



Philip Secombe
Police and Crime
Commissioner
for Warwickshire

Warwickshire Budget 2021-22 Medium Term Financial Plan 2021/22 – 2025/26

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

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WARWICKSHIRE BUDGET 2021/22

MEDIUM TERM FINANCIAL PLAN 2021/22 – 2025/26

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This budget report has been prepared using the information included in the provisional finance settlement and draft figures for the Council Tax Base provided by the billing authorities. The tax base will not be formally confirmed until 31st January 2021 and if there are any changes these will be updated. There is also some uncertainty surrounding the accounting treatment of new Council Tax Grants in 2021/22, and these will also be updated if necessary.

Recommendations

The Commissioner is recommended to approve:

- a) A Net Revenue Budget after savings of **£114.233m**
- b) **£1.117m** contribution to reserves to fund the spreading of council tax deficits over a three year period and to manage future risks of the costs of the ongoing transition process.
- c) A net budget requirement of **£115.350m**
- d) A Council Tax for a Band D property at **£252.96**
- e) A Council Tax for a Band D property calculated as follows:

	£'m
Budget Requirement	115.350
Less Police Grant	36.032
Less Revenue Support Grant	19.711
Less Council Tax Support Grant	3.910
Less Council Tax Freeze Grant:	
2013/14	0.368
2011/12	0.877
Less Local Council Tax Support Grant 2021/22	0.781
Less Local Tax Income Guarantee 2020/21	0.509

Sub Total	53.162
Less: Collection Fund Surplus/(Deficit) (2021/22 share)	(0.230)
Amount to be raised by Council Tax	53.392
Divided by Aggregate Council Tax Base	211,067.82
Basic Amount of Council Tax at Band D	£252.96

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

<i>Band A (6/9th)</i>	<i>£168.639847</i>
<i>Band B (7/9th)</i>	<i>£196.746488</i>
<i>Band C (8/9th)</i>	<i>£224.853129</i>
<i>Band D</i>	<i>£252.959770</i>
<i>Band E (11/9th)</i>	<i>£309.173052</i>
<i>Band F (13/9th)</i>	<i>£365.386335</i>
<i>Band G (15/9th)</i>	<i>£421.599617</i>
<i>Band H (18/9th)</i>	<i>£505.919540</i>

g) *That the Chief Executive to the Office of the Police and Crime Commissioner for Warwickshire be authorised to issue Precept Notices on the Warwickshire billing authorities as shown below. These may change marginally once final council tax base information has been received but any resulting changes will be offset within reserves.*

<i>North Warwickshire Borough Council (tbc)</i>	<i>£5,330,133</i>
<i>Nuneaton & Bedworth Borough Council (tbc)</i>	<i>£9,715,704</i>
<i>Rugby Borough Council (tbc)</i>	<i>£9,798.518</i>
<i>Stratford Upon Avon District Council (tbc)</i>	<i>£14,402,624</i>
<i>Warwick District Council (tbc)</i>	<i>£14,144,688</i>

TOTAL – (tbc when tax bases finalised)

£53,391,667

- h) *The reserve strategy set out in section 7*
- i) *The outline capital budget in section 8*
- j) *All Officers and staff be instructed to exercise tight budgetary control. Over-spending of 2021/22 departmental budgets must be avoided and the utmost caution must 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, reported to him on a regular basis.*
- 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 fifth budget report for Philip Seccombe, the Warwickshire PCC. The setting of the 2020/21 budget was due to be the last of his current term, but this was extended following the delay of the 2020 elections due to the pandemic, with PCC elections now due to take place in 2021. The setting of the budget is one of the key responsibilities of the PCC and one of the most important decisions he will make under the Police Reform and Social Responsibility Act 2011.

The report clearly sets out the key priorities and service improvements that this budget will provide for, which have been determined following a comprehensive budget setting process with the Chief Constable and his staff and a wider consultation process with the public and other key stakeholders. These priorities and service investments are reflected in the specific details contained in the report on:

- Police and Crime Commissioners (PCC's) revenue budget for 2021/22
- Proposed precept for 2021/22
- Medium Term Financial Plan (MTFP) 2021/22 to 2025/26
- Anticipated reserves position 2021/22 to 2025/26
- Outline capital budget 2021/22 to 2025/26

It is critical to set out the issues that influence and contribute to the build of the budget for 2021/22 and over the medium term financial plan period. This includes a process of reflecting on the current year and updating it to include future objectives. Soon after setting the budget for 2020/21 the effects of the pandemic were being felt, and Warwickshire Police have played a vital role in keeping Warwickshire communities safe by working closely with partners and responding swiftly and effectively to the constantly changing situation throughout the year. This good work will continue in 2021/22.

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

- The requirement to set a good and balanced budget.
- Ongoing issues associated with the global pandemic.
- The need to establish a robust Information Communication Technology (ICT) infrastructure.
- The policing model and business plans of the Chief Constable.
- National targets and objectives including the Strategic Policing Requirement
- The priorities within the Police and Crime Plan and any likely changes to these for 2021/22
- The outcome of the public budget and 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, set out in the autumn spending review and the provisional finance settlement received on the 17th December.
- The medium term financial obligations and risks along with prudent use of reserves
- The drive for continuous improvement, efficient working and value for money, which will include exploring and evaluating appropriate collaborative working opportunities that are fully risk assessed.
- Ensure a firm financial legacy is established that delivers appropriate future funding and reserve levels
- Ensure that the budget appropriately reflects services that are due to transition from West Mercia, either to new collaborations or to standalone services in Warwickshire.

On the basis of the content of this report, discussions with the Chief Constable and the responses already received from the consultation process, the Commissioner is proposing a precept increase for a Band D property of £14.99 (6.3%) in 2021/22. Any precept increase below this level would require additional savings to be identified to balance the budget.

2. Introduction

Warwickshire Police has undergone significant and transformational change over the last 12-24 months and this will continue into 2021/22. Police officer numbers have and will increase further, the remaining hosted and shared services from West Mercia police will transition and be set up as standalone functions in Warwickshire, or delivered by entering into new collaborations, and our ICT infrastructure will be overhauled and made fit for the future. All of this work has progressed in the current year against the backdrop of the global pandemic, which has posed unique challenges for policing, our partners and the wider community, and work will continue at pace in 2021/22.

Covid-19

The force has been at the heart of a cohesive and effective response to the pandemic in Warwickshire, working with local and national partners but also formulating an independent response to operational and organisational challenges.

The pandemic has constantly evolved, and at times the situation and regulations have changed quickly and significantly. The Force and OPCC have been proactive in dealing with an array of issues, ranging from interpreting and disseminating information through to issuing clear communications to the workforce, ensuring proportionate policing, through engagement and education before enforcement.

Policing visibility has been high and adequate supplies of personal protective equipment (PPE) have been secured. The Force has adopted new ways of working through an accelerated programme of remote and flexible working options, whilst responding to changes in crime types and patterns during the pandemic as well as handling increased 'public' contacts about the pandemic and other matters.

Before the pandemic, crime patterns in Warwickshire had been broadly reflective of the national picture – increasing demand, arising in part due to better reporting and recording of crimes, and a change in crime patterns with increases in more complex crime types. However, the lockdown in March 2020 saw significant reductions in some crime types, including burglary and business robbery, but also some increases in others, notably domestic abuse. Since then, and as restrictions have been lifted and then re-imposed as the tier system has come into effect, crime types have reverted to levels more similar to pre-pandemic levels albeit with some

significant sustained reductions in acquisitive crimes and increases in domestic violence reporting.

In response to the increase in domestic violence, the PCC has been successful in securing some additional in-year funding for partners who work with domestic abuse victims and perpetrators to provide enhanced support. This funding will also continue into 2021/22 to maintain an increased number of independent sexual and domestic violence advisors in Warwickshire to provide continuing support to those most in need.

The pandemic has also brought significant financial and operational challenges for Warwickshire. Warwickshire police has received increased support from central Government for some Covid-19 related costs, including PPE, surge funding for specific Covid-19 activity including overtime and equipment related expenditure, and also received reimbursement of a proportion of lost income, which is integral to the annual budget.

The government has pledged to do more to support PCC's financially, which will go some way to mitigate the incurred Covid-19 costs in 2020/21 and into 2021/22, but this is still likely to fall short of full reimbursement. More details are included later in this report, but essentially currently confirmed support will be through the continuation of income losses reimbursement until the end of June, reimbursement of 75% of irrecoverable council tax deficits and a separate grant to support increased local council tax support cases which will have the effect of reducing council tax income and are all of course very welcome. However, the longer term financial effect of the pandemic on the economy and the government response to this remains uncertain at this time and the PCC has taken this into consideration in setting this budget.

At the time of writing approximately £1m of Covid-19 costs have or are due to be reimbursed to Warwickshire PCC in 2020/21, with more anticipated by the year end depending on the severity of restrictions and their impact during the remainder of the year. In addition to this reimbursement, the PCC has been successful in bidding for and securing over £0.500m of additional funding from the Home office and Ministry of Justice to enhance services for the victims of crime, particularly those suffering from domestic and sexual abuse, some of which will be received in 2021/22.

Warwickshire Police transformational change – the story so far:

The PCC has worked with the Chief Constable to deliver plans to transform Warwickshire Police, by investing heavily in additional officers to increase the establishment to 1,045 in 2021, which is the highest number of officers in a decade.

