

WEST MERCIA BUDGET 2018/19

MEDIUM TERM FINANCIAL PLAN 2018/19 TO 2021/22

Report of the Treasurer

Recommendations

The Commissioner is recommended to approve:

- a) A Net Revenue Budget after savings of **£211.494m**
- b) £4.721m of budget reserve is used within year to manage reductions
- c) A net budget requirement of **£206.773m**
- d) A Council Tax for a Band D property at **£197.07**
- e) A Council Tax for a Band D property calculated as follows:

	£'m
Budget Requirement	206.773
Less Police Grant	65.421
Less Revenue Support Grant	42.780
Less Council Tax Support Grant	9.200
Less Council Tax Freeze Grant:	
2013/14	0.800
2011/12	1.976
Sub Total	86.596
Less: Collection Fund Surplus	1.003
Amount to be raised by Council Tax	85.593
Divided by Aggregate Council Tax Base- subject to verification and change	434,326.29
Basic Amount of Council Tax at Band D	£197.07

- f) The consequential Council Tax for each property band will be as follows:

Band A (6/9th)	£131.380160
Band B (7/9th)	£153.276853

<i>Band C (8/9th)</i>	<i>£175.173547</i>
<i>Band D</i>	<i>£197.070240</i>
<i>Band E (11/9th)</i>	<i>£240.863627</i>
<i>Band F (13/9th)</i>	<i>£284.657013</i>
<i>Band G (15/9th)</i>	<i>£328.450400</i>
<i>Band H (18/9th)</i>	<i>£394.140480</i>

- g) That the Chief Executive to the Office of the Police and Crime Commissioner for West Mercia be authorised to issue Precepts Notices on the West Mercia billing authorities as follows:*

<i>Bromsgrove District Council</i>	<i>£7,199,193</i>
<i>Herefordshire Council</i>	<i>£13,435,770</i>
<i>Malvern Hills District Council</i>	<i>£6,003,142</i>
<i>Redditch Borough Council</i>	<i>£5,135,296</i>
<i>Shropshire Council</i>	<i>£21,499,496</i>
<i>Telford and Wrekin Council</i>	<i>£9,770,703</i>
<i>Worcester City Council</i>	<i>£6,213,329</i>
<i>Wychavon District Council</i>	<i>£9,742,282</i>
<i>Wyre Forest Council</i>	<i>£6,593,576</i>
TOTAL	<i>£85,592,787</i>

- h) The reserve strategy set out in section 7.*
- i) The outline capital budget in section 8.*
- j) All Officers be instructed to exercise tight budgetary control. No over-spending of any 2018/19 departmental budget will be authorised and caution will be exercised in entering into expenditure which creates additional commitments in future years. The PCC will be kept fully informed of the financial position throughout the year.*
- k) The prudential indicators at appendix D*
- l) In approving the budget, the PCC notes the Treasurer's comments in section 9 in respect of the robustness of the budget and the adequacy of reserves.*

1. Purpose of the Report

This report sets out the proposed budget and precept for decision by the Police and Crime Commissioner. It is the second budget report for John Campion since his election in May 2016 and delivers one of his key responsibilities as Commissioner, under the Police Reform and Social Responsibility Act 2011.

The report sets out the:

- Net budget requirement for 2018/19
- Proposed precept for 2018/19
- Proposed medium term financial plan 2018/19 to 2021/22
- Outline capital budget 2018/19 to 2021/22

It is important to set out the issues that influence and contribute to the build of the budget for 2018/19 and the medium term financial plan, having taken into consideration the plans of the Commissioner.

In determining his budget proposals the Commissioner must acknowledge:

- National targets and objectives including the Strategic Policing Requirement
- Priorities within the Safer West Mercia Plan and any likely changes to these for 2018/19
- The outcome of public consultation
- Plans and policies of other partner agencies relating to community safety and crime reduction
- Government policy on public spending, as set out by the Chancellor in the 2015 Comprehensive Spending Review, the Autumn Statements made in 2015 and 2016, the Budget Statement in 2017 and the funding framework that arises from them.
- Medium term financial obligations
- Prudent use of the financial reserves
- The constant drive for continuous improvement and value for money
- The commitment to support the strategic alliance between West Mercia Police and Warwickshire Police, including the delivery of existing savings plans and the Transformation Programme

The policing element of this budget, which is the considerable majority of the budget, has been prepared for the strategic alliance with Warwickshire as a whole, and the

budget requirement apportioned to each force in accordance with the agreed cost sharing approach.

2. Introduction

Following his election John Campion set out his vision for a safer West Mercia, including the modernisation of its police force in order to deliver a more effective, efficient service for communities:

“Reforming West Mercia Police is a big, long term job. Ultimately though it will deliver a more effective police service and better value for taxpayers’ money. We have a hard working police force in place and I will work hard to back the force and ensure they have the right structures and resources to do their vital work more effectively and efficiently. Whether that means investing in innovative technology or working more closely with other public services to cut back-office bureaucracy, I want more police time being spent where it matters most – on the frontline.”

This vision underpinned his first budget, set in February 2017. Since then, the Police and Crime Commissioner has worked with the Chief Constable to turn this vision into a reality. The Commissioner has delivered:

- The successful deployment of mobile working. Each frontline police officer has been issued with a mobile phone and a laptop, enabling more time in the community, increasing visibility rather than being stuck behind a desk.
- The introduction of Body Worn Video for all frontline officers, to reduce complaints, reassure officers and communities and provide better case evidence
- The construction of the new state of the art Operations Communications Centre (OCC) at Hindlip
- The development of new technology and ICT systems, including the Athena system, Telematics and Automatic Number Plate Recognition (ANPR) cameras
- The promotion of the “Behind the Badge” initiative to support police officers and reduce the risk of injury to them.

This progress has facilitated significant efficiency improvements in terms of productivity and operational capacity, but it is clear there is a lot more work to do. It is equally clear however, that while these reforms are achieving efficiencies, they cannot possibly be implemented quickly enough to fully offset current challenges, such as rising inflation and increased demand on our police force.

In the last year, recorded incidents of crime have increased by 10% in West Mercia. As part of that increase, demand has grown particularly in complex areas such as:

- domestic abuse

- cyber crime
- child sexual exploitation
- child at risk offences

These increases are partly the result of a greater willingness of victims to come forward and improved recording by police, rather than just actual increases in crime. Nonetheless, it is clear that demand on the time of our police has increased. In recognition of this, the Commissioner will set aside at the end of 2017/18 a specific reserve of £0.5m to deal with these demand issues. This £0.5m will be financed by the forecast underspend from 2017/18, and will enable targeted spending in 2018/19 to tackle some of the underlying causes of the increased demand and help to manage this more effectively where possible.

At the same time, policing, like all public and private sector services, is facing increasing cost pressures. In the last year inflation has generally risen, with CPI now standing at 3% and RPI 4.1% (as at Dec 2017). Police officers will also receive an increased pay rise this year which, while richly deserved, breaks with the recent pattern of 1% increases and must be funded.

