



WEST MERCIA BUDGET 2025/26

**MEDIUM TERM FINANCIAL STRATEGY
2025/26 TO 2029/30**



Foreword from the PCC:

Whilst the elections in May this year feel a long time ago, I will always wear with pride the trust that the communities of West Mercia have put in me to be their Police and Crime Commissioner. I am committed to delivering an efficient and effective police service that addresses our community's needs, and ensures we are safe and feel safe.

Nationally, we are continuing to feel the impact of inflation and other financial challenges. After the country saw a change in government, and a budget that was focused on interest and growth, it is predicted that inflation will increase even more in the next year. We are also due to see energy prices rising again at least twice next year.

Whilst it has been confirmed, in the government's police funding settlement, that additional funding will be given to support the changes to employer National Insurance contributions, the police officer pay award and government priorities, I remain concerned about the lack of additional funding to cover the full cost of inflation, demand on policing and government priorities – which equates to approximately 7%.

Across the country, before and after the announcement, we have seen PCCs and Chief Constables stressing the fact that a shortfall in funding will inevitably result in service reductions and job losses.

Whilst PCCs have been given the flexibility to increase the council tax precept for policing by £14, this was not something I had planned to take full advantage of. However, the shortfalls in the settlement mean that I will have no choice but to. But even with this flexibility, tough decisions will still need to be made whilst ensuring that West Mercia Police is able to continue delivering a service to our communities.

Locally, confidence in West Mercia Police has fallen over time but has remained stable over the past twelve months with eight out of ten people saying they have confidence in the force. This is a solid foundation, and I am determined to support and challenge the Chief Constable to ensure this grows even further. Crime continues to change and therefore so does demand. However, in West Mercia, overall crime has fallen by 9% and more people are being arrested than ever before. This gives a snapshot into the significant progress that is being made and, despite the challenges policing faces, I am confident that my new police and crime plan will deliver ever more for local communities.

This year, my priority is to deliver progress against my West Mercia Safer Communities Plan. Within this four-year plan I have identified four key pillars, which set out clear commitments that have been created on behalf of communities based on their concerns and top priorities. I am therefore resolute in delivering them, with those living in West Mercia feeling the benefits.

Cutting crime is a fundamental part of policing. Whilst recorded crime has fallen across West Mercia, the full extent of that reduction is not necessarily felt within communities. To support the delivery of my plan, this year's budget will focus on building safer towns and businesses,

reducing the number of people killed or seriously injured on our roads, tackling drugs, continuing working in partnership with local authorities to deliver the Safer Communities projects and supporting the criminal justice system to ensure those that commit crime are held accountable.

Communities should feel like their local policing teams are actively working with them to tackle the concerns that matter most to them. Policing with the community is therefore a priority I have set out within my plan. I continue to hear that residents still aren't satisfied with the amount they see or hear from their local policing teams; therefore, I am committed to working with the Chief Constable to deliver improvements around visibility, accessibility, community engagement and access to police officers and services. I am maintaining my commitment to maximise frontline resources. In response to this, and as part of the budget setting, the force will be restructuring the existing operational policing model to ensure it is delivering a quality service for communities.

I will also continue to invest in resources and technology to deliver improvements with public contact – mainly in the form of the emergency and non-emergency lines. People need to be able to access their police service when they need help, so technology will be used to increase accessibility with new facilities such as a call back and online chat. The OCC will also benefit from additional call handlers.

Sadly, many victims of crime face challenges within the criminal justice system which results in further trauma following a crime. This is why supporting victims and witnesses continues to be an integral part of my role as PCC. As part of this budget, I am delivering a new Victims' Hub. This will ensure that victims and witnesses of crime are getting the support they need, when they need it, to cope and recover. However, if someone has chosen to pursue a criminal investigation, it is also vital that the police are providing regular updates. Advances in technology will be utilised to enable automation and self-serve options for victims.

In challenging financial times, it is even more important that we are maximising resources and getting value for money. As I have previously referenced, I maintain my commitment to maximise the impact of frontline police officers but, in order to carry out their roles effectively, they need the appropriate resources. As part of the budget setting, I have made it clear that choices need to be made on how policing services will be delivered as the available funding will not meet all the demand. Therefore, it is important that resources are allocated to priority areas. My challenge to the Chief Constable will continue to be around maximising effectiveness and delivering digital transformation where possible to enhance efficiency. Given the increases we will be facing in energy bills, I will continue to ensure that we are meeting our Net Zero Strategy and identifying further opportunities to make the police estate, and fleet, more energy efficient.

With all the above, I will not only play my part through the commissioning budgets I hold, but I will also ensure that West Mercia Police is set up to succeed and they have the resources required to effectively deliver these outcomes.



John Campion
Police and Crime Commissioner, West Mercia

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Executive Summary

This report sets out the proposed budget and precept for decision by the Police and Crime Commissioner (PCC). It delivers one of the PCC’s key responsibilities, under the Police Reform and Social Responsibility Act 2011.

The report sets out the:

- Net budget requirement for 2025/26
- Proposed precept for 2025/26
- The community priorities and service improvements that will be delivered for the public as a result of this budget
- Proposed medium term financial strategy 2025/26 to 2029/30
- Outline capital budget 2025/26
- Statement on soundness of the budget and the adequacy of reserves

This budget sets out the allocation of resources to deliver on the objectives in the West Mercia Safer Communities Plan, as well as ensuring that policing delivers on national requirements.

The central themes considered are the strategy and vision of the elected PCC and the need to continually improve the entirety of policing across West Mercia.

As part of setting out these financial spending plans, it is important to set out the issues that influence and contribute to the build of the budget for 2025/26 and the medium-term financial strategy. In setting a balanced budget, the PCC recognises that it will build on the decisions made in previous years and is dependent on events which have occurred during the year and which are likely to continue into the new financial year.

This is the current draft position and is subject to change following public consultation. The PCC will make a recommendation to the Police and Crime Panel on the precept charge for 2025/26 and then make a decision on the total budget before the start of the financial year.

In determining his budget proposals, the PCC acknowledges and considers:

| | | |
|--|---|---|
| The priorities within the West Mercia Safer Communities Plan | The outcome of public engagement & consultation | The impact of the global economic conditions |
| National policies and strategies – required to be delivered at a local level | Prudent use of, and contributions to, the financial reserves | Government policy on public spending |
| The operational advice and guidance provided by the Chief Constable | Medium term financial obligations and policing grant settlement | The Chancellor’s Autumn Spending Review 2025/26 |
| Strategic Policing Requirement | The drive for continuous improvement and value for money | Development of future collaborations and the risks involved |

Precept Report 2025/26

Precept Recommendations

The PCC is recommended to approve:

- a) A net revenue budget after savings of £302.902m
- b) A contribution of £0.228m is made from reserves
- c) A net budget requirement of £302.674m
- d) A Council Tax for a Band D property at £291.5
- e) A Council Tax for a Band D property calculated as follows:

| | £m |
|---|----------------|
| Budget Requirement (Net Revenue Expenditure) | 302.674 |
| Less Funding | |
| Police Grant | 95.988 |
| Revenue Support Grant | 55.348 |
| Council Tax Support Grant | |
| Council Tax Freeze Grant | 9.200 |
| 2013/14 | 1.976 |
| 2011/12 | 0.800 |
| Sub Total | |
| Less: Collection Fund Surplus/(deficit) | 1.364 |
| Amount required to be raised by Council Tax | 137.998 |
| Divided by Aggregate Council Tax Base | 473,405.34 |
| Basic Amount of Council Tax at Band D | £291.50 |

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

| | |
|------------------------------|--------|
| Band A (6/9th) | 194.33 |
| Band B (7/9th) | 226.72 |
| Band C (8/9th) | 259.11 |
| Band D | 291.50 |
| Band E (11/9th) | 356.28 |
| Band F (13/9th) | 421.06 |
| Band G (15/9th) | 485.83 |
| Band H (18/9 th) | 583.00 |

All Figures are rounded to 2 decimal places

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

| | |
|--------------------------------|-----------------------|
| Bromsgrove District Council | 11,181,910.85 |
| Herefordshire Council | 21,226,079.71 |
| Malvern Hills District Council | 9,782,159.92 |
| Redditch Borough Council | 7,711,778.25 |
| Shropshire Council | 35,380,532.66 |
| Telford and Wrekin Council | 16,955,010.05 |
| Worcester City Council | 9,785,975.65 |
| Wychavon District Council | 15,673,182.53 |
| Wyre Forest District Council | 10,301,027.00 |
| TOTAL | 137,997,656.62 |

h) The reserve strategy set out in pages 38 - 44 of this report

i) The outline capital budget in pages 36 - 38 of this report

j) All officers be instructed to exercise tight budgetary control and individual budget holders should ensure compliance with financial regulations. Caution will be exercised in entering into expenditure agreements which creates additional commitments in future years. The PCC will be kept fully informed of the financial position throughout the year.

k) In approving the budget, the PCC notes the Treasurer's comments in pages 38 - 44 of this report in respect of the robustness of the budget and the adequacy of reserves.

l) That the Medium-Term Financial Strategy (MTFS) be reviewed and revised by 30th September 2025. As part of this, the business planning and budget setting process will be reviewed and improved.

The Chief Constable has produced and agreed with the PCC a detailed plan for the implementation of West Mercia Police element of the budget, including the delivery of the savings required to balance the budget. All income received above that agreed in the budget is held by and at the direction of the PCC.

PART 1 - The PCC's budget investment proposals 2025/26

Local and national challenges

This year has presented a level of change and uncertainty. For 14 years, the United Kingdom has been under Conservative led Government. In July, Labour took control after winning the general election.

This saw a re-focus on policing and a new set of priorities that forces across the country are to support in delivering. In the spring, the new government will also be publishing a white paper focused on police reform.

The national picture continues to be about improving trust and confidence in policing and delivering a quality level of service for communities. This includes boosting neighbourhood policing and addressing concerns around lack of visibility and accessibility.

In West Mercia, these areas of focus continue to be a priority for the PCC. In November, the PCC launched his new police and crime plan for the next four years. This plan focuses on the need to address challenges and concerns that affect West Mercia.

Whilst overall crime continues to come down, a 9% change on the previous year, the perception of certain crimes continues to have an impact on communities, particularly anti-social behaviour, shoplifting and road safety. Violence against women and girls remains an ongoing focus, both locally and nationally.

However, as with previous years, the force needs to be able to adapt to the evolving demand and changing patterns of crime. This year highlighted that through the protests and, in some cases, riots that have not only been significantly affecting communities but impacting heavily upon policing across the country.

It is therefore vital that the PCC is able to continue supporting the force, ensuring it has the resources needed to carry out core policing as well as emerging threats and shifts in priorities.

Delivery of key objectives & investments in 2024/25

Whilst the PCC has developed a new police and crime plan, the PCC has continued to fund priorities that sit within his Safer West Mercia Plan 2021 - 2025 under the four pillars:



In the current financial year, the following key objectives set out in the 2024/25 budget report have been delivered.

Putting victims and survivors first

- Investment in greater supervision for RASSO offences which has driven improvements in the quality and timing of investigations. This includes closer daily interaction with the CPS to secure criminal justice outcomes for victims.
- Additional training, focused on the victim experience, has been given following investment in greater detective sergeant numbers.

- A service specification was designed, as part of the open market tender, to identify a single agency to lead the Victims' Hub. Work has progressed on this, with the successful provider due to be notified at the end of 2024.
- Building on the progress that has been made on perpetrator programmes, a further programme has been rolled out (C-DAIR) which is focused on standard to medium risk.
- A Serious Violence Partnership Manager has been seconded into the PCC's office to support the PCC, and partners, in delivering the Serious Violence Duty. This aligns to the Home Office and the requirements of the funding.

Build a more secure West Mercia

- The target of bringing the police officer establishment figure of 2,506 has been achieved.
- The number of Safer Neighbourhood Team posts have been protected, with fewer abstractions of Safer Neighbourhood Officers on a monthly basis, with this continuing on a downward trajectory.
- Ten Town Centre Policing Teams have been created and are now live across the force.
- The force has carried out over 3,295 hours of high visibility hotspot patrols across the force since June 2024.
- The force is working towards the target of having 150 Special Constables. There are currently 83, with 10 currently in training and a further 46 due to start their training in February 2025.
- The PCC provided an additional £50,000 into Victim Support's Hate Crime Engagement and Awareness Project (until March 2025) to tackle hate crime.
- The PCC provided £30,000 to West Mercia Police for the development of an app aimed at reducing the risk of young people becoming victims of online CSE.
- Following an investment of £18,500 from the PCC, West Mercia Police completed 100 investigations to tackle serious violence – which includes child sexual exploitation (CSE), organised crime and youth knife crime.

Reform West Mercia

- As the force enters the final year of the digital forensics' transformation programme, benefits are being realised following the £5.5m investment.
- The joint police and fire station in Redditch has officially completed, with those who will be based from there moving in across December 2024 and January 2025.
- The police estate continues to be reviewed, which includes the disposal of buildings/assets that are no longer required. Two police houses, based at Hindlip, have been sold.
- In July it was agreed that the force will move to a fully electric fleet by 2035, as part of the Fleet Decarbonisation Strategy.
- The Net Zero Carbon Strategy has been signed off between the PCC and West Mercia Police.

- £800k was allocated to fund a further rollout of LED lighting across four sites, following a successful pilot at Kidderminster Police Station.
- £107k has been approved to integrate police systems SAAB and Athena to remove double-keying and save an estimated 105 hours a day.
- A Heat Decarbonisation Strategy has been produced for 17 police buildings, which includes a detailed feasibility study on the eight highest users of energy. A bid, for over £700k, was secured to replace a heat system that totalled £1.2m.

