

WEST MIDLANDS POLICE AND CRIME COMMISSIONER

NON-
CONFIDENTIAL

NOTICE OF DECISION

[015-2024]

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Title: 2024/25 Revenue Budget, Precept, Capital Programme 2024/25 to 2028/29 and Medium Term Financial Plan (MTFP) to 2028/29

Executive Summary

This report sets out the Police and Crime Commissioner's 2024/25 Revenue Budget, Precept and Capital Programme for 2024/25 to 2028/29 and MTFP to 2028/29

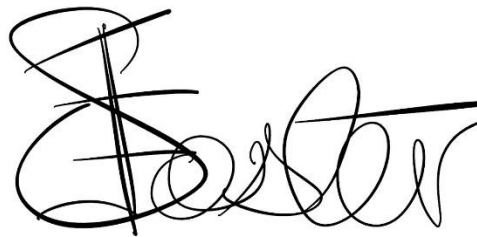
Decision

- (a) That, for 2024/25, a total revenue expenditure level of **£757,368,600** be approved;
- (b) That, net contributions from Reserves to support the precept of **£13,983,500** be made in 2024/25;
- (c) That, net budget requirement for 2024/25 of **£743,385,100** be approved;
- (d) That the Commissioner's General Reserve remains at **£12,042,000**;
- (e) That the capital programme, as set out in **Section 11** and **Appendix 4**, be approved.
- (f) That the Band D precept for 2024/25 be set at **£215.55** per annum, an increase of £13 compared to 2023/24;
- (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 twelve equal instalments on or before the last banking day of each month, commencing in April 2024;
- (i) The continued commitment to maintain Community Safety Funding at 2023/24 levels;
- (j) That, the Operational Budget for 2024/25 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 **Section 6**;
- (l) That the Medium-Term Financial Plan to 2028/29, as set out in **Section 10**, be noted;
- (m) That the Capital Strategy 2024/25-2028/29, as set out in **Appendix 3** 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.

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.

A handwritten signature in black ink, appearing to read 'S. Foster', written over a dotted line.

Signature.....

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Date...8/2/24

Non-Confidential Facts and Advice to the Police and Crime Commissioner

1 Purpose

1.1 Following the meeting of the Police and Crime Panel on 5 February 2024, this paper sets out the Police and Crime Commissioner's 2024/25 Revenue Budget, Precept, Capital Programme for 2024/25-2027/28 and an update on the Medium-Term Financial Plan up to 2028/29.

2 Background

2.1 This report follows the Preliminary Revenue Budget and Capital Programme Proposal 2024/25 paper, that was presented to the Panel at its meeting on 5 February 2024 and follows the Government confirming the Police Funding Settlement for 2024/25 on the 31 January 2024, as per the provisional numbers.

3 2024/25 Government Grant Settlement

3.1 The total grant settlement for the West Midlands in 2024/25 is £629.2m, which is an increase of £39.3m on the 2023/24 Settlement. This is consistent with the Commissioner's medium-term financial planning assumptions. This increase is largely due to the Police Uplift Grant, an increase in Police Pension Grant, reflecting an increased employer contribution and a Pay Award Grant for the 2023/24 Pay Award for Officers.

3.2 The other main points to note from the settlement are as follows:

- The settlement continues to honour the commitment to policing, made in the Spending Review 2021 (£150m increase nationally in final year for policing).
- Baselined in-year funding for the September 2023 Police and Staff Pay Award (£515m nationally).
- The opportunity for PCCs to raise their precept by up to £13 per year per Band D property in 2024/25. This is an increase of £3 on the £10 announced, as part of the three-year Spending Review in 2021.
- Continuation of the existing police pension grant, plus an additional £259m to mitigate the impact of increased pension contributions, as a result of the triennial actuarial assessment.
- Furthermore, a one-off top-up payment of £26.8m, for implementation costs relating to the police pensions remedy.
- Uplift grant of £425m nationally, to maintain 20,000 officers. This includes £67.2m funding for some force areas, that had agreed to recruit additional officers, above their original uplift target. For West Midlands Police, this equates to a total of £30.7m, which is conditional on WMP maintaining a headcount of 8,009.
- There will be a further opportunity to bid into and secure funding for a share of a further 625 officers, the same tranche that were distributed in 2023/24.