Factors such as these demonstrate the challenge at hand. Necessary work must continue to transform West Mercia into a modern, agile force that is fit for the future. This, however, needs to be balanced with keeping our communities safe today. The force needs to maintain a strong, visible community presence via Safer Neighbourhood Teams, as well as ensuring the processes and resources are in place to provide an effective, efficient response to increased demand.

West Mercia has also lived beyond its means for many years now, reliant on healthy reserves and continued underspends to subsidise a budget that is not sustainable in the long term. A balanced budget needs to be delivered in the coming years, and work has commenced to deliver that, but it is clear current levels of annual income are not sufficient to meet growing demand and rising costs.

3. How the PCC will meet the policing and financial challenges

For the coming year existing policing capabilities will be further developed. The Commissioner and the Chief Constable are developing a new policing model which reflects the challenges our police face. They aim to ensure that the available resources are aligned effectively to meet demand, and ensure visible community policing is maintained via Safer Neighbourhood Teams who are integral to tackling local issues as they emerge. This new model will also realise the benefits of increased productivity from mobile working and other ICT projects. In doing so the Police and Crime Commissioner will meet his manifesto commitment to “keep council tax increases to the minimum”, with a small increase proposed in 2018/19, broadly in line with inflation and within the referendum limit.

The budget includes new developments and initiatives, which support the priorities set out in the Safer West Mercia Plan 2016-2021:

- Put victims and survivors first
- Build a more secure West Mercia
- Reform West Mercia
- Reassure West Mercia's communities

To achieve these objectives, first the Commissioner will:

Put victims and survivors first	Build a more secure West Mercia	Reform West Mercia	Reassure West Mercia's communities
<ul style="list-style-type: none"> • Fund 2 hospital workers to support vulnerable adults and children • Develop new initiatives to raise awareness of hate crime and support victims • As part of a national pilot work with partners in Worcestershire to prevent domestic violence by educating offenders 	<ul style="list-style-type: none"> • Develop and implement a new policing model which reflects the increasing demand and changing nature of crime • Support the implementation of the new Emergency Services Network at a local level • Improve collaboration with public bodies through initiatives to share facilities, information and services 	<ul style="list-style-type: none"> • Improve the estate with new buildings in Hereford and Shrewsbury and improved facilities at Telford and Hindlip • Replace existing CCTV systems in Force buildings • Implement new ICT systems such as SAAB safe 	<ul style="list-style-type: none"> • Invest £1m in CCTV in local communities over three years • Raise awareness in schools and protect children against cybercrime and C.S.E.

The Commissioner has driven reform within West Mercia. He has prioritised the best use of the funds available to him and focused on implementing efficiency programmes and productivity gains. In a review undertaken in May 2016, budget efficiencies of £10.7m were identified following significant underspends which occurred in 2015/16 and previous years. An additional savings target of £3.5m was also placed in the 2017/18 budget. The force has implemented these changes and indeed in 2017/18 achieved additional efficiencies of £1.057m across the Alliance - more than originally planned.

It should be noted that during the period of the previous and current Comprehensive Spending Reviews, West Mercia has implemented efficiencies of £66.6m. As already stated, in 2017/18 further efficiencies of £14.2m were achieved.

During that period, as outlined in section 2, the nature of crime and its consequential demands have changed significantly. 2017/18 has also brought unavoidable and increased inflationary pressures.

In setting the 2018/19 budget, the Commissioner is recognising these challenges and putting mechanisms in place to effectively deal with them. This includes pay and price increases which reflects the increasing inflationary pressures the country faces. Other unavoidable pressures include statutory changes such as new bail arrangements set out in the Policing and Crime Act 2017. To these must be added the further pressure of changing and growing demand for policing services.

The 2018/19 budget, the Medium Term Capital Programme and the Medium Term Financial Plan address these challenges whilst keeping council tax increases to a minimum. The Chief Constable has led a further review of front line policing and the services which support it. This review identified efficiencies in 2018/19. Its recommendations have already been implemented. In addition the Commissioner has set a further savings target of £1m in the enabling services which support policing.

The Commissioner has set his vision to use the police estate to improve collaboration and drive efficiency. A programme of investment is in place to deliver a fit for purpose estate that fully supports modern operational and local policing. The Estates Strategy supported by the Estates Delivery Plan will detail the approach to this up to 2020 and beyond. This work will start generating both revenue savings and capital receipts within 2018/19.

Given the Commissioner's priorities, the increasing pressures and the opportunities for reform, West Mercia faces a savings target of £16.365m in the medium term, whilst at the same time the Commissioner needs to ensure that policing arrangements continue to be fit for purpose. Policing therefore must continue to be both efficient and effective, address changes in demand and meet public expectations. He therefore intends to:

- Ensure the new policing model is fully implemented to ensure that policing services meet demand as efficiently and effectively as possible
- Invest significantly in the estate with new facilities such as the OCC and modern police stations in Hereford and Shrewsbury being delivered, in collaboration with partner agencies to ensure best service and use of resources
- Commission One Place reviews with key partners such as the Fire and Rescue Services and Local Authorities to promote shared use of facilities

- Review the property assets he holds to ensure that buildings are fit for purpose and that the estate is managed as efficiently as possible
- Improve the ICT infrastructure including a new telephony and communications system, and the implementation of the SAAB Safe system leading to further efficiency savings
- Complete the reviews of ICT services, and other services which support policing
- Work with policing partners to further develop specialist policing capabilities where they are needed to better protect the public

This new investment together with existing initiatives will enable the following savings targets to be achieved

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Savings Plan:					
Procurement savings	0.277	0.345	0.000	0.000	0.622
OCC	0.300	0.873	0.000	0.000	1.173
Reduction in Cost of Change	0.552	0.000	0.000	0.000	0.552
Services to Policing Tranche 1	0.758	1.393	0.331	0.104	2.586
Services to Policing Transactional	0.000	0.207	0.276	0.217	0.700
Policing Model	0.959	1.305	1.209	0.363	3.836
Transformation Savings *	5.004	2.643	2.708	4.391	14.746
Total	7.850	6.766	4.524	5.075	24.215

* Whereas the savings in 2018/19 have been identified, the savings in future years have not yet fully been identified and represent a future savings target.

These plans will continue to develop over the coming months. West Mercia Police will continue to face challenging savings targets in future years. It should also be noted that any future unexpected pressures (not included in the budget) will need to be accommodated within the existing budgets (i.e. from underspends or efficiencies). In addition there is a risk that future pay and price inflation may prove higher than estimated.

As stated, other policing and community safety partners also face the challenge of delivering significant efficiency savings over the coming years. Given the issues already outlined regarding demand, it is clear that services can only be improved or maintained if that demand reduces. This is a key focus of the Commissioner and evidence-led investments will continue to tackle some of the root causes of crime and anti-social behaviour in our society. This preventative work, coupled with the continued investment in the Transformation Programme and the benefits it will generate, will enable the Commissioner to keep Council Tax increases to the minimum necessary to build and ensure a safer West Mercia. However council tax will rise in future years because of the unavoidable pressures police forces face due to the changing nature of crime and increasing costs.

