



**Budget 2022/23**

**and**

**Medium Term Financial Plan 2022/23 – 2025/26**



## **Foreword from the PCC:**

This year's budget delivers on the pledges I made to communities before my re-election in May 2021, and continues the journey to deliver a Safer West Mercia.

This budget makes our police more visible and accessible in our communities, gives our police the resources they need to focus on key priority crime areas, enables quality investigations to bring more offenders to justice, keeps vulnerable people safe, and builds on previous investments to stop crime happening in the first place. This will be delivered alongside continual reform that will ensure ever greater value for public money.

Having already invested in almost 400 additional police officers for West Mercia, my budget makes good my promise to further increase that figure. 2022/23 will see a further 125 officers taken on in West Mercia, taking the force to a total of 2,456. This is the highest establishment the force has seen since 2009 and is close to the highest level on record, enabled by what is by far the highest budget our area has seen for policing and crime.

With your investment this year's budget of £260.5m represents an increase of £15.6m compared to last year and is almost £60m more than the budget I first inherited in 2016. That investment has been focused to where the public need it most: Frontline policing services that make the biggest difference in our communities.

My mission is to make sure every pound in policing counts. The largest share of this year's investment will ensure more victims get the outcomes they deserve and a greater number of offenders are brought to justice. This will have two key benefits. Firstly, safer neighbourhood teams will have more time to dedicate to the highly visible and accessible local, community policing that is so important to people in West Mercia. Secondly, this extra resource will mean more people who fall victim to crimes like domestic abuse or sexual violence receive the specialist support they need, when they need it, throughout their experience with the police. It is vital that the public have access to the right support, skills and resources from their police force to investigate crimes quickly and effectively, with a view to bringing offenders to justice and enabling victims to cope and recover. This budget significantly reinforces West Mercia Police's ability to do just that, particularly for those most vulnerable in our communities.

This year will see a sharpened focus from both myself as Police and Crime Commissioner and West Mercia Police on preventing crime from occurring in the first place. I will ensure West Mercia Police prioritises more resources towards prevention. I will also directly commission more services to provide effective community based prevention programmes, aimed at tackling

the root causes of crime. Whilst the role of the police will always be to respond to emergencies, the clear focus should be to prevent offending and victimisation in the first place. The more this can be achieved, the safer our communities will be, and the more demand on our police can be reduced. Additional investment this year will focus on additional police officers around county lines offending and identifying people with increased vulnerabilities as soon at the earliest opportunity.

Violence against women and girls has been rightly highlighted nationally in a number of harrowing recent examples. It is clear that as a whole society there is more work needed to address some of our cultural issues and attitudes. I have ensured that the voices of women and girls are heard and reflected within this budget. I am investing to make sure we change attitudes and behaviours so that everybody can be safe in West Mercia. Whether that is effective action to change perpetrator behaviours or additional frontline police officers focused on protecting people from harm and bringing offenders to justice. I am also prioritising additional resource into force vetting and professional standards, to provide reassurance that the right checks are being carried out on all officers, staff and others working with or for the police, to root out any individuals not suitable for such a trusted role in our community.

The roads in Herefordshire, Shropshire, Telford & Wrekin and Worcestershire continue to be a significant source of death and serious injury in our communities. I hear clearly and consistently from the community that they share my concerns and desire to make our roads safer. I have already invested significant extra resource in roads policing officers. This year's budget builds on that by increasing the resources dedicated to direct speeding enforcement on some of our area's more dangerous roads.

Having started the journey of reform in West Mercia I will continue that in 2022/23, with further improvements captured within this year's budget. Those include new technology to support new platforms for reporting crime, new police stations, and new digital solutions to improve effectiveness and efficiency in West Mercia Police. All of which will drive best value for public money, while ensuring an ever increasing proportion of resources are focused on the frontline services communities value most.

The public has very clearly said that in order to support all of this investment they would back a modest increase to their council tax. The impact of Covid-19 continues to be a key economic consideration, alongside rising inflation, the need to provide infrastructure for our new police recruits, and the costs associated with a major investigation in West Mercia. We must also make sure we live within our means and that the progress we make is sustainable. My track record as PCC demonstrates my commitment to low tax increases, and that I will always seek to achieve the best possible return on investment for our communities. That remains true in this budget, ensuring every pound in policing counts. Whilst our communities will be asked to contribute a little more for policing, I believe it is very clear where that resource is going, the difference it will make, and that the return on investment is very evident. I will continue to work tirelessly to ensure the improvements our communities need and deserve are delivered through this year's budget.



**John Campion**  
**Police and Crime Commissioner, West Mercia**

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# **WEST MERCIA BUDGET 2022/23**

## **MEDIUM TERM FINANCIAL PLAN 2022/23 TO 2024/25**

### **1. Executive Summary**

This report sets out the proposed budget and precept for decision by the Police and Crime Commissioner (PCC). It is the sixth budget report for John Campion since his first election in May 2016 and first since his re-election in May 2021. It delivers one of his key responsibilities as PCC, under the Police Reform and Social Responsibility Act 2011.

The report sets out the:

- Net budget requirement for 2022/23
- Proposed precept for 2022/23
- Proposed medium term financial plan 2022/23 to 2024/25
- Outline capital budget 2022/23 to 2026/27
- The community priorities and service improvements that will be delivered for the public as a result of this budget

It is important to set out the issues that influence and contribute to the build of the budget for 2022/23 and the medium term financial plan, having taken into consideration the plans of the PCC. This budget sets out the allocation of resources to deliver on the objectives in the Police and Crime Plan covering the current term of office. As the PCC has been re-elected in May 2021, he is able to reflect on the knowledge and experience from the previous term in office and the outcomes from the plans and targets he set the previous year. The PCC recognises the events that have occurred during the year and reviews performance, both achievements and development areas, before setting his objectives and plans for the next year.

In determining his budget proposals the PCC must acknowledge:

- Priorities within the Safer West Mercia Plan
- The past and current impact of the global pandemic and its likely effect over the coming years
- National targets and objectives including the officer uplift programme and strategic policing requirement
- 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 Autumn Spending Review 2022/23 and subsequent policing provisional grant settlement which was issued on 16th December
- Medium term financial obligations
- Prudent use of the financial reserves
- The constant drive for continuous improvement and value for money
- The development of future collaborative arrangements and the risks involved
- The major investigation into allegations of manslaughter and corporate manslaughter at Shrewsbury and Telford Hospitals NHS Trust.

## Report of the Treasurer

### **Recommendations**

The PCC is recommended to approve:

- a) A Net Revenue Budget after savings of £260.485m
- b) A contribution of £1.073m is made to reserves
- c) A net budget requirement of £259.412m
- d) A Council Tax for a Band D property at £249.66
- e) A Council Tax for a Band D property calculated as follows:

	£'m
<b>Budget Requirement</b>	<b>259.412</b>
Less: Police Grant	81.292
Less: Revenue Support Grant	52.115
Less: Council Tax Support Grant	9.199
Less: Council Tax Freeze Grant	
2013/14	0.800
2011/12	1.976
<b>Sub Total</b>	<b>114.030</b>
Less: Collection Fund Surplus/(deficit)	0.312
<b>Amount to be raised by Council Tax</b>	<b>113.718</b>
Divided by Aggregate Council Tax Base	455490.72
<b>Basic Amount of Council Tax at Band D</b>	<b>£249.66</b>

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

Band A (6/9th)	£166.440000
Band B (7/9th)	£194.180000
Band C (8/9th)	£221.920000
Band D	£249.660000

<i>Band E (11/9th)</i>	<i>£305.140000</i>
<i>Band F (13/9th)</i>	<i>£360.620000</i>
<i>Band G (15/9th)</i>	<i>£416.100000</i>
<i>Band H (18/9<sup>th</sup>)</i>	<i>£499.320000</i>

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

<i>Bromsgrove District Council</i>	<i>£9,365,008.74</i>
<i>Herefordshire Council</i>	<i>£17,539,244.14</i>
<i>Malvern Hills District Council</i>	<i>£8,018,857.00</i>
<i>Redditch Borough Council</i>	<i>£6,627,631.65</i>
<i>Shropshire Council</i>	<i>£28,832,067.49</i>
<i>Telford and Wrekin Council</i>	<i>£13,483,961.84</i>
<i>Worcester City Council</i>	<i>£8,120,990.41</i>
<i>Wychavon District Council</i>	<i>£13,186,686.68</i>
<i>Wyre Forest Council</i>	<i>£8,543,365.20</i>
<b>TOTAL</b>	<b><u>£113,717,813.15</u></b>

- h) The reserve strategy set out in section 11.*
- i) The outline capital budget in section 12.*
- j) All Officers be instructed to exercise tight budgetary control. No over-spending of any 2022/23 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 13 in respect of the robustness of the budget and the adequacy of reserves.*
- m) That the Medium Term Financial Plan (MTFP) be reviewed and revised by 30<sup>th</sup> September 2022. As part of this, the business planning and budget setting process will be reviewed and improved.*
- n) Prior to April 2022, the Chief Constable will produce a detailed plan for approval by the PCC to deliver the savings set out in this plan, which includes an adjustment of £0.338m from the force budget to the PCC in respect of an error in Officer overtime calculation.*



## **2. Priorities & challenges facing West Mercia**

2021/22 continued to be dominated by the impact of the global Covid-19 pandemic. At the start of the financial year, restrictions were only just starting to ease in areas such as leisure, retail, hospitality and personal care. It was not until the 21<sup>st</sup> June 2021 that all legal limits on social contact were removed. The police have continued to respond to changing environments and demand, and worked hard to keep people safe. Following a period of comparatively few restrictions, at the time of writing we now appear to be on a path towards new and further uncertainty following the development of another new, more transmissible, strain of Covid in the Omicron variant.

As a result of the pandemic, the PCC elections were postponed to May 2021 when John Champion was re-elected. He was required to produce a Police and Crime Plan which was published in December 2021. The Safer West Mercia Plan retains the same central four pillars of his plan from his first term of office. However, the new plan has a refreshed focus on specific themes, such as violence against women and girls, systems leadership within criminal justice and ensuring a stronger voice for victims. West Mercia Police also saw the arrival of a new Chief Constable, who joined in September 2021. This change in leadership also brings a natural evolution in the direction of the police force.

### **Covid-19**

West Mercia Police has continued to face challenges regarding keeping communities safe, particularly as over the past year society has faced a number of changes to restrictions as the situation surrounding the pandemic has evolved.

The force has followed the Government's road map out of lockdown, and played a key role in planning and responding to the changes that have been introduced. As restrictions eased, the force responded to the opening up of the night time economy in a world that was much more aware of violence against women and girls.

Along with this crime type, the force recognised that, as a result of the country re-emerging from lockdown restrictions, general demand would surge with a potential increase in disorder and alcohol related anti-social behaviour. The force, in response, implemented Operation Navigator in March 2021 across each local policing area and operational policing unit.

### ***Covid-19 – Organisational and Financial Challenges***

By the start of the financial year in April 2021 communities had been dealing with the impact of the pandemic for over 12 months. There was a requirement and expectation for the public sector to adjust and plan for the ongoing impact of the pandemic on the delivery of services. Certainly new ways of working had been embraced and embedded within the day to day workings of West Mercia. As part of the budget setting for 2021/22 there was a recognition that cost increases were likely to continue, such as the purchase of standard PPE equipment, and investment in laptops and other mobile devices to allow for flexible working models.

