.4	9.4
<i>Uniform and Protective Equipment Reserve</i>	6.9	4.1
<i>Major Incident Reserve</i>	2.2	2.2
<i>Police Property & Misuse of Drug Act Reserve</i>	0.5	0.0
<i>National Contingency Reserve</i>	2.0	2.0
<i>Earmarked Reserves</i>	31.0	17.7
<i>General Reserve</i>	12.0	12.0
<i>TOTAL RESERVES</i>	43.0	29.7

4. The Commissioner needs to maintain adequate General Reserve balance because:
- (a) A substantial organisation with a turnover of £0.5 billion, there are no other such reserves to call on.
 - (b) There are no budgeted contingencies for very major incidents, which may require significant resource levels for a long period.

PROPOSED REVENUE BUDGET 2019/20

5. The Commissioner is proposing a Revenue Budget for 2019/20 based on the following:-
- (a) The priorities of the Police and Crime Plan.
 - (b) The implications of the provisional funding settlement.
 - (c) Existing budget commitments and inflationary pressures.
 - (d) The costs and benefits arising from the continued support for the WMP2020 transformation programme.
 - (e) The continued commitment to maintain Community Safety Funding at 2018/19 levels.
 - (f) The uncertainty of funding beyond 2019/20 in light of the review of the police funding formula and any future CSR.
6. The Revenue Budget for 2019/20 is based on the following:-
- (a) Maintaining the numbers of police officers and police community support officers (PCSOs).

- (b) The opportunity to have a workforce more representative of the public we serve by recruiting more BME police officers, police staff and PCSOs.
- (c) The provision of improved equipment and technology to frontline officers to support capability, safety and welfare.
- (d) A precept increase of £24 in line with the Council Tax referendum limit principles that applies to West Midlands Police together with the prudent use of reserves.
- (e) A planned use of the Budget Reserve in 2019/20 of £5.3m.

7. Recognising that in the medium term:

- (a) There remains considerable uncertainty about Government funding levels.
- (b) There are significant cost pressures to the organisation including inflation and other cost pressures.
- (c) There is a need to strike a careful balance between spending levels, the use of reserves and a precept increase in 2019/20.

OFFICE OF THE POLICE AND CRIME COMMISSIONER

8. The proposed budget for the Police and Crime Commissioner's office for 2019/20, compared to the budget for 2018/19 is shown in the table below. There has been a number of budget realignments to reflect the costs incurred by the office. The 2019/20 budget includes provision for supporting the revised arrangements relating to the handling of complaints as a result of the Police and Crime Act 2017.

	<i>Budget 2018/19 £000</i>	<i>Proposed 2019/20 £000</i>
<i>Governance</i>	318	410
<i>Staff & Office Support Costs</i>	1,726	1,685
<i>Consultation, ICT and Systems</i>	77	112
<i>Police Misconduct Hearings incl Legally Qualified Chairs</i>	65	35
<i>Subscriptions</i>	33	33
<i>Bank Charges and External Audit Fees</i>	83	70
<i>Custody Visiting</i>	5	10
<i>Professional Services</i>	50	50
Total	2,357	2,405

COMMUNITY SAFETY FUNDING

9. The Commissioner has made a commitment to maintain the levels of Community Safety Funding in 2019/20 at 2018/19 levels at £3,863,308.

OPERATIONAL POLICING BUDGET

10. In accordance with the Scheme of Consent, it is necessary for the Commissioner to approve an operational policing budget which can be delegated as detailed within the Scheme of Consent. It is consistent with the policies and priorities included in the Police and Crime Plan. The proposed operational policing budget is set out in Appendix 2 and 2a. This represents, in more detail, a cost centre based view of Operational and non-Operational policing in the West Midlands.

STAFFING BUDGETS 2019/20

11. The table below details the forecast staffing levels across the Force including police officers, police staff and PCSO's. There is a continued commitment to maintaining the number of Police Officers and PCSO's across the Force.

	31 Mar 19	31 Mar 20	31 Mar 21
	(FTE)	(FTE)	(FTE)
<i>Police Officers</i>	6,489	6,539	6,539
<i>Police Staff</i>	3,554	3,466	3,365
<i>PCSO</i>	464	464	464
<i>Total Staff</i>	10,507	10,469	10,368

USE OF RESERVES

12. There are a number of specific issues which need to be taken into account in considering how much of the earmarked reserves should be used in 2019/20, including:
- (a) retaining the maximum levels possible to support spending in 2019/20 and later years when resource levels will be significantly constrained;
 - (b) striking a fair balance between how much should be used to support spending over the planning period and by how much the precept should increase;
 - (c) risks and uncertainties in key budget assumptions, given that any over or additional spending in 2018/19 which cannot be met from in year redirections would have to be met from reserves;
13. Given these considerations and assuming a precept increase at the maximum permitted without a referendum it will be necessary to use £5.3m of reserves to support revenue spending in 2019/20.

