



Philip Seccombe
Police and Crime
Commissioner
for Warwickshire

Warwickshire Budget 2020-21 Medium Term Financial Plan 2020/21 - 2022/23

Report of the Treasurer, Director of Finance, Chief Executive and Chief Constable

WARWICKSHIRE BUDGET 2020/21

MEDIUM TERM FINANCIAL PLAN 2020/21 - 2022/23

Report of the Treasurer, Director of Finance, Chief Executive and Chief Constable

THIS COUNCIL TAX RESOLUTION, IS BASED ON THE GOVERNMENT SETTLEMENT RECEIVED ON THE 22ND JANUARY 2020

Recommendations

The Commissioner is recommended to approve:

- a) A Net Revenue Budget after savings of **£111.590m**
- b) **£3.855m** of reserves are used within year to finance one-off revenue costs and manage in year service delivery
- c) A net budget requirement of **£107.735m**
- d) A Council Tax for a Band D property at **£237.97**
- e) A Council Tax for a Band D property calculated as follows:

	£'m
Budget Requirement	107.735
Less Police Grant	33.722
Less Revenue Support Grant	18.715
Less Council Tax Support Grant	3.910
Less Council Tax Freeze Grant:	
2013/14	0.368
2011/12	0.877
Sub Total	50.143
Less: Collection Fund Surplus	0.016
Amount to be raised by Council Tax	50.127
Divided by Aggregate Council Tax Base (To be confirmed)	210,642.76
Basic Amount of Council Tax at Band D	£237.97

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

<i>Band A (6/9th)</i>	<i>£158.646513</i>
<i>Band B (7/9th)</i>	<i>£185.087599</i>
<i>Band C (8/9th)</i>	<i>£211.528684</i>
<i>Band D</i>	<i>£237.969770</i>
<i>Band E (11/9th)</i>	<i>£290.851941</i>
<i>Band F (13/9th)</i>	<i>£343.734112</i>
<i>Band G (15/9th)</i>	<i>£396.616283</i>
<i>Band H (18/9th)</i>	<i>£475.939540</i>

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

<i>North Warwickshire Borough Council – to be confirmed</i>	<i>£5,005,680</i>
<i>Nuneaton & Bedworth Borough Council – to be confirmed</i>	<i>£9,142,103</i>
<i>Rugby Borough Council - to be confirmed</i>	<i>£9,217,816</i>
<i>Stratford Upon Avon District Council – to be confirmed</i>	<i>£13,470,067</i>
<i>Warwick District Council – to be confirmed</i>	<i>£13,290,938</i>
<i>TOTAL – to be confirmed</i>	<i>£50,126,603</i>

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

i) *The outline capital budget in section 8*

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

k) *The prudential indicators at appendix D*

- l) In approving the budget, the PCC notes the Treasurer's comments in section 9 in respect of the robustness of the budget and the adequacy of reserves.*

1. Purpose of the Report

The purpose of this report is to set out the budget and precept proposals for decision by the Police and Crime Commissioner (PCC). This is the fourth budget report for Philip Seccombe, the PCC for Warwickshire since his election in May 2016, it will however also be the final budget of his current term before the PCC elections in May 2020. The setting of the budget is one of the key responsibilities of the PCC under the Police Reform and Social Responsibility Act 2011.

The report sets out the:

- Police and Crime Commissioners (PCC's) revenue budget for 2020/21
- Proposed precept for 2020/21
- Medium Term Financial Plan (MTFP) 2020/21 to 2022/23
- Anticipated reserves position 2020/21 to 2022/23
- Outline capital budget 2020/21 to 2022/23

Setting the budget for the next financial year is one of the most important decisions that the Commissioner has to make. It is critical therefore to set out the issues that influence and contribute to the build of the budget for 2020/21 and over the medium term financial plan period.

In determining his budget proposals the Commissioner has to have regard to:

- National targets and objectives including the Strategic Policing Requirement
- The priorities within the Police and Crime Plan and any likely changes to these for 2020/21
- The outcome of the public precept consultation process
- The plans and policies of partner agencies relating to community safety and crime reduction
- The policy of the Government on public spending
- The medium term financial obligations and risks along with prudent use of reserves
- The drive for continuous improvement, efficient working and value for money
- Ensure a firm financial legacy is established that delivers appropriate future funding
- Ensure that the budget appropriately reflects services that are fully transitioned from the Alliance and those that may remain within a collaborated arrangement with West Mercia or with other partners.

On the basis of the content of this report the Commissioner is recommending a precept increase for a Band D property of £9.99 (4.38%) in 2020/21.

2. Introduction

Shortly after his election in May 2016, Philip Seccombe, the Police and Crime Commissioner (PCC), set out his priorities for policing in Warwickshire in his Police and Crime Plan. In his first budget, he was able to freeze council tax by identifying various efficiency savings. However, in more recent budgets he has recognised the increasing demands on the force and consequently has invested significantly in additional officers, increasing the police officer establishment to in excess of 1,000 and to the highest level since 2010, whilst also modernising the infrastructure and driving value for money. Throughout this period of transformation, Warwickshire police have also been planning for the future operation of effective and efficient policing for Warwickshire communities following the alliance termination.

The PCC has worked with the Chief Constable to help implement these plans. The Commissioner has secured:

- The recruitment of an additional 85 police officers, 10 police staff and 5 PCSO's who are currently in force, funded through the 2019/20 precept increase.
- A full review and subsequent development of a strategic business case of all the options available to Warwickshire for delivering effective and efficient policing services post alliance. The outcome and results of this has seen ongoing significant progress towards the successful transitioning of the majority of operational services from the alliance by April 2020, the development of new collaborative working arrangements over a number of service areas with different partners to ensure that ongoing services are resilient and deliver value for money for taxpayers.
- The re-designation of Leek Wootton as the Warwickshire Police Headquarters, enabling the repatriation of staff and services, following the alliance notice of termination.
- Successful deployment of mobile working with each front line police officer having suitable ICT equipment, resulting in an improved, more efficient and prompt service for the public.
- The provision of Body Worn Video for all front line officers, which will safeguard the public and police and which is also being rolled out to Specials to ensure that they receive the same equipment and support when undertaking their duties.
- The provision of a new Operation Communications Centre (OCC) in Warwick, which is currently being used as a training centre for the increased number of new recruits and will become fully operational as a control centre in 2020/21, when the ICT infrastructure and systems are in place.
- The commissioning of high quality services for the victims of crime.

- The implementation of a new policing model which realises the benefits of increased productivity from mobile working and other ICT initiatives, and ensures that demand and police officer resource is more closely matched.
- The creation of a rural crime team to tackle County wide issues

Warwickshire is facing some unique and significant financial challenges as a result of the notice to terminate the alliance received from West Mercia in October 2018. The strategic alliance collaboration agreement provides for the payment by the terminating party of all reasonable costs and liabilities arising from the exit from the alliance by Warwickshire and the quantum of such costs and liabilities is the subject of ongoing negotiation. In the absence of an agreed financial settlement, the full anticipated costs of transition are included and financed in full by Warwickshire within the draft budget for 2020/21 and the medium term financial plan (MTFP). This has resulted in changes in financial strategy particularly around reserves usage and borrowing and the curtailment of other investment plans to enable the financing of the transition process. The Home Office issued a direction on 7th October 2019 which extended the alliance arrangements for 6 months to 8th April 2020 to enable the smooth transitioning of services that were planned to separate by 8th April 2020 and to provide some support for progressing the finance work between the two parties. At the time of writing this work is ongoing and a report from the independent Home Office team is anticipated later in February 2020. Warwickshire has a good understanding of the cost of the work required to transition from the alliance and this is the subject of ongoing scrutiny and monitoring to ensure that costs are realistic, up to date, reflect the latest information and are mitigated wherever possible to reduce the impact on the taxpayer. It is hoped that the ongoing discussions with the Home Office and also with West Mercia will lead to an appropriate settlement on costs and agreement on the continued smooth transition of services to alleviate the financial pressure on the 2020/21 budget and across the MTFP.