- The Government expects Policing to continue to build on the progress made in improving efficiency and productivity. The recent publication of the Police and Productivity Review, has demonstrated the scale of benefits that could be realised within Policing. £11m nationally, will be provided to support ongoing work into innovative technology, as recommended by the Productivity Review.
- £200m investment in crime programmes to help keep our streets safe. This includes:
 - £92.8m to support activity designed to combat anti-social behaviour and serious violence (£3.7m for WMP).
 - £15m on Safer Streets Round 5, to supplement the funding already provided for 2023/24 (a reduction to £350k for WMP).
 - £46m to continue the County Lines Programme.
 - £47m to continue to support the work of Violence Reduction Units (£4.3m for WMP).

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 at 31 March 2024 and the estimated level of reserves by 31 March 2025, as per the plans outlined within this budget report.

Reserves (Forecast position) £m	Balance @ 31st March 2024	2024/25 Planned Movement in Reserves	Balance @ 31st March 2025
Operational Reserves			
Regional / National Teams Reserve	4.0	(0.1)	3.9
Budget Reserve	28.0	(6.5)	21.5
Estates Strategy Reserve	14.3	(6.4)	7.9
Change Programme	2.6	0.0	2.6
Other Reserves			
Uniform and Equipment Reserve	11.2	(0.6)	10.6
Drug Squad / PPA Reserve / POCA	2.6	(0.4)	2.2
National Contingency Reserve	1.4	0.0	1.4
Total Earmarked Reserves	64.1	(14.0)	50.1
General Fund Reserve	12.0	0.0	12.0
Total Reserves	76.1	(14.0)	62.1

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

- **Regional / National Teams Reserves** – ROCU plan to utilise £131.8k to support their budget for 2024/25.
- **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 2024/25 budget, the Force has continued to drive savings in 2023/24 from increased income opportunities and reviewing staff vacancies. This will be transferred to the budget reserve and drawn down to help balance the 2024/25 budget, allowing time to generate further long-term sustainable solutions. The current plan is to utilise £3.1m of this reserve to balance the budget, along with £3.2m to support the continuation of the additional 75 officers, whilst we bid into the Home Office for funding and a further £180k for the PCC's office to support Safer Street 5 proposals, which would otherwise have had to be scaled back, following the provisional settlement announcement.
- **Estates Strategy Reserve** – This utilises the estate strategy reserve to fund the in-year revenue costs of the estate's strategy.
- **Uniform and Equipment Reserve** – There is a plan to use £632k to fund the initial year of the new Taser contract in 2024/25.
- **Drug Squad / PAA Reserve** – This contribution is used to partially fund the Commissioner's Helping Communities Fund (HCF), which supports projects across the West Midlands.
- **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.

4.3 The Commissioner needs to maintain an adequate General Reserve balance because:

- As a substantial organisation with a turnover in excess of £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.

4.4 There are a number of specific issues which need to be considered in determining how much of the earmarked reserves should be used in 2024/25, including:

- Retaining the maximum level possible, to support spending in 2024/25 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 2024/25, which cannot be met from in year redirections would have to be met from reserves.

4.5 Given these considerations and a precept increase at the maximum permitted without a referendum, it will be necessary to use £14.0m of reserves to support revenue spending in 2024/25. The use of additional reserves will be subject to decisions and activities in year. As in previous years, a refresh of the financial reserve's strategy will take place during early part of 2024/25.

4.6 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, in order to return the value back to Policing.

5 Proposed Revenue Budget 2024/25

5.1 The Commissioner is proposing a Revenue Budget for 2024/25, 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**.
- Maintain 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 PCSO's 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 per annum, in line with the Council Tax referendum limit principles, that applies to West Midlands Police, together with the prudent use of reserves.
- Maintain the Community Safety Funding and External Commissioning, to support prevention and crime reduction activity at 2023/24 levels.
- Savings required to support the revenue budget in 2024/25 of £10m. 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.

