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**18<sup>th</sup> January 2017**

### **CUMBRIA POLICE & CRIME COMMISSIONER'S BUDGET SETTING MEETING**

The Police and Crime Commissioner's Budget Setting Meeting will take place on **Wednesday 22<sup>nd</sup> February** in Conference Room 3, Police Headquarters, Carleton Hall, Penrith, at **09:30am**.

**S Edwards**  
**Chief Executive**

**Attendees:**

Police & Crime Commissioner - Mr Peter McCall (Chair)  
OPCC Chief Executive - Mr Stuart Edwards  
OPCC Chief Finance Officer - Mrs Ruth Hunter  
Chief Constable - Mr Jerry Graham

# **AGENDA**

## **ALL BUSINESS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**

- 1. APOLOGIES FOR ABSENCE**
- 2. CAPITAL BUDGET MONITORING 2016/17 – QUARTER 3 TO DECEMBER 2016**  
To receive & note the OPCC Capital Budget Monitoring Report – Quarter 3 to December 2016
- 3. CONSTABULARY REVENUE BUDGET MONITORING 2016/17 QUARTER 3 TO DECEMBER 2016**  
To receive & note the Constabulary Revenue Budget Monitoring Report – Quarter 3 to December 2016
- 4. COMMISSIONER’S REVENUE BUDGET MONITORING 2016/17 QUARTER 3 TO DECEMBER 2016**  
To receive & note the OPCC Revenue Budget Monitoring Report – Quarter 3 to December 2016
- 5. TREASURY MANAGEMENT ACTIVITIES 2016/17 QUARTER 3 (OCTOBER TO DECEMBER 2016)**  
To receive & note the OPCC Treasury Management Activities 2016/17 Report – Quarter 3 to December 2016
- 6. DECISION 001-2017 - TREASURY MANAGEMENT STRATEGY STATEMENT 2017/18 AND PRUDENTIAL INDICATORS 2017/18 TO 2019/20**  
To receive, note and approve the Treasury Management Strategy Statement 2017/18 and Prudential Indicators 2017/18 to 2019/20
- 7. DECISION 002-2017 - CAPITAL STRATEGY 2017/18 & BEYOND**  
To receive, note and approve the Capital Strategy – 2017/18 & beyond
- 8. DECISION 003/2017 - 2017/18 BUDGET AND MEDIUM TERM FINANCIAL FORECAST**  
To receive, note and approve the Budget and Medium Term Financial Forecast reports
  - A) LOCAL GOVERNMENT ACT 2003 REQUIREMENTS REPORT**
  - B) BUDGET 2017/18 AND FINANCIAL FORECASTS 2018/19 TO 2020/21**

**9. PROCUREMENT STRATEGY**

To receive, note and approve the Procurement Strategy

**A) DECISION 004-2017 - PROCUREMENT STRATEGY 2017 – 2020**

**PART 2 – ITEMS TO BE CONSIDERED IN THE ABSENCE OF THE PRESS AND PUBLIC**

*(Any members of the public or press in attendance will be asked to leave the meeting room prior to consideration of these matters.)*

**10. DECISION 005-2017 - ESTATE AND FLEET STRATEGIES**

To receive, note and approve the Estate Strategy & Fleet Strategy (2017-2020) 2017 Annual Updates

**A) ESTATE STRATEGY (2017 – 2020) 2017 ANNUAL UPDATE**

**B) FLEET STRATEGY (2017 – 2020) 2017 ANNUAL UPDATE**

**11. DECISION 006-2017 - ICT STRATEGY 2017 – 2020**

To receive, note and approve the ICT Strategy (2017-2020)

**12. DECISION 007-2017 - CONSTABULARY FUNDING ARRANGEMENT 2017-2018**

To receive, note and approve the Funding Arrangement for the 2017/18 Financial Year (copy enclosed)

## Quarter 3 October to December 2016

### Headlines

The current forecast of net expenditure amounts to £4,466k compared to a revised budget of £7,640k a variance of £3,174k (41.55%)

The variance is made up of an underspend of £629k, which has now been returned, and slippage to future years of £2,545k. Following no slippage reported in quarter one, slippage of £2,487k in quarter two the additional slippage now reported for quarter three is £58k. Total slippage is broken down as follows:

Slippage By Department	Qtr 1 £000s	Qtr 2 £000s	Qtr 3 £000s	TOTAL £000s	% of approved Budget
ICT Schemes	0	(1,768)	(58)	(1,825)	43%
Fleet Schemes	0	(44)	0	(44)	5%
Estates Schemes	0	(597)	0	(597)	29%
Other Schemes	0	(79)	0	(79)	18%
	0	(2,487)	(58)	(2,545)	33%

\*For slippage on a scheme by scheme basis please see **Table 1** over the page.

**ICT** – The rollout of ‘flex’ devices started in earnest during quarter 3 and this supports the expenditure of £511k on the Mobile and digital project. Work with Durham to develop the Red Sigma intelligence system is continuing but the recruitment of an ICT developer by Durham has slipped. Therefore, the £58k contribution from Cumbria for this has been slipped into 2017/18 along with the associated capital financing. A business case to seek firm approval to replace the Wide Access Network (WAN) has been submitted. The cost of the ground works associated with this replacement were much lower than expected and £476k of the budget has now been returned.

**Fleet** – Actual expenditure to date of £43k on the fleet schemes when compared to the approved budget of £797k is very low, however, the entire budget is committed. The fleet department are working with the suppliers very closely and at this time, the delivery schedules show that all vehicles will be received in this financial year. The delivery dates are very close to the 31<sup>st</sup> of March and there is a possible risk that some of these will at a later date slip in to 2017/18.

**Estates** – Work is continuing on the scoping and design to construct the Eden Deployment Centre, Conference rooms and Hostels. This is the replacement scheme for the strategic Command Centre. As a result of changing schemes a budget of £153k has been returned but £54k of this has been transferred to the revenue budget to pay for the aborted former SCC scheme costs. Negotiations are still underway to purchase land at Workington for the West Resilience flood management scheme. This is expected to complete during the 2016/17 financial year.

**Other** – A new scheme has been approved during quarter three to allow for the expansion of the Automatic Number Plate Recognition (ANPR) capability in Cumbria. This new scheme is being fully funded by contributions of £225k from external parties.

### 2016/17 Current Position

Summary of Budget Movement 2016/17	2016/17 £000s
Capital Budget 2016/17 (approved by PCC 24/02/16)	6,883
Impact of 2015/16 Capital Outturn (approved 03/05/16)	1,670
New Schemes Approved/Drawdown	(255)
Budgets Changes - Approved	(658)
Approved Adjusted Budget 2016/17	7,640
Current Forecast of Capital Expenditure 2016/17	4,466
Forecast Variation	(3,174)
Made up of:	
1 Budget Changes (Under)/Overspend	(629)
2 Forecast Slippage to 2017/18	(2,545)
	(3,174)

Summary of Capital Budget	2016/17 £000s
<b>Capital Expenditure</b>	
ICT Schemes	1,970
Fleet Schemes	798
Estates Schemes	1,332
Other Schemes	365
	4,466
<b>Capital Financing</b>	
Capital Receipts	0
Revenue Contributions	634
Capital Grants	454
Reserves	3,237
Borrowing	141
	4,466
<b>Scheme</b>	<b>£000s</b>
SCC - Aborted Scheme	(153)
WAN replacement	(476)
	(629)

\*For a scheme by scheme analysis please see **Table 2** over the page.

### Four-Year Capital Strategy

Other than the reported slippage from 2016/17 schemes (which has the effect of moving budgets and corresponding financing from 2016/17 to 2017/18) there have been no other changes to the budgets. Years 2017/18 to 2019/20 are still the same as those approved in February 2016 as part of the budget setting process.

Summary of Capital Budget 2016/17 to 2019/20	2016/17 £000s	2017/18 £000s	2018/19 £000s	2019/20 £000s
<b>Capital Expenditure</b>				
ICT Schemes	1,970	6,579	1,398	1,759
Fleet Schemes	798	1,509	513	637
Estates Schemes	1,332	2,305	3,749	6,805
Other Schemes	365	79	0	0
	4,466	10,471	5,660	9,201
<b>Capital Financing</b>				
Capital Receipts	0	0	347	703
Revenue Contributions	634	1,573	1,555	1,534
Capital Grants	454	5,105	1,787	364
Reserves	3,237	3,793	1,972	6,600
Borrowing	141	0	0	0
	4,466	10,471	5,660	9,201

\*For a scheme by scheme analysis please see **Table 3** over the page.

**Table 1 – 2016/17 scheme by scheme analysis of slippage**

	Qtr 1 Slippage	Qtr 2 Slippage	Qtr 3 Slippage	TOTAL Slippage
<b>ICT SCHEMES</b>				
- Case and Custody	0	(50)	0	(50)
- Mobility and Digital	0	(1,040)	0	(1,040)
- Red Sigma	0	(82)	(58)	(140)
- ICT Infrastructure Solution Replacements	0	(199)	0	(199)
- ICT Core Hardware Replacements	0	(360)	0	(360)
- ICT Radio Replacement/ESN	0	(37)	0	(37)
	<b>0</b>	<b>(1,768)</b>	<b>(58)</b>	<b>(1,826)</b>
<b>FLEET SCHEMES</b>				
	0	0	0	0
- Vehicle Replacements - 16/17	0	17	0	17
- Fleet - Ballistically Protected Vehicle	0	(60)	0	(60)
	<b>0</b>	<b>(43)</b>	<b>0</b>	<b>(43)</b>
<b>ESTATES SCHEMES</b>				
	0	0	0	0
- HQ demolition of the green	0	(97)	0	(97)
- Garage Provision	0	(500)	0	(500)
	<b>0</b>	<b>(597)</b>	<b>0</b>	<b>(597)</b>
<b>OTHER SCHEMES</b>				
	0	0	0	0
- Leadership and Dev	0	(79)	0	(79)
	<b>0</b>	<b>(79)</b>	<b>0</b>	<b>(79)</b>
<b>Total Slippage</b>	<b>0</b>	<b>(2,487)</b>	<b>(58)</b>	<b>(2,545)</b>

**Table 2 – 2016/17 scheme by scheme analysis**

Capital Budget 2016/17	Original Approved Budget £000s	Impact of 2015/16 Outturn £000s	New Schemes Approved £000s	Budget Changes Approved £000s	Approved Adjusted Budget £000s	Actual Expenditure to Dec-16 £000s	Forecast Capital Outturn £000s	Forecast Variation £000s
<b>ICT Schemes</b>								
ICT End User Hardware Replacements	270	0	1	(75)	195	191	195	0
ICT Core Hardware Replacements	813	(41)	(54)	(39)	680	316	320	(360)
ICT Infrastructure Solution Replacement	1,049	394	(481)	(266)	695	83	307	(388)
ICT Core Infrastructure Replacement	675	0	0	0	675	0	199	(476)
ICT Radio Replacement/ESN	250	0	0	(203)	47	0	10	(37)
Mobile and Digital	1,383	607	54	(64)	1,980	740	940	(1,040)
<b>Total ICT Schemes</b>	<b>4,440</b>	<b>960</b>	<b>(480)</b>	<b>(647)</b>	<b>4,272</b>	<b>1,330</b>	<b>1,970</b>	<b>(2,301)</b>
<b>Fleet Schemes</b>								
	799	21	0	21	841	43	798	(44)
<b>Estates Schemes</b>								
South Estate - Kendal	100	41	0	0	141	135	141	0
South Estate - Barrow & Ulverston	0	9	0	0	9	(234)	9	0
HQ Electrical Infrastructure	446	16	0	0	462	431	462	0
North Resilience Flood Management	414	(24)	(17)	0	373	220	220	(153)
HQ Demolition of The Green	80	0	17	0	97	0	0	(97)
Workington Land Purchase	0	500	0	0	500	0	500	0
HQ Minor Works	50	0	0	(50)	0	0	0	0
Garage Provision	500	0	0	0	500	0	0	(500)
<b>Total Estates Schemes</b>	<b>1,591</b>	<b>542</b>	<b>0</b>	<b>(50)</b>	<b>2,083</b>	<b>552</b>	<b>1,332</b>	<b>(750)</b>
<b>Other Schemes</b>								
ANPR	0	0	0	8	8	8	8	0
ANPR Expansion	0	0	225	0	225	0	225	0
Leadership & Skills - Blended Learning	0	79	0	0	79	0	0	(79)
CCTV	24	15	0	0	39	9	39	0
Intranet	0	28	0	0	28	27	28	0
Digital Interview Suites	0	26	0	0	26	22	26	0
TOPCON positioning equipment	30	0	0	10	40	51	40	0
<b>Total Other Schemes</b>	<b>54</b>	<b>147</b>	<b>225</b>	<b>18</b>	<b>444</b>	<b>117</b>	<b>365</b>	<b>(79)</b>
<b>Total Capital Expenditure 2016/17</b>	<b>6,883</b>	<b>1,670</b>	<b>(255)</b>	<b>(658)</b>	<b>7,640</b>	<b>2,042</b>	<b>4,466</b>	<b>(3,174)</b>

**Table 3 – Four-year capital strategy on a scheme by scheme analysis**

Project Name	Projected Outturn 2016/17	Projected Outturn 2017/18	Projected Outturn 2018/19	Projected Outturn 2019/20	Projected Total Cost
<b>ICT SCHEMES</b>					
<b>Firm Schemes</b>					
- ICT End User Hardware Replacements	195	19	482	19	2,159
- ICT Infrastructure Solution Replacement	0	0	0	0	61
- ICT Core Hardware Replacements	320	0	0	0	3,289
- ICT Hardware Replacements - Radio / ESN	0	0	0	0	0
- Case and Custody	229	50	0	0	859
- Mobility and Digital - Devices and Apps	940	1,172	147	0	3,117
- Red Sigma	27	385	0	0	419
- Holmes V16	0	0	0	0	29
- WAN	0	0	0	0	0
<b>Delegated / Indicative Schemes</b>					
- ICT End User Hardware Replacements	0	76	106	66	248
- ICT Infrastructure Solution Replacement	50	1,723	111	52	1,936
- ICT Core Hardware Replacements	0	608	551	1,621	2,779
- ICT Core Infrastructure Replacement	199	0	0	0	199
- ICT Radio Replacement / ESN	10	2,547	0	0	2,557
<b>SUB TOTAL ICT SCHEMES</b>	<b>1,970</b>	<b>6,579</b>	<b>1,398</b>	<b>1,759</b>	<b>17,654</b>
<b>FLEET SCHEMES</b>					
<b>Firm Schemes</b>					
- Vehicle Replacements - 15/16 & 16/17	798	0	0	0	1,376
<b>Indicative Schemes</b>					
- Vehicle Replacements - Future Years	0	1,449	513	637	2,599
- Fleet - Ballistically Protected Vehicle	0	60	0	0	60
<b>SUB TOTAL FLEET SCHEMES</b>	<b>798</b>	<b>1,509</b>	<b>513</b>	<b>637</b>	<b>4,035</b>
<b>TOTAL CONSTABULARY PROGRAMME</b>	<b>2,768</b>	<b>8,087</b>	<b>1,911</b>	<b>2,396</b>	<b>21,689</b>
<b>ESTATES SCHEMES</b>					
<b>Firm Schemes</b>					
- South Estate - Kendal 09/10	141	0	0	0	3,610
- South Cumbria Estate - Barrow & Ulverston	9	0	0	0	9,104
- Estates - HQ Electrical Infrastructure	462	0	0	0	717
- Strategic Command Centre - Build	0	0	0	0	7
- Strategic Command Centre - Carpark	170	0	0	0	187
- Workington - Land Purchase	500	0	0	0	500
- HQ Minor Works	0	50	50	50	150
- UPS - HQ	0	0	0	100	100
<b>Indicative Schemes</b>					
- Estates - Demolition of the Green	0	97	0	0	97
- Eden NPT and Hostel	50	1,408	2,112	0	3,569
- Garage Provision	0	0	500	0	500
- West Resilience Flood Management	0	750	1,050	6,600	8,400
- Estates - Roof Repairs - Various	0	0	38	55	93
<b>SUB TOTAL ESTATES SCHEMES</b>	<b>1,332</b>	<b>2,305</b>	<b>3,749</b>	<b>6,805</b>	<b>27,033</b>
<b>OTHER SCHEMES</b>					
<b>Firm Schemes</b>					
- ANPR (Motorway Equipment Replacement)	8	0	0	0	105
- ANPR Expansion	225	0	0	0	225
- CCTV	39	0	0	0	1,121
- Intranet	28	0	0	0	55
- L&D - Blended Learning	0	79	0	0	79
- Digital interview Equipment	26	0	0	0	26
- Topcon GPS Positioning Equipment	40	0	0	0	40
<b>SUB TOTAL OTHER SCHEMES</b>	<b>365</b>	<b>79</b>	<b>0</b>	<b>0</b>	<b>1,651</b>
<b>GRAND TOTAL CAPITAL PROGRAMME</b>	<b>4,466</b>	<b>10,471</b>	<b>5,660</b>	<b>9,201</b>	<b>50,373</b>

## To December 2016 (Quarter 2 to Quarter 3)

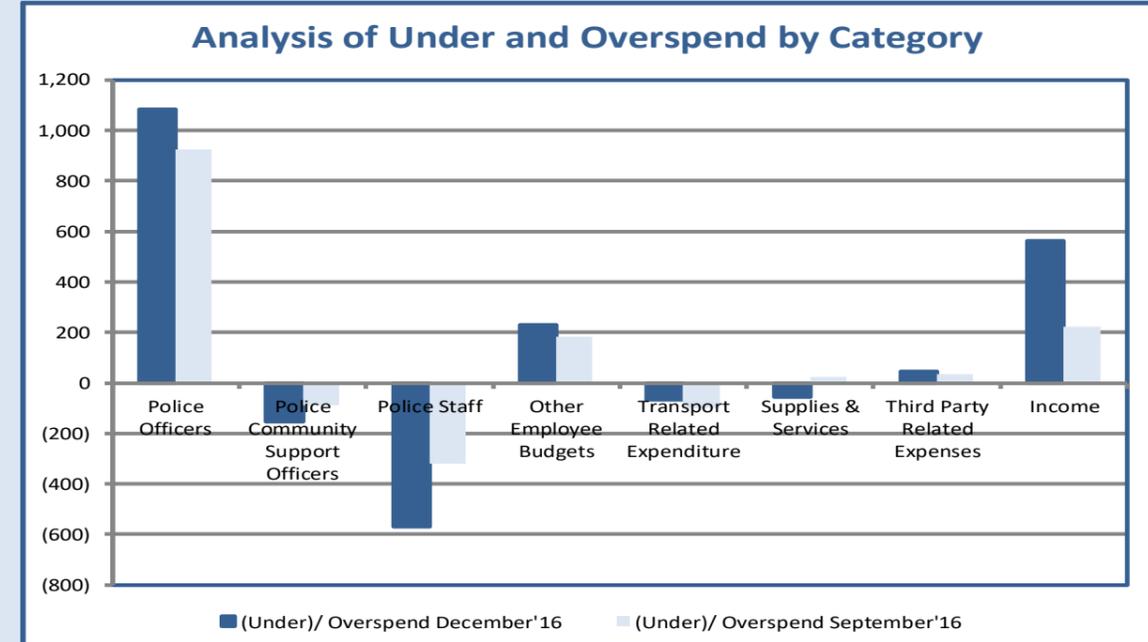
### Headlines

The current forecast of net expenditure amounts to £108.534m compared to a revised budget of £107.455m.

The variance amounts to a forecast overspend of £1,079k (1%) and is made of a forecast overspend on expenditure budgets of £517k (0.46%) and a forecast under recovery of income of £462k (9.76%).

The forecast overspend at December has increased by £198k (22%) when compared to the figure reported as at the end of September of £881k.

The overspend is made up by overspends on some categories totalling £1.923m which are being partially offset by underspends on others totalling £844k.



The Constabulary overspend has arisen as a result of budget pressures which have emerged since the budget was set in February 2016. The constabulary is continuing to seek to manage expenditure during 2016/17 within the overall funding envelope provided, should this not be possible, a number of options are being developed including the use of the Chief Constable's contingency, use of reserves and potential capital underspends.

The overspend is largely as a result of Police Officer Pay (£1,084k) of which, £241k arises as a result of in year changes against the WFP, £721k in respect of pressure on overtime budgets and £122k arises from an increase in forecast ill health/injury pensions. In addition, pressure on income budgets amounting to £562k has arisen largely as a result of planned income for special policing services slipping into the 2017/18 financial year. Other employee budgets are showing the pressures of the increased level of recruitment, agency staffing and redundancy/pension costs for which there is no budget.

These overspends are being offset to a degree by underspends on police staff costs which have arisen as a result of increased levels of vacant posts, savings delivered early in respect of the change programme and increased levels of maternity leave.

### Change between September and December

The forecast overspend has increased by £198k (22%) when compared to that forecast at the end of quarter 2 in September. The main reasons for this increase are:

- An increase in respect of police officers pay (£159k) partly as a result of an additional ill health/injury pension being forecast (£55k) and partly due to an increase in forecast overtime expenditure (£197k) being offset by a number of smaller changes against the workforce plan (-£93k).
- A forecast reduction in income (£339k) as a result of planned income in respect of special policing services slipping into 2017/18.
- The above two increases are offset by a forecast reduction in police staff pay as a result of an increased number of vacancies and smaller forecast reductions in respect of PCSOs and supplies and services.

Description	Revised Budget 2016/17 £'000s	Forecast Outturn 2016/17 £'000s	Forecast (Under)/Overspend 2016/17 £'000s	Forecast (Under)/Overspend 2016/17 %	Forecast (Under)/Overspend @ SEP-16 £'000s	Change in Forecast SEP-16 to DEC-16 £'000s
<b>Constabulary Funding</b>						
Police Officers	75,661	76,745	1,084	1.43%	925	159
Police Community Support Officers	2,814	2,660	(154)	-5.47%	(89)	(65)
Police Staff	18,969	18,400	(569)	-3.00%	(319)	(250)
Other Employee Budgets	1,976	2,207	231	11.69%	183	48
Transport Related Expenditure	2,138	2,073	(65)	-3.04%	(100)	35
Supplies & Services	9,716	9,660	(56)	-0.58%	23	(79)
Third Party Related Expenses	1,942	1,988	46	2.37%	35	11
<b>Total Constabulary Funding</b>	<b>113,216</b>	<b>113,733</b>	<b>517</b>	<b>0.46%</b>	<b>658</b>	<b>(141)</b>
Income	(5,761)	(5,199)	562	-9.76%	223	339
<b>Total Constabulary Funding Net of Income</b>	<b>107,455</b>	<b>108,534</b>	<b>1,079</b>	<b>1.00%</b>	<b>881</b>	<b>198</b>

**To December 2016  
(Quarter 2 to Quarter 3)**

**Headlines**

The current forecast of net expenditure amounts to £96.926m compared to a revised budget of £95.675m.

The variance amounts to a forecast overspend of £1.252m (1.31%) and is made up as follows:

- A forecast overspend of £173k (1.47%) in respect of the Commissioner’s budgets.
- A forecast overspend on Constabulary budgets of £1.079m (1%) of which, £517k (0.46%) represents an overspend on expenditure budgets and £562k (9.76%) reflects a forecast under recovery of income.

The forecast overspend has increased by £369k compared to the position reported at the end of Quarter 2 (September).

**Police Property Act**

The balance in the Police Property Act Fund at the end of Quarter 3 (31 December) was £131k. During Quarter 3 awards were made to successful applicants totalling £2.1k, details of which can be found on the Commissioners website.

Description	Revised Budget	Forecast Outturn	Forecast (Under)/Overspend	Forecast (Under)/Overspend	Forecast (Under)/Overspend	Change in Forecast JUN-16 to DEC-16
	2016/17 £'000s	2016/17 £'000s	2016/17 £'000s	2016/17 %	@ SEP-16 £'000s	to DEC-16 £'000s
Office of the Police and Crime Commissioner	764	749	(15)	-1.98%	(20)	5
Other PCC Budgets	(13,453)	(13,265)	188	-1.40%	22	166
Movements To / (From) Reserves	909	909	(0)	0.00%	0	(0)
<b>Total OPCC Budgets</b>	<b>(11,781)</b>	<b>(11,608)</b>	<b>173</b>	<b>-1.47%</b>	<b>2</b>	<b>171</b>
Funding Provided to the Constabulary	107,455	108,534	1,079	1.00%	881	198
<b>Net Expenditure</b>	<b>95,675</b>	<b>96,926</b>	<b>1,252</b>	<b>1.31%</b>	<b>883</b>	<b>369</b>
External Funding	(95,675)	(95,675)	0	0.00%	0	0
<b>Total</b>	<b>0</b>	<b>1,252</b>	<b>1,252</b>		<b>883</b>	<b>369</b>

**Overview**

The overspend on the Commissioner’s own budgets arises principally as a result of forecast increases in premises related costs (£204k) and a forecast reduction in investment income (£10k), these are being partially offset by a forecast reduction in the costs of the Office of the PCC (£15k), reductions in insurances (£13k) and a forecast increase in grant income (£13k).

With regard to the Constabulary overspend, the Constabulary is facing a number of budget pressures that have come to light since the budget was set for 2016/17. These funding pressures have been discussed by the Chief Constable and Commissioner, and the Constabulary is currently seeking to manage expenditure during 2016/17 within the overall funding envelope provided by the Commissioner. In the event that this is not possible, a number of options are being developed including the use of the Chief Constable’s contingency, reducing the amount of revenue funding required to finance the capital programme and a drawdown of reserves.

**Change between September and December**

The forecast overspend has increased by £369k from £0.883m at September to £1.252m as at December.

Of this increase, £171k relates to the Commissioner’s “other PCC” budgets and is largely as a result of a forecast increase in respect of premises costs. The increase in the premises overspend arises as a result of a number of individual changes. Within the premises repair and maintenance budget there are additional costs associated with works to the HQ site in respect of flood reinstatement which are over and above the insurance receipt and other minor works across the estate. The utilities budget is seeing pressures associated with new contracts in respect of electricity, an increase in the number of premises that attract a climate change levy as a result in a change in the application of this levy and increases in respect of metered water and sewerage and environmental charges.

The forecast overspend in respect of funding provided to the Constabulary has increased by £198k. This increase is largely as a result of previously anticipated income in respect of specialist police services slipping into 2017/18 and also reflects increases in the forecast for police officer pay and reductions in respect of police staff pay.

# Treasury Management Activities 2016/17 Quarter 3 (October to December 2016)

Public Accountability Conference 22 February and JASC Meeting 15 March 2017

## Purpose of the Report

The purpose of this paper is to report on the Treasury Management Activities (TMA), which have taken place during the period October to December 2016, in accordance with the requirements of CIPFA’s Code of Practice on Treasury Management.

TMA are undertaken in accordance with the Treasury Management Strategy Statement (TMSS) and Treasury Management Practices (TMPs) approved by the Commissioner in February each year.

## Recommendations

The Commissioner is asked to note the contents of this report.

JASC Members are asked to note the contents of this report. The report is provided as part of the arrangements to ensure members are briefed on Treasury Management and maintain an understanding of activity in support of their review of the annual strategy.

## Economic Background

Financial uncertainty post Brexit and the USA election continues. The Bank of England (BOE) Base rate was reduced from 0.50% to **0.25%** on 4 August 2016. Quantitative Easing (QE) was increased from £375bn to **£435bn** on the same date.

The treasury advisor’s Arlingclose central case is for the Bank Base Interest Rate to remain at 0.25%, but there is a low possibility of a drop to close to zero, with a very small chance of a reduction below zero. The TMSS elsewhere on the agenda The treasury advisor’s Arlingclose central case is for the Bank Base Interest Rate to remain at 0.25%,.

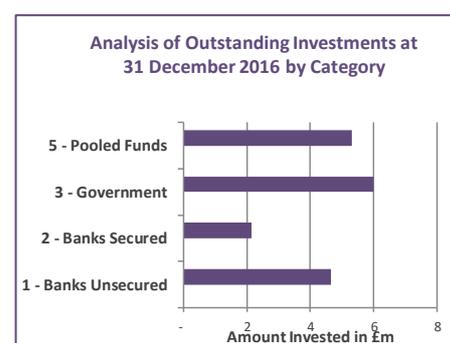
Consumer Price Index (CPI) inflation was 1.6% in December. With sterling having now fallen by around 20% with its impact on prices still to come. According to the ONS, CPI will be heading close towards the Bank of England’s target rate of 2% in the first half of 2017, consistent with the forecasts contained within the Bank’s last quarterly Inflation Report issued in November 2016.

## TM Operations and Performance Measures

The Commissioners day to day TMA are undertaken in accordance with the TMSS. The TMSS establishes an investment strategy with limits for particular categories of investment and individual counterparty limits within the categories.

**Outstanding Investments:** As at 31 December 2016 the total value of investments was **£18.097m** and all were within TMSS limits.

The chart below shows the outstanding investments at 31 December by category.



A full list of the investments that make up the balance of £18.097m is provided at **Appendix A**.

**Investment Activity:** During quarter 3 a total of 2 investments with a combined value of £5m were made within TM categories 1-3 (banks unsecured, banks secured and Government). In addition to these there were regular smaller investments in category 5 (money market pooled funds).

**Non-specified investments:** The TMSS sets a limit for investments with a duration of greater than 364 days at the time the investment is made (known as non-specified investments), this limit is £5m. At 31 December the Commissioner had two investments meeting this description with a combined total of £4.2m. Of these two, only 1 has an outstanding duration of over 364 days. These investments are:

- Leeds Building Society £2.2m 887 days (13/07/16 to 17/12/18)
- Lloyds Bank £2m 366 days (11/08/16 to 11/08/17)

**Investment Income:** The budget for investment interest receivable in 2016/17 is £100k. The current forecast against this target is £90k which provides a forecast shortfall of £10k (10%). The shortfall is attributable to the drop in BOE interest rates in August 2016.

The forecast of £90k in December is consistent with the forecast at the end of quarter 2 in September.

The average return on investment at the end of quarter 3 is 0.42%. As a measure of investment performance the rate achieved on maturing investments of over 3 months in duration is compared with the average BOE base rate.

The table below illustrates the rate achieved on the two maturing investments of over three months duration in quarter 2 compared with the average base rate for the duration of the investment.

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Nationwide	£2m	5	0.52%	0.29%
North Lanarkshire	£2m	9	0.60%	0.39%

**Cash Balances:** The aim of the TMSS is to invest surplus funds and minimise the level of un-invested cash balances. The actual un-invested cash balances for the period July to September are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	92	2,692	53,630
Days Overdrawn	0	0	0

The bank account had large un-invested balances on two occasions. The largest un-invested balance occurred on the 21 December (£54k) where a bank deposit was received late in the afternoon in respect of the flood insurance claim. The second largest un-invested balance occurred on the 22 December 2016 (£46k) and related to a debtors invoice in respect of supply of services being paid unexpectedly by BACS.

During quarter 3 there were no occasions when the bank balance was overdrawn.

## Prudential Indicators

In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators which determine if the TMSS meets the requirements of the Prudential Code in terms of *Affordability, Sustainability and Prudence*.

