



## Report to the Accountability and Governance Board – 2025/26 Revenue Budget, Precept and Capital Programme and Medium Term Financial Plan (MTFP) 2025/26 to 2029/30

Date: 28 January 2025

Report of: PCC Chief Finance Officer

Report author: Jane Heppel. West Midlands PCC Chief Finance Officer

### **Notice of Intended PCC Decision**

- (a) That, for 2025/26, a total revenue expenditure level of **£790,417,200** be approved,
- (b) That, net contributions from Reserves to support the budget of **£16,950,500** be made in 2025/26,
- (c) That, a net budget requirement for 2025/26 of **£773,466,700** be approved,
- (d) That the Commissioner's General Reserve remains at **£16,726,165**,
- (e) That the capital programme, as set out in **Section 11** and **Appendix 4**, be approved,
- (f) That the Band D precept for 2025/26 be set at **£229.50** per annum, an increase of **£13.95** compared to 2024/25,
- (g) That, a total precept on the Councils of the West Midlands be approved and apportioned between such Councils, on the basis of relevant tax base as set out in **Appendix 5**,
- (h) That, billing authorities be required to make payments on account of such precept upon them, by way of ten instalments, commencing in April 2025, on dates to be advised by the PCC CFO,
- (i) That, the Operational Budget for 2025/26 be delegated in accordance with the Scheme of Consent, as set out in **Appendix 2**,
- (j) That the Police and Crime Commissioner's budget be delegated to the Chief Executive, in accordance with **Section 6**,
- (k) That the Medium-Term Financial Plan to 2029/30, as set out in **Section 10**, be noted,
- (l) That the Capital Strategy 2025/26-2029/30, as set out in **Appendix 3** be approved,

- (m) That the Reserves Strategy 2025/26-2029/30, as set out in **Appendix 6** be approved
- (n) That the Prudential Guidelines and Indicators, as set out in **Appendix 7** be approved,
- (o) 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.

## **1 Purpose**

- 1.1 This report sets out the Police and Crime Commissioner's proposed 2025/26 Revenue Budget, Precept and Capital Programme. It also contains the Capital Strategy, Reserves Strategy and Medium-Term Financial Plan for 2025/26 to 2029/30.

## **2 Background**

- 2.1 The Government is expected to announce the police funding settlement for 2025/26 by 31<sup>st</sup> January 2025 and this paper is built on the assumption that this will match the draft settlement published on 17<sup>th</sup> December 2024.
- 2.2 There is a statutory requirement for the Police and Crime Commissioner (PCC) to set the precept by 1 March, however, the Commissioner seeks to set the annual budget and precept by mid-February to assist Billing Authorities with early dispatch of Council Tax Bills.
- 2.3 Regulations require the PCC to notify the Panel of the proposed precept by 1 February, to enable the Panel to review the precept by 8 February 2025.
- 2.4 The panel does have the power to veto the proposed level and if the veto is exercised the Commissioner would need to consider the Panel's views and respond by 10 February for review by the Panel by 17 February. The Panel must respond by 17 February, but rejection cannot prevent the Commissioner from issuing the precept.
- 2.5 The panel's schedule of meetings in February accommodates this timetable should it be needed.

### 3 2025/26 Government Grant Settlement

- 3.1 The total grant settlement for the West Midlands in 2025/26 is £665.4m, which is an increase of £36.2m on the 2024/25 Settlement. This is consistent with the Commissioner's medium-term financial planning assumptions.
- 3.2 The additional funding confirmed through the settlement will cover most of the costs of the police officer pay awards announced for 2024, and most of the change in employer National Insurance rates and thresholds.
- 3.3 The settlement also contains an additional £6.1M to fund the delivery of the Neighbourhood Policing Guarantee.
- 3.4 The main points to note from the settlement are as follows:
- A 3.7% increase in Core Grant for all areas, £339m in total, £20.7m for West Midlands (this included a £4.5m transfer from the Police Uplift grant),
  - £230.3m funding nationally for employer NICs compensation, £11.6m for West Midlands, which is less than the sum required of £11.9m,
  - £100m funding nationally for the Neighbourhood Policing Guarantee, £6.1m for West Midlands, distributed as per the core grant,
  - A commitment to ensure that Firearm Licencing Fees will be increased to cover costs – the statutory instrument was laid on 15 January 2025,
  - Police required to participate in the Police Efficiency and Collaboration Programme, starting with national approaches to buying energy, vehicles, fuel, temporary staff, and software licenses,
  - A new Performance Unit will be established in the Home Office - to “drive up performance and standards”,
  - The opportunity for PCCs to raise their precept by up to £14 per year per Band D property in 2025/26,
  - Continuation of the existing police pension grant, £18.9m for West Midlands. This included the removal of a one-off top-up payment of £26.8m for implementation costs relating to the police pensions remedy and £14m transferred to the Counter-Terrorism Policing Grant,
  - One year funding agreement for the Violence Reduction Partnership.

### 4 Balances and Reserves

- 4.1 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 as of 31 March 2025 and the estimated level of reserves by 31 March 2026, as per the plans outlined within this budget report. **Appendix 6** contains the proposed Reserves Strategy.

4.2 Planned Movements in Reserves relied upon in the 2025/26 budget are as follows:

Reserves (Forecast position) £m	Balance @ 31 <sup>st</sup> March 2025	2025/26 Planned Movement in Reserves	Balance @ 31 <sup>st</sup> March 2026
<b>Operational Reserves</b>			
Regional / National / Collaboration Reserve	5.4	1.8	7.2
Estates Strategy Reserve	10.2	(6.9)	3.3
Change Programme	5.3	(1.5)	3.8
Budget Reserve	35.1	(7.7)	27.4
Carry Forward Reserve	3.6	0.0	3.6
<b>Other Reserves</b>			
Uniform and Equipment Reserve	11.6	(1.6)	10.0
Drug Squad / PPA Reserve / POCA	2.4	(0.6)	1.8
National Contingency Reserve	2.2	(0.4)	1.8
<b>Total Earmarked Reserves</b>	<b>75.8</b>	<b>(16.9)</b>	<b>58.9</b>
General Fund Reserve	16.7	0.0	16.7
<b>Total Reserves</b>	<b>92.6</b>	<b>(16.9)</b>	<b>75.6</b>

4.3 Details of the planned movement in Reserves are as follows:

4.3.1 **Regional / National / Collaboration reserve** – This reserve will be topped up by a net £1.8m in 2025/26. There are two planned drawdowns: firstly the Regional Organised Crime Unit will use £0.2m of their reserves subject to agreement by regional partners. Secondly, funding provided by the Premier League during 2023/24 of £0.6m will be used to fund the setup of the mounted unit, which will then support operational requirements including Football policing.

The reserve will be topped up by £2.6m if estimates relating to a considerable increase in planned chargeable activity are met, reflecting the force's plans to maximise income where possible to mitigate the impact of budget savings.

4.3.2 **Estates Strategy Reserve** – This utilises the estate strategy reserve to fund the in-year revenue costs of the estate's strategy.

4.3.3 **Change Programme Reserve** – This reserve is being utilised in 2025/26 to fund the replacement / development work on our core Police Records Management System: Connect.