3. Background on the national picture and the 2020/21 finance settlement

Since 2010 Government support for local policing budgets has been reduced in real terms by 34%, although this has been mitigated locally by savings and increases in council tax to support budgets and service delivery.

Between 2015/16 and 2019/20, the actual funding to police forces has been protected at a cash flat level, but this has done little to address the unavoidable cost pressures on budgets arising for example from inflation and changes in the national pay settlement.

However in 2019/20 the police finance settlement provided an additional £970m of funding. Precept flexibility was increased up to £24 and an additional £161m of additional funding was provided to cover other national priorities and pressures. These increases, particularly the precept flexibility, were accompanied by national efficiency targets set by the Home Office which have been monitored and met.

The finance settlement for 2020/21 was received on the 22nd January 2020. It provides for an additional £700m of funding for territorial forces, and is based on the assumption that PCC's will increase the precept to the maximum, which has been set at £10 for a band D property. It is a favourable settlement, which is welcomed in

recognition of the challenges facing policing generally and particularly given the local challenges Warwickshire faces.

The settlement headlines are:

- £532m additional funding to support the infrastructure changes required to recruit the 20,000 additional officers (included in core grant),
- £168m additional ring-fenced funding for the recruitment of 6,000 officers being the first phase of the 20,000 recruitment programme to March 2021. This element of funding is claimable quarterly in arrears,
- £153m of specific pension grant – the same level as provided for in 2019/20,
- No increase in core grant to meet legacy issues or inflationary costs for example pay increases.
- A reduction of approximately 75% in local force capital grant allocations, redirected towards increased capital allocations to national priorities and infrastructure projects
- £91.7m of additional funding on national policing priorities, including serious and organised crime, serious violent crime and safer streets initiatives.
- £248m increased funding available if all PCC's opt to maximise their precept flexibility which has been set at £10 for a band D property.

The settlement, including council tax and pension grant, represents a potential cash increase (total funding) of 6.8% between 2019/20 and 2020/21 for Warwickshire if the maximum precept increase is taken.

The 2020/21 settlement, as in previous years, is issued with conditions, specifically regarding outcomes, efficiency and reform. Forces are expected to achieve measurable improvements across a range of outcomes monitored by the National Policing Board, chaired by the Home Secretary, which will hold the sector to account for delivering improvements and enhancing efficiency and productivity. This includes:

- Recruitment of the first phase of officers by March 2021 to release the £168m of funding which is payable in arrears, and making the relevant infrastructure improvements needed to recruit the 20,000 officers by March 2023.
- Continued efficiency savings in 2020/21 through collaborative procurement and shared services. Blue light commercial is a new national model for police procurement and commercial functions, which once embedded will enhance future collaborative procurement, making best use of policing's buying power, increasing standardisation and improving value for money.
- Forces must continue to drive productivity through digital, data and technology solutions, including mobile working.
- Government expects forces to develop an approach to drive best value from the investment in police technology, by building on existing engagement with

regard to both sector-led and Home Office programmes such as the APCC and NPCC's Digital, Data and Technology Strategy.

A fuller breakdown and specific details regarding what the financial settlement means for Warwickshire are contained in section 5 below.

4. How the PCC will address the policing and financial challenges facing Warwickshire

The financial strategy is to have an affordable and sustainable policing plan supported by a good and balanced budget. This is where day to day expenditure is matched by core funding (Government grant and precept) which requires the business plan and MTFP to be integrated and for assumptions to be robust and included in the budget.

There are a number of overarching policing and financial challenges facing Warwickshire. Some are unique in terms of the alliance, whilst others are more general across the policing landscape. The PCC's proposed precept demonstrates his commitment to setting a council tax at a level which will deliver a sustainable service in the County, in addition to transforming the organisation to achieve its vision and meet the future challenges. This includes the development of Warwickshire's new policing and support arrangements, either as standalone or with new partners, which are being implemented as services transition from the alliance. All new arrangements are the subject of ongoing review to ensure they meet the needs of the residents of Warwickshire and secure best value.

The Warwickshire vision, along with public and political expectation is that policing should address crime against the most vulnerable including (but is not an exhaustive list) domestic abuse, modern slavery, human trafficking, county lines and child sexual exploitation. However, these crime types are often resource intensive, victims require safeguarding, and investigations are often complex, so the ability to create significant efficiencies in this area is particularly challenging. Equally the threat from terrorism remains high despite more significant investment in national counter-terrorism policing. In many cases, such incidents and responses also increase demand on host forces and local policing resources. Demand in all areas of policing remains high. This is reflected in reporting and call volumes, however the increasingly complex nature of crime often means that more time is required to deal with and investigate cases. Equally the force is needing to respond to a rise in digitally capable criminals that operate across borders, through increased cyber-crime incidents, this often requires new capabilities in terms of technology and skills from forces. However, there is also the need to retain a sharp focus on community policing, to tackle crime through the successful problem solving approach undertaken by our safer neighbourhood and wider police teams to deal with criminality and to provide a visible and reassuring presence to our local communities.

Warwickshire's allocation for the first phase of the 20,000 officers will see an uplift of 41 PC's. These posts have been recruited to and Warwickshire will receive funding for them over the next 12 months. The next phase of recruitment will result in additional officers for Warwickshire over the next two years to March 2023, but funding has been received in the 2020/21 settlement to start building the infrastructure improvements required for these officers. This is a welcome increase in police officers to deal with the rising demands and challenges which will improve visibility throughout Warwickshire to make our communities feel safer.

The Chief Constable has outlined to the PCC his plans for the 41 additional officers and some of the service rebuild work in Warwickshire supported by a 4.38% precept increase. It includes:

- An additional 13 detectives deployed to a specialist Child Abuse, Trafficking and Exploitation (CATE) team that will operate County wide.
- An additional 12 uniformed Firearms and Roads Policing officers to be deployed across the County
- An additional 10 officers deployed into force patrol teams – 5 in the north and 5 in the south of the county.
- An additional 6 officers to be deployed into the rural crime team, to double its strength and enable a separate north and south team to be created.
- Building a firearms licensing capability based at Leek Wootton which will be responsive to the needs of Warwickshire communities.
- Having Warwickshire Inspectors taking command within the control room to provide local deployment to incidents, local management of high risk firearms incidents and higher standards of call taking
- Increased investment in support functions e.g. Human resources, finance, procurement and corporate communications to ensure we can recruit, support and sustain the increased number of police officers

In setting the 2020/21 budget, the Commissioner has taken these issues into account, and has also recognised the unavoidable pressures policing faces. These include pay and price increases of 2.5%, increased employer pension costs for police staff, along with the higher costs associated with providing general equipment, support and uniform for the extra police officers. This list is not exhaustive and sits alongside the substantial one-off capital and revenue costs associated with transitioning from the alliance and setting up the arrangements for future service delivery in Warwickshire.

As in previous years the budget also takes into account and includes provision for initiatives, which support and underpin the priorities set out in the Warwickshire Police and Crime Plan 2016-2021. This plan was subject to extensive consultation with stakeholders, partners, businesses and local residents before its approval and was refreshed in 2019 to reflect current priorities. In the Police and Crime plan the Commissioner sets out his vision for a safer, more secure Warwickshire. He aims to:

- **Put victims and survivors first**
- **Ensure efficient and effective policing**
- **Protect people from harm**
- **Prevent and reduce crime**

Some of the areas of work and key initiatives that fall within each category are summarised below:

To put victims first the Commissioner will provide funding within his budget to:

- Work with partners to provide robust support services to all victims of crime to help them cope and recover by providing emotional support to victims by their preferred method, face to face, online, via the phone etc. A new improved service went live in April 2019 which will continue to be embedded throughout 2020/21 through interaction with the harm hubs across the County.
- Continue to embed restorative justice practices in the county, providing victims of crime the opportunity to engage in restorative justice conferences with offenders.
- Ensure partners comply with the Victims Code of Practice and the Victims and Witness Charter
- Continue to embed the principles contained within the Victims Charter across the County to ensure that victims receive the right support to enable them to cope and recover.

