

# WEST MIDLANDS POLICE AND CRIME COMMISSIONER

NON-  
CONFIDENTIAL

## NOTICE OF DECISION

002/2015

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**Title: 2015/16 Revenue Budget and Precept and Capital Budget and Programme 2015/16 to 2018/19**

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### EXECUTIVE SUMMARY

This report sets out the Police and Crime Commissioner's 2015/16 Revenue Budget and Precept and Capital Budget and Programme 2015/16 to 2018/19.

### DECISION

- (a) That, for 2015/16, a total revenue expenditure level of **£539,481,000** be approved;
- (b) That, net contributions from Reserves to support the precept of **£15,830,000** be made in 2015/16;
- (c) That, a net budget requirement for 2015/16 of **£523,651,000** 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 **paragraphs 22 – 26 and Appendix 2** be approved;
- (f) That the offer of the Council Tax Freeze Grant for 2015/16 should not be accepted for the reasons set out in **paragraph 29**;
- (g) That the Band D precept for 2015/16 should be set at **£106.55** an increase of 1.99% compared to 2014/15;
- (h) 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 4**;
- (i) 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 2015;
- (j) That the Community Safety Fund should be allocated as set out in **paragraph**

**12;**

- (k) That, the Operational Budget for 2015/16, be delegated in accordance with the Scheme of Governance, as set out in **Appendix 3**;
- (l) That the Office for the Police and Crime Commissioner's budget be delegated to the Chief Executive in accordance with the Scheme of Governance as set out in **paragraph 10**;
- (m) That the Prudential Guidelines and Indicators set out in **Appendix 6** be approved;
- (n) That, the 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 West Midlands Office for Policing and Crime. Any interests are indicated below.

Signature.....David Jamieson.....

Date.....11 February 2015.....

# 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 2 February, and their subsequent report, this paper sets out the Police and Crime Commissioner's 2015/16 Revenue Budget and Precept and Capital Budget and Programme 2015/16 - 2018/19.

### BACKGROUND

#### GOVERNMENT GRANT SETTLEMENT 2015/16

2. The final levels of Government Grant for 2015/16 were confirmed on the 4<sup>th</sup> February 2015. The following table summarises the final settlement for the West Midlands Police and Crime Commissioner:

|                             | 2014/15      | 2015/16      | Difference   |             |
|-----------------------------|--------------|--------------|--------------|-------------|
|                             | £m           | £m           | £m           | %           |
| <i>Police Grant</i>         | 268.7        | 252.3        | -16.4        | -6.1        |
| <i>DCLG Formula Funding</i> | 188.2        | 181.3        | -6.9         | -3.7        |
| <b><i>Sub Total</i></b>     | <b>456.9</b> | <b>433.6</b> | <b>-23.3</b> | <b>-5.1</b> |
| <i>Council Tax Support</i>  | 19.0         | 19.0         | 0.0          | 0.0         |
| <b><i>Total</i></b>         | <b>475.9</b> | <b>452.6</b> | <b>-23.3</b> | <b>-4.9</b> |

3. The points to note from the grant settlement are:
  - (a) The total level of Government Revenue Funding for Police in 2015/16 is 5.1% less than 2014/15, and all Police areas in England have been subject to the same percentage reductions;
  - (b) As the table in paragraph 2 shows, the total funding allocated to West Midlands is £452.6m, a reduction of £23.3m or 4.9% compared to 2014/15;
  - (c) The Home Office has continued to apply a number of top slices to force funding and the total amount top sliced has increased significantly, as summarised in the following table.

| <b>2014/15</b> |  | <b>2015/16</b> | <b>Change</b> |
|----------------|--|----------------|---------------|
| <b>£m</b>      |  | <b>£m</b>      | <b>£m</b>     |
| 564            | Counter Terrorism                      | 564            | 0             |
| 50             | Police Innovation Fund                 | 70             | 20            |
| 0              | Major Programmes (new)*                | 40             | 40            |
| 0              | Police Special Grant (new)**           | 15             | 15            |
| 18             | IPCC                                   | 30             | 12            |
| 9              | HMIC                                   | 9              | 0             |
| 3              | College of Policing (Direct Entry)     | 5              | 2             |
| 0              | Police Knowledge Fund (new no details) | 5              | 5             |
| <b>644</b>     | <b>Total</b>                           | <b>738</b>     | <b>94</b>     |

\* To fund future communications and data capability programmes

\*\* "To support police forces facing unplanned or unexpected additional pressures which might otherwise place them at financial risk"

4. The settlement only provided funding figures for 2015/16. No provisional or indicative figures have been given for 2016/17 onwards which leads to an increasing amount of future uncertainty.