### **Crime patterns and demand**

Partially as a result of Covid, there was a significant reduction in recorded crime in 2020/21 – both in West Mercia and nationally. However, as anticipated, total recorded crime increased by 14% year-to-month (April to November) compared to the same period in the previous year. Despite the increase, total recorded crime this year remains below volumes seen before the pandemic.

Volumes of traditional, acquisitive crime, such as robbery, theft from person, vehicle offences and shoplifting, remain considerably lower than before the pandemic. Significant reductions were also seen for residential and business burglaries this year compared to the previous year.

In contrast, a smaller number of crimes have seen significant increases following the easing of lockdown restrictions. Violence without injury, rape, other sexual offences and public order all exceeded the volumes recorded in 2019/20. Demand around these is replicated nationally, indicating these are societal factors, rather than issues that are unique to West Mercia.

There was a 58% increase in homicide offences in West Mercia last year. While that increase was starting from a low base, the rate of homicides per 1,000 population in West Mercia exceeded rates across most similar forces and nationally. Domestic abuse accounted for a significant proportion of these offences.

Whilst the force continues to tackle the issues of serious violence across a number of strategies, the increase in homicides has been sustained with 11 offences reported between April – November 2021. The PCC continues to focus resources, and scrutiny, to ensure this highly impactful crime is reduced.

As a result of the volume and complexity of major investigations (including homicides) across the force, the level of demand placed across the whole of West Mercia Police is significant.

Through Operation Navigator, the force set local policing areas with the task of providing a bespoke lockdown easing plan that took into account the demographics of their areas. These plans also needed to consider wider concerns such as the safety of women and girls in public spaces.

### ***Operation Lincoln***

To ensure justice and answers for victims and their families, the PCC allocated significant resources to support the investigation into the standards of maternity care at Shrewsbury and Telford Hospitals Trust. By its nature, it is a complex investigation that will need to consider large volumes of material over many years. Therefore it will be of significant size and longevity and, whilst a special grant from the Government has been secured, this will not cover all the costs that will have to be met. Building on the current budget, a considerable sum will be required from local budgets over a number of years in order to ensure the investigation that our community requires.

### ***Alliance – further support to Warwickshire Police***

From 1<sup>st</sup> October 2021, the arrangements for providing IT support to Warwickshire Police were finalised. West Mercia now hosts a range of IT services for Warwickshire on a temporary

basis, with this expecting to run until 2023. This is to ensure key services in Warwickshire are maintained until the transition is completed. All of the services are being paid for by Warwickshire in full, with all of other central aspects of the old alliance arrangements now concluded.

Plans that West Mercia has in place around improving digital services for its police officers and the communities they serve have been frustrated to an extent by this continued requirement to support the neighbouring force, but doing so was deemed the right thing to do for wider public service, on the basis that both parties have clearly stated their intent to migrate to fully standalone services as soon as possible.

### ***Delivery of 2021/22 objectives – what has been achieved***

The PCC has prioritised investment to ensure West Mercia Police has the resources it needs to effectively respond to the demands and challenges our community continues to face. The central tenet of this work is to modernise West Mercia Police, backing them with the tools they need to keep us safe, whilst allocating further resources to enhance victim services and preventative work.

As a result of working with the Chief Constable, the PCC has delivered the following in support of his Safer West Mercia Plan:

- The Local Policing Community Charter was launched in March 2021, a document that outlines the force's ongoing commitment to improving local policing and the concerns of communities. The Charter sets out six key themes: visibility and accessibility of neighbourhood policing teams; responding to our communities; prevention; vulnerability; relationships; and partnerships.
- The addition of 91 extra police officer posts in the 2021/22 budget to meet the challenges of increasing demand and the changing nature of crime giving greater visibility, capacity and resilience. This took the total uplift since the PCC's election to almost 400.
- Neighbourhood Matters, the new online communication tool, launched in July with the aim of local policing areas using it to communicate with their respective residents. Approximately 20-30 messages are sent out daily with relevant community information.
- Major investments have been made in modernising West Mercia Police, enabling it to be a more effective and efficient digital organisation. Much of this work continues behind the scenes, improving the infrastructure and systems that police rely on daily to carry out their vital work. This is part of a long term plan to enable the police force to provide even better services to local communities.
- As part of the commitment to use alternative channels to report non-emergency incidents, and increase the accessibility for communities, the force launched the Digital Desk. In November 2021 it was reported that the Public Contact team had assessed over 12,000 social media interactions and engaged in nearly 3,000 conversations. The PCC remains committed to ensuring the public have access to their police force, including via innovations such as digital front counters.

- Over 1,000 frontline officers and staff received specialist domestic abuse training, with the training being mandatory for student officers.
- The Digital Forensics Transformation, whilst in the early phase of the three year programme, has already delivered 50% of the 'on-scene' team which includes a focus on child abuse and child sexual exploitation. The project delivers improved services for victims and communities.
- The good working relationships with voluntary and charitable bodies that provide commissioned services, funded by the PCC, enabled him to swiftly identify those organisations requiring additional financial support to maintain services to the vulnerable. The PCC was also able to submit successful bids for additional funds to central government to expand these key services, as a result of this £2.137m was secured.

These developments gave West Mercia Police not just the resilience to continue to provide services to their residents and communities, but the ability to respond effectively to dynamic threats and challenges that affected the communities of West Mercia.

It is recognised that there are a number of key areas where maximising efficiency and effectiveness is still required. This includes the police estate, vehicle fleet, digital services, public contact and quality of investigations – hence some of the investments set out in this budget.

### **3. The 2022/23 Budget - Listening to and Representing Community Voices**

As part of the PCC's ongoing commitment to seek feedback from communities and use it to shape his decision making, he sought views from the public to ensure that policing in West Mercia continues to meet the needs of residents, businesses and communities.

The consultation on this year's budget took place ahead of the official budget setting, in order to understand where concerns lie. The first consultation period ran from 3<sup>rd</sup> December 2021 to 3<sup>rd</sup> January 2022. This was the largest single programme of engagement this year, alongside the quarterly confidence survey.

The PCC wanted to understand what the key areas of concerns were where people live, if people were willing to pay more in council tax, and if so where would they like the focus, as well as general views towards the council tax precept.

In total, 1,412 responses were received from the consultation, giving a 95% confidence level with a 3% confidence interval.

The key findings are shown below:

#### Top issues

- The top three issues/priorities selected were: anti-social behaviour, visibility and accessibility of police officers and road safety (including speeding)

- If asked to pay more for policing, respondents said they would like to see the focus on directing additional police officers to the frontline and investigating and resolving crime
- When asked how accessible West Mercia Police are, 50% respondents think they are somewhat accessible
- The majority of respondents think that West Mercia Police are rarely visible (45%)
- The majority of respondents supported an increase in resources dedicated to investigating crime (95%)

#### Council tax

- 69% of respondents said they would be willing to pay more council tax if it were targeted to delivering a better service for communities. Of those that said yes, 52% supported an increase of £8-10 per year

The feedback above was used and incorporated into the draft budget prepared by the PCC in January 2022.

A further round of consultation was undertaken across two weeks in January. This received a much lower level of engagement (246 responses). The majority of respondents were against the PCC's specific budget proposals.

## **4. Funding The Safer West Mercia Plan 2021 - 2025**

Following his re-election in May 2021, the PCC set out a new Police and Crime Plan. His plan was subject to extensive consultation with the public and partners, and has now been finalised and implemented.

It is an evolution of the PCC's previous Safer West Mercia Plan, and follows the same core pillars as its predecessor:

- Putting victims and survivors first
- Building a more secure West Mercia
- Reforming West Mercia
- Reassuring West Mercia's communities



- Put victims and their voice at the heart of the criminal justice system
- Ensure an appropriate range of support services for every victim
- Early intervention
- Sustainable services



- Reduce crime and reoffending
- Robust response to serious and organised crime
- Improve response around domestic abuse and sexual violence
- Reduce excess harm associated with roads



- Manage resources to maximise value, effectiveness and meet demand
- Fit for the digital age
- Establish and maintain a clear, strong identity
- Ensure facilities, police and community needs are delivered
- Resources will be prioritised towards front line services
- West Mercia Police will form partnerships in the best interest of local communities



- Ensure all communities have a voice that is heard
- Ensure all communities can access their police service
- Ensure West Mercia's local policing community charter delivers on its commitments
- Empower communities
- Ensure all individuals are dealt with fairly, equally and respectfully

To help achieve these objectives, the PCC's budget for 2022/23 and medium term financial plan will enable and support the following improvements:

<b>Putting Victims and Survivors First</b>
<ul style="list-style-type: none"> <li>• <i>The introduction of a new vulnerability desk, to identify people with significant vulnerabilities at the earliest possible opportunity, and ensure they get the support they need from the police force and other partners</i></li> <li>• <i>Ensure an improved journey for victims, with greater continuity and support through the uplift of dedicated, specialist investigative resources</i></li> <li>• <i>Further increases to budgets to provide services in support of victims and survivors</i></li> </ul>

## **Build a More Secure West Mercia**

- *Increase West Mercia's establishment officers to 2,456, to improve community visibility and responses to crime*
- *Additional resources dedicated to investigating the crimes that cause the most harm in society, such as homicide, sexual violence and domestic abuse, and achieving the best possible outcomes*
- *Backing the force with the resources needed in order to bring criminals to justice*
- *Commit further resources to safeguarding the most vulnerable people in our communities through the police force's Public Protection function*
- *More police officers dedicated to tackling county lines drug dealing, with a focus on protecting young people from criminal exploitation.*
- *Additional officers in the Economic Crime Unit, to improve the response to fraud and financial crime, and deliver better services for victims*

## **Reform West Mercia**

- *Deliver a further increase in the proportion of total resources dedicated to frontline policing in West Mercia's communities, making sure every penny counts*
- *West Mercia will adopt a renewed and enhanced focus on preventing crime from occurring in the first place. This will include new police resources and enhanced capacity for community policing in Safer Neighbourhood Teams.*
- *Further £1 million investment in effective crime prevention*
- *Increased investment in alternative and more convenient digital crime reporting methods. Providing more contact options that reflect 21<sup>st</sup> century life including digital front counters - making the police force more accessible to the community it serves*
- *Supporting West Mercia's officers with improved training and development to deliver the best possible services to the public*
- *Delivery of a new West Mercia estates strategy. Ensuring police buildings are environmentally friendly, fit for purpose and deliver for both the police force and the community. This is to include a new fit-for-purpose joint police and fire station in Redditch*
- *Driving further value and efficiency from West Mercia's fleet. Including the continued investment in electrification where appropriate, to reduce the carbon footprint from policing.*
- *Deliver new digital infrastructure to support more effective and efficient working practices across policing.*

## **Reassure West Mercia's Communities**

- *Ensure the additional officer uplift delivers enhanced police visibility and accessibility, ensuring community priorities are heard and addressed*

- *Continue to monitor delivery of improvements for the community, via West Mercia's Local Policing Community Charter*
- *Increase resources dedicated to tackling speeding and high harm routes and in areas of key community concern, with the intent of reducing the number of people killed or seriously injured.*
- *Further investment will be made in tackling violence against women and girls from within policing, through West Mercia's Professional Standards Department. This will provide reassurance that all police officers and staff have the integrity, legitimacy and levels of conduct that the public expect from such a trusted role*

The PCC has continued to spearhead reform within West Mercia Police to ensure it is a modern, fit for purpose organisation, delivering high quality policing services. He has prioritised the best use of the funds available to him and focused on implementing efficiency programmes and maximising the benefit to the public. 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. In 2017/18, 2018/19 and 2019/20 recurring efficiencies of £14.3m have been achieved. In 2021/22 the Force developed a detailed savings plan to achieve savings of £4.2m and is monitoring this closely. As a result of this focus West Mercia Police now sets a balanced budget, and is not reliant on reserves to balance its books ensuring its sustainability into the future.