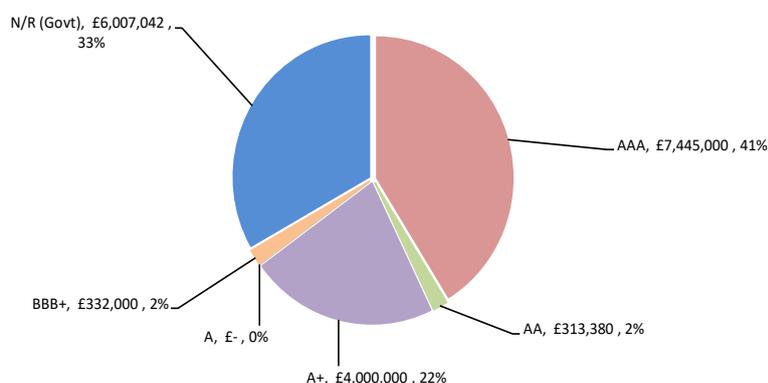
An analysis of the current position with regard to those prudential indicators is provided at **Appendix B**. The analysis confirms that the Prudential Indicators set for 2016/17 are all being complied with.

## Appendix A

### Investment Balance at 31 December 2016

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
<b>Category 1 - Banks Unsecured (Includes Banks &amp; Building Societies)</b>							
Landesbank- Hessen-Thuringen (Heleba)	A+	11/07/2016	11/01/2017	11	0.47%	2,000,000	2,000,000
Lloyds Bank Plc	A+	11/08/2016	11/08/2017	223	1.00%	2,000,000	2,000,000
Svenska (Deposit Account)	AA	Various	On Demand	N/A	0.00%	313,380	313,380
NatWest (Liquidity Select Account)	BBB+	31/12/2016	01/01/2017	O/N	0.25%	332,000	332,000
						<b>4,645,380</b>	<b>4,645,380</b>
<b>Category 2 - Banks Secured (Includes Banks &amp; Building Societies)</b>							
Leeds Building Society (Bond)	AAA	13/07/2016	17/12/2018	716	0.68%	2,141,288	2,141,288
						<b>2,141,288</b>	<b>2,141,288</b>
<b>Category 3 - Government (Includes HM Treasury and Other Local Authorities)</b>							
Treasury Bills	NR	18/07/2016	16/01/2017	16	0.37%	1,007,042	1,007,042
DMADF	NR	26/10/2016	26/01/2017	26	0.15%	3,000,000	3,000,000
Highland District Council	NR	14/10/2016	18/04/2017	108	0.30%	2,000,000	2,000,000
						<b>6,007,042</b>	<b>6,007,042</b>
<b>Category 4 -Registered Providers (Includes Providers of Social Housing)</b>							
None						0	0
						<b>0</b>	<b>0</b>
<b>Category 5 -Pooled Funds (Includes AAA rated Money Market Funds)</b>							
Invesco	AAA	Various	On demand	O/N	0.47%	1,700,000	1,700,000
BlackRock	AAA	Various	On demand	O/N	0.41%	0	0
Fidelity	AAA	Various	On demand	O/N	0.43%	3,713	3,713
Goldman Sachs	AAA	Various	On demand	O/N	0.45%	600,000	600,000
Aberdeen Asset Management	AAA	Various	On demand	O/N	0.48%	500,000	500,000
Standard Life (Formally Ignis)	AAA	Various	On demand	O/N	0.51%	2,500,000	2,500,000
						<b>5,303,713</b>	<b>5,303,713</b>
<b>Total</b>						<b>18,097,423</b>	<b>18,097,423</b>

**Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 December 2016 (Minimum Criteria per TMSS A-)**



Note – The credit ratings in the table & chart relate to the standing as at 31 December 2016, these ratings are constantly subject to change.

# Appendix B

## Prudential Indicators 2016/17

Prudential Indicator		Limits TMSS	Limits Revised at year end	Limits Revised at Sep-16	Actual	Within Target	
		£m	£m	£m	£m		
1	<b>Net Borrowing and the Capital Financing Requirement</b>						
	This indicator is to ensure that net borrowing will only be for capital purposes. The commissioner should ensure that the net external borrowing does not exceed the total CFR requirement from the preceding year plus any additional borrowing for the next 2 years.	Net Debt (section 9 below provides analysis)	(8.492)	(17.192)	(17.567)	(17.256)	✓
		Capital Financing Requirement as at 31 March	18.360	18.401	18.401	18.401	✓
		Net external Borrowing	0.000	0.000	0.000	0.000	✓
2	<b>Capital Expenditure and Capital financing</b>						
	<i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2016/17</i>	Expenditure	6.883	8.553	5.027	4.466	✓
		Financing and Funding	0.100	0.141	0.141	0.141	✓
3	<b>Ratio of Financing Costs to Net Revenue Stream</b>						
	<i>This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of revenue budget required to meet financing costs</i>	Financing Costs	0.313	0.313	0.323	0.313	✓
		Net Revenue Stream	95.675	95.675	95.675	95.675	✓
Ratio		0.33%	0.33%	0.34%	0.33%	✓	
4	<b>Capital Financing Requirement</b>						
	<i>The CFR is a measure of the extent to which the commissioner needs to borrow to support capital expenditure only. It should be noted that at present all borrowing has been met internally.</i>	CFR including PFI & other long term liabilities	18.360	18.401	18.401	18.401	✓
		CFR excluding PFI & other long term liabilities	13.348	13.514	13.514	13.514	✓
5	<b>The Authorised Limit</b>						
	<i>The authorised limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is a</i>	Total Authorised Limit	24.860	24.901	24.901	24.901	✓
6	<b>The Operational Boundry</b>						
	<i>The operational boundary represents and estimate of the most likely but not worse case scenario it is only a guide and may be breached temporarily due to variations in cashflow.</i>	Total Operational Boundry	23.360	23.401	23.401	23.401	✓
7	<b>Actual External Debt</b>						
	<i>It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investment rates compared to the costs of borrowing</i>	External Debt including PFI & other long term liabilities	5.012	5.012	5.012	5.012	✓
		External Debt excluding PFI & other long term liabilities	0.000	0.000	0.000	0.000	✓
8	<b>Impact of capital investment decisions on the Council Tax</b>						
	<i>This indicates the incremental impact of the capital investment decisions funded from prudential borrowing proposed for the period 2016/17 based on a Band D property in line with the proposed council tax level.</i>	Capital Expenditure funded from revenue	1.534	1.534	0.508	0.634	✓
		Incremental Impact on Band D Council Tax	9.146	9.146	3.029	9.485	✓
9	<b>Gross and Net Debt</b>						
	<i>The purpose of this indicator is highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	Outstanding Borrowing (at notional value)	0.000	0.000	0.000	0.000	✓
		Other Long Term Liabilities (PFI & Finance Lease)	5.012	5.012	5.012	5.012	✓
		Less Investments	13.504	22.204	22.579	22.268	✓
Net Debt		(8.492)	(17.192)	(17.567)	(17.256)	✓	
10/11	<b>Interest Rate Exposure</b>						
	<i>The purpose of this indicator is to contain the Commissioner's exposure to unfavourable movements in future interest rates. This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.</i>	Net Principal sums Outstanding at Fixed Rates	24.860	24.901	24.901	24.901	✓
		Net Principal sums Outstanding at Variable Rates	1.500	1.500	1.500	1.500	✓
12	<b>Maturity Structure of Borrowing</b>						
	<i>The indicator is designed to exercise control over the Commissioner having large concentrations of fixed rate debt needing to be repaid at any one time.</i>	Not Applicable - currently no external debt					✓
13	<b>Upper Limit for total principal sums invested for over 364 Days</b>						
	<i>The purpose of this indicator is to ensure that the commissioner has protected himself against the risk of loss arising from the need to seek early redemption of principal sums invested.</i>	Non Specified Investments with a maturity greater than £364 days	5.000	5.000	5.000	2.200	✓



# Office of the Police and Crime Commissioner Report

**REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 001 / 2017)**

**TITLE: Approval of Treasury Management Strategy Statement 2017/18 and Prudential Indicators 2017/18 to 2019/20**

## **Executive Summary:**

The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

These codes were originally issued in 2002 and were later fully revised in 2009 and 2011. The TMSS also incorporates the Investment Strategy which is a requirement of the Communities and Local Government (CLG) Investment Guidance. This report proposes a strategy for the financial year 2017/18.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner ("The Commissioner") adopts the CIPFA definition of Treasury Management which is as follows:

*'the management of the organisation'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.'*

## **Recommendation:**

The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2017/18.
- Approve the Prudential Indicators for 2017/18 as described in paragraph 5 and as set out in detail at Appendix B.
- Approve the Minimum Revenue Provision Policy Statement for 2017/18 as set out in paragraph 6.
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website.
- Delegate to the Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit and Standards Committee.

**Police & Crime Commissioner**

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation above

**Police & Crime Commissioner / Chief Executive (delete as appropriate)**

**Signature:**

**Date:**

A word cloud of various financial and operational terms in shades of purple and grey, arranged around the main title. The words include: Debt, Principal, Corruption, Income, TMSS, Investments, Loans, Control, Transactions, Statement, Boundary, Money, Market, Inflation, Prudential, Credit, Rating, Fraud, Indicators, Practices, CFR, Opportunities, Security, CIPFA, Banking, Prudent, Legal, Cash, Flows, Activities, Yield, Code, of, Practice, Risks, Borrowing, Affordable, Error, Instruments, Operational, Exposure, MRP, Guidance, Effective, Interest, Rate, and Authorised.

# Treasury Management

**Treasury Management Strategy Statement 2017/18  
and  
Prudential Indicators 2017/18 to 2019/20**



Public Accountability Conference  
22 February 2017  
Agenda Item No 6

Joint Audit & Standards Committee  
15 March 2017  
Agenda Item No 12

# Office of the Police and Crime Commissioner Report

## Title: Treasury Management Strategy Statement 2017/18 and Prudential Indicators 2017/18 to 2019/20

Report of the Chief Finance Officer/Deputy Chief Executive.

**Originating Officers:** Michelle Bellis, Deputy Chief Finance Officer;  
Lorraine Holme, Principal Financial Services Officer

### 1. Purpose of the Report

1.1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services (the CIPFA TM Code) and the Prudential Code require Local Authorities (including PCCs) to determine the Treasury Management Strategy Statement (TMSS) and Prudential Indicators on an annual basis.

These codes were originally issued in 2002 and were later fully revised in 2009 and 2011. The TMSS also incorporates the Investment Strategy which is a requirement of the Communities and Local Government (CLG) Investment Guidance. This report proposes a strategy for the financial year 2017/18.

Treasury Management in Local Government continues to be a highly important activity. The Police and Crime Commissioner ("The Commissioner") adopts the CIPFA definition of Treasury Management which is as follows:

*'the management of the organisation'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.'*

## 2. Recommendations

2.1. The Commissioner is asked to:

- Approve the Strategy for Treasury Management as set out at paragraph 4 for 2017/18.
- Approve the Prudential Indicators for 2017/18 as described in paragraph 5 and as set out in detail at **Appendix B**.
- Approve the Minimum Revenue Provision Policy Statement for 2017/18 as set out in paragraph 6.
- Note that the detailed Treasury Management Practices (TMPs) have been reviewed and updated as required by the Code of Practice and will be published alongside the TMSS on the Commissioner's website.
- Delegate to the Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit and Standards Committee.

2.2. The Joint Audit and Standards Committee are asked to review the Treasury Management Strategy Statement and Treasury Management Practices to be satisfied that controls are satisfactory and provide advice as appropriate to the Commissioner.

## 3. Background

3.1. The Commissioner is required to approve an annual Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management, which also incorporates an Investment Strategy as required by the Local Government Act 2003 and which is prepared in accordance with the Communities and Local Government (CLG) Investment Guidance. Together, these cover the financing and investment strategy for the forthcoming financial year. Subsequent to the Local Government Act 2003, the system of Government control over borrowing to support capital spending has been replaced with a self-regulatory system of borrowing controls, based on a Prudential Code of Practice. Accordingly, this paper now brings together a schedule of Prudential Indicators alongside the Treasury Management Strategy for the Commissioner to endorse.

3.2. The Treasury Management Strategy has been prepared in line with the model guidance produced by Arlingclose Ltd, who provide specialist treasury management advice to the Commissioner. It should

however be noted that all treasury management decisions and activity are the responsibility of the Commissioner and any such references to the use of these advisors should be viewed in this context.

## 4. Treasury Management Strategy 2017/18

### 4.1. General Principles

4.1.1. Treasury management activities involving, as they do, the investment of large sums of money and the generation of potentially significant interest earnings have inherent risks. The Commissioner regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation, and any financial instruments entered into to manage these risks. The main risks to the Commissioner's treasury activities are outlined below:

- Credit and Counterparty Risk (Security of Investments)
- Liquidity Risk (Inadequate cash resources)
- Market or Interest Rate Risk (Fluctuations in interest rate levels)
- Re-financing risks (Impact of debt maturing in future years)
- Legal & Regulatory Risk.
- Fraud, error and corruption Risk

4.1.2. Details of the control measures the Commissioner has put in place to manage these risks are contained within the separate Treasury Management Practices (TMPs).

4.1.3. The Commissioner acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management. However, the high profile near failure of major banks in 2008 highlighted that this objective must be sought within a context of effective management of counter-party risk. Accordingly, the Commissioner will continue to search for optimum returns on investments, but at all times the **security** of the sums invested will be paramount. This is a cornerstone of the CIPFA Code of Treasury Management Practice which emphasises "**Security, Liquidity, Yield** in order of importance at all times". The security of the sums invested is managed by tight controls over the schedules of approved counter-parties, which are continually reviewed to take account of changing circumstances, and by the setting of limits on individual and categories of investments as set out at **Appendix A**.

The strategy also takes into account the impact of treasury management activities on the Commissioner’s revenue budget. Forecasts of cash balances, interest receipts and financing costs are regularly re-modelled. The revenue budget for 2017/18 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

## 4.2. External Guidance

4.2.1. The guidance under which this strategy is put forward comes from a variety of different places. Principally, however, the requirement to produce an annual Treasury Management Strategy is set out in the latest CIPFA Code of Practice on Treasury Management published in 2011. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) to produce an investment strategy as part of the wider Treasury Strategy. This is set out below at paragraph 4.6. Finally, the Commissioner’s treasury advisor’s Arlingclose Ltd have provided some advice about possible future trends in interest rates and advice on best practice in relation to the format of the TMSS.

## 4.3. Resources and the Current Treasury Position

4.3.1. Treasury Management activity is driven by the complex interaction of expenditure and income flows, but the core drivers within the Commissioner’s balance sheet are the underlying need to borrow to finance its capital programme, as measured by the capital financing requirement (CFR), which is explored in detail in section 4.5 of this report, and the level of reserves and balances. In addition, day to day fluctuations in cash-flows due to the timing of grant and council tax receipts and out-going payments to employees and suppliers have an impact on treasury activities and accordingly are modelled in detail. The Commissioner’s level of debt and investments is linked to the above elements, but market conditions, interest rate expectations and credit risk considerations all influence the Commissioner’s strategy in determining exact borrowing and lending activity.

4.3.2. The estimated treasury position at 31<sup>st</sup> March 2017 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate	Estimate	Estimate	Estimate
	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m
External Borrowing - PWLB – at start of year	0.000	0.000	0.000	0.000
Interest Payments	0.000	0.000	0.000	0.000
Investments (average)	20.167	16.277	13.568	12.958
Interest Receipts	0.075	0.065	0.050	0.050

4.3.3. The figures in the table above are based on the approval of the proposed revenue budget and capital programme presented to the Commissioner elsewhere on this agenda and are based on the interest rate assumptions as outlined in paragraph 4.4.3 below.

4.3.4. The estimate for interest payments in 2017/18 is Nil. This is based on the assumption that the Commissioner will not actually undertake any new borrowing to fund capital expenditure for the period of this forecast. This is not to say that there is no underlying need to borrow. The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £18.4m at the start of the 2017/18 financial year. This includes £5.0m which is the capital value of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009. The capital strategy paper elsewhere on this agenda illustrates that the Commissioner will not need to borrow to deliver the agreed capital programme. However, under current market conditions, where short term interest receipts are forecast to remain low in the immediate future, and there are continuing general uncertainties over the credit worthiness of financial institutions, it is assumed that the most prudent borrowing strategy for the present is to meet the capital funding requirement from within internal resources, by reducing cash balances available for investment. At some time in the future it will be necessary to undertake external borrowing. Advice will be sought from Arlingclose as to the most opportune time and interest rate to undertake such borrowing.

4.3.5. The estimate for interest receipts in 2017/18 is £75k (latest forecast for 2016/17 is £90k). The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.25% and is expected to remain at this level for the next three years.

#### 4.4. Interest Rate Prospects

4.4.1. The Authority's treasury adviser Arlingclose's central case is for UK Bank Rate to remain at 0.25% during 2017/18. The Bank of England has, however, highlighted that excessive levels of inflation will not be tolerated for sustained periods. Given this view and the current inflation outlook, further falls in the Bank Rate look less likely. Negative Bank Rate is currently perceived by some policymakers to be counterproductive but, although a low probability, cannot be entirely ruled out in the medium term, particularly if the UK enters recession as a result of concerns over leaving the European Union.

4.4.2. Gilt yields have risen sharply, but remain at low levels. The Arlingclose central case is for yields to decline when the government triggers Article 50. Long-term economic fundamentals remain weak, and the quantitative easing (QE) stimulus provided by central banks globally has only delayed the

fallout from the build-up of public and private sector debt. The Bank of England has defended QE as a monetary policy tool, and further QE in support of the UK economy in 2017/18 remains a distinct possibility, to keep long-term interest rates low.

4.4.3. Negative Interest Rates. If the UK enters into a recession in 2017/18, there is a small chance that the Bank of England could set its Bank Rate at or below zero, which is likely to feed through to negative interest rates on all low risk, short-term investment options. This situation already exists in many other European countries. In this event, security will be measured as receiving the contractually agreed amount at maturity.

4.4.4. The main forward projections of interest rates provided by Arlingclose are shown in the table below. It should be noted that these forecasts are based on information as at January 2017. The quarterly treasury activities reports will contain updated information in respect of interest rate forecasts.

Arlingclose Base Rate Estimates	2017	2018	2019
Quarter 1	0.25%	0.25%	0.25%
Quarter 2	0.25%	0.25%	0.25%
Quarter 3	0.25%	0.25%	0.25%
Quarter 4	0.25%	0.25%	0.25%

## 4.5. Borrowing Requirement and Strategy

### 4.5.1. Long Term Borrowing

The Commissioner’s underlying need to borrow for capital purposes is measured by reference to the Capital Financing Requirement (CFR), which is one of the Prudential Indicators and represents the cumulative capital expenditure of the Commissioner that has not been financed from other sources such as capital receipts, capital grants, revenue contributions or reserves. To ensure that this expenditure will ultimately be financed, authorities are required to make a provision from their revenue accounts each year for the repayment of debt. This sum known as the Minimum Revenue Provision (MRP) is intended to cover the principal repayments of any loan over the expected life of a capital asset. The CFR together with Usable Reserves, are the core drivers of the Commissioner’s Treasury Management activities.

Actual borrowing may be greater or less than the CFR, but in order to comply with the Prudential Code, the Commissioner must ensure that in the medium term, net debt will only be for capital purposes. Therefore the Commissioner must ensure that except in the short term, net debt does not exceed the CFR in the preceding year plus the estimates of any additional CFR for the current and next two

financial years. In accordance with this requirement the Commissioner does not currently intend to borrow in advance of spending needs.

The table below shows the Commissioner's projected capital financing requirement for 2017/18 and beyond.

Capital Financing Requirement	Estimate 2017/18 £m	Estimate 2018/19 £m	Estimate 2019/20 £m	Estimate 2020/21 £m
Balance B/fwd	18.401	17.978	17.546	17.103
Plus Capital Expenditure financed from borrowing	0.000	0.000	0.000	0.000
Less MRP for Debt Redemption	-0.423	-0.432	-0.443	-0.457
Balance C/Fwd	17.978	17.546	17.103	16.646

The above table shows only capital expenditure that is required to be financed from borrowing. The full capital programme and associated financing is reported in summary within the Prudential Indicators and in detail elsewhere on the agenda.

The Commissioner is not expected to have any external borrowing at the start of 2017/18. Given that the CFR is forecast to be £18.4m this effectively means that the Commissioner will be funding over £13.4m of capital spend from internal resources (CFR £18.4m less £5m in relation to PFI).

Currently, there is a significant differential between investment rates at 0.25% and the rate at which long term finance can be procured, which despite standing at historically low levels, will still cost over 2.5% pa. Consequently, at this juncture, undertaking long term borrowing is likely to have a prohibitively high short term cost to the revenue account. However, such funding decisions may commit the Commissioner to costs for many years into the future and it is therefore critical that a long term view is taken regarding the timing of such deals. It should also be recognised that by funding internally, there is an exposure to interest rate risk at the point that actual borrowing is undertaken. Accordingly, the Commissioner, in conjunction with its treasury advisor Arlingclose Ltd, will continue to monitor market conditions and interest rate prospects on an on-going basis, in the context of the Commissioner's capital expenditure plans, with a view to minimising borrowing costs over the medium to long term.

#### 4.5.2. Short Term Borrowing

Short term loans will only be used in exceptional cases to manage day to day movements in cash balances, or over a short term period to enable aggregation of existing deposits into longer and more sustainable investment sums.

#### 4.6. Investment Strategy

4.6.1. The Local Government Act 2003, Section 15(1)(a) requires the Commissioner to approve an investment strategy. Supplementary guidance produced by the Department for Communities and Local Government (CLG) requires, as a minimum, that the following areas are addressed:

General policy -The guiding principle is that Authorities should invest prudently the temporary funds held on behalf of local communities. This has always been the cornerstone of our investment strategy. It is also consistent with the CIPFA guidance which has been re-iterated in the latest revision of the Treasury Management code, which sets out that the effective containment of risk should be a primary objective of the Treasury Management strategy and that achieving optimum performance is a proper but secondary objective.

*The updated investment guidance emphasises “Security, Liquidity, Yield in order of importance at all times”.*

In the past the investment strategy has operated criteria based on credit ratings to determine the size and duration of investments it is willing to place with particular counterparties. The credit worthiness of counterparties is reviewed on an ongoing basis in conjunction with the Commissioner’s treasury advisors (Arlingclose Ltd).

The Commissioner holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17, the Commissioner’s investment balance has ranged between £11.2m and £33.7m. The larger sum is due to the receipt in July 2016 of £16.9m pension top up grant from the Home Office which is drawn down steadily over the remainder of the year. Balances in 2017/18 are forecast to be similar to those of 2016/17. It is anticipated that some grant funding may be received in advance of the capital spend and at the peak, when the pensions grant is received in July, balances for investment could approach £40m.

**Credit Rating** - Investment decisions are made by reference to the lowest published long-term credit rating from Fitch, Moody’s or Standard & Poor’s. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. In

addition to credit ratings, the Commissioner and its advisors, Arlingclose Ltd, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Sovereign support mechanisms
- Share prices
- Corporate developments, news, articles, market sentiment and momentum
- Subjective overlay – or, put more simply, common sense.

The investment strategy for 2015/16 was opened up slightly to include some additional classes of investment to allow more flexibility and diversification. The strategy for 2017/18 remains the same. The decision to enter into a new class of investment is delegated to the Commissioner's Chief Finance Officer. A full explanation of each class of asset is provided in Appendix A together with a schedule of the limits that will be applied.

#### 4.6.2. Specified and non-specified investments

The DCLG guidance categorises investments as 'specified' and 'non-specified'.

**Specified investments** are sterling denominated instruments with a maximum maturity of 364 days. They also meet the "high credit quality" criteria as determined by the Commissioner and are not deemed capital expenditure investments under statute.

High credit quality specified investments are defined by the Commissioner as those that meet its counterparty selection criteria as outlined in **Appendix A**.

Non specified investments are, effectively, everything else and, so far as an investment strategy is concerned, need to be set out in more detail, with appropriate limits set so as to minimise any exposure to risk. The strategy should also set out the basis upon which any non-specified investments are made, including how financial advice is sought.

So far as the Commissioner is concerned, investment strategies have always been limited to counterparties with high credit ratings. The current policy permits 'Non- Specified' investments (principally to facilitate lending for periods beyond 364 days) subject to:

- a maximum of three years duration.
- Counterparties with a minimum credit rating of A- (or equivalent).
- an overall limit of £5m.

There are currently two investments that at the time of transacting were for a period of greater than 364 days and as such would have been classified as ‘Non-Specified’ investments. At this point in time, only one investment still has a maturity greater than 364 days. There are no changes proposed to the criteria for making “Non-specified investments” as set out above. The option remains to make such investments with very highly rated counterparties up to the limit of £5m should suitable opportunities arise. All such investments would require prior approval by the Commissioner’s Chief Finance Officer.

The Treasury Management Strategy is designed to be a dynamic framework which is responsive to prevailing conditions with the aim of safeguarding the Commissioner’s resources. Accordingly, the Commissioner and its advisors Arlingclose Ltd will continuously monitor corporate developments and market sentiment with regards to counterparties and will amend the approved counterparty list and lending criteria where necessary. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy. It is proposed to continue the policy, adopted last year that the Commissioner’s Chief Finance Officer, subject to consultation with the Commissioner, be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow. The Joint Audit and Standards Committee will be updated on any changes to policy. The performance of the Commissioner’s treasury advisors and quality of advice provided is evaluated prior to the annual renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

#### 4.6.3. The use of Financial Instruments for the Management of Risks

Currently, Local Authorities (including PCC’s) legal power to use derivative instruments remains unclear. The General Power of Competence enshrined in the Localism Act is not sufficiently explicit. The Commissioner has no plans to use derivatives during 2017/18. Should this position change, the Commissioner may seek to develop a detailed and robust risk management framework governing the use of derivatives, but this change in strategy will require explicit approval.

#### 4.6.4. Liquidity of investments

The investment strategy must lay down:

- The principles which are to be used in determining the amount of funds which can prudently be committed for more than one year i.e. what DCLG defines as a long term investment.

For the Commissioner, the total of investments over 364 days in duration are limited to £5m with a maximum duration of three years. This policy balances the desire to maximise investment returns, with the need to maintain the liquidity of funds.

Under current market conditions there is still little opportunity to generate significant additional investment income by investing in longer time periods over 364 days. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2017/18 amounts to £75k (£90k 2016/17) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit and Standards Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

#### 4.7. Treasury Management and Risk

4.7.1. The Commissioner's approach to risk is to seek optimum returns on invested sums, taking into account at all times the paramount security of the investment. The CIPFA Code of Practice and Treasury Management Practices (as set out below in para. 4.8) sets out in some detail defined treasury risks and how those risks are managed on a day to day basis.

#### 4.8. Treasury Management Practices

4.8.1. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- Best Value and Performance Management
- Decision Making and Analysis
- Approved Instruments
- Organisation, Segregation of duties and dealing arrangements
- Reporting and Management Information requirements
- Budgeting, Accounting and Audit
- Cash and cashflow management
- Avoidance of money laundering
- Training

- Use of external service providers
- Corporate Governance

Treasury Management is a specialised and potentially risky activity which is currently managed on a day to day basis by the Financial Services Team under authorisation from the Commissioner's Chief Finance Officer as part of a shared service arrangement for the provision of financial services. The training needs of treasury management staff to ensure that they have appropriate skills and expertise to effectively undertake treasury management responsibilities is addressed on an ongoing basis.

Specific guidance on the content of TMPs is contained within CIPFA's revised code of Practice for Treasury Management. Accordingly, the TMPs have been reviewed in detail and where necessary minor amendments have been made to bring the TMPs into line with The Code.

## 5. Prudential Indicators 2017/18

### 5.1. Background

5.1.1. The Local Government Act 2003 provides the framework for capital finance, based on statutory compliance with a 'Prudential Code', most recently updated in 2011. Local Authorities including PCC's are now free to borrow, so long as the ensuing costs falling on the revenue account are deemed to be **Affordable, Prudent and Sustainable**. In this context, affordable is deemed to mean in relation to the Commissioner's overall spending plans.

### 5.2. Objectives of the Prudential Code

5.2.1. The key objectives of The Code are to ensure, within a clear framework, that Capital investment plans are affordable, prudent and sustainable (or to highlight, in exceptional cases, that there is a danger this will not be achieved so that the Commissioner can take remedial action). To demonstrate that Authorities have fulfilled these objectives, the Prudential Code sets out the Indicators that must be used. The indicators required by The Code are designed purely to support local decision making and are specifically not designed to represent comparative performance indicators. Use of them in this way would be misleading and counterproductive, not least as Authorities have very different levels of debt, capital plans etc.

Separate groups of indicators are required in the following three specified areas:

- Affordability
- Prudence
- Capital Expenditure / External Debt / Treasury Management

The overriding objective in the consideration of the affordability of the Commissioner's capital plans is to ensure that the planned capital investment of the Commissioner remains within sustainable limits, and, in particular, to consider the impact on the overall cost to the Commissioner as expressed by the effect on the Council Tax.

### 5.3. Prudential Indicators 2017/18

5.3.1. The Prudential Indicators required by The Code of Practice are attached at **Appendix B**, together with a brief explanation of the purpose of each indicator and the assumptions which have been used in preparing the indicators.

### 5.4. Setting, Revising, Monitoring and Reporting

5.4.1. Prudential Indicators, other than those using actual expenditure taken from audited statements of accounts must be set prior to the commencement of the financial year to which they relate. Indicators may be revised at any time, and must, in any case, be revised for the year of account when preparing indicators for the following year. The Commissioner's Chief Financial Officer has a prescribed responsibility under The Code to ensure that relevant procedures exist for monitoring and reporting of performance against the indicators. The Prudential Indicators when initially set and whenever revised, must be approved by the body which approves the budget, i.e. The Commissioner.

## 6. Annual MRP Statement for 2017/18

6.1. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008 (SI 2008/414) place a duty on authorities to make a prudent provision for debt redemption, this is known as the **Minimum Revenue Provision (MRP)**. Guidance on Minimum Revenue Provision has been issued by the Secretary of State and local authorities are required to "have regard" to such guidance under section 21(1A) of the Local Government Act 2003. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

6.2. The DCLG Guidance recommends that before the start of the financial year, a statement of MRP policy for the forthcoming financial year is approved by The Commissioner. This is now by agreement encompassed within the TMSS.

6.3. The broad aim of the policy is to ensure that MRP is charged over a period that is reasonably commensurate with the period over which the capital expenditure, which gave rise to the debt, provides benefits.

The four options available for calculating MRP are set out below:

- Option 1 – Regulatory Method based on 4% of the CFR after technical adjustments.
- Option 2 – CFR Method, based on 4% of the CFR with no technical adjustments.
- Option 3 – Asset Life Method, spread over the life of the asset being financed.
- Option 4 – Depreciation Method, based on the period over which the asset being financed is depreciated.

- 6.4. It is proposed that The Commissioner’s MRP policy for 2017/18 is unchanged from that of 2016/17 and that The Commissioner utilises option 1 for all borrowing incurred prior to the 1st April 2008 and option 3 for all borrowing undertaken from 2008/09 onwards, irrespective of whether this is against supported or unsupported expenditure. This policy establishes a link between the period over which the MRP is charged and the life of the asset for which borrowing has been undertaken. It is proposed that a fixed instalment method is used to align to the Commissioner’s straight line depreciation policy.
- 6.5. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 SORP and IFRS will match the annual principal repayment for the associated deferred liability. This will not result in an additional charge to the Commissioner’s revenue budget as this is part of the capital repayment element of the PFI unitary charge.

## 7. Balanced Budget Requirement

- 7.1. The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget.