### **BALANCES AND RESERVES**

5. The estimated levels of General Balances and Earmarked Reserves at 31st March 2015 are:

|  | <b>Estimated<br/>31.3.15<br/>£'m</b> |
|--|--------------------------------------|
| <i>Capital Reserve</i>                                 | 42.4                                 |
| <i>Budget Reserve</i>                                  | 31.4                                 |
| <i>Budget Resilience</i>                               | 25.5                                 |
| <i>Redundancy &amp; Equal Pay Reserve</i>              | 10.1                                 |
| <i>Insurance Reserve</i>                               | 13.0                                 |
| <i>Other earmarked, incl. uniform, major incidents</i> | 8.7                                  |
| <b>Total Earmarked</b>                                 | <b>131.1</b>                         |
| <i>General Balances</i>                                | 12.0                                 |
| <b>Total</b>   | <b>143.1</b>                         |

6. The Commissioner needs to maintain adequate General Balances because:
- (a) As a single purpose entity, with turnover of £0.6 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 2015/16**

7. The Commissioner is proposing a Revenue Budget for 2015/16 having considered the following:-

- (a) the level of resources required to deliver the Police and Crime Plan;
- (b) the provisional one year funding settlement announced by the Government;
- (c) the availability of reserves to support spending in 2015/16 and later years;
- (d) the need to continue to address the “grant/precept ratio” issue;
- (e) the implications of spending levels in later years and the uncertainty of funding settlements in future years;
- (f) the results of the Public Consultation about the proposals.
- (g) the outcome of the Statutory Consultation meeting with representatives of Business ratepayers, where no specific issues were raised;
- (h) any inherent risks and uncertainties;
- (i) the impact on local Council Tax payers, and particularly balancing what needs to be spent to provide services with what it is reasonable to ask local council tax payers to pay.

8. The Revenue Budget for 2015/16 is based on the following:-

- a) The continued recruitment of 450 police officers, but which will not be completed until early 2016/17.
- b) The recruitment of 83 additional police staff posts (funded from police officer vacancies), which would otherwise be covered by withdrawing police officers from front line duties.
- c) Allocations of Community Safety Funding protected at the same cash levels as 2014/15.
- d) Existing budget commitments and inflationary pressures.
- e) Support for the Innovation and Integration Partnership (IIP) which was formed in August 2014, and the requirement for the IIP to deliver significant savings in the medium term.
- f) Savings from police officer and staff retirements and turnover, the rationalisation of the Birmingham Estate and other non-pay savings.
- g) Setting a budget for the Office of Police and Crime Commissioner which reflects the support the PCC now believes he requires to fulfil his statutory responsibilities.
- h) Precept increases in line with the Council Tax referendum limit.
- i) The prudent use of reserves in 2015/16 and over the medium term, retaining sufficient reserves to provide financial resilience beyond the Medium Term Financial Plan.

9. Recognising that in the medium term:

- (a) There is considerable uncertainty about Government funding levels, there are likely to be further significant reductions in resources available for policing and crime;

- (b) There is a need to strike a careful balance between spending levels, the use of reserves and a precept increase in 2015/16.

## WEST MIDLANDS OFFICE OF THE POLICE AND CRIME COMMISSIONER

10. The proposed budget for the Office of the Police and Crime Commissioner for 2015/16, compared to the approved budget for 2014/15, which included provision for Stage 2 transfers of posts from the Chief Constable's Budget is shown in the following table:-

|   | <b>Original<br/>2014/15<br/>£'000</b> | <b>Proposed<br/>2015/16<br/>£'000</b> |
|---|---------------------------------------|---------------------------------------|
| <i>Governance &amp; Strategic Direction</i> | 315                                   | 315                                   |
| <i>Staff &amp; Office Support Costs</i>     | 1,570                                 | 1,277                                 |
| <i>Consultation, Publicity etc</i>          | 236                                   | 190                                   |
| <i>Community Initiative Fund</i>            | 25                                    | 25                                    |
| <i>Subscriptions</i>                        | 54                                    | 54                                    |
| <i>Bank charges and External Audit fees</i> | 109                                   | 109                                   |
| <b>Total</b>                                | <b>2,309</b>                          | <b>1,970</b>                          |

11. It has been possible to reduce the budget provision for consultation and publicity and the Commissioner is also in the process of reviewing existing approved office structures and working practices, in line with his own approach to fulfilling his statutory responsibilities. As a result the full complement of budgeted posts, including some of the Stage 2 vacant posts transferred from the Chief Constable's Budget, will not be required in 2015/16.

## COMMUNITY SAFETY FUNDING

12. The Commissioner has made a commitment that Community Safety Funding levels remain the same in 2015/16 as those in 2014/15, with the exception of the one-off allocations, which were made in 2014/15. This means the passported allocations for 2015/16 are as follows:-

| <b>District</b>              | <b>Proposed CSF<br/>Allocation<br/>2015/16<br/>£</b> |
|------------------------------|--|
| <i>Birmingham</i>            | 2,497,583  |
| <i>Coventry</i>              | 546,304  |
| <i>Dudley</i>                | 396,364  |
| <i>Sandwell</i>              | 530,190  |
| <i>Solihull</i>              | 285,938  |
| <i>Walsall</i>               | 402,203  |
| <i>Wolverhampton</i>         | 492,495  |
| <i>West Midlands Police*</i> | 1,817,923  |
| <b>Total</b>                 | <b>6,969,000</b>                                     |

\*to fund Detention Escort Officers who work in custody blocks and Arrest Referral workers and Analysts

