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Date 04 February 2020

CUMBRIA POLICE & CRIME COMMISSIONER'S PUBLIC ACCOUNTABILITY CONFERENCE

The Police and Crime Commissioner's Public Accountability Conference will take place on **Wednesday 19th February 2020** in Conference Room **3**, Police Headquarters, Carleton Hall, Penrith, at **10.00am**.

The purpose of the Conference is to enable the Police and Crime Commissioner to hold the Chief Constable to account for operational performance.

V Stafford
Chief Executive

Attendees:

Police & Crime Commissioner	- Mr Peter McCall (Chair)
OPCC Chief Executive	- Mrs Vivian Stafford
Joint Chief Finance Officer	- Mr Roger Marshall
Chief Constable	- Mrs Michelle Skeer

AGENDA

PART 1 – ITEMS TO BE CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC

1. APOLOGIES FOR ABSENCE

2. URGENT BUSINESS AND EXCLUSION OF PRESS AND PUBLIC

To consider (i) any urgent items of business and (ii) whether the press and public should be excluded from the Meeting during consideration of any Agenda item where there is likely disclosure of information exempt under s.100A(4) and Part I Schedule A of the Local Government Act 1972 and the public interest in not disclosing outweighs any public interest in disclosure.

3. QUESTIONS FROM THE PUBLIC

An opportunity (not exceeding 20 minutes) to deal with any questions which have been provided in writing within at least three clear working days before the meeting date to the Chief Executive.

4. DISCLOSURE OF PERSONAL INTERESTS

Attendees are invited to disclose any personal/prejudicial interest, which they may have in any of the items on the Agenda. If the personal interest is a prejudicial interest, then the individual should not participate in a discussion of the matter and must withdraw from the room unless a dispensation has previously been obtained.

5. MINUTES OF MEETING

To receive and approve the minutes of the Public Accountability Conference held on the 18th December 2019 (copy to follow)

6. CAPITAL BUDGET MONITORING 2019/20 – QUARTER 3 TO DECEMBER 2019

To receive & note the OPCC Capital Budget Monitoring Report – Quarter 3 to December 2019 (copy to follow)

7. CONSTABULARY REVENUE BUDGET MONITORING 2019/20 QUARTER 3 TO DECEMBER 2019

To receive & note the Constabulary Revenue Budget Monitoring Report – Quarter 3 to December 2019 (copy to follow)

8. COMMISSIONER'S REVENUE BUDGET MONITORING 2019/20 QUARTER 3 TO DECEMBER 2019

To receive & note the OPCC Revenue Budget Monitoring Report – Quarter 3 to December 2019 (copy to follow)

9. TREASURY MANAGEMENT ACTIVITIES 2019/20 QUARTER 3 (OCTOBER TO DECEMBER 2019)

To receive & note the OPCC Treasury Management Activities 2019/20 Report – Quarter 3 to December 2019 (copy to follow)

10. DECISION 001-2020 – CAPITAL STRATEGY 2020/21

To receive, note and approve the Capital Strategy 2020/21, comprising:

- A) CAPITAL STRATEGY 2020/21 (inclusive of prudential indicators 2020/21 to 2023/24)** (copy to follow)
- B) CAPITAL PROGRAMME 2020/21 TO 2029/30** (copy to follow)
- C) TREASURY MANAGEMENT STRATEGY STATEMENT 2020/21 (inclusive of Investment Strategy, Borrowing Strategy, MRP Statement)** (copy to follow)

11. DECISION 002-2020 - 2020/21 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** (copy to follow)
- B) BUDGET 2020/21 AND FINANCIAL FORECASTS 2021/22 TO 2023/24** (copy to follow)
- C) RESERVES STRATEGY 2020/21** (copy to follow)

PCC Capital Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Summary at December 2019

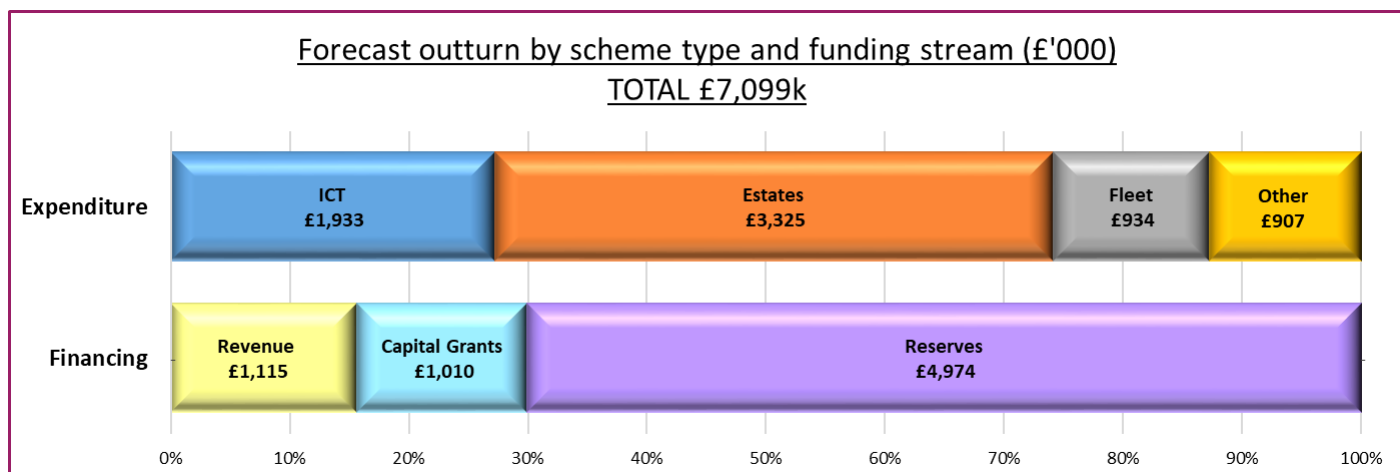
The current forecast of net expenditure amounts to £7.099m compared to a revised budget of £8.299m. The variance amounts to a net forecast underspend on the capital program of £16k (1%) and slippage of £1.184m (14%) to future years.

A summary of the 19/20 program is presented below:

	Capital Budget 2019/20 £000s
Capital Budget 2019/20 (approved 20/02/19)	8,709
Impact of 2018/19 Outturn (approved 10/05/19)	26
New Schemes Approved/Drawdown	115
Budgets Changes - Approved	(551)
Approved Adjusted Budget 2019/20	8,299
Capital Outturn 2019/20 (Graph Below)	7,099
Forecast Variation	(1,200)
Made up of:	
Budget Changes (Under)/Overspend (Table 1)	(16)
Slippage to 2020/21 (Table 2)	(1,184)
	(1,200)

Table 1 Forecast Variation summary	Changes £000s
- HDMI Monitors	(16)
	0
	0
	(16)

Table 2 - Slippage	Previously Reported	New Slippage Qtr 1	Total £'000s	% of Adjusted Budget
ICT Schemes	0	0	0	0%
Estates Schemes	0	(193)	(193)	-5%
Fleet Schemes	(690)	(51)	(741)	-75%
Other Schemes	(250)	0	(250)	-28%
	(940.00)	(244)	(1,184)	-16%



Recommendations

1. The Police and Crime Commissioner and Chief Constable are asked to note the current position in relation to the capital programme for 2019/20.
2. The Commissioner is specifically asked to note R1-R3 and pages 2 and 3 of this report resulting in a reduction of £16k in the overall capital programme.

PCC Capital Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

ICT schemes

The approved ICT budget of £2,045k includes an element for rolling replacement of end user equipment and a larger element for the replacement of major systems. The largest single project within the ICT program (£1,414k) is the replacement of several smaller systems with one integrated Command and control system. This project has gone live and a large number of stage payments have been made in quarter 2. The business case for Smartphone replacement has been written and approved and procurement has commenced. There are a large number of interdependencies with National ICT schemes and the implementation timescales of these often move. To help manage the finances of these schemes a prudent £2m slippage is built into the base budget at the start of the year. To date a total of £1.1m of changes have been recorded against this £2m.

R1) The Commissioner is to note the return of £16k in relation to the provision of HDMI monitors. The monitors that were required for the Communications Centre have been purchased and the £16k returned represents the unrequired balance.

Fleet schemes

The £1,674k fleet replacement budget is comprised of 3 parts - £377k 2018/19 replacements carried forward, £242k recharged vehicles (camera scheme and Sellafield) where reimbursement is received from partner organisations and the balance of £1,055k being the 19/20 replacement programme.

The majority of the 2018/19 vehicles and the recharged Camera scheme and Sellafield Policing vehicles are all ordered and on track for delivery within 2019/20. The exception being the replacement command vehicle. The operational requirement for such a vehicle is being assessed. It may prove more economical to rent a vehicle for certain events and the opportunity to work collaboratively with partner organisations may also exist for other events.

R2) The Commissioner is asked to note the slippage of £51k into 2020/21 in relation to the replacement of the command vehicle whilst all options are carefully considered. The accompanying finance has also been moved to 2020/21

With regards to the 2019/20 vehicle replacement scheme – The vast majority of orders have been placed and delivery is expected in 2019/20. During quarter 2 £690k was moved into 2020/21 to allow the Strategic Vehicle Group, operational officers and driver training to review the type and mix of vehicles needed to meet operational demands to replace the end of life Peugeot experts. The review continues and a decision is expected shortly. The replacement will not be with a single vehicle type but will be with a mix of cell vans and patrol cars.

PCC Capital Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Estates schemes

Of the £3,518k estates program budget, £3,285k is in relation to the Eden Deployment Centre building scheme. The building is complete and has been handed over to the Constabulary from the contractor. Following the unexpected surge in new recruits associated with Operation Uplift, the Learning and Development department have now temporarily relocated and are now delivering training to the new recruits from these new facilities.

R3) The Commissioner is asked to note the slippage of £193k into 2020/21. The government announcements regarding additional Police Officers has led to an urgent need to provide facilities to train larger numbers of police recruits. Work continues on the Whitehaven and Kendal roofing tenders along with the HQ Uninterrupted Power Supply (UPS) provision but there will be no expenditure on these scheme in 2019/20 whilst the training facilities are prioritised. The schemes and the funding has been moved to 2020/21.

Other schemes

Other schemes include cross cutting or operational programmes of work and includes accident investigation scanning equipment and digital evidence from the CCTV system.

A detailed, project by project, analysis of the approved budget, spend to date and expected outcome is provided in **Appendix A** over the page.

PCC Capital Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Medium Term Capital Program

With the exception of the slippage mentioned above, the three future years of the medium term capital programme remain the same as that approved by the commissioner in May 2019. A summary of the medium term program is presented below.

Summary of Capital Budget 2019/20 to 2022/23				
	2019/20	2020/21	2021/22	2022/23
	£000s	£000s	£000s	£000s
Capital Expenditure				
ICT Schemes	1,933	7,247	2,433	1,340
Estates Schemes	3,325	783	1,575	5,825
Fleet Schemes	934	2,512	953	1,533
Other Schemes	907	293	500	0
	7,099	10,835	5,461	8,698
Capital Financing				
Capital Receipts	0	1,644	270	0
Revenue Contributions	1,115	3,314	3,244	3,243
Capital Grants	1,010	5,877	372	356
Reserves	4,974	0	1,575	1,699
Borrowing	0	0	0	3,400
	7,099	10,835	5,461	8,698

PCC Capital Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Appendix A

Capital Programme 2019/20	Original Approved Budget	Impact of 2018/19 Outturn	New Schemes Approved	Budget Changes Approved	Approved Adjusted Budget	Actual Expenditure to Dec-19	Forecast Capital Outturn	Forecast Variation
	£s	£s	£s	£s	£s	£s	£s	£s
ICT Schemes								
ICT End User Hardware Replacement (002x)	1,298	9	27	0	1,334	650	982	(351)
ICT Software Application Replacement (003x)	0	24	0	0	24	0	24	0
ICT Core Hardware Replacement (004x)	574	24	0	10	608	12	181	(427)
ICT ESN / Radio Replacement (005x)	114	0	0	(50)	64	0	0	(64)
ICT Core Infrastructure Replacement	0	0	0	0	0	0	0	0
ICT Infrastructure Solution Replacement (Projects)								
- Case & Custody	38	0	0	0	38	0	38	0
- Control Room Futures	2,299	(706)	0	(179)	1,414	1,147	1,414	0
- Business Futures	0	34	0	46	80	0	80	0
- Unspecified change to National systems (D)	52	0	0	0	52	0	52	0
- High Tech Crime Programme (I)	124	0	0	0	124	0	0	(124)
- High Tech Crime Storage Growth (I)	120	0	0	0	120	0	0	(120)
- Digital Policing Project	135	21	(50)	(14)	92	4	32	(60)
General Slippage	(2,000)	0	0	0	(2,000)	0	(870)	1,130
Total ICT Schemes	2,754	(594)	(23)	(187)	1,950	1,813	1,933	(16)
Fleet Schemes								
2018/2019 Slippage	349	28	0	0	377	228	326	(51)
2019/20 Approved Strategy	979	15	0	61	1,055	159	365	(690)
Rechargeable Vehicles	163	0	80	0	243	0	243	0
Total Fleet Schemes	1,491	43	80	61	1,675	387	934	(741)
Estates Schemes								
Roof Repairs - Various	0	0	0	0	0	0	0	0
Whitehaven Police Station - Roof	37	0	0	0	37	0	0	(37)
Kendal Police Station - Roof	55	0	0	0	55	0	0	(55)
Roof Repairs - HQ Dog section	0	0	0	0	0	0	0	0
Other Existing Schemes	0	0	0	0	0	0	0	0
UPS HQ	100	0	0	0	100	0	0	(100)
North Resilience Flood Mgmt - NPT/Hostel	2,772	513	0	0	3,285	3,017	3,285	0
Garage Provision	0	0	0	0	0	0	0	0
Durranhill - CCTV system and cell call	0	12	0	0	12	12	12	0
West Resilience Flood Management	0	0	0	0	0	0	0	0
Durranhill heat and vent plant	0	28	0	0	28	0	28	0
Gas suppression cylinder replacements	0	0	0	0	0	0	0	0
Total Estates Schemes	2,964	553	0	0	3,517	3,029	3,325	(192)
Other Schemes								
CCTV	0	24	0	0	24	0	24	0
X2 Taser migration (I)	250	0	0	0	250	0	0	(250)
Glock Pistol Replacement	0	0	0	0	0	0	0	0
Business Transformation	1,250	0	0	(425)	825	63	825	0
Laser Scanning - Accident investigation	0	0	58	0	58	0	58	0
Total Other Schemes	1,500	24	58	(425)	1,157	63	907	(250)
Total Capital Expenditure 2019/20	8,709	26	115	(551)	8,299	5,292	7,099	(1,200)

Constabulary Revenue Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Constabulary Summary at December 2019

The current forecast of net expenditure amounts to £122.487m compared to a revised budget of £121.883m. The variance amounts to a forecast overspend of £0.604m (0.50%) and is made up of a forecast overspend on expenditure budgets of £0.718m (0.56%), an increase in income of £0.114m (1.69%). Once income of £0.242m provided by the Government in 2019/20 in relation to Operation Uplift is included the forecast overspend is reduced to £0.362m (0.30%).

The forecast overspend represents an increase of £74k compared with the overspend of £0.288m reported as at the end of September 2019. The major changes between September and December are principally in relation to the assumptions made with regard to the police officer recruitment in response to the government's proposed increase in police officer number (Operation Uplift) and around central funding for provided in relation to these additional costs. These changes are offset by reductions in expenditure on ICT, credits from previous years in connection to our custody medical contracts, savings on equipment and other services, vehicle repairs and maintenance, external training and PCSO costs. Forecast income from refunds and mutual aid has also increased since September.

Description	Revised Budget 2019/20 £'000s	Forecast Expenditure /(Income) 2019/20 £'000s	Forecast (Under)/ Overspend 2019/20 £'000s	Forecast (Under)/ Overspend 2019/20 %	Forecast (Under)/ Overspend @ SEP-19 £'000s	Change from SEP-19 to DEC-19 £'000s
Constabulary Funding						
Police Officers	86,063	86,688	625	0.73%	417	208
Police Community Support Officers	2,738	2,551	(187)	-6.83%	(157)	(30)
Police Staff	22,480	22,440	(40)	-0.18%	(49)	9
Other Employee Budgets	1,792	1,816	24	1.34%	102	(78)
Transport Related Expenditure	2,314	2,264	(50)	-2.16%	20	(70)
Supplies & Services	10,984	11,343	359	3.27%	554	(195)
Third Party Related Expenses	2,253	2,240	(13)	-0.58%	(28)	15
Total Constabulary Funding	128,624	129,342	718	0.56%	859	(141)
Income	(6,741)	(6,855)	(114)	1.69%	(29)	(85)
Total Constabulary Funding Net of Income	121,883	122,487	604	0.50%	830	(226)
Op Uplift Funding Assumptions	0	(242)	(242)	0.00%	(542)	300
Adjusted Constabulary Funding	121,883	122,245	362	0.30%	288	74

Constabulary Revenue Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Current Forecast

The forecast constabulary overspend is due to a number of factors across several different headings.

