

JOINT MANAGEMENT BOARD



Date: Wednesday 04 March 2020

Time: 10am

Venue: Cheshire Constabulary HQ, Clemonds Hey, Winsford, CW7 2UA

AGENDA

Part 1 - Public Items

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Part 2 - Private Items

The following matters will be considered in private as they involve the likely disclosure of exempt information as defined in the Freedom of Information Act 2000, in accordance with the section indicated below:-

Item	Section
Management Board Action Log	(31) Law Enforcement
Financial Position Report: 2019/2020 Third Quarter Review	(43) Commercial Interests

9 MANAGEMENT BOARD ACTION LOG	-
10 FINANCIAL POSITION REPORT: 2019/2020 THIRD QUARTER REVIEW	-

**For further information about this Agenda, please contact:
Matt Walton on 01606 364000 or Mandy Guest on 01606 365036**



**NOTES FROM THE MANAGEMENT BOARD HELD ON 31 JANUARY 2020
CHESHIRE CONSTABULARY HQ, CLEMONDS HEY, WINSFORD, CW7 2UA**

Present: D Keane, Police & Crime Commissioner
D Martland, Chief Constable

Office of the Police & Crime Commissioner

P Astley, Chief of Staff
C Hodgson, Head of Finance, Operations & Governance
C Jones, Programme Manager
M Walton, Senior Governance & Performance Officer
C Tozer, Senior Communications Officer

Cheshire Constabulary

J Gill, Assistant Chief Officer
D Bryan, Head of Legal Services
W Bebbington, Head of Finance
P Woods, Head of Planning and Performance

Part 1 - Public items

1. NOTES OF MEETING HELD ON 06 NOVEMBER 2019

The notes of the meeting held on 06 November 2019 were approved.

2. MANAGEMENT BOARD ACTION LOG

The action log was reviewed and updated.

3. TREASURY MANAGEMENT STRATEGY 2020/2021

The report was deferred to the 04 March 2020 Management Board due to the late arrival of Government settlement.

4. MEDIUM TERM FINANCIAL STRATEGY 2020/2021

The report was deferred to the 04 March 2020 Management Board due to the late arrival of Government settlement.

5. 2020/2021 BUDGET & COUNCIL TAX PRECEPT

The Commissioner is required to set an annual budget and issue a precept (the Commissioner's element of council tax) taking into account Government grant funding, operational demands and the impact of the national officer uplift programme. Details of the 2020/21 budget were presented in Appendix 1.

The Minister of State for Policing and the Fire Service on the 22 January 2020 presented a Written Ministerial Statement setting out police funding for 2020/21 together with the capping rules for local council tax precept increases, a maximum increase of £10 per year for Band D. For Cheshire, this potentially provides funding of £207.8m in 2020/21, an estimated £14.8m increase of which £4.8m will come from local taxpayers. However, this is based on the assumption that the Commissioner would increase the council tax precept by a maximum £10.

The public consultation ended on at midnight Sunday 26 January 2020. It received a total of 2,536 public responses, which were collated via an online survey and at various roadshow events. The

majority of responses were received via the online survey (1,945) while the remainder (591) were collated at the nine roadshow events in Chester, Runcorn, Widnes, Warrington, Macclesfield, Middlewich, Crewe, Ellesmere Port and Northwich. 63% of respondents agreed to support an increase of up to £2 per month to the precept, while 37% were not willing to support any increase in the policing precept.

As part of the settlement, capital funding has been severely reduced from £0.7m in 2019/20 to £0.2m for 2020/21, a loss of £0.5m for Cheshire. In the Ministerial Written Statement, it quotes “with the increase in other grants to PCCs, which can be utilised to cover both capital and non-capital spend, PCCs will see more funding overall with greater flexibility over how they use it”.

The Commissioner approved the following recommendations submitted by the Chief Constable:

- (1) the Police & Crime Panel be notified that it is proposed to increase the police element of council tax by £10 p.a. (4.99% for a Band D equivalent property for 2020/21, from £200.44 to £210.44; i.e. by 83p per month, in line with the flexibility in precept increase permitted by the Government;
- (2) the net budget requirement for the financial year commencing 1 April 2020 be set at £195.6m.
- (3) the proposed 2020/21 precepts be as follows:-

	Number of Band D equivalent houses	Precept on Collection Fund £
Cheshire East	152,597.84	32,112,689
Cheshire West and Chester	123,713.30	26,034,227
Halton	35,359.00	7,440,948
Warrington	68,464.00	14,407,564
Total	380,134.14	79,995,428

- (4) the surplus of collection funds allocated to the Commissioner of £656,300 included in the budget be noted;
- (5) the Legal & Unavoidable Commitments of £4.356m and Police & Crime Plan Priorities and Operational Demands of £5.165m as set out in Tables 4a and 4b of the report, be approved;
- (6) the National Officer uplift grant of up to £2.5m be noted, recognising that this can only be used for reimbursement of actual spend;
- (7) the savings proposals for 2020/21, totalling £1.482m as set out in the budget report, be approved;
- (8) the financial health targets for monitoring purposes as set out below, be approved:-
 - (i) *Reserves*
That the level of general reserves, after allowing for potential financial risks be maintained, at no lower than 3% of the net budget and that this be monitored by the Commissioner on a quarterly basis.
 - (ii) *Revenue Spending*
That the Chief Constable maintains revenue spending within 1% of the net budget and that this is monitored by the Commissioner on a quarterly basis.
 - (iii) *Capital Programme Management*
That the Chief Constable maintains the projected capital outturn at a level that does not

vary from the original capital programme by more than 20%. The total capital programme includes the new schemes for 2020/21 and those schemes brought forward from previous years. This target is to be monitored by the Commissioner on a quarterly basis.

(iv) *Debt*

That the Chief Constable collects at least 50% of debtor income within one month of the invoice being raised.

(v) *Prudential Indicators*

That the actual prudential indicators be monitored by the Commissioner on an annual basis against the indicators set in the budget.

The rationale was that the decision provides a balanced budget for 2020/21. This will enable Cheshire Constabulary to meet increased costs due to inflation, to deliver policing services for the people of Cheshire in accordance with the priorities set out in the Police and Crime Plan and continue to address increasingly complex policing demands in a robust, sustainable and efficient way. The increase in the police element of Council Tax is necessary to maintain effective frontline policing in light of the ongoing underfunding of policing by the Government, and is supported by the outcome of public consultation.

The Commissioner sought clarification in relation to the national officer uplift grant available and the Head of Finance confirmed that a grant of up to £2.5m is available, although this can only be used for reimbursement of actual spend. The Commissioner requested that a recruitment plan is developed by the Chief Constable to ensure that Cheshire Constabulary is able to achieve the increase in officer numbers as part of the national officer uplift programme and the maximum grant available is reimbursed to Cheshire Constabulary. The Chief Constable confirmed that a recruitment plan is being developed to ensure the Constabulary is able to achieve the increase in officer numbers as part of the national officer uplift programme.

The Commissioner noted that as part of the initial phase of the national officer uplift programme, Cheshire Constabulary has a first year recruitment target of 90 officers, 30 officers by 31 March 2020 and an additional 60 officers by 31 March 2021. The Commissioner sought assurance from the Chief Constable that processes are in place to ensure Cheshire Constabulary will achieve such targets. The Chief Constable confirmed that there are a number of recruitment streams in place and following a substantial number of applications during the recent application window, there will be a significant intake in March 2020 that will ensure Cheshire Constabulary achieves the recruitment target of an additional 30 officers by 31 March 2020. The Commissioner welcomed such assurance and offered his congratulations to the Chief Constable and Senior Leadership Team.

6. AUDIT ADVISORY COMMITTEE TERMS OF REFERENCE

The report explained that the terms of reference for the Audit Advisory Committee were last reviewed and updated in 2016. A full review has now been undertaken and amended terms of reference drafted based upon current CIPFA guidance for police Audit Advisory Committees. The revised terms of reference were presented to Joint Management Board for review prior to full discussion which will be undertaken at the Audit Advisory Committee to be held on Wednesday 26 February 2020.

The Commissioner and Chief Constable approved the following recommendation:

- (1) That the draft revised Audit Advisory Committee Terms of Reference as set out in Appendix 1 be approved to go forward to the Audit Advisory Committee meeting on 26 February 2020.

The rationale was that the draft revised terms of reference reflect the current guidance issued by CIPFA for police Audit Advisory Committees and are in line with best practice.

7. ETHICAL PROCUREMENT STRATEGY AND SOCIAL VALUE POLICY IMPLEMENTATION PLAN

The report sought the approval of the Commissioner and Chief Constable to the plans to implement the Ethical Procurement Strategy and Social Value Policy, including a supplier launch event scheduled for Wednesday 12 February 2020. The Commissioner and Chief Constable are committed to using their purchasing power to deliver best value including maximising social, environmental and economic benefits for Cheshire residents and rewarding ethical practices. The Ethical Procurement Strategy and a Social Value Policy were approved at the Joint Management Board meeting on 09 October 2019. The Ethical Procurement Strategy and Social Value Policy will ensure ethical practices will be designed into all procurement processes from the initial planning stages through to contract award and the whole life of the contract.

The Commissioner and Chief Constable approved the following recommendation:

- (1) That the Commissioner and Chief Constable: a) note the progress to date; and b) approve the implementation plan regarding the Ethical Procurement Strategy and the Social Value Policy.

The rationale was that the approval of an implementation plan will ensure the efficient and effective delivery of the Ethical Procurement Strategy and the Social Value Policy.

The Commissioner welcomed the timeline included in the report but requested that an operational plan is developed with additional detail and key performance indicators that will clearly illustrate the requirements in relation to ethical procurement and social value. The Chief Constable confirmed an operational plan would be developed and that such documents will be included in the day to day working practices of staff.

8. POLICING & CRIME ACT 2017 - POLICE COMPLAINTS REFORM

The Policing and Crime Act 2017 was published on 10 February 2016 and subsequently received Royal Assent on 31 January 2017. The Act further reforms policing and in particular, will reform the police complaints and disciplinary systems with enhanced roles, some of which mandatory, for Police & Crime Commissioners. The reforms are intended to ensure reasonable and proportionate handling of complaints via a streamlined process and local accountability that will improve both transparency and independence. There is an increased emphasis upon learning and improvement, with the process intended to be less bureaucratic and less adversarial for police officers.

The reforms will strengthen the role of elected Police & Crime Commissioners in the complaints management process, including a statutory duty to oversee Chief Constable's handling of complaints and become a relevant review body. In order to meet the requirements of the legislation, the Police & Crime Commissioner is required to choose between three models:

- Model 1 - enhanced oversight role and reviews (Mandatory);
- Model 2 - receiving and recording (Opt-In); or
- Model 3 - single point of contact (Opt-In).

The reforms will, therefore, enable Police & Crime Commissioners to assume responsibility for certain additional functions that would otherwise sit with the Chief Officer and decide how aspects of the police complaints system is structured locally.

The Commissioner approved the following recommendations:

- (1) Following due consideration of all of the prescribed Models, the Police & Crime Commissioner is recommended to formally adopt Model 1 as detailed in the Policing and Crime Act 2017 with responsibility for enhanced oversight and complaints review functions; and
- (2) A formal review of the complaints management process is conducted twelve months following implementation to assess the effectiveness of the model adopted in Cheshire.

The rationale was that the decision meets the requirements of the legislation and will enable the implementation of the revised complaints management processes as detailed in the Policing and

Crime Act 2017 in a way that will support greater independence, openness and transparency in the handling of police complaints.

The Commissioner acknowledged the additional workload that the responsibility for reviews will create for the Office of the Police and Crime Commissioner and confirmed that following implementation, there will be a requirement to monitor demand to ensure resources can efficiently and effectively adhere to the requirements of the legislation. Given the enhanced statutory functions of the Police and Crime Commissioner, it will be necessary to increase the current establishment of the Office of the Police and Crime Commissioner.

The Commissioner stated that model one is the most appropriate model to adopt given the ongoing performance of the Professional Standards Department (PSD) and the current working relationship between the Office of the Police and Crime Commissioner and PSD. The Commissioner reiterated the importance that a formal review of the complaints management process is conducted twelve months following implementation to assess the effectiveness of the model adopted in Cheshire (recommendation two). Nevertheless, the Commissioner explained that the approval of recommendation two does not negate the ability of the Commissioner to adopt model two or model three at any point in the future as detailed in paragraph eight of the report.

9. JOINT STRATEGIC RISK REGISTER

The Commissioner's and the Chief Constable's Joint Strategic Risk Register was presented for consideration and approval.

The Commissioner and Chief Constable approved the following recommendations:

- (1) The Joint Strategic Risk Register, risk analysis and action overview, be approved; and
- (2) That one risk be considered for a reduction in score and de-escalation from the Joint Strategic Risk Register.

The rationale was to ensure that the effective management of strategic risk supports the delivery of high quality policing services.

10. COUNTER TERRORISM POLICING NORTH WEST COLLABORATION AGREEMENT

This report sought the approval of the Commissioner and Chief Constable of a Counter Terrorism Policing North West Collaboration Agreement. The collaborating forces are Cheshire, Cumbria, Lancashire, Greater Manchester and Merseyside.

The Commissioner and Chief Constable approved the following recommendations:

- (1) Approval be given to the Collaboration Agreement for enhanced Counter Terrorism Policing North West provision.

The rationale was that the collaboration agreement will enable the effective operation of a regional counter terrorism unit within a national structure. This will improve the ability of Cheshire Constabulary, as well as the North West region as a whole, to benefit from national expertise to protect the public from the threats presented by terrorism. The Commissioner and Chief Constable confirmed that the collaboration agreement had been signed prior to the Joint Management Board to ensure operational compliance across the North West region.

Part 2 - Private Items

11. MANAGEMENT BOARD ACTION LOG

The action log was reviewed and updated.

12. JOINT STRATEGIC RISK REGISTER

The Part 2 paper was considered in private to support the decision made in Part 1.

13. COUNTER TERRORISM POLICING NORTH WEST COLLABORATION AGREEMENT

The Part 2 paper was considered in private to support the decision made in Part 1.

Duration of meeting: The meeting commenced at 10am and finished at 11.15am.



MANAGEMENT BOARD	
DECISION NO. 2020/07	DATE: 04 MARCH 2020
FEES & CHARGES HANDBOOK 2020/2021	

Executive Summary

The Fees and Charges Handbook was last approved in April 2019 and includes both the National Police Chiefs' Council (NPCC) national fees and charges and local discretionary fees and charges. As part of the annual review, the NPCC have revised the national fees and charges and the Constabulary have reviewed the discretionary charges. These discretionary charges such as the speed awareness course are reviewed annually and benchmarked against other Constabularies.

Recommendation:

That the revised fees and charges as set out in Appendix 1, be approved.

We have reached the following decision:

Approval of the recommendation.

Our rationale for this decision is:

The updated handbook is in-line with the nationally agreed charging structure and reflects the annual review of fees and charges.

Signature

Date 04 March 2020

Police & Crime Commissioner

Signature

Date 04 March 2020

Chief Constable

PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE

INTRODUCTION AND BACKGROUND

1. Policing is generally provided out of public funds for the benefit of the public at large. However, there is a limited range of activities where it is appropriate for the service to make charges to individuals or organisations to recover costs.
2. The Police Act 1996 (Sections 18, 25 and 92) and the Local Government and Rating Act 1997 (Section 31) provide the main legal basis for the charging structure. The National Police Chiefs' Council (NPCC) guidance on these is provided in the 'National Policing Guidelines on Charging for Police Services' document which was originally approved by ACPO Cabinet in July 2010 and is reviewed and updated at least annually.
3. **Appendix 1** contains the proposed 2020/21 Fees and Charges Handbook, which has been updated to reflect these changes.

Appendix 2 is a summary of the changes to the policy detailing the various
Appendix 3 shows details of the NPCC and Local charges, what they are based on and the 2019/20 income.

FINANCIAL COMMENTS

4. Income generated from the fees and charges has been included in the 2020/21 budget.

EQUALITY COMMENTS

5. There are no known equality implications to the proposed updates.

LEGAL COMMENTS

6. There are no known legal implications to the proposed updates.

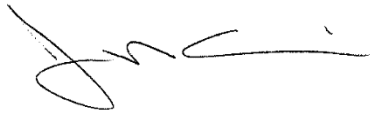
BACKGROUND DOCUMENTS

Document Titles
NONE

Public access to information <i>Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.</i>
Is there a Part 2 form - No
Contact Officer: Wendy Bebbington, Head of Finance Tel. No.: 01606 362035 Email: wendy.bebbington@cheshire.pnn.police.uk

CHIEF OFFICER DECLARATION: (Assistant Chief Officer - Julie Gill)

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is consistent with the PCC's Police & Crime Plan and priorities.



Signature

Date 07 February 2020

CHIEF FINANCE OFFICER DECLARATION (Clare Hodgson):

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.



Signature

Date 07 February 2020



Fees and Charges Handbook

**1 April 2020
To
31 March 2021**

Version 1 – 1 April 2020

OFFICE OF THE POLICE AND CRIME COMMISSIONER
FOR CHESHIRE
FEES & CHARGES HANDBOOK 2020/21

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FEES & CHARGES HANDBOOK 2020/21

Preface

This handbook is designed to provide guidance on the charges and fees to be levied by Cheshire Constabulary. Its contents have been reviewed and approved by the Police and Crime Commissioner and as such are the only officially approved charges currently in force.

Use of Handbook

The rates in this handbook apply to services provided 1 April 2020 to 31 March 2021 irrespective of the date of the original request.

Treatment of Value Added Tax (VAT)

Section 25 of the Police Act 1996 permits a chief police officer to provide, if requested by the owner of premises or the organiser of an event, special services at those premises and events in the police area, and to charge for these services. Where this happens the services are provided under a special legal regime, but the question is whether they are nonetheless provided in competition with the private sector – in which case they are within the scope of VAT.

There are situations where it is accepted that only a police officer can provide the requisite service and thus it is not possible for the owner of the premises or the organiser of the event to use a private sector alternative. These fall into three broad categories and would not be subject to VAT:

1. Where only the police can perform the task.
2. Where the recipient of the service has no option but to use police officers, because the Chief Constable stipulates this condition (so private security firms cannot compete).
3. Where the recipient of the service cannot comply with its legal or other obligation without using police officers (so in theory they could hire private security guards, but this would be insufficient to comply with a legal requirement).

However, in other situations where the owner of the premises or the organiser of the event has an option either to use the services of police officers or to use the services of – for example – stewards or private security guards, then the supply by the police is within the scope of VAT (and normally it will be standard rated).

Please obtain VAT guidance from Accounts team in the Multi Force Shared Service Centre if you are unsure as to VAT treatment.

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NPCC Charges - Firearms Licensing

Firearms licensing fees are dictated by the National Police Chiefs' Council.

Charge Firearms (Variation of Fees) Order 2000	Rate £
Firearms Certificate (FAC)	
Grant	88.00
Renewal	62.00
Replacement	4.00
Visitors Permit (Single)	20.00
Visitors Permit (6+)	100.00
Shotgun Certificate (SGC)	
Grant	79.50
Renewal	49.00
Replacement	4.00
Coterminous Grant	90.00
Coterminous Renewal	65.00
Registered Firearms Dealer	
Grant	200.00
Renewal	200.00
Registered Firearms Dealer – Temporary transfer in (Games Fairs)	13.00
Explosives	
Control of Explosives Regulations 1991 (COER) & Manufacture and Storage of Explosives Regulations 2005 (MSER) Explosives Certificate, Manufacturing Licenses / Registration and variations there of	Please contact Firearms Licensing for specific details
Museum License	200.00
Home Office Club Approval	84.00

VAT is non business rate, 0%

NPCC Charges - Fingerprint Fees

Charges for the provision of a fingerprinting service to the general public

Charge	Rate £
Fingerprint Fees (One set)	81.10
Fingerprint Fees (additional sets)	40.50

VAT - Standard rate, 20%

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NPCC Charges – Vehicle Collision Information (incl. Motorway)

The following table lists the Cheshire Constabulary charges for common items provided by forces in England, Wales and Northern Ireland.