In the 2020/21 revenue budget, the Commissioner aims to ensure effective policing. He will:

- Make provision for the additional 41 officers
- Finance the implementation of the change team plans to deliver policing and support services in Warwickshire following the Alliance termination.
- Review the policing estate to ensure it is fit for purpose and rationalise assets where appropriate to deliver more efficient services and working with other partners where appropriate to do so. The estates work will include the completion of the sale of Southam, investment at Leek Wootton to enable staff and services to be repatriated following the alliance termination, replacement of the roof at Stratford police station to ensure the building is fit for purpose, the opening of Stuart Ross House as the new control centre and the relocation of the Safer Neighbourhood Office at Atherstone.
- Utilise Section 106 funding to invest appropriately in policing services where there is a direct relationship with the development.
- Invest in suitable equipment and facilities for all police officers and for Specials, including body worn video and other ICT requirements to drive greater efficiency and productivity.
- Provide increased funding to enable the recruitment of Specials across Warwickshire
- Invest heavily in modernising the ICT infrastructure to ensure it is fit to transition to a new service delivery model to improve efficiency.
- Provide financing for new telephony and communications systems, ICT equipment and for upgrading systems. This will enable Stuart Ross House to be fully operational as a control centre and deliver an improved service and communications with the public by responding more promptly to their needs.
- Continue to keep under review all activities and operations to secure best value, particularly as new collaborative partnerships are established.

To protect people from harm, in his 2020/21 budget he will:

- Continue to ensure services dealing with domestic abuse are co-commissioned with Warwickshire County Council to provide; accommodation and support for victims and dependent children. Provide a single point of contact and specialist helpline, outreach support and advocacy for high-risk victims. Support GP's to identify and safeguard victims of domestic abuse and ensure that multiagency safeguarding meetings are coordinated and delivered.
- Deliver a countywide domestic abuse perpetrator intervention programme aimed at preventing offenders reoffending.
- Ensure the National Probation Service can provide the courts with relevant historical information on past convictions to ensure they can sentence offenders of Domestic Abuse appropriately by funding a role specific post.
- Work with partners to further develop specialist capabilities where they are needed to better protect the public
- Fund sexual abuse support services to ensure victims can access suitable support and counselling for current and historic incidents, working with regional stakeholders to ensure regional forensic services are available and accessible for Warwickshire victims both adults and children.
- Increase the investment in paediatric sexual abuse support services to enhance the service and enable Child Sexual Exploitation (CSE) teams to effectively engage and support victims/those at risk of becoming a victim of CSE. Educating and raising young peoples', adults, and stakeholder awareness of the risks and signs of CSE by organising training events for professionals to improve awareness and response to incidents of CSE.
- Fund the PREVENT coordinator who supports and delivers the Warwickshire partnership PREVENT action plan.
- Provide ongoing support to ensure hate crimes are reported and victims are supported.
- Fund local Community Safety Partnership's to deliver local initiatives which address their needs as detailed in evidence based strategic assessments.
- Provide support and finance for investing and improving road safety
- Establish a small grants fund for providers to bid against to meet local priorities.
- Establish separate funding for initiatives to reduce reoffending and to focus on problem solving.

The Commissioner has also undertaken to prevent and reduce crime. To do so his budget will make provision to:

- Continue to work with and fund stakeholders to deliver positive diversionary activities, in key target areas, to at risk young people across Warwickshire reducing the risk of them engaging in crime and/or anti-social behaviour and assisting them to make positive informed life choices;
- Continue to support and fund business, rural and cyber-crime advisers who work across the county delivering initiatives which enable residents to; raise their concerns with the Commissioner and the force. Provide victims of crime with correct and timely information and support, raise awareness of how to protect themselves and reduce the risk of being a victim of crime.

- Continue to work with partners to develop an improved response to unauthorised traveller encampments.
- Continue to embed improved drug and alcohol services across the County
- Continue to fund and monitor the Integrated Offender Management (IOM) manager and domestic abuse manager to ensure offenders are robustly managed in the community.

When setting this budget the Commissioner has prioritised the best use of the funds available to him and focused on implementing efficiency programmes and productivity gains. He has undertaken a comprehensive review of the budget, gained a full understanding of the requirements of the force to rebuild service provision outside of the alliance, and explored all the outlined options for entering into new collaborations and partnership working to deliver value for money. The Evolve Change team plans have been built from a zero base, to create a budget that is lean, reflective of spending needs and delivers best value. However, in the spirit of continuous improvement and to deliver productivity and efficiency gains, further savings targets have been included within the budget. These are outlined in the table below:

Table 1

Area of saving	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Procurement	0.250	0.250	0.000	0.500
Policing model	0.500	1.436	1.390	3.326
Savings identified by service areas as part of the budget process/zero based budgeting	0.651	0.000	0.000	0.651
Transactional services	0.000	0.072	0.060	0.132
Total	1.401	1.758	1.450	4.609

Warwickshire Police will undoubtedly need to generate efficiencies in future years as demands and pressure on the budget increase beyond any increases in funding. However, it should be noted that in 2020/21 any unexpected pressures (not included in the budget) will need to be accommodated within the existing budgets (i.e. from additional savings or underspending elsewhere in the budget or through other efficiencies). Therefore tight budgetary control will be required. The absence of a financial settlement with West Mercia regarding the costs arising from the termination, does mean that although the budget and MTFP spending plans are affordable the level of reserves and borrowing has increased financial stress and require that projects are delivered within the timeframes outlined and on budget. This is a significant financial risk and is reflected in the reserves strategy as outlined later in this report.

5. The 2020/21 revenue budget – assumptions, costs and financing.

The draft revenue budget that has been developed ensures that resources are directed towards priority service areas and the immediate challenge of transitioning services from the alliance. It delivers on the strategic objectives contained within the Police and Crime Plan and also meets the strategic policing requirement.

The additional funding for Warwickshire as a result of the finance settlement is outlined in table 2 below:

Table 2

Description	2019/20 £m	2020/21 £m	Variance £m	Variance %
Police Grant	31.267	33.722	2.455	7.9%
Ex DCLG Grant	17.519	18.715	1.196	6.8%
Local Council Tax Support	3.910	3.910	0.000	0.0%
2011/12 Council Tax Freeze grant	0.877	0.877	0.000	0.0%
2013/14 Council Tax Freeze grant	0.368	0.368	0.000	0.0%
Total Core Funding	53.941	57.592	3.651	6.8%

The pensions grant (£0.870m) and uplift grant (£1.153m) are ring-fenced grants from central government shown within the budget, not within core funding. The budget is based on the most up to date cost information available. Police grants have been included as outlined above. Pay inflation has been included at 2.5% per annum in 2020/21 to reflect the increase in inflation and removal of the central government capping on pay awards. The council tax base has been assumed to increase by 1.57% in 2020/21. This is as per the most recent estimates from billing authorities, however, this will not formally be confirmed by them until 31st January 2020.

Other costs have been based on estimates and have been built generally from a zero base to ensure that they can be as accurate and aligned to the strategic business plan.

The 2020/21 draft budget is summarised in table 3 below. It includes all the known savings and cost pressures, the costs of the additional 41 officers and an income target of an additional £0.500m for vetting.

Table 3

Category of spend	2019/20 approved budget £m	2020/21 approved budget £m
Police officer, PCSO & staff pay and overtime	82.065	87.221
Other employee expenses	1.761	1.956
Premises costs	3.127	2.984
Transport	2.164	2.621
Supplies and Services	11.569	11.496
Third party payments	8.601	13.445
Capital financing costs	1.678	2.472
Gross expenditure	110.965	122.195
Income	(8.246)	(10.605)
Net force budget	102.719	111.590
Contribution from reserves	(1.285)	(3.855)
Net budget requirement	101.434	107.735

Appendix A shows further detail on the draft budget in the form of a high level objective analysis of income and expenditure. However, it should be noted that the redesign of Warwickshire services on exiting the alliance has made comparison difficult as teams are re-organised and a different model of service delivery is implemented. Appendix B shows some of the unavoidable spend pressures included within the draft 2020/21 budget. These have arisen mainly where there has been a previous decision made, national agreements or where they represent statutory payments.