## 8. Reporting on Treasury Activities

- 8.1. In accordance with The Code of Practice for Treasury Management, the Commissioner will approve the Annual TMSS, receive, a quarterly summary of treasury activity, a mid-year update on the strategy and an annual report after the close of the financial year.
- 8.2. The Joint Audit and Standards Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint and Standards Committee terms of reference in relation to treasury management are:

- Review the Treasury Management policy and procedures to be satisfied that controls are satisfactory.
- Receive regular reports on activities, issues and trends to support the Committee's understanding of Treasury Management activities; the Committee is not responsible for the regular monitoring of activity.
- Review the treasury risk profile and adequacy of treasury risk management processes.
- Review assurances on Treasury Management (for example, an internal audit report, external or other reports).

8.3. The DCLG Guidance on investments states that publication of strategies is now formally recommended, the full suite of strategy documents will be published on the Commissioner's website once approved.

## Counterparty Selection Criteria and Approved Counterparties

### 1. Background

- 1.1. The lending criteria set out below are designed to ensure that, in accordance with The Code of Practice, the security of the funds invested is more important than maximising the return on investments. Following consultation with the Commissioner's treasury advisors Arlingclose Ltd there are no amendments to the criteria used in determining approved investment counterparties for 2017/18 compared to those in operation for 2016/17.

### 2. Counterparty Selection Criteria

- 2.1. The agreed changes to the selection criteria for investment counterparties for 2015/16 included changes to the investment categories, a reduction in the maximum amount and duration lengths for investments. This was to encourage diversification and to increase the security of those funds invested. These principles apply to the 2017/18 strategy. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.
- 2.2. The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd who provide timely updates and advice on the standing of counterparties. Whilst credit ratings are central to the counterparty risk evaluation process, other factors such as the prevailing economic climate are taken into consideration when determining investment strategy and at the time when individual investment decisions are made. In the event that this ongoing monitoring results in a significant change to counterparty selection during the year, the Commissioner and the Joint Audit and Standards Committee will be advised through the quarterly activities report.

- 2.3. The approved investment counterparties for the 2017/18 investment strategy are summarised as follows:

Category	Description	Comments
Category 1	Banks Unsecured	Includes building societies
Category 2	Banks Secured	Includes building societies
Category 3	Government	Includes other Local Authorities
Category 4	Registered Providers	Includes providers of social housing e.g. Housing Associations
Category 5	Pooled Funds	Includes Money Market Funds and property funds

- 2.4. A more detailed explanation of each of these counter party groupings is provided in Schedule B (page 20).

### 3. Counterparty Groupings / Limits

- 3.1. The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in **Schedule A** (page 19). The limits are based on a percentage of the potential maximum sums available for investment during the year which have been forecast as up to £40m. The counterparty limits for 2017/18 are the same as the limits for 2016/17 with one exception - group 5 – Pooled funds. The total amount of investments in this group has been increased from £15m to £20m to allow the Commissioner to take advantage of pooled cash funds. These funds are in essence the same as AAA money market funds but they require 3 days notice for the return of our funds. This slight reduction in cashflow is rewarded by a slightly increased interest rate. Arlingclose suggest that we use these funds for longer term investments and keep the ordinary money market funds to manage our cash flow.

### 4. Description of Credit Ratings

- 4.1. As outlined in paragraph 2.2 above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Arlingclose Ltd. A description of each of the credit rating is provided at **Schedule C** (page 21-23).

## Schedule A – Counterparty Groupings and Associated Limits

Investment Limits						
Credit Rating	Maximum	1	2	3	4	5
		Banks Unsecured	Banks Secured	Government	Registered Providers	Pooled Funds
<u>Category Limit 2016/17</u>	<i>Amount</i>	£20m	£20m	Unlimited	£10m	£20m
	<i>Duration</i>					
<u>Individual Institution/Group Limits</u>						
UK Government	Amount	N/A	N/A	£ unlimited	N/A	N/A
	Duration			50 Years		
AAA	Amount	£2m	£4m	£4m	£2m	£4m per fund (Pooled funds are generally not rated but the diversification of funds equates to a AAA credit rating.)
	Duration	5 years	20 years	50 years	20 years	
AA+	Amount	£2m	£4m	£4m	£2m	
	Duration	5 years	10 years	25 years	10 years	
AA	Amount	£2m	£4m	£4m	£2m	
	Duration	4 years	5 years	15 years	10 years	
AA-	Amount	£2m	£4m	£4m	£2m	
	Duration	3 years	4 years	10 years	10 years	
A+	Amount	£2m	£4m	£2m	£2m	
	Duration	2 years	3 years	5 years	5 years	
A	Amount	£2m	£4m	£2m	£2m	
	Duration	13 months	2 years	5 Years	5 years	
A-	Amount	£2m	£4m	£2m	£2m	
	Duration	6 months	13 months	5 years	5 years	
None	Amount	N/A	N/A	£2m	£2m	
	Duration			25 years	5 years	

Note, individual, group and category limits for 2017/18 are based on the potential maximum available for investment during the year which has been estimated at up to £40m. It should also be noted that as outlined in paragraph 2.2 above, counterparty credit rating is not the only factor taken into consideration at the time of placing investments.

The maximum of all investments with outstanding maturities greater than 364 days will be £5m.

The only approved exception to the above limits is in relation to NatWest Bank (currently rated BBB+), the Commissioner's day to day banking service provider. Advice will be sought from Arlingclose with regards to acceptable levels of cash balances held in "on demand" accounts for cash flow purposes.

## Schedule B – Explanation of Counterparty Groupings

Class of Investment
<p><b>Category 1 - Banks Unsecured:</b> Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a <b>bail-in</b> should the regulator determine that the bank is failing or likely to fail. Unsecured investment with banks rated BBB are restricted to overnight deposits at the Commissioner’s current account bank Nat West plc.</p>
<p><b>Category 2 - Banks Secured:</b> Covered bonds, reverse repurchase agreements and other secured arrangements with banks and building societies. These investments are secured on the bank’s assets, which limits the potential losses in the unlikely event of insolvency, and means that they are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the highest of the collateral credit rating and the counterparty credit rating will be used to determine cash and time limits. The combined secured and unsecured investments in any one bank will not exceed the cash limit for secured investments.</p>
<p><b>Category 3 - Government:</b> Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to <b>bail-in</b>, and there is an insignificant risk of insolvency. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.</p>
<p><b>Category 4 - Registered Providers:</b> Loans and bonds issued by, guaranteed by or secured on the assets of Registered Providers of Social Housing, formerly known as Housing Associations. These bodies are tightly regulated by the Homes and Communities Agency and, as providers of public services, they retain a high likelihood of receiving government support if needed.</p>
<p><b>Category 5 - Pooled Funds:</b> Shares in diversified investment vehicles consisting of the any of the above investment types, plus equity shares and property. These funds have the advantage of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a fee. Money Market Funds that offer same-day liquidity and aim for a constant net asset value (NAV) will be used as an alternative to instant access bank accounts, while pooled funds whose value changes with market prices and/or have a notice period will be used for longer investment periods.</p> <p>Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Commissioner to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the Commissioner’s investment objectives will be monitored regularly.</p>

## Schedule C – Description of Credit Ratings – Long Term Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
<b>Long Term Rating</b>	<p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to DDD.</p> <ul style="list-style-type: none"> <li>• AAA Highest credit quality 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be affected by foreseeable events.</li> <li>• AA Very high credit quality 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.</li> <li>• A High credit quality 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A-.</b></p>	<p>This category of ratings applies to investments over 12 months. The grading is in the range Aaa, Aa, A, etc, down to C.</p> <p>Moody's appends numerical modifiers 1, 2, and 3 to each generic rating classification from Aa to Caa.</p> <p>The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.</p> <ul style="list-style-type: none"> <li>• Aaa Obligations rated Aaa are judged to be of the highest quality, with minimal credit risk.</li> <li>• Aa Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.</li> <li>• A Obligations rated A are considered upper-medium grade and are subject to low credit risk.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A1.</b></p>	<p>This category of ratings applies to investments over 12 months. The grading is in the range AAA, AA, A, etc, down to D.</p> <p>The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.</p> <ul style="list-style-type: none"> <li>• AAA: An obligation rated 'AAA' has the highest rating assigned by Standard &amp; Poor's. The obligor's capacity to meet its financial commitment on the obligation is extremely strong.</li> <li>• AA: An obligation rated 'AA' differs from the highest-rated obligations only to a small degree. The obligor's capacity to meet its financial commitment on the obligation is very strong.</li> <li>• A: An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher-rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still strong.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A-.</b></p>

## Schedule C – Description of Credit Ratings – Short Term Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
<b>Short Term Rating</b>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range F1, F2, F3, B, C, D.</p> <ul style="list-style-type: none"> <li>F1 Highest credit quality Indicates the strongest capacity for timely payment of financial commitments; may have an added "+" to denote an exceptionally strong credit feature.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of F1.</b></p>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range P1, P2, P3, NP (not prime).</p> <ul style="list-style-type: none"> <li>P1 Issuers (or supporting institutions) rated Prime-1 have a superior ability to repay short-term debt obligations.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of P1.</b></p>	<p>This category of ratings generally applies to investments of up to 12 months. The grading is in the range A1,A2, A3, B1, B2, B3, C, D.</p> <ul style="list-style-type: none"> <li>A1 A short-term obligation rated 'A-1' is rated in the highest category by Standard &amp; Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.</li> </ul> <p><b>The Commissioner will confine investments to those institutions with a minimum rating of A1.</b></p>

## Schedule C – Description of Credit Ratings – Support Rating

Rating Agency	Fitch	Moody's	Standard & Poor's
<b>Support Rating (Fitch)</b>	<p>This category of assessment does not rate the quality of the banking institution, but represents the analyst's view of whether the bank would receive State or other support should this be necessary. The gradings are in the range 1 – 5, although as set out above, the strategy is to restrict such investments to grades 1 - 3:</p> <ul style="list-style-type: none"> <li>• 1) A bank for which there is an extremely high probability of external support. The potential provider of support is very highly rated in its own right and has a very high propensity to support the bank in question.</li> <li>• 2) A bank for which, in the Analyst's opinion, there is a high probability of external support. The potential provider of support is highly rated in its own right and has a high propensity to support the bank in question.</li> <li>• 3) A bank for which, in the Analyst's opinion, there is a moderate probability of external support, because of uncertainties about the ability or propensity of the potential provider of support to do so.</li> </ul>	<p>Not applicable</p>	<p>Not applicable</p>

## Prudential Indicators 2017/18 to 2019/20

### Introduction

The Prudential Code for Capital Finance in Local Authorities (Prudential Code) has been developed by the Chartered Institute of Public Finance and Accountancy to provide a code of practice to underpin the system of capital finance embodied in Part 1 of the Local Government Act 2003, the Prudential Code was revised in November 2011. Local Authorities (which includes Police and Crime Commissioner's) are free to determine their own level of capital investment controlled by self-regulation. The exercise of these new freedoms is subject to compliance with the requirements of the CIPFA Prudential Code, which is made a statutory requirement under the provisions of the Local Government Act 2003. The key objectives of the Prudential Code are to ensure that capital investment plans are affordable, prudent and sustainable.

The Prudential Code supports a system of self-regulation that is achieved by the setting and monitoring of a suite of Prudential Indicators that directly relate to each other. The indicators establish parameters within which the Commissioner should operate to ensure that the objectives of the Prudential Code are met.

### Prudential Indicators

The Prudential Indicators for which the Commissioner is required to set limits are as follows:

#### 1. Net Borrowing and the Capital Financing Requirement

This is a key indicator of Prudence. This Prudential Indicator provides an overarching requirement that all the indicators operate within and is described in the Prudential Code as follows:

'In order to ensure that over the medium term net borrowing will only be for a capital purpose, the authority should ensure that net external borrowing does not, except in the short term, exceed the total of capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years'.

The Commissioner's Chief Financial Officer reports that the Commissioner had no difficulty meeting this requirement for 2015/16, nor are any difficulties envisaged for the current or future years. This view takes into account all plans and commitments included in the 2017/18 budget. The table below provides a comparison of net borrowing and the Capital Financing Requirement.

Comparison of Net Borrowing and the Capital Financing Requirement					
	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Net Debt (section 9 below provides analysis)	(8.016)	(17.256)	(15.280)	(11.532)	(8.984)
Capital Financing Requirement as at 31 March	18.673	18.401	17.978	17.546	17.103

## 2. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on council tax.

The actual amount of capital expenditure that was incurred during 2015/16, and the estimates of capital expenditure to be incurred for the current and future years that are proposed in the 2017/18 budget plus known requirements in both 2018/19 and 2019/20 are set out in the table below.

Capital Expenditure	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Revised Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Expenditure	8.999	4.466	6.521	8.760	3.493

Capital expenditure will be financed or funded as follows:

Capital Financing	2015/16 Actual £m	2016/17 Revised Estimate £m	2017/18 Estimate £m	2018/19 Estimate £m	2019/20 Estimate £m
Capital Receipts	0.000	0.000	0.000	0.000	0.248
Government Grants	0.607	0.454	1.798	4.246	0.811
Revenue Contributions	6.388	3.871	4.723	4.514	2.434
<b>Total Financing</b>	<b>6.995</b>	<b>4.325</b>	<b>6.521</b>	<b>8.760</b>	<b>3.493</b>
Borrowing *	2.004	0.141	0.000	0.000	0.000
<b>Total Funding</b>	<b>2.004</b>	<b>0.141</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Total Financing and Funding</b>	<b>8.999</b>	<b>4.466</b>	<b>6.521</b>	<b>8.760</b>	<b>3.493</b>

\* In the current financial climate the decision has been taken to borrow internally rather than from the PWLB which will be reflected in the capital financing requirement indicator.

### 3. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability and highlights the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code.

Financing Costs include the amount of interest payable in respect of borrowing or other long term liabilities and the amount the Commissioner is required to set aside to repay debt, less interest and investments income. The Commissioner's financing costs can be both positive and negative dependent on the relative level of interest receipts and payments.

The actual Net Revenue Stream is the 'amount to be met from government grants and local taxation' taken from the annual Statement of Accounts, budget, budget proposal and medium term financial forecast. These figures are purely indicative and are, in particular, in no way meant to indicate planned increases in funding from Council Tax.

## Council Tax Increase of 1.9% from 2017/18

Ratio of Financing Costs to Net Revenue Stream					
	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Financing Costs	0.242	0.313	0.348	0.367	0.393
Net Revenue Stream	94.871	95.675	96.178	95.945	96.150
Ratio	0.26%	0.33%	0.36%	0.38%	0.41%

## 4. Capital Financing Requirement

The capital financing requirement (CFR) is a measure of the extent to which the Commissioner needs to borrow to support capital expenditure. It does not necessarily relate to the actual amount of borrowing at any one point in time. The Commissioner has an integrated treasury management strategy where there is no distinction between revenue and capital cash flows, and the day to day position of external borrowing and investments can change constantly.

The CFR concerns only those borrowing transactions arising from capital spending, whereas the total amount of external borrowing is a consequence of all revenue and capital cash transactions combined together following recommended treasury management practice.

The CFR as presented below now includes a figure in respect of the PFI contract as required by changes to proper accounting practices introduced in The Code of Practice on Local Authority Accounting 2009.

Capital Financing Requirement	2015/16	2016/17	2017/18	2018/19	2019/20
	Actual	Estimate	Estimate	Estimate	Estimate
	£m	£m	£m	£m	£m
Capital Financing Requirement as at 31 March.	18.673	18.401	17.978	17.546	17.103

## 5. The Authorised Limit

The Authorised Limit represents an upper limit of external borrowing that could be afforded in the short term but may not be sustainable. This limit includes a risk assessment of exceptional events taking into account the demands of revenue and capital cash flows. The Authorised Limit gauges events that may occur over and above those transactions which have been included in the Operational Boundary. The Authorised Limit must not be breached.

**The Commissioner should note that the Authorised Limit represents the limit specified in section 3 (1) of the Local Government Act 2003 (Duty to determine affordable borrowing limit).**

The following Authorised Limits for external debt, excluding temporary investments are recommended:

Authorised Limit for External Debt			
	2017/18	2018/19	2019/20
	£m	£m	£m
External Borrowing	19.591	19.301	19.019
Other Long Term Liabilities	4.887	4.745	4.585
Total Authorised Limit	24.478	24.047	23.603

## 6. Operational Boundary

The Operational Boundary represents an estimate of the most likely, prudent, but not worst case scenario and provides a parameter against which day to day treasury management activity can be monitored.

Occasionally, the Operational Boundary may be exceeded (but still not breach the Authorised Limit) following variations in cash flow. Such an occurrence would follow controlled treasury management action and may not have a significant impact on the prudential indicators when viewed all together.

Consistent with the Authorised Limit, the Commissioner's Chief Financial Officer has delegated authority, within the total Operational Boundary, to effect movement between the separately identified and agreed figures for External Borrowing and Other Long Term Liabilities. Any such changes will be reported to the Commissioner and the Joint Audit and Standards Committee meeting following the change. The following limits for each year's Operational Boundary, excluding temporary investments are recommended:

Operational Boundary for External Debt			
	2017/18	2018/19	2019/20
	£m	£m	£m
External Borrowing	18.091	17.801	17.519
Other Long Term Liabilities	4.887	4.745	4.585
Total Operational Boundary	22.978	22.547	22.103

## 7. Actual External Debt

The Commissioner's actual external debt as at 31 March 2017 will be £5.012m, comprising other long term liabilities of £5.012m in relation to the PFI. It is unlikely that the Commissioner will actually exercise external borrowing until there is a change in the present structure of investments rates compared to the costs of borrowing. It should be noted that all external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

## 8. The Incremental Impact of Capital Investment Decisions on the Council Tax

This is an indicator of affordability that shows the impact of capital investment decision on Council Tax. This indicator identifies specifically the additional cost to the taxpayer of the **new capital investment** proposed in the 2017/18 to 2019/20 Capital Programme.

The impact identifies the revenue expenditure that will arise as a result of approval of the 2017/18 capital programme. The revenue effects of previously approved capital schemes are not included in this indicator.

The impact has been calculated using forward estimates of funding consistent with expectations in the latest medium term forecast.

The impact on the revenue budget, and therefore the Council Tax, is felt by a combination of the following: debt costs of the new borrowing, the amount set aside from revenue to repay the principal element of external borrowing (Minimum Revenue Provision), the revenue impact of a capital project (e.g. running costs or savings of a new asset) and Direct Revenue Contributions.

It should be noted that borrowing itself does not fund capital expenditure since the loans have to be repaid eventually. The actual funding comes from the Minimum Revenue Provision, which is statutorily charged to revenue each year.

The estimate of the impact of the capital investment approved in the 2017/18 Budget on the Council Tax is set out in the table below. The figures are not cumulative and show the actual impact in each year.

The 2017/18 Council Tax is proposed to be £220.77 for band D properties.

Impact of capital investment decisions on the Council Tax			
	2017/18	2018/19	2019/20
	£	£	£
Capital Expenditure funded from revenue	1.584m	1.744m	1.684m
Financing and direct revenue costs	0.000m	0.000m	0.000m
Total Incremental Revenue Effect of Capital Investment	1.584m	1.744m	1.684m
Incremental Impact on Band D Council Tax	9.485	10.365	9.934

## 9. Gross and Net Debt

The purpose of this treasury indicator is to highlight a situation where The Commissioner is planning to borrow in advance of need.

Gross and Net Debt			
	2017/18	2018/19	2019/20
	£m	£m	£m
Outstanding Borrowing (at notional value)	-	-	-
Other Long Term Liabilities (PFI & Finance Lease at notional value)	4.887	4.745	4.585
Gross Debt	<b>4.887</b>	<b>4.745</b>	<b>4.585</b>
Less Investments	20.167	16.277	13.568
Net Debt	(15.280)	(11.532)	(8.984)

## 10. Fixed Interest Rate Exposures

It is recommended that The Commissioner sets an upper limit on its fixed interest rate exposures as follows.

Upper limits for net principal sums outstanding at fixed rates			
	2017/18	2018/19	2019/20
	£m	£m	£m
Net Principal sums Outstanding at Fixed Rates	24.48	24.05	23.60

This represents the position that all of the Commissioner's authorised external borrowing may be at a fixed rate at any one time.

## 11. Variable Interest Rate Exposures

It is recommended that the Commissioner sets an upper limit on its variable interest rate exposures as follows.

Upper limits for net principal sums outstanding at variable rates			
	2016/17	2017/18	2018/19
	£m	£m	£m
Net Principal sums Outstanding at Variable Rates	1.50	1.50	1.50

This is the maximum external borrowing judged prudent by the Commissioner's Chief Finance Officer that the Commissioner should expose to variable rates.

The limit is determined according to the Commissioner's appetite for exposure to interest rate risk, specifically the risk of paying higher rates of interest on borrowing that is not offset by earning higher rates of interest on investments. The limit set is prudent, to illustrate by example, with £24m of reserves and a £1.5m exposure to variable rates, even a 10% rise in interest rates would impact on the level of reserves by less than 1%.

## 12. Maturity Structure of Borrowing

It is recommended that the upper and lower limits for the maturity structure of borrowings are as follows:

Amount of projected borrowing that is fixed rate maturing in each period as a percentage of total projected borrowing that is fixed rate.

This indicator is primarily applicable to authorities which have undertaken significant levels of borrowing to finance their capital programmes in which case it is prudent to spread the profile of repayments to safeguard against fluctuations of interest payments arising from having to refinance a large proportion of the debt portfolio at any point in time. During 2012/13 the Commissioner repaid all outstanding external borrowing and as a result there is currently no requirement to apply stringent limits to the maturity profile of existing debt.

Period of Maturity	Upper Limit	Lower Limit
	%	%
Under 12 months	100.00	0
12 months and within 24 months	100.00	0
24 months and within 5 years	100.00	0
5 years and within 10years	100.00	0
10 years and above	100.00	0

## 13. Investments for longer than 364 days

The Treasury Management Strategy allows “non-specified” investments for periods of up to 5 years. The maximum of all investments with outstanding maturities greater than 364 days will be £5m.



# Office of the Police and Crime Commissioner Report

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 002 / 2017)

**TITLE: Approval of the Capital Strategy 2017/18 and Beyond**

## **Executive Summary:**

The purpose of this report is to provide information on the proposed capital programme for 2017/18 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: “within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**”. To meet these requirements, all schemes within the 4 year medium term capital programme are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts or revenue contributions.

## **Recommendation:**

- 1.1. The Commissioner is asked to approve the capital strategy for 2017/18 and beyond as part of the overall budget process for 2017/18.
- 1.2. The Commissioner is asked to approve the status of capital projects as outlined in paragraph 3.12 and as detailed in the appendices 2 to 5.

**Police & Crime Commissioner**

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation above

**Police & Crime Commissioner / Chief Executive (delete as appropriate)**

**Signature:      Date:**



# Cumbria Office of the Police and Crime Commissioner

## Title: Capital Strategy 2017/18 & Beyond

**Public Accountability Conference: 22 February 2017**

**Report of the PCC Chief Finance Officer**

**Originating Officers: Michelle Bellis, Deputy Chief Finance Officer**

**Lorraine Holme, Principal Financial Services Officer**

### 1. Purpose of the Report

- 1.1. The purpose of this report is to provide information on the proposed capital programme for 2017/18 and beyond, both in terms of capital expenditure projections and the financing available to fund such expenditure. The capital programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner.

### 2. Recommendations

- 2.1. The Commissioner is asked to approve the capital strategy for 2017/18 and beyond as part of the overall budget process for 2017/18.
- 2.2. The Commissioner is asked to approve the status of capital projects as outlined in paragraph 3.12 and as detailed in the appendices 2 to 5

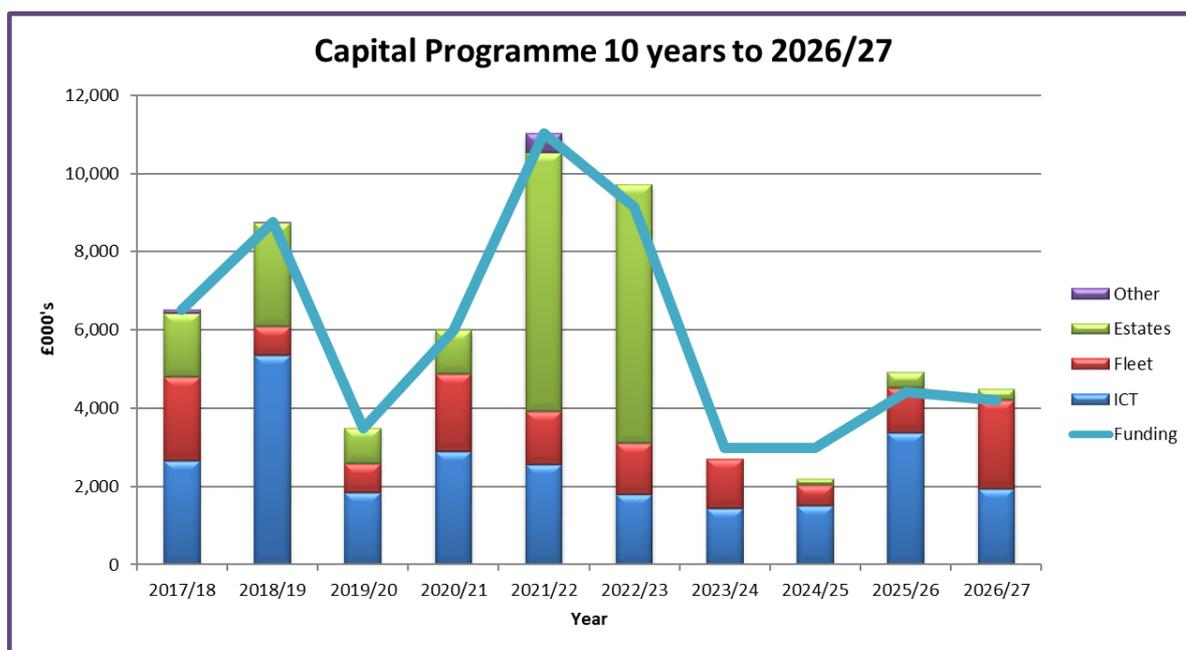
### 3. Capital Funding and Expenditure

- 3.1. Local Authorities (including Police and Crime Commissioners) determine their own programmes for capital investment in non-current (fixed) assets that are essential to the delivery of quality public services. The Commissioner is required by regulation to have regard to The Prudential Code when carrying out his duties in England and Wales under part 1 of the Local Government Act 2003. The Prudential Code establishes a framework to support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure: “within a clear framework, that the capital investment plans of local authorities are **affordable, prudent and sustainable**”. To meet these requirements, all schemes within the 4-year medium term capital programme are only approved on the basis that they are fully funded either through capital grants, capital reserves, capital receipts or revenue contributions.
- 3.2. There are three main recurring elements to the Commissioner’s capital programme namely: Fleet Schemes, Estates Schemes and ICT Schemes. In addition to these there are currently a small number of “other schemes” which do not fall into the broad headings above and in particular includes the replacement of portable ballistic protective equipment in the short term and replacement of the CCTV system in the longer term.
- 3.3. The table below provides a high level summary of the proposed capital programme and associated capital financing over the four-year timeframe of the medium term financial forecast (2017/18 to 2020/2021).

Capital Expenditure & Financing	Yr 1	Yr 2	Yr 3	Yr 4
	2017/18	2018/19	2019/20	2020/21
	£000's	£000's	£000's	£000's
<b>Capital Expenditure</b>				
ICT Schemes	2,656	5,343	1,843	2,888
Fleet Schemes	2,128	745	744	1,981
Estates Schemes	1,635	2,649	905	1,120
Other Schemes	102	23	0	0
<b>Total Capital Expenditure</b>	<b>6,521</b>	<b>8,760</b>	<b>3,493</b>	<b>5,989</b>
<b>Capital Financing</b>				
Capital Receipts	0	0	248	1,100
Contributions from Revenue	1,584	1,744	1,684	3,075
Capital Grants	1,798	4,246	811	764
Capital Reserves	3,140	2,770	750	1,050
Borrowing	0	0	0	0
<b>Total Capital Financing</b>	<b>6,521</b>	<b>8,760</b>	<b>3,493</b>	<b>5,989</b>

- 3.4. The profile of capital expenditure fluctuates annually. Across the current four year programme, annual average expenditure typically comprises £1.4m to replace fleet vehicles, £1.6m on estate schemes and around £3.2m for replacement of ICT systems and equipment. ICT Expenditure reflects the Constabulary Strategy to invest in technology along with the national programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN).
- 3.5. Funding for the capital programme historically has been largely dependent on capital grants and capital reserves, supported by an annual contribution to capital from the revenue budget of £1.2m per annum. By the end of 2019/20 historic capital grant and general capital reserves will have been fully utilised. This means that the capital programme from 2020/21 is heavily reliant on revenue contributions to fund capital expenditure. Historically the annual contribution from the revenue budget was set at £1.2m. In order to ensure the stability of the capital programme over the longer 10-year capital strategy, these annual contributions have been increased to £1.6m in 2017/18, £1.7m in 2018/19 and 2019/20 and rising to £3m per annum from 2020/21 as accumulated capital reserves and grant are fully extinguished. The provisional funding settlement figures announced on 20 December stated that the capital grant figure would be £364k from 2017/18 which represents a reduction of 15%.
- 3.6. A summary of the 10-year capital programme is provided for information at **Appendix 1**. The appendix shows that the capital programme is fully funded over the five-year period to 2021/22. The appendix also shows that in years 6-10 of the programme there are some relatively minor shortfalls and excesses that amount to a combined net shortfall of £295k. The detailed figures over the longer term will be subject to some refinement which will address these in year differences. Over the later years of the programme the funding is heavily dependent on revenue contributions with capital grants supporting on average only 16% of the cost of the 10 year programme.
- 3.7. As a result of the majority of capital expenditure being in relation to relatively short lived assets (e.g. ICT and fleet of up to 10 years' life), choices for financing the capital expenditure are fairly limited. Borrowing for short lived assets is not a viable consideration due to the requirement to set aside funds from revenue for the repayment of debt over the life of the asset.

The chart below illustrates capital expenditure and funding over the ten-year period:



### 3.8. ICT Schemes

The ICT Capital Programme primarily provides for the cyclical replacement and improvement of the full range of ICT equipment, hardware and application software to meet the strategic and operational needs of the Constabulary. However, over the period of the medium term financial forecast it also supports the Constabulary strategy to invest in technology to modernise the police service that is delivered to our communities. Significant investment in modernisation now will support sustainability of the service over the longer term and also enables the Constabulary to play its part in delivering the national vision to integrate Digital Policing into the reformed Criminal Justice System improving outcomes for victims. The ICT capital programme in support of the modernisation strategy is supported by the ICT strategy, an annual refresh of which will be presented to the Commissioner for approval at the Public Accountability Conference in February 2017 as part of the overall budget process for 2017/18. The ICT strategy and the capital programme now presented includes all those aspects previously incorporated into the Constabulary Business Plan; investment in Mobile Working, Digital Working and the Change Programme as well as the renewal or replacement of core systems and applications such as the Crime and Intelligence system SLEUTH and Constabulary Finance, HR and Duties systems. The ICT Capital Programme must also make provision for national programmes, in particular the significant investment that will need to be made for the replacement of the police radio (Airwave) system under the national Emergency Services Network (ESN) programme. The ESN scheme is included in the capital programme at the estimated cost of £2.5m over the four years of the MTFF and £5.8m over 10 years. Details are still emerging and it won't be clear as to the financial

commitment needed locally until the Home Office release further information and devices are developed

Compared to the existing programme, the ICT capital programme now presented remains broadly flat over the 10 years and is up only £0.2m over the MTF period. From 2021/22 a savings target of 15% has been applied to the ICT programme.