- 4.3.4 **Budget Reserve** - The budget reserve is held to reduce the impact of financial pressures on service delivery. Due to the scale of the savings required to balance the medium-term plan, the Force has continued to drive savings in 2024/25 from increased income opportunities and reviewing staff vacancies. This will be transferred to the budget reserve and drawn down to help balance the medium-term plan allowing time to generate further long-term sustainable solutions. The current plan is to utilise £3.9m of this reserve to balance the budget and a further £3.8m is earmarked to fund additional inflation related pressures including higher than expected pay awards.
- 4.3.5 **Uniform and Equipment Reserve** – This reserve is being utilised to support the initial higher costs of purchasing non-ICE vehicles, estimated at £1m, and £0.6m to fund the first year of the new Taser contract which was delayed from 2024/25.
- 4.3.6 **Drug Squad / PPA Reserve** – This contribution is used to partially fund the Commissioner’s My Community Fund, which supports projects across the West Midlands.
- 4.3.7 **POCA Reserve** – The Proceeds of Crime Act 2002, allows some of the value of seized criminal assets to be returned to Forces over time as criminal prosecutions come to court. Any amount over that relied upon in-year, to support economic crime and other teams targeting seizures, is returned to this reserve to smooth the time delay between workload, seizure of goods and the return of money through the POCA mechanism. In 2024/25 and 2025/26 this reserve is also being used to fund Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands.
- 4.4 The Commissioner needs to maintain an adequate General Reserve balance because:
- As a substantial organisation with a turnover of more than £0.8 billion, there are no other such reserves to call on.
  - There are no budgeted contingencies for very major incidents, which may require significant resource levels for a long period.
- 4.5 The considerations in determining how much of the earmarked reserves should be used in 2025/26, are:
- Retaining the maximum level possible, to support spending in 2025/26 and later years, when resource levels may be constrained,
  - 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,
  - Risks and uncertainties in key budget assumptions, any additional spending in 2025/26, which cannot be met from in year redirections would have to be met from reserves.
- 4.6 Given these considerations and a precept increase at the maximum permitted without a referendum, it will be necessary to use £16.9m of reserves to support

revenue spending in 2025/26. The use of additional reserves will be subject to decisions and activities in year

- 4.7 These reserves are sufficient to meet any short to medium term costs of local government reorganisation, with a view to restocking those from any savings achieved, to return the value back to Policing.

## 5 Proposed Revenue Budget 2025/26

- 5.1 The Commissioner is proposing a Revenue Budget for 2025/26, based on the following:

- The priorities in the Police and Crime Plan.
- The implications of the funding settlement.
- Existing budget commitments and inflationary pressures.
- The continued recruitment of Police Officers to ensure than planned numbers are maintained as detailed in **Section 9**.
- Maintaining the Police Uplift headcount for West Midlands Police.
- The provision of improved equipment and technology to frontline officers to support capability, safety and welfare.
- The opportunity to have a workforce more representative of the public we serve by recruiting more police officers, police staff and PCSOs from underrepresented groups.
- The continuation to support apprenticeships and the drive to increase and develop the police cadets' scheme, volunteers and specials across the West Midlands.
- An increase to the precept of £13.95 per annum, in line with the Council Tax referendum limit principles, that applies to West Midlands Police, together with the prudent use of reserves.
- Enhance the Community Safety Funding and External Commissioning, to support prevention and crime reduction activity.
- Savings required to support the revenue budget in 2025/26 of £19.5m. This is explained in greater detail in Section 5.3 below.
- Continued work on efficiencies and productivity, to redirect resources to frontline policing as a priority.
- Continued support for the Estates Strategy, and implementation of Continuous Improvement methodology and Priority Based Budgeting, to deliver savings and efficiencies in the short to medium term. These will help the Force to continually challenge the way services are provided, maximise innovation and drive efficiency and productivity.

- 5.2 Recognising that in the medium term, there are significant cost pressures to the Force including inflation and other cost pressures. There is a need to strike a careful balance between spending levels, the use of reserves and a precept increase across medium term.

- 5.3 The table below analyses the changes between the proposed 2025/26 Revenue Budget, compared to the 2024/25 budget. The subjective analysis of the proposed 2025/26 budget is shown in Appendix 1, along with the base budget from 2024/25.

<b>Revenue Budget Movement</b>	<b>£m</b>
<b>2024/25 Budget</b>	<b>757.4</b>
Cost of living Pay Awards 2024 and (estimated) 2025	32.8
Incremental Pay Banding Increases	7.5
Non-Pay Inflation	10.0
Policing additional bank holiday	0.6
<b>New Costs / Grants</b>	
Cost of National Insurance Changes	11.9
National Insurance Grant from HO	(11.6)
Cost of delivering Neighbourhood Policing Guarantee	6.1
Neighbourhood Policing Grant from HO	(6.1)
<b>Movement in Grant Income</b>	
Police Grant - PUP Ringfenced Grant	4.6
Police Grant - Additional Recruitment Top Up	(9.6)
Police Grant - Pensions Grant (CTU Top slice)	0.9
<b>Other Budget Movements</b>	
Approved Investment Requests	5.6
Approved Savings (a combination of savings in year and through budget setting)	(24.5)
RCCO increase in line with capital programme (included one off cost of connect replacement)	4.3
Operation Fearless Funded from POCA reserve	0.5
<b>2025/26 Provisional Budget</b>	<b>790.4</b>

## **6 Police and Crime Commissioner Office**

- 6.1 The proposed budget for the Police and Crime Commission's office for 2025/26, compared to the budget for 2024/25, is shown in the table below. The 2025/26 budget includes provisions for the impact of the pay awards and staff increments.
- 6.2 The budget has been refocussed on improved governance and a commitment to invest in regular public engagement and surveys. This will improve the ability to hold the Force to account and measure public perceptions.
- 6.3 The Office supports the functions of the PCC, including commissioned services, statutory external audit, supporting victims, engaging with the public, joint internal audit, running grants schemes, custody visiting, managing complaints

appeals and responsibility for overseeing, scrutinising, and leading the police force.

- 6.4 The Office is responsible for victim services in the region, including supporting victims of domestic abuse and sexual assault. For many of these grant funded schemes, the Office absorbs the overhead ensuring the maximum amount of money is allocated to the recipients of these services. The Office continues to support projects such as the Regional Criminal Justice Forum, on behalf of the four-regional force / OPCC areas.

Office of the Police and Crime Commissioner Breakdown	Budget 2024/25 £,000	Proposed Budget 2025/26 £,000
Governance	329	426
Staff and Office Support costs	2,431	2,756
Consultation, ICT and Supplies and Services	63	101
Police Misconduct Hearings including Legally Qualified Chairs	35	40
Subscriptions	55	95
Bank Charges and External Audit Fees	178	186
Custody Visiting	10	15
Professional Services	66	118
<b>Total Budget</b>	<b>3,166</b>	<b>3,737</b>



## 7 Chief Finance Officer's Statement

- 1.1 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.
- 7.1 **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.
- 7.2 Details of the Commissioners general balances and reserves are set out in **Section 4** of the report.
  - 7.2.1.1 I am recommending that the level of General Balances remains at £16.7m.
- 7.3 The 2025/26 Revenue Budget and Medium-Term Financial Plan requires a use of reserves.
  - 7.3.1.1 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.
- 7.4 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 use of borrowing, capital receipts, capital grant and revenue contributions. Other earmarked reserves will be applied as expenditure levels and service requirements dictate.
- 7.5 It will be necessary to retain as much flexibility as possible over the levels of reserves.
- 7.6 The total level of revenue reserves is estimated to be around £75.6m by 31<sup>st</sup> March 2026, depending on the use of earmarked reserves and the other factors influencing the use of reserves in 2025/26.
  - I am therefore able to confirm that, in my professional opinion:
    - The estimates made for the purposes of the calculations of the commissioner's budget requirement for 2025/26, under Section 32 of the Local Government Finance Act 1992 contained in the report are robust.
    - The Financial reserves that will remain available to the Commissioner, as a result of agreeing the proposals contained in this report are adequate.