14. The proposed net budget requirement for 2019/20, compared to 2018/19 budget would therefore be calculated as follows:

	2018/19	2019/20
	£'m	£'m
<i>Total revenue spending</i>	548.1	575.2
<i>Use of Budget Reserve</i>	-12.8	-5.3
<i>Revenue Expenditure</i>	535.3	569.9

MEDIUM TERM FINANCIAL PLAN (MTFP)

15. Following receipt of the provisional grant settlement, the Commissioner is now in the process of revising the Medium Term Financial Plan (MTFP). Early in 2019/20 a refresh of the financial strategy linked to the WMP2020 programme of work will take place.

CAPITAL PROGRAMME 2019/20 – 2022/23

16. The main items in the capital programme contained in Appendix 4 include major investments in the Force Estates Strategy as well as continued investment in new technology through the Connect, Command and Control, Mobile communication programme and Data Driven Insight Projects. In addition there is funding for the vehicle and plant replacement programme; and investment in ICT. The capital programme will be financed by a combination of revenue reserves, capital grants, capital receipts and additional borrowing as required.

PRUDENTIAL GUIDELINES

17. In relation to capital financing the Commissioner is required to set a number of prudential indicators and these are covered in detail in Appendix 7.

RISKS AND UNCERTAINTIES

18. Details of the risks and uncertainties inherent in these Budget proposals are summarised in Appendix 8.

PRECEPT IMPLICATIONS

19. The table below shows a summary of the precept calculation including the notified Collection Fund net surplus, and compares the precept level with last year's figures:

<i>Summary Precept Calculation</i>	<i>2018/19</i>	<i>2019/20</i>
	<i>£m</i>	<i>£m</i>
<i>Revenue Expenditure</i>	548.14	575.15
<i>Contribution from Reserves</i>	-12.85	-5.30
<i>Net Budget Requirement</i>	535.29	569.85
<i>Police Grant</i>	-247.32	-252.70
<i>DCLG Formula Funding</i>	-177.75	-181.30
<i>Council Tax Support Grant</i>	-19.03	-19.03
<i>Additional Pension Grant</i>	0.00	-6.96
<i>Surplus/Deficit on Collection Fund</i>	-0.95	-1.07
<i>Precept Requirement</i>	90.24	108.79
<i>Total Tax Base</i>	701,961	713,120
<i>Band D Precept*</i>	£128.55	£152.55

**An increase of £24.00 per annum*

20. This produces a charge for each property for 2019/20 as follows:

		<i>2018/19</i>	<i>2019/20</i>		
	<i>Statutory Proportion</i>	<i>Precept</i>	<i>Precept</i>	<i>Change Annual</i>	<i>Change Weekly</i>
		<i>£ : p</i>	<i>£ : p</i>	<i>£ : p</i>	<i>£ : p</i>
A	6/9	85.70	101.70	16.00	0.31
B	7/9	99.98	118.65	18.67	0.36
C	8/9	114.27	135.60	21.33	0.41
D	9/9	128.55	152.55	24.00	0.46
E	11/9	157.12	186.45	29.33	0.56
F	13/9	185.68	220.35	34.67	0.67
G	15/9	214.25	254.25	40.00	0.77
H	18/9	257.10	305.10	48.00	0.92

21. The statutory calculations required by Local Government Finance Act, 1992 are shown in Appendix 5.

FINANCIAL IMPLICATIONS

22. Are as detailed in this report.

LEGAL IMPLICATIONS

23. Section 40 of the Local Government Finance Act, 1992, requires the Commissioner to set budget and precept by 1st March each year.
24. The Commissioner must ensure that the precept is sufficient to provide for the

expenditure estimates it will incur in the year in performing functions, defraying outstanding expenditure incurred earlier, any expenditure before precepts become sufficiently available and any payments into reserves.

25. The Localism Act 2011 has abolished the council tax capping regime and replaced it with the requirement for Authorities to hold a taxpayers referendum if excessive increases are proposed. In 2019/20 an excessive increase would £24.01 or greater.
26. Section 25 of the Local Government Act 2003 requires the CFO to report to the Commissioner on the robustness of the estimates made for the purposes of the statutory budget calculations and the adequacy of financial reserves and the Commissioner must have regard to that report when making decisions about the statutory budget calculations.
27. Section 19 of the Police Act 1996 makes special provision covering the Commissioner's decision, in respect of the precept it proposes to levy for the forthcoming year.