Reassure West Mercia's communities

- Further Safer Communities projects were established with the local authorities in the remaining counties, following the success of the partnership between Telford & Wrekin Council and the PCC.
- Following the PCC's investment of £72,327, West Mercia Youth Justice Service (WMYJS) have been running 1:1 sessions with young people who have committed driving-related offences using innovative techniques, such as online gaming activity.
- The PCC invested £460,000 into the force's firearms licensing unit, to tackle backlogs which had been impacting new and existing licence holders. The investment has resulted in reduced waiting times following additional staff and vehicles to carry out visits.
- Two additional PCs have been placed into the force's vetting team to vet new and existing police officers and staff.
- A switchboard has been created in the contact centre which provides a rapid answer to 101 calls during peak call demand times. The switchboard enables the call handler to triage, signposting enquiries internally, online or to other agencies.
- A Digital Desk has also been created in the contact centre which supports the increase in public use of online contact channels.
- A call back service, for 101 calls, will be tested December prior to imminent roll out. This will provide callers with an option of receiving a call back as soon as an operator is available or staying on the call.
- Development has started on a live chat tool that will provide another way for members of the public to engage with West Mercia Police.
- The force has rolled out digital kiosks at some police stations across West Mercia. These kiosks offer online services for those who don't have the ability to access them at home.
- A new version of the Local Policing Community Charter has been produced, which includes a focus on engaging with all communities and making best use of all methods – including online.

Current performance

The key performance indicators (KPIs) associated with the annual 2024/25 budget are set out in Appendix D. The PCC and Chief Constable have made a clear commitment to pursue continuous improvements against these KPIs. To ensure a sustained improvement, it has been agreed that the same set of metrics will be utilised in the 2025/26 budget.

The metrics focus on traditional police and crime measures, and crimes that have the greatest impact on communities, such as neighbourhood crime, serious violence, domestic abuse, and criminal justice outcomes for victims. Metrics that enable robust financial management are also included. The metrics are also aligned to the PCC's Safer West Mercia Plan priorities and national Beating Crime Plan priorities, against which the force must deliver improvements. The PCC recognises that these measures are not the full picture but are important considerations.

Below is an overview of monthly performance within West Mercia Police from November 2024. The 999 and 101 comparisons are set against the most recent available data.



Putting
victims and
survivors first

- 85% of residential burglary victims were satisfied.
- 73% of hate crime victims were satisfied.
- ↑ 81% of domestic abuse victims were satisfied.
- ↓ 69% of violent crime victims were satisfied.



Building a
more secure
West Mercia

A reduction in the volume of key crime types:

- ↓ Total recorded crime
- ↓ Violent crime
- ↓ Rape
- ↓ Robbery
- ↓ Domestic abuse
- ↓ Business and community burglary
- ↓ Vehicle crime
- ↓ Residential burglary

Outcomes

- Maintained charge/summons (OC1/1A) issued for most key crime types.
- ↑ Increase in OC1/1A for rape, robbery and violence against the person



Reforming
West Mercia



Reassuring
West Mercia's
communities

- ↑ 85% of 999 calls were answered within 10 seconds.
 - ↑ 53% of 101 calls were answered within 30 seconds.
 - 81% of residents have confidence in West Mercia Police.
 - ↓ 16% of residents report seeing a police officer or PCSO at least once a week.
- 72% of Grade 1 incidents were attended within 20 minutes.
 - ↑ 77% of Grade 2 incidents were attended within 2 hours.
 - ✓ Delivery of financial outturn within budget.
 - ✓ Delivery of savings plan for the current financial year.

Crime experienced by individuals and households has generally decreased over the last 10 years as measured by the Crime Survey for England and Wales (CSEW). Police recorded crime offers more insight into lower-volume, but higher-harm offences reported to the police.

Locally, in West Mercia, when looking at the breakdown of crime year-to-month (April to October) reductions have been seen for nearly all crime types when compared to the same period last year. However, small increases have been seen for possession of weapons and sexual offences when compared to the same period in the previous year. Increases for drug offences may reflect more targeted enforcement activity, whilst sexual offences, which are frequently underreported, may indicate improved victim confidence in reporting these crimes to the police.

Acquisitive crimes, including burglary, theft offences and robbery have all seen notable reductions this year when compared to the same period last year. These types of offences have a significant impact on individuals and businesses and the decline demonstrates the effectiveness of proactive crime prevention measures and targeted enforcement.

Continued scrutiny in outcomes achieved for victims of crime has seen improved levels of action taken including charge/summons by the force across all key crime types. Action taken rates vary between crime types, often reflecting the complexity of investigations. Positively, action taken by the police for rape offences has increased, above the MSG average. The PCC continues to focus on resources and scrutiny to ensure victims receive a level of service they expect, and that appropriate support is in place to allow those affected to cope and recover.

Public confidence in policing remains closely tied to visibility and accessibility, however national trends have had a notable impact on public confidence. High-profile incidents, increased scrutiny of police conduct, and perceptions of stretched resources have shaped perceptions of policing nationally. Whilst locally a decline in overall public confidence has been seen, satisfaction with levels of policing in their local area remains higher when compared to pre covid.

Confidence in accessing the police in both an emergency and non-emergency remains high despite call handling performance by West Mercia Police falling below the expected standard. While the majority of the public continue to feel they can rely on the police when needed, the drop in performance highlights the ongoing challenges faced in policing, particularly in managing demand and response times. The PCC remains committed to ensuring that the police remain accessible and responsive to the public's needs. Regular scrutiny and review of call handling performance will continue to be a priority, with measures being put in place to address these issues and improve service delivery.

The PCC will review performance against the budget KPIs as part of his Assurance and Accountability (A&A) programme. A performance focus on a quarterly basis will continue to focus on:

- Local performance priorities (Police and crime plan and Budget KPIs),
- National policing priorities (Beating Crime Plan metrics), and
- Local and national HMICFRS inspections.

This was implemented in April 2023 and has ensured greater oversight and scrutiny of performance against key metrics on a regular basis.

The budget metrics are considered as part of a wider suite of performance information including HMICFRS. The last police efficiency, effectiveness, and legitimacy (PEEL) inspection for 2021/22 was published in April 2022. During this inspection, HMICFRS identified a cause of concern relating to how West Mercia Police investigates crime, supervises investigations, and updates victims. The current PEEL inspection is underway with findings anticipated in Spring 2025. The ongoing PEEL inspection will provide a clearer picture of the force's current standing, and the continued progress made in these key areas, ensuring that appropriate actions are taken to further improve service delivery and public confidence.

Community engagement and public consultation

Putting the public voice at the heart of policing, through community engagement, is a guiding principle in the PCC's Safer West Mercia Plan and in his new plan for 2024 - 2028.

Ahead of developing his new police and crime plan, the West Mercia Safer Communities Plan, the PCC carried out community engagement and took information from existing surveys and correspondence to understand the top priorities and concerns of residents.

The PCC attended four summer events across Herefordshire, Shropshire and Worcestershire, where he and his team spoke to over 900 people, and carried out a series of other engagements such as Community Conversation events. The PCC hosted ten of these events, where a total of 340 people attended. At these engagements, the PCC was able to understand what the top concerns were of those living in the West Mercia area. Many of which were unchanged from previous years – visibility and accessibility of police officers, anti-social behaviour, business crime (shoplifting) and road safety.

The PCC also takes into consideration his annual Town & Parish Council survey to gauge the views of communities. This year, 122 councils took part. This survey seeks to understand councils' views on local policing, contact and engagement and which issues are currently a problem in and around the council area.

Road safety and rural crime were identified as the crime types that are perceived as the biggest problems in their areas.

Budget consultation

The budget consultation ran from 23rd December to 16th January, focused specifically on the draft precept and budget proposals. In total, 497 responses were received.

A range of communication tools were used to promote the consultation, such as: social media, including local community groups on Facebook; press releases issued to local media; Neighbourhood Matters messaging; and the PCC's monthly residents and MP newsletters.

The consultation asked people the following question:

1. Would you be willing to pay £14 per year more in council tax for policing to avoid cuts to the service, which would include frontline policing? This equates to 5.05% per average household (Band D) per year and 27p per week.

The majority of respondents (61%) supported this proposed increase, whilst the remaining 39% did not.

Respondents who answered yes were then asked the following question:

1. Would you be willing to pay more than £14 per year in council tax?

Again, around 62% responded yes whilst the remaining 38% said no. Those that agreed to pay more than £14 per year account for 34.8% of total respondents.

When asked if they had any further comments, 347 respondents chose to respond. The main themes raised within the comments were: financial concerns/cost of living, officer numbers/police visibility, and police transparency/efficiency.

The PCC has considered the responses from the public in determining the final precept proposal and budget for 2025/26.

Delivery of the West Mercia Safer Communities Plan in 2025/26

Outlined within this section is a snapshot of what will be funded as part of the 2025/26 budget, and the ways in which the budget will support the delivery of the PCC's West Mercia Safer Communities Plan and key concerns of communities.

Building on a successful track record and considerable investment into West Mercia Police, the PCC's £302m policing budget for 2025/26 has a focus on ensuring resources are focused on delivering priorities, ultimately ensuring West Mercia Police is delivering a quality service to the public.

At the start of the budget setting process, the PCC commissioned the Chief Constable to develop a budget to achieve objectives aligned to the previous Safer West Mercia Plan. The commission remained consistent, however a new police and crime plan was developed and published in late 2024, following the PCC's re-election in May.

The PCC has worked closely with the Chief Constable, seeking operational guidance and advice, when setting this year's budget. It will be focused on improving the policing model to ensure the force is set up to be efficient and effective, creating a centralised prevention team to ensure a consistent approach to preventing crime, maximising police officer's time through the removal of bureaucracy and investing more resources into the Operational Control Centre (OCC) to improve public contact.

Cutting crime

The PCC set out the following to the Chief Constable as being priorities when seeking to build a draft budget:

- Cutting overall crime and improving outcomes, including road safety, violence against women and girls, crime in our homes, rural crime and business crime
- Improvements in respect of serious and organised crime. Supporting the force to improve its current HMICFRS grading
- Addressing key performance areas arising from the upcoming PEEL inspection
- Maximising the impact of frontline police officers

In response, the following will be areas of focus for both the PCC and West Mercia Police:

- **Visible policing**

In order to ensure a visible and accessible presence within communities, the investment that has been placed into boosting police officer numbers will be maximised.

Resources will continue to be focused on addressing community concerns such as anti-social behaviour, shoplifting and other criminality common with town centre areas. The progress made with the ten newly formed Town Centre Policing teams will also be built on.

To further ensure police officers are more effective and efficient, this year's budget includes the restructuring of the current policing model within West Mercia. It will see the existing five local policing areas become two community policing areas. This will not only deliver savings but ensure the force can create a resilient and cohesive service through a connected, responsive and investigative police force. The two policing areas will ensure the force is making best use of all of its resources, as opposed to operating as several smaller, and what can often feel like isolated, areas.

To further support this new approach, the force has committed to use intelligent deployment of resources to cut crime based on hotspots.

- **Road safety**

The PCC will continue his focus on road safety to reduce the number of people killed and seriously injured on the roads across West Mercia.

This will be done through investment in education, enforcement and engineering. The PCC, as part of a road safety conference, will be opening a grant round in the new year that is focused on educational projects and programmes. A large element of this will involve developing awareness of, and within, the motorcycle community – who are, typically, most likely to be victims of road traffic collisions in West Mercia.

The force will be continuing their focus on enforcement activity in a bid to target criminals using the roads.

- **Drugs**

The PCC, in his role as Chair of the Combatting Drugs Partnerships, will continue working with partners to share information and ensure a joined-up approach to addressing the use of drugs.

The force will continue to focus on tackling the illegal use of drugs, as well as drugs supply and associated criminality.

- **Prevention**

Prevention remains an ongoing focus for both the PCC and force. The PCC, through commissioning activity, will continue investing in projects and programmes that are focused on diverting people from entering a life of criminality.

The force will also set up a centralised prevention team to ensure the entirety of the force, and its resources, are focused on this mission.

- **Best use of resources**

In order to ensure that West Mercia Police is making best use of its resources, identifying efficiencies and, in turn, boosting productivity, the force has carried out a review of structure and its teams.

Operation Franklin will create two community policing areas, instead of five local policing areas. This will ensure that the teams based within the two areas and working more closely together and sharing all resources. This new structure will also see an increase in the amount of local supervision, with each of the two community policing areas overseen by a Chief Superintendent.

As well as the changes to the operational policing model, non-uniform functions that currently have civilians in posts may be replaced by police officers in order to add greater value – this includes the power to arrest.

Dealing with suspects in custody is a vital part of securing justice for victims but is time-consuming for local officers. Instead, Investigation Advancement Teams will deal with many prisoners to enable those officers to return to duties in their communities.

Policing with the community

The PCC set out the following to the Chief Constable as being priorities when seeking to build a draft budget:

- Putting policing into the heart of our communities
- The PCC would like a clear plan to deliver 100 more police officers, that are assigned to community policing, and how the budget contributes to that plan
- The PCC supports the embedding and expansion of town centre policing teams. Ensuring the public feel the benefit of these resources in respect of crime prevention and detection, confidence and visibility

In response, the following will be areas of focus for both the PCC and West Mercia Police:

- **Public contact**

Communities being able to contact their police force has always been a focus for the PCC and has regularly featured in his Assurance & Accountability programme. The force's Operational Control Centre (OCC) is just one of the areas of focus, ensuring that people receive a prompt response when calling 101 or 999.

Investment, and a re-focus of resources, will therefore be placed in the OCC. The OCC will see an increase in call handlers because of the restructuring model. With only two community policing areas, there will naturally be a need for less dispatchers, freeing up more personnel to take calls from the public.

There will also be a greater use of technology to support the digital desk, which is where members of public utilising online forums seek help from the force. Technology will also enable the implementation of the call back option for those who are waiting in a queue.

- **Improved communication and engagement**

It is vital that police officers embed themselves in the communities they serve. To support this, the PCC and force have co-produced the revised Local Policing Community Charter which sets out the standard of service communities, which includes town and parish councils, are to expect from their local policing teams.