4. How the PCC plans to fund this

It is intended that the proposals contained in this document will be funded from a variety of sources.

1. Through the use of available Government Grants. The Commissioner receives a number of grants from the Home Office and Ministry of Justice. The principal grants are:
 - Police and Revenue Support Grant
 - Council Tax Support Grant
 - Council Tax Freeze Grants from 2011/12 and 2013/14
 - Victims Support Grants from the Ministry of Justice

The draft settlement received on 19th December 2017 was confirmed as being final on 31st January 2018 and included no reduction in central Government grants in 18/19. A fuller breakdown of the financial settlement from the Government is contained in appendix A.

2. By increasing the Council Tax by 3.94% (£7.47 for a Band D property) from 2018/19 followed by a 3% increase in 2019/20. This increase, coupled with changes in the tax base to reflect new house building, and including the collection fund surplus, is expected to increase income from Council Tax by £4.319m a year.
3. Savings of £7.850m in the 2018/19 budget are already implemented. It is now expected there will be a further savings requirement over the period to the end of 2021/22 of £16.365m.
4. By using the accumulated reserves of the PCC. The Commissioner's reserves were £53.131m at the start of 2017/18. He plans to use £40.089m of these reserves over a four year period, and on a prudent basis, to support each year's budget, the Capital Programme and Transformation Initiatives. This strategy will deliver a balanced budget by 2019/20. It is possible that under-spends may occur in some years, as the Force has a track record in delivering its savings targets early. The PCC will continue to drive efficiency and value for money across all areas of policing.

5. The Revenue Budget

The following table analyses the changes to the base budget between 2017/18 and 2018/19 and incorporates the apportionment of costs between the two areas within the alliance. Appendix B outlines a summary of the gross expenditure.

Analysis of movement from 2017/18 to 2018/19

	£'m
2017/18 Budgeted net expenditure	213.417
Pay & Price Inflation, increments and adjustments:	
Officer Pay	2.999
Staff Pay	1.913
Non Pay	0.381
Total	5.293
Budget Pressures:	
Premises (PPL)	0.413
Regional Intelligence (ROCU)	0.485
PPL	0.417
Loan Interest (PWLB)	0.406
People Services (Training Courses)	0.219
Minimum Revenue Provision (Debt Repayment)	0.157
Radio Services Charges	0.161
Firearms Certificates	0.134
Driver Improvement Income	0.160
Partnership Initiatives (WODA)	0.118
Other pressures and adjustments	0.729
Athena	0.063
OCC	0.239
TEC Project	0.081
Total	3.782
Reversal of Temp Growth	
Staff Pay	(1.484)
Premises (PPL)	(1.024)
Training Courses	(0.311)
Network Infrastructure	(0.163)
Software Purchase	(0.084)
Hardware Support & Maintenance)	(0.082)
Total	(3.148)
Savings:	
Contract Savings	
Total	(0.277)
Cost of change	
Total	(0.552)
Services to Policing Tranche 1	
Chief Officers	(0.103)
Analysis and Service Improvement	(0.083)
Transport	(0.234)
ICT	(0.158)

People Services	(0.149)
Business Support	(0.014)
Legal Services	(0.014)
Corporate Communications	(0.003)
Total	(0.758)
Operational Communications Centre (OCC)	(0.300)
Policing Model	
	Total (0.959)
Budget savings – non pay	
Corporate Finance	(0.479)
Protective Services and Local Policing	(0.196)
ICT Services	(0.140)
Transport Savings	(0.079)
Estates Review	(0.045)
Territorial Policing	(0.017)
Information Management	(0.014)
Operational Support	(0.011)
Strategic Service Improvement	(0.010)
Corporate Communications	(0.004)
Budget Savings – Pay	
Officer Pay	(2.037)
Staff Pay	(0.990)
Business Plans Savings	
Premises (PPL)	(0.145)
ICT Services	(0.103)
Publicity Campaigns and Marketing	(0.021)
Strategic Initiatives	(0.010)
Other savings	
Regional Intelligence (ROCU)	(0.485)
PPL	(0.150)
PCC Grants	(0.068)
Total	(5.004)
Closing Budget	211.494

6. The Medium Term Financial Plan (MTFP)

The MTFP was agreed in February 2017 and has been updated and refreshed during the year.

The key assumptions at February 2018 are as follows:

Funding

- The precept will increase by 3.94% in 2018/19, 3% in 2019/20 and 1.99% thereafter.
- Council Tax base will grow by an average of 1.5% per annum, in addition a prudent estimate for the total Collection Fund surpluses has been included each year
- General revenue grants will be maintained at 2017/18 levels in 2018/19 and 2019/20 and will then reduce by 1.3% per annum thereafter.
- The future review of the grant system will take place as part of the next Comprehensive Spending Review.

Costs

- Pay (cost of living) increases are included at 2.0% per annum.
- Incremental increases are 1.2% of the Police officers and police staff pay budgets
- Price increases are contained at contractual commitments.

The MTFP is as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Expenditure - Summary				
Base budget before savings	213.417	211.494	210.406	212.024
Pay and price increases	5.293	5.724	5.751	5.799
Unavoidable Pressures	3.782	0.710	0.736	1.046
Temporary growth removed	(3.148)	(0.756)	(0.345)	0.000
Savings	(7.850)	(6.766)	(4.524)	(5.075)
Projected net expenditure after savings	211.494	210.406	212.024	213.794
Funded by:				
Formula Grant and RSG	108.201	108.201	106.794	105.406
Council Tax Support Grant	9.200	9.200	9.080	8.962
Council Tax (including Collection Fund surplus)	86.596	90.229	93.410	96.722
Council Tax Freeze Grant (2013/14)	0.800	0.800	0.790	0.779
Council Tax Freeze Grant (2011/12)	1.976	1.976	1.950	1.925
Total funding	206.773	210.406	212.024	213.794
Total Budget Gap	4.721	0.000	0.000	0.000

It should be noted that in year budget gaps will be covered by savings targets and associated initiatives.

The table below shows the planned use of reserves in 2018/19 and thereafter:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Total Budget gap	4.721	0.000	0.000	0.000
Developments funded from reserves (not included in the budget above):				
Transformation Reserve	0.828	0.690	0.300	0.000
Asbestos	0.400	0.000	0.000	0.000
CCTV	0.400	0.400	0.000	0.000
Redundancy costs	0.400	0.400	0.000	0.000
Legal and Insurance Claims	0.300	0.000	0.000	0.000
Demand management	0.500	0.000	0.000	0.000
Income Risk	0.500	0.000	0.000	0.000
Investment in Infrastructure	6.000	6.000	0.000	0.000
	9.328	7.490	0.300	0.000
Total projected use of reserves	14.049	7.490	0.300	0.000

Note: Rows and columns may not sum due to rounding

7. Reserves Strategy

The use of a significant proportion of reserves over the life of the Medium Term Financial Plan is an important element of the financial strategy. The following table shows the full expected deployment of reserves over the life of the plan

	£m
Projected reserves at 1st April 2018	34.881
Amount required to support the budget over the life of the medium term financial plan	(4.721)
Funds to transform policing and meet associated costs	(1.818)
Provisions to meet known risks and commitments	(2.800)
Provisions to address demand management issues	(0.500)
Investment in infrastructure	(12.000)
Reserves remaining at the end of the MTFP period.	<u>13.042</u>

Each year the Treasurer carries out an assessment of the risks facing the Commissioner to determine the minimum level of reserves which the Commissioner needs to continue to hold. This year the assessment is that £10.5m needs to be held in general reserve at all times to provide adequately for these risks. Further details of the risk assessment are included in section 9.