The scope of the ICT schemes covers the cyclical replacement and improvement of the full range of ICT services: the networks, security and storage data centre capacity that ensures information can be moved securely between the different systems and device end points through which it is entered, processed and stored; local and mandated national police systems such as the main crime and intelligence system,

command and control, forensics management, Prisoner Information systems, case and custody, including digital files for sharing with Criminal Justice partners and the police national data base that supports the sharing of information between forces. Telecommunications systems within the programme provide airwave/radio capacity for police officers on duty and a central communication system to manage 999, 101 calls as well as the core telephony systems used by the Constabulary and OPCC. The Constabulary also maintains the usual range of ICT systems to manage corporate functions including financial transactions, human resources, payroll, fleet management, estates management, ICT support systems and training and learning systems. Budgets for devices provide for the costs of the different technology used to access these systems, including traditional desk top computers, laptops, tablets and smartphones that use application technology (police apps) but importantly provide end user access to all systems and applications.

**Appendix 2** provides a hi-level analysis of the ICT capital programme.

### 3.9. Fleet Schemes

The constabulary fleet replacement programme consists of 284 vehicles. The capital programme provides for the replacement and adaptation of these vehicles on a periodic basis at the end of their useful life. The fleet schemes are supported by the fleet strategy, an annual refresh of which will be presented to the Commissioner for approval at the Public Accountability Conference in February 2017 as part of the overall budget process for 2017/18. The fleet strategy sets out the constabulary fleet requirements over the coming years. The main aim of the fleet strategy is to provide a cost effective fleet service to meet the needs of operational policing. All vehicles are procured through a national framework agreement which ensures value for money is achieved.

During 2016/17 a number of demands for additional vehicles have emerged some of which are linked to new operational units and also dealing with the need to respond in severe weather situations. The replacement programme has been expanded to include some of these additional vehicles, however, these will be subject to a business case before being progressed. From 2021/22 the programme has also been given a savings target of 10% per annum. The Head of Estates & Fleet will work with operational colleagues to deliver these savings through a combination of reducing vehicle numbers,



extending vehicle lives or changing vehicle specifications. Progress against this target will be monitored through the Constabulary's Strategic Vehicle Group. The fleet strategy will also need to consider the impact of the ICT Strategy 2016-2020 and the updated Estates Strategy 2016. The continued reduction in police buildings and the investment in mobile and digital working will have implications for the demand/location

for police vehicles and the arrangements for optimising their utilisation. These changes will impact on the way the fleet is used. This means that whilst the 2017/18 capital programme is recommended for approval on a firm basis, the programme for future years is currently indicative and subject to change as the fleet programme develops to meet the changing needs of the organisation.

**Appendix 3** provides a hi-level analysis of the fleet capital programme.

### 3.10. Estates Schemes

The Commissioner's estate currently consists of 37 premises (including police headquarters, larger police stations/Territorial Policing Area HQ which include custody suites, smaller police stations, two police houses, leased in and leased out property together with surplus assets subject to disposal). The estates schemes are supported by the estates strategy, an annual refresh of which will be presented to the Commissioner for approval at the Public Accountability Conference in February 2017 as part of the overall budget process for 2017/18. The estates strategy aims to provide a link between the strategic objectives of the organisation and priorities for the estate. The strategy outlines the current and future requirements of the estate and documents the changes that are required to meet these.

The estates capital programme presented in February 2016 included provision for the construction of a Strategic Co-ordination Centre. Following announcements regarding refinements to the police funding formula and uncertainty with regard to partner contributions in respect of ongoing running costs, the scheme has been removed from the capital programme. The enabling work around the electrical infrastructure and new car parking facilities has been completed. The remaining budget within the scheme has been ring-fenced to address the need for investment in Police Headquarters in both North and West Cumbria. A scheme has been included within the programme for the development of a new Eden Deployment base and replacement hostel accommodation.

**Appendix 4** provides a hi-level analysis of the estates capital programme.

### 3.11. Other Schemes

Other schemes include cross cutting or operational programmes of work and include the provision of a county wide CCTV system, works to further develop the blended learning system and replacement of the portable ballistic protective equipment for use by our firearms officers.

3.12. The capital programme proposed is to be approved in three status categories:

- **Firm** – Where a firm scheme is approved, procurement can commence without delay.
- **Delegated** – Where a scheme is approved in principle but there are fine details with regards to procurement and cost that have been delegated to the Commissioner's CFO for final approval.
- **Indicative** – Where a scheme requires a full detailed business case to be submitted to the Commissioner for formal approval.

## 4. Supplementary information

### Attachments

- Appendix 1 Capital Expenditure and Financing 10 years 2017/18 to 2026/27
- Appendix 2 ICT Schemes
- Appendix 3 Fleet Schemes
- Appendix 4 Estates Schemes
- Appendix 5 Other Schemes
- Appendix 6 Analysis of the change in Capital Strategy between February 2016 and February 2017

## Capital Expenditure and Financing 10 years 2017/18 to 2026/27

Capital Financing	Yr 0 2016/17 £	Yr 1 2017/18 £	Yr 2 2018/19 £	Yr 3 2019/20 £	Yr 4 2020/21 £	Yr 5 2021/22 £	Yr 6 2022/23 £	Yr 7 2023/24 £	Yr 8 2024/25 £	Yr 9 2025/26 £	Yr 10 2026/27	Yr 1-10 Total £
Capital Receipts	0	0	0	(248,000)	(1,099,510)	(1,029,923)	(1,176,084)	0	0	(249,476)	(750,524)	(4,553,517)
Contributions from Revenue	(633,536)	(1,583,727)	(1,744,047)	(1,683,727)	(3,074,987)	(3,025,527)	(3,006,127)	(2,983,727)	(2,983,727)	(3,062,787)	(3,074,327)	(26,222,710)
Capital Grants	(453,706)	(1,797,687)	(4,245,935)	(810,949)	(764,036)	(363,773)	(363,773)	0	0	(1,091,319)	(363,773)	(9,801,245)
Capital Reserves	(3,237,238)	(3,139,819)	(2,769,921)	(750,000)	(1,050,000)	(6,600,000)	(4,600,000)	0	0	0	0	(18,909,740)
Borrowing	(141,266)	0	0	0	0	0	0	0	0	0	0	0
<b>Total Capital Financing</b>	<b>(4,465,746)</b>	<b>(6,521,233)</b>	<b>(8,759,903)</b>	<b>(3,492,676)</b>	<b>(5,988,534)</b>	<b>(11,019,223)</b>	<b>(9,145,984)</b>	<b>(2,983,727)</b>	<b>(2,983,727)</b>	<b>(4,403,582)</b>	<b>(4,188,624)</b>	<b>(59,487,213)</b>
<b>Capital Budget (Excess)/Shortfall</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>563,891</b>	<b>(284,431)</b>	<b>(795,904)</b>	<b>516,445</b>	<b>294,685</b>	<b>294,685</b>

A more detailed analysis of capital expenditure is provided at Appendices 2-5.

## ICT Schemes

ICT Summary	Yr 0 2016/17 £	Yr 1 2017/18 £	Yr 2 2018/19 £	Yr 3 2019/20 £	Yr 4 2020/21 £	Yr 5 2021/22 £	Yr 6 2022/23 £	Yr 7 2023/24 £	Yr 8 2024/25 £	Yr 9 2025/26 £	Yr 10 2026/27 £	Yr 1-10 Total £
ICT End User Hardware Replacement (002x)	195,355	149,622	659,940	138,809	98,971	446,123	713,175	149,760	106,897	95,553	536,388	3,095,239
ICT Core Hardware Replacement (003/004x)	319,537	580,525	570,320	1,579,865	2,728,032	342,052	661,175	592,400	230,235	3,714,950	417,908	11,417,463
ICT Core Infrastructure Replacement (projects)	199,000	0	0	0	0	0	96,094	750,000	0	0	0	846,094
ICT Infrastructure Solution Replacement (Projects)	306,759	717,079	1,491,460	112,386	53,382	54,396	315,690	56,483	57,556	58,650	59,822	2,976,904
Mobility and Digital	939,767	1,172,000	111,140	12,283	7,428	900,600	7,726	122,280	13,538	81,648	915,859	3,344,502
ESN (Radio Replacement)	9,878	37,000	2,510,000	0	0	1,272,000	324,000	0	1,348,320	0	349,920	5,841,240
Savings Target - 15% Year 5-10 (linked to ICT tech advances and reduced officer numbers)						(452,276)	(317,679)	(250,638)	(263,482)	(592,620)	(341,985)	(2,218,680)
<b>Total ICT Summary</b>	<b>1,970,295</b>	<b>2,656,226</b>	<b>5,342,860</b>	<b>1,843,344</b>	<b>2,887,814</b>	<b>2,562,896</b>	<b>1,800,181</b>	<b>1,420,284</b>	<b>1,493,063</b>	<b>3,358,181</b>	<b>1,937,913</b>	<b>25,302,762</b>

Status - The ICT schemes within the capital programme above consolidate a significant number of complex and interrelated projects. The status of schemes is subject to agreement between the Commissioner and Constabulary. It is recommended that delegated approval is given to the Commissioner's Chief Finance Officer to agree the status of schemes on the basis of the following principles:

### Firm Schemes

- Schemes that are either routine cyclical upgrade of existing systems/hardware/software
- Schemes which have been approved by the Commissioner following submission of a business case/decision report

### Delegated Schemes

- Schemes agreed in principle by decision report, where the detail of the financial profile/procurement/implementation plans are still to be developed
- Schemes within the Chief Finance Officer's virement authorisation limits for which there is a clear business case
- Schemes above the Chief Finance Officer's virement authorisation limits, but which are nationally mandated and supported by a business case.

Schemes not meeting the principles for firm or delegated schemes will be classed as indicative and will require a business case or decision report to the Commissioner before approval is given to commence with the scheme. The status of schemes applies to the funding for the four years 2016/17 to 2019/20, covering the period for which the capital programme is fully funded.

# Fleet Schemes

Fleet Summary	Status	Number of Vehicles in Category	Yr 0 2016/17 £	Yr 1 2017/18 £	Yr 2 2018/19 £	Yr 3 2019/20 £	Yr 4 2020/21 £	Yr 5 2021/22 £	Yr 6 2022/23 £	Yr 7 2023/24 £	Yr 8 2024/25 £	Yr 9 2025/26 £	Yr 10 2026/27 £	Yr 1-10 Total £
Covert	Firm	15	84,500	175,032	64,272	0	37,800	85,470	118,272	145,692	0	0	135,240	761,778
Neighbourhood Policing	Firm	108	365,560	692,886	377,520	0	1,469,124	338,800	677,600	185,022	319,000	0	2,001,960	6,061,912
Specialist Vehicles	Firm	21	13,200	354,042	79,352	69,536	72,252	85,910	262,528	192,774	109,388	0	111,000	1,336,782
Chief Officers	Firm	0	0	0	0	0	0	0	0	0	0	0	0	0
Dog Vehicles	Firm	11	0	0	0	0	272,160	29,700	0	25,764	0	297,360	0	624,984
Motor Cycles	Firm	8	0	134,232	0	0	0	0	15,680	0	0	138,768	0	288,680
Pool Cars	Firm	32	134,900	161,874	42,744	14,204	57,024	145,200	16,352	130,758	42,224	22,184	40,080	672,644
Protected personnel Carriers	Firm	9	0	113,832	0	0	0	184,800	250,320	0	0	131,688	0	680,640
Roads Policing Vehicles	Firm	20	0	363,120	0	508,800	0	391,600	0	547,200	0	420,080	0	2,230,800
Crime Command	Firm	34	197,600	172,584	21,840	151,792	0	0	40,320	219,564	212,976	11,800	142,560	973,436
Crime Scene Investigators	Firm	11	0	0	0	0	0	13,750	185,920	0	0	0	0	199,670
Garage	Firm	3	2,000	45,900	83,200	0	0	0	50,400	0	0	0	0	179,500
Misc Adaptors - Mobile Data Terminals	Firm	0	0	0	0	0	0	0	0	0	0	0	0	0
VIP	Firm	2	0	20,604	15,600	0	0	0	22,624	17,100	0	0	0	75,928
Above Strength Vehicles	Firm	0	0	0	0	0	0	0	0	0	0	0	0	0
For Sale	Firm	0	0	0	0	0	0	0	0	0	0	0	0	0
Recharable Vehicles	Firm	10	0	0	60,320	0	91,260	41,800	22,400	0	0	79,060	90,600	385,440
VASCAR	Indicative			190,000				190,000				190,000		570,000
Fleet Savings - Growth Limited to 50%	Firm			(295,800)	0	0	(18,900)	0	(207,200)	(42,750)	(78,300)	0	(21,000)	(663,950)
Fleet Savings - Target Reduction (linked to new fleet review and reduced officer/staff numbers)	Firm			0	0	0	0	(150,703)	(145,522)	(142,112)	(60,529)	(129,094)	(250,044)	(878,004)
<b>Total Fleet Summary</b>		<b>284</b>	<b>797,760</b>	<b>2,128,306</b>	<b>744,848</b>	<b>744,332</b>	<b>1,980,720</b>	<b>1,356,327</b>	<b>1,309,694</b>	<b>1,279,012</b>	<b>544,759</b>	<b>1,161,846</b>	<b>2,250,396</b>	<b>13,500,240</b>

Status - Fleet Replacement - It is recommended that all fleet replacement schemes are approved as firm for 2017/18 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2017/18 to inform the status of the capital programme in future years.

Status – VASCAR - It is recommended that this scheme is approved within the capital programme as indicative and as such will require a business case or decision report to the Commissioner before approval is given to commence with the scheme.

## Estates Schemes

Estates Schemes	Ref	Status	Yr 0 2016/17 £	Yr 1 2017/18 £	Yr 2 2018/19 £	Yr 3 2019/20 £	Yr 4 2020/21 £	Yr 5 2021/22 £	Yr 6 2022/23 £	Yr 7 2023/24 £	Yr 8 2024/25 £	Yr 9 2025/26 £	Yr 10 2026/27 £	Yr 1-10 Total £
<b>Existing Schemes</b>														
South Estate - Kendal Custody	a	Firm	141,266	0	0	0	0	0	0	0	0	0	0	0
South Estate - Barrow & Ulverston	b	Firm	8,794	0	0	0	0	0	0	0	0	0	0	0
Roof Repairs - Various														
- Whitehaven Police Station	c	Firm	0	0	37,625	0	0	0	0	0	0	0	0	37,625
- Kendal Police Station	d	Firm	0	0	0	55,000	0	0	0	0	0	0	120,000	175,000
Heating, Ventilation & Cooling Plant - Various														
- Police Headquarters	e	Firm	0	0	0	0	0	0	0	0	0	300,000	0	300,000
HQ Electrical Infrastructure	f	Firm	462,161	0	0	0	0	0	0	0	0	0	0	0
UPS Durranhill	g	Firm	0	0	0	0	0	0	0	0	150,000	0	0	150,000
UPS HQ	h	Firm	0	0	0	100,000	0	0	0	0	0	0	0	100,000
North Resilience Flood Management - Car Park	i	Firm	170,046	0	0	0	0	0	0	0	0	0	0	0
North Resilience Flood Management - NPT/Hostel	j	Delegated	50,000	1,407,680	2,111,520	0	0	0	0	0	0	0	0	3,519,200
North Resilience Flood Management - Green	k	Delegated	0	96,971	0	0	0	0	0	0	0	0	0	96,971
Workington - Land Purchase	l	Firm	500,000	0	0	0	0	0	0	0	0	0	0	0
Garage Provision	m	Indicative	0	0	500,000	0	0	0	0	0	0	0	0	500,000
Durranhill - Replacement CCTV system and cell call	n	Firm	0	0	0	0	0	0	0	0	0	100,000	0	100,000
West Resilience Flood Management	o	Indicative	0	0	0	750,000	1,050,000	6,600,000	6,600,000	0	0	0	0	15,000,000
<b>Sub Total Existing Estates Schemes</b>			<b>1,332,267</b>	<b>1,504,651</b>	<b>2,649,145</b>	<b>905,000</b>	<b>1,050,000</b>	<b>6,600,000</b>	<b>6,600,000</b>	<b>0</b>	<b>150,000</b>	<b>400,000</b>	<b>120,000</b>	<b>19,978,796</b>
<b>New Estates Schemes 2017/18</b>														
Roof Repairs - HQ Dog section	p	Firm	0	0	0	0	70,000	0	0	0	0	0	-	70,000
Roof Repairs & Glazing - Durranhill	q	Firm	0	0	0	0	0	0	0	0	0	0	75,000	75,000
Heating, Ventilation & Cooling Plant - Durranhill	r	Firm	0	30,000	0	0	0	0	0	0	0	0	-	30,000
HQ Static inverter	s	Firm	0	50,000	0	0	0	0	0	0	0	0	50,000	100,000
HQ firearms flood defence to ventilation plant	t	Firm	0	50,000	0	0	0	0	0	0	0	0	-	50,000
HQ window conservation	u	Firm	0	0	0	0	0	0	0	0	0	0	50,000	50,000
<b>Sub Total New Estates Schemes</b>			<b>0</b>	<b>130,000</b>	<b>0</b>	<b>0</b>	<b>70,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>175,000</b>	<b>375,000</b>
<b>Total Estates Schemes</b>			<b>1,332,267</b>	<b>1,634,651</b>	<b>2,649,145</b>	<b>905,000</b>	<b>1,120,000</b>	<b>6,600,000</b>	<b>6,600,000</b>	<b>0</b>	<b>150,000</b>	<b>400,000</b>	<b>295,000</b>	<b>20,353,796</b>

## Scheme Status Recommendations\*

1. It is recommended that schemes (c), (d), (e), (g), (h), (i), (l), (p), (q), (r), (s), (t), (u) are approved as firm, these being routine cyclical replacement and upgrade of existing facilities.
2. It is recommended that schemes (a), (b), (f), (l), (n) are approved as firm, the scheme having been subject to an approved business case.
3. It is recommended that enhancements to scheme (j), (k) previously approved by the Commissioner on a firm schemes, now be delegated to the PCC Chief Finance Officer for final approval.
4. It is recommended that schemes (m), (o) are agreed in principle as indicative schemes and subject to a business case being approved by the Commissioner.

\*scheme status applies to the financial profile between 2017/18 and 2020/21 only unless otherwise stated.

## Other Schemes

Other Schemes	Status	Yr 0 2016/17 £	Yr 1 2017/18 £	Yr 2 2018/19 £	Yr 3 2019/20 £	Yr 4 2020/21 £	Yr 5 2021/22 £	Yr 6 2022/23 £	Yr 7 2023/24 £	Yr 8 2024/25 £	Yr 9 2025/26 £	Yr 10 2026/27 £	Yr 1-10 Total £
ANPR - Motorway equipment Replacement	Firm	7,580	0	0	0	0	0	0	0	0	0	0	0
ANPR Expansion	Firm	225,369	0	0	0	0	0	0	0	0	0	0	0
Finance & Business Systems Upgrade	Firm		0	0	0	0	0	0	0	0	0	0	0
Firearms Replacement	Firm		0	0	0	0	0	0	0	0	0	0	0
CCTV	Firm	38,670	0	0	0	0	500,000	0	0	0	0	0	500,000
Intranet	Firm	27,500	0	0	0	0	0	0	0	0	0	0	0
Leadership & Skills - Blended learning	Delegated		79,000	0	0	0	0	0	0	0	0	0	79,000
Topcon GPS positioning Equipment	Firm	40,100	0	0	0	0	0	0	0	0	0	0	0
Digital Interview Suites	Firm	26,204	0	0	0	0	0	0	0	0	0	0	0
Portable Ballistic Protective Equipment	Indicative		23,050	23,050	0	0	0	0	0	0	0	0	46,100
Body Worn Video AFO / Tasers - not included here as they are included in the Red Sigma budget.													
<b>Total Other Schemes</b>		<b>365,423</b>	<b>102,050</b>	<b>23,050</b>	<b>0</b>	<b>0</b>	<b>500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>625,100</b>

### Scheme Status Recommendations\*

1. It is recommended that the majority of schemes are approved as firm, these being schemes having been subject to an approved business case
2. It is recommended that the Blended learning scheme previously approved by the Commissioner via a business case is delegated to the PCC Chief Finance Officer for final approval.
3. It is recommended that the Portable Ballistic Protective Equipment scheme be approved on an indicative basis subject to a business case being presented to the Commissioner for approval.

\*scheme status applies to the financial profile between 2017/18 and 2020/21 only unless otherwise stated.

## Analysis of the change in Capital Strategy between February 2016 and the February 2017 position.

	Yr 1 2017/18 £	Yr 2 2018/19 £	Yr 3 2019/20 £	Yr 4 2020/21 £	MTFF TOTAL £
Capital Strategy - February 2016	9,835,707	6,684,098	9,201,185	13,701,355	39,422,345
Capital Strategy - Proposed (January 2017)	6,521,233	8,759,903	3,492,676	5,988,534	24,762,346
Difference (decrease)/Increase	(3,314,474)	2,075,805	(5,708,509)	(7,712,822)	(14,660,000)
<b>Difference by Type</b>					
- ICT Schemes	(2,096,896)	3,944,830	84,618	(2,052,372)	(119,820)
- Fleet Schemes	679,695	215,442	106,873	(180,450)	821,560
- Estates Schemes	(1,999,323)	(2,107,517)	(5,900,000)	(5,480,000)	(15,486,840)
- Other Schemes	102,050	23,050	0	0	125,100
Difference (decrease)/Increase	(3,314,474)	2,075,805	(5,708,509)	(7,712,822)	(14,660,000)
<b>Explanation of the Difference by Type</b>					
<b>- ICT Schemes</b>					
Growth in Smart Phones & covers to reflect latest WFP	67,000	71,280	53,460	0	191,740
Growth in Mobile Devices to reflect latest WFP (inc docking and keyboard)	0	(43,340)	5,000	(627,000)	(665,340)
Employed Project Staff resources removed	(39,375)	(40,250)	(41,125)	(42,000)	(162,750)
ESN National Slippage	(2,423,000)	2,510,000	0	(1,272,000)	(1,185,000)
Slippage	249,479	1,380,000	60,000	0	1,689,479
Other Changes	49,000	67,140	7,283	(111,372)	12,051
<b>- Fleet Schemes</b>					
BWX X5 replacement Costs increased	56,400	0	0	0	56,400
Plain vehicles Increased £13k from £9k - Same Profile	14,800	0	30,404	12,584	57,788
Plain vehicles Increased £13k from £9k - New Profile	(21,008)	(10,706)	0	(11,110)	(42,824)
Change of Life	(21,130)	105,704	(44,496)	(91,960)	(51,882)
Removed from the plan	(106,288)	0	(22,248)	(24,530)	(153,066)
Growth	448,800	0	0	37,800	486,600
Growth Winter Vehicles	142,800	0	0	0	142,800
Change of Life and Value	26,520	0	(4,952)	(49,060)	(27,492)
Change in Value	7,592	0	0	0	7,592
Difference in Inflation - no other changes	(18,628)	(11,908)	(11,200)	(35,274)	(77,010)
VASCAR	190,000	0	0	0	190,000
Reduction in Growth	(295,800)	0	0	(18,900)	(314,700)
Savings to Identify	255,637	132,352	159,365	0	547,354
<b>- Estates Schemes</b>					
North Resilience Flood Mgmt Changes	(1,329,323)	(1,507,517)	0	0	(2,836,840)
Slippage 16/17 in to 18/19	0	500,000	0	0	500,000
West Resilience whole scheme slipped 2 years	(750,000)	(1,050,000)	(5,850,000)	(5,550,000)	(13,200,000)
Scheme transferred to revenue	(50,000)	(50,000)	(50,000)	0	(150,000)
New Schemes added in	130,000	0	0	70,000	200,000
<b>- Other Schemes</b>					
Slippage from 2016/17 and to 17/18	79,000	0	0	0	79,000
New Schemes Added in	23,050	23,050	0	0	46,100
Difference (decrease)/Increase	(3,314,474)	2,075,805	(5,708,509)	(7,712,822)	(14,660,000)



# Office of the Police & Crime Commissioner

**REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 003 / 2017)**

**TITLE: 2017-18 Budget and Medium Term Financial Forecast**

## **Executive Summary:**

The Commissioner is asked to approve the revenue and capital budgets for 2017/18 and the level of council tax to support the budget, having taken into account the advice of the Chief Finance Officer in her report on the robustness of the proposed budgets. The papers provide provisional financial information for the years 2018/19 to 2020/21 and for 10 years in respect of the capital programme.

## **Recommendation:**

The Commissioner is asked to note the attached Chief Financial Officer's report on the robustness of the budget 'the Local Government Act 2003 Requirements' report, taking into account her advice in respect of his decisions on the proposed budgets.

Appendix C of the attached report 'Budget 2017/18 and Financial Forecasts 2018/19 to 2020/2021' sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:

- a) The revenue budgets outlined in the report and appendices be approved, having regard to the Local Government Act 2003 Requirements report
- b) That the policy on reserves at appendix B be approved
- c) That the budget requirement for 2017/18 be set on the basis of the amount within the budget resolution at appendix C
- d) The council tax for Band D properties be approved at £220.77 for 2017/18, an increase of £4.14 or 1.91%, being the amount within the budget resolution
- e) The Commissioner approves the growth items set out in appendix D

**Police & Crime Commissioner**

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

**Police & Crime Commissioner / Chief Executive (delete as appropriate)**

**Signature:** ..... **Date:** .....

**PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC**

**1. Introduction & Background**

It is a legal requirement for the Police and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. The attached reports set out the proposed budgets and the advice of the Commissioner’s Chief Finance Officer regarding their approval.

**2. Issues for Consideration**

Please see attached reports. The Local Government Act 2003 report sets out the primary issues for consideration in approving the proposed budgets.

**3. Implications**

**(List and include views of all those consulted, whether they agree or disagree and why)**

- 3.1. Financial: As set out in the attached reports
- 3.2. Legal: It is a legal requirement to annually set a balanced budget and determine the police precept.
- 3.3. Risk: The Local Government Act 2003 report documents the risks to the financial forecasts. Specific operational reserves and contingencies and general balances have been set at a level that in the view of the Chief Finance Officer is reasonable in the context of those risks that it is possible to

provide for. The budgets place reliance on the Home Office transition funding in respect of formula funding risks.

- 3.4. HR / Equality: The proposed budget provide resources used by the Constabulary. The Commissioner has arrangements in place to hold the Chief Constable to account in respect of the Public Sector Equality Duty. The budget is subject to an equality impact assessment. The 2017-18 budgets for the Constabulary provide resources to maintain establishment numbers.
- 3.5. I.T.: The budgets and capital programme are supported by a comprehensive ICT strategy. There are significant implications for ICT following from the investment proposed for both capital and revenue to support the delivery of the strategy.
- 3.6. Procurement: Accompanying the papers on this agenda is the Procurement Strategy. There are significant procurement implications arising from the budgets in respect of both revenue supplies and services expenditure and procurement of large capital estate and ICT schemes. Procurement regulations require procurement business partners to lead and/or support business managers in any significant or complex procurement activity.
- 3.7. Victims: The budgets provide resources for commissioning victims services in addition to the resources for the continued provision of sexual assault referral services.

#### 4. Backgrounds / supporting papers

The Local Government Act 2003 Requirements Report

Budget 2017/18 and Financial Forecasts 2018/19 to 2020/21

##### **Public Access to Information**

Information in this form is subject to the Freedom of Information Act 2000 (FOIA) 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 automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.

Is the publication of this form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a **Part 2** form - NO

(If Yes, please ensure Part 2 form is completed prior to submission)

**ORIGINATING OFFICER DECLARATION:**

I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.

**Signed:**

**Date:**

**OFFICER APPROVAL**

~~Chief Executive~~ / Deputy Chief Executive (delete as appropriate)

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / ~~Chief Executive~~ (delete as appropriate).

**Signature: R. Hunter**

**Date: 15<sup>th</sup> February 2017**

**Media Strategy**

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? YES

If yes, has a media strategy been formulated? YES

Is the media strategy attached? NO

What is the proposed date of the press release: 22nd February 2017



## Cumbria Office of the Police and Crime Commissioner

Executive Board February 22nd 2017

### Local Government Act 2003 Requirements Report

#### Report of the Chief Finance Officer

#### 1. Introduction

1.1 The Local Government Act 2003 requires the Chief Financial Officer to report formally on the robustness of the budget for consideration immediately prior to setting the Budget and Council Tax. The report aims to ensure that the Commissioner is aware of the opinion of the Chief Financial Officer regarding the robustness of the budget as proposed, including the longer term revenue and capital plans, the affordability of the capital programme when determining prudential indicators and the adequacy of general balances and reserves. The Commissioner is required to take account of this report when determining the budget.

#### 2. Robustness of the Estimates, Medium Term Plans and Tax Setting Calculations

2.1 Preparation for the budget, including decisions on key budget assumptions, takes place between November and February, with the budget being set 14 months ahead of the end of financial year to which it relates. Whilst the final recommended budget will always take account of the latest forecasts, the nature of the budget cycle means that there will always be some level of variation between the budget and actual expenditure. This risk is managed by ensuring that the budget process and estimates are robust and that balances and reserves are set at a level that takes account of financial and operational uncertainty. In giving a positive opinion on the robustness of the estimates and tax setting calculations reliance is placed on the Commissioner's overall arrangements for financial management.

2.2 The process for preparing the estimates involves a budget proposal from the Constabulary. The proposal is supported by detailed financial estimates prepared in accordance with guidance

issued by the Constabulary's Chief Finance Officer. Estimates are prepared under the professional supervision of the Deputy Chief Finance Officer and with the support of financial services officers. Estimates are subject to scrutiny by finance services staff and the Constabulary's Chief Officer Group prior to submission to the Commissioner's Chief Finance Officer for further review.

2.3 Working papers for review include a full reconciliation between the base budget for the previous financial year and the proposed budget for the new financial year for each section of the budget. This is accompanied by the detail of the management accounts. The working papers support an analytical review of the reasonableness of variations between financial years against budget assumptions. The overall budget consolidates the Constabulary's budget proposal with detailed estimates of the Commissioner's direct expenditure; budget's commissioned with other third parties and estimates of income. The most significant areas of income are in respect of government grant and council tax. The budget is calculated using actual information from the settlement and district notification of the tax base.

2.4 In addition to detailed estimates for the immediate financial year, a Medium Term Financial Forecast (MTFF) is prepared covering four financial years. Key financial risks identified within the forecast are included within the Commissioner's strategic risk register and are subject to review based on the likelihood and severity of the risk. This ensures that the medium term profile of income and expenditure is based on a sound review of risk and uncertainty that informs budget assumptions and the level of provisions and reserves.

2.5 Internal audit undertake cyclical reviews of the main financial systems and processes. Both internal and external audit provide an annual opinion on governance and internal controls. In addition, the external auditor undertakes a review of financial resilience as part of the value for money conclusion within the audit findings report. Collectively this work provides assurance with regard to the accuracy and reliability of the financial information used in the budget setting process.

2.6 On the basis of the overall arrangements for financial management, and audit of those arrangements, I can confirm that in my view the Commissioner has robust procedures in place for determining estimates, medium term plans and the Council Tax requirements.

### 3. Determination of the level of resources available

3.1 The resources available to the Commissioner to support expenditure primarily derive from Home Office Police Grant (£58.7m). The next most significant funding source is Council Tax (£37.5m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2017/18 budget is based on actual government grant settlement figures and district notifications of the Council Tax base. As such, a high degree of assurance can be provided in respect of the level of certainty for 2017/18 in respect of funding. This level of assurance cannot be given to resources beyond 2017/18. Whilst Council Tax income forecasts are reasonably assured, there is a high degree of uncertainty with regard to government formula grant funding in future years. This means that there are a number of risks and issues that currently make the calculation of revenue funding forecasts challenging beyond the 2017/18 financial year.