## 8 Operational Policing Budget

- 8.1 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 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.

## 9 Staffing Budgets 2025/26

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

Workforce Breakdown	Target @ 31/03/25	Target @ 31/03/26
Officer Uplift Headcount target	8,086	8,086
Police Officers Establishment (FTE)*	8,055	8,055
Police Staff Establishment (FTE)	4,324	4,324
PCSO Establishment (FTE)	300	300
<b>Total Establishment (FTE)</b>	<b>12,679</b>	<b>12,679</b>
<i>*The Police Officer Establishment is before any increases linked to the Neighbourhood Policing Grant.</i>		

- 9.2 Police Uplift Funding, for a headcount of 8,086 has been confirmed for 2025/26. This funding comes with a £21.4m ringfenced uplift grant, the terms are conditions of this grant are currently being finalised and will be shared with Forces over the coming weeks.
- 9.3 PCSO numbers are to be maintained at 300 FTE and Police staff numbers at 4,324 FTE.
- 9.4 We will be working with the Home Office to understand the local impact on headcount of the £6.1m Neighbourhood Policing Grant, as more information is released around the terms and conditions. The Force has expressed a preference that the funding is used to increase numbers of Police Officers, rather than PCSOs or Special Constables.

## 10 Medium Term Financial Plan

10.1 The Medium-Term Financial Plan has been refreshed and updated, based on a number of key assumptions covering likely funding, inflationary increases, expenditure items and the maintenance of the uplift headcount. The table below outlines these assumptions.

Expenditure Type	Planning Assumptions 2026/27 onwards	1% Movement £m (+/-)
Salaries	2.0%	8.1
Supplies & Services	3.0%	0.8
Premises including utilities	5.0%	0.4
Income	1.0%	0.4
Fuel	5.0%	0.1
Other Transport	3.0%	0.1
Third Party Payments	3.0%	0.4
Police Grant	2.0%	5.8
Tax Base	1.2%	1.7
Precept (£)	£13	0.8

10.2 The Medium-Term Financial Plan, reflecting the assumptions outlined above, is shown in the table below. Assuming a £13 precept increase through the medium term, the forecast funding gap is currently £18.5m in 2026/27 growing to £47.3m over the medium term.

Revenue Budget £m	Proposed 2025/26 Budget	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29	MTFP 2029/30
Police Force Net Expenditure	779.2	809.8	829.4	873.0	903.3
Police & Crime Commissioner	11.2	11.9	12.5	13.2	13.8
<b>Total Expenditure</b>	<b>790.4</b>	<b>821.7</b>	<b>841.9</b>	<b>886.2</b>	<b>917.1</b>
Police Grants	(598.1)	(609.7)	(621.5)	(633.5)	(645.8)
Precept	(175.4)	(187.0)	(199.4)	(212.0)	(224.9)
Planned Contributions to / (from) Reserves	(16.9)	(6.1)	2.1	(5.5)	2.5
<b>Potential Savings Required</b>	<b>0.0</b>	<b>18.5</b>	<b>22.4</b>	<b>33.9</b>	<b>47.3</b>

10.3 There are a number of outstanding risks yet to be added into the medium-term plan. These include:

- The impact if pay awards are higher than the 2.0% assumption from 2025/26 onwards.
- Higher than anticipated non-pay inflation.
- Revenue consequences of nationally led ICT schemes, such as the Emergency Services Mobile Communications Programme (ESMCP) and the NLED Programme, which will replace legacy data systems, such as Police National Computer and Police National Database, with the Law Enforcement Data Service (LEDS).
- Savings from adopting proposals in the Police Productivity Review.
- The cost of adequately refurbishing buildings and fleet to meet environmental targets for decarbonisation which have been reported to the Home Office as part of the Comprehensive Spending Review, but not yet incorporated into this medium term financial plan.

## **11 Capital Programme**

11.1 The capital programme for 2025/26 to 2029/30, is detailed in **Appendix 4**. The Capital Programme will be financed by a combination of revenue contributions, capital receipts, and short-term internal borrowing, as required.

## **12 Prudential Guidelines**

12.1 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**.

## **13 Risks and Uncertainties**

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

## 14 Precept Implications

14.1 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.

Summary Precept Calculation	2024/25 £m	2025/26 £m
Total Revenue Budget	757.4	790.4
Contribution to / (from) Reserves	(14.0)	(16.9)
<b>Net Budget Requirement</b>	<b>743.4</b>	<b>773.5</b>
Police Grant including DCLG	(563.2)	(579.1)
Council Tax Support Grant	(19.0)	(19.0)
Surplus / Deficit on Collection Fund	(0.1)	(0.5)
<b>Precept Requirement</b>	<b>161.1</b>	<b>174.8</b>
Total Tax Base	747,591.74	761,845.70
<b>Band D Precept*</b>	<b>215.55</b>	<b>229.50</b>

\*An increase of £13.95 per annum

14.2 This produces a charge for each property for 2025/26 as follows.

Band	Statutory Proportion	2024/25 Precept £: p	2025/26 Precept £: p	Change Annual £: p	Change Weekly £: p
<b>Band A</b>	6/9	143.70	153.00	9.30	0.18
<b>Band B</b>	7/9	167.65	178.50	10.85	0.21
<b>Band C</b>	8/9	191.60	204.00	12.40	0.24
<b>Band D</b>	<b>9/9</b>	<b>215.55</b>	<b>229.50</b>	<b>13.95</b>	<b>0.27</b>
<b>Band E</b>	11/9	263.45	280.50	17.05	0.33
<b>Band F</b>	13/9	311.35	331.50	20.15	0.39
<b>Band G</b>	15/9	359.24	382.50	23.26	0.45
<b>Band H</b>	18/9	431.10	459.00	27.90	0.54

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

## **15 Finance Implications**

15.1 This report solely deals with financial issues.

## **16 Legal Implications**

16.1 Section 40, Local Government Finance Act 1992, requires the Commissioner to set a budget and precept by 1 March each year.

16.2 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, an expenditure before precepts become sufficiently available and any payments into reserves.

16.3 The Localism Act 2011 abolished the council tax capping regime and replaced it with the requirement for precepting authorities to hold a taxpayer's referendum if excessive increase is proposed. In 2025/26, an excessive increase would be £14.01 or greater.

16.4 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.