The amount required for general budget support is significant because it provides for higher levels of support in the early years of the plan than would be typical. This reflects the level of uncertainty of future resource projections, and a desire for greater clarity about the available level of resources before fully implementing any plans to deliver the savings required over the life of the plan. The Home Office may implement a new mechanism for allocating general policing grant from central government in the next Comprehensive Spending Review.

There remain considerable opportunities to drive out further efficiencies through our joint working with Warwickshire and by transforming and reforming policing. To achieve them, while minimising the impact on the service to the public, will require us to continue to focus on areas like modernisation, with more self-service facilities for the public and the greater use of agile and mobile working by police officers and staff. We will also continue to rationalise our estate through the ongoing co-location of what have hitherto been separate teams within West Mercia and Warwickshire and by sharing premises and facilities with key partners such as other blue light services, local authorities, criminal justice agencies and the NHS. This creates the need for a significant provision for invest-to-save initiatives.

The table below shows the estimated reserve balances at the end of each year

	2017/18	2018/19	2019/20	2020/21	2021/22
	£m	£m	£m	£m	£m
General Reserves	10.587	10.587	10.587	10.587	10.587
Earmarked Reserves					
Budget Reserve	5.445	0.724	0.724	0.724	0.724
Transformation reserve	1.818	0.990	0.300	0.000	0.000
Investment in Infrastructure	12.000	6.000	0.000	0.000	0.000
Safer Roads Partnership	1.263	1.263	1.263	1.263	1.263
YJS*	0.468	0.468	0.468	0.468	0.468
CCTV	0.800	0.400	0.000	0.000	0.000
Redundancy Reserve	0.800	0.400	0.000	0.000	0.000
Insurance and Legal Claims	0.300	0.000	0.000	0.000	0.000
Demand management	0.500	0.000	0.000	0.000	0.000
Asbestos	0.400	0.000	0.000	0.000	0.000
Income	0.500	0.000	0.000	0.000	0.000
Total Earmarked Reserves	24.294	10.245	2.755	2.455	2.455
Total Reserves	34.881	20.832	13.342	13.042	13.042

*This is a collaborative arrangement with Local Authorities

8. The Capital Budget

The Capital Programme for 2018/19 to 2021/22 has been prepared using the existing Capital Programme MTFP as a basis and has been reviewed and updated in consultation with the respective business areas, reflecting known priorities and business requirements.

The current programme now reflects the priorities of the Commissioner to fully transform and reform police activities, services and systems across the alliance as quickly as possible. In particular it recognises the need to modernise ICT systems and further develop the estate to ensure that policing responds to changes in demand and the nature of crime as efficiently and effectively as possible. Consequently the Commissioner is planning significant capital investment of £55m over the next four years. As mentioned earlier, this investment is key to reforming policing and delivering better services to the people of West Mercia. Significant opportunities exist to deliver efficiencies and improvements to estates by working with partner agencies. The Commissioner's plans will make best use of these opportunities in the coming years.

The Commissioner is proposing the following capital budget for West Mercia over the next four years, the consequences of which are incorporated into the Medium Term Capital Programme.

Expenditure	2018/19 (Including forecasted slippage from 2017/18) £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Estate Strategy	4.5	8.8	5.6	0.2	19.1
ICT replacement & strategy programmes	4.3	4.2	4.9	3.8	17.2
Vehicle Replacement	1.0	1.0	1.0	1.0	4.0
Affordability Envelope	3.6	3.4	5.2	1.2	13.4
Plant & Equipment	1.0	0.0	0.0	0.0	1.0
Totals	14.4	17.4	16.7	6.2	54.7

A full list of proposed capital projects is included at appendix C. The capital programme will be kept under regular challenging review by the Commissioner, and may vary.

The expected funding of the programme is outlined below. In order to minimise future borrowing the Commissioner is proposing to fund a significant part of this capital investment from reserves. In addition, where under-spends occur in

revenue budgets, through early delivery of savings, consideration will be given to using these to fund capital expenditure in lieu of borrowing, where it is prudent to do so.

Funding	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Capital Receipts	2.0	1.1	1.1	1.0	5.2
Capital Grants	0.7	0.7	0.7	0.7	2.8
From infrastructure reserve	6.0	6.0	0.0	0.0	12.0
Borrowing	5.7	9.6	14.9	4.5	34.7
Totals	14.4	17.4	16.7	6.2	54.7

9. Treasurer’s Statement on the Soundness of the Budget and the Adequacy of Reserves

In considering the MTFP, the Commissioner needs to consider the level of reserves it provides. The Commissioner holds a General Reserve, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely commitments, and, in part, by the appetite for risk. The Treasurer has reviewed thoroughly the financial risks facing policing in West Mercia and reassessed the level of reserves required. In doing so, the Treasurer has complied with CIPFA guidance on the establishment and maintenance of local authority reserves and balances.

Compliance with the 7 key principles in CIPFA’s guidance

Budget assumptions	Current situation in West Mercia
The treatment of inflation and interest rates	WMP Police makes full and appropriate provision for pay and price rises. An informed assessment is made of interest rate movements. All individual expenditure and income heads in the revenue budget are prepared and published at estimated outturn prices
Estimates of the level and timing of capital receipts	The PCC and WMP make a prudent assumption of future capital receipts
The treatment of demand level pressures	The Force is required to operate and manage within its annual budget allocation.

	<p>The Chief Constable retains an operational contingency within the annual revenue budget to help finance large scale or corporate operations or issues and to deal with day to day changes in demand and pressure.</p> <p>The Force has already identified £14.5m of cash savings which will be removed from the budget over the next four years. (2018/19 to 2021/22). This is over and above the £66.6m of cash savings that have been removed from the base budget in the last seven years (i.e. 2011/12 to 2017/18). This cumulative level of budget reduction will inevitably mean that operational budgets will come under greater pressure and/or risk of overspending in future years.</p> <p>Some government grants (e.g. DSP) are announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from the PCC's own resources.</p> <p>The PCC has created a number of earmarked revenue reserves to help finance specific, ad-hoc expenditure commitments. Appropriations are made to and from these reserves on an annual basis as required.</p> <p>Finally general balances are used as a last resort to manage and fund demand-led pressures.</p>
<p>The treatment of planned efficiency savings and productivity gains</p>	<p>The Force has consistently achieved its annual efficiency target. Savings elsewhere in the revenue budget have been identified to cover any shortfall and the Force has underspent in recent years. An underspend is forecast in 2017/18.</p>
<p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments</p>	<p>The financial consequences of partnership, collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the medium term planning process. Where relevant any additional costs are incorporated in the annual revenue budget. These are reviewed regularly during the year in the Money Matters report and where necessary the MTFP is amended.</p> <p>There is clearly a risk that local authority partners will continue to withdraw funding as their own budgets are reduced and that the continued viability of private</p>

