

**NOTICE OF
DECISION**

[008/2020]

Contact Officer: Mark Kenyon, Chief Finance Officer to the West Midlands Police and Crime Commissioner

Telephone Number: 0121 626 6060

Email: wmpcc@west-midlands.pnn.police.uk

Title: 2020/21 Revenue Budget and Precept and Capital Budget and Programme 2020/21 to 2023/24

EXECUTIVE SUMMARY

This report sets out the Police and Crime Commissioner's 2020/21 Revenue Budget and Precept and Capital Budget and Programme 2020/21 to 2023/24.

DECISION

- (a) That, for 2020/21, a total revenue expenditure level of **£614,122,700** be approved;
- (b) That, net contributions from Reserves to support the precept of **£3,483,600** be made in 2020/21;
- (c) That, a net budget requirement for 2020/21 of **£610,639,100** 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 16** and **Appendix 4** be approved;
- (f) That the Band D precept for 2020/21 should be set at **£162.55** an increase of £10 compared to 2019/20;
- (g) That, a total precept on the District Councils of the West Midlands be approved and apportioned between such Districts, on the basis of relevant tax base as determined by the District Councils and set out in **Appendix 5**;
- (h) That, District Councils be required to make payments on account of such precept upon them, by way of twelve equal instalments on or before the last banking day of each month, commencing in April 2020;
- (i) The continued commitment to maintain Community Safety Funding at 2019/20 levels;
- (j) That, the Operational Budget for 2020/21, be delegated in accordance with

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

- (k) That the Police and Crime Commissioner's budget be delegated to the Chief Executive in accordance with **paragraph 8**;
- (l) That the Capital Strategy 2020/21 – 2023/24 as set out in **Appendix 3** be approved;
- (m) That the Prudential Guidelines and Indicators set out in **Appendix 7** be approved;
- (n) That, the Chief Finance Officer (CFO) to the Commissioner be authorised to arrange the necessary financing for the Capital Programme, in accordance with the approved Treasury Management Strategy and the CIPFA Code of Treasury Management;

West Midlands Police and Crime Commissioner

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

Signature.....*David Dain*.....

Date.....*11.02.20.*.....

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 3 February 2020, this paper sets out the Police and Crime Commissioner's 2020/21 Revenue Budget and Precept and Capital Budget and Programme 2020/21 – 2023/24.

BACKGROUND

GOVERNMENT GRANT SETTLEMENT 2020/21

2. The total grant settlement for the West Midlands in 2020/21 is £502.7m which is an increase of £42.7m on the 2019/20 settlement. This additional funding is for the recruitment of an additional 366 police officers in the West Midlands by March 2021 (estimated to rise to around 1,200) as part of the national uplift programme. The other main points to note from the settlement are detailed below.
 - (a) The settlement includes the expectation for PCC's to raise their precept by up to £10 per year per Band D property in 2020/21. This expectation is for all PCC's with no differential for the existing low precepting areas.
 - (b) The Force has significant cost pressures in 2020/21 including pay and price inflation. This is estimated to be around £18m.
 - (c) For 2020/21 existing formula damping arrangements remain unchanged.
 - (d) The government expects PCCs to pay for the 2019 pay award and costs of the 2020 pay award from the funding settlement.
 - (e) For the West Midlands the capital grant allocation has reduced significantly from the 2019/20 allocation of £2.5m to £0.7m in 2020/21.
 - (f) The settlement allows PCCs to retain the full benefit from any additional local council tax income. It is assumed this means any additional funding from increased council tax base across the West Midlands are retained locally.

BALANCES AND RESERVES

3. The prudent use of reserves to support spending continues to be a key factor in the Medium Term Financial strategy. The following table details the anticipated level of reserves at 31 March 2020 and the estimated level of reserves up until March 2021.