EQUALITY IMPLICATIONS

28. The budget provides for the continuation and development of policing services for all people in the West Midlands, irrespective of their protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Both the Commissioner and the Force are committed to delivering the principles, strategies and priorities of their respective Equality Schemes.

SCHEDULE OF BACKGROUND PAPERS

- Appendix 1 – Summary of Revenue Budget 2019/20
- Appendix 2 – Operational Budget 2019/20
- Appendix 2a – Operational Analysis 2019/20
- Appendix 3 – Capital Strategy 2019/20 – 2022/23
- Appendix 4 - Capital Programme 2019/20 – 2022/23
- Appendix 5 - Statutory Council Tax calculation 2019/20
- Appendix 6 – Report of the Chief Financial Officer
- Appendix 7 – Statement of Prudential Indicators
- Appendix 8 – Risk Assessment

REVENUE BUDGET 2019/20

	Base Budget 2018/19 £,000	Revised Budget 2018/19 £,000	Base Budget 2019/20 £,000
<i>Police pay</i>	352,481	349,098	360,480
<i>Police Community Support Officers</i>	14,048	13,100	14,585
<i>Support staff pay</i>	108,002	118,856	124,914
<i>Other employees expenses</i>	1,805	10,505	9,903
Sub total	476,336	491,559	509,882
<i>Premises</i>	17,308	17,063	17,814
<i>Transport</i>	6,844	6,364	6,545
<i>Supplies and services</i>	40,497	36,343	36,953
<i>Agency</i>	4,980	10,361	11,030
<i>Capital Financing Costs</i>	4,049	4,249	7,049
<i>External income</i>	-27,734	-35,781	-33,329
<i>WMP2020 Project Costs</i>	17,550	31,775	10,848
Police Force	539,830	561,933	566,792
<i>Police & Crime Commissioner Community Safety Funding)</i>	2,357	2,357	2,406
<i>Active Citizens</i>	3,863	3,863	3,863
<i>Grant Expenditure</i>	800	1,634	400
<i>Victim Services Expenditure</i>	1,288	5,613	1,688
<i>Victim Services Income</i>	3,330	3,330	3,347
	-3,330	-3,330	-3,347
Total Police & Crime Commissioner	8,308	13,467	8,356
Total Revenue Budget	548,138	575,400	575,148

OPERATIONAL BUDGET

2019/20	
£m	
Police Pay & Allowances	360.480
Police Staff & Allowances	139.499
Other Employee Expenses	9.903
Total Employee Costs	509.882
Running Costs	72.342
Income	-33.329
Total Operational Budget	548.895
WMP2020 Project Costs	10.848
Capital Financing	7.049
TOTAL	566.792

2019/20	
£m	
Community Justice Services	25.270
CTU	2.972
Force CID	72.758
Force Contact	36.501
Force Response	64.444
Forensics	11.496
Integrated Offender Management	1.762
Intelligence	15.730
Operations	40.473
Public Protection	42.711
Traffic & CMPG	12.631
ROCU	20.297
Support Services	86.831
Departments Total	433.876
Neighbourhood Policing Units	92.269
Central Costs	22.750
Operational Total	548.895
WMP2020 Project Costs	10.848
Capital Financing	7.049
TOTAL	566.792

OPERATIONAL ANALYSIS

Support Services Analysis	2019/20 £m
Business Transformation	4.452
Corporate Asset Management	28.794
Corporate Communications	2.027
Finance	1.917
Force Executive Team	2.282
Information Management	2.983
IT & Digital	19.086
Legal Services	1.808
People and Organisation Development	19.940
Professional Standards	3.542
TOTAL	86.831

NPU Analysis	2019/20 £m
Birmingham East	18.297
Birmingham West	18.228
Coventry	11.279
Dudley	7.416
Sandwell	9.773
Solihull	5.816
Walsall	7.686
Wolverhampton	11.242
Birmingham Partnerships	2.532
TOTAL	92.269

CAPITAL STRATEGY 2019/20 – 2022/23**1. BACKGROUND & INTRODUCTION**

- 1.1. In December 2017 the Prudential Code for Capital Finance in Local Authorities was updated by the Chartered Institute of Public Finance and Accountancy (CIPFA) and introduced the requirement that all Local Authorities (which includes Policing Bodies) should formally report upon their Capital Strategies.
- 1.2. The Capital Strategy for the Police and Crime Commissioner (PCC) for the West Midlands and West Midlands Police is a key overarching document and sets out the policy framework for developing, managing and monitoring capital investment. It aligns to the Police and Crime plan and demonstrates how investment decisions properly take account of stewardship, value for money, prudence and sustainability.

