

**WEST MIDLANDS POLICE
AND CRIME COMMISSIONER**

NON-CONFIDENTIAL

NOTICE OF DECISION

[Insert sequential decision number i.e.
000/2013]

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2013/14 Revenue Budget & Precept & Capital Budget and Programme 2013/14 – 2016/17

EXECUTIVE SUMMARY

This report sets out the Police and Crime Commissioner's 2013/14 Revenue Budget and Precept and Capital Programme 2013/14 to 2016/17

DECISION

- (a) That, for 2013/14, a total revenue expenditure level of **£559,020,000** be approved.
 - (b) That, net contributions from Reserves to support the precept of **£2,350,000** be made in 2013/14.
 - (c) That, a net budget requirement for 2013/14 of **£556,670,000** be approved.
 - (d) That the PCCs General Reserve remains at **£12,000,000**.
 - (e) That the capital budget and programme as set out in **paragraphs 26 – 33** and **Appendix 2** be approved.
 - (f) 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**.
 - (g) 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 2011.
 - (h) Subject to the establishment of Local Policing and Crime Boards, the Community Safety Fund should be allocated as set out in **paragraph 12**;
 - (i) The Band D precept for 2013/14 should be set at **£102.43** an increase of 3% compared to 2012/13;
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- (j) That, the Operational Budget for 2013/14, be delegated in accordance with the Scheme of Consent, as set out in **Appendix 3**.
- (k) That the Office for the Police and Crime Commissioner's budget be delegated to the Chief Executive in accordance with **paragraph 11**.
- (l) That the Prudential Guidelines and Indicators set out in **Appendix 6** be approved.
- (m) That, the CFO to the PCC 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.....

Date.....

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 6 February, and their subsequent report, this paper sets out the Police and Crime Commissioner's 2013/14 revenue budget and precept and capital programme 2013/14 -2016/17.

BACKGROUND

GOVERNMENT GRANT SETTLEMENT 2013/14

2. The final levels of Government Grant for 2013/14 were confirmed on the 4th February 2013. The following table summarises the final settlement for West Midlands Police:-

2012/13 £m		2013/14 £m	% change
268.8	Police Grant (incl. Neighbourhood Policing Fund)*	275.3	2.4
211.6	RSG and NNDR	197.5	-7.1
1.9	11/12 Council Tax Freeze Grant**	1.9	0.0
482.3	Total	474.7	-1.6

* Neighbourhood Policing Fund now part of Police grant paid as a specific grant in 2012/13

** Freeze grant in RSG & NNDR in 12/13 but separate in 13/14

3. The points to note from the funding settlement are:
 - (a) A headline reduction in funding (excluding the CSF) compared to 2012/13 of 1.6%;
 - (b) A Community Safety Fund (CSF) allocation of £6.969m replacing the majority of drugs, crime and community safety funding that the Home Office currently provides the Force and a range of partners and which cease at the end of the current financial year;
 - (c) The Neighbourhood Policing Fund which was previously a ring-fenced specific grant part funding 751 PCSO posts, has now been allocated through main grant and is no longer ring-fenced;
 - (d) As has been the case in previous years, formula damping (also known as floors and ceilings) has had a detrimental impact on West Midlands Police, the actual cash allocation is some £44m lower than the full formula entitlement in 2013/14 and the Commissioner continues to make representations to the Home Secretary around the fairness of funding allocations;
 - (e) In addition to the 2011/12 council tax freeze grant included within the settlement, another grant has been made available in 2013/14 and 2014/15 to authorities who freeze band D council tax at the 2012/13 level. This grant is worth the equivalent of a 1.0% increase in band D council tax. However, the freeze grants are only payable until 2014/15.

- (f) 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. For the West Midlands an excessive increase would be more than 2% **and** a cash increase of more than £5.
4. The provisional settlement in December 2012 only provided funding figures for 2013/14. No provisional or indicative figures have been given for 2014/15 onwards which leads to an increasing amount of future uncertainty.