	Estimated Balance as at March 2020	Estimated Balance as at March 2021
	£m	£m
Reserve Breakdown		
Budget Reserves	4.3	1.3
Other Reserves	1.0	0.5
Self-funded Insurance Reserve	8.2	8.2
Uniform and Equipment Reserve	3.7	3.7
Major Incident Reserve	2.2	2.2
National Contingency Reserve	1.1	1.1
Earmarked Reserves	20.5	17.0
General Reserve	12.0	12.0
TOTAL RESERVES	32.5	29.0

4. The Commissioner needs to maintain an adequate General Reserve balance because:
- (a) A substantial organisation with a 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.
5. There are a number of specific issues which need to be taken into account in considering how much of the earmarked reserves should be used in 2020/21, including:
- (a) retaining the maximum levels possible to support spending in 2020/21 and later years when resource levels will be significantly constrained;
 - (b) striking a fair balance between how much should be used to support spending over the planning period and by how much the precept should increase;
 - (c) risks and uncertainties in key budget assumptions, given that any over or additional spending in 2019/20 which cannot be met from in year redirections would have to be met from reserves;
6. Given these considerations and assuming a precept increase at the maximum permitted without a referendum it will be necessary to use £3.5m of reserves to support revenue spending in 2020/21.

PROPOSED REVENUE BUDGET 2020/21

7. The Commissioner is proposing a Revenue Budget for 2020/21 based on the following:-
- (a) The priorities of the Police and Crime Plan.
 - (b) The implications of the funding settlement.
 - (c) Existing budget commitments and inflationary pressures.
 - (d) The costs and benefits arising from the continued support for the WMP2020

transformation programme.

- (e) The continued commitment to maintain Community Safety Funding at 2019/20 levels.
- (f) The uncertainty of funding beyond 2020/21 in light of the review of the police funding formula and any future CSR.

8. The Revenue Budget for 2020/21 is based on the following:-

- (a) The continued recruitment of Police Officers and PCSO's to ensure that planned numbers are reached as detailed in paragraph 13.
- (b) The opportunity to have a workforce more representative of the public we serve by recruiting more BME police officers, police staff and PCSOs.
- (c) The growth of apprenticeships, specials and the continued introduction of Police Cadets across the West Midlands.
- (d) The provision of improved equipment and technology to frontline officers to support capability, safety and welfare.
- (e) A precept increase of £10 in line with the Council Tax referendum limit principles that applies to West Midlands Police together with the prudent use of reserves.
- (f) A planned use of the Budget Reserve in 2020/21 of £3.5m.
- (g) Continued work of efficiencies and productivity to redirect resources to frontline policing as a priority.
- (h) The Force will look to protect any underspends and restrict non-essential spend in 2019/20 to ensure one-off resources to provide mitigation for the funding shortfall in 2020/21 whilst plans are introduced for sustainable solutions.
- (i) At the point of building the proposed revenue budgets for 2020/21 a number of decisions around national contributions are still outstanding, once clarified these will be reflected in the revised budget in year during 2020/21.

9. Recognising that in the medium term:

- (a) There remains considerable uncertainty about Government funding levels.
- (b) There are significant cost pressures to the organisation including inflation and other cost pressures.
- (c) There is a need to strike a careful balance between spending levels, the use of reserves and a precept increase in 2020/21.

OFFICE OF THE POLICE AND CRIME COMMISSIONER

10. The proposed budget for the Police and Crime Commissioner's office for 2020/21, compared to the budget for 2019/20 is shown in the table below. The 2020/21 budget includes provision for supporting the revised arrangements relating to the handling of complaints as a result of the Police and Crime Act 2017, provision for increased pension costs, national pay awards, and extra capacity to deliver against

initiatives such as supporting the Violence Reduction Unit.

	Budget 2019/20	Proposed Budget 2020/21
	£,000	£,000
Office of Police and Crime Commissioner Breakdown		
Governance	410	412
Staff & Office Support Costs	1,685	1,881
Consultation, ICT and Systems	112	112
Police Misconduct Hearings incl Legally Qualified Chairs	35	35
Subscriptions	33	35
Bank Charges and External Audit Fees	70	70
Custody Visiting	10	10
Professional Services	50	50
Total	2,405	2,605

COMMUNITY SAFETY FUNDING

11. The Commissioner has made a commitment to maintain the levels of Community Safety Funding in 2021/21 at 2019/20 levels at £3,863,308.