CHARGE	Rate £
<u>Accident Reports</u>	
Copy of Accident Report (full extract up to 30 pages)	100.70
Additional pages for same incident (per page)	4.40
Limited particulars (RT Act details)	35.80
Copy of self-reporting / minor accident form	35.80
Fatal incidents – Accident Investigation report	432.10
Fatal incidents – Reconstruction video	86.20
Rough Data (per page)	28.70
Copy of scale plan – other than collision report	43.30
Copy of Police vehicle examination report (unless provided as full extract)	71.80
Copy of Collision Reconstruction Report (unless provided as full extract)	71.80
Copy of Collision Reconstruction Report (unless provided as full extract) per page (max £50)	4.40
<u>Copies of Photographs</u>	
From digital camera (per disc)	21.20
A4 index sheet (digital)	21.20
Photographs (first photo)	28.70
Each subsequent photograph	3.20
<u>Copies of statements – other than in booklets</u>	
(per statement – up to 3 pages)	37.00
Additional pages (per page)	4.40
Copy of witness statement (witness agrees to disclosure of personal details)	43.30
Copy of witness statement (witness not agreeing to disclosure of personal details)	57.50
Interview with Police Officer (per officer)	145.00
Request for a statement to be written by Police Officer	145.00
Copy of PIC Sheets (2 nd copy)	28.70
Copy of interview record	57.50
(only where prepared during investigative process)	
Copies of VHS videotapes (provision for CJS)	86.20
Copies of audio tapes	86.20
(provision for CJS)	35.80
Copies of CDs / DVDs	20.90

VAT is non business rate, 0%

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FEES & CHARGES HANDBOOK 2020/21

Cancellation Charges

Cancellation of requests may incur a charge, if received after work has started on any service. If received before any work has commenced, no charge should be made. If received immediately prior to despatch of requested item(s), full charge should be made. Cancellation requests received where the request is part complete, should be charged proportionately.

VAT is non business rate, 0%

NPCC Charges – Common Items

Where not otherwise stated or subject to an NPCC Memorandum of Understanding, the following charges will apply, as recommended by NPCC Guidance.

Charge	Rate £
Crime Report	91.40
MG5	36.50
MG3	36.50
Incident Log	37.20
PNC Convictions	36.50
Caution Certificate/MG04	23.90
Domestic Violence Report	55.00
Occurrence Summary	18.50
Custody Record	18.50
Copy of Witness Statement (witness agrees to disclosure of personal details)	43.30
Copy of Witness Statement (witness not agreeing to disclosure of personal details)	57.50
Copy of interview record/MG15	57.50

VAT is non business rate, 0%

NPCC Charges – Alarm Registrations (Set by ACPO CPI)

The following NPCC approved charging structure is adopted by all police forces seeking to recover administration costs in respect of registration of security systems which terminate at a recognised Alarm Receiving Centre (ARC), Remote Video Response Centre (RVRC) for CCTV and System Operating Centre (SOC) for vehicle tracking. The administration fee is payable for:

- New Unique Reference Number (URN) applications

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FEES & CHARGES HANDBOOK 2020/21

- New occupiers/owners of premises taking over existing security systems (system retains false alarm history unless upgraded to DD243 2004)
- Existing user changing security company (system retains false alarm history unless upgraded to DD243 2004)

Where a security company cancels a URN, a period of 28 days grace should be given to allow another security company to take over the URN.

Where a security company applies to take over a URN from an existing company and/or Maintenance Contract, they may do so supported by the customer's authority.

The administration fee is not applicable when:

- A security company takes over another security company.
- A security company ceases to trade and another company takes over the URNs within 28 days
- Premises change name only. (Evidence will be required to ensure it is a change of name only and not change of owner/user)

Charge	Rate £
Application for Unique Reference Number (URN) 1 element	43.49
Application for Unique Reference Number (URN) 2 elements	86.97
Existing user changing security company	65.23

For Lone Worker Devices (LWDs), The ARC may apply to the relevant police force for a URN, if the conditions of the NPCC Police Response to Security Systems (Police Requirements for Lone Worker Services) are complied with. The cost of the URN will depend on the number of systems monitored, as detailed in the table below.

Charge	Rate per annum £
Under 10,000 LWDs	52.55
10,000 to 50,000 LWDs	78.82
Above 50,000 LWDs	105.10

For Vehicle Tracking the System Operating Centre will apply to the relevant police force for a URN.

Charge	Rate £
Application for Unique Reference Number (URN)	52.55

The charges in this section are based on the Police Response to Security Systems document issued by ACPO and implemented on 1st June 2015.

VAT is charged at standard rate, 20%

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Local Charges - Filming

Forces may generate income through the use of police premises and operational activities for film and documentaries or the provision of police staff or officers to assist with such filming. Filming charges will be evaluated on an individual basis and costing according to the following table.

Charge	Rate £
Premises Charges – National average hourly rate, charges dependent on the access required to premises	Min £125 per hour
Supervising Officers – see section on cost Recovery and Special Police Services for individual hourly rates – Cost Recovery Rates	

If the filming organisation requests the use of a Force crest, this will be negotiated on an individual basis, subject to further charges and appropriate vetting undertaken.

VAT is charged at standard rate, 20%

Local Charges - Identity Checking Service

Identity checking is a service for members of the public requiring photocopies of identity documents certified as being a true likeness of the original

Charge	Rate £
Maximum 3 original documents against photocopies and certify each photocopy as a true likeness of the original document	35.00

Identity Checking in relation to Subject Access Requests are supplied free of charge. *No charges will be levied to former police employees (of any force) in relation to documentation for police pensions.

VAT is charged at standard rate, 20%

NPCC Charges - Home Office Other Charges

Charge	Rate £
Aliens Certificates	34.00
Peddlers Certificates	12.25

VAT is non business rate, 0%

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NPCC Charges - Civil Courts & Tribunals

The following charges are a minimum rate, as recommended within National Policing Guidelines on Charging for Police Services.

Charge	Flat Rate £
Interview with a Police Officer	145.00
Statement to be written by a Police Officer	145.00

The above minimum rate is for the first 2 hours. Thereafter, the charge is on an hourly basis at full economic cost recovery rates.

VAT is non business rate, 0%

NPCC Charges - Other Requests for Information

If the force receives a request to disclose certain information which is not covered under any other Memorandum of Understanding, Statutory, Judicial or NPCC agreement, a charge will be made to service each request.

An example of such a request might be a Solicitor requesting medical notes relating to a Police Staff member or Police Officer (with appropriate release authorisation).

Dealing with such requests requires information to be retrieved and decisions made about what information should be disclosed.

The initial charge for such requests is a standard charge, covering the first two hours (or part thereof). Any requests that take in excess of 2 hours will incur further costs at the listed hourly rate (or part thereof).

Charge	Rate £
Request for Disclosure of information, not covered by other Memorandums of Understanding, statutory, judicial or other NPCC agreements	91.30
Hourly rate for work above 2 hours (including redaction)	30.60

Obtain VAT guidance from Accounts team in the Multi Force Shared Service Centre

Local Charges - Requests for Services Not Listed Elsewhere

If the force receives a request to provide a service which is not listed in the current Fees and Charges Handbook, the following general charge calculation should be used:

- Cost of Officer / Staff time (including National Insurance and Superannuation) using Full Economic Cost Recovery rates (specified in Special Police Services on page 10 of this document);

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- Plus a charge for the service/goods being provided;
- Plus a 5% Administration charge (minimum of £10) to cover the processing of any invoice and payment.

Any such charge may be subject to VAT at the appropriate rate(s). Obtain guidance from Accounts team in the Multi Force Shared Service Centre.

All requests of this nature should be referred to Finance to enable the appropriate rates to be calculated. Departments should not estimate their own rates.

NPCC Charges - Special Police Services and Local Authority Rates

Police forces will take steps to maximise force income through the pursuit of cost recovery activities when it is in the interests of the force and their communities to do so.

The charging formulae for police services are based upon the NPCC nationally recommended cost recovery mechanisms, as updated from time to time, these incorporate:

- Police basic pay & allowances
- Police overtime
- Relevant ancillary costs
- General overhead recovery

The current charges for uniformed officers are illustrated below. Costs for other Police Officer and Police Staff grades are available on request. Charges for Police Staff will attract VAT at the current rate.

	Full Economic Cost (Commercial Events) £		Direct Cost (Non-Commercial e.g. L.A.) £	
	Normal	Bank Holiday	Normal	Bank Holiday
Superintendent	102.17	n/a	73.06	n/a
Chief Inspector	82.07	n/a	57.60	n/a
Inspector	76.51	n/a	53.33	n/a
Sergeant	86.52	129.78	61.03	91.55
Constable	69.27	103.91	47.76	71.64
PCSO	51.92	77.88	34.41	51.62

Rates for the provision of Special Police Services for Constables and Sergeants on a public holiday (all public holidays are as deemed by Police Regulations) will attract an increase of 50% on the normal charge.

If Special Constables are used to support regular officers, a charge of 50% of the PC rate should be used.

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Under the Police Act 1996 (Section 92) and Local Government and Rating Act 1997 (Section 31), services can be provided for the benefit of the local council tax payer rather than a profit making organisation at reduced rates. The NPCC guidance requires a charge representing direct costs to be applied in these cases as shown in the above table.

In the case of charitable events, a reasonable contribution towards police costs should be considered, please contact the Force Events Team for details.

Statutory events remain part of core activity and no charges should be made.

In terms of VAT, as previously indicated on page 3, consideration should be given to whether the service can only be provided by the Police Force. If this is the case then VAT is not applicable (please obtain VAT guidance from Accounts team in the Multi Force Shared Service Centre if unsure).

Local Charges - Vehicle Servicing Charges

Labour for all makes & models	£45 per hour
Parts	Cost + 10%

Labour & Parts charges are as agreed by all NAPFM West Region

VAT is charged at standard rate, 20%

NPCC Charges - Freedom Of Information Act Fees

NPCC Best Practice advice has been issued regarding charging for the delivery of items under the Freedom of Information Act 2000 (FOI).

When dealing with FOI requests, Police forces can charge for two types of fees:

- Marginal Costs
- Additional Costs

Marginal Costs

Where the cost of dealing with a request is less than £450, we will provide the information free of charge.

Costs that may be included in the £450 limit are:

- Time taken in determining whether the information is held;
- Time taken in locating and retrieving the information;
- The first full reading of the information by the FOI decision-maker;
- Time taken in extracting information to be disclosed from other information;
- Time taken in editing, summarising or redacting information, which is covered by one or more exemptions;

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- Time taken in communicating information including time spent writing a response to a request; and
- Time spent making arrangements for an applicant to view documents, books and videos or electronically held information.

Police forces currently charge a standard hourly rate of £25 when estimating the cost of an FOI request. The £450 limit equates to approximately 18 hours work, at £25 per hour.

Costs that are not included are:

- Time taken to make a decision as to whether the material should be exempt under the Act;
- Time taken in obtaining authorisation to send out the information;
- Time spent obtaining the consent for disclosure from another public authority or any individual or organisation and
- Any overheads.

Additional Costs

Police forces may pass on the full cost of additional costs incurred in responding to an application, to the requestor. Additional costs include:

- Photocopying or printing material;
- Postage;
- Producing material in an alternative format, such as CD-ROM, Video, Audio Cassette or in Braille; and
- Translating information into a different language at the request of the applicant

Police forces can charge for additional costs in all cases, regardless of whether charges are being made for marginal cost of a request (greater than £450 limit).

Fees Notices

Where the cost of the request will exceed the £450 limit, Police forces will send a fees notice to the requestor. This will be within a maximum of 20 working days. The requestor will then have 3 calendar months to meet the fees notice so that the request will be processed.

Related Requests

Where an individual Police force receives more than one request for information from one individual, or a group of individuals who appear to be working as part of a campaign, the estimated cost for complying with one of the requests can be taken to be the aggregated cost of complying with all the requests, as long as the requests are received within 60 working days of each other i.e. the £450 test is compared against the amount it would cost to comply with all requests.

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Further information about the police actions under the Freedom of Information Act 2000 can be found in the NPCC Freedom of Information Manual.

VAT is non business rate, 0%

NPCC Charges - ABI/Lloyds Disclosure of Information (ABI/Lloyds MOU)

Reference	Charge
Request (crime/lost property number, etc.) – MOU App D(a)	£30.60
Request (In response to specific questions) – MOU App D(b)	£129.80
Interview with Police Officer (per Officer) – MOU Para 4.5	£145.00

VAT is non business rate, 0%

NPCC Charges - Immigration Charges

The Force can charge UK Borders Agency in respect of the detention of persons wanted by them. The rates are calculated using the National Framework Agreement between NPCC and Home Office Immigration Enforcement: Charging for Cell Accommodation guidelines.

VAT is non business rate, 0%

Local Charges - Driver Offender Retraining Courses

Educational training courses offered as an alternative to prosecution for minor road traffic offences.

National Speed Awareness Course - £85.00
What's Driving Us? - £85.00
National Driver Alertness Course - £150.00

Exempt from VAT, 0%

Local Charges - Cheshire Bikesafe Courses

Run by Cheshire managed by external company charge to customer £65, admin fee to external company £40.00

Exempt from VAT, 0%

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Local Charges - Hire of Tactical Training Centre

The Constabulary hires out its Tactical Training Centre to both Police Forces and other users. The rates are based on square footage of area hired, available days and utility costs, these are as follows:

Facility	Other User Day Rate	Other User Half-Day Rate	Police Day Rate (8 hours)	Police Half Day Rate
Firearms Range	£600.00	£400.00	£500.00	£350.00
Tactics Arena (without mock House)	£750.00	£500.00	£600.00	£500.00
Tactics Arena (with mock House)	£800.00	£500.00	£750.00	£500.00
Mock House Only	£750.00	£500.00	£600.00	£500.00
Classroom	£100.00	£50.00	£100.00	£50.00
Matted Room	£250.00	£200.00	£200.00	£150.00
Search House	£300.00	£250.00	£250.00	£200.00

Accommodation can be provided should it be required. Rates for rooms and meals are additional to the above and charges can be provided on request.

Should training support, ammunition etc be required costs can be supplied.

VAT is charged at standard rate, 20%

NPCC Charges - Civil Family Court Proceedings Charges

Details of Cheshire Constabulary Records, Material and Fees payable for disclosure of police information for civil family court proceedings

Information – In each case a decision will be made by police in relation to the editing of documents provided	Fees Payable <u>PER ITEM</u> £
Police National Computer Records (antecedents) – records of criminal convictions/cautions	36.50
CAVA referrals – details of vulnerable person referrals relating to incidents of domestic abuse, child protection etc. Fee for all incident reports	57.50
NSPIS C&C Incident – details of police attendance at address or calls made by parties relating to the address and initial action taken – Fee for all incident reports	57.50
ATLAS Data – details of arrest/Criminal Justice data, crime or non-crime reports and investigation logs and relevant intelligence – Fee for all incident reports	57.50
Statements – Used or unused statements taken by police during course of an investigation (up to 3 pages)	37.00

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Additional pages	4.40
Audio tapes – can include audio recordings of interviews with suspect under Police & Criminal Evidence Act 1984, 999 calls to police and other miscellaneous tapes gathered during the investigation	86.20
Medical Reports	55.00
Video Interviews – videos of interviews conducted with vulnerable or intimidated witnesses during investigation	86.20
Photographs – both post-arrest/interview photographs taken of suspects by Police or other evidential photographs e.g. injuries	28.70
Subsequent Photographs	3.20

VAT is non business rate, 0%

Local Charges - Crime Impact Statements

The below charges are based on the number of units per development.

Residential:

The charge is £30.00 per unit up to a charge of £10,000

A minimum fee of £500.00 is chargeable on any residential development.

Non-Residential:

The charge is £30.00 per 100m² up to a maximum charge of £10,000, a minimum fee of £500.00 is applicable to any non-residential scheme.

Combined:

Mixed developments (where an application relates to the erection of buildings partly for residential use and partly for other uses) fees are calculable by adding the amount payable for the number of units to the amount for other gross floor space, up to a combined maximum of £10,000.

Please note:

Charges are for developers only, not for individuals building one unit.

- Outline planning applications with reserved matters consisting of landscaping alone, will require a full Crime Impact Statement (parts A and B).
- All floor areas are gross and should be measured externally.
- Surface only car parks will be charged at a rate of £10 per 100m² or part thereof.
- Student accommodation, care homes and hotels are all classed as non-residential.
- If we receive an instruction to extend the 'Part A' to a full Crime Impact Statement within 6 months of the 'Part A' being completed, the minimum charge may be deducted from the cost of the full Crime Impact Statement.
- VAT is charged at standard rate, 20%

Appendix 2

	2019/20 (Revision April 2019)	2020/21 (Revision April 2020)	Variance
<u>NPCC Charges - Fingerprint Fees</u>			
Fingerprint Fees (One set)	79.70	81.10	1.40
Fingerprint Fees (additional sets)	39.80	40.50	0.70
<u>NPCC Charges – Vehicle Collision Information</u> (incl. Motorway)			
<u>Accident Reports</u>			
Copy of Accident Report (full extract up to 30 pages)	99.00	100.70	1.70
Additional pages for same incident (per page)	4.30	4.40	0.10
Limited particulars (RT Act details)	35.20	35.80	0.60
Copy of self-reporting / minor accident form	35.20	35.80	0.60
Fatal incidents – Accident Investigation report	424.80	432.10	7.30
Fatal incidents – Reconstruction video	84.70	86.20	1.50
Rough Data (per page)	28.20	28.70	0.50
Copy of scale plan – other than collision report	42.50	43.30	0.80
Copy of Police vehicle examination report (unless provided as full extract)	70.60	71.80	1.20
Copy of Collision Reconstruction Report (unless provided as full extract)	70.60	71.80	1.20
Copy of Collision Reconstruction Report (unless provided as full extract) per page (max £50)	4.30	4.40	0.10
<u>Copies of Photographs</u>			
From digital camera (per disc)	20.80	21.20	0.40
A4 index sheet (digital)	20.80	21.20	0.40
Photographs (first photo)	28.20	28.70	0.50
Each subsequent photo	3.10	3.20	0.10
<u>Copies of statements – other than in booklets</u>			
(per statement – up to 3 pages)	36.30	37.00	0.70
Additional pages (per page)	4.30	4.40	0.10
Copy of witness statement (witness agrees to disclosure of personal details)	42.50	43.30	0.80
Copy of witness statement (witness not agreeing to disclosure of personal details)	56.50	57.50	1.00
Interview with Police Officer (per officer)	142.50	145.00	2.50
Request for a statement to be written by Police Officer	142.50	145.00	2.50
Copy of PIC Sheets (2 nd copy)	28.20	28.70	0.50
Copy of interview record	56.50	57.50	1.00
(only where prepared during investigative process)			
Copies of VHS videotapes (provision for CJS)	84.70	86.20	1.50
Copies of audio tapes	84.70	86.20	1.50
(provision for CJS)	35.20	38.50	0.60
Copies of CDs / DVDs	20.50	20.90	0.40
<u>NPCC Charges – Common Items</u>			
Crime Report	89.80	91.40	1.60
MG5	35.80	36.50	0.70
MG3	35.80	36.50	0.70
Incident Log	36.50	37.20	0.70
PNC Convictions	35.80	36.50	0.70
Caution Certificate	23.50	23.90	0.40
Domestic Violence Report	54.00	55.00	1.00

	2019/20 (Revision April 2019)	2020/21 (Revision April 2020)	Variance
Occurrence Summary	18.10	18.50	0.40
Custody Record	18.10	18.50	0.40
Copy of Witness Statement (witness agrees to disclosure of personal details)	42.50	43.30	0.80
Copy of Witness Statement (witness not agreeing to disclosure of personal details)	56.50	57.50	1.00
Copy of interview record/MG15	56.50	57.50	1.00
<u>Civil Courts & Tribunals</u>			
Interview with a Police Officer	142.50	145.00	2.50
Statement to be written by a Police Officer	142.50	145.00	2.50
<u>Other Requests For Information</u>			
Request for Disclosure of information, not covered by other Memorandums of Understanding, statutory, judicial or other NPCC agreements	89.70	91.30	1.60
Hourly rate for work above 2 hours (including redaction)	30.00	30.60	0.60
<u>Special Police Services</u>			
<u>-Full Economic Cost Rate – Per Hour:</u>			
Superintendent	99.27	102.17	2.90
Chief Inspector	80.23	82.07	1.84
Inspector	75.37	76.51	1.14
Sergeant	85.58	86.52	0.94
Constable	67.64	69.27	1.63
PCSO	50.91	51.92	1.01
<u>- Direct Costs – Per Hour:</u>			
Superintendent	70.78	73.06	2.28
Chief Inspector	56.13	57.60	1.47
Inspector	52.40	53.33	0.93
Sergeant	60.25	61.03	0.78
Constable	46.45	47.76	1.31
PCSO	33.58	34.41	0.83
<u>ABI/Lloyds Disclosure of Information (ABI/Lloyds MOU)</u>			
Request (crime/lost property number, etc.) – MOU App D(a)	30.00	30.60	0.60
Request (In response to specific questions) – MOU App D(b)	127.60	129.80	2.20
Interview with Police Officer (per Officer) – MOU Para 4.5	142.50	145.00	2.50
<u>Local Charges - Cheshire Bikesafe Courses</u>			
Run by Cheshire managed by external company charge to customer £65, admin fee to external company £40.00	50.00	65.00	15.00