2. PURPOSE

- 2.1. This capital strategy is intended to provide an overview of capital expenditure, capital financing and treasury management and how activity within these areas contribute to the provision of services the Force provides.
- 2.2. The strategy also considers how any associated risks are managed and the implications of future financial sustainability.

3. SCOPE

- 3.1. In managing capital investment for the Police and Crime Commissioner and West Midlands Police this strategy considers the following areas:-
 - Capital Expenditure
 - Investments
 - Liabilities
 - Treasury Management

4. GOVERNANCE FRAMEWORK

- 4.1. For WMP2020 change programme projects the investment decisions are made based upon the presentation of a detailed business case. These are considered and challenged at the monthly Organisational Change Board (OCB) meetings chaired by the Deputy Chief Constable and includes the Chief Finance Officers of both the Chief Constable and the PCC and representatives from key stakeholders and the Business Transformation team.
- 4.2. The business case process followed to allow investment decisions to be made includes a rigorous process of options appraisal including identification the needs and benefits (both financial and non-financial) of the proposal, the associated risks and the costs profiled over the life of the project.

- 4.3. In making an investment decision OCB considers how well the proposal meets and contributes to the Force priorities along with its affordability over the medium term.
- 4.4. All of the investment decisions made follow Force Standing Orders and the usual approvals process via the Office of the Police and Crime Commissioner.
- 4.5. Plans are only revised and updated following the approval given at OCB. These are then built in to the longer term capital plan which forms part of the revenue and capital budget setting process of the Force. The budget plans are presented to the Commissioner's Strategic Policing and Crime Board and the West Midlands Police and Crime Panel to ensure that there is a wide opportunity for challenge and scrutiny. Following on from this process the PCC formally approves the decision to accept the budget proposal.
- 4.6. The delivery of the capital plan is monitored monthly by the s151 Officers for the Force and the PCC and quarterly in reports that are presented to the Strategic Policing and Crime Board.
- 4.7. To underpin the capital investment programme each year a Treasury Management Strategy is produced which incorporates the Commissioner's investment strategy and approach to borrowing. This report is written by the CFOs of the PCC and the Chief Constable and is presented to the Joint Audit Committee in March each year for consideration before being approved by the Commissioner. Copies of the strategy can be found on www.westmidlands-pcc.gov.uk/transparency/record-of-decisions for each relevant year. The Joint Audit Committee also receive update reports throughout the year on the delivery of the Treasury Management Strategy.

5. CAPITAL EXPENDITURE

- 5.1. As part of the Medium Term Financial Planning Strategy (MTFPS), West Midlands Police takes a forward view of the Forces asset needs to meet its future objectives. The MTFPS links very closely with the WMP2020 programme of work in assessing where capital investment may be required. The WMP2020 programme is the vehicle for delivering transformational change within the Force as detailed in the Police and Crime Plan 2016 – 2020.
- 5.2. In addition to the change programme the capital programme also provides for business as usual expenditure (BAU) such as replacement fleet vehicles, replacement or upgrade of core IT systems and equipment not related to change programmes but meeting the definition of capital expenditure.
- 5.3. To meet the definition of capital the expenditure made must result in the acquisition, construction or enhancement of a fixed asset (either tangible or intangible). In the case of enhancement this must be to prolong the life of or increase the market value of the asset.