The force, as well as the PCC, will be making best use of all communication and engagement channels to improve connectivity with communities – whether that is online or via the more traditional methods, including face-to-face engagement.

The force will also be making best use of technology to improve service delivery and access to West Mercia Police.

- **Partnership working**

For the past year, the PCC has been working in partnership with local authorities across West Mercia to deliver the Safer Communities projects. These projects have been focused on delivering localised programmes and projects that are focused on tackling issues relevant to each area.

Going forward, whilst the delivery of these projects will look different, the partnerships will continue, recognising the importance of working together to address issues that often place demand across a number of organisations.

Supporting victims and witnesses

The PCC set out the following to the Chief Constable as being priorities when seeking to build a draft budget:

- Ensuring the best possible support for victims and survivors of crime, specifically in the creation of an effective Victims' Hub for West Mercia
- Sustained, strong performance in respect of 999 and 101 response times, ensuring the right service to the public as quickly as possible

In response, the following will be areas of focus for both the PCC and West Mercia Police:

- **Victims' hub**

The PCC set out within his police and crime plan that he would be delivering a new victims' hub to improve the victim journey, whether people have chosen to report the incident to the police or not. The new hub will ensure that victims are supported appropriately and directed to the relevant specialist service if needed.

The PCC will also ensure that this new service provides a better service for vulnerable victims and domestic abuse survivors.

- **Victim support and updates**

Ensuring that victims of crime receive timely updates is imperative to the victim journey and how confident they feel in the service they receive from their police force. It is also something that should be met as part of the Code of Practice for Victims (Victims' Code – VCOP).

The force will, again, utilise advances in technology to improve updates to victims through automation and self-serve options.

- **Victim services**

The PCC, committed to supporting victims and witnesses, will continue to invest in victim services. Each year, the PCC carries out a re-commissioning process to ensure that victims will receive the highest standard of support, and that providers and projects are focused on supporting those affected by high harm crimes, such as domestic abuse and sexual violence.

The PCC will also ensure that the Sexual Assault Referral Centres (SARCs) in West Mercia, which provide medical and practical support to people who have recently been raped or sexually assaulted, meet the standard required to be forensically compliant – ensuring there is far less risk of contamination.

Maximising resources and value for money

The PCC set out the following to the Chief Constable as being priorities when seeking to build a draft budget:

- Developing system-wide approaches to common priorities with partners
- Revenue budget proposals will be balanced against the agreed resources available
- The force needs to continue in its efforts to identify and deliver efficiency savings wherever possible
- The continued drive around effectiveness and efficiency will focus on organisational transformation wherever possible, rather than de-civilianisation or service reductions

In response, the following will be areas of focus for both the PCC and West Mercia Police:

- **Sustainability**

Reducing the carbon footprint for policing has been an ongoing aim for the PCC and force. The force will therefore deliver further on the fleet decarbonisation programme.

After a pilot, the police estate will benefit from further installation of LED lighting.

This will all support delivery against the Net Zero Strategy, which has been supported and signed off by both the PCC and Chief Constable.

- **Operation Franklin**

As noted above, Operation Franklin will create two community policing areas, instead of five local policing areas. This will ensure that the teams based within the two areas and working more closely together and sharing all resources. Resulting in a policing model that delivers efficiencies and a quality service for communities.

- **Efficiencies**

As noted in previous sections, both the force and the PCC will continue efforts to evaluating all aspects of the organisation to ensure efficiencies are delivered.

Within the PCC's office, the re-tendering of commissioned services will ensure value for money whilst delivering what is required for victims of crime.

The PCC will also continue to rationalise the police estate, selling any police buildings that are no longer needed.

Within the force, following a considerable investment into digital services and IT, it is important that efficiencies continue to be identified to ensure that the force is making best use of technology as it advances. This includes reducing the need to double key information into two systems, when it could be done on one, or introducing robotic process automation for repetitive tasks and AI to improve service.

Detailed plans around all the commitments set out, and achievement of service improvements, will be developed and agreed between the PCC and the Chief Constable. The PCC is then able to hold the Chief Constable to account for delivery.

PART 2 - Report of the Treasurer on the 2025/26 Budget & Medium-Term Financial Strategy

The Revenue Budget

The economic context

On the 30th October the Chancellor of the Exchequer, Rachel Reeves, announced the Autumn Statement 2024 in a speech in the House of Commons. It follows on from an announcement made from the Chancellor during the summer that there was a 'black hole' in the public finances. The statement made a clear commitment that 'the only way to drive economic growth is to invest, invest, invest'. The Statement was accompanied by the Office of Budget Responsibility's (OBR) Economic and Fiscal Outlook.

The main headline from the budget is that the chancellor intends to invest in public services, both in terms of annual revenue spend, particularly the NHS and defence, and also over the long term in new hospitals, housing and transport infrastructure. To pay for this an additional £40bn of tax increases were announced, particularly focused on tax raised from a rise in National Insurance contributions paid by employers.

In September inflation was 2.6% (CPI) which is the lowest level since 2021 but staying just above the Bank of England target of 2%. The OBR prediction is that inflation will remain at this level through 2026 before falling to the target rate of 2% by 2029. The Bank of England Monetary Policy Committee (MPC) are responsible for meeting the target inflation level. They tend to use interest rates to control inflation which have been held at 5.25% since September 2023. As inflation has continued to fall over the past 12 months, the MPC voted in August to cut the rate to 5%, with a further 0.25% cut in October to 4.75%.

Wages and salaries showed growth of 7.6% in 2023. Future wage growth is predicted to be 4.7% in 2024, and reducing to closer to 2% over the remained of the forecast period. Despite the factors above, there is still a prediction that unemployment will not fall below the 4% level that has been forecast previously. The Chancellor announced that from April 2025 the Government's National Living Wage will rise to £12.21, a 6.7% increase.

During the Covid-19 pandemic, forecasts for public sector net debt (PSND) peaked at 109.7% of GDP in 2023-24. These figures had since been revised numerous times and now show a peak of 98.4% in 2024-25, with future borrowing staying at just over 97% of GDP. This in part reflects the improved GDP figures set out above.

Taking into account the announcements by the chancellor and the predictions on economic data that GDP growth over the forecast period will be.

| | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|------------|------|------|------|------|------|------|
| GDP growth | 1.1% | 2.0% | 1.8% | 1.5% | 1.5% | 1.6% |

Within the Autumn Statement there was limited reference to policing, crime, or justice. The speech did refer to an expectation that public services will deliver efficiency savings of 2%, but no detail as to what those entails.

The detail on the budget and department plans was released in the Budget Statement following the Chancellors speech. The Home Office's Department Expenditure Limit (DEL) is set to be £22.1 billion in 2025/26. This is a reduction in the total funding available for the Home Office compared to the limit set for the current year. However there has been a significant reduction in the departments spending following the new governments change in approach to dealing with immigration. Therefore, the DEL is stated as providing additional funding to the Home Office and that there will be an increase in the Police Core grant. The statement makes the following commitments for the Home Office.

- support an additional 13,000 neighbourhood officers and PCSOs to enhance visible, community-based policing across England and Wales.
- support the government's priorities to tackle violence against women and girls and knife crime. This includes implementing Raneem's Law to put domestic abuse specialists in control rooms and establishing trailblazer Young Futures Hubs to prevent young people being drawn into crime
- support the government to invest at least an additional £150 million in tackling national security threats and serious organised crime in 2025-26, supporting essential work to protect our economy, our democracy and our society.

Policing is also contingent on an effective criminal justice system, therefore an important part of funding for PCCs is from the Ministry of Justice (MoJ), specifically for victims' services. A £1.8bn increase in the MoJ's DEL was included in the budget statement along with a commitment to support prison and probation staffing and to tackle court backlogs. There was no mention of support for victims' services within the announcements made.

The economic context in relation to West Mercia

The Autumn Statement indicated that policing as a whole will receive an increase in funding, but there was limited clarity as to what the actual allocation for policing will be.

The predictions within the Autumn Statement for inflation/interest rates and pay awards are consistent with the assumptions that have been made in the budget. The 4.75% pay award agreed for September 2024 for policing was higher than the wage growth figures identified in the previous year's OBR report. The new government has highlighted that the pay review bodies had been given little direction by the former government as to what the priorities were when setting the pay levels, particularly affordability. Therefore, whilst the future pay growth of average earnings for 2025 has been predicted to be 3.6%, the assumption in the budget is that public sector pay growth will be below this level and closer to the predicted rate of inflation rates. In December 2025 the government announced that they had recommended to public sector pay review bodies that the pay award for 2025/26 should be 2.8%. The budget reflects the government's announcement. The budget has been updated to reflect the increase in the National Living Wage. This impacts on contractors used by West Mercia, rather than affecting

those directly employed by the PCC and force. The main announcement in the Autumn Statement, relating to the increase in National Insurance for employers (as well as a reduction in the threshold) is estimated to cost an additional £4.2m. Clearly this is a significant additional cost pressure to the 2025/26 budget.

The publication of the provisional financial settlement by the Home Office was on the 17th December 2024. There was additional funding provided to contribute to the impact of the pay award and the extra cost of national insurance contributions. There was an announcement of continued funding allocated to the maintenance of current police officer numbers. However, the funding distribution has been changed, from a per officer basis to an allocation by funding formula. This change in distribution methodology is detrimental to West Mercia in terms of the funding received. The final element of the provisional settlement was the additional resourcing to support the government's commitment for additional frontline policing for our communities.

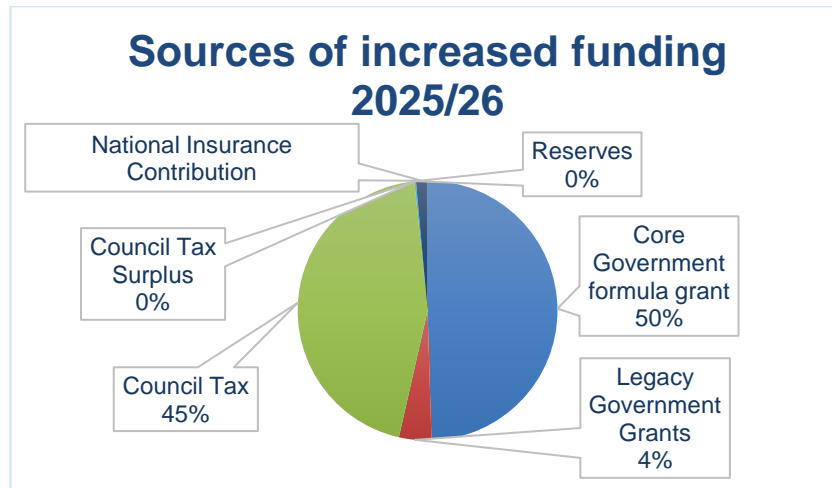
The final settlement was announced in January 25, confirming the funding that had already been set out for the 2025/26 financial year. It did also confirm an additional £1.5m of neighbourhood grant funding on top of the £1.6m already announced, although this required specific additional funding on neighbourhood policing and so was not available to fund services already in place.

The force has prioritised investment in officers for the benefit of the public of West Mercia but is also continuing to ensure resources are invested in technology and the estate. It is vital to continue this investment, as deprioritising this spend would be storing up risk for the future and restricting the force's ability to respond effectively to the ever-changing landscape of how policing is delivered.

Sources of funding

Funding of £298.3m was identified to support the net revenue expenditure of West Mercia in 2025/26 (excluding reserves). The PCC's medium term financial strategy (2024/25) included a projected increase in council tax precept of 1.99% in 2025/26. This projection has been used in calculating the funding available.

55% of the total funding comes from central government, principally the Home Office formula grant, but also from the additional funding made available to meet the cost of National Insurance contributions. The remaining 45% is derived from local taxpayers.



The assumptions on the provisional funding increased of £9.9m (3.4%) is broken down in the table below.

| Source of Funding | Change |
|--------------------------------|----------------|
| Core Grant | £5.205m |
| NI Contribution Funding | £4.206m |
| Precept increase (1.99%) | £2.573m |
| Tax Base increase (1.6%) | £2.168m |
| Council Tax Surplus | (£0.007m) |
| Reserves | (£4.276m) |
| Total change in Funding | £9.869m |

Government grants

The PCC receives over half of the funding to support policing in West Mercia from central Government, specifically the Home Office. The Home Office annual revenue settlement has previously followed the increases set out in the three-year Spending Revenue 2021 (SR21) which ended with the 2024/25 budget. Following the General Election, the Chancellor has set out the issues that the HM Treasury has identified in the public finances and set a one-year funding settlement for 2025/26. A 2-year settlement for 2026/27 – 2027/28 is expected to be announced in the 2025 Spring Budget.

The Provisional Funding Settlement from the Home Office on the 17th December 2024 confirmed the detail of the annual funding for 2025/26. The settlement represents a real terms increase in force funding of 3.5%, and a cash increase of 6.0%. The additional funding confirmed through this settlement includes an increase in the core grant and NI contributions of £9.4m included above.

There provisional settlement announcement of funding for specific activity (which is therefore shown in the cost of providing services, rather than funding) including:

- £7.9m of additional revenue grants to support the maintenance of police officers at those levels already agreed in 2024/25.
- £1.6m for the commitment for more neighbourhood police and PSCOs
- £6.6m to cover the cost of policing pension contributions

Income received from Council Tax

The Tax Base

The tax base is the number of properties that have a council tax charge placed on them. The base increases with additional houses being built and is reduced by factors such as claimants of Local Council Tax Reduction Scheme (LCTS) and through discounts awarded, including single person discounts or empty property relief.

The economic forecast is for growth over the medium term of between 1.5% and 2.0% per annum over the next 5 years. The new government has made announcements that they will reduce the barriers to housebuilding, which would be positive for the tax base. However the forecast from the OBR is that the base increase over the forecast period will be below 1% per annum. The OBR has also forecast that unemployment figures are not expected to change significantly from the Spring 2003 projection and therefore remain static. These factors are likely to restrict the level of growth in the tax base. Following confirmations received from Local Council Tax Billing Authorities the actual increase in the base for 2025/26 has been confirmed to be a 1.6% increase. This is worth an additional £2.2m of funding.