	sector commercial partners will be exposed to risk in the face of an economic recession.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.	<p>The PCC has created a number of earmarked revenue reserves and provisions to meet specific expenditure items. These are shown below.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before the Government considers grant aid. This applies on an annual basis.</p>
The general financial climate to which the authority is subject.	<p>In December 2017, the Minister for Policing and the Fire Service announced that the police grant paid to PCC's would be maintained at cash levels in 2018/19 and 2019/20. He also stated that the PCC's could increase the council tax (band D equivalent) by up to £12 per year in both 2018/19 and 2019/20.</p> <p>General inflation in the U.K. has started to increase. CPI is currently at 3% and RPI 4.1% (Dec 2017).</p> <p>The 2017/18 police officer pay settlement included a non-consolidated 1% bonus. Public sector pay awards are widely expected to exceed 1% (the previous cap) from 2018/19 onwards as inflation rises. A provision of 2% p.a. for the pay award has been included in the MTFP.</p> <p>The base rate was increased for the first time in over a decade in the Autumn, raising it from 0.25% to 0.5%. The Governor of the Bank of England has indicated that any future increases will be minimal and gradual.</p> <p>The 4 year medium term financial plan reflects our local best estimate of future inflation rates, increases in government grants and contributions and revenues raised from Council Tax.</p>

General Reserve

In recent years, the Treasurer has undertaken a review of the significant risks and pressures facing the Police and Crime Commissioner before setting a minimum level of reserves held in General Reserve. In addition, the Treasurer has undertaken a comprehensive review of reserves. As part of this review, new

earmarked reserves have been created to address specific risks. Contingencies for these specific risks were previously included within the general reserve

Balance as at 1st April 2017	£14.500m	
Anticipated contribution to reserves at the end of 2017/18	0.500m	Regular and detailed budget monitoring of spend during 2017/18 has been undertaken. The latest estimate is that the 2017/18 budget is forecast to be underspent by approximately £0.5m, which will be added to reserves at the end of 2017/18 as part of the final accounts process.
Transfer to earmarked reserves	£4.413m	To realign reserves and to create earmarked reserves to deal with specific risks such as redundancy, CCTV, legal and insurance claims etc.
Forecast Balance as at 31st March 2018	£10.587m	

The key risks the Police and Crime Commissioner faces (and for which no specific provision in Earmarked Reserves is made) are:

- a. The possibility of savings targets not being met. As in previous years, it is suggested that no provision is made in reserves for this, but, if this approach is taken, the Commissioner is recognising that any failure to deliver savings will potentially have to be compensated for by service reductions.
- b. Possible delays in the delivery of savings. In previous years where the force has missed its in-year savings target, it has covered the shortfall from in-year under-spends. While no presumption of in year under-spending should be made, because having agreed the budget the Commissioner authorises its spending, the record of the force is of consistent under-spending. This is typical of organisations with strong budget management arrangements. Delays in the delivery of savings may occur, particularly in relation to the Transformation Programme. In the current year, for example, there have been delays in progressing invest-to-save schemes, particularly the complex capital schemes such as the OCC and Athena. Given the achievement of the 2017/18 savings target and the progress made in implementing the savings plans for 2018/19 a small decrease is recommended in the level of reserves held to cover potential delays in the delivery of savings from £5.1m in 2017/18 to £4.5m, which was the amount held in 2016/17.

- c. To provide cover for “extraordinary” events or investigations, recognising that these would be likely to attract Special Police Grant (for costs in excess of 1% of the budget). A prudent provision would be for two such events over a five year period, which would require a provision of £4m.
- d. Any additional delivery costs of the strategic alliance with Warwickshire and the Transformation Programme. These may be capital (e.g. IT costs), but capital costs have a revenue impact. Until the capital costs are determined, the revenue consequences cannot be. An alternative, and one with no marginal cost, would be to absorb any revenue impact by cash-limiting the capital programme and deferring schemes to accommodate any strategic alliance spending requirements. There is a specific provision in reserves to cover invest-to-save schemes, so no additional provision is recommended here.
- e. The risk on inflation, especially on pay. The Medium Term Financial Plan includes a provision of 2% for pay from 2018/19 onwards. This reflects the increasing inflationary pressures in 2017/18. Consequently it is recommended that no further provision be made.
- f. The budget includes assumptions made around part time police officer working. These changes reduce the Police Officer budget in line with the levels of part time working. If all these officers then decided to return to full-time work this would lead to a budget pressure. History suggests that this is unlikely so no specific provision is likely to be required, however the risk remains.
- g. As already stated, the Home Office is currently undertaking a further review of the Police Funding Formula and may implement a new funding mechanism in the next Comprehensive Spending Review. Under the current arrangements, West Mercia benefits from the damping mechanism, gaining £10m a year. The Home Office did consult on a new formula during 2015 but abandoned the consultation. During this process estimates of the impact on West Mercia ranged from an increase of £9.3m to a reduction of £0.8m. Given the continuing uncertainty around the outcome of this review and the likely timescale for implementation I am recommending that no provision be made in 2018/19.
- h. The Government is currently developing plans for the replacement of the Airwaves network (referred to as ESN/ESCMP). The estimated initial capital investment is £1bn, although revenue savings of £350m are expected in the long term. In 2017/18 £417m is top sliced nationally by the Home Office for Police Technology programmes. There is still a lack of clarity, with not all details being known. However, a provision of £6m

has been made in the Medium Term Capital Programme. Any capital costs that may fall to West Mercia could be met by increased borrowing or from the use of reserves. Any increased revenue costs or grant reductions in the short term would need to be funded either from further efficiencies or from the use of reserves.

- i. There should be a general contingency provision for unknowns. Assessing a prudent level for this is impossible, but would be unlikely to be less than 1% of net revenue expenditure, around £2m.

The aggregate cost of those elements which it is feasible to estimate is £10.5m. Coincidentally this is approximately 5% of the net revenue budget, in line with expected best practice and emerging guidance. It should be noted that the impact of higher pay increases, the funding review or increased economic and political uncertainty which cannot be accurately estimated could prove to be significant. The Commissioner does not necessarily have to provide money in reserves for each of these elements individually unless they are certain to occur, as one contingency can provide for several possible events, provided that all of the events are unlikely to occur together. However, he does need to give realistic consideration to the likelihood of their occurring during the period covered by the plan, and it does need to provide explicitly for those which are certain to occur.

Given the relatively low aggregate sum involved, it is recommended that a minimum level of £10.587m is provided in general reserves.

Provided that this sum is available at all times within reserves, I am satisfied that this budget is soundly based and adequately provides for the risks facing the Commissioner.

Earmarked Reserves

The predicted balance at 31 March 2019 for each earmarked revenue reserve – which has a specific purpose and particular timescale – is shown in the table below.