In relation to the Government's pledge to recruit an additional 20,000 officers nationally, known as Operation Uplift, forces have been requested to commence the recruitment of officers as quickly as possible to ensure that the Government's target of recruiting the additional officers by the end of 2022/23 is achieved. This report includes £989k of expenditure currently expected to be incurred in 2019/20 to service Operation Uplift and includes the direct costs of the additional officers in relation to pay, uniform and equipment, recruitment costs and enabling police staff posts such as trainers. The Home Office has given Cumbria a target of recruiting an additional 51 officers by March 2021, which is expected to be substantially achieved by March 2020.

The Government has announced that Cumbria will receive additional funding of £242k towards the cost of Operation Uplift.

The figures are based on the indicative plan for new recruits of 27 FTE in September, 2 intakes of 18 FTE in November a single additional intake of 18 FTE in January and the planned intake of 18 FTE PCDA recruits in February, plus an increase in transferees without a corresponding reduction in intake numbers.

Appendix A provides a graphical presentation of planned intakes of police officers included in the above assumptions.

The police officer budget is forecast to overspend by £625k, the overspend arises through a combination of:

- Changes to the workforce plan in response to operation uplift including increased number of new recruits and, an increase in transferees £474k.
- Other changes to workforce plan including leavers & promotions, £118k
- holiday pay/pay in lieu of notice £94k
- Increase in overtime £155k
- Increase in injury pensions (backdated payments on appeal) £144k

offset by

- Pay Award at 2.5%, compared to 3% budgeted (£240k)
- an increase in the number of officers who are not members of one of the police pension schemes (£120k)

Constabulary Revenue Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

The PCSO budget is forecast to underspend by £187k. This figure has changed from a reported underspend at November of £191k, the change reflects forecast changes in the profile of leavers during quarter.

The police staff budget is forecast to underspend by £40k. The underspend on police staff has arisen as a result of the assumptions made with regard to when vacant posts are expected to be filled (£275k) offset by a forecast increase in overtime (£65k) and the cost of additional posts created as part of operation uplift to support the recruitment of police officers (£170k).

The other employee expenses budget is forecasted to overspend by £24k. This is largely as a result of assumptions made with regards to recruitment and welfare costs associated with operation uplift (£50k), other additional recruitment costs (£25k), welfare costs (£16k), management of change (£20k), agency (£10k) offset by reductions in further education (£55k) and other training (£43k).

The transport related budget is forecasting to underspend by £50k, the primary reason for this is in relation to a forecast underspend on vehicle repair & maintenance (£40k), fuel (£9k), travel expenses (£31k) offset by an increase in car hire (£25k) and other vehicle decontamination (£5k).

The supplies and services budget is showing a forecast overspend of £359k. This is largely as a result of:

- additional expenditure in respect of police pension scheme sanction charges £30k,
- increased costs of custody provision regarding Appropriate Adult Services £57k,
- increased expenditure on uniform as a result of operation uplift £54k, offset by reductions due to changes to PCSO and specials recruitment etc. -£21k
- increased expenditure on training accommodation £255k, partly as a result of operation uplift and partly as a result in a forecast delay in when the new accommodation hostels at the Eden Deployment centre will become available.
- a forecast overspend on ICT of £402k including £75k additional cost of control room futures (additional dual running), £53k additional networks costs, £130k of additional ICT equipment as a result of operation uplift and £144k of ICT savings yet to be identified.
- A forecast increase in expenditure on witness intermediaries of £25k

Constabulary Revenue Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Offsetting these forecast overspends are:

- efficiency savings which have been removed from individual budget lines £152k,
- a forecast underspend on the custody medical contract of £83k,
- a forecast underspend on forensics of £43k,
- a forecast underspend on confiscated animals £14k
- forecast underspends on witness intermediaries (£6k) and boarding up (£4k).
- a forecast underspend on catering costs (£16k)
- a forecast underspend on consultancy £43k
- the fact we have not yet committed all of the force contingency £81k.

The third party payments budget is forecast to underspend by £13k. This includes a forecast reduction to our contribution to NWROCU (£35k), a reduction in forecast expenditure following the end of the training collaboration with Lancashire (£22k), offset by; additional spend on the pensions provider (£7k), contract extension to our payroll contract (£5k), an increase to National ICT charges (£6k) and an additional contribution to the national enquiry on undercover policing (£15k), other collaboration and co-working (£10k).

Income is currently forecast to exceed the budget by £114k. The forecast includes assumptions regarding income in relation to income from other forces including recharges for collaborative services (Chronicle) and mutual aid net income (£70k), income from secondments and other reimbursements of costs (£10k), disclosure income (£26k), refunds (£74k), transport trading income (£8k) and abnormal loads escort (£25k) offset by reduced net income from music events, Kendal Calling (£23k), reduced URN alarms income (£6k), partnership funding (£14k), sale of assets (£5k) and reduced POCA income (£51k).

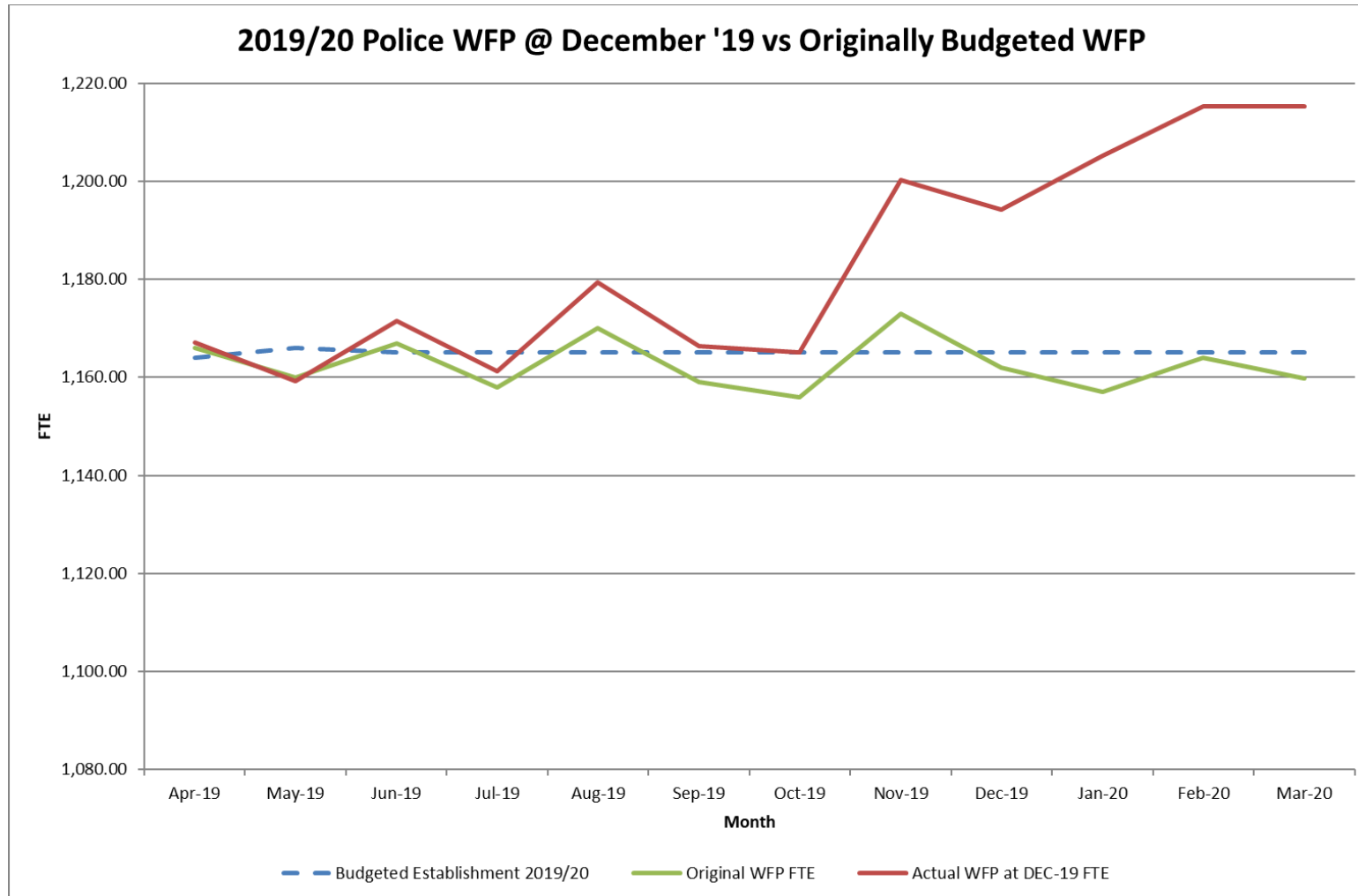
Potential Risk Areas

The figures provided above are based on current information as at the end of December. These forecasts include an assumption with regard to potential income in relation to special policing services and mutual aid. Should this income not be realised to the degree expected the forecast overspend could increase.

At this time the funding position of Operation Uplift remains uncertain. As indicated at the start of this report receipt of some of grant funding to meet expenditure on Operation Uplift incurred in 2021/20 is likely to be deferred until 2020/21.

Constabulary Revenue Budget Monitoring 2019/20
 Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Appendix A – Proposed WFP Model 2019/20 in Response to Operation Uplift



PCC Revenue Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

PCC Budget Summary at December 2019

The current forecast of net expenditure amounts to £103.737m compared to a revised budget of £104.156m. The variance amounts to a forecast overspend of £414k (0.40%) and is made up of a forecast overspend of £604k (0.50%) in respect of Constabulary budget, a forecast overspend of £52k (0.29%) on budgets managed by the Commissioner and the current assumption that we will receive £242k of additional funding in relation to costs incurred during 2019/20 to service Operation Uplift.

Description	Revised Budget 2019/20 £'000s	Forecast Expenditure / (Income) 2019/20 £'000s	Forecast (Under)/ (Over)spend 2019/20 £'000s	Forecast (Under)/ (Over)spend 2019/20 %	Forecast (Under)/ (Over)spend @ SEP-19 £'000s	Change in Forecast SEP-19 to DEC-19 £'000s
Office of the Police and Crime Commissioner	757	734	(23)	(3.04%)	(24)	1
Other PCC Budgets	(13,521)	(13,446)	75	(0.55%)	103	(28)
Movements To / (From) Reserves	(5,377)	(5,377)	0	0.00%	0	0
Total OPCC Budgets	(18,141)	(18,089)	52	(0.29%)	79	(27)
Funding Provided to the Constabulary	121,883	122,487	604	0.50%	830	(226)
Op Uplift Funding Assumptions	0	(242)	(242)	0.00%	(542)	300
Net Expenditure	103,742	104,156	414	0.40%	367	47
External Funding	(103,742)	(103,737)	5	(0.00%)	5	0
Total	0	419	419		372	47

OPCC Budgets

The forecast underspend on the Commissioner's own office budget arises principally as a result of underspends on staff in the office of the PCC (£12k) and underspends on the running costs of the office of the PCC (£10k).

In respect of other budgets managed by the Commissioner, the forecast overspend arises as a result of an overspend on capital financing (£36k) related to a change in how capital expenditure is financed and an adjustment to grant income received (£25k). There is also a forecast reduction to investment income of £35k, as planned changes to the investment strategy are deferred until the outcome of Brexit and any associated financial implications are more fully understood. These extra costs are partially offset by reduced premises costs associated with rent and rates and underspends on transport insurance as a result of a low claims rebate received in respect of the previous year (£7k).

PCC Revenue Budget Monitoring 2019/20

Forecast as at 31 December 2019 to Public Accountability Conference 19 February 2020

Constabulary Budgets

The forecast constabulary overspend is £604k as at the end of December.

The forecast constabulary overspend is as a result of the additional expenditure resulting from the Constabulary's response to the Government's pledge to recruit an additional 20,000 officers nationally known as Operation Uplift forces have been requested to commence the recruitment of officers as quickly as possible to ensure that the Government's target of recruiting the additional officers by the end of 2022/23 is achieved. This report includes £989k of expenditure currently expected to be incurred in 2019/20 to service Operation Uplift and includes the direct costs of the additional officers in relation to pay, uniform and equipment, recruitment costs and enabling police staff posts such as trainers. The Home Office has given Cumbria a target of recruiting an additional 51 officers by March 2021, which is expected to be substantially achieved by March 2020.

The Government has announced that Cumbria will receive additional funding of £242k towards the cost of Operation Uplift.

Forecast underspend on PCSO pay, police staff pay, transport costs and an over-recovery on income offset some of these additional costs.

External Funding – the variance in relation to external funding represents a contribution to district councils in relation to care leavers discount, which is a discount on council tax provided to young people when they leave care and start to live independently.

Police Property Act

At 31 December 2019 the balance on the Police Property Act fund was £62k. In December 2019, awards totalling £27k were made from the fund. Full details of the awards made are available on the PCC website at <https://cumbria-pcc.gov.uk/what-we-do/funding/successful-applicantsgrant-agreements/>



Peter McCall

Treasury Management Activities 2019/20 Quarter 3 (October - December 2019)

Public Accountability Conference 19 February 2020
Joint Audit Committee Meeting 18 March 2020

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 – December 2019, 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.

JAC 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

During the quarter ended 31 December 2019:

- The Conservative Party secured a large majority in the general election;
- GDP rose by 0.4% q/q in Q3, but weakened at the start of Q4;
- The fundamentals that determine consumer spending softened a little, but remained healthy;
- Inflation remained below the Bank of England’s 2% target;
- The Monetary Policy Committee kept Bank Rate on hold at 0.75%, but struck a more dovish tone;
- Andrew Bailey was appointed to take over as Bank of England Governor (From March 2020)

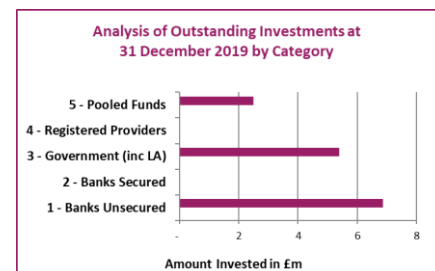
The MPC warned that if global growth does not pick up or Brexit uncertainties intensify, then a rate cut was now more likely. Conversely, if risks do recede, then a more rapid recovery of growth will require gradual and limited rate rises. The speed of recovery will depend on the extent to which uncertainty

dissipates over the final terms for trade between the UK and EU and by how much global growth rates pick up.

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 2019 the total value of investments was **£14.745m** 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 **£14.745m** is provided at **Appendix A**.

Investment Activity: During quarter 3 a number of investments were made within TM categories 1 and 3 (Banks unsecured and Government) primarily as a result of the Pension grant that is received in advance of spend in July.

Month	Number of Investments	Total Value of Investments £m
October 2019	2	3.99
November 2019	0	0.00
December 2019	1	2.00

In addition to the above there are regular smaller investments made via money market funds (category 5 pooled funds).

Non-specified investments: The TMSS sets a limit for investments with a duration of greater than 365 days at the time the investment is made (known as non-specified investments), this limit is £3m. At 31st December the Commissioner had no investments that met this definition.

Investment Income: The budget for investment interest receivable in 2019/20 is £165k. The current forecast against this target is that the actual interest will be in the region of £130k. The budget included potential interest earned from investment in a property fund. Given the uncertainty around Brexit, particularly a no-deal Brexit and the possibility of a recession putting

pressure on property prices, it has been decided to hold off on this kind of investment until the effects of Brexit are clearer. Factors such as future interest rates available and investment balances will also affect the final sum for investment income received. The average return on investment at the end of quarter 3 is 0.71%.

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 three maturing investments of over 3 months duration in quarter 3 compared with the average base rate for the duration of the investment.

Borrower	Value £m	Period (Months)	Actual Rate (%)	Average Base Rate (%)
Heleba	£2m	6	0.70%	0.75%
Barclays	£2m	3	0.60%	0.75%
Treasury bills	£2m	6	0.70%	0.75%

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 October to December are summarised in the table below:

	Number of Days	Average Balance £	Largest Balance £
Days In Credit	91	4,693	55,659
Days Overdrawn	1	(2,745)	(2,745)

The largest un-invested balance occurred over the weekend of the 15

November. A supplier had inadvertently been paid an incorrect amount on the creditor's payment run. The bank had been contacted and instructed to recall the payment but the date of return depends on the receiving bank processing the return. It is normal practice that miscellaneous cash, received on the day, is not invested into the liquidity select account and is left in the main fund account as it is subject to bank checking and could be removed. The funds were returned on the Friday afternoon, hence, the account was in credit over the weekend. The largest/only overdrawn balance occurred on the 22 of October (£3k) and was as a result of the two cheques clearing.