## **17 Equalities Implications**

17.1 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, regional 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 Budgets for 2024/25 and 2025/26

Appendix 2 – Operational Budget 2025/26

Appendix 3 – Capital Strategy 2025/26 – 2029/30

Appendix 4 – Capital Programme 2025/26 – 2029/30

Appendix 5 – Statutory Council Tax calculations 2025/26

Appendix 6 – Reserves Strategy 2025/26 to 2029/30

Appendix 7 – Statement of Prudential Indicators

Appendix 8 – Risk Assessment

## Appendix 1 – Summary of Revenue Budgets for 2024/25 and 2025/26

Income and Expenditure Breakdown	2024/25 Budget £,000	2025/26 Proposed Budget £,000
Police Pay	517,238	555,967
Police Community Support Officers	11,347	12,485
Police Staff Pay	198,522	221,753
Other Employee Expenses	17,628	17,461
<b>Sub Total</b>	<b>744,735</b>	<b>807,666</b>
Premises	35,422	32,499
Transport	12,592	12,745
Supplies and Services	74,459	78,903
Third Party Payments	23,639	25,909
Capital Financing	17,903	15,918
External Income	(120,294)	(134,657)
Home Office Specific Grant	(47,043)	(67,330)
Change Programme including Estates	5,958	7,537
<b>Police Force</b>	<b>747,371</b>	<b>779,190</b>
Office of Police and Crime Commissioner	3,166	3,737
Community Safety Funding	3,863	3,519
Helping Communities Fund	400	400
External Commissioning	1,969	2,599
Victim Services Expenditure	6,500	6,697
Victim Services Income	(6,191)	(6,049)
Violence Reduction Unit Expenditure	4,887	5,839
Violence Reduction Unit Income	(4,597)	(5,515)
<b>Total Office of the PCC</b>	<b>9,997</b>	<b>11,227</b>
<b>Total Revenue Budget</b>	<b>757,368</b>	<b>790,417</b>
Government Grants	(582,183)	(598,077)
Council Tax including Surplus on Collection Fund	(161,202)	(175,390)
<b>Net Use of Reserves</b>	<b>13,983</b>	<b>16,950</b>



## Appendix 2 – Operational Budgets 2025/26

The tables below detail the operational budgets for the Force for 2025/26.

Operational Budget £,000	2025/26 Proposed Budget
Pay, Allowances & Overtime	790,205
Staff Pay, Allowances & Overtime	234,238
Non-Pay Costs	167,517
Capital Financing	15,918
External Income	(134,657)
<b>Total Operational Budget</b>	<b>838,983</b>
Change Programme including Estates Strategy	7,537
Home Office Specific Grants	(67,330)
<b>Total Police Force Budget</b>	<b>779,190</b>

Operational Breakdown £,000	Budget	Police Pay, Allowances & Overtime	Non-Pay Costs	Capital Financing	Income	Total Operational Budget
Local Policing		283,976	1,775	0	(4,198)	281,553
Major Crime		202,237	19,490	0	(11,744)	209,984
Support Services		85,817	113,691	15,869	(14,761)	200,616
Force Contact & Change		75,077	508	0	(323)	75,262
Operations		68,220	10,099	48	(23,789)	54,577
Security		74,879	21,953	1	(79,842)	16,991
<b>Total Budget</b>	<b>Operational</b>	<b>790,205</b>	<b>167,517</b>	<b>15,918</b>	<b>(134,657)</b>	<b>838,983</b>

## **Appendix 3 – Capital Strategy 2025/26 to 2029/30**

### **1 Background and Introduction**

- 1.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) 2021 Prudential and Treasury Management Codes, require all local authorities (which includes Policing Bodies), to prepare a capital strategy report and there is a need for the Capital Strategy to be approved before the start of each financial year.
- 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.

### **2 Purpose**

- 2.1 This Capital Strategy provides a framework for the development of the Capital Programme which sets out the investment in assets and identifies the resources required for that investment. It also represents the intentions for capital investment reflective of strategic priorities, objectives, and outcomes. Guiding the importance of a link from capital investment to strategic outcomes.
- 2.2 To sustain this service and meet the objectives set out in the Police and Crime Plan, the Capital Strategy also gives an overview of how the Police and Crime Commissioner (PCC) will apply the principles set out in the CIPFA Prudential Code to test the affordability of the Capital Strategy. It is therefore also closely linked to the Reserves Strategy and Treasury Management Strategy which includes the Investment Strategy, Borrowing Strategy and Prudential Indicators.
- 2.3 Additionally, this strategy aligns to the Police and Crime Plan and demonstrates how investment decisions properly take account of stewardship, value for money, prudence, risk, sustainability, and affordability.
- 2.4 The capital strategy sits below the Police and Crime plan and the Force Vision. The detailed strategies for Estates, Fleet, Environmental Sustainability and IT and digital are used to plan, prioritise and co-ordinate resources for the long-term capital plan.

### **3 Background and Introduction**

- 3.1 The CIPFA (Chartered Institute of Public Finance and Accountancy) 2021 Prudential and Treasury Management Codes, require all local authorities (which includes Policing Bodies), to prepare a capital strategy report and there is a need for the Capital Strategy to be approved before the start of each financial year.
- 3.2 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.

### **4 Purpose**

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required for that investment. It also represents the intentions for capital investment reflective of strategic priorities, objectives, and outcomes. Guiding the importance of a link from capital investment to strategic outcomes.

- 4.2 To sustain this service and meet the objectives set out in the Police and Crime Plan, the Capital Strategy also gives an overview of how the Police and Crime Commissioner (PCC) will apply the principles set out in the CIPFA Prudential Code to test the affordability of the Capital Strategy. It is therefore also closely linked to the Reserves Strategy and Treasury Management Strategy which includes the Investment Strategy, Borrowing Strategy and Prudential Indicators.
- 4.3 Additionally, this strategy aligns to the Police and Crime Plan and demonstrates how investment decisions properly take account of stewardship, value for money, prudence, risk, sustainability, and affordability.
- 4.4 The capital strategy sits below the Police and Crime plan and the Force Vision. The detailed strategies for Estates, Fleet, Environmental Sustainability and IT and digital are used to plan, prioritise and co-ordinate resources for the long-term capital plan.
- 4.5 The operation of all these strategies and plans is underpinned by the Code of Corporate Governance which includes Contract Procedure Rules and the Force's Financial Regulations.
- 4.6 The strategy also considers how any associated risks are managed and the implications of future financial sustainability.

## **5 Scope**

- 5.1 In managing capital investment for the Police and Crime Commissioner and West Midlands Police, this strategy considers the following areas:
  - Governance Framework
  - Capital Expenditure Priorities
  - Capital Investment Priorities
  - Prioritisation Approach
  - Capital Funding
  - Monitoring Capital Projects
  - Benefits Realisation
  - Risk Management

## **6 Governance Framework**

- 6.1 A Financial Governance Board has been established and began meeting in summer 2024.
- 6.2 The Board meets monthly and has an overview of the progress in terms of financial position, and benefits realisation. It will ensure that capital priorities are aligned to organisational priorities and see reports on revenue impact as well.
- 6.3 It will set the prioritisation framework, setting out the terms and approvals for business cases and business as usual capital plans against an agreed prioritisation framework.
- 6.4 This works in line with the 2-gateway process that is currently in place. An outline business case is prepared first and may inform the strategy and MTFP with provisional figures. However, then a full business case is prepared which may require modification.
- 6.5 The board decisions are made based upon the presentation of a business case / recommendations. These are considered and challenged at the meeting; attendees include the Director of Commercial Services, Chief Finance Officer for the PCC, Assistant Director of Finance & Procurement, and other key stakeholders as required.
- 6.6 The business case process includes a rigorous process of options appraisal including identifying 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 (revenue and capital).
- 6.7 All the investment decisions made follow Force Standing Orders and the usual approvals process, via the Office of the Police and Crime Commissioner.
- 6.8 Plans will only be revised and updated following the approval given at the Investment Board. These will then be built into 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 Accountability and Governance 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.
- 6.9 The delivery of the capital plan is monitored monthly by the S151 Officers for the Force and the PCC and quarterly, via reports that are presented to the Accountability and Governance Board.
- 6.10 To underpin the capital investment, each year a Treasury Management Strategy is produced, which incorporates the Commissioner's investment strategy and approach to borrowing (The capital investment programme is the key driver of treasury management activity). 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 <https://www.westmidlands-pcc.gov.uk/finance/annual-investment-strategies/> for each relevant year. The

Joint Audit Committee also receive update reports throughout the year on the delivery of the Treasury Management Strategy.