Earmarked Reserve	Balance as at 1st April 2018 £m	Movement In Year £m	Forecast Balance as at 31st March 2019 £m	Purpose of Reserve
Budget Reserve	5.445	4.721	0.724	To support the revenue budget whilst implementing the Transformation Programme

Transformation Reserve	1.818	0.828	0.990	To meet the costs of the Transformation Team
Investment in Infrastructure Reserve	12.000	6.000	6.000	To fund schemes within the capital programme and reduce the need for borrowing, thereby minimising financing costs in future years
Safer Roads Partnership Reserve	1.263	0.0	1.263	Funds held on behalf of the partners to fund road safety initiatives
YJS Reserve	0.468	0.00	0.468	Funds held on behalf of the responsible authorities to fund the costs of youth justice services
CCTV Reserve	0.800	0.400	0.400	To fund improvements and upgrades to CCTV systems in 2018/19 and 2019/20 as agreed with Local Authorities
Redundancy Reserve	0.800	0.400	0.400	To fund redundancy costs arising from the Transformation Programme

Insurance and Legal Claims Reserve	0.300	0.300	0.000	To meet the costs of high value claims
Demand management reserve	0.500	0.500	0.000	To spend on initiatives to address some of the underlying causes of the increased demand the force is facing.
Asbestos Reserve	0.400	0.400	0.000	To meet the costs of asbestos removal in police buildings
Income Reserve	0.500	0.500	0.000	To meet budget shortfalls caused by volatility in demand led income streams which can vary considerably from year to year
Total Earmarked Reserves	24.294	14.049	10.245	

The tables in sections 6 and 7 show the deployment of all reserves over the life of the Medium Term Financial Plan, and the remaining reserve balances at the end of each financial year.

Capital Reserves and Balances

In addition to the revenue reserves capital reserves are also maintained. These are used to finance the capital programme.

There is a reserve holding Capital Grants Unapplied. This holds the capital grants from the Home Office that have not yet been spent. These grants are applied to fund

the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 1st April 2017 was £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of police houses and land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. The funding table in section 8 above outlines the receipts expected from asset sales from 2018/19 to 2021/22. The balance on the reserve as at 1st April 2017 was £0.360m

Summary

There has been a comprehensive review of all reserves held by the Police and Crime Commissioner. This report sets out clearly and transparently the reserves held, the purpose for which they are held, the plans for their use and the risks and assumptions underpinning them.

Based on current planning assumptions, the level of general reserves should stay above the recommended minimum level through to 2021/22 and sufficient provision has been made in earmarked reserves to fund expected one-off pressures most notably the further implementation of the Transformation Programme. In addition the capital reserves and the investment in infrastructure reserve will be used to fund a significant proportion of the Medium Term Capital Programme – an extensive programme to support much needed investment in land, buildings, ICT systems and vehicles. This will give policing officers and staff up to date, fit for purpose facilities and enable them to provide a modern, efficient and effective policing service. By generating efficiencies and reducing borrowing costs, the use of the infrastructure and capital reserves will ensure a more sustainable financial position in the longer term. Deploying these reserves over the medium term rather than in a single year also permits some flexibility should it be necessary.

Overall this reserve strategy creates an acceptable, appropriate and sustainable position as we continue the prolonged period of fiscal tightening in an increasingly uncertain world.

Summary of West Mercia Grant Settlement

The provisional Police Funding Settlement from the Home Office was received on the 19th December, and was confirmed as being final on the 31st January 2018. The details are shown below:

2017/18	Funding Stream	Provisional 2018/19	Change
£ m		£ m	%
65.422	Police Grant (including Community Support Grant)	65.422	(0.0)
42.780	Revenue Support Grant	42.780	(0.0)
11.975	Legacy Council Tax Grants (freeze grants and plus council tax support grant)	11.975	(0.0)
120.177	Total	120.177	(0.0)

In addition to the main central Government grants shown above, the Police and Crime Commissioner also receives grant funding for Victims Services Commissioning and Restorative Justice from the Ministry of Justice. Notification of the actual grant allocation for 2018/19 has been received and totals £1.463m.

Appendix B(i)

**West Mercia Police and Crime Commissioner
Subjective analysis of income & expenditure**

	2017/18 Budget £m	2018/19 Budget £m	Variance £m
<u>West Mercia</u>			
Government Grant (Core Funding)	120.177	120.177	0.000
Council Tax Precept	82.277	86.596	(4.319)
Total Funding / Net Budget Requirement	202.454	206.773	(4.319)
Police Officers Pay	104.146	104.149	0.003
Police Officer overtime	2.865	2.762	(0.103)
Police Staff + PCSO Pay	63.241	62.703	(0.538)
Police Staff overtime	0.632	0.661	0.029
Agency Staff	0.175	0.175	0.000
Injury & Ill Health Pensions	3.535	3.556	0.021
Other Employee Expenses	1.110	1.002	(0.108)
Premises	9.055	8.217	(0.838)
Transport	4.284	4.098	(0.186)
Supplies and Services	23.013	22.253	(0.760)
Third Party Payments	14.826	15.204	0.378
Capital Financing	1.859	2.229	0.370
Gross Expenditure	228.741	227.009	(1.732)
Income	(15.324)	(15.515)	(0.191)
Net Force Budget / Expenditure / Variance	213.417	211.494	(1.923)
Budget Contribution to/(from) Reserves	(10.963)	(4.721)	(6.242)

Appendix B (ii)

West Mercia Police and Crime Commissioner Objective analysis of income & expenditure

	2017-18	2018-19	Variance	Variance
	£m	£m	£m	%
Central Services				
Change Programme	1.059	2.987	1.928	182.06%
Chief Officers	0.892	0.961	0.069	7.74%
Information Management	0.735	0.707	-0.028	-3.81%
Analysis & Service Improvement	1.140	0.035	-1.105	-96.93%
Total	3.826	4.690	0.864	22.58%
Enabling Services				
Business Support Services	3.138	3.247	0.109	3.47%
Corporate Communications	0.814	0.709	-0.105	-12.90%
Estates Services	10.091	9.666	-0.425	-4.21%
ICT	15.889	15.385	-0.504	-3.17%
Legal Services	1.099	1.003	-0.096	-8.74%
People Services	7.214	6.421	-0.793	-10.99%
Transport Services	3.380	2.944	-0.436	-12.90%
Total	41.625	39.375	-2.250	-5.41%
Finance				
Contracts & Purchasing	1.817	1.676	-0.141	-7.76%
Corporate Finance	4.417	1.515	-2.902	-65.70%
Accountancy & Financial Services	0.772	0.791	0.019	2.46%
Management Accounting & Business Change	0.801	0.798	-0.003	-0.37%
Total	7.807	4.780	-3.027	-38.77%
Local Policing				
Criminal Justice & Custody	8.966	8.859	-0.107	-1.19%
Harm Reduction	1.521	1.764	0.243	15.98%
Operational Support	1.240	1.849	0.609	49.11%
Professional Standards	1.717	1.005	-0.712	-41.47%
Operational Communications Centres	9.949	8.667	-1.282	-12.89%
Local Policing area costs	87.671	94.414	6.743	7.69%
Total	111.064	116.558	5.494	4.95%
Police and Crime Commissioner	4.911	4.923	0.012	0.24%
Protective Services				
Head of Protective Services	1.082	1.067	-0.015	-1.39%
Firearms Support	0.058	0.059	0.001	1.72%
Crime Management	2.496	2.554	0.058	2.32%
Forensic Services	5.056	5.107	0.051	1.01%

Intelligence Department	7.402	6.443	-0.959	-12.96%
Major Investigations	3.306	3.339	0.033	1.00%
National Armed Policing	0.037	0.038	0.001	2.70%
Operations	17.824	17.768	-0.056	-0.31%
Regional and Organised Crime Unit	3.368	3.535	0.167	4.96%
Protecting Vulnerable People	3.555	1.258	-2.297	-64.61%
Total	44.184	41.168	-3.016	-6.83%
TOTAL	213.417	211.494	-1.923	-0.90%

Note: The £213.417 total in 2017-18 included £1.242m to be funded from Reserves.