This has been done whilst also transitioning out of the collaboration with West Mercia Police and undertaking a fundamental review and overhaul of the Force ICT infrastructure. When appropriate the Force will continue to collaborate to deliver

effective policing which is fit for the future, whilst ensuring that the service provided is both efficient and provides value for money for taxpayers.

In 2020/21 additional financial support from reserves has been provided by the PCC to deliver these plans at pace so as to continue the transformation and ensure Warwickshire police is resilient and able to protect people from harm even during the most difficult of circumstances. This approach was partly prior to the advent of the additional challenges created by the pandemic, however the Force and OPCC have continued to police and deal with the pandemic, maintain business as usual and undertake transformation.

To date, the Commissioner has secured and continues to invest in:

- The re-establishment of over 30 policing service areas following the end of the strategic alliance and transformed and reviewed the way in which such services are delivered in Warwickshire to be more efficient and operationally effective, including the detection and investigation of crime.
- High levels of investment in ICT infrastructure and mobile working technology for officers and staff, to enable them to work remotely and more flexibly, which has been particularly important throughout the pandemic, and enabled ongoing prompt and effective engagement with the public, other partners and colleagues.
- The recruitment of 126 additional police officers in 2019/20 and 2020/21, and a further 41 planned in 2021/22, improving police visibility and providing increased capacity and resilience to deal with increasing demand and the changing nature of crime, which has stood the Force in good stead particularly during the pandemic.
- The provision of a new state of the art Operational Communications Centre (OCC) in Warwick, which has also been used as an enhanced training centre for the increased number of new recruits and will become fully operational as a control centre later in spring 2021.
- Significant and increased investment in the support available for the victims of domestic and sexual violence. High quality and improved commissioned services for the victims of general crimes, and specific support to help tackle issues associated with substance misuse.
- Providing ongoing financial support to partners and grant recipients to deliver innovative and diverse crime prevention projects and also to reduce reoffending.
- Investment in an array of road safety initiatives, working closely with a newly invigorated Warwickshire Road Safety Partnership, and accompanied with increased roads policing officers to help improve road safety across the county.

- The ongoing provision and development of an accredited national contractor vetting service, to provide improved services across the country to vet all non-police contractors enabling them to have access to police sites, data and systems.
- The creation of new and/or expanded policing teams for rural crime, firearms, patrol and child abuse, trafficking and exploitation to improve the investigation and detection of crimes and ensure a safer more secure Warwickshire.
- Implemented new arrangements for reviewing police complaints by PCC's to provide a more independent review and therefore improved reassurance to the public regarding such matters.
- The development of work to collaborate with West Midlands Police on forensic services to provide high quality, and efficient services in the future.
- Oversight of the development of an appropriate policing model and transition of ICT and Human resources (HR) and finance transactional services out of the alliance with West Mercia Police, by September 2021.
- Delivery of fit for the future ICT infrastructure and applications.
- Development of plans to implement changes to the estates service provision from April 2021, following the decision by Worcestershire County Council to withdraw from the joint venture company Place Partnership Limited, which will result in the dissolution of the company. The new delivery model will provide for more efficient routine work, support for ongoing and new estates projects and continue the success in securing S106 funding to support service provision associated with many of the planned new housing developments across the county.

3. Background on the national picture, the 2020 Spending Review and the 2021/22 finance settlement

The landscape of police funding has been varied over the last 10 years, with Government support for policing reducing by around 34% during the early years of austerity, and then cash flat funding between 2015/16 and 2019/20. This created pressure on budgets as unavoidable cost pressures, for example pay increases, inflation and statutory charges continued.

In 2019/20 the police finance settlement provided an additional £970m of funding, precept flexibility was increased to £24 and an additional £161m of 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 were monitored and met.

The finance settlement for 2020/21 continued this more favourable trend and provided for an additional £700m of funding for territorial forces, based on the assumption that all PCC's increased their precept by the £10 maximum. The trend of flexibility in precept increases is welcome and indeed necessary, however, this 'matched' funding approach has over time shifted the burden of funding the police away from central government funding to the precept.

On 25 November 2020, the Chancellor of the Exchequer announced the outcome of the 2020 spending review (SR2020). The SR2020 sets out public spending totals for the financial year 2021/22, and was originally envisaged to cover a three year period, however, the impact of Covid-19 and the uncertainty this created in economic terms, meant that the settlement covered a single year only.

The announcement by the Chancellor made an assessment of the significant impact that Covid-19 has had on the economy and public finances based on a report by the Office for Budget Responsibility, (OBR) entitled The Economic and Fiscal Outlook (EFO). As part of the OBR's analysis the report suggested that spending on unprotected public services such as police, fire and local government was likely to be broadly flat in real per capita terms until 2022-23. The OBR forecasts quoted in the spending review announcement were that GDP will fall by 11.3% in 2020 (the sharpest decline since 1709), before returning to growth in 2021. However, the economy is not expected to reach pre-crisis levels until the end of 2022; with long term damage meaning that in 2025 the economy will be approximately 3% worse off than expected pre-Covid-19. Whilst the government has taken unprecedented measures to protect the economy and jobs, the increasing level of public debt will have to be addressed in the Chancellor's future budget decisions.

The spending review also provided greater insight and flexibility than was expected regarding the proposed precept for 2021/22, allowing for a maximum £15 increase on a band D equivalent before triggering a referendum. The 2019 spending review had included the government's plan to recruit 20,000 additional officers by 2023. The 2020 spending review confirmed this continued commitment, and set a target of 6,000 to be recruited in 2021/22 supported by £400m of funding. Further financial support packages were announced for national policing activity including £63m to tackle economic crime, through the National Economic Crime Centre, £20m for Companies House reform, and £363m worth of funding to maintain law enforcement cooperation with the EU member states as well as to recruit additional Border Force officers.

The Government also confirmed an intention to freeze the majority of public sector pay for 2021/22, based on a comparison of public and private sector pay in 2020/21 to support its decision, with exceptions applying to NHS doctors, nurses and others and those who earn less than £24,000 (who will receive a pay rise of at least £250), in addition to increases in the national minimum wage. This will inevitably impact on the workforce at a time when significant national recruitment is being undertaken.

The provisional settlement was received on 17th December 2020 and in broad terms, it generally endorsed the one-year SR2020 announcements, with the main headlines shown below:

- Core Grant (including the PUP (Police Uplift provision) grant) increases from 7.8bn to 8.2bn, a difference of £413.6m being an increase nationally of 5.3%
- Up to a £15 precept flexibility on band D properties without triggering a referendum,
- 75% of council tax losses (due to Covid-19) to be compensated
- £87.4m (8%) decrease in reallocations from £1.1bn in 2020/21 to 1.03bn in 2021/22
- Flat cash pension grant allocations compared to 2020/21
- Capital grant remains cash flat for PCCs at £12.3m
- £52.3m capital funding for national priorities and infrastructure.

As stated the provisional settlement confirmed the £15 maximum precept and the figures the government presented in the settlement are conditional on PCC's taking this approach. This would generate an additional £288m of resources for policing from council tax alone. Due to historic differences in council tax, increases for individual PCCs range from 5.4% in Surrey to 10.8% in Northumbria. The unweighted average for all PCCs is an average increase of 6.6%. Assuming every force takes the £15 precept, the average total funding coming from council tax (including precept grant and legacy council tax support grants) is 38%. In Warwickshire a £15 increase equates to a 6.3% increase, and approximately 50% of the funding for Warwickshire's budget comes from local council tax funding.

The Local Council Tax Income Guarantee Scheme for 2020/21, was announced in the settlement and covers the reimbursement of 75% of irrecoverable 2020/21 council tax deficits, as notified by billing authorities. The Government have mandated through new legislation, that the 2020/21 collection fund deficit is spread over a three year period (2021/22 to 2023/24) to ease the pressure on the 2021/22 budget, as set out in the Local Authorities (Collection Fund: Surplus and Deficit) (Coronavirus) (England) Regulations 2020. As part of the council tax income guarantee they will provide 75% funding in a one off grant to PCC's, thus requiring local arrangements to be put in place to facilitate the allocation of grant over the three year period, which will be achieved through transfers to and from reserves.

Alongside the 2021/22 Provisional Settlement the Ministry of Housing, Communities and Local Government (MHCLG) published a "Covid-19 funding for local government in 2021/22: consultation paper". Some of the contents within this publication apply to PCC's as they are part funded through council tax, namely, £670m of 'un-ringfenced' funding was announced for Local Council Tax support

grant, to compensate bodies for the increased number of claimants as a result of the pandemic, which has the effect of depleting the tax base and consequently council tax funding levels. This is likely to be one-off funding in 2021/22, paid directly to us in April. For Warwickshire PCC this funding is anticipated to be £0.781m. The MTFP approved in February 2020, assumed a 2% increase in the tax base which would have resulted in approximately £1m of additional funding if achieved in 2021/22, however, the indication from billing authorities, which will be confirmed by them on 31st January, is that the 2021/22 tax base will remain relatively flat in 2021/22 compared to 2020/21. Therefore, government recognition of this is also welcome.

An announcement was also made regarding the continuation of the Covid-19 related, income losses reimbursement until the end of June 2021. This will cover 75% of lost income, after the first 5% reduction in income. Claims will continue to be submitted by the PCC and the position will be monitored, until such time as the pandemic is under control the PCC will make provision for potential costs arising from operational activity related to the pandemic through reserves.