## SUMMARY OF BUDGET PROPOSALS

13. In summary, the revenue budget for 2015/16 is calculated as follows:

|   | <i>£m</i> | <i>£m</i>    |
|---|-----------|--------------|
| <i>2014/15 Approved revenue Budget</i>                          |           | 553.4        |
| <b>Add</b>  |           |              |
| <i>Pay Awards</i>   | 9.6       |              |
| <i>New Recruits</i>   | 2.6       |              |
| <i>IIP Spine</i>  | 5.2       |              |
| <i>IIP Projects</i>   | 4.5       |              |
| <i>Pension Cost</i>   | 2.6       |              |
| <i>Other</i>  | 0.5       |              |
| <b>Less</b>   |           |              |
| <i>Vacant Posts</i>   | -0.3      |              |
| <i>Police, Staff &amp; PCSO Leavers in 2015/16</i>              | -10.8     |              |
| <i>Effects of Workforce Mix</i>                                 | -2.5      |              |
| <i>Birmingham Estate Savings</i>                                | -1.0      |              |
| <i>Budget Review</i>  | -4.0      |              |
| <i>Office of the Police and Crime Commissioner</i>              | -0.3      |              |
| <i>Accenture IIP Savings</i>                                    | -5.0      |              |
| <i>Reversal of one off allocations (IIP and Invest to Save)</i> | -15.0     |              |
| <b>2015/16 Proposed Revenue Budget</b>                          |           | <b>539.5</b> |

## OPERATIONAL POLICING BUDGET

14. In accordance with the Scheme of Governance, 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 3 and 3a. This represents, in more detail, a cost centre based view of Operational and non-Operational policing in the West Midlands.

## STAFFING BUDGETS 2015/16

15. The implications for staffing budgets are shown below:

|   | <i>Police<br/>Officer</i> | <i>Police<br/>Staff</i> | <i>PCSO</i> | <i>Total</i>  |
|---|---------------------------|-------------------------|-------------|---------------|
| <b>1<sup>st</sup> April 2015 :Budgeted establishment</b>  | <b>7,187</b>              | <b>3,113</b>            | <b>669</b>  | <b>10,969</b> |
| <i>New Recruits</i>                                       | 189                       | 0                       | 0           | 189           |
| <i>Transfer to Police Officer</i>                         | 0                         | 0                       | -21         | -21           |
| <i>Workforce Mix</i>                                      | -83                       | 83                      | 0           | 0             |
| <i>Arrest Referral Workers</i>                            | 0                         | -44                     | 0           | -44           |
| <i>Forecast Leavers 2015/16</i>                           | -292                      | -100                    | -30         | -422          |
| <b>1<sup>st</sup> April 2016 :Budgeted establishment</b>  | <b>7,001</b>              | <b>3,052</b>            | <b>618</b>  | <b>10,671</b> |
| <i>Forecast Leavers 2016/17</i>                           | -329                      | -180                    | -19         | -528          |
| <i>New Recruits / Workforce Mix</i>                       | 93                        | 0                       | 0           | 93            |
| <b>1<sup>st</sup> April 2017 : Budgeted establishment</b> | <b>6,765</b>              | <b>2,872</b>            | <b>599</b>  | <b>10,236</b> |

16. The forecast leavers assumed within the budget represent anticipated turnover of staff. For police officers this forecast is based on assumptions of the amount who will leave upon reaching 30 years service, plus additional leavers from resignation or transfers to other forces.

### THE BUDGET RESERVE

17. There are a number of specific issues which need to be taken into account in considering how much of the Budget Reserve should be used in 2015/16, including:

- (a) retaining the maximum levels possible to support spending in 2015/16 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 therefore limit the impact on local taxpayers, and by how much the precept should increase;
- (c) risks and uncertainties in key budget assumptions, given that any over or additional spending in 2015/16 which cannot be met from in year redirections would have to be met from the Budget Reserve;

18. Given these considerations and assuming a precept increase at the maximum permitted without a referendum it will be necessary to use £15.9m of the Budget Reserve to support revenue spending in 2015/16.

19. The proposed net budget requirement for 2015/16, compared to 2014/15 would therefore be calculated as follows:



|                               | 2014/15<br>£'m | 2015/16<br>£'m |
|-------------------------------|----------------|----------------|
| <i>Total revenue spending</i> | 553.4          | 539.5          |
| <i>Use of Budget Reserve</i>  | -9.9           | -15.8          |
| <b>Revenue Expenditure</b>    | <b>543.5</b>   | <b>523.7</b>   |

### MEDIUM TERM FINANCIAL PLAN (MTFP)

20. Although it has become increasingly more difficult to predict Government grant levels in future years with any degree of accuracy, all the indications suggest further substantial reductions will be made. It is forecast that all of the £31m available in the Budget Reserve at 31 March 2015 will be required to support the MTFP up to 2017/18. The Budget Resilience Reserve will remain to provide financial resilience beyond the MTFP. It will be necessary to monitor and revise the MTFP as further information about Government funding levels, spending pressures and opportunities for savings become available. Given the use of the Budget Reserve over the medium term it is, of course, likely that there will continue to be a gap between underlying spending levels and Government funding and precept income in the years after 2017/18. There should, however, be sufficient flexibility from continuing police officer and staff turnover levels, other savings including those from the IIP, and the balance of the Budget Resilience Reserve, to manage the MTFP into the longer term.

21.

|                          | 2015/16<br>£m | 2016/17<br>£m | 2017/18<br>£m |
|--------------------------|---------------|---------------|---------------|
| <i>Base Budget</i>       | 569           | 583           | 591           |
| <i>Savings Plan</i>      | (30)          | (63)          | (88)          |
| <b>Gross Spending</b>    | <b>539</b>    | <b>520</b>    | <b>503</b>    |
| <i>Government Grants</i> | (453)         | (439)         | (425)         |
| <i>Precept</i>           | (70)          | (71)          | (73)          |
| <b>Use of Reserves</b>   | <b>16</b>     | <b>10</b>     | <b>5</b>      |

### CAPITAL PROGRAMME 2015/16 – 2018/19

22. The 2015/16 to 2018/19 Capital Budget and Programme is shown at Appendix 2 and includes provision for the force change programmes, estates and ICT strategies. In addition to these, the annual replacement requirement in relation to ICT and vehicles has been modelled and included within the programme. The programme constructed lists the priorities that are currently known but it is important to acknowledge that the timescales, magnitude and content of schemes may alter over the life of the programme.
23. The programme has been prepared with the medium term strategic context in mind, and as such is structured in the following way:
- **Section 1 (approved schemes)** represents schemes that are for the replacement of assets or new schemes that will generate a benefit in the short term or represent good alignment with the medium term strategy. These

schemes will have approved business cases to support them.