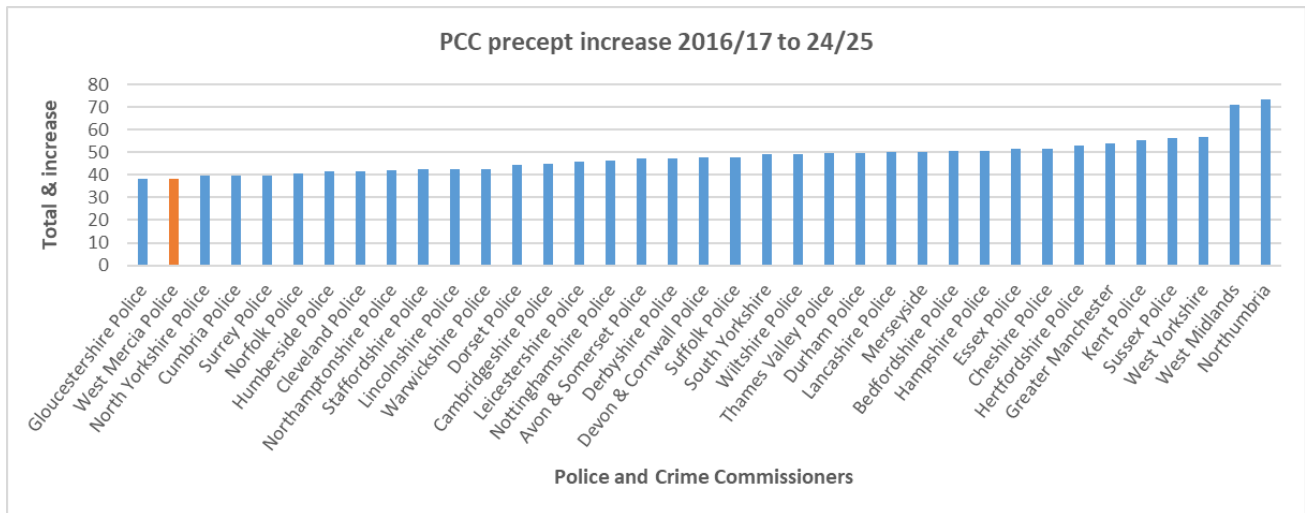
The Precept

The PCC has recognised that there will need to be an increase in Council Tax to support the force to meet its obligations to fund pay awards and increases in prices for goods and services. The PCC is also clear in his continued support for the investment in making West Mercia fit for purpose and to improve services. The PCC has set out an ambition that the impact on the public of West Mercia will be a below inflation increase in council tax precept through the current term in office. This recognises that there has been a significant financial burden place on the public recently and the cost-of-living impact is clear.

The PCC had set out projections in the medium-term financial strategy to raise the precept by 1.99% in 2025/26, below the level of inflation predicted by the OBR, equivalent to a £5.52 increase on the Band D charge. This is worth an additional £2.6m of resources to fund services.

It was announced on the 28th November 2024 (in a written statement by the Minister of State for Local Government and English Devolution) that PCCs will have a flexibility to increase Council Tax precept by £14.00 for a Band D equivalent property for 2025/26. An increase proposed above £14.00 would require the PCC to hold a referendum. For West Mercia that would provide a total of £4.0m of additional funding above that which has been included in the budget assumptions.

The PCC is conscious of the pressure that council tax places on households. The PCC has the second lowest percentage increase in council tax of all force areas in England and Wales since 2016/17 when he was first elected as West Mercia PCC.



The Collection Fund Surplus/Deficit

The administration of the council tax system is undertaken by local authorities through the Collection Fund account. This records the amount of income collected and the amount that has been precepted out to fund councils, police and fire. Each year there is a calculation of whether this account is in surplus or deficit. It is usual that there is a surplus, which is then shared back proportionally to each precepting body. The assumption when setting the budget was that the PCCs proportion of the surplus relating to 2024/25 will be circa £0.6m, which increases the total available to fund services.

Following confirmation of actual surplus/deficit from the local authorities in January 2025 the assumption has been revised up to an income of £1.364m, increasing the actual funding available, which is reflected in the budget deficit considerations later in the report.

Reserves

Earmarked reserves have been used as source of funding for the budget to fund specific initiatives and as a way to pilot new initiatives. There are currently no proposals to use of reserves to support the 2025/26 revenue budget. The 2024/25 budget allocated £4.2m of reserves to support spend. The removal of this funding source has had the following impact on the budget setting for 2025/26:

- The PCC has supported several pilot projects relating to prevention and intervention projects across West Mercia. As the pilots have come to an end, an assessment has been undertaken as to the value that the services have provided. Where there is a desire to continue these services, they are now considered to be part of on-going revenue expenditure
- Operation Lincoln, which is the major investigation into maternity deaths at Shropshire and Telford NHS Trust has been ongoing for 3 years. Whilst it receives special grant funding from the Home Office, a considerable cost is funded locally. Previously the PCC has used an earmarked reserve to fund the expenditure, but as the investigation is likely to continue through the medium term, there is not sufficient reserves available to meet this demand. Therefore, the cost is now having to be absorbed as part of the ongoing revenue budget.
- Finally, there was an element of underspends from the previous financial year which was being utilised to fund expenditure in the current year. As the in-year

financial pressures have increased, the expectation is that the revenue budget will be set to meet all ongoing demand. Therefore, not relying on this short-term funding source and ensuring the sustainability of policing going forward.

The reserves movement included in this budget report is in relation to the activity of the Youth Justice Service (YJS), which is hosted by the PCC. Whilst the service is reflected in the overall budget, it is funded separately by government and local authorities. The reserves movement of £0.2m is being drawn from a ringfenced reserve for YJS to balance their budget. This ensures that this service does not impact on the precept charged to the public for policing.

Proposed Revenue Expenditure

The proposed revenue expenditure budget for 2025/26 financial year is £310.3m which would be an increase in expenditure of £21.8m from the previous year.

| | |
|---|------------------|
| 2024/25 net revenue budget | £288.434m |
| Price and pay inflation | £12.014m |
| Servicing capital expenditure | £8.634m |
| Service level demand | £6.872m |
| Identified efficiencies | (£4.952m) |
| Operation Franklin (service review) | (£2.303m) |
| Cost of part year implementation | £1.552m |
| 2025/26 net revenue budget requirement | £310.251m |

The force has used a process of Priority Based Planning (PBP) to review budgets, it provides a framework to identify changes to the cost of providing policing across West Mercia. The principal factors which are driving the change in the budget requirement are:

The impact of inflation

- A total of £12.0m has been identified as the additional cost of inflation which is a reduction of £3.9m on the previous year.
- The increase cost of employers NI contributions makes up £4.2m of the inflation increase.
- The increase includes an assumption of a 2.8% pay award in September 2025
- It also reflects the higher-than-expected pay award of 4.75% agreed in September 24, which had not been fully budgeted for and accounts for £4.4m of the increase in inflation.
- Non pay inflation relating to the general purchase of goods and services from suppliers is expected to add an additional £1.8m to the budget.
- The inflation rate in relation to specific contractual arrangements has also been reflected in the non-pay inflation figures.
- There is an additional £0.6m of income that is being received to offset some of the higher costs, reflecting amended recharge rates and fees for providing goods and services.

Demand pressures in relation to decisions on capital expenditure

- There is £8.6m additional cost as a result of requirements to fund the investment in our buildings, fleet, digital infrastructure and equipment.

- There is a £2.6m increase in costs related to the servicing of debt due to capital expenditure in the previous financial year.
- It includes £2.8m of short-term assets which are being funded in year from revenue, which previously have been capitalised, including laptops, body armour and body worn cameras
- There is a proposal to increase revenue funding to pay for capital projects by £3.2m. This is part of the long-term restructure of financing of the capital programme, ensuring that short term assets are not funded from borrowing, avoiding high interest repayments.

Demand pressures on services that result in increased annual costs

- There is a £6.9m increase in the revenue cost to meet additional demand that is being placed on policing
- £2.1m increase in costs because of a review of Police Officer pay. As new recruits move through pay scales and become qualified their pay increases. This incremental increase in cost needs to be included in the force budget.
- £1.0m extra costs to meet the requirements of our digital services. The majority of the cost is due to increases in the cost of licences, software and hardware required to run all the systems and apps that the police use to deliver services
- There is an additional £0.5m in relation to the cost of the contract to provide the staff required to run custody suites across West Mercia
- A range of increases where the force does not have full control over the cost of that demand. For example,
 - Obligations relating to pension costs, relating to issues such as ill health retirement increasing by £0.4m
 - Insurance premiums cost increasing by £0.2m,
 - additional cost of housing dangerous dogs following changes in the law.
- There is also loss of income which means that overall costs increase. This includes the end to the government policy for housing prisoners in custody suites as a result of prison overcrowding, reducing income received by 0.1m

The force has been looking for efficiencies within departments on a consistent basis over the last 10 years, to see how they can deliver the same service more efficiently. This has become more challenging over time. In this financial year £4.9m of efficiencies have been identified.

- £1.4m is a reduction in PCC commissioning budget to reflect the reduced use of reserves to fund services from that utilised in 2024/25
- £1.0m of additional income which has been recognised as Firearms Licencing Income has increased, there is additional match funding for regional policing and a further reduction in pension costs as new recruits continue to opt out of the pension scheme
- The setting up of a Vulnerability Hub aims to centralise services to provide a more focused and effective response from a dedicated team. It is expected that this will also reduce costs by £0.8m
- £0.2m of efficiencies that can be realised as a result of introduction of Robotic Process Automation and use of AI to support the delivery of services
- £0.2m through effective tender for the service to deliver training to student officers.
- £0.3m of reduction in service costs from within the OPCC

Review of the force Operating Model – Operation Franklin

During the year the Chief Constable has commissioned a review of how the force delivers the totality of policing. The force has reviewed the model that they deploy to achieve the performance objectives with regard to delivering the Police and Crime Plan and force strategic objectives. The review is referred to as Op Franklin. A team has been set up, led by a Chief Superintendent to undertake the work. The team was given a wide brief by the Chief Constable to look at the whole system and to investigate whether there were alternative ways for delivery, which improves performance and ensure sustainability and efficiency in the service.

The team presented its findings to the Chief Constable and the management team for consideration. The Chief Constable has reviewed the proposals and considered the strategic intent and whether the changes can deliver the objectives that had been set out. As a result of this the Chief Constable has proposed to the PCC that several changes are made to how services are delivered, including

- Moving from 5 Local Policing Areas (LPA) to 2. The Chief Constable has recommended a simplified structure of teams within each LPA that is more resilient in responding to demand and ensuring visibility and accessibility is at the core of the policing activity.
- Focus on utilising specialist teams to investigate the most serious crimes, particularly those experiencing domestic abuse and rape.
- Using technology to enhance the experience for the public to contact the police
- Restructuring of the enabling services which support front line policing, making sure that it is fit for purpose and sustainable, making best use of new technologies.

The proposals have identified that these changes can deliver £2.3m of cost reductions which supports the wider budget position and ensuring that services are financially sustainable going forward. The assessment is that service performance levels can be maintained and enhanced as a result of the proposed changes.

The budget is based on a full year cost of providing services. Given the timescales involved with implementing the proposed operating model, it is recognised that not all of the changes will not be in place for the 1st April. Therefore, an additional cost estimated of up to £1.6m has been included in the budget to reflect this.

Delivering a balanced revenue budget

Following the elections in May 2024 the PCC has set out his priorities for policing in West Mercia for the next four years and beyond in the West Mercia Safer Communities Plan. The PCC supports the governments ambitions to maintain the focus on visible and accessible policing for the public of West Mercia. The PCC has been clear that the previous investment in police officers, to the highest level on record, is a key objective within this. The PCC is also determined to continue the important investment programme in the infrastructure that supports police officers to ensure it is fit for the future and that it is sustainable over the long term.

The budget proposal for 2025/26 is

| | |
|----------------------|------------------|
| Proposed Expenditure | £310.2m |
| Funding Identified | <u>(£298.3m)</u> |
| Budget Deficit | £11.9m |

The proposed budget for policing has resulted in an increase in the cost of providing services of £21.8m. The increase in funding from central government, worth an additional £9.4m, is not sufficient to meet the additional cost of inflation of £12.0m to deliver services in 2025/26. The funding announcement confirmed that £4.2m has been allocated to West Mercia to meet the full impact of the National Insurance employer contributions. The remaining £5.2m includes a reallocation of grant funding for Police Officer Uplift into core funding, This leaves approximately £4.0m of extra funding which is contributing to, but not totally offsetting the additional cost of the higher-than-expected pay award of 4.75% in September 24, an assumed pay award of 2.8% from September 25 as well as other increases in cost due to inflation. The increase in funding from the Home Office therefore is also not contribute to the cost of the increasing demand for services, the need for service improvements or the focus on ensuring investment in assets is sustainable.

The PCC set his medium-term projection of a Council Tax precept rise of 1.99% to support the budget and improvement in the services delivered. This is also not sufficient to offset the increase in costs.

As there is a budget deficit the PCC has requested that the Chief Constable ensures that resources are being utilised effectively. To provide operational advice as to how performance and outcomes in key areas are still being delivered for the public given the requirement to deliver a balanced budget. The force has undertaken an evaluation of all its budgets to ensure that they focus on delivery of core objectives, that demand pressures are challenged to ensure that they are realistic and that all available efficiencies have been identified. The Chief Constable provided reassurance to the PCC that the proposed expenditure of £310.3m is the level required to deliver the PCC's priorities and effective policing across the whole of West Mercia, along with desired improvements in performance.