Further efficiencies will need to be identified by West Mercia Police to ensure ever greater value for money, maintaining a balanced budget and the most efficient and effective policing.

## **5. The Economic Context**

### ***The Economic Environment***

On 27 October 2021, Chancellor of the Exchequer announced the outcome of the 2021 comprehensive spending review (SR21) alongside his Autumn Budget 2021 (AB21). The SR21 is a 3 year spending review and sets out public spending totals for the financial years 2022/23 to 2024/25. In previous years economic uncertainty due to Brexit and then the impact of Covid-19 meant that the government opted for single year 'roll-over' settlements. This Spending review marks a return to Treasury planning over the medium term and sets out resource (revenue) and capital Departmental Expenditure Limits (DELs) for each Government department.

The pandemic has prompted an unprecedented peacetime fiscal expansion. Relative to pre-pandemic plans, £229bn of public spending was added in 2020/21 alone, as the Government responded to the increased pressures on the health services and provided support to households and businesses while activity was constrained. As of July 2021, the UK had offered higher levels of discretionary fiscal support than 14 of 20 other advanced economies.

Alongside the SR21 and AB21, the Office for Budget Responsibility (OBR) released its Economic and Fiscal Outlook at the end of November 2021. GDP fell by 9.9% in 2020, the



largest annual fall since 1709 due to the impact of Covid. Amid unusually high levels of uncertainty, the OBR forecasts that GDP will rise by 6.5% in 2021. As the economy has ramped up, forecasts for CPI have risen in the short term to a 2022 peak of 4.0%. There have been significant increases in prices in energy, shortages of resources and materials as well impact of labour availability which have all contributed to increased prices for households. CPI is expected to settle to around 2% (the government's target) by 2024, with predictions that in the medium term rising prices will continue to be a pressure for household budgets.

The OBR's prediction is that national wages and salaries are expected to recover significantly in 2021 and 2022 with 5.2% and 4.6% increases.

Due to the pandemic, Public Sector Net Debt (PSND) was expected to be greater than GDP in 2020-21 (100.2%) however these figures have been revised down to 96.6% in 2020/21 and a peak of 98.2% of GDP in 2021/22. Borrowing in the first half of 2020/21 was lower than expected and could be £50bn lower this year due to lower furlough costs and higher tax receipts. Updated forecasts suggest that Public Sector Net Borrowing (PSNB) will fall to less than 2% of GDP by 2024/25.

### ***The 2021 Spending Review announcements***

During his speech, the Chancellor said that the Budget “delivers a stronger economy for the British people, stronger growth with the UK recovering faster than our major competitors, stronger public finances with our debt under control, stronger employment with fewer people out of work”.

The public sector pay freeze will end in 2022 and will return to a negotiated pay award. However there are increases in the minimum wage that can be paid by employers from the 1st April 2022

<b>Wage</b>	<b>Increase</b>	<b>Amount</b>	<b>Age group</b>
National Living Wage	6.6%	£9.50	23 and over
Minimum Wage	9.8%	£9.18	21 – 22
Minimum Wage	4.1%	£6.83	18 – 20
Minimum Wage	4.1%	£4.81	16 - 17
Apprentice rate	11.9%	£4.81	apprentices

As announced at Spending Review 20, in April 2021, the personal allowance was increased to £12,570 and the higher rate threshold was increased to £50,270. It was intended to stay at these rates until April 2026, a measure in place to help reduce the national debt.

On 7 September, Boris Johnson unveiled the Government's plans to “fix” the ailing social care system. Primarily, this included a 1.25% increase in national insurance, from April 2022 ring-fenced for health and social care.

The Headlines from the Chancellors SR21 impacting on Policing and Crime are

- The Home Office settlement provides £4.2bn additional resources over the Parliament term from 2019/20 (£12.3bn) to 2024/25 (£16.5bn). In total the Home Office has a budget of £14.6bn for 2021/22. This is equivalent to a real-terms growth rate of 1.9% a year on average over the SR21 period.

- An additional sum of £540m will be given to police to complete the recruitment of the final 8,000 officers of the additional 20,000 officers target by March 2023. This would bring the total number of officers to a total of 148,000.
- An additional £42m will be given to the police for new programmes that reduce crime and drugs misuse. This is expected to be in addition to the £108m for existing programmes such as the Safer Street Fund and more enforcement to tackle drug misuse through the County Lines Programme
- £125m resource funding in 2022/23 as well as £121m capital funding for the Emergency Service Mobile Communications Programme.

There were also announcements for the Justice department, which impacts on policing.

- An additional £644m a year by 2024/25 will be made available for courts, prisons and probation services to “manage more offenders being brought to justice”
- £477m will be made available to fund the justice system’s recovery from COVID-19. A further £324m will be made available to increase the capacity in the civil, family and tribunal jurisdictions to continue tackling the backlogs
- Money for victim’s support services will be increasing to over £185m by 2024/25, an uplift of 85% from 2019/20
- An extra £80m cash increase by 2024/25 to ensure that the CPS can continue to support the work of the 20,000 additional police officers

### ***Setting of Council Tax***

The settlement provides PCCs in England and Wales with the flexibility to increase funding in each year of the SR21 period with a £10.00 council tax referendum limit. If all PCCs in England and Wales were to take full advantage of this flexibility, this would raise up to an additional £774m by 2024/25 based on current forecasts.

In regard to the tax base, the Treasury prediction is that there will be a 1.1% increase in 2022/23 in England, peaking at an additional 1.5% increase in 2023/34 before falling to zero by 2026/27.

### ***West Mercia Within the Wider Economic Environment***

It was generally accepted that the Chancellor faced a difficult balancing act of dealing with the pressures on public finances while also supporting families and businesses that were hit hard by the coronavirus pandemic. The announcements in the SR21 have provided a more optimistic financial environment than expected and the increases in departmental funding are welcomed, however significant budget pressures exist within West Mercia from pay and non-pay inflation combined with the need to invest in services so that they are fit for purpose.

The 2022/23 budget, the Medium Term Financial Plan and the Capital Programme aims to balance out the investment the Chancellor has made in more Police officers and in programmes such as safer streets, against the pressures of inflation and the need to invest in our infrastructure to provide policing services. The PCC is conscious that any council tax increases must be justified and provide assurance to households, which are facing squeeze on their own finances, that they are receiving a better service.

To achieve this the Chief Constable has undertaken a detailed review of all budgets and followed a Priority Based Planning (PBP) process. The process undertakes an extensive review of all the force's services and the resources applied to delivering those services. This review has used a tried and tested methodology involving managers, officers and staff at all levels of the organisation, directed by a Chief Officer. The process enables a balanced budget to be set within the resources available. It sets out the service levels to be optimised and invested in, sets out the expected increases in demand in services and the provides a clear options appraisals of efficiencies that are available to ensure the budget is balanced. The Chief Constable's detailed plan to deliver a balanced budget will be finalised over the coming weeks and presented to the PCC for his consideration. The agreed plan will be monitored closely and regularly throughout the year. It should 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 the risk that future pay and price inflation may prove higher than estimated. The PCC is clear that he expects the force to continue its transformation journey, with a focus on improving efficiency and effectiveness, and providing the very best service possible to local communities.

Other policing and community safety partners also face the challenge of delivering significant efficiencies 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 PCC. The impact and potential benefit of additional investments in diversionary, or intervention projects will continue to be explored. As a minimum, existing investments in evidence-led initiatives to tackle the root causes of crime and anti-social behaviour will be protected. As part of this commitment, the PCC will be allocating funding for commissioning projects that work to divert people away from crime or prevent crime from happening in the first place. Investing in initiatives that could be seen to be linked to crime going down are key, and provide a much cheaper option than dealing with the crime after it has happened.

This preventative work, coupled with the continued investment in the transformation programme and the benefits it will generate, will enable the PCC to keep council tax increases to the minimum necessary to deliver a safer West Mercia. However, there is pressure on council tax to continue to rise in future years because of the unavoidable pressures police forces face. These include inflation, the changing nature of crime and increasing costs.

## **6. The Priorities and challenges in 2022/23**

The PCC moved West Mercia to a sustainable, balanced budget in his previous term, which means the force is now living within its means, with reserves only being used on non-recurring expenditure.

This financial discipline is important as it brings stability and places West Mercia Police in a strong position to deal with financial challenges in 2022/23 and beyond. These will include budget pressures through increased price and pay inflation, and the ongoing costs of transforming and modernising policing. This budget continues the PCC's commitment of strong financial stewardship on behalf of the public of West Mercia ensuring every penny counts in policing.

In the coming year, existing policing capabilities and capacity will be further developed in response to the challenges set out previously, both in respect of operational policing and transformation. The PCC will continue to hold the Chief Constable to account to ensure the officers, staff and resources she has at her disposal are used effectively to fight crime, respond to emerging threats and pressures, and ensure communities both are safe and feel safe.

The PCC is clear and consistent in his commitment to the public around prioritising investment towards the frontline policing services communities value most. To ensure that people have access to and visibility of policing when they need it and to ensure crimes are investigated and resolved.

### **Increase in Police Officers**

The PCC's 2022/23 budget includes the provision to increase West Mercia's establishment by an additional 125 officers, which will take the establishment up to 2,456 police officers. This represents the highest number of officers the force has seen since 2009 and is very close to the highest level seen on record in West Mercia.

The table below demonstrates where those additional officers will be allocated across policing services in West Mercia based on the operational view of the Chief Constable, having had due regard to the Safer West Mercia Plan and to meet the demands of the Force Operating Model.

<b>Policing Activity</b>	<b>Additional Officer Allocation 2022/23</b>
Local Investigations	55
Safer Neighbourhood Teams	15
Major Investigations	13
Regional Organised Crime	7
Safeguarding	5
Public Contact	3
Vulnerability	6
Learning & Development	12
Professional Standards Department	5
Other allocations	4
<b>Total</b>	<b>125</b>

The largest single additional investment in this budget is on an additional 55 officers in Local Investigations. 40 of which are to directly increase the capacity of the team and to reinforce police investigations at a cost of £1.043m in 2022/23. This investment is intended to ensure that specialist resources maintain and retain ownership of more local investigations, ensuring the best possible service to victims of crime and freeing up Safer Neighbourhood Teams to

spend more time on the most visible, accessible community policing that the public value so much. The investment in specific resource for investigation of crime will mean more people who fall victim to crimes like domestic or sexual violence receive the specialist support they need, when they need it, throughout their experience with the police. It is vital that the public have access to the right support, skills and resources from their police force to investigate crimes quickly and effectively, with a view to bringing offenders to justice and enabling victims to cope and recover.

Whilst this is the largest individual investment the PCC is making for 2022/23, it is part of a wider strategy to deliver a budget that supports the commitments made in the Safer West Mercia Plan, whilst also ensuring the Chief Constable has the resources to ensure that the police force is operationally effective.

The core of this budget delivers on the PCC's key priorities around accessibility & visibility, crime prevention & supporting victims and crime reduction.

The PCC will closely monitor and support the force during 2022/23 to ensure the further uplift in officers is achieved and the enhanced benefits to the community start to be delivered at the earliest opportunity.

### **Accessibility and Visibility**

Since the PCC's first election in 2016, he has arrested and reversed the trajectory of declining officer numbers, and added around 400 additional police officer posts to West Mercia's establishment.