BALANCES AND RESERVES

5. The current estimated levels of General Balances and Earmarked Reserves at 31st March 2013, compared to 31st March 2012 is:-

	Actual at 31.3.12 £'m	Estimated 31.3.13 £'m
<i>Insurance Fund</i>	13.0	12.1
<i>Capital Reserve</i>	10.4	10.4
<i>Other earmarked, incl. uniform, major incidents</i>	21.0	21.5
Total Earmarked	44.4	44.0
<i>Budget Reserve</i>	33.0	55.0
<i>Redundancy & Equal Pay Reserve</i>	13.0	13.0
<i>General Balances</i>	12.0	12.0
Total	102.4	124.0

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 2013/14

7. In formulating the budget proposals for 2013/14, the Commissioner has been particularly mindful of the following factors:-
- (a) The need to set a balanced budget given the considerable reduction in funding in 2013/14 and the following years;

- (b) The emerging priorities for the Police and Crime Plan;
 - (c) Maximise the opportunities for efficiency and other savings;
 - (d) Opportunities to release police officers to more operational roles;
8. Recognising that in the medium term:
- (a) Revenue funding levels are reducing significantly;
 - (b) There are further uncertainties around future funding as no indications of funding levels from 2014/15 have been given;
 - (c) Prudent and measured application of Reserves to support spending will continue to be necessary;
 - (d) Localisation of Council Tax benefit has meant that the taxbases of the Local Authorities have reduced in total by 21%, this reduction is broadly offset by additional grant;
9. A careful balance, therefore, needs to be struck between spending levels in 2013/14, the use of reserves and the precept level in 2013/14 and later years.

OFFICE OF THE POLICE AND CRIME COMMISSIONER

10. The proposed budget for the Office of the Police and Crime Commissioner has been compiled on the basis of existing staffing levels, a preliminary assessment of the financial implications of the PCCs statutory responsibilities and reflecting reductions compared to the former Police Authority's budget in line with reductions in overall resource levels.
11. Although direct comparisons are difficult the following table compares the proposed budget with the former Police Authority's 2012/13 budget:-

	<i>Former Police Authority</i>	<i>Proposed PCC</i>
	<i>2012/13</i>	<i>2013/14</i>
	<i>£'000</i>	<i>£'000</i>
<i>Governance & Strategic Direction</i>	333	315
<i>Staff & Office Support Costs</i>	1,164	1,145
<i>Consultation, Publicity etc</i>	266	236
<i>Community Initiative Fund</i>	25	25
<i>Subscriptions</i>	50	54
<i>Bank charges and External Audit fees</i>	153	109
Total	1,991	1,884

COMMUNITY SAFETY FUND

12. The Community Safety Fund (CSF) replaces a range of drugs, crime and community safety funding that the Home Office currently provides to the Force and a range of partners and which ceases at the end of the current financial year. The Commissioner has given a commitment to “passport” the CSF subject to the establishment of Local Policing and Crime Boards and the proposed allocations are shown in the following table :-

<i>District</i>	<i>2013/14 Allocation £</i>
<i>Birmingham</i>	<i>2,497,583</i>
<i>Coventry</i>	<i>546,304</i>
<i>Sandwell</i>	<i>530,190</i>
<i>Wolverhampton</i>	<i>492,495</i>
<i>Walsall</i>	<i>402,203</i>
<i>Dudley</i>	<i>396,364</i>
<i>Solihull</i>	<i>285,938</i>
<i>West Midlands Police</i>	<i>1,817,923</i>
Total	6,969,000
<i>Contribution from Reserves</i>	<i>350,000</i>
Total to Allocate	7,319,000

13. In addition to the Home Office CSF allocation, following comments from the Police and Crime Panel, the Commissioner has decided to allocate up to £350,000, funded from the Budget Reserve, to be made available to local Policing and Crime Boards for non-recurring and invest to save schemes, subject to the submission of appropriate business cases.

STAFFING BUDGETS 2013/14

14. There are currently 101 budgeted police officer posts vacant as a result of a higher than anticipated number of resignations and retirements (in excess of Regulation A19 numbers). As things currently stand it would not be appropriate to recruit to those vacancies and continue to apply Regulation A19, which is necessary to meet overall savings budgets in 2013/14. Following detailed reviews of working practices and the introduction of new ways of working, it will be possible to create approximately 100 new police staff posts by disestablishing police officer posts, creating opportunities to release up to 100 police officers to more operational duties. This is cost effective and good value for money because it creates additional operational resilience and provides redeployment opportunities for existing police staff employees who would otherwise be made redundant, thereby saving redundancy costs
15. The proposals outlined in this report have implications for the overall staffing budgets. A summary of the proposed changes is shown below.