Prudential Indicators

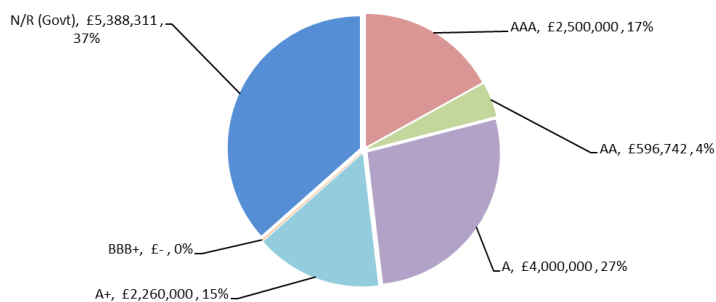
In accordance with the Prudential Code, the TMSS includes a number of measures known as Prudential Indicators, which determine if the TMSS meets the requirements of the Prudential Code in terms of **Affordability, Sustainability and Prudence.**

An analysis of the current position with regard to those prudential indicators for the financial year 2019/20 is provided at **Appendix B.** The analysis confirms that the prudential Indicators set for 2019/20 are all being complied with.

Appendix A Investment Balance at 31 December 2019

Category/Institution	Credit Rating	Investment Date	Investment Matures	Days to Maturity	Rate (%)	Amount (£)	Counterparty Total (£)
Category 1 - Banks Unsecured (Includes Banks & Building Societies)							
Svenska (Deposit Acc)	AA	Various	On Demand	N/A	0.30%	596,742	596,742
NatWest (Liquidity Select Acc)	A+	31/12/2019	01/01/2020	O/N	1.00%	260,000	260,000
Lloyds	A	05/07/2019	06/01/2020	6	1.00%	2,000,000	2,000,000
Nationwide	A	05/07/2019	06/01/2020	6	0.81%	2,000,000	2,000,000
Barclays	A+	07/10/2019	07/01/2020	7	0.59%	2,000,000	2,000,000
						6,856,742	6,856,742
Category 2 - Banks Secured (Includes Banks & Building Societies)							
						0	0
Category 3 - Government (Includes HM Treasury and Other Local Authorities)							
Government T Bills	N/R (Govt)	23/12/2019	23/03/2020	83	0.67%	1,996,665	1,996,665
Government T Bills	N/R (Govt)	07/10/2019	06/01/2020	6	0.70%	1,996,516	1,996,516
Government T Bills	N/R (Govt)	30/09/2019	30/03/2020	90	0.70%	1,395,130	1,395,130
						5,388,311	5,388,311
Category 4 - Registered Providers (Includes Providers of Social Housing)							
None						0	0
Category 5 - Pooled Funds (Includes AAA rated Money Market Funds)							
Invesco		Various	On demand	O/N		0	0
Fidelity		Various	On demand	O/N		0	0
BlackRock		Various	On demand	O/N		0	0
Goldman Sachs	AAA	Various	On demand	O/N		400,000	400,000
Aberdeen Standard	AAA	Various	On demand	O/N		2,100,000	2,100,000
						2,500,000	2,500,000
Total						14,745,052	14,745,052











Analysis of Outstanding Investments by Credit Rating of Counterparty at 31 December 2019 (Minimum Criteria per TMSS A-)



Note – The credit ratings in the table & chart relate to the standing as at 17th January 2020, these ratings are constantly subject to change.

Appendix B

Prudential Indicators 2019/20

Prudential and Treasury Indicators		Result	RAG
Treasury Management Indicators			
The Authorised Limit			
<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 statutory limit under section 3(1) of the Local Government Act 2003.</i>	TEST - Is current external borrowing within the approved limit	YES	
The Operational Boundary			
<i>The operational boundary represents an estimate of the most likely but not worst case scenario it is only a guide and may be breached temporarily due to variations in cash flow.</i>	TEST - Is current external borrowing within the approved limit	YES	
Actual External Debt			
<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>	TEST - Is the external debt within the Authorised limit and operational boundary	YES	
Gross and Net Debt			
<i>The purpose of this indicator is to highlight a situation where the Commissioner is planning to borrow in advance of need.</i>	TEST - Is the PCC planning to borrow in advance of need	NO	
Maturity Structure of Borrowing			
<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>	TEST - Does the PCC have large amounts of fixed rate debt requiring repayment at any one time	NO	
Upper Limit for total principal sums invested for over 365 Days			
<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>	TEST - Is the value of long term investments within the approved limit	YES	
Prudential indicators			
Ratio of Financing Costs to Net Revenue Stream			
<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>	TEST - Is the ratio of capital expenditure funded by revenue within planned limits	YES	
Net Borrowing and the Capital Financing Requirement			
<i>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.</i>	TEST - Is net debt less than the capital financing requirement	YES	
Capital Expenditure and Capital financing			
<i>The original and current forecasts of capital expenditure and the amount of capital expenditure to be funded by prudential borrowing for 2019/20</i>	TEST - Is the current capital outturn within planned limits	YES	
Capital Financing Requirement			
<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>	TEST - Is the capital financing requirement within planned limits	YES	



Peter McCall

Office of the Police and Crime Commissioner Report

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 001/ 2020)

TITLE: Approval of the Capital Strategy, Capital Programme and Treasury Management Strategy 2020/21

Executive Summary:

The purpose of this report is to provide information on the proposed capital strategy for 2020/21. The capital strategy (item 10a) is an overarching strategy that sits above the two documents which have been produced historically namely the capital programme (item 10b) and the treasury management strategy statement (item 10c). The capital strategy provides a high level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services along with an overview of how associated risk is managed and the implications for future financial sustainability. 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.

Recommendations:

- 1.1. **Capital Strategy (Item 10a)** – The Commissioner is asked to approve the capital strategy including the prudential indicators set out in the report.
- 1.2. **Capital Programme (Item 10b)** - The Commissioner is asked to:
- Approve the capital programme for 2020/21 and beyond as part of the overall budget process for 2020/21.
 - Approve the status of capital projects as detailed in appendices 2 to 5.
- 1.3. **Treasury Management Strategy (Item 10c)** - The Commissioner is asked to:
- Approve the Borrowing Strategy for 2020/21 as set out on pages 8-9
 - Approve the Investment Strategy for 2020/21 as set out on pages 10-13
 - Approve the Treasury Management Prudential Indicators as set out on pages 15-16
 - Approve the other Prudential Indicators set out on pages 17 to 21
 - Approve the Minimum Revenue Provision Policy Statement for 2020/21 as set out on page 22
 - 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 Joint Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit 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:



Cumbria Office of the Police and Crime Commissioner

Title: Capital Programme 2020/21 & Beyond

Public Accountability Conference: 19 February 2020

Report of the Joint Chief Finance Officer

Originating Officers: Michelle Bellis, Deputy Chief Finance Officer
Lorraine Holme, Financial Services Manager

1. Purpose of the Report

1.1. The purpose of this report is to provide information on the proposed capital programme for 2020/21 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 programme for 2020/21 and beyond as part of the overall budget process for 2020/21.
- 2.2. The Commissioner is asked to approve the status of capital projects as detailed in appendices 2 to 5.

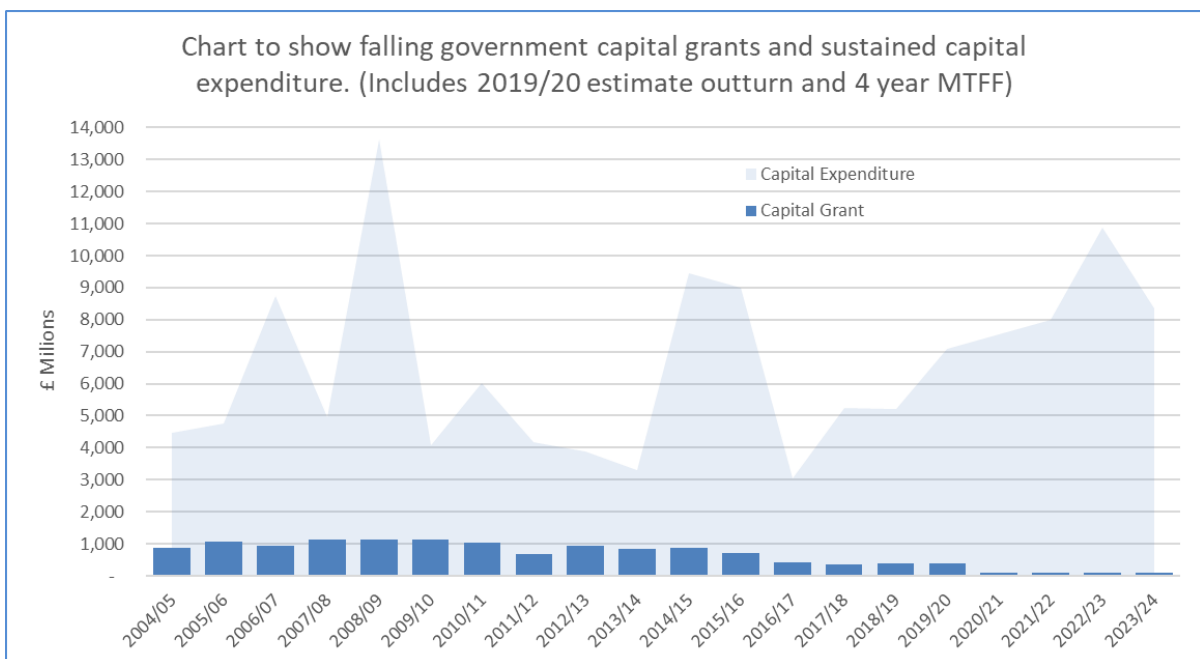
3. Capital Funding and Expenditure

- 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, revenue contributions or planned borrowing.
- 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 taser and firearms equipment and replacement of the countywide 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 (2020/21 to 2023/2024).

Capital Expenditure	Yr 0 2019/20 £	Yr 1 2020/21 £	Yr 2 2021/22 £	Yr 3 2022/23 £	Yr 4 2023/24 £
ICT Schemes	1,933,562	4,268,364	4,425,573	3,530,115	1,786,977
Fleet Schemes	934,404	2,846,820	776,021	1,469,690	971,136
Estates Schemes	3,324,393	282,625	2,075,000	5,885,000	5,600,000
Other Schemes	907,081	155,167	720,000	0	0
Total Capital Expenditure	7,099,440	7,552,976	7,996,594	10,884,805	8,358,113
Capital Receipts	0	0	(1,287,881)	(1,541,164)	0
Contributions from Revenue	(1,114,900)	(3,491,179)	(3,421,021)	(3,418,641)	(3,415,221)
Capital Grants	(941,440)	(4,061,797)	(1,712,692)	(100,000)	0
Capital Reserves	(1,758,449)	0	(1,575,000)	(2,425,000)	0
Borrowing	(3,284,652)	0	0	(3,400,000)	(5,600,000)
Total Capital Financing	(7,099,440)	(7,552,976)	(7,996,594)	(10,884,805)	(9,015,221)
(Excess)/Shortfall	0	0	0	0	(657,108)

3.4. The profile of capital expenditure fluctuates annually. Across the current ten year programme, annual average expenditure typically comprises £1.5m to replace fleet vehicles, £1.5m on estate schemes and around £3.0m 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. In relation to the financing of the capital programme, the Government’s grant settlement for 2020/21 included additional funding for the recruitment of 20,000 additional Police Officers, known as Operation Uplift. The headline figures included an additional £5.9m of revenue funding, whilst capital grants were reduced by £272k (73%), from £372k to £100k per annum. The Policing Minister’s statement, which accompanied the settlement, made it clear that the additional revenue funding included a non-recurring element to cover the capital infrastructure costs associated with the recruitment of the additional officers. The money was deliberately directed to the revenue budget to provide forces with maximum flexibility to spend their budgets to support Operation Uplift. The resulting downward revision of capital grant funding to £100k p.a. has been factored into the capital funding assumptions going forward. The graph below illustrates the falling capital grant against the backdrop of capital expenditure:



3.6. The capital costs associated with operation uplift for Cumbria have still to be fully determined. The temporary repurposing of the Eden Deployment Centre to provide training facilities has, to some degree, mitigated the additional accommodation costs, which would have otherwise been incurred to

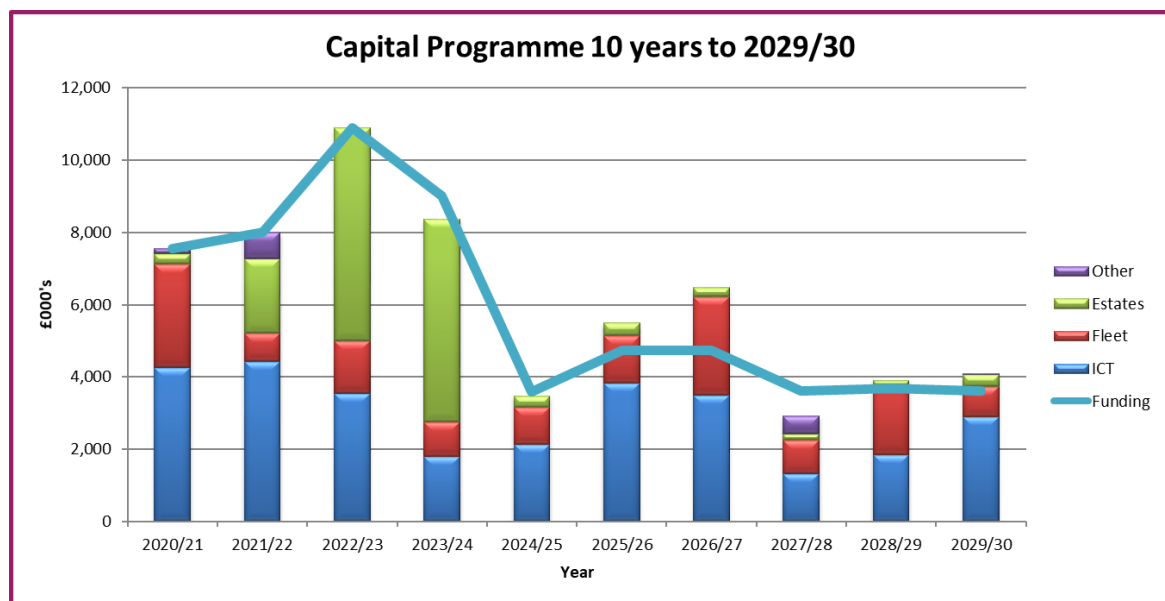
train the new recruits. However, it is still likely that additional estates and vehicle costs will emerge in relation to Operation Uplift and will need to be included into future capital programmes.

- 3.7. 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 medium term four-year period to 2023/24. The appendix also shows that in years 5-10 of the programme there are some shortfalls and excesses that amount to a combined net shortfall of £1.8m. The estimates for 5-10 years are built on a number of assumptions, which, particularly in rapidly changing sectors such as ICT, are difficult to accurately predict. This means that project costs in the later years of the capital programme become increasingly indicative and should be treated with caution.
- 3.8. By the end of 2021/22 historic capital grant and general capital reserves will have been fully utilised. This, in combination with the reduced level of capital grant, means that the capital programme becomes more reliant on revenue contributions to support capital expenditure. Historically, the annual contribution from the revenue budget was set at £1.2m. The following increases have been approved since then
- PCP Jan 2017 - Increase of £0.5m to £1.7m for 2018/19 and 2019/20
 - PCP Jan 2017 – Increase of £1.3m to £3.0m for 2020/21 onwards - as accumulated capital reserves and grant are fully extinguished.
 - PCP Jan 2019 – Increase £0.3m to £3.3m from 2020/21.
 - PCP Feb 2020 – Increase £0.3m to £3.5m from 2020/21 (to replace lost grant –see above)

This means that revenue support for the capital programme has had to increase by over £2.3m in 2020/21 compared to the previous year and will now be required to annually remain at or around this higher level for the foreseeable future. This puts a significant additional strain on the revenue budget.

- 3.9. 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 the revenue budget for the repayment of debt over the life of the asset. Therefore, any future borrowing would have to be in relation to building projects with a life of 50 years. It can be seen in **Appendix 1** that during 2022/23 and 2023/24 it is estimated that the Commissioner will need to borrow £9m. This is linked to an indicative scheme to improve the Commissioner's estate in the west of the county. A full options evaluation exercise and formal report will be required before any firm decisions are made in relation to this project.

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



3.10. 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. The Policing Vision 2025 issued by the APCC and NPCC seeks to transform the delivery of policing services and positions ICT as a key enabler of change. These plans for the future will be developed and managed locally within the work streams of Cumbria Vision 2025.

The ICT capital programme 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 March 2020.

The ICT Capital Programme also makes provision for a large number of national ICT programmes, which include changes of major strategic importance the programme to replace the Police Radio System (Airwave) with an Emergency Services Network (ESN). The ESN scheme is included in the capital programme at the estimated cost of £4.2m over the four years of the MTF and £8.6m over 10 years. Details of requirements 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. There is slippage being reported by the national ESN programme and it is likely to be the new financial year before we get any further clarity. These prudent commitments in the strategy place the Commissioner in a good

position for any announcements. The replacement Airwave handsets will use different technology to the old radios and the Constabulary's control room infrastructure has been upgraded so it is ready to support the connection to ESN.

The largest replacement in 2020/21 is for the converged infrastructure – this is a consolidation of server infrastructure for running virtual machines in our data centre – also referred to as a private cloud. Future options for this scheme are currently being considered.

If these two large schemes are discounted, the programme shows that the ICT capital programme presented remains broadly flat over the 10 years at an average of £1.9m per annum. This provides for the cyclical replacement and improvement of the full range of ICT services: the networks and security and that ensures information can be moved securely between the different systems and device end points through which it is entered, processed and stored. It also covers 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.