- The need to invest to support the Chief constable, to focus on areas highlighted by HMRCFRS, which placed the Force into Engage status in November 2023.

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 2024/25 (MTFP) outline base budget includes all 2023 pay awards, provisions for the 2024 pay awards for all officers and staff at 2.5%, inflationary pressures on non-pay, and attrition and recruitment in line with the Force's workforce plan.

5.4 The £10m savings target has been achieved through a mix of non-pay, PCSO vacancies and other staff savings, offset by higher than inflation increases and operational growth.

5.5 The additional £3 precept flexibility, has been targeted at the causes of concern, in the recent HMICFRS inspection:

- 15 additional staff into Criminal Justice working on casefile preparation, ensuring that officers can spend their time investigating and increasing the quality of file preparation and engagement with CPS by dedicating staff to this key process.
- 10 additional officers into PPU, in addition to the 12 officers already being recruited into SOMS, that will be a further investment into PPU, to ensure that caseloads fall in this critical area and that staff wellbeing is increased, as specifically referenced in the HMICFRS report.
- 20 additional officers into LPA's, putting further resourcing into investigations, to drive up quality and ensure that as many crimes as possible are investigated.
- Cost of living related increases to victims and witnesses' services and IDVAs and ISVAs, to ensure that we do not lose valuable and skilled resource in this area, recognising the ability of partners to subsume these additional costs, is now at a maximum after two years of high pay inflation.

5.6 The table below analyses the changes between the proposed 2024/25 Revenue Budget, compared to the 2023/24 budget. The subjective analysis of the proposed 2024/25 budget is shown in Appendix 1, along with the base budget from 2023/24.

Revenue Budget Movements	£m
2023/24 Base Revenue Budget	709.1
September 2023 7% Pay Award (funded via additional grant)	20.1
2023/24 Revised Budget	729.2
Pressures	
Pay and overtime Inflation & Increments	30.7
Non-Pay Inflation	9.0
Increase in officers' employers' pension (35.3% from 31.0%)	13.1
One Off Costs relating to system costs and McCloud remedy	1.3
Permanent Budget for 175 Additional Officers	8.0
Increase in Borrowing Costs	1.7
Remove One off borrowing to fund capital programme	7.0
Increase in Capital Financing (removing short term savings in fleet vehicles)	1.1
Estates Strategy One Off Building Work	1.5
Taser Replacement Contract	0.6
Other Changes	
Increase in Ring Fenced PUP Grant	(9.2)
Increase in Pension Grant	(14.1)
Increase in Interest Receivable	(1.0)
Public Holiday reduction (10 days to 7 days)	(2.3)
Additional Income (i.e. CTU and NaBIS to cover 7% pay award)	(7.9)
Removed one off Force Wide Replacement of Body Armour – funded via reserves in 2023/24	(3.6)
Precept Increase and PEEL Response	2.2
Budget Setting Savings Plans	(10.0)
2024/25 Provisional Revenue Budget	757.4

6 Police and Crime Commissioner Office

- 6.1 The proposed budget for the Police and Crime Commissioner's office for 2024/25, compared to the budget for 2023/24, is shown in the table below. The 2024/25 budget includes provisions for the impact of the pay awards and staff increments.
- 6.2 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.

- 6.3 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 2023/24 £,000	Proposed Budget 2024/25 £,000
Governance	309	329
Staff and Office Support costs	2,234	2,431
Consultation, ICT and Supplies and Services	42	63
Police Misconduct Hearings including Legally Qualified Chairs	35	35
Subscriptions	40	55
Bank Charges and External Audit Fees	85	177
Custody Visiting	10	10
Professional Services	66	66
Total Budget	2,821	3,166

7 Community Safety Funding

- 7.1 The Commissioner has made a commitment to maintain the levels of Community Safety Funding in 2024/25 at 2023/24 levels at £3,863,308.