	Police Officer	Police Staff	PCSO	Total
<i>1st April 2012 : budgeted establishment</i>	7,871	3,446	787	12,104
<i>Savings realised in 2012/13</i>	-256	-223	0	-479
1st April 2013 : Budgeted establishment	7,615	3,223	787	11,625
<i>Savings realised during 2013/14</i>	-153	0	0	-153
<i>Workforce Mix</i>	-100	100	0	0
1st April 2014 : Budgeted establishment	7,362	3,323	787	11,472

OPERATIONAL POLICING BUDGET

16. In accordance with the Scheme of Consent, it is necessary for the PCC 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.

SUMMARY OF BUDGET PROPOSALS

17. In summary, the revenue budget proposals for 2013/14 are, as follows:-

	£m	£m
<i>2012/13 Approved revenue Budget</i>		550.5
<i>Changes in treatment of Government Funding</i>		18.3
Add		
<i>Effects of CSF</i>	0.9	
<i>Changes in Police Pay and Conditions</i>	5.6	
<i>Charges for Home Office provided services</i>	0.5	
<i>Pay Awards</i>	4.0	
<i>Contact Hubs</i>	1.5	
<i>Utilities and Fuel Inflation</i>	1.0	
Less		
<i>PBB & CI Savings Identified</i>	-20.0	
<i>Other incl additional police leavers</i>	-2.0	
<i>Public Holidays – reduced days</i>	-1.3	
		559.0
Less		
<i>Government Grants</i>		-474.8
<i>Precept assuming no increase (634,664 x £99.45)</i>		-63.0
<i>Council Tax Support Funding</i>		-17.0
<i>Collection Fund Net Deficit</i>		0.1

MEDIUM TERM IMPLICATIONS

18. Within the December 2012 settlement no further clarification was given around expected funding levels for the final year of the CSR and beyond.
19. It is, therefore, very difficult to provide accurate forecasts for resource and spending levels in 2014/15 and later years but it is inevitable that the use of reserves will be a key part of the Commissioner's medium term financial strategy.
20. Although work is already underway to identify savings in future years it will be necessary to retain as much flexibility over the use of reserves as possible during this period to mitigate unnecessary and damaging service reductions.

THE BUDGET RESERVE

21. As paragraph 5 says, it is estimated the PCC will have a total of £55m in the Budget Reserve available to support revenue and capital spending in 2013/14 and future years.
22. The use of the Budget Reserve will be pivotal in balancing the budget in future years given the scale of reductions that are likely to continue after 2013/14, the magnitude of organisational change required to deliver savings in that timeframe and the ongoing uncertainty over funding levels over medium term.
23. 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 2013/14, including:-
 - (a) retaining the maximum levels possible to support spending in 2013/14 and later years when resource levels will be significantly constrained;
 - (b) funding invest to save schemes that will deliver revenue cost reductions in the future, especially through the capital programme;
 - (c) 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;
 - (d) risks and uncertainties in key budget assumptions, given that any over or additional spending in 2013/14 which cannot be met from in year redirections would have to be met from the Budget Reserve.
24. Given these considerations and the savings achieved for 2012/13, there is now a requirement to use £2.3m of the Budget Reserve to support revenue spending in 2013/14.
25. The proposed net budget requirement for 2013/14 would therefore be calculated as follows:-

	2012/13 £'m	2013/14 £'m
<i>Total revenue spending</i>	546.5	559.0
<i>Use of Budget Reserve</i>	0.0	-2.3
<i>Revenue Expenditure</i>	546.5	556.7

CAPITAL PROGRAMME 2013/14 – 2016/17

26. The 2013/14 Capital Budget and Programme up to 2016/17 is shown at Appendix 2 and includes provision for the force change programmes and 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.
27. 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 ongoing 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 (subject to business case approval)** represents schemes where an identified need exists but the business case is subject to approval.
 - **Section 3 (strategic outline 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.

Financing

28. The capital resources forecast to be available over the programme period include brought forward capital receipts and capital grant. These can only be used to support capital spending and cannot be transferred to revenue. In addition to these capital resources, further receipts and grants can be expected to be realised through the programme period and there is also the ability to use direct revenue funding, reserves and borrowing to fund capital expenditure.
29. The table below shows the forecast of capital resources that will be available over the programme period.