The Constabulary also maintains a 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. Over recent years significant investment in mobile and digital ICT has been undertaken, the capital strategy presented includes for the subsequent replacement of existing mobile devices as they reach end of life. Budgets for devices also provide for the costs of all the different technology used to access systems, including traditional desktop computers, laptops, tablets as well as the smartphones that use application technology (police apps), but importantly provide end user access to all systems and applications.

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

3.11. Fleet Schemes

The constabulary fleet replacement programme consists of around 300 vehicles. The capital programme provides for the replacement and kit out 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 March 2020. 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. The majority of vehicles are procured through a national framework agreement which ensures value for money is achieved.

During 2014/15 a large number of marked operational policing vehicles (e.g. ford focus estates, dogs vans and transit vans) were replaced with a single vehicle platform (SVP) which is based on a one size



fits all model, this SVP vehicle provided a single fit for purpose vehicle type to meet the majority of requirements. These vehicles have now reached the end of life and those with the highest mileage are becoming expensive to maintain. The territorial policing teams, in conjunction with driver training and Fleet, have been testing a number of possible replacement vehicles. The conclusion has now been

reached that there is no longer a single vehicle that will meet the needs of these teams and that a mix of cars and cell vans will be the most appropriate option. Taking into account the whole life costs for the vehicle, after sales support and warranty lengths the preferred vehicle (on paper) is now undergoing, further testing, including fully loaded with operational equipment and initial phase pursuit testing. In the programme presented half of the single vehicle platform vehicles were initially to be replaced in 2019/20 but these have all been moved into 2020/21, whilst the correct mix of vehicles is determined.

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

3.12. Estates Schemes

The Commissioner's estate currently consists of 30 premises (including police headquarters, larger police stations/Territorial Policing Area HQ, which include custody suites, smaller police stations, one police house, 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 March 2020. 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 2017 included the development of a new Eden Deployment base and replacement hostel accommodation on the HQ site at Penrith. In response to the Government announcement of investment in additional Police Officers (Operation

Uplift) the property will be temporarily utilised as a Learning and Development Centre to support the increased level of police officer recruitment.

The Learning and Development Centre accounted for the vast majority of the estates programme for 2019/20 which has left the cyclical replacement schemes e.g. roof repairs at Whitehaven and Kendal along with replacement of the Uninterrupted Power Supply (UPS) at the HQ site in Penrith for 2020/21.

Further into the medium term there is budget allocated to provide improved premises in the west of the county in response to major flooding incidents in recent years, options for which will be developed over 2020/21. Beyond this in the 10 year plan, the estates capital budget reduces significantly once the west scheme is complete, to leave on average £240k per year for replacement schemes.

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

3.13. Other Schemes

Other schemes include cross cutting or operational programmes of work and include the replacement of Tasers and Firearms, works to expand and replace the Countywide CCTV system.

Appendix 5 provides a high-level analysis of the 'other' schemes.

4. Capital Receipts

4.1. **Appendix 7** provides details of property disposals and the proceeds of those sales over recent years.

The table shows total receipts of £4,769m. At 31 March 2019 there was a balance of capital receipts unapplied of £2.096m, this means that £2.673m have already been applied to the capital programme. The majority of the sales resulted from an estates rationalisation programme and those sale proceeds were used to finance the South Area Headquarters in Barrow.

4.2. The remainder of the capital receipts will be applied to the capital programme from 2021/22 as reserves and grants are extinguished.

5. Supplementary information

Attachments

Appendix 1	Capital Expenditure and Financing 10 years 2020/21 to 2029/30
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 2019 and February 2020
Appendix 7	Capital Receipts Breakdown 2009/10 to 2019/20

Capital Expenditure and Financing 10 years 2020/21 to 2029/30

Capital Expenditure	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 1-10
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£	£	£	£	£	£	£	£	£	£	£	£
ICT Schemes	1,933,562	4,268,364	4,425,573	3,530,115	1,786,977	2,132,347	3,837,124	3,488,368	1,323,505	1,838,428	2,897,060	29,527,861
Fleet Schemes	934,404	2,846,820	776,021	1,469,690	971,136	1,035,540	1,304,240	2,732,352	924,520	1,906,644	839,570	14,806,533
Estates Schemes	3,324,393	282,625	2,075,000	5,885,000	5,600,000	310,000	350,000	245,000	170,000	155,000	320,000	15,392,625
Other Schemes	907,081	155,167	720,000	0	0	0	0	0	500,000	0	43,000	1,418,167
Total Capital Expenditure	7,099,440	7,552,976	7,996,594	10,884,805	8,358,113	3,477,887	5,491,364	6,465,720	2,918,025	3,900,072	4,099,630	61,145,186
Capital Receipts	0	0	(1,287,881)	(1,541,164)	0	0	(886,761)	(1,066,363)	0	0	0	(4,782,169)
Contributions from Revenue	(1,114,900)	(3,491,179)	(3,421,021)	(3,418,641)	(3,415,221)	(3,579,136)	(3,546,247)	(3,575,421)	(3,511,069)	(3,579,580)	(3,508,824)	(35,046,339)
Capital Grants	(941,440)	(4,061,797)	(1,712,692)	(100,000)	0	0	(300,000)	(100,000)	(100,000)	(100,000)	(100,000)	(6,574,488)
Capital Reserves	(1,758,449)	0	(1,575,000)	(2,425,000)	0	0	0	0	0	0	0	(4,000,000)
Borrowing	(3,284,652)	0	0	(3,400,000)	(5,600,000)	0	0	0	0	0	0	(9,000,000)
Total Capital Financing	(7,099,440)	(7,552,976)	(7,996,594)	(10,884,805)	(9,015,221)	(3,579,136)	(4,733,007)	(4,741,784)	(3,611,069)	(3,679,580)	(3,608,824)	(59,402,997)
(Excess)/Shortfall	0	0	0	0	(657,108)	(101,249)	758,357	1,723,935	(693,044)	220,492	490,806	1,742,189

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

ICT Schemes

ICT Summary	Yr 0	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	Yr 1-10
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
	£	£	£	£	£	£	£	£	£	£	£	£
ICT End User Hardware Replacement (002x)	982,280	590,177	1,635,627	339,781	238,116	928,442	214,419	1,483,635	532,515	279,389	738,880	6,980,982
ICT Core Hardware Replacement (003/004x)	1,619,191	3,352,887	498,302	837,000	1,168,050	573,448	2,699,766	440,093	798,748	1,245,899	631,750	12,245,943
ICT Core Infrastructure Replacement (projects)	0	1,047,015	186,809	2,615,383	382,378	99,325	1,210,336	1,416,831	106,397	308,750	1,250,695	8,623,919
ICT Infrastructure Solution Replacement (Projects)	202,395	407,982	104,835	106,827	449,573	622,950	360,788	477,804	117,488	495,376	786,981	3,930,604
Savings Target - 15% Year 5-10 (linked to ICT tech advances)	0	0	0	(368,876)	(451,139)	(91,818)	(648,184)	(329,996)	(231,644)	(490,987)	(511,246)	(3,123,890)
General Prudent Slippage (linked to workloads and staffing levels)	(870,303)	(1,129,697)	2,000,000	0	0	0	0	0	0	0	0	870,303
Total ICT Summary	1,933,562	4,268,364	4,425,573	3,530,115	1,786,977	2,132,347	3,837,124	3,488,368	1,323,505	1,838,428	2,897,060	29,527,861

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 Joint 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 Joint Chief Finance Officer's virement authorisation limits for which there is a clear business case
- Schemes above the Joint 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 2020/21 to 2023/24, covering the period for which the capital programme is fully funded.

Fleet Schemes

Fleet Summary Proposed	Number of Vehicles in Category	Yr 0 2019/20 £	Yr 1 2020/21 £	Yr 2 2021/22 £	Yr 3 2022/23 £	Yr 4 2023/24 £	Yr 5 2024/25 £	Yr 6 2025/26 £	Yr 7 2026/27 £	Yr 8 2027/28 £	Yr 9 2028/29 £	Yr 10 2029/30 £	Yr 1-10 Total £
Covert	14	135,649	20,400	82,861	27,560	81,000	94,600	22,400	91,884	30,160	88,500	70,800	610,165
Neighbourhood Policing	92	81,400	1,683,000	0	660,380	388,800	0	168,000	1,808,040	722,680	424,800	0	5,855,700
Specialist Vehicles	28	206,946	222,360	109,200	120,840	119,880	123,200	285,600	190,380	121,800	256,060	218,300	1,767,620
Dog Vehicles	10	70,000	214,200	72,800	0	0	115,500	196,000	79,800	0	41,300	82,600	802,200
Motor Cycles	8	0	0	0	0	16,200	0	141,120	0	0	17,700	0	175,020
Pool Cars	29	93,000	13,260	121,680	15,900	128,736	40,040	20,160	129,618	15,080	164,964	17,700	667,138
Protected personnel Carriers	9	0	183,600	0	254,400	0	0	0	136,800	0	212,400	0	787,200
Roads Policing Vehicles	19	0	408,000	336,960	106,000	0	440,000	362,880	114,000	0	472,000	382,320	2,622,160
Crime Command	39	104,000	15,300	31,200	0	196,560	118,800	75,040	118,560	34,800	0	0	590,260
Crime Scene Investigators	10	0	0	21,320	284,610	0	0	0	0	0	0	24,190	330,120
Garage	6	0	0	0	0	0	0	0	0	0	159,300	0	159,300
Chief Officer Pool	2	0	0	0	0	39,960	38,500	0	0	0	0	43,660	122,120
Above Strength Vehicles	15	0	0	0	0	0	0	0	0	0	0	0	0
Rechargable Vehicles	15	243,409	86,700	0	0	0	64,900	33,040	63,270	0	69,620	0	317,530
Total Fleet Summary	296	934,404	2,846,820	776,021	1,469,690	971,136	1,035,540	1,304,240	2,732,352	924,520	1,906,644	839,570	14,806,533
Number of Vehicles Replaced Each Year		37	85	32	41	43	38	40	84	32	55	20	470

Status - Fleet Replacement - It is recommended that all fleet replacement schemes are approved as firm for 2020/21 only. This provides authority to procure on the basis of the currently approved fleet strategy. The strategy will be reviewed during 2020/21 to inform the status of the capital programme in future years.

Estates Schemes

Estates Schemes	Yr 0 2019/20 £	Yr 1 2020/21 £	Yr 2 2021/22 £	Yr 3 2022/23 £	Yr 4 2023/24 £	Yr 5 2024/25 £	Yr 6 2025/26 £	Yr 7 2026/27 £	Yr 8 2027/28 £	Yr 9 2028/29 £	Yr 10 2029/30 £	Yr 1-10 Total £
Existing Schemes												
Roof Repairs - Various												
Whitehaven Police Station	0	37,625	0	0	0	0	0	0	0	0	0	37,625
Kendal Police Station	0	55,000	0	0	0	0	0	120,000	0	0	25,000	200,000
Roof Repairs - HQ Dog section	0	70,000	0	0	0	250,000	0	0	0	0	0	320,000
Heating, Ventilation & Cooling Plant - Various												
Police Headquarters	0	0	0	0	0	0	300,000	0	0	0	200,000	500,000
Barrow HVAC	0	0	0	0	0	0	0	0	60,000	0	0	60,000
Other Existing Schemes												
UPS Durranhill	0	0	0	0	0	60,000	0	0	0	0	0	60,000
UPS HQ	0	100,000	0	0	0	0	0	0	0	30,000	0	130,000
UPS Barrow	0	0	0	0	0	0	0	0	60,000	0	0	60,000
North Resilience Flood Management - NPT/Hostel	3,284,652	0	0	0	0	0	0	0	0	0	0	0
Garage Provision	0	0	500,000	0	0	0	0	0	0	0	0	500,000
Durranhill - Replacement CCTV system and cell call	11,822	0	0	0	0	0	50,000	0	0	0	0	50,000
Kendal CCTV and Cell Call	0	0	0	0	0	0	0	0	50,000	0	0	50,000
West Resilience Flood Management	0	0	1,575,000	5,825,000	5,600,000	0	0	0	0	0	0	13,000,000
Roof Repairs & Glazing - Durranhill	0	0	0	0	0	0	0	75,000	0	0	0	75,000
HQ Static inverter	0	0	0	0	0	0	0	0	0	50,000	0	50,000
HQ window conservation	0	0	0	0	0	0	0	50,000	0	0	0	50,000
Durranhill heat and vent plant	27,920	0	0	0	0	0	0	0	0	0	0	0
Gas suppression cylinder replacements	0	20,000	-	0	0	0	0	0	0	0	25,000	45,000
Barrow CCTV camera replacement	0	0	0	0	0	0	0	0	0	35,000	0	35,000
Kendal M&E plant	0	0	0	0	0	0	0	0	0	20,000	0	20,000
Carlisle M&E plant (area 2)	0	0	0	60,000	0	0	0	0	0	20,000	0	80,000
Sub Total Existing Estates Schemes	3,324,393	282,625	2,075,000	5,885,000	5,600,000	310,000	350,000	245,000	170,000	155,000	250,000	15,322,625
New Estates Schemes 2020/21												
Comms Centre Cooling plant life cycle replacement											70,000	70,000
Sub Total New Estates Schemes	0	0	0	0	0	0	0	0	0	0	70,000	70,000
Total Estates Schemes	3,324,393	282,625	2,075,000	5,885,000	5,600,000	310,000	350,000	245,000	170,000	155,000	320,000	15,392,625

Appendix 4 (continued)

Estates Scheme Status Recommendations*

- It is recommended that all schemes, with the exception of the West Area Flood Resilience and Garage Workshop provision, be approved as firm, these being routine cyclical replacement, upgrade of existing facilities or continuation of previously agreed schemes.
- It is recommended that the scheme to provided West Area Flood Resilience and Garage Workshop provision be 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 2020/21 and 2023/24 only unless otherwise stated.

Other Schemes

Other Schemes 2020/21 onwards	Yr 0 2019/20 £	Yr 1 2020/21 £	Yr 2 2021/22 £	Yr 3 2022/23 £	Yr 4 2023/24 £	Yr 5 2024/25 £	Yr 6 2025/26 £	Yr 7 2026/27 £	Yr 8 2027/28 £	Yr 9 2028/29 £	Yr 10 2029/30 £	Yr 1-10 Total £
CCTV	23,890	0	500,000	0	0	0	0	0	500,000	0	0	1,000,000
New CED migration (currently Taser X26)	0	110,000	220,000	0	0	0	0	0	0	0	0	330,000
Glock Pistol Replacement	0	45,167	0	0	0	0	0	0	0	0	0	45,167
Portable Ballistic Protective Equipment	0	0	0	0	0	0	0	0	0	0	43,000	43,000
Laser Scanning	58,191	0	0	0	0	0	0	0	0	0	0	0
Business Transformation	825,000	0	0	0	0	0	0	0	0	0	0	0
Total Other Schemes	907,081	155,167	720,000	0	0	0	0	0	500,000	0	43,000	1,418,167

Other Scheme Status Recommendations*

- It is recommended that the remainder of the original CCTV scheme remains approved as firm, but that the wholesale replacement of the system in 2021/22 be subject to a business case.
- It is recommended that the Glock Pistol Replacement and Taser replacement schemes be approved on an indicative basis subject to a business case from the Territorial Policing Commander being presented to the Commissioner for approval.

*scheme status applies to the financial profile between 2020/21 and 2023/24 only unless otherwise stated.

Analysis of the change in Capital Strategy between February 2019 and the February 2020 position.

