



Proposed Budget 2020/21

and

Medium Term Financial Plan 2020/21 – 2022/23



Foreword from the Commissioner:

My commitment to the public has always been to ensure that their money is spent as efficiently and effectively as possible before I ever ask for more. Since being elected, I have balanced the drive to improve the efficiency and effectiveness of West Mercia Police in tackling crime with the need to make savings where possible. I have delivered the lowest council tax increases in England for three years in a row and this year I have again decided to not maximise the precept. I will only ever ask communities for the lowest possible amount in order to deliver what's needed.

Where I have asked the public to pay more, I have been able to demonstrate where the benefits are being delivered. Along with the 215 additional police officers I promised to the communities of West Mercia that have been recruited, we are due to be welcoming a further 93 in the coming months. This will take officer numbers to the highest levels since PCCs were created.

This is a budget that delivers on the priorities that matter most to the communities of West Mercia. It will deliver on increased visibility, ultimately improving the service and accessibility for the public, and will ensure key concerns are addressed through improved funding. Extra resources will be allocated to support: investigations into the most serious criminality; local problem solving teams that tackle the issues that matter most to local people; and an increase in reassurance and visibility on the roads across West Mercia.

This foundation of transformation, service improvement and investment places the force in the best possible position to fight crime and keep our communities safe. There is always more to do and we cannot rest on our laurels.

With the increase of police officers on the ground in communities across West Mercia, it is vital that we continue to invest in the modern, fit-for-purpose tools that will support them and enable them to carry out their role to tackle crime. As a community we continue to face ever-changing crime types which places further pressure on the police. The budget strives to address these issues, whilst making sure that West Mercia Police is equipped and agile enough to tackle further issues that they will face in the future.

The continued investment will enable the police to adapt and respond accordingly.

I have consistently increased the total budget available since 2016 year on year, with this year's proposal there will be an additional £32.74m from the levels in 2016/17. This takes into account the use of reserves in previous years to balance budgets, however this was never a sustainable approach. I have taken effective steps to ensure West Mercia Police lives within its means and I am now able to set a balanced budget that is not reliant on reserves. The investment and financial stability I have delivered for the communities of West Mercia will ensure they receive an efficient service that delivers value for money, whilst effectively fighting crime.

I have successfully used targeted funding of grants and commissioning to improve victim services and prevent crime, showing my ongoing commitment to early intervention and

preventing crime from happening in the first place. I have examples of effective crime prevention activity such as “We Don’t Buy Crime”. I will build on that success in this budget by investing further and more widely to make sure less people are victims of crime in the first place.

As I did last year, I have again included a number of “key success criteria” that will allow the public to see the investment in policing being delivered in real terms, cutting crime within their community.

As a large organisation, West Mercia Police has a social responsibility to play its part in reducing its impact on the environment. I have already implemented a programme to reduce the carbon footprint of the police estate that is already underway. Additionally, I am setting aside money in this budget that will allow an electric vehicle pilot to be introduced within West Mercia Police including the necessary infrastructure to support it.

I welcome the significant increase in funding and flexibility given to Police and Crime Commissioners by Government. It will support the work I am doing locally and enable me to deliver on what I outlined a year ago, allowing for current plans of expenditure to be maintained.

My budget provides a clear explanation to the public around how I am using their money. The budget will allow reform of the force to continue, it will enable investment in key areas of policing, it will increase officer numbers, and will cover the rising costs facing the force.

A handwritten signature in black ink that reads "John Campion". The signature is written in a cursive style with a long horizontal stroke at the end.

John Campion, West Mercia Police and Crime Commissioner

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WEST MERCIA BUDGET 2020/21

MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2022/23

Report of the Treasurer

THIS IS THE DRAFT COUNCIL TAX RESOLUTION, AWAITING FINAL WRITTEN INFORMATION THE BILLING AUTHORITIES

Recommendations

The Commissioner is recommended to approve:

- a) A Net Revenue Budget after savings of **£235.805m**
- b) **£2.784m of budget** reserve is used within year to fund non-recurring expenditure
- c) A net budget requirement of **£233.021m**
- d) A Council Tax for a Band D property at **£225.20**
- e) A Council Tax for a Band D property calculated as follows:

	£'m
Budget Requirement	233.021
Less Police Grant	72.092
Less Revenue Support Grant	46.650
Less Council Tax Support Grant	9.200
Less Council Tax Freeze Grant:	
2013/14	0.800
2011/12	1.976
Sub Total	102.303
Less: Collection Fund Surplus)	1.395
Amount to be raised by Council Tax	100.908
Divided by Aggregate Council Tax Base	448089.99
Basic Amount of Council Tax at Band D	£225.20

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

<i>Band A (6/9th)</i>	£150.130936
<i>Band B (7/9th)</i>	£175.152759
<i>Band C (8/9th)</i>	£200.174581
<i>Band D</i>	£225.196404
<i>Band E (11/9th)</i>	£275.240049
<i>Band F (13/9th)</i>	£325.283695
<i>Band G (15/9th)</i>	£375.327340
<i>Band H (18/9th)</i>	£450.392808

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

<i>Bromsgrove District Council</i>	£8,379,328.49
<i>Herefordshire Council</i>	£15,708,861.16
<i>Malvern Hills District Council</i>	£7,069,858.69
<i>Redditch Borough Council</i>	£5,917,373.31
<i>Shropshire Council</i>	£25,572,724.88
<i>Telford and Wrekin Council</i>	£11,681,905.82
<i>Worcester City Council</i>	£7,260,962.61
<i>Wychavon District Council</i>	£11,672,947.51
<i>Wyre Forest Council</i>	£7,644,291.93
TOTAL	£100,908,254.42

h) *The reserve strategy set out in section 7.*

i) *The outline capital budget in section 8.*

j) *All Officers be instructed to exercise tight budgetary control. No over-spending of any 2020/21 departmental budget will be authorised and caution will be exercised in entering into expenditure which creates additional commitments in future years. The PCC will be kept fully informed of the financial position throughout the year.*

k) *The prudential indicators at appendix D*

- l) In approving the budget, the PCC notes the Treasurer's comments in section 9 in respect of the robustness of the budget and the adequacy of reserves.*
- m) That the Force develop a Strategic Savings Plan and present it to the Police and Crime Commissioner by 31st March*
- n) That the Medium Term Financial Plan be reviewed and revised by 30th September 2020. As part of this, the Business Planning and Budget Setting Process will be reviewed and improved.*

1. Purpose of the Report

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

The report sets out the:

- Net budget requirement for 2020/21
- Proposed precept for 2020/21
- Proposed medium term financial plan 2020/21 to 2022/23
- Outline capital budget 2020/21 to 2022/23

It is important to set out the issues that influence and contribute to the build of the budget for 2020/21 and the medium term financial plan, having taken into consideration the plans of the Commissioner.

In determining his budget proposals the Commissioner must acknowledge:

- National targets and objectives including the Strategic Policing Requirement
- Priorities within the Safer West Mercia Plan and any likely changes to these for 2020/21
- The outcome of public consultation
- Plans and policies of other partner agencies relating to community safety and crime reduction
- Government policy on public spending, as set out by the Chancellor in the 2015 Comprehensive Spending Review, the Autumn Statements made in 2015 and 2016, the Budget Statement in 2018 and 2020 settlement which was issued on 23rd January, and the funding framework that arises from them.
- Medium term financial obligations

- Prudent use of the financial reserves
- The constant drive for continuous improvement and value for money
- The development of future collaborative arrangements and the risks involved.
- The end of the collaboration arrangement (the Alliance) with Warwickshire Police. Notice was served to end the Alliance in its current form in October 2018 as it was hampering the delivery of effective and efficient policing in West Mercia. Negotiations took place over a period of time around the possibility of an alternative, mutually beneficial collaborative relationship with Warwickshire Police. This could have enabled the limited benefits of the Alliance to be retained and further developed, however delivered under a different governance arrangement that would have enabled improved service levels. Unfortunately, these negotiations proved unsuccessful. In October 2019 the Home Secretary directed that both forces continue to collaborate under the existing Alliance until April 2020. The direction also included additional independent support to both forces. Some services have already been removed from the Alliance collaboration. As a result of the Alliance governance arrangements, legal action, and the delay in its dissolution due to the Home Secretary's direction, West Mercia Police have been unable to achieve efficiencies resulting from the transformation of business support functions. This inability to deliver savings and avoidable inefficiency is costing West Mercia Police which could otherwise be invested in front line services. The 2020/21 budgets have been prepared to reflect these arrangements.

2. Introduction

John Champion set out in his Safer West Mercia Plan that he would modernise the police force in order to deliver a more effective, efficient service for communities:

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

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

- The successful deployment of mobile working. Each frontline police officer, including Special Constables, has been issued with a mobile phone and a laptop, enabling significantly more time in the community, increasing visibility rather than being stuck behind a desk.