6. CAPITAL INVESTMENT PRIORITIES

- 6.1. The PCCs Police and Crime Plan 2016-2020 (www.westmidlands-pcc.gov.uk/media/435616/2016-2020-Police-and-Crime-Plan-digital.pdf) and the West Midlands Police Ambition Plan (www.westmidlands.police.uk/flysystem/public-sync/inline-files/Ambition_Plan_FINAL_0.pdf) state the priorities and ambitions over the medium term. These are summarised as:-
- Protecting people from harm
 - Supporting victims of crime
 - Building trust and confidence in our police
 - Strengthening communities and growing the economy
 - Building a modern police service
 - Making better use of our people and resources
 - Tackling national and international threats
 - Standing up for young people
- 6.2. The Association of Police and Crime Commissioners (APCC) and National Police Chiefs Council (NPCC) are actively working nationally with all police leaders to reform and Policing by 2025. A vision for Policing in 2025 has been published and sets out the following five priorities for reform:-
- Local policing
 - Specialist capabilities like armed policing and organised crime investigation
 - Digital policing
 - Building a workforce with the right skills for the future
 - Improving collaboration in business support services (enabling business delivery)
- 6.3. The capital strategy and capital programme underpin both the local and national priorities in the investments in makes, particularly in relation to making the best use of resources and creating a modern police service. The investments made through the WMP2020 change programme and the Estates strategy enhance and improve the service for both staff and citizens by providing up to date technology and systems and creating better working environments, optimising available space. This leads to a more efficient service provided to citizens of the West Midlands which should continue to build trust and confidence in our service and give support to victims of crime.
- 6.4. One of the most significant investments is in the Connect project which is a single IT system that will replace 12 existing and aging systems. As this is such a large, far reaching project within the change programme there will also be a requirement to train approximately 8,000 of the 10,000 staff we have in Force to use the new system. The 'go-live' is in 2019. This system alone is expected to drive efficiencies by reducing the need to double key information and give a single view of relevant data to users.
- 6.5. Whilst most of the priorities for investment are defined by the projects within the change programme, the Force has also developed its Estates Programme and the decision relating to that programme and the possible implications on long term borrowing can be found here. www.westmidlands-pcc.gov.uk/media/479453/PCC-decision-003-2018-WMP-Estates-Programme.pdf

7. METHODS OF FUNDING THE CAPITAL PROGRAMME

Government Grants

- 7.1. Each year the Force receives an allocation of grant funding directly from the Home Office for the purpose of capital expenditure. For 2019/20 this funding has been set at £2.5m.
- 7.2. The Force may also receive in year other specific grants which could be spent as capital or revenue to fund specific projects, such as Police Transformation Funding (PTF).
- 7.3. In addition to the funding given to the Force some specific grants are also received by the Counter Terrorism Unit (CTU) and these fund expenditure specific to the CTU.

Prudential Borrowing

- 7.4. The introduction of the 2004 Prudential Code enabled PCCs, like local Authorities, to determine their own level of capital investment controlled by self-regulation. It gives PCCs the ability to borrow in their own right provided that the borrowing is prudent, sustainable and affordable.
- 7.5. The PCC is currently undertaking borrowing on a needs and phased approach to fund the Estates programme. The decision to borrow includes the impact of borrowing costs on the revenue budget. It also ensures the borrowing costs are included in the revenue budget.

Capital Receipts

- 7.6. Through the sale and disposal of surplus assets the PCC is able to generate capital receipts. The PCC seeks to maximise capital receipts received from the disposal of assets to enable the funds to be used to support the capital programme.

Revenue Contributions

- 7.7. In some circumstances the Force does allow revenue contributions to be made to fund capital expenditure. This is usually where a piece of equipment is locally purchased but meets the definition of a capital asset.

CAPITAL BUDGET AND PROGRAMME 2018/19 – 2022/23

	2018/19 Current Budget £m	2019/20 Proposed Budget £m	2020/21 Proposed Budget £m	2021/22 Proposed Budget £m	2022/23 Proposed Budget £m	Total Prog £m
WMP2020:						
Connect	2.5	1.9	0.0	0.0	0.0	4.4
Mobile Communications Programme	6.3	0.0	0.0	0.0	0.0	6.3
Data Driven Insight (DDI)	1.7	0.0	0.0	0.0	0.0	1.7
New Ways of Investigating	0.3	0.0	0.0	0.0	0.0	0.3
New Ways of Responding	1.2	0.0	0.0	0.0	0.0	1.2
Next Generation Enabling Services	0.3	0.0	0.0	0.0	0.0	0.3
Command and Control	1.8	1.8	0.0	0.0	0.0	3.6
Smarter Responding	1.5	0.0	0.0	0.0	0.0	1.5
ANPR	0.8	0.0	0.0	0.0	0.0	0.8
Taser Replacement	0.4	0.0	0.0	0.0	0.0	0.4
Total WMP2020	16.8	3.7	0.0	0.0	0.0	20.5
Business as Usual						
Fleet	3.6	3.0	3.0	3.0	3.0	15.6
IT & Digital	2.2	1.6	4.6	0.5	0.5	9.4
Equipment	1.2	1.6	0.2	0.2	0.2	3.4
CTU	1.5	0.0	0.0	0.0	0.0	1.5
Total BAU	8.5	6.2	7.8	3.7	3.7	29.9
Estates Strategy						
Acquisitions/Construction	6.3	35.0	33.1	10.7	5.8	90.9
Refurbishment	5.3	9.6	7.7	1.9	0.6	25.1
Total Estates Strategy	11.6	44.6	40.8	12.6	6.4	116.0
Total Spend	36.9	54.5	48.6	16.3	10.1	166.5
Funded By:						
Capital Grant (estimated)						-12.1
Capital Receipts						-44.8
Reserves/Borrowing						-108.4
Specific Capital Grant						-1.2
Total Funding						-166.5