4. How the PCC will address the policing and financial challenges facing Warwickshire in 2021/22

The financial strategy is to have an affordable, sustainable and effective policing plan supported by a good and balanced budget, based on sound assumptions and where day to day expenditure is matched by core funding (Government grant and precept).

To achieve this it requires the budget to be fully integrated with business plans and policing strategy. The Force has taken a different approach to business planning, improving participation, transparency and scrutiny of business plans. This is a process that will continue to be developed in the coming year. A good budget also requires the underlying assumptions, which underpin the MTFP, to be robust and reflected appropriately in the budget. Transitioning out of the alliance with West Mercia Police has allowed a more Warwickshire focused approach when considering these assumptions.

In recent years there has been a reliance on reserves to support the annual budget, but this is not sustainable into the future. Whilst reserves have been used to accommodate the transitional process from the alliance as services have been transitioned and transformed, and for funding one-off items, over the last two financial years, reserves have also been used to support a gap between day to day operational expenditure and core funding. This is not resilient or sustainable, therefore, the 2021/22 budget will not include a routine draw down from reserves to finance ongoing expenditure.

There are a number of overarching policing and financial challenges facing Warwickshire. Some are unique in terms of the final stages of transitioning some of the main services including forensics, transactional services and ICT, whilst others are more generic to policing. 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, addressing the emerging challenges, in addition to delivering ongoing transformation of the organisation to achieve its vision set out in the Police & Crime Plan and Force five year strategy Fit for the Future, which also outlines how each Directorate will support policing and transformation. It will also provide for the provision of infrastructure, ICT, technology, equipment, buildings fleet and skills required to support all staff and officers to deliver policing, improve productivity and provide value for money.

The work of the Evolve 'business change' Team is critical to transitioning and transforming services. The Commissioner has provided finance to support the team who have reviewed Local Policing, Protective Services and Professional Services part of the original Evolve programme, to ensure that these services are affordable, effective and sustainable. In doing so the Evolve model will deliver £4million of savings from the 1st April to support a balanced budget in 2021/22.

However, officer numbers will increase to an estimated 1,045 in 2021/22, with further aspirational increases up to 1,100 in 2022/23, dependent on future funding levels under the uplift programme. This is the highest number of officers in Warwickshire in recent years, and underpins the policing strategy for Warwickshire and offers a unique opportunity to review the blend of officers, PCSOs and police staff (workforce) to deliver policing in Warwickshire.

The Chief Constable has outlined to the PCC his plans and the anticipated benefits of the 2021/22 budget, supported by a 6.3% precept increase, across the three main themes in the Fit for the Future strategy. They include:

Prevent and Protect

- Aligns our proactive resources under one command in Protective Services, and retains a funded vehicle crime team.
- Aligns our investigation resources under one command, and under the direction of the Head of Crime
- Strengthens our reactive and proactive investigations with a growth in warranted officers, who will receive additional training to provide a more resilient and effective investigative capability
- Strengthens our vulnerability teams, with additional warranted officers
- Strengthens our Intelligence function, with 24/7 police officer coverage and capability.

Respond and Reassure

- Maintains a Patrol function in the model at the required operational level
- Retains the current Safer Neighbourhoods Team (SNT) police officer numbers, and Rural Crime team
- Aligns the Harm Hub to SNT's to improve focus on respond and reassure, including crime prevention, licensing, Hate Crime, and victim satisfaction
- Increased police officer numbers in the Control Centre to continue focus on managing demand at first point of contact

Efficient and Effective

- Improved shift pattern within the Control Centre, to improve performance and generate efficiencies
- Deliver supervisory efficiencies by combining functions for example Firearms Licensing and Custody
- Create a new Evidence Review Officer function within Criminal Justice (CJ) to improve our CJ performance and efficiency
- Review and redesign a number of posts to warranted officer posts to increase the resilience and capability of the force in key capabilities such as firearms, Police Support Unit and Senior Investigating Officers
- Investment in Analysis & Service Improvements to deliver better data and performance management, increasing the efficiency of the policing model

It is clear from both operational demand and community feedback that the Force needs to maintain and enhance wherever possible a strong, visible presence. This will come primarily via the dedicated Safer Neighbourhood Teams, but also the reinforcement of specialised policing functions, focussed entirely within Warwickshire. The Warwickshire vision, along with public and political expectation remains, that policing should address crime against the most vulnerable including domestic abuse, sexual violence, 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 and more limited.

The pandemic has created a number of changes in crime types and patterns, although demands on policing remain high, sadly domestic abuse incidents have increased significantly, but other crime types have seen more sustained reductions. The force have increasingly had to adapt to changing demands as Covid-19-restrictions have changed and the force has continued to work closely with partners – new and existing - to protect people from harm.

The need to retain a sharp focus on community policing remains, 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 Police has a dedicated and loyal group of volunteers including Specials. They work with SNT's and in other policing service areas to improve visibility and engage with communities. There is a desire to expand this group, providing them with the equipment, skills and knowledge to carry out their duties and capitalise on the strength in our communities to make Warwickshire safer.

In setting the 2021/22 budget, the Commissioner has taken the plans of the Chief Constable into account, he also recognises the unavoidable pressures policing faces and the pre-existing programmes of work around transition and transformation. Unavoidable pressures include pay and price increases in relation to inflation, pay increments and turnover, increased employer pension costs, along with the higher costs associated with providing equipment, support, vehicles and uniforms for the increase in police officers. There are also numerous pressures arising from various national programmes, including the Home Office and National Police Chief's Council (NPCC). There has been a decline in recent years in the income mutual aid, generated by providing support to other Forces, creating a loss of at least £0.5m. 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 for transactional and ICT services.

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 and again in 2020 to reflect current priorities and the effects of the pandemic. 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. Improved

commissioned services for victims of general crimes and those of more specific crimes including domestic and sexual abuse went live in April 2019. These will continue throughout 2021/22 through interaction with the harm hubs across the County, and performance will be monitored.

- Continue to embed restorative justice practices in the county, providing victims of crime the opportunity to engage in restorative justice conferences with offenders.
- Additional financial support of £0.243m has been allocated to support victims of domestic and sexual abuse in 2021/22. This will build on the additional funding made available in 2020/21, and has increased the number of Independent Sexual Violence Advisors provided by our partners, working across the county by four.
- Engagement continues with partners to ensure that they comply with the Victims Code of Practice and the Victims and Witness Charter and 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.
- Independent views on the performance of victims commissioned services will be sought to ensure they are effective and provide high quality services for victims and provide value for money for taxpayers.
- To work with other partners to co-commission domestic abuse services across the county

In the 2021/22 revenue budget, the Commissioner aims to ensure effective policing. He will:

- Make provision and ensure that the additional 41 officers are recruited
- Finance the ongoing implementation of the change team plans to deliver policing and support services in Warwickshire specifically for ICT, transactional services and forensics, which are still to transition from West Mercia. The latter will be through a collaboration agreement with West Midlands police, which represents a move towards the recommended national hub approach for forensics service provision and which should facilitate more efficient and effective investigation of crime. Whilst ICT and transactional service capabilities will be developed in house by September 2021. This will ensure that services meet the requirements and support for policing in Warwickshire and put their needs first and foremost following the end of transitional arrangements with West Mercia
- Review the policing estate to ensure it is fit for purpose and meets operational requirements, this may result in rationalising the estate working with partners where it is appropriate to do so. The estates work will include the sale of Southam police station, the opening of Stuart Ross House as the new control centre and ongoing work on the sale of outlying land at Leek Wootton which is surplus to policing requirements, subject to the planning and legal process,

and other possible disposals following the review of estates. These schemes should deliver significant capital receipts in the medium term, which will be re-invested in policing in Warwickshire.

- Utilise Section 106 funding to invest appropriately in policing services where there is a direct relationship with the development.
- Invest in equipment, fleet and systems for all police officers, staff, PCSO's and Specials, to drive greater efficiency and productivity, and enable remote working which continues to be so essential during the ongoing pandemic.
- Provide increased resources to increase the number of Specials across Warwickshire to support Officers and improve visibility
- Invest heavily in modernising the ICT infrastructure to ensure it is robust, fit for purpose and drives more efficient working. This will enable Stuart Ross House to be fully operational as a control centre and will ensure an improved service and communications with the public by responding more promptly to their needs.
- Continue to hold the Chief Constable to account to ensure that the policing model is fit for purpose, is effective in tackling crime and that the transformation delivers the anticipated benefits to keep communities safe
- To continue working effectively with partners to improve prevention, and support early intervention and diversionary projects to reduce harm and prevent crime.
- To work across the region and with national networks particularly on specialised policing services to deliver more effective policing in Warwickshire

To protect people from harm, in his 2021/22 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 providing funding
- 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 events for professionals to improve awareness and response to incidents of CSE.
- Increase the funding for Independent Sexual Violence Advisors to maintain an additional four across Warwickshire.
- 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. Providing the 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

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, and gained a full understanding of the requirements of the Force. Over 30 services have been 'stood up' in Warwickshire following the ending of the alliance with West Mercia, and this work should draw to a conclusion in 2021, when the forensics, ICT and transactional services transition to their end service model. All anticipated costs have been included within the budget, however these services still carry some financial risk given their complexity and the level of integration.