- The introduction of Body Worn Video for all frontline officers, to prevent complaints, reassure officers and communities, and improve case evidence.
- The construction of the new state of the art police and fire Operations Communications Centre (OCC) at Hindlip, which is fully operational. The remaining ICT and infrastructure will go live in 2020.
- The development of new technology and ICT systems
- The refurbishment of Telford police station, Worcester police station and forensics
- More efficient use of police estates through the co-location of Hereford and Worcester Fire and Rescue Service at Hindlip and the Probation Service at Worcester.
- The addition of 215 extra police officer posts funded from increased Council Tax to meet the challenges of increasing demand and the changing nature of crime.
- Government approval for joint governance of police and fire services in West Mercia in the interests of service effectiveness, efficiency and economy.
- The promotion of the “Behind the Badge” initiative, as part of the Commissioner’s reform commitment, to support police officers and work to reduce assaults against them.
- New mechanisms (confidence survey) to measure public confidence in policing in each of West Mercia’s local policing areas to ensure that public views are represented. The survey is one of the most comprehensive means of measuring public views and, since it was introduced in 2018, it has consistently shown that 85% of residents have confidence in policing.
- The most recent national British Crime Survey measures confidence in policing in West Mercia at 77.1%, which is an increase from 73.6% from the last national survey. This is based on a much smaller sample size across the whole of the force, rather than the larger sample size obtained at a local level through the Commissioner’s own public survey. This gives the national survey a lower level of data reliability compared with the local survey.
- The creation of a new, improved service for victims of crime (Victim Advice Line), enabling them to get better, faster access to help when they need it.
- An investment in the “We Don’t Buy Crime” initiative to see a reduction in burglaries, which included a 25% funding contribution for local councillors to deliver Smartwater in their area. Since funding increased, residential burglary has seen a reduction of 11% (April – December 18/19 vs 19/20)

This progress has facilitated significant efficiency improvements in terms of productivity and the capacity to fight crime, but it is clear there is more work to do. It is equally clear however, that while these reforms are achieving efficiencies and will continue to do so, they do not fully offset the current challenges to policing.

Nationwide, demand has increased consistently in recent years and volumes of recorded crimes have increased. This has not always been driven by actual increases in crime, but also by improved recording practices, and a greater willingness of victims to come forward. Police are also increasingly dealing with more complex types of crime. However, whilst demand has increased nationwide, the rate of increase in West Mercia is much lower than the national average. Conversely, recorded crime in West Mercia has decreased year on year. We are not immune from the national picture, but we are still a very safe area comparatively.

Recognising that this still needs to be addressed, and ensuring that demand on the police force still needs to be reduced, the Commissioner has made sure funding is consistently earmarked for commissioning victim services and crime prevention with further monies allocated in this year's budget. The funding will be targeted at initiatives that prevent crimes from happening in the first place, removing the need for investigation and victim aftercare. There has been a statistically significant reduction in the monthly average for residential burglary offences as the Commissioner has ramped up his investment in the "We Don't Buy Crime" initiative.

The tackling of domestic abuse continues to be a priority for the Commissioner. The incidence of it remains too high and repeat re-victimisation and re-offending remain too frequent. The Commissioner has consistently targeted resources and holding to account activity around its investigation, prevention and support for anyone affected by the crime. The Commissioner is in the process of developing a Domestic Abuse Strategy that will further inform how that resource and focus is targeted to tackle it, as well as raise awareness of it. Further resources are included in the Commissioner's budget proposal both for the commissioning of services and within West Mercia Police's budget to target domestic abuse perpetrators.

The Commissioner will also prioritise supporting projects that have been successful in some areas of West Mercia and look to roll them out across the rest of the force area. As an example, the Drive project, which was piloted in Worcestershire, focuses on a domestic abuse perpetrator's behaviour and challenges them to change in a bid to prevent further abuse and more victims.

It is clear that the impact of drugs on the communities of West Mercia is significant. It blights areas where drugs are being used and supplied – both in terms of communities and individuals. The proliferation of the "County Lines" model of drugs supply also continues to exploit the most vulnerable in society. The Commissioner has developed a Drugs Strategy, taking a whole system approach to tackling the issue. The budget proposals give West Mercia Police the tools and resources they need in order to investigate and bring those responsible to justice.

As was reported last year, in recognition of this heightened and sustained demand, as well as efficiencies delivered within the police force, the Commissioner approved the recruitment of an additional 215 police officers following the council tax increase – all of which have been recruited. In addition, the government has also recognised these pressures and approved the appointment of a further 20,000 police officers nationally in the medium term. Consequently

West Mercia will recruit a further 93 officers in the coming months, with more expected in future years, as part of that Government commitment. Introducing these additional officers brings with it its own challenges, such as new equipment, cars, training, associated back office costs and different estates requirements. The total number of additional officers added to West Mercia Police in the 19/20 and 20/21 budget years is 308. These additional officers are being deployed as follows:

Number of officers	Deployment
115	Local policing (already deployed)
88	Investigation
20	Problem solving
19	Roads policing
15	Additional police officers joining safer neighbourhood teams who will benefit from extra resources and powers to tackle crime
25	Additional officers required to transition to stand-alone police force
27	Local policing

At the same time, policing, like all public and private sector services, is facing increasing cost pressures. In the last year inflation has generally risen, with CPI now standing at 1.5% and RPI at 2.2% (as at November 2019). Police officers and staff have received a pay award of 2.5% this year.

Factors such as these demonstrate that although funding available for policing is increasing this year, significant challenges remain. Necessary work must continue to transform West Mercia into a modern, agile and sustainable force that is fit for the future. For example, it became increasingly clear that aspects of police ICT and estates have not had sufficient scrutiny or investment for some time. These business areas require additional resources over the long term in order to maximise the effectiveness and efficiency of frontline police services. Whilst the Police and Crime Commissioner has started to make changes, there is still more to be done.

This, however, needs to be balanced with keeping our communities safe today. The force needs to maintain a strong, visible community presence via dedicated Safer Neighbourhood Teams, as well as ensuring the right processes and resources are in place to provide an effective, efficient response to increased and complex demands.

West Mercia lived beyond its means for many years, reliant on healthy reserves and continued underspends to subsidise a budget that is not sustainable in the long term. The budget proposed by the Commissioner is a balanced budget with reserves only being used

to fund non-recurring expenditure. Work has commenced to ensure this is sustainable within the medium term financial plan. However, increased demand, the extended dissolution of the “Alliance” and rising cost pressures make this an ongoing challenge.

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

For the coming year existing policing capabilities and capacity will be further developed. The Commissioner will hold the Chief Constable to account to ensure the officers, staff and resources he has at his disposal are used effectively to fight crime and respond to emerging threats and pressures.

Efficiency benefits will also be further realised from the continued integration/development of ICT projects and business process re-engineering.

The Commissioner’s 2020/21 budget includes the provision to increase West Mercia’s establishment to 2,238 police officers, in order to help meet increased demand, reassure local communities and further increase public confidence in policing. This represents the highest number of officers the force has seen since 2011.

This year’s budget will include greater investment in key areas and teams within West Mercia Police. Resources will be focused on tackling the issues that matter most to communities, such as speeding, ASB and rural crime. A proportion of funding and resources will also be allocated to the investigative element of policing, focusing on getting to the root of the problems that are having a detrimental impact on communities – such as serious organised crime and the “County Lines” drugs model.

As a result of the end of the collaboration agreement with Warwickshire Police, improvements have been enabled allowing for full control over policing resources and control over their use, as well as general service improvements. This has strengthened the Commissioner’s commitments around building a more secure and reformed West Mercia.