The Commissioner has also requested and overseen a review of expenditure within the Office of the PCC (OPCC) as part of options to deliver a balanced budget. This review has resulted in proposals being made to achieve further efficiencies across the OPCC in respect of governance, estates and commissioning functions.

Given the budget deficit that exists, the PCC therefore needs to consider the options available in order to set a balanced budget. These include:

- Use of reserves or underspends
- Review of how investment in assets is funded
- Delivery of reductions in the level of expenditure, which could have the potential to impact on service delivery and performance
- Increasing the council tax precept.

The PCC could utilise reserves to fund future expenditure. Whilst the principle has been that reserves should not be used to fund ongoing revenue expenditure, limited use of this source of funding has been available in the past to ensure continuity of services

that are important to the public. However, it should not risk the financial viability of the organisation. Reviewing the current financial position in this financial year and the level of reserves available the option to utilise them to balance the budget is very limited and is not currently being considered. It is clear that there is a need to secure an element of the reserves that we currently hold to manage the impact of any cost of change related to any agreed services changes to support delivering a balanced budget.

The PCC has reviewed all the proposals in respect of expenditure on assets for 2025/26. The investment in digital infrastructure, fleet and ensuring that officers have the equipment they need to keep themselves and the public safe is critical. Simply reducing these programmes, to save money, puts at risk our ability to afford the required services over the medium to long term. However the investment comes with a significant financial cost, which requires the use of capital borrowing to fund, putting the financial sustainability of policing at risk. The PCC has considered how best to balance the need to invest in our assets and using revenue to fund them against the cost of borrowing. Several options have been considered as a way to support delivering a balanced budget.

- Reduce the revenue contribution to pay for new assets
- Reduce the replacement programme
- Look at how much of our resources are capitalised

The force has responded to the budget deficit position by reviewing all services to look at options for delivering reductions in budget above the efficiencies that have already been identified. The force has reviewed how reductions in planned expenditure can be delivered whilst minimising the impact on service and performance. Plans have been prioritised to be presented as options to the PCC to consider in order to balance the budget. The PCC has in turn scrutinised these options, seeking further information and reassurance that their potential impact to the public is minimised.

Potential reductions in planned expenditure of £20.6m were initially identified and a risk assessment made of the possible impact on performance and service delivery.

| Potential options for reducing service level expenditure to ensure a balanced budget | Potential reduction in expenditure £m | Cumulative reduction in expenditure £m |
|--|---------------------------------------|--|
| Proposals which are considered to have a limited impact on front line policing and services to the public. | 5.298 | 5.298 |
| Proposals which may require consideration of wider redeployment of Police Officer and may hinder the force's ability to deliver performance improvements | 1.327 | 6.625 |
| Proposals with a high probability to impact on front line visible policing and which are a risk to delivery of services and performance | 14.015 | 20.640 |
| Total | 20.640 | |

To reduce expenditure to meet the full budget deficit of £11.9m, it would require taking reductions from each category. This would include taking some of the plans which have been identified as having a high probability of impacting on front line visible policing and risks the ability of the force to deliver services and expected performance levels.

The PCC also has the option to increase the level of Council Tax precept that is set by up to £14.00. This would provide an additional £4.0m to support revenue expenditure above the level already included in the funding proposed. The PCC is aware of the financial implications for the residents of West Mercia. The percentage increase would be above the expected inflation rate of 2.6% currently forecasted by the OBR, but there remains the reality that increases in government funding does not cover the impact of inflation. There remains a significant amount of other costs which also need to be met to ensure the continuation of effective police services to the public.

The PCC is focused on delivering his West Mercia Safer Communities Plan and directing resources into the core elements of his priorities for the 2025/26 budget, namely.

- Cutting Crime
- Policing with communities
- Supporting Victims and Witnesses
- Maximising resources and value for money

Based on the commitments set out above the PCC has decided that the most sustainable way to deliver a balanced budget, to protect services and deliver effective policing for the public is the following

| | |
|---|-----------------|
| 2025/26 Budget Deficit | £11.949m |
| Increase Council tax precept to £14.00 | £3.956m |
| Reduction in revenue contributions to capital | £2.000m |
| Adjustment to budget assumptions | £0.870m |
| Reductions in service expenditure | £5.123m |
| Remaining deficit | £0.000m |

The PCC believes that maximising the precept is important in ensuring that policing services are able to deliver the priorities set out in the West Mercia Safer Communities Plan, and in doing so avoids making cuts within policing that will see a significant impact on the public.

The PCC has considered the advice around the sustainability of our capital programme. There has been a significant step forward in the budget proposals this year to deliver this. The PCC has agreed that a reduction in the proposed pace of change is reasonable, to avoid making further cuts to the service that the public receives. It means more borrowing but that it is considered appropriate and affordable, in light of the need to make further cuts to services across policing.

There continue to be discussions regarding the assumptions that have been used in setting the budget and the possibility of additional income from external sources. An additional £0.9m of savings have been identified through a reduction in contributions required to fund future pension deficit.

The PCC has received and reviewed all the proposed saving plans identified by the force and the OPCC and has considered what the impact of each proposal might be on the service that the public receives, particularly where it is related to the core elements of the West Mercia Safer Communities plan. The PCC recognises that there is also the question of cost effectiveness of delivering that saving, which could include significant one-off costs. The required reduction in service expenditure of £5.1m represents 1.6% of the proposed expenditure budget. The PCC is aware of the impact that this will have on West Mercia. However, if the PCC did not take the option to maximise the precept the requirement to make further savings would increase. This would increase the likelihood of damaging the effectiveness and efficiency of services delivered to protect the public.

Since the provisional draft budget for consultation was presented to the PCC in December 24 the force has continued to work on refining the budget. As confirmation of assumptions have been made, costs have continued to be amended. Whilst mostly costs have increased, there has also been additional income which has been identified. The overall position has not significantly changed and a savings requirement of between £5.0 - £5.5m has still been identified as being required.

The PCC is reassured there are sufficient saving options that have been identified to deliver a balanced budget. The PCC recognises that agreement of a savings plan that provides no contingency is not sufficient. This is to reflect the risk assumptions on expenditure will not be correct, that plans may not be delivered, or implementation is delayed. Therefore the PCC has asked the Chief Constable to identify further options for savings which go beyond the need for a balanced budget to safeguard the financial stability of the organisation and ensure that the organisation can respond should plans & assumptions change. The PCC has agreed the final plan in detail before the start of the financial year.

It is recognised that the management of change process will result in a cost to deliver the reductions in establishment and changes to the operating model required. The current estimate is that it is likely to cost circa £1.8m. It has been agreed in principal that there will be a use of reserves and capital receipts held to offset the cost. The accounting treatment is to recognise the costs in the 2024/25 financial year, as this is when decisions have been made. Therefore, there is not expected to be an adjustment required to the budget proposals in this report.

Taking account of all the actions agreed to balance the budget the following table shows the PCCs proposed budget for 2025/26. It shows the principal movements in expenditure and income between the two years.

| Revenue Budget | | | | | | |
|---------------------------------|---------------------------|------------------|--|---------------------------|---------------------------|-----------------|
| | 2024/25 Budget | Inflation | Demand & Efficiency | Service Levels | 2025/26 Budget | Variance |
| | £m | £m | £m | £m | £m | £m |
| Government Grant (Core Funding) | 153.900 | 4.967 | 4.445 | 0.000 | 163.312 | 9.412 |
| Council Tax Precept | 130.258 | 6.530 | 2.574 | 0.000 | 139.362 | 9.104 |
| Total Funding | 284.158 | 11.497 | 7.019 | 0.000 | 302.674 | 18.516 |

| | | | | | | |
|----------------------------------|----------------|---------------|---------------|----------------|----------------|---------------|
| Police Officer Pay | 152.084 | 9.046 | 0.117 | -1.679 | 159.568 | 7.484 |
| Police Officer overtime | 2.693 | 0.099 | 0.386 | 0.000 | 3.178 | 0.485 |
| Police Staff Pay | 80.245 | 4.054 | -0.134 | -3.411 | 80.754 | 0.509 |
| PCSO Pay | 8.779 | 0.805 | -0.057 | -1.087 | 8.440 | -0.339 |
| Police Staff overtime | 0.503 | 0.018 | 0.017 | -0.002 | 0.536 | 0.033 |
| Temporary and Agency Staff | 0.084 | 0.003 | 0.078 | -0.020 | 0.145 | 0.061 |
| Injury & Ill Health Pensions | 3.942 | 0.000 | 0.322 | 0.000 | 4.264 | 0.322 |
| Other Employee Expenses | 2.290 | 0.039 | -0.372 | 0.006 | 1.963 | -0.327 |
| Premises | 11.820 | 0.253 | -0.139 | 0.016 | 11.950 | 0.130 |
| Transport | 4.514 | 0.057 | -0.051 | 0.009 | 4.529 | 0.015 |
| Supplies & Services | 32.877 | 0.894 | 2.969 | -1.038 | 35.702 | 2.825 |
| Third Party Payments | 22.025 | 0.474 | -1.643 | -0.133 | 20.723 | -1.302 |
| Intergroup Services | 2.205 | 0.000 | -0.113 | 0.000 | 2.092 | -0.113 |
| Contribution to Reserves | 0.000 | 0.000 | 3.388 | -1.548 | 1.840 | 1.840 |
| Capital Financing | 11.336 | 0.000 | 6.014 | -1.793 | 15.557 | 4.221 |
| Gross Expenditure | 335.397 | 15.742 | 10.782 | -10.680 | 351.241 | 15.844 |
| Income | -46.963 | -0.605 | -1.346 | 0.575 | -48.339 | -1.376 |
| Net Expenditure Budget | 288.434 | 15.137 | 9.436 | -10.105 | 302.902 | 14.468 |
| Funding from Reserves | 4.276 | 0.000 | -4.048 | 0.000 | 0.228 | -4.048 |
| Net Budget after Reserves | 284.158 | 15.137 | 13.484 | -10.105 | 302.674 | 18.516 |

Further details on the 2025/26 budget are set out in Appendix B which outlines a summary of the expenditure by both subjective and objective analysis.

The Medium-Term Financial Strategy

It is important to consider the financial sustainability of the organisation going forward. The annual revenue budget is included as part of the Medium-Term Financial strategy (MTFS) of the organisation to ensure that future spending plans are affordable. Projecting into the future the MTFS has identified the following estimated levels of expenditure and funding:

| | 2024/25 MTFS Approved £m | 2025/26 MTFS £m | 2026/27 MTFS £m | 2027/28 MTFS £m | 2028/29 MTFS £m |
|---------------------------------|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Government Grant (Core Funding) | 153.900 | 163.311 | 164.825 | 166.353 | 167.897 |
| Council Tax Precept | 130.258 | 139.363 | 141.610 | 144.410 | 147.267 |
| Funding from Reserves | 4.276 | 0.228 | 0.000 | 0.000 | 0.000 |
| Total Funding | 288.434 | 302.902 | 306.435 | 310.763 | 315.164 |

| | | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Police Officer Pay and Allowances | 152.084 | 159.569 | 163.459 | 167.242 | 171.156 |
| Police Officer Overtime | 2.693 | 3.178 | 3.802 | 3.890 | 3.981 |
| Police Staff Pay | 80.245 | 80.754 | 82.835 | 84.765 | 86.760 |
| PCSO Pay | 8.779 | 8.440 | 8.647 | 8.847 | 9.054 |
| Police Staff & PCSO overtime | 0.503 | 0.536 | 0.617 | 0.631 | 0.646 |
| Temporary and Agency Staff | 0.084 | 0.145 | 0.149 | 0.152 | 0.156 |
| Injury & Ill Health Pensions | 3.942 | 4.264 | 4.305 | 4.305 | 4.305 |
| Other Employee Expenses | 2.290 | 1.963 | 1.978 | 2.023 | 2.068 |
| Premises | 11.820 | 11.951 | 12.145 | 12.361 | 12.574 |
| Transport | 4.514 | 4.528 | 4.581 | 4.639 | 4.697 |
| Supplies and Services | 32.877 | 35.702 | 38.104 | 38.967 | 39.788 |
| Third Party Payments | 22.025 | 20.723 | 21.493 | 21.639 | 21.831 |
| Intergroup Services | 2.205 | 2.092 | 0.000 | 0.000 | 0.000 |
| Contribution to Reserves | 0.000 | 1.840 | 0.400 | 0.400 | 0.400 |
| Capital Financing | 11.336 | 15.556 | 20.033 | 25.314 | 24.388 |
| Gross Expenditure | 335.397 | 351.241 | 362.548 | 375.175 | 381.804 |
| Income | -46.963 | -48.339 | -47.978 | -48.5 | -49.086 |
| Net Force Budget | 288.434 | 302.902 | 314.570 | 326.675 | 332.718 |

| | | | | | |
|-----------------------------------|--------------|--------------|---------------|----------------|----------------|
| Future savings requirement | 0.000 | 0.000 | -8.135 | -15.912 | -17.554 |
|-----------------------------------|--------------|--------------|---------------|----------------|----------------|

*Future saving projections are cumulative totals.

Based on the future projections it is recognised that further work is required through 2025/26 to understand costs and to ensure that the strategic plan for West Mercia is clear and that the business models that support these aims are financially viable. It is envisaged that structural adjustments to the model in the current year, including the focus on the importance of changing how we fund our capital programme will set West Mercia up to be more financially sustainable going forward. However, there is still the need for more certainty as to future government funding to support financial planning.