- **Section 2 (business case required)** includes schemes which have been identified only as an outline and will need more definition before they can be written into a business case format. This includes some major system replacements and funding for estates rationalisation over the medium term.

### Capital Financing

24. The exact combination of funding sources will depend upon:-
- The extent to which reserves will be required to support total revenue spending over the medium term
  - The outcome of detailed business cases particularly for invest to save schemes, where the use of one-off reserves to generate recurring savings makes good sense
  - The long term costs of borrowing and the impact of borrowing costs on total revenue spending, although the proportion of the total budget allocated to capital financing charges is significantly lower than similar force areas.
  - Opportunities to borrow at advantageous interest rates to finance investment in further schemes to increase efficiency or further reduce costs.
25. The proposed funding plan will be reviewed and updated as necessary in accordance with changes to the Treasury Management Strategy and emerging market conditions. It may be advantageous to borrow long term for the purchase of land or the creation of buildings to maximise value for money scenarios as they present themselves further into the programme.
26. The table below shows the forecast of capital resources that will be available over the programme period.

| <i>Funding Source</i>                       | <i>Brought Forward (£m)</i> | <i>Estimated for 2015-19 (£m)</i> | <i>Total (£m)</i> |
|---|-----------------------------|-----------------------------------|-------------------|
| <i>Capital Receipts</i>                     | 9.3                         | 4.0                               | 13.3              |
| <i>Capital Grant</i>                        | 16.4                        | 24.0                              | 40.4              |
| <b><i>Sub total – capital resources</i></b> | <b>25.7</b>                 | <b>28.0</b>                       | <b>53.7</b>       |
| <i>Reserves / borrowing</i>                 |                             |                                   | 42.9              |
| <b><i>Total requirement</i></b>             |                             |                                   | <b>96.6</b>       |

### **PRUDENTIAL GUIDELINES**

27. In relation to capital financing the Commissioner is required to set a number of prudential indicators and these are covered in detail in Appendix 6.

### **RISKS AND UNCERTAINTIES**

28. Details of the risks and uncertainties inherent in these Budget proposals are summarised in Appendix 7.

## PRECEPT IMPLICATIONS

29. The Commissioner has given careful consideration to the offer of the freeze grant for 2015/16 worth the equivalent of a 1% precept increase in 2015/16 but has decided not to accept the offer because of:
- The impact on the total resource base beyond 2015/16, particularly given there is no commitment to pay the additional grant after 2015/16.
  - The need to continue to address the current “precept/grant ratio” issue, where areas, like the West Midlands, with very high proportions of spending funded by Government grants and low precept levels, suffer disproportionately from across the board reductions in Government grants.
30. Instead the Commissioner believes that action should continue to be taken to establish a stable resource base for precept income and that, given all of the factors set out in this report it would be reasonable to increase the precept in 2015/16 at the maximum permitted by the “Referendum Rules”.
31. 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:

| <b>Summary Precept Calculation</b>        | <b>2014/15</b> | <b>2015/16</b> |
|---|----------------|----------------|
|   | <b>£'m</b>     | <b>£'m</b>     |
| <i>Revenue Expenditure</i>                | 553.42         | 539.48         |
| <i>Contribution from Reserves</i>         | -9.86          | -15.83         |
| <b>Net Budget Requirement</b>             | <b>543.56</b>  | <b>523.65</b>  |
| <i>Police Grant</i>                       | -268.71        | -252.26        |
| <i>DCLG Formula Funding</i>               | -188.21        | -181.32        |
| <i>Council Tax Support Grant</i>          | -19.02         | -19.02         |
| <i>Surplus/Deficit on Collection Fund</i> | -0.29          | -0.82          |
| <b>Precept Requirement</b>                | <b>67.33</b>   | <b>70.23</b>   |
| <i>Total Tax Base</i>                     | 644,377        | 659,148        |
| <b>Band D Precept</b>                     | <b>£104.47</b> | <b>£106.55</b> |

*An increase of £2.08 per annum or 1.99%*

32. This produces a charge for each property for 2015/16 as follows:

| <b>Band</b> | <b>Statutory Proportion</b> | <b>2014/15</b> | <b>2015/16</b> | <b>Change Annual</b> | <b>Change Weekly</b> |
|-------------|-----------------------------|----------------|----------------|----------------------|----------------------|
|             |                             | <b>Precept</b> | <b>Precept</b> |                      |                      |
|             |                             | <b>£ : p</b>   | <b>£ : p</b>   |                      |                      |
| <b>A</b>    | 6/9                         | 69.65          | 71.03          | 1.38                 | 0.03                 |
| <b>B</b>    | 7/9                         | 81.25          | 82.87          | 1.62                 | 0.03                 |
| <b>C</b>    | 8/9                         | 92.86          | 94.71          | 1.85                 | 0.04                 |
| <b>D</b>    | <b>9/9</b>                  | <b>104.47</b>  | <b>106.55</b>  | <b>2.08</b>          | <b>0.04</b>          |
| <b>E</b>    | 11/9                        | 127.69         | 130.23         | 2.54                 | 0.05                 |
| <b>F</b>    | 13/9                        | 150.90         | 153.91         | 3.01                 | 0.06                 |
| <b>G</b>    | 15/9                        | 174.12         | 177.58         | 3.46                 | 0.07                 |
| <b>H</b>    | 18/9                        | 208.94         | 213.10         | 4.16                 | 0.08                 |