	Yr 0 2019/20 £	Yr 1 2020/21 £	Yr 2 2021/22 £	Yr 3 2022/23 £	Yr 4 2023/24 £	4 Year Total TOTAL £
Capital Strategy - Approved (February 2019)	8,708,787	9,466,499	5,354,575	8,342,236	12,025,397	35,188,707
Capital Strategy - Proposed (February 2020)	7,099,440	7,552,976	7,996,594	10,884,805	8,358,113	34,792,488
Difference (decrease)/Increase	(1,609,347)	(1,913,523)	2,642,019	2,542,569	(3,667,284)	(396,219)
Difference by Type						
- ICT Schemes	(2,069,800)	(2,692,645)	2,092,502	2,546,169	(3,543,084)	(1,597,058)
- Fleet Schemes	(556,849)	974,100	(170,483)	(63,600)	(124,200)	615,817
- Estates Schemes	360,222	(307,375)	500,000	60,000	0	252,625
- Other Schemes	657,081	112,397	220,000	0	0	332,397
Difference (decrease)/Increase	(1,609,347)	(1,913,523)	2,642,019	2,542,569	(3,667,284)	(396,219)
Explanation of the Difference by Type						
- ICT Schemes						
ANPR	0	49,450	50,439	51,397	52,374	203,660
Device Growth Replacement	(15,817)	60,000	2,000	2,040	2,081	66,121
Body Worn Growth	0	0	22,484	0	0	22,484
Slippage/B-Fwd	(6,612)	(175,219)	0	(36,750)	36,750	(175,219)
Control Room - reprofile	(706,325)	406,199	100,000	356,000	84,900	947,099
Business Transformation B-Fwd	0	0	0	0	(201,500)	(201,500)
Bus Transformation Removed	(825,000)	0	0	0	(1,266,491)	(1,266,491)
General Slippage	675,612	(2,675,612)	2,000,000	0	0	(675,612)
Purchase of Storage	(243,900)	243,900	0	(387,679)	197,716	53,937
ESN	(76,970)	(915,363)	(82,421)	2,561,161	(2,448,914)	(885,537)
- Fleet Schemes						
Peugeot Expert Slippage	(690,000)	690,000	0	0	0	690,000
18/19 Slipped to 19/20 and future	(74,849)	103,000	19,074	0	(37,000)	85,074
Write Off	61,000	75,000	(33,000)	(60,000)	(43,000)	(61,000)
Sellafield Replacements B-Fwd	80,000	(59,000)	0	0	0	(59,000)
Re-profile & increase for Green Fleet Vehicles	67,000	(39,000)	0	0	0	(39,000)
Territorial Policing Transit Jumbo's B-Fwd	0	180,000	(180,000)	0	0	0
Dog Vehicle B-Fwd due to change in operational use	0	75,000	(40,000)	0	(35,000)	0
Dogvehcile life Extended	0	(70,000)	70,000	0	0	0
Inflation	0	19,100	(6,557)	(3,600)	(9,200)	(257)
2029/30 added in	0	0	0	0	0	0
- Estates Schemes						
Carlisle M&E plant (area 2)	0	0	0	60,000	0	60,000
General Slippage	(192,625)	(307,375)	500,000	0	0	192,625
- Other Schemes						
X2 Taser migration	(250,000)	110,000	220,000	0	0	330,000
Glock Pistol Replacement	0	2,397	0	0	0	2,397
Difference (decrease)/Increase	(1,609,347)	(1,913,523)	2,642,019	2,542,569	(3,667,284)	(396,219)
Difference left to explain	0	0	0	0	0	0

Property Disposals – Details of Sale Proceeds

Year	Premises Sold	Sale Proceeds £	Costs of Disposal £	Net Capital Receipts £
2019/20	At the time of writing this report there had been no funds received for any premises sold.			
2018/19	Police House -39 Liddle Close Carlisle	159,000	2,546	156,454
2018/19	Ulverston Police Station	500,000	9,037	490,963
2017/18	Cleator Moor Police Station	105,000	1,939	103,061
2017/18	Barrow Police Station	450,000	10,361	439,639
2016/17	Police House - 21 Thornleigh Road	266,200	5,570	260,630
2016/17	Maryport Police Station	80,500	1,995	78,505
2015/16	Police House 11-12 The Green, Penrith	60,000	2,006	57,994
2015/16	Wigton Police Station	187,500	4,545	182,955
2015/16	Ambleside Police Station	321,500	6,131	315,369
2013/14	Dalton in Furness Police Station	121,000	2,756	118,244
2013/14	Keswick Police Station	327,000	-	327,000
2012/13	Kirkby Stephen Police Station & House	150,000	857	149,143
2012/13	Police House - 3 Centurians Walk, Carlisle	175,500	2,827	172,673
2012/13	Police House - 4 Allan Court, Workington	173,500	2,100	171,400
2012/13	Alston Police Station	166,000	1,123	164,877
2012/13	Ambleside Police Station	141,000	1,753	139,247
2012/13	Cockermouth Police Station	241,000	2,613	238,387
2012/13	Millom Police Station	45,600	1,644	43,956
2012/13	Milnthorpe Police Station	140,500	1,260	139,240
2012/13	Sedbergh Police Station	90,000	1,328	88,672
2011/12	Police House - Durdar	150,000	2,070	147,930
2011/12	Police House - 12 Derwent Drive Kendal	183,500	1,943	181,557
2011/12	Police House - 10 Clifton Court, Workington	125,000	1,320	123,680
2010/11	Police House - 52 Whitestiles, Seaton	115,500	1,924	113,576
2010/11	Police House - 6 Helsington Road, Kendal	216,000	2,668	213,332
2009/10	Police House - 3 Derwent Drive, Kendal	155,000	4,857	150,143
Please note there were no property disposals in 2014/15				-
Total		4,845,800	77,175	4,768,625



Public Accountability Conference
19 February 2020
Agenda Item No 10c

Joint Audit Committee
18 March 2020
Agenda Item No 19

Office of the Police and Crime Commissioner Report

**Title: Borrowing, Treasury Management, Investment and MRP
Strategies 2020/21 (including Prudential Indicators)**

Report of the Joint Chief Finance Officer

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

Purpose of the Report

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) on an annual basis.

These codes were originally issued in 2002, revised in 2009, 2011 and again in 2017. The TMSS presented here complies with the 2017 codes and accompanying guidance notes. The TMSS also incorporates the Investment Strategy which is a requirement of the Ministry of Housing, Communities and Local Government's Investment (MHCLG) Investment Guidance 2018.

This report proposes a strategy for the financial year 2020/21.

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.’

Recommendations

The Commissioner is asked to:

1. Approve the Borrowing Strategy for 2020/21 as set out on pages 8-9
2. Approve the Investment Strategy for 2020/21 as set out on pages 10-13
3. Approve the Treasury Management Prudential Indicators as set out on pages 15-16
4. Approve the other Prudential Indicators set out on pages 17 to 21
5. Approve the Minimum Revenue Provision Policy Statement for 2020/21 as set out on page 22
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.
7. Delegate to the Joint Chief Finance Officer any non-material amendments arising from scrutiny of the strategy by the Joint Audit Committee.

The Joint Audit 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.



Peter McCall



**Borrowing, Treasury Management, Investment, and MRP Strategies 2020/21
(Including Prudential Indicators)**

Treasury Management Strategy Statement 2020/21

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Key Messages

Approval of an Annual Treasury Management Strategy is a statutory requirement of the Commissioner.

This Strategy aims to provide the Commissioner with a low risk, yet suitably flexible, approach to Treasury management.

General Principles

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 Ministry of Housing, Communities and Local Government's Investment Guidance 2018. Together, these cover the financing and investment strategy for the forthcoming financial year.

The Treasury Management Strategy has been prepared in line with the model guidance produced by Link Asset Services 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.

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

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

Key Messages

The Commissioners priority for investments will **always** be ranked in the order of:



General Principles (Continued)

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 2020/21 and forecasts for future years have been updated in light of the latest available information as part of the financial planning process.

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 CIPFA Code of Practice on Treasury Management published in 2011 and recently updated in 2017. There is, in addition, a further requirement arising from the Local Government Act 2003 (Section 15) and the 2018 Ministry of Housing, Communities and Local Government’s Investment Guidance, to produce an investment strategy as part of the wider Treasury Strategy. This is set out below, starting at page 10. Finally, the Commissioner’s current treasury advisor’s Link Asset Services 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.

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.

Key Messages

Scrutiny of the Commissioners treasury activities is the responsibility of the Joint Audit Committee, including:

- Quarterly Reports
- Year End Report
- Treasury Risk Management
- Review of Assurances

As a minimum a rolling 12 month cash flow forecast is maintained and is audited as part of the statutory accounts to support the principle that the Commissioner is operating as a 'going concern'

General Principles (Continued)

The Joint Audit Committee will be responsible for the scrutiny of treasury management policy and processes. The Joint Audit 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).

The MHCLG 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.

The Commissioner complies with the provisions of section 32 of the Local Government Finance Act 1992 to set a balanced budget. This report fulfils the legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and MHCLG Guidance.

Treasury Management Cash Flow Forecast

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 on page 8 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.

Key Messages

Investment returns and borrowing rates are likely to remain low by historical standards during 2020/21 but to be on a gently rising trend over the next few years. However many factors can impact that forecast.

The Commissioner continues to utilise reserves in place of new borrowing to fund the capital programme.

Treasury Management Cash Flow Forecast (Continued)

The estimated treasury position at 31st March 2020 and for the following financial years are summarised below:

Estimated Treasury Position	Estimate 2020/21 £m	Estimate 2021/22 £m	Estimate 2022/23 £m	Estimate 2023/24 £m
External Borrowing	0.00	0.00	0.00	0.00
Interest Payments	0.00	0.00	0.00	0.00
Investments (average)	11.876	7.353	4.353	0.625
Interest Receipts	0.096	0.074	0.054	0.008

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 on page 7 below.

The Commissioner's underlying need to borrow, as measured by the Capital Financing Requirement (CFR), is estimated to be £22.15m at the start of the 2020/21 financial year. This includes £4.58m 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 programme paper elsewhere on this agenda (see item 10b) indicates that the Commissioner will need to borrow to deliver the agreed capital programme, specifically to provide a fit for purpose territorial policing HQ in the west of the county. This investment is still indicative and would be subject to a full business case decision process.

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. This has the effect of reducing the cash balances available for investment. Advice will continue to be sought from our treasury advisors as to the most opportune time and interest rate to undertake external borrowing.

The estimate for interest receipts in 2020/21 is £96k (latest forecast for 2019/20 is £135k). The low level of receipts reflects the historically low level of investment returns currently available where the Bank of England base rate stands at 0.75%.

Key Messages

The uncertainty over Brexit and the ability to broker an EU trade deal continues to impact the markets, keeping interest rates and growth predictions low.

Interest Rates are forecast to remain at 0.75% with perhaps a small rise in quarter 4 of 2020/21 and again in 2022/23.

Treasury Management Interest Rate Forecast

The below forecasts (provided by Link Asset Services Ltd) have been based on an assumption that there is an agreed deal on Brexit, including agreement on the terms of trade between the UK and EU, at some point in time. The result of the general election has removed much uncertainty around this major assumption. However, it does not remove uncertainty around whether agreement can be reached with the EU on a trade deal within the short time to December 2020, as the Prime Minister has pledged.

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

Base Rate Estimates	2019/20	2020/21	2021/22	2022/23	2022/23
Quarter 1	0.75%	0.75%	1.00%	1.25%	1.25%
Quarter 2	0.75%	0.75%	1.00%	1.25%	1.25%
Quarter 3	0.75%	0.75%	1.00%	1.25%	1.25%
Quarter 4	0.75%	1.00%	1.00%	1.25%	1.25%

Key Messages

The PCC has an increasing Capital Financing Requirement due to the capital programme, but has modest investments, and will therefore need to borrow in the near future.

Borrowing Strategy

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 compliance with this requirement the Commissioner does not currently intend to borrow in advance of spending need.

The table below shows the Commissioner's projected capital financing requirement for 2020/21 and beyond.

Capital Financing	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Balance B/fwd	17.98	19.35	22.15	21.54	20.91	23.66
Plus Capital Expenditure financed from borrowing	1.80	3.28	0.00	0.00	3.40	5.60
Less MRP for Debt Redemption	-0.43	-0.48	-0.61	-0.63	-0.65	-0.68
Balance C/Fwd	19.35	22.15	21.54	20.91	23.66	28.58

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 capital programme elsewhere on the agenda (see item 10b).

Key Messages

Diversification of investments continues to provide a level of liquid cash that is suitable for the Commissioners expenditure profile whilst total investment balances remain high. This will continue to be monitored as levels of investments fall and if necessary a minimum level of liquid cash to be maintained will be set.

Short term borrowing from other Local Authorities may be needed in the future to manage short term cash flow shortfalls.

Borrowing Strategy (Continued)

The Commissioner is not expected to have any external borrowing at the start of 2020/21. Given that the CFR is forecast to be £22.15m this effectively means that the Commissioner will be funding over £17.57m of capital spend from internal resources (CFR £22.15m less £4.58m in relation to the PFI).

Currently, there is a significant differential between investment rates at 1.00% and the rate at which long term finance can be procured, which despite standing at historically low levels, will still cost over 3.00+% 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 transactions.

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, 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.

The Commissioner's predecessors had previously raised all of its long term borrowing from the PWLB but other sources of finance are now available and being investigated, such as local authority loans and bank loans, that may be available at more favourable rates.

Short Term Borrowing

Short term loans will be used 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. Short term borrowing would probably be from another Local Authority.

Key Messages

The Investment Strategy for 2020/21 remains broadly the same as in previous years as there has been little change in the markets or counterparties.

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

The appropriate balance between risk and return is sought but with returns so low there is nothing to be gained from exposing the Commissioner to extra risk.

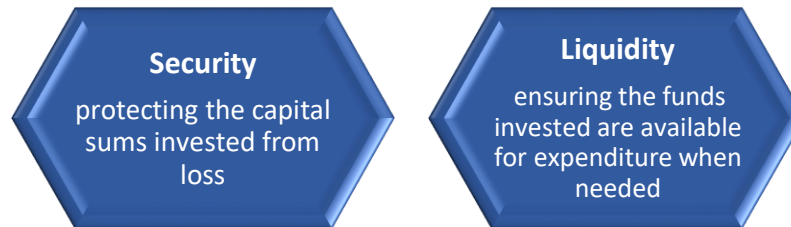
Investment Strategy

Local Authorities (which include the Commissioner) invest their money for three broad purposes:

- because they have surplus cash as a result of their day-to-day activities, for example when income is received in advance of expenditure (known as treasury management investments),
- to support local public services by lending to or buying shares in other organisations (service investments), and
- to earn investment income (known as commercial investments where this is the main purpose).

The Local Government Act 2003, Section 15(1) (a) requires the Commissioner to approve an investment strategy which must also meet the requirement in the statutory investment guidance issued by the Ministry of Housing, Communities and Local Government in January 2018. The Commissioner does not currently have, and does not intend to invest in, service investments or commercial investments so the detail below focuses on a Treasury Management Investment Strategy.

The CIPFA Code requires funds to be invested prudently, and to have regard for:



The generation of yield is distinct from these prudential objectives. Once proper levels of security and liquidity are determined, it is then reasonable to consider what yield can be obtained consistent with these priorities. The objective when investing surpluses is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the aim would be to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested.

In the past the treasury management 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.

Key Messages

In accordance with guidance from the MHCLG and CIPFA, and in order to minimise the risk to investments, the commissioner applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk.

The key ratings used to monitor counterparties are the Long Term ratings.

Investment Strategy (Continued)

The Commissioner holds significant balances of invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20, the Commissioner's investment balance has ranged between £8.46m and £33.97m. The larger sum was due to the receipt in July 2019 of £19.9m pension top up grant from the Home Office, which is drawn down steadily over the remainder of the year. Balances in 2020/21 are forecast to slowly reduce as expenditure on large capital schemes continues. It is anticipated that, at the peak, when the pensions grant is received in July, balances for investment could approach £30m.

Credit Rating - Investment decisions are made by reference to the lowest published long-term credit rating from credit agencies such as, 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, select countries and financial institutions after analysis and ongoing monitoring of:

- Economic fundamentals (e.g., net debt as a % of GDP)
- Credit default swap prices (a CDS is a financial derivative or contract that allows an investor to "swap" or offset credit risk with that of another investor)
- 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 2020/21 remains the same. The decision to enter into a new class of investment is delegated to the Joint Chief Finance Officer. The strategy allows for investments in pooled funds such as money market funds or property funds. Following Brexit information and advice will be sought regarding the use of property funds to further diversify the Commissioners' portfolio, provide a longer-term investment and increase yield whilst maintaining security. A full explanation of each class of asset is provided in **Appendix A** together with a schedule of the limits that will be applied.

Key Messages

The Joint Chief Finance Officer (subject with consultation with the Commissioner) will be granted delegated authority to amend or extend the list of approved counterparties should market conditions allow.

No plans to use derivatives – this would require explicit approval.

Investment Strategy (Continued)

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 his advisors 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 in 2017/18 that the Joint 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 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 triennial renewal of the contract. Meetings with the advisors to discuss treasury management issues are held on a regular basis.

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.

In the absence of any explicit legal power to do so, the Commissioner has no plans to use derivatives during 2020/21. 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. A derivative is a financial security with a value that is reliant upon or derived from, an underlying asset or group of asset. The derivative itself is a contract between two or more parties, and the derivative derives its price from fluctuations in the underlying asset.

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 MHCLG's defines as a long term investment.

Key Messages

The cash flow forecast is maintained for a minimum rolling 12 months. This allows assessment of the ability to invest longer term and identifies areas where short term borrowing may be required.

Investment Strategy (Continued)

The Financial Services team uses a cash flow forecasting spreadsheet to determine the maximum period for which funds may prudently be committed. The forecast is compiled on a prudent basis to minimise the risk of the Commissioner being forced to borrow on unfavourable terms to meet his financial commitments. For the Commissioner, the total of investments over one year in duration are limited to £2m 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 one year. However, as always, investment plans should be flexible enough to respond to changing market conditions during the year. The estimate of investment income for 2020/21 amounts to £96k (£135k 2019/20) and actual investment performance will be reported regularly to the Commissioner and will be provided to members of the Joint Audit Committee as background information to provide guidance and support when undertaking scrutiny of Treasury Management procedures.

Key Messages

The 'Treasury Management Practices' statement is updated for each year, scrutinised by the Joint Audit Committee and published on the Commissioner's website alongside this strategy.