Funding Source	Brought Forward (£m)	Estimated for 2013-17 (£m)	Total (£m)
<i>Capital Receipts</i>	22.5	2.0	24.5
<i>Capital Grant</i>	16.6	23.4	40.0
Sub total – capital resources	39.1	25.4	64.5
<i>Reserves / borrowing</i>			50.3*
Total requirement			114.8

**includes up to £30m from the Budget Reserve*

30. The exact combination of funding sources will depend upon other factors such as the extent to which reserves will be required to support the revenue budget over the medium term versus the long term costs of borrowing. However, in terms of borrowing and the amount of the revenue budget that is currently spent on debt charges, WMP is significantly lower than similar forces.
31. 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 as to maximise value for money scenarios as they present themselves further into the programme.

PRUDENTIAL GUIDELINES

32. With effect from 1st April 2004, Local Authorities (now including PCCs) borrowing to finance capital expenditure are no longer controlled by Government borrowing approvals, but instead by what is affordable and prudent.
33. The PCC is now required to set a number of prudential indicators (replacing the borrowing/variable interest limits previously set), and these are covered in detail in Appendix 6.

RISKS AND UNCERTAINTIES

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

PRECEPT IMPLICATIONS

35. The Commissioner has given careful consideration to the offer of the Council Tax freeze grant, and if that offer is not accepted, what the level of precept increase might be. The former Police Authority accepted freeze grant, equivalent to a 2.5% precept increase in 2011/12, which as things currently stand will only be paid until 2014/15 and a one off freeze grant in 2012/13, worth the equivalent of 3%. If the Commissioner were to accept a further freeze grant for 2013/14 and 2014/15 it is estimated that by 2015/16, when the freeze grant would no longer be paid, there would have to be a precept increase in the order of 10% to replace the “lost” spending power. The Commissioner does not believe that is a prudent and responsible approach to take and action should be taken as soon as possible to establish a stable resource base for precept income and an appropriate proportion

of total spending funded by local council tax payers. The Commissioner has decided, therefore, not to accept the freeze grant in 2013/14. Whilst the “referendum rules” would allow an increase of up to 5%, given the overall financial position the Commissioner has decided to increase precept in line with current inflation rates i.e. 3%.

36. The table below shows a summary of the precept calculation including the notified Collection Fund net deficit, and compares the precept level with last year’s figures:-

Summary Precept Calculation	2012/13	2013/14	Variation
	£'m	£'m	£'m
Revenue Expenditure	552.78	559.02	6.24
Council Tax freeze grant 12/13	-2.30	0.0	2.30
Total Revenue Expenditure	550.48	559.02	8.54
Contribution from Reserves	-4.00	-2.35	1.65
Net Budget Requirement	546.48	556.67	10.19
Police Grant	-252.89	-275.35	-22.45
RSG and NNDR	-213.52	-199.45	14.07
Council Tax Support Grant	0.00	-16.98	-16.90
Surplus/Deficit on Collection Fund	-0.11	0.12	0.23
Precept Requirement	79.96	65.01	-14.86
Total Tax Base	803,971	634,664	

Band D Precept	£99.45	£102.43	£2.98
		3.0%	

37. This produces a charge for each property for 2013/14, as follows:-

Band	Statutory Proportion	2012/13	2013/14	Change Annual	Change Weekly
		Precept	Precept		
		£ : p	£ : p		
A	6/9	66.30	68.29	1.99	0.04
B	7/9	77.35	79.67	2.32	0.04
C	8/9	88.40	91.05	2.65	0.05
D	9/9	99.45	102.43	2.98	0.06
E	11/9	121.54	125.19	3.65	0.07
F	13/9	143.64	147.95	4.31	0.08
G	15/9	165.74	170.72	4.98	0.10
H	18/9	198.89	204.8	5.97	0.11

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

FINANCIAL IMPLICATIONS

39. Are as detailed in this report.

LEGAL IMPLICATIONS

40. Section 40 of the Local Government Finance Act, 1992, requires the PCC to set budget and precept by 1st March each year.
41. The PCC 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.
42. 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. For the West Midlands an excessive increase would be more than 2% **and** a cash increase of more than £5.
43. Section 25 of the Local Government Act 2003 requires the CFO to report to the PCC on the robustness of the estimates made for the purposes of the statutory budget calculations and the adequacy of financial reserves and the PCC must have regard to that report when making decisions about the statutory budget calculations.
44. Section 19 of the Police Act 1996 makes special provision covering the PCC's decision, in respect of the precept it proposes to levy for the forthcoming year.