WEST MIDLANDS POLICE AND CRIME COMMISSIONER PRECEPT CALCULATION 2019/20

	£
Gross Budget Requirement	575,148,000
Less: Balances and Reserves	(5,300,000)
Net Budget Requirement	569,848,000
Less: Police Grant	(252,698,664)
Legacy Council Tax Grant	(19,025,734)
DCLG Formula Funding	(181,298,453)
Additional Pension Grant	(6,964,852)
Gross Council Tax Requirement	109,860,297
Add/Less: Balance on Collection Funds	(1,071,926)
Net Council Tax Requirement	108,788,371

Apportioned on the relevant tax base as follows:

	Relevant Tax base	Total Precept	April-Feb	Monthly Instalments	March
		£	£		£
Birmingham	251,580.00	38,379,202	3,198,267		3,198,265
Coventry	83,400.10	12,722,908	1,060,242		1,060,246
Dudley	92,253.95	14,073,587	1,172,799		1,172,798
Sandwell	74,150.81	11,311,905	942,659		942,656
Solihull	76,946.00	11,738,318	978,193		978,195
Walsall	70,792.74	10,799,622	899,968		899,974
Wolverhampton	63,996.44	9,762,828	813,569		813,569
	713,120.04	108,788,370	9,065,697		9,065,703
				Monthly Instalment x 11	99,722,667
				Total Precept	108,788,370
				Net Precept for Band D property	£152.55

	Proportion of Band D	Calculated Value	Rounded Value
	£	£	£
Band A	6/9	101.7000	101.70
Band B	7/9	118.6500	118.65
Band C	8/9	135.6000	135.60
Band D	9/9	152.5500	152.55
Band E	11/9	186.4500	186.45
Band F	13/9	220.3500	220.35
Band G	15/9	254.2500	254.25
Band H	18/9	305.1000	305.10

REPORT OF THE CHIEF FINANCIAL OFFICER AS REQUIRED BY SECTION 25 OF THE LOCAL GOVERNMENT ACT 2003

1. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Commissioner to report to it on the following matters:
 - (a) the robustness of the estimates made for the purposes of the statutory budget calculations;
 - (b) the adequacy of the proposed financial reserves;
2. The Commissioner must then have regard to that report when making decisions about the statutory budget calculations.
3. Appendix 8 analyses the risks and implications if key budget assumptions vary during the year. Any overspendings which cannot be contained within approved budget levels will have to be financed from the Budget Reserve.
4. Details of the Commissioner's general balances and reserves are set out in paragraphs 3 and 4 of the report. I am recommending that the level of General Balances remains at £12m.
5. The 2019/20 Revenue Budget and Medium Term Financial Plan requires the use of a significant proportion of the reserves. I have advised the Commissioner that I believe this represents an entirely reasonable, balanced and prudent approach, given current levels of crime and anti-social behaviour, the priorities set out in the Police and Crime Plan and the levels of Government resources likely to be available in the medium term.
6. The Insurance Fund will continue to be maintained at a level consistent with the insurance cost borne by the Commissioner's reserve and the level of outstanding self-funding insurance claims at any time. Other earmarked reserves will be applied as expenditure levels and service requirements dictate.
7. It will be necessary to retain as much flexibility as possible over the levels of reserves, including maximising the level of the Budget Reserve and prudent use over the plan period.
8. The total level of revenue reserves is estimated to be around £30m by 31st March 2020, depending on the use of earmarked reserves and the other factors influencing the use of reserves in 2019/20.
9. I am therefore able to confirm that, in my professional opinion:
 - (a) The estimates made for the purposes of the calculations of the commissioner's budget requirement for 2019/20, under Section 32 of the Local Government Finance Act 1992 contained in the report, are robust.
 - (b) The financial reserves that will remain available to the Commissioner, as a result of agreeing the proposals contained in this report, are adequate.