3.2 Each of the key issues with regard to the availability of resources, and the approach taken to managing the associated financial risk, is set out below. It is my opinion that the approach taken, alongside the Commissioner's position with respect to reserves and balances, is both prudent and robust in view of the level of risk.

#### **Police and Crime Panel Veto**

3.3 The arrangements for budget setting provide the Police and Crime Panel with a veto over the level of precept increase. The panel may determine that the precept increase is too high or too low. In these cases, the Commissioner is required to either reduce or increase the precept. It is for the Commissioner to determine the extent to which the precept is revised, having taken into account the views of the panel. For the 2017/18 budget the panel determined not to exercise its powers of veto and the budget is presented on the basis of the precept proposal supported by the panel of 1.91%. The position of the panel in respect of future year precept increases will not be known until January of the relevant financial year, presenting a risk in respect of the precept increase assumptions in the medium term budget.

#### **Legacy Council Tax Grants**

3.4 Council tax discounts are available to support low income households with the cost of their council tax liabilities. They are administered locally on the basis of schemes developed by district councils. Because these benefits were previously administered nationally, and the impact of the change reduces the local tax base and council tax income, a national government grant compensates precept and billing authorities for the funding loss. Further compensation is provided for financial

years where decisions have been taken to freeze the council tax precept. Collectively these grants are known as Legacy Council Tax Grants. The amount of grant for Cumbria is £4.85m.

3.5 There is a level of uncertainty in respect of longer term methodologies for distributing this funding and the mechanism through which the total amount of grant funding will be determined nationally. In addition, the calculation of the total national funding and its distribution is based on a number of assumptions. Where local circumstances vary from these assumptions, there will be a financial implication.

3.6 The level of government grant is set at the time of the financial settlement. The main risk in respect of the level of national funding is therefore in respect of future years grant allocations and the extent to which this funding is impacted by overall reductions in government department expenditure allocations. It is also unclear whether the national review of police funding will result in this and other specific grants being rolled into formula grant. This would result in a change in the distribution methodology with potential impacts from the 2018/19 settlement. Comparisons in 2016/17 of the Commissioner's share of the national total funding for Legacy Council Tax Grants of 0.96% were favourable when compared to the proposed share of the total pot for formula funding of between 0.71% and 0.63%. This means that a consolidation of the grant into the formula funding distribution presents a risk to levels of income. Whilst the impact of this risk is likely to be significant its likelihood of materialising is currently low with the new formula funding review focusing on core grant.

3.7 A further risk is the potential for an increase in local claims for council tax discount. Experience of the last three years suggests that this risk is low as the move to local schemes has not resulted in any significant changes between former benefit and current discount applicants. It is however known that there are gaps between the proportion of households eligible for discounts and the proportion that actually claim. Should this risk materialise there will be an implication for the collection fund managed by districts that will be shared with all precepting bodies. A high level estimate of the impact of this risk suggests that a 10% increase in claims would have a financial implication of around £400k for the Commissioner's budget.

#### **Council Tax Base & Collection Fund Surplus and Deficits**

3.8 The amount of council tax income is dependent on the level of council tax and the council tax base – the number of households in Cumbria, within property bands A to G, with a liability to pay their council tax bill. The council tax base is known for 2016/17 but may go up or down compared to

the forecasts for the three final years of the medium term financial forecast. The medium term forecast assumes an annual increase in tax base of 0.75%. The experience of previous years has been that the actual tax base has been higher than forecast resulting in a low risk to income. Estimates are revisited on an annual basis.

3.9 In any single year the actual council tax income collected from households by district councils can be higher or lower than the amount forecast at the time of setting the budget. Any variation is shared with precepting authorities and will impact on the total amount of council tax income in future years. The factors influencing the council tax base and actual income collected are complex and difficult to forecast. There is therefore always a risk that income does not meet budgeted amounts. This is however considered to be a small risk as more recent trends, following council tax localisation, has been for actual income to exceed the forecast. The budget currently assumes a surplus of £200k per annum.

#### **Council Tax/Council Tax Grant Risk**

3.10 Collectively, the factors above mean that the ability to accurately forecast council tax income and the local council tax grant, in the medium term, is complex, reducing the amount of assurance that can be provided from income forecasts beyond 2017/18. However a high degree of assurance can be provided with regard to the combined income from council tax and council tax grants for the current year. Whilst future income is less certain, there is a higher likelihood of income estimates being exceeded than otherwise. This means that the more significant risk arises from underestimation with a corresponding impact on expenditure budgets. The finance team liaise closely with District Council's when setting these budgets to minimise the extent of this risk. Should any underachievement of income arise it is likely to be capable of being managed without having a material impact on the robustness of the budget or financial resilience.

#### **National Funding Settlements**

3.11 The budget for 2017/18 is presented based on notifications of the actual financial settlements. Beyond 2017/18 financial forecasts are based on estimates. The current medium term forecast assumes a 1.4% annual reduction in Government funding, based on the total police grant for 2017/18, and the commitment to a broadly flat cash settlement for the CSR period, when taking into account Council Tax increases. This forecast excludes the impact of the current review of formula funding. The full range of potential formula funding impacts during the 2015 process was estimated to be between £9.9m and £15.8m for core Police Grant. The approach to the current formula review means that it is not possible at this time to estimate the financial implications. Experience of

the 2015 review indicates that even with changes in methodology, there remains a high risk of a significant reduction in grant funding. Whilst this has potential for a material impact on the budget in the medium term, the CSR commitment may result in transitional funding being applied for the period of the MTF. This would provide a more realistic timescale to deliver the level of strategic change that would be a necessary consequence of any material reduction in funding.

3.12 This strategy carries some level of risk, making the assumption that any changes to formula funding will be supported by sufficient transitional funding to allow time to implement required changes in operational services. It is however considered to be a balanced approach given the high level of uncertainty regarding the timing and impact of changes to national funding formula.

#### **Capital Grants and Capital Receipts**

3.17 The capital budget has been developed as a 10 year programme. Government capital allocations are only given on an annual basis and the resources from 2017/18 have therefore been prudently based. Overall funding within the programme is reliant on capital receipts and this presents some risk to funding given the economic climate and market conditions. Capital reserves are however managed at a level to ensure that the programme is balanced for four years. This provides a high degree of resilience in respect of available funding over the life of the medium term financial forecast.

## **4. The affordability of Spending Plans**

4.1 Revenue and Capital budget plans are subject to annual review to ensure that forecasts of resources remain robust and can support planned levels of expenditure. Whilst the process for developing budget estimates is comprehensive, there will always be a degree of risk and operational uncertainty in respect of expenditure forecasts. The affordability of the budget has to take account of financial risks and the actions that can be taken to mitigate that risk. In my view the Commissioner's expenditure plans are affordable, taking account of the risks set out below and the plans for how they will be managed.

#### **Capital Expenditure**

4.2 The capital programme incorporates the delivery of two significant estates capital schemes. These comprise an Estates North Resilience/Flood Management scheme at the Penrith HQ site, and a longer term scheme Estates West scheme to manage estates resilience issues within the west of the county. Both schemes are reliant on achieving capital receipts from the disposal of vacated

sites. Within the current market this will entail some risk that income is either delayed or less than the amount assumed the within the budget. All large capital schemes incorporate risks inherent in delivering to time and budget. The estates team are however highly experienced in the delivery of these type of schemes and have a strong track record of delivering projects within budget. Risks are captured within the estates risk register and are subject to regular review.

4.3 The capital programme to 2021 includes a significant number ICT capital schemes including the implementation of the Emergency Services Communications Network. The experience of past financial years is that ICT capital schemes can experience slippage against the budget. The reasons for the slippage is varied and includes national schemes that have not progressed, local schemes that have been subject to changes in decision making and issues around capacity to deliver within the team. Whilst slippage in capital schemes does not create a financial pressure, the consequent level of reserves can be subject to challenge in the context of budget cuts. There are also reputational implications for the quality of financial forecasting and management. To protect against these risks it will be important to understand the risks and issues inherent in the ICT programme and ensure that delivery is effectively supported.

4.4 The capital programme is currently only sustainable on the basis of general capital reserves. In addition, any significant level of capital investment is reliant on one off revenue contributions and capital receipts. The programme is however forecast over 10 years to ensure advanced financial planning can be managed and peaks in expenditure are identified at an early stage. The revenue budget implications of the programme have been built into the medium term forecast.

#### **Treasury Management**

4.5 Treasury management has the potential to be an area of high budget risk that could have implications for the robustness of the budget should those risks materialise. The treasury management strategy statement provides assurance around the approach to investment and borrowing activity and the way the function is managed that mitigates against this risk. The Commissioner should however be aware that the level of risk against any investment activity is higher in the current financial climate than would typically be the case.

#### **Capital Financing**

4.6 The capital programme is financed through direct revenue contributions, capital grants, reserves and notional borrowing. Notional borrowing reflects an underlying need to borrow to finance capital schemes but where actual borrowing has not been undertaken because internal cash

flow balances are sufficient to fund schemes. Many of the internal balances are available as a result of the level of short term reserves. As reserves are spent there will become a need to actually borrow.

4.7 The underlying borrowing requirement is £13.4m. The exact timing of borrowing will depend on the extent to which capital schemes deliver to budget or are subject to slippage and the overall position on reserves. Borrowing will create a revenue implication in the form of interest charges and repayments that will need incorporating within the revenue budget.

#### **Inflation/Pay Awards**

4.8 Pay costs are provided for within the budget on the basis of a 1% pay increase for the duration of the medium term forecast. Pay costs account for the most significant element of the budget and are therefore highly sensitive to variations against the budget assumption. This risk is however mitigated as a result of public sector pay constraints announced nationally. Whilst pay is still be the subject of trade union negotiation with potential for concessions, this is not considered to be a material risk to the budget.

#### **Staffing Costs and Profiling**

4.9 Within the budget employment costs are an area of budget that is highly sensitive to changes in the profile of staffing and difficult to forecast as a result of the complexities of and changes to terms and conditions that influence actual pay. Maintaining officer numbers at a planned level can be operationally difficult as a result of the timing of staff turnover and lead in time to recruit. Estimates of the costs of early retirement (ER) and redundancy have to be based on averages until the point in which individual staff are identified as part of the change management programme. These factors can cumulatively give rise to significant variations between budgeted costs for pay and ER/redundancy. Historically there has been under spending against these budget heads. Under spend against a budget that incorporates significant savings requirements presents a risk that services have been reduced at a greater level or faster than is needed.

#### **Savings Requirements/Budget Management**

4.10 The overall savings requirement over 4 years to balance the budget is £1.9m but this is ahead of any loss of funding that may arise from the review of police grant formula. The extent of savings needed to respond to a significant loss of formula funding has potential to be significant. As a result of announcements expected in March, decisions on the change programme have been deferred until the overall financial position is clearer. This means that the risk of underachievement within the

budget against the level of required savings is currently low. Whilst targets have been applied to areas of growth in the capital programme, there is currently some flexibility around the timing and delivery of those savings.

The more significant risk is in respect of budget management. The 2016/17 budget is currently overspent by just over £1m. The net position represents a fairly evenly balanced underachievement on income combined with an overspend on expenditure budgets. The overall position equates to 1.31% of budget. The underachievement of income relates to specialist policing services and this income has experienced slippage that will benefit the 2017/18 budget. The overall expenditure budget for 2017-18 makes provision to resource the overspend in 2016/17. Whilst the overall financial position in 2016/17 does not present any material risks, the overspend has arisen primarily as a result of growing demand pressures rather than any weaknesses in the budget management process. This may present some risk to the medium term forecast in future years should demand continue to increase whilst financial and people resources contract.

## 5. General Balances and Reserves

5.1 General balances are held as a contingency against risks not provided for in the Commissioner's financial plans or other reserves and provisions. The level of balances, reserves and provisions are assessed annually to ensure they are adequate and take account of known financial risks. This is not a precise science and local circumstances, the strength of financial reporting arrangements and the Constabulary's track record in financial management is also a key influence on the actual potential of any risk materialising.

5.2 This report sets out the key risks that have been taken into account in presenting the budget, including any provision made for that risk. Some risks are currently unfunded whilst others have a level of provision that may be less than the full requirement. General balances should be at an appropriate level to provide cover for those risks. The Commissioner's Chief Finance Officer has set balances at £3m for 2017/18. This is just over 3% of net expenditure and reasonable in the context of the budget risks set out in this report. These general balances are supported by £1.9m of operational reserves and contingencies. These can be used to manage budget pressures in year that are unable to be contained within the set budget, being replenished as part of the following year's budget process.

5.3 Further cover is provided through the position on specific reserves. Whilst these are earmarked, a number of the reserves, particularly those for capital, are not planned to be used for a number of years. This provides an additional level of resilience in the short term, although the use of these reserves for other purposes will need to be repaid.

5.4 Based on the risk assessment, the Commissioner's general balances are sufficient to meet potential risks and earmarked reserves are set at an appropriate level for the purposes intended. More information on reserves and the purpose for which they are held is included within the Commissioner's policy on reserves, appended to the revenue budget report on this agenda.

## 6. The Affordability of the Capital Programme in determining Prudential Indicators

6.1 The Prudential Code requires the Chief Financial Officer to ensure that all matters required by the Code to be taken into account in determining the budget are reported to the Commissioner. The treasury management strategy statement provides assurance in respect of this requirement. In particular the strategy sets out the prudential indicators and limits calculated under the Code including those that support assurances in respect of the affordability of capital expenditure plans. The Code of practice gives no suggestions as to their appropriate level. These have to be set by the Commissioner based on individual circumstances.

6.2 The conclusions from the strategy following the setting and calculation of indicators is that capital expenditure plans are resourced and levels of borrowing are prudent in relation to income and assets. The strategy is subject to review by the Joint Audit and Standards Committee and independent advisors to provide further assurance that the principles of the code and best professional practice is being applied in relation to operational processes and procedures.

## 5 Conclusion

7.1 Based on the assessment included in this report I have concluded that the budgets as proposed and the associated systems and processes are sound and the level of general balances/reserves is adequate. This is subject to no amendments being made to the budget proposals which would impact on this assessment. It is my view that the estimates proposed and the tax setting calculations are robust and the provisional capital programme is affordable.

**Ruth Hunter**

**Chief Finance Officer/Deputy Chief Executive**

**22nd February 2017**



## Cumbria Office of the Police and Crime Commissioner

**Public Accountability Conference  
22 February 2017**

### Budget 2017/18 and Financial Forecasts 2018/19 to 2020/21

#### Report of the Chief Finance Officer

#### 1. Purpose of the Report

- 1.1 The purpose of this report is to recommend to the Commissioner for approval the revenue and capital budget for 2017/18 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2020/21, ensuring budget decisions are taken in the context of the medium term financial forecast.

#### 2. Introduction

- 2.1 It is a legal requirement for the Police and Crime Commissioner to annually set a balanced budget and to allocate funds to the Chief Constable to secure the maintenance of the Police Force for Cumbria. In doing this the budget takes into account forecasts of the income anticipated to be available to the Cumbria police area, and expenditure that is expected to be incurred in delivering the functions of the Commissioner and the priorities of the Police and Crime Plan. This report presents the Commissioner's revenue budget plans to meet these requirements.
- 2.2 This budget report is the final report in a series of papers that provide financial and other information to support the budget setting process. In October and January more detailed financial and contextual information has been provided to the Police and Crime Panel. Accompanying the budget report on this agenda is a report covering the capital strategy and programme, treasury management strategy, Prudential Indicators and the policy on Minimum Revenue Provision (MRP). These reports support the due diligence in respect of the affordability of the capital programme and the revenue implications of that expenditure. The agenda includes the Chief Finance Officer's statutory report on the robustness of the budget. The full suite of financial reports is available on the Commissioner's website.

### 3. Summary Budget and Precept

- 3.1 The table below sets out a summary of the consolidated budget setting out the plans for income and expenditure based on the 2017/18 government financial settlement for policing bodies. Appendix A sets out the budget for the Commissioner and the budget for the Chief Constable.

Summary Budget	2016/17	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s	£000s
<b>Expenditure</b>					
Police Officer Pay	75,326	77,868	76,258	79,796	81,814
PCSO Pay	2,814	3,071	3,265	3,374	3,398
Police Staff Pay	19,601	20,634	21,325	21,563	21,808
Other Employee Costs	677	1,642	773	787	803
Premises Costs	3,532	3,870	4,094	4,195	4,289
Transport Costs	2,141	2,227	2,289	2,353	2,419
Supplies & Services	9,804	9,419	9,539	9,659	9,855
Third Party Related Expenditure	1,630	2,199	2,243	2,299	2,368
LGPS Pension Deficit Reduction Payment	799	482	493	503	515
Insurances	767	727	748	775	779
Commissioned Services	2,583	2,234	2,234	2,234	2,234
Accounting and Financing	6,311	5,653	5,905	3,824	5,515
Contribution to Revenue Reserves	50	1,421	144	144	144
Contributions to Capital Reserves	2,977	0	0	0	0
<b>Total Expenditure</b>	<b>129,012</b>	<b>131,447</b>	<b>129,310</b>	<b>131,507</b>	<b>135,943</b>
<b>Funded by</b>					
Home Office Pension Grant	(18,134)	(20,695)	(21,356)	(23,565)	(25,721)
Other Grants & Contributions	(6,958)	(6,816)	(6,819)	(6,823)	(6,826)
Sales, Fees, Charges & Rents	(4,639)	(4,682)	(4,348)	(3,973)	(4,026)
Interest/Investment Income	(100)	(75)	(65)	(50)	(50)
Drawdown from Revenue Reserves	(697)	(337)	0	0	0
Drawdown from Capital Reserves	(2,809)	(2,664)	(763)	(750)	(1,050)
Formula Grant	(59,543)	(58,710)	(57,888)	(57,078)	(56,279)
Council Tax Income	(36,132)	(37,468)	(38,057)	(39,073)	(40,117)
<b>Total Income/Funding</b>	<b>(129,012)</b>	<b>(131,447)</b>	<b>(129,295)</b>	<b>(131,310)</b>	<b>(134,069)</b>
<b>Net Savings Requirement</b>	<b>(0)</b>	<b>(0)</b>	<b>15</b>	<b>197</b>	<b>1,873</b>

- 3.2 The table shows estimated expenditure based on the budget proposed by and agreed with Cumbria Constabulary. It also includes expenditure for services that will be commissioned with wider partners and the Constabulary in support of the priorities within the Police and Crime Plan. The budget plan provides estimated funding of £131.4m in 2017/18 to support an equivalent level of expenditure. Between 2018/19 and 2020/21 the gap between income and expenditure is expected to increase to £1.9m. This is the net impact of inflationary pressures on expenditure and estimated reductions in

Police Grant offset by increases in Council Tax Income and Pensions Grant, the later funding growth in the cost of police pensions.

- 3.3 The budget proposed has in the main been produced on a continuation basis which means that current levels of service have been maintained over the life of the four year forecast. However, during 2016/17 a number of ongoing budget pressures came to light and these have also been included in the medium term financial forecast following consultation with the Commissioner. These growth items are set out in Appendix D.

## 4. 2017/18 Policing Bodies Grant Settlement

- 4.1 On the 15<sup>th</sup> December 2016 the provisional funding allocations for policing bodies in England and Wales were announced. The funding allocations were based on a 1.4% cash reduction that consolidated the previously announced national funding with a number of top-slicing reductions to fund national policing initiatives. The final settlement announced on 1 February confirmed that there would be no changes to the provisional settlement. The outcome of the settlement is a formula funding amount of £58.710m for the Cumbria police area for 2017/18. The equivalent figure for 2015/16 was £59.543m. There are no indicative figures for future years.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2017/18. This means all policing bodies received the same percentage reduction in core Government funding. The financial position is expected to become significantly more difficult after 2018/19 with a significant risk of a worsening financial outlook as a result of changes to the Home Office police funding formula.
- 4.3 In addition to the formula grant the Commissioner receives a number of specific grants for policing and crime. The key grants against which most funding is received are the Police Pensions Top-Up Grant (£21m) and Home Office legacy Council Tax Grants of £4.85m. The Commissioner will also receive income of £0.59m to support responsibilities for commissioning support for victims and restorative justice.
- 4.4 In summary, the formula grant settlement has seen a reduction in funding for local policing and crime reduction in Cumbria with a loss of £0.833m (1.4%) of recurrent formula income in 2017/18. The medium term forecast currently anticipates a further reduction in Police Grant from 2018/19 of 1.4% per annum. On this basis, budgeted expenditure exceeds income by £1.9m by 2020/21. The forecast excludes the impact of any changes in formula funding.

## 5. Council Tax Income & Other Income

5.1 The net budget for the Cumbria Police area is funded by a combination of formula grant and Council Tax income. Income from Council Tax is dependent on a precept levied on each District Council in Cumbria. Total tax income is dependent upon the amount at which the precept is set, the number of properties charged (tax base) and the Police Area's share of any surplus or deficit on District Collection Funds. The Council Tax Base takes account of expected collection levels and discounts. The surplus or deficit position on each District Collection Fund reflects the extent to which actual collection and discounts have varied from the budget. Each precepting authority takes a share of the deficit or surplus pro-rata to their share of the precepts.

5.2 The amount of the council tax precept is a decision for the Commissioner, who will take account of the views of the Police and Crime Panel and other consultations in making that decision. This is providing the proposal on the precept is within the Government's Council Tax increase limits. The limits are set by Government each year and inform the percentage increase in Council Tax income allowed before the Commissioner would need to hold a public referendum. The Government has formally announced the Council Tax increase limits as part of the formula grant settlement. The limit for Policing Bodies is set at 2%. **The Commissioner's budget is based on a precept increase of 1.91%. The financial implications for residents are that the Band D Council Tax amount would increase to £220.77 for 2017/18, an increase of £4.14.**

*Council Tax 'Band B' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £3.22 per annum (from £168.49 to £171.71).*

5.3 Council tax income is forecast using the tax base estimates provided by district councils. Calculations of the tax base have taken into account billing authorities' responsibilities to support low income households with their council tax liabilities. This support is delivered by way of local schemes that provide discounts. The discounts reduce the tax base and therefore also impact precepting bodies. Schemes are subject to review and the Police and Crime Commissioner is required to be consulted with regard to scheme changes. The Commissioner has supported the schemes currently proposed by all districts through the consultation process.

5.4 The table below sets out the tax base for each district for 2017/18 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 2316 band D equivalent properties. Budgets from 2018/19 are based on an assumed annual increase in the tax base of 0.75%. The actual updated tax base will be incorporated into future budgets in the year it is notified by districts. If the

tax base increases above our estimates this will deliver a small budget benefit whilst a decrease from our estimates will have a negative impact on funding.

District	tax base 2016/17	tax base 2017/18	Increase (decrease)	% change
Allerdale Borough	29,470.67	30,183.13	712.46	2.42%
Barrow Borough	18,555.44	18,697.88	142.44	0.77%
Carlisle City	32,138.68	32,927.91	789.23	2.46%
Copeland Borough	20,121.06	20,200.96	79.9	0.40%
Eden District	19,886.14	20,119.85	233.71	1.18%
South Lakeland District	44,510.88	44,869.20	358.32	0.81%
<b>Total</b>	<b>164,682.87</b>	<b>166,998.93</b>	<b>2,316.06</b>	<b>1.41%</b>

- 5.5 In addition to the recurrent grant and tax base income, the 2017/18 budget benefits from the net impact of a forecast surplus on the 2016/17 district collection funds. The table below shows the council tax attributable to each district for 2017/18 and the position on each district collection fund for 2016/17.

Council Tax Income 2017/18	tax base 2017/18	precept (Band D)	Council Tax Income	Declared Surplus/ (Deficit)	Total 2017/18
Allerdale Borough	30,183.13	220.77	6,663,529.61	136,333	6,799,862.61
Barrow Borough	18,697.88	220.77	4,127,930.97	81,730	4,209,660.97
Carlisle City	32,927.91	220.77	7,269,494.69	139,117	7,408,611.69
Copeland Borough	20,200.96	220.77	4,459,765.94	128,431	4,588,196.94
Eden District	20,119.85	220.77	4,441,859.28	75,585	4,517,444.28
South Lakeland District	44,869.20	220.77	9,905,773.28	38,806	9,944,579.28
<b>Total</b>	<b>166,998.93</b>	<b>220.77</b>	<b>36,868,353.78</b>	<b>600,002</b>	<b>37,468,355.78</b>

- 5.6 In addition to formula funding and Council Tax income, the budget includes an amount of one off income to support one off expenditure achieved through a contribution from reserves. The funding available to support the budget is determined annually and takes account of the funding settlement, the need to provide for budget risks and any estimated under spend from prior years. In total the 2017/18 budget is supported by the use of £3m earmarked revenue and capital reserves. The most significant element of this contribution is £2.7m from capital reserves that has been planned to support the capital programme.

- 5.7 Fees and charges income is estimated to provide £4.7m in 2017/18 in support of expenditure. This income is primarily derived from reimbursements for services and officers provided to support national and regional policing requirements in addition to income from driver awareness training and licensing. This income is generated on behalf of the Commissioner by the Constabulary and is netted off the overall funding provided to the Chief Constable.

## 6. Expenditure Budget & Savings

- 6.1 Gross expenditure of £131.4m can be supported by budgeted income in 2017/18. The same level of funding is not expected to be available in 2020/21 meaning that £1.9m savings will be needed to offset rising costs from 2018/19. The key driver in the level of savings requirements is cost pressures increasing whilst the total level of external financing reduces. Inflation on pay costs has been held at 1% for the life of the medium term forecast. Inflation on supplies has been set at 1.9% for the life of the medium term forecast in line with Bank of England estimates. The annual budget star chamber process, low levels of inflation and a robust approach to keeping supplies and services costs low is helping to keep expenditure pressures low in the medium term.
- 6.2 Whilst upward pressures on expenditure are low and being well managed, budgeted income is forecast to fall, creating the requirement for future savings in order to deliver a balanced budget. The Commissioner and Chief Constable have engaged in a number of discussions to consider areas of the budget that will be targeted for further reductions in expenditure. No firm decisions will be made until the impact of the new police funding formula is fully understood.

## 7. Capital Funding & Expenditure

- 7.1 In addition to revenue grants the Commissioner also receives a small amount of annual capital funding that supports a capital programme. The programme is developed in consultation with the Constabulary who are the primary user of the capital assets under the ownership of the Commissioner. The budget benefits from £0.364m in capital grant to support capital expenditure from the 2017/18 settlement. This compares to £0.426m in 2016/17, a reduction of 15%. The reduction is as a result of national top-slicing from capital allocations. The decreasing level of capital grant provides a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital and capital receipts from the disposal of property. In 2017/18 the revenue budget contributes £1.6m to fund capital, this figure increases year on year to over £3m per annum from 2020/21. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through one off reserves

and capital receipts. In future years beyond 2023/24 revenue contributions will be the primary source of capital funding.

## 8. Reserves and Balances

- 8.1 Over the life of the financial forecast total reserves are planned to reduce from £22m at the start of 2017/18 to £17.8m by end of March 2021. Of the remaining £17.8m, £11.2 relates specifically to the estates scheme in West Cumbria which is forecast to be fully spent by March 2023 thereby leaving approximately £6.6m. The residual £6.6m is made up of the general reserve of £3m held for managing financial risks and resilience, operational reserves/contingencies of £1.9m and a small number of other reserves earmarked for specific purposes and which include pooled/partnership funds.
- 8.2 This report does not recommend any further movement in reserves as a result of the inherent risk in the funding settlement. The policy on reserves, setting out the purposes for which they are held and planned movements over the life of the medium term budget are set out in Appendix B.

## 9. Consultation & Value for Money

- 9.1 The Commissioner has undertaken consultation on the budget and the Police and Crime Plan in line with regulatory requirements. Public consultation has taken place through the Police and Crime Panel and with reports on the Commissioner's website during the budget setting process for 2017/18. The outcome of public consultation has been that a slightly higher proportion of respondents have agreed with the proposal compared to those that did not support the council tax increase. The Commissioner has also sought the view of the Chief Constable. The Police and Crime Panel voted to support the Commissioner's proposal at its meeting 23 January 2017 and made no further recommendations.
- 9.2 The Police and Crime Plan is underpinned by a performance framework that supports the Commissioner in holding the Chief Constable to account for delivering priorities and securing value for money. In developing the framework consideration is given to past performance, benchmarking against most similar forces, the level of officer and staffing resources that can be supported by the budget and the impact of the continuing implementation of the savings programme.

## 10. Summary

- 10.1 This report presents and explains the budget plans for the period from 2017/18 to 2020/21. The 2017/18 budget is balanced based on a precept increase of 1.91%. In future years savings will be

required to offset a deficit of £1.9m. The estimates present a high degree of risk arising from a fundamental review of formula funding that will inform future grant allocations. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £4.14 for a Band D property resulting in a Band D Council Tax charge of £220.77.

## 11. Recommendations

11.1 Appendix C sets out the budget resolution for decision by the Commissioner in order to formally approve the level of council tax precept. In the context of the budget resolution, it is recommended that:

- a) **The revenue budgets outlined in this report and appendices be approved, having regard to the Local Government Act 2003 report**
- b) **That the policy on reserves at appendix B be approved**
- c) **That the budget requirement for 2017/18 be set on the basis of the amount within the budget resolution at appendix C**
- d) **The council tax for Band D properties be approved at £220.77 for 2017/18, an increase of £4.14 or 1.91%, being the amount within the budget resolution**
- e) **The Commissioner provides formal approval for the growth items in respect of recurring budget pressures as outlined in Appendix D.**

## 12. Acknowledgements

12.1 The budget is recommended to the Commissioner with recognition for the hard work and support of the finance team who provide detailed income and expenditure forecasts and for the work of the Police and Crime Panel in providing challenge and scrutiny to the budget proposal.

**Ruth Hunter**

**Deputy Chief Executive/Chief Finance Officer**

**22 February 2017**

Human Rights Implications

None identified

Race Equality / Diversity Implications

The budget is subject to an Equality Impact Assessment.

Risk Management Implications

There is a legal requirement to set a balanced budget. The Commissioner's strategic risk register recognises the importance of sound financial planning.