EQUALITY IMPLICATIONS

45. 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 PCC and the Force are committed to delivering the principles, strategies and priorities of their respective Equality Schemes. The budget proposed reflects a significant reduction in the PCC's overall spend, in line with the resource available to it and will result in a future contraction of the workforce. Measures will be put in place to monitor the equality impact of the change in workforce, in line with principles set out in the separate HR Strategic Plan.

SCHEDULE OF BACKGROUND PAPERS

Appendix 1 – Summary of Revenue Budget 2013/14 and Revised Budget 2012/13

Appendix 2 – Capital Programme 2013/14 – 2016/17

Appendix 3 – Operational Budget 2013/14

Appendix 4 - Statutory Council Tax calculation 2013/14

Appendix 5 – Report of the Chief Financial Officer

Appendix 6 – Statement of Prudential Indicators

Appendix 7 – Risk Assessment

REVENUE BUDGET 2013/14

	Budget	Base
	2012/13	2013/14
	£000	£000
<i>Police pay</i>	400,985	390,340
<i>Police Community Support Officers</i>	21,102	20,971
<i>Support staff pay</i>	103,949	102,953
<i>Other employees expenses</i>	2,150	1,866
Sub total	528,186	516,130
<i>Premises</i>	21,708	24,008
<i>Transport</i>	8,740	9,834
<i>Supplies and services</i>	52,216	47,440
<i>Agency</i>	3,998	3,987
<i>Capital Financing Costs</i>	7,784	5,628
<i>External income</i>	-74,148	-50,241
Police Force	548,484	556,786
<i>Office of the Police & Crime Commissioner</i>	1,991	1,884
<i>CSF Grant Income</i>	0	-6,969
<i>CSF Expenditure</i>	0	7,319
Total Revenue Budget	550,475	559,020

CAPITAL BUDGET AND PROGRAMME 2013/14 – 2016/17

		2013/14	2014/15	2015/16	2016/17	Total
		£'000	£'000	£'000	£'000	£'000
Section 1 (Approved schemes)						
Custody – Western Block	Estates	5,700	6,900	300	0	12,900
Custody – Central Birmingham Block	Estates	4,800	7,800	500	0	13,100
Systems/Networks upgrades and security	ICT	820	520	320	120	1,780
Resilience	ICT	100	100	100	100	400
Communications (telephony & radios)	ICT	400	0	0	0	400
Digital Interview Recording	ICT	1,000	0	0	0	1,000
Other IT Projects (Agility, ECM, Pentip)	ICT	521	0	0	0	521
Vehicles (incl PSU replacement)	Fleet	3,000	3,000	4,150	3,000	13,150
Equipment	Other	200	200	200	200	800
		16,541	18,520	5,570	3,420	44,051
Section 2 (Subject to business case approval)						
Core Buildings (Western)	Estates	200	4,680	120	0	5,000
Surveillance	Estates	0	487	13	0	500
Central Birmingham Estate	Estates	9,127	16,373	5,400	0	30,900
Building new site/migration costs	ICT	250	950	0	0	1,200
Video Conferencing	ICT	250	150	0	0	400
Mobility	ICT	2,500	2,000	1,500	0	6,000
Collaboration	ICT	700	300	0	0	1,000
Vehicle Data Recorders	Fleet	1,200	0	0	0	1,200
		14,227	24,940	7,033	0	46,200
Section 3 (Strategic Outline Case required)						
Estates rationalisation and re-provision	Estates	0	4,000	4,000	0	8,000
IT General Provision	ICT	500	2,000	2,000	2,000	6,500
Major System Replacement (ICCS, C&C)	ICT	0	0	4,800	0	4,800
Regional ANPR	ICT	0	500	0	0	500
Ops/Crime/CJ/Intel linked projects	ICT	0	885	490	1,780	3,155
Other Departmental Projects	ICT	0	950	545	75	1,570
		500	8,335	11,835	3,855	24,525
TOTAL PROGRAMME		31,268	51,795	24,438	7,275	114,776