Mark Kenyon
Chief Finance Officer

STATEMENT OF PRUDENTIAL INDICATORS

1. The Prudential Code for Capital Finance in Local Authorities (Prudential Code) is applicable to the Police and Crime Commissioner and has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) to provide a code of practice to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003. PCCs, like Local Authorities, are free to determine their own level of capital investment controlled by self-regulation.
2. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.
3. The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the PCC should operate to ensure the objectives of the Prudential Code are met.
4. The Prudential Indicators for which the PCC is required to set limits are as follows:

Capital Expenditure

5. This indicator forms the background to all other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment.
6. The actual amount of capital expenditure that was incurred during 2017/18, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2019/20 Budget are as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£'m	£'m	£'m	£'m	£'m	£'m
<i>Capital Expenditure</i>	18.3	36.9	54.5	48.6	16.3	10.1

Net Borrowing and the Capital Financing Requirement (CFR)

7. This Prudential Indicator provides an overarching requirement that all the indicators operate within and is described in the Prudential Code as follows:

“In order to ensure that over the medium term net borrowing will only be for a capital purpose, the PCC should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years”.

8. In considering the proposed capital programme for 2019/20, the anticipated future borrowing requirements are considered in the context of overall capital resources and the impact on the revenue budget.

	31 st March 2018 £'m	31 st March 2019 £'m	31 st March 2020 £'m	31 st March 2021 £'m	31 st March 2022 £'m
Capital financing requirement (CFR)	33.5	52.3	70.3	75.6	83.8
External borrowing	-47.2	-67.2	-87.1	-94.3	-104.3
Variance	-13.7	-14.9	-16.8	-18.7	-20.5

Note: The CFR increases when expenditure is incurred and reduces when provision is made to repay debt.

Ratio of Financing Costs to Net Revenue Stream

9. This indicator is intended to demonstrate the affordability of capital investment decisions in terms of the ratio of capital financing costs to overall resources, expressed as a percentage.
10. Financing Costs include the amount of interest payable in respect of borrowing or other long-term liabilities and the amount the PCC is required to set aside to repay debt, less interest and investments income.
11. The Net Revenue Stream is the amount to be met from government grants and local taxation. The prediction of the Net Revenue Stream for future years assumes decreases in the PCC's funding from government and the local taxpayer consistent with expectations in the Medium Term Financial Plan.
12. The estimates of the ratio of financing costs to net revenue stream, which are at very low levels, are as follows:

	2018/19 Estimate £m	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m
Financing Costs	3.3	6.7	7.2	7.7	7.7
Net Revenue Stream	535.3	569.8	579.6	585.4	591.3
Ratio	0.62%	1.17%	1.24%	1.31%	1.30%

Capital Financing Requirement

13. The capital financing requirement is a measure of the extent to which the PCC needs to borrow to support capital expenditure and does not include any temporary borrowing to support day to day cash flow.

14. The estimates of the end of year capital financing requirement are as follows:

	2017/18	2018/19	2019/20	2020/21	2021/22
	Actual	Estimate	Estimate	Estimate	Estimate
	£'m	£'m	£'m	£'m	£'m
<i>Capital Financing Requirement at 31st March</i>	33.5	52.3	70.3	75.6	83.8

Authorised Limit, Operational Boundary and Actual External Debt

15. These indicators are intended to ensure that levels of external borrowing are affordable, prudent and sustainable. The Authorised Limit for external debt is a statutory limit that should not be breached under any circumstances. The proposed limits set out below have been calculated to take account of the current PCC's Capital Expenditure and Financing Plans and allowing for the possibility of unusual cash movements. If this limit is likely to be breached, it would be necessary for the PCC to determine if it is prudent to raise the limit or to instigate procedures to ensure that such a breach does not occur.
16. The Operational Boundary for External Debt is a management tool for day to day monitoring and has been calculated with regard to the PCC's Capital Expenditure and Financing Plans allowing for the most likely, prudent, but not worst case scenario for cash flow. Temporary breaches of the Operational Boundary, due to variations in cash flow, will not be regarded as significant.
17. The following limits are recommended:

	2019/20	2020/21	2021/22
	£'m	£'m	£'m
Authorised Limit for external debt:			
<i>Borrowing</i>	100.0	110.0	120.0
Operational Boundary:			
<i>Borrowing</i>	90.0	100.0	110.0

The PCC's actual external debt as at 31/03/19 is anticipated to be £67.2m, excluding transferred debt managed by Dudley MBC.

The Incremental Impact of Capital Investment Decisions on the Council Tax

18. This indicator is intended to demonstrate the affordability of capital investment decisions in terms of their impact on the precept.
19. As per the Capital Programme, the PCC may propose to undertake borrowing to fund capital investment, the incremental impact on the precept is shown overleaf.