Financial Implications

The main financial impacts are described in the paper

Personnel Implications

As identified in the report

Contact points for additional information

Ruth Hunter – Chief Finance Officer/Deputy Chief Executive  
Tel 01768 217734, email: [ruth.hunter@cumbria-pcc.police.uk](mailto:ruth.hunter@cumbria-pcc.police.uk)

Michelle Bellis – Deputy Chief Finance Officer  
Tel: 0300 124 0113 Ext: 48853, email: [Michelle.Bellis@cumbria.police.uk](mailto:Michelle.Bellis@cumbria.police.uk)

## Budget for the Commissioner and the budget for the Chief Constable

The budget for the Commissioner and the budget for the Chief Constable	Budget 2016/17 £000s	Budget 2017/18 £000s	Budget 2018/19 £000s	Budget 2019/20 £000s	Budget 2020/21 £000s
<b>Constabulary Funding</b>					
Police Officers - Pay	56,303	55,108	52,821	54,133	53,978
Police Officers - Contribution to Police Pension	18,134	21,828	22,489	24,698	26,854
Police Officers - Ill Health & Injury Pensions	889	932	948	965	982
Police Community Support Officers	2,814	3,071	3,265	3,374	3,398
Police Staff	18,993	20,000	20,685	20,916	21,155
Other Employee Budgets	672	1,637	768	782	797
Transport Related Expenditure	2,134	2,222	2,284	2,348	2,414
Supplies & Services	9,675	9,293	9,410	9,528	9,721
Third Party Related Expenditure	1,630	2,199	2,243	2,299	2,368
<b>Constabulary Expenditure</b>	<b>111,244</b>	<b>116,289</b>	<b>114,913</b>	<b>119,043</b>	<b>121,668</b>
Earned Income	(4,639)	(4,682)	(4,348)	(3,973)	(4,026)
<b>Total Constabulary Funding</b>	<b>106,605</b>	<b>111,607</b>	<b>110,565</b>	<b>115,071</b>	<b>117,642</b>
<b>Commissioners Budgets</b>					
Office of the Police & Crime Commissioner	759	780	789	798	808
Commissioned Services Budget	2,583	2,234	2,234	2,234	2,234
Premises Related Costs	3,529	3,867	4,091	4,192	4,286
LGPS Pension Deficit Reduction Payment	799	482	493	503	515
Insurances	767	727	748	775	779
Technical Accounting and Capital Financing	6,304	5,646	5,898	3,817	5,508
Contributions to Revenue Reserves	50	1,421	144	144	144
Contributions to Capital Reserves	2,977	0	0	0	0
Grants & Contributions - Home Office Pension	(18,134)	(20,695)	(21,356)	(23,565)	(25,721)
Grants & Contributions - Other	(6,958)	(6,816)	(6,819)	(6,823)	(6,826)
Interest/Investment Income	(100)	(75)	(65)	(50)	(50)
<b>Total Commissioners Budget</b>	<b>(7,424)</b>	<b>(12,428)</b>	<b>(13,842)</b>	<b>(17,973)</b>	<b>(18,323)</b>
<b>Use of Reserves</b>					
Revenue Reserve Drawdown	(697)	(337)	0	0	0
Capital Reserve Drawdown	(2,809)	(2,664)	(763)	(750)	(1,050)
<b>Total Use of Reserves</b>	<b>(3,506)</b>	<b>(3,001)</b>	<b>(763)</b>	<b>(750)</b>	<b>(1,050)</b>
<b>Budget Requirement</b>	<b>95,675</b>	<b>96,178</b>	<b>95,960</b>	<b>96,348</b>	<b>98,269</b>
<b>Formula Grant &amp; Council Tax Income</b>					
General Police Grant	(59,543)	(58,710)	(57,888)	(57,078)	(56,279)
Council Tax Precepts	(36,132)	(37,468)	(38,057)	(39,073)	(40,117)
<b>Total Formula Grant &amp; Council Tax Income</b>	<b>(95,675)</b>	<b>(96,178)</b>	<b>(95,945)</b>	<b>(96,150)</b>	<b>(96,396)</b>
<b>Net Deficit/Savings Requirement</b>	<b>0</b>	<b>(0)</b>	<b>15</b>	<b>197</b>	<b>1,873</b>
Council Tax per Band D Property	£216.63	£220.77	£225.00	£229.32	£233.73
Increase over previous year	£4.05	£4.14	£4.23	£4.32	£4.41
Percentage Increase	1.91%	1.91%	1.92%	1.92%	1.92%

### Policy on Reserves 2017/18

Our policy on reserves meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. It sets out the purpose for which reserves are held and the planned movement in reserves over the life of this strategy. Our reserves are held for three main purposes. These are:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing
- a contingency to cushion the impact of unexpected events or emergencies
- a means of building up funds, often referred to as earmarked reserves, to meet known or predicted pressures or liabilities

The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. Set out below is a description of the reserves held by the Commissioner, the purpose for which they are held and a table setting out the planned movement in reserves over the life of this medium term financial strategy.

**General Reserves:** The general reserve is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is £3m in 2017/18. The amount represents approximately 3% of the net

recurrent budget (after specific grants & fees and charges). The level of the general reserve takes account of the risks within the budget as set out in the Chief Finance Officer's report on the robustness of the budget and the level of provision for those risks within specific earmarked reserves and contingencies.

**Capital Reserves:** Capital reserves are a combination of general and earmarked revenue contributions that have been set aside to meet the costs of approved capital schemes to be delivered over multiple financial years. Capital schemes are only included within the capital programme on the basis of setting aside funding to meet the expenditure. The policy is that general capital reserves will be maintained at a level to ensure a balanced capital budget for the duration of the medium term financial forecast.

**Earmarked Reserves:** Earmarked reserves are held for a number of specific purposes. Future liability reserves provide for areas within the budget where there is a liability but the amount or timing is uncertain. Budget stabilisation reserves are established to smooth the impact of intermittent costs across financial years. Project reserves primarily fund the one off revenue implications of approved capital schemes.

## Planned Movement in Reserves 2017/18 to 2020/21

Reserves Plan 2017-2021	Forecast Balance 31/03/17 £000s	Net Gain/(Use) 2017/18 £000s	Forecast Balance 31/03/18 £000s	Net Gain/(Use) 2018/19 £000s	Forecast Balance 31/03/19 £000s	Net Gain/(Use) 2019/20 £000s	Forecast Balance 31/03/20 £000s	Net Gain/(Use) 2020/21 £000s	Forecast Balance 31/03/21 £000s
General Reserve/Police Fund	3,000	0	3,000	0	3,000	0	3,000	0	3,000
<b>Total General Reserve/Police Fund</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>	<b>0</b>	<b>3,000</b>
<b>Capital Reserves</b>									
General Capital Reserve	1,080	(1,080)	0	0	0	0	0	0	0
Leadership & Skills Programme	79	(79)	0	0	0	0	0	0	0
Estates North Flood Management	2,268	(1,505)	763	(763)	0	0	0	0	0
Estates West Flood Management	13,000	0	13,000	0	13,000	(750)	12,250	(1,050)	11,200
<b>Total Capital Reserves</b>	<b>16,427</b>	<b>(2,664)</b>	<b>13,763</b>	<b>(763)</b>	<b>13,000</b>	<b>(750)</b>	<b>12,250</b>	<b>(1,050)</b>	<b>11,200</b>
<b>Future Liability Reserves</b>									
Insurance Reserve	587	46	633	46	679	46	725	46	771
PFI Lifecycle Replacements	313	0	313	0	313	0	313	0	313
<b>Total Future Liability Reserves</b>	<b>900</b>	<b>46</b>	<b>946</b>	<b>46</b>	<b>992</b>	<b>46</b>	<b>1,038</b>	<b>46</b>	<b>1,084</b>
<b>Budget Stabalisation Reserves</b>									
Constabulary Operational Reserves	230	20	250	0	250	0	250	0	250
PCC Operational Reserve	250	0	250	0	250	0	250	0	250
Budget Support Reserve	0	805	805	48	853	48	901	48	949
Body Armour (Future Roll Out)	91	50	141	50	191	50	241	50	291
Chief Constable's Contingency	0	500	500	0	500	0	500	0	500
<b>Total Budget Stabalisation Reserves</b>	<b>571</b>	<b>1,375</b>	<b>1,946</b>	<b>98</b>	<b>2,044</b>	<b>98</b>	<b>2,142</b>	<b>98</b>	<b>2,240</b>
<b>Short Term Project Reserves</b>									
Mobility & Digital	290	(290)	0	0	0	0	0	0	0
Cumbria Road Safety Initiatives	55	0	55	0	55	0	55	0	55
ICT Business Plan - Kelvin Apps	47	(47)	0	0	0	0	0	0	0
Commissioned Services	250	0	250	0	250	0	250	0	250
<b>Total Short Term Project Reserves</b>	<b>642</b>	<b>(337)</b>	<b>305</b>	<b>0</b>	<b>305</b>	<b>0</b>	<b>305</b>	<b>0</b>	<b>305</b>
<b>Total Earmarked Revenue Reserves</b>	<b>2,113</b>	<b>1,084</b>	<b>3,197</b>	<b>144</b>	<b>3,341</b>	<b>144</b>	<b>3,485</b>	<b>144</b>	<b>3,629</b>
<b>Total All Reserves</b>	<b>21,540</b>	<b>(1,580)</b>	<b>19,960</b>	<b>(619)</b>	<b>19,341</b>	<b>(606)</b>	<b>18,735</b>	<b>(906)</b>	<b>17,829</b>

## Budget Resolution

**Local Government Act 2003 Requirements:** That the comments of the Chief Finance Officer on the robustness of the estimates and adequacy of balances and reserves be noted and reflected in the decisions made by the Commissioner in making the following budget determination for 2017/18.

**Revenue Estimates 2017/18:** That the Commissioner's net **Budget Requirement** of £96,178,411 be approved.

**Council Tax Base 2017/18:** That it is noted that the Council Tax base has been calculated at the amount of 166,998.93 for 2017/18. This is the total of the tax bases calculated by the District Councils as required by regulation.

**Budget Requirement:** That the following amounts are calculated by the Commissioner for the 2017/18 financial year:

Ref	2017/18 Amount £s	Description
(a)	£131,447,323	being the total of gross expenditure
(b)	£35,268,913	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£96,178,411	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£58,710,055	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	£600,002	being the net surplus on district collection funds
(f)	£36,868,354	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£220.77	being the basic amount of Council Tax for the year (the council tax requirement divided by the tax base)

Valuation Bands and Calculation of the amount of Precept payable by each billing authority:

Valuation Band	Amount £.pp	Proportion
Band A	147.18	6/9 ths
Band B	171.71	7/9 ths
Band C	196.24	8/9 ths
<b>Band D</b>	<b>220.77</b>	<b>9/9 ths</b>
Band E	269.83	11/9 ths
Band F	318.89	13/9 ths
Band G	367.95	15/9 ths
Band H	441.54	18/9 ths

Billing Authority	Tax Base 2017/18	Precept (Band D)	Amount Payable
Allerdale Borough	30,183.13	220.77	6,663,529.61
Barrow Borough	18,697.88	220.77	4,127,930.97
Carlisle City	32,927.91	220.77	7,269,494.69
Copeland Borough	20,200.96	220.77	4,459,765.94
Eden District	20,119.85	220.77	4,441,859.28
South Lakeland District	44,869.20	220.77	9,905,773.28
<b>Total</b>	<b>166,998.93</b>	<b>220.77</b>	<b>36,868,353.78</b>

## Summary of Growth Items Included in Budget/MTFF

Growth Items/Budget Pressures included in MTFF	Budget	Budget	Budget	Budget
	2017/18	2018/19	2019/20	2020/21
	£000s	£000s	£000s	£000s
Criminal Justice Unit - Continuance of 6.5 FTE Police Staff Resources	80	162	163	165
ICT Services re-structure to meet current demand levels	857	900	909	918
Learning & Development - Driver Training, Mandatory Training and Leadership & Skills	143	118	119	120
Police Officer Overtime	147	117	87	57
Rank Structure	123	124	125	127
Investigation of historic cases (Crime Command)	480	485	490	495
Procurement - Contract Management Police Staff/Agency Resource (net of funding)	20	20	21	21
Special Constabulary Increased Recruitment	168	48	48	48
<b>Total Growth/Budget Pressures</b>	<b>2,018</b>	<b>1,974</b>	<b>1,962</b>	<b>1,951</b>



# Office of the Police & Crime Commissioner

**REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 009 / 2017)**

**TITLE: Cumbria Constabulary Procurement Strategy 2016 – 2020.**

## **Executive Summary:**

The Procurement Strategy 2016 – 2020 has been updated by Cumbria Constabulary and is attached for consideration by the Police and Crime Commissioner.

This Procurement Strategy represents a further significant step forward in the plans and strategic direction for procurement activities across both the Office of the Police and Crime Commissioner and the Constabulary in particular in regards to achieving Community and Social Benefits in the tendering process. In addition the strategy embeds a sustainable focus on procurement fraud/ethics.

This covering paper provides an overview of the 2016 – 2020 Procurement Strategy. It includes high-level details of the 11 key themes and priorities. The Procurement Strategy is designed to be a live document that is regularly updated as part of the implementation of the strategy. As the business requirements of the Commissioner and the Constabulary change and also legislative changes, the strategy will be updated to reflect this.

## **Recommendation:**

The Commissioner is asked to approve the Procurement Strategy 2016 – 2020 which is submitted in support of both the Police and Crime Commissioners Crime Plan 2016-2020 and the Constabulary's operational policing plans.

## **Police & Crime Commissioner**

I confirm that I have considered whether or not I have any personal or prejudicial in this matter and take the proposed decision in compliance with the Code of Conduct for Cumbria Police & Crime Commissioner. Any such interests are recorded below.

I hereby approve/do not approve the recommendation(s) above

**Police & Crime Commissioner / Chief Executive (delete as appropriate)**

**Signature:**

**Date:**

## PART 1 – NON CONFIDENTIAL FACTS AND ADVICE TO THE PCC

### 1. Introduction & Background

- 1.1. The revised Procurement Strategy was presented to, and approved by, the Chief Officer Group (COG) on 01 February 2016 and the updated strategy is now submitted for consideration by the Police & Crime Commissioner for Cumbria.
- 1.2. The Procurement Strategy will be refreshed every year or when there is a significant change to the Police and Crime Plan or operational policing priorities and or any changes in law.
- 1.3. Effective procurement is fundamental to securing the best possible value for goods, works and services used across both the Office of the Police and Crime Commissioner and the Constabulary.

### 2. Issues for Consideration

- 2.1. This Procurement Strategy outlines the current and future direction of travel for Procurement and documents the measures and changes that are required to meet these. Our vision for Procurement is “to provide a respected, affordable and innovative procurement service which actively enables the Constabulary and Commissioner to achieve the aims of the Police and Crime Plan and the Chief Constables operational policing plans in order to meet the needs of the citizens of Cumbria”.
- 2.2. The 2016-20 Procurement Strategy has been developed to actively enable the constabulary to **Keep Cumbria Safe** and to support the priorities set out in the **Police and Crime Commissioners Crime Plan 2016-2020**.
- 2.3. The Procurement Strategy also supports both the Internal Change Programme and the delivery of an effective policing strategy within challenging budgetary constraints.
- 2.4. This strategy aims to provide a link between the strategic objectives of the organisation and our priorities for the procurement service taking into account current and potential future Social Economics and Political landscape from a Local/Regional and National Perspective. The strategy recognises the responsibility Procurement have in collaborating with internal and external partners, working in a fair and transparent manner underpinned by a non-discriminatory approach. This is a fundamental key to achieving the drive for obtaining best value for both the organisation and the supply chain.
- 2.5. The strategy outlines **eleven key priority areas** of delivery;
  - Providing leadership and building capacity.
  - Partnering & collaboration.
  - Doing business electronically.
  - Stimulating markets & achieving market benefits (Market capacity building)
  - Commissioning.
  - Developing and maximising supplier relations – Savings & efficiency gains.
  - Promoting stakeholder internal / external working.

- Raising awareness of procurement.
  - Improving contract management.
  - Ethics and Fraud
  - Community and Social benefits
- 2.6. The strategy includes an action plan for addressing these key priority areas over the next four years which will be subject to annual updates.
- 2.7. This strategy aligns to best practice and builds on the work already undertaken by the Constabulary's Procurement Department in delivering innovative procurement solutions, through the framework for Commissioning, Procurement and Contract Management in full compliance with the Joint Procurement regulations, the public Contract Regulations 2015 and the EU Treaty principles.
- 2.8. As a result of the 2014 Procurement Review, the Constabulary has successfully introduced and embedded a centralised 'category management' model which aligns procurement expertise with different areas of the business. Procurement Business Partners are in place across each category area with responsibility to undertake all technical aspects of procurement from sourcing and tendering to contract management.
- 2.9. The three key category areas, including details of (2015/16) annual expenditure are as follows:
- ICT – £6.5m (total capital/revenue)
  - Operational (including Fleet & Estates) – £17m
  - Corporate – £4.5m.
  - Total expenditure-£28m
- 2.10. The vast majority (approx. 80%) of procurement expenditure is undertaken against a range of over 136 nationally approved Framework Agreements & Contracts.
- 2.11. The Constabulary Procurement Service is fully supportive of collaborative working with other Blue Light forces / agencies in order to achieve best value.
- 2.12. The strategy also details the ongoing commitment to local procurement wherever possible with approximately 42% of (2015/16) expenditure being to organisations with a presence in Cumbria.
- 2.13. The Procurement Department owns and maintains the Joint Procurement Regulations used by both the Commissioner's Office and the Constabulary, ensuring that procurement activities are compliant with local and national / EU regulations as required whilst ensuring appropriate support for transparency requirements
- 2.14. It is clear that the reliance on procurement within the Constabulary is now higher than at any other time and therefore the strategy focuses on collaborative solutions which will entail building capacity and developing key skills key within the Procurement function which will be coterminous with the drive to build capacity and partnerships of equals in the supply chain

which will provide the organisation with sustainable benefits, cost effectively supporting operational policing needs and the Police and Crime Commissioners Crime Plan 2016-2020.

### **3. Financial Comments**

3.1. The strategy has been produced in consultation with the Constabulary's Chief Finance Officer.

### **4. Legal Comments**

4.1. There are no specific legal implications although to progress some of the objectives there will be a requirement for the Legal Services department to be consulted and offer professional support. This will be formulated as specific procurement activities or initiatives progress.

4.2. The Procurement department works very closely with the Senior Legal Advisor on Procurement matters.

### **5. Risk Implications**

5.1. Specific risks are documented within the Procurement / Corporate Support risk register and are recorded within the project documentation of each project / initiative as required.

5.2. There are a number of challenges faced by the Procurement department specifically regarding the volume and complexity of procurement activities required to support operational and business needs across both organisations.

### **6. HR / Equality Comments**

6.1. None identified with the endorsement and approval of the Strategy.

### **7. ICT Comments**

7.1. The Procurement Team work closely with the ICT Department when procuring goods and services. Larger projects are undertaken in conjunction with the Head of Procurement who is fully involved with the process and forms part of the Tender and Contracts Evaluating Panel.

### **8. Procurement Comments**

8.1. None, strategy produced by the Head of Procurement.

### **9. Backgrounds / supporting papers**

(List any relevant business case, EIA, PID, Media Strategy and append to this form; list persons consulted during the preparation of the report)

- Cumbria Procurement Strategy 2016 – 2020

Persons Consulted:

- The Extended Chief Officer Group

- Stephen Kirkpatrick, Director of Corporate Support
- Members of Corporate Support SMT
- Ruth Hunter, OPCC Chief Finance Officer
- Roger Marshall, Constabulary Chief Finance Officer
- Michelle Bellis, Deputy Chief Finance Officer

<p><b>Public Access to Information</b></p> <p>Information in this form is subject to the Freedom of Information Act 2000 (FOIA) 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 automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would not compromise the implementation of the decision being approved.</p>
<p>Is the publication of this form to be deferred? <b>NO</b></p> <p>If yes, for what reason:</p> <p>Until what date (if known):</p>
<p>Is there a <b>Part 2</b> form - <b>NO</b></p>

**ORIGINATING OFFICER DECLARATION:**

<p>I confirm that this report has been considered by the Chief Officer Group and that relevant financial, legal and equalities advice has been taken into account in the preparation of this report.</p> <p><b>Signed:</b> ..... <b>Date:</b> .....</p>
---

**OPCC OFFICER APPROVAL**

<p><del>Chief Executive</del> / <b>Deputy Chief Executive (delete as appropriate)</b></p> <p>I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner / <del>Chief Executive</del> (delete as appropriate).</p> <p><b>Signature:</b> R. Hunter <b>Date:</b> 15<sup>th</sup> February 2017</p>
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**Media Strategy**

The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.

Will a press release be required following the decision being considered? **NO**

If yes, has a media strategy been formulated? **N/A**

Is the media strategy attached? **N/A**

What is the proposed date of the press release:



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# PROCUREMENT STRATEGY 2017 – 2020

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**Version:** V1.2.3

**Author:** Leslie Hopcroft, Head of Procurement

**Reporting to:** Stephen Kirkpatrick  
Director of Corporate Support

**Date:** January 2017



## Version Control

Version	Date	Author	Comment
V0.1	13/01/16	LH	Submitted to SK for review
V0.4	15/01/16	SCG	Reviewed and added minor revisions.
V0.5	18/01/16	LH	Amendments completed
V0.7-V0.9	19-20/01/16	SCGK/LH	Final amends before submission to Informal COG.
V1.0 - DRAFT	20/01/16	SCGK	Circulated to C/S SMT before submission to Informal COG
V1.1 - DRAFT	22/01/16	SCGK	Updated to reflect comments from C/S SMT and submitted to Informal COG
V1.2	11/02/2016	SCGK	Updated protective marking as 'Not Protectively Marked.
V1.2.1	12/12/2016	LH	Reviewed and updated
V1.2.1	20/12/2016	LH	Submitted to SK for review
V1.2.2	9/01/2017	LH	Submitted to SK for review
V1.2.3	25/01/17	SCGK	Minor amendments.

## Acknowledgements

Various officers and staff during consultation



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## 1. Executive Summary

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### *Keeping Cumbria Safe*

This Procurement Strategy outlines the current and future direction of travel for Procurement and documents the measures and changes that are required to meet these. Our vision for Procurement is,

*“To provide a respected, affordable and innovative procurement service which actively enables the Constabulary and Commissioner to achieve the aims of the Police and Crime Plan and the Chief Constables operational policing plans in order to meet the needs of the citizens of Cumbria”.*

This 2017-20 refresh of the Procurement Strategy has been developed to actively enable the Constabulary to **Keep Cumbria Safe** and support the priorities set out in the Police & Crime Commissioner’s **Police and Crime Plan 2016 – 2020**. The Procurement Strategy supports both the Internal Change Programme and the delivery of an effective policing strategy within challenging budgetary constraints.

This strategy aims to provide a link between the strategic objectives of the organisation and our priorities for the procurement service taking into account current and potential future Social Economics and Political landscape from a Local/Regional and National Perspective. The Strategy recognises the responsibility Procurement have in collaborating with internal and external partners, working in a fair and transparent manner underpinned by a non-discriminatory approach. This is a fundamental key to achieving the drive for obtaining best value for both the organisation and the supply chain.

The strategy outlines **nine key priority areas** of delivery;

- Providing leadership and building capacity.
- Partnering & collaboration.
- Doing business electronically.
- Stimulating markets & achieving market benefits (Market capacity building)
- Commissioning.
- Developing and maximising supplier relations – Savings & efficiency gains
- Promoting stakeholder internal / external working
- Raising awareness of procurement
- Improving contract management

This strategy aligns to best practice and builds on the work already undertaken by the Constabulary’s Procurement Department in delivering innovative procurement solutions, through the framework for Commissioning, Procurement and Contract Management in full compliance with the Joint Procurement Regulations, the Public Contract Regulations 2015 and the EU Treaty principles.

The first Procurement Strategy was approved by Chief Officers in January 2016 and approved by the Police & Crime Commissioner in February 2016 with this 2017 refresh being considered and adopted as part of the 2017/18 budget setting cycle. The procurement Strategy will be refreshed at regular intervals; a 4 year cycle with annual action plan updates or as required.

It is clear that the reliance on procurement within the Constabulary is now higher than at any other time and therefore the strategy focuses on collaborative solutions which will entail building capacity and developing key skills within the Procurement function which will be coterminous with the drive to build capacity and partnerships of equals in the supply chain This will provide the organisation with sustainable benefits, cost effectively supporting operational policing needs and the Police and Crime Plan 2016 – 2020.

***Throughout this document where reference is made to the Constabulary, the principles and actions should generally be considered as being relevant to both the Constabulary and the Office of the Police and Crime Commissioner.***



## 2. Introduction

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### 2.1 Principles

We will provide a policing capacity and capability appropriate to the risks facing Cumbria. We will focus on the service quality, satisfaction and confidence of communities in Cumbria by putting the public at the heart of what we do. We will use Neighbourhood policing teams as the basis for visible policing in Cumbria. We will deliver in partnership. We will be innovative in our approach to service delivery. We will focus on continuous improvement. We will provide a workforce that is highly trained; citizen focused creating a vibrant organisation.

This Procurement Strategy sets out the ambitions for the Constabulary's use of procurement as a tool to positively impact on our economy and communities in recognising, social; economic and environmental benefits to be achieved from applying an intelligent approach to our procurement to achieve best value and efficient use of resources, embracing the use of technology, innovation and best practices

The strategy fully recognises the policy and financial challenges faced by Police forces and the wider public sector.

We will rigorously challenge all our procurement decisions, together with effective and efficient procurement procedures. Our approach will in turn generate meaningful cashable savings and in doing so will help to afford some protection of the front line services.

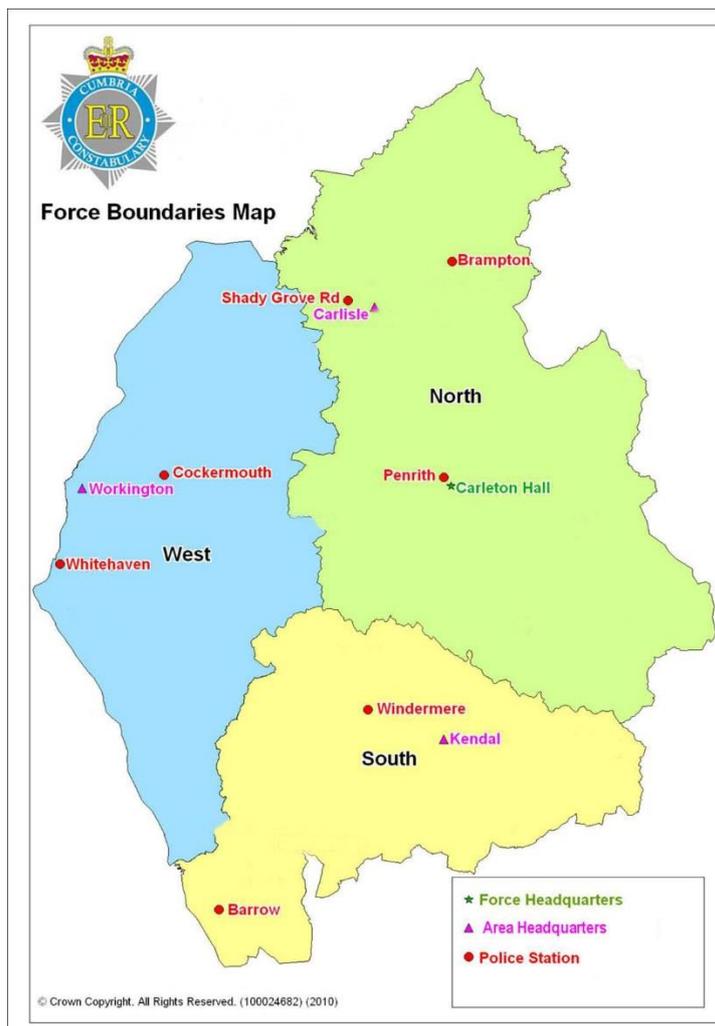
### 2.2 Background

Cumbria Police serves a population of approximately 500,000 people and covers an area of more than 2,600 square miles in the North West of England, from the Scottish border down to Lancashire, and across to North Yorkshire, Northumberland and Durham. The police area covers the rural Lake District and the more industrial areas of Workington, Whitehaven, Carlisle and Barrow.

Kendal is the largest town in the Lake District and tourism its main source of income and jobs. Barrow at the extreme south of the county is industrial with the principle employer being BAE ship builders, this area is the most densely populated at 9.09 persons per hectare. The North and West of the county are more highly populated and the largest population are in Carlisle, Workington and Whitehaven. The population density for the whole of Cumbria is only 0.73 persons per hectare making it the lowest population density in the country. This contrasts sharply with the comparable figure for an all-England average of 398 (ONS, 2012).

Cumbria Constabulary has an annual budget in the region of £95 million (Net) for 2016-2017. The budget faces the potential for significant reductions over the next 4 years.

In common with normal policing practice Cumbria Constabulary is organised into areas which have coterminous boundaries with the Local Authorities.



The Constabulary Procurement Strategy has been developed in partnership with internal/external Stakeholders. It provides the Constabulary with an Action Plan to support the Constabulary’s key priorities and vision in an era of unprecedented budget cuts which present unique challenges. Specifically, the Funding Formula Review may have significant impact on service delivery from a support function perspective.

Procurement has a key role to play in ensuring that we ensure that capital and revenue expenditure delivers maximum benefit both in terms of commercial and a sustainable service delivery.

This strategy and associated Action Plan cover the four-year period 2016 –2019, this is deemed to be a realistic timeframe given the pressures from central government, a similar time span for delivering efficiencies and the changing environment within which the Constabulary operates. We must adopt a flexible and positive approach to the challenges that lay before us. Without doubt procurement is one of the key tools the Constabulary has to help the organisation achieve its objectives.

Procurement does not just relate to “buying things” but covers the whole process from the initial identification of a need for a good or service, through selecting a supplier or partner, receiving the goods or service, managing a contract, achieving the benefits expected, to finally disposing of an asset or ending of a contract. This procurement process is described in the diagram below.



In summary in 2015/16 the Constabulary spent approx. £28 million on goods, works and services. Our supply chain at year end was in the region of approximately 1400 vendors. The Constabulary has strict internal governance through the joint procurement regulations to ensure robust probity, transparency of processes and compliance are embedded in all our procurement activities.

Therefore, delivering value for money from the Constabulary's spending is the collective responsibility of everyone involved with procurement. We rely heavily on Key Stakeholders that carry out purchasing on a daily basis, on Financial Services for budget control and creditor management and Legal Services for advice and guidance on contracts. A fuller description of the various roles and responsibilities in relation to procurement can be found on the Constabulary's internet site.

The impact of procurement is far greater than a simple definition of a process. The principles set out in this strategy illustrate the positive contribution that effective procurement arrangements make to the communities the Constabulary serves considering socio-economic agendas such as equality and diversity, a successful economy, community benefit and reducing environmental impact. Purchasing of goods, services and/or works represents a significant interface with the economic community on a local, regional and national level via contractual relationships developed with suppliers.

Chief Officers Group (COG) and the Senior Management Team (SMT), particularly through Senior Management Team and Overview and Scrutiny (Internal), have an important role in questioning procurement decisions and ensuring sustainable benefits are achieved. The Procurement Cycle diagram, figure 1 above, identifies the processes/points of decision and review points where a review can take place.

The Constabulary has a track record of working in partnership with others such as the Crown Commercial Services, Yorkshire Purchasing Organisation, other consortia, and Regional/National Police Forces. The Constabulary will continue to strive to work in partnership on procurement.



This strategy aims to provide plans to help us strive for excellence in the procurement of goods, services and works and to articulate the Constabulary's positive commitment to partnering, equality and sustainability through procurement.

### 2.3 What is Procurement?

Procurement is the process of acquiring goods, works and services, covering both acquisitions from third parties and from in-house providers. The process spans the whole-life cycle from identification of needs, through to the end of a service contract or the end of the useful life of an asset including responsible disposal. It involves initial option appraisal and critical 'make or buy' decisions, which may result in the provision of in-house services in appropriate circumstances" (National Procurement Strategy).

We recognise the role of balancing local economic growth with national action (aggregation of demand), and the need to get value for money from all procurement activity.

A category management business model has been developed to enable the Constabulary to maximise the benefits from procurement collaboration for categories and sub-categories of works, goods and services. The key categories are;

#### ICT

- Operational
- Corporate

Currently the Constabulary has in excess of 136 Framework agreements /contracts with a value in excess of £10,000 accounting for 80% of the Constabulary's procurement expenditures

These key categories head up numerous sub-categories and all budget holders have a Business Manager from within the category team.