OPERATIONAL POLICING BUDGET

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

STAFFING BUDGETS 2020/21

13. The table below details the forecast staffing levels including those relating to the national uplift programme across the Force including police officers, police staff and PCSO's. There is a continued commitment to recruit up to the number of Police Officers and PCSO's outlined below:

	31-Mar-20	31-Mar-21	31-Mar-22	31-Mar-23
Workforce Breakdown	FTE	FTE	FTE	FTE
Police Officers	6,613	7,122	7,612	7,901
Police Staff *	3,902	3,873	4,034	4,140
PCSO	464	476	464	464
Total Workforce	10,979	11,471	12,110	12,505

* Includes an estimated increase in relation to Uplift

14. The 2020/21 funding settlement allows officer numbers to be increased by 366 and staff numbers by an estimated 122 by the end of March 2021 as part of the national uplift programmes. The numbers above also include short term funding for the Commonwealth Games, the City of Culture and the Home Office Surge Funding. The Commissioner and Chief Constable are also working together on continued efficiencies, further savings and increasing the capability of officers and staff.

MEDIUM TERM FINANCIAL PLAN (MTFP)

15. Following receipt of the grant settlement, the Commissioner is now in the process of

revising the Medium Term Financial Plan (MTFP). Early in 2020/21 a refresh of the financial strategy linked to the change programme of work will take place.

CAPITAL PROGRAMME 2020/21 – 2023/24

16. The main items in the capital programme contained in Appendix 4 include major investments in the Force Estates Strategy as well as the continued investment in new technology through the Connect system and Mobile Communications. In addition there is funding for the vehicle and plant replacement programme and investment in ICT, including vehicles and ICT in relation to the uplift programme. The capital programme will be financed by a combination reserves, revenue contributions to capital, capital grants, capital receipts and additional borrowing as required.

PRUDENTIAL GUIDELINES

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

RISKS AND UNCERTAINTIES

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

PRECEPT IMPLICATIONS

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

	2019/20	2020/21
	£m	£m
Summary Precept Calculation		
Total Revenue Budget	575.1	614.1
Contribution from Reserves	-5.3	-3.5
Net Budget Requirement	569.8	610.6
Police Grant inc. DCLG	-434.0	-466.5
Council Tax Support Grant	-19.0	-19.0
Pension Grant	-7.0	-7.0
Surplus / Deficit on Collection Fund	-1.1	-1.2
Precept Requirement	108.8	117.0
Total Tax Base	713,120	719,757
Band D Precept*	152.55	162.55

*An increase of £10.00 per annum

20. This produces a charge for each property for 2020/21 as follows:

Band	Statutory Proportion	2019/20	2020/21	Change	Change
		Precept £:p	Precept £:p	Annual £:p	Weekly £:p
Band A	6/9	101.70	108.37	6.67	0.13
Band B	7/9	118.65	126.43	7.78	0.15
Band C	8/9	135.60	144.49	8.89	0.17
Band D	9/9	152.55	162.55	10.00	0.19
Band E	11/9	186.45	198.67	12.22	0.24
Band F	13/9	220.35	234.79	14.44	0.28
Band G	15/9	254.25	270.92	16.67	0.32
Band H	18/9	305.10	325.10	20.00	0.38

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

FINANCIAL IMPLICATIONS

22. Are as detailed in this report.

LEGAL IMPLICATIONS

23. Section 40 of the Local Government Finance Act, 1992, requires the Commissioner to set budget and precept by 1st March each year.
24. The Commissioner must ensure that the precept is sufficient to provide for the expenditure estimates it will incur in the year in performing functions, defraying outstanding expenditure incurred earlier, any expenditure before precepts become sufficiently available and any payments into reserves.
25. The Localism Act 2011 has abolished the council tax capping regime and replaced it with the requirement for Authorities to hold a taxpayers referendum if excessive increases are proposed. In 2020/21 an excessive increase would £10.01 or greater.
26. Section 25 of the Local Government Act 2003 requires the CFO to report to the Commissioner on the robustness of the estimates made for the purposes of the statutory budget calculations and the adequacy of financial reserves and the Commissioner must have regard to that report when making decisions about the statutory budget calculations.
27. Section 19 of the Police Act 1996 makes special provision covering the Commissioner's decision, in respect of the precept it proposes to levy for the forthcoming year.