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
<i>Total borrowing</i>	0.0	20.0	19.9	7.2	47.1
<i>Interest (2.59%)</i>	0.0	0.5	0.5	0.2	1.2
<i>Repayment of Principal (50yrs)</i>	0.0	0.4	0.4	0.4	1.2
<i>Revenue consequences</i>	0.0	0.0	0.0	0.0	0.0
Total revenue effect	0.0	0.9	0.9	0.6	2.4

20. There will also be a reduction in interest earnings as capital grants, capital receipts and the capital reserve are used to finance capital in the plan period, and some additional revenue costs resulting from capital investment, the effects of which are included in the medium term revenue forecasts.

Prudential Indicators For Treasury Management

21. The following prudential indicators will be included in the PCC's 2019/20 Treasury Management Strategy that will be reported in March.

Treasury Management Code of Practice

22. The PCC has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA): Code of Practice for Treasury Management in the Public Services.

Fixed Interest Rate Exposures

23. It is recommended that the PCC sets an upper limit on fixed interest rate exposures as follows.

Upper limits for net principal sums outstanding at fixed rates

	2019/20	2020/21	2021/22
Fixed Interest Exposure	%	%	%
<i>Upper Limit</i>	100	100	100

This represents the position that all of the PCC's authorised external borrowing may be at a fixed rate at any one time.

Variable Interest Rate Exposures

24. It is recommended that the PCC sets an upper limit on variable interest rate exposures as follows.

Upper limits for net principal sums outstanding at variable rates

	2019/20	2020/21	2021/22
Variable	%	%	%

<i>Upper Limit</i>	20	20	20
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This is the maximum external borrowing judged prudent that the PCC should expose to variable rates.

Maturity Structure of Borrowing

25. It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

Amount of projected borrowing that is fixed rate maturing in each period as percentage of total projected borrowing that is fixed rate.

<i>Period of Maturity</i>	<i>Upper Limit</i> %	<i>Lower Limit</i> %
<i>Under 12 months</i>	25	0
<i>12 months and within 24 months</i>	25	0
<i>24 months and within 5 years</i>	50	0
<i>5 years and within 10years</i>	75	0
<i>10 years and above</i>	100	25

Investments for longer than 364 days

26. It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £40.0 million for 2019/20, 2020/21, 2021/22 and 2022/23.

Risk Assessment

Risk	Likelihood	Impact	Comment
<i>The IIP programme costs are significantly higher than planned. Also the planned savings from the IIP and other savings included within the 2019/20 budget are not achievable.</i>	<i>Low</i>	<i>Medium</i>	<i>IIP governance structures in place to deliver the IIP programme. In addition Budget Managers have considered the planned savings and confirmed they believe them to be achievable, however if circumstances change and the planned level of savings is not achievable alternatives will be sought in year.</i>
<i>The Capital Programme requirement changes as work streams develop, for example, development of the Estates Strategy.</i>	<i>High</i>	<i>High</i>	<i>The programme has been written with some flexibility built in but should strategic choices vary significantly the programme would be reviewed and re-shaped in line with the new requirement. The addition of the Estates Strategy is being programme managed and would be reported through the appropriate governance channels.</i>
<i>Pay awards in the future differ from the assumptions in our financial planning</i>	<i>Low</i>	<i>Medium</i>	<i>Current assumptions are in line with pay award offers to Police Officers and Staff. If pay awards are higher than this, the savings requirement will increase.</i>
<i>Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors</i>	<i>Medium</i>	<i>Medium</i>	<i>Depending on the volume and complexity of any incidents, this could place a significant strain on current contingency budgets. The Commissioner has a Major Incidents Reserve which would need to be used if any overspendings could not be contained within the overall devolved budget.</i>
<i>Interest rates increase</i>	<i>Low</i>	<i>Medium</i>	<i>The budget reflects the low rates of interest being received on investments. Forecasts from our Treasury Management advisers suggest that borrowing rates are likely to increase which will add to the costs of financing the capital programme should borrowing be required over the medium term.</i>
<i>General inflation is different to the assumptions included in the budget. We have assumed general price inflation on Gas, Electricity & Water of 5%, Fuel of 2% and Supplies of 1.5% for 2019/20.</i>	<i>Medium</i>	<i>Medium</i>	<i>A 1% increase would cost around £0.5m. Significant increases in building costs in the medium term capital programme period could have an impact on some estimates.</i>
<i>Income levels not achieved</i>	<i>Low</i>	<i>Low</i>	<i>A 1% loss of income (excluding grants & interest) would cost around £0.3m.</i>

Public Access to Information

Information contained in this decision is subject to the Freedom of Information Act 2000 and other legislation. This decision will be made available on the Commissioner's website.