OPERATIONAL BUDGET

	2012/13	2013/14	Change
	£'m	£'m	£'m
<i>Police Pay and Allowances</i>	401.0	390.3	-10.7
<i>Police Staff Pay and Allowances</i>	125.0	123.9	-1.1
<i>Other Employee Expenses</i>	2.2	1.9	-0.3
Total Employee Costs	528.2	516.1	-12.1
<i>Running Costs</i>	86.6	85.3	-1.3
<i>Income</i>	-74.1	-50.2	23.9
Total Operational Budget	540.7	551.2	10.5
<i>Capital Financing</i>	7.8	5.6	-2.2
TOTAL	548.5	556.8	8.3

Budget 2013/14	2013/14
	£'m
<i>Operations Dept.</i>	30.5
<i>Force CID Dept.</i>	49.5
<i>Public Protection Dept.</i>	24.3
<i>Intelligence Dept.</i>	26.8
<i>Community Justice & Custody Dept.</i>	21.6
<i>CTU</i>	2.6
<i>Force Contact</i>	42.8
<i>Support Services Depts.</i>	84.7
Departments Total	282.7
<i>LPU's</i>	248.7
<i>Central Costs</i>	19.8
Operational Total	551.2
<i>Capital Financing</i>	5.6
TOTAL	556.8

OPERATIONAL ANALYSIS

<i>Support Services Analysis</i>	<i>2013/14</i> <i>£'000</i>
<i>Property Services</i>	21.738
<i>Technology Services</i>	17.862
<i>Shared Service Centre</i>	9.121
<i>Fleet Services</i>	7.602
<i>Learning and Development</i>	6.322
<i>Corporate Services</i>	4.992
<i>Professional Standards</i>	2.820
<i>Organisation and Service Development</i>	2.579
<i>Human Resources</i>	2.567
<i>Finance and Procurement</i>	2.320
<i>Command Team</i>	2.240
<i>Information Management</i>	1.932
<i>Legal Services</i>	1.421
<i>Corporate Communications</i>	1.148
TOTAL	84.664

<i>LPU Analysis</i>	<i>2013/14</i> <i>£'000</i>
<i>Birmingham East LPU</i>	30.210
<i>Birmingham North LPU</i>	17.174
<i>Birmingham South LPU</i>	24.311
<i>Birmingham Central and West LPU</i>	39.482
<i>Coventry LPU</i>	29.488
<i>Dudley LPU</i>	20.451
<i>Solihull LPU</i>	25.993
<i>Sandwell LPU</i>	15.551
<i>Walsall LPU</i>	21.171
<i>Wolverhampton LPU</i>	24.878
TOTAL	248.709

**WEST MIDLANDS POLICE AND CRIME COMMISSIONER PRECEPT CALCULATION
2013/14**

	£
Gross Budget Requirement	559,020,000
Less: Balances and Reserves	-2,350,000
Net Budget Requirement	556,670,000
Less: Police Grant	(275,345,878)
Council Tax Support Funding	(16,981,187)
NNDR & RSG	(199,455,361)
Gross Council Tax Requirement	64,887,574
Add/Less: Balance on Collection Funds	120,931
Net Council Tax Requirement	65,008,505

Apportioned on the relevant tax base as follows:

	Relevant Tax base £	Total Precept £	Monthly Instalments	
			April-Feb £	March £
Birmingham	229,025.00	23,458,981	1,954,915	1,954,916
Coventry	70,863.80	7,258,564	604,880	604,884
Dudley	82,478.38	8,448,242	704,020	704,022
Sandwell	65,467.60	6,705,832	558,819	558,823
Solihull	70,499.00	7,221,197	601,766	601,771
Walsall	60,664.11	6,213,812	517,818	517,814
Wolverhampton	55,666.20	5,701,877	475,156	475,161
	634,664.09	65,008,505	5,417,374	5,417,391

Monthly Instalment x 11	59,591,114
Total Precept	65,008,505

Net Precept for Band D property £102.43

	Proportion of Band D £	Calculated Value £	Rounded Value £
Band A	6/9	68.2865	68.29
Band B	7/9	79.6676	79.67
Band C	8/9	91.0487	91.05
Band D	9/9	102.4298	102.43
Band E	11/9	125.1920	125.19
Band F	13/9	147.9541	147.95
Band G	15/9	170.7163	170.72
Band H	18/9	204.8596	204.86

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 PCC 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.

and the PCC must then have regard to that report when making decisions about the statutory budget calculations.
2. 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 some £25m of base budget reductions in 2013/14.
3. Appendix 7 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 PCC'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.
5. The Insurance Fund will continue to be maintained at a level consistent with the insurance cost borne by the PCC 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.
6. 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.
7. The total level of revenue reserves is estimated to be around £124m by 31st March 2013, depending on the use of earmarked reserves and the other factors influencing the use of the Budget Reserve in 2013/14.
8. I am therefore able to confirm that, in my professional opinion:-
 - (a) the estimates made for the purposes of the calculations of the PCC's budget requirement for 2013/14, 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 PCC, as a result of agreeing the proposals contained in this report, are adequate.