EQUALITY IMPLICATIONS

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

SCHEDULE OF BACKGROUND PAPERS

- Appendix 1 – Summary of Revenue Budget 2020/21
- Appendix 2 – Operational Budget 2020/21
- Appendix 3 – Capital Strategy 2020/21 – 2023/24
- Appendix 4 - Capital Programme 2019/20 – 2023/24
- Appendix 5 - Statutory Council Tax calculation 2020/21
- Appendix 6 – Report of the Chief Financial Officer
- Appendix 7 – Statement of Prudential Indicators
- Appendix 8 – Risk Assessment

REVENUE BUDGET 2020/21

	2019/20 Original Budget £,000	2019/20 Revised Budget £,000	2020/21 Proposed Budget £,000	2020/21 Uplift Budget* £,000	2020/21 Total Proposed Budget £,000
Income and Expenditure Breakdown					
Police Pay	360,480	358,897	366,607	8,484	375,090
Police Community Support Officers	14,585	15,660	14,948	0	14,948
Police Staff Pay	124,914	129,000	136,745	4,724	141,470
Other Employee Expenses	9,903	11,218	11,471	1,871	13,341
Sub Total	509,882	514,775	529,771	15,079	544,849
Premises	17,814	17,732	17,943	3,003	20,946
Transport	6,545	6,908	7,266	603	7,868
Supplies and Services	36,953	41,654	42,328	16,154	58,482
Third Party Payments	11,030	11,958	12,588	0	12,588
Capital Financing	7,049	7,537	7,044	7,900	14,944
External Income	-33,329	-44,971	-43,019	-10,257	-53,276
Savings to be determined	0	0	-9,893	0	-9,893
WMP2020 Project Costs	10,848	27,318	9,059	0	9,059
Police Force	566,792	582,911	573,086	32,481	605,567
Office of Police and Crime Commissioner	2,405	2,440	2,605	0	2,605
Community Safety Funding	3,863	4,532	3,863	0	3,863
Active Citizens	400	1,153	400	0	400
External Commissioning	1,688	4,803	1,688	0	1,688
Victim Services Expenditure	3,347	3,330	3,409	0	3,409
Victim Services Income	-3,347	-3,330	-3,409	0	-3,409
Violence Reduction Unit Expenditure	0	3,370	3,370	0	3,370
Violence Reduction Unit Income	0	-3,370	-3,370	0	-3,370
Total Office of the PCC	8,356	12,928	8,556	0	8,556
Total Revenue Budget	575,148	595,839	581,642	32,481	614,123
Government Grants including Uplift **	-459,988	-459,988	-459,988	-32,481	-492,469
Council Tax inc. Surplus on Collection Fund	-109,860	-109,860	-118,170	0	-118,170
Planned Use of Reserves	5,300	25,991	3,484	0	3,484

* Provisional Income and Expenditure Breakdown

** 2019/20 Does not include the uplift for 2019/20

OPERATIONAL BUDGET

	2020/21 Proposed Budget £,000	2020/21 Uplift Budget* £,000	2020/21 Total Proposed Budget
Operational Budget			
Police Pay & Allowances	366,607	8,484	375,090
Police Staff & Allowances	151,694	4,724	156,418
Other Employee Expenses	11,471	1,871	13,341
Total Employee Costs	529,771	15,079	544,849
Running Costs	80,125	19,760	99,884
Income	- 43,019	- 10,257	- 53,276
Total Operational Budget	566,876	24,581	591,457
WMP2020 Project Costs	9,059	-	9,059
Savings to be Identified	- 9,893	-	- 9,893
Capital Financing	7,044	7,900	14,944
Total Police Force Budget	573,086	32,481	605,567

	2020/21 Proposed Budget £,000
Operational Budget Department Breakdown	
Criminal Justice Services	24,837
CTU	2,980
Force CID	76,528
Force Contact	36,166
Force Response	66,350
Forensics	13,044
Integarated Offender Management	1,598
Intelligence inc. Strategy & Direction	15,547
Operations	41,910
Public Protection	46,620
Traffic & CMPG	12,426
ROCU	20,050
Support Services	96,247
Department Total	454,301
Local Policing	96,178
Central Costs	16,397
Total Operational Budget	566,876
WMP2020 Project Costs	9,059
Savings to be Identified	- 9,893
Capital Financing	7,044
Total Police Force Budget	573,085