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 2024/25

- 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 PCSO's. There is a continued commitment to recruit up to the number of Police Officers outlined below:

Workforce Breakdown	Target @ 31/03/24	Target @ 31/03/25	Current Strength @ 31/12/23
Officer Headcount	8,084	8,114	7,937
Police Officers Establishment (FTE)	7,974	8,004	7,798
Police Staff Establishment (FTE)*	4,299	4,329	3,841
PCSO Establishment (FTE)	464	300	299
Total Establishment (FTE)	12,737	12,618	11,938

* The Police Staff FTE is subject to change following the outcomes of a number of ongoing reviews.

- 9.2 Police Uplift Funding, for a headcount of 8,009 has been confirmed for 2024/25, with financial penalties in place if the force falls short of these numbers in the form of loss of the ringfenced uplift grant. The 2024/25 budget has been built with the plan to retain the additional 75 head count up to the 8,084, currently funded via reserves, whilst we bid in for a share of the 625 additional officers. In addition to that, the precept flexibility will allow a further investment of 30 officers in areas of key importance, for focusing on the areas for improvement highlighted in the HMICFRS PEEL Report.
- 9.3 Significant recruitment is on-going during the final quarter of 2023/24, to bring our strength up to the target headcount of 8,084 for March 2024.
- 9.4 In relation to PCSOs, the Police and Crime Plan was written before the police uplift programme began to return an element of resilience to WMP officer numbers. The target of 464 FTE PCSOs reflected an operating model at that point in time in 2021. Despite the funding for officers retaining an element of conditionality, there is more assurance today of that funding being ongoing than we had in 2021 and we have successfully bid in for even higher uplift figures than we were promised in 2021.
- 9.5 The additional financial reassurance, combined with the new operating model which pushes additional resources out into neighbourhoods, means that we will set the 2024/25 budget, for a PCSO establishment of 300 FTE.
- 9.6 Over the period of the MTFP, we retain the ambition for the PCSO establishment to be increased, if and when funds become available.
- 9.7 Staff recruited strength is currently significantly below our target establishment. This is due to a number of reviews ongoing and holding vacancies, to generate headroom during 2023/24, to support the funding gap identified for 2024/25. However, recruitment to operationally critical roles has continued.

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 2025/26 onwards	1% Movement £m (+/-)
Salaries	2.0%	7.2
Supplies & Services	3.0%	0.7
Premises including utilities	5.0%	0.3
Income	1.0%	0.4
Fuel	5.0%	0.1
Other Transport	3.0%	0.1
Third Party Payments	3.0%	0.3
Police Grant	1.6%	5.6
Tax Base	1.2%	1.6
Precept (£)	£10	0.7

10.2 The Medium-Term Financial Plan, reflecting the assumptions outlined above, is shown in the table below. Assuming a £10 precept increase through the medium term, the forecast funding gap is currently £9.5m in 2025/26 growing to £29.5m over the medium term.

Revenue Budget £m	Current Budget 2024/25	MTFP 2025/26	MTFP 2026/27	MTFP 2027/28	MTFP 2028/29
Police Force Net Expenditure	747.4	764.3	785.2	810.8	836.0
Police & Crime Commissioner	10.0	10.2	10.4	10.6	10.8
Total Expenditure	757.4	774.5	795.6	821.4	849.8
Police Grants	(582.2)	(591.2)	(600.3)	(609.6)	(619.1)
Precept	(161.2)	(171.0)	(180.7)	(190.6)	(200.8)
Planned Contributions (to) / from Reserves	(14.0)	(2.8)	(0.4)	(0.4)	(0.4)
Potential Savings Required	0.0	9.5	14.2	20.8	29.5

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% from 2025/26 onwards assumptions.
- 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.

11 Capital Programme

11.1 The capital programme for 2024/25 to 2028/29, 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. The exact combination of funding sources, will depend upon the extent to which reserves will be required to support total revenue spending over the medium term.