Other new developments and initiatives are captured within this year’s budget, in support of the priorities set out in the Safer West Mercia Plan 2016-2021:

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

To achieve these objectives, the Commissioner will:

Putting Victims and Survivors First
<ul style="list-style-type: none">• <i>Continue to develop the services offered by the Victim Advice helpline, the new support function that ensures victims receive an improved and more consistent service. This has already delivered a more seamless integration between the police and third sector partners.</i>

- *Continue to support a national pilot project with partners in Worcestershire that works to prevent domestic abuse by challenging perpetrators behaviour. This launched in April 2020 (the Drive Project). Aim to expand the benefits of the project across the rest of the West Mercia to reduce the number of victims and families exposed to domestic abuse.*
- *Expand Smartwater initiatives throughout West Mercia to prevent re-victimisation and to reassure communities.*
- *Undertake a review and redesign of Domestic Abuse and Sexual Violence Services.*

Build a More Secure West Mercia

- *Increase West Mercia's establishment officers to 2,238, to improve community visibility and responses to crime.*
- *Re-establishing full control of police officers and resources outside of the policing "Alliance" with Warwickshire.*
- *Support the implementation of the new Emergency Services Network at a local level, while maintaining the existing Airwaves system as necessary.*
- *Improve collaboration with public bodies through initiatives to share facilities, information and services.*
- *Develop closer working relationships with the two Fire and Rescue Services in West Mercia to deliver more effective, efficient services to communities.*
- *Hold the Chief Constable to account for ensuring West Mercia Police's policing model is fit for purpose and effectively tackling crime.*
- *Work with partners to develop further specialist policing capabilities to ensure the best possible services to communities.*
- *Work with local partners to improve prevention, diversionary and early intervention work to reduce demand and prevent harm.*

Reform West Mercia

- *Investing in the police estate, including new, fit-for-purpose sites in Hereford, Redditch and Shrewsbury delivered in partnership with other local agencies, as well as making necessary improvements to police headquarters*
- *Undertake 'One Place' reviews with local partners to encourage further shared use of facilities*
- *Introducing an electric vehicle pilot to improve the carbon footprint of policing*
- *Undertake continuous review of the management of police estates, to ensure maximum efficiency*
- *Improve efficiency and services to the community through the implementation of new ICT systems such as SAAB Safe and telephony systems. Invest in a modern ICT infrastructure and network to enable further efficiencies in the force*
- *Implement the recommendation of the Services to Policing Review, to ensure frontline officers and staff get the support they need, when they need it*

- *Implement new arrangements for policing and support services which put the residents of West Mercia first, following the withdrawal of West Mercia from the existing strategic “Alliance” arrangement with Warwickshire.*

Reassure West Mercia’s Communities

- *Continue to support community projects to raise awareness in schools and protect children against cybercrime and CSE.*
- *Deliver improvement in road safety, including new campaigns with partners and a further £1,090,000 investments in new crime reduction and victim support initiatives in 2020/21.*
- *Maintain new, effective mechanisms to measure public confidence in policing at a local policing area level.*

The Commissioner has continued to drive reform within West Mercia. 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. It should be noted that during the period of the previous and current Comprehensive Spending Reviews, West Mercia has implemented efficiencies of £80m.

During that period, as outlined in section 2, the nature of crime and its consequential demands have changed significantly. 2019/20 has also brought unavoidable and increased inflationary pressures, with the actual pay award being 2.5%, 0.5% higher than anticipated when setting the 2019/20 budget.

The 2020/21 budget, the Medium Term Capital Programme and the Medium Term Financial Plan address these challenges whilst keeping council tax increases as low as possible.

The Chief Constable has put the necessary arrangements in place to make most effective use of the additional resources being made available to him in order to keep communities safe.

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. 60% of West Mercia’s total policing spend in 2020/21, demonstrating the Commissioner’s commitment to visible, effective neighbourhood policing. The force’s Operations Communications Centre is also included within the local policing portfolio, as well as Criminal Justice.

West Mercia’s Crime and Vulnerability (formerly Protective Services) policing portfolio will continue to work alongside local policing. These officers and staff often carry out the specialist, less visible, but equally important aspects of policing. This includes teams

dedicated to investigating crimes such as vulnerability or child sexual exploitation, as well as the Major Investigations Unit that typically handles the most serious crimes such as murder.

The Commissioner has set his ambitious vision to maximise the efficiency and effectiveness of police estates by improving collaboration with partners. A programme of investment is in place to deliver a fit for purpose estate that fully supports modern operational and local policing. The Estates Strategy (supported by the Estates Delivery Plan) details the approach to this. This work has begun and will generate both revenue savings and capital receipts within 2020/21 and future years.

The Commissioner has also ensured that a comprehensive review of the existing ICT network and infrastructure has been undertaken. This has identified a requirement for significant investment of c.£37m over the next three years. Detailed studies are now underway to prepare a robust implementation plan to deliver secure, modern and fit for purpose ICT systems and services that properly support police business.

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

	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
2020/21 Savings Previously Identified	0.498	0.000	0.000	0.498
2020/21 Savings Plan:				
<i>Buying Better (Procurement)</i>	1.490	0.000	0.000	1.490
<i>Maximising Officer Time</i>	1.395	0.000	0.000	1.395
<i>Back Office/Administration</i>	1.086	0.000	0.000	1.086
<i>Capital Financing</i>	0.346	0.000	0.000	0.346
<i>IT efficiencies</i>	0.213	0.000	0.000	0.213
<i>Working more economically</i>	0.210	0.000	0.000	0.210
<i>Travel Efficiencies</i>	0.046	0.000	0.000	0.046
2021-2023 Business Services Programme (including Estates)	0.000	2.789	1.785	4.574
Total	5.284	2.789	1.785	9.858

The Commissioner has directed the Chief Constable to produce a detailed “Savings Plan”. This plan will be developed over the coming months and will be monitored closely and regularly throughout the year.

West Mercia Police will face lower savings targets in future years, but it should also be noted that any future unexpected pressures (not included in the budget) will need to be accommodated within the existing budgets (i.e. from underspends or efficiencies). In addition there is a natural risk that future pay and price inflation may prove higher than estimated.

As stated, other policing and community safety partners also face the challenge of delivering significant efficiency savings over the coming years. Given the issues already outlined regarding demand, it is clear that services can only be improved or maintained if that demand reduces. This is a key focus of the Commissioner.

The impact and potential benefit of additional investments in diversionary, or intervention projects can be explored through the year. As a minimum, existing investments in evidence-led initiatives to tackle the root causes of crime and anti-social behaviour will be protected. This is in-line with the Commissioner's commitment to fighting crime.

As part of this commitment, the Commissioner 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 Commissioner to keep Council Tax increases to the minimum necessary to build and ensure a safer West Mercia. However, council tax will rise in future years because of the unavoidable pressures police forces face. These include the changing nature of crime and increasing costs.

Ensuring Service Improvements for West Mercia's Communities

With last year's increased officer numbers now delivered, and those officers out in the communities of West Mercia, the Commissioner will ensure the following improvements are achieved as set out in the Budget Report for 2019/20:

- 85% of victims will be satisfied with the service they receive from the force
- Improved response times to emergency incidents: increasing % attended within 20mins and reducing average response times
- The number of unresourced incidents will be cut by at least 25%.
- Anyone needing a non-urgent appointment to see a police officer will be offered one within two days (48 hours), or at a later time by mutual agreement.
- Confidence in West Mercia Police will increase*
- Visibility of police in local communities will improve*

**As measured by the PCC's public perceptions/ confidence survey*

The Commissioner is in the process of reviewing with the Force how victim satisfaction will be measured to ensure the service to victims improves.

This year's budget represents another significant uplift in resources available to West Mercia Police, which must bring benefits for communities.

The Commissioner has ensured the priorities of West Mercia's communities are at the forefront by responding to their concerns, where they have clearly said that they wish to see an increase in police officer numbers. He has responded to these with a view to enabling the force to deliver service improvements. This additional capacity was delivered directly through the 2019/20 budget and those officers are now in post. The government has also recognised similar concerns nationally and is planning to fund a further 20,000 police officers nationally. This government initiative is included in the Medium Term Financial Plan.

The Commissioner will continue to hold the Chief Constable to account for progress against the Safer West Mercia Plan priorities, to ensure the service improvements enabled by additional investment are delivered, and that West Mercia's communities get the best return on their investment.

In line with this, the Commissioner will also hold the Chief Constable to account to ensure that the additional investments are achieving value for money and are delivering positive outcomes for the benefit of communities. The measures and indicators set out below are all within the control of the Police, except those marked with an asterisk which are within their influence and partners also have significant contributions to make.

Investigation

- Improved timeliness of investigations around the most serious of crimes, including sexual offences, child protection and serious and organised crime
- An increase in positive criminal justice outcomes for victims of the most serious crimes
- An increase in positive criminal justice outcomes for victims of cyber-crime and fraud offences
- Improved use of all available powers to tackle domestic abuse
- An increase in victim satisfaction
- An increase in public confidence in policing

Local problem solving teams

- An increase in public confidence in policing
- A reduction in burglary offences*
- A reduction in anti-social behaviour (ASB) incidents*
- Improved community resilience in relation to serious organised crime and rural crime

Safer roads

- An increase in public confidence in policing
- A reduction in the number of people killed or seriously injured on the roads*
- An effective response to support victims and families affected by those killed or seriously injured in a road traffic collision
- Enforcement of the fatal four: speed; mobile phone usage; seatbelt; drink / drugs
- Educational activities to reduce harm on the roads
- An increase in seizing vehicles related to ASB incidents (e.g. road racing)

4. How the PCC plans to fund this

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

1. *Through the use of available Government grants.*

The Commissioner receives a number of grants from the Home Office and Ministry of Justice. The principal grants are:

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

The settlement was received on 23rd January 2020 and includes an increase in central Government grants in 2020/21 to fund the recruitment of an additional 6,000 police officers nationally, 93 of them in West Mercia. The government had previously announced its intention to recruit an additional 20,000 police officers in the medium term.