Work is progressing well and the draft budget is lean, reflective of spending needs and delivers best value. However, reserves will continue to be held to specifically manage this risk in 2021/22. Notwithstanding that and in the spirit of continuous improvement over the medium term to deliver productivity and efficiency gains in line with the Fit For the Future strategy and to achieve a good and balanced budget, further savings have been identified or included as targets and these are outlined in the table below:

Table 1

Area of saving	2021/22 £m	2022/23 £m	2023/24 £m	Total £m
Evolve 2 – Savings (Transformation programme)	4.051	0.000	0.000	4.051
Estates	0.100	0.000	0.000	0.100
OPCC savings	0.135	0.000	0.000	0.135
Business Savings	0.126	0.000	0.000	0.126
Evolve 3 - Savings target	0.410	0.562	0.597	1.569
Total	4.822	0.562	0.597	5.981

In 2021/22 all Evolve 2 savings will be delivered on the 1st April. Only the Evolve 3 savings represent a savings target yet to be identified. Evolve 3 will develop plans to deliver a total of £1.569m of further efficiencies in 2021/22, 2022/23 and 2023/24 as profiled above, due to demands and pressure on the budget increasing beyond any anticipated increases in funding. Progress on achieving the first tranche of the Evolve 3 savings target in 2021/22 of £0.410m will be monitored throughout the year.

In 2021/22 any other 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), given that there is only limited scope to fund such costs through reserves. Only in exceptional circumstances will further transfers from reserves, other than those set out in this report, be considered and there will be a requirement, primarily to operate within the budget parameters. Therefore the Chief Constable will be required to exercise tight budgetary control, with regular reports presented to the PCC to demonstrate this.

5. The 2021/22 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 continuing challenge to transition the remaining services from the former alliance. It delivers on the strategic objectives contained within the Police and Crime Plan, updated as a result of the pandemic, and also meets the strategic policing requirement, within the anticipated level of funding available.

The additional funding for Warwickshire as a result of the provisional finance settlement is outlined in table 2 below. This is due to be confirmed in the final settlement which may not be received until February.

Table 2

Description	2020/21 £m	2021/22 £m	Variance £m	Variance %
Police Grant	33.722	36.032	2.310	6.8%
Ex DCLG Grant	18.715	19.711	0.996	5.3%
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	57.592	60.898	3.306	5.7%

However, some caution needs to be exercised in making a simple direct comparison of core funding between years. The 2020/21 element of the uplift grant is now baselined in the main 2021/22 funding, and accounts for approximately £1.2m of the increase in core funding. In addition, the 2021/22 uplift funding has been split. Part of the costs are included in the increased core funding shown above, and part through a separate ring-fenced grant of £0.7m. This change in approach makes like for like direct comparisons on core funding more difficult between years.

Notwithstanding this, the provisional settlement was positive and when taking these issues into account, has resulted in over £1m of additional core funding than was included in the pre-settlement budget planning scenarios. The provisional settlement is also based on all PCC's increasing their precept by the full amount to fulfil the uplift programme and assumes that this decision is subsequently approved by them.

The budgeted costs included in the draft budget are based on the most up to date cost information available. Pay forms over 80% of the budget and the pay freeze in 2021/22 (except for salaries £24,000 and below which will receive an increase of £250 per annum) has been reflected and increased by 1% thereafter. Due to the nature of police pay and the fact it is over half of the budget, attention always needs to be paid to the evolving and changing makeup of the workforce, increments, turnover and recruitment being subject to particular scrutiny. The budget set out here also includes the increase in officer numbers being 41 officers in 2021/22.

Other costs have been based on business plans, statutory and regulatory changes, estimates of the cost of national programmes and capital financing to support investment in buildings, ICT and vehicles. Some services have been built from a zero base and validated as part of the process to stand up service provision in Warwickshire following the alliance termination, to ensure that they can be as

accurate and aligned to the fit for the future strategy. The budget has been subject to greater scrutiny through the transition and therefore is based on a better understanding of the Force.

As a result of this work, the budget includes all the known savings and cost pressures, and is summarised in table 3 below

Table 3

Category of spend	2020/21 approved budget £m	2021/22 approved budget £m
Police officer, PCSO & staff pay and overtime	87.914	87.090
Other employee expenses	1.956	2.185
Premises costs	2.984	3.027
Transport	2.621	2.790
Supplies and Services	11.496	13.958
Third party payments	13.085	13.193
Capital financing costs	2.472	3.262
Gross expenditure	122.528	125.505
Income	(10.938)	(11.272)
Net force budget	111.590	114.233
Contribution (from) reserves	(3.855)	0.000
Contribution to reserves	0.00	1.117
Net budget requirement	107.735	115.350

Appendix A shows further detail on the draft budget in the form of a high level objective analysis of income and expenditure, and Appendix B shows some of the unavoidable spend pressures included within the draft 2021/22 budget which are related to either pre-existing decisions or have arisen through changes in legislation, national guidance or services provided to Forces on a national basis.

The budget also includes an income target of an additional £0.698m for vetting, which is an important element in supporting the budget and part of a £1.5m increase in vetting income over three years.

As stated earlier, core Government funding represents just over half of the financing for the 2021/22 budget. The remaining element is financed through council tax. Therefore, the precept decision is an important and difficult decision for the PCC,

made more difficult by the challenges created by the pandemic and the effects it has had on people's lives.

The finance settlement from central Government has been based on PCC's approving a maximum precept increase in 2021/22 to enhance the funding available to meet the increased policing demands and fulfil the Uplift programme as previously outlined. The PCC has consulted on his precept proposals, for 2021/22 firstly to understand the public's policing priorities through an online survey, and secondly regarding his proposed budget and thoughts around the precept level. A more comprehensive series of stakeholder consultation meetings have also been held to gauge the views of different groups throughout late December and January. All of the outcomes from these have been considered, along with the public consultation and are included in a separate detailed report which accompanies this budget report. The main headlines are however summarised below from the first phase of the consultation. Outputs from the second stage of the consultation will be included in the main accompanying consultation report and/or reported verbally at the Panel meeting.

A total of 1,588 took part in the online poll which ran as part one of the consultation from later November 2020 to early January 2021 – a total of over six weeks. This provided feedback on the key priorities respondents believed needed investment and also provided the commissioner with information as to the affordability and willingness of people to pay potential increases in the police precept.

For the first time, the OPCC also organised focus groups to gather qualitative feedback from seldom heard groups and organisations working with vulnerable people. Also canvassed were representatives of the business and farming community, alongside police staff associations, local councillors, council leaders and chief executives and Warwickshire Members of Parliament.

This ensured there was a broad demographic response representing a large proportion of the Warwickshire community; for example, the focus group with town and parish council representatives alone saw detailed feedback and questioning from individuals representing over 100,000 residents from all corners of the county.

The overall results reflected that there remained a strong desire to see sustainable investment in policing services, particularly where it improves the ability of the police to prevent and detect crime, enhance visibility of officers and ensure the protection of the most vulnerable. There was also a desire to see grant funding awarded by the Police and Crime Commissioner be prioritised towards projects supporting the vulnerable.

Nevertheless, the difficult financial circumstances many people now find themselves in was reflected in the online polling results, which showed around a third of respondents did not support a raise in taxation to support policing. There was greater opposition to a raise than in previous consultations, while around 18% of

respondents to the online poll felt that any increase would be unaffordable to them. Similar feedback was received from the focus groups, with the additional view that vulnerable groups are often those who benefit most from the additional services a precept raise would fund.

Following analysis of the consultation responses to date, along with the PCC's assessment of the challenges facing policing in Warwickshire the Commissioner is proposing to increase the precept by £14.99 or 6.3% (Band D property) in 2021/22. This increase will mean that the council tax for a band D property proposed by the Commissioner for 2021/22 will be £252.96. 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 and the Fit For the Future strategy.

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. The government have recognised the effect of an increase in the number of claimants qualifying for Local Council Tax Support (LCTS) Schemes, due to the current economic climate and rising unemployment, and how this will reduce council tax bases, which in turn reduces the available council tax funding for 2021/22. In response to this risk, PCC's and Local Authorities will all receive a one-off un-ringfenced share of £670m of additional funding to meet some of this shortfall. For Warwickshire police the allocation is anticipated to be £0.781m. The 2020/21 MTFP had assumed a 2% growth in the council tax base between 2020/21 and 2021/22, but this is now anticipated to increase by just 0.2%, which is equivalent to approximately £1.000m. Future deficits are also possible and will be reliant on the economic recovery following the pandemic.

For the first time in many years, the billing authorities collectively are also recording a deficit on the Council Tax Collection Fund in respect of 2020/21. In recent years the Police and Crime Commissioner's budget report has always shown a surplus. Whilst the surplus last year amounted to just £0.017m, in 2019/20 this was in excess of £0.217m, and was prudently included within the 2020/21 MTFP at £0.100m. The total collection fund deficit is £0.682m. This will be spread over a three year period, as mandated by Government, to ease pressure on the 2021/22 budget, and 75% will be reimbursed by the government through a one-off payment as announced in the provisional settlement. This is subject to confirmation but is anticipated to be £0.509m. To cover the losses spread across 2022/23 and 2023/24, a transfer to reserves of 2/3rds of the reimbursement will be made, with corresponding drawdowns across the MTFP.

The Commissioner's total reserves at the 31st March 2021 are forecast to be £10.703m, which includes the £5.000m general reserve and the ring-fenced road safety reserve, and other earmarked reserves. The Commissioner plans to contribute £1.117m to his earmarked reserves in 2021/22 to support the collection fund deficit spreading and in respect of the LCTS grant of £0.781m to manage some of the risks associated with the ICT transition and to ensure that Warwickshire Police is resilient as it enters a period of potential future austerity following the end of the pandemic. Only one-off costs for specific purposes will now be funded from reserves, including the cost of change, covid and road safety, and reserve levels at the end of March 2022 are therefore anticipated to be £11.823m.