In the absence of a settlement with West Mercia on the reasonable costs arising from the decision to terminate the Alliance, the 2020/21 budget is based on increased levels of borrowing and use of reserves. These are being used to finance one-off costs, but also to provide a smoothing effect to enable services to be stood up and embed in Warwickshire. Further detail on the reserves strategy is contained in section 7 of this report and the prudential indicators in appendix D which set out borrowing limits and capital controls.

Central Government funding represents approximately half of the financing for the 2020/21 budget. The remaining element is financed through council tax. The Commissioner bases his precept decision on a number of factors including the responses received from his consultation.

As previously mentioned the Commissioner froze council tax in 2017/18, but increased the precept by £12 and £24 respectively on band D properties in 2018/19 and in 2019/20. The PCC has consulted on his precept proposals for 2020/21 in more general terms, largely in the absence of any definitive information on precept flexibility included within the settlement, but delayed due to the timing of the general election in December 2019. His public consultation focused on three options - no increase in precept, an increase of 4.99% or an increase above 4.99%. Clearly an increase of 4.99% is now not an option afforded to the Commissioner as precept is capped at £10 or 4.38% in 2020/21, as per the 22nd January settlement, if a referendum is to be avoided. There was however a relatively good response to the consultation which closed on the 17th January 2020 with more than 1,700 responses received. The majority of respondents (around 70%) indicated support for an increase of at least 4.99%, however there was also a significant number of respondents (30%) who opted for a freeze and therefore the balance of opinion is somewhere between 0% and 4.99%. The PCC has also undertaken formal precept and budget consultations with representatives from the local business community, MP's, local authorities and staff representatives to ensure that his precept proposal is reflective of the whole Warwickshire community.

Following analysis of the consultation responses, along with the PCC's assessment of the challenges facing policing and the increased core grant allocation for Warwickshire the Commissioner is proposing to increase the precept by £9.99 or 4.38% (Band D property) in 2020/21. This increase will mean that the council tax for a band D property proposed by the Commissioner for 2020/21 will be £237.97. This level of precept increase will help to ensure that the force can continue to fund and invest in the services and infrastructure it needs to keep Warwickshire communities safe and deliver on the proposals for enhancing policing services in line with the Chief Constables plans outlined in section 4. Since the Commissioner took office in May 2016, police officer numbers have increased through precept increases to 963, the 41 additional officers provided for in this budget will increase this to 1,004 establishment posts, the highest level for Warwickshire since 2010.

The level of finance received through council tax is also reliant on the council tax base. This is calculated by each of the billing authorities for their region, who convert the properties to a band D equivalent, by making assumptions on the property types, new housing development, the amount of tax that can be collected, and the levels of discounts offered. Billing Authorities are not required to finalise their tax bases until the 31st January. Based on current information, the total tax base for the PCC for 2020/21 is expected to be 210,642.76. The net increase is 1.57%, which is slightly lower than in previous years, and lower than what has historically been included in the MTFP. A small amount of finance (£0.016m) has also been notified by billing authorities in respect of the collection fund surplus which will be received in 2020/21.

The Commissioners reserves are currently forecast to be £13.446m at the start of 2020/21, which includes the £5.00m general reserve and the ring-fenced road safety reserve. The Commissioner plans to use £3.855m of this total reserve in 2020/21 to support one-off revenue costs and provide a glide path to allow savings to be identified by the Chief Constable and a further £1.00m for capital costs which will reduce reserve balances to £8.59m by March 2021.

6. The Medium Term Financial Plan

The MTFP was last formally agreed in February 2019 although this has been updated and refreshed during the course of the year.

The key assumptions as at February 2020 are as follows:

- The precept will increase by £9.99 (4.38%) on a Band D property in 2020/21, and 2.99% thereafter
- Council tax base will grow by an average of 2% in 2021/22 and 2022/23, and a prudent estimate is included for a collection fund surplus - £0.100m
- General revenue grants will remain fixed in 2021/22 and 2022/23 (not allowing for inflation pressures), but uplift funding of £1.728m and £1.792m are included respectively
- The review of revenue grants funding formula will take place as part of the next comprehensive spending review.
- Pay inflation is included at 2.5% per annum and price inflation at current rates where there is a contractual commitment

The impact of the 2020/21 budget proposals and the assumptions outlined above are quantified in the Medium Term Financial Plan outlined in table 4 below. However, given the uncertainties around future police funding, CSR 2020, the projected budget gaps and options for funding them are provisional at this stage and will be subject to change. However, it does clearly demonstrate the scale of the challenge that remains.

Table 4

MTFP 2020/21 to 2022/23	2020/21 £m	2021/22 £m	2022/23 £m
Previous year's net budget	102.719	111.590	110.805
Pay and non-pay inflation	2.207	1.997	2.097
Uplift officers	1.233	1.728	1.792
PCC's police officer uplift (full year impact)	0.962	0.000	0.000
Other non-inflation related cost pressures and budget reductions (net)	7.584	(1.274)	1.310
Savings	(1.401)	(1.758)	(1.450)
Additional income	(0.500)	(0.500)	(0.500)
Uplift grant - officers	(1.153)	(1.728)	(1.792)
Capital financing and revenue contributions	0.901	0.750	0.750
Net revenue budget	111.590	110.805	113.012
<u>Financed by:</u>			
Central Government Grants	57.592	57.592	57.592
Council tax	50.143	52.761	55.420
Contribution from reserves to provide glide-path to transition/transformation	3.855	0.452	0.000
Remaining budget gap	0.000	0.000	0.000

The 2020/21 budget and MTFP is reliant on the use of reserves to finance the one-off costs and to provide a smooth glide-path to deliver policing services over the next three years. Further detail on the required movement and use of reserves in the MTFP is included within section 7 below.

7. Reserves and balances

There is a continuing focus on the amount of reserves held by police forces. The Policing Minister received a report in October 2018 which showed that total revenue reserves as at 31st March 2018 amounted to £1.40bn. This represented a reduction on comparable figures for the previous year of 14%. The latest available forecasts indicate that nationally reserves will fall by a further 47% between now and March 2021 to a figure of around £747m. Whilst this moves to a level of reserves seen as more appropriate by the Home Office, there is an increased risk of holding lower reserves. Nonetheless this is a national trend that is playing out across policing.

The reserves strategy for Warwickshire shows a faster and more significant reduction in reserve balances over the next two years, largely as a result of the local circumstances relating to the ending of the alliance. The budget plans accommodate all the known immediate financial costs facing Warwickshire police, however this involves a degree of risk. One of the most significant risks facing Warwickshire is arising from the need to transition services away from the alliance with the most complex and difficult area being ICT which underpins all services across the force. This is due to the fragile nature of the current systems, resource availability and skills and the current high level of collaboration with West Mercia. Further sensitivity around the ICT budget and reserves provision has been undertaken to mitigate this risk. The 2020/21 budget and underlying Evolve business plan will be monitored closely to detect early on any significant deviation against the plan or manifestation of risks and decide the appropriate actions.