As already highlighted the investment in Local Investigations will ensure that the Safer Neighbourhood Teams will be able to focus more time on community policing. This will be reinforced by a direct increase to dedicated safer neighbourhood policing numbers. Also as the training of additional officers, recruited since 2019, is completed they will be spending an increasing amount of their time resourced into their roles out in the community. This will ensure that Safer Neighbourhood Teams are subject to fewer abstractions, and able to provide more of the visible, accessible community policing the public want to see. In addition to these officers, the Police Community Support Officers (PCSOs) will continue to play a prominent role in supporting neighbourhood policing. The PCC has continued to prioritise these posts throughout a number of years when challenging decisions have had to be made in delivering a balanced budget.

The safer neighbourhood teams have been set up to deliver on West Mercia's Local Policing Charter. This charter is a commitment by the Chief Constable as to how the force will deliver against key community priorities such as anti-social behaviour, road safety and police visibility. Launched in April 2021, it provides a framework and metrics for the PCC to be able to hold the police to account going forward to ensure these improvements are delivered on behalf of the public. It provides transparency and reassurance for local communities who will be able to see progress against these commitments. This charter is now in its second year and the PCC has clearly set out his expectation that improvements against the metrics in the charter are delivered, proportionate to the further uplift in police resources. The principles in the Local Policing Community Charter are:

- **Visibility and Accessibility:** Ensuring West Mercia’s communities get the visibility and accessibility that they need and reasonably expect from their police force. West Mercia Police will, both as a force and within local policing teams, build and maintain excellent relationships with the communities it serves through positive, pro-active engagement. Precise methods of visibility and accessibility will always be aligned to community needs, priorities and expectations, and will be effective in increasing public confidence.
- **Response:** West Mercia Police will constantly seek and be demonstrably responsive to community feedback and intelligence. The police force will make best possible use of all available resources to understand communities and the issues affecting them, and ensure activity is aligned to most effectively addressing these issues, both pro-actively and on a reactive basis. The police will make sure local communities are informed about and understand the work they are doing on their behalf.
- **Prevention:** The prevention of crime and harm will be embedded in everything West Mercia Police do. Our local teams will work with communities to prevent harm through consistent collaborative problem solving approach.
- **Vulnerability:** West Mercia Police will focus on vulnerability, targeting our response and resources at communities where the risk of harm is greatest which will be enhanced by the recent investment in ‘Early Help and Problem Solving officer. We will facilitate the early identification of and intervention to mitigate harm for the most vulnerable people in West Mercia.
- **Relationships:** All police officers and staff will work to build strong relationships with communities and increase public confidence, drawing on the collective strengths to prevent and address problems. West Mercia Police will capitalise on the strength in our communities and involve citizens to make communities safer and stronger (Volunteers; Special Constabulary; Street Safe; Community Speed Watch, etc.
- **Partnerships:** West Mercia Police will work with other local agencies to understand communities, the issues they face and develop effective and collective problem solving interventions. West Mercia Police will be able to demonstrate the values of its effective partnerships and the benefits realised for the community.

There is also a recognition that more needs to be done to improve contact with the public. A new vulnerability desk is being set up in the Operations Communications Centre which will identify and support the most vulnerable people coming into contact with police, at the earliest possible opportunity. The skilled and experienced officers taking up these posts will be able to identify those that need additional support no matter what the reason that they have for contacting the police. By engaging with other agencies there is an expectation that recent examples of missed opportunities to protect vulnerable people from serious harm can be identified and resolved.

The PCC will also support investment in the force’s digital channels for public contact. Building on his commitment to introduce digital front counters in West Mercia, he will also support further investments that will support reporting of crime through social media and other digital channels, along with the resources to monitor and respond to these reports. This change is intended to make the police both more accessible and more convenient for people to contact when they need to, by more closely reflecting the way that society is communicating and interacting overall. This investment will also enable the shift of demand away from the 101 call

service, enabling improvements to services for callers. The PCC is clear however that appropriate resources must still be committed to the non-emergency phone line to deliver the right levels of service to the community.

### **Prevention and support for victims**

Violence against women and girls has been highlighted nationally in a number of harrowing recent examples. Whilst it is clear that more work needs to be done in this area of crime, it is a societal issue and not down to one organisation or body to solve.

A great amount of work needs to be done to address cultural issues and attitudes, be that within the police force or across communities. Therefore, a large part of prevention falls to education. The communities of West Mercia are not immune from these issues and while significant investments have been made by the PCC in recent years to tackle violence and personal safety, this work will be further supported and enhanced by a range of additional investments this year. These will be focused on effectively preventing offending, changing perpetrator behaviours, driving greater education, directing additional resources to the frontline, funding safety measures, and providing greater reassurance for both the public and the force around police employees.

The PCC will prioritise additional resource into force vetting and professional standards, to provide reassurance to all parties that the right checks are being carried out on all police officers and staff, and to root out any individuals not suitable for the profession. Also by investing resources in Learning and Development there will be the increased capacity to provide training to officers throughout their careers to ensure that they remain agile and able to respond to changing policing challenges and ensure that West Mercia are an inclusive organisation with strong focus on equality and fairness.

The safety of women and girls within the wider community is not just a policing issue. More engagement will be carried out with both partners and communities to make sure the issues are better understood and get the focus they require. This engagement will also help ensure the right skills and training for police in dealing with incidents, as well as the availability of the right sort of support services for victims. There is a shared intent between the PCC and the Chief Constable to develop a joint approach to affect fundamental change.

### **Crime Reduction**

The investment already identified in local investigations will have a significant impact on the ability of the force to identify those that commit crime and bring them to justice.

The PCC is also supporting investment in additional officers into the Major Investigation and Economic Crime Units. This additional investment 2022/23 will ensure that the resources are in place to effectively deal with those most serious crime. While we are fortunate that these incidents are not as prevalent in West Mercia as other areas of the country, it is vital that when these offences do happen locally, that the police have the right level of skills, experience and resources to call upon and keep people safe.

Further officers will also be prioritised towards county lines drug dealing, particularly around young people caught up in and exploited by this sort of criminality. Again, whilst West Mercia

remains a comparatively safe place to live, it is clear that county lines is an issue here, the same as every other part of the country. This additional investment will focus on identifying and diverting vulnerable young people away from this sort of offending and starting a life of crime. This in turn will frustrate and thwart the drug dealers, whose operations so frequently rely on the use of vulnerable young people.

Community policing will continue to be led by dedicated and reinforced local policing teams in each of the force's five local policing areas. These teams undertake a wide range of community policing functions and account for approx. 40% of West Mercia's total policing spend in 2022/23. This is a significantly higher proportion of spend than five years ago, demonstrating the PCC's commitment to visible, effective neighbourhood policing. It gives the Force the resources to work with communities to tackle the issues that the public have said matter most to them, such as anti-social behaviour and speeding.

The force's Operations Communications Centre, which is so often the first point of access into the police force for the public is also included within the local policing portfolio.

### **Reducing Harm on our Roads**

The biggest single issue around death and serious injury in West Mercia's communities continues to be our road network. As a predominantly rural area we continue to see a disproportionately large amount of harm caused on our roads. It is clear that communities share the PCC's concerns about this, as well as his appetite to improve the situation and keep people safe. Whilst other partners will also have to play their parts in delivering improvements, this budget supports the ongoing commitment from the PCC, who added a further 19 roads policing officers last year, with further resources to directly tackle speeding in communities .

Additional money for this work is provisionally allocated in this budget, with final confirmation subject to business case from West Mercia Police and approval by the PCC. Money raised from enforcement is ringfenced for reinvestment into road safety.

### **Investing in Frontline Policing**

Having started the journey of reform in West Mercia in 2016, the PCC will continue this ongoing commitment in 2022/23, with further improvements captured within this year's budget. These include new digital reporting technology previously set out, new police stations, and new digital solutions to improve effectiveness and efficiency in the police force. These include the rollout of new office systems to enable more options and better efficiency around engagement, both within the organisation and externally. All of which will drive best value for public money, while ensuring an ever increasing proportion of resources can be focused on the frontline services communities value most.

The addition of further officers as part of commitments from both the Government and the PCC comes with additional organisational challenges for West Mercia Police. While the increased establishment is clearly welcome and beneficial, the infrastructure requirements that come with more officers need to be paid for and are reflected in this budget. These include associated kit and technology such as radios, body cams, laptops, uniforms and phones. It also includes ensuring a fit for purpose police estate and fleet of vehicles, which enable the



force to deliver the best possible services to the public, whilst simultaneously being delivered in a sustainable way and achieving best value to the public.

Additional investment in learning and development is intended to ensure the best possible training and ongoing development for the police force. West Mercia's officers and staff, new and old alike, need to be appropriately trained and skilled to deliver the most effective service to the public.

### **Fit for purpose police estate**

West Mercia's estates service has been successfully remodelled and moved back to an in-house provision within the Office of the PCC. The service is now in a position to drive progress and offer the right support to the police force in the coming years to enable and complement the force's strategies and operating models. This budget reflects that, with further significant capital investment in police estates, both in 2022/23 and beyond. Plans for a new joint Police & Fire station in Redditch are well developed with expectation that it will be open in April 2024. Plans are also in development around a new Northern Hub.

A revised Estates Strategy will be implemented during 2022/23. This new arrangement and strategy will also deliver financial benefits for West Mercia's communities, which again will allow resources to be reprioritised towards frontline activity around policing and crime.

### **Reducing the Carbon Footprint of Police Fleet**

This budget includes further investment in the electrification of West Mercia's fleet of vehicles. A total of £0.750m is included for that purpose, to ensure West Mercia is doing everything possible to lower its own carbon emissions, while still providing the right operational services to the public.

### **Investing in Digital Police Services**

Significant investment will continue to in the police's Digital Services Programme. Following on from other multi-million pound investments by the PCC in recent years, in 2022/23 capital transformational ICT projects of £15.4m and revenue Digital Services programmes of £21.0m will be funded. This ensures continued delivery of the programme agreed and commenced in 2020/21 as part of the PCC's ongoing commitment to reform and modernising the service. This year's investment will support the migration of the force to new, fit for purpose technology that enables and supports vital police work every day, giving the force a solid and up to date base and infrastructure from which to do their work and deliver the services communities need.

As outlined above, the additional resources and police officers being made available to the force will enable them to deliver a better service to the communities of West Mercia, tackling crime and keeping our community safe.

In addition, in 2022/23 alone a new Property Management ICT system will be implemented, the existing Origin HR system will be upgraded and an e-learning management system established. This will generate efficiencies but also create greater resilience and flexibility.

More than three years since the termination of the Alliance with Warwickshire, it is the case that West Mercia must continue supporting delivery of a number of Warwickshire services in 2022/23. Whilst almost all previously shared services have now been separated, with improvements being made to operations in West Mercia, Warwickshire has requested continued support in a number of areas. These functions will however be supported on a different basis, which no longer comes at the detriment and expense of West Mercia's communities. This is reflected in this budget, with West Mercia now much more able to confidently make decisions and investments to benefit its police force and communities. There is a clear commitment and expectation from all parties that full separation of remaining services will be achieved as soon as possible to enable all parties to pursue their own preferred strategic options.

## 7. Monitoring the delivery of the Budget Investment

The PCC has relentlessly strived to ensure every pound of public money is spent with clear ambition and rigour, to ensure these resources are effectively used. This has particularly been the case where the PCC has asked communities to contribute more in council tax to policing.