	2019/20 (Revision April 2019)	2020/21 (Revision April 2020)	Variance
<u>Civil Family Court Proceedings Charges</u>			
Police National Computer Records (antecedents) – records of criminal convictions/cautions	35.80	36.50	0.70
CAVA referrals – details of vulnerable person referrals relating to incidents of domestic abuse, child protection etc. Fee for all incident reports	56.50	57.50	1.00
NSPIS C&C Incident – details of police attendance at address or calls made by parties relating to the address and initial action taken – Fee for all incident reports	56.50	57.50	1.00
ATLAS Data – details of arrest/Criminal Justice data, crime or non-crime reports and investigation logs and relevant intelligence – Fee for all incident reports	56.50	57.50	1.00
Statements – Used or unused statements taken by police during course of an investigation (up to 3 pages)	36.30	37.00	0.70
Additional pages	4.30	4.40	0.10
Audio tapes – can include audio recordings of interviews with suspect under Police & Criminal Evidence Act 1984, 999 calls to police and other miscellaneous tapes gathered during the investigation	84.70	86.20	1.50
Medical Reports	54.00	55.00	1.00
Video Interviews – videos of interviews conducted with vulnerable or intimidated witnesses during investigation	84.70	86.20	1.50
Photographs – both post-arrest/interview photographs taken of suspects by Police or other evidential photographs e.g. injuries	28.20	28.70	0.50
Each subsequent photo	3.10	3.20	0.10

APPENDIX 3

CATEGORY		RESPONSIBLE	ACTUAL INCOME 2019/20	Details charge based on	Reference to Policy document
Firearms Licensing fees as dictated by the Home Office	NPCC Guidelines	Uniform Operations (Firearms Licensing)	£ 114,571	NPCC Guidelines	Page 3
ACPO Charges - Fingerprint Fees	NPCC Guidelines	Local Policing Unit's	£ 13,322	NPCC Guidelines	Page 4
ACPO Charges – Vehicle Collision Information (Inc Motorway)	NPCC Guidelines	Uniform Operations (Task Force)	£ 110,185	NPCC Guidelines	Page 5
ACPO Charges – Common Items (Crime reports etc)	NPCC Guidelines	Professional Standards Department (Vetting & Disclosures)	£ 2,424	NPCC Guidelines	Page 6
ACPO Charges – Alarm Registrations	NPCC Guidelines	Information Technology	£ 27,544	NPCC Guidelines	Page 6
Filming	Discretionary	Corporate Communications	£ 2,700	The charges made for filming is dependent on the access required to premises and services together with the contact needed from police officers and support staff, a national average hourly rate was used at a minimum of £125 per hour	Page 8
	Officer charges - NPCC Guidelines			Officer charges - NPCC Guidelines	
Identity Checking Service	Discretionary	Local Policing Units	Included in Fingerprint Fees	The Constabulary previously provided a 'free of charge' service to the public for verifying and certifying identity such as passport or visa applications. Doctors, solicitors and other such professionals charge for this service and following a review a charge of £35 was introduced from 1 April 2010.	Page 8
Alien & Peddlar charges	NPCC Guidelines	Local Policing Unit Helpdesks	£ 3,826	NPCC Guidelines	Page 8
Civil Courts & Tribunals	NPCC Guidelines	Criminal Justice & Custody (Criminal Justice)	£ 2,259	NPCC Guidelines	Page 9
Other Requests For Information not covered by other Memorandum of Understandings	NPCC Guidelines	Information & Compliance	£ -	NPCC Guidelines	Page 9
Special Police Services And Local Authority Rates (Form 10)	NPCC Guidelines	Uniform Operations (* Events Planning)	£ 310,805	NPCC Guidelines	Page 10
		Uniform Operations (* Roads)	£ 154,165		
Vehicle Servicing Costs	Discretionary but subject to Regional agreement	Fleet Services	£ 3,315	In agreement with the other forces in the Northwest we decided to agree on a standard fee of £45.00 per hour so as to be consistent and this goes some way to cover invoicing costs. We add 10% to parts costs as this covers the work of the stores in ordering and organising spares. This is a motor industry standard practice.	Page 11
Freedom Of Information Act Fees	NPCC Guidelines	Information & Compliance	£ -	NPCC Guidelines	Page 11
Data Protection Act Fees	NPCC Guidelines	Information & Compliance	£ 6,216	NPCC Guidelines	Page 13
Immigration Charges	National Framework Agreement between NPCC and Home Office Immigration Enforcement	Criminal Justice & Custody (Custody)	£ 32,921	National Framework Agreement between NPCC and Home Office Immigration Enforcement	Page 13
Driver Offender Retraining Courses	Discretionary but in a competitive market with other forces	Criminal Justice & Custody (Criminal Justice)	£ 2,461,555	These courses were originally run by Cheshire West & Chester Council, the force took over in 2012, using the fee of £75 set by the council, these were increased to £85 after PBB 1 in 2015/16. Following a national review in 17/18 the fees were reviewed to ensure all costs are recovered, no change to fees was required.	Page 13
Cheshire Bikesafe Courses	Discretionary	Uniform Operations (Task Force)	£ -	Guidelines were received from National ACPO Bikesafe, however over the years forces have reduced this amount depending on funding received from external agencies.	Page 13
Hire of Tactical Training Centre	Discretionary	HR & Organistional Development (Learning and Development)	£ 43,574	Rates based on square footage of area hired, available days and utility costs	Page 14
Civil Family Court Proceedings Charges	NPCC Guidelines	Criminal Justice & Custody (Criminal Justice)	£ 560,285	NPCC Guidelines	Page 14
Crime Impact Statements	Discretionary	Local Policing (Partnerships)	£ -	Charges made are comparable with other forces in the Region	Page 15
			£ 3,849,667		

Notes

Discretionary = Charges calculated by Cheshire
 NPCC Guidelines = Guidelines for Charging for Police Services

**MANAGEMENT BOARD****DECISION NO. 2020/08****DATE: 04 MARCH 2020****FINANCIAL POSITION REPORT 2019/20 THIRD QUARTER REVIEW****Executive Summary:**

The purpose of this report is to provide the Commissioner with the forecast financial outturn for 2019/20 as at the end of December 2019.

On 31 January 2019, the Commissioner approved a gross revenue budget of £214.7m (net £182.7m) together with a capital programme of £8.26m. At the Joint Management Board meeting on 3 July 2019, the Commissioner approved carry forward requests of £1.1m and capital slippage of £13.7m of which £2.2m relates to 2019/20.

At the end of the third quarter, there is a forecast revenue underspend of £0.67m (0.4% variance to budget). Forecast capital expenditure is £6.2m against a revised capital programme budget of £8.9m, representing 70% of the revised Capital Programme for 2019/20. At the 31 December 2019 £3.7m had actually been spent.

Recommendation:

(1) the forecast revenue and capital outturn positions be noted.

I submit this recommendation for approval.

Signature**Date 04 March 2020**
Chief Constable

I have reached the following decision:

Approval of the recommendation.

My rationale for this decision is:

The third quarter review demonstrates prudent management of the 2019/20 revenue budget

Signature**Date 04 March 2020**
Police & Crime Commissioner

PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE

INTRODUCTION AND BACKGROUND

1. The purpose of this report is to provide the Commissioner with the forecast financial position for 2019/20 as at the end of December 2019. In addition, the report will provide details of performance against the agreed financial health targets.

BACKGROUND

2. On 31 January 2019, the Commissioner approved a gross revenue budget of £214.7m (net £182.7m) together with a capital programme of £8.26m. At the Joint Management Board meeting on 3 July 2019, the Commissioner approved carry forward requests of £1.1m and capital slippage of £13.7m of which £2.2m relates to 2019/20.

FORECAST REVENUE EXPENDITURE

3. At the end of December 2019, there is a forecast revenue underspend of £0.67m (0.4%) which is above the financial health target of 0.1%. This is due mainly to higher than anticipated levels of income this year from compliance cameras and in respect of mutual aid provided nationally by Cheshire. In addition, the Local Government Pension Scheme (LGPS) Actuarial Review recently published shows that Cheshire Constabulary has a healthy funding position and therefore the budget held to make increased Employer contributions is no longer required.

FORECAST CAPITAL EXPENDITURE

4. The latest forecast capital expenditure to be funded for 2019/20 stands at £6.2m compared to £7m reported at mid-year. This is mainly due to additional slippage from £1.6m reported at mid-year to a current slippage forecast of £2.2m, equating to around 25% of the revised Capital Programme for 2019/20. This is above the capital expenditure financial health target that outturn should not vary from the Capital Programme by more than 20%, largely due to long lead times in respect of ordered fleet vehicle replacements and planned rescheduling of the IT Network Refresh project.

FINANCIAL COMMENTS

5. The financial comments are included in the appendices to this report.

LEGAL COMMENTS

6. There are no specific legal comments associated with the report.

EQUALITY COMMENTS

7. There are no specific equality comments associated with the report.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

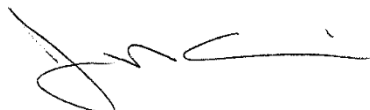
Is there a Part 2 form - Yes because the report contains restricted information relating to Section 43, Commercial Interests of the Freedom of Information Act 2000.

Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035 Email: wendy.bebbington@cheshire.pnn.police.uk

CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is an appropriate request to be submitted to the Police & Crime Commissioner.



Signature

Date 19 February 2020

CHIEF FINANCE OFFICER DECLARATION (Clare Hodgson):

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.



Signature

Date 19 February 2020

APPENDIX 1

FINANCIAL POSITION REPORT: 2019/20 THIRD QUARTER REVIEW

PURPOSE OF THE REPORT

1. The purpose of this report is to provide the Commissioner with a forecast financial position for 2019/20 as at the end of December 2019. In addition, the report will provide details of performance against the agreed financial health targets.

REVENUE

2. Overall at the end of December 2019, the forecast underspend for 2019/20 is £0.67m, which is 0.4% of the net budget. This is above the financial health target of 0.1% due mainly to higher than anticipated levels of income this year from compliance cameras and in respect of mutual aid provided nationally by Cheshire. In addition, the Local Government Pension Scheme (LGPS) Actuarial Review recently published shows that Cheshire Constabulary has a healthy funding position and therefore the budget held (£0.317m) to make increased Employer contributions is no longer required.
3. Table 1 shows a summary provisional revenue outturn and funding details with a full breakdown against individual departments included in Appendix 2.

Table 1: Summary Provisional Revenue Outturn 2019/20

	Revised Budget £000	Forecast Outturn £000	(Under)/ Over £000	Variance %
Constabulary	186,698	186,418	(280)	(0.1)
Corporate Costs	(6,109)	(6,497)	(388)	6.4
OPCC	788	788	(0)	(0.0)
Commissioning	1,414	1,414	0	0.0
Net Budget	182,791	182,123	(669)	(0.4)
Funding:				
Government grant	(106,963)	(106,963)	0	0.0
Council tax (precept)	(75,829)	(75,829)	0	0.0
Funding	(182,791)	(182,791)	0	0.0
Total (under)/overspend			(669)	

4. The main reasons for the increase in forecast underspend from £152k at mid-year to £669k at the end of December 2019 are listed below.

Significant changes of note are:

- 4.1. Police Pay – progress has been made on recruitment to ensure the establishment is at full strength. It should be noted that there have been a number of leavers at higher ranks in the last quarter and promotion processes are in place, but there will be savings until completed.

- 4.2. Civilian Investigators – Within the Major Investigation Team (MIT) there has been considerable increased demand since 2018 with major crime being over and above the demand predicted (18 x new homicide investigations since April 2018, nine of which have been since August 2019). In addition, there are three current major investigations that are complex and protracted incurring additional costs. To ensure all of these investigations are carried out in a timely manner and providing the victims with the support and outcomes they deserve, a number of civilian investigators have been brought in on a temporary basis. Funding of £500k has been identified as shown in appendix 1, with any underspend in 2019/20 requested to be carried forward to complete the work within 2020/21.
- 4.3. Local Policing – An underspend of around £300k is now forecast as a result of higher numbers of temporary PCSO vacancies due to unprecedented turnover currently being experienced in this area. There is a continuing focus on recruitment activity to address this issue which currently includes targeting campaign activity locally to areas where there are the most vacancies. This is proving to be very successful. The force are also increasing PCSO recruitment during April 2020 with a larger than usual intake to address vacancies. Regular intakes are forecast for the remainder of the new financial year to ensure a continual pipeline of applicants going forward.
- 4.4. Operational and Regional Support – Further Mutual Aid has been provided to the Metropolitan Police in respect of Operations Autumn Uprising and NATO 2019. This has resulted in additional unbudgeted income of around £125k.
- 4.5. Public Contact – The forecast outturn has increased by £176k from that reported at mid-year due to bringing forward planned 2020 recruitment activity in order to mitigate against the risk of increased staff turnover anticipated as a result of Operation Upgrade. This is part of the positive action that continues to be taken in this key area to reach the planned establishment and ensure both resilience and continued service delivery. A proposal for a permanent budget increase will be included in the 2020/21 budget.
- 4.6. Investigations – In recognition of the higher numbers of serious crimes experienced this year, additional budget has been allocated from the operational contingency to support ongoing investigations. In addition, anticipated market price increases relating to forensic submissions are not yet materialising.
- 4.7. With changing demands on the Constabulary, including complex investigations, evolving priorities and the national officer uplift programme, the Constabulary has commenced a review to assess the effectiveness of the police operating model in Cheshire. The Cheshire Futures Programme, led by the Deputy Chief Constable and managed by a Superintendent, has been commissioned to undertake a full review and ensure that the Force is best placed to continue to meet key priorities. The programme will be applying the following principles:
- Ensuring resources and responsibilities are distributed fairly
 - Using resources efficiently and in accordance with the organisational need
 - Ensuring the Chief Constable's 'We Care' principles are adopted and practiced day to day

The programme is developing an outline business case and is considering different operational models. The team have been visiting both operational and non-operational departments throughout the organisation over recent weeks and engagement with partner agencies will also take place in the coming months.

- 4.8. Legal - the enactment of the Stalking Protection Act 2019 introduces the Stalking Protection Order (SPO). The SPO is a civil order to address stalking behaviours that could become entrenched and/or escalate in severity and cause serious harm to victims. In response to this new power to protect some of the most vulnerable of victims, additional resources have been agreed by Chief Officer Group to support legal enacting this power. Funding of £102k has been set aside for a 12 month trial period with any balance requested to be carried forward into 2020/21 to complete the trial. This will be monitored throughout and the outcome reported at the end of the trial period.
- 4.9. Business Services – Forecast costs in this area have reduced by around £300k since mid-year due mainly to a reduction in anticipated ill health retirement costs and additional income from the provision of external training.
- 4.10. Following on from the position reported at mid-year, there still remains uncertainty over both pay and pension negotiated including the ongoing national McCloud judgement implications. As such the Pay & Pension contingency will remain in place until the situation has been clarified and will be carried forward should the outcomes still remain unknown at year-end. The funding of any such payments has yet to be determined and it remains prudent to ensure that local funding is available to cover payment even if it is later reimbursed.

PROVISIONAL CAPITAL OUTTURN

5. The capital budget is comprised as follows:

Table 2: Capital Budget 2019/20

	£000
Schemes commencing in 2019/20	5,335
Previous years' schemes	2,928
Capital Budget – approved at budget setting	8,263
Additional slippage identified at 2018/19 outturn	2,244
Crewe Joint Police and Fire Base not proceeding	(1,000)
Removal of Blue Light Contingency Budget	(1,054)
Other In-year budget movements	484
Revised Capital Budget 2019/20	8,937
Slippage	(2,243)
Forecast over/(underspend)	(544)
Capital Programme to be funded 2019/20	6,150

6. The revised capital budget of £8.9m remains unchanged from that reported to Management Board in the mid-year report. Full details are included at Appendix 3.
7. The increase in slippage of £628k from the mid-year position mainly relates to £300k for the re-roofing of Runcorn Police Station while options for its future location are considered; £97k Force Communication System (FCS) for project milestones which will be met in 2020/21 and £84k Underwater Search Unit equipment and updates.

8. The movement in the underspend of £195k during the quarter is largely due to £93k Blue Light Collaboration building schemes with lower spend on car parking and conference rooms; £40k FCS budget no longer required; £42k Vehicle Telematics costs now being lower than expected, this is partly offset by higher revenue costs.

2019/20 EXPENDITURE

9. At the end of December 2019 £3.7m had been spent, the majority of this related to annual fleet vehicle replacements £1.8m and purchase of IT Equipment £1.3m.
10. The latest forecast capital expenditure to be funded for 2019/20 stands at £6.2m compared to £7m reported at mid-year. This is mainly due to the increase in forecast slippage to £2.2m (paragraph 7 refers), equating to around 25% of the revised Capital Programme for 2019/20. This is above the capital expenditure financial health target that outturn should not vary from the Capital Programme by more than 20%, largely due to long lead times in respect of ordered fleet vehicle replacements and planned rescheduling of the IT Network Refresh project.

PROGRESS ON KEY/ LARGER SCHEMES

11. Fleet - £1,831k has been spent up to the end of December, the majority of this relates to 2018/19 slippage. For the 2019/20 programme the majority of the orders were placed in July with £421k expected to slip to 2020/21 due to long lead times for delivery. The slippage has reduced since mid-year due to some vehicles now being delivered earlier than initially anticipated.
12. FCS - the recent system upgrade went well and as a result it is now anticipated that payments will be made to the supplier of £124k in 2019/20 and £97k in 2020/21 following the delivery of the final project milestones. An under-spend of £70k is now expected against this project.
13. Estates Schemes totalling £478k for roofing and other reconfiguration / refurbishment work at Runcorn Police station remain on hold pending a review of options on future estate requirements in this area. An estimated £125k is expected to be spent before the end of March on Estates Strategy and reconfiguration schemes to relocate from Risley Police Station to Birchwood and to relocate the Major Investigation Team to Winsford New Police Station.
14. Technology Refresh / Tablet Replacement - An overspend of £19k is anticipated in relation to new tablets required for 30 additional officers recruited as part of the national officer uplift. Funding for this additional cost will be covered by Home Office grant in respect of the uplift programme.
15. Vehicle Telematics - the capital costs for the scheme are now lower than what was expected when the business case was prepared with a saving of £42k anticipated.

CAPITAL FINANCING

16. The Financing of the 2019/20 Programme is shown in the table below.

Table 3: Capital Financing

	£000
Capital Receipts	2,227
General Grant	661
Specific Grant	7
Revenue Contributions	1,192
HQ IT Reserve	209
Additional contributions (Internal & External)	345
UWSU Reserve	113
Borrowing	1,396
Total	6,150

17. Borrowing has been required to fund the 2019/20 programme as approved in the annual Treasury Management Strategy with the actual timing of the new loans being monitored through the Treasury Management processes. The loans taken out are within the Approved Authorised Limit.

RESERVES

18. The Reserves Strategy 2019-23 was approved as part of the Medium Term Financial Strategy on 31 January 2019. Table 4 shows the forecast year-end balances based on the impact of the capital financing proposals in Table 4.

19. One of the financial health target states that the level of general reserves, after allowing for potential financial risks be maintained, at no lower than 3% of the net budget. The current net budget is £182.7m and general reserves are forecast to remain at £6.3m by the end of 2019/20 equating to 3.4%.

20. As lead force Cheshire holds a number of Collaboration Reserves on behalf of partner forces for which Cheshire has a share in line with the relevant collaboration agreements. The largest of these is the Underwater Search Unit which is held for asset replacement purposes – any new acquisition is subject to all partner forces agreement. The Collaboration Reserves equate to approximately 13% of the total reserves held.