## **7 Capital Expenditure**

- 7.1 As part of the Medium-Term Financial Planning (MTFP), West Midlands Police takes a forward view of the Forces' asset needs to meet its future objectives. The MTFP links very closely with the Police and Crime Plan 2021-25 in assessing where capital investment priorities may lie.
- 7.2 In addition to the change programme the capital programme also provides for business-as-usual expenditure (BAU) such as the replacement of fleet vehicles, replacement or upgrade of core IT systems and equipment not related to change programmes but meeting the definition of capital expenditure.
- 7.3 To meet the definition of capital, the expenditure incurred 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.
- 7.4 The overarching capital strategy considers and links in the various strategies including estates, fleet, environmental and IT.

## **8 Capital Investment Priorities**

- 8.1 The PCC's draft Police and Crime Plan 2025-29 states the priorities and ambitions over the medium term. These are summarised as:
  - Rebuilding Community Policing,
  - Preventing and Tackling Violence,
  - Improving Road and Travel Safety,
  - Preventing and Reducing Neighbourhood Crime,
  - Protecting Victims and Witnesses,
  - Building Trust and Confidence,
  - An equal and fair West Midlands,
  - Bringing offenders to Justice,
  - Prevention and Rehabilitation

8.2 In delivering those priorities, the Plan also sets goals for how Partnerships, People and Resources and Accountability and Governance will support and embed those goals.

8.3 The Plan contains the following statements from the PCC:

- The police estate is a significant asset for the benefit of the people and communities of the West Midlands and WMP. It is imperative that we drive the greatest possible value out of it by ensuring well designed spaces to maximise productivity, efficiency, accessibility to the public and personal wellbeing. This will include collaborating and sharing space with other public bodies including West Midlands Fire and Rescue Service and local authorities.
- I expect WMP to proactively scan for emerging trends and prioritise the effective and efficient use of new and existing technology, ensuring that police officers and staff have the right hardware and software to undertake their roles to the best of their abilities. Use of new technology will be lawful, ethical and proportionate at national, regional and local levels. I expect equality impact assessments to be undertaken for the deployment of new technology to ensure lawfulness, fairness and inclusivity.
- The resources of WMP and how they are used leave a carbon footprint. I expect WMP to play its part in delivering decarbonisation and Net Zero including: complying with the requirements of the Climate Change Act 2008 and working with partners to achieve this across the public sector; increasing the number of officers deployed on bicycles or foot; using technology to reduce its carbon footprint and enhance operational efficiency; reducing the carbon footprint of the police estate; increasing the proportion of its vehicle fleet that are electric or low carbon; and implementing the WMP Environmental and Sustainability Strategy 2022-2027.

8.4 The capital strategy and capital programme underpin both the local and national priorities in the investments it makes, particularly in relation to making the best use of resources and creating a modern police service. The investments made through the IT & Digital's new approach 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.

8.5 Given the significant scope of ambition of the strategy a prioritisation matrix is to be used in approval of capital investments as set out below against which business cases and BAU capital activity requests can be more objectively prioritised.

## **9 Prioritisation Approach**

9.1 The Capital Strategy is led by the priorities outlined in the PCC's Police and Crime Plan. It translates these priorities into a programme of projects in the PCC's Capital Programme that will achieve the intended outcome whilst also

factoring in other key criteria that make different business cases attractive when pursuing those aims.

9.2 West Midlands Police will set out which of the priorities are key based on the latest plans, to provide some initial rationale to the prioritisation decisions and so people know where to focus their attention. Consideration will be given to the following key areas:

- Strength of the link to PCC priorities
- Affordability / financial savings
- Minimisation of Risk
- Improvement of organisational functions.

9.3 This would allow a rational debate about the relative merits of projects and in the event of a restriction on resources a way of ordering schemes.

- Assets are vital to the delivery of efficient services, and so the optimum use of resources whilst securing best value in relation to both cost and quality are key considerations.
- An asset management plan/strategy for each asset classification is held and contains specific details of each asset including the longevity and optimum replacement cycles.
- The capital investment priorities, because of the above will include:
  - Police Buildings to ensure they are fit for purpose and cost effective
  - ICT and systems to exploit the operational and organisational benefits of new technology
  - Operational equipment such as Tasers and Body Worn Cameras
  - Police Vehicles
  - Environmental Considerations

## 10 Capital Funding Strategy

10.1 Under the provision of the Prudential Code, the PCC can invest in a capital programme so long as its capital spending plans are “affordable, prudent and sustainable”.

10.2 The Capital Programme is reflected in the PCC’s Treasury Management Strategy, which is reviewed by the Joint Audit Committee. It sets out the Prudential Indicators, which determine the limits set against the requirements of affordability, prudence, and sustainability.

10.3 The PCC, in consultation with the Chief Constable, will identify available sources of funding for the Medium-Term Capital Programme including the identification of potential capital receipts from the disposal of property.

10.4 The sources of funding available to the PCC to finance capital expenditure are detailed below:

10.5 **Revenue Contributions** - 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. Where affordable within achieving a balanced budget and cashflow – this method of finance avoids the need to pay interest. It is currently WMP preferred

method of funding BAU – but this must be planned carefully and budgeted into the revenue budgets at a sustainable level, with due care that revenue to capital contributions do not affect front line service adversely.

- 10.6 **Government Grants** - The Force also receives a small number and low value of in year other specific grants, which could be spent as capital or revenue to fund specific projects. Where possible additional grant income and plans to deliver should be sought.
- 10.7 In addition to the funding given to the Force some specific grants are also received by the Counter Terrorism Unit (CTU) and these fund expenditures specific to the CTU.
- 10.8 **Capital Receipts** - The financing of the estate's development programme is dependent on the release of property assets for sale. Achieving the full investment programme will be dependent on progressing schemes listed on the development schedule or identifying alternative assets for disposal.
- 10.9 **Prudential Borrowing** - 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 provided that the borrowing is prudent, sustainable, and affordable.
- 10.10 **Internal Borrowing** – allows the PCC / Force to use its own cash resources to finance capital expenditure rather than new external borrowing. This is a prudent approach when investment returns are low.
- 10.11 In addition to revenue and funding considerations full cashflow considerations and appropriate treasury management advice should be considered in relation to levels of capital expenditure and financing decisions.

## **11 Monitoring Capital Projects**

- 11.1 Capital projects are subject to high levels of scrutiny. The precise scrutiny will vary dependant on the type of project and may be influenced by size or by the makeup of regional involvement. Each project will have a Project Manager and potentially a team to implement the project.
- 11.2 Typically, projects will have a dedicated Project Board which, if part of a larger programme, may sit under a Programme Board. Programme and Project Boards will have a Senior Responsible Officer.
- 11.3 Heads of Department have overall responsibility for ensuring that the objectives are met for all projects, but particular focus will be placed on ensuring that high-profile projects are delivered on time, achieving the intended outcome and good progress is being made in delivering the programme within planned capital and revenue funding set out in the current year's budget, the Capital Programme and the MTFP.
- 11.4 Progress against the capital programme, including considerations of capital financing, is reported quarterly to our Investment Board and a summary position



to Performance Panel / Force Executive and the Strategic Police and Crime Board.