Over his term, the PCC has worked to hold West Mercia Police to account for ensuring that if the public are being asked to contribute more, then they will get the best possible return on that investment in terms of service improvements and delivery against key priorities.

Alongside the Safer West Mercia Plan the PCC has secured the agreement of the Chief Constable a range of commitments that will be measured and monitored to provide evidence of the delivery of service improvement. In relation to this budget the PCC is keen to demonstrate that the investment made from the additional money coming from residents is spent well. Below sets out an example of the investment that is being made, the expectation on what will be delivered and those key measures that will be used during the year to demonstrate that services to the public have improved. A full list of the monitoring that will be undertaken so that the PCC can hold the Chief Constable to account over the investment that has been made this year is included in Appendix E.

The Investment	What will the public see?	Ambition
40 additional officers in the Local Investigations unit	<ul style="list-style-type: none"> <li>• Better engagement with victims of crime and increased visibility of Safer Neighbourhood Teams.</li> <li>• The victim will have earlier engagement with specialist investigative personnel</li> <li>• Expectation that there will be an increase in identification of offenders which will result in more offences brought to justice</li> <li>• More opportunity to invest in education, early intervention and relationships with other partners to prevent serious crime in the first instance</li> </ul>	<ul style="list-style-type: none"> <li>• Improved timeliness of investigations</li> <li>• Increase in positive action outcomes</li> <li>• Improved victim satisfaction</li> <li>• Improved public confidence</li> </ul>

With the uplift in police numbers and alignment of resources with community priorities, the PCC continues to address the concerns of West Mercia's communities and ensure their needs are at the forefront of policing.

The PCC will continue to ensure the Chief Constable has due regard to the Safer West Mercia Plan and its priorities, as well as holding to account around the Local Policing Community Charter, to ensure the service improvements enabled by additional investment are delivered, and that West Mercia's communities get the best possible return on their investment.

## **8. 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.

### ***Government grants***

The PCC receives the majority of its funding from central Government, specifically the Home Office and also funding from the Ministry of Justice. The principal sources are annual revenue grants, including:

- Police and Revenue Support Grant
- Council Tax Support Grant
- Council Tax Freeze Grants for 2011/12 and 2013/14
- Victims Support Grants from the Ministry of Justice

The Home Office Settlement follows on from the three year SR21 delivered by the Chancellor. As detailed earlier in the report the SR21 set out department resource allocations over a 3 year period. The settlement was received on 16th December 2021 and includes an increase in central Government grants in 2022/23 of 7.181m. An important element of this increased funding is to fund the recruitment of an additional 8,000 police officers nationally, 125 of them allocated directly for West Mercia. This is the final tranche of the government's previously announced policy to recruit an additional 20,000 police officers.

Core Funding, which is defined as the sum of Police Grant, Rule 1, the Welsh Grants and Ex-CLG funding has increased by 5.4%. The Policing Minister confirmed that there would be an increase of £540m for PCCs to continue to recruit officers, as announced earlier in the Chancellor's Budget. This ring-fenced grant will be akin to the previous settlements and will be split according to funding formula allocation. Part of this funding allocation is to go to the recruitment of Regional Organised Crime Unit (ROCU) officers through the same mechanism. The Minister has confirmed the total funding of the Police Uplift Programme (PUP) funding for the next two years of £650m (2022/23) and £800m (2023/24). This is expected to provide forces with sufficient resources to fund pay rises, including incorporating the impact from the end of public sector pay freeze.

### ***Income received from Council Tax***

The tax base

The tax base is the number of properties that are available to have a Council Tax charge placed on them. The tax base will increase with additional houses being built. However the tax base is reduced by other factors such as claimants of Local Council Tax Reduction Scheme (LCTS), Single Person Discounts and empty properties. Since the start of the pandemic there was a reduction in the level of house building and an increase in LCTS claimants which resulted in the tax base for 2021/22 reducing by 0.32% compared to the previous year.

Throughout 2021/22 financial year the recovery from COVID pandemic has continued which has result in the prediction of the Council Tax base returning to growth. There has been a reported increase of 1.98% in the tax base for 2022/23, which is worth an additional £2.123m of income. The prediction is that the tax base will continue to grow by 1.5% through the MTFP.

### The Precept

The settlement provides PCCs in England and Wales with the flexibility to increase funding in each year of the SR21 period with the Chancellor setting a £10 council tax referendum limit on a Band D equivalent property. If all PCCs in England and Wales were to take full advantage of this flexibility, this would raise up to an additional £774m by 2024/25 based on current forecasts.

The decision of the PCC is that the Council Tax charge will be increased by 3.94% or £9.47 for a Band D property for 2022/23. This will raise an additional £4.314m. The working assumption is that the precept will increase at 1.99% per year through the MTFP, although the PCC has an additional 2% flexibility on top of this, should he believe that the investment will be required and the benefit to the public is clear.

The increase in both the Tax Base and the Precept Band D charge will bring in a total of £113.718m of funding, which is an additional £6.437m on the previous year's precept demand.

### The Collection Fund Surplus/Deficit

The administration of the Council tax system is undertaken by Local Authorities through the Collection Fund account. This records the amount of income collected and the amount that has been precepted out to fund Councils, Police and Fire. For the end of 2020/21 financial year there was an estimated deficit on this fund of £1.219m, which was the first recorded deficit for a significant period of time. Central Government legislated that the deficit balance to be paid for by the precepting bodies to the fund, over a 3 year period. For West Mercia that represents a payment of £0.388m each year for period 2021/22 – 2023/24 that must be paid back.

As we have continued through the 2021/22 financial year the concerns regarding the impact of Covid-19 on employment, particularly with the extension of the furlough scheme into the 2021/22 financial year, meant that the estimated deficit has not been as significant as previously thought. It has also seen that even with the end of furlough in September 2021 the number of people in employment has remained steady and that income from Council Tax has continued to be received. The assumption is that the Collection Fund will have an in year surplus for 2021/22 in the region of £0.700m that will be distributed to West Mercia in 2022/23 which will offset the payment of the prior year deficit highlighted above.

The assumption is that the annual surplus will increase through 2022/23 to approximately £1.000m, again to offset by the requirement to pay the last instalment of £0.388m, before taking the full surplus from 2023/24.

#### Continued reform and efficiency

Efficiencies of £5.993m in the 2022/23 budget have been identified and the Force is already putting in place a plan to deliver these. Additional savings are likely to be required over the course of the MTFP as the level of funding is confirmed. These will be met by further efficiencies resulting from the ICT Transformation Programme Business Services Programme and the Estates Strategy (Rationalisation Plan). The income from fees and charges will continue to be monitored annually to ensure that they are reasonable and proportionate

#### Making best use of West Mercia's reserves

The PCC's reserves are predicted to be £13.359m at the start of 2022/23. They will be allocated on a prudent basis to ensure the police force focuses on the needs of the residents of West Mercia. See Section 11 of the budget report for further detail of what the reserves will be used for.

## **9. The Revenue Budget**

The total revenue budget for 2022/23 financial year is £260.485m which is an increase in expenditure of 15.647m from the previous year.

As set out previously, the Force has used a process of Priority Based Planning (PBP) to review all of their budgets, to identify demand pressures and efficiencies that can be made to the current service levels being provided and to bring forward proposals for investment in services. The investment is focused around utilisation of the additional 125 officers, funded through the PUP grant, with the focus on the priorities set out in section 6 of this report

The budget setting process has identified a gap of £2.113m between the resources available, the service levels and investment decisions that have been taken. The Force has identified through the PBP process an outline of how they plan to bridge this gap and deliver a balanced budget. It has been agreed with the PCC that the Force will continue to develop this plan and how it will be implemented. The PCC will consider and agree the detailed plan which will deliver the balanced budget set out in this paper, taking into account how they would manage any other risks to the budget, before the end of March 2022.

The following table analyses the impact of changes to the base budget between 2021/22 and 2022/23. It sets out the significant demand pressures on the budget, including pay and price inflation, the impact of the investment in additional police officers and efficiency plans that are in place. Further detail on the 2022/23 budget proposals are set out in Appendix B which outlines a summary of the gross expenditure by both subjective and objective analysis.

### **Analysis of movement from 2021/22 to 2022/23**

	2021/22 Revised Budget	In year Transfer	Pay and Prices Inflation	Demand pressure	Service Level Changes	Efficiency	Corporate mvmt	2022/23 Budget	Total Mvmt
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Income</b>									
Income	-24.105	-1.896	-0.209	0.512	-0.313	-0.104	0.564	<b>-25.551</b>	-1.446
Special Grants	-3.076	0.000	0.000	-0.204	0.000	0.000	0.000	<b>-3.280</b>	-0.204
Contribution to/from Reserves	0.000	0.000	0.000	-1.137	0.000	-0.093	0.151	<b>-1.079</b>	-1.079
<b>Pay</b>									
Police Officer Pay	128.202	-0.020	1.568	2.175	1.326	-0.157	0.708	<b>133.802</b>	5.600
PCSO Pay	7.430	0.000	0.094	0.000	0.000	0.000	0.636	<b>8.160</b>	0.730
Police Staff Pay	63.217	0.025	0.861	5.066	-0.200	-1.726	5.104	<b>72.347</b>	9.130
<b>Other Costs</b>									
Capital Financing	5.210	0.000	0.000	1.911	0.000	-0.226	0.000	<b>6.895</b>	1.685
Other Employee Expenses	2.023	0.000	0.030	0.626	0.005	0.006	-0.001	<b>2.689</b>	0.666
Police Pensions	3.776	0.000	0.113	0.100	-0.333	-0.050	0.000	<b>3.606</b>	-0.170
Premises	8.847	0.000	0.313	0.510	0.000	-0.131	0.000	<b>9.539</b>	0.692
Supplies & Services	33.070	0.023	0.967	-0.462	0.146	-1.549	-1.651	<b>30.544</b>	-2.526
Third Party Payments	16.147	1.868	0.148	2.466	0.000	-2.035	0.000	<b>18.594</b>	2.447
Transport	4.097	0.000	0.112	0.125	0.001	-0.111	-0.005	<b>4.219</b>	0.122
	<b>244.838</b>	<b>0.000</b>	<b>3.997</b>	<b>11.688</b>	<b>0.632</b>	<b>-6.176</b>	<b>5.508</b>	<b>260.485</b>	<b>15.647</b>

## 10. The Medium Term Financial Plan (MTFP)

The key working assumptions in the MTFP are as follows:

### Funding

- The precept will increase by 3.94% in 2022/23 and 1.99% thereafter across the remainder of the medium term. There is additional flexibility available to the PCC to use in 2023/24 (2%) and in 2024/25 (1.85%), given the announcement by the Chancellor that the maximum increase in each of these years will be £10.00
- Council Tax base will increase by 1.98% in 2022/23 and then increase by 1.5% a year thereafter
- The Medium Term Financial Plan assumes that the Council Tax Collection Fund will produce an in year surplus to be distributed back to precepting authorities of £0.700m in 2022/23 and £1.000m in each year after that. However there is the estimated statutory deficit from 2020/21 collection which is being spread over 3 years. It is expected that the net Collection Fund surplus distribution will be £0.312m in 2022/23, £0.612m in 2023/24 and £1.000m in 2024/25.
- General revenue grants will be increased in 2022/23 to meet the costs of pay and price inflation, the cost of the additional 125 police officers and associated infrastructure cost.

In future years it is assumed central government grants will continue to increase to meet the costs of the additional police officers and to fund inflationary pressures.