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	2023/24 £m	2024/25 £m
Total Revenue Budget	709.2	757.4
Contribution to / from Reserves	(10.8)	(14.0)
Net Budget Requirement	698.4	743.4
Police Grant including DCLG	(527.0)	(563.2)
Council Tax Support Grant	(19.0)	(19.0)
Surplus / Deficit on Collection Fund	(3.0)	(0.1)
Precept Requirement	149.4	161.1
Total Tax Base	737,707.31	747,591.74
Band D Precept*	202.55	215.55

*An increase of £13.00 per annum

14.2 This produces a charge for each property for 2024/25 as follows.

Band	Statutory Proportion	2023/24 Precept £: p	2024/25 Precept £: p	Change Annual £: p	Change Weekly £: p
Band A	6/9	135.03	143.70	8.67	0.17
Band B	7/9	157.54	167.65	10.11	0.19
Band C	8/9	180.04	191.60	11.56	0.22
Band D	9/9	202.55	215.55	13.00	0.25
Band E	11/9	247.56	263.45	15.89	0.31
Band F	13/9	292.57	311.35	18.78	0.36
Band G	15/9	337.58	359.25	21.67	0.42
Band H	18/9	405.10	431.10	26.00	0.50

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 of the 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 has abolished the council tax capping regime and replaced it with the requirement for Authorities to hold a taxpayer's referendum if excessive increase is proposed. In 2024/25, an excessive increase would be £13.01 or greater.

16.4 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. The report is included in Appendix 6.

16.5 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 2023/24 and 2024/25

Appendix 2 – Operational Budget 2024/25

Appendix 3 – Capital Strategy 2024/25 – 2028/29

Appendix 4 – Capital Programme 2024/25 – 2028/29

Appendix 5 – Statutory Council Tax calculations 2024/25

Appendix 6 – Report of the Chief Financial Officer

Appendix 7 – Statement of Prudential Indicators

Appendix 8 – Risk Assessment

18 Appendix 1 – Summary of Revenue Budgets for 2023/24 and 2024/25

Income and Expenditure Breakdown	2023/24 Budget £,000	2024/25 Proposed Budget £,000
Police Pay	461,154	517,238
Police Community Support Officers	14,728	11,347
Police Staff Pay	183,531	198,522
Other Employee Expenses	15,961	17,628
Sub Total	675,374	744,735
Premises	34,565	35,422
Transport	11,192	12,592
Supplies and Services	67,335	70,821
Third Party Payments	21,518	23,639
Capital Financing	8,169	17,903
External Income	(106,555)	(120,294)
Ring-Fenced Uplift Grant	(16,790)	(25,948)
Police Pension Grant	(6,965)	(21,095)
Change Programme including Estates Strategy	12,509	9,596
Police Force	700,352	747,371
Office of Police and Crime Commissioner	2,821	3,166
Community Safety Funding	3,863	3,863
Helping Communities Fund	400	400
External Commissioning	1,689	1,969
Victim Services Expenditure	6,191	6,500
Victim Services Income	(6,191)	(6,191)
Violence Reduction Unit Expenditure	4,388	4,887
Violence Reduction Unit Income	(4,388)	(4,597)
Total Office of the PCC	8,773	9,997
Total Revenue Budget	709,125	757,368
Government Grants	(545,993)	(582,183)
Council Tax including Surplus on Collection Fund	(152,379)	(161,202)
Net Use of Reserves	10,753	13,983

19 Appendix 2 – Operational Budgets 2024/25

19.1 The tables below detail the operational budgets for the Force for 2024/25.

Operational Budget	2024/25 Proposed Budget £,000
Police Pay & Allowances	517,238
Police Staff & Allowances	209,869
Other Employee Expenses	17,628
Total Employee Costs	744,735
Running Costs	142,474
Capital Financing	17,903
External Income	-120,294
Total Operational Budget	784,818
Change Programme including Estates Strategy	9,596
Ring-Fenced Uplift Grant	-25,948
Police Pension Grant	-21,095
Total Police Force Budget	747,371