Nevertheless there still remains risk over other issues largely outside the control of the force in terms of future finance settlements, inflation and the impact of future pay awards. Other areas of risk that have been considered include:

- Employer pension rates
- Changes to the funding model for the National Police Air Service (NPAS)
- Forensics and investment in digital technology
- The impact of Brexit
- Unforeseen major or unpredictable policing operations
- Introduction of the Emergency Services network (ESN)
- Technological changes in policing

The use of a significant proportion of the Commissioner's reserves over the life of the MTFP is an important element of the financial and reserves strategy

The table below shows the reserve balances anticipated over the MTFP:

Table 5

Description	Balances as at 31/3/19 £m	Estimated balances as at 31/3/20 £m	Estimated balances as at 31/3/21 £m	Estimated balances as at 31/3/22 £m	Estimated balances as at 31/3/23 £m
General Reserve	5.000	5.000	5.000	5.000	5.000
<u>Earmarked Reserves:</u>					
Budget reserve	0.639	0.639	0.452	0.000	0.000
Transformation reserve	0.862	0.585	0.000	0.000	0.000
Infrastructure reserve	8.091	4.783	1.000	0.000	0.000
Safer roads reserve	1.596	1.527	1.527	1.527	1.527
PCC grants & initiatives reserve	0.300	0.265	0.265	0.265	0.265
Redundancy reserve	0.400	0.346	0.346	0.346	0.346
Insurance & legal reserve	0.300	0.300	0.000	0.000	0.000
Income reserve	0.500	0.000	0.000	0.000	0.000
Total Earmarked Reserves	12.688	8.445	3.590	2.138	2.138
Total Reserves	17.688	13.445	8.590	7.138	7.138

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. Whilst there are a number of significant risks arising from the termination of the alliance, the assessment for 20/21 is that £5.0 m still needs to be held to provide adequately for all risks. The general reserve was reduced from £7.7m in 2015/16 to £5.0 m in 2017/18 and a further reduction is not prudent. Further details of the risk assessment are included in section 9.

The majority of services will have transitioned from the alliance by the 31st March 2020. However investment in ICT and transactional services will be required in 2020/21 to enable those services to transition to their end state by March 2021. The heavy reliance on reserves in 2020/21 to finance one-off and other short term costs

will enable a smooth financial landing path for services to enable them to be delivered and to bed in, which will enable efficiency savings to be realised in future years. It is critical that all services transition out of the alliance by the 1st April 2021 to avoid cost overruns and dual running. The Commissioner will be closely monitoring the force project plan for delivery throughout 2020/21. The use of reserves in this way is meaning that other planned investment not linked to the ending of the alliance will be delayed. This type of other investment will only take place when reserve balances can be partly replenished or borrowing reduced, and the financial strategy realigned and re-evaluated in the event of a settlement on costs.

8. The Capital Budget

The Capital Programme for 2020/21 to 2022/23 has been reviewed and updated in consultation with the respective business areas as well as the Commissioner for Warwickshire, reflecting known priorities and business requirements of the Evolve Business Plan. It provides finance for stabilising and upgrading the appropriate ICT systems and for development of the estate to ensure that services can transition and staff can be accommodated in Warwickshire, whilst ensuring that policing can respond to changes in demand and the nature of crime as efficiently and effectively as possible. Consequently the Commissioner is planning significant capital investment of £28.166m over the next three years with the majority of the activity and spend front loaded.

This programme is shown in table 6, and the consequences are incorporated into the MTFP. The capital programme will be kept under regular review challenged by the Commissioner, and may have to vary during the course of the year as projects unfold. A fuller list of proposed capital projects is however included at appendix C.

Table 6

Expenditure	2020/21 (Including slippage from 19/20 £m)	2021/22 £m	2022/23 £m	Total £m
Estates Strategy	3.837	3.088	1.479	8.404
ICT replacement & strategy programmes	12.091	2.073	2.073	16.237
Vehicle Replacement	1.011	0.998	1.047	3.056
Plant & Equipment	0.469	0.000	0.000	0.469
Totals	17.408	6.159	4.599	28.166

The expected funding of the programme is outlined in table 7. Given that reserves are being used primarily to finance one-off revenue costs, the majority of the capital programme will be financed from borrowing.

One of the key questions given that borrowing levels are anticipated to be relatively high over the MTFP period, in the absence of a settlement with West Mercia, is whether the borrowing is affordable. The prudential code and indicators provide the capital control mechanisms, however there are also revenue effects of borrowing which will impact on the annual budget. Any agreed borrowing will be monitored as part of the daily treasury management function and the longer term cash flow forecasting, so it will only be taken out when required. At the point of the borrowing being agreed, it must meet all the prudential code guidelines. Borrowing assumptions for approved capital schemes are included within the revenue budget for 2020/21 and the MTFP. However, in the event of other funds or finance being forthcoming, for example from a settlement with West Mercia, or as a result of under-spending in revenue budgets, through early delivery of savings or greater benefits from new collaborations, consideration will be given to using these to fund capital expenditure in lieu of borrowing, where it is prudent to do so and in light of the level of reserves. The Chief Constable will however, need to seek PCC approval to vary either the capital programme or the funding strategy.

Table 7

Funding	2020/21 £m	2021/22 £m	2022/23 £m	Total £m
Capital Receipts	0.850	0.000	0.000	0.850
Capital Grants	0.113	0.113	0.113	0.339
Section 106 funding	0.083	0.083	0.083	0.249
Revenue contribution	0.320	0.320	0.320	0.960
Infrastructure reserve	1.000	1.000	0.000	2.000
Internal borrowing	5.000	0.000	0.000	5.000
External borrowing	10.042	4.643	4.083	18.768
Totals	17.408	6.159	4.599	28.166

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

When setting the budget and capital programme for the forthcoming year the PCC must be satisfied that adequate consideration has been given to the following:

- Government policy on police spending, as applied to the PCC
- The CIPFA prudential code and the treasury management code
- The impact on the council tax, and the risk of exceeding the limit for triggering a referendum
- Whether the proposals represent a balanced budget for the year
- The robustness of estimates and the size and adequacy of general and specific earmarked reserves
- CIPFA financial management code of practice and guidance on the level of reserves
- The medium term implications of the budget and capital programme.

Section 25 of the Local Government Act 2003 requires the Commissioner's Treasurer to provide the Commissioner with assurance on the robustness of estimates made for the purposes of the budget calculations and the adequacy of reserves.

The Director of Finance for Warwickshire Police has provided assurance that the main assumptions and estimates used for compiling the budget are set out within the report and that the figures in the 2020/21 budget have been based on these assumptions. This budget is consistent with the financial strategy and the Evolve change business plan and does not impact adversely on the financial stability of the force in the medium term. However, there is a recognition that there is increased pressure on reserves, with many earmarked reserves being exhausted over the life of the MTFP based on current projections and there will be a need to identify increased savings targets in future years, if other funding streams or efficiencies do not emerge. Future financial implications and various scenarios up to 2023 have been analysed but can only ever provide an informed indication of the potential financial position the force and Commissioner will face. The MTFP reflects all currently known factors, and this will be monitored closely over the coming months and years. The impact of increasing ring-fenced grants will also require some careful monitoring, to ensure that the conditions associated with any ring fenced grant are met, but also the increased risk this may create in future years given that inflation was not provided for explicitly within the 2020/21 settlement. The figures included within the MTFP are based on a number of key assumptions, and are subject to change however they do evidence the scale of the challenge faced. In particular the figures are especially dependent on future government funding decisions and precept limitations, although they represent a fairly prudent estimate of the likely position.

The Treasurer for the PCC can provide assurance on the budget and MTFP in that it has been produced in line with the latest government policy and information, along with compliance with the latest CIPFA codes on treasury management and the prudential code. The Localism Act provides communities with the power to veto through a referendum, council tax increases considered by the government to be excessive. The level set by government for 2020/21 is £10 on a band D property. This report and budget is based on a proposed precept option within this limit. The budget proposed is balanced and assurance has been sought from the Director of Finance within the force on the robustness of estimates contained within it. These have been scrutinised and challenged and have been found to be sufficiently robust. This work has also revealed that the MTFP presents the most appropriate, prudent estimate of the future financial pressures that the Commissioner will face. It contains some inherent key assumptions, and any significant movement in these would have a significant impact on the available resources to support policing. However these will continue to be monitored carefully, along with any national developments and the unique local position regarding a financial settlement on the alliance termination, to ensure the Commissioner and Chief Constable are sighted on any emerging risks to the budget, reserves and MTFP for Warwickshire.