11.5 The following measures have been put in place to mitigate the risk of slippage in the Capital Programme:

- Comprehensive assessment of project risks during the development of the business case for each scheme
- Continual monitoring of the project's progress will help to identify reasons for delays in delivery so that appropriate action can be taken.

## **12 Benefits Realisation Review**

12.1 Upon completion of a capital project, consideration will be given to the use of a Post Implementation Review (PIR). This review will provide a check against the performance compared to the original proposal. It will focus on the outcomes achieved both financial and non-financial, the extent to which the benefits claimed are being realised, and the actual costs both revenue and capital. Using these types of review, we would look to capture learning that can inform our future projects and programmes for the better. The Investment Board would receive updates on PIR's to ensure that it can act on lessons learned.

## **13 Risk Management**

13.1 Risk in relation to capital investment projects should be escalated to the Investment Board. However, the normal risk register process is used to report on all risks. The effectiveness of the controls is tested as part of the Audit Plan and subject to the scrutiny of the Joint Audit Committee. Performance Panel will consider risk as part of the individual business cases and monitoring of activity. It can also identify risks and ensure their inclusion in the risk register. New risks can be added to the risk register at any time.

## Appendix 4 – Capital Programme 2025/26 to 2029/30

The table below details the Capital Programme for 2025/26 to 2029/30.

Capital Programme £m	2025/26	2026/27	2027/28	2028/29	2029/30	Total
Fleet	7.0	9.0	9.2	9.5	9.8	44.5
Body Worn Video	0.4	1.0	1.3	1.3	1.4	5.3
Laptops / Desktops	3.2	2.7	3.0	10.9	3.2	22.9
IT Infrastructure including CCTV	1.6	1.6	1.3	1.1	1.1	6.8
Data Centre Relocation	0.0	2.2	0.0	0.0	0.0	2.2
Mounted Unit Setup	0.2	0.0	0.0	0.0	0.0	0.2
Connect Replacement	1.5	3.5	0.0	0.0	0.0	5.0
CTU Capital Programme (estimate)	3.1	3.2	3.2	3.3	3.4	16.2
<b>Total Business as Usual Capital</b>	<b>16.9</b>	<b>23.1</b>	<b>18.1</b>	<b>26.1</b>	<b>18.9</b>	<b>103.0</b>
Estates Strategy	29.0	7.7	0.0	0.0	0.0	36.6
<b>Total Capital Programme</b>	<b>45.8</b>	<b>30.7</b>	<b>18.1</b>	<b>26.1</b>	<b>18.9</b>	<b>139.6</b>
<b>Funded by:</b>						
Revenue						
Contributions	13.8	19.9	14.9	22.7	15.5	86.8
Capital Grants	3.1	3.2	3.2	3.3	3.4	16.2
Borrowing	4.0	0.0	0.0	0.0	0.0	4.0
Capital Receipts	25.0	7.7	0.0	0.0	0.0	32.6
<b>Total Funding</b>	<b>45.8</b>	<b>30.7</b>	<b>18.1</b>	<b>26.1</b>	<b>18.9</b>	<b>139.6</b>

## Appendix 5 – Statutory Council Tax calculations 2025/26

The table below details the statutory Council Tax calculations for 2025/26.

<b>West Midlands Police &amp; Crime Commissioner Precept Calculation 2024/25</b>				
				£
	Gross Budget Requirement			790,417,293
	Less: Balances and Reserves			(16,950,500)
	<b>Net Budget Requirement</b>			<b>773,466,793</b>
	Less: Police Grant inc. DCLG			(579,051,412)
	Legacy Council Tax Grant			(19,025,734)
	<b>Gross Council Tax Requirement</b>			<b>175,389,647</b>
	Add/Less: Balance on Collection Funds			(546,059)
	<b>Net Council Tax Requirement</b>			<b>174,843,588</b>
AppORTIONED ON THE RELEVANT TAX BASE AS FOLLOWS:				
	Relevant Tax base	Total Precept	Monthly Instalments	
	£	£	1-9	10
			£	£
Birmingham	273,244.00	62,709,498	6,270,950	6,270,948
Coventry	90,062.60	20,669,367	2,066,937	2,066,934
Dudley	95,370.90	21,887,622	2,188,762	2,188,764
Sandwell	80,364.30	18,443,607	1,844,361	1,844,358
Solihull	80,631.00	18,504,815	1,850,481	1,850,486
Walsall	74,375.36	17,069,145	1,706,915	1,706,910
Wolverhampton	67,797.54	15,559,535	1,555,954	1,555,949
	<b>761,845.70</b>	<b>174,843,587</b>	<b>17,484,360</b>	<b>17,484,348</b>
			Monthly Instalment x 9	157,359,240
			<b>Total Precept</b>	<b>174,843,588</b>
			<b>Net Precept for Band D property</b>	<b>£229.50</b>
	<b>Proportion of Band D</b>	<b>Calculated Value</b>	<b>Rounded Value</b>	
	£	£	£	
Band A	6/9	153.0000	153.00	
Band B	7/9	178.5000	178.50	
Band C	8/9	204.0000	204.00	
<b>Band D</b>	<b>9/9</b>	<b>229.5000</b>	<b>229.50</b>	
Band E	11/9	280.5000	280.50	
Band F	13/9	331.5000	331.50	
Band G	15/9	382.5000	382.50	
Band H	18/9	459.0000	459.00	

## **Appendix 6 – Reserves Strategy**

### **1 Purpose**

- 1.1 This document sets out the Police and Crime Commissioner for the West Midlands Reserves strategy up until March 2030. This includes details of reserves currently held, the purpose of the reserves and the predicted balances by 31 March 2030.

### **2 Reasons for holding reserves**

- 2.1 The PCC must consider the required level of general policing fund balances that should be retained before deciding the level of council tax precept. General balances are maintained as a matter of prudence and to meet financial risks. They enable the PCC to provide for known and unknown risks and offer financial resilience.
- 2.2 Earmarked reserves are retained for specific risks and planned investments.
- 2.3 Provisions are retained for specific purposes or for known future financial obligations.
- 2.4 The reserves strategy has been drawn up within the parameters of the Financial Regulations adopted by the Police and Crime Commissioner. The use and maintenance of reserves is based on the following principles:
- Maintaining a working balance or general reserve to cover the effects of uneven cash flows and to avoid temporary borrowing.
  - Reserves in place to provide flexibility in managing future year's budget pressures.
  - Funding investment in the Change Programme including the Estates Strategy.
  - Earmarking specific funds to meet known or predicted requirements in the future.
  - Creating contingencies to cushion the impact of unexpected events or emergencies.
- 2.5 The reserves are split into two categories:
- i. Funding for planned expenditure on projects and programmes
  - ii. As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

### **3 Reserves Strategy**

- 3.1 The Commissioner's overall reserves strategy is to use reserves over the medium term up to 2030 to support the medium-term financial strategy including the Change Programme and Estates Strategy. Over the next 5 years we will look to use a net £23.9m of reserves as detailed in the table below:

Contribution to / From Reserves £m	2025/26	2026/27	2027/28	2028/29	2029/30
Uniform and Equipment Reserves	1.6	2.0	0.0	8.0	0.0
Estates Strategy / Change Programme	8.4	6.2	0.0	0.0	0.0
Budget Reserve	7.7	0.0	0.0	0.0	0.0
OPCC including Commissioned Services	0.4	0.4	0.4	0.4	0.4
Regional / National / Collaboration	(1.8)	(2.6)	(2.6)	(2.6)	(2.6)
Police Property Act / Drug Squad / POCA Contributions	0.2	(0.3)	(0.3)	(0.3)	(0.3)
National contingency – Hillsborough	0.4	0.4	0.4	0.0	0.0
<b>Total</b>	<b>16.9</b>	<b>6.1</b>	<b>(2.1)</b>	<b>5.5</b>	<b>(2.5)</b>