Treasury Risk and Treasury Management Practices

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 sets out in some detail defined treasury risks and how those risks are managed on a day to day basis. The CIPFA Code of Practice on Treasury Management recommends the adoption of detailed Treasury Management Practices (TMPs). As outlined above, the Treasury Management Code and Prudential Code were updated and additional guidance notes have now been received. The TMP's have been updated. The guidance from CIPFA recommends that TMPs should cover the following areas:

- Risk Management
- 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 cash flow management
- Money laundering
- Training & Qualifications
- 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 Joint 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.

The PCC currently has no external debt and does therefore not need to set limits on the maturity of debt in each period.

Treasury Management Prudential Indicators

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.

The treasury management Indicators are not targets to be aimed at, but are instead limits within which the treasury management policies of the Commissioner are deemed prudent. These cover three aspects:

1. Maturity Structure of Borrowing - It is recommended that upper and lower limits for the maturity structure of borrowings are calculated as follows:

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

This indicator is primarily applicable to organisations, 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.

Treasury Management Prudential Indicators (Continued)

2. **Principal sums invested for periods longer than a year** – The purpose of this indicator is to contain the Commissioner’s exposure to the possibility of loss that might arise as a result of having to borrow short term at higher rates or losses by seeking early repayment of its investments.

Price Risk Indicator	2019/20	2020/21	2021/22	2022/23	2023/24
Limit on principal invested beyond one year	£3m	£2m	£2m	£2m	£2m

3. **Exposure to interest rate changes** - The 2017 code encourages Authorities to define their own ‘Liability Benchmark’ which will provide a basis for developing a strategy for managing interest rate risk. On the basis that Link Asset Services Ltd are not forecasting significant interest rate movements in the short term and that the Commissioner has no plans to make any long term external borrowing decisions over the next financial year, because of the ‘cost of carry’, development of a liability benchmark at this point would not provide added value. However, the Commissioner will actively develop indicators to manage interest rate risk in due course once there is more clarity over borrowing intentions.

Setting, Revising, Monitoring and Reporting

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 Joint Chief Finance 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 at his Public Accountability Conference.

Compliance with the indicators will be presented to the PCC Public Accountability Conference and the Joint Audit Committee in the quarterly Treasury Activities report.

Other Prudential Indicators 2020/21

As per the 2017 CIPFA Prudential Code for Capital Finance and the accompanying guidance notes the Commissioner is required to produce a number of indicators to assist understanding and to evaluate the prudence and affordability of the capital expenditure plans and the borrowing and investment activities undertaken in support of this.

Capital Expenditure and Capital Financing

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.

Capital Expenditure	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Expenditure	5.21	7.10	7.55	8.00	10.88	8.36

Capital Financing	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Capital Receipts	0.00	0.00	0.00	1.29	1.54	0.00
Government Grants	0.57	0.95	4.06	1.71	0.10	0.00
Revenue Contributions	2.84	2.87	3.49	5.00	5.84	2.76
Total Financing	3.41	3.82	7.55	8.00	7.48	2.76
Borrowing	1.80	3.28	0.00	0.00	3.40	5.60
Total Funding	1.80	3.28	0.00	0.00	3.40	5.60
Total Financing and Funding	5.21	7.10	7.55	8.00	10.88	8.36

Key Messages

Capital Finance Requirement –
'The mortgage you are yet to
take'

Minimum Revenue Provision –
'Annual Mortgage repayments'

The Authorised Limit is a
statutory limit (Local
Government Act 2003) above
which the Commissioner has no
authority to borrow.

Other Prudential Indicators 2020/21 (Continued)

Capital Financing Requirement

The Capital Financing Requirement (CFR) shows the difference between the capital expenditure and the revenue or capital resources set aside to finance that spend. The CFR will increase where capital expenditure takes place and will reduce with the Minimum Revenue Provision (MRP) made each year from the revenue budgets.

Capital Financing	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Balance B/fwd	17.98	19.35	22.15	21.54	20.91	23.66
Plus Capital Expenditure financed from borrowing	1.80	3.28	0.00	0.00	3.40	5.60
Less MRP for Debt Redemption	-0.43	-0.48	-0.61	-0.63	-0.65	-0.68
Balance C/Fwd	19.35	22.15	21.54	20.91	23.66	28.58

Authorised Limit

The represents a control on the maximum level of external debt. Whilst not desired it could be afforded by the authority in the short term, but is not sustainable in the longer term. 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.

Authorised Limit for External Debt	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
External Borrowing	21.10	24.06	23.64	23.22	26.20	31.38
Other Long Term Liabilities	4.75	4.59	4.40	4.20	3.97	3.70
Total Authorised Limit	25.85	28.65	28.04	27.41	30.16	35.08

Key Messages

The Operational Boundary limit is not an absolute limit of external debt and may be exceeded temporarily.

Currently the Commissioner has no external borrowing.

Other Prudential Indicators 2020/21 (Continued)

Operational Boundary

The Operational Boundary is a limit beyond which external debt is not normally expected to exceed. This limit is not an absolute limit but it reflects the expectations of the level at which external debt is not normally expected to exceed.

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 Joint 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 Committee meeting following the change.

Operational Boundary for External Debt	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2021/22 £m	2022/23 £m
External Borrowing	19.60	22.56	22.14	21.72	24.70	29.88
Other Long Term Liabilities	4.75	4.59	4.40	4.20	3.97	3.70
Total Operational Boundary	24.35	27.15	26.54	25.91	28.66	33.58

Actual External Debt

The Commissioner's actual external debt as at 31 March 2020 will be £4.58m, comprising only of other long term liabilities of £4.58m 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 previous external borrowing with the PWLB (Public Works Loans Board) was repaid during 2012/13.

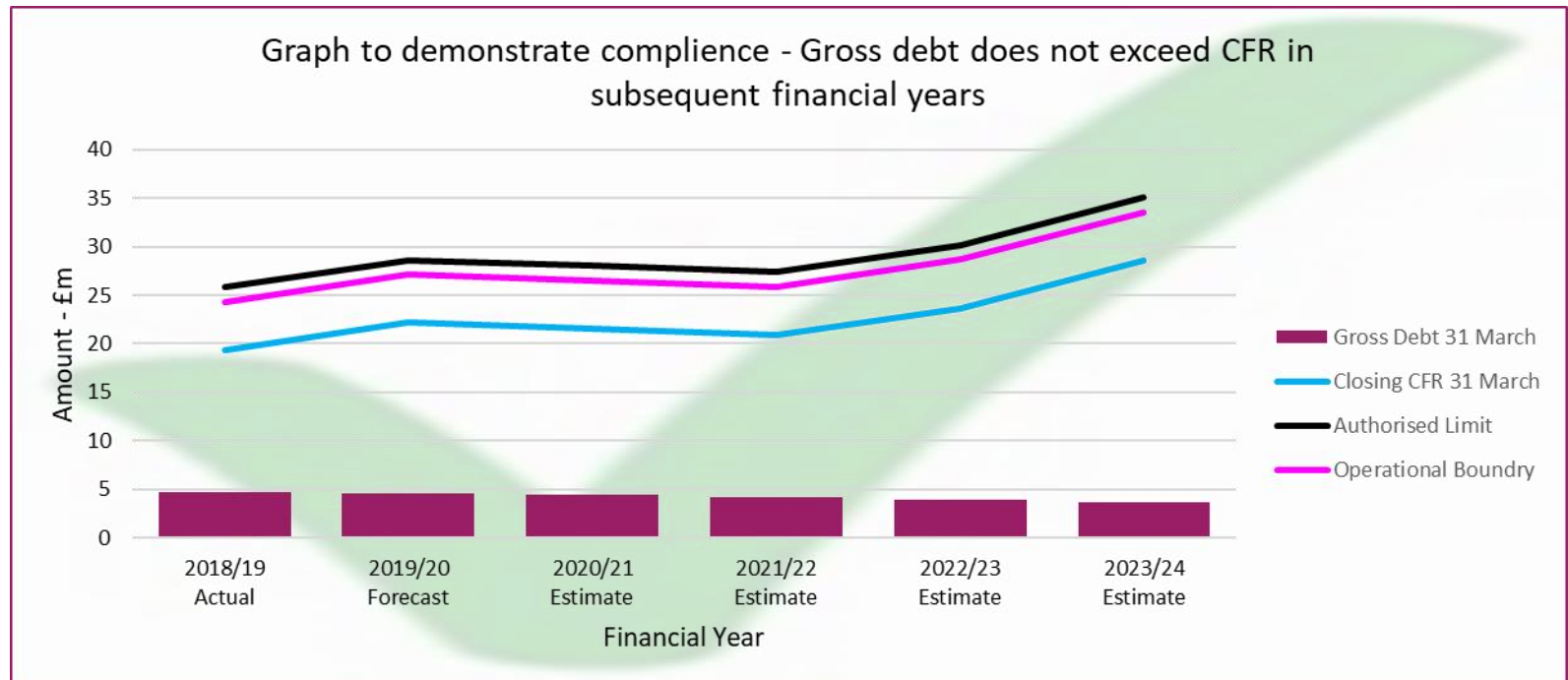
Other Prudential Indicators 2020/21 (Continued)

Gross Debt and the Capital Financing Requirement

The Commissioner should only borrow to support a capital purpose, and borrowing should not be undertaken for revenue or speculative purposes. Gross debt, except in the short term, should not exceed CFR in the preceding year plus the estimates for CFR for the three subsequent years.

Gross Debt and Capital financing requirement	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Closing CFR 31 March	19.35	22.15	21.54	20.91	23.66	28.58
Gross Debt 31 March	4.75	4.58	4.40	4.20	3.96	3.70

Using the figures from the above stated indicators the graph below demonstrates compliance as gross debt remains below CFR, authorised and operational limits for all years presented:



Other Prudential Indicators 2020/21 (Continued)

Ratio of financing costs

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.

Ratio of Financing Costs to Net Revenue Stream	2018/19 Actual £m	2019/20 Forecast £m	2020/21 Estimate £m	2021/22 Estimate £m	2022/23 Estimate £m	2023/24 Estimate £m
Investment income	0.15	0.14	0.10	0.07	0.05	0.01
MRP	0.43	0.49	0.61	0.63	0.65	0.68
Financing Costs	0.29	0.35	0.51	0.55	0.60	0.67
Net Revenue Stream	104.02	111.14	118.76	120.04	124.44	126.84
Ratio	0.27%	0.32%	0.43%	0.46%	0.48%	0.53%

Key Messages

The broad aim of the Minimum Revenue Provision is to ensure that debt is repaid over a period that is reasonably commensurate with that over which the capital expenditure provides benefits.

In relation to the commissioner this would be over 50 years as borrowing is only used to finance Land and Building schemes.

Calculation will be based on Option 1 for pre 2008/9 debt and option 3 thereafter.

The Commissioner is also permitted to make additional voluntary payments if required (voluntary revenue provision VRP) although there are no plans to make any in the medium term forecasts.

Annual MRP Statement for 2020/21

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). The Local Government Act 2003 requires the Authority to “have regard” to The Ministry of Housing, Communities and Local Government’s Guidance on Minimum Revenue Provision most recently issued in 2018. This sum known as the MRP is intended to cover the principal repayments of any loan over the expected life of a capital asset.

The Ministry of Housing, Communities and Local Government’s Guidance recommends that before the start of the financial year, The Commissioner approves a statement of MRP policy for the forthcoming financial year. This is now by agreement encompassed within the TMSS. 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.

It is proposed that The Commissioner’s MRP policy for 2020/21 is unchanged from that of 2019/20 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. MRP in respect of PFI and leases brought on to the balance sheet under the 2009 accounting requirements 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. There have been some additional voluntary contributions of MRP made in previous years that are available to reduce the revenue charges in later years. No such overpayments or withdrawals are planned for 2020/21.

Counterparty Selection Criteria and Approved Counterparties

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 there are no amendments to the criteria used in determining approved investment counterparties for 2020/21 compared to those in operation for 2019/20.

Counterparty Selection Criteria

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 2020/21 strategy. The investment limits and duration are linked to the credit rating and type of counterparty at the time the investment is made.

The credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Link Asset Services 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 Committee will be advised through the quarterly activities report.

The approved investment counterparties for the 2020/21 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

Key Messages

Whilst these limits also apply to councils own bankers in the ordinary course of business, if that bank's lowest rating falls below 'A-' balances will be maintained for operational purposes only and minimised on a daily basis. A non-investment limit of £1m will apply in such circumstances

Changes to accounting rules mean that certain financial instruments need to be valued at year end and paper gains/losses at the balance sheet date charged to the Statement of Comprehensive Income and expenditure Account. Such instruments are not currently key to our strategy.

A more detailed explanation of each of these counter party groupings is provided in Schedule B (page 26).

Counterparty Groupings / Limits

The criteria for approving investment counterparties have been devised, grouped, graded and investment limits attached as detailed in Schedule A (page 25). The limits are based on a percentage of the potential maximum sums available for investment during the year of up to £40m. The counterparty limits for 2020/21 are the same as the limits for 2019/20. Pooled 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 cash flow is rewarded by a slightly increased interest rate. Link Asset Services Ltd suggest that these funds are used for longer term investments and the ordinary money market funds to manage cash flow.

Description of Credit Ratings

As outlined above the credit worthiness of counterparties is monitored on an ongoing basis in conjunction with the Commissioner's treasury management advisors Link Asset Services Ltd.

Key Messages

The UK Government is considered the safest place to invest as it has never defaulted and therefore minimum credit ratings do not apply.

The Commissioner has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA.

All investments are Sterling. Therefore the Commissioner is not exposed to any foreign exchange / currency risk.

Schedule A – Counterparty Groupings and Associated Limits

Investment Limits						
Credit Rating	Maximum	1 Banks Unsecured	2 Banks Secured	3 Government	4 Registered Providers	5 Pooled Funds
<u>Category Limit 2020/21</u>	<i>Amount</i>	<i>£20m</i>	<i>£20m</i>	<i>Unlimited</i>	<i>£10m</i>	<i>£20m</i>
	<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 equate to 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 2020/21 are based on the potential maximum available for investment during the year of up to £40m. It should also be noted that as outlined on page 23 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 one year will be £2m.

Key Messages

The Commissioners priority for investments will **always** be ranked in the order of



Schedule B – Explanation of Counterparty Groupings

Class of Investment

Category 1 - Banks Unsecured: 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 bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.

Category 2 - Banks Secured: Covered bonds, reverse repurchase agreements and other collateralised 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 higher 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.

Category 3 - Government: Loans, bonds and bills issued or guaranteed by national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk. Investments with the UK Central Government may be made in unlimited amounts for up to 50 years.

Category 4 - Registered Providers: Loans and bonds issued by, guaranteed by or secured on the assets of registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are tightly regulated by the Regulator of Social Housing (in England), the Scottish Housing Regulator, the Welsh Government and the Department for Communities (in Northern Ireland). As providers of public services, they retain the likelihood of receiving government support if needed.

Category 5 - Pooled Funds: Shares or units 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. Short-term Money Market Funds that offer same-day liquidity and very low or no volatility 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.

Bond, equity and property funds offer enhanced returns over the longer term, but are more volatile in the short term. These allow the Authority 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 Authority's investment objectives will be monitored regularly.



Peter McCall

Office of the Police & Crime Commissioner

REQUEST FOR POLICE & CRIME COMMISSIONER DECISION - (N° 002 / 2020)

TITLE: 2020/21 Budget, Medium Term Financial Forecast and Reserves Strategy

Executive Summary:

The Commissioner is asked to approve the revenue budget, capital budget and reserves strategy for 2020/21 and the level of council tax to support the budget, having taken into account the advice of the Joint Chief Finance Officer in his report on the robustness of the proposed budgets. The papers provide provisional financial information for the years 2021/22 to 2023/24 and for 10 years in respect of the capital programme.

Recommendation:

The Commissioner is asked to note the attached Joint Chief Financial Officer's report on the robustness of the budget 'the Local Government Act 2003 Requirements' report (item 11a), taking into account his advice in respect of his decisions on the proposed budgets.

Appendix B of the attached report 'Budget 2020/21 and Financial Forecasts 2021/22 to 2023/24' (item 11b) 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 budget requirement for 2020/21 be set on the basis of the amount within the budget resolution at appendix B
- c) The council tax for Band D properties be approved at £265.59 for 2020/21, an increase of £8.91 or 3.47%, being the amount within the budget resolution

The commissioner is also asked to approve the Reserves Strategy for 2020/21 which is provided as a separate report (item 11c).