	2020/21 Proposed Budget £,000
Support Services Breakdown	
Business Transformation	4,608
Corporate Asset Management	30,716
Corporate Communications	2,133
Finance	1,614
Force Executive Team	3,021
Information Management	3,472
IT & Digital	22,909
Legal Services	2,318
People and Organisation Development	21,366
Professional Standards	4,089
Support Services Total	96,247

	2020/21 Proposed Budget £,000
Local Policing Breakdown	
Birmingham Central	19,779
Birmingham East	21,083
Coventy	11,475
Dudley	7,130
Sandwell	9,862
Solihull	5,921
Walsall	7,713
Wolverhampton	11,005
Birmingham Partnerships	2,210
Local Policing Total	96,178

CAPITAL STRATEGY 2020/21 – 2023/24

1. BACKGROUND & INTRODUCTION

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

2. PURPOSE

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

3. SCOPE

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

4. GOVERNANCE FRAMEWORK

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

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

5. CAPITAL EXPENDITURE

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

6. CAPITAL INVESTMENT PRIORITIES

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

7. METHODS OF FUNDING THE CAPITAL PROGRAMME

Government Grants

- 7.1. Each year the Force receives an allocation of grant funding directly from the Home Office for the purpose of capital expenditure. For 2020/21 this funding has been set at £0.7m.
- 7.2. The Force may also receive in year other specific grants which could be spent as capital or revenue to fund specific projects.
- 7.3. In addition to the funding given to the Force some specific grants are also received by the Counter Terrorism Unit (CTU) and these fund expenditure specific to the CTU.

Prudential Borrowing

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

Capital Receipts

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

Revenue Contributions

- 7.7. In some circumstances the Force does allow revenue contributions to be made to fund capital expenditure. This is usually where a piece of equipment is locally purchased but meets the definition of a capital asset. Going forward, given the reduction in Capital Grant funding there is the intention to increase the revenue contributions to fund Capital expenditure.

APPENDIX 4**CAPITAL BUDGET AND PROGRAMME 2019/20 – 2023/24**

Capital Programme Breakdown	2019/20 Current Budget £m	2020/21 Proposed Budget £m	2021/22 Proposed Budget £m	2022/23 Proposed Budget £m	2023/24 Proposed Budget £m	Total Capital Programme £m
Business as Usual:						
Fleet inc. Uplift	3.9	6.7	4.7	4.6	5.9	25.8
IT & Digital	3.4	0.6	0.6	0.6	0.6	5.8
Desktop Replacement inc. uplift	2.7	2.4	2.2	2.2	2.2	11.7
Mobile Communications	8.1	-	-	-	6.0	14.1
Equipment	0.2	0.3	0.3	0.3	0.3	1.4
CTU	1.9	-	-	-	-	1.9
Total Business as Usual	20.2	10.0	7.8	7.7	15.0	60.7
WMP2020	3.1	4.2	-	-	-	7.3
Estates Strategy	39.0	34.8	51.1	21.5	5.1	151.5
Total Capital Programme Spend	62.3	49.0	58.9	29.2	20.1	219.5
Funded by:						
Capital Grant						7.8
RCCO inc. Uplift						37.2
Capital Receipts						51.4
Borrowing / Reserves						121.1
Specific Grant						1.9
Total Funding:						219.5