6. The Medium Term Financial Plan

The MTFP was last formally agreed in February 2020 although this has been updated and refreshed during the course of the year.

The key assumptions as at February 2021 are as follows:

- The precept will increase by £14.99 (6.3%) on a Band D property in 2021/22, and 2.99% thereafter
- Council tax base will grow by an average of 0.5% in each year rising to 2% (pre-Covid-19 levels) by 2025/26. No provision has been included for collection fund surpluses or deficits across the MTFP, other than the spreading of the 2020/21 deficit over a three year period as mandated.
- Central government grant will increase by 1% p.a. across the life of the MTFP. The uplift grant funding is based on the anticipated allocations and are £0.755m in 2021/22 and £1.006m in 2022/23 for the uplift in officer numbers each year. Prior years grant is assumed to be included in the central government funding assumptions.
- The review of revenue grants funding formula may take place as part of a future comprehensive spending review.
- Pay inflation is included at 1% per annum allowing for a pay freeze in 201/22
- Pay includes provision for increments and turnover, which is especially material to police officer pay.
- General inflation is at the current agreed rates where there is a contractual commitment.

The impact of the 2021/22 budget proposals and the assumptions outlined above are quantified in the MTFP outlined in table 4 below. However, given the uncertainties

around future police funding, spending reviews /and the economic crisis created by the pandemic, costs and funding are provisional at this stage and will be subject to change and reviewed on an ongoing basis in advance of setting the annual budget and MTFP. The figures and underlying assumptions and plans demonstrate the scale of the challenge to maintain a good and balanced budget.

The 2021/22 budget is not reliant on the routine use of reserves to finance the annual budget and represents the achievement of a good and balanced budget which is self-sufficient and encourages greater efficiency and productivity.

Earmarked reserves are held for specific purposes and will be only used to manage risk and one-off costs to deliver policing services over the next five years. Further detail on the required movement and use of reserves in the MTFP is included within section 7.

Table 4

MTFP 2021/22 to 2025/26	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Previous year's net budget	111.590	114.233	117.634	119.971	122.964
Pay and non-pay inflation, increments & Turnover	3.935	1.448	1.825	1.900	1.950
Uplift officers	1.273	1.792	0	0	0
Unavoidable pressures	1.134	0.745	0.300	0.262	0.300
Business Plans	0.635	0.360	0.500	0.500	0.500
Pensions	0.275	0.350	0.350	0.500	0.500
Transformation, Transition and ICT	0.119	(1.411)	0.000	0.000	0.000
Savings	(4.822)	(0.562)	(0.597)	0.000	0.000
Additional income	(1.094)	(0.790)	0.250	0.000	0.000
Uplift grant – officers	0.398	(0.251)	0.000	0.000	0.000
Capital financing and revenue contributions	0.790	0.750	0.460	0.000	0.000

One-off items funded from reserves	0.000	0.970	(0.751)	(0.169)	0.000
Net revenue budget	114.233	117.634	119.971	122.964	126.214
<u>Financed by:</u>	(62.188)	(61.454)	(62.017)	(62.586)	(63.160)
Central Government Grants					
Council tax	(53.162)	(55.037)	(57.247)	(60.060)	(63.063)
Contribution to / (from) reserves	1.117	(1.143)	(0.707)	(0.318)	0.009
Remaining budget gap	0.000	0.000	0.000	0.000	0.000

7. Reserves and balances

In recent years there has been a continuing focus on the amount of reserves held by police forces. A report in October 2018 showed that total revenue reserves as at 31st March 2018 held by PCC's amounted to £1.40bn. This represented a reduction on comparable figures for the previous year of 14%.

More recent forecasts have indicated that nationally reserves will fall by a further 47% between now and March 2021 to a figure of around £747m, but this was based on estimates pre-Covid-19. This was seen as more appropriate by the Home Office, but there is an increased risk associated with holding lower reserves, and indeed throughout 2020/21 PCC's nationally have been using their reserves to finance costs associated with the pandemic, so the reduction will undoubtedly be more dramatic. Some Covid costs have been subsequently reimbursed, but it is anticipated that some costs will still have to be financed locally based on current information. In Warwickshire an earmarked reserve of £0.500m was set up for this purpose early in 2020/21 and will be retained into 2021/22 to manage any future costs. All forces however, are still reporting a drop in reserves from common operational pressures and this is a trend that was in place prior to the pandemic and is now even more impactful.

The current reserves strategy for Warwickshire showed a significant reduction in reserve balances over the period to March 2022, largely as a result of the local circumstances relating to the ending of the alliance, and this will now be updated following the approval of the 2021/22 budget and MTFP. To date, over 30 services have been transitioned successfully and reserves have been used in 2020/21 to finance the costs of transition and transformation. To continue this work for the three

remaining services, the 2021/22 draft budget accommodates all the known immediate financial costs facing Warwickshire police, however there remains a degree of risk, particularly with the most complex and difficult area still to transition, being ICT which underpins all services across the force. The infrastructure is becoming more resilient and robust, with a new network and servers in place, and good progress is being made in migrating applications to the new network. However, this has been a time consuming and costly process, the ICT was aged and fragile, and as such the process has been extremely complex compounded further by the level of integration with West Mercia Police.

It is intended that testing of systems at Stuart Ross House will commence in February, and will aim for a go live for the control centre later in the spring, additionally all ICT services will be transitioned away from West Mercia by September 2021. A budget and transformation reserve exists to deal with these risks.

Allowing for all of the known costs the movement of reserves is summarised below over the MTFP period:

Estimated reserve levels on the 1st April 2021	£10.703m
Contributions to Earmarked Reserves in 2021/22 to manage known risks	£ 0.781m
Contribution to Collection Fund Reserve in 2021/22	£0.339m
Transfers from Earmarked Reserves	(£0.950m)
Transfer from Budget & Transformation Reserve	(£0.870m)
Transfers from Collection Fund Reserve	(£0.339m)
Anticipated reserve levels at the end of the MTFP (31st March 2026)	£9.664m

Nevertheless there still remains other risk on issues largely outside the control of the force for which earmarked reserves have either been specifically created or they will be covered by either the budget or general reserve, including:

- Known Operations or any unforeseen major or unpredictable policing operations
- Pay, inflation and BREXIT related supply chain issues
- Pensions
- Legal
- Fees and charges
- National service charges

- digital technology investment and technology changes in policing
- Introduction of the Emergency Services network (ESN)
- Estates strategy

Exceptional one-off issues, over and above these, would need to be managed within the general reserve. It is recognised that this may be over and above any special grant application to the Home Office, however it is set in recognition of the tightened criteria for these applications. .

Table 5 shows the reserve balances anticipated over the life of the MTFP:

Table 5

Description	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	Estimated balances as at 31/3/24 £m	Estimated balances as at 31/3/25 £m	Estimated balances as at 31/3/26 £m
General Reserve	5.000	5.000	5.000	5.000	5.000	5.000	5.000
<u>Earmarked Reserves:</u>							
Budget & Transformation	1.707	2.104	3.252	3.079	2.591	2.323	2.382
Collection fund deficit grant	0.000	0.000	0.339	0.169	0.000	0.000	0.000
Transformation	9.538	1.378	0.000	0.000	0.000	0.000	0.000
Infrastructure	1.165	0.000	0.000	0.000	0.000	0.000	0.000
Safer roads	1.589	1.282	1.282	1.282	1.282	1.282	1.282
PCC grants & initiatives	0.300	0.300	0.300	0.250	0.200	0.150	0.100
Pensions & Redundancy	0.400	0.000	0.400	0.400	0.400	0.400	0.400
Insurance & legal	0.300	0.253	0.500	0.500	0.500	0.500	0.500
Covid-19	0.500	0.386	0.500	0.000	0.000	0.000	0.000
Income	0.500	0.000	0.250	0.000	0.000	0.000	0.000
Total Earmarked Reserves	15.999	5.703	6.823	5.680	4.973	4.655	4.664

Total Reserves	20.999	10.703	11.823	10.680	9.973	9.655	9.664
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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 continued transitioning of services and the pandemic, the assessment for 2021/22 is that £5.000m still needs to be held to provide adequately for all risks. This represents less than 5% of net revenue expenditure. The general reserve was reduced from £7.7m in 2015/16 to £5.0m in 2017/18 and has remained at that level since, a further reduction is not prudent, given the uncertain economic environment largely created by the pandemic, and although consideration has been given as to whether this should be increased to accommodate the risks, this too has been discounted at this stage, given the extent of detailed budget work undertaken by the finance and evolve transformation teams and the level of reimbursement and government support that has been forthcoming during the pandemic. Further details of the risk assessment are included in section 9.

The 2020/21 budget will spend £6.200m more than provided for through core and reserve funding, which has to be met by an additional draw down from reserves.

The majority of the additional expenditure is related to the transition out of the alliance and transforming ICT. The element, which relates to day to day expenditure has been addressed in the budget strategy and the need to use reserves for this purpose in future years should now be removed.

This is fully reflected in the reserve balances above, and is subject to the final 2020/21 outturn as at 31 March 2021

8. The Capital Budget

The Capital Programme for 2021/22 to 2025/26 has been reviewed and updated in consultation with the Chief Constable, the respective business areas and scrutinised by the PCC and his team.