The key working assumptions relating to changes in expenditure and funding in the MTFS are as follows:

Funding & Income Assumptions

| | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 |
|-----------------|-------|--------|-------|-------|-------|
| Grant | 0.6% | 1% | 1% | 1% | 1% |
| Income | 3% | 3.44% | 2.5% | 2.5% | 2.5% |
| Council Taxbase | 0.98% | 1% | 1% | 1% | 1% |
| Precept | 4.91% | 1.99% | 1.99% | 1.99% | 1.99% |
| Collection Fund | £191k | -£357k | - | - | - |

* the precept for 2025/26 has been set at an increase of 5.05% to reflect the need to balance the revenue budget

Pay assumptions

| | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 |
|-------------------------|--------|--------|-------|-------|-------|
| Officer Pay | 2.5% | 2.8% | 2.5% | 2.5% | 2.5% |
| Staff Pay | 2.5% | 2.8% | 2.5% | 2.5% | 2.5% |
| Officer on call standby | 14.58% | 22.5% | 2.5% | 2.5% | 2.5% |
| National Insurance | 13.8% | 15.0% | | | |
| NI threshold | £9,100 | £5,000 | | | |
| Apprentice Levy | 0.5% | 0.5% | | | |
| Officer Pension | 35.3% | 35.3% | | | |
| Staff Pension | 17.9% | 17.9% | | | |

The actual pay award in 24/25 was 4.75% against the budget assumption of 2.5%
The assumption is that thresholds and levies are not going to be adjusted in future years following the adjustment in the 2025/26 Autumn Statement

Non-Pay Inflation assumptions

| | 24/25 | 25/26 | 26/27 | 27/28 | 28/29 |
|----------------|-------|-------|-------|-------|-------|
| CPI | 3% | 2.4% | 2.2% | 2.2% | 2.2% |
| General Prices | 3% | 2.6% | 2.3% | 2.7% | 2.6% |
| Gas | -15% | -5% | - | - | - |
| Electric | -4% | -2.5% | - | - | - |
| Vehicle Fuel | 0% | -0% | 2% | 2% | 2% |

Where price increases are based on contractual requirements, then these rates will be used to inform increase in cost.

These assumptions have considered previous increases directly impacting West Mercia and also reference to information based on the OBR predictions on economic growth.

The Capital Budget

The capital budget for 2025/26 has been prepared based on bids for funding by each department across West Mercia Police. These have been considered against public benefit and affordability. Capital bids from the force are scrutinised by the force leadership team to ensure that they reflect the West Mercia Safer Communities Plan and policing priorities, that timescales and costings are reasonable, and that consideration is given to the overall return on that investment. Proposals relating to the investment in the estates are developed within the OPCC and consulted on with the force. All existing capital programme projects have been updated to reflect where spend is predicted to continue into 2025/26.

Since the 2024/25 capital budget was set in November 2023 there has been a significant change in the revenue impact of the capital programme. Interest rates have steadily increased through to a rate of 5.25% although it has since dropped back to a rate of 4.75% in November 2024. This means that borrowing is having a proportionally higher impact on revenue than in previous years. Because of this a review of the capital strategy has been undertaken and a series of guiding principles have been proposed to ensure that the capital programme is financially sustainable over the medium term.

The proposed programme reflects the priorities of the PCC to transform and reform police activities, services and systems as quickly and effectively as possible. It recognises the need to invest in ICT systems and further develop the estate to ensure that policing responds to changes in demand and the nature of crime. The budget has been built by balancing the need to continue to make investment in West Mercia whilst not threatening the viability of the revenue budget. The proposal is a capital investment of £32.7m for 2025/26.

| Capital Programme 25/26 | £m |
|--------------------------------|---------------|
| Digital Services Programme | 7.083 |
| Change Programme | 3.289 |
| Fleet Replacement Programme | 3.620 |
| Estates Programme | 18.742 |
| Total Capital Programme | 32.734 |

The capital budget is an outline commitment to inform future planning, borrowing decisions and assessment of the revenue impact. Final approval of any new scheme is subject to a full business case being approved by the PCC. The capital budget may change as a result of a business case being progressed to full proposals.

Currently £5.3m of the plan is either a fully approved business case or part of delegated approvals to deliver spend. This leaves £27.4m of the plan which is either only partially approved or requires a business case. It is recognised that this is at greater risk of not being delivered in the financial year.

The expected funding of the programme is outlined below. The PCC has a limited level of capital receipts that can be effectively realised. There is also the option to use the receipts to fund certain revenue expenditure allowed under direction from government, rather than just on capital financing. Therefore, the sizeable proportion of funding is from borrowing, which the PCC is very aware creates an ongoing revenue cost, where the principal and interest costs must be repaid. One of the central principles of the updated capital strategy is that short term assets should be funded as in year expenditure. The implication is that with more revenue money required to be set aside

to fund the capital expenditure, there will be less reliance on borrowing which incurs interest costs. This has seen expenditure which had been in the capital programme transferred to being part of the annual revenue budget. There is also an increase in funding from Revenue Contributions to Capital to reduce the reliance on borrowing to fund other short-term assets still contained in the capital programme.

The level of borrowing for the capital programme needs to be based on capital investment plans that are affordable, prudent and sustainable as described in the capital strategy.

| Capital Funding 2025/26 | £m |
|---------------------------------|---------------|
| Capital receipts | 0.000 |
| Revenue Contribution to Capital | 3.200 |
| Reserves Drawdowns | 0.034 |
| Capital Grants | 0.600 |
| External Borrowing | 28.900 |
| Total Funding | 32.734 |

Government regulations require the PCC to approve the investment and borrowing strategies and borrowing limits for 2025/26 prior to the start of the financial year. This is incorporated within an over-arching Treasury Management Strategy which is reviewed by the Joint Audit and Standards Committee each year and approved at the West Mercia Governance Board.

To demonstrate that the objectives of affordability, prudence and sustainability have been achieved, the Prudential Code requires indicators to be determined by the PCC. These are designed to support and record local decision making and for comparison over time. They are not designed to be comparative performance indicators. These are included within the strategy to support the delivery of affordable revenue budget annually and in the medium to long term.

The Reserves Strategy

The use of reserves over the medium-term is an important element of the financial strategy. Reserves are held to fund one-off non-recurring expenditure which will achieve specific objectives, or to support making efficiencies in the revenue budget and to manage risk.

There is likely to be the roll-over of projects from the 2024/25 planned use of reserves into 2025/26 as not all the anticipated works have been completed. Given the uncertainty of funding and resource requirements there are currently no plans approved by the PCC. However assumptions have been made regarding likely use of earmarked

reserves over the medium-term. There is likely to be a call on reserves to support the one-off cost of change in current programme and an assumption that there will be new projects that will be approved in year.

Reserves provide a resource to fund expenditure which is considered to be outside of business as usual and to manage risk. There are specific reserves to support legal claims made against West Mercia. However, it is recognised that given the wider financial pressures that earmarked reserves have not been supplemented in recent years, and that there is an increasing risk that reserves may not be sufficient to meet the highest risk events.

As it has already been noted in this report, the PCC has over the last 3 years provided reserves funding to support the major investigation into maternity deaths at Shropshire and Telford NHS trust. As the investigation has continued and is likely to carry on for several years there is not the reserve resources available. The expenditure has been included as part of the recurring revenue expenditure.

Statement on the Soundness of the Budget & Adequacy of Reserves

In setting the MTFs, the PCC needs to consider the revenue budget, implications of the investment in capital and the level of reserves held. The PCC holds a General Reserve, Earmarked Reserves and Capital Reserves. These will, in part, be governed by known or likely commitments, and, in part, by the appetite for risk. As the Treasurer, I have reviewed thoroughly the financial risks facing policing in West Mercia and assessed the level of reserves required.

I have complied with CIPFA guidance on the establishment and maintenance of local authority reserves and balances. An assessment of the key budget principles has been undertaken and the compliance with the CIPFA Guidance on key budget principles are set out in full at Appendix E. The findings from the assessment are that all key principles have been considered when setting the budget.

General reserve

A review is undertaken annually of the significant risks and pressures facing the PCC before setting a minimum level of reserves held in the General Reserve. A reduction is then made to reflect the fact that not all risks will occur during the life of the Medium-Term Financial Scenario.

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

| Provision | £m | Reason |
|---|-------|---|
| Efficiency savings have not been met | 0.980 | <p>£4.9m of force efficiencies and corporate savings have been proposed through the PBP process to be delivered by the force. This will be monitored during the year and expectation is that action will be taken if there are efficiencies that are not met in year. There is a risk that some fail to be delivered and alternatives cannot be found. Assumption is that there will not be a budget underspend in other areas to offset this.</p> <p>Risk assessment that 20% may not be delivered</p> |
| Achieving a balanced budget through savings | 1.530 | <p>The current projection is that the force needs to identify £5.1m of savings in order to achieve a balanced budget for the 2025/26 financial year.</p> <p>The reported outturn for 2022/23 was an underspend of £7.6m of which £6.8 was contributed to reserves. The savings target of £6.0m was overachieved by £0.054m.</p> <p>The reported outturn for 2023/24 was an underspend of £3.2m. The force over-achieved the savings required by £1.2m. Savings of £13.3m were made against the target of £12.1m</p> <p>In 2024/25 at Q2 the projection is a £4.0m overspends. This pressure has been recognised since Q1 and the force have taken action to control spend and to bring it back within the budget available through the second half of the year. There is a savings of £7.1m of which £6.2m is on track to be delivered.</p> <p>Again, the force is monitoring the whole budget position to ensure that they do not overspend. It does reflect the challenging budget setting process for the 2024/25 financial year.</p> <p>The requirement to continue to deliver savings and efficiencies increases the risk of not being able to formulate achievable plans to deliver those savings. However there has been a lot of work from the force to identify realistic savings by taking specific action before the start of the financial year which provides assurance that they can be delivered.</p> <p>Given the work undertaken and the previous record of the force in delivering savings there is a reasonably low risk that they will not be delivered.</p> <p>However, a risk remains. A risk factor of 30% has been allocated against this savings plan which is equivalent to £1.5m</p> |
| Cost of Change | 0.250 | <p>With the requirement to implement the savings plan there is likely to be a significant cost of the changes being proposed. There is circa £1m available in reserves already identified that could be utilised to fund the cost of change. There are also options regarding using flexible use of capital receipts to fund the change. There is a small risk that there will not be sufficient funds to meet the cost. Applying a factor of 25% to the potential risk above the current reserves available</p> |
| Major Investigation Funding | 2.983 | <p>In 2020/21 the force became responsible for a major investigation into the care of mothers and babies who died or suffered serious harm in a maternity care setting at the Shrewsbury and Telford NHS Trust.</p> |

| | | |
|--|-------|--|
| | | <p>The force has been able to claim a Special Grant from the Home Office and are in received of a tapered grant to cover 40% of the cost of the investigation. Requirement on West Mercia to identify £1.4m of resource from within the 2025/26 revenue budget to support the investigation as there is not sufficient earmarked reserve available.</p> <p>However, there is the potential that another significant investigation could be required although this is considered to be unlikely. It is expected that a force would cover up to 1% of the revenue budget requirement of £298.3m, before it is eligible to support from special grant from the Home Office. This would be a financial impact of £2.9m</p> |
| Budget Assumptions - Risk of Collection Fund deficit from changes to tax base / LCTS | 0.250 | <p>The current economic climate is for low growth which has the potential to impact on employment. This is a risk to the Collection Fund, reducing the estimated surplus distributed into the funding. Current assumption is that the surplus would be £1.0m. Have assessed risk of the impact on the declared surplus a provision of 25% of the estimated contribution has been made.</p> |
| Budget Assumptions - Risk of Pay inflation being 1% higher than budget | 1.250 | <p>Provision for pay award and contractual inflation made in MTFP. A provision of 1% of the pay budgets should be included to reflect the economic uncertainty that is currently being experienced in the UK. Pay budget is approx. £250m. 1% = 2.5m for half a year £1.25m</p> |
| Budget Assumptions - Risk of Non-Pay inflation being 1% higher than budget | 0.750 | <p>Provision for pay award and contractual inflation made in MTFP. A provision of 1% of the non-pay budgets of £75.0m should be included to reflect the economic uncertainty that is currently being experienced in the UK.</p> |
| Change in interest rates | 0.270 | <p>The expectation is that interest rates will not be increased by the Bank of England from the current rate of 4.75%. However, this is based on the current global economic conditions, any new economic shocks/crisis could change this. The risk of a 1% increase in interest rates on planned external borrowing of £27m in 2025/26 would have an impact of £0.27m. This reflects the economic uncertainty</p> |
| Capitalisation of resources | 0.200 | <p>Refers to revenue impact of capital expenditure which can be cash limited. Substantial provision for both revenue and capital expenditure already made in the Medium-Term Capital Programme and Medium-Term Financial Plan.</p> <p>In the 2025/26 it is assumed that in-house project and programme management costs of circa £2m can be capitalised. There is a risk that this resource may be used to support revenue projects. A provision at 10% of costs has been included to mitigate this risk.</p> |
| Riot Compensation claims | 0.400 | <p>Social unrest in 2024 following the murder of 3 young girls resulted in riot damage to businesses and some private residences in several areas of the country. There is a duty on PCCs to cover claims made against a force for not protecting against such damage. Estimate of risk set at £0.4m</p> |

| | | |
|---|---------------|---|
| Replacement of Airwaves Network/ESN/ESCMP | 2.000 | Lack of detail and clarity on implementation from Home Office. Substantial provision made in the Medium-Term financial Plan and Capital Programme but that may not be affordable given other budget pressures |
| Impact of review of Police Funding Formula | 1.000 | Outcome unknown and timing of review delayed by Home Office. |
| General Contingency provision for extraordinary events | 2.983 | Based on 1% of net revenue expenditure of £298.3m |
| | 14.846 | |
| Reduction to reflect the fact all of these risks will not occur in the short term | 7.423 | 50% reduction to reflect that not all events will occur in this time period. |
| | 7.423 | |

The aggregate cost of those elements which it is feasible to estimate is £7.4m. It should be noted that the impact of any major investigations, changes as a result of a funding review or increased economic and political uncertainty cannot be accurately estimated and could prove to be significant. The PCC does not necessarily have to provide money in the general fund reserve for each of these elements individually as the events are considered unlikely to occur. One contingency can provide for several possible events. It is unlikely that all events will occur within the same financial year. The MTFs includes a requirement to increase the General Fund Reserve through the Medium Term, providing an additional contribution to offset the risks identified as the net revenue budget increase.