Nationally the 2020-21 settlement provides more funding than had been previously expected. There is £915m in additional funding for the service, assuming PCCs increase the precept to the maximum. This includes:

- £700m uplift to core grant, £168m of which will be ring-fenced and paid in arrears on a quarterly basis subject to progress on the officer uplift. £50m will be retained centrally to support recruitment
- £90m additional funding for Counter Terrorism
- £126m increase in funding for national priorities, including £50m to support the Police Uplift programme and additional funding to tackle serious and organised crime including county lines and serious violence
- No other inflationary increases in core grant
- £10 precept flexibility for all PCCs
- £92m (9% increase) in reallocations to over £1.1bn in 2020/21
- Continuation of pension grant allocations from 2020/21
- Reduction of 74% to capital grant funding to PCCs
- Ending of the Police Transformation Fund.

The government is investing in national policing priorities which benefit all police forces across the country. This includes:

- Over £200m in 2020/21 to fight serious and organised crime including the National Crime Agency and the Regional Organised Crime Units
- £50m to deliver the Police Uplift Programme (see above)
- £516m to improve police technology in 2020/21. This includes the development of the 4G Emergency Services Network and the Law Enforcement Data Service, the National Automatic Number-Plate Recognition (ANPR) service and Home Office Biometrics.

Nationally, Core Funding, which is defined as the sum of Police Grant, Rule 1, the Welsh Grants and Ex-CLG funding, has increased by 7.5% in cash terms between the 2019-2020 and 2020-21 settlement.

In a letter to the Police and Crime Commissioner, the Home Secretary and the Minister for Crime, Policing and the Fire Service also set out four priority areas to derive efficiency, productivity and effectiveness including efficiency savings through joint procurement, enhanced productivity using technological solutions, achieving best value on police technology spending and ensuring forces meet their recruitment targets for 2020/21.

A fuller breakdown of the financial settlement for West Mercia from the government is contained in Appendix A.

2. ***Council Tax***

By increasing the Council Tax by 3.94% (£8.54 for a Band D property) from 2020/21 followed by a 1.99% increase in 2021/22 and thereafter. This increase, coupled with changes in the tax base to reflect new house building, and including the collection fund surplus, is expected to increase income from Council Tax by £5.482m a year (compared to the previous MTFP).

3. ***Continued reform and efficiency***

Efficiencies of £5.284m in the 2020/21 budget have been identified and are already being implemented. There are savings targets of £1.669 in 2020/21 and £1.625m in 2021/22. These will be met by further savings from the Business Services Programme (including the Estates Strategy (Rationalisation Plan)).

4. ***Making best use of West Mercia's reserves***

The Commissioner's reserves are predicted to be £23.314m at the start of 2020/21. They will be allocated on a prudent basis to create a police force that focuses on the needs of the residents of West Mercia. It will also support the Estates and ICT Programmes in order to facilitate crime prevention initiatives and collaboration with key partners. The Commissioner will continue to drive efficiency and best value for money across all areas of policing.

5. **The Revenue Budget**

The following table analyses the changes to the base budget between 2019/20 and 2020/21. It continues to incorporate the apportionment of costs for the four remaining services where collaboration continues with Warwickshire. Appendix B outlines a summary of the gross expenditure.

Analysis of movement from 2019/20 to 2020/21

	£m
2019/20 Budgeted net expenditure	224.589
Pay & Price Inflation, increments and adjustments:	
Officer Pay 2020/21	1.680
Full year effect of 2019/20 additional officers	3.867
Officer Pay award Sept 2019 0.5% over budget	0.310
Officer Pay award estimate Sept 2020	0.958
Staff Pay 2020/21	1.749
Staff Pay Sept 2019 award 0.5% over budget	0.191
Staff Pay award estimate Sept 2020	0.466
Non Pay inflation	0.678
Total	9.899
Staff Turnover	
Police Officer Turnover	-0.814
Police Staff Turnover	-0.630
Total	-1.444
Recurring Budget Pressures:	
Capital Financing (MRP and Loan Interest)	1.132
Vehicle accident repair	0.268
Injury Pensions	0.163
Police overtime	0.143
Premises	0.126
Reduction in PCSO contributions from Councils	0.120
Custody contract increase	0.115
ROCU contribution (excluding inflation)	0.070
Miscellaneous	0.021
Total	2.158
Non Recurring Budget Pressures	
Business Services Savings slippage to 2020/21	2.024
Apprenticeship Levy Income	0.320
Telephone charges	0.208
Digital services review	0.200
Overnight accommodation (officer training)	0.122
Total	2.874
Non Recurring Costs Funded from Reserves	
Police and Crime Commissioner	
- Estates and Restructuring	1.190
- Grants and Initiatives	0.594
Business Services Restructuring Costs	1.000

Total	2.784
Growth	
Investment in additional Police Officers	2.794
IMU	0.658
Mutual Aid	0.600
Approved IT business cases	0.464
NUMS (Officer and Specials)	0.563
Vehicle Fuel - incl. business case reversal	0.267
Cloud Storage	0.246
Staff Injury Pension	0.161
Digital services review	0.162
NUMS management fees	0.042
Total:	5.957
Reversal of Temporary Funding	
Transformation resource	-1.821
Decommissioning of KCOM Network	-0.036
OCC Programme Extension and Decommissioning	-0.430
Telecoms and Desktop Roll Out	-0.076
Total	-2.363
Alliance Separation	
Pay growth for hosted services	3.796
Offset by recharge for hosted/shared services pay costs	-4.248
Warwickshire outsourced contracts share	-0.367
Airwave charge reduction	-0.172
Vetting staffing reduction	-0.444
Vetting income (Warwickshire national contract)	0.681
	-0.754
Police Officer Uplift Grant	-2.611
Savings and Budget Reductions	
Business Services 20/21	-3.121
Local Policing 20/21	-1.224
Crime & Vulnerability 20/21	-0.390
Chief Officers Directorate	-0.051
Staff Pension Deficit	-0.210
Mobile calls contract renegotiation	-0.170
WODA	-0.118
Total	-5.284
Closing Budget	235.805

6. The Medium Term Financial Plan (MTFP)

The MTFP was agreed in February 2019 and has been updated and refreshed during the year.

The key assumptions at January 2020 are as follows:

Funding

- The precept will increase by 3.94% in 2020/21 and 1.99% thereafter
- Council Tax base will grow by an average of 1.5% per annum. In addition a prudent estimate for the total Collection Fund surpluses has been included each year
- General revenue grants will be increased in 2020/21 to meet the costs of the additional 93 police officers associated infrastructure funded by central government. In future years it is assumed central government grants will increase to meet the costs of additional police officers and to fund inflationary pressures. A review of the grant system will take place in future years.

Costs

- Pay (cost of living) increases are included at 2.5% per annum
- Price increases are contained at contractual commitments.

The MTFP is as follows:

	2020/21 £m	2021/22 £m	2022/23 £m
Expenditure - Summary			
Base budget before savings	224.589	235.805	237.958
Pay and price increases/turnover	5.432	4.587	4.788
Additional police officers (2019/20)	4.803	0.320	0.320
93 additional police officers funded by Formula Grant	1.983	1.090	0.160
Future additional officers and staff funded by Grant		3.980	3.635
ICT and Capital	2.412	1.729	2.000
Temporary growth removed	-2.363		
New savings	-5.284	-2.789	-1.785
Savings slipped	2.024		
Non-recurring expenditure funded from Reserves	2.784	-2.784	
Alliance separation	-0.754		
Uniform	0.605		
Transport Costs	1.065		
Injury pensions	0.324		

Estates Rationalisation	0.126		
Mutual Aid and regional collaboration	0.670		
Police Officer Uplift Grant	-2.611	-3.980	-3.635
Projected net expenditure after savings	235.805	237.958	243.441
Funded by:			
Formula Grant and RSG	118.742	120.523	122.330
Council Tax Support Grant	9.200	9.200	9.200
Council Tax Freeze Grant	2.776	2.776	2.776
Council Tax (including Collection Fund surplus)	102.303	105.459	109.135
Contribution from Reserves	2.784		
Total funding	235.805	237.958	243.441

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

7. Reserves Strategy

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

	£m
Projected reserves at 1st April 2020	23.314
<i>Amount required to support the budget over the life of the medium term financial plan</i>	<i>(0.000)</i>
<i>Funds to transform policing and meet associated costs</i>	<i>(0.000)</i>
<i>Provisions to meet known risks</i>	<i>(0.500)</i>
<i>Funds to address demand management issues, prevent crime and ensure public safety</i>	<i>(1.44)</i>
<i>Investment in infrastructure (Estates and ICT programmes)</i>	<i>(7.386)</i>
Reserves remaining at the end of the MTFP period.	<u>13.988</u>

Each year the Treasurer carries out an assessment of the risks facing the Commissioner to determine the minimum level of reserves which the Commissioner needs to continue to hold. This year the assessment is that £10.5m needs to be held in general reserve at

all times to provide adequately for these risks. Further details of the risk assessment are included in section 9.