The Capital Programme reflects known priorities and commitments to meet business requirements of the Evolve Business Plan as well as provides for a future which is still taking shape. There has been some slippage from 2020/21 and this has been included in the 2021/22 programme.

The refined Capital Programme includes continuation of the investment in the stabilising and modernising the ICT infrastructure, migration of applications and transformation of forensics and HR and financial transactional services to these new operating environments.

The estates programme contains projects that are necessary to complete the standing up Warwickshire service post transition to accommodate staff and ensure buildings are sound.

The pandemic has created a change in the way we work and roll out and use of technology and this will be a factor in shaping the strategies of each of these assets. Whilst ICT has been the focus of recent investment it is appropriate to now shift to undertaking a strategic review of the estate requirement, which complements the ICT and changes in the workforce so as to provide an environment which is safe and effective in which to work and efficient to operate, whilst reducing the impact on the environment.

In lieu of the estates strategy a general provision of £1.500m p.a. has been provided for in the Estates Programme.

The ICT investment will allow the force to take advantage of as much of the contemporary technology as appropriate. The future includes a change in how we deliver ICT services, moving away from a design and build approach to a service iCloud based approach, which in turn reduces the burden on capital financing. The ICT investment needs to be balanced with the requirement for appropriate estates, vehicles and other equipment. A provision has been made for future infrastructure and applications, in this new world, however it will be refined as the new service is bedded in.

Part of this picture is the consideration of the number and type of vehicles that are necessary for the force to operate effectively. This will need to accommodate changes in the industry and migration to electric and 'greener' vehicles over time, which in turn will reduce the carbon footprint of the fleet.

As stated elsewhere national programmes influence local policing. The replacement of the Airwave radio system being one example. The Emergency Service Network (ESN) is the national programme for providing communications in the future. This is likely to be a significant cost and timing of implementation is uncertain. However, it has been provided for in the Capital programme and will be a significant undertaking.

Consequently the Commissioner is providing for significant capital investment of £39.756m over the next five 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	2021/22 (Including estimated slippage from 20/21 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Estates	4.787	1.500	1.500	1.500	1.500	10.787
ICT Evolve & Technical Debt	7.253	0.000	0.000	0.000	0.000	7.253
ICT Projects including ESN	0.164	2.400	2.436	1.000	1.000	7.000
ICT Replacement	1.029	0.976	1.024	1.076	1.190	5.295
Vehicle Replacement	1.749	1.200	1.260	1.323	1.389	6.921
Plant & Equipment	0.500	0.500	0.500	0.500	0.500	2.500
Totals	15.482	6.576	6.720	5.399	5.579	39.756

The expected funding of the programme is outlined in table 7. Given that reserves are being used primarily to finance one-off revenue costs, manage risks and unexpected operational events, the majority of the capital programme will be financed from borrowing, and /or capital receipts where they are anticipated to become available. A prudent assessment about the level and timing of receipts built into the Capital Programme has been taken given the external factors, including planning and legal issues that will determine much of the progress and delivery of such projects.

Warwickshire has not undertaken any long term borrowing for some time. At this time borrowing is relatively cheap, but the timing of borrowing will be key. The use of borrowing will protect reserve levels and will be within our Treasury Management Strategy and prudential limits to ensure borrowing is affordable and sustainable. Therefore, it represents relatively low risk, whilst there will always remain potential for substitution with the use of capital receipts if timing and progress on schemes allows, and if supported by the Commissioner.

The prudential code and indicators provide the capital control mechanisms for borrowing, however they consider the revenue effects of borrowing, which have been

fully reflected in the draft budget and across the MTFP in increased capital financing charges.

Our cash position and the requirement to borrow are monitored closely.

Table 7

Funding	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total £m
Capital Receipts	0.000	0.000	0.000	4.500	4.500	9.000
Capital Grants	0.113	0.113	0.113	0.113	0.113	0.565
Specific Grant ESN	0.000	0.488	0.00	0.000	0.000	0.488
Section 106 funding	0.100	0.100	0.100	0.100	0.100	0.500
External borrowing	15.269	5.875	6.507	0.686	0.866	29.203
Totals	15.482	6.576	6.720	5.399	5.579	39.756

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
- The 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 this report, are robust and that the figures in the 2021/22 budget have been based on sound assumptions. He has also provided assurance that this budget is consistent with the financial strategy (good and balanced budget) and the Evolve change plan which underpins the Fit for the Future strategy and does not impact adversely on the financial stability of the force in the medium term.

There is recognition that there is a continuing but lessened pressure on reserves, and this has been managed in part by the 2021/22 budget decisions and the approach taken to capital financing so as to protect reserves for managing risk and uncertainty through the post pandemic period.

£4.000m of savings will be delivered as part of the transformation process on 1 April 2021, and further savings as part of the Evolve 3 programme will be delivered over the MTFP based on current assumptions. The MTFP reflects all currently known costs and income, and this will be monitored closely over the coming months and years. The figures included within the MTFP are based on a number of key assumptions, made over a five year period, therefore, whilst circumstances and figures are likely to change, these have been scrutinised and are sound.

A level of uncertainty does exist, in particular the figures are especially dependent on future government funding decisions and precept flexibilities or limitations. The extent of future austerity and the state of the economy, following the end of the pandemic is of course unknown. However, given the period under consideration and the level of uncertainty, the figures contained in the MTFP represent a reasonable and prudent estimate of the likely position and are a sound basis for planning purposes.

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, CSR 2020, the provisional settlement (still subject to final confirmation), and is in compliance with the latest CIPFA Treasury Management Code 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 2021/22 is £15 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 as stated. These have been scrutinised and challenged by the Treasurer 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.

The budget, MTFP and underlying assumptions will continue to be monitored carefully, along with any national developments, to ensure the Commissioner and Chief Constable are sighted on any emerging risks. Any changes in the final settlement and arising from the confirmation of tax bases and collection fund surpluses or deficits will be incorporated prior to the final budget being set, but they are anticipated to be minimal.

The Director of Finance will be undertaking careful monitoring of the budget during the course of 2021/22 in conjunction with budget holders to manage spending and any consequential impact on reserves. The use of reserves in 2020/21 is significant which has caused some concern, especially where it relates to overspending run costs. However, much of the overspend was for one-off transitional and transformational costs and it is felt that the rebasing of the budget in 2021/22 combined with the £4.000m savings have addressed the day to day operating costs issue.

The transition out of the alliance and the greater understanding of the post alliance budget and service needs has meant that there is more optimism and confidence in the assumptions, the budget and that spending will be contained within the agreed budget.

There is no routine reliance on reserves in the draft budget, and significant savings will be delivered in April 2021. The draft budget also provides for replenishment of reserve levels to manage future ICT and other risks. This supports a positive and significant step to delivering a good and balanced budget, where resources equal spending, and there is self-sufficiency. The MTFP has been extended over a longer period, despite the CSR only being for one year, however this better demonstrates the challenges over the medium term and the measures required to create the conditions for a resilient and sustainable Force.

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 applies 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.

The following narrative provides some further detail on the approach, evidence and assurance regarding the adequacy of reserves.

Compliance with the 7 key principles in CIPFA's guidance

Budget assumptions	Current situation in Warwickshire
The treatment of inflation and interest rates	Warwickshire Police (WP) makes full and appropriate provision for pay and price rises, based on up-to date information and recognising the change in the workforce

	<p>profile, increments, recruitment and turnover relevant to managing a police establishment.</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>
<p>Estimates of the level and timing of capital receipts</p>	<p>The PCC and WP make a prudent assumption on the level and timing of any future capital receipts. Receipts are anticipated but if the timing is not certain for financing capital expenditure, other financing options have been taken.</p>
<p>The treatment of demand level pressures</p>	<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. Savings of at least £0.900m were delivered in 2020/21. A further minimum of £4.000m will be delivered on the 1st April 2021, with another £0.822m planned to balance the budget in 2021/22. 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). Following the separation of services there is a greater and more detailed level of understanding on the spending requirements for the 2021/22 budgets. All the costs of services still to 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, although it is recognised that this does carry some risk, especially in relation to ICT related investment and this has been mitigated through a transfer to reserves in the 2021/22 budget.</p> <p>Any significant pressures from changes in demand 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</p>

	<p>budget which will ultimately require other savings or efficiencies to be found.</p> <p>The PCC holds a number of earmarked revenue reserves to help finance specific expenditure commitments. Appropriations are made to and from these reserves on an annual basis as required and in line with the purpose of the reserve.</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 2020/21 the force consistently achieved its annual efficiency target. In 2020/21 a significant overspend is currently forecast largely due to the one-off costs associated with standing up services in Warwickshire. The new Fit For the Future strategy has been set, which will continue to deliver transformational change within business as usual, deriving operational benefits and improved productivity and efficiency through the planned changes. £4.000m of savings will be removed from the budget by the 1st April 2021, in line with this strategy and the MTFP. Further savings are required over the MTFP and significant progress has been made to develop these through the Evolve team.</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 will be establishing new collaborative and partnership working arrangements. The anticipated costs of these are included within the capital and revenue budget and MTFP. The section 22 agreements will be suitably robust to manage these collaborations. The current services provided either jointly with or hosted by West Mercia will end in 2021/22.</p> <p>There are new risks associated with the development of a new estates service, following Worcestershire County council's decision to withdraw from the current arrangements through Place Partnership Ltd. Partners are</p>