The recommendation is that the minimum level of reserves be set at £8.0m. It is recognised that this is below the 3% of the net revenue budget threshold, which is generally considered to be good practice, but is sufficient based on the assessment of risk undertaken. Provided that this sum is available within reserves, I am satisfied that this budget is soundly based and adequately provides for the risks facing the PCC.

This and the previous year's budget report have highlighted the pressures on current year revenue budgets and that delivering savings plans and a balanced budget carries risk. The in year revenue budget monitoring for 2024/25 has predicted an overspend of between 1.25% - 1.75%. Despite proactive budget management by the Chief Constable and that further action will be taken up to the 31st March to reduce spend, it remains a risk that the force are unable to contain spend within its agreed 2024/25 budget.

The purpose of the general fund reserve is to respond to unexpected events and to ensure financial stability in the short term. However these events are not expected to recur. The assessment remains that reserves need to be maintained at £8.0m and as such the PCC has made it clear that if the force require support from the general fund for the 2024/25 financial year, that further savings will be required in 2025/26 to return the reserve back to the recommended level within the financial year.

Earmarked reserves

The predicted balance on 31st March 2025 for each earmarked revenue reserve, which has a specific purpose and particular timescale, is shown in the table below.

| Earmarked Reserve | Forecast Balance at 31/03/25 | Purpose of Reserve |
|--------------------------------------|-------------------------------------|---|
| | £m | |
| Budget Equalisation reserve | -0.027 | To provide additional resource should the pay award be higher than estimated or to provide initial investment in transformational change programme. |
| Investment in Infrastructure Reserve | -1.670 | To invest in the infrastructure (ICT and Estates) |
| Major Investigation Reserves | -0.159 | Funds held to meet costs of major investigation above the taper funding provided through the special grant. |
| Road Safety Reserve | -0.973 | Funds held to fund road safety initiatives |
| Commissioning | -1.212 | To support spend on non-recurring PCC commissioning initiatives. |
| Insurance and Legal Claims Reserve | -0.158 | Provides a self-insurance fund where it is cost effective to do so. |
| YJS Reserve | -1.117 | Funds held on behalf of the responsible authorities to fund the costs of youth justice services. |
| Total Earmarked Reserves | -5.316 | |

In my opinion the total available earmarked reserves are sufficient to meet risk in the 2025/26 financial year, although depending on demand there may have to be reallocation between categories within earmarked reserves.

Capital reserves and balances

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

There is a reserve holding Capital Grants Unapplied. This holds the capital grants from the Home Office that have not yet been spent. These grants are applied to fund the capital programme and can be carried forward without penalty until required. It is expected that all capital grants awarded will have been spent during 2024/25 and the balance on the reserve as of 1st April 2025 is expected to be £0.0m.

There is a Capital Receipts Reserve. This holds receipts from the sale of land and buildings which are no longer needed for operational policing as more efficient use is

made of partners' and the policing estate. The funding table for the capital budget, included above outlines the receipts expected from asset sales from 2025/26. Previously any receipts in year have been used to invest in the capital programme and avoid borrowing. However, there is also the option to apply a policy for flexible use of capital receipts to help fund one off revenue costs. There is a policy approved by the PCC to enable this approach going forward. The balance on the reserve as of 1st April 2025 it is expected to be £0.0m.

The PCC has instructed the Estates Service to identify how we can maximise capital receipts from the estates and also make effective decisions to reduce the revenue costs. This will ensure that we are using the assets we have as efficiently as possible. The raising of capital receipts is an important part of offsetting the borrowing required to deliver improvements and ensuring the capital programme remains affordable.

Summary

There has been a comprehensive review of all reserves held by the PCC and the spending plans that are set out in the budget. 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.

The need to set a sustainable long-term budget comes at a time when the organisation continues its investment in its digital infrastructure and assets. Controlling the cost of borrowing through the MRP contributions and the payment of interest costs has become an area of concern, and a capital strategy has been revised to focus on rectifying this. It is recognised that this investment in assets is required to ensure that it can operate effectively and to use the technology that is available to drive service efficiency, but it is a costly undertaking. This necessary investment comes at a time when the establishment number of police officers is at the highest level on record. These two competing costs fall on a limited amount of resource available making it challenging to set a balanced budget.

The 2024/25 projection of an overspend at the end of the financial year may require a call on the general fund reserve for the first time in many years. The PCC has informed the Chief Constable that in this scenario the force needs a plan to replenish the general fund back to the proposed level of £8.0m in 2025/26, and to ensure that financial sustainability is achieved through the medium term.

The PCC also requested the CC provide reassurance that a review of the budget proposals for 2025/26 is undertaken to ensure that it is based on sound assumptions that can be delivered.

Based on the assurances provided from the Chief Constable on the budget proposed, and that further savings options have been identified and provided to the PCC for consideration I remain satisfied that a balanced revenue budget can be set. It will be

reliant on a concerted commitment from the force to deliver planned cost reductions agreed with the PCC and robust budget management at all levels of the organisation. The impact of this is an increased risk of seeing a reduction in the service provision and performance levels that can be delivered by the force.

West Mercia deliberately holds a low level of reserves to ensure that available resources are focused on the delivery of services for the public each year. However, this means that responding to further pressures on revenue costs comes with risk. Whilst I believe that risks can be managed through the total resources held in reserves, there is limited scope to support risk over the medium term. My advice is that following the restructure of the delivery model in 2025/26 and the reset to the approach to capital spend, there needs to be a focus on ensuring that there is a clear plan to maintain sufficient reserves to manage risk.

Appendix A - Summary of West Mercia Grant Settlement

The estimated Police Funding Settlement from the Home Office is:

| 2024/25 | Funding Stream | 2025/26 | Change |
|----------------|--|----------------|---------------|
| £ m | | £ m | % |
| 86.492 | Police Grant (including Community Support Grant) | 95.988 | 11.0 |
| 55.432 | Revenue Support Grant | 55.348 | -0.2 |
| | | | |
| 11.975 | Legacy Council Tax Grants (freeze grants and plus council tax support grant) | 11.975 | 0.0 |
| 153.900 | Total | 163.312 | 6.1 |

Appendix Bi - Subjective analysis of income & expenditure

| Revenue Budget | | | | | | |
|----------------------------------|-------------------|---------------|---------------------------|-------------------|-------------------|---------------|
| | 2024/25 Budget | Inflation | Demand & Efficiency | Service Levels | 2025/26 Budget | Variance |
| | £m | £m | £m | £m | £m | £m |
| Government Grant (Core Funding) | 153.900 | 4.967 | 4.445 | 0.000 | 163.312 | 9.412 |
| Council Tax Precept | 130.258 | 6.530 | 2.574 | 0.000 | 139.362 | 9.104 |
| Total Funding | 284.158 | 11.497 | 7.019 | 0.000 | 302.674 | 18.516 |
| Police Officer Pay | 152.084 | 9.046 | 0.117 | -1.679 | 159.568 | 7.484 |
| Police Officer overtime | 2.693 | 0.099 | 0.386 | 0.000 | 3.178 | 0.485 |
| Police Staff Pay | 80.245 | 4.054 | -0.134 | -3.411 | 80.754 | 0.509 |
| PCSO Pay | 8.779 | 0.805 | -0.057 | -1.087 | 8.440 | -0.339 |
| Police Staff overtime | 0.503 | 0.018 | 0.017 | -0.002 | 0.536 | 0.033 |
| Temporary and Agency Staff | 0.084 | 0.003 | 0.078 | -0.020 | 0.145 | 0.061 |
| Injury & Ill Health Pensions | 3.942 | 0.000 | 0.322 | 0.000 | 4.264 | 0.322 |
| Other Employee Expenses | 2.290 | 0.039 | -0.372 | 0.006 | 1.963 | -0.327 |
| Premises | 11.820 | 0.253 | -0.139 | 0.016 | 11.950 | 0.130 |
| Transport | 4.514 | 0.057 | -0.051 | 0.009 | 4.529 | 0.015 |
| Supplies & Services | 32.877 | 0.894 | 2.969 | -1.038 | 35.702 | 2.825 |
| Third Party Payments | 22.025 | 0.474 | -1.643 | -0.133 | 20.723 | -1.302 |
| Intergroup Services | 2.205 | 0.000 | -0.113 | 0.000 | 2.092 | -0.113 |
| Contribution to Reserves | 0.000 | 0.000 | 3.388 | -1.548 | 1.840 | 1.840 |
| Capital Financing | 11.336 | 0.000 | 6.014 | -1.793 | 15.557 | 4.221 |
| Gross Expenditure | 335.397 | 15.742 | 10.782 | -10.680 | 351.241 | 15.844 |
| Income | -46.963 | -0.605 | -1.346 | 0.575 | -48.339 | -1.376 |
| Net Expenditure Budget | 288.434 | 15.137 | 9.436 | -10.105 | 302.902 | 14.468 |
| Funding from Reserves | 4.276 | 0.000 | -4.048 | 0.000 | 0.228 | -4.048 |
| Net Budget after Reserves | 284.158 | 15.137 | 13.484 | -10.105 | 302.674 | 18.516 |

Appendix Bii - Objective analysis of income & expenditure

| Revenue Budget - Objective analysis | | | | |
|--------------------------------------|----------------|---------------|-----------------|----------------|
| | 2024/25 | 2025/26 | Variance | Variance |
| | £m | £m | £m | % |
| Police Force | | | | |
| Business Services | | | | |
| Business Support | 9.173 | 9.304 | 0.131 | 1.4% |
| People and OD | 10.470 | 10.031 | - 0.439 | -4.2% |
| Legal | 3.012 | 3.180 | 0.168 | 5.6% |
| Corporate Communications | 0.936 | 0.984 | 0.048 | 5.1% |
| Total | 23.591 | 23.499 | - 0.092 | -0.4% |
| Commercial Services | | | | |
| Digital Services | 24.573 | 26.691 | 2.118 | 8.6% |
| Strategy Planning & Insight | 3.336 | 4.732 | 1.396 | 41.8% |
| Change | 0.784 | 0.926 | 0.142 | 18.1% |
| Finance | 0.909 | 1.098 | 0.189 | 20.8% |
| Contracts & Procurement | 0.593 | 0.588 | - 0.005 | -0.8% |
| Total | 30.195 | 34.035 | 3.840 | 12.7% |
| Corporate Support Directorate | | | | |
| PSD & Vetting | 2.350 | 2.691 | 0.341 | 14.5% |
| Corporate Support | 1.572 | 2.012 | 0.440 | 28.0% |
| Audit Risk & Compliance | 1.236 | - | - 1.237 | -100.0% |
| Total | 5.158 | 4.703 | - 0.456 | -8.8% |
| Local Policing | | | | |
| Local Policing Directorate Level | 1.652 | 1.419 | - 0.233 | -14.1% |
| LPA North | 40.351 | 36.333 | - 4.018 | -10.0% |
| LPA South | 65.796 | 54.357 | - 11.439 | -17.4% |
| Total | 107.799 | 92.109 | - 15.690 | -14.6% |
| Operations Support | | | | |
| Ops Support Directorate Level | 3.144 | 3.014 | - 0.130 | -4.1% |
| Force Operations | 22.451 | 22.789 | 0.338 | 1.5% |
| Total | 25.595 | 25.803 | 0.208 | 0.8% |
| Crime & Vulnerability | | | | |
| C&V Directorate Level | 3.318 | 3.527 | 0.209 | 6.3% |
| Crime | 36.346 | 56.179 | 19.833 | 54.6% |
| Contact | 32.888 | 36.534 | 3.646 | 11.1% |
| Total | 72.552 | 96.240 | 23.688 | 32.6% |
| Corporate Budgets | - 1.921 | 1.339 | 3.260 | -169.7% |

| Office of the Police and Crime Commissioner | | | | | |
|--|---------------|---------------|----------|--------------|--------------|
| Governance | 12.032 | 11.795 | - | 0.236 | -2.0% |
| Estates | 13.389 | 13.151 | - | 0.238 | -1.8% |
| YOS | 0.044 | 0.228 | | 0.184 | 418.2% |
| Total | 25.465 | 25.174 | - | 0.290 | -1.1% |

| | | | | | |
|--------------|----------------|----------------|--|---------------|-------------|
| TOTAL | 288.434 | 302.902 | | 14.468 | 5.0% |
|--------------|----------------|----------------|--|---------------|-------------|

| | | | | | |
|-----------------------|-------|-------|---|-------|--------|
| Funding from Reserves | 4.276 | 0.228 | - | 4.048 | -94.7% |
|-----------------------|-------|-------|---|-------|--------|

| | | | | | |
|------------------------------|----------------|----------------|--|---------------|-------------|
| After reserve funding | 284.158 | 302.674 | | 18.516 | 6.5% |
|------------------------------|----------------|----------------|--|---------------|-------------|

* due to the changes in the Force Operating Model a direct comparison with the figures presented in the 2024/25 report is not possible. The total figure has been reconciled and the comparator figures to the new departmental structure identified