## Costs

- There is an assumption that pay will increase in 2022/23 following the announcement in Chancellor's Spending Review that the Public Sector Pay freeze has ended. The assumption is that pay will increase by 2% in 2022/23 and then 2.5% in following years.
- General price increases are predicted to increase by 3% over the life of the MTFP. Where known price increase reflect contractual commitments, or industry specific price inflation pressures such as in the energy sector, where the increase in 2022/23 is expected to be 10.3%.

The MTFP is as follows:

	2022/23	2023/24	2024/25
	£m	£m	£m
<b>Expenditure - Summary</b>			
Base budget before savings	244.838	260.485	269.175
Pay and price increases	3.997	7.487	7.807
Capital Financing	1.685	0.672	2.328
Additional officers funded by Grant	2.221	1.708	0.000
Investment in Forensics	0.366	0.000	0.000
Investment in ICT	2.036	0.000	0.000
Other Investments	15.248	0.836	4.444
Savings	-8.355	-2.013	0.000
Police Officer Uplift Grant	-0.667	0.000	0.000
Non-recurring expenditure funded from Reserves	1.137	0.000	0.000
Savings to be identified	-2.021	0.000	0.000
<b>Projected net expenditure after savings</b>	<b>260.485</b>	<b>269.175</b>	<b>283.754</b>
<b>Funded by:</b>			
Formula Grant and RSG	133.408	138.077	148.432
Council Tax Support Grant	9.200	9.200	9.200
Council Tax Freeze Grant	2.775	2.775	2.775
Council Tax (including Collection Fund surplus)	114.029	118.160	122.651
Contribution to Reserves	1.073	0.963	0.696
<b>Total funding</b>	<b>260.485</b>	<b>269.175</b>	<b>283.754</b>

It should be noted that in year budget gaps will be covered by savings targets and associated transformational initiatives to deliver on the PCC commitment to have a balanced budget.

## 11. 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

	<b>£m</b>
<b>Projected reserves at 1<sup>st</sup> April 2022</b>	<b>13.359</b>
Increase in General Reserve to reflect increase in total budget	2.000
<i>Utlisation of reserves to smooth the impact of the SR21</i>	-0.601
<i>Amount required to fund the costs of a major investigation net of an expected successful application for Special Grant over the life of the medium term financial plan</i>	-1.136
<i>Increased Provisions to meet known risks</i>	0.600
<i>Funds to address demand management issues, prevent crime and ensure public safety</i>	-1.258
	<hr/>
<b>Reserves remaining at the end of the MTFP period.</b>	<b>12.964</b>
	<hr/> <hr/>

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

Total Reserves at	31/03/2022	31/03/2023	31/03/2024	31/03/2025	31/03/2026
	£m	£m	£m	£m	£m
<b>General Reserves</b>	<b>7.000</b>	<b>7.500</b>	<b>8.000</b>	<b>8.500</b>	<b>9.000</b>
<b>Earmarked Reserves</b>					
Budget Equalisation reserve	0.601	0.601	0.400	0.000	0.000
Investment in Infrastructure	0.372	0.372	0.372	0.372	0.372
Major Investigation Reserve	2.136	1.136	0.000	0.500	1.000
Road Safety Reserve	0.342	0.242	0.142	0.042	0.092
Commissoning Reserve	1.084	0.642	0.376	0.226	0.076
Insurance and Legal Claims	1.505	1.505	1.605	1.805	2.105
Council Tax Collection Fund	0.000	0.000	0.000	0.000	0.000
YJS*	0.319	0.319	0.319	0.319	0.319
<b>Total Earmarked Reserves</b>	<b>6.359</b>	<b>4.817</b>	<b>3.214</b>	<b>3.264</b>	<b>3.964</b>
<b>Total Reserves</b>	<b>13.359</b>	<b>12.317</b>	<b>11.214</b>	<b>11.764</b>	<b>12.964</b>

\* - This is a collaborative arrangement with Local Authorities

Each year the Treasurer carries out an assessment of the risks facing the PCC to determine the minimum level of reserves which the PCC needs to continue to hold. This year the



assessment is that £7.000m 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 13.

## 12. The Capital Budget

The Capital Programme for 2022/23 to 2025/26 has been prepared based on bids for capital funding by each department across West Mercia Police. Bids have been scrutinised by the PCC and the Force leadership team to ensure that they reflect the priorities of West Mercia, and that timescales and costings are reasonable. The existing capital programme MTFP has been updated to reflect the bids that have been accepted. The capital budget is an outline commitment to inform future planning, borrowing decisions and assessment of the revenue impact. Final approval of any scheme is subject to a full business case being approved by the PCC. The capital budget may change as a result of business cases being progressed to full proposals.

The current programme reflects the priorities of the PCC to transform and reform police activities, services and systems as quickly and effectively 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 PCC is planning significant capital investment of £99.493m over the next four years. As previously mentioned, 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 PCC's plans will make best use of these opportunities in the coming years.

The PCC is proposing the following Medium Term Capital Programme (MTCP) for West Mercia over the next five years.

<b>Expenditure</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Estate Strategy	8.000	8.600	16.000	8.500	1.500	<b>42.600</b>
ICT replacement Programme	4.005	2.317	2.404	2.501	2.608	<b>13.835</b>
Digital Transformation & Change	15.377	12.843	1.426	0.626	0.626	<b>30.898</b>
Vehicle Replacement	2.250	2.250	2.250	2.250	2.250	<b>11.250</b>
Plant & Equipment	0.910	0.000	0.000	0.000	0.000	<b>0.910</b>
<b>Totals</b>	<b>30.542</b>	<b>26.010</b>	<b>22.080</b>	<b>13.877</b>	<b>6.984</b>	<b>99.493</b>

A full list of proposed capital projects is included in Appendix C.

The expected funding of the programme is outlined below. The PCC has made a commitment to make sure that the capital programme remains affordable. The revenue budget includes the contribution of £1.000m to funding capital programme, to avoid the revenue impact of borrowing over the medium to long term.

<b>Funding</b>	<b>2022/23</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2025/26</b>	<b>2026/27</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>

Capital Receipts	0.500	0.500	0.500	0.500	0.500	<b>2.500</b>
Capital Grants	0.757	0.000	0.000	0.000	0.000	<b>0.757</b>
Revenue Contributions	1.060	1.100	1.200	1.300	1.400	<b>6.060</b>
Borrowing	28.225	24.410	20.380	12.077	5.084	<b>90.176</b>
<b>Totals</b>	<b>30.542</b>	<b>26.010</b>	<b>22.080</b>	<b>13.877</b>	<b>6.984</b>	<b>99.493</b>

### 13. Treasurer's Statement on the Soundness of the Budget and the Adequacy of Reserves

In setting the MTFP, the PCC needs to consider the revenue budget, implications of the investment in capital and the level of reserves held. The PCC 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. As the Treasurer I have reviewed thoroughly the financial risks facing policing in West Mercia and reassessed the level of reserves required. I have also taken into account the assessment of reserves undertaken by CIPFA in its Financial Management Capability review of West Mercia Police.

In doing so, I have 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

CIPFA Key Principles	Current situation in West Mercia
The treatment of inflation and interest rates	<p>West Mercia Police makes full and appropriate provision, based on agreed estimate of the future pay and price rises. The assumptions on what the rises will be take reference from the Spending review &amp; OBR predictions, the estimates made by other bodies in the Police Sector and reports from PACCTs.</p> <p>An informed assessment is made of interest rate movements using information provided from the Spending review &amp; OBR Predictions and from sector updates provided by our Treasury Management Advisors.</p> <p>Individual Expenditure lines in the budget are reviewed as to whether they are impacted by the general inflation or Interest rate changes. Known pressures, such as energy price increases and contractual obligations are included in the budget at their full cost.</p> <p>The revenue budget are prepared and published at estimated outturn prices.</p>
Estimates of the level and timing of capital receipts	<p>The PCC and West Mercia Police make a prudent assumption of future capital receipts. There is a rationalisation plan developed as part of the wider estates strategy. This has identified a number of surplus assets and land which can be disposed of and receipts that generated. There is also the medium to long term programme of ensuring that the estate is fit for purpose, managing the costs of older buildings and identifying disposals which will generate receipts to invest back into the rest of the estate.</p>

<p>The treatment of demand level pressures</p>	<p>The Force has implemented a Priority based budgeting (PBB) process to inform the budget setting for 2022/23. The process involves identifying Volume (Demand) and Method (Efficiency) changes on current service levels within each business area that are expected to occur in the following financial year.</p> <p>The Deputy Chief Constable is the lead for this process, on behalf of the Chief Constable. Panels were held with each business area to review the proposed demand pressure and to challenge the assumptions behind the assessment. This ensures management oversight of the budget proposals.</p> <p>There is also the general balances to be used as a last resort to manage and fund demand-led pressures. The general fund balance is based on a risk assessment of factors which could potentially occur, rather than the known costs which are already account for in the revenue budget.</p>
<p>The treatment of planned efficiency savings and productivity gains</p>	<p>The cumulative level of budget reductions over the last 10 years will inevitably mean that operational budgets will come under greater pressure and/or risk of overspending in future years. The Force delivered on its annual efficiency target in 2020/21 and is predicting that it will deliver savings of £3.454m in 2021/22, which is £0.757m under against the target.</p> <p>The PBB process has provided opportunity for business areas to be challenged over what it spends and where further efficiencies can be made. This process has identified £5.993m of efficiencies to be delivered during 2022/23.</p> <p>The efficiencies identified on current services do not cover the wider budget pressures where resources are less than the total demand, taking into account the allocation of the majority of additional grant funding from central government to additional officers. A further exercise through the PBB process is being undertaken to develop the full plan to deliver the balanced budget for 2022/23.</p>
<p>The financial risks inherent in any significant new and existing 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>The 4 remaining shared services arrangements that were in place with Warwickshire have been moved to a hosted service agreement during 2022/23. The agreement reduces the risks associated with the move towards full separation of services back to Warwickshire. It formalises the service level requirements and the recharge of costs to Warwickshire.</p> <p>The Estates Service was moved in-house from the 1st April 2021, following the withdrawal from Place Partnership Limited and the organisation being wound up. Significant contracts are in the process of being re-tendered for April 2022, to ensure that the service specifications are fit for purpose to achieve Value for Money. Also the project management arrangements have been reviewed to ensure that they are fit for purpose to deliver both capital projects and estates rationalisation.</p>

	<p>There is clearly a risk that local authority partners will continue to withdraw funding as a result of pressures on their own budgets. There is also risks related to the continued viability of charities and other partners with increasing demand for services. The commissioning team are managing services and working with providers to manage these services.</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</p>	<p>The 2022/23 budget has been set to meet both the recurring revenue spend commitments and priorities, whilst recognising there are risks that need to be managed. This has taken account the level of government grants and other sources of income.</p> <p>The Force is being proactive in recognising that they need to be prudent in managing their insurance reserve through a scheme of self-insurance to offset revenue savings from having higher premiums and also how they manage the funding of capital programme.</p> <p>There has been an assessment of the adequacy of general reserves to meet unplanned budget impacts. This has identified the potential risks to the budget and provides a sensitivity analysis of what the financial impact might be. The overall assessment is that the minimum level of general fund balances should be maintained at circa £7.000m. The PCC has not been required to make a call on the general reserves in the last 2 budget cycles.</p> <p>The PCC has created a number of earmarked revenue reserves to meet specific expenditure items. The details of each of the reserves held are included in this report. The largest held are the Major Investigation Reserve and the Insurance &amp; Legal Claims reserve.</p> <p>The Force is undertaking an investigation into allegations of corporate manslaughter at Shrewsbury and Telford Hospitals NHS Trust. The costs will be considerable and the PCC has been allocated a Special Grant from the Home Office. The criteria for special grants is that it will fund a proportion of the cost of the investigation based on a taper. This taper is expected to be 75% of costs incurred in 2022/23. The reserve has been build up over the last budget rounds to meet the additional cost that will fall onto the PCC. There is an expectation that the Force will manage the scope and length of the investigation.</p>
<p>The general financial climate to which the authority is subject.</p>	<p>In November 2021, the Chancellor announced the outcome of the Spending Review 2021 (SR21) which was a 3 year government departmental spending budget. The Chancellor confirmed that there would be continued increase in police grant funding to fund the recruitment of the last tranche of the additional 6,000 police officers. He also stated that the PCCs could increase the council tax (band D equivalent) by up to £10 per year for the next 3 years.</p> <p>The 4 year medium term financial plan (MTFP) reflects our local best estimate of future inflation rates, increases in government grants and contributions and revenues raised from Council Tax.</p> <p>General inflation in the U.K. has increased significantly over the last 6 months with CPI currently at 4%. There is an expectation that this will fall back down to the 2% target but not until 2024, which will cause further strain on the budget through the medium term</p> <p>A provision of 2% for the pay award has been included in the MTFP for 2022/23 and then 2.5% p.a. thereafter.</p>

## General Reserve

In recent years, the Treasurer has undertaken a review of the significant risks and pressures facing the PCC before setting a minimum level of reserves held in General Reserve. I have this year included a reduction to reflect the fact that not all risks will occur during the life of the Medium Term financial Plan.