3.2 Details of the planned movement in Reserves are as follows:

- Funding for the year 1 of the taser contract due to commence in 2026/27,
- Commencing work on converting our fleet to non-ICE vehicles,
- Refurbishment costs of the estate's strategy (where expenditure cannot be capitalised),
- Replacement or development of the Connect system starting in 2025/26,
- Funding for Operation Fearless, an operation to enhance problem-oriented policing in key high crime neighbourhoods in the West Midlands,
- Funding for the setup of the Mounted Unit,
- A contribution to reserves from the increase in planned activity in average speed enforcement and the income from Abnormal loans escorts.
- Balancing the 2025/26 utilising the budget reserve.
- The budget reserve is currently being held at current levels from 2026/27 onwards, however we will look to draw down on this to support setting a balanced budget over the medium term.

3.3 The table below details the current level of reserves held from the outturn for March 2025 through to the forecasted level by March 2030 based on use of / contribution to reserves detailed above.

Reserves £m	31st March 2025 Forecast	31st March 2026 Forecast	31st March 2027 Forecast	31st March 2028 Forecast	31st March 2029 Forecast	31st March 2030 Forecast
<b>Funding for Planned Expenditure on Projects &amp; Programmes - Revenue</b>						
Regional / National /Collaboration Reserve	5.4	7.2	9.8	12.4	15.0	17.6
PPA / Misuse of Drugs Act	1.5	1.4	1.2	1.1	1.0	0.9
POCA (Proceeds of Crime Act) Reserve	0.9	0.4	0.4	0.4	0.4	0.4
Change Programme / Estates Strategy Reserve	15.5	7.1	0.9	0.9	0.9	0.9
Carry Forward Reserve	3.6	3.6	3.6	3.6	3.6	3.6
<b>Funding for Planned Expenditure on Projects &amp; Programmes – Capital</b>						
Useable Capital Receipts Reserve	14.5	13.6	23.4	23.4	23.4	23.4
Capital Grants Unapplied	0.8	0.8	0.8	0.8	0.8	0.8
<b>Reserves held in accordance with sound principles of good financial management</b>						
Uniform and Equipment Reserve	11.6	10.0	8.0	8.0	0.0	0.0
Budget Reserve	35.1	27.3	27.3	27.3	27.3	27.3
National Contingency Reserve	2.2	1.8	1.5	1.1	1.1	1.1
<b>Total Earmarked Reserves</b>	<b>91.1</b>	<b>73.2</b>	<b>76.9</b>	<b>79.0</b>	<b>73.5</b>	<b>76.0</b>
General Fund Reserve	16.7	16.7	16.7	16.7	16.7	16.7
<b>Total Useable Reserves</b>	<b>107.8</b>	<b>89.9</b>	<b>93.6</b>	<b>95.7</b>	<b>90.2</b>	<b>92.7</b>
Provisions	15.7	14.5	13.4	13.1	13.5	13.9
<b>Total Useable Reserves &amp; Provisions</b>	<b>123.5</b>	<b>104.4</b>	<b>107.0</b>	<b>108.8</b>	<b>103.7</b>	<b>106.6</b>

3.4 The total reserves of the West Midlands Police and Crime Commissioner forecast as of 31 March 2025 is 16.5% of the net revenue budget (NRB), if funding is used as planned by March 2026 this will reduce to around 13.5% of the forecast NRB, dropping to 12.3% by the end of March 2030.

#### 4 Individual Reserves

4.1 The following paragraphs provide an explanation of each reserve split by Home Office Category.

#### 4.2 Category (i) Funding for planned expenditure on projects and programmes

- **Regional / National / Collaboration Reserve**

This reserve includes balances held for regional and national projects and Operations including the Regional Organised Crime Unit (ROCU), National Ballistics Intelligence Service (NaBIS), Mounted Unit, Lock-Up Museum,

Collaborations such as Forensics and Public Order Training, Road Safety Enforcement and County Lines. This reserve is therefore held by West Midlands on behalf of ourselves and other forces and partners. This reserve has been generated from in year under spends and will be agreed and drawn down annually over the course of the medium term in line with decisions made at the respective boards to support operational activity.

- **PPA / Misuse of Drug Act Reserve**

This reserve allows recovered assets of criminality to be used to fund community-based activity. Funding is secured in several ways including cash seizures and the confiscation of assets through the courts following convictions. The Home Office collect the assets, and these are shared between the Treasury, Courts, Crown Prosecution Service and Police using a prescribed formula. This reserve is being used to fund the Commissioner's Helping Communities Fund which supports projects at Neighbourhood Policing Units.

- **POCA Reserve**

The POCA Reserve has been created to hold any surplus POCA income received in year, this will be utilised in future years to either support a deficit in POCA receipts against the budget during a budget year or future planned initiatives. It has been committed over 2024/25 and 2025/26 to the Op Fearless campaign, which itself targets, amongst other things, increased seizures of cash and therefore to a degree the operation is intended to be self-funding,

- **Change Programme**

This reserve is being utilised in the medium term to fund the replacement / development work associated with developing our core Police Records Management System: Connect.

- **Estates Strategy Reserve**

This utilises the estate strategy reserve to fund the in-year revenue costs of the Estates strategy.

- **Carry Forward Reserve**

This reserve is used to carry forward specific / agreed under spends from the revenue budget and will usually be utilised the following year. Any unutilised carry forwards will be transferred to the budget reserve. This includes:

- Grant No Conditions across BAU Departments,
- PCC Carry forwards
- BAU requests to carry forward due to committed spend moving into future years.

- **Useable Capital Receipts Reserve**

The capital receipts reserve holds the balance of receipts received through the sale of police assets and will be used to capital part of the Estates Strategy or BAU capital programme over the current medium-term financial planning cycle. It should be noted capital receipts can only be used for capital purposes.

- **Capital Grants Unapplied**

This reserve holds previous year's capital grants that have not yet been applied. The unapplied grants are ring-fenced to be used over the medium-term planning cycle.

#### 4.3 **Category (ii) Reserves held in accordance with sound principles of good financial management**

- **Uniform and Equipment Reserves**

The Uniform & Equipment Reserve was created to mitigate the effects of legislative changes in uniform and equipment and to provide some flexibility if policies in relation to uniform and equipment issues change. The reserve has recently been expanded to cover the periodic replacement of major equipment such as Tasers, laptops / desktop replacement and IT infrastructure and mobility devices (to support in smoothing the replacement cycle), along with supporting the switch to a greener fleet.

- **National Contingency Reserve**

This reserve is to fund projects and national policing initiatives the West Midlands may be required to contribute funding towards.

- **Budget Reserve**

This reserve will be applied as part of the Commissioner's Medium-Term Financial Plan (MTFP) to reduce the impact of financial pressures. Consideration will be given to utilising the reserve to further support 2025/26 as part of the budget setting cycle.

The plan thereafter is to hold the Budget Reserve at the forecast level as of 31<sup>st</sup> March 2026 to fund any potential future funding gaps from 2026/27 and beyond, linked to the risks associated with potential increases in inflation over and above those forecast through the medium-term financial plan.