Professional Standards - Income review has taken place.

Change Programme/Analysis and Service Improvement – ASI was rescheduled and transferred to the change programme.

Appendix C

West Mercia Capital Programme

No.	Capital Project Description	Formal Business Approval (Y)	2017-22 Proposed Budget Total	2017-18 Forecast Outturn	2018-19 Proposed Project Budget (including forecast slippage)	2019-20 Proposed Project Budget	2020-21 Proposed Project Budget	2021-22 Proposed Project Budget
			£000	£000	£000	£000	£000	£000
	ESTATES							
	ESTATES WEST MERCIA:							
1	Operation Command Control Centre - Southwell House, Hindlip Park	Y	7,103.0	7,103.0	-	-	-	-
3	Central Forensics Services Buildings - Hindlip Park, Worcester	Y	1,479.0	150.0	1,000.0	329.0	-	-
4	Telford Police Station, Malinsgate - West Mercia		1,000.0	-	1,000.0	-	-	-
5	Investment in Estates Infrastructure - West Mercia - 2017-18		1,250.0	650.0	600.0	-	-	-
6	Safer Neighbourhood Offices		996.0	-	996.0	-	-	-
8	Hindlip Hall and Hindlip Park - Worcester - site redevelopment		1,000.0	-	500.0	500.0	-	-
9	Hereford Hub		13,500.0	-	240.0	7,845.0	5,415.0	-
10	Shrewsbury Armoury	Y	100.0	60.0	40.0			
11	RAF Shawbury - alterations	Y	105.0	105.0	-	-	-	-
12	MOD Donnington - Alterations	Y	50.0	50.0	-	-	-	-
13	Malvern - Criminal Justice Hub	Y	15.0	15.0	-	-	-	-
14	Investment in Estates Infrastructure 2018-19 onwards (69%)		690.0	-	173.0	172.0	173.0	172.0
	TOTAL - ESTATES WEST MERCIA:		27,288.0	8,133.0	4,549.0	8,846.0	5,588.0	172.0
	Note: The following are building projects being reviewed for consideration of utilising the funding envelope							
15g	Firearms Range and Training School Alterations - Hindlip Park, Worcester		-	-	-	-	-	-
15h	Worcestershire Police & Hereford & Worcester Fire Rescue Service		-	-	-	-	-	-
15i	Shrewsbury Police Station - West Mercia		-	-	-	-	-	-
15j	Evesham Police Station - West Mercia		-	-	-	-	-	-
15k	Redditch Police Station - West Mercia		-	-	-	-	-	-

15l	Blackpole Vehicle Workshops - Worcester		-	-	-	-	-	-
15m	Vehicle Fuel Bunkerage - Storage Tanks in new locations West Mercia		-	-	-	-	-	-
No.	Capital Project Description	Formal Business Approval (Y)	2017-22 Proposed Budget Total	2017-18 Forecast Outturn	2018-19 Proposed Project Budget (including forecast slippage)	2019-20 Proposed Project Budget	2020-21 Proposed Project Budget	2021-22 Proposed Project Budget
			£000	£000	£000	£000	£000	£000
15o	Hi-Tec Crime Unit - Hindlip Park, Worcester		-	-	-	-	-	-
15p	Worcester - one town review		-	-	-	-	-	-
15q	Carbon Plan & Energy Efficiency Commitments		-	-	-	-	-	-
	ICT							
	ICT PROGRAMME OF CHANGE:							
	POC IN PIPELINE:							
	Affordability envelope for POC:		6,000.0	180.0	570.0	1,750.0	1,750.0	1,750.0
	TOTAL - POC IN PIPELINE:		6,000.0	180.0	570.0	1,750.0	1,750.0	1,750.0
	POC IN FLIGHT:							
18	Operation Command Control Centres - ICT Infrastructure & Systems:	memo	5,510.9	2,846.7	2,664.2	-	-	-
18	OCC Design Enterprise Team (set up)	Y	-	-	-	-	-	-
18	OCC Hindlip - ICT Infrastructure, including Joint Operations Centre fit-out	Y	662.0	662.0	-	-	-	-
18	OCC Operations Enabling Technologies (OET) - SAAB plus supporting hardware etc. Including £373k from Mobile Working budget, plus £175k from Desktop Replacement budget	Y	4,123.3	1,459.1	2,664.2	-	-	-
18	Warwickshire OCC Project - Stuart Ross House ICT fit-out	Y	725.6	725.6	-	-	-	-
19	ANPR Project - expansion of fixed camera sites & back office	Y	1,978.5	1,978.5	-	-	-	-
19	ANPR Cameras in cars (In-Vehicle Technology [in-car media])	Y	600.0	600.0	-	-	-	-
20	Desktop Telephony / Full Uni Comms (ICT Telephony)	Y	2,295.0	2,295.0	-	-	-	-
21	Athena (all projects combined)	Y	634.3	634.3	-	-	-	-
22	Data Network Replacement - "Red Flag Project" - (Virgin Business)	Y	329.0	329.0	-	-	-	-
23	Body Worn Video	Y	484.9	484.9	-	-	-	-
25	Telematics - vehicle deployment and monitoring software	Y	544.0	544.0	-	-	-	-
28	Hi-Tec Crime Unit Infrastructure Upgrade - Hindlip		121.3	80.0	41.3	-	-	-
44	Hardware - <i>Corporate Printing Solution</i>	Y	70.0	70.0	-	-	-	-
46	Emergency Services Network - (Airwave Radio Replacement)		6,000.0	-	-	3,000.0	3,000.0	-
55	Business Information Project (to support analysis of organisation's data)		500.0	350.0	150.0	-	-	-