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 Joint 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 Joint 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 2020/21 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: 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. A procurement strategy detailing the principles, which underpin procurement activity linked to planned procurement in 2020/21 will be presented to the Public Accountability Conference in March. 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 2020/21 and Financial Forecasts 2021/22 to 2023/24

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

<p>If yes, for what reason:</p> <p>Until what date (if known):</p>
<p>Is there a Part 2 form - NO</p> <p>(If Yes, please ensure Part 2 form is completed prior to submission)</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>Signed: Date:</p>

OFFICER APPROVAL

<p>Chief Executive / Deputy Chief Executive (delete as appropriate)</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 / Chief Executive (delete as appropriate).</p> <p>Signature: Date:</p>
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<p>Media Strategy</p> <p>The decision taken by the Police & Crime Commissioner may require a press announcement or media strategy.</p>
<p>Will a press release be required following the decision being considered? YES</p> <p>If yes, has a media strategy been formulated? YES</p> <p>Is the media strategy attached? NO</p> <p>What is the proposed date of the press release: 19th February 2020</p>



Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 19 February 2020

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 Joint 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 Joint Chief Finance Officer. Estimates are prepared under the professional supervision of the Deputy Chief Finance Officer and Financial Services Manager and with the support of Financial Services Officers. Estimates are subject to scrutiny by financial services staff and the Constabulary's Chief Officer Group, including a series of budget star chambers, prior to submission to the Joint 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; budgets commissioned with other third parties and estimates of income. The most significant areas of income are in respect of government grant and council tax. Funding 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 (£64.429m). The next most significant funding source is Council Tax (£45.770m). The balance of expenditure is funded from specific grants, reserves and fees and charges. The 2020/21 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 2020/21 in respect of funding. This level of assurance cannot be given to resources beyond 2020/21.
- 3.2 The level of future grant funding will be heavily influenced by the outcome of the next Government spending review, which is due to be announced in the autumn of 2020, by which time the immediate economic impact of Brexit should also be clearer. The 2020/21 grant settlement included funding for the initial allocation of increased police officers as part of the Government's pledge to provide an additional 20,000 officers nationally (known as Operation Uplift). At this stage, the proportion of additional officers will come to Cumbria in years 2 and 3 of Op Uplift and the level of funding they will attract has still to be determined. In addition, the 2020/21 grant settlement provided a continuation of funding to offset much of the financial impact of increased police officer pension contributions applicable from 1st April 2019, however, there is no guarantee that this will be continued in future years. Collectively, these factors mean that the calculation of grant funding forecasts beyond the 2020/21 financial year are particularly uncertain.
- 3.3 In recent years the Government has protected core police grant funding, but only on a cash basis, whilst providing Commissioners with increased flexibility to raise council tax to fund pay increases and inflation. In relation to future Council Tax forecasts, this gives rise to a risk regarding the sustainability of local taxpayers supporting above inflation precept rises to maintain services over the longer term. The Medium Term Financial Forecast beyond 2020/21 assumes moderate, but nonetheless, above inflation annual increases in precept.

- 3.4 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

- 3.5 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 2020/21 budget the panel determined not to exercise its powers of veto and the budget is presented on the basis of the precept proposal that was unanimously supported by the panel of a £8.91 increase on the band D council tax, which represents an increase of 3.47%. 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

- 3.6 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.
- 3.7 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.
- 3.8 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 any future 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 2021/22 settlement onwards.

- 3.9 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

- 3.10 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 2020/21, 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.
- 3.11 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 was, however, considered to be a small risk as more recent trends, following council tax localisation, has been for actual income to exceed the forecast. This was the case up until 2018/19 and 2019/20 where a small shortfall has been declared. As a result of the trend over recent years changing from a surplus to a shortfall, the decision has been taken to remove the assumption that there will be an annual surplus of £200k from the 4 year MTFF.

Council Tax/Council Tax Grant Risk

3.12 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 particularly beyond 2021/22. 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 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

3.13 The budget for 2020/21 is presented based on notifications of the actual financial settlements. Beyond 2020/21 financial forecasts are based on estimates. The current medium term forecast assumes that the core level of Government funding will be maintained at the level provided for 2020/21 on a flat cash basis. However, allowance is made in the forecast for grant increases for Operation Uplift in line with the national funding model.

3.14 This strategy carries some level of risk, making the assumption that any changes to formula funding will have a neutral impact on the budget or will be supported by sufficient transitional funding to allow time to implement required changes in operational services. This is 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

3.15 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 2021/22 have therefore been prudently based. The level of this grant is now at such a low level that it does not constitute a significant risk. Overall funding within the programme is also to some degree reliant on capital receipts and this presents some risk to funding given the economic climate and market conditions. However, the programme is now heavily reliant on support from the revenue budget, supported by limited use of earmarked capital reserves and prudential borrowing, which have been factored into the revenue budget and MTFP 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 Now that the building works on the HQ site have been substantially completed, the capital programme incorporates the delivery of one remaining major estates capital scheme. This is a longer term option to develop a scheme in West Cumbria to manage estates resilience issues within the west of the county. 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 2024 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 are varied and include 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 a high level of annual contributions from the revenue budget and a specific capital reserve for the West Cumbria scheme. In addition, any significant level of capital investment is also dependent on a combination of prudential borrowing, direct 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. As capital reserves are depleted, increasing support for the capital programme from the revenue budget will be required. Accordingly, 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.

Capital Financing

- 4.6 The capital programme is financed through direct revenue contributions, capital grants, reserves and borrowing. The Capital Financing Requirement reflects an underlying need to borrow to finance capital schemes, but currently 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 be an increasing need to actually borrow.
- 4.7 The underlying borrowing requirement is forecast at £22.15m at the end of the 2019/20 financial year. 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 be incorporated within the revenue budget, in line with cash-flow forecasts.

Inflation/Pay Awards

- 4.8 Pay costs are provided for within the budget on the basis of a 2.5% 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 has increased as a result of the relaxation of public sector pay constraints. General price inflation is forecast on the basis of 2% annual increases, in line with Bank of England long term forecasts. Inflation on fuel and energy costs are based on higher 5% annual increases.

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. Historically, there has been under spending against these budget heads, although more recently police officer pay budgets, in particular, have come under pressure. Pay budgets are based on detailed workforce plans and overtime targets, which are updated annually as part of the budget process. Pay budgets in the current MTFF are also subject to a higher than normal uncertainty, as the increase in officer numbers associated with years 2 and 3 of Operation Uplift at an individual force level are yet to be determined.

Savings Requirements/Budget Management

- 4.10 The overall savings requirement over 4 years to balance the budget is around £3.0m and this is ahead of any loss of funding that may arise from a future review of police grant formula. However, given the uncertainties over future funding, planning for a range of financial scenarios is being undertaken. Having delivered £25m of savings since 2010, additional savings will be challenging to deliver. Delivery of savings will also be constrained by Operation Uplift, which will require savings to be focused on relatively small areas of the budget. Detailed discussions have taken place between the Commissioner and Chief Constable to identify areas where savings may be achieved. A number of potential savings initiatives are being pursued including reviews of specific business areas, reviewing the workforce mix, collaboration with other forces and public sector bodies, consolidating functions to increase capacity and, in particular, ensuring that the full benefits are realised from the investment in new technology. These savings plans will be further developed over the next year as part of a strategic work programme in the Constabulary managed by the Deputy Chief Constable. In this context, the current savings requirement over the period of the MTFF is considered to be challenging but manageable, with decisions required within a relatively short term period to enable the budget and reserves strategy to be sustainable.
- 4.11 The more significant immediate risk is in respect of budget management. The 2019/20 budget is currently forecasting to overspend by £0.4m. The primary reasons for the forecast overspend are in relation to increases in police officer numbers as a result of Operation Uplift and does not point to any fundamental weakness in the financial management process. The overall financial position in 2019/20 does not present any material risks and to some degree has been mitigated

by higher than anticipated funding in the 2020/21 grant settlement. However, the tightness of the budget position is indicative of a growing financial pressure, which will require careful management on an on-going basis. The Constabulary and Commissioner are working together to reduce the current forecast overspend, should this not ultimately prove possible, the overspend will be funded from draw down of the budget support reserve, which has been established for this purpose.

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 Joint Chief Finance Officer has set balances at £3m for 2020/21. This is around 3% of net expenditure and reasonable in the context of the budget risks set out in this report. The general balances are supported by a budget support reserve of £6.5m, which is intended, alongside savings plans, to manage medium term budget pressures arising from increasing demands and constrained funding. A further £2.4m of budget stabilisation, insurance and operational reserves and contingencies can be used to manage budget pressures and unforeseen events in year that are unable to be contained within the set budget, subsequently being replenished as part of the following year's budget process.
- 5.3 Additional 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 would have an opportunity cost in relation to the future ability to undertake the projects for which they were originally earmarked.

- 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 Reserves Strategy, included as item 11c 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 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.

7. 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.

Roger Marshall

Joint Chief Finance Officer

19th February 2020



Peter McCall

Cumbria Office of the Police and Crime Commissioner

Public Accountability Conference 19 February 2020

Budget 2020/21 and Financial Forecasts 2021/22 to 2023/24

Report of the Joint 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 2020/21 and the level of council tax to support the budget. The report also provides provisional estimates for the three years to 2023/24, 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 second report in a series of papers that provide financial and other information to support the budget setting process. Earlier in February, 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 Joint Chief Finance Officer's statutory report on the robustness of the budget and a reserves strategy. 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 2020/21 government financial settlement for policing bodies. **Appendix A** sets out the budget for the Commissioner and the budget for the Chief Constable.

Medium Term Budget 2020 - 2024	2019/20 £000s	2020/21 £000s	2021/22 £000s	2022/23 £000s	2023/24 £000s
Police Pay - Police Officer Pay & Allowances	63,980	67,504	69,641	71,886	73,549
Police Pay - Contribution to Pension Fund A/c	22,915	24,923	26,506	21,215	21,215
Police Pay - Ill Health & Injury Pensions	1,211	1,247	1,271	1,297	1,323
PCSO Pay	2,738	2,272	3,495	3,562	3,631
Staff Pay	23,106	24,925	24,780	25,449	26,246
Other Employee Costs	1,346	1,750	1,939	1,972	1,982
Premises Costs	4,312	4,454	4,559	4,668	4,781
Transport Costs	2,297	2,458	2,529	2,602	2,678
Supplies & Services	10,644	11,213	11,235	11,460	11,689
Third Party Expenditure	2,192	2,194	2,238	2,283	2,329
LGPS Past Service Costs	503	22	23	23	24
Insurances/Management of Change	706	728	743	754	766
Commissioned Services	2,245	2,250	2,250	2,250	2,250
Accounting and Financing Costs	7,376	4,693	6,262	7,106	4,674
Contributions to Reserves Revenue	183	96	167	168	119
Total Expenditure	145,754	150,729	157,638	156,695	157,256
Funded by					
Home Office Pension Top Up Grant	(22,915)	(24,923)	(26,506)	(21,215)	(21,215)
Additional Pensions Grant	(1,200)	(1,174)	(1,174)	(1,174)	(1,174)
Other Grants & Contributions	(6,773)	(7,971)	(7,979)	(7,989)	(7,998)
Sales, Fees, Charges & Rents	(5,211)	(5,347)	(5,308)	(5,408)	(5,466)
Interest/Investment Income	(165)	(96)	(74)	(55)	(8)
Revenue Reserves Drawdown	(1,586)	(1,019)	(181)	(100)	(113)
Capital Reserves Drawdown	(4,162)	0	(1,575)	(2,425)	0
Formula Grant	(59,943)	(64,429)	(63,498)	(65,603)	(65,603)
Council Tax Income	(43,799)	(45,770)	(47,975)	(50,256)	(52,648)
Total Income/Funding	(145,754)	(150,729)	(154,270)	(154,225)	(154,225)
Net Savings Requirement	0	0	3,368	2,470	3,031

- 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 £150.729m in 2020/21 to support an equivalent level of expenditure. Between 2021/22 and 2023/24 the gap between income and expenditure is expected to average

around £3.0m. This arises from the net impact of inflation and other expenditure pressures compared with the forecast growth in funding from Government Grant and increases in Council Tax Income.

- 3.3 For 2020/21 the Minister of State for Policing and Fire has again, allowed PCCs a degree of flexibility to increase council tax without the requirement to undertake a local referendum. In the funding announcement he gave PCCs the ability to increase the band D precept by up to £10 (for 2019/20 for the flexibility was given to increase by £24, in 2018/19 £12), for Cumbria this sum would represent an annual increase of 3.89%. In combination with the additional grant funding provided by the Government, the proposed increase in the council tax precept for policing of 3.47% has facilitated the recruitment of an additional 51 police officers, together with a small number of police staff enabling posts, which represents Cumbria's share of the first phase of Operation Uplift involving the recruitment of 6,000 officers nationally. This has the effect increasing the establishment of police officers from 1,145 to 1,216 FTE. The remainder of the proposed budget has been produced on a broadly continuation basis, which means that current levels of service have been maintained over the life of the four year forecast.

4. 2020/21 Policing Bodies Grant Settlement

- 4.1 On the 22nd January 2020 the funding allocations for policing bodies in England and Wales were announced, this announcement had been delayed from its usual publication in December as a result of the general election. The outcome of the settlement is a formula funding amount of £64.429m for the Cumbria police area for 2020/21, which represents an increase of £4.486m compared to the 2019/20 level of funding. The increase in grant is principally intended to enable the Constabulary to recruit additional officers, as the first phase of Operation Uplift (the Government's plan to recruit 20,000 additional officers by the end of 2022/23) and includes both revenue and capital elements. The MTFF assumes that grant funding beyond 2020/21 will increase in line with the Operation Uplift financial model, but that the level of core funding will be maintained on a flat cash basis for the 4 years of the MTFF.
- 4.2 The settlement confirmed that the current arrangements for formula funding and damping would continue for 2020/21. This means all policing bodies will continue to receive the same proportion of core Government funding as in 2019/20. It remain unclear whether the Government will re-visit the Home Office police funding formula in the next spending review, which will apply from 2021/22. In the absence of any firm indications on the timing and effect of any changes to the formula, for the purposes of the budget forecast, it has been assumed that this will have a neutral impact on Cumbria's core grant. The potential that changes to the formula may adversely affect the financial

outlook will, however, continue to be recognised in the risk register and will be monitored on an on-going basis.

- 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 (£25m), Home Office legacy Council Tax Grants of £4.85m, a specific pensions grant of £1.2m introduced in 2019/20 to offset increased police officer pension contributions and a specific grant of £1.4m, which is only receivable if the Constabulary delivers on its initial targeted increase in police officers (+51) as part of Operation Uplift. The Commissioner will also receive income of £0.59m to support responsibilities for commissioning support for victims and restorative justice. For the purposes of financial planning it is assumed that the legacy, pensions and victims grants will continue at their 2019/20 cash levels for the remainder of the MTFF.

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.

Council Tax 'Band B' is the band into which the highest number of properties in Cumbria fall, for this band the increase is £6.93 per annum or 13 pence per week (from £199.64 to £206.57 per annum).

- 5.2 The amount of the council tax precept is a decision for the Commissioner, who will take account of the views of the Chief Constable, the Police and Crime Panel and the results of a public consultation 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. As discussed above, the limit for Policing Bodies has been set at a maximum of £10 increase on a band D property for 2020/21. **The Commissioner's budget is based on a precept increase of 3.47%. The financial implications for residents are that the Band D Council Tax amount would increase to £265.59 for 2020/21, an increase of £8.91.**

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 2020/21 and the tax base for the prior year. The table shows that the total tax base is estimated to increase by 1,676 band D equivalent properties. Budgets from 2021/22 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 2019/20	Tax Base 2020/21	Increase (decrease)	% change
Allerdale Borough	30,662.47	30,905.23	242.76	0.79%
Barrow Borough	19,520.25	19,730.84	210.59	1.08%
Carlisle City	33,850.60	34,468.61	618.01	1.83%
Copeland Borough	20,557.70	20,838.01	280.31	1.36%
Eden District	20,615.78	20,741.45	125.67	0.61%
South Lakeland District	45,513.47	45,712.13	198.66	0.44%
Total	170,720.27	172,396.27	1,676.00	0.98%

5.5 In addition to the recurrent grant and tax base income, the 2020/21 budget is reduced by the net impact of a forecast deficit on the 2019/20 district collection funds. The table below shows the council tax attributable to each district for 2020/21 and the position on each district collection fund (surplus/deficit) for 2019/20.

Council Tax Income 2020/21	Tax base 2020/21	Precept (Band D) £	Council Tax Income £	Declared Surplus/ (Deficit)	Total 2020/21 £
Allerdale Borough	30,905.23	265.59	8,208,120.04	21,912.00	8,230,032.04
Barrow Borough	19,730.84	265.59	5,240,313.80	41,460.00	5,281,773.80
Carlisle City	34,468.61	265.59	9,154,518.13	32,705.00	9,187,223.13
Copeland Borough	20,838.01	265.59	5,534,367.08	33,760.00	5,568,127.08
Eden District	20,741.45	265.59	5,508,721.71	(52,400.00)	5,456,321.71
South Lakeland District	45,712.13	265.59	12,140,684.61	(93,867.00)	12,046,817.61
Total	172,396.27	265.59	45,786,725.35	(16,430.00)	45,770,295.35

- 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 2020/21 budget is supported by the use of £0.9m of earmarked revenue and capital reserves.
- 5.7 Fees and charges income is estimated to provide £5.3m in 2020/21 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 some 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 £150.729m can be supported by budgeted income in 2020/21. However, it is anticipated that in future years funding will fail to keep pace with expenditure pressures meaning that by 2023/24 £3.0m savings will be needed to offset rising costs. The key driver in the level of savings requirements is increasing inflationary pressure. Following the relaxation in public sector pay constraints, the medium term forecast assumes annual pay rises of 2.5%. Inflation on the majority of non-staff budgets has been set at 2% for the life of the medium term forecast in line with Bank of England estimates. Against this backdrop, all expenditure budgets are subject to rigorous scrutiny including an annual budget Star Chamber process, where budget holders are required to justify their budget requirements.
- 6.2 Recognising the need to make further budget savings in the medium term 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 reductions in expenditure. Whilst no firm

decisions have been made, initiatives, which will be explored as part of the Constabulary's Vision 2025 Strategy include, adjusting the workforce mix, consolidating functions to provide greater resilience, collaboration with other forces and other public sector bodies and realising benefits from investment in new technology.