33. The statutory calculations required by Local Government Finance Act, 1992 are shown in Appendix 4.

### FINANCIAL IMPLICATIONS

34. Are as detailed in this report.

### LEGAL IMPLICATIONS

35. Section 40 of the Local Government Finance Act, 1992, requires the Commissioner to set budget and precept by 1st March each year.
36. 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.
37. The Localism Act 2011 has abolished the council tax capping regime and replaced it with the requirement for Commissioners to hold a taxpayers referendum if excessive increases are proposed. For the West Midlands an excessive increase would 2% or greater.
38. 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.
39. 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

40. 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 2015/16

Appendix 2 – Capital Programme 2015/16 – 2018/19

Appendix 3 – Operational Budget 2015/16

Appendix 4 - Statutory Council Tax calculation 2015/16

Appendix 5 – Report of the Chief Financial Officer

Appendix 6 – Statement of Prudential Indicators

Appendix 7 – Risk Assessment

## REVENUE BUDGET 2015/16

|   | <b>Base<br/>Budget<br/>2014/15<br/>£,000</b> | <b>Base<br/>Budget<br/>2015/16<br/>£,000</b> |
|---|--|--|
| <i>Police pay</i>   | 354,133                                      | 350,973                                      |
| <i>Police Community Support Officers</i>                    | 18,309                                       | 17,403                                       |
| <i>Support staff pay</i>                                    | 95,507                                       | 99,556                                       |
| <i>Other employees expenses</i>                             | 1,820  | 1,980  |
| <b><i>Sub total</i></b>                                     | <b>469,769</b>                               | <b>469,912</b>                               |
| <i>Premises</i>   | 22,671                                       | 23,078                                       |
| <i>Transport</i>  | 7,834  | 7,911  |
| <i>Supplies and services</i>                                | 45,248                                       | 48,687                                       |
| <i>Agency</i>   | 4,357  | 4,441  |
| <i>Capital Financing Costs</i>                              | 3,814  | 3,816  |
| <i>External income</i>                                      | -24,529                                      | -27,303                                      |
| <b><i>Police Force</i></b>                                  | <b>529,164</b>                               | <b>530,542</b>                               |
| <i>IIP</i>  | 10,000                                       | 0  |
| <i>Invest to Save</i>                                       | 5,000  | 0  |
| <i>Office of the Police &amp; Crime Commissioner</i>        | 2,309  | 1,970  |
| <i>CSF Expenditure</i>                                      | 6,969  | 6,969  |
| <i>Restorative Justice &amp; Victim Support Expenditure</i> | 1,428  | 2,969  |
| <i>Restorative Justice &amp; Victim Support Income</i>      | -1,428                                       | -2,969                                       |
| <b><i>Total Revenue Budget</i></b>                          | <b>553,422</b>                               | <b>539,481</b>                               |

## CAPITAL BUDGET AND PROGRAMME 2015/16 – 2018/19

|   | 2015/16       | 2016/17       | 2017/18       | 2018/19      | Total         |
|---|---------------|---------------|---------------|--------------|---------------|
|   | £'000         | £'000         | £'000         | £'000        | £'000         |
| <b>Section 1 (Approved schemes)</b>       |               |               |               |              |               |
| <i>NWOW</i>                               | 18,045        | 10,690        | 0             | 0            | 28,735        |
| <i>Central Justice Services</i>           | 11,996        | 0             | 0             | 0            | 11,996        |
| <i>Vehicles</i>                           | 4,150         | 3,000         | 3,000         | 3,000        | 13,150        |
| <i>ICT</i>                                | 550           | 550           | 550           | 550          | 2,200         |
| <i>Equipment</i>                          | 200           | 200           | 200           | 200          | 800           |
|   | <b>34,941</b> | <b>14,440</b> | <b>3,750</b>  | <b>3,750</b> | <b>56,881</b> |
| <b>Section 2 (Business Case required)</b> |               |               |               |              |               |
| <i>General Provision</i>                  | 7,500         | 7,500         | 6,000         | 4,000        | 25,000        |
| <i>Driver Standards</i>                   | 1,200         | 0             | 0             | 0            | 1,200         |
| <i>Estates Strategy</i>                   | 2,500         | 3,000         | 2,000         | 0            | 7,500         |
| <i>Operational Policing</i>               | 2,500         | 2,000         | 1,500         | 0            | 6,000         |
|   | <b>13,700</b> | <b>12,500</b> | <b>9,500</b>  | <b>4,000</b> | <b>39,700</b> |
| <b>TOTAL PROGRAMME</b>                    | <b>48,641</b> | <b>26,940</b> | <b>13,250</b> | <b>7,750</b> | <b>96,581</b> |