No.	Capital Project Description	Formal Business Approval (Y)	2017-22 Proposed Budget Total	2017-18 Forecast Outturn	2018-19 Proposed Project Budget (including forecast slippage)	2019-20 Proposed Project Budget	2020-21 Proposed Project Budget	2021-22 Proposed Project Budget
			£000	£000	£000	£000	£000	£000
61	DIGITAL CHANNEL SHIFT PROJECT	Y	60.0	60.0	-	-	-	-
60	SAFENET DIGITAL FORENSIC	Y	140.0	140.0	-	-	-	-
63	FORENSIC SYSTEM - SOCRATES	Y	23.8	23.8	-	-	-	-
	TOTAL - POC IN FLIGHT:		19,291.7	10,436.2	2,855.5	3,000.0	3,000.0	-
	POC COMPLETED:							
29	Corporate Gazetteer	Y	290.0	290.0	-	-	-	-
51	Hardware - <i>Mobile Working Project</i> (less £373k used for OET above)	Y	7,021.8	3,400.0	421.8	200.0	-	3,000.0
57	Origin upgrades & enhancements	Y	115.5	115.5	-	-	-	-
	TOTAL - POC COMPLETED:		7,427.3	3,805.5	421.8	200.0	-	3,000.0
	TOTAL - ICT PROGRAMME OF CHANGE:		32,719.0	14,421.7	3,847.3	4,950.0	4,750.0	4,750.0
	ICT PROGRAMME OF WORK:							
	POW IN PIPELINE:							
26	CCTV for Force buildings including Custody		500.0	-	500.0	-	-	-
38	Corporate WiFi		600.0	300.0	300.0	-	-	-
39	Consolidation of small systems	Y	200.0	50.0	50.0	50.0	50.0	-
41	Confidential Network Environment (CNE) resilience (multi-site)		200.0	-	200.0	-	-	-
45	FIREARMS LICENSING UNIT	Y	129.6	129.6	-	-	-	-
	TOTAL - POW IN PIPELINE:		1,629.6	479.6	1,050.0	50.0	50.0	-
	POW IN FLIGHT:							
47	Hardware - Desktop Equipment PCs/Laptops/Winterms (replacement) - less £175k in 2017/18 used for OET above	Y	2,724.7	624.7	200.0	200.0	1,500.0	200.0
48	Hardware - HTCUI replacement (desktops & servers)		350.0	-	-	200.0	150.0	-
50	Hardware - Multimedia Project (Higher-spec PCs and servers)	Y	479.0	404.0	75.0	-	-	-
52	Hardware - Printers/Scanners	Y	90.0	30.0	30.0	10.0	10.0	10.0
53	Hardware - Servers (include PSN)	Y	1,230.0	330.0	300.0	200.0	200.0	200.0
54	Network - upgrades	Y	300.0	100.0	50.0	50.0	50.0	50.0

No.	Capital Project Description	Formal Business Approval (Y)	2017-22 Proposed Budget Total	2017-18 Forecast Outturn	2018-19 Proposed Project Budget (including forecast slippage)	2019-20 Proposed Project Budget	2020-21 Proposed Project Budget	2021-22 Proposed Project Budget
			£000	£000	£000	£000	£000	£000
58	Storage Area Network (SAN) / Backup Infrastructure	Y	990.0	190.0	200.0	200.0	200.0	200.0
59	Software Upgrades	Y	1,436.0	386.0	450.0	200.0	200.0	200.0
62	SOURCE MANAGEMENT SYSTEM = COPS & Source Management (2 projects now combined)	Y	80.0	80.0	-	-	-	-
64	WORKSPACE MODERNISATION PROGRAM	Y	92.0	92.0	-	-	-	-
	TOTAL - POW IN FLIGHT:		7,771.7	2,236.7	1,305.0	1,060.0	2,310.0	860.0
	TOTAL - ICT PROGRAMME OF WORK:		9,401.3	2,716.3	2,355.0	1,110.0	2,360.0	860.0
	TOTAL - ICT PROGRAMMES OF CHANGE AND WORK:		42,120.3	17,138.0	6,202.3	6,060.0	7,110.0	5,610.0
	TOTAL - WEST MERCIA ICT PROGRAMMES OF CHANGE AND WORK (69%):		29,063.0	1,825.2	4,279.6	4,181.4	4,905.9	3,870.9
	VEHICLE REPLACEMENT:							
66	WEST MERCIA - Vehicle Replacement Programme	Y	9,628.7	1,648.8	1,027.0	1,000.0	1,000.0	1,000.0
	TOTAL ALLIANCE VEHICLE REPLACEMENT		9,628.7	1,648.8	1,027.0	1,000.0	1,000.0	1,000.0
	AFFORDABILITY FUNDING ENVELOPE:							
	Funding envelope for potential capital spend resulting from the review of the Police estate (including "One Town" Reviews):		9,359.0	-	3,597.0	3,337.0	5,157.0	1,221.0
	PLANT & EQUIPMENT PROGRAMME:							
68	Body Armour replacement		901.8	35.7	866.1	-	-	-
	TOTAL ALLIANCE PLANT & EQUIPMENT PROGRAMME (69%)		901.8	35.7	866.1	-	-	-
	NEW BUSINESS PLANS CAPITAL APPROVED MAR-APR'17							
69	METHODS OF ENTRY RIG & WORKING AT HEIGHTS		34.5	34.5	-	-	-	-
70	TASERS		141.5	-	141.5	-	-	-
71	FIREARMS PROTECTION EQUIPMENT		70.4	70.4	-	-	-	-
72	DOG CAMERAS & EQUIPMENT		11.7	11.7	-	-	-	-
	TOTAL - NEW BUSINESS PLANS CAPITAL APPROVED MAR-APR'17 (69%)		258.1	116.6	141.5	-	-	-
	Total Capital Budget		76,498.6	21,759.4	14,460.1	17,364.4	16,650.9	6,263.9

APPENDIX D

PRUDENTIAL INDICATORS

1. AFFORDABILITY PRUDENTIAL INDICATORS	2017/18 Estimate	2017/18 Forecast Outturn	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	24,130	22,233	14,461	17,365	16,651
	%	%	%	%	%
Ratio of financing costs to net revenue stream	0.93	0.82	1.17	1.23	1.45
	£'000	£'000	£'000	£'000	£'000
In Year borrowing requirement					
- in year borrowing requirement	14,287	12,747	5,684	9,586	14,870
	£'000	£'000	£'000	£'000	£'000
In year Capital Financing Requirement	12,783	11,461	4,192	7,823	12,903
	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement 31 March	43,488	42,166	46,358	54,181	67,084
	£	£	£	£	£
Affordable Borrowing Limit					
Increase per council tax payer	£0.00	(£0.20)	£0.63	£0.16	£0.48
2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2017/18 Estimate	2017/18 Forecast Outturn	2018/19 Estimate	2019/20 Estimate	2020/21 Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised limit for external debt					
- Borrowing	60,000	60,000	60,000	65,000	80,000
	£'000	£'000	£'000	£'000	£'000
Operational boundary for external debt					
- Borrowing	50,000	50,000	50,000	55,000	70,000
Upper limit for fixed rate interest exposure					
- net principal re fixed rate borrowing / investments	£60m	£60m	£60m	£65m	£80m
Upper limit for variable rate exposure					
- net principal re variable rate borrowing / investments	£5m	£5m	£5m	£5m	£5m

Maturity structure of new fixed rate borrowing during 2016/17

	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