Table 4: Revenue & Capital Reserves (as 31 March 2020)

	£000	£000
General Fund		6,314
Earmarked Revenue Reserves		
Medium Term Financial Strategy	1,173	
Redundancy	882	
		2,055
Earmarked Capital Reserves		
ESN Reserve	485	
Capital Receipts	1,762	
		2,247
Total Cheshire Reserves		10,616
Collaboration Reserves		
Underwater Search Unit		963
Armed Police Alliance		286
Cheshire Resilience Forum		99
National Blue Light Procurement		172
Total		12,136

OUTSTANDING DEBT

21. Monitoring outstanding debt and taking action to ensure efficient and timely recovery is an important function in the governance of the budget. The Constabulary has a financial health target to collect at least 50% of debtor income within one month of it being raised. The position at 31 December 2019 is as follows:

Table 5: Outstanding Invoiced Debt

	£000
Within 1 Month	67
Within 1 to 2 Months	26
2 Months or more	102
Other Public Sector	4,445
Total Invoiced Debt	4,640

22. The Constabulary is currently collecting 67% of debt within one month, which falls within the financial health target. Debt is regularly monitored and outstanding debt pursued. Where appropriate payment plans are put in place to ensure payment is made and only when all avenues have been exhausted, or it is no longer economically viable to pursue is a request for the debt to be written off submitted. The Other Public Sector debt includes disputed invoices which are currently under negotiation.

SUMMARY

23. In summary, the Constabulary is currently forecasting a provisional revenue outturn of £0.7m underspend.
24. Capital expenditure of £6.2m is forecast during 2019/20 after taking into account forecast slippage of £2.2m and combined underspends totalling £0.5m.

JULIE GILL
ASSISTANT CHIEF OFFICER

REVENUE MONITORING 2019/20

	Full Year Budget	Actual Year to date	Forecast Outturn	Forecast Variance (under)/over	
Police Officer Pay	£000	£000	£000	£000	%
Police Pay	104,510	77,098	104,012	(498)	(0%)
Civilian Investigators	500	0	500	(0)	(0%)
Police Officer Overtime	2,435	2,017	2,724	289	12%
Total Police Officer Pay	107,446	79,115	107,236	(210)	
Local Policing					
Local Policing	7,887	6,034	7,569	(317)	(4%)
Driver Offender Retraining	(1,789)	(1,684)	(2,230)	(442)	25%
Public Contact	9,777	8,021	10,752	975	10%
Ops & Regional Support	299	277	(1)	(300)	(100%)
Total Local Policing	16,175	12,648	16,091	(84)	
Investigations					
Public Protection Directorate	1,901	1,465	1,892	(8)	(0%)
Force Intelligence	2,430	1,828	2,470	40	2%
Department of Criminal Justice	3,898	2,768	3,898	(1)	(0%)
Major Crime Directorate	1,915	1,396	1,929	14	1%
Proceeds of Crime	0	0	(184)	(184)	0%
Proceeds of Crime funded initiatives	0	0	184	184	0%
Forensic Investigation	4,995	3,154	4,844	(152)	(3%)
Total Investigations	15,139	10,611	15,033	(106)	
Centrally Delivered Services					
Planning & Performance	1,663	1,440	1,687	24	1%
Force Solicitors	1,129	861	1,310	181	16%
Communications & Insight	1,035	662	1,010	(25)	(2%)
Strategic Change & Portfolio Management	779	386	548	(231)	(30%)
Command	477	405	508	30	6%
Total Centrally Delivered Services	5,083	3,754	5,062	(21)	
Business Services					
Information & Technology	9,338	8,251	9,263	(74)	(1%)
Procurement	299	238	323	24	8%
Finance	575	488	620	46	8%
Facilities	10,124	8,406	10,225	102	1%
People	8,085	6,483	8,225	140	2%
Fleet	2,850	1,948	2,765	(86)	(3%)
Information Management	777	566	761	(16)	(2%)
Professional Standards	359	51	389	29	8%
Total Business Services	32,407	26,430	32,572	165	
Collaborations					
Collaborations - Operational	7,971	4,138	7,851	(120)	(2%)
Collaborations - Support Services	43	21	43	(0)	(0%)
Collaborations - MFSS	2,435	1,226	2,530	95	4%
Total Collaborations	10,450	5,385	10,424	(25)	
Contingency	26	0	26	0	0%
Pay & Pension Contingency	846	0	846	0	0%
Corporate Costs	(6,980)	(4,633)	(7,369)	(388)	6%
TOTAL CONSTABULARY COSTS	180,590	133,310	179,921	(669)	
Office of the Police & Crime Commissioner					
Office of PCC	788	612	788	(0)	(0%)
Office of PCC - Commissioning	1,414	111	1,414	0	0%
Total Office of the Police & Crime Commissioner	2,202	722	2,201	(0)	
TOTAL SERVICE COSTS	182,791	134,033	182,123	(669)	



MANAGEMENT BOARD	
DECISION NO. 2020/09	DATE: 04 MARCH 2020
TREASURY MANAGEMENT STRATEGY 2020/21	

Executive Summary:

To present the Treasury Management Strategy for 2020/21 for approval including the associated prudential indicators, annual investment strategy and minimum revenue provision statement.

Recommendation:

That approval be given to the Treasury Management Strategy (Appendix 1) for 2020/21 including:

- the Ratio of financing costs to net revenue funding (Appendix 1, paragraph 4.3.2);
- the Authorised External Debt Limits (Appendix 1, paragraph 5.2.7);
- the Interest Limits and Maturity structure of fixed interest rate borrowing (Appendix 1, paragraph 5.7.1);
- the Annual Investment Strategy (Appendix 1, paragraph 6); and
- the Minimum Revenue Provision Statement (Appendix 1, paragraph 7).

I have reached the following decision:

Approval of the recommendation.

My rationale for this decision is:

The adoption of the Treasury Management Strategy supports my commitment to ensure effective stewardship and the efficient use of public funds.

Signature	Date 04 March 2020
	
Police & Crime Commissioner	

PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE

INTRODUCTION AND BACKGROUND

1. Treasury Management covers the cashflow, investment and borrowing activities together with the impact of budgetary decisions on such activities. The Police & Crime Commissioner is required to approve an annual Treasury Management Strategy, its associated prudential indicators, an Annual Investment Strategy and a Minimum Revenue Provision Statement. These documents have links to the budget and medium term financial strategy. The documents are set out in the Appendix.
2. Borrowing is restricted to financing capital expenditure but is not statutorily limited by amount. The level of borrowing is set by each organisation but under recommended boundaries, which recognise future capital plans over a three year period and the impact any borrowing will have on revenue funding. To ensure that these boundaries are not exceeded, an Authorised Limit (paragraphs 5.2.5 to 5.2.7) is set for all capital financing liabilities including borrowing, leasing and PFI schemes. It is calculated based on current borrowing and financing arrangements together with the year on year movements and the impact of future capital financing requirements. This is a statutory limit and requires approval from the Commissioner.
3. With all forms of financing there is a cost implication usually in the form of interest. Fluctuations in interest rates have a direct impact on the revenue budget and therefore boundaries are recommended on the exposure to such risks. There are two prudential indicators included in the attached Strategy - the 'Interest limits' and 'Maturity structure of fixed interest rate borrowing'. The first limits the amount of borrowing that can be undertaken with variable interest rates. These rates may be attractive when rates are falling but can prove costly if rates start to rise. It is proposed that this is limited to 25% of the overall borrowing. The second indicator is designed to ensure that maturity profile of the loans is not concentrated into a short period of time leaving the organisation exposed to the prevailing interest rates at that point. The proposed profile spreads the risk over a suitable timeframe.
4. The cashflow of funding and expenditure and the level of reserves held result in cash available for temporary investment. Such investments earn interest which in turn supports the revenue budget. A number of high profile events have identified the risks associated with such activity and an Annual Investment Strategy is included within the overall Treasury Management Strategy setting out what types of investments are permitted, the means by which counter-parties are chosen and the limits in amounts to be exposed to any individual organisation or group. This Strategy follows the principles of Link Asset Services investment guidance which is monitored daily and only those meeting the minimum requirement are chosen as counter-parties. Link are the Commissioner's Treasury Management advisers. A limit of £10m is applied to each organisation or group. While this Strategy cannot negate all risks it does follow the principle of security first, liquidity next and yield last in terms of investment decisions.
5. Finally, borrowing has to be repaid and there is a requirement to set aside funding each year to meet the repayments. This set aside funding is called the Minimum Revenue Provision and a statement showing how it has been calculated is included in the attached Strategy. The Commissioner is asked to approve this Statement.

FINANCIAL COMMENTS

6. All financial issues are covered within the Appendix.

LEGAL COMMENTS

7. The attached Strategy covers the requirements of the Local Government Act 2003, the CIPFA Prudential Code, the Department of Communities and Local Government's Minimum Revenue Provision (MRP) Guidance, the CIPFA Treasury Management Code and the Department of Communities and Local Government's Investment Guidance.

EQUALITY COMMENTS

8. A full impact assessment is not required as it is considered that the outlined Strategy will not disproportionately adversely affect any protected characteristic community as defined in the Equality Act 2011.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

Is there a Part 2 form - NO

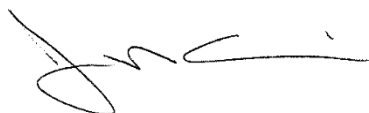
Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035 Email: wendy.bebbington@cheshire.pnn.police.uk

CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is consistent with the PCC's Police & Crime Plan and priorities.

Signature



Date 19 February 2020

CHIEF FINANCE OFFICER DECLARATION (Clare Hodgson):

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature



Date 19 February 2020

TREASURY MANAGEMENT STRATEGY 2020/21

1. BACKGROUND

- 1.1 The Police & Crime Commissioner (the Commissioner) is required to operate a balanced budget meaning that cash raised during the year from grants, council tax and other income sources will match the cash expenditure for the year. The first requirement of treasury management is to ensure that this cashflow is adequately planned with cash being available when it is needed. Surplus funds are invested in low risk counterparties or financial instruments commensurate with a low risk appetite, that offer adequate liquidity (i.e. ease of access) before considering any return on the investment. The investment strategy objectives are, in order of priority, security, liquidity and then yield.
- 1.2 The second main function of treasury management is the funding of the capital programme. The capital programme and plans provide a guide to the Commissioner's borrowing requirement which is essentially the longer-term cashflow planning to ensure that the capital programme commitments can be met. The management of longer-term cashflow may involve arranging long or short-term loans or by using cashflow surpluses. Any debt currently held may also be re-structured when favourable conditions arise and in line with risk and/or cost objectives.
- 1.3 The contribution the treasury management function makes to the organisation is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.4 CIPFA defines treasury management as:
- 'The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'*
- 1.5 The CIPFA 2017 Prudential and Treasury Management Codes require the preparation of a Capital Strategy providing a longer-term focus to capital plans including:
- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- The capital strategy is being reported separately as part of the annual budget report pack.
- 1.6 This Commissioner has not engaged in any commercial investments and has no non-treasury investments.

2. **TREASURY MANAGEMENT REPORTING REQUIREMENTS**

- 2.1 The Commissioner is required to receive and approve, as a minimum, three main reports each year which incorporate policies, estimates and actual income and expenditure.

Prudential and Treasury Indicators and Treasury Strategy (this report) – the first and most important report covering:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy statement (how residual capital expenditure is charged to revenue over time);
- the Treasury Management Strategy (how the investments and borrowings are to be organised and includes the treasury indicators); and
- an Investment Strategy (the parameters on how investments are to be managed).

A Mid-Year Treasury Management Report – this updates the Commissioner on the progress of the capital position, updates prudential indicators as necessary, and whether the actual execution of treasury management is in line with the Strategy or whether any policies need revision. Should there be a particularly volatile period affecting treasury management then more frequent reports will be submitted.

An Annual Treasury Management Report – This is a backward looking review document and provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

3. **TREASURY MANAGEMENT STRATEGY 2020/21**

- 3.1 The Treasury Management Strategy covers two main areas:-

Capital:

- The capital plans and associated prudential indicators; and
- The minimum revenue provision (MRP) statement.

Treasury Management:

- The current position;
- Prudential indicators which limit the treasury risks and activities of the Commissioner;
- Prospects for interest rates;
- The borrowing strategy;
- The policy on borrowing in advance of need;
- Debt rescheduling;
- The investment strategy;
- The policy on creditworthiness; and
- The policy on using external service providers in relation to Treasury Management.

- 3.2 The above cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Communities and Local Government's Minimum Revenue Provision (MRP) Guidance; the CIPFA Treasury Management Code and the Communities and Local Government's Investment Guidance.

- 3.3 The CIPFA Treasury Management Code requires the responsible officer (the Chief Finance Officer, OPCC) to ensure that anyone with responsibility for treasury management receives adequate training. The external treasury management supplier will provide suitable training during the year as appropriate.
- 3.4 The Commissioner uses Link Asset Services, Treasury solutions as its external treasury management advisors. However, it is recognised that responsibility for treasury management decisions remains with the Office of the Police & Crime Commissioner at all times and overdue reliance will not be placed upon one source of advice alone. Nevertheless, it is also recognised that there is value in employing external advisors in order to gain access to specialist skills and resources.

4. CAPITAL EXPENDITURE PRUDENTIAL INDICATORS 2020-23

4.1 Capital expenditure

- 4.1.1 Capital expenditure plans are a key driver of treasury management activity. The funding of such plans impact on cash balances and borrowing requirements in the short and longer terms. The on-going consequences of these decisions have a direct impact on the annual revenue budget. As such, the following prudential indicators show the proposed capital expenditure plans, how they are to be funded, the impact on the organisation's finances and their affordability in terms of the impact on revenue budgets.
- 4.1.2 This prudential indicator is a summary of the Commissioner's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. These are based on actual and forecast 2019/20 cash spend as at Third Quarter Review along with the planned future capital programme.

Table 1: Capital Expenditure

2019/20 Estimate £000	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
6,151	7,554	3,834	8,106

- 4.1.3 The next table shows how the above capital expenditure is to be financed. Where there is a shortfall in available funds, the shortfall is covered by an additional borrowing requirement. Although the current capital expenditure plans do result in the borrowing requirement shown below, it is currently anticipated that this can be contained within the current long term debt portfolio as the overall total borrowing requirement is forecast to remain stable at c£31m (table 3 below) so that no additional new borrowing is forecast to be required between 2020-2023.

Table 2: Capital Financing

2019/20 Estimate £000		2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
6,151	Forecast Spend	7,554	3,834	8,106
	<u>Financed by:</u>			
661	General capital grants	173	0	0
7	Specific capital grants	126	0	0
2,227	Capital Receipts	1,762	0	0
1,650	Capital Reserves & Revenue Contributions	3,925	2,220	5,985
209	HQ IT Reserve	209	209	209
1,397	Borrowing requirement	1,359	1,405	1,912

4.2 Capital Financing Requirement (or borrowing needs)

- 4.2.1 The second prudential indicator is the Commissioner's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been financed either from revenue or capital funds. It is essentially a measure of borrowing need and any capital expenditure not financed in the above table will increase the CFR.

Table 3: Capital Financing Requirement (CFR)

2018/19 Actual £000	2019/20 Estimate £000		2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
30,780	30,833	Borrowing Requirement	30,689	30,537	30,805
19,441	18,447	Other long term liabilities	17,380	16,223	15,006
50,221	49,281	Total CFR	48,069	46,760	45,811
975	(940)	Movement in CFR	(1,212)	(1,309)	(949)

- 4.2.2 In addition to the capital expenditure borrowing requirements, the Capital Financing Requirement also includes other long-term financial liabilities relating to Constabulary Headquarters. Whilst these increase the CFR and therefore the Commissioner's borrowing requirement, these types of scheme include a borrowing facility and so the Commissioner is not required to borrow separately for these schemes.
- 4.2.3 The Capital Financing Requirement is reduced every year by the minimum revenue provision (MRP). The Commissioner is required by statute to set aside MRP each year for the repayment of external debt. Under amendment regulation 4(1) of the 2008 Regulations, the Commissioner is charged with a simple duty to set aside MRP which he considers to be prudent. Guidance has been issued which sets out recommendations on the interpretation of 'prudent' and the Commissioner is required to prepare an annual statement on how he proposes to calculate MRP. The 2020/21 annual statement is set out in the Annex.

4.2.4 It should be noted that the Capital Financing Requirement reduces during the period of the current Strategy, reflecting the fact that any new borrowing requirement is more than offset by our annual MRP provision and the ongoing reduction in Other Long Term Liabilities (Residual PFI liability).

4.3 Core Funds and Expected Investment Balances

4.3.1 The application of funds, (capital receipts, reserves etc.), to finance capital expenditure or other budget decisions to support the revenue budget will have an on-going impact on the cash available for investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are the estimated year-end balances for reserves. The Capital Receipts and Unapplied Capital Grants reserves are restricted in their usage to funding capital expenditure or repaying debt and cannot be used for revenue purposes.

Table 4: Reserves

	31 March 2019 Actual £000	31 March 2020 Estimate £000	31 March 2021 Estimate £000	31 March 2022 Estimate £000	31 March 2023 Estimate £000
<u>Revenue Earmarked Reserves</u>					
MTFS Reserve	1,173	1,173	1,173	1,173	1,173
Redundancy Reserve	882	882	882	882	882
	2,055	2,055	2,055	2,055	2,055
<u>Capital Earmarked Reserves</u>					
Capital Receipts	3,720	1,762	0	0	0
Revenue Reserve for Capital Expenditure	28	0	0	0	0
Unapplied Capital Grants	0	0	0	0	0
Emergency Services Network Reserve	0	485	1,267	2,420	0
IT Reimbursement Reserve	0	0	0	0	0
	3,748	2,247	1,267	2,420	0
<u>Revenue General Reserve</u>					
General Fund	7,429	6,314	6,314	6,314	6,314
<u>Collaboration Reserves</u>	1,953	1,520	1,283	1,063	1,063
Total Reserves	15,185	12,136	10,919	11,852	9,432

Affordability Prudential Indicators

4.3.2 So far the Strategy has covered the control of overall capital expenditure plans and borrowing prudential indicators. The following indicator provides an indication of the impact of the above capital expenditure plans and their financing proposals on the overall finances and precept (council tax). The Commissioner is requested to approve the following indicator:

Table 5: Ratio of financing costs to net revenue funding

2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate
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1.07%	1.21%	1.20%	1.24%	1.27%
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This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream. The estimates of financing costs include current commitments and the proposals included in the budget/medium-term financial strategy. The ratios have moved mainly due to the requirement to increase borrowing in order to finance the capital programme and to reduce internal borrowing in 2018/19.

5. BORROWING

- 5.1 The capital expenditure plans set out in Section 4 provide details of the service activity of the Commissioner. A key function of treasury management is to ensure that the cash resources are organised in accordance with the relevant regulations and professional codes so that sufficient cash is available to meet service activity and the capital strategy. This will involve both cashflow management and where capital expenditure plans require it, the arrangement of appropriate borrowing facilities. This Strategy covers the relevant treasury and prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

Current Debt Position

- 5.1.1 The current debt position, as at 31 March 2019, with forward projections is summarised below. The table shows actual external debt against the underlying capital borrowing need highlighting any under or over borrowing.

Table 6: Debt Position

2018/19 Actual £000	2019/20 Estimate £000		2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
19,778	26,778	External Debt as 1 April	27,873	27,873	27,873
7,000	1,095	Add/(less): net movement in year	0	0	(99)
20,349	19,441	Other Long term Liabilities	18,447	17,380	16,223
(909)	(993)	Add/(less): net movement in year	(1,067)	(1,157)	(1,217)
46,219	46,320	Gross Debt Position at 31 March	45,253	44,096	42,780
50,221	49,281	Less: Capital Financing Requirement	48,069	46,760	45,811
(4,002)	(2,960)	(Under) / Over Borrowing	(2,816)	(2,664)	(3,031)

- 5.1.2 Within the prudential indicators there are a number of key indicators to ensure that the Commissioner operates his activities within well-defined limits. One of these is that the Commissioner ensures that his gross debt does not, except in the short-term, exceed the total Capital Financing Requirement in the preceding year plus the estimates for any additional Capital Financing Requirement for 2020/21 and the following two financial years. This allows some flexibility for limited early borrowing for future plans but ensures that borrowing is not undertaken for revenue or speculative purposes.
- 5.1.3 The Chief Finance Officer confirms that the Commissioner complied with this prudential indicator in the current year and does not envisage any issues for the immediate future. This view takes into account current commitments, existing plans and the proposals

included in the budget report and Medium Term Financial Strategy for 2020-22 to be approved by Management Board on 31st January 2020.