## OPERATIONAL BUDGET

|  | 2014/15      | 2015/16      | Change     |
|--|--------------|--------------|------------|
|  | £'m          | £'m          | £'m        |
| <i>Police Pay and Allowances</i>       | 354.1        | 351.0        | -3.1       |
| <i>Police Staff Pay and Allowances</i> | 113.9        | 116.9        | 3.0        |
| <i>Other Employee Expenses</i>         | 1.8          | 2.0          | 0.2        |
| <b>Total Employee Costs</b>            | <b>469.8</b> | <b>469.9</b> | <b>0.1</b> |
| <i>Running Costs</i>                   | 80.1         | 84.1         | 4.0        |
| <i>Income</i>                          | -24.5        | -27.3        | -2.8       |
| <b>Total Operational Budget</b>        | <b>525.4</b> | <b>526.7</b> | <b>1.3</b> |
| <i>Capital Financing</i>               | 3.8          | 3.8          | 0.0        |
| <b>TOTAL</b>                           | <b>529.2</b> | <b>530.5</b> | <b>1.3</b> |

| <b>Budget 2015/16</b>                        | <b>2015/16</b> |
|--|----------------|
|  | £'m            |
| <i>Community Justice &amp; Custody Dept.</i> | 22.017         |
| <i>CTU</i>                                   | 2.642          |
| <i>Force CID Dept.</i>                       | 35.458         |
| <i>Force Contact</i>                         | 39.276         |
| <i>Forensics</i>                             | 11.452         |
| <i>Intelligence Dept.</i>                    | 28.195         |
| <i>Operations Dept.</i>                      | 24.967         |
| <i>Public Protection Dept.</i>               | 34.871         |
| <i>Support Services Depts.</i>               | 94.189         |
| <b>Departments Total</b>                     | <b>293.067</b> |
| <i>LPU's</i>                                 | 212.200        |
| <i>Central Costs</i>                         | 21.461         |
| <b>Operational Total</b>                     | <b>526.728</b> |
| <i>Capital Financing</i>                     | 3.814          |
| <b>TOTAL</b>                                 | <b>530.542</b> |



## OPERATIONAL ANALYSIS

| <b>Support Services Analysis</b>                   | <b>2015/16<br/>£'000</b> |
|--|--------------------------|
| <i>Business Transformation, IIP &amp; Projects</i> | 11.997                   |
| <i>Command Team</i>                                | 2.203                    |
| <i>Corporate Asset Management</i>                  | 33.088                   |
| <i>Corporate Communications</i>                    | 1.468                    |
| <i>Finance &amp; Shared Services</i>               | 9.682                    |
| <i>Human Resources</i>                             | 3.601                    |
| <i>Information Management</i>                      | 2.737                    |
| <i>Insurance</i>                                   | 3.488                    |
| <i>Learning and Development</i>                    | 6.760                    |
| <i>Legal Services</i>                              | 1.794                    |
| <i>Professional Standards</i>                      | 2.859                    |
| <i>Technology Services</i>                         | 14.512                   |
| <b>TOTAL</b>                                       | <b>94.189</b>            |

| <b>LPU Analysis</b>                    | <b>2015/16<br/>£'000</b> |
|--|--------------------------|
| <i>Birmingham East LPU</i>             | 23.424                   |
| <i>Birmingham North LPU</i>            | 14.748                   |
| <i>Birmingham South LPU</i>            | 19.111                   |
| <i>Birmingham West and Central LPU</i> | 32.571                   |
| <i>Coventry LPU</i>                    | 26.065                   |
| <i>Dudley LPU</i>                      | 17.113                   |
| <i>Solihull LPU</i>                    | 14.059                   |
| <i>Sandwell LPU</i>                    | 22.548                   |
| <i>Walsall LPU</i>                     | 19.785                   |
| <i>Wolverhampton LPU</i>               | 22.776                   |
| <b>TOTAL</b>                           | <b>212.200</b>           |

**POLICE & CRIME COMMISSIONER FOR THE WEST MIDLANDS PRECEPT  
CALCULATION 2015/16**

|                                       |                    |
|---------------------------------------|--------------------|
|                                       | £                  |
| Gross Budget Requirement              | 539,481,000        |
| Less: Balances and Reserves           | (15,830,000)       |
| <b>Net Budget Requirement</b>         | <b>523,651,000</b> |
| Less: Police Grant                    | (252,262,818)      |
| Council Tax Support Funding           | (19,025,734)       |
| NNDR & RSG                            | (181,310,466)      |
| <b>Gross Council Tax Requirement</b>  | <b>71,051,982</b>  |
| Add/Less: Balance on Collection Funds | (819,857)          |
| <b>Net Council Tax Requirement</b>    | <b>70,232,125</b>  |

Apportioned on the relevant tax base as follows:

|               | Relevant<br>Tax base<br>£ | Total<br>Precept<br>£ | Monthly Instalments                    |                   |
|---------------|---------------------------|-----------------------|--|-------------------|
|               |                           |                       | April-Feb<br>£                         | March<br>£        |
| Birmingham    | 234,089.00                | 24,942,159            | 2,078,513                              | 2,078,516         |
| Coventry      | 74,296.20                 | 7,916,253             | 659,688                                | 659,685           |
| Dudley        | 85,902.74                 | 9,152,928             | 762,744                                | 762,744           |
| Sandwell      | 68,103.35                 | 7,256,405             | 604,700                                | 604,705           |
| Solihull      | 72,505.00                 | 7,725,400             | 643,783                                | 643,787           |
| Walsall       | 65,147.51                 | 6,941,460             | 578,455                                | 578,455           |
| Wolverhampton | 59,103.95                 | 6,297,520             | 524,793                                | 524,797           |
|               | <b>659,147.75</b>         | <b>70,232,125</b>     | <b>5,852,676</b>                       | <b>5,852,689</b>  |
|               |                           |                       | Monthly Instalment x 11                | 64,379,436        |
|               |                           |                       | <b>Total Precept</b>                   | <b>70,232,125</b> |
|               |                           |                       | <b>Net Precept for Band D property</b> | <b>£106.55</b>    |