The Treasurer and the Director of Finance will be undertaking careful monitoring of the budget during the course of 2020/21 in conjunction with heads of departments and Chief Superintendents to manage and control the consequential impact on reserves, along with the unfolding local issues. The use of reserves over the MTFP is significant and the scale and their deployment as outlined in this budget has meant that other investment is having to be curtailed and the transition process prioritised. This approach does not come without risk and their rapid and more significant use than would otherwise be the case does cause some concern. However appropriate indicators e.g. the CIPFA resilience indicator will be used over the coming months and years to monitor the level of financial stress. Over the MTFP the force will also be required to identify savings and become self-sufficient, identifying annual efficiency savings and increased productivity to enable further growth.

The following narrative provides some further detail on the approach, evidence and assurance regarding the adequacy of reserves. This is particularly important given the unique local set of circumstances, in addition to the more general risks across the policing landscape.

In giving assurance on the adequacy of reserves the Treasurer has reviewed levels and compliance as outlined in the latest CIPFA guidance on the establishment and maintenance of Local Authority reserves and balances, which also applied to PCC's. This guidance sets out the factors that should be taken into account locally in making an assessment on the appropriate level of reserves and balances to be held.

The Commissioners reserves are categorised as - General Reserves, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely commitments, and, in part, by his appetite for risk. This should include the strategic, operational and financial risk facing the force, and also include the potential impact of external and internal risks. The Treasurer has thoroughly reviewed the risks facing policing in Warwickshire and reassessed the level of reserves required. In doing so, the Treasurer has complied with the CIPFA guidance with the intention being to ensure clear, transparent reporting around reserve levels in Warwickshire.

Compliance with the 7 key principles in CIPFA's guidance

Budget assumptions	Current situation in Warwickshire
The treatment of inflation and interest rates	<p>Warwickshire Police (WP) makes full and appropriate provision for pay and price rises, based on up-to date information.</p> <p>An informed assessment is made of interest rate movements.</p> <p>All individual expenditure and income budgets are prepared at estimated outturn prices.</p>
Estimates of the level and timing of capital receipts	<p>The PCC and WP make a prudent assumption on the level and timing of any future capital receipts</p>
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 budget to help finance unexpected operations or events that require a policing response.</p> <p>The force has already identified significant savings which will be removed from the budget over the next three years. (2020/21 to 2022/23). This is over and above the cash savings that have been removed from the base budget in the last eight years (i.e. 2011/12 to 2019/20). Many areas of expenditure included within the budget have been prepared on a zero based approach. This has enabled the stripping out of budgets that are no longer required, and a greater and more detailed level of understanding on the spending requirements for the budgets that are included. All the costs of transition are being financed within the budget and MTFP, these costs have been stress tested to ensure that the plans are affordable in the medium term. It does however mean that other planned investment will be delayed or stopped to enable transition to occur. Any significant pressures from demand levels would need to be addressed initially from other savings within the in-year budget, and that the general reserve would only be used in the most serious emergency situations.</p> <p>Some government grants are announced annually in advance and are cash limited. Any new policing pressures arising during the year will have to be funded from within the budget which will ultimately require other savings or efficiencies to be found.</p> <p>The PCC has created a small number of earmarked revenue reserves to help finance specific expenditure commitments.</p>

	<p>Appropriations are made to and from these reserves on an annual basis as required.</p> <p>Finally general reserves will only be 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>Before 2019/20 the force has consistently achieved its annual efficiency target. In 2019/20 an overspend is currently forecast largely due to the one-off costs associated with the termination and the budgeted savings that have not been achieved because of the focus on transitioning.. However, in 2020/21 the budget has been built from a zero base in many key areas, which means that there is a greater level of understanding and any budgets not required have been removed. A further savings target has been identified within the 2020/21 budget from procurement and support services to focus further effort on efficiency and productivity. However, additional savings are also required in future years to set sustainable budgets, but it is anticipated that these can be achieved through efficiency gains, and investment that should deliver longer term revenue savings and improved productivity.</p>
<p>The financial risks inherent in any significant new funding partnerships, collaboration, major outsourcing arrangements or major capital developments</p>	<p>The financial consequences of partnership, collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the regular monitoring and budget review process. Where relevant any additional costs have been incorporated in the annual revenue budget. These are reviewed regularly during the year in the budget monitoring reports report and where necessary the MTFP is amended.</p> <p>Warwickshire are embarking on establishing a number of new collaborative and partnership working arrangements. The costs of these where known are included within the capital and revenue budget and MTFP and includes some financial risk provision. West Mercia as the party giving notice to end the alliance is legally bound to meet the reasonable costs of termination. This is the subject of ongoing negotiation and involvement by the Home Office. The costs have been identified by Warwickshire and should therefore be recoverable as part of the ongoing informal process or through legal remedy. However, for the budget and financial planning process no funding has been included to date due to the uncertainty regarding timing of receipt or quantum.</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</p>

	commercial partners will be exposed to risk in the face of an economic recession.
The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.	<p>The PCC has retained a small number of earmarked revenue reserves to meet specific expenditure items. These are included within this report.</p> <p>The access criteria for special grants state that PCCs may be required to fund up to 1% of their net budget requirement themselves before the Government considers grant aid. This applies on an annual basis. This will always be maintained within the general reserve.</p>
The general financial climate to which the authority is subject.	<p>The finance settlement for 2020/21 was more favourable than anticipated in overall terms, however, the detailed breakdown of the grants, cast some concern and a need to clarify the governments approach towards inflation costs particularly pay. Pay accounts for almost 80% of the police budget and the current provision for cost increases across the MTFP (2.5% per annum) generates significant ongoing risk. The settlement also provides for precept flexibility on a band D property of up to £10 in 2020/21.</p> <p>General inflation in the U.K. has increased over the recent past and is applied where appropriate in the budget.</p> <p>The base rate now stands at 0.75%. The Governor of the Bank of England has indicated that any future changes are likely to be minimal and gradual.</p> <p>It is unclear what the next Comprehensive spending review will mean for police finance, or whether there will be a financial pressures on policing as a result of Brexit. However, the medium term financial plan reflects our local best estimate of future inflation rates, cost pressures, increases in government grants and revenues raised from Council Tax.</p> <p>The general financial climate to which the PCC is subject is also affected significantly by the need to 'interim' finance all of the transitional costs of exiting the alliance and making appropriate provision for the future delivery of services. The alliance had generated large savings for Warwickshire over the last seven years, and whilst it is envisaged that some services will require some significant investment to re-establish, the reasonable costs arising from the termination should be recoverable from West Mercia. The approach taken by Warwickshire of entering into new collaborations for some services will mean that value for money for tax payers is maintained and enhanced.</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 a General Reserve. In addition, the Treasurer has undertaken a comprehensive review of all reserves held. This has been undertaken again this year in light of the current circumstances in which the force is operating.

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. In previous years, there has been no specific provision in reserves for this, on the acceptance by the Commissioner that any failure to deliver savings would have to be compensated for, potentially, by service reductions. However, as the force is currently re-building services and resilience as it transitions from the alliance arrangements it is acknowledged that the ability to make savings may be hampered in the short term. On this basis, there is a recognition that there should be a provision of £0.500m from the general reserve to deal with this issue. This level of provision reflects the zero based approach to budgeting in many key areas, and the confidence of the Evolve team that modest efficiency savings within the target operating model are achievable. This however, must be coupled with a need to develop and maintain tight budgetary control, regular financial reporting to the PCC and Chief Constable to enable informed decision making in addition to strong budget management controls being in place to monitor this position robustly throughout the year.
- b. Possible delays in the delivery of savings. Previous history of significant underspending is forecast to be reversed in 2019/20, but this is largely due to one off transitional costs being incurred, and the developing picture regarding the 'unpicking' of costs across the alliance as services are transitioned. The level of general reserve allocated for dealing with this issue is £1.200m. I am recommending a reduction in this to £0.500m. This reflects the detailed costing work, zero based approach to budgeting in many key areas in 2020/21, the greater level of understanding on budgets included in service areas, the increased allocation made for the possibility of savings targets not being met (£0.500m) and the relatively modest additional savings target included within the 2020/21 budget.