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

Provision	£m	Reason
Efficiency savings have not been met	0.600	£5.993m of efficiency savings have been proposed through the PBP process to be delivered by the force. This will be monitored during the year and the expectation is that action will be taken if they are not delivered. However there is a risk that some fail to be delivered and alternatives cannot be found. The impact of not delivering 10% of the proposals is approximately £600k.
Service Reductions are not met / delayed implementation	0.525	The current projection is that the Force needs to identify £2.1m of savings in order to achieve a balanced budget for the 2022/23 financial year. There is a risk that the plan may not be delivered. In previous years there has been aspects of savings plans which have not been delivered and others have slipped in terms of timescales for delivery. The Force overspent by £0.386m in 2020/21. The savings target was achieved in year. The Force is currently predicting that it will produce an underspend in 2021/22. The savings plan forecast is £3.454m, which is £0.757m under against the target. After years of delivering savings and efficiencies means that there is an increased risk of not being able to deliver these. The impact of not delivering 25% of the plan is equivalent to £0.525m.
Delivery of future savings to achieve a balanced budget	2.500	There is an increasing risk of further revenue savings being required to balance the budget. As opportunities for further efficiencies to be made from existing service provision, these savings are more likely to require transformational change. The realisation of savings can be in the medium to long term which could leave a budget pressure in the short term.
Major Investigation Funding	2.500	In 2020/21 the Force became responsible for a major investigation into the care of mothers and babies who died or suffered serious harm in a maternity care setting at the Shrewsbury and Telford NHS Trust. The Force has been able to claim a Special Grant from the Home Office and are in received of a tapered grant (85% - 70%) on a budget of £4m per year. Requirement on West Mercia to ensure that the remaining expenditure is meet from within the budget. There is currently

		<p>sufficient earmarked reserves to cover the next two years of cost, but not any further expenditure or ability to meet any future new liability from reserves.</p> <p>Potential risk that there could be the need to cover the costs of the investigation beyond 2023/24 or that there is another Major Investigation which occurs in the region.</p>
Budget Assumptions - Risk of Collection Fund deficit from changes to tax base / LCTS	0.250	<p>The deficit of all Collection Funds at the end of 2020/21 as a result of the impact of both the impact of Brexit and the pandemic was £0.444m for West Mercia.</p> <p>A similar unforeseen impact is not considered likely to occur again at the same time. A one off economic shock impacting on employment and therefore amount of people claiming LCTS has been calculated to be a 0.25% which is work £268k on current calculation of tax base.</p>
Budget Assumptions - Risk of Pay inflation being 1% higher than budget	1.250	<p>There is a risk that the pay award a made in MTFP is understated. Uncertainty exists as a result of the implications of the release of pay restraint and over CPI on ability to settle pay awards at 2%. A change of 1% on the pay budgets is equivalent to £1.250m.</p>
Budget Assumptions - Risk of Non Pay inflation being 1% higher than budget	0.500	<p>Provision for pay and contractual inflation has been made in MTFP. The economic uncertainty with rising energy bills and shortages of drivers and microchips in the global demand economy creates a risk to the budget. A change of 1% of the non-pay budgets is equivalent to £0.500m.</p>
Change in interest rates	0.650	<p>Based on 1% increase in interest rates on planned external borrowing of £52m in 2022/23 and 2023/24. This reflects the increasing economic uncertainty and December 2021 increase in interest rates by the bank of England.</p>
Additional costs to establish arrangements to reform policing in West Mercia	0.500	<p>Refers to revenue impact of capital expenditure which can be cash limited. Substantial provision for both revenue and capital expenditure already made in the Medium Term Capital Programme and Medium Term Financial Plan.</p> <p>In the 2022/23 it is assumed that in-house project and programme management costs of £1.325m can be capitalised. There is a risk that a proportion of this resource may not be used on capital projects and the costs fall back on the revenue budget.</p>
Replacement of Airwaves Network/ESN/ESCMP	2.000	<p>Lack of detail and clarity on implementation from Home Office. Substantial provision made in the Medium Term financial Plan and Capital Programme but that may not be affordable given other budget pressures.</p>
Impact of review of Police Funding Formula	0.000	<p>Outcome unknown and timing of review delayed by Home Office.</p>
General Contingency provision for extraordinary events	2.600	<p>Based on 1% of net revenue expenditure of £258m.</p>
	<b>13.875</b>	

Reduction to reflect the fact all of these risks will not occur in the short term	6.937	50% reduction to reflect that not all events will occur in this time period.
	<b>6.937</b>	
Proposed General Fund Balance	<b>7.000</b>	

The aggregate cost of those elements which it is feasible to estimate is £13.875m. It should be noted that the impact of any major investigations, changes as a result of a funding review or increased economic and political uncertainty cannot be accurately estimated and could prove to be significant. The PCC 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 and an adjustment has been applied to reflect this. However, he does need to give realistic consideration to the likelihood of their occurring during the period covered by the plan.

I therefore recommend that the minimum level of reserves be set at £7.000m. It is recognised that this is slightly below the 3% of the net revenue budget threshold which is generally considered to be best practice. However the risk assessment has been undertaken and there is a recognition that through the MTFP the General Fund Reserve will need to increase to reflect that the total revenue budget is increasing.

This will mean a reduction in the level of General Reserve currently held from £7.351m. The reduction in the reserve of £0.351m will be utilised on a budget equalisation reserve to manage any lag between delivery of savings from future transformational change initiatives and future budget pressures.

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 PCC.

### **Earmarked Reserves**

The predicted balance at 31st March 2022 for each earmarked revenue reserve, which has a specific purpose and particular timescale, is shown in the table below.

<b>Earmarked Reserve</b>	<b>Forecast Balance at 31/03/22 £m</b>	<b>Purpose of Reserve</b>
Budget Equalisation reserve	0.601	To provide additional resource should the pay award be higher than estimated or to provide initial investment in transformational change programme.
Investment in Infrastructure Reserve	0.372	To invest in the infrastructure (ICT and Estates) including the unbudgeted costs of reconfiguring services following the end of collaborative arrangements.

Major Investigation Reserves	2.136	Funds held to meet costs of major investigation above the taper funding provided through the special grant. The 2022/23 taper funding is expected to be 75% of the costs incurred. The remaining 25% will be offset by the call on this reserve.
Road Safety Reserve	0.342	Funds held to fund road safety initiatives
Commissioning	1.084	To support spend on non-recurring PCC commissioning initiatives.
Insurance and Legal Claims Reserve	1.505	Provides a self-insurance fund where it is cost effective to do so.
YJS Reserve	0.319	Funds held on behalf of the responsible authorities to fund the costs of youth justice services.
<b>Total Earmarked Reserves</b>	<b>6.359</b>	

The tables in section 11 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. It is expected that all capital grants awarded will have been spent during 2021/22 and the balance on the reserve as at 1<sup>st</sup> April 2022 is expected to be £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of 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 12 above outlines the receipts expected from asset sales from 2022/23 to 2025/26. Currently any receipts in year have been used to invest in the capital programme and avoid borrowing. The balance on the reserve as at 1<sup>st</sup> April 2022 it is expected to be £0.00m

### **Summary**

There has been a comprehensive review of all reserves held by the PCC. 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.

West Mercia Police is facing the challenge of dealing effectively with the demands placed by both an increase in crime and changes in the nature of crime. At the same time, West Mercia has an ambitious programme to reconfigure its operational estates and modernise its ICT



infrastructure, whilst ensuring value for money. However, the PCC holds adequate reserves and has increased the recurring revenue funds available. This combined with the strong financial management arrangements in place, recent investment and improvements in programme and project management and planned changes to corporate governance should give the Force the ability to implement this programme successfully. The PCC will hold the Chief Constable to account for the use of these resources during this time.

Sufficient provision has been made in earmarked reserves to fund expected one-off pressures, including a contribution towards the cost of a major investigation.

## Appendix A

### Summary of West Mercia Grant Settlement

The provisional Police Funding Settlement from the Home Office was received on the 16<sup>th</sup> December 2021. The details are shown below:

<b>2021/22</b>	<b>Funding Stream</b>	<b>Provisional 2022/23</b>	<b>Change</b>
<b>£ m</b>		<b>£ m</b>	<b>%</b>
77.029	Police Grant (including Community Support Grant)	81.292	5.53
49.198	Revenue Support Grant	52.115	5.93
11.975	Legacy Council Tax Grants (freeze grants and plus council tax support grant)	11.975	0.00
<b>138.202</b>	<b>Total</b>	<b>145.382</b>	<b>5.20</b>

In addition to the main central Government grants shown above, the PCC also receives grant funding for Victims Services Commissioning and Restorative Justice from the Ministry of Justice. Notification of the anticipated grant core allocation for 2022/23 hasn't been received but is expected to be £1.499m in 2022/23, which is unchanged from the previous 2 financial years.