5.2 Treasury Indicators – limits to borrowing activities

5.2.1 There are two limits to borrowing, the operational boundary and the authorised limit for external debt. These are the current debt position as shown in 5.1.1 above plus the forecast requirement for external financing over the next three years.

5.2.2 **The operational boundary** is the limit which external debt and long-term liabilities is not normally expected to exceed. In most cases this would be a similar figure to the Capital Financing Requirement but may be higher or lower depending on the level of actual debt and repayment schedules. Temporary breach of the operational boundary is not in itself cause for concern but an indicator that such liabilities should be reviewed. If there was a sustained breach, (such as an increase in long-term borrowing), then this would need to be investigated and action taken.

5.2.3 The operational boundaries below are based on estimating the Commissioner’s most likely level of borrowing and leasing each year. It includes long-term borrowing to fund capital expenditure plans, short-term temporary borrowing for cashflow purposes and the impact of any finance leases.

Table 7: Operational Boundary

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt	32,873	32,873	32,873
Other long term liabilities	17,380	16,223	15,006
Total	50,253	49,096	47,879

5.2.4 As Table 7 shows, the Operational Boundary over the period 2020-23 is reducing because there are currently no plans to enter into new long term borrowing over the period and the Other Long Term Liabilities (Residual PFI Liability) is reducing.

5.2.5 The **authorised limit for external debt** is a further key prudential indicator representing a control on the maximum level of borrowing. This represents a limit beyond which external debt and finance leases are prohibited and is set or revised by the Commissioner. It reflects the level of such debt which, while not desired, could be afforded in the short term but is not sustainable in the longer-term.

5.2.6 This is a statutory limit determined under section 3(1) of the Local Government Act 2003. The Government retains an option to control either the total of all local authorities’ plans or those of any specific public body; although this power has yet to be exercised.

5.2.7 The Commissioner is requested to approve the following authorised limits.

Table 8: Authorised Limit

	2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000
Debt	35,873	35,873	35,873
Other long term liabilities	17,380	16,223	15,006
Total	53,253	52,096	50,879

5.3 Prospects for Interest Rates

5.3.1 The Commissioner has appointed Link Asset Services as its treasury advisor and part of their service is to assist him to formulate a view on interest rates. The following table gives our central view.

Link Asset Services Interest Rate View														
	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate View	0.75	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.00	1.25	1.25	1.25	1.25
3 Month LIBID	0.70	0.70	0.70	0.80	0.90	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.30	1.30
6 Month LIBID	0.80	0.80	0.80	0.90	1.00	1.10	1.10	1.20	1.30	1.40	1.50	1.50	1.50	1.50
12 Month LIBID	1.00	1.00	1.00	1.10	1.20	1.30	1.30	1.40	1.50	1.60	1.70	1.70	1.70	1.70
5yr PWLB Rate	2.30	2.40	2.40	2.50	2.50	2.60	2.70	2.80	2.90	2.90	3.00	3.10	3.20	3.20
10yr PWLB Rate	2.60	2.70	2.70	2.70	2.80	2.90	3.00	3.10	3.20	3.20	3.30	3.30	3.40	3.50
25yr PWLB Rate	3.20	3.30	3.40	3.40	3.50	3.60	3.70	3.70	3.80	3.90	4.00	4.00	4.10	4.10
50yr PWLB Rate	3.10	3.20	3.30	3.30	3.40	3.50	3.60	3.60	3.70	3.80	3.90	3.90	4.00	4.00

Source: Link Asset Services

5.3.2 The above forecasts have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the prime minister has pledged.

5.3.3 It has been of little surprise that the Monetary Policy Committee (MPC) has left Bank Rate unchanged at 0.75% so far in 2019 due to the ongoing uncertainty over Brexit and the outcome of the general election. In its meeting on 7 November, the MPC became more dovish due to increased concerns over the outlook for the domestic economy if Brexit uncertainties were to become more entrenched, and for weak global economic growth; if those uncertainties were to materialise, then the MPC are likely to cut Bank Rate. However, if they were both to dissipate, then rates would need to rise at a “gradual pace and to a limited extent”. Brexit uncertainty has had a dampening effect on UK GDP growth in 2019, especially around mid-year. There is still some residual risk that the MPC could cut Bank Rate at its January meeting as the UK economy is still likely to only grow weakly in 2020 due to continuing uncertainty over whether there could effectively be a no deal Brexit in December 2020 if agreement on a trade deal is not reached with the EU. Until that major uncertainty is removed, or the period for agreeing a deal is extended, it is unlikely that the MPC would raise Bank Rate.

- 5.3.4 There has been much speculation during 2019 that the bond market has gone into a bubble, as evidenced by high bond prices and remarkably low yields. However, given the context that there have been heightened expectations that the US was heading for a recession in 2020, and a general background of a downturn in world economic growth, together with inflation generally at low levels in most countries and expected to remain subdued, conditions are ripe for low bond yields.
- 5.3.5 During the first half of 2019/20, gilt yields plunged and caused a near halving of longer term PWLB rates to completely unprecedented historic low levels however the decision by the PWLB on 9 October 2019 to increase their margin by 1% on loans to local authorities has more than offset these low levels and made any new PWLB borrowing after this decision significantly more expensive. There is also an expectation that financial markets have gone too far in their fears about the degree of the downturn in US and world growth. If, as expected, the US only suffers a mild downturn in growth, bond markets in the US are likely to sell off and that would be expected to put upward pressure on bond yields, not only in the US, but also in the UK due to a correlation between US treasuries and UK gilts; at various times this correlation has been strong but at other times weak. However, forecasting the timing of this, and how strong the correlation is likely to be, is very difficult to forecast with any degree of confidence. Changes in UK Bank Rate will also impact on gilt yields.
- 5.3.6 The overall longer run future trend is for gilt yields, and consequently PWLB rates, to rise, albeit gently. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.
- 5.3.7 In addition, PWLB rates are subject to ad hoc decisions by H.M. Treasury to change the margin over gilt yields charged in PWLB rates: such changes could be up or down. It is not clear that if gilt yields were to rise back up again by over 1% within the next year or so, whether H M Treasury would remove the extra 1% margin implemented on 9.10.19.
- 5.3.8 Economic and interest rate forecasting therefore remains difficult with so many influences weighing on UK gilt yields and PWLB rates. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

Investment and borrowing rates

- Investment returns are likely to remain low during 2020/21 with little increase in the following two years. However, if major progress was made with an agreed Brexit, then there is upside potential for earnings.

- Borrowing interest rates were on a major falling trend during the first half of 2019-20 but then were increased by 1% on 9.10.19. The policy of avoiding new borrowing where possible by running down spare cash balances has served local authorities and police well over the last few years. However, the unexpected increase of 1% in PWLB rates will influence future treasury management strategy and risk management now that the gap between longer term borrowing rates and investment rates has materially widened, and in the long term Bank Rate is not expected to rise above 2.5%. If possible the Commissioner will therefore delay future borrowing required to finance the approved capital strategy until such time as the extra 1% margin is removed. This will however be dependent upon levels of cashflow and reserve balances which will be monitored closely.
- While the Commissioner is not currently planning further borrowing to finance new capital expenditure, to replace maturing debt and the rundown of reserves, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost

5.4 Borrowing Strategy

- 5.4.1 As shown in Table 6, the Commissioner is currently under-borrowed and forecast to remain so for the period covered by this Strategy. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Commissioner's reserves, balances and cash flow has been used as a temporary measure. This Strategy is appropriate for the current economic scenario and prudent given that limited investment return on surplus cash flow and counter-party risk are still issues that need to be considered. The risks associated with this Strategy are twofold, firstly the Commissioner could run out of cash should all reserves be utilised quickly at which point borrowing would be required and secondly, when the need to re-finance the internal borrowing arises, without careful planning, the Commissioner will be exposed to the prevailing interest rates at that time which may not be the most favourable.
- 5.4.2 As previously reported, as capital reserves and therefore cash resources available are being used to fund the ongoing capital programme, historic under-borrowing levels are no longer sustainable. Action was therefore been taken to reduce under-borrowing during 2018/19. The position at 31 March 2019 was £4m under-borrowed and is now forecast to remain at around £3m under-borrowed through until 2023. At this point maintaining under-borrowing at c£3m going forward is considered to be manageable and a sensible position in view of poor returns that can be achieved on cash balances invested.
- 5.4.3 Against this background and the risks within the economic forecast, caution will be adopted with the 2020/21 treasury operations. The Commissioners Chief Finance Officer will keep interest rates and the cashflow impact under continual review in order to adopt a pragmatic approach to changing circumstances, supported by advice from the external Treasury Management advisers.
- 5.4.4 A key aim of the borrowing strategy is to minimise the cost of the loan portfolio whilst ensuring that the obligation to repay the loans is spread out over a period of time. This reduces the impact of such loans on the revenue budget. The profile of the repayment of the debt portfolio is shown below at 5.6.3.

5.4.5 Following the decision by the PWLB to increase their margin over gilt yields by 1% on loans to local authorities, consideration will also need to be given to sourcing funding at cheaper rates from the following:

- Local authorities (primarily shorter dated maturities)
- Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates)
- Municipal Bonds Agency (A potential source of funding going forward, will be used for the first time by a Local Authority in early 2020)

The degree to which any of these options proves cheaper than PWLB Certainty Rate is still evolving at the time of writing but our advisors will keep us informed.

5.4.6 No further long term borrowing is currently planned during the life of this strategy. Where short term borrowing arrangements are required to support a temporary low general fund bank balance, the Commissioner will engage his Treasury Advisors to understand if there are any Local Authority counterparties available to borrow from. The offer will then be considered and terms of loans agreed between the Principal Accountant and nominated officer from the lending organisation.

5.5 Policy on borrowing in advance of need

5.5.1 The Commissioner will not borrow more than or in advance of his needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that he can ensure the security of such funds.

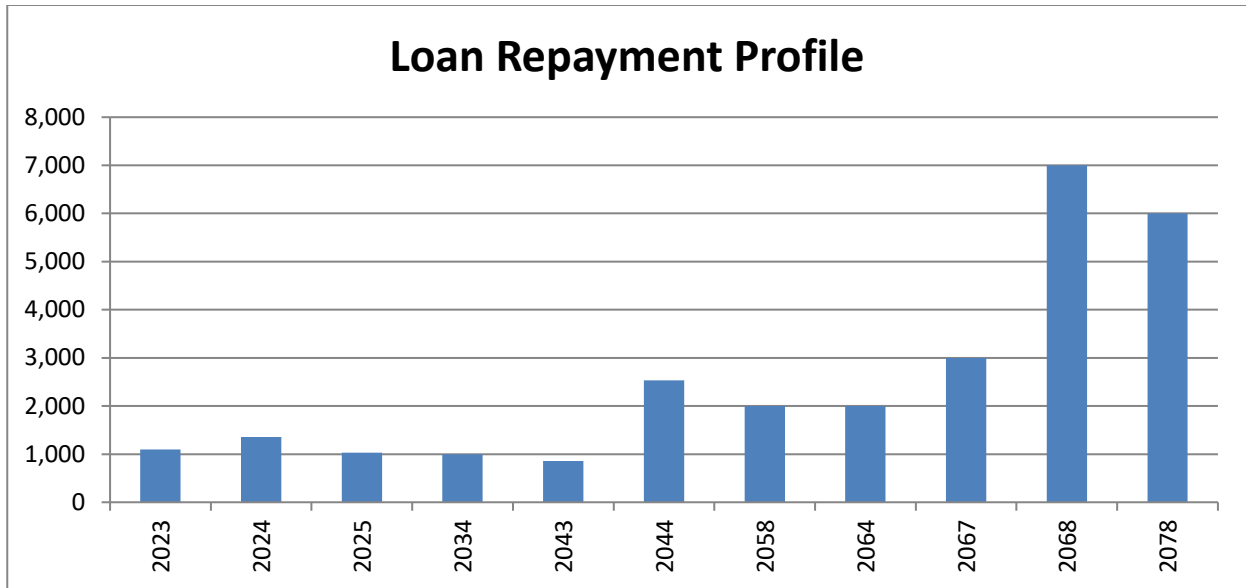
5.6 Debt Rescheduling

5.6.1 As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However these savings will need to be considered in the light of the current treasury position and size of the cost of debt repayments (premiums incurred).

5.6.2 The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings
- Helping to fulfil the treasury strategy
- Enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

5.6.3 Any potential rescheduling will be very carefully considered. A Table showing the current profile of the debt portfolio is shown below:



5.6.4 The majority of the borrowing is on a fixed rate basis with the current overall weighted average of 3.48%, reduced from 3.61% at 31/1/19 due to new long term borrowing secured at favourable rates during 2019. There is one loan held, (£6m), that is subject to semi-variable interest rates and has six monthly review periods when the bank can amend the rate or, the Commissioner can repay the loan if the new rate is deemed unacceptable. Any new loans taken out for future capital expenditure plans or the repayment of maturing debt will be subject to the rates applicable at that time. Any early repayment of debt would also be subject to the expense of early pay-back premiums.

5.6.5 Key sensitivities of the interest rate forecast are likely to be:

- if it was felt that there was a significant risk of a much sharper rise in long and short term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be reviewed with the potential action of increasing borrowing to cover the under borrowed position or future known commitments or repayments while rates were still relatively low; and
- If it were felt that there was a significant risk of a sharp fall in short and long-term interest rates due to a weakening of economic factors; then longer-term borrowing will be postponed until rates were deemed at their lowest and a review of current debt would be undertaken to ascertain the benefit of rescheduling to more competitive short term loans.

5.7 Treasury Management limits on activity

5.7.1 There are three debt-related treasury activity limits. Their purpose is to restrain borrowing activity within certain limits to manage risk and reduce the impact of adverse movement in interest rates. However, if these are set too restrictively they will impair the opportunity to reduce costs or maximise value for money. The Commissioner is requested to approve the following indicators and limits.

Table 9: Interest Rate Limits

	2020/21	2021/22	2022/23
	Upper	Upper	Upper
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	25%	25%	25%

Table 10: Maturity structure of fixed interest rate borrowing 2020/21

	Lower	Upper
Under 12 months	0%	15%
12 months to 2 years	0%	15%
2 years to 5 years	0%	25%
5 years to 10 years	0%	25%
10 years and above	50%	95%

6. ANNUAL INVESTMENT STRATEGY

6.1 Investment Policy

- 6.1.1 The Commissioner's investment policy has regard to the Communities and Local Government's Guidance on Local Government Investments and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectorial Guidance Notes (the CIPFA TM Code). The Commissioner's principal objectives for investments are security first, liquidity next and finally yield.
- 6.1.2 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
- a) Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
 - b) Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Commissioner will engage with his advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.
 - c) Other information sources used will include the financial press, share price and other such information pertaining to the financial sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
 - d) The Commissioner has defined the list of types of investment instruments that the treasury management team are authorised to use. There are two lists in table 11 below under the categories of 'specified' and 'non-specified' investments.

- **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
- **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use. Once an investment is classed as non-specified, it remains non-specified all the way through to maturity i.e. an 18 month deposit would still be non-specified even if it has only 11 months left until maturity.

Table 11: Approved Investment Instruments

Specified Investments (maturities up to one year)
<ul style="list-style-type: none"> ▫ Bank & Building Societies Term Deposits ▫ Other Local Authority Term Deposits ▫ Debt Management Agency Deposit Facility ▫ AAA Money Market Funds (CNAV/LVNAV/VNAV)
Non-Specified Investments (maturities over one year)
<ul style="list-style-type: none"> ▫ Bank & Building Societies Term Deposits ▫ Other Local Authority Term Deposits
Other Non-Specified Investments
<ul style="list-style-type: none"> ▫ Fixed term deposits with variable rates & maturities

- e) Non-specified investments limit. The Commissioner has determined that it will limit the maximum total exposure to non-specified investments as being 20% of the total investment portfolio.
- f) Lending limits, the maximum amount for each counterparty will be set at £10m per organisation/group. The maximum investment duration for each counterparty will be set in line with the creditworthiness service provided by Link Asset Services as set out in paragraph 6.2.
- g) The Commissioner will set a limit for the amount of its investments which are invested for longer than 365 days, (see paragraph 6.4.5).
- h) Investments will only be placed with counterparties from countries with a specified minimum sovereign rating, (see paragraph 6.3).
- i) The Commissioner has engaged external consultants, (see paragraph 3.4), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- j) All investments will be denominated in sterling.
- k) As a result of the change in accounting standards for 2019/20 under IFRS 9, the Commissioner will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant

charges at the end of the year to the General Fund. (In November 2018, the Ministry of Housing, Communities and Local Government, [MHCLG], concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years commencing from 1.4.18.)

6.2 Creditworthiness Policy and Exposure to Risk

6.2.1 The Commissioner utilises the creditworthiness service provided by Link Asset Services as his Treasury Management advisers. This service employs a sophisticated modelling approach incorporating credit ratings from the three main credit rating agencies – Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- Credit watches and credit outlooks from credit rating agencies;
- Credit Default Swaps to give early warning of likely changes in credit ratings; and
- Sovereign ratings to select counterparties from only the most creditworthy countries.

6.2.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Commissioner to determine the suggested duration of investments. The Commissioner will use counterparties within the following durational bands:

- Yellow 5 years
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No Colour Not to be used

6.2.3 As this methodology uses a wide range of information beyond basic credit ratings, it ensures that no one source of information is given undue credence. All ratings and colour codes are monitored weekly via Link's credit listings and in-between via business press. The Commissioner is alerted to changes to any ratings via email from Link.

- If a downgrade results in the counterparty / investment scheme no longer meeting the Commissioner's minimum criteria, its further use as a new investment will be withdrawn immediately and any current investments reviewed for potential movement.

6.2.4 Sole reliance will not be placed on the use of this external service. In addition to Link, the Commissioner's officers will also use market data and information, information on any external support for banks to help support its decision making process.

UK banks – ring fencing

- 6.2.5 The largest UK banks, (those with more than £25bn of retail / Small and Medium-sized Enterprise (SME) deposits), were required, by UK law, to separate core retail banking services from their investment and international banking activities by 1st January 2019. This is known as “ring-fencing”. Whilst smaller banks with less than £25bn in deposits are exempt, they can choose to opt up. Several banks are very close to the threshold already and so may come into scope in the future regardless.
- 6.2.6 Ring-fencing is a regulatory initiative created in response to the global financial crisis. It mandates the separation of retail and SME deposits from investment banking, in order to improve the resilience and resolvability of banks by changing their structure. In general, simpler, activities offered from within a ring-fenced bank, (RFB), will be focused on lower risk, day-to-day core transactions, whilst more complex and “riskier” activities are required to be housed in a separate entity, a non-ring-fenced bank, (NRFB). This is intended to ensure that an entity’s core activities are not adversely affected by the acts or omissions of other members of its group.
- 6.2.7 While the structure of the banks included within this process may have changed, the fundamentals of credit assessment have not. The Commissioner will continue to assess the new-formed entities in the same way that it does others and those with sufficiently high ratings, (and any other metrics considered), will be considered for investment purposes.

6.3 Country Limits

- 6.3.1 The Commissioner has determined that he will only use approved counterparties from the UK and from countries outside of the UK with a minimum sovereign credit rating of AAA from Fitch (or equivalent). The list will be added to, or deducted from, should ratings change.

6.4 Investment Strategy

- 6.4.1 Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).
- 6.4.2 The Commissioner would seek to maintain at all times a core liquid balance of £4m, and maintain a liquid balances vs longer term balances ratio of 50% - 50%.
- 6.4.3 For its cash flow generated balances, the Commissioner will seek to utilise its business reserve instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.
- 6.4.4 On the assumption that the UK and EU agree a Brexit deal including the terms of trade by the end of 2020 or soon after, then Bank Rate is forecast to increase steadily but slowly over the next few years to reach 1.00% by quarter 1, 2023. Bank Rate forecasts for financial year ends (March) are:

2019/20 – 0.75%
2020/21 – 0.75%

2021/22 – 1.00%
2022/23 – 1.00%

The overall balance of risks to economic growth in the UK is probably to the downside due to the weight of all the uncertainties over Brexit, as well as a softening global economic picture. The balance of risks to increases in Bank Rate and shorter term PWLB rates, are broadly similar to the downside. In the event that a Brexit deal is agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

- 6.4.5 Investment treasury indicator and limit - total principal funds invested for greater than 365 days. This limit is set with regard to the Commissioner’s liquidity requirements and to reduce the need for early sale of an investment. It is based on the forecast availability of funds after each year-end.