|               | Proportion<br>of Band D<br>£ | Calculated<br>Value<br>£ | Rounded<br>Value<br>£ |
|---------------|------------------------------|--------------------------|-----------------------|
| Band A        | 6/9                          | 71.0332                  | 71.03                 |
| Band B        | 7/9                          | 82.8721                  | 82.87                 |
| Band C        | 8/9                          | 94.7110                  | 94.71                 |
| <b>Band D</b> | <b>9/9</b>                   | <b>106.5498</b>          | <b>106.55</b>         |
| Band E        | 11/9                         | 130.2276                 | 130.23                |
| Band F        | 13/9                         | 153.9053                 | 153.91                |
| Band G        | 15/9                         | 177.5831                 | 177.58                |
| Band H        | 18/9                         | 213.0997                 | 213.10                |

**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 him 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. The estimates have been completed by the Director of Resources and Force personnel based on a set of guidelines agreed with me, and reflect the need to make significant savings across the CSR period and £30m of base budget reductions in 2015/16. The details of these reductions, most of which will come from retirements and staff turnover, have already been identified and reflected in detailed budgets, although the details of some £5m still needs to be agreed with the IIP partner. Based on submissions made by the partner in the process which led to their appointment and subsequent discussions I am satisfied these savings can be made in 2015/16.
4. Appendix 7 analyses the risks and implications if key budget assumptions vary during the year. Any overspendings or failure to achieve savings which cannot be contained within approved budget levels will have to be financed from the Budget Reserve.
5. Details of the Commissioner's general balances and reserves are set out in paragraphs 5 and 6 of the report. I am recommending that the level of General Balances remains at £12m. The 2015/16 Revenue Budget is based on the principles of the existing Medium Term Financial Strategy which requires the prudent use of reserves, modest precept increases and significant cuts in expenditure to mitigate the effects of reductions in Government Grants. By the financial year 2017/18 it is estimated that the current base budget spending levels will have to be reduced by at least £88m (or 15%) and over that period some £31m of reserves will be used to balance annual budgets, leaving just over £25m as a budget resilience reserve for the period after 2017/18. I have advised the Commissioner that I believe this represents a reasonable, balanced and prudent approach given the priorities set out in the Police and Crime Plan, the overall levels of available reserves and the amounts of Government Grant 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. Financing for the Capital Programme includes the full use of the increased Capital Reserve over the Programme period. 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 £130m by 31<sup>st</sup> March 2016, depending on the use of earmarked reserves and the other factors influencing the use of the Budget Reserve in 2015/16, although this is estimated to reduce to about £70m by 2017/18.
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 2015/16, 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.

**Mike Williams**  
**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 Commissioner should operate to ensure the objectives of the Prudential Code are met.
4. The Prudential Indicators for which the Commissioner 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 2013/14, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2015/16 Budget are as follows:

|                            | <i>2013/14</i> | <i>2014/15</i>  | <i>2015/16</i>  | <i>2016/17</i>  | <i>2017/18</i>  | <i>2018/19</i>  |
|----------------------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                            | <i>Actual</i>  | <i>Estimate</i> | <i>Estimate</i> | <i>Estimate</i> | <i>Estimate</i> | <i>Estimate</i> |
|                            | <i>£'000</i>   | <i>£000</i>     | <i>£000</i>     | <i>£000</i>     | <i>£'000</i>    | <i>£'000</i>    |
| <i>Capital Expenditure</i> | <i>11,316</i>  | <i>42,434</i>   | <i>48,641</i>   | <i>26,940</i>   | <i>13,250</i>   | <i>7,750</i>    |

**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 Commissioner 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 2015/16, the anticipated future borrowing requirements are considered in the context of overall capital resources and the impact on the revenue budget.

|                                     | 31 <sup>st</sup><br>March<br>2014<br>£'m | 31 <sup>st</sup><br>March<br>2015<br>£'m | 31 <sup>st</sup><br>March<br>2016<br>£'m | 31 <sup>st</sup><br>March<br>2017<br>£'m | 31 <sup>st</sup><br>March<br>2018<br>£'m |
|-------------------------------------|--|--|--|--|--|
| Capital financing requirement (CFR) | 49.6                                     | 48.1                                     | 50.6                                     | 52.2                                     | 50.8                                     |
| External borrowing                  | -49.2                                    | -49.2                                    | -47.2                                    | -47.2                                    | -47.2                                    |
| Variance                            | 0.4                                      | -1.1                                     | 3.4                                      | 5.0                                      | 3.6                                      |

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 Commissioner 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 Commissioner'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:

|                    | 2014/15<br>Actual<br>£m | 2015/16<br>Estimate<br>£m | 2016/17<br>Estimate<br>£m | 2017/18<br>Estimate<br>£m | 2018/19<br>Estimate<br>£m |
|--------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| Financing Costs    | 3.8                     | 3.8                       | 3.8                       | 3.8                       | 3.8                       |
| Net Revenue Stream | 543.6                   | 523.6                     | 510.4                     | 488.4                     | 486.9                     |
| Ratio              | 0.70%                   | 0.73%                     | 0.74%                     | 0.78%                     | 0.78%                     |