There remain considerable opportunities to drive out further efficiencies through future collaboration, including with Police Forces regionally and with the two Fire and Rescue Services in West Mercia. Both however have associated risks.

West Mercia will be legally obliged to meet reasonable costs of exiting the Alliance with Warwickshire, which have yet to be clearly established. These risks are mitigated by the facts that Warwickshire are legally obliged to minimise costs. While an element of financial cost will inevitably be associated with withdrawing from the current Alliance, it will also enable significant service improvements and efficiencies, and ensure that the communities of West Mercia remain the priority.

The Police and Crime Commissioner is also proposing to change the governance arrangements for the Fire and Rescue Authorities in West Mercia and has gained the approval of the Government to do so. The two Fire Authorities have chosen to seek a further Judicial Review of this decision. There is potential for increased collaboration between the police and fire services regardless of the outcome of that legal action, but the full benefits are most likely to be realised if the Commissioner assumes governance of all services.

As part of the Commissioner's commitment to reform, he will continue to focus on improving the ICT infrastructure and to rationalise the estate. These initiatives create the need for a significant provision within the reserves, given the considerable risks and the rewards.

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

	2019/20	2020/21	2021/22	2022/23
	£m	£m	£m	£m
General Reserves	10.587	10.587	10.587	10.587
Earmarked Reserves				
Investment in Infrastructure	8.762	6.769	1.376	1.376
Safer Roads Partnership	1.233	0.393	0.243	0.243
Collaboration	0.300	0.300	0.300	0.300
YJS*	0.264	0.264	0.264	0.264
Insurance and Legal Claims	1.007	1.007	0.757	0.507
Demand management	0.500	0.400	0.300	0.300
PCC Grants and Initiatives	0.661	0.411	0.411	0.411
Total Earmarked Reserves	12.727	9.544	3.651	3.401
Total Reserves	23.314	20.131	14.238	13.988

*This is a collaborative arrangement with Local Authorities

8. The Capital Budget

The Capital Programme for 2020/21 to 2022/23 has been prepared using the existing Capital Programme MTFP as a basis and has been reviewed and updated in consultation with the respective business areas, reflecting known priorities and business requirements.

The current programme now reflects the priorities of the Commissioner to fully transform and reform police activities, services and systems 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 Commissioner is planning significant capital investment of £74.7m over the next three 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 Commissioner's plans will make best use of these opportunities in the coming years.

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

Expenditure	2020/21 (Including forecasted slippage from 2019/20) £m	2021/22 £m	2022/23 £m	Total £m
Estate Strategy	2.6	8.8	19.2	30.6
ICT replacement & strategy programmes	11.2	11.9	14.3	37.4
Vehicle Replacement	1.7	1.7	1.8	5.2
Plant & Equipment	1.5	0.0	0.0	1.5
Totals	17.0	22.4	35.3	74.7

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

The expected funding of the programme is outlined below.

Funding	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Capital Receipts	0.5	0.6	0.6	1.7
Capital Grants	0.2	0.2	0.2	0.6
Revenue Contributions	0.5	0.0	0.0	0.5
Borrowing	15.8	21.6	34.5	71.9
Totals	17.0	22.4	35.3	74.7

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

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

Compliance with the 7 key principles in CIPFA's guidance

Budget assumptions	Current situation in West Mercia
The treatment of inflation and interest rates	<p>West Mercia Police makes full and appropriate provision for pay and price rises.</p> <p>An informed assessment is made of interest rate movements.</p> <p>All individual expenditure and income heads in the revenue budget are prepared and published at estimated outturn prices.</p>
Estimates of the level and timing of capital receipts	The Commissioner and West Mercia Police make a prudent assumption of future capital receipts.
The treatment of demand level pressures	<p>The Force is required to operate and manage within its annual budget allocation.</p> <p>The Chief Constable retains an operational contingency within the annual revenue budget to help finance large scale or corporate operations or issues and to deal with day to day changes in demand and pressure.</p> <p>The Force has already identified £8.608m of cash savings which will be removed from the budget over the next three years. This is over and above the £80m of cash savings that have been removed from the base budget in the last nine years. This cumulative level of budget reduction will inevitably mean that operational budgets will come under greater pressure and/or risk of overspending in future years. An overspend is expected to occur in 2019/20.</p>

	<p>Some government grants (e.g. DSP) are announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from the PCC's own resources.</p> <p>The Commissioner has created a number of earmarked revenue reserves to help finance specific, ad-hoc expenditure commitments. Appropriations are made to and from these reserves on an annual basis as required.</p> <p>Finally general balances are used as a last resort to manage and fund demand-led pressures.</p>
<p>The treatment of planned efficiency savings and productivity gains</p>	<p>The Force consistently achieved its annual efficiency target in previous years. Savings elsewhere in the revenue budget were identified to cover any shortfall and the Force underspent in recent years. Currently the Force is forecasting a small overspend £3.2m – 1.4% of its net revenue budget, due to delays in progressing transformation programmes as a result of the end of the Alliance.</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>There are risks associated with the decision to end the existing Alliance with Warwickshire Police. West Mercia as the party giving notice is legally bound to meet the reasonable costs of implementing the exit strategy, although Warwickshire is legally bound to minimise these costs. There is already significant investment planned in both a Transformation Programme and in improvements to the ICT infrastructure. These projects will be reconfigured if necessary and may offset some costs. These costs are currently being identified and negotiated. It is not possible to finalise them at this point in time. West Mercia may also incur legal costs and costs in reconfiguring its services. A provision is being made to cover the likely costs of transition and termination based on current knowledge and evaluation.</p>

	<p>There is clearly a risk that local authority partners will continue to withdraw funding as their own budgets are reduced and that the continued viability of private sector commercial partners will be exposed to risk in the face of an economic recession.</p>
<p>The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.</p>	<p>The Commissioner has created a number of earmarked revenue reserves and provisions to meet specific expenditure items. These are shown below.</p> <p>The access criteria for special grants state that Commissioners may be required to fund up to 1% of their net budget requirement themselves before the Government considers grant aid. This applies on an annual basis.</p>
<p>The general financial climate to which the authority is subject.</p>	<p>In January 2020, the Minister for Crime, Policing and the Fire Service announced that the police grants would be increased in 2020/21 to fund the recruitment of an 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 in 2020/21.</p> <p>Pension costs incurred by employers in the public sector are likely to rise as a result of the “McCloud Judgement”. Public sector bodies are waiting for the government’s response to this judgement.</p> <p>General inflation in the U.K. has started to increase. CPI is currently at 1.5% and RPI 2.2% (Nov 2019).</p> <p>A provision of 2.5% p.a. for the pay award has been included in the MTFP.</p> <p>The base rate was increased for the first time in over a decade in Autumn 2017, raising it from 0.25% to 0.5%. It has risen further and now stands at 0.75%. The Governor of the Bank of England has indicated that any future increases will be minimal and gradual.</p> <p>The 4 year medium term financial plan reflects our local best estimate of future inflation rates, increases in government grants and contributions and revenues raised from Council Tax.</p>

General Reserve

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

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

- a. The possibility of savings targets not being met. As in previous years, it is suggested that no provision is made in reserves for this, but, if this approach is taken, the Commissioner is recognising that any failure to deliver savings will potentially have to be compensated for by service reductions.
- b. Possible delays in the delivery of savings. In previous years where the force has missed its in-year savings target, it has covered the shortfall from in-year under-spends. While no presumption of in year under-spending should be made, because having agreed the budget the Commissioner authorises its spending, the record of the force is of consistent under-spending. Delays in the delivery of savings may occur, particularly in relation to the Transformation Programme. In the current year, for example, there have been delays in progressing the Services to Policing and OCC projects because of the termination of the Alliance. Current forecasts predict that £2.2m (38%) of the targeted savings will not be achieved contributing towards the forecast overspend. Because of this it is recommended that the level of reserves, held to cover potential delays in the delivery of savings, be maintained at to £3.1m.
- c. To provide cover for “extraordinary” events or investigations, recognising that these would be likely to attract Special Police Grant (for costs in excess of 1% of the budget). A prudent provision would be for two such events over a five year period, which would require a provision of £4m.
- d. Any reasonable costs in implementing the exit strategy for the strategic Alliance with Warwickshire and in negotiating and implementing a revised collaborative arrangement. Costs may be incurred in reconfiguring the ICT infrastructure and in reviewing and changing policing and support services by both Warwickshire and West Mercia. Currently these costs cannot be accurately quantified though indicative costs are being assessed. In particular there is detailed work underway to reconfigure the ICT infrastructure and reorganise policing and support services. Provision of £37.4m has been made in the Medium Term Capital Programme for the modernisation of the ICT infrastructure. There may also be some additional legal and contractual costs and some provision has been made in the 2019/20 and 2020/21 revenue budgets for these costs. However, given the uncertainty around them, an additional indicative provision of £1m may be prudent within General Reserve.