The Commissioner is asked to approve the following treasury indicator and limit:

Table 12: Investment Treasury Limit:

	2020/21	2021/22	2022/23
	Upper	Upper	Upper
Principal sums invested for longer than 365 days	Nil	Nil	Nil

6.5 End of Year Investment Report

- 6.5.1 At the end of the financial year, the Chief Financial Officer will report on the Commissioner’s investment activity as part of the Annual Treasury Report.

7. MINIMUM REVENUE PROVISION (MRP) STATEMENT

- 7.1 All local authorities have a legal requirement to set aside money to cover the repayment of debt. The amount of MRP charged needs to be a prudent amount. The broad aim of a prudent provision is to ensure that debt is repaid over a period that is either, reasonably commensurate with that over which the associated capital expenditure provides benefits.
- 7.2 At the end of 2017/18, around 50% of the non PFI related Capital Financing Requirement related to the balance of historic supported debt liability. The Commissioner has determined that this historic element of the CFR will be charged MRP at the rate fixed as 2% of the balance at 31/3/18. The Commissioner considers this approach to be more prudent as it will ensure that the CFR will be cleared over a finite 50 year period rather than the previous 4% per year reducing balance method which would technically never clear the debt. The remaining amount will, under delegated powers (known as prudential borrowing), be subject to MRP under option 3 of the Guidance, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building will be related to the estimated life of that building.
- 7.3 The use of this option for certain schemes/expenditures will also result in a nil MRP charge until the year after that in which all expenditures on the scheme, project or other item of capital expenditure have been fully accrued under proper accounting practices, regardless of the extent of such expenditure that has not been accrued at the end of the previous financial year. Assets will not be transferred to the asset register and non-current assets account until complete, in accordance with standard accounting principles.
- 7.4 Estimated life periods will be determined under delegated powers. To the extent that expenditures are not on the creation of an asset and are of a type that are subject to estimated life periods that are referred to in the Guidance, these periods will generally be adopted by the Commissioner. However, in the case of long-term debtors arising from loans or other types of capital expenditure made by the Commissioner which will be repaid under separate arrangements, no MRP will be made. The Commissioner is satisfied that a prudent provision will be achieved after exclusion of these capital expenditures.
- 7.5 In view of the variety of different types of capital expenditure incurred by the Commissioner, which is not in all cases capable of being related to an individual asset e.g., capitalising revenue items; asset lives will be assessed on the basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components having substantially different useful economic lives.
- 7.6 The policy will be reviewed on an annual basis. If it is ever proposed to vary the terms of the original statement during any year, approval from the Commissioner will be required.



MANAGEMENT BOARD

DECISION NO. 2020/10	DATE: 04 MARCH 2020
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MEDIUM TERM FINANCIAL STRATEGY 2020-2025

Executive Summary:

The Commissioner is required to set an annual budget and precept (the Commissioner's share of Council Tax) taking into account Government funding, precept regulations and organisational demands. This requirement is supported by the production of a Medium Term Financial Strategy (MTFS) with the annual budget forming the first year of the Strategy. The creation and maintenance of the MTFS is fundamental in promoting good financial planning and delivery of value for money.

The MTFS takes into account future potential high level capital and revenue expenditure over the period, based upon current information. The MTFS is supported by the Reserves Strategy which highlights the reserves held, their usage in support of delivering the Police & Crime Plan and operational objectives and the appropriateness of the amounts held.

In light of the Written Ministerial Statement from the Minister of State for Policing and Fire on 22 January 2020 setting out police funding for 2020/21 and the capping rules for local council tax precept increases, the MTFS has been updated as attached at Appendix 1.

Recommendation:

(1) That the Medium Term Financial Strategy for 2020-25 be approved.

I have reached the following decision:-

Approval of the recommendation.

My rationale for this decision is:-

The Medium Term Financial Strategy 2020-25 is fundamental in promoting good financial planning, the delivery of value for money, ensuring operational threats and risks are addressed and managed to protect front line policing and make Cheshire's communities safer.

Signature

Date 04 MARCH 2020

Police & Crime Commissioner

PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE

INTRODUCTION AND BACKGROUND

1. The Medium Term Financial Strategy (MTFS) for 2020-25 sets out the current financial scenario based on a series of assumptions including funding levels from Government grants and precepts; inflation and known commitments. It is based on the Written Ministerial Statement from the Minister of State for Policing and Fire on 22 January 2020. The assumptions included within the MTFS have been updated in response to the settlement and other known amendments.
2. The revised MTFS is attached at Appendix 1.

LEGAL COMMENTS

3. There are no legal implications directly arising from this report.

EQUALITY COMMENTS

4. There are no equality issues identified.

BACKGROUND DOCUMENTS

Document Titles
The 2020/21 Budget and Council Tax report
The 2020/21 Final Grant Settlement
The Medium Term Financial Strategy for 2019-21 (approved 31 January 2019)

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

Is there a Part 2 form - No

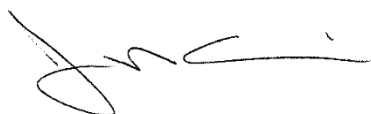
Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035 Email: wendy.bebbington@cheshire.pnn.police.uk

CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature



Date 19 February 2020

CHIEF FINANCE OFFICER DECLARATION:

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature

A handwritten signature in black ink, appearing to read 'L. Johnson', written in a cursive style.

Date 19 February 2020

MEDIUM TERM FINANCIAL STRATEGY 2020 TO 2025

1. INTRODUCTION

- 1.1. The purpose of the Medium Term Financial Strategy (MTFS) is to provide the Police & Crime Commissioner, Chief Constable, officers, staff, the public and other stakeholders with information on the financial outlook and the estimated available financing over the next five years. The strategy takes into account future high level potential revenue and capital expenditure over the period based upon current information. This document is available in advance of the Commissioner's consultation on the budget 2020/21 and will be used to inform the budget setting process.
- 1.2. In setting the Police and Crime Plan 2016-2021 (www.cheshire-pcc.gov.uk/what-im-doing/police-and-crime-plan), the Commissioner listened carefully to what the public told him was important for the police service as well as speaking to partners and listening to the Chief Constable on the emerging policing threats for our county.
- 1.3. The Plan sets out a vision for the four years 2016-2021 in which Cheshire will have a Constabulary focused on community policing and putting victims first. The legacy will be a police service fit for the future which is connected with, based within and accessible to local communities – real neighbourhood policing. This plan lies at the heart of the Medium Term Financial Strategy.
- 1.4. In addition to the Commissioner's Police and Crime Plan there are two further key documents that support the MTFS. Firstly, is the Force Management Statement which is a self-assessment that Chief Constables prepare and give to Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) each year. It is the Chief Constable's statement and explanation of:
 - the demand the force expects to face in the next four years;
 - how the Constabulary will change and improve its workforce and other assets to cope with that demand;
 - how the Constabulary will improve its efficiency to make sure the gap between future demand and future capability is as small as it can reasonably be; and
 - the money the Constabulary expects to have to do all this.
- 1.5. As such the MTFS and Force Management Statement are integral to each other. One to provide details on the demand and shape of the Constabulary going forward and the other to reflect the monetary impact.
- 1.6. Secondly, is the Strategic Policing Requirement (SPR). This was first issued in July 2012, in accordance with Section 77 of the Police Reform and Social Responsibility Act 2011. This requirement supports Commissioners and Chief Constables to ensure they fulfil forces' national responsibilities as follows:
 - helps Police and Crime Commissioners, in consultation with their Chief Constable, to plan effectively for policing challenges that go beyond their force boundaries;
 - guides Chief Constables in the exercise of these functions; and
 - enables and empowers Police and Crime Commissioners to hold their Chief Constable to account for the delivery of these functions.

2. THE BUDGET STRATEGY 2020/21

2.1. With the above plans, statements and objectives in mind, the purpose of this strategy is to provide a basis for determining:

- The level of funding available in the future to deliver national and local priorities;
- The future demands upon the revenue budget;
- The impact of external factors;
- The financial implications of collaborations;
- The amount of capital investment which is required to achieve corporate objectives;
- The revenue consequences of such capital investment;
- The future reserve levels;
- The impact of additional demands on the level of council tax; and
- The main financial risks facing the organisation.

2.2. The above determines the level of funding and demands on finances over the MTFS period enabling strategic financial planning processes to address the challenges and outcomes. The following set out the key principles for that planning process:

- Ensure that plans contribute to improved outcomes in support of set priorities with Neighbourhood Policing and a 'We Care' philosophy at the heart of service delivery;
- Set a comprehensive, timely, balanced and realistic budget;
- Take into account pay and price inflation and achievability of savings;
- Complies with the approved treasury management strategy;
- Complies with the approved reserves strategy;
- Raise awareness of and communicate key financial messages both internally and externally;
- Ensure budgets set are affordable and do not jeopardise financial stability either in the short or long term;
- All spending plans will need to demonstrate that they can achieve value for money;
- Spending will be agreed only when the necessary funding is identified and approved;
- External funding will be sought wherever it can be used in a sustainable manner that does not lead to unforeseen costs; and
- Budget proposals will be publicised and consulted upon with stakeholders in an open and transparent manner.

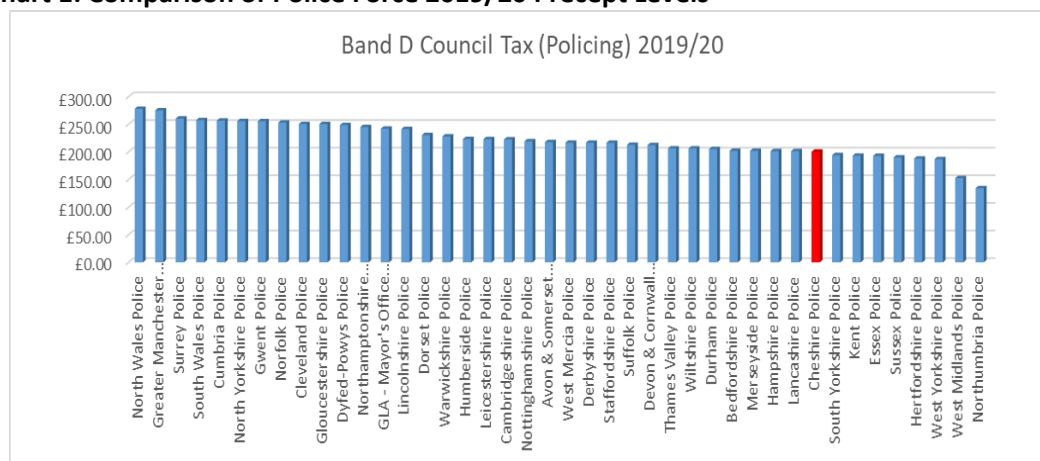
3. FINANCIAL SCENARIO

3.1. It is imperative that the MTFS takes account of the regional, national and global economic climates, particularly in light of the recent Government announcements; the vote to leave the European Union and its impact; and the one-year spending review in 2019. In particular, the impact on Cheshire of the additional 20,000 police officers across the next three years promised nationally by the Government.

3.2. The Commissioner receives his main funding from two sources – Government grants and local council tax (known as a precept). Government funding has been reducing over a number of years under the 'austerity programme'. The Chancellor announced in August 2019 a one-year spending review to give government departments "financial certainty" as they prepare for Brexit. As such, the forecast for funding beyond this point remains uncertain.

- 3.3. On 4 September 2019, the Chancellor of the Exchequer, Sajid Javid MP announced the outcome of the Spending Round 2019 (SR2019), sometimes referred to as the 'Spending Review'. The SR2019 set out public spending totals for the financial year 2020/21.
- 3.4. Within SR2019, an extra £750 million for policing has been committed to start the process of recruiting an additional 20,000 additional officers by 2023. This £750 million does not include capital grant, however some of this money will be spent on capital items relating to the recruitment of Police Officers, such as cars and uniforms. The Government has set a target of up to 6,000 new officers by the end of 2020/21.
- 3.5. The Minister of State for Policing and the Fire Service on the 22 January 2020 presented a Written Ministerial Statement setting out police funding for 2020/21 together with the capping rules for local council tax precept increases – a maximum increase of £10 per year for Band D. For Cheshire this potentially provides funding of £207.8m in 2020/21 – an estimated £14.8m increase of which £4.8m will come from local taxpayers. However, this is based on the assumption that the Commissioner will increase the council tax precept by a maximum £10.
- 3.6. The Government have also stated that they expect to see continued efficiency savings in 2020/21, through continued collaborative procurement to deliver a further £30m cashable savings in 2020/21. The Home Office is working with HM Treasury to develop a plan for further efficiency savings in future years.
- 3.7. The second main source of funding is precept. A precept is levied on the Council Tax for the policing in Cheshire and it is the responsibility of the Commissioner to set the level of precept as part of the annual budget setting process. To calculate the level of funding, each local authority calculates the taxbase (the assimilated number of council tax bills issued) taking into account changes in the number of houses, housing benefits, discounts etc. These vary each year and the MTFs includes assumptions for these changes based on discussions and forecasts supplied by the local authorities.
- 3.8. In recent years the Government has set a cap on the amount by which a local authority can increase its Council Tax each year. For 2020/21 this cap has been set at £10 and the Commissioner approved this increase on 31 January 2020 which was then endorsed by the Police & Crime Panel on 7 February 2020. Looking beyond 2020/21 there is some indication that the cap will be set at 2% and to ensure prudent forecasting, this MTFs has been based on that assumption.
- 3.9. To aid understanding of the context in which the precept is set, the actual level of council tax levied by each Police & Crime Commissioner for 2019/20 is shown below (Band D equivalent). Cheshire still has one of the lowest ten band D equivalent charges of all forces nationally.

Chart 1: Comparison of Police Force 2019/20 Precept Levels



3.10. Each year Council Tax income is calculated based on assumed levels of collection rates by the local authorities. This means that, at the end of each year, an adjustment has to be made to reflect the actual collection rates. This can lead to a surplus or deficit on the fund which is accounted for within the calculation of the net budget requirement. The actual amounts are not declared until the end of January each year so a minimal, prudent estimate has been included in the figures within the MTFS.

4. FINANCIAL ASSUMPTIONS

4.1. The level of expenditure incurred increases each year based on a number of factors such as pay awards, inflation, changing priorities and additional demands or burdens. The following lists the financial assumptions that are included within the current MTFS:

- Pay inflation – 2.5% per annum throughout the MTFS period, based on September 2019 pay awards and fully consolidated, however this is currently under review for post 2020/21 as the level of pay claims are increasing. Cheshire is a Living Wage Foundation employer.
- Local Government Pension Scheme (LGPS) employer contribution increases are included in line with the previous actuarial review. The current actuarial review was completed in March 2019 with no change to the employer rate for the next three years. Beyond then a maximum uplift of 0.5% is forecast in line with the Pension Fund policy of not changing rates higher than 0.5% in any year.
- Police Pension Scheme - The Government Actuary Department (GAD) valuation reported the employer's rate increases from 22.1% to 31% in April 2019. As part of the 2019/20 Government Settlement, general funding was increased to meet approximately half of these additional costs with a specific pension grant to cover the remaining increase. The 2020/21 settlement also includes the pension grant at the same amount, but there is no indication as to whether this will continue. For the purpose of this MTFS the assumption is that this grant will continue due to the impact the outcome will have on forces should it cease.
- Price inflation – in line with the Office of National Statistics (Consumer Price Index - CPI) and known specific increases where applicable, for example contractual increases.
- Borrowing – additional borrowing is required to meet the planned capital programme, although the exact timing will depend on spend and interest rate movement. Interest payable is based on forecast interest rates per Link, the Commissioner's professional Treasury Management Advisors. Additionally, funding (known as the Minimum Revenue Provision or MRP) has to be set aside to repay debt over time and as new borrowing is undertaken this amount will increase. Estimated MRP amounts have also been built into the figures in this MTFS.
- Funding – in terms of Government funding post 2020/21, until the spending review is published, there are two scenarios considered, flat cash (i.e. the same cash amount each year) and a modest uplift of 1%. It is assumed all specific grants, apart from the 2020/21 National Uplift Grant, will continue. Precepts increases are subject to the Commissioner's approval but for the scenarios covered by this MTFS, are assumed capped at 2% each year from 2021/22 until clarity is received from the Government. The £10 increase for 2020/21 was approved on 31 January 2020.

5. FINANCIAL FORECASTS 2020-25

5.1. It is important to note that the MTFS is a high level strategy document which summarises plans over the medium term as they stand based upon current projections and assumptions. As additional updated information becomes available these plans will be subject to change and updated accordingly. A certain amount of detailed budget information is presented and this should be regarded as indicative and illustrative. It is also assumed that any significant growth will be matched by appropriate savings each year.

- 5.2. This document will inform the Commissioner’s budget setting process, as will other tools such as consultation with residents.
- 5.3. Based on current information, priorities and assumptions, the following three tables set out indicative budgets for 2020 to 2025 recognising the volatility and uncertainty of funding and the flexibility or not afforded to Commissioners to uplift the council tax. All scenarios assume that Cheshire’s share of the 20,000 additional officers and their associated costs are fully funded by Government grant. Should this not be the case, any shortfall will increase the budget gaps shown.
- 5.4. Table 1a shows the worst case scenario of ‘flat cash’ government funding (same amount of government grant as 2019/20) and a capped 2% uplift in council tax; and Table 1b shows the impact of a 1% uplift in the Government grant but still a capped 2% uplift in council tax. Each scenario impacts on future years and the overall budget gap over the full MTFS period.

	2020/21	2021/22	2022/23	2023/24	2024/25
Table 1a: Flat cash & 2% cap	Actual	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000
Base budget (Gross)	214,489	229,416	228,826	231,353	233,960
Inflation	4,138	4,936	5,049	5,172	5,303
Proposed Growth, Savings etc.	10,567	-1,709	98	525	755
	229,194	232,643	233,973	237,050	240,018
Income	-33,574	-31,209	-31,208	-31,207	-31,205
	195,620	201,434	202,765	205,843	208,813
Government grant	-114,968	-114,968	-114,968	-114,968	-114,968
Council tax - Precept	-79,995	-82,449	-84,977	-87,585	-90,270
Council tax - Collection Fund	-657	-200	-200	-200	-200
Net budget requirement	-195,620	-197,617	-200,145	-202,753	-205,438
Budget Gap	0	3,817	2,620	3,090	3,375
Table 1b: 1% uplift & 2% cap	Actual	Forecast	Forecast	Forecast	Forecast
	£'000	£'000	£'000	£'000	£'000
Base budget (Gross)	214,489	229,416	228,826	231,353	233,960
Inflation	4,138	4,936	5,049	5,172	5,303
Proposed Growth, Savings etc.	10,567	-1,709	98	525	755
	229,194	232,643	233,973	237,050	240,018
Income	-33,574	-31,209	-31,208	-31,207	-31,205
	195,620	201,434	202,765	205,843	208,813
Government grant	-114,968	-116,118	-117,279	-118,452	-119,637
Council tax - Precept	-79,995	-82,449	-84,977	-87,585	-90,270
Council tax - Collection Fund	-657	-200	-200	-200	-200
Net budget requirement	-195,620	-198,767	-202,456	-206,237	-210,107
Budget Gap/(Surplus)	0	2,667	309	-394	-1,294

5.5. It should be noted that the for 2021/22 Proposed Growth, Savings etc., represents the reversal of the one-off 2020/21 National Uplift Grant expenditure with the Income also reducing by the same amount. For each year of the MTFs after 2020/21, the level of increase for council tax is set at an indicative 2% acknowledging that this is subject to both Government restrictions and the Commissioner’s approval as part of each year’s budget setting process.

5.6. The difference between the scenarios and the impact upon the staff and service plans that can be implemented to support the growth in police officers, generate very different requirements and the spending review is awaited to enable the Constabulary to plan its budgets going forward. In the meantime, the Chief Constable and Commissioner will need to be aware of the impact of a 2% precept cap and flat cash, as illustrated above in table 1a, particularly on staffing numbers, given the low level of reserves held.