- c. Any unforeseen costs in establishing new arrangements for policing and support services in Warwickshire following the end of the strategic alliance. It is noted that the reasonable costs arising from the termination of the strategic alliance are legally required to be borne by West Mercia, and months of detailed work, using the advice of experts and external agencies means that there is a greater understanding of these costs. These have been built into and financed in the budget, capital programme, and MTFP. However, there is an acceptance that there may be additional legal costs if a financial settlement cannot be reached through the ongoing processes and there is a need to resolve the dispute through arbitration as envisaged under the strategic alliance collaboration agreement. Equally there may be some additional dual running costs not provided for in the budget, if project delivery timelines slip. On this basis, an indicative provision of £1.0m is prudent within the General Reserve which will be monitored and reviewed as necessary as time elapses.
- d. 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 approximately £2.0m.
- e. Any additional delivery costs - capital or revenue associated with the work required to prepare and enable entering into new collaborations, perhaps most significantly in ICT related services. The most up to date known costs are built into the MTFP. Continual refinement and expert support and scrutiny has also been used to challenge the costs, and validate the estimates used. The highest risk may be capital (e.g. IT costs), but capital expenditure does have a revenue impact, particularly if it is financed through borrowing. In order to deal with this risk most effectively, the total capital programme will be cash limited across the MTFP at £28.166m, thus absorbing any revenue impact although there is recognition that this may have the effect of deferring or delaying some capital works across the entirety of the programme. A review of where this could have minimal impact would have to be undertaken if necessary, given the need to transition some key ICT services in a timely manner. The capital programme is significant over the MTFP period and it is felt that it should provide enough scope to deal with some additionality, even though it would need to be reviewed and recast to accommodate a changing landscape. Therefore no additional provision is recommended.
- f. The risk on inflation, especially on pay. The Medium Term Financial Plan includes a provision of 2.5% for pay from 2020/21 onwards. This is to reflect the removal of the public sector pay cap. Consequently I am recommending that no further provision be made, although this will be kept under review, as the risk remains.

- 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. As already stated, the Home Office has deferred a further review of the Police Funding Formula. This will now take place during 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 Warwickshire ranged from an increase of £1.9m to an increase of £2.4m. Given the continuing uncertainty around the outcome of this review, the recent change in Government and any likely date 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, provision of approximately £4m has been made in the Medium Term Capital Programme. Any significant additional capital costs that may occur in the short term would have to be met from reviewing the capital programme. Any increased revenue costs or grant reductions in the short term would need to be funded from further efficiencies.
- 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, which equates to around £1m.

The total cost of the provision required from within the general reserve, where it is possible to make any informed assessment is £5m. This is equivalent to 5% of the net revenue budget, which is in line with expected best practice and 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, as could any additional costs associated with the exit from the alliance. 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 considered to be unlikely to occur together. However, he does need to give realistic consideration to the likelihood of them occurring during the period covered by the plan, and for those which are certain to occur.

Given all of these assessments, it is recommended that a minimum level of £5.0m is provided in general reserves. However, this will be kept under constant review over the next 12 months and the wider MTFP period.

Provided that this sum is available at all times within reserves, I am satisfied that the level of reserves held is adequate based on known information and risk.

Earmarked Reserves

The predicted balance at 31 March 2021 for each earmarked revenue reserve is shown in the table below.

Table 8

Earmarked Reserve	Balance at 1st April 2020 £m	Movement In Year £m	Forecast Balance at 31st March 2021 £m	Purpose of Reserve
Budget Reserve	0.639	0.187	0.452	To support the revenue budget
Transformation Reserve	0.586	0.586	0.000	Combined into the budget and infrastructure reserve
Investment in Infrastructure	4.783	3.783	1.000	To fund schemes within the capital programme and reduce the need for borrowing thereby ensuring borrowing is at affordable levels
Safer Roads Partnership Reserve	1.527	0.000	1.527	Funds held on behalf of the partners to fund road safety initiatives. It is estimated that contributions to this reserve will be matched by draw-downs to fund grant programmes.
Redundancy Reserve	0.346	0.000	0.346	To fund any redundancy costs arising from transformation
Insurance and Legal Claims	0.300	0.300	0.000	Provided within general reserves
PCC Grants and Initiatives	0.265	0.000	0.265	To fund schemes and initiatives with partners
Total Earmarked Reserves	8.446	4.856	3.590	

The tables in section 6 and 7 show the deployment of all reserves over the life of the MTFP, 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 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 2020/21 to 2022/23. The balance on the reserve as at 1st April 2019 was £0.0m.

10. Summary and final conclusion

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 but minimal provision has been made in earmarked reserves to fund expected one-off pressures, including the most significant financial risks relating to the ending of the alliance.

The risks associated with this budget and MTFP have changed compared to those in previous budgets, mainly in the absence of a financial settlement and a need to 'interim' finance all costs from within Warwickshire's own resources, but also due to a lack of clarity on future central funding, particularly around pay inflation.

The force is facing the challenge of dealing effectively with the demands from increased crime and changes in the nature of crime, at the same time, Warwickshire through its newly energised and empowered work force has an ambitious programme of investment planned - at its re-designated Headquarters, other operational estates and also the modernisation of its ICT infrastructure. To do this the force recognises it requires robust project and programme management arrangements if it is to successfully achieve its aims within the resources and timeframes available, as there is only very limited scope and provision for further contingency or slippage. However, the strong financial management arrangements now in place, improvements in programme and project management and the strong leadership team and workforce should give the force the ability to implement this transformation successfully. The Commissioner will hold the Chief Constable to account during this period and will monitor progress on the delivery and spending of the revenue and capital budget to ensure that the resources made available are used in accordance with the outlined plans and enable Warwickshire to confidently and successfully move on from the alliance and work with its new partners in the future.

Appendix A

**Warwickshire Police and Crime Commissioner
Objective analysis of income & expenditure**

	2019/20	2020/21	Variance	Variance
	£'m	£'m	£'m	%
Chief Officers Directorate	0.655	0.776	0.121	18.47
Corporate Services Directorate	5.137	2.780	(2.357)	(45.88)
Enabling Services Directorate	16.874	17.302	0.428	2.54
Financial Services Directorate	4.785	9.434	4.649	97.16
Local Policing Directorate	58.355	56.572	(1.783)	(3.06)
Police and Crime Commissioner	2.665	2.725	0.060	2.25
Protective Services Directorate	12.428	20.155	7.727	62.17
Regional Collaborations	1.820	1.846	0.026	0.00
	102.719	111.590	8.871	8.65

The main variances have arisen mainly in which services have been grouped and restructured within Warwickshire. Some of the main variances are outlined below:

- The Chief Officers Directorate used to consist of the Change Programme, Information Management and AS&I which has been moved to Corporate Services. Disclosure within Information Management has moved to Legal Services similarly Information compliance has moved to Corporate Communications.
- In 2020/21 Corporate services directorate includes Professional Standards, Vetting from Local Policing which has seen an increase to income targets therefore showing a significant variation in costs
- Enabling services used to consist of Corporate Communications, ICT, People Services, Legal and Transport. As part of the separation Legal Services transferred to Finance. Compliance used to be part of Information Management under Chief Officers however this has moved to Corporate Communications within Enabling Services
- Financial services shows the greatest variation between years. This does not represent huge expansion in services, but includes a disproportionate amount of the increased one-off costs associated with some key services for example transactional services. Legal Services (which includes disclosure) has moved from Enabling Services to Finance. The shared services (transactional) budget is held in Finance
- The protective services directorate includes additional service areas such as Criminal Justice and domestic abuse (from Local Policing) however some services such as Road Safety, Firearms & trainers have moved to Local Policing.