- e. Additional delivery costs of the establishment of new arrangements to transform and reform policing in West Mercia. These may be capital (e.g. IT costs), but capital costs have a revenue impact. Until the capital costs are determined, the revenue consequences cannot be. An alternative, and one with no marginal cost, would be to absorb any revenue impact by cash-limiting the capital programme and deferring schemes to accommodate any spending requirements. Consequently no additional provision is recommended here.
- f. The risk on inflation, especially on pay. The Medium Term Financial Plan includes a provision of 2.5%. This reflects current inflationary pressures in 2019/20. Consequently it is recommended that no further provision be made.
- g. The budget includes assumptions made around part-time police officer working. These changes reduce the Police Officer budget in line with the levels of part-time working. If all these officers then decided to return to full-time work this would lead to a budget pressure. History suggests that this is unlikely so no specific provision is likely to be required, however the risk remains.
- h. The Home Office is currently considering a further review of the Police Funding Formula and may implement a new funding mechanism in the next Comprehensive Spending Review. The Home Office did consult on a new formula during 2015 but abandoned the consultation. During this process, estimates of the impact on West Mercia ranged from an increase of £9.3m to a reduction of £0.8m. Given the continuing uncertainty around the outcome of this review and the likely timescale for implementation I am recommending that no provision be made in 2020/21.
- i. The Government has delayed its plans for the replacement of the Airwaves network (referred to as ESN/ESCMP). There is still a lack of clarity, with not all details being known. However, a provision of £7.7m has been made in the Medium Term Capital Programme. Any capital costs that may fall to West Mercia could be met by increased borrowing or from the use of reserves. Any increased revenue costs or grant reductions in the short term would need to be funded either from further efficiencies or from the use of reserves.
- j. There should be a general contingency provision for unknowns. Assessing a prudent level for this is impossible, but would be unlikely to be less than 1% of net revenue expenditure, around £2m.

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

events, provided that all of the events are unlikely to occur together. However, he does need to give realistic consideration to the likelihood of their occurring during the period covered by the plan, and it does need to provide explicitly for those which are certain to occur.

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

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

Earmarked Reserves

The predicted balance at 31st March 2021 for each earmarked revenue reserve – which has a specific purpose and particular timescale – is shown in the table below.

Earmarked Reserve	Balance as at 1st April 2020 £m	Movement In Year £m	Forecast Balance as at 31st March 2021 £m	Purpose of Reserve
PCC Grants and Initiatives	0.661	0.250	0.411	To support PCC Grants and Initiatives by facilitating multi-year agreements.
Investment in Infrastructure Reserve	8.762	1.993	6.769	To fund schemes within the capital programme, the estates and ICT programmes. The reserve will be used to both meet revenue costs and reduce the need for borrowing, thereby minimising financing costs in future years.
Safer Roads Partnership Reserve	1.233	0.840	0.393	Funds held on behalf of the partners to fund road safety initiatives. £400,00 will be used to fund capital expenditure in 2020/21
YJS Reserve	0.264	0.000	0.264	Funds held on behalf of the responsible authorities to fund the costs of youth justice services.

Collaboration reserve	0.300	0.000	0.300	To fund work on undertaking collaboration and partnership working.
Insurance and Legal Claims Reserve	1.007	0.000	1.007	To meet the costs of high value claims and to reduce insurance premiums through self-insurance where it is cost effective to do so.
Demand management reserve	0.500	0.100	0.400	To spend on initiatives to address some of the underlying causes of the increased demand the force is facing.
Total Earmarked Reserves	12.727	3.183	9.544	£400,000 will be used in 2020/21 to fund capital expenditure

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

Capital Reserves and Balances

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

There is a reserve holding Capital Grants Unapplied. This holds the capital grants from the Home Office that have not yet been spent. These grants are applied to fund the capital programme and can be carried forward without penalty until required. The balance on the reserve as at 1st April 2019 was £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of police houses and land and buildings which are no longer needed for operational policing as more efficient use is made of partners' and the policing estate. The funding table in section 8 above outlines the receipts expected from asset sales from 2019/20 to 2022/23. The balance on the reserve as at 1st April 2019 was £0.00m

Summary

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

Based on current planning assumptions, the level of general reserves should stay above the recommended minimum level through to 2022/23 and sufficient provision has been made in

earmarked reserves to fund expected one-off pressures, including the end of the Alliance with Warwickshire Police. In addition the capital reserves and the investment in infrastructure reserve will be used to fund an extensive programme to support much needed investment in land, buildings, ICT systems and vehicles. This will give policing officers and staff up-to-date, fit-for-purpose facilities and enable them to provide a modern, efficient and effective policing service.

By generating efficiencies, the use of the infrastructure and capital reserves will ensure a more sustainable financial position in the longer term. Deploying these reserves over the medium term rather than in a single year also permits some flexibility should it be necessary.

The risks associated with this budget have increased significantly. The West Mercia Police Force is facing the challenge of dealing effectively with the demands placed by both an increase in crime and changes in the nature of crime. It is currently putting in place new arrangements following the end of the collaboration with Warwickshire Police. This creates greater uncertainty and risks in setting a budget for 2020/21 whilst also creating the ability to realise efficiencies and service improvements. 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. The Force will require robust project and programme management arrangements if it is to successfully achieve its aims within the resources available. However, the Police and Crime Commissioner holds adequate reserves and has increased the recurring revenue funds available (with a 3.94% increase in Council Tax). 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 Police and Crime Commissioner will hold the Chief Constable to account during this time.

Summary of West Mercia Grant Settlement

The Police Funding Settlement from the Home Office was received on the 22nd January 2020. The details are shown below:

2019/20	Funding Stream	Provisional 2019/20	Change
£ m		£ m	%
66.844	Police Grant (including Community Support Grant)	72.092	7.85
43.630	Revenue Support Grant	46.650	6.92
11.975	Legacy Council Tax Grants (freeze grants and plus council tax support grant)	11.975	0.00
122.449	Total	130.717	6.75

In addition to the main central Government grants shown above, the Police and Crime Commissioner also receives grant funding for Victims Services Commissioning and Restorative Justice from the Ministry of Justice. Notification of the anticipated grant allocation for 2020/21 has been received and is £1.499m compared to £1.470m in 2019/20.

Appendix B(i)

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

	2019/20 Budget	2020/21 Budget	Variance
	£m	£m	£m
Government Grant (Core Funding)	122.449	130.718	8.269
Council Tax Precept	96.442	102.303	5.861
Total Funding / Net Budget Requirement	218.891	233.021	14.130
Police Officers Pay	112.236	120.399	8.163
Police Officer overtime	2.761	1.928	-0.833
Police Staff + PCSO Pay	65.725	71.540	5.815
Police Staff overtime	0.659	0.679	0.020
Temp and Agency Staff	0.046	0.000	-0.046
Injury & Ill Health Pensions	3.606	3.819	0.213
Other Employee Expenses	1.042	1.035	-0.007
Premises	8.108	8.337	0.229
Transport	4.283	4.243	-0.040
Supplies and Services	25.352	26.458	1.106
Third Party Payments	16.597	18.574	1.977
Capital Financing	2.443	3.174	0.731
Gross Expenditure	242.858	260.186	17.328
Income	-18.269	-24.381	-6.112
Net Force Budget / Expenditure / Variance	224.589	235.805	11.216
Budget Contribution to/(from) Reserves	-5.698	-2.784	2.914

Appendix B (ii)