6. RISKS & SENSITIVITY ANALYSIS

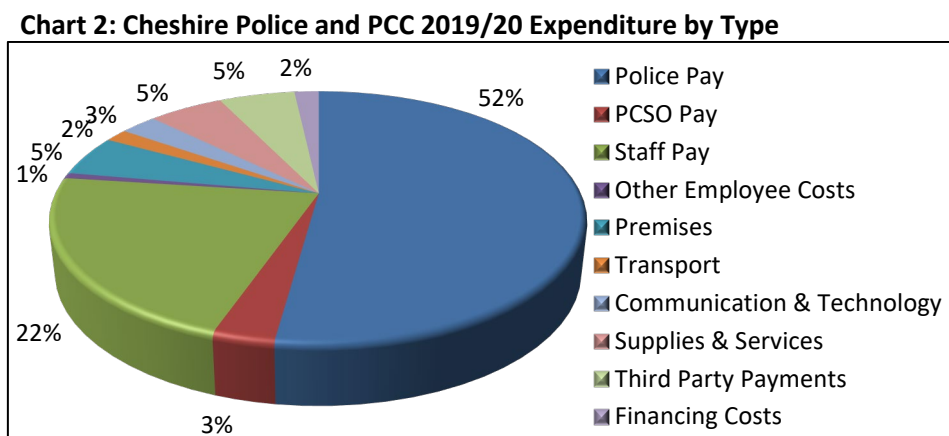
6.1. As with any assumptions there are risks that the actual outcome will be different. There are three key assumptions included within this MTFs that could impact significantly upon the figures presented in tables 1a and 1b. These are the level of Government funding, the amount of council tax payable towards local police funding and the level of pay awards agreed nationally. As such the following details the financial impact of changes to the levels assumed in these tables. It is also important to note that these changes would be cumulative as they represent a change to base level funding.

- For each change of 0.5% in the level of government funding, the impact would be either a reduction or increase in the budget gap of £0.6m.
- For every 0.5% increase or decrease in council tax would have a potential impact of £0.4m per annum.
- Likewise a 0.5% movement in the pay award would have a potential £0.8m impact on the budget gap.

6.2. To put the above figures into context, a reduction in funding of £0.1m per annum would equate to a reduction of two police constables per annum based upon average salary costs.

7. CONTEXT

7.1. As part of the ongoing review of expenditure and the search for further efficiencies and savings, it is important to understand how the Commissioner and Constabulary currently spend their funding. The following chart shows that 77% is spent on pay with the remaining funding spread over premises, transport etc.



8. INDICATIVE CAPITAL PROGRAMME

- 8.1. In addition to the revenue budget, there is a proposed capital investment programme to both maintain essential buildings, equipment, IT and vehicles together with new investment in priority areas including preparation for Policing 2025. The funding of this programme comes from a number of sources including government grant, revenue funding set aside for this purpose, use of reserves and other contributions. However, if this is not sufficient to fund the programme any shortfall can be met by borrowing – although there is an annual cost to this in terms of interest and MRP (setting aside funds to repay the loan).
- 8.2. As with the revenue budget, assumptions are required over the level of funding available for capital investment. Over the last decade the level of government grant allocated to Cheshire has fallen to £0.17m in 2020/21 and the Capital Strategy assumes this amount will be received each year thereafter. Equally, with borrowing being required over the MTF5 period, assumptions are made on both the interest rates applicable at the time of the loan and the length of the loan. Both have direct impact on the revenue budget and have been included in the revenue projections earlier in this Strategy.
- 8.3. In line with the Capital Strategy, supported by specific strategies such as Estates and IT, the following table shows the proposed capital investment programme together with the associated funding. Final approval for each year’s capital programme remains with the Commissioner as part of his budget setting process each January.

Table 2 – Capital Programme	2020/21 Proposed £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
<u>Expenditure:</u>					
Annual Replacement Schemes:					
Fleet Vehicles	2,110	1,689	1,766	1,812	1,800
IT and Communications	890	440	540	540	609
Estates	1,129	1,240	600	600	600
IT and Communications*	1,953	0	5,000	0	0
Operational Equipment	843	245	200	600	200
Collaboration/Funded Vehicles	629	220	0	0	0
Capital Expenditure	7,554	3,834	8,106	3,552	3,209
<u>Financed by:</u>					
General capital grants	299	0	0	0	0
Capital Receipts	1,762	0	0	0	0
Revenue Contributions to Capital	3,500	2,000	2,500	3,000	3,000
External Contributions to Capital	425	220	0	0	0
ESN Reserve	0	0	3,485	0	0
HQ IT Reserve	209	209	209	209	209
Borrowing	1,359	1,405	1,912	343	0
Total Funding	7,554	3,834	8,106	3,552	3,209



MANAGEMENT BOARD	
DECISION NO. 2020/11	DATE: 04 March 2020
CAPITAL STRATEGY 2020-25	
<p>Executive Summary: The Chartered Institute of Public Finance and Accountancy (CIPFA) 2017 Prudential and Treasury Management Codes require the preparation of a Capital Strategy providing a longer-term focus to capital plans. The Capital Strategy is presented in Appendix 1.</p>	
<p>Recommendation: That:</p> <p>(1) the Capital Strategy in Appendix 1, be approved.</p> <p>I submit this recommendation for approval.</p> <p>Signature</p> <p style="text-align: right;">Date 04 March 2020</p>  <p>Chief Constable</p>	
<p>I have reached the following decision:</p> <p>Approval of the Recommendation.</p>	
<p>My rationale for this decision is:</p> <p>This decision approves a formal Capital Strategy covering the period from 2020 to 2025 in line with best practice and addressing requirements contained in the CIPFA 2017 Prudential and Treasury Management Codes. The strategy ensures that the Commissioner's capital plans are affordable, prudent and sustainable and that decisions are taken in accordance with good professional practice and in full understanding of the risks involved.</p>	

***PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE*****INTRODUCTION AND BACKGROUND**

1. The purpose of this report is to enable the Commissioner to approve a Capital Strategy covering the period from 2020 to 2025.
2. The CIPFA 2017 Prudential and Treasury Management Codes require the preparation of a Capital Strategy providing a longer-term focus to capital plans.
3. The objectives of the Prudential Code are to ensure that the capital plans of an organisation are affordable, prudent and sustainable and the treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.
4. The Capital Strategy (Appendix 1) sets out:
 - The definition of what is capital expenditure;
 - Context relating to police sector capital programme requirements and funding arrangements;
 - Key focuses of the Capital Programme plans, all aligned to achieving the Commissioners priorities;
 - a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of local governance arrangements and how the associated risk is managed;
 - a summary of the Commissioners current capital programme plans covering the period of the strategy;
 - the implications for affordability and future financial sustainability.

FINANCIAL COMMENTS

5. The financial comments are included in the appendices to this report.

LEGAL COMMENTS

6. There are no specific legal comments associated with the report.

EQUALITY COMMENTS

7. There are no specific equality comments associated with the report.

Public access to information

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Is there a Part 2 form - No

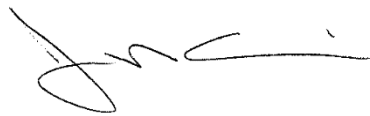
Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035

Email: wendy.bebbington@cheshire.pnn.police.uk

CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is an appropriate request to be submitted to the Police & Crime Commissioner.



Signature

Date: 19 February 2020

CHIEF FINANCE OFFICER DECLARATION (Clare Hodgson):

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.



Signature

Date: 19 February 2020

CAPITAL STRATEGY 2019 TO 2025

1. INTRODUCTION

- 1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities was updated in December 2017 establishing a framework that supports local strategic planning, asset management and appropriate options appraisal.
- 1.2. The objectives of the Prudential Code are to ensure that the capital plans of an organisation are affordable, prudent and sustainable and the treasury management decisions are taken in accordance with good professional practice and in full understanding of the risks involved.

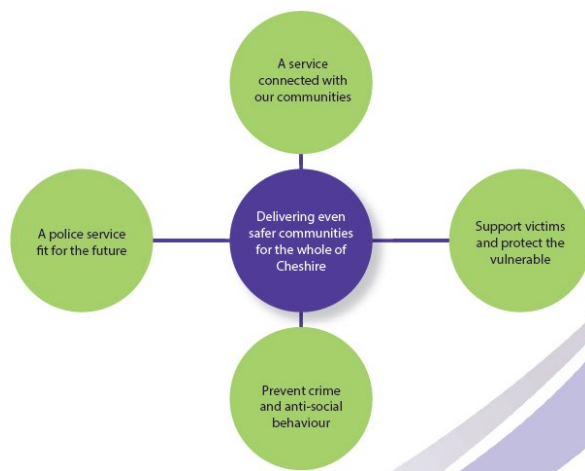
2. DEFINITION

- 2.1. To utilise the full extent of the Prudential Code and its framework, it is essential that there is a clear understanding of what is capital expenditure. Unless expenditure qualifies as capital it will normally fall outside the scope of the Code and its framework and be charged to revenue in the period in which its goods or services were received. If expenditure does qualify as capital, there are opportunities to finance such spend from any capital receipts held or to spread the cost over future years in line with the life of the asset(s) purchased.
- 2.2. In the main, expenditure must meet one or more of the following conditions for it to be classified as capital:
 - Spend results in the acquisition, construction or enhancement of an asset (tangible or intangible) in accordance with 'proper practices';
 - Spend meets one of the definitions specified in regulations made under the 2003 Local Government Act; or
 - The Secretary of State makes a direction that the expenditure can be treated as capital.

3. CONTEXT

- 3.1. The capital programme requirements of the police sector nationally are by nature limited in comparison to other public sector organisations such as local authorities who have diverse responsibilities to prioritise including Schools, Housing, Highways and Economic Development. Certainly this is true of Cheshire Police with our capital expenditure plans largely limited to replacing essential operational assets (e.g. Vehicles, Equipment, Communications Infrastructure) together with individual ad-hoc capital investment schemes required to meet national demands (e.g. Requirements related to the national Emergency Services Network project) or aimed at improving efficiency and operational performance/priorities.

- 3.2. In the Police and Crime Plan, the Commissioner states his vision for policing in Cheshire. The plan sets out a vision in which Cheshire will have a Constabulary focused on community policing and putting victims first. The legacy will be a police service fit for the future which is connected with, based within and accessible to local communities – real neighbourhood policing. After consulting the public, the Commissioner set out four main priorities as follows:



- 3.3. The Commissioner is committed to rolling medium term revenue & capital plans (Summarised in a Medium Term financial Strategy – MTFS) that usually extend for 3-4 years. The plans are drawn up, reassessed and extended annually and if required re-prioritised to enable the Constabulary to achieve the aims and objectives established in the PCC’s Police and Crime Plan and to support national drivers like the National Policing Vision for 2025.
- 3.4. Prior to the start of austerity, capital grant funding of around £2m was received each year. This helped fund annual replacement of vehicles, IT and operational equipment and maintenance of police buildings. Since austerity this grant funding has severely reduced and currently stands at around £0.17m. This is insufficient to meet the annual replacement programme let alone investment in new technology. As such, with limited reserves held, the need to borrow has increased. Borrowing incurs on-going costs of interest payments and the funding set aside to repay the loan in due course. As borrowing incurs costs, there has been a programme of increasing year on year revenue contributions to fund the capital programme in order to meet the annual replacement programme, with borrowing limited to invest to save or invest to increase efficiency.
- 3.5. Key focuses of the Capital Programme plans, all aligned to achieving the Commissioners priorities above are:
- To ensure the property estate remains fit for purpose, identifying opportunities to streamline assets and develop the estate infrastructure; maintaining core sites and improving core training facilities.
 - The replacement of other core assets where necessary, e.g. vehicles, operational equipment and communication infrastructure.
 - Development of improved capability.
 - To ensure provision is made for Digital Change Technology to maintain and develop the existing infrastructure and invest in the core technologies required to provide innovative digital policing services.
 - Invest to Save Schemes.

3.6. The plans acknowledged the constrained financial position of the Commissioner and maximise both the available financial resources and the capacity that the Constabulary has to manage change projects.

4. GOVERNANCE

4.1. The annual budget setting process is an ongoing process with the Strategic Change team and other key stakeholder groups assisting departmental managers to identify change proposals and develop business cases for future capital investment requirements and ideas aligned with the Police and Crime Plan priorities.

4.2. Business cases must explicitly identify the organisational requirement, rationale, deliverables, benefits, links to OPCC and/or Constabulary Priorities, and costs in terms of both capital investment and ongoing revenue consequences.

4.3. Based on an agreed budget setting timetable, business cases will be submitted for presentation to and scrutiny review by the Force Leadership Team along with an initial view of potential affordability. Prioritisation is then made, taking into account the following in order of priority:

- Unavoidable (statutory, contractual, or tortious liability);
- Operational Need (Enables continuity of agreed service delivery levels and priorities);
- Police and Crime Plan Improvement Priority;
- Other (efficiency, invest to save, leverage of external funding, etc).

4.4. An updated Draft Medium Term Financial Strategy (MTFS), including a recommended Capital Programme, is then presented to the Commissioner, providing views on affordability, potential funding issues and options.

4.5. A final version of the MTFS will be presented to the Commissioner for approval, reflecting the known funding position and any further developmental work on the plan. The formal PCC approval, agrees the capital budget for the following year and acknowledges the intention for planning purposes of the remaining years of the MTFS.

4.6. Any approved budget item, capital or revenue, can be 'starred' to reflect the Commissioner's agreement in principle, but no further action can be taken without further approval being obtained when more detailed plans are available.

4.7. Where in year additions to the approved Capital Programme are identified, a business case will be prepared and reviewed by the Digital Portfolio Transformation Board or Portfolio Direction Group before being submitted to the Chief Officer Group. The Chief Officer Group will then submit to the Commissioner for consideration and approval, including details of how the new scheme is to be funded, delivered and benefits realised, noting any ongoing MTFS implications.

4.8. Currently approved Financial Regulations (Section 4.3) specify individual officer roles and responsibilities relating to the capital programme along with a number of key controls as follows:

- Specific approval by the Commissioner for the three year capital programme which is the key document for planning and controlling of capital expenditure;
- 'Starred' items require further approval before expenditure can be incurred;
- Expenditure on capital schemes not included in the programme and/or which would involve future years' commitments is subject to the approval of the Commissioner;
- Steps are taken to enable land required for the purposes of the programme to be acquired in due time;

- A scheme and estimate, including the associated revenue expenditure, is prepared for each capital project for approval by the Commissioner;
- Any scheme not commenced within two years of approval will be deemed null and void and removed from the capital programme;
- Prudential Indicators covering affordability, capital expenditure, external debt and treasury management;

4.9. Following approval of the capital programme, a programme manager or project manager and a user representative is identified for each capital project. That individual is responsible for managing the project implementation and delivering its objectives. For all projects within the capital programme a Chief Officer is identified as project sponsor.

4.10. Monitoring Progress against capital schemes is reported on at least a quarterly basis to the Digital Portfolio Transformation Board, Portfolio Direction Group and Chief Officer Group and to Management Board.

4.11. Once projects have been completed the programme or project manager completes a post implementation review for the major capital projects. This includes identifying at what stage the post project review will be carried out. The post project report is reviewed by the Digital Portfolio Transformation Board or Portfolio Direction Group and escalated to the Chief Officer Group if required.

4.12. To evaluate the actual success and outcomes of capital projects a post project review is also carried out. The depth of this review is proportionate to the scale of the project and the benefits set out in the initial Project Initiation Documentation. This review focuses on the outcomes achieved, the extent to which the benefits claimed are being realised, the actual costs, both revenue and capital, and the impact of other funding and partnership working. This information can then be used to learn lessons and make any improvements identified during project implementation.

5. FUNDING STREAMS

5.1. Capital expenditure can be funded from a number of sources as set out below:

- **Government Grants** – these are either general grants which can be used to fund any capital spend approved by the Commissioner or specific grants which can only be used to fund specific projects in line with any conditions placed with the grant;
- **Capital Receipts** – when an asset held by the Commissioner is sold, the proceeds are held in reserve to be used either to fund future capital expenditure or to repay debt. They cannot be used to fund revenue expenditure;
- **Reserves** – funds can be set aside and held in earmarked reserves if known expenditure is to be incurred at a future date. These reserves can then be used to fund such expenditure be it capital or revenue. In terms of capital expenditure, it may be known that a specific asset may need replacing in 10 years and therefore funds are set-aside each year to build up the reserve to fund the replacement. Details of the reserves held are found within the Commissioner’s Reserves Strategy;
- **External Contributions** – these are funds or grants provided by external organisations such as collaboration partners or local authorities for specifically agreed capital expenditure; and

- **Borrowing** – the Commissioner is permitted in law to take out loans or financing to fund capital expenditure. The Prudential Code sets out the requirements under which such borrowing must be undertaken including affordability, prudence and cost effectiveness. Any borrowing will incur costs for interest payable and the need to set-aside sufficient funds to repay the loan. These costs impact on the revenue budget.

6. CAPITAL PROGRAMME

- 6.1. The following table shows the Commissioner’s overall Capital Programme and how it is to be funded from 2019/20 to 2024/25, figures quoted include both in year approvals and schemes rolled forward from previous years. They therefore represent estimates of total capital expenditure in each year:

2019/20 Estimate £000		2020/21 Estimate £000	2021/22 Estimate £000	2022/23 Estimate £000	2023/24 Estimate £000	2024/25 Estimate £000
	<u>Expenditure:</u>					
	Annual Replacement Schemes:					
3,128	Fleet Vehicles	2,110	1,689	1,766	1,812	1,800
814	IT and Communications	890	440	540	540	609
	New Schemes:					
532	Estates	1,129	1,240	600	600	600
949	IT and Communications*	1,953	0	5,000	0	0
558	Operational Equipment	843	245	200	600	200
170	Collaboration/Funded Vehicles	629	220	0	0	0
6,151	Capital Expenditure	7,554	3,834	8,106	3,552	3,209
	<u>Financed by:</u>					
668	General capital grants	299	0	0	0	0
2,227	Capital Receipts	1,762	0	0	0	0
1,192	Revenue Contributions to Capital	3,500	2,000	2,500	3,000	3,000
458	External Contributions to Capital	425	220	0	0	0
0	ESN Reserve	0	0	3,485	0	0
209	HQ IT Reserve	209	209	209	209	209
1,397	Borrowing	1,359	1,405	1,912	343	0
6,151	Total Funding	7,554	3,834	8,106	3,552	3,209

* Includes estimated cost of requirement to purchase new Emergency Services Network (ESN) devices.

7. AFFORDABILITY

- 7.1. Capital expenditure plans are a key driver of treasury management activity. The funding of such plans impact on cash balances and borrowing requirements in the short and longer terms. The ongoing consequences of these decisions have a direct impact on the annual revenue budget. As such, having regard to the CIPFA Prudential Code for Capital Finance in Local Authorities, the Commissioner sets and reviews a number of prudential indicators showing the proposed capital expenditure plans, how they are to be funded, the impact on the organisation’s finances and their affordability in terms of the impact on revenue budgets.

- 7.2. Full details and commentary on the prudential indicators are found within the Commissioner’s Treasury Management Strategy 2020/21. Along with controls and limits relating to levels of capital expenditure and resulting borrowing requirements, these prudential indicators also include a specific affordability indicator, below, which provides an indication of the impact of the above capital expenditure plans and their financing proposals on the overall finances and precept (council tax):

Treasury management Strategy 2020/21 - Table 5: Ratio of financing costs to net revenue funding

2018/19 Actual	2019/20 Estimate	2020/21 Estimate	2021/22 Estimate	2022/23 Estimate	2023/24 Estimate	2024/25 Estimate
1.07%	1.21%	1.20%	1.24%	1.27%	1.34%	1.28%

This indicator identifies the trend in the cost of capital, (borrowing and other long term obligation costs net of investment income), against the net revenue stream. The estimates of financing costs include current commitments and the proposals included in the budget/medium-term financial strategy.

- 7.3. The above ratio is increasing due largely to the significant reduction in available capital grant funding since the start of austerity and the requirement to increase borrowing in order to finance the capital programme from 2018/19 onwards. The affordability of this will therefore continue to be reviewed alongside the MTFS.