Whilst this list is not exhaustive, it is intended to show the structural changes in budgets and departments that has taken place, but makes year on year comparisons of this nature more difficult during this transitional period.

Appendix B

Warwickshire 2020/21 unavoidable spend pressures and business growth included within the revenue budget

Description	£m
Local Government Pension Scheme – increased contributions based on the latest valuation	0.226
Uniforms for increased police officers	0.149
Regional Organised Crime Unit contributions	0.064
Health and Wellbeing to support officers and staff	0.115
Athena Crime Recording system costs	0.024
National Police Air Service funding options model	0.072
Business rates – Justice Centres	0.048
Injury and pensions uplift in costs	0.084
Sexual abuse referral centre increased costs	0.049
NPCC contributions	0.038
Home Office Communications Data costs	0.100
Reduced income from vehicle sales (de-minimus capital receipts)	0.027
ICT service costs across business areas	0.246
Specials Body Worn video running costs	0.070
Increased training costs	0.065
Increased vehicle fuel costs	0.052
Other minor increased revenue costs	0.122
TOTAL	1.551

APPENDIX C

Warwickshire Capital Programme (including medium term analysis)

Cost centre description	Warks Police 2019-20 slippage b/fwd	Warks Police 2020-21 Total budget	Warks Police 2021-22 Total budget	Warks Police 2022-23 Total budget
ESTATES PROJECTS:				
STUART ROSS HOUSE - <i>Phase 1 Improvements</i>	59.4	59.4	-	-
STUART ROSS HOUSE - <i>Crime Bureau</i>	50.0	50.0	-	-
RUGBY POLICE STATION - ALTERATIONS	-	-	-	1,000.0
BEDWORTH POLICE STATION - ALTERATIONS	-	-	-	
ATHERSTONE RELOCATION PROJECT	100.0	105.0	-	-
STRATFORD PS ROOF REPLACEMENT	300.0	300.0	-	-
STRATFORD CAR PARK DECKING	150.0	150.0	-	-
STRATFORD POLICE STATION - SITE REDEVELOPMENT	1,981.1	-	1,981.1	-
INVESTMENT IN ESTATES INFRASTRUCTURE: WARWICKSHIRE	-	157.0	158.0	157.0
LEEK WOOTTON	434.0	2,392.1	865.3	238.8
SECTION 106 CAPITAL INVESTMENTS	-	83.3	83.3	83.3
TOTAL WARWICKSHIRE ESTATE:	3,074.5	3,836.8	3,087.7	1,479.2

Cost centre description	Warks Police 2019-20 slippage b/fwd	Warks Police 2020-21 Total budget	Warks Police 2021-22 Total budget	Warks Police 2022-23 Total budget
ICT Transformation				
ICT "TECHNICAL DEBT" - TRANSFORMATION	2,139.0	-	-	-
10.1 KCOM - VMB Capability Upgrades	-	224.8	-	-
10.2 VMB - Apps audit / Citrix Migration & Decommissioning	-	88.4	-	-
10.1 to 10.2 Resources (IT Consultants)	-	209.3	-	-
10.3 Datacentre consolidation / Server upgrade	-	356.5	-	-
10.4 Security Roadmap / PSN Accreditation	-	107.0	-	-
10.5 Data Road Map / IT Data Model	-	35.7	-	-
10.6 Service Road Map / Service Tooling	-	178.3	-	-
10.3 to 10.6 Resources (IT Consultants)	-	182.9	-	-
10.7 AD / WIFI / Client / Device Management / Remote Access / O365 / and Comms Readiness	-	356.5	-	-
10.7 Resources (IT Consultants)	-	240.3	-	-
Transformation project envelope		7,632.4		
STORM UPGRADE - COMMAND & CONTROL SYSTEM	(148.4)	275.0		
ICT TELEPHONY PROJECT - Avaya	(50.0)			
WARKS OCC - STUART ROSS HOUSE ICT FIT-OUT	63.4	63.4		
K-COM TRANSITION PROJECT	86.9	497.3		
ATHENA SYSTEMS PROJECT - PHASE 2		22.3		
EMERGENCY SERVICES NETWORK - (Airwave Replacement Project)	620.0	364.2	1475.6	1475.6
AIRWAVE REPLACEMENT EQUIP -		45.9	45.9	45.9
REGIONAL MOTORWAY ANPR CAMERAS - REFCUS PAYMENT - HIGHWAYS ENGLAND		113.0		
TOTAL - ICT TRANSFORMATION	2,710.8	10,992.9	1,521.5	1,521.5

Cost centre description	Warks Police 2019-20 slippage b/fwd	Warks Police 2020-21 Total budget	Warks Police 2021-22 Total budget	Warks Police 2022-23 Total budget
ICT REPLACEMENTS:				
DESKTOP REPLACEMENT & GROWTH	-	175.7	175.7	175.7
HTCU - REPLACEMENT (DESKTOP & SERVERS)	-	46.5	46.5	46.5
MOBILE DEVICES	-	310.0	310.0	310.0
NEW RECRUITS SET-UP - I.T. COSTS	0.0	80.0	-	-
ALLIANCE SEPARATION - I.T. COSTS	0.0	250.0	-	-
CONSOLIDATION OF SMALL SYSTEMS	-	10.0	10.0	10.0
MULTIMEDIA PROJECT	-	-	-	-
REPL PRINTERS AND SCANNERS	-	9.3	9.3	9.3
SERVER	-	62.0	-	-
NETWORK	-	15.5	-	-
SAN/BACKUP INFRASTRUCTURE	-	62.0	-	-
SOFTWARE UPGRADES	-	77.5	-	-
WORKSPACE MODERNISATION PROGRAM	-	-	-	-
TOTAL - ICT REPLACEMENTS	0.0	1,098.5	551.5	551.5
ICT TRANSFORMATION PROJECTS & REPLACEMENTS - TOTAL	2,710.8	12,091.4	2,073.0	2,073.0
VEHICLE REPLACEMENTS:				
GENERAL PURPOSE CARS	61.3	1,011.3	997.5	1,047.4
VEHICLE REPLACEMENTS - TOTAL	61.3	1,011.3	997.5	1,047.4
OTHER CAPITAL PROJECTS:				
BODY ARMOUR REPLACEMENT	399.6	440.7	-	-
COLLISION INVESTIGATION - LASER SCANNERS	28.4	28.4	-	-
OTHER WARWICKSHIRE CAPITAL - TOTAL	428.0	469.1	-	-
TOTAL WARWICKSHIRE CAPITAL PROJECTS	6,274.6	17,408.6	6,158.2	4,599.6

APPENDIX D PRUDENTIAL INDICATORS – Warwickshire

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	9,369	7,043	17,408	6,159	4,599
	%	%	%	%	%
Ratio of financing costs to net revenue stream	1.62	1.46	2.08	3.01	3.82
	£'000	£'000	£'000	£'000	£'000
In Year borrowing requirement					
- in year borrowing requirement	7,644	2,365	11,375	5,976	4,416
	£'000	£'000	£'000	£'000	£'000
In year Capital Financing Requirement	2,390	5,502	14,368	1,912	-169
	£'000	£'000	£'000	£'000	£'000
Capital Financing Requirement 31 March	33,313	30,531	44,899	46,811	46,642
	£	£	£	£	£
Affordable Borrowing Limit					
Increase per council tax payer	0.59	0.74	1.53	2.39	1.98
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	40,000	40,000	45,000	45,000	45,000
	£'000	£'000	£'000	£'000	£'000
Operational boundary for external debt					
- Borrowing	30,000	30,000	35,000	35,000	35,000
Upper limit for fixed rate interest exposure					
- net principal re fixed rate borrowing / investments	£40m	£40m	£40m	£40m	£40m
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%