Operational Budget Breakdown	Police Pay & Allowances £,000	Police Staff & Allowances	Running Costs £,000	Income £,000	Total Operational Budget £,000
Local Policing	251,039	16,144	631	(3,864)	263,950
Major Crime	119,643	48,379	15,598	(11,511)	172,106
Operations	54,541	6,377	9,127	(15,733)	54,312
Security	60,264	35,880	24,715	(76,358)	44,501
Support Services	20,811	65,228	127,709	(12,828)	200,920
Force Contact	10,940	37,864	225	0	49,029
Total Operational Budget	517,238	209,869	178,005	(120,294)	784,818

20 Appendix 3 – Capital Strategy 2024/25 to 2028/29

20.1 Background and Introduction

20.1.1 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.

20.1.2 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.

20.2 Purpose

20.2.1 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.

20.2.2 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.

20.2.3 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.

20.2.4 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.

20.2.5 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.

20.2.6 The strategy also considers how any associated risks are managed and the implications of future financial sustainability.

20.3 Scope

20.3.1 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

20.4 **Governance Framework**

20.4.1 An Investment Board has been established and will start meeting in late 2023/24.

20.4.2 The Investment Board will meet monthly and set the strategic priorities for capital investment, have 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.

20.4.3 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.

20.4.4 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.

20.4.5 The Investment board decisions are made based upon the presentation of a business case / recommendations. These are considered and challenged at the Investment Board meetings; attendees include the Director of Commercial Services, Chief Finance Officer for the PCC, Deputy Chief Constable, Assistant Director of Finance & Procurement, Assistant Director of Corporate Asset Management, Assistant Director of IT&D, and other key stakeholders as required.

20.4.6 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).

20.4.7 All the investment decisions made follow Force Standing Orders and the usual approvals process, via the Office of the Police and Crime Commissioner.

- 20.4.8 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 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.
- 20.4.9 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 Strategic Policing and Crime Board.
- 20.4.10 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.

20.5 Capital Expenditure

- 20.5.1 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.
- 20.5.2 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.
- 20.5.3 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.
- 20.5.4 The overarching capital strategy considers and links in the various strategies including estates, fleet, environmental and IT.

20.6 Capital Investment Priorities

- 20.6.1 The PCCs Police and Crime Plan 2021-25 (<https://www.westmidlands-pcc.gov.uk/wp-content/uploads/2021/10/The-West-Midlands-Police-and-Crime-Plan-2021-25.pdf?x41638>) states the priorities and ambitions over the medium term. These are summarised as:

- Rebuilding community policing,

- Preventing and reducing crime,
- Increased confidence in West Midlands Police,
- Supporting the workforce, organisational change, and new technology,
- Combatting violence against women and girls and domestic abuse,
- Prioritising the rights of victims,
- An efficient and effective criminal justice system,
- Improving community safety,
- Reducing Violence,
- Working together for children and young people,
- Safer Travel

20.6.2 The Association of Police and Crime Commissioners (APCC) and National Police Chiefs Council (NPCC) are actively working nationally with all police leaders to reform 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)

20.6.3 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 & digitals 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.

20.6.4 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 case's and BAU capital activity requests can be more objectively prioritised.

20.7 Prioritisation Approach

20.7.1 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.

20.7.2 West Midlands Police will set out which of the priorities are key based on the latest plans, to provide some initial rational 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.

20.7.3 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.

20.7.4 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.

20.7.5 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.

20.7.6 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

20.8 Capital Funding Strategy

20.8.1 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”.

20.8.2 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.

20.8.3 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.

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

20.8.5 **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.

- 20.8.6 **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.
- 20.8.7 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.
- 20.8.8 **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.
- 20.8.9 **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.
- 20.8.10 **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.
- 20.8.11 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.

20.9 **Monitoring Capital Projects**

- 20.9.1 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.
- 20.9.2 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.
- 20.9.3 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.
- 20.9.4 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.
- 20.9.5 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.

20.10 Benefits Realisation Review

20.10.1 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.

20.11 Risk Management

20.11.1 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.