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

	2019/20	2020/21	Variance	Variance
	£m	£m	£m	%
Business Services Directorate				
Digital Services	15.709	18.765	3.056	19.5%
Business Operations	6.181	8.194	2.013	32.6%
People and Organisational Development	6.647	6.325	-0.322	-4.8%
Commercial Services	8.192	7.266	-0.926	-11.3%
Strategy Planning and Insight	2.678	4.274	1.596	59.6%
Change Management	7.834	2.520	-5.314	-67.8%
Total	47.241	47.345	0.104	0.2%
Chief Officers Directorate				
Professional Standards & Vetting	1.032	1.750	0.718	69.6%
Chief Officers	1.032	0.914	-0.118	-11.4%
Audit Risk and Compliance	0.603	0.881	0.278	46.1%
Total	2.667	3.545	0.878	32.9%
Local Policing Directorate*				
Local Policing Directorate	2.677	1.781	-0.896	-33.5%
Herefordshire	14.366	16.436	2.070	14.4%
North Worcestershire	20.075	21.478	1.403	7.0%
Shropshire	18.275	19.266	0.991	5.4%
South Worcestershire	21.031	23.876	2.845	13.5%
Telford	16.899	18.253	1.354	8.0%
Police Officer Uplift Grant	0.00	-2.611	-2.611	-100%
Total	93.323	98.479	5.156	5.5%
Operations Support*				
Operations	14.613	19.326	4.713	32.3%
Public Contact	16.076	18.091	2.015	12.5%
Total	30.689	37.417	6.728	21.9%
Police and Crime Commissioner				
Estate Services	9.544	9.970	0.426	1.4%
Police Crime Commissioner	6.220	6.749	0.529 ¹	8.5%
Total	15.764	16.719	0.955	6.1%
Crime & Vulnerability Directorate*				
Intel Non Sensitive & Specialist Ops	8.618	9.326	0.708	8.2%
Criminal Justice	9.623	7.135	-2.488	-25.9%
Forensics	5.076	5.917	0.841	16.6%
ROCU	4.052	4.217	0.165	4.1%
Major Investigation	3.545	3.753	0.208	5.9%

¹ This almost entirely represents an increase in funds available for commissioning projects that work to divert people away from crime, or prevent crime from happening in the first place.

Crime & Vulnerability Directorate	1.614	1.489	-0.125	-7.7%
Intel Sensitive	0.810	0.901	0.091	11.2%
Vulnerability & Safeguarding	1.174	1.203	0.029	2.5%
Operations - NPAS	0.394	0.361	-0.033	-8.4%
Total	34.906	34.302	-0.604	-1.7%
Non Recurring Costs Funded from Reserves				
Police and Crime Commissioner				
- Estates and Restructuring		1.190	1.190	
- Grants and Initiatives		0.594	0.594	
Business Services Restructuring Costs		1.000	1.000	
Total	0.000	2.784	2.784	
Directorate Savings				
Business Services		-3.121	-3.121	
Local Policing		-1.224	-1.224	
Crime & Vulnerability		-0.390	-0.390	
Chief Officers		-0.051	-0.051	
Total	0.000	-4.786	-4.786	
TOTAL	224.590	235.805	11.215	

*Some units have been reallocated within Local Policing and from the Crime and Vulnerability Directorate to Operations Support

Appendix C

West Mercia Police - Capital Budgets 2020-21 to 2023-24

Cost centre description	Formal Business Approval (Y)	W.Mercia Police 2020-21 Total budget	W.Mercia Police 2021-22 Total budget	W.Mercia Police 2022-23 Total budget	W.Mercia Police 2023-24 Total budget	W.Mercia Police Total MTFP 2019-20 to 2023-24
		£'000	£'000	£'000	£'000	£'000
WEST MERCIA POLICE:						
ESTATES PROJECTS - TOTAL		2,591.1	8,840.0	19,200.0	21,000.0	53,634.8
DIGITAL SERVICES TRANSFORMATION - TOTAL		3,905.4	5,969.0	8,650.0	10,325.0	30,384.4
PROJECTS - IN-FLIGHT - TOTAL		5,332.6	3,135.4	3,135.4	1,656.7	17,278.1
PROJECTS - PRE-FLIGHT - TOTAL		731.3	1,195.5	897.0	586.6	3,410.5
REPLACEMENTS - IN FLIGHT - TOTAL		1,219.3	1,596.1	1,596.1	1,674.4	7,764.2
ICT & TRANSFORMATION PROJECTS - TOTAL		11,188.7	11,896.0	14,278.5	14,242.7	58,837.1
VEHICLE REPLACEMENTS - TOTAL		1,750.0	1,650.0	1,815.0	1,996.5	9,376.4
OTHER CAPITAL - TOTAL		1,481.0	-	-	-	1,577.7
TOTAL WEST MERCIA CAPITAL		17,010.8	22,386.0	35,293.5	37,239.2	123,426.0
FUNDING						
CAPITAL RECEIPTS		566.0	570.0	573.0	577.0	2,857.0
CAPITAL GRANTS (GENERAL)		195.7	195.7	195.7	195.7	1,528.8
CAPITAL GRANTS (SPECIFIC)		-	-	-	-	-
REVENUE CONTRIBUTIONS		500.0	-	-	-	547.0
REVENUE RESERVES		-	-	-	-	-
INTERNAL BORROWING		-	-	-	-	-
EXTERNAL BORROWING		15,749.1	21,620.3	34,524.8	36,466.5	118,493.2
TOTAL WEST MERCIA FUNDING		17,010.8	22,386.0	35,293.5	37,239.2	123,426.0

ESTATES PROJECTS:						
WEST MERCIA ESTATE:						
SOUTHWELL HOUSE - HINDLIP OCC - CONSTRUCTION COSTS	Y	-	-	-	-	5.1
CENTRAL FORENSICS SERVICES BUILDING	Y	-	-	-	-	681.8
TELFORD POLICE STATION, MALINGSGATE	Y	-	-	-	-	0.2
DEFFORD SITE - REFURB 2019-20	Y	-	-	-	-	65.0
HINDLIP SITE - ANDY ROWSELL BUILDING - REFURB 2019-20	Y	-	-	-	-	21.0
HINDLIP SITE - DOG SECTION REFURB 2019-20	Y	-	-	-	-	218.7
HINDLIP SITE - ACCOMMODATION BLOCK REFURB 2019-20	Y	-	-	-	-	30.0
KIDDERMINSTER POLICE STATION REFURB 2019-20	Y	-	-	-	-	208.0
WORCESTER POLICE STATION REFURB 2019-20	Y	-	-	-	-	175.4
INVESTMENT IN ESTATES INFRASTRUCTURE: WEST MERCIA REMAINING BALANCE C/F		114.5	-	-	-	114.5
INVESTMENT IN ESTATES INFRASTRUCTURE 2020/21 ONWARDS: WEST MERCIA		200.0	200.0	200.0	-	600.0
FIREARMS TRAINING SCHOOL / FIREARMS RANGE (SUBJECT TO BUSINESS CASE)		100.0	200.0	200.0	10,000.0	10,595.0
SAFE NEIGHBOURHOOD TEAMS RELOCATION (VARIOUS SITES)	Y	776.6	500.0	500.0	-	1,926.6
HINDLIP PARK PHASE2 ENHANCEMENT	Y	800.00	-	-	-	1,150.0
HINDLIP PARK - FIRE CO-LOCATION	Y	-	-	-	-	(9.9)
HINDLIP PARK - GYMNASIUM ROOF	Y	-	-	-	-	12.6
NEW HEREFORD HUB (SUBJECT TO BUSINESS CASE)		200.0	4,000.0	8,000.0	3,000.0	15,200.0
NORTHERN HUB - SHREWSBURY / TELFORD (SUBJECT TO BUSINESS CASE)		-	500.0	8,000.0	8,000.0	16,500.0
REDDITCH POLICE STATION (SUBJECT TO BUSINESS CASE)		200.0	2,500.0	2,300.0	-	5,000.0
BUSINESS OPERATIONS CENTRE		200.0	940.0	-	-	1,140.0
WORCESTER-PROBATION CO-LOCATE	Y	-	-	-	-	0.7
TOTAL WEST MERCIA ESTATE:		2,591.1	8,840.0	19,200.0	21,000.0	53,634.8