	<p>working closely together to manage this risk and a new in house service will be implemented from April 2021</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 PCC has retained a 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. However, the grant criteria have been tightened and the likelihood of special grant funding has therefore reduced, This risk will always be provided for within the general reserve.</p> <p>Reserve levels whilst depleted in 2020/21, have remained resilient, throughout the pandemic, whilst the force has implemented a huge transformation programme. Additional government financial support for Covid-19 related costs has been receive. HS2 policing of the construction site is anticipated to be an ongoing drain on resources. In 2020/21 there were a higher than normal number of murder investigations, costs have been maintained, requiring additional overtime, which in turn forms part of the reason for the overspending in 2020/21, which was met by reserves. Reserves will be replenished to some extent as part of the 2021/22 draft budget to manage risk.</p>
<p>The general financial climate to which the authority is subject.</p>	<p>The provisional finance settlement for 2021/22 was more favourable than anticipated in overall terms. Government support for the recruitment of 6,000 additional officers has been confirmed. Additional support has been confirmed for Covid-19 related shortfalls in income and council tax funding. The settlement also provides for precept flexibility on a band D property of up to £15 in 2021/22. However, crime and the challenges facing policing as well as policing itself continues to evolve at pace against the backdrop of uncertainty in long term financing.</p>

	<p>General inflation in the U.K. has increased recently CPI in October 2020 stood at 0.9% and RPI at 1.3%</p> <p>The base rate has fallen from 0.75% to 0.1% in response to the economic shock arising from the pandemic.</p> <p>It is unclear what the next Comprehensive spending review will mean for police finance, given the economic uncertainty and the future austerity measures that will no doubt follow the pandemic and the response of the government to the increasing levels of national debt. However, the medium term financial plan over a 5 year period reflects our best estimate of future inflation rates, cost pressures, increases in government grants and revenues raised from Council Tax as they impact on the Force.</p>
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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 2020/21, an allocation for this was introduced at £0.500m. It is suggested that this is no longer required as the Evolve 2 transformation team have delivered £4.000m savings on 1 April 2021 and a plan is being developed for delivering future savings based on the MTFP and the fit for the future strategy.
- b. Possible delays in the delivery of savings. Previous history of significant underspending has been reversed in 2020/21, largely due to one off transitional and transformational costs being incurred, and the developing picture regarding the 'unpicking' of costs across the alliance as services have been stood up in Warwickshire. The level of general reserve allocated for dealing with this issue is £0.500m. I am recommending this remains constant on the basis that this reflects the detailed work and validation of costs in the 2021/22 budget undertaken by the newly established finance team in Warwickshire. There is a much greater level

of understanding on budgets. This combined with the £4.000m of savings gives assurance that an allocation of £0.500m would be adequate.

- c. Any unforeseen costs in establishing new ICT and transactional service arrangements in Warwickshire. It is acknowledged that ICT represents the single most complex and costly area of transition, and although costs have been included within the budget, and specific earmarked reserves exist to manage this risk, there remains a risk that additional costs could be incurred, or the timings may differ from the plan, that might require a drawn down from general reserves. Steps would be taken to mitigate this risk through regular monitoring and reporting through the Money Matters report and through the regular holding to account meetings with the Chief Constable which include updates from the Evolve Team. However, it feels prudent to allocate £1.000m within the General Reserve to manage this risk.
- 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). HS2 policing is likely to escalate and in the absence of any additional funding, cover in general reserves is prudent. Likewise the pandemic has demonstrated that ‘extraordinary’ events can be resource intensive and lead to significant additional cost. However, it has also been evident that in such circumstance additional government funding is likely to be made available to manage the financial pressures that such events create. Nonetheless a prudent provision for such events might be a provision of approximately £2.0m, roughly 2% of the annual funding level.
- e. The risk on inflation. The Medium Term Financial Plan includes no increase in budgets for pay inflation in line with the government settlement. However, an allocation of £0.500m is suggested within general reserves is suggested to cover any increase in non-pay inflation and supply chain costs in the light of Brexit and ongoing uncertainty from Covid-19, over and above the provision made in the Covid-19 earmarked reserve.
- f. The risks associated with future austerity. Whilst the impact and severity of any such measures is unknown, this remains a risk given the level of uncertainty created by pandemic and the economic impact and unprecedented levels of public spending. Much will depend on the vaccine roll out and economic recovery over the next 12 months. On this basis, it is suggested that no specific provision be allocated to this currently, on the basis that actions would need to be taken to mitigate any significant reductions, and that the earmarked budget reserve is held to

manage any reductions in core funding should they occur while actions are introduced to reduce costs as part of a planned budget setting approach.

- g. The risks associated with future council tax funding. Reserve contributions to cover the three year spreading of the collection fund deficit for 2020/21 are made and are reflected in earmarked reserves. Prudent estimates of council tax funding are included in the MTFP. On this basis it is not suggested that additional allocations are identified within general reserves to cover this risk, as they would need to be dealt with as part of the annual budget setting process.
- h. The Home Office has deferred a review of the Police Funding Formula, and it is assumed that this will take place as part of a future Comprehensive Spending Review, when the economic situation is more certain following the end of the current pandemic. The Home Office did consult on a new formula during 2015 but later abandoned the consultation. At the time estimates of the impact on Warwickshire ranged from a decrease of £1.9m to an increase of £2.4m in funding. Given the continuing uncertainty around the timing and outcome of any such review, I am recommending that there is no allocation in general reserves for this in 2021/22.
- 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 £4.8m 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. It is suggested that no provision be made currently.
- 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 just less than 5% of the net revenue budget. However, it should be noted that the effect of any single event could impact significantly especially given the scale of uncertainty in the economy currently. 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 2021	Transfers	Movement In Year	Forecast Balance at 31st March 2022	Purpose of Reserve
	£m	£m	£m	£m	
Budget & Transformation	2.104	0.367	0.781	3.252	To support one off costs that may emerge in the revenue budget and to finance any additional transitional and transformation work.
Transformation	1.378	(1.378)	0.000	0.000	Combined into the budget and transformation reserve
Safer Roads Partnership	1.282	0.000	0.000	1.282	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.
Pension & Redundancy	0.000	0.400	0.000	0.400	To fund any increased pensions of cost of change costs arising from transformation
Insurance and Legal Claims	0.253	0.247	0.000	0.500	Reserve replenished to manage risks around potentially increased costs
PCC Grants and Initiatives	0.300	0.000	0.000	0.300	To fund one-off schemes and initiatives with partners
Income	0.000	0.250	0.000	0.250	To manage fluctuations and pressures on income
Covid-19	0.386	0.114	0.000	0.500	Pandemic requirements
Collection Fund	0.000	0.000	0.339	0.339	To address the 3 year spread of 2020/21 collection fund deficits
Total Earmarked Reserves	5.703	0.000	1.120	6.823	

The tables in sections 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.

Capital Grants Unapplied are set aside on the balance sheet. 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 2020 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 2021/22 to 2025/26. The balance on the reserve as at 1st April 2020 was £0.0m.

10. Summary and final conclusion

There has been a comprehensive review of the budget and all the 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 comfortably above the recommended minimum level through to 2025/26 and sufficient provision has been made in earmarked reserves to fund expected one-off pressures, including the most significant financial risks relating to ongoing ICT transition.

Whilst the attrition rate of reserves in 2020/21 is high, this reflects the pace and level of transformation being undertaken to stand up services in Warwickshire. The settlement of a net £10.5m from West Mercia has funded much of this work and it will continue until all transition is completed later in 2021. Reserve levels at the end of the MTFP are anticipated to be just below £10m, which is considered adequate based on the review undertaken on risks.

Over the last twelve months the force has dealt well with changing demands and crime profiles often influenced by the effect of Covid restrictions and lockdowns. The force has been flexible and adaptive in its approach and has worked well with partners to keep communities safe throughout the pandemic, all of which has been achieved at a time when it has undertaken one of the most ambitious programmes of transformation, through its newly energised and empowered work force.

This good and balanced budget has not been achieved without the need for difficult decisions, not least around the precept, but such steps have put the force on the path to a more resilient future, with adequate reserve levels and an MTFP which shows the force is sustainable and self-sufficient into the future. A precept increase of less than £14.99 would potentially compromise this resilience and additional savings over and above the £4.8m already identified in the draft 2021/22 budget would be necessary. The budget as it stands will deliver clear benefits in operational

policing, with more warranted officers, with full police powers than has been seen in recent history in Warwickshire. They are supported by valued and experienced staff, more robust ICT systems and infrastructure to encourage more efficient working, and estates and equipment which will continue to be invested in to ensure that it is fit for purpose. Whilst some risks still remain with the services that still need to transition, these are reflected within the budget and Warwickshire police is now in a stronger position due to decisions and actions taken to deal with the challenges it faces. The Commissioner will continue to hold the Chief Constable to account during 2021/22 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 deliver value for money policing services that protect the vulnerable and keep communities safe.