Appendix C – Capital Programme

| 2025/26 Capital Programme | | | | |
|---------------------------|--|--------------------------|---------------------|-------------------|
| Area | Project | Subject to Business Case | 25/26 Project Value | |
| Change Programme | Athena Phase 2 | Yes | £214,000 | |
| | Decommissioning | Yes | £100,000 | |
| | Digital Evidence Viewing Platform | Yes | £200,000 | |
| | Digital Forensics Transformation | Already Approved | £814,625 | |
| | Driving School Additional Fleet | Yes | £58,000 | |
| | Emergency Services Network | Yes | £45,000 | |
| | Origin | Already Approved | £557,000 | |
| | Qumulo | Yes | £150,000 | |
| | RBAC & LEDES Project | Yes | £172,000 | |
| | Server Refresh HP Kit | Yes | £600,000 | |
| | SharePoint | Yes | £378,000 | |
| | Change Total | | | £3,288,625 |
| | DS Programme | Custody CCTV | Yes | £275,000 |
| Data Platform Delivery | | Yes | £1,113,000 | |
| LAN Upgrade | | Yes | £1,500,000 | |
| OCC Greenfield | | Yes | £2,690,000 | |
| SMS | | Yes | £155,000 | |
| Telephony | | Yes | £1,100,000 | |
| VDI & VM Ware | | Yes | £250,000 | |
| DS Programme Total | | | £7,083,000 | |
| Estates Programme | Custody Suite Refurbishment | Yes | £2,500,000 | |
| | DHQs M&E/HVAC Condition Survey Results | Yes | £1,920,000 | |
| | Firearms Training Facility | Already Approved | £4,492,000 | |
| | Hereford DHQ refurbishment | Yes | £1,110,000 | |
| | Hindlip Utilisation | Yes | £200,000 | |
| | LED Roll out project | Yes | £500,000 | |
| | Op Wembley Cost | Yes | £1,000,000 | |

| | | | |
|--|---|---------------------|--------------------|
| | Physical Security Works | Yes | £150,000 |
| | Planned Programme - Condition | Delegated Authority | £2,800,000 |
| | Planned Programme - Estates Improvement | Delegated Authority | £700,000 |
| | Public Order Training Facility (POTF) - Cosford | Yes | £1,190,000 |
| | Redditch Joint Police and Fire Station | Already Approved | £460,000 |
| | Shrewesbury (Monkmoor) DHQ Refurb | Yes | £169,950 |
| | Telford (Mallinsgate) DHQ Refurbishment | Yes | £0 |
| | Telford SARC New Build | Yes | £1,500,000 |
| | Utilisation of Accommodation Block | Yes | £50,000 |
| | Estates Programme Total | | £18,741,950 |
| Fleet Programme | EV Infrastructure | Yes | £617,000 |
| | Fleet Replacement Programme | Yes | £3,003,000 |
| | Fleet Programme Total | | £3,620,000 |
| 2025/26 Capital Programme Total | | | £32,733,575 |

Appendix D – Performance Metrics

| Safer West Mercia Plan | Improvement Areas | Key Performance Indicators |
|--------------------------------------|--|--|
| Putting victims and survivors first | Victim satisfaction | % of victims satisfied with service |
| Building a more secure West Mercia | Total recorded crime | Volume of total recorded crime |
| | | TRC - % outcome 1 & 1A |
| | Violent crime | Volume of violence with injury |
| | | Violence with injury - % outcome 1 & 1A |
| | Rape | Volume of rape offences |
| | | Rape - % outcome 1 & 1A |
| | Robbery | Volume of Robbery offences |
| | | Robbery - % outcome 1 & 1A |
| | Residential burglary | Residential Burglary |
| | | Residential Burglary - % outcome 1 & 1A |
| | Vehicle crime | Volume of vehicle crime |
| | | Vehicle crime - % outcome 1 & 1A |
| Domestic abuse | Volume of domestic abuse | |
| | Domestic abuse - % outcome 1 & 1A | |
| Reassuring West Mercia's Communities | Call handling | % of 999 calls answered within 10 seconds |
| | | % of 101 calls answered within 30 seconds |
| | Public confidence | Overall Confidence - % of respondents that agree or strongly agree they have confidence in local policing |
| | | Visibility - % of respondents that report seeing a police officer or Police Community Support Officer (PCSO) at least weekly |
| Reforming West Mercia | Emergency response times | Median Grade 1 response time |
| | | Median Grade 2 response time |
| | Finance | Financial Outturn is within the agreed budget |
| | | Savings plan is delivered (as part of achieving financial outturn) |
| | | Unqualified annual VFM conclusion is received from the External Auditors |
| Environment | Reducing the carbon footprint associated with policing | |

Appendix E - Compliance with the CIPFA Guidance on key budget principles

| Budget Principles | Response in relation to West Mercia budget planning |
|--|--|
| <p>The treatment of inflation and interest rates</p> | <p>The 2024/25 financial year has continued to be dominated by a high level of inflation. The UK economy has seen inflation stay above the Bank of England target of 2%, although there has been a steady decrease over the last 12 months in the CPI rate of inflation from the high of 11.2% in October 2022, down to 6.3% in October 2023 & 4.6% in November 2023.</p> <p>The assumption for budget setting in 2024/25 was that inflation would cost an additional 7.5% through the year. In fact, prices were above this level for most of the financial year. This has meant that the price of many goods/services going into 2025/26 budget setting are higher than estimated in the previous year. The assumption for 2025/26 is that CPI inflation will remain below 3%.</p> <p>CPI is a more accurate measure of inflation relating to our business activity, The budget reflects the assumption as to what price increases are likely to be during the 2025/26 financial year.</p> <p>A 4.75% pay award was agreed in 2024/25, recognising the cost-of-living implications of the high level of inflation. The government provided additional funding above the first 2.5%, recognising the significant impact that such a pay rise would have on policing resources. For 2025/26 the assumption is for a pay rises of 2.8%, following the governments recommendation to the pay review bodies on their expectation of public sector pay increase. This rate is above a recent Office of the Budget Responsibility six-year pension forecast of pay inflation, which for 2025/26 is 1.7%.</p> <p>West Mercia Police makes full and appropriate provision, based on agreed estimates of the future impact of pay and price rises. The assumptions on what the rise will be take reference from the OBR predictions, the estimates made by other bodies in the Police Sector and reports from PACCTs. Whilst previous assumptions were based on information available at the time, it is clear that they can be overtaken by future events. Pay and non-pay inflation continues to be applied to appropriate areas of expenditure based on the best available information at the time the budget is set.</p> <hr/> <p>Over the last 12 months there has been a steady increase in the rates of interest, as the Bank of England have used this as a tool to bring inflation under control. It has moved from 0.75% at the start of the 2022/23 financial year up to 5.25% 18 months later. It now stands at a rate of 4.75%. The treasury management team in West Mercia have forecasts of expected borrowing over the next 12 - 24 months and factored in the increased revenue consequences into the 2025/26 budget.</p> <p>An informed assessment is made of interest rate movements using information provided from the OBR Predictions and from sector updates provided by our treasury management advisors</p> |

| | |
|--|---|
| | <p>Individual expenditure lines in the budget are reviewed as to whether they are impacted by the general inflation or Interest rate changes. Known pressures, such as energy price increases and contractual obligations are included in the budget at their full cost.</p> |
| Estimates of the level and timing of capital receipts | <p>The Commissioner and West Mercia Police make a prudent assumption of future capital receipts. There is a rationalisation plan as part of the wider estates strategy which identifies potential disposals and estimated receipts. This informs expectation around the level and timing of receipts</p> |
| The treatment of demand level pressures | <p>The force uses Priority Based Budgeting (PBB) process to inform the budget setting. The force has continued to embed this into its business processes to provide a robust programme to feed into the 2025/26 budget setting. The process involves identifying Volume (Demand) and Method (Efficiency) changes within each business area that are expected to occur in the following financial year. These are expected changes which impact on the service levels that are currently being provided.</p> <p>The Deputy Chief Constable is the lead for this process, on behalf of the Chief Constable. Panels are held with each business area to review the proposed demand pressure and to challenge the assumptions behind the assessment. This ensures management oversight of the budget proposals.</p> <p>Finally general balances are used as a last resort to manage and fund demand-led pressures. The General Fund balance is based on a risk assessment of factors which could potentially occur, rather than the known costs which are already account for in the revenue budget. The PCC has requested the Treasurer make an assessment of the appropriate level of general reserves to manage risk against having resources available to deliver services to the public.</p> |
| The treatment of planned efficiency savings and productivity gains | <p>The force has made substantial cash savings over the last ten years generating over £80m. This cumulative level of budget reduction will inevitably mean that operational budgets will come under greater pressure and/or risk of overspending in future years. The force has consistently achieved its annual efficiency target in previous years. In 2024/25 the budget had £5.7m removed from expenditure, where it was identified that services could continue to be delivered, but in better ways. In the budget proposals for 2025/26 the force have identified an additional £4.9m of cashable efficiencies it can realise through making best use of technology to provide services</p> <p>The efficiencies identified on current services do not cover the wider budget pressures where resources are less than the total demand. A further exercise through the PBB process is required to identify service transformation and change to be able to produce a balanced budget.</p> <p>The reported outturn for 2023/24 was an underspend of £3.2m. The force over-achieved the savings required by £1.2m. Savings of £13.3m were made against the target of £12.1m</p> <p>In 2024/25 at Q2 the projection is a £4.0m overspend. This pressure has been recognised since Q1 and the force have taken action to control spend and to bring it back within the budget available through the second half of the year. There is also a savings target of £7.1m of</p> |

| | |
|--|---|
| | <p>which £6.2m is on track to be delivered. Again, the force are monitoring the whole budget position to manage any overspend. It does reflect the challenging budget setting process for the 2024/25 financial year.</p> <p>The force has a positive track record of delivering achievable savings plans.</p> |
| <p>The financial risks inherent in any significant new and existing funding partnerships, collaboration, major outsourcing arrangements, or major capital developments</p> | <p>The financial consequences of partnership, collaboration working, outsourcing arrangements or capital investment are reported to the PCC as part of the medium-term planning process. Where relevant any additional costs are incorporated in the annual revenue budget. These are reviewed regularly during the year in the Money Matters report and where necessary the MTFS is amended.</p> <p>2024/25 represented the first full financial year where the force did not have any significant collaboration agreement with Warwickshire Police, which had been a significant governance risk since it was determined that the partnership should be dissolved. In 2024/25 the force has been able to focus on delivery of investments directly in West Mercia, particularly in digital infrastructure, to improve the service that the public receives.</p> <p>There are risks around collaborative working with regional partners, particularly in relation to provision of student training and joint public order training. These are being monitored and plans being worked through to ensure that any financial implications are understood and included in MTFS.</p> <p>There is a risk that local authority partners will continue to withdraw funding because of pressures on their own budgets. There are also risks related to the continued viability of charities and other partners with increasing demand for services. The commissioning team are working with providers to manage this risk. However, during 2024/25 there has been a significant amount of work on Safer Communities project, which has seen the successful collaboration with all Local Authorities partners across West Mercia to undertake targeted work to deal with local issues. The PCC has contributed £2.7m to these projects in 2024/25 and looking to extend this joint working into future years.</p> <p>The PCC continues to push for more collaborative working through his role in the drugs strategy, through Integrated Care Boards and also with a focus on the Criminal Justice System</p> <p>The Estates Service has produced their Estates Strategy which provides an outline as to how the estate will be managed and developed. The service has also reviewed the project management arrangements to ensure that they are fit for purpose to deliver both capital projects and estates rationalisation. The plan balances the need to deliver improvements to the estate and ensure that buildings are fit for purpose, whilst also trying to maximise capital receipts and reducing the risk from backlog maintenance.</p> <p>During 2024/25 delivery of the new Joint Police and Fire Station in Redditch has continued with significant progress made on construction. By the end of 2024/25 it is expected that planning permission will be submitted for a new Firearms Range and training facility. The business case set out the capital case and also the</p> |

revenue implications of the projects, recognising both the cost of borrowing and the Minimum Revenue Provision (MRP) requirements which are reflected in the MTFS

MRP and borrowing costs are a key element of the MTFS. An important part of setting the capital programme for 2025/26 is identifying the revenue implications that the approval of the capital budget would create over the medium and long term. Given the lack of capital resources to fund this, the PCC has challenged the force to demonstrate that the plans are affordable to the revenue budget and that the projects being agreed have clear benefits (with a focus on cashable revenue savings). An updated Capital Strategy has been produced in December 2023 to underline a set of principles designed to ensure that the capital programme is affordable and sustainable. It reflects the recent increase in interest rates and the impact this has had on the borrowing requirement for West Mercia.

The 2025/26 budget has been set to meet both the recurring revenue spend commitments and priorities, whilst recognising there are risks that need to be managed. This has taken account the level of government grants and other sources of income. The force is being proactive in recognising that they need to be prudent in managing unplanned risks, through the insurance reserve, and also how they manage the funding of capital programme.

There has been an assessment of the adequacy of general reserves to meet unplanned budget impacts. This has identified the potential risks to the budget and provides a sensitivity analysis of what the financial impact might be. The PCC has not been required to make a call on the general reserves in the last 3 budget cycles.

The PCC has created several earmarked revenue reserves and provisions to meet specific expenditure items. The details of each of the reserves held are included in this report. Appropriations are made to and from these reserves on an annual basis as required.

The force is undertaking an investigation into allegations of corporate manslaughter at Shrewsbury and Telford Hospitals NHS Trust. The costs will be considerable, and the PCC has been allocated a Special Grant from the Home Office. The criteria for special grants are that they will fund a proportion of the cost of the investigation based on a taper. This taper is expected to be 40% of costs incurred in 2025/26. An earmarked reserve has been built up over the last budget rounds to meet the additional cost that will fall onto the PCC. The reserve is not currently sufficient to meet ongoing cost of an investigation if it continues over the MTFS. There is an expectation that the force will manage the scope and length of the investigation and to incorporate costs into the annual revenue budget.

The Insurance and Legal Claims reserve is there to manage the decision taken to increase excess exposure, in return for reduced premiums. The decision is that we will use self-insurance through an earmarked reserve to meet the cost of claims made. This also relies on proactive risk management to avoid incidents happening that lead to a claim being made.

The availability of reserves, government grants and other funds to deal with major contingencies and the adequacy of provisions.

The general financial climate to which the authority is subject.

The budget report contains a review of the economic climate and of the Autumn Statement made by the Chancellor of the Exchequer. It has considered these implications for West Mercia and the assumptions used in constructing the budget. Based on the available data there is reassurance that these assumptions are reasonable.

The MTFS reflects our local best estimate of future inflation rates, increases in government grants and contributions and revenues raised from Council Tax.