Mike Williams
Chief Financial 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

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 2011/12, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2013/14 Budget are as follows:

	<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>	<i>2014/15</i>	<i>2015/16</i>
	<i>Actual</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>Capital Expenditure</i>	<i>27,135</i>	<i>10,780</i>	<i>31,268</i>	<i>51,795</i>	<i>24,438</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 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 2013/14, the anticipated future borrowing requirements are considered in the context of overall capital resources and the impact on the revenue budget.

	31st March 2012 £'m	31st March 2013 £'m	31st March 2014 £'m	31st March 2015 £'m	31st March 2016 £'m
<i>Capital financing requirement (CFR)</i>	43.5	41.4	44.0	52.4	50.9
<i>External borrowing</i>	-49.2	-49.2	-49.2	-49.2	-47.2
<i>Variance</i>	-5.7	-7.8	-5.2	3.2	3.7

N.B. The CFR increases when expenditure is incurred and reduces when provision is made to repay debt.

Ratio of Financing Costs to Net Revenue Stream

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.

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.

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 increases 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:

	2012/13 Actual £m	2013/14 Estimate £m	2014/15 Estimate £m	2015/16 Estimate £m	2016/17 Estimate £m
<i>Financing Costs</i>	7.8	5.6	6.7	8.0	9.6
<i>Net Revenue Stream</i>	550.5	555.3	545.5	545.5	545.5
<i>Ratio</i>	1.42%	1.01%	1.23%	1.47%	1.76%

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:

	2011/12	2012/13	2013/14	2014/15	2015/16
	<i>Actual</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>Capital Financing Requirement at 31st March</i>	43,501	41,392	44,005	52,374	50,897

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:

	2013/14	2014/15	2015/16
	<i>£'m</i>	<i>£'m</i>	<i>£'m</i>
<i>Authorised Limit for external debt:</i>			
<i>Borrowing</i>	100.0	100.0	100.0
<i>Operational Boundary:</i>			
<i>Borrowing</i>	90.0	90.0	90.0

The PCC's actual external debt as at 31/03/12 was £49.2m, excluding transferred debt managed by Dudley.

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 below.

	2013/14	2014/15	2015/16	2016/17	Total
	£m	£m	£m	£m	£m
<i>Total borrowing</i>	0.0	0.0	0.0	30.0	30.0
<i>Interest (4%)</i>	0.0	0.0	0.0	1.2	1.2
<i>Repayment of Principal (20yrs)</i>	0.0	0.0	0.0	1.5	1.5
<i>Revenue consequences</i>	0.5	0.5	0.5	0.5	2.0
<i>Total revenue effect</i>	0.5	0.5	0.5	3.2	4.7

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 2013/14 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

	2013/14	2014/15	2015/16
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

	2013/14	2014/15	2015/16
Variable	%	%	%
<i>Upper Limit</i>	20	20	20

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 a 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 £60.0 million for 2013/14, 2014/15 and 2015/16.

Risk Assessment

Risk	Likelihood	Impact	Comment
<i>Savings required within the financial strategy to balance the medium term budget are not achievable.</i>	<i>High</i>	<i>High</i>	<i>The level of savings required is extremely challenging and a number of work streams are underway to identify savings. If these cannot be found any remaining gap would need to be covered by reserves or council tax increases.</i>
<i>Savings included within the 2013/14 budget are not achievable.</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>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>Pay awards in the future differ from the assumptions in our financial planning</i>	<i>Low</i>	<i>Medium</i>	<i>The Government has announced pay award capping of 1%. 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 and the availability of police resources given the planned fall in officer numbers. The PCC 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 over the medium term.</i>
<i>General inflation is different to the assumptions included in the budget. We have assumed no general price inflation increase for 2013/14. 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. Significant increases in building costs in the medium capital programme period could have an impact on some estimates. Utility and fuel costs could increase further</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 £0.1m.</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.