### **Capital Financing Requirement**

13. The capital financing requirement is a measure of the extent to which the Commissioner 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:

|   | 2013/14<br>Actual<br>£'000 | 2014/15<br>Estimate<br>£'000 | 2015/16<br>Estimate<br>£'000 | 2016/17<br>Estimate<br>£'000 | 2017/18<br>Estimate<br>£'000 |
|---|----------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Capital Financing Requirement at 31st March | 49,645                     | 48,114                       | 50,637                       | 52,218                       | 50,849                       |

## 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 Commissioner'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 Commissioner 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 Commissioner'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:

|  | 2015/16<br>£'m | 2016/17<br>£'m | 2017/18<br>£'m |
|--|----------------|----------------|----------------|
| <b>Authorised Limit for external debt:</b> |                |                |                |
| <i>Borrowing</i>                           | 100.0          | 100.0          | 100.0          |
| <b>Operational Boundary:</b>               |                |                |                |
| <i>Borrowing</i>                           | 90.0           | 90.0           | 90.0           |

18. The Commissioner's actual external debt as at 31/03/14 was £49.2m, excluding transferred debt managed by Dudley.

## The Incremental Impact of Capital Investment Decisions on the Council Tax

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

|                                       | 2015/16<br>£m | 2016/17<br>£m | 2017/18<br>£m | 2018/19<br>£m | Total<br>£m |
|---------------------------------------|---------------|---------------|---------------|---------------|-------------|
| <i>Total borrowing</i>                | 0.0           | 0.0           | 0.0           | 10.0          | 10.0        |
| <i>Interest (4%)</i>                  | 0.0           | 0.0           | 0.0           | 0.4           | 0.4         |
| <i>Repayment of Principal (20yrs)</i> | 0.0           | 0.0           | 0.0           | 0.5           | 0.5         |
| <i>Revenue consequences</i>           | 0.5           | 0.5           | 0.5           | 0.5           | 2.0         |
| <b>Total revenue effect</b>           | <b>0.5</b>    | <b>0.5</b>    | <b>0.5</b>    | <b>1.4</b>    | <b>2.9</b>  |

21. 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

22. The following prudential indicators will be included in the Commissioner's 2015/16 Treasury Management Strategy that will be reported in March.

## Treasury Management Code of Practice

23. The Commissioner 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

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

| <b>Upper limits for net principal sums outstanding at fixed rates</b> |                |                |                |
|---|----------------|----------------|----------------|
|   | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> |
| <b>Fixed Interest Exposure</b>  | <b>%</b>       | <b>%</b>       | <b>%</b>       |
| <i>Upper Limit</i>  | 100            | 100            | 100            |

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

### Variable Interest Rate Exposures

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

| <b>Upper limits for net principal sums outstanding at variable rates</b> |                |                |                |
|--|----------------|----------------|----------------|
|  | <b>2015/16</b> | <b>2016/17</b> | <b>2017/18</b> |
| <b>Variable</b>  | <b>%</b>       | <b>%</b>       | <b>%</b>       |
| <i>Upper Limit</i>   | 20             | 20             | 20             |

26. This is the maximum external borrowing judged prudent that the Commissioner should expose to variable rates.

### Maturity Structure of Borrowing

27. 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 a percentage of total projected borrowing that is fixed rate.**

| <b>Period of Maturity</b>             | <b>Upper Limit</b> | <b>Lower Limit</b> |
|---------------------------------------|--------------------|--------------------|
|                                       | <b>%</b>           | <b>%</b>           |
| <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

28. It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £60.0 million for 2015/16, 2016/17 and 2017/18.



## Risk Assessment

| <b>Risk</b>  | <b>Likelihood</b> | <b>Impact</b> | <b>Comment</b>  |
|--|-------------------|---------------|---|
| <b>Risks to the 2015/16 Budget</b>   |                   |               |   |
| <i>Savings included within the 2015/16 budget are not achievable.(IIP and innovation Funding bids)</i>   | <i>Low</i>        | <i>Medium</i> | <i>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 from the devolved budget. If these cannot be found any shortfall would become a call on the Budget Reserve.</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>General inflation is different to the assumptions included in the budget. We have assumed no general price inflation increase for 2015/16. However, an allowance has been made for some specialist costs reflecting current market conditions</i> | <i>Medium</i>     | <i>Medium</i> | <i>A 1% increase would cost around £0.5m.<br/>Significant increases in building costs in the medium capital programme period could have an impact on some estimates.<br/>Utility and fuel costs could increase further</i>  |
| <b>Risks to the Medium term financial plan</b>   |                   |               |   |
| <i>Savings required within the financial strategy to balance the medium term budget are not achievable.</i>  | <i>Medium</i>     | <i>High</i>   | <i>Although the level of savings required is challenging, they are consistent with the submissions made by the IIP partner in the process that lead to their appointment.</i>   |
| <i>Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors</i>  | <i>Low</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>The Capital Programme requirement changes as work streams develop.</i>  | <i>Medium</i>     | <i>Medium</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.</i>  |
| <i>Income levels not achieved</i>  | <i>Low</i>        | <i>Low</i>    | <i>A 1% loss of income (excluding grants &amp; interest) would cost around £0.1m.</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.