ICT & TRANSFORMATION PROJECTS & REPLACEMENTS:						
DIGITAL SERVICES TRANSFORMATION (DST) AKA ICT "TECHNICAL DEBT"						
DIGITAL SERVICES TRANSFORMATION		-	-	-	-	103.5
10.1 KCOM Application Migration - VMB Capability Upgrades		-				1,190.0
10.2 VMB - Citrix Migration & Decommissioning		196.7				196.7
10.1 and 10.2 Resources across all tasks		465.8				583.1
10.3 Datacentre consolidation/Server upgrade		793.5				793.5
10.4 Security Roadmap/PSN Accreditation		238.0				324.3
10.5 Data Roadmap/IT Data Model		79.4				79.4
10.6 Service Roadmap/Service Tooling		396.8				396.8
10.3, 10.4, 10.5 and 10.6 Resources across all tasks		407.2				445.1
10.7 AD/WIFI/Client/Device Mgmt/Remote Access/O365 and Communications Readiness		793.5				793.5
10.7 Resources across all tasks		534.8				534.8
10.8 DST - Year 2 (estimated)		-	5,969.0		2,681.0	8,650.0
10.9 DST - Year 3 - (estimated)		-		8,650.0		8,650.0
10.10 DST - Year 4 - (estimated)		-			7,644.0	7,644.0
TOTAL - DIGITAL SERVICES TRANSFORMATION		3,905.4	5,969.0	8,650.0	10,325.0	30,384.4
ICT / TRANSFORMATION :- PROJECTS IN-FLIGHT						
HINDLIP OCC - PROJECT TOTAL (MEMO)	Y	2,993.1	-	-	-	4,189.8
HINDLIP OCC - ICT INFRASTRUCTURE		-	-	-	-	385.3
HINDLIP OCC - ICT TESTING		142.8	-	-	-	569.4
HINDLIP OCC - TELEPHONY		-	-	-	-	25.9
HINDLIP OCC - OET - COMMAND & CONTROL SYS		883.6	-	-	-	1,002.0
HINDLIP OCC - OET - COMMAND & CONTROL SYS		1,966.7	-	-	-	2,207.2
K-COM TRANSITION PROJECT	Y	1,107.0	-	-	-	2,172.4

DCD DIGITAL COMMS DEPLOYMENT	Y	-	-	-	-	512.6
ICT TELEPHONY PROJECT	Y	-	-	-	-	571.8
ATHENA SYSTEMS PROJECT - <i>PHASE 1</i>	Y	2.2	-	-	-	28.7
ATHENA SYSTEMS PROJECT - <i>PHASE 2</i>	Y	-	-	-	-	58.7
EMERGENCY SERVICES NETWORK - (Airwave Replacement Project)		247.8	2,957.4	2,957.4	1,478.7	7,710.0
AIRWAVE REPLACEMENT EQUIP	Y	102.1	102.1	102.1	102.1	411.0
ASSYST - UPGRADE PROJECT	Y	-	-	-	-	307.6
ANPR FIXED SITES *	Y	1.5	-	-	-	50.4
REGIONAL MOTORWAY ANPR CAMERAS - REFCUS PAYMENT	Y	-	-	-	-	60.0
REGIONAL MOTORWAY ANPR CAMERAS - REFCUS PAYMENT - HIGHWAYS ENGLAND		113.0	-	-	-	113.0
ERP - FINANCE SYSTEM *	Y	-	-	-	-	58.2
DATA NETWORK REPLACEMENT RED FLAG *	Y	-	-	-	-	29.0
ORIGIN - UPGRADES & ENHANCEMENTS *		690.0	-	-	-	690.0
SINGLE ONLINE HOME		75.9	75.9	75.9	75.9	303.6
BUSINESS OBJECT v11 - "BOXI" *	Y	-	-	-	-	11.2
ICT / TRANSFORMATION :- PROJECTS IN-FLIGHT - TOTAL		5,332.6	3,135.4	3,135.4	1,656.7	17,278.1
ICT / TRANSFORMATION :- PROJECTS PRE-FLIGHT						
Mercury – CT digital capability. Re-planning at national level.		17.0	-	-	-	17.0
Apollo – CT system replacing NSPIS/Cluster. Re-planning at national level.		17.0	-	-	-	17.0
DVI – Disaster Victim Id – replaces current PLASSDATA (2021). Re-planning at national level.		17.0	-	-	-	17.0
DPol – NPCC delivery of Digital Policing Standards (2025). Planning at national level.		-	17.0	-	-	17.0
Home Office Biometrics Ph 3 – Front line DNA tests (2025). Planning at national level.		-	40.0	207.0	138.0	385.0
TEC1 – HO Biometrics. Budget requested from TB		207.0	-	-	-	207.0
TEC1 - In-Car Media. Currently requirements gathering.		183.5	517.5	-	-	701.0
CAID4 – Child abuse DB update.		55.2	-	-	-	55.2
NFLMS – Firearms licencing update. CDA		89.7	-	-	-	89.7
National IAMS (Needed for NEP). Project initiation		69.0	276.0	276.0	145.6	766.6

NEP. Project initiation		69.0	345.0	414.0	303.0	1,131.0
Regulatory - PSD data Monitoring		6.9	-	-	-	6.9
TOTAL ICT / TRANSFORMATION :- PROJECTS PRE-FLIGHT		731.3	1,195.5	897.0	586.6	3,410.5
ICT REPLACEMENTS - IN FLIGHT:						
DESKTOP REPLACEMENT & GROWTH	Y	389.2	391.0	391.0	410.6	1,898.4
HTCU - REPLACEMENT (DESKTOP & SERVERS)		103.5	-	-	-	103.5
MOBILE DEVICES	Y	690.0	690.0	690.0	724.5	3,120.6
NEW RECRUITS SET-UP - I.T. COSTS	Y	(547.4)	-	-	-	178.1
ALLIANCE SEPARATION - I.T. COSTS	Y	-	-	-	-	217.4
CONSOLIDATION OF SMALL SYSTEMS	Y	10.0	10.0	10.0	10.0	47.0
MULTIMEDIA PROJECT	Y	-	-	-	-	0.7
REPLACEMENT PRINTERS AND SCANNERS, INCLUDING ADDITIONAL FOLLOW-ME PRINTING FUNDING	Y	89.7	20.7	20.7	20.7	158.7
SERVER	Y	138.0	138.0	138.0	144.9	563.8
NETWORK	Y	34.5	34.5	34.5	36.2	141.4
SAN/BACKUP INFRASTRUCTURE	Y	138.0	138.0	138.0	144.9	558.9
SOFTWARE UPGRADES	Y	173.9	173.9	173.9	182.6	752.3
WORKSPACE MODERNISATION PROGRAM	Y	-	-	-	-	23.4
TOTAL - ICT REPLACEMENTS - IN FLIGHT:		1,219.3	1,596.1	1,596.1	1,674.4	7,764.2
ICT & TRANSFORMATION PROJECTS & REPLACEMENTS - TOTAL		11,188.7	11,896.0	14,278.5	14,242.7	58,837.1

VEHICLE REPLACEMENTS:						
VEHICLES PURCHASE		1,750.0	1,650.0	1,815.0	1,996.5	9,376.4
VEHICLE REPLACEMENTS - TOTAL		1,750.0	1,650.0	1,815.0	1,996.5	9,376.4

OTHER CAPITAL PROJECTS:						
SAFER ROADS REPLACEMNT - CAMERAS		400.00	-	-	-	438.7
SAFER ROADS REPLACEMNT - VEHICLES		100.00	-	-	-	136.4
BODY ARMOUR REPLACEMENT		981.0	-	-	-	981.0
TASERS *	Y	-	-	-	-	15.4
FIREARMS PROTECTION EQUIPMENT *		-	-	-	-	-
OPERATION OPAL - CAPITAL	Y	-	-	-	-	10.2
VICTIM ADVICE LINE - CAPITAL	Y	-	-	-	-	- 4.0
OTHER CAPITAL - TOTAL		1,481.0	-	-	-	1,577.7
* Collaborative Projects						
TOTAL WEST MERCIA CAPITAL PROJECTS		17,010.8	22,386.0	35,293.5	37,239.2	123,426.0

APPENDIX D

PRUDENTIAL INDICATORS - WM

1. AFFORDABILITY PRUDENTIAL INDICATORS	2019/20 Estimate	2019/20 Forecast Outturn	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	23,582	11,497	17,011	22,386	35,294
	%	%	%	%	%
Ratio of financing costs to net revenue stream	1.32	1.13	1.45	1.88	2.42
	£'000	£'000	£'000	£'000	£'000
In Year borrowing requirement					
- in year borrowing requirement	19,692	9,853	15,470	21,341	34,246
	£'000	£'000	£'000	£'000	£'000
In year Capital Financing Requirement	17,931	8,311	13,248	18,317	30,112
	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement 31 March	64,583	53,245	66,493	84,810	114,922
	£	£	£	£	£
Affordable Borrowing Limit					
Increase per council tax payer	£0.73	£0.70	£0.95	£1.11	£1.43
2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2019/20 Estimate	2019/20 Forecast Outturn	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
	£'000	£'000	£'000	£'000	£'000
Authorised limit for external debt					
- Borrowing	75,000	70,000	80,000	95,000	125,000
	£'000	£'000	£'000	£'000	£'000
Operational boundary for external debt					
- Borrowing	65,000	60,000	70,000	85,000	115,000
Upper limit for fixed rate interest exposure					
- net principal re fixed rate borrowing / investments	£75m	£70m	£80m	£95m	£125m
Upper limit for variable rate exposure					
- net principal re variable rate borrowing / investments	£5m	£5m	£5m	£5m	£5m

Maturity structure of new fixed rate borrowing during 2016/17	Upper Limit	Lower Limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%