21 Appendix 4 – Capital Programme 2024/25 to 2028/29

21.1 The table below details the Capital Programme for 2024/25 to 2028/29.

Capital Programme	2024/25	2025/26	2026/27	2027/28	2028/29	Total
£m						
Fleet	5.7	6.0	6.3	6.6	6.9	31.5
Body Worn Video	1.0	0.4	1.0	1.3	1.3	5.0
Taser	0.6	1.4	1.4	1.4	1.4	6.2
Mobility Devices	0.0	0.0	0.0	0.0	3.4	3.4
Laptops / Desktops	2.9	5.0	2.7	1.8	10.9	23.3
IT Infrastructure including CCTV	2.7	3.3	3.5	3.6	3.8	16.9
Data Centre Relocation	0.0	0.0	2.0	0.0	0.0	2.0
Firearms Vehicles	0.6	0.6	0.6	0.6	0.7	3.1
Total Business as Usual Capital	13.4	16.6	17.5	15.4	28.3	91.4
Estates Strategy	33.0	5.2	0.0	0.0	0.0	38.2
Total Capital Programme	46.4	21.9	17.5	15.4	28.3	129.6
Funded by:						
Revenue Contributions	13.4	16.6	17.5	15.4	28.3	91.4
Borrowing	0.0	0.0	0.0	0.0	0.0	0.0
Capital Receipts	30.3	5.2	0.0	0.0	0.0	35.5
Short Term Borrowing (from reserves)	2.7	0.0	0.0	0.0	0.0	2.7
Total Funding	46.4	21.9	17.5	15.4	28.3	129.6

22 Appendix 5 – Statutory Council Tax calculations 2024/25

22.1 The table below details the statutory Council Tax calculations for 2024/25.

West Midlands Police & Crime Commissioner Precept Calculation 2024/25				
				£
	Gross Budget Requirement			757,368,618
	Less: Balances and Reserves			(13,983,500)
	Net Budget Requirement			743,385,118
	Less: Police Grant			(563,156,985)
	Legacy Council Tax Grant			(19,025,734)
	Gross Council Tax Requirement			161,202,399
	Add/Less: Balance on Collection Funds			(58,999)
	Net Council Tax Requirement			161,143,400
Apportioned on the relevant tax base as follows:				
	Relevant Tax base	Total Precept	Monthly Instalments	
	£	£	April-Feb	March
			£	£
Birmingham	267,940.00	57,754,467	4,812,872	4,812,875
Coventry	87,734.00	18,911,064	1,575,922	1,575,922
Dudley	94,480.09	20,365,183	1,697,099	1,697,094
Sandwell	78,217.27	16,859,733	1,404,978	1,404,975
Solihull	79,642.00	17,166,833	1,430,569	1,430,574
Walsall	72,932.78	15,720,661	1,310,055	1,310,056
Wolverhampton	66,645.60	14,365,459	1,197,122	1,197,117
	747,591.74	161,143,399	13,428,617	13,428,613
			Monthly Instalment x 11	147,714,787
			Total Precept	161,143,400
			Net Precept for Band D property	£215.55
	Proportion of Band D	Calculated Value	Rounded Value	
	£	£	£	
Band A	6/9	143.7000	143.70	
Band B	7/9	167.6500	167.65	
Band C	8/9	191.6000	191.60	
Band D	9/9	215.5500	215.55	
Band E	11/9	263.4500	263.45	
Band F	13/9	311.3500	311.35	
Band G	15/9	359.2500	359.25	
Band H	18/9	431.1000	431.10	

23 Appendix 6 – Report of the Chief Finance Officer as required by section 25 of the Local Government Act 2003

- 23.1 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:
- 23.2 The robustness of the estimates made for the purposes of the statutory budget calculations;
- 23.3 The adequacy of the proposed financial reserves.
- 23.4 The Commissioner must then have regard to that report when making decisions about the statutory budget calculations.
- 23.5 **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.
- 23.6 Details of the Commissioner's general balances and reserves are set out in **Section 4** of the report. I am recommending that the level of General Balances remains at £12m.
- 23.7 The 2024/25 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.
- 23.8 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.
- 23.9 It will be necessary to retain as much flexibility as possible over the levels of reserves.
- 23.10 The total level of revenue reserves is estimated to be around £50.1m by 31st March 2025, depending on the use of earmarked reserves and the other factors influencing the use of reserves in 2024/25.
- 23.11 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 2024/25, 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.