## Appendix B(i)

### West Mercia PCC

### Subjective analysis of income & expenditure

	2021/22 Budget £m	2022/23 Budget £m	Variance £m
Government Grant (Core Funding)	138.202	145.382	7.181
Council Tax Precept	106.837	114.030	7.193
<b>Total Funding / Net Budget Requirement</b>	<b>245.039</b>	<b>259.412</b>	<b>14.373</b>
Police Officers Pay	125.811	131.028	5.217
Police Officer overtime	2.391	2.774	0.383
Police Staff Pay	62.134	71.583	9.449
PCSO Pay	7.430	8.160	0.730
Police Staff & PCSO overtime	0.566	0.652	0.086
Temporary and Agency Staff	0.010	0.112	0.102
Injury & Ill Health Pensions	3.776	3.606	-0.170
Other Employee Expenses	2.025	2.689	0.664
Premises	8.846	9.539	0.693
Transport	4.136	4.219	0.083
Supplies and Services	33.459	30.544	-2.915
Third Party Payments	16.118	18.594	2.476
Capital Financing	5.210	6.895	1.685
<b>Gross Expenditure</b>	<b>271.912</b>	<b>290.395</b>	<b>18.483</b>
Income	-27.074	-29.910	-2.836
<b>Net Force Budget / Expenditure / Variance</b>	<b>244.838</b>	<b>260.485</b>	<b>15.647</b>
Budget Contribution to/(from) Reserves	0.201	-1.073	-1.274

## West Mercia PCC

### Objective analysis of income & expenditure

	2021/22	2022/23	Variance	Variance
	£m	£m	£m	%
<b>Business Services</b>				
Digital Services	17.972	20.955	2.983	16.60%
Transport	3.270	3.173	-0.097	-2.97%
Corporate Communications	0.820	0.921	0.101	12.32%
Business Support	2.172	2.497	0.325	14.96%
Business Operations Centre	1.520	2.273	0.753	49.54%
HR & Occupational Health	3.523	4.619	1.096	31.11%
Learning & Development	4.257	4.928	0.671	15.76%
Strategy, Planning & Insight	2.887	3.108	0.221	7.66%
<b>Commercial Services</b>				
Legal	2.578	3.189	0.611	23.70%
Finance	1.146	0.823	-0.323	-28.18%
Procurement & Contracts	0.497	0.174	-0.323	-64.99%
Change	4.363	3.129	-1.234	-28.28%
<b>Corporate Support</b>				
Professional Standards & Vetting	1.603	1.668	0.065	4.05%
Chief Officers	1.622	1.875	0.253	15.60%
Audit Risk & Compliance	0.971	1.041	0.070	7.21%
<b>Local Policing</b>				
LP Directorate	-2.892	-3.256	-0.364	12.59%
Local Investigations	30.262	31.870	1.608	5.31%
Patrol	46.638	46.846	0.208	0.45%
Problem Solving	4.040	4.631	0.591	14.63%
Safer Neighbourhoods	15.324	16.297	0.973	6.35%
Custody	7.040	7.234	0.194	2.76%
<b>Operations Support</b>				
Operations Support Directorate	2.029	2.052	0.023	1.13%
Operations Planning	3.951	3.921	-0.030	-0.76%
OPU	14.689	14.822	0.133	0.91%
Road Safety	0.088	0.100	0.012	13.64%
Public Contact	16.704	19.239	2.535	15.18%
Duties	0.189	0.177	-0.012	-6.35%
Dogs & Firearms	2.917	3.036	0.119	4.08%
<b>Crime and Vulnerability</b>				
C&V Directorate	0.439	-0.435	-0.874	-199.09%
Criminal Justice	3.385	3.908	0.523	15.45%
Forensics	5.949	7.222	1.273	21.40%
Intelligence	3.992	4.173	0.181	4.53%
Investigations & OCON	8.559	9.553	0.994	11.61%

Regional Organised Crime Unit	4.165	4.622	0.457	10.97%
Special Branch	1.067	0.009	-1.058	-99.16%
Vulnerability & Safeguarding	1.701	1.898	0.197	11.58%
<b>Cost of Services</b>	<b>219.437</b>	<b>232.292</b>	<b>12.855</b>	<b>5.86%</b>
<b>Corporate Budgets</b>	9.223	7.722	-1.501	-16.27%
<b>Police &amp; Crime Commissioner</b>	16.178	20.471	4.293	26.54%
	<b>244.838</b>	<b>260.485</b>	<b>15.647</b>	<b>6.39%</b>

## West Mercia Police - Capital Budgets 2022/23 to 2025/26

Project	2022/23 Capital Bid £'000	2023/24 Capital Bid £'000	2024/25 Capital Bid £'000	2025/26 Capital Bid £'000	2026/27 Capital Bid £'000
<b>Digital Services Transformation</b>					
DST - End User Experience	1,500				
DST - Data & Integration	4,475	2,500			
DST - Tech Modernisation	2,500	2,000			
DST - Future Operating Model	125	125			
DST - Programme Staffing Resources	626	626			
<b>BSP Portfolio</b>					
WMP Telematics	300				
<b>Operations Portfolio</b>					
Hindlip OCC - ICT Testing	751				
Emergency Services Network	1,520	7,520	800	0	0
Digital Forensics Transformation	1,225	72	0	0	0
ESN / Airwave Dispatch Communications Server (DCS)	395				
<b>People Portfolio</b>					
Origin - Upgrades & Enhancements	1,250	0	0	0	0
Learning Management System	75				
<b>Currently Unallocated</b>					
Internal Resourcing			626	626	626
Custody CCTV & Infrastructure Replacement	500				
Victim Care Replacement Database	50				
PSD Data Monitoring (ATA)	85				
<b>Total Change Programme</b>	<b>15,377</b>	<b>12,843</b>	<b>1,426</b>	<b>626</b>	<b>626</b>
<b>ICT Replacement Projects</b>					
Desktop Replacement & Growth	488	280	280	280	280
Laptops	1,770	825	825	825	825
Mobile Phones	593	325	325	325	325
Airwave Replacement Equipment / Radio's	136				

New Recruits Set-up - ICT costs	213				
ICT Equipment / Network Links for Estates projects	20	22	24	26	28
Server	600	660	725	800	880
Software Upgrades - Core IT Infrastructure software	185	205	225	245	270
<b>ICT Replacements Sub Total</b>	<b>4,005</b>	<b>2,317</b>	<b>2,404</b>	<b>2,501</b>	<b>2,608</b>
<b>Estates Projects</b>					
Local Policing Estate Transformation (Was SNT Relocation)	700	700	700	700	700
Hindlip Park Masterplan	500				
Investment in Estates Infrastructure (Planned Programme)	800	800	800	800	800
Firearms Training School / Firearms Range (Subject to Business Case)	200	5,000	4,000		
New Hereford Hub (Subject to Business Case)	200	1,000	3,500		
Northern Hub	200	500	7,000	7,000	
Redditch Police Station (Subject to Business Case)	5,400	600			
<b>Total Estates Projects</b>	<b>8,000</b>	<b>8,600</b>	<b>16,000</b>	<b>8,500</b>	<b>1,500</b>
<b>Other Capital Projects</b>					
Vehicles Purchase	1,000	1,000	750	250	0
Vehicles additionality	500	500	500	500	
Fleet - Environmental investment	500	500	750	1,250	2,000
EV infrastructure	250	250	250	250	250
Road Safety - replacement vehicles	60				
Body Armour Replacement	850				
<b>Total Other Capital Projects</b>	<b>3,160</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>
<b>Total Capital Projects</b>	<b>30,542</b>	<b>26,010</b>	<b>22,080</b>	<b>13,877</b>	<b>6,984</b>

## APPENDIX D

### PRUDENTIAL INDICATORS

1. AFFORDABILITY PRUDENTIAL INDICATORS	2021/22 Original Estimate	2021/22 Forecast Outturn	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Capital Expenditure</b>	23,582	13,631	30,542	26,010	22,080
	%	%	%	%	%
<b>Ratio of financing costs to net revenue stream</b>	2.13	1.82	2.22	3.29	3.72
	£'000	£'000	£'000	£'000	£'000
<b>In Year borrowing requirement</b>					
- in year borrowing requirement	18,086	12,421	28,224	24,410	20,380
	£'000	£'000	£'000	£'000	£'000
<b>In year Capital Financing Requirement</b>	14,106	8,843	23,517	17,137	11,886
	£'000	£'000	£'000	£'000	£'000
<b>Capital Financing Requirement 31 March</b>	79,025	66,708	90,225	107,362	119,248
	£	£	£	£	£
<b>Affordable Borrowing Limit</b>					
Increase per council tax payer	£1.94	£1.36	£1.25	£2.96	£1.62

2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2021/22 Original Estimate	2021/22 Forecast Outturn	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
	£'000	£'000	£'000	£'000	£'000
<b>Authorised limit for external debt</b>					
- Borrowing	90,000	77,000	105,000	120,000	130,000
	£'000	£'000	£'000	£'000	£'000
<b>Operational boundary for external debt</b>					
- Borrowing	80,000	67,000	95,000	110,000	120,000
<b>Upper limit for fixed rate interest exposure</b>					
- net principal re fixed rate borrowing / investments	£90m	£77m	£105m	£120m	£130m
<b>Upper limit for variable rate exposure</b>					
- net principal re variable rate borrowing / investments	£5m	£5m	£5m	£5m	£5m



**METRICS TO MONITOR PERFORMANCE**

Objective	Proposed metrics
Putting victims and survivors first	Victim satisfaction by crime type (inc. Domestic Abuse (DA))
	Victim Advice Line referral rate
	Referrals to PCC-funded victim services
	Volume / rate of repeat victimisation (inc. DA repeat victims)
	Volume of mental health incidents
	Delivery of training by Exploitation & Vulnerability trainers
	Compliance with the Victims Code (Metric under development)
	Public Contact - Vulnerability Desk (Metric requires development)
Building a more secure West Mercia	Police outcomes and timeliness
	No. of investigators and specialist investigators
	Reducing reoffending data inc. IOM re-offending data (volume / rate)
	Volume of ASB incidents
	National policing measures: <ul style="list-style-type: none"> <li>• Homicides;</li> <li>• Serious Violence (inc. knife crime /gun crime);</li> <li>• Drug-related homicides / County Lines;</li> <li>• Neighbourhood crimes (burglary, robbery, vehicle offences and theft from a person);</li> <li>• Cyber crime.</li> </ul>
	Problem solving metrics
	Volume of rural crime
	Volume of business crime
	Delivery of training to support people with vulnerabilities
	Serious organised crime data (inc. no. of disruptions across 4P framework)
	Volume of DA offences / crimed incidents
	Volume of sexual violence offences (rape and OSO)
	DA police outcomes
	Sexual violence (rape and OSO) police outcomes
	DA repeat victims (volume / rate)
	Repeat DA offenders (volume / rate)
	Repeat sexual violence victims and offenders (volume / rate)
	Road traffic collision and casualty data
Data on road campaigns / educational initiatives	
No. of community speed watch groups	

	Roads-related community concerns (qualitative)
	Anti-social / dangerous use of roads incidents (Metric under development)
	Criminal Child Exploitation (Metric requires development)
	Reduction in Threat & Harm due to County Lines (Metric requires development)
	Reduction in impact and harm from Fraud (Metric requires development)
	Working with Partners towards intervention, prevention and diversionary activities (Metric requires development)
<b>Reforming West Mercia</b>	Expenditure per directorate and variance to budget
	Officer numbers
	Average no. of unresourced incidents
	Measuring the force's carbon footprint (Metric under development)
	Emergency response times (Metric under development)
<b>Reassuring West Mercia's Communities</b>	Public confidence (CSEW and PCC Perceptions Survey)
	999 and 101 call handling performance
	Public perceptions of accessibility (PCC Perceptions Survey)
	Use of mobile police stations / engagement vans
	Local Policing Charter Metrics: <ul style="list-style-type: none"> <li>• Priorities from Parish council contact contracts;</li> <li>• Neighbourhood alerts metrics (e.g. no. of messages sent, people registered etc.);</li> <li>• Data from dip sampling at police stations (e.g. A boards, posters etc.)</li> <li>• Events (e.g. use of engagement vans, newsletters, social media, events, surgeries etc.)</li> <li>• Social media engagement</li> </ul>
	No. of watch schemes
	Workforce composition, officer joiners and attrition rate by protected characteristics
	Volume of complaints
	Volume of public demand via new platforms and technology (Metric under development)