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 £0.100m in capital grant to support capital expenditure from the 2020/21 settlement, which is significantly reduced (-73%) from the capital grant received in 2019/20 of £0.372m. Over recent years the level of capital grant has reduced significantly as a result of national top-slicing from capital allocations, contributing to a widening gap between the requirement for capital expenditure and capital funding. This has to be met by revenue contributions to capital, capital receipts from the disposal of property and the use of reserves. From 2020/21 the revenue budget contributes £3.5m to fund capital, this figure has increased from £1.8m in 2019/20. Over the four years of the medium term financial forecast, major capital schemes for ICT and estates are primarily funded through these revenue contributions, one off reserves and capital receipts. Beyond 2023/24 both reserves and capital receipts as sources of funding will be largely exhausted and as a result 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 £19.4m at the start of 2020/21 to £14.5m by end of March 2024, largely due to provision of funding to the support the capital programme. Of the remaining £14.5m, the general reserve of £3m is held for managing financial risks and unforeseen events, budget support, stabilisation and insurance reserves/contingencies of £9.0m provide further resilience, whilst a small number of other reserves are earmarked for specific purposes including pooled/partnership funds.

8.2 The agenda includes a separate paper, **The Reserves Strategy for 2020/21** (see item 11c). The reserves strategy, sets out the purposes for which the individual reserves are held and the planned movements over the life of the medium term budget.

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 a specific survey on the Commissioner's website during the budget setting process for 2020/21. A total of 1,473 individuals responded to the survey and the outcome of public consultation has been that the majority of respondents (69%) have agreed with the proposal to increase council tax by £8.91 (3.47%) which is under the maximum allowed amount of £10 on a band D property. 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 on 7th February 2020 and made a recommendation that the Constabulary aspire to recruit to the establishment provision of 95 PCSOs.
- 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 2020/21 to 2023/24. The 2020/21 budget is balanced based on a precept increase of £8.91 for a band D property which equates to an increase of 3.47%. In future years savings will be required to offset a deficit of an average of £3.0m by 2023/24. The precept proposal will increase the annual Council Tax attributable to the Commissioner by £8.91 for a Band D property resulting in a Band D Council Tax charge of £265.59.

11. Recommendations

- 11.1 Appendix B 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 budget requirement for 2020/21 be set on the basis of the amount within the budget resolution at appendix C**

- c) **The council tax for Band D properties be approved at £265.59 for 2020/21, an increase of £8.91.**

12. Acknowledgements

- 12.1 The budget is recommended to the Commissioner with recognition for the hard work and support of the financial services 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.

Roger Marshall

Joint Chief Finance Officer

19 February 2020

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

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Budget for the Commissioner and the budget for the Chief Constable

Description	Base Budget 2019/20 £	Base Budget 2020/21 £	Base Budget 2021/22 £	Base Budget 2022/23 £	Base Budget 2023/24 £
Constabulary Funding					
Police Officer - Pay & Allowances	63,979,207	67,504,354	69,640,508	71,886,082	73,548,987
Police Officer - Contribution to Pension Fund A/c	22,915,000	24,923,000	26,506,000	21,215,000	21,215,000
Police Officer - Ill Health & Injury Pensions	1,211,319	1,246,534	1,271,465	1,296,895	1,322,833
Police Community Support Officers	2,738,236	2,272,442	3,494,714	3,562,082	3,631,135
Police Staff - Pay & Allowances	22,496,766	24,259,556	24,098,467	24,749,929	25,529,678
Other Employee Benefits	1,341,001	1,745,039	1,933,362	1,966,677	1,976,611
Transport Related Expenditure	2,292,794	2,453,549	2,524,137	2,597,347	2,673,157
Supplies & Services	10,529,007	11,094,206	11,113,271	11,335,537	11,562,248
Third Party Related Expenditure	2,188,724	2,178,139	2,221,702	2,266,137	2,311,460
Earned Income	(5,210,621)	(5,347,137)	(5,307,592)	(5,408,161)	(5,466,369)
Total Constabulary Funding	124,481,433	132,329,683	137,496,034	135,467,525	138,304,740
Commissioner's Budget					
Office of the Police & Crime Commissioner	749,008	822,715	842,275	862,309	882,832
Commissioned Services Budget	2,244,773	2,249,590	2,249,590	2,249,590	2,249,590
Premises Related Costs	4,310,486	4,452,921	4,558,171	4,666,436	4,779,821
LGPS Past Service Costs	503,400	22,300	22,800	23,400	24,000
Insurances & Management of Change	706,439	727,604	743,204	754,404	765,904
Accounting & Financing Costs	7,364,569	4,681,948	6,250,755	7,094,596	4,663,464
Contributions to Reserves Revenue	183,379	95,884	166,784	168,184	119,584
Grants & Contributions	(29,940,784)	(33,384,558)	(34,976,324)	(29,694,310)	(29,703,520)
Grants - Victims & Restorative Justice	(575,661)	(583,172)	(583,172)	(583,172)	(583,172)
Grants - Capital	(371,698)	(100,000)	(100,000)	(100,000)	(100,000)
Interest/Investment Income	(165,000)	(96,491)	(73,529)	(55,408)	(7,817)
Total Commissioner's Budget	(14,991,089)	(21,111,259)	(20,899,446)	(14,613,971)	(16,909,314)
Use of Reserves					
Revenue Reserve Drawdown	(1,586,210)	(1,018,941)	(181,204)	(99,978)	(113,198)
Capital Reserve Drawdown	(4,162,275)	0	(1,575,000)	(2,425,000)	0
Total Use of Reserves	(5,748,485)	(1,018,941)	(1,756,204)	(2,524,978)	(113,198)
Budget Requirement	103,741,858	110,199,483	114,840,383	118,328,576	121,282,228
Formula Grant & Council Tax Income					
General Police Grant	(59,942,966)	(64,429,188)	(63,498,166)	(65,602,866)	(65,602,866)
Council Tax Precepts	(43,798,892)	(45,770,294)	(47,974,705)	(50,255,926)	(52,648,004)
Total Formula Grant & Council Tax Income	(103,741,858)	(110,199,482)	(111,472,871)	(115,858,792)	(118,250,870)
Net Deficit/Savings Requirement	0	0	3,367,513	2,469,784	3,031,357
Council Tax per Band D Property	£256.68	£265.59	£276.21	£287.19	£298.62
Increase over previous year		£8.91	£10.62	£10.98	£11.43
Percentage Increase		3.47%	4.00%	3.98%	3.98%

Budget Resolution

Local Government Act 2003 Requirements: That the comments of the Joint 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 2020/21.

Revenue Estimates 2020/21: That the Commissioner's net **Budget Requirement** of £110,199,483 be approved.

Council Tax Base 2020/21: That it is noted that the Council Tax base has been calculated at the amount of 172,396.27 for 2020/21. 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 2020/21 financial year:

Ref	2020/21 Amount £s	Description
(a)	£150,633,898	being the total of gross expenditure
(b)	£40,434,415	being the total of income from specific grants, fees and charges and transfers from reserves
(c)	£110,199,483	being the Budget Requirement for the year to be met from Council Tax and External Finance
(d)	£64,429,188	being the total the Commissioner estimates will be received from external financing, being the Police Grant
(e)	-£16,430	being the net surplus/(deficit) on district collection funds
(f)	£45,786,725	being the council tax requirement (the budget requirement less the collection fund surplus and external finance)
(g)	£265.59	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	Precept 2020/21 Amount £.pp	Proportion
Band A	177.06	6/9 ths
Band B	206.57	7/9 ths
Band C	236.08	8/9 ths
Band D	265.59	9/9 ths
Band E	324.61	11/9 ths
Band F	383.63	13/9 ths
Band G	442.65	15/9 ths
Band H	531.18	18/9 ths

Billing Authority	Tax Base 2020/21	Precept (Band D) £	Amount Payable £
Allerdale Borough	30,905.23	265.59	8,208,120.04
Barrow Borough	19,730.84	265.59	5,240,313.80
Carlisle City	34,468.61	265.59	9,154,518.13
Copeland Borough	20,838.01	265.59	5,534,367.08
Eden District	20,741.45	265.59	5,508,721.71
South Lakeland District	45,712.13	265.59	12,140,684.61
Total	172,396.27	265.59	45,786,725.35



Cumbria Office of the Police and Crime Commissioner

Reserves Strategy 2020/21

Public Accountability Conference 19 February 2020

Report of the Joint Chief Finance Officer

1. Introduction and Background

1.1 This reserves strategy is produced and published as part of the overall budget setting process. The reserves strategy meets the statutory requirement to consider annually the level of reserves that should be held to meet future expenditure requirements when setting the budget. The strategy seeks to achieve a balance between pro-actively utilising reserves to support services for our communities and providing financial resilience to meet unexpected events. It sets out the purpose for which reserves are held and the planned movement in reserves over a period of 4 years (the medium term financial forecast period). 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.

1.2 Over the past year, the level of reserves nationally have become a focus of attention for the Home Office and it is now considered best practice to publish a **reserves strategy**, which covers the MTF 4 year timeframe plus a further 2 years, 6 years in total.

- 1.3 As part of the budget process a capital strategy is produced which includes capital plans over a longer 10 year timeframe, reflecting the cyclical nature of capital expenditure programmes. In order to facilitate the production of the capital strategy and associated capital financing, reserve balances are projected over this longer 10 year timeframe. For this reason it has been determined that a reserves strategy should be produced covering a 10 year timeframe (exceeding the best practice requirements).
- 1.4 The level of reserves should take into account the medium term financial plan and not be based solely on short term considerations. Set out in section 2 below is a description of the reserves held by the Commissioner and the purpose for which they are held. At **Appendix A** a table is provided which sets out the planned movement in reserves over this longer 10 year timeframe to 31 March 2030. **Appendix B** summarises this information graphically.
- 1.5 The medium term financial forecast shows a budget deficit of £3m from 2021/22 onwards. Savings plans are being progressed to address the deficit. In the event that this is not achieved, reserves will be required to bridge the gap and will result in the level of reserves depleting more quickly than indicated in this strategy.

2. Details of Specific Groups of Reserves

- 2.1 **General Reserves:** The general reserve (police fund) is the main contingency for unexpected events, and the management of cash flow. The level of general reserve is £3m in 2020/21. 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 Joint 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.
- 2.2 **Earmarked 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. The capital reserves currently include a reserve to allow consideration of options for the West Cumbria TPA HQ and a balance of general capital reserve. The current capital programme forecasts that these reserves will be almost fully utilised by the end of March 2023.

- 2.3 **Earmarked Revenue Reserves:** Earmarked reserves are held for a number of specific purposes, see paragraphs 2.4 to 2.6 below.
- 2.4 **Budget Stabilisation and Insurance Reserves** are established to smooth the impact of intermittent costs across financial years. This group of reserves includes operational reserves for the Commissioner and Chief Constable, these reserves are to cover any unexpected expenditure that arises during a financial year that cannot be accommodated for existing budgets. The strategy is for these reserves to be replenished if used through the next budget cycle. This group also includes the Chief Constable's contingency, this reserve was established when a more risk based approach to budgeting was adopted thereby removing contingency sums from individual budgets. An Insurance reserve is also maintained to cover the cost of insurance claims below the policy excess.
- 2.5 **Budget Support Reserves** the budget support reserve was established to meet emerging demands and unforeseen items.
- 2.6 **Short-term Project Reserves** primarily fund the one off revenue implications of approved projects and also provide for areas within the budget where there is a liability but the amount or timing is uncertain. This group includes a reserve to cover the future lifecycle costs in relation to the PFI. This group also includes funding in relation to Cumbria road safety initiatives which is ring-fenced to be spent on road safety measures, a reserve to fund the cyclical replacement of body armour and reserves in relation to PCC commissioned services where the approved spend will be drawn down over a number of years.

Roger Marshall, Joint Chief Finance Officer, 19 February 2020

Corporate Support / Financial Services / MB

Planned Movement in Reserves 2020/21 to 2029/30

Reserves Plan 2020 - 2030	Actual Balance 31/03/19 £000s	Forecast Transfers 2019/20 £000s	Estimated Gain/(Use) 2019/20 £000s	Forecast Balance 31/03/20 £000s	Net Gain/(Use) 2020/21 £000s	Forecast Balance 31/03/21 £000s	Net Gain/(Use) 2021/22 £000s	Forecast Balance 31/03/22 £000s	Net Gain/(Use) 2022/23 £000s	Forecast Balance 31/03/23 £000s	Net Gain/(Use) 2023/24 £000s	Forecast Balance 31/03/24 £000s	Net Gain/(Use) 2024/25 £000s	Forecast Balance 31/03/25 £000s	Net Gain/(Use) 2025/26 £000s	Forecast Balance 31/03/26 £000s	Net Gain/(Use) 2026/27 £000s	Forecast Balance 31/03/27 £000s	Net Gain/(Use) 2027/28 £000s	Forecast Balance 31/03/28 £000s	Net Gain/(Use) 2028/29 £000s	Forecast Balance 31/03/29 £000s	Net Gain/(Use) 2029/30 £000s	Forecast Balance 31/03/30 £000s
General Reserve/Police Fund	3,000	0	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
Total General Reserve/Police Fund	3,000	0	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000	0	3,000
Capital Reserves																								
General Capital Reserve	3,215	(1,457)	(1,758)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
HQ Refurbishments	294	0	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294
Eden Deployment Centre	3,628	(3,628)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
West Cumbria Estate	3,497	0	503	4,000	0	4,000	(1,575)	2,425	(2,425)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Capital Reserves	10,634	(5,085)	(1,255)	4,294	0	4,294	(1,575)	2,719	(2,425)	294	0	294	0	294	0	294	0	294	0	294	0	294	0	294
Budget Stabilisation/Insurance																								
PCC Operational Reserve	250	0	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250
Constabulary Operational Reserves	250	0	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250	0	250
Chief Constable's Contingency	500	0	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500	0	500
Insurance Reserve	1,223	0	46	1,269	46	1,315	46	1,361	46	1,407	46	1,453	46	1,499	46	1,545	46	1,591	46	1,637	46	1,683	46	1,729
Total Budget Stabilisation/Insurance Reserves	2,223	0	46	2,269	46	2,315	46	2,361	46	2,407	46	2,453	46	2,499	46	2,545	46	2,591	46	2,637	46	2,683	46	2,729
Budget Support Reserves																								
Budget Support Reserve	2,839	5,085	(668)	7,256	(717)	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539
Total Budget Support Reserves	2,839	5,085	(668)	7,256	(717)	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539	0	6,539
Short Term Project Reserves																								
PFI Lifecycle Replacements	274	0	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274	0	274
Finance System Upgrade	6	0	(6)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Body Armour (Future Roll Out)	191	0	50	241	50	291	50	341	50	391	0	391	50	441	50	491	50	541	50	591	50	641	50	691
Cumbria Road Safety Initiatives	269	0	(221)	48	(23)	25	71	96	71	167	73	240	0	240	0	240	0	240	0	240	0	240	0	240
HQ Security	80	0	(80)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CS Change Manager	28	0	3	31	(31)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Business Intelligence	143	0	(113)	30	(30)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Red Sigma	407	0	(169)	238	(144)	94	(94)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commissioned Services	1,816	0	(100)	1,716	(74)	1,642	(87)	1,555	(100)	1,455	(113)	1,342	(120)	1,222	(120)	1,102	(120)	982	(120)	862	(120)	742	(120)	622
Total Short Term Project Reserves	3,214	0	(636)	2,578	(252)	2,326	(60)	2,266	21	2,287	(40)	2,247	(70)	2,177	(70)	2,107	(70)	2,037	(70)	1,967	(70)	1,897	(70)	1,827
Total Earmarked Revenue Reserves	8,276	5,085	(1,258)	12,103	(923)	11,180	(14)	11,166	67	11,233	6	11,239	(24)	11,215	(24)	11,191	(24)	11,167	(24)	11,143	(24)	11,119	(24)	11,095
Total All Reserves	21,910	0	(2,513)	19,397	(923)	18,474	(1,589)	16,885	(2,358)	14,527	6	14,533	(24)	14,509	(24)	14,485	(24)	14,461	(24)	14,437	(24)	14,413	(24)	14,389

Overall reserves are forecast to fall to just £14.5m over the life of the MTFF, this represents a fall of 34% compared to their current level of £21.9m

Planned Movement in Reserves 2020/21 to 2029/30