Jane Heppel
Chief Finance Officer

24 Appendix 7 – Statement of Prudential Indicators

24.1 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.

24.2 The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

24.3 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.

24.4 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

24.5 The Prudential Indicators below will also be reported in the PCC's 2024/25 Treasury management policy which will be reported to Joint Audit Committee in February 2024. 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.

24.6 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.

24.7 The actual amount of capital expenditure that was incurred during 2022/23, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2023/24 Budget are as follows.

	2022/23 Actual £m	2023/24 Estimate £m	2024/25 Estimate £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m
Capital Expenditure	9.6	29.0	46.4	21.9	17.5	15.4

24.8 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.

24.9 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”**.

24.10 In considering the proposed capital programme for 2024-25, the anticipated future borrowing requirements are considered in the context of overall capital resources and the impact on the revenue budget.

	31 st March 2023 £m	31 st March 2024 £m	31 st March 2025 £m	31 st March 2026 £m	31 st March 2027 £m
Capital financing requirement (CFR)	76.2	81.2	79.2	76.0	72.6
Net External borrowing	(105.3)	(104.5)	(102.3)	(100.3)	(100.3)
Variance	(29.1)	(23.3)	(23.1)	(24.3)	(27.7)

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

24.11 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.

24.12 Financing Costs in 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.

24.13 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.

24.14 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	4.4	4.3	3.4	3.4
Net Revenue Stream	790.4	809.6	828.9	848.6
Ratio	0.56%	0.54%	0.41%	0.40%

24.15 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.

24.16 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.

24.17 The following limits are recommended.

	2024/25 £m	2025/26 £m	2026/27 £m
Authorised Limit for external debt: Borrowing	140	145	145
Operational Boundary: Borrowing	135	140	140

24.18 The PCC's actual external debt as at 31st March 2024 is anticipated to be £104.5m, excluding transferred debt managed by Dudley MBC.

24.19 It is recommended that:

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

Fixed Interest Exposure	2022/23 %	2023/24 %	2024/25 %
Upper Limit	100	100	100

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

Variable Interest Rate Exposure	2022/23 %	2023/24 %	2024/25 %
Upper Limit	20	20	20

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

24.21 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.

24.22 It is recommended that the upper limits of total principal sums invested for periods longer than 364 days are £30m for 2024/25, 2025/26 and 2026/27.

25 Appendix 8 – Risk Assessment

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

Risk	Likelihood	Impact	Comment
The Estates Strategy costs are significantly higher than planned	Medium	High	Governance structures in place to deliver the estates strategy. If circumstances change, the financial implications of this will be considered in year and the strategy reviewed and re-shaped in line with the new requirements.
Pay awards in the future differ from the assumptions in our financial planning	Medium	High	Current assumptions include a 2.5% pay award in September 2024.
Increase in volume and/or cost of policing public order incidents linked to the general economic conditions or other factors	Medium	Medium	Depending on the volume and complexity of any incidents, this could place a significant strain on current contingency budgets. In the first instance, savings would look to be found across budgets areas. If this was not sufficient then reserves would need to be used.
Interest rates fluctuations	Low	Medium	The budget reflects the rates of interest being received on investments. Forecasts from our Treasury Management advisers suggest that investment rates are likely to fall which will reduce our ability to generate investment income.
General inflation is different to the assumptions included in the budget	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.
Income levels are not achieved	Low	Low	A 1% loss of income (excluding main grants and interest) could cost around £0.4m.
Headcount is not kept at the target, to secure Uplift funding	Medium	High	The uplift numbers must be maintained, in order to keep grant funding and a loss of headcount of 120 below target, would result in all the grant being repayable.