Warwickshire Police and Crime Commissioner

Objective analysis of income & expenditure

	2020/21	2021/22	Variance	Variance
	£'m	£'m	£'m	%
Chief Officers Directorate	0.776	0.806	0.030	3.87
Corporate Services Directorate	2.931	3.413	0.482	16.44
Enabling Services Directorate	17.387	19.343	1.956	11.25
Financial Services Directorate	6.793	10.013	3.220	47.40
Local Policing Directorate	60.175	58.096	(2.079)	(3.45)
Police and Crime Commissioner	2.730	2.603	(0.127)	(4.65)
Protective Services Directorate	18.953	18.117	(0.836)	(4.41)
Regional Collaborations	1.845	1.842	(0.003)	(0.16)
	111.590	114.233	2.643	2.37

The variances have arisen due to savings for Evolve 2 & Evolve 3, ICT transformation, unavoidable and legislative pressures and reviewing budgets as part of the transition to a standalone force. This analysis does not incorporate any current structure changes as part of the future Warwickshire model due to the timing of events (i.e. CID moving back to Protective Services from Local Policing).

Some of the main variances are outlined below:

- Corporate Services Directorate consists of Analysis & Service Improvement (AS&I), Evolve Transformation and Professional Standards (including Vetting). The main variance is Evolve and the ICT transformation, whilst most of the budget has been transferred to the ICT business area a proportion remains to deal with current transformation to business as usual. AS&I has seen investment in performance teams. Vetting to income targets as per the MTFP.
- Enabling Services Directorate consists of Business Support, Corporate Communications, Human Resources, ICT and Learning & Development. The increase is ICT investment, which includes some movement from the Evolve Transformation as highlighted above.
- Financial Services Directorate consists of Contracts & Procurement, Finance, Corporate Finance, Legal Services and Secondments. The variation is Corporate Finance which includes budgets for capital financing, pensions, grants (moving from revenue to core funding such as uplift programme),

shared services and Evolve 3 savings target. These budgets are held centrally as they do not belong to a specific business area.

- Local Policing Directorate variation in the main is due to an increase in officer recruitment (uplift of 41 officers) and Evolve 2 staff post savings (PSIs, PCSOs, IMU).
- Police & Crime Commissioner variation is the saving offered to support operational policing
- Protective Services Directorate variation is due to Evolve 2 staff post savings (i24, Harm Hub).

Appendix B

Warwickshire 2021/22 budget pressures including unavoidable spend pressures, pensions, Evolve business change costs and business growth, all included within the revenue budget

Description	£m
Local Government Pension Scheme – increased contributions based on the latest valuation	0.275
Vetting Checks & Fees	0.212
Regional Organised Crime Unit contributions	0.053
Health and Wellbeing to support officers and staff	0.071
Officer Overtime – increase to capacity	0.049
Partnership Initiatives – Dog Kennelling WMP	0.061
Running costs – Justice Centres	0.025
Travel – Essential Users uplift	0.040
Sexual abuse referral centre increased costs	0.049
NPCC contributions	0.023
Home Office Management Data Centre & MTA costs	0.076
Reduced income (eg Mutual Aid, Investments)	0.595
ICT service costs across business areas and transformation (incl S22)	0.265
Equipment warranty & training costs (AFO)	0.123
Increased fleet costs	0.117
Other minor increased revenue costs	0.129
TOTAL	2.163

APPENDIX C

Warwickshire Capital Programme (including medium term analysis)

Business Area	Warks Police 2021-22 Total budget	Warks Police 2022-23 Total budget	Warks Police 2023-24 Total budget	Warks Police 2024-25 Total budget	Warks Police 2025-26 Total budget	Total MTFP 2021-22 to 2025-26
	£'000	£'000	£'000	£'000	£'000	£'000
WARWICKSHIRE ESTATE:						
<i>Stuart Ross House - OCC Building</i>	90.0	-	-	-	-	90.0
<i>Stratford Police Station & Courts</i>	1,945.0	-	-	-	-	1,945.0
<i>Warwickshire Police Estate - non-site specific</i>	150.0	1,500.0	1,500.0	1,500.0	1,500.0	6,150.0
<i>Head Quarters - Leek Wootton</i>	2,602.2	-	-	-	-	2,602.2
TOTAL WARWICKSHIRE ESTATE:	4,787.2	1,500.0	1,500.0	1,500.0	1,500.0	10,787.2
ICT & TRANSFORMATION PROJECTS & REPLACEMENTS:						
"EVOLVE" & APPLICATION AND INFRASTRUCTURE MIGRATION - (AIM):						
<i>AIM - HOSTING ENVIRONMENTAL SERVICES</i>	50.0					50.0
<i>AIM - BUSINESS APPLICATION SERVICES</i>	1,650.0					1,650.0
<i>AIM-SHARED APPLICATION SVCS</i>	121.9					121.9
<i>AIM - OCC APPLICATION SERVICES</i>	346.0					346.0
<i>AIM - INFRASTRUCTURE & NETWORK SERVICES</i>	980.0					980.0
<i>EVOLVE - TRANSFORMATION TEAM</i>	1,741.2					1,741.2
<i>EVOLVE - DIGITAL SERVICE EQUIPMENT</i>	100.0					100.0
<i>EVOLVE - FORENSICS TRANSITION</i>	-					-
<i>EVOLVE - TRANSACTIONAL SERVICES</i>	2,000.0					2,000.0
<i>EVOLVE - Project Contingency</i>	263.9					263.9
"EVOLVE" & APPLICATION AND INFRASTRUCTURE MIGRATION - (AIM):	7,252.9	-	-	-	-	7,252.9

Business Area	Warks Police 2021-22 Total budget	Warks Police 2022-23 Total budget	Warks Police 2023-24 Total budget	Warks Police 2024-25 Total budget	Warks Police 2025-26 Total budget	Total MTFP 2021-22 to 2025-26
	£'000	£'000	£'000	£'000	£'000	£'000
ICT / TRANSFORMATION :- PROJECTS IN-FLIGHT						
EMERGENCY SERVICES NETWORK - ESN	164.3	2,400.0	2,235.7	-	-	4,800.0
Future Major IT Project either locally or nationally led	-		200.0	1,000.0	1,000.0	2,200.0
ICT / TRANSFORMATION :- PROJECTS IN-FLIGHT - TOTAL	164.3	2,400.0	2,435.7	1,000.0	1,000.0	7,000.0
ICT REPLACEMENTS - IN FLIGHT:						
DESKTOP REPLACEMENT & GROWTH 31.7%	178.1	187.0	196.4	206.2	216.5	984.3
MOBILE DEVICES - 31.7%	460.6	483.7	507.8	533.2	559.9	2,545.2
SOFTWARE UPGRADES - 31.7%	40.0	42.0	44.1	46.3	48.6	221.0
HTCU - REPLACEMENT (DESKTOP & SERVERS)	50.0	-	-	-	60.8	110.8
NEW RECRUITS SET-UP - I.T. COSTS	100.5	105.5	110.8	116.3	122.2	555.3
ALLIANCE SEPARATION - I.T. COSTS	50.0	-	-	-	-	50.0
REPL PRINTERS AND SCANNERS	10.0	10.5	11.0	11.6	12.2	55.3
SERVER	40.0	42.0	44.1	46.3	48.6	221.0
NETWORK	40.0	42.0	44.1	46.3	48.6	221.0
SAN/BACKUP INFRASTRUCTURE	60.0	63.0	66.2	69.5	72.9	331.5
TOTAL - ICT REPLACEMENT PROGRAMME:	1,029.3	975.7	1,024.5	1,075.7	1,190.3	5,295.5
ICT & TRANSFORMATION PROJECTS & REPLACEMENTS - TOTAL	8,446.4	3,375.7	3,460.2	2,075.7	2,190.3	19,548.4
VEHICLE REPLACEMENTS - TOTAL	1,749.0	1,200.0	1,260.0	1,323.0	1,389.2	6,921.2
OTHER WARWICKSHIRE CAPITAL - TOTAL	500.0	500.0	500.0	500.0	500.0	2,500.0
TOTAL WARWICKSHIRE CAPITAL PROJECTS	15,482.7	6,575.7	6,720.2	5,398.7	5,579.4	39,756.7

PRUDENTIAL INDICATORS – Warwickshire

1. AFFORDABILITY PRUDENTIAL INDICATORS	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	Forecast	Budget	Budget	Budget	Budget	Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Capital Expenditure	12,552	15,483	6,576	6,720	5,399	5,580
	%	%	%	%	%	%
Ratio of financing costs to net revenue stream	1.49%	3.11%	4.63%	4.86%	5.47%	5.35%
	£'000	£'000	£'000	£'000	£'000	£'000
In Year borrowing requirement						
- in year borrowing requirement					0	
	£'000	£'000	£'000	£'000	£'000	£'000
In year Capital Financing Requirement	34,049	46,603	48,381	50,646	46,651	42,997
					£'000	
Capital Financing Requirement 31 March 2019	34,049	46,603	48,381	50,646	46,651	42,997
	£	£	£	£	£	£
Affordable Borrowing Limit						
Increase per council tax payer	-£0.05	£3.68	£3.42	£0.51	£1.32	-£0.29
2. TREASURY MANAGEMENT PRUDENTIAL INDICATORS	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
	Forecast	Budget	Budget	Budget	Budget	Budget

Authorised limit for external debt	£'000	£'000	£'000	£'000	£'000	£'000
- Borrowing	45,000	60,000	60,000	65,000	60,000	55,000
Operational boundary for external debt	£'000	£'000	£'000	£'000	£'000	£'000
- Borrowing	35,000	50,000	50,000	55,000	50,000	45,000
Upper limit for fixed rate interest exposure						
- net principal re fixed rate borrowing / investments	£35m	£50m	£50m	£55m	£50m	£45m
Upper limit for variable rate exposure						
- net principal re variable rate borrowing / investments	£15m	£15m	£15m	£10m	£10m	£10m