8. RISK MANAGEMENT

- 8.1. Risk is the threat that an event or action will adversely affect the Commissioner’s ability to achieve his desired outcomes and the Constabulary’s ability to execute his strategies successfully. Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of managing them and/or responding to them. It is both a means of minimising the costs and disruption to the organisation caused by undesired events and of ensuring that staff understand and appreciate the element of risk in all their activities.
- 8.2. The aim is to reduce the frequency of adverse risk events occurring (where possible), minimise the severity of their consequences if they do occur, or to consider whether risk can be transferred to other parties. The corporate risk register sets out the key risks to the successful delivery of corporate aims and priorities and outlines the key controls and actions to mitigate and reduce risks, or maximise opportunities.
- 8.3. To manage risk effectively, the risks associated with each capital project need to be systematically identified, analysed, influenced and monitored. It is important to identify the appetite for risk by each scheme and for the capital programme as a whole, especially when investing in complex business change programmes. Where greater risks are identified as necessary to achieve desired outcomes, the organisation will seek to mitigate or manage those risks to a tolerable level. All key risks identified as part of the capital planning process are considered for inclusion in the corporate risk register.
- 8.4. The Director of Finance and Chief Finance Officer will report jointly on the deliverability, affordability and risk associated with this Capital Strategy and the associated capital programme. Where appropriate they will have access to specialised advice to enable them to reach their conclusions.
- 8.5. Credit Risk - The risk that an organisation with which we have contracted to deliver capital projects becomes insolvent and cannot complete the agreed contract. We will ensure that robust due diligence procedures cover the appointment of partners and contractors relating to capital programme delivery. Where possible contingency plans will be identified at the outset.

- 8.6. Liquidity Risk - This is the risk that the timing of any cash inflows from a project will be delayed, for example if other organisations do not make their contributions when agreed. There is also a risk that the cash inflows will be less than expected, for example due to the effects of inflation, interest rates or exchange rates. Our exposure to this risk will be monitored via the revenue and capital budget monitoring processes and mitigating actions taken promptly where appropriate.
- 8.7. Interest and Exchange Rate Risk - This is the risk that interest rates or exchange rates will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates will be reviewed as part of the on-going monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.
- 8.8. Inflation Risk - This is the risk that rates of inflation will move in a way that has an adverse effect on the value of capital expenditure or the expected financial returns from a project. Rates of inflation will be reviewed as part of the ongoing monitoring arrangements to identify such adverse effects. As far as possible our exposure to this risk will be mitigated via robust contract terms and when necessary contract re-negotiations.
- 8.9. Legal and Regulatory Risk - This is the risk that changes in laws or regulation make a capital project more expensive or time consuming to complete, make it no longer cost effective or make it illegal or not advisable to complete. Before entering into capital expenditure or making capital investments, the Commissioner will understand the powers under which the investment is made. Forthcoming changes to relevant laws and regulations will be kept under review and factored into any capital bidding and programme monitoring processes.
- 8.10. Fraud, Error and Corruption - This is the risk that financial losses will occur due to errors or fraudulent or corrupt activities. Officers involved in any of the processes around capital expenditure or funding are required to follow the agreed Code of Corporate Governance. Cheshire Constabulary has a strong ethical culture which is evidenced through our values, principles and appropriate behaviour. This is supported by the national Code of Ethics and detailed policies such as Anti-Fraud and Corruption and Declaration of Interests.

9. FUTURE ACTIONS

- 9.1. This capital strategy currently looks ahead over the next 5 years to 2025. It will be reviewed to consider whether it would be appropriate and of value to extend this period to cover a longer term period of for example 10 or 20 years. In particular, one of the major hubs for the ongoing and high profile national HS2 project will be within the Cheshire area which could have some medium to longer term impact on our future Capital Programme requirements. The implications of HS2 will therefore continue to be reviewed alongside our capital strategy plans as the project develops and progresses.
- 9.2. In view of the significant reduction in ongoing government funding towards capital programme expenditure since the commencement of austerity measures, investigation will be made aimed at identifying alternative potential funding sources which will include the extension of partnerships and collaborations.
- 9.3. It will be continually reviewed in light of emerging and changing local issues, circumstances and priorities.



MANAGEMENT BOARD	
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DECISION NO. 2020/12	DATE: 04 March 2020
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RESERVES STRATEGY 2020-25

<p>Executive Summary:</p>

<p>Section 25 of the Local Government Act 2003 places a requirement on Chief Finance Officers to formally report on the adequacy of the Commissioner's reserves. The Chief Finance Officers assess this in the context of the strategic, operational and financial risks and opportunities facing the Commissioner and the Constabulary. The Reserves Strategy is presented in Appendix 1.</p>
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<p>Recommendation: That:</p>

<p>(1) the Reserves Strategy in Appendix 1, be approved.</p>
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<p>Signature</p>	<p>Date 04 March 2020</p>
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<p>Chief Constable</p>

<p>I have reached the following decision:</p>

<p>Approval of the Recommendation.</p>
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<p>My rationale for this decision is:</p>

<p>This decision approves a formal Reserves Strategy covering the period of the current medium term financial strategy (MTFS) in line with best practice and addressing requirements relating to the adequacy of reserves under Section 25 of the Local Government Act 2003. The strategy ensures that the Commissioner balances the necessity for reserves against the cost to council taxpayers and arrives at a level that is both prudent and adequate for the current climate but not excessive</p>
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Signature

Date 04 March 2020



Police & Crime Commissioner

PART 1 – NON-CONFIDENTIAL FACTS AND ADVICE

INTRODUCTION AND BACKGROUND

1. Section 25 of the Local Government Act 2003 requires the Chief Finance Officer (Head of Finance, Governance and Operations, OPCC) to present a report assessing the adequacy of the unallocated reserves in the context of policing threats and demands together with corporate and financial risks facing the organisation. The Commissioner needs to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate for the current climate but not excessive.
2. The Reserves Strategy (Appendix 1) sets out the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level. Reserves are held for three main purposes:
 - a) To cover unforeseen risks and expenditure that may be incurred outside of planned budgets – known as a general reserve
 - b) To set-aside funds for specific purposes; known or predicted pressures or future liabilities – known as earmarked reserves
 - c) To hold capital receipts from sale of assets. The use of which is restricted under legislation to the purchase of new assets or the repayment of debt.
3. In addition to the above reserves, Cheshire Constabulary act as lead force for a number of regional collaborations for which it holds reserves. These reserves are owned by all regional partners on an agreed share basis in line with each collaboration agreement.
4. While holding reserves is a recognised and recommended financial management tool, the levels of such reserves must remain prudent, appropriate to the level of risk and opportunity and not excessive.
5. In recent times, the level of reserves held by all forces have been under scrutiny by the Home Office and it is now considered best practice to produce a reserve

strategy covering the medium term financial strategy (MTFS) period. The Reserves Strategy is presented in Appendix 1.

FINANCIAL COMMENTS

6. The financial comments are included in the appendices to this report.

LEGAL COMMENTS

7. There are no specific legal comments associated with the report.

EQUALITY COMMENTS

8. There are no specific equality comments associated with the report.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 and other legislation. Part 1 of this form will be made available on the PCC website within 3 working days of approval. Any facts/advice/recommendations that should not be made available on request should not be included in Part 1 but instead on the separate Part 2 form.

Is there a Part 2 form - No

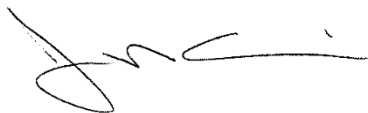
Contact Officer: Wendy Bebbington, Head of Finance

Tel. No.: 01606 362035 Email: wendy.bebbington@cheshire.pnn.police.uk

CHIEF OFFICER DECLARATION (Assistant Chief Officer - Julie Gill):

I have reviewed the proposal and I am satisfied it is correct, all relevant internal checks have been undertaken and it is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature



Date: 19 February 2020

CHIEF FINANCE OFFICER DECLARATION (Clare Hodgson):

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the presentation of this report. I am satisfied that this is an appropriate request to be submitted to the Police & Crime Commissioner.

Signature



Date: 19 February 2020

RESERVE STRATEGY 2020/21

1. In addition to the requirements covering the robustness of estimates, Section 25 of the Local Government Act 2003 also requires the Chief Finance Officer (Head of Finance, Governance and Operations, OPCC) to present a report assessing the adequacy of the unallocated reserves in the context of policing threats and demands together with corporate and financial risks facing the organisation. The Commissioner needs to balance the necessity for reserves against the cost to council taxpayers and arrive at a level that is both prudent and adequate for the current climate but not excessive.
2. The Reserves Strategy sets out the reserves held, their intended usage and the strategy for ensuring the funds are maintained at an appropriate level. Reserves are held for three main purposes:
 - a. To cover unforeseen risks and expenditure that may be incurred outside of planned budgets – known as a general reserve
 - b. To set-aside funds for specific purposes; known or predicted pressures or future liabilities – known as earmarked reserves
 - c. To hold capital receipts from sale of assets. The use of which is restricted under legislation to the purchase of new assets or the repayment of debt.
3. In addition to the above reserves, Cheshire Constabulary act as lead force for a number of regional collaborations for which it holds reserves. These reserves are owned by all regional partners on an agreed share basis in line with each collaboration agreement.
4. In recent times, the level of reserves held by all forces have been under scrutiny by the Home Office and it is now considered best practice to produce a reserve strategy covering the medium term financial strategy (MTFS) period.
5. Based on the audited Statement of Accounts published in July 2019, £15.2m was held in reserves of which £1.9m belongs to the regional collaborations (of which Cheshire Constabulary is a partner and therefore part owner). Annex 1 sets out the proposed usage of the reserves over the next four years in line with MTFS plans together with other known commitments and liabilities. Reserves are forecast to fall to £10.9m by the end of March 2021 and to £9.4m by March 2023 (including collaborations reserves of £1.3m and £1.1m respectively).

6. As part of the Home Office scrutiny process; it classifies reserves in three main categories:
- a. Funding for planned expenditure on MTFS projects and programmes
 - b. Funding for specific projects and programmes beyond the current MTFS timeline
 - c. Those held as a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management.

Annex 2 provided analysis of the reserves in line with the above.

7. The purpose of each reserve is set out below:

General Reserves

The purpose of general reserves is to provide funding to cover specific and general risks identified in setting the budget but also in recognition of unforeseen risks and expenditure that may arise in year. Given the current levels of threats and demands facing policing the amount held in this reserve is deemed both prudent and adequate.

Earmarked Reserves:

Medium Term Financial Strategy (MTFS) Reserve

The origins of this reserve dates back to the start of the austerity programme and has been successfully used to support transition, implementation costs of transformational changes together with 'invest to save' projects. With increasing demands, the implementation of Digital Policing and the level of uncertainty over future funding, this reserve will provide some mitigation to these risks and challenges.

Redundancy Reserve

It is recognised that the cost of reforms, efficiencies and restructuring can require changes to staffing levels. This reserve is held to meet any associated costs. While current forecasts do not show any major redundancy pressures, it remains prudent in the current uncertainties to have funding available should it be required.

Local Government Pension Scheme (LGPS) Reserves

Every three years the Actuary for the LGPS reviews the level of contributions made to the scheme against the forecast liabilities, with any shortfall in funding resulting in increased employer's contributions. This reserve is held to support the transition to higher contributions if required.

Carry Forward Reserve

This is a temporary reserve for any underspend from the previous financial year that has been approved to be spent in the following financial year. For example, if a project is delayed funding can be carried forward into the following year to meet delayed spend.

Capital Reserves:**Revenue Reserve for Capital**

This reserve is for the general funding of capital, especially those annual replacement schemes such as Information Technology.

HQ IT Reserve

This reserve was created as part of the private finance initiative (PFI) scheme to support the replacement of computer equipment. It is supplemented each year in line with the scheme's requirement and applied to finance relevant capital.

Emergency Services Network (ESN) Reserve

The Emergency Services Network (ESN) programme will see the current Airwave based communication systems replaced with a new 4G based communication service. All Airwave radios currently used by officers and staff will be replaced with a mobile phone type device which offers improved functionality. Funding will be required for these replacements.

Unapplied Capital Grants Reserve

This reserve contains the capital grant received by the Commissioner but not yet used to finance capital investment. Funding is now generally applied in full in the year it is received, with the exception of specific grants which are applied when expenditure is made – for example on the new Emergency Services Network.

Capital Receipts

Capital Receipts represents the net proceeds from the sale of assets. Use of this funding is limited by regulation to re-investment in new assets or the repayment of debt.

Collaboration Reserves:**Armed Police Alliance**

This reserve has arisen from underspends in previous financial years due to high turnover of officers. It is being utilised to support training, ammunition and other expenditure to support the training of new trainees to replace these officers.

Underwater Search Unit

Funding held on behalf of all partners for future demands – e.g. replacement of the boat, vehicles and equipment as part of an agreed asset replacement strategy.

Local Resilience Forum

Cheshire Resilience Forum partners work together to prepare for emergencies, including Cheshire Constabulary, Cheshire Fire and Rescue Services and local authorities. The reserve is held to support strategic training and as a contingency for unforeseen pressures.

National Blue Light Procurement Reserve

This is a national collaboration which Cheshire Constabulary leads, with the reserve being held for development of the system in conjunction with the Home Office.

Dog Alliance

The alliance with North Wales Police for the provision of dogs has been a pilot over the last year or so and this reserve is being held to support the transition to a permanent alliance.

KEY RISKS

8. There are a number of uncertainties and risks over the next few years that hold the potential of significant financial impact, not least the Government spending review due in 2020. Uncertainty over funding beyond this makes planning difficult and reserves are a key tool in providing flexibility to deal with this challenge.
9. The following set out key financial risks:
 - a. Government funding remains uncertain and is currently only provided on a year on year basis. With no future clarity on funding beyond the next financial year, planning is exceptionally difficult in the medium to long-term.
 - b. Claims of unlawful discrimination were made in relation to the changes to the Judiciary and Firefighters Pension regulations and in December 2018 the Court of Appeal (McCloud / Sargeant) ruled that the 'transitional protection' offered to some members as part of the reform to public sector pensions amounts to unlawful discrimination. On 27 June 2019 the Supreme Court refused leave to appeal on the McCloud case. In light of this it is recognised that the Court will require changes to arrangements for employees who were transferred to the new schemes including Police Pension Scheme members. It is not yet clear what the impact of this on individual forces will be, nor how much the Home Office may fund. An Employment Tribunal will determine a remedy in due course.

- c. Unlike the police pension schemes, the Local Government Pension Scheme (LGPS) holds assets to cover the cost of pensions. These assets, together with future liabilities, are valued every three years. The impact of these valuations may require additional payments, uplifts to employers' contributions or a mixture of both. The last valuation was March 2019.

FORWARD STRATEGY

10. The foremost principle of holding reserves remains affordability versus risk. To set aside reserves for all potential risks scenarios that may arise would be prohibitively expensive and result in demands on council taxpayers considerably higher than likely need.
11. As such, the strategy for general reserves is to hold the level of this reserve at around 3% of the net budget requirement. The level is reviewed annually after the budget for the forthcoming year has been set. Any excess will be released in support of capital funding to limit the need to borrow and the associated impact on revenue budgets. Any shortfall will be recognised as a first call on any in-year underspends or built into the following year's budget proposals.
12. Earmarked reserves are reviewed quarterly and reported to the Commissioner as part of the formal financial reviews. The reviews will take into account purpose of the reserve, the risks they are designed to mitigate and the current and future demands. Any reserve deemed no longer required will be returned to general reserves.
13. Strategic risks are monitored through Chief Officer Group, Management Board and Audit Advisory Committee. Any new risk or significant change to existing risks will be monitored with any impact on reserves presented to Chief Officer Group for recommendation to the Commissioner for the creation or adjustment to Earmarked Reserves.
14. Capital reserves are the primary source of funding for all capital investments and are therefore linked to the approved capital strategy. The use of such reserves are designed to cover short-life assets, limiting the need to borrow over short periods.
15. Capital receipts of more than £10,000 from the sale of assets can only be used to fund future capital investment or the repayment of debt. Receipts of less than £10,000 are returned to revenue budget.
16. In recognition of the decreasing level of Government Capital Grant and in order to meet the minimum asset replacement cycles, a revenue contribution is made each year into Revenue Reserve for Capital reserve and used to finance that year's capital programme.

RESERVES HELD

	2019/20			2020/21			2021/22			2022/23			2023/24			
	01-Apr £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000
Police Fund - General Reserve	£7,429	-£1,115	£0	£6,314	£0	£0	£6,314	£0	£0	£6,314	£0	£0	£6,314	£0	£0	£6,314
Earmarked Reserves: Revenue																
Carry Forwards Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Local Govt Pension Scheme Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
MTFS Reserve	£1,173	£0	£0	£1,173	£0	£0	£1,173	£0	£0	£1,173	£0	£0	£1,173	£0	£0	£1,173
Redundancy Reserve	£882	£0	£0	£882	£0	£0	£882	£0	£0	£882	£0	£0	£882	£0	£0	£882
	£2,055	£0	£0	£2,055	£0	£0	£2,055	£0	£0	£2,055	£0	£0	£2,055	£0	£0	£2,055
Earmarked Reserves: Capital																
Capital Receipts	£3,720	£0	-£1,958	£1,762	£0	-£1,762	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Reserve - Unapplied Grant	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ESN Reserve	£0	£0	£485	£485	£0	£782	£1,267	£0	£1,153	£2,420	£0	-£2,420	£0	£0	£0	£0
HQ IT Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Revenue Reserve for Capital	£28	£0	-£28	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
	£3,748	£0	-£1,501	£2,247	£0	-£980	£1,267	£0	£1,153	£2,420	£0	-£2,420	£0	£0	£0	£0
Collaboration Reserves:																
Armed Police Alliance Reserve	£511	-£225	£0	£286	£0	£0	£286	£0	£0	£286	£0	£0	£286	£0	£0	£286
Dog Alliance Reserve	£79	-£79	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Local Resilience Forum Reserve	£99	£0	£0	£99	£0	£0	£99	£0	£0	£99	£0	£0	£99	£0	£0	£99
MFSS Development Fund	£177	-£177	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
National Blue Light Procurement	£172	£0	£0	£172	£0	£0	£172	£0	£0	£172	£0	£0	£172	£0	£0	£172
UWSU Reserve	£915	£138	-£90	£963	£0	-£237	£726	£0	-£220	£506	£0	£0	£506	£0	£0	£506
	£1,953	-£343	-£90	£1,520	£0	-£237	£1,283	£0	-£220	£1,063	£0	£0	£1,063	£0	£0	£1,063
TOTAL RESERVES	£15,185	-£1,458	-£1,591	£12,136	£0	-£1,217	£10,919	£0	£933	£11,852	£0	-£2,420	£9,432	£0	£0	£9,432

RESERVES HELD - Home Office classification

	2019/20			2020/21			2021/22			2022/23			2023/24			
	01-Apr £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000	Revenue £000	Capital £000	31-Mar £000
General Reserve / Contingency:																
Police Fund - General Reserve	£7,429	-£1,115	£0	£6,314	£0	£0	£6,314	£0	£0	£6,314	£0	£0	£6,314	£0	£0	£6,314
MTFS Reserve	£1,173	£0	£0	£1,173	£0	£0	£1,173	£0	£0	£1,173	£0	£0	£1,173	£0	£0	£1,173
	£8,602	-£1,115	£0	£7,487	£0	£0	£7,487	£0	£0	£7,487	£0	£0	£7,487	£0	£0	£7,487
Funding for Projects/Programmes - current MTFS																
Armed Police Alliance Reserve	£511	-£225	£0	£286	£0	£0	£286	£0	£0	£286	£0	£0	£286	£0	£0	£286
Capital Receipts	£3,720	£0	-£1,958	£1,762	£0	-£1,762	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Capital Reserve - Unapplied Grant	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Carry Forwards Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Dog Alliance Reserve	£79	-£79	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
ESN Reserve	£0	£0	£485	£485	£0	£782	£1,267	£0	£1,153	£2,420	£0	-£2,420	£0	£0	£0	£0
HQ IT Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Local Govt Pension Scheme Reserve	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Local Resilience Forum Reserve	£99	£0	£0	£99	£0	£0	£99	£0	£0	£99	£0	£0	£99	£0	£0	£99
MFSS Development Fund	£177	-£177	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
National Blue Light Procurement	£172	£0	£0	£172	£0	£0	£172	£0	£0	£172	£0	£0	£172	£0	£0	£172
Redundancy Reserve	£882	£0	£0	£882	£0	£0	£882	£0	£0	£882	£0	£0	£882	£0	£0	£882
Revenue Reserve for Capital	£28	£0	-£28	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
UWSU Reserve	£915	£138	-£90	£963	£0	-£237	£726	£0	-£220	£506	£0	£0	£506	£0	£0	£506
	£6,583	-£343	-£1,591	£4,649	£0	-£1,217	£3,432	£0	£933	£4,365	£0	-£2,420	£1,945	£0	£0	£1,945
TOTAL RESERVES	£15,185	-£1,458	-£1,591	£12,136	£0	-£1,217	£10,919	£0	£933	£11,852	£0	-£2,420	£9,432	£0	£0	£9,432