WEST MIDLANDS POLICE & CRIME COMMISSIONER PRECEPT CALCULATION 2020/21				
				£
	Gross Budget Requirement			614,122,688
	Less: Balances and Reserves			(3,483,600)
	Net Budget Requirement			610,639,088
	Less: Police Grant inc. DCLG			(466,478,119)
	Legacy Council Tax Grant			(19,025,734)
	Additional Pension Grant			(6,964,852)
	Gross Council Tax Requirement			118,170,383
	Add/Less: Balance on Collection Funds			(1,173,845)
	Net Council Tax Requirement			116,996,538
Apportioned on the relevant tax base as follows:				
	Relevant Tax base	Total Precept	Monthly Instalments	
	£	£	April-Feb	March
			£	£
Birmingham	254,654.00	41,394,008	3,449,501	3,449,497
Coventry	83,905.50	13,638,839	1,136,570	1,136,569
Dudley	93,074.22	15,129,214	1,260,768	1,260,766
Sandwell	74,280.91	12,074,362	1,006,197	1,006,195
Solihull	77,566.00	12,608,353	1,050,696	1,050,697
Walsall	71,549.80	11,630,420	969,202	969,198
Wolverhampton	64,726.80	10,521,341	876,778	876,783
	719,757.23	116,996,537	9,749,712	9,749,705
			Monthly Instalment x 11	107,246,832
			Total Precept	116,996,537
			Net Precept for Band D property	£162.55
	Proportion of Band D	Calculated Value	Rounded Value	
	£	£	£	
Band A	6/9	108.3667	108.37	
Band B	7/9	126.4278	126.43	
Band C	8/9	144.4889	144.49	
Band D	9/9	162.5500	162.55	
Band E	11/9	198.6722	198.67	
Band F	13/9	234.7944	234.79	
Band G	15/9	270.9167	270.92	
Band H	18/9	325.1000	325.10	

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

1. Section 25 of the Local Government Act 2003 requires the designated Chief Finance Officer of the Commissioner to report to it on the following matters:
 - (a) the robustness of the estimates made for the purposes of the statutory budget calculations;
 - (b) the adequacy of the proposed financial reserves;
2. The Commissioner must then have regard to that report when making decisions about the statutory budget calculations.
3. Appendix 8 analyses the risks and implications if key budget assumptions vary during the year. Any overspendings which cannot be contained within approved budget levels will have to be financed from the Budget Reserve.
4. Details of the Commissioner's general balances and reserves are set out in paragraphs 3 and 4 of the report. I am recommending that the level of General Balances remains at £12m.
5. The 2020/21 Revenue Budget and Medium Term Financial Plan requires a use of reserves. I have advised the Commissioner that I believe this represents an entirely reasonable, balanced and prudent approach, given current levels of crime and anti-social behaviour, the priorities set out in the Police and Crime Plan and the levels of Government resources likely to be available in the medium term.
6. The Insurance Fund will continue to be maintained at a level consistent with the insurance cost borne by the Commissioner's reserve and the level of outstanding self-funding insurance claims at any time.
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 £29m by 31st March 2021, depending on the use of earmarked reserves and the other factors influencing the use of reserves in 2020/21.
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 2020/21, under Section 32 of the Local Government Finance Act 1992 contained in the report, are robust.
 - (b) The financial reserves that will remain available to the Commissioner, as a result of agreeing the proposals contained in this report, are adequate.

Mark Kenyon
Chief Finance Officer

STATEMENT OF PRUDENTIAL INDICATORS

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

Capital Expenditure

5. This indicator forms the background to all other indicators, given that the overall rationale of the prudential system is to provide flexibility for borrowing to fund capital investment.
6. The actual amount of capital expenditure that was incurred during 2018/19, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2020/21 Budget are as follows:

	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24
	Actual	Estimate	Estimate	Estimate	Estimate	Estimate
	£'m	£'m	£'m	£'m	£'m	£'m
Capital Expenditure	31.7	62.3	49.0	58.9	29.2	20.1

Net Borrowing and the Capital Financing Requirement (CFR)

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

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

8. In considering the proposed capital programme for 2020/21, the anticipated future borrowing requirements are considered in the context of overall capital resources and the impact on the revenue budget.

	31 st March 2019 £'m	31 st March 2020 £'m	31 st March 2021 £'m	31 st March 2022 £'m	31 st March 2023 £'m
Capital financing requirement (CFR)	42.6	80.1	95.1	97.6	97.0
External borrowing	-82.2	-96.6	-113.8	-118.8	-120.8
Variance	-39.6	-16.5	-18.7	-21.2	-23.8

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

Ratio of Financing Costs to Net Revenue Stream

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

	2019/20 Estimate £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Financing Costs	3.1	3.7	3.8	3.9	3.7
Net Revenue Stream	569.8	610.6	649.9	674.5	683.3
Ratio	0.54%	0.61%	0.58%	0.58%	0.54%