This team manage a wide range contracts, and provide strategic and commercial support to other business areas that are responsible for managing business critical contracts, and lead in the important area of sustainable procurement.

Currently 80% of capital and revenue expenditure is with National/Regional Framework contracts. The Constabulary is fully supportive of collaborative working with other Blue light forces/Agencies to maximise Best Value.

Specifically, in regards to the capital and revenue expenditure across the three categories the monetary breakdown of expenditure for 2015/16 was;

#### ICT

- Total Capital/Revenue Expenditure £6.4 million.

#### Operational

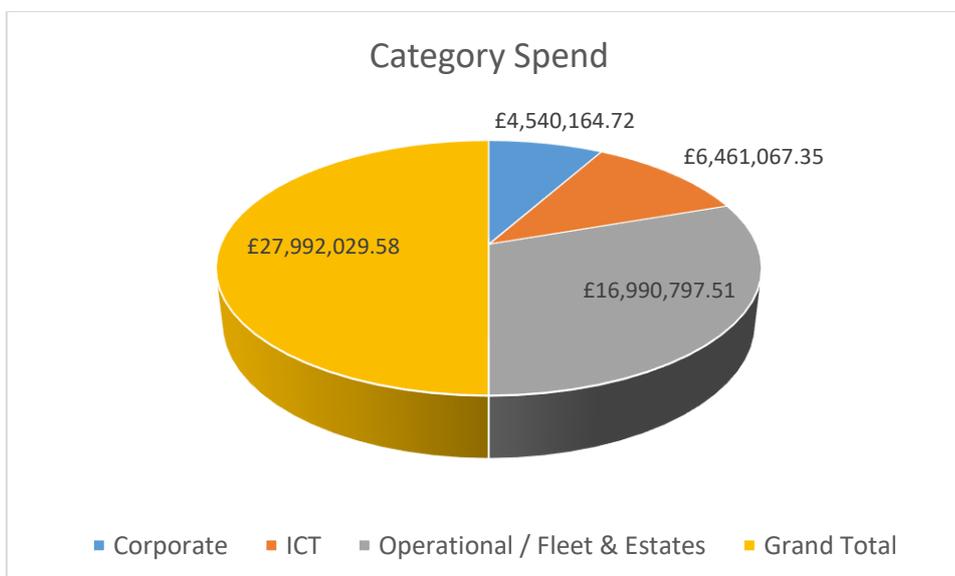
- Total Capital/Revenue Expenditure £16.9 Million.

#### Corporate

- Total Capital/Revenue Expenditure £4.5million.

Spend Range

£ Range Table	Value	No of suppliers	% overall value
0-999	£ 209,676.59	667	0.7
1000-4999	£ 742,628.12	307	2.7
5000-9999	£ 983,916.26	132	3.5
10-24999	£ 1,515,016.10	97	5.4
25-49999	£ 1,864,974.75	55	6.7
50-99999	£ 2,351,588.17	35	8.4
100-249999	£ 3,732,656.52	24	13.3
250-499999	£ 5,009,573.12	14	17.9
500-999999	£ 3,567,612.78	5	12.7
1-2mil	£ 8,014,387.17	4	28.6
<b>Total</b>	<b>£ 27,992,029.58</b>	<b>1,340</b>	<b>99.9</b>



% spend against total number of Suppliers

Range Table	No of suppliers	% of total
0-999	667	49.8
1000-4999	307	23
5000-9999	132	10
10-24999	97	7
25-49999	55	4
50-99999	35	2.5
100-249999	24	1.7
250-499999	14	1
500-999999	5	0.5
1-2mil	4	0.4
<b>Total</b>	<b>1340</b>	<b>99.9</b>

The top 50 suppliers accounted for approx. £20 million of total expenditure (70%).



The top 5 supplier accounted for approx. £9 million of total expenditure ((32%)

Broadly speaking 46% of total expenditure for 2016/17 was to organisations with a presence in Cumbria. This data needs further interrogation to confirm accuracy and to better understand the dynamics behind that expenditure. A key theme will be to increase the expenditure in Cumbria for local SME/Micro Businesses where legally able to do so.

The ACPO National Procurement Strategy to 2011 identifies the following key principals:

➤ Operational,

Increasing further police procurement capacity and capability,  
Securing further supplier competition and price leverage, shaping requirements and specifications,  
Developing techniques and practices to reduce costs and risks,  
Reducing procurement overheads and the costs of acquisition and promoting sustainability while at the same time supporting diversity in procurement.

Cumbria Constabulary's Procurement Department's strategy will ensure that these principals are consistently drawn out in its work plan and procurement processes.

For the compliance and transparency in accordance with Government requirements, all contracts over £100,000 will be advertised via the forces E-Procurement portal (Blue light). If the total value of the contract exceeds the EU procurement regulation value threshold, then that opportunity will be advertised in the Official Journal of the European Journal (OJEU) and the Governments Business Portal Contract finder.

The exception being where there is a National/Regional framework already in place that meets the criteria for best value. A recognisable benefit of using a framework while being mindful of the local agenda is that we achieve best value through aggregation and agreed terms.

In addition, using the same criteria we will in accordance with the EU Procurement Regulation 2015 Part 4 ensure that the opportunity is advertised via the Governments Business Portal Contracts Finder.

### 3. Current Provision, Issues & External Drivers

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#### 3.1 Procurement Review - Phases 1 and 2

In May 2013 (Phase 1) and January 2014 (Phase 2) the organisation undertook a Procurement Review and as a direct result the then current procurement team was disestablished with a new team forming in its place. The post review team consist of 1 Head of Procurement, 3 Procurement Business Partners and 3 Procurement Officers. The team provides professional advice and leadership on procurement/commissioning in the organisation, and undertakes the majority of procurement activity, with true transactional procurement activity remaining within the Central Services Department and the business still having budgetary and decision making in relation to procurement decisions.

Cumbria Constabulary has now successfully introduced and embedded a centralised 'category management' model which aligns procurement expertise with different areas of the business. The categories are: Corporate; Operations (including Estates & Fleet); and ICT. The Procurement Business Partner are expected to undertake all technical aspects of procurement from sourcing and tendering to contract management, whilst the Procurement Officer supports the non-technical procurement activities such as data and spend analysis, reporting, catalogue management and supplier enablement. The Procurement Officers also undertake critical tasks in the procurement system and complete financial reports and records on behalf of the business areas they support.

Procurement also has responsibility for the Constabulary's stores which has a primary function to provide a force wide uniform supply and fitting service to both Police Officers and Police Staff, along with the supply of general stock lines where it is more cost effective for central distribution rather than direct delivery.



A key objective within the department is to reduce the non-contract spend on uniform items to approximately 5% per annum and down to 10% for general items. In the first three quarters of this fiscal year the stores department has raised 761 orders to suppliers worth a total value of £353,646.05. These orders break down as to 237 for general stock items worth £75,848.41 and 524 for uniform items worth £277,797.64. Another key objective will be to increase the use of national, regional or local contracts to deliver the best price for both uniform and general stock items whilst still maintain the same service levels.

The aim of the department for the financial year 2016-17 was to reduce the non-contract spend on both uniform and general stock from 9.1% on uniform down to 5% and 15.52% on general stock down to 10%.

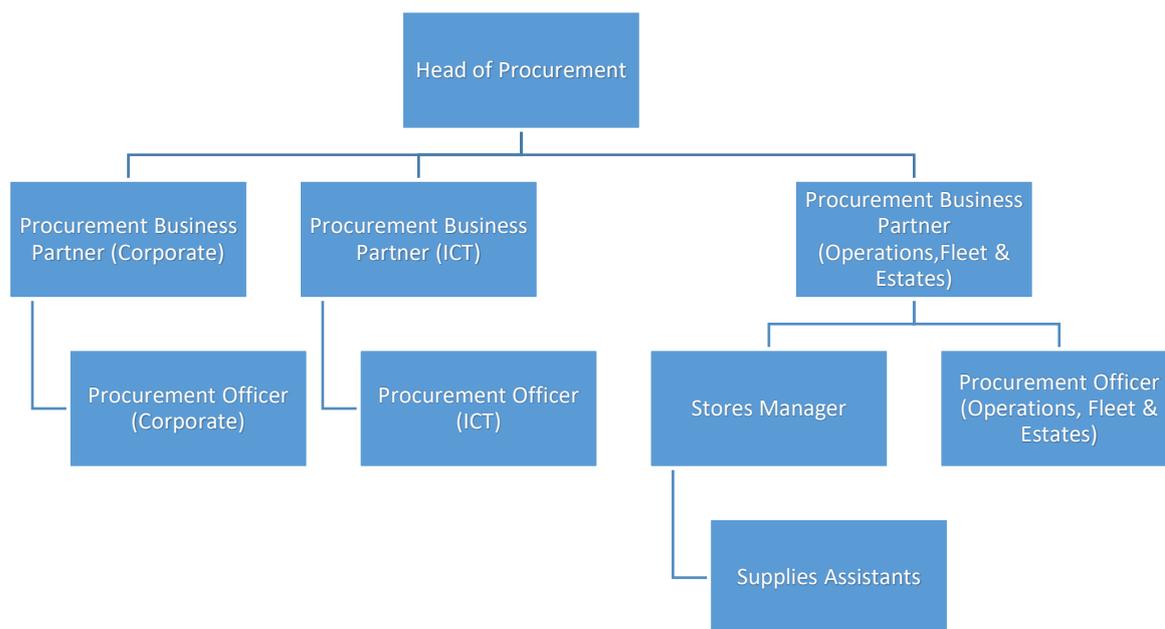
As of December 2016 spend on uniform items with non-contracted suppliers was 6.51% and 8.1% on non-contracted suppliers of general stock. Although the target for uniform has not been met this is due to the number of specialist officers being trained in this financial year and the fact very few of these uniform items are on any form of contract

The Stores department will continue to monitor all new contracts coming on line to ensure any cost savings can be made.

In the first three quarters of the fiscal year 2016-17 the department received and processed 4627 requests for both uniform and general stock items of these 2317 were submitted through the origin ordering system and the remaining 1310 were direct e-mails to the department, this breaks down to a total spend of £262,719. With £21310.19 on general stock items and the remaining £241,408.81 on uniform items.

Over the same period from the 1<sup>st</sup> April to the 30<sup>th</sup> November the department received 3,627 requisitions for either uniform or general goods

### 3.2 Current Procurement Structure 2016



### 3.3 Constabulary & Police and Crime Commissioner Procurement Principles

Procurement supports the achievement of the majority of the Constabulary’s & Police & Crime Commissioners priorities, as they all need goods, services, people or skills to be purchased to make them happen. If procurement is not effective there will be less capacity, fewer goods, financial uncertainty and



inequality. Good procurement practices specifically support the following Constabulary Priorities in order to achieve both a **balanced budget** and **best value**.

We stated the procurement principles which we will champion to help deliver more effective and efficient procurement across both the Constabulary and Office of the Police and Crime Commissioner:

- **Procure strategically and compliantly** – Procurement will be carried out to support the delivery of the required priorities and in-line with this Strategy. All procurement processes and systems must comply with the Constabulary & Commissioner’s Joint Procurement Regulations, Financial Regulations, EU Procurement Regulations 2015 and any other such relevant legislation.
- Stakeholders or specialists will be involved in the selection process and in ongoing contract management to make sure we get the right things for the job.
- **Best Value procurement** – We will use procurement to realise efficiencies and help us work effectively. This will be achieved through partnership / joint working, lower cost, better quality, improved service, better processes and corporate contracts.
- **Build skills and capacity** – We will develop the skills and capacity needed to improve procurement and ensure it contributes to priorities and corporate governance initiatives such as CSR, value for money and use of resources assessments.

### 3.4 Legislation

The Constabulary & Office of the Police and Crime Commissioner have updated the Joint Procurement Regulations to reflect and embed recent legislative developments, including:

- **EU Procurement Directives 2015** – The main legislation, which guides how both organisations purchase, is driven by EU Directives that are then brought into UK law. The EU lays down processes for buying goods and services over certain values. Purchases above these thresholds have to be advertised in the Official Journal of the European Union (OJEU) via the Constabulary’s EU Supply Portal, the Government’s Contract Finder and reported to Home Office quarterly. Due to the threshold values the Constabulary carries out very few OJEU procurements each year. Guidance on the process is on the Intranet and assistance is available from the Procurement Team.
- **Data Protection Act 1998 and FOI** – Both the Data Protection Act (DPA) and the Freedom of Information Act (FOI) have implications for procurement. Under the DPA we are required to keep personal information private. Under FOI we are required to make non-personal information available to the public, guidance on how this relates to procurement, where contract information is involved, is available on the Constabulary’s Internet/ Intranet.
- **Equality and Diversity Act 2010** – Regulations under Equality Act 2010 make it illegal to discriminate in the procurement and provision of goods and services on the grounds of the following Protected Characteristics:
  1. Age
  2. Disability
  3. Gender reassignment
  4. Marriage and civil partnership
  5. Race
  6. Religion or belief
  7. Sex
  8. Sexual orientation
- **Modern Slavery Act 2016** – The act includes provisions to:
  - Enable the Secretary of State to make regulations relating to the identification of and support for victims the act also make provision for independent child trafficking advocates while introducing a new reparation order to encourage the courts to compensate victims where assets are confiscated from perpetrators



Require businesses over a certain size and threshold to disclose each year what action they have taken to ensure there is no modern slavery in their business or supply chain.

- **Social value Act 2012**

It is important that we take equalities duties into consideration in our procurement practices. This means advertising opportunities widely and openly, not using selection criteria to discriminate illegally and making every effort to ensure suppliers comply with equality in employment legislation

### 3.5 Government Initiatives

In addition to the impact of legislation a number of government initiatives will have an impact on the procurement strategy and practices and we will need reflect.

### 3.6 Sustainability

To be able to procure sustainably we must understand what sustainability is. It has been described as helping to deliver ‘a better quality of life for everyone, now and for future generations. Recent government strategy “Securing the Future – delivering UK sustainable development strategy” approaches sustainability using five principles:

- Living within Environmental limits.
- Achieving a sustainable economy.
- Using sound science responsibly.
- Ensuring a strong, healthy & just society.
- Promoting good governance.

The Procurement Team can support and help achieve these principles in a number of ways. It is proposed that procurements, especially those over the tender limit (£100,000) and those which have specific environmental impacts (e.g. energy, fuel, water, paper, building materials), are reviewed. We will aim to purchase sustainable, renewable goods and services where feasible and effective.

The re-use, recovery, recycling and disposal of our goods and assets will become more of an issue as the EU Waste from Electronic and Electrical Equipment (WEEE) Directive (2003) and the Waste & Resources Action Programme (WRAP) begins to impact on what we can do with assets coming to the end of their life. It will also influence the disposal and recycling services we provide to our customers. The Constabulary will re-use and recycle where possible and ultimately dispose of assets safely and efficiently.

The Constabulary is a major local employer and purchaser. It is important that procurement is mindful of the impact purchasing decisions can have on local small businesses (SME’s) and people. Currently approx. **67%** of the Constabulary’s suppliers are SME’s and **42%** of suppliers are based within Cumbria. We recognise the need to reach out to the local supply base, encouraging and supporting them to work with the Constabulary. Both organisations have a responsibility to its local communities and a strong commitment to promote economic development. The Constabulary will balance the priorities of business decisions and supporting the local economy, whilst complying with legislation and regulation governing public Procurement.

To offer the best in terms of delivering outcomes and reflect the complexity and maturity of markets and the associated supply base, a ‘mixed economy’ model is most the most appropriate approach.

In turn, these commitments will:

- Drive greater efficiency
- Support local growth
- Improve service delivery

The aforementioned aims very much reflect the National Government Local Procurement Strategy (November 2012).



### 3.7 Transformation and Shared Services

Procurement has been identified as one potential area for shared services as suggested in the Transforming Government paper. It is an example of how the Constabulary can transform its services as it encompasses the need for the Constabulary to answer the “make or buy” questions when reviewing and deciding how to provide services. It also supports the introduction of new working practices through the use of e-procurement.

### 3.8 Efficiency

Procurement is seen to be one of the main drivers for achieving efficiencies to meet Government targets. It has been estimated that a third of public sector efficiencies can be achieved through procurement savings.

### 3.9 Partnerships and the Voluntary Sector

The Constabulary is committed to working in partnership to deliver improved services and procurement efficiencies.

The Constabulary actively promotes and collaborates with the six Northwest Police Procurement (NWPP) forces whose members are:

1. Cumbria
2. Merseyside
3. Cheshire
4. Lancashire
5. Greater Manchester
6. North Wales Police

In addition, the Constabulary collaborates with the County & District Councils, NDA and NHS via the EPIC (Effective Procurement in Cumbria) which meets quarterly to share best practices, Supply chain/tendering opportunities and training.

The Constabulary largely procures from National and regional frameworks where appropriate which helps to ensure we achieve best value through aggregation of volumes. From time to time we also purchase via purchasing consortium such as Yorkshire Purchasing Organisation (YPO) there is no formal requirement to do so and best value needs to be evidenced when using a purchasing consortia

The Constabulary will work with and learn from those Constabulary's who are deemed to be leaders “Delivering Quality Services through Procurement” and “Transforming the Delivery of Services through Partnership”.

Initiate early and meaningful Supplier/Stakeholder engagement events, prior to undertaking any Procurement exercises (where appropriate, providing historical spend and performance trends and likely future spend/performance and specification needs; timetable; Procurement routes to market.

### 3.10 Aims and Proposed Actions

As a Constabulary we want to deliver best value procurement to support the delivery of excellent services by getting the quality of goods, services and people needed at a low cost/fair price.

The Constabulary's Procurement Action Plan will be driven by:

- Delivering actions which address the Strategic issues identified in section 4.
- Developing procurement to meet Constabulary priorities and service needs.
- Realising the Constabulary's Procurement Principles.

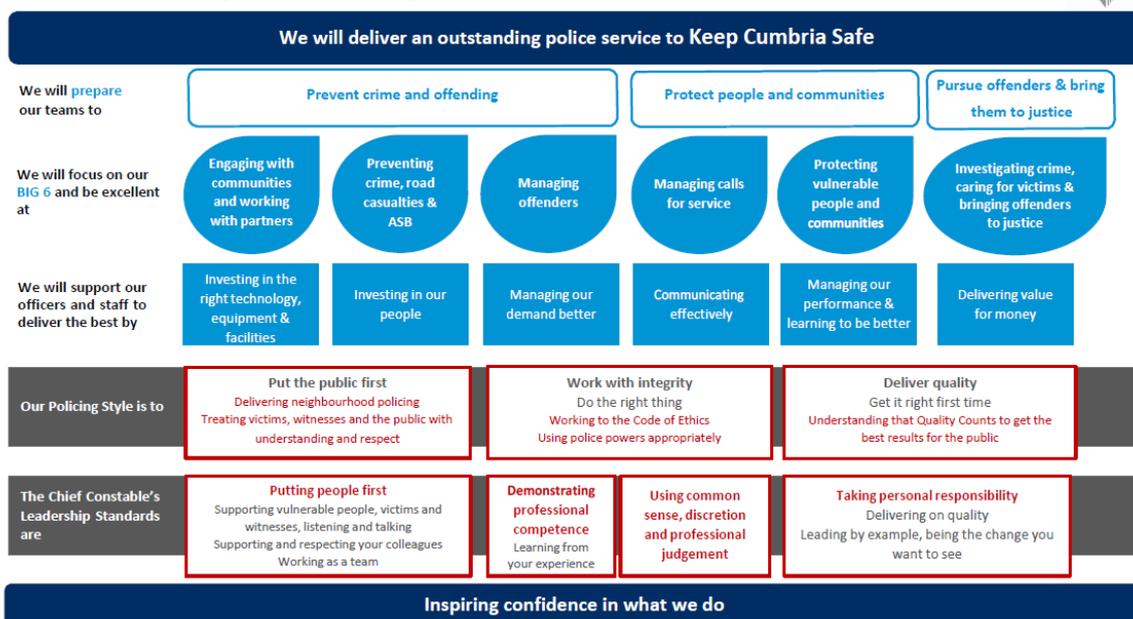


## 4. Key Strategic Priorities

The priorities identified within this Procurement Strategy supports the Constabulary Business plan “The Big Six “and recognises the positive contribution that procurement can deliver to meet the key outcomes of the Cumbria Constabulary Plan 2016-2017.



### Cumbria Constabulary: Our Plan on a Page 2016 - 17: The BIG 6



**POLICE AND CRIME PLAN**  
2016 - 2020

MAKING CUMBRIA EVEN SAFER



Peter McCall  
www.cumbria-pcc.gov.uk

The Strategy supports the priorities that are set out in the *Police and Crime Plan 2016 – 2020* which is underpinned by 8 key objectives



1. Your priorities for Cumbria
2. A visible and effective Police presence
3. Tackle crime and behaviour
4. Ensure offenders face a consequence for their crime
5. Always put victims first
6. Focus our police on online and sexual crime
7. Spend your money wisely
8. Supporting young people

The Strategy has been embedded at a time when Police Forces are facing significant financial challenges (notably for Cumbria regarding the Police Funding Formula) and is therefore a clear driver to achieve savings across our procurement expenditure.

The aim will be to provide the most effective agreed application of those resources and processes involved in the delivery of procurement in Cumbria Constabulary and the Office of the Police and Crime Commissioner for Cumbria (OPCC).

The Strategy identifies a number of **key strategic priorities**. Each theme will be supported by actions and outcomes that support the Constabulary's key priorities and aspirations.

Partnership working remains at the heart of our approach to deliver effective procurement services.

#### 4.1 Providing Leadership and Building Capacity

This objective covers the commitment of the Constabulary to procurement excellence by promoting and managing procurement strategically and resourcing and skilling it appropriately for the Constabulary. We will:

- **Roles and Responsibilities** – Continue to develop the model of Category Management within the Corporate Procurement Team.
- **Stakeholders** – Wherever possible, maximise end user and Stakeholder feedback regarding existing and future commissioning and procurement exercises.
- **Change** – Capitalise on the ability of the team working across other functions, thereby facilitating and supporting change where appropriate.
- **Contract Register** – Maintain the Constabulary's Contract Register and use it to plan and prioritise future tenders.
- **Project Management** – Implement a Project Management approach to Procurement exercises.
- **Networking** – Work closely with the NWPP and the Local Authorities in relation to the joint procurement opportunities.
- **Efficiencies** – Introduce mechanisms for realising and recording savings
- **Standard Procurement Documentation** – Adopt or develop standard procurement documentation e.g. standard (model) Terms and Conditions and Selection Questionnaire (SQ)
- **Skills** – Assess procurement skills levels and develop a training programme to address skill /knowledge gaps
- **Performance Monitoring & Benchmarking** – Develop a range of performance indicators for Procurement based on Home Office /Audit Commission proposals and carry out benchmarking.
- **Expertise** – Recognise our limitations and source experts, brokers or agents where they are needed to provide specific procurement advice.
- **Supplier Monitoring** – Introduce more formal supplier monitoring and contract management processes for top 5 suppliers per business category
- **Risk Management** – Undertake appropriate risk management to ensure risks are identified and addressed in a transparent and robust manner
- **Contract Standing Orders** – Ensure the requirements of Contract Standing orders are being met and monitored around criteria such as aggregation, OJEU advertising and whole life costing.
- **Communication** – Communicate the Strategy to staff, members, partners and suppliers.



## 4.2 Partnering and Collaboration

**Partnering** - This objective covers the requirement for an improved and better informed delivery of services through creating and working in sustainable partnerships between the Constabulary and suppliers in the public, private and voluntary sector to provide and enhance services and carry out major projects (e.g. construction projects).

**Collaboration** - Aims to deliver better value by bringing Constabulary's (and other public bodies) together to combine buying power and identify opportunities for shared services and opportunities.

We will:

- **Partnering** – Continue to investigate and enter into partnering arrangement where they provide capacity and deliver efficiencies and service benefits
- **Process Improvement** – Review procurement processes, documents and practices to ensure efficiency and achieve Lean Procurement
- **Supplier Relationships** – Take into account supply and partnering arrangements may require us to develop relationship on an equal basis We will work in partnership with our key supplier
- **Joint Working** – Procure and commission jointly where possible and practical.
- **Frameworks** – Use and develop framework agreements such as those negotiated by CCS/Pro 5. Undertake to procure our own frameworks where necessary and can be evidenced to demonstrate best value.
- **Local Agenda** – Wherever possible without breaching regulations have consideration for local businesses and where the value is in excess of £100,000 consideration shall be given to including community benefits in the tendering.
- **Constabulary Standards** – Ensure Suppliers who provide services to the Constabulary's adhere to our Code of Ethics

## 4.3 Doing Business Electronically

This objective covers the use of technology to get improvements and efficiencies in the procurement cycle including reducing the time and cost of purchasing. This is known as e-procurement.

We will:

- **Ordering** – Enforce the use of Oracle for all orders. Reduce the number of orders and invoices produced to deliver process efficiencies.
- **Supply Chain** – Challenge the addition of suppliers for goods for which we already have suppliers in place thus reducing of contract spend.
- **E-Ordering** – Develop the electronic distribution of orders and electronic communication with suppliers.
- **Electronic Catalogue** – Maintain and develop the oracle e-catalogue and look to integrate with suppliers catalogues to make price and item maintenance easier.
- **Procurement Information** – Continue to develop information on the website and internal procurement advice on the Intranet.
- **E-tendering** – Tender all opportunities on the Constabulary's e- tendering portal "Blue light" for advertising opportunities in excess of a total value of £ 100K up to and including the OJEU threshold.
- **E-auctions** – Take advantage of opportunities to participate in e-auctions
- **E-market Places** – Investigate and adopt if/when there is a business case.
- **Procurement Cards** – Review the use of Procurement cards for low value purchases.
- **E-payments** – Continue to develop easy, secure, user friendly, flexible solutions to cover all payments. Encourage people to use e-payment methods.
- **Business Process Review** – Review e-procurement/procurement processes to identify and implement improvements.



#### 4.4 Sustainable Markets and Community Benefit

This objective covers working with suppliers and using procurement to help deliver the Constabulary's corporate priorities including the economic, social and environmental actions we will provide:

- Support to Cumbrian SME's, where legally able to do so,
- Support to local suppliers, where legally able to do so,
- Support to Third Sector, where legally able to do so.
  
- **Equality** – Review the Constabulary's procurement processes and documentation and embed diversity and equality requirements/recommendations in accordance with aims and objectives of the Equality Act 2010.
- **Climate Change** – Use procurement to support the Constabulary's stance on climate change and its commitment to the Nottingham Declaration through green energy, energy efficiency, fuel use etc.
- **Sustainability Accreditation** – Engages with suppliers that have and can demonstrate sustainability/"green" accreditations, compliance with standards and energy efficiency ratings
- **Sustainability Principles** – Review major purchases against the 5 sustainability principles to establish the relevance of the environment and sustainability to the procurement as follows:
  1. Low Weight
  2. Few Components
  3. Good Materials
  4. Long Lifespan
  5. Cradle to cradle thinking  
(Closed lifecycles)
  
- **Sustainability Criteria** – The Constabulary will include environmental and sustainability implications, where they are relevant, in the procurement process including in SQ's Quotes and Tenders and in evaluation and selection criteria.
- **Re-use and Recycling** – Aim to re-use goods (e.g. donating old uniforms, mobile phones to charity) and recycle assets wherever possible.
- **Local Suppliers (SME's)** – The Constabulary will encourage a diverse and competitive supply market including small firms, local firms, social enterprises and the voluntary and community sector. We will do this by making procurement opportunities inclusive and ensuring transparency in advertising those opportunities.
- **National Concordat for Small Businesses** – Work towards signing the National Procurement Concordat for Small and Medium sized enterprises, which aims to encourage effective trade between local authorities and small businesses.
- **Whole life costing** – The Constabulary will work toward the identification of whole life costs and benefits for all purchases at or above £50k where appropriate.
- **Community Benefits** – For contract with a value in excess of £100,000 Community Benefits will be assessed and if appropriate included in the evaluation criteria not including community benefits should be the exception not the norm.

#### 4.5 Commissioning

This objective covers working with the commissioners/stakeholder at the projects inception Grant/Business case stage and using procurement to help deliver the required outcomes we will:

- Engage with supply chain to gain effective market intelligence and understand market dynamics on a regular basis
- Ensure Commissioning is undertaken in compliance with legislation
- Build on internal relationships between commissioners/stakeholder/procurement and contract management
- Put the outcomes of the Commissioners /Stakeholders at the heart of the strategic planning process

- Ensure that contracting processes are robust, fair and transparent, facilitating the involvement of the broadest range of supplier
- Consider long term contracts and risk sharing wherever appropriate as ways of achieving best value
- Seek feedback from Commissioners/Stakeholders and suppliers in order to review the effectiveness of our approach

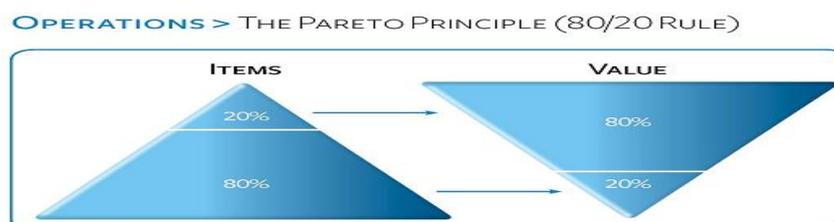
Review the alternative delivery models.

#### 4.6 Developing and Maximising Supplier Relations – Savings/Efficiency Gains

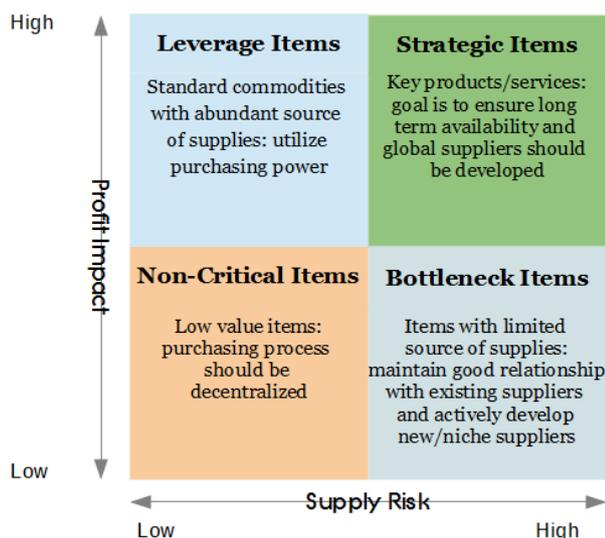
Action - Develop spend information for goods, works and services.

- Procurement will annually undertake a full capital/revenue spend analysis The information gained will intelligently enable us to review, understand and maximise the benefits from those suppliers from whom we purchase, what we purchase, how we purchase and the market/commodity profile of our supplier chain for example are the suppliers local, do they depend on us for work, are they used by other local Constabulary's are we unintentionally distorting the market place. This information will help set priorities for new procurement exercises help us better understand the market place and will be used to guide collaboration opportunities.
- Increase the number of goods and services procured from local businesses where appropriate which will help to stimulate businesses in Cumbria.
- Procurement will undertake a number of supplier engagement events/surgeries to help promote and better inform the supply chain as to the constabulary's procurement activities, opportunities and our expectations to better engage and understand the dynamics/pressures from both parties which will help lead to achieving best value.
- Details of all contracts awarded will be published on the OPCS and constabulary website providing in accordance with the governments Local Transparency Guidance Agenda
- Contracts greater than £100,000 will be advertised via the government opportunities portal –Contract Finder and the Constabulary's e-Procurement Portal (EU Supply).
- We will work in partnership with partner agencies both public and private sector organisations where appropriate in Cumbria to identify collaborative procurement opportunities.
- Challenge all revenue /capital expenditure using the Perato principles and Kraljic risk model.
- We will share risk.