#### 4.4 **General Fund**

The Police Service, as one of the major emergency services, is required to respond to incidents of an unexpected nature over which it has little or no control. A major incident, or a series of events, could put extraordinary pressure on the budget in a particular year.

As a result, financial prudence dictates that a level of General Balances should be retained to provide resilience against the effect of such a situation.

The balance of the general fund has been assessed considering the financial risks included within the PCC and Force Risk Registers. A breakdown of these alongside the financial risk assessment against each category is shown in **Appendix 8**.



This provides the PCC with more accurate, timely and risk-based information on the type of issues that may have significant potential implications for the level of general fund reserves held, both now and in the future.

The biggest risk is the additional costs of one-off operational incidents or in-year emergencies that cannot be contained within budget or be fully grant funded by Government.

Nationally, Police and Crime Commissioners have provided financial guarantees to organisations in case they fail. This is in respect of the Police ICT Company, also known as Police Digital Services and the Association of Police and Crime Commissioners Association. In the unlikely event these guarantees are called in these will be funded from the general reserve.

## Appendix 7 – Statement of Prudential Indicators

- 1 The Prudential Code for Capital Financing 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 In setting the prudential indicators, the PCC must give due regard to the following matters:
  - Service objectives, e.g. strategic planning for the authority
  - Stewardship of assets,
  - Value for money, e.g. option appraisal
  - Prudence and sustainability
  - Affordability
  - Practicality, e.g. achievability
- 5 The Prudential Indicators below will also be reported in the PCC's 2025/26 Treasury management strategy statement which will be reported to Joint Audit Committee in March 2025. The PCC has adopted the Chartered Institute of Public Finance and Accountancy (CIPFA): Code of Practice for Treasury Management in the Public Services. The Prudential Indicators for which the PCC is required to set limits are as follows.
- 6 The first prudential indicator is Capital Expenditure – this prudential indicator is a summary of the PCC's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. It also 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.

- 7 The actual amount of capital expenditure that was incurred during 2023/24, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2025/26 Budget are as follows.

	2023/24 Actual £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Capital Expenditure	23.6	18.3	45.8	30.7	18.1	26.1

- 8 The second prudential indicator is the PCC's Capital Financing requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of indebtedness and so is the underlying borrowing need. Any capital expenditure above which has not been paid for through a revenue or capital resource, will increase the CFR. That does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each asset's life and so charges the economic consumption of capital assets as they are used.
- 9 This Prudential Indicator also 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".
- 10 In considering the proposed capital programme for 2025/26, 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> March 2024 £m	31 <sup>st</sup> March 2025 £m	31 <sup>st</sup> March 2026 £m	31 <sup>st</sup> March 2027 £m	31 <sup>st</sup> March 2028 £m
Capital financing requirement (CFR)	82.9	79.4	79.8	76.1	72.5
Net External borrowing	(84.5)	(82.3)	(80.3)	(80.3)	(73.3)
<b>Variance</b>	(1.6)	(2.9)	(0.5)	(4.2)	(0.8)

Note: The CFR increases when expenditure is incurred and reduces when provision is made to repay debt. The CFR numbers are **pre-IFRS16**, an update will be provided in year as part of our treasury management updates to Joint Audit Committee.

- 11 The third indicator, Ratio of Financing Costs to Net Revenue Stream 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.
- 12 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.
- 13 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.
- 14 The estimates of the ratio of financing costs to net revenue stream, which are at very low levels, are as follows.

	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Financing Costs	7.0	7.2	5.9	5.8
Net Revenue Stream	764.5	813.5	825.7	838.9
Ratio	0.92%	0.89%	0.71%	0.69%

- 15 The next set of indicators are Authorised Limit, Operational Boundary and Actual External Debt, 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 is the limit beyond which external debt is not normally expected to exceed. It 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.

	2025/26 £m	2026/27 £m	2027/28 £m
<b>Authorised Limit for external debt:</b>			
Borrowing	120	135	125
<b>Operational Boundary: Borrowing</b>	115	130	120

18 The PCC's actual external debt as at 31st March 2025 is anticipated to be £82.3m, excluding transferred debt managed by Dudley MBC.

19 It is recommended that:

(a) That the PCC sets an upper limit on **fixed interest rate exposure** as follows:

Fixed Interest Exposure	2023/24 %	2024/25 %	2025/26 %
<b>Upper Limit</b>	100	100	100

• That the PCC sets an upper limit on **variable interest rate exposures** as follows:

Variable Interest Rate Exposure	2023/24 %	2024/25 %	2025/26 %
<b>Upper Limit</b>	20	20	20

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

21 These gross limits are set to reduce the PCCs exposure to large, fixed sums falling due for refinancing and are required for upper and lower limits. It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

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

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

22 It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £30m for 2025/26, 2026/27 and 2027/28.

## Appendix 8 – Risk Assessment

The table below details the risks and implications if key budget assumptions vary during the year.

<b>Financial Risk Assessment</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Comment</b>
<b>The Capital Programme requirement changes as work streams develop, for example, development of the Estates Strategy.</b>	High	High	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.
<b>Planned savings the estates strategy included within the Medium-Term Financial Plan are not achievable.</b>	High	High	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.
<b>Further Cost Transfer from National Programmes / Projects</b>	High	High	Further cost transfers from the centre (e.g., Emergency Services Network and IT company costs.)
<b>Headcount is not kept at the target, to secure Uplift funding</b>	Medium	High	The uplift numbers must be maintained, to keep grant funding. Terms and Conditions of grant funding are not confirmed for 2025/26 but loss of headcount of 120 below target, must be assumed to have financial consequences for the specific grant element of funding.
<b>Medium-Term funding remains unclear.</b>	Medium	High	A one-year settlement was received for 2025/26. Due to the nature of the funding settlement the future years funding remains unclear and could vary significantly to that planned. £1 change in precept results in £0.8m movement and 1% change in grant results in £5.8m movement in grant
<b>Pay awards in the future differ from the assumptions in our financial planning</b>	Medium	Medium	Current assumptions are in line with pay award offers to Police Officers and Staff. If pay awards are higher than this, the budget reserve will be used in year to meet any difference, net of increasing turnover and holding posts vacant to meet costs.
<b>General inflation is different to the assumptions included in the budget.</b>	Medium	Medium	A 1% increase would cost around £1.5m. Significant increases in building costs in the medium-term capital programme period could have an impact on some estimates.
<b>Increase in volume and/or cost of policing public order incidents</b>	Medium	Medium	Depending on the volume and complexity of any incidents, this could place a significant strain on

<b>Financial Risk Assessment</b>	<i>Likelihood</i>	<i>Impact</i>	<i>Comment</i>
<b>linked to the general economic conditions or other factors</b>			current contingency budgets. In the first instance savings would look to be found across budgets areas. If this were not sufficient then reserves would need to be used.
<b>Interest rates increase</b>	Medium	Medium	The budget reflects the current rates of interest being received on investments. No further borrowing is planned currently.
<b>Short Term Grants not extended by 2024/25</b>	Medium	Medium	There are several short-term grants that are due to end in 2024/25. Not all funding is yet confirmed for 2025/26. The mitigation is to stop the expenditure however this has a cost in terms of efficiency and positive outcomes. These include County Lines £7m, VRP £4.3m and GRIP (guardian) £3.7m
<b>Income levels not achieved</b>	Low	Low	A 1% loss of income (excluding grants & interest) would cost around £0.4m.