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:

	2018/19	2019/20	2020/21	2021/22	2022/23
	Actual	Estimate	Estimate	Estimate	Estimate
	£'m	£'m	£'m	£'m	£'m
<i>Capital Financing Requirement at 31st March</i>	42.6	80.1	95.1	97.6	97.0

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:

	2020/21	2021/22	2022/23
	£'m	£'m	£'m
Authorised Limit for external debt:			
<i>Borrowing</i>	125.0	125.0	130.0
Operational Boundary:			
<i>Borrowing</i>	120.0	120.0	125.0

The PCC's actual external debt as at 31/03/20 is anticipated to be £96.6m, excluding transferred debt managed by Dudley MBC.

The Incremental Impact of Capital Investment Decisions on the Council Tax

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

	2019/20	2020/21	2021/22	2022/23	Total
	£m	£m	£m	£m	£m
Total borrowing	15.0	20.0	5.0	5.0	45.0
Interest (2.8% after 2020)	0.24	0.56	0.14	0.14	1.08
Repayment of Principal (50yrs)	0.3	0.4	0.1	0.1	0.9
Revenue consequences	0.0	0.0	0.0	0.0	0.0
Total revenue effect	0.54	0.96	0.24	0.24	1.98

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 2020/21 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

	2020/21	2021/22	2022/23
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

<i>Variable</i>	<i>2020/21</i>	<i>2021/22</i>	<i>2022/23</i>
	<i>%</i>	<i>%</i>	<i>%</i>
<i>Upper Limit</i>	<i>20</i>	<i>20</i>	<i>20</i>

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

Maturity Structure of Borrowing

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

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

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

Investments for longer than 364 days

26. It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £40.0 million for 2020/21, 2021/22, 2022/23 and 2023/24.

Risk Assessment

<i>Risk</i>	<i>Likelihood</i>	<i>Impact</i>	<i>Comment</i>
<i>The IIP programme costs are significantly higher than planned. Also the planned savings from the IIP and other savings included within the 2020/21 budget are not achievable.</i>	<i>Low</i>	<i>Medium</i>	<i>IIP governance structures in place to deliver the IIP programme. In addition Budget Managers have considered the planned savings and confirmed they believe them to be achievable, however if circumstances change and the planned level of savings is not achievable alternatives will be sought in year.</i>
<i>The Capital Programme requirement changes as work streams develop, for example, development of the Estates Strategy.</i>	<i>High</i>	<i>High</i>	<i>The programme has been written with some flexibility built in but should strategic choices vary significantly the programme would be reviewed and re-shaped in line with the new requirement. The addition of the Estates Strategy is being programme managed and would be reported through the appropriate governance channels.</i>
<i>Pay awards in the future differ from the assumptions in our financial planning</i>	<i>Low</i>	<i>Medium</i>	<i>Current assumptions are in line with pay award offers to Police Officers and Staff. If pay awards are higher than this, the savings requirement will increase.</i>
<i>Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors</i>	<i>Medium</i>	<i>Medium</i>	<i>Depending on the volume and complexity of any incidents, this could place a significant strain on current contingency budgets. The Commissioner has a Major Incidents Reserve which would need to be used if any overspendings could not be contained within the overall devolved budget.</i>
<i>Interest rates increase</i>	<i>Low</i>	<i>Medium</i>	<i>The budget reflects the low rates of interest being received on investments. Forecasts from our Treasury Management advisers suggest that borrowing rates are likely to increase which will add to the costs of financing the capital programme should borrowing be required over the medium term.</i>
<i>General inflation is different to the assumptions included in the budget. We have assumed general price inflation on Gas, Electricity & Water of 5%, Fuel of 5% and Supplies of 2.5% for 2020/21.</i>	<i>Medium</i>	<i>Medium</i>	<i>A 1% increase would cost around £0.8m. Significant increases in building costs in the medium term capital programme period could have an impact on some estimates.</i>
<i>Income levels not achieved</i>	<i>Low</i>	<i>Low</i>	<i>A 1% loss of income (excluding grants & interest) would cost around £0.3m.</i>

Public Access to Information

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