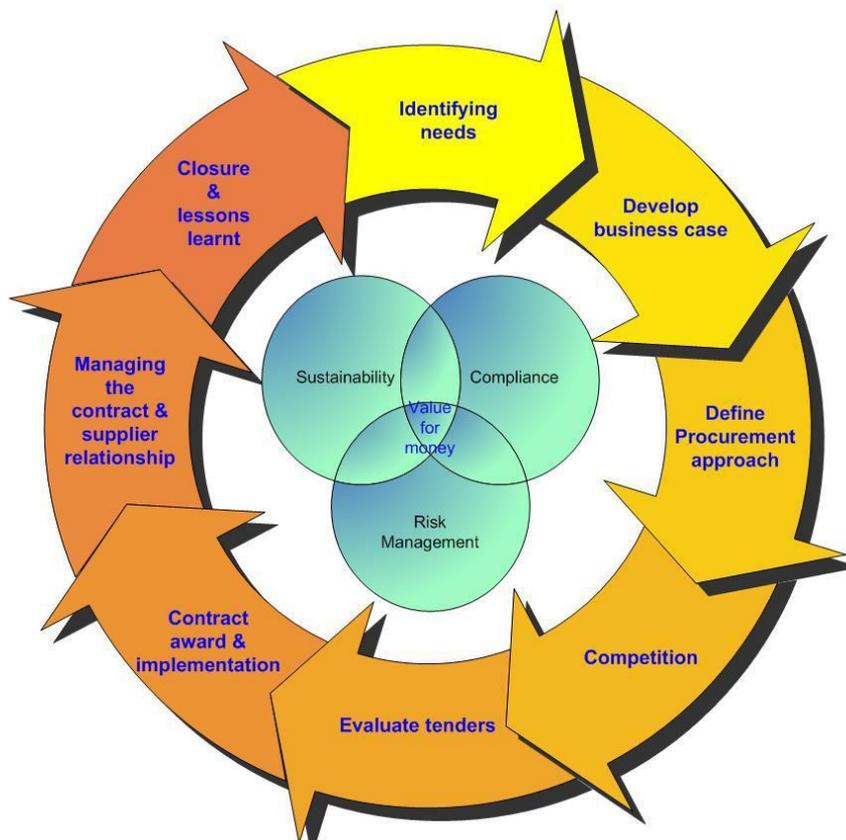
The **Pareto principle** (also known as the 80–20 rule, the law of the vital few, and the principle of factor sparsity) states that, for many events, roughly 80% of the effects come from 20% of the causes applied to the supply chain The suggestion is that 80% of our Capital/Revenue expenditure is with 20% of the supplier and this is the main area of focus.



The purpose of the **Kraljic risk model** is to help purchasers maximize supply security and reduce costs, by making the most of their purchasing power. In doing so, procurement moves from being a transactional activity to a strategic activity.



Commissioning and Procurement activity within any organisation is widely perceived as forming part of a cycle, which encompasses activities beginning at ‘identification of need’ and ending with a ‘lessons learnt’ review, post the end of the contract provision. In order to further strengthen the rigour of the process, procurement proposes to undertake internal ‘**Gateway Reviews**’ at various stages in the life of key projects or programmes of work (high risk, high value; complex and/or politically sensitive).



**4.7 Promoting Stakeholder Internal/External Working**

Action - Increase the value of Stakeholder engagements/Interventions.



- Continue working collaboratively and proactively with key stakeholders to support the commissioning and delivery of services to identify greater areas of opportunities.
- Continue to provide commissioning procurement and contract management support and advice.
- Embed procurement in Stakeholder team thinking.
- Promote a customer based ethos with agreed SLA.
- Deliver Procurement training to Stakeholders.
- Encourage challenge from Stakeholders.
- Ensure that all procurement is fully compliant in accordance with our Joint Procurement Regulation and EU Procurement Regulation.
- Share Benefits.
- Appropriate consultation will take place when making procurement decisions, ensuring that consideration is proportionate to the scale, complexity and value of the requirement. Different Stakeholders may be required at different stages of the procurement.
- Stakeholders may include internal and external members, staff, service users, representative bodies and suppliers.

#### 4.8 Raising Awareness of Procurement

Action – Promote good practice

- We will publish appropriate guidance and provide professional support to Stakeholders in procurement activities.
- Updated Financial Regulations and Joint Procurement Regulations to reflect legislation and best procurement practice.
- Brief staff on revised Joint Procurement Regulations.
- Promote Best Practices.
- Report quarterly of savings achieved.
- Promote and embed the European procurement principles which are:-

Proportionality.  
Mutual recognition.  
Transparency.  
Non-discrimination.  
Equal treatment

- Provide procurement effective procurement and deliver appropriate Procurement Training.
- Support the commissioning and contract management
- Engage with Business Stakeholders on a regular basis.
- Publish details of tender awards.

#### 4.9 Improving Contract Management

Action – Review current procurement processes and structures and skill match sets.

- Through detailed spend analysis we have compiled a comprehensive understanding of existing expenditure we will identify areas where spend is of a level that a competitive tender will be required formalising that area of spend contractually contract and achieve cashable savings.
- Undertake supply chain reviews to better understand market dynamics.
- Rationalised the number of suppliers used as part of the supply chain review.
- Work towards effective partnership approach with suppliers.
- Provide Contract Management support to stakeholders.



- Provide a Contract Management Guide.
- Develop meaningful Supplier key performance indicators.
- Raise internally the benefits and principles of good contract management.

#### 4.10 Ethics and Fraud

Action - Undertake appropriate due diligence within the procurement cycle to ensure compliance with the Constabulary's Code of ethics, policies regulations and current legislation

- Ensure that if there is conflict of interest in the procurement cycle, it is identified, recorded managed and signed off by the Head of Procurement
- Deliver Procurement fraud training to the organisation
- Ensure that all procurement is undertaken in accordance with the College of Policing Code of Ethics and the CIPS Code of Ethics 2008
- Ensure that the all procurement undertaken is in strict accordance with the Joint Procurement Regulations and current legislation
- Ensure through 1-2-1 review meetings that the organisations whistle blowing policy is understood
- Reduce the risk of fraud through effective contract management and monitoring
- Review procurement outcomes
- Encourage Staff to identify and report any concerns/Issues

#### 4.11 Community Benefits

Contrary to common perceptions, the inclusion of Community Benefits in procurement is not prohibited by either the Government's policy or the EC rules

The appropriateness of including community benefit clauses in procurement projects will vary from contract to contract and they are likely to be most suited to works and services contracts;

It is proposed that all procurement for Goods and Services with a total contract Value in excess of £1000,000 (One Hundred Thousand pounds) and for works with a total contract value of £2,000,000 (Two Million Pounds) must have Community Benefits Clauses incorporated into the procurement process. Any decision not to include Community Benefit Clauses must be recorded outlining in detail the rationale for not doing so

Once a decision has been taken to use Community Benefit clauses, they should be included at all stages of the procurement process from business case to contract implementation and monitoring;

Targeted Recruitment and Training clauses require an understanding of the capacity of the contract to meet these requirements and an understanding of supply-side arrangements available to the successful bidder to ensure their delivery, including training and funding;

To comply with the policy and legal framework, the community benefit requirements must be part of the core purpose of the contract and must provide a benefit to the authority at award stage.

To comply with EC rules the community benefit requirements must not disadvantage non-local contractors and must be consistent with the specific requirements in the Directives for specifications, selection and award criteria.

Local authorities in England and Wales can include employment matters in contracts provided that these are supported by their 'best value' policies (e.g. the Community Strategy), that 'best value' is demonstrated and EC rules are complied with.



Community Benefit requirements can be included in planning agreements, funding agreements and grant conditions provided that they do not require either party to act in an illegal or discriminatory way.

To avoid contravening the UK equal opportunities legislation and disadvantaging non-local contractors, it is best to use general categories of beneficiary (e.g. unemployed people, trainees, young people) and then target the benefits through 'supply-side' activities (e.g. training and job-matching services).

The use of Community Benefit requirements needs to be supported by supply-side actions and good

Community benefit clauses must be mentioned in any OJEU notice by a contracting authority and throughout the procurement process;

Community benefit clauses need to have a direct link to the core purpose of the contract, in order that they can be included in the technical assessment of potential contractors and in award of the contract; to avoid any form of discrimination, including indirect discrimination

The wording of community benefit clauses needs to emphasise 'social inclusion characteristics' and cannot be aimed specifically at employing people from a certain locality, of a certain age or sex, etc. Targeted training is permissible. Indirect discrimination, to the disadvantage of non-local contractors, must be avoided. It is important the monitoring of contract deliverables and outcomes to ensure compliance.

## 5. Risks

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The main risks that may prevent us from achieving our objectives and getting the benefits from better procurement include:

- Inaccurate data as the basis for procurement decisions.
- Cashable savings are not formally recorded.
- Lack of support from corporate buy in and non-adoption of standard documents and processes.
- Lack of Appropriate Procurement/commissioning skills.
- Failure to engage effectively with Stakeholders.
- Failure to understand the Dynamics of Category Management.
- Senior Management lack of buy in and support.
- New procurement processes, documents and standards are unworkable and non-compliant.
- Procurements have an adverse effect on local suppliers.
- In effective Supplier Relationship Management

It is anticipated that the actions identified in this strategy will mitigate against the impacts of these main risks. Specific risks to individual procurements will be identified as part the Procurement Project.

## 6. Maintaining the Strategy

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The Procurement Strategy (2016 – 2019) will be owned by and updated by the Head of Procurement.

The Action Plan will be updated annually to reflect changing priorities and developments in procurement legislation and best practice.



## Appendix 1 – Procurement Strategy – Action Plan

Below are the actions that are required to implement the Procurement Strategy. Detailed deliverables and firm target dates are given for actions that are scheduled for 2016, actions beyond this will be identified in subsequent updates to the Action Plan. This Action Plan will be updated annually and progress against it monitored by the Head of Procurement and reported to Chief Officers Group.

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
<b>8.1 Providing Leadership and Building Capacity</b>				
8.1.1	Ensure the Constabulary's Contract Register is kept up to date and used to plan tender exercises.	Up to date Contract Register. Prioritized list of tender exercises.	On Going	Proc Team
8.1.2	Implement project management approach to procurement.	Training in project management for procurement staff.	On Going	Head of Procurement
8.1.3	Introduce mechanisms and reporting format for realising and publishing procurement savings.	Savings realised.	April 2017	Proc. Team
8.1.4	Develop and implement standardised documentation.	Standard procurement documentation e.g. PQQs, Tenders, Terms & conditions.	June 2017	Proc team
8.1.5	Up Date Personnel Development Plans	To address new technology and approach to procurement/Commissioning/Contract Management to meet Business needs	April 2016	Head of Procurement
8.1.6	Skill assessment and procurement training/awareness.	Develop knowledge/skill set and capacity.	March 2017	Proc Team
8.1.7	Develop a range of Procurement Performance Indicators.	Performance Indicators identified. Benchmarking carried out.	March 2017	Proc Team,
8.1.8	Monitor compliance with Contract Standing Orders.	Compliance information gathered.	Ongoing	Head of Procurement



**Procurement Strategy 2017 – 2020**

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
<b>8.2. Partnering and Collaboration</b>				
8.2.1	Continue to investigate and enter into partnering arrangements where they provide capacity and efficiencies.	Effective partnerships.	Ongoing	Head of Procurement
8.2.2	Review and develop procurement processes.	Quicker procurement exercises	Dec 2017	Proc Team, CSD
8.2.3	Purchase goods & commission work jointly where practical	Joint procurements and contracts.	Ongoing	Proc Team,
8.2.4	Purchase through consortia where they deliver value.	Joint procurements and contracts.	Ongoing	Proc Team,
8.2.5	Use and develop framework contracts.	Framework contracts.	Ongoing	Proc Team,
<b>8.3 Doing Business Electronically</b>				
8.3.1	Reduce the number of invoices that we receive without a Purchase order	Orders processed through oracle	Ongoing	CSD/finance, Proc. Team
8.3.2	Manage the number of suppliers on Oracle	Optimum number of suppliers on Task	Annually	Proc. Team
8.3.4	Continue to develop procurement information on the Web.	Comprehensive information on Website.	Ongoing	Proc. Team
8.3.5	Take advantage of opportunities to participate in e-auctions.	Purchases through e-auctions.	June 2017	Proc. Team
8.3.6	Review the use of procurement cards for low value purchases.	Procurement card review.	March 2017	Financial CSD Proc. Team
<b>8.4. Stimulating Markets &amp; Achieving Community Benefit</b>				
8.4.1	Build equality duties and considerations into procurement practices and documents.	Equality impact assessed documentation.	April 2016	Proc Team



## Procurement Strategy 2017 – 2020

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
8.4.2	Engage with local supply chain tendering classes and meet the buyer events	Increase local expenditure.	Dec 2017	Proc Team/Purchasers
8.4.3	Hold Supply Chain surgeries	Better understand the issues in managing business relationships with the Constabulary	June 2017	Proc Team/Purchasers
8.4.4	Look for “green”, sustainability accreditations as part of supplier and goods selection.	Use green and sustainability criteria in supplier and goods selection.	Ongoing	Proc Team/Purchasers
8.4.5	Work collaboratively with Local Authorities to raise Business opportunity awareness	Raise and maintain local awareness of Business opportunities	Ongoing	Proc Team/Purchasers
8.4.6	Review major purchases against the 5 sustainability criteria and include sustainability and environmental consideration in PQQ's, Quotes and Tenders where relevant.	Include sustainability criteria in the selection and evaluation of purchases.	Ongoing	Proc Team/Purchasers
8.4.7	Re-use or recycle goods and assets	Re-use & recycling arrangement in place.	Ongoing	Proc Team/Purchasers
8.4.8	Encourage a diverse & competitive market including SMEs, local firms, social enterprises and community organisations.	Widely advertised opportunities.	31 <sup>st</sup> March 2017	Proc. Team
8.4.9	Investigate signing the Nations Procurement Concordat for SMEs.	Advantages and disadvantages explored and decision on signing made.	June 2017	Proc Team
8.4.10	Encourage and enable local suppliers to bid for appropriate work	Supports the Local Agenda	March 2017	Proc Team/Purchasers
8.4.11	Encouraging suppliers to pay 'living wage' through our Procurement processes	Responsible procurement	March 2017	Proc Team/Purchasers



Procurement Strategy 2017 – 2020

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
<b>8.5 Commissioning</b>				
8.5.1	Engage with supply chain to gain effective market intelligence and understand market dynamics.	Supplier workshops/early engagement	Ongoing	Proc Team/ Commissioners
8.5.2	Ensure compliance with legislation	Review of procurement process	Ongoing	Proc Team
8.5.3	Build on internal relationships between commissioners/stakeholder/procurement and contract management	Regular stakeholder engagements	Ongoing	Proc Team/ Commissioners
8.5.4	Put the outcomes of the Commissioners / Stakeholders at the heart of the strategic planning Process	Ensure that the outcome is the key to the process	Ongoing	Proc Team/ Commissioners
8.5.5	Ensure that contracting Process are fair and transparent, facilitating the involvement of the broadest range of supplier	A non- discriminatory approach will be embedded	Ongoing	Proc Team
8.5.6	Ensure long terms contracts and risk sharing wherever appropriate as ways of achieving best value	Undertake and understand risk assessments	Ongoing	Proc Team
8.5.7	Seek feedback from Commissioners/Stakeholders and suppliers in order to review the effectiveness of our approach	Introduce a feedback form with tender documents	Ongoing	Proc Team
8.5.8	Review the alternative delivery models	Better understanding the market dynamics and maturity	Ongoing	Proc Team/ Commissioners
<b>8.6 Developing and maximising supplier relations – Savings &amp; efficiency gains</b>				
8.6.1	Work with suppliers in an open and transparent manner	We will take a non- discriminatory approach to working with suppliers	Ongoing	Proc Team
8.6.2	Procurement will annually undertake a full capital/revenue spend analysis	The information gained will intelligently enable us to review, understand and maximise the benefits from those suppliers from whom we purchase, what we purchase, how we purchase and the	Annual	Proc Team



Procurement Strategy 2017 – 2020

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
		market/commodity profile of our supplier chain. This information will further help set priorities for new procurement exercises provide a more informed understanding of the market place and will be used to guide collaboration opportunities		
8.6.2	Share the risks and benefits where appropriate to do so	Identify risks and benefits through mutual dialogue	Ongoing	Proc Team
8.6.3	Work with on the basis of mutual respect Equality and cooperation for mutual benefit	Treat all suppliers with dignity and respect to create a partnership approach	Ongoing	Proc Team
8.6.4	Increase the number of goods and services procured from local businesses where appropriate and legal to do so	Stimulate businesses in Cumbria and support the local agenda.	Ongoing	Proc Team
8.6.7	Potential savings will be identified in the against each procurement activity. The procurement team will work with Stakeholders to deliver the identified saving and monitor further efficiencies through contract management	Publish achieved savings Quarterly	Ongoing	Proc Team/ Commissioners
8.6.7	Facilitate performance review meetings with established strategic suppliers	Identify issues/Opportunities and best practices	Ongoing	Proc Team/ Commissioners
8.6.8	We will undertake a number of supplier engagement events/surgeries	To help promote and better inform the supply chain as to the constabulary's procurement activities, opportunities and our expectations to better engage and understand the dynamics/pressures from both parties which will help lead to achieving best value	When Appropriate	Proc Team/ Commissioners
8.6.9	Details of all contracts awarded will be published on the OPCC and constabulary website	In accordance with the governments Local Transparency Guidance Agenda	Ongoing	Proc Team



Procurement Strategy 2017 – 2020

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
<b>8.7 Promoting stakeholder internal / external working</b>				
8.7.1	Proactively engage with Stakeholders and understand positioning/priorities	Provide advice and support through Commissioning ,Procurement and contract management	Ongoing	Proc Team
8.7.2	Share best practices and promote procurement as a tool to support and achieve outcomes	Informed procurement to maximise benefits and opportunities	Ongoing	Proc Team
8.7.3	provide a form of internal consultancy for Stakeholders –provide the technical know-how and advice on how Stakeholders can best secure their outcomes	Reduce the risk of not achieving the required outcomes	Ongoing	Proc Team
8.7.4	Appropriate consultation will take place with stakeholder/Commissioners when making procurement decisions	To ensure that consideration is proportionate to the scale, complexity and value of the requirement. Different Stakeholders may be required at different stages of the procurement	Ongoing	Proc Team
<b>8.8 Raising awareness of procurement</b>				
8.8.1	Provide appropriate Procurement training to stakeholders	Provide stakeholders with a understanding of procurement which in turn may inform commissioning decisions	Ongoing	Proc Team
8.8.2	Ensure that procurement is seen as an enabler	Taking Positive approach to engagement	Ongoing	Proc Team
8.8.3	Engage with Business Stakeholders on a regular basis	Review of procurement current and future activities	Ongoing	Proc Team
8.8.4	Promote and embed the procurement principles.	That all procurement is undertaken in accordance with the E.U Treaty Principles	Ongoing	Proc Team



Procurement Strategy 2017 – 2020

Ref	Action	Deliverables	Target Date	Responsibility & Involvement.
<b>8.9 Improving contract management</b>				
8.9.1	Understand and develop Learning of Contract Management	Apply Learning to maximise benefit realisation	Ongoing	Proc Team
8.9.2	Promote and embed contract life management cycle into the organisation	Increase benefit , reduce risk and maximise opportunities	Ongoing	Proc Team
8.9.3	We will embed project governance into high value/high risk contracts	Structured approach clear understanding of role and responsibilities	Ongoing	Proc Team
8.9.4	Where appropriate undertake risk life cycle processes	Identify risks in the different stages of the risk life cycle Assessment, Treatment, Monitoring and reporting	Ongoing	Proc Team
<b>8.10 Ethics and Fraud</b>				
8.10.1	Ensure that if there is conflict of interest in the procurement cycle are identified, recorded and managed	Establish Pre Tendering any conflicts to reported to the Head of Procurement	Ongoing	Proc Team
8.10.2	Ensure that all procurement is undertaken in accordance with the College of Policing code of ethics and the CIPS code of ethics 2008	Review by Head of Procurement	Ongoing	Head of Procurement
8.10.3	Ensure that the all procurement undertaken is in strict accordance with the Joint Procurement regulations and current legislation	Ensure that all procurement conforms to the regulations and current legislation Review procurement outcomes	Ongoing	Proc Team
8.10.4	Reduce the risk of fraud through effective contract management and monitoring	Open book Procurement formal contract meetings monthly report to head of procurement	Ongoing	Proc Team



Procurement Strategy 2017 – 2020

8.11 Community Benefits				
8.11.1	Ensure that consideration is given to Community Benefits in procurement	Ensure that Community Benefits is embedded in our procurement Documents and philosophy	Ongoing	Proc Team
8.11.2	Targeted Recruitment and Training clauses ensure understanding of the capacity of the contract to meet these requirements and an understanding of supply-side arrangements available to the successful bidder to ensure their delivery, including training and funding;	Review by Head of Procurement	Ongoing	Head of Procurement
8.11.3	Ensure that the all procurement undertaken is in strict accordance with the Joint Procurement regulations and current legislation	Ensure that all procurement conforms to the regulations and current legislation Review procurement outcomes	Ongoing	Proc Team
8.11.4	We will ensure Equal opportunities and support for the disadvantaged <ul style="list-style-type: none"><li>• Supply chain initiatives</li><li>• Provision of facilities for all</li><li>• Contributions to achievement of education and training targets</li><li>• Support for community initiatives</li><li>• Environmental targets</li><li>• Support for the promotion of economically successful areas / enterprises</li></ul> Please note this list is not exhaustive	Embedding appropriate community benefits clause in our tendering /procurement documents	Ongoing	Proc Team
	Holding themed service design workshops focused on the role and application of Community Benefit Clauses	Provide and deliver Community Benefit training To the organisation	October 2016	Head of Procurement

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# Equality Analysis 2017

The Equality Act 2010 (s.149) imposes a general duty on public bodies to show due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

The purpose of the General Duty is to ensure consideration is given to equality and good relations in the day to day business. It is therefore necessary to consider how the introductions of (or a change to) a policy, process, service, project/programme, function or decision could affect different groups. If this is not done it will not be possible to demonstrate 'due regard' to fulfilling those duties.

Having 'due regard' means consciously thinking about those three parts of the duty and considering how decisions taken by the organisation will impact on different people – in particular, those with a protected characteristic, and if any potentially detrimental effects are identified then all reasonable steps are taken to mitigate them.

There is no obligation to arrive at a conclusion that equality will be advanced or that good relations will be fostered, however it needs to be shown that it was considered and that any opportunities to do so have been taken.

The completion of an equality analysis ensures compliance with the Equality Act 2010.

**Make sure you do an Equality Analysis before you:**

- write or review a strategy or a plan.
- review, change or develop practices or procedures.
- make major decisions about how the Constabulary operates.
- review how a function works or is structured.
- plan a major police operation.
- plan and delivering a project.

**Useful reference documents:**

- **The essential guide to the public sector equality duty**
- **Equality Act 2010 public sector equality duty – what do I need to know?**
- **Equality Act 2010 specific duties to support the equality duty – what do I need to know?**
- **Constabulary equality objectives in the current policing plan**
- **Equality data workbook on the performance dashboard**
- **Other equality data (e.g. from external sources)**

**The essential guide to the public sector equality duty and the Equality Act 2010 quick start guides are all available on the Strategic Development intranet site. Just click on the 'Policies' tab.**

## Equality Analysis

Date	12 <sup>st</sup> December 2016 <sup>th</sup>
Department	Procurement
Business Area	Corporate Support
Title of policy, process, service, project/programme, function or decision	Procurement Strategy 2016-2019
Name of lead person	Leslie Hopcroft
Equality analysis carried out by	Leslie Hopcroft/Sarah Dimmock

**1. What is the purpose of the (change to) policy, process, service, project/programme, function or decision? (box will expand to accommodate text)**

The Procurement Strategy 2016-2019 clearly sets out the aims methodology and objectives for the procurement of goods works and services for the Police and Crime Commissioner for Cumbria (PCC) taking into account supply chain relationships ensuring greater transparency, Fairness and non-discrimination. (Treaty of Rome Principles)

The strategy comprises of 11 key Strategic Priorities

<b>4.</b>	<b>Key Strategic Priorities .....</b>	
<b>4.1</b>	<b><u>Providing Leadership and Building Capacity</u> .....</b>	<b>Error! Bookmark not defined.</b>
<b>4.2</b>	<b><u>Partnering and Collaboration</u> .....</b>	<b>Error! Bookmark not defined.</b>
<b>4.3</b>	<b><u>Doing Business Electronically</u> .....</b>	<b>Error! Bookmark not defined.</b>
<b>4.4</b>	<b><u>Sustainable Markets and Community Benefit</u>.....</b>	<b>20</b>
<b>4.5</b>	<b><u>Commissioning</u> .....</b>	<b>20</b>
<b>4.6</b>	<b><u>Developing and Maximising Supplier Relations – Savings/Efficiency Gains</u> .....</b>	<b>21</b>
<b>4.7</b>	<b><u>Promoting Stakeholder Internal/External Working</u> .....</b>	<b>23</b>
<b>4.8</b>	<b><u>Raising Awareness of Procurement</u> .....</b>	<b>23</b>
<b>4.9</b>	<b><u>Improving Contract Management</u>.....</b>	<b>24</b>
<b>4.10</b>	<b><u>Ethics and Fraud</u> .....</b>	<b>24</b>
<b>4.11</b>	<b><u>Community Benefits</u>.....</b>	<b>24</b>

A key theme of the Strategy is to promote a genuine partnership with clients that is based on mutual respect, professionalism, transparency and non-discrimination in all aspects of procurement in accordance with the Equality act 2010 in addition a proactive approach to social and community benefits and a focus on Ethics and Fraud have been included in the updated strategy

**2. What is the potential impact in relation to the General Duty of this Strategy on each of the protected groups below?**

Protected characteristics	Positive Impact				Negative Impact (provide details)	No Impact (√)
	Does the proposal:					
	eliminate unlawful discrimination (provide details)	advance equality of opportunity (provide details)	Foster good relations (provide details)	Other positive impact (provide details)		
Age	The Strategy recognises the significance on non - discrimination	Working in partnership with key stakeholders/Supply chain to promote non-decimation as stated t key strategic Priorities	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	Nom Discrimination will provide a more engaged supply chain resulting in achieving best value	none	
Disability	The ability to complete tenders will take into account reasonable adjustment EG Font size or background colour for those persons with dyslexia	The ability to complete tenders will take into account reasonable adjustment Eg Font size or background colour for those persons with dyslexia	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	The force has been awarded the 2 tick symbol positive about disable people		
Sex	Consideration will be given to gender in regards to Gender specific purchase which supports the needs of the service	Consideration will be given to gender in regards to Gender specific purchase which supports the needs of the service	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere	Individual specific needs are taken into consideration when contracting this will not only value that person and it demonstrable		

			to the equalities act or agree to adopt the current policing policies			
Sexual orientation	No impact identified	No impact identified	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	No impact identified		
Gender reassignment	Individual needs will be assessed and adjustments made for any person considering /transitioning Gender Re assignment	Individual needs will be assessed and adjustments made for any person considering /transitioning Gender Re assignment	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	Individual specific needs are taken into consideration when contracting this will not only value that person and it demonstrable		
Marriage and civil partnership	Impact Identified	Impact Identified	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	Impact Identified		
Pregnancy and maternity	Individual needs will be assessed and adjustments made for any person who is pregnant	Individual needs will be assessed and adjustments made for any person who is pregnant	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering	Individual specific needs are taken into consideration when contracting this will not		

			agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	only value that person and it demonstrable		
Race	Individual needs will be assessed and adjustments made for any person who from an ethnic background	Individual needs will be assessed and adjustments made for any person who from an ethnic background	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	Individual specific needs are taken into consideration when contracting this will not only value that person and it demonstrable		
Religion and belief including non-belief	Religious/cultural practices would be taken into consideration dependent on the services Required	Individual needs will be assessed and adjustments made for any person who have religious or cultural practices	Promote working in partnership anchored on strong ethical grounds and responsibilities Proposed partnering agencies that are eligible to contract with the PCC will either have policies and practices that adhere to the equalities act or agree to adopt the current policing policies	Individual specific needs are taken into consideration when contracting this will not only value that person and it demonstrable		

**If there is no potential impact (positive or negative) please provide a brief explanation why this is the case, e.g. the data utilised in arriving at the decision, summary of responses to consultation etc.**

**Brief explanation of the 'no impact' decisions above**



3. **Are there any other groups of people who may experience an adverse impact because of the (change to) process, service, project/programme, function or decision who are not listed above? Include these findings in the action plan.** E.g. consider part time workers, carers, socio-economic, workers and/or residents in specific geographical locations (box will expand to accommodate text)

For reasons of greater focus on the Treaty of Rome Principles in particular transparency and non-discrimination will significantly mitigate any adverse impact and extra strand for diversity is rural isolation which may have an impact on local supplier tendering for contracts and will include where appropriate the use of Social and Benefit clauses in future tenders

4. **Does the Strategy involve working with external agencies, supplier which may have and/or consultants?**

State Yes or No

Yes

**If yes, what steps were taken to ensure that any of the organisations concerned comply with equality and human rights legislation?** (box will expand to accommodate text)

There will be ongoing a significant amount of work with the supply chain and equally important internal stakeholders in regards to ensuring that the principles mentioned elsewhere are communicated and understood by all partner must adhere to the Equality Act 2010

Failure to comply may result in action been taken such as a discontinuation of services

5. **Have you considered the need for internal and/or external consultation?** (Please tick relevant box)

YES	X	NO	
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**If 'no' please provide a brief explanation in the box below.**

If 'yes' please complete the box below.

**NB** If your proposal is relevant to equality, diversity and human rights and may affect the public please refer it to **Strategic Independent Advisory Group** for their views on its impact. For further information contact **Sarah Dimmock**.

Protected characteristics	Who has been consulted?	Which protected characteristic was represented?	Responses	Briefly summarise any action taken or reasons action has not been taken in relation to any responses
Age	S.I.A.G / V.I.G.	X		
Disability	S.I.A.G / V.I.G.	X		
Sex	S.I.A.G / V.I.G.	X		
Sexual orientation	S.I.A.G / V.I.G.	X		
Gender reassignment	S.I.A.G / V.I.G.	X		
Marriage and civil partnership				
Pregnancy and maternity	S.I.A.G / V.I.G.	X		
Race	S.I.A.G / V.I.G.	X		
Religion and belief including non-belief	S.I.A.G / V.I.G.	X		

**Please complete the Action Plan on page 7 to mitigate any negative impact.**

**Action plan to mitigate any negative impact**

<b>Planned action(s)</b>	<b>Action owner</b>	<b>Timescale</b>	<b>How will this be monitored?</b>	<b>Progress update</b>
Consultation externally	S. Dimmock	1/02/2017	Feedback from SIAG	
Consultation Internally	S. Dimmock		Feedback from VIG	
Approve Consultation	S.I.A.G / V.I.G		Consultation Finishes	
COG	Stephen Kirkpatrick			
Communication and publication	Stephanie Stable			
Communication Strategy